

REAL ASSETS  
PRIVATE EQUITY  
PUBLIC EQUITY  
CREDIT

Investment Manager

360 Capital



Corporate Adviser



# 360 Capital Proposal to the Members of the Australian Enhanced Income Fund

August 2020



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# 1. Proposal Overview



Should Members approve the proposal to replace the responsible entity, 360 Capital will expand the Fund’s focus to include investment in private credit opportunities in Australia and New Zealand.

**360 Capital Proposal**

- 1

Call a Unitholder meeting - 360 Capital to pay for the costs of the meeting
- 2

Seek Unitholder approval to replace Elstree Investment Management as the Fund’s responsible entity
- 3

360 Capital will provide Members the ability to redeem if they do not wish to remain in the Fund
- 4

Make a \$0.15 per unit special payment to Members that remain in the Fund

**Voting and Meeting Timetable**

Item	Due Date
Circulate information pack to investors	Thursday, 13 August 2020
Timeframe for proxy voting closes	5pm, Friday, 4 September 2020
Provide proxy forms to AYF	2pm, Monday, 7 September 2020
Meeting date	2pm, Wednesday, 9 September 2020
Record date	5pm, Wednesday, 9 September 2020
Withdrawal Request End Date	5pm, Wednesday, 16 September 2020
Special Payment Condition Date	5pm, Wednesday, 21 October 2020



## 2. 360 Capital – Proposed Strategy



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## 6.6% Yield<sup>1</sup>

Forecast yield based on current pipeline

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## Monthly Distributions

With a focus on capital preservations and loss minimisation

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## ASX Liquidity

Through established ASX vehicle AYF

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## \$3.4m Investment

360 Capital holds 18.7% of units on issue and is the largest investor

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## \$5m-\$30m

Target individual loan size

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## Defensive Alternative

Access to a defensive, income generating asset class previously only available to institutional investors

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## Diversified Senior Loans

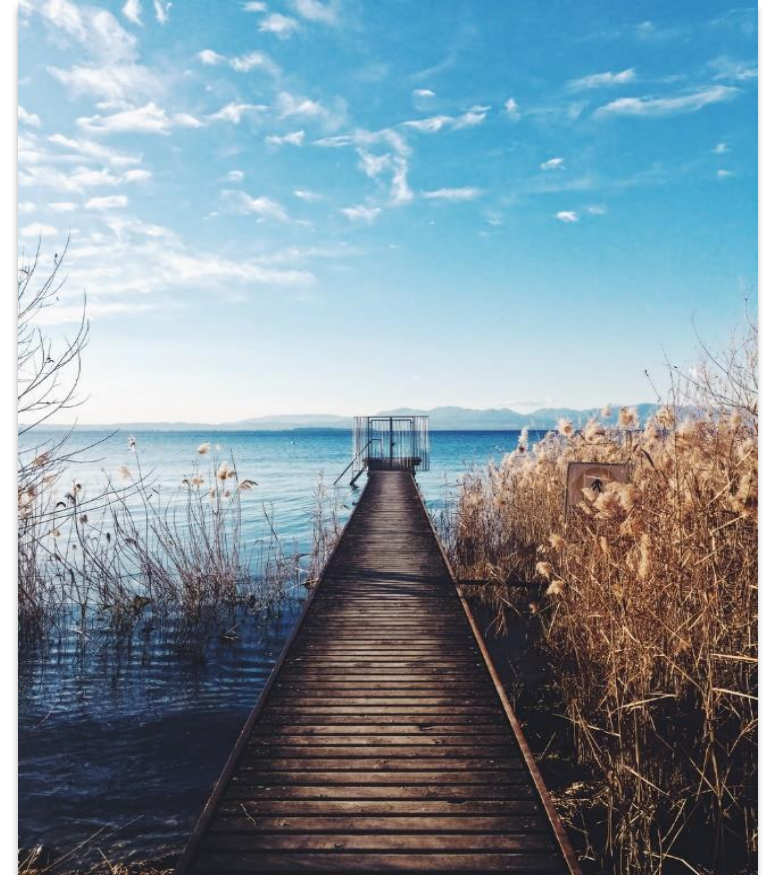
Australian and New Zealand middle market corporates

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## Independent Governance

Best in class governance and compliance framework

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1. Forecast yield based on the 30 June 2020 closing price of \$5.40 per unit.



## 3. About 360 Capital Group



360 Capital is an ASX-listed, asset and funds management group focused on strategic investments and active management of alternative assets.

## Established & Successful Track Record

14 years

Founded in 2006, 360 Capital has been successfully managed through multiple cycles

59%

IRR over 10 years<sup>1</sup>

~\$190m

ASX Market Cap

~\$100m

Free cash balance, no debt

~35%

Owned by staff and Directors

## Diversified Product Offering

FINANCE  
PRODUCT DISTRIBUTION  
GOVERNANCE AND COMPLIANCE  
GROWTH CAPITAL

REAL ASSETS	PRIVATE EQUITY	PUBLIC EQUITY	CREDIT
360 Capital REIT (ASX:TOT)	360 Capital is exploring a number of private equity investments	360 Capital Active Value Equity Fund	360 Capital Credit Income Fund
360 Capital Digital Infrastructure Partners		Ralton Asset Management	
360 Capital Digital Infrastructure Fund (ASX:TDI)			
Velocity Property Group (ASX:VP7)			

1. On an IRR basis, as at October 2019, assuming dividends were reinvested.





## 1. Regular Income

Forecast yield of 6.6%. Returns paid on a monthly basis.



## 2. Unique Asset Class

Structural sector shift with ongoing regulatory and compliance requirements



## 3. Investment Liquidity

Through established ASX listed entity



## 4. Risk Profile

Best in class risk analytics systems benchmarked against listed peers

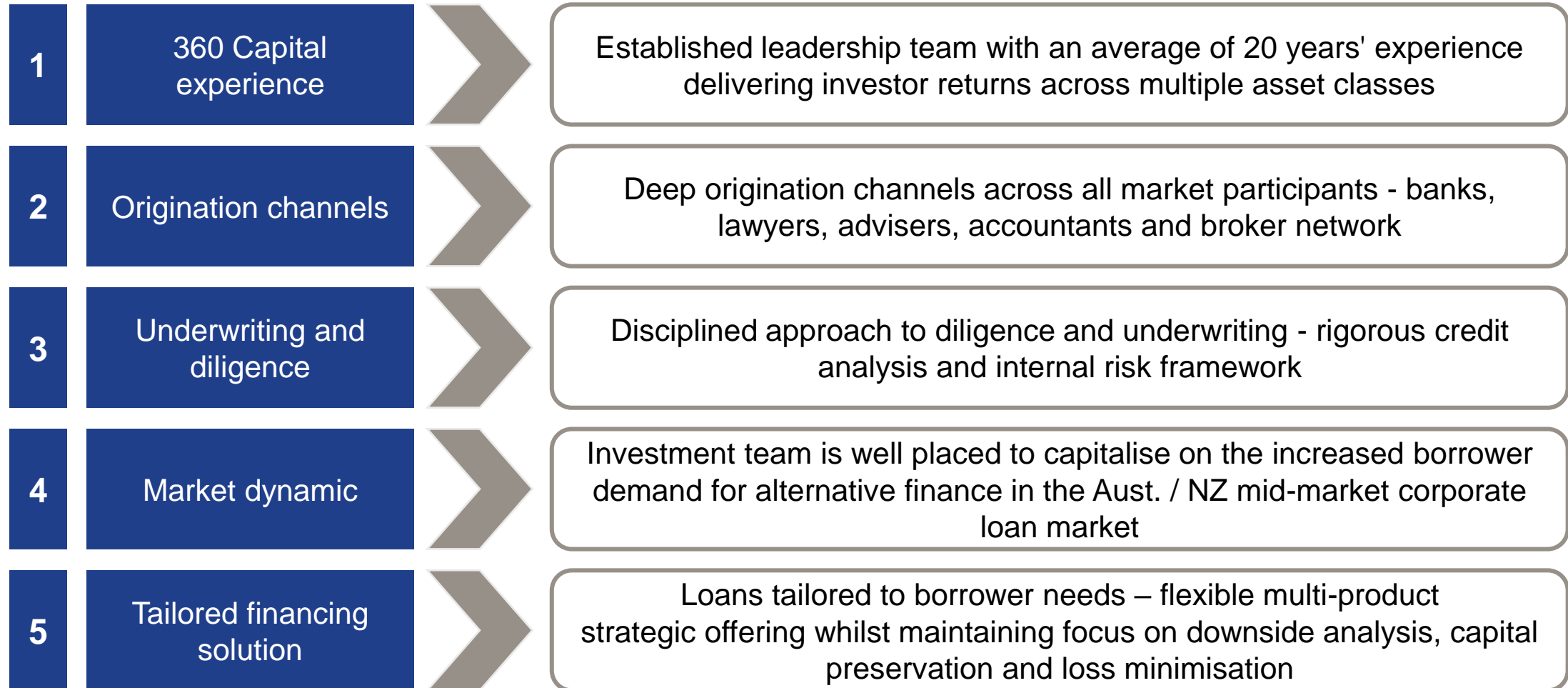


## 5. Experienced Manager

360 Capital Group has a proven track record in delivering strong returns in alternative assets

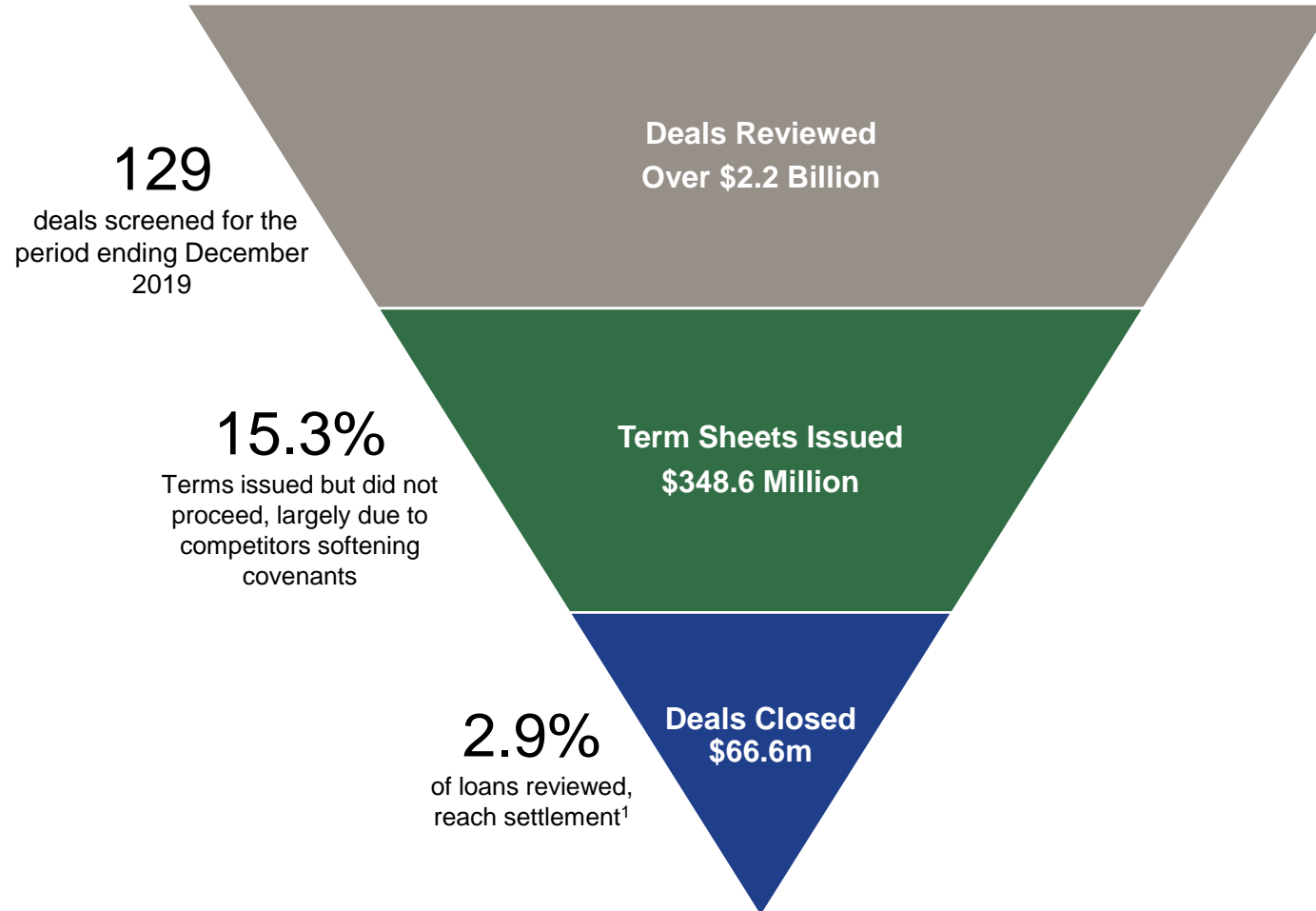


## Why 360 Capital Credit?





## 1H20 Real Estate Lending



1. Established alternative lender with a disciplined capital allocation approach
2. Exposures in real estate and development finance
3. Multi-platform originator:
  - a. Dealt
  - b. AMF Finance
  - c. Advisory and broker network
  - d. Over 7,500 advisors and brokers
4. Active pipeline of >\$300M
5. Ability to finance across the capital stack



## 4. Fund Investment Strategy



- Credit thesis built on **established enterprise, strong management** and **stable cashflows**
- 3 distinct strategies focused on **capital preservation** and **loss minimisation**
- 3 – 5 year loan terms subject to borrower credit quality
- Industry agnostic creating diversification (ex-real estate)
- Geographic exposure to mid-market borrowers in Australia and New Zealand
- Fixed and floating rate loans
- Gearing limited to 30% of GAV and to meet working capital requirements

## 3 Strategies

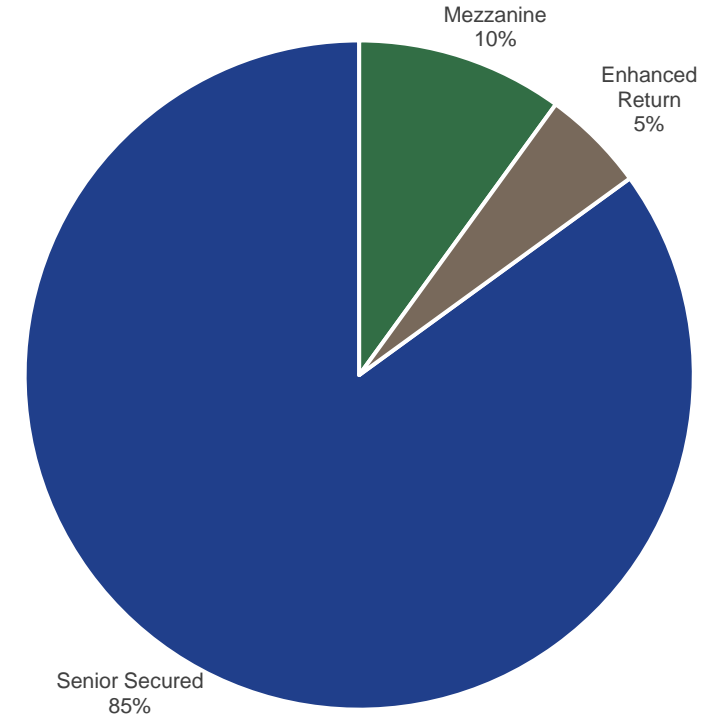
Senior secured, mezzanine, enhanced return

## Diversified Loans

by industry; geography; loan type; size and tenor

### 30%

Portfolio Gearing – for working capital and liquidity purposes





Senior Secured Loans		Subordinated & Mezzanine Loans		Enhanced Return Strategy	
Strategy Limit	50 -100%	Strategy Limit	0 - 30%	Strategy Limit	0 - 30%
Target Weighting	85 -100%	Target Weighting	0 -10%	Target Weighting	0 - 5%
Target Loan Returns	6 - 8%	Target Loan Returns	9 -15%	Target Loan Returns	>15%
Risk Profile	Low	Risk Profile	Low – Medium	Risk Profile	Medium
Typical Loan Size	\$5M - \$30M	Typical Loan Size	\$5M - \$20M	Typical Loan Size	\$2M+
Credit Quality	Investment & Sub-Investment Grade	Credit Quality	Sub-Investment Grade	Credit Quality	Sub-Investment Grade
Typical Loan Leverage	2x - 4x	Typical Loan Leverage	3x - 5x	Typical Loan Leverage	Various
Term	3 - 5 Years	Term	1 - 3 Years	Term	6 months +
Security	1st Ranking GSA 1st Mortgage	Security	2 <sup>nd</sup> Ranking GSA Intercreditor Agreements	Security	2 <sup>nd</sup> Ranking GSA Warrants, Options, Preferred Equity

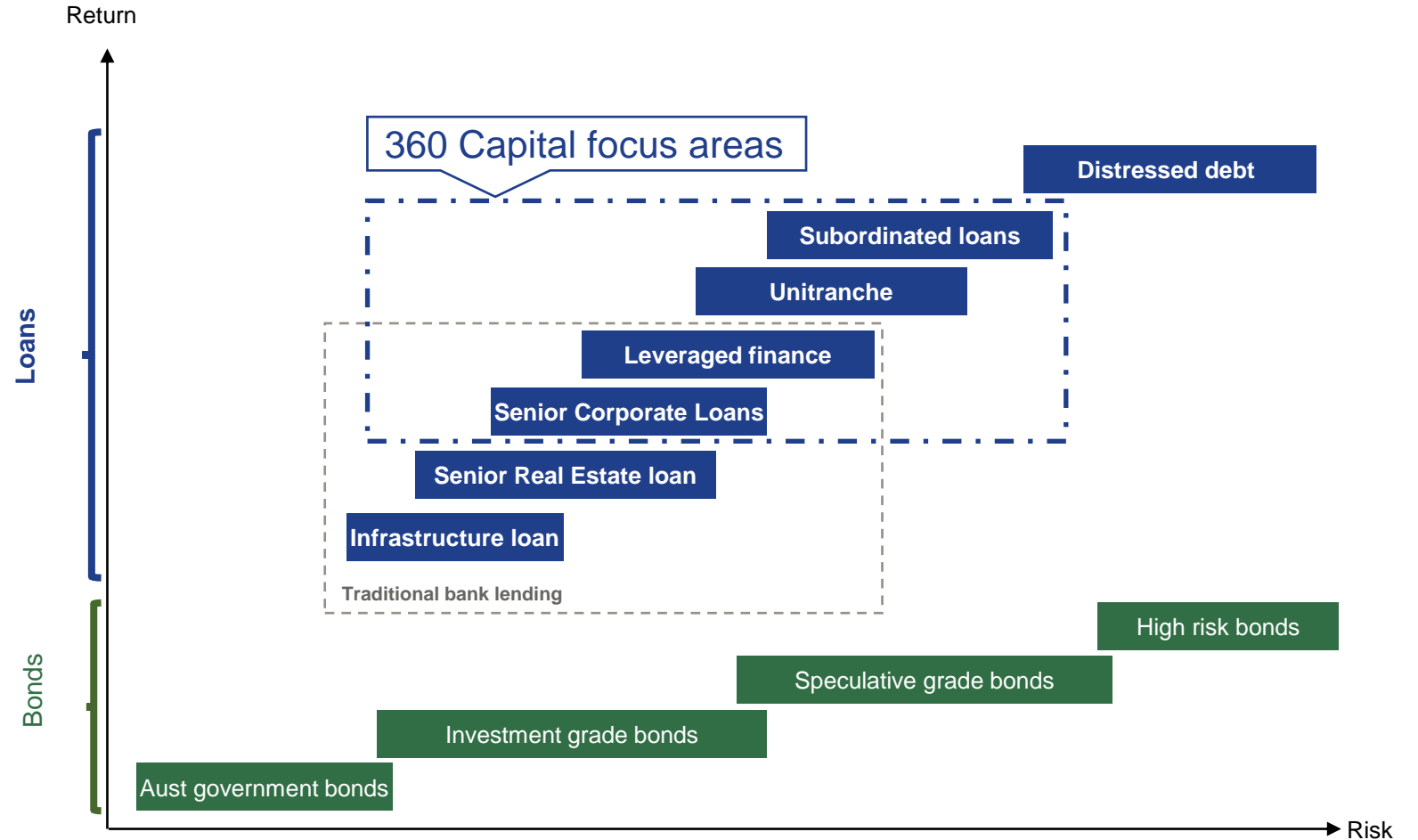
**EBITDA \$5M - \$50M**

**Enterprise Value \$50M - \$500M**

**M&A, Capex, Growth Capital**



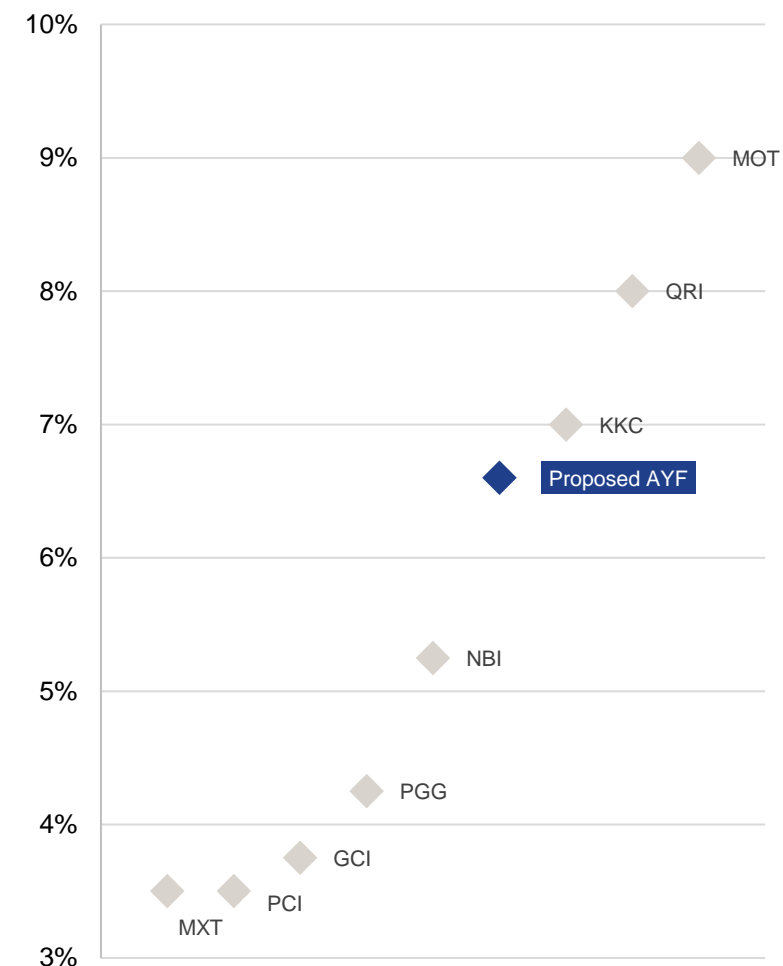
- Private credit is a defensive alternative
- Diversity in credit exposure reduces volatility
- Risk mitigation and capital preservation core to strategy
- Loans predominantly provided on floating rate basis (BBSY)
- Secured by cash flows and real assets
- Equity buffers in transactions improve recovery rates
- Cash flow serviceability with strong management strategic expertise





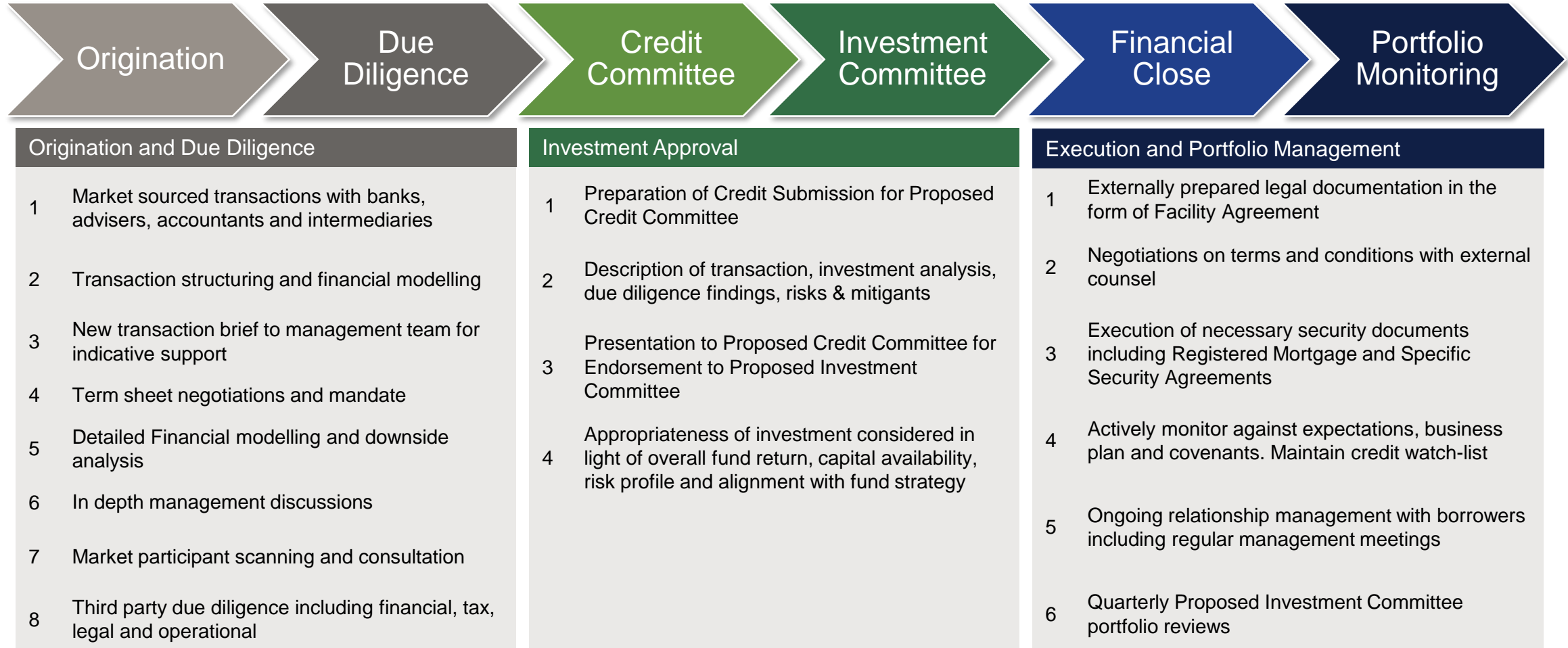
Fund	ASX Code	MER	Target Return p.a. (post fees)	Credit Segment
MCP Master Income Trust	MXT	0.6%	RBA + 3.25% (3.50%)	Corporate loans
MCP Income Opportunities Trust	MOT	1.03%	8.00%-10.00%	Private debt
Gryphon Capital Income Trust	GCI	0.86%-0.96%	RBA + 3.5% (3.75%)	ABS, RMBS
NB Global Income Trust	NBI	0.85%	5.25%	Global high yield
Perpetual Credit Income Trust	PCI	0.88%	RBA + 3.25% (3.50%)	Diversified credit
Qualitas Real Estate Income Fund	QRI	2.34%	8.00% net	Commercial real estate loans
Partners Group Income Fund	PGG	1.56%	RBA + 4.00% (4.25%)	Private debt
KKR Credit Income Trust	KKC	0.90%	6.00% - 8.00%	Diversified credit, private credit
<b>Proposed AYF (under 360 Capital)</b>	<b>AYF</b>	<b>1.35%</b>	<b>6.6%<sup>1</sup></b>	<b>Private credit</b>

### Target Returns



1. Forecast yield paid to members on the pipeline of transactions based on the 30 June 2020 closing price of \$5.40 per unit.







**Executive Committee**



**Tony Pitt**  
Managing Director



**Chris Chase**  
Fund Manager



**James Storey**  
Head of Real Assets



**Dennison Hambling**  
Head of Public & Private Equity

**Portfolio Management Team**



**Mitchell Peasley**  
Assistant Fund Manager



**Scott Morgan**  
Origination Manager



**Fleur Graves**  
Senior Analyst



**Jonathon Nguyen**  
Analyst

**Proposed  
Credit Committee**



**Andrew Moffat**  
Chairman - Credit Committee



**Brett Palmer**  
Credit Committee Member



**Phil McEwen**  
Credit Committee Member

**Proposed  
Investment Committee**



**Andrew Moffat**  
Non-executive Chairman



**Tony McGrath**  
Non-Executive Director



**Dennison Hambling**  
Executive Director



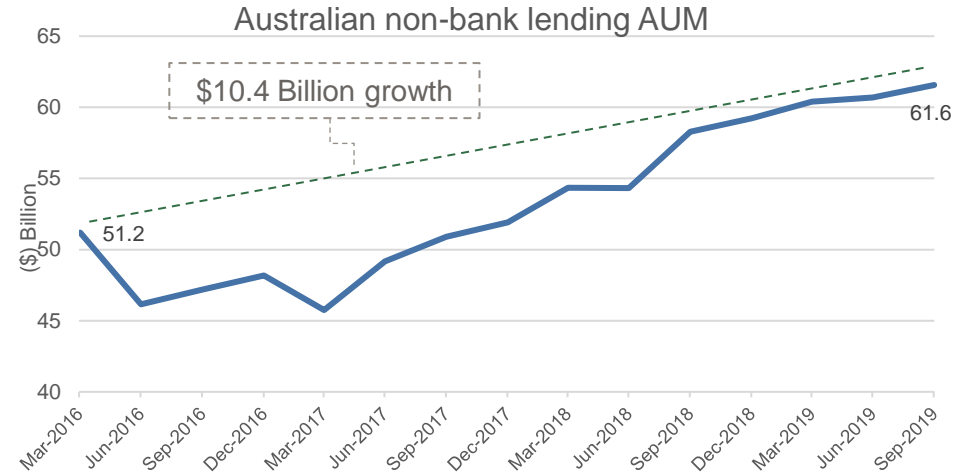
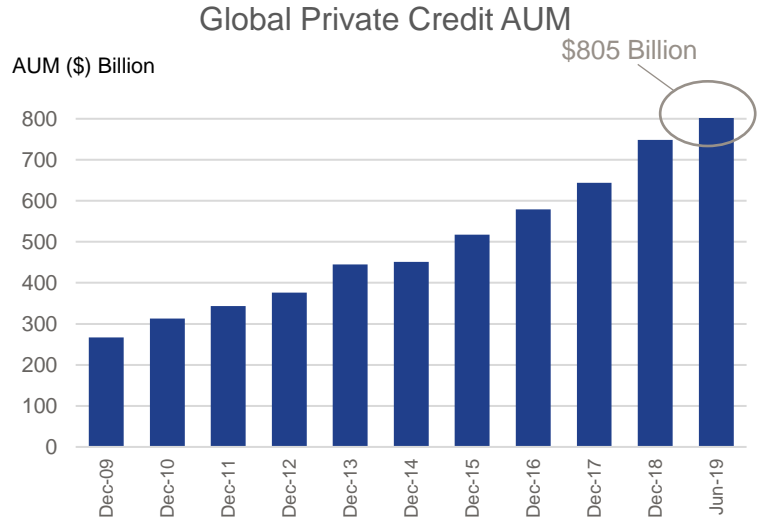
**Glenn Butterworth**  
Executive Director



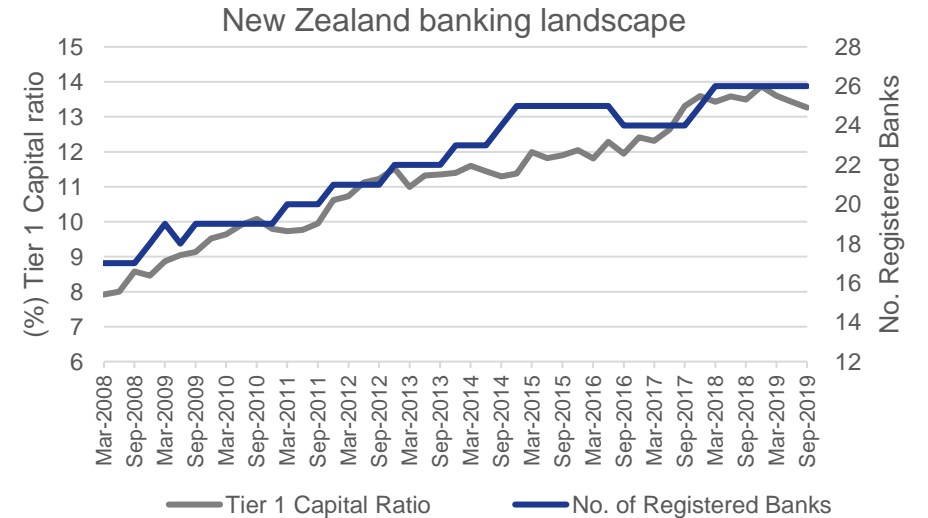
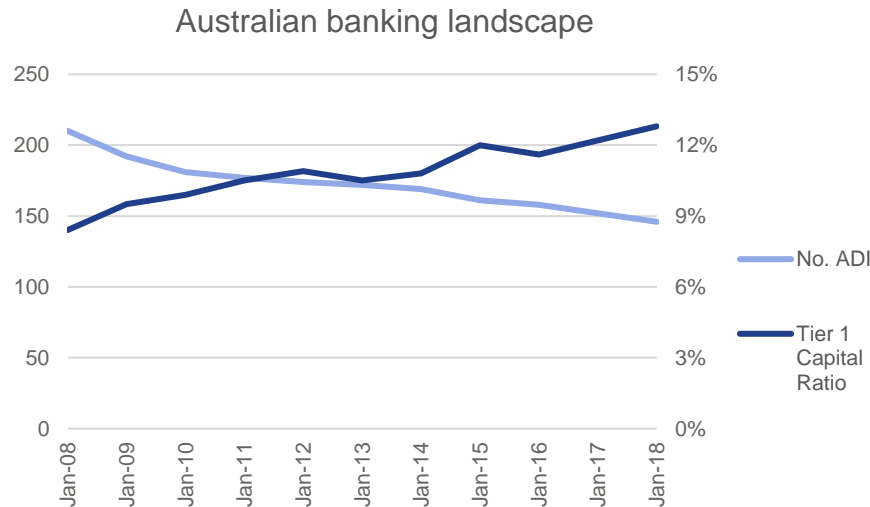
## 5. Private Credit Markets Overview



Private Credit  
attractive  
globally for  
investors

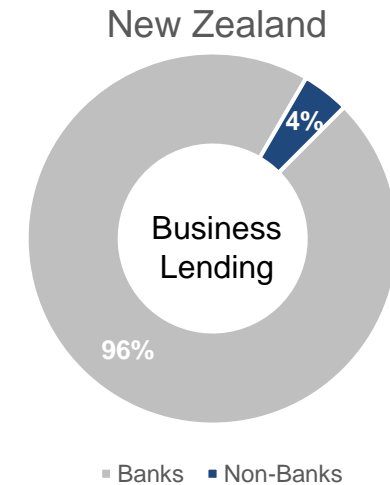
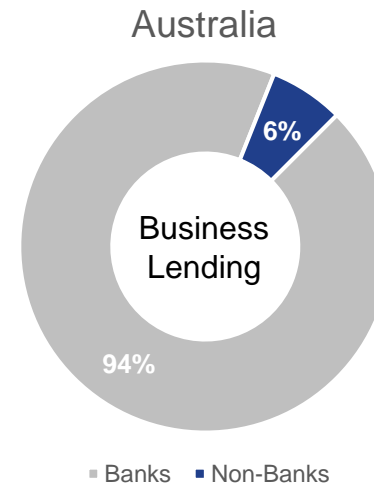
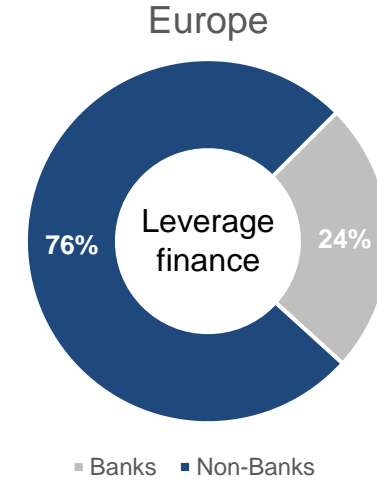
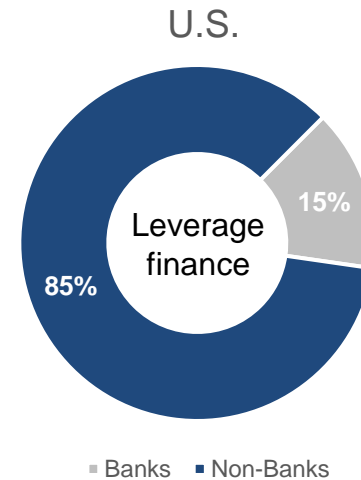


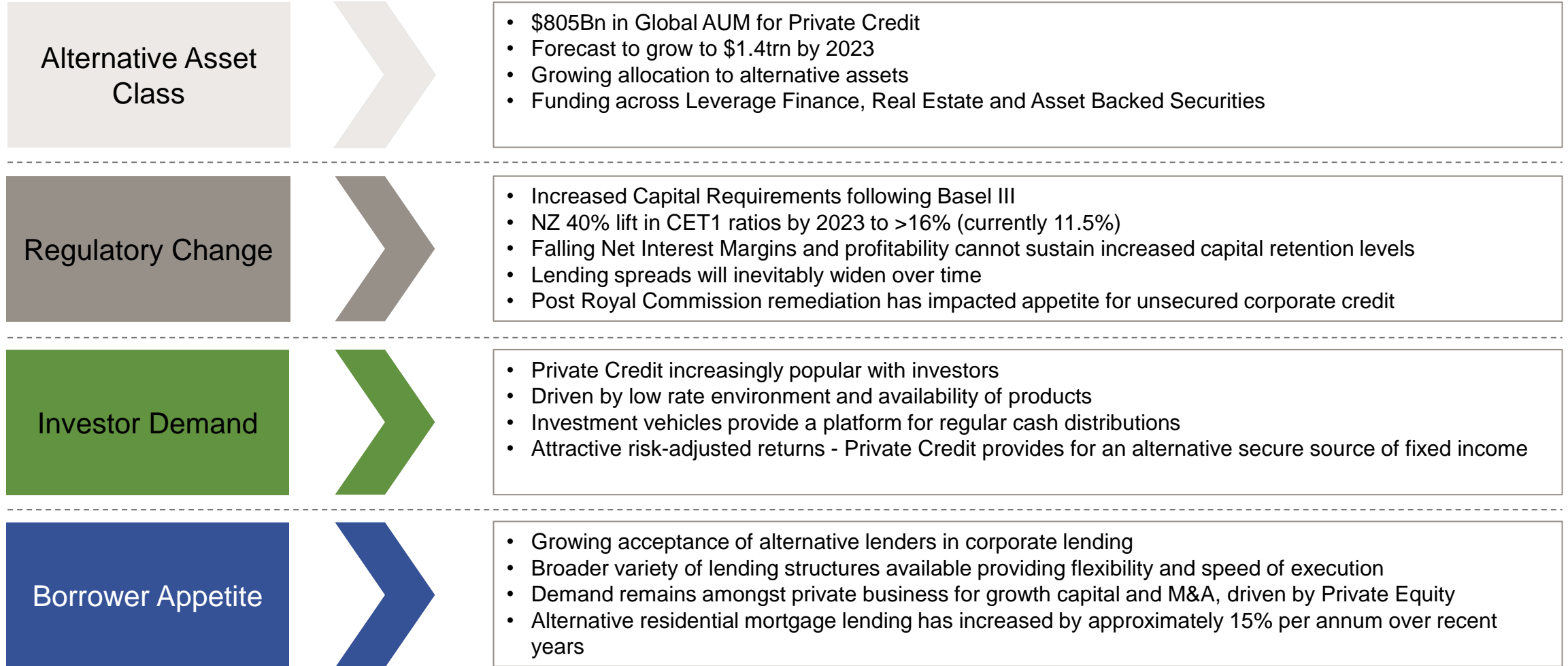
Changing  
Regulatory  
Landscape in  
AUS & NZ





- Corporate loan market is dominated by the major banks
- Australia operates in a distinctly different fashion to the US and Europe, considered market leaders in corporate and leveraged lending
- Australian corporate loans contain structural enhancements over overseas markets through secured positions and tighter restrictions around seniority and control particularly through covenants
- The market is changing and the emergence of US and European institutional lending is beginning to emerge in domestic loan markets
- The trend for alternative lending is established in retail credit, with market share of the mortgage lending market across Australia and New Zealand shifting dramatically in the past 5 years







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Note that the information is presented in Australian dollars, unless otherwise noted.



# Appendix 1: Proposed Responsible Entity





**David van Aanholt**  
Non-executive Chairman

David has over 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David worked for the ASX listed Goodman Group where he was the Chief Executive Officer (Asia Pacific) and was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore.

Prior to working for Goodman David held senior roles at Paladin Australia and CDH Properties (acquired by KPMG). David holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Masters in Business Administration and he is a Fellow of the Australian Property Institute.

David is a non-executive Director and Chair of Kennard's Self Storage Group and a Councillor at the University of New England where he sits on the Audit and Risk, Finance and Infrastructure, Innovation and Remuneration Committees



**Tony Pitt**  
Managing Director

Tony is a founding Director of 360 Capital Group and has worked in the property and property funds management industries for over 20 years. As Managing Director, Tony is responsible for the Group's investments, strategic direction and overall Group strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken various corporate acquisitions and disposals, mergers and acquisitions and the ASX listing of 360 Capital Group.

Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis. He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.



**Graham Lenzner**  
Non-executive Director

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets.

Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director.

Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited.

Graham has served on the board of a number of public and private companies.



**John Ballhausen**  
Non-executive Director

John is a financial services professional with over 35 years' experience. He is a founder of Quay Fund Services Limited providing trustee and responsible entity services to fund managers. He is also a non-executive director of Arctic Intelligence.

John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately \$100 million in funds under management spread over four registered property schemes. Before 2002 John held the position of Chief Investment Officer with HIH Insurance, with responsibility for more than \$3 billion of funds across fixed interest, equities and property asset classes. John has a Bachelor of Commerce from the University of NSW, is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.



**Andrew Moffat**  
Non-executive Director

Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited.

Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services. Andrew is also a Director of Pacific Star Network Limited and a Director of ICP Funding Pty Ltd.

His past public company directorships include Rubik Financial Limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.



## Appendix 2: Proposed Investment Committee



**Andrew Moffat**  
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**Tony McGrath**  
Non-Executive Director

Tony McGrath has over 33 years of experience in corporate markets specialising in restructuring and insolvency.

Tony began his career at KPMG before founding McGrathNicol in 2004, leading the firm to become a prominent national restructuring, insolvency and advisory business.

Throughout his career, Tony has undertaken some of Australia's largest and most complex insolvencies including HIH Group of Companies, Great Southern Limited and Pan Pharmaceuticals.

Tony has been the Chairman of McGrathNicol since 2004 and is currently a director of QBE Insurance (Australia) Limited, Servcorp Limited and a Commissioner of the National Rugby League. Tony also serves on a number of Not-for-Profit boards.



**Dennison Hambling**  
Head of Equities

Prior to joining 360 Capital, Dennison was the Chief Investment Officer at First Samuel, holding this position for 12 years.

Prior, Dennison was a Portfolio manager at Cooper Investors.

Dennison began his career in NZ, working as an Analyst for NZ Funds Management and Goldman Sachs JBWere covering a range of industries.

Dennison has a Mcom (Hons) in Economics from the University of Auckland and is a CFA Charterholder.



**Glenn Butterworth**  
Chief Financial Officer

Glenn Butterworth is a key executive within the business and is responsible for all 360 Capital's financial management activities.

Glenn has over 25 years' experience and joined 360 Capital from Mirvac where he spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce and commenced his career at Deloitte.



# Appendix 3: Proposed Management Team



**Chris Chase**  
Head of Private Credit  
Proposed AYF Fund Manager

Chris joined 360 Capital in 2019 and is responsible for the development and execution of the groups diversified credit strategy.

Chris has over 14 years experience in banking and corporate finance across Australia and Asia with significant experience originating and executing debt transactions in the mid-market.

Chris has funded corporate M&A and growth capital across a range of industries including Healthcare, Telecommunications, Retail, Transport & Logistics, Business Services, Technology and Diversified Industrials.

Prior to joining 360 Capital, Chris spent time at Macquarie Bank, CBA and ANZ within their Corporate Finance, Corporate Banking and Institutional businesses.

Chris holds a Bachelor of Business (Finance & Accounting) from the University of Technology and is a CPA



**Mitchell Peasley**  
Proposed Assistant Fund  
Manager

Mitchell joined 360 Capital in January 2020 and has 9 years experience in financial restructuring, corporate finance and the provision of mid-market corporate credit.

Prior to joining 360, Mitchell spent 3 years with mid-market stressed and distressed lender and investor, Remagen Capital, where he gained extensive experience originating, structuring and executing complex transactions. Mitchell also gained experience in the provision of growth capital to mid-market borrowers across a range of sectors.

Prior to Remagen Capital, Mitchell spent 6 years with THM Partners in London, and McGrathNicol in Sydney.

Mitchell holds a Bachelor of Business (Finance and Accounting) from the University of Technology, is a CA and is a Level 1 holder of the CAIA program



**Scott Morgan**  
Debt Origination Manager

Scott has 20 years' experience in credit investments and is skilled in strategy, deal origination, execution, management and investor relations.

Prior to his current role, Scott was a Director with Newground Capital Partners responsible for originating real estate transactions, capital raising, fund management and reporting to investors.

Scott has a Bachelor of Commerce from the Australian National University and holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is also a Chartered Accountant and former Director of industry body, Property Funds Australia.



**Fleur Graves**  
Senior Analyst

Fleur has over 11 years experience in the investment industry. Prior to joining 360 Capital this year, Fleur was an equities and investment analyst with First Samuel. This encompassed analysis of industries and companies, and providing input and guidance into investment decisions. Fleur was also the Portfolio Manager for listed property/ infrastructure investments. Previously,

Fleur worked in the aerospace industry, principally in Project Management roles. Fleur has a Bachelor of Engineering (Aerospace, Honours), Bachelor of Business (Business Administration), and Master's degrees in Commercial Law (Monash University) and International Business (University of Melbourne)..



**Jonathon Nguyen**  
Analyst

Jonathon joined 360 Capital as an Analyst in 2018 and is responsible for underwriting and analytics of Group investment initiatives.

Prior to this, Jonathon was a Treasury Analyst (ALM) for a mutual bank, responsible for the liquidity/funding requirements and management of fixed income investments in the banking portfolio. He initially started his career as a Graduate at State Street Bank & Trust Co., working in the Global Markets Division.

Jonathon holds a Bachelor of Commerce from the University of New South Wales.



**Glenn Butterworth**  
Chief Financial Officer

Glenn Butterworth is a key executive within the business and is responsible for all 360 Capital's financial management activities.

Glenn has over 25 years' experience and joined 360 Capital from Mirvac where he spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce and commenced his career at Deloitte



**Libby Langtry**  
Investor Relations Manager

Libby oversees Investor Relations for the group, focused on ensuring that all investor and stakeholder communications to the market are clear, on time and effective. Additionally, Libby oversees all registry related requirements and assists on corporate actions and corporate positioning.

She has 13 years' experience across a variety of related disciplines including business development, pursuit management, marketing and communications within the Australian Funds Management Sector.

Prior to 360 Capital Group, Libby worked at CBRE, Propertylink, Forum Partners, AMP Capital and ING Real Estate.



**Fraser Matthews**  
Business Development Manager

Fraser has worked with 360 Capital since 2015, having significant experience across real estate debt transaction origination and capital raising.

Fraser has previously held the roles of Portfolio Manager at Young Group in London and Private Client Manager at the Bank of Scotland.

Fraser has a BA, majoring in Economic History and Political Science from the Australian National University and a Diploma of Financial Planning.



**Ainslie Ebejer**  
Financial Controller

Ainslie has over 8 years' experience in investment and asset management.

Previously at Mirvac for 4 years, Ainslie was part of the finance team responsible for the Mirvac Property Trust, and prior to this she worked for the prestigious asset management firm Harrods Estates in London.

Ainslie is a qualified Chartered Accountant, holding a Bachelor of Commerce (Accounting & Finance) from the University of Wollongong and a Graduate Diploma of Chartered Accounting.