

REAL ASSETS
PRIVATE EQUITY
CREDIT

360 Capital
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360 Capital Enhanced Income Fund FY21 Results Presentation

30 July 2021

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1. Snapshot



\$5.94
NTA



\$5.94
30 June 2021
Closing Price



6.1%
Annualised distribution
yield



3.0cpu
Monthly Distributions



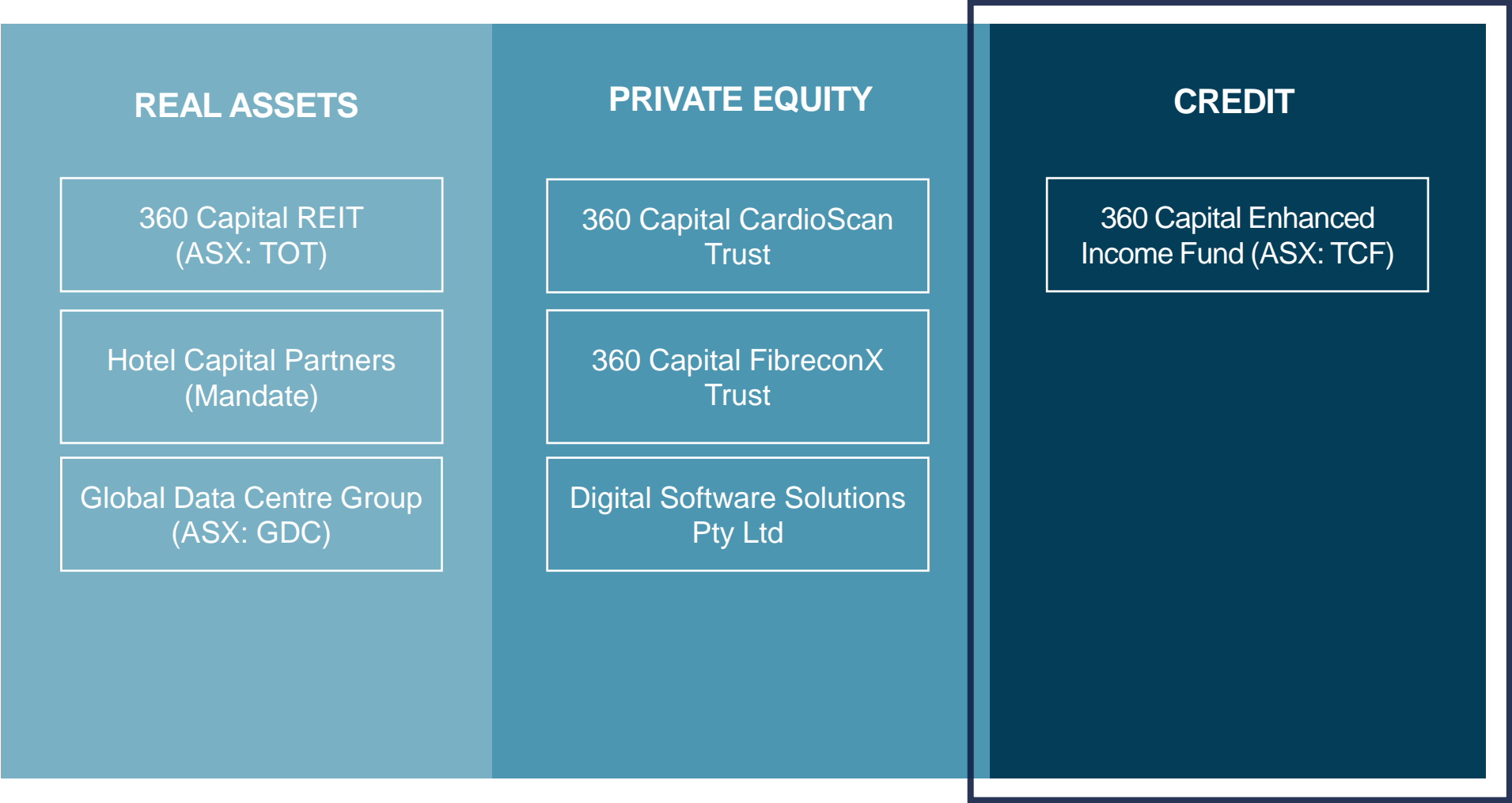
MARKET CAP
~\$20.5m



EXECUTING ON
THE STRATEGY

The Manager – 360 Capital Group (ASX:TGP)

360 Capital Enhanced Income Fund (ASX: TCF) is part of 360 Capital Group’s credit strategy



2. Highlights

What is the 360 Capital Enhanced Income Fund

Objective

To provide investors with capital protected monthly distributions

Strategy

Investing in Australian and New Zealand middle market corporates with strong management teams, reliable cash flow and demonstrated track record

Investor Returns

36.0 cpu (FY22 forecast distribution) / 6.1% p.a (net of fees and costs)

Track Record

Managed by a diversified alternative asset manager with 15 years track record delivering strong returns in public and private asset management, currently with 19.3% co-investment in the Fund

Growth

Measured and incremental growth through new investment opportunities to deliver scale, diversification and liquidity

FY21 Key Highlights

Responsible Entity formerly transitioned from Elstree Investment Management Pty Ltd to 360 Capital FM Limited on 9 September 2020. Unitholder support of 99.8% for change of RE and investment strategy.

360 Capital successfully completed a capital raise in December 2020 through the issue of new units at \$5.94, equivalent to the NAV of the Fund.

Successful close of first investment in the Fund, deploying all the available capital in a senior secured loan to a corporate borrower, within the Fund’s investment strategy

Monthly distributions commenced in April 2021 at 3.0cpu/ month equivalent to 6.1% annualised distribution yield

Management focus continues to be on the growth, diversification and liquidity of TCF through new investment opportunities achieved by further capital raisings

3.0cpu distribution
Monthly distribution

~\$20.5m
Market Capitalisation

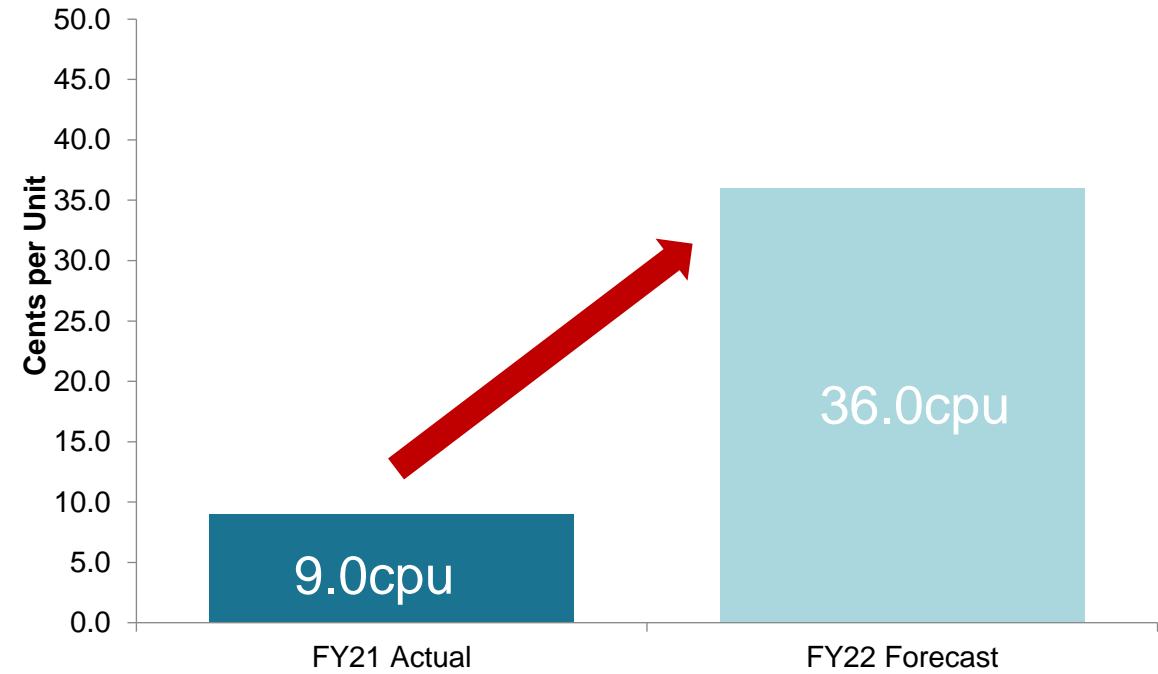
\$5.94
NTA of the Fund

\$5.94
30 June 2021 ASX Closing Price

Value Proposition – Consistent DPU

Annualised target DPU levels

Consistent distributions of 3.0cpu per month



TCF has commenced regular monthly distributions of 3.0 cents per unit, equating to an annualised DPU of 36.0cpu

The Funds annualised distribution yield of 6.1% (based on an NTA of \$5.94 per unit) is in line with guidance previously provided by the Fund

The Fund forecasts distributions to continue through FY22 at the current payout ratio, with fund cash fully deployed

Strategic Rationale

1

Growth

- Growth objective of building and delivering a diversified loan portfolio of \$300m
- Measured growth profile with identified investment opportunities ensuring continuity of distributions

2

Diversification

- Further capital will allow the manager to diversify its portfolio of investments
- Strong pipeline of opportunities with continued demand from borrowers for loans from non-bank lenders

3

Liquidity

- Increased recent corporate action with Listed Investment Trusts (LIT's) highlighting growing investor confidence for the asset class and structure
- Growth and diversification over time will improve liquidity

3. Market Drivers

Alternative Asset Class

- \$805Bn in Global AUM for Private Credit
- Forecast to grow to \$1.4trn by 2023
- Growing allocation to alternative assets
- Funding across all aspects of credit including leverage finance, real estate, asset backed lending, direct lending, senior and mezzanine finance

Regulatory Change

- Increased Capital Requirements following Basel III
- NZ 50% lift in CET1 ratios by 2023 to >16% (currently 10.5%)
- Falling Net Interest Margins and profitability cannot sustain increased capital retention levels
- Lending spreads will inevitably widen over time
- Post Royal Commission remediation has impacted appetite for unsecured corporate credit

Investor Demand

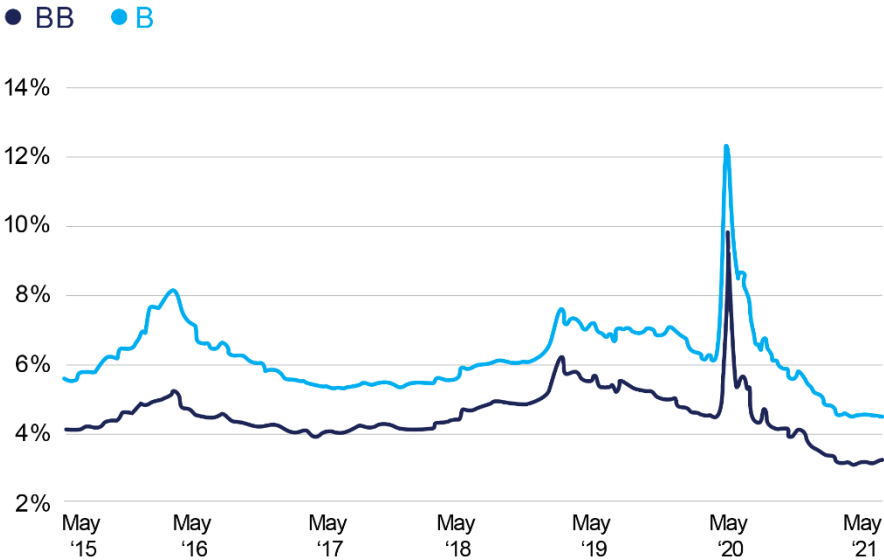
- Private Credit increasingly popular with investors
- Driven by low rate environment and availability of products
- Investment vehicles provide a platform for regular cash distributions
- Attractive risk-adjusted returns - Private Credit provides for secure fixed income over other unsecured alternatives (Hybrids/Bonds)

Borrower Appetite

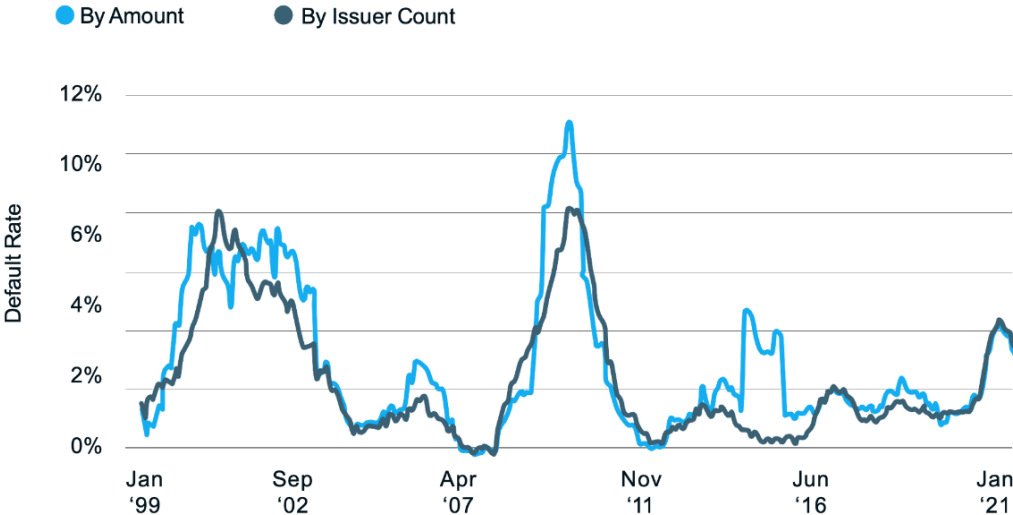
- Growing acceptance of alternative lenders in corporate lending market
- Broader variety of lending structures available providing flexibility and speed of execution
- Demand remains amongst private business for growth capital and M&A, driven by private equity
- Non-bank lenders are highly competitive in the residential lending market

Leverage Loan Markets

S&P Leverage Loan Index YTM:BB vs B



U.S. Leverage Loan Default Rate



Buoyant support of equities markets has translated in a corresponding hunt for yield in loan markets. The US leverage loan market, often considered a barometer for corporate sub-investment grade pricing and activity, has seen significant spread compression for new and refinancing transactions

Across the secondary market renewed investor demand has been experienced across BB and B rated exposures in 2021, corresponding in significant spread compression with yields to maturity tightening to 3.19% and 4.46% for BB and B rated exposures (since May 2020 COVID highs)

While spread compression is an ongoing theme in domestic markets, there continues to be a risk adjusted premium for Australian private debt that exhibit stronger security profiles and returns to that of US and European markets

Default rates, according to the leverage loan index, continue to normalise after initial COVID-19 impacts and are approaching pre-COVID levels

Fund Strategy

	Senior Secured Loans		Subordinated & Mezzanine Loans	Enhanced Return Strategy
Strategy Limit	50-100%		0-30%	0-30%
Target Weighting	85-100%		0-10%	0-5%
Target Loan Returns	4-8%		8-15%	>15%
Risk Profile	Low		Low – Medium	Medium
Typical Loan Size	\$5-30m		\$5-20m	\$2m+
Credit Quality	Investment & Sub-Investment Grade		Sub-Investment Grade	Sub-Investment Grade
Typical Loan Leverage	2-4x		3-5x	Various
Term	3-5 Years		1-3 Years	6 months +
Security	1st Ranking GSA 1st Mortgage		2 nd Ranking GSA Intercreditor Agreements	2 nd Ranking GSA Warrants, Options, Preferred Equity
EBITDA \$5-50m				
Enterprise Value \$50-500m				
M&A, Capex, Growth Capital				

4. Investment Portfolio

Corporate loan for a diversified consumer group.

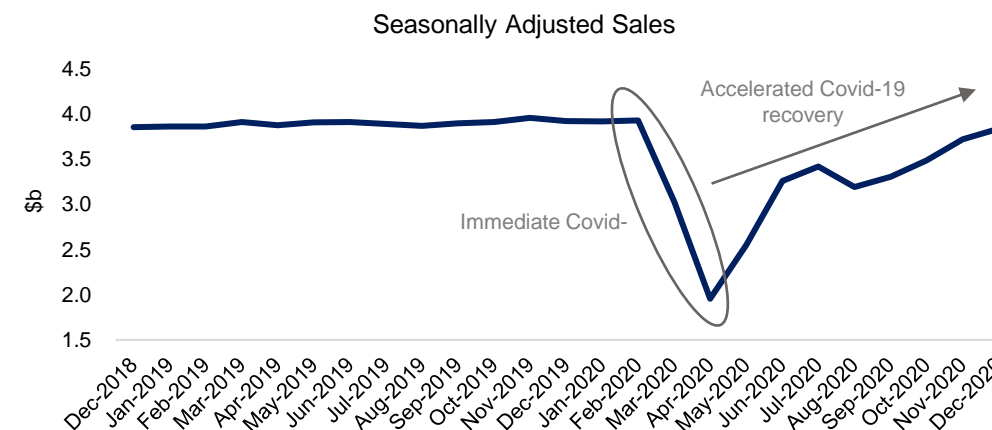
Transaction Overview

Facility size	\$20m Term Loan Facility
Interest rate	7.5% interest paid monthly
Term	48 month loan term
Security	Senior secured – first ranking security over all group assets.
Covenants	Market standard leverage (Debt / EBITDA) and serviceability covenants (debt service cover)

Business Overview

- With national operations the operating group is a well established diversified consumer business.
- More than 15 years operating history with stable growth and long term aligned senior management.
- Simple ownership structure.

Consumer Sector Focus



Source: ABS Data – Retail and Wholesale Trade, Dec-20.

Environmental, Social, Governance Framework

The fund will not have any exposure to highly sensitive industries including:

- Tobacco
- Weapons and firearms
- Adult entertainment

The Fund will approach environmentally sensitive transactions in coal, oil & gas and forestry on a case-by-case basis.

Investments in environmentally sensitive sectors will be required to comply with 360 Capital Group's ESG policy.

Any investment in an ESG sensitive sector will contain independent third party due diligence to opine on risks and impacts of investment.

Sector focus

- Defensive cashflows
- Local – Aus/NZ corporates
- Limited regulatory risk
- Limited exposure to cyclical

Covid impacted sectors (WATCH)

- Hospitality
- Entertainment
- Aviation
- Tourism

5. FY21 Financial Summary

Balance Sheet

	30 Jun 2021 \$'000	30 Jun 2020 \$'000	Change \$'000	Change %
Assets				
Current assets				
Cash and cash equivalents	217	567	(350)	(62%)
Trade and other receivables	26	414	(388)	(94%)
Financial assets through profit or loss	-	18,865	(18,865)	¹ (100%)
Total current assets	243	19,846	(19,603)	(99%)
Non-current assets				
Financial assets through OCI	20,400	-	20,400	² n/a
Total assets	20,643	19,846	797	4%
Liabilities				
Current liabilities				
Trade and other payables	33	172	(139)	(81%)
Provision for distributions	104	201	(97)	(48%)
Total liabilities	137	373	(236)	(63%)
Net assets	20,506	19,473	1,033	³ 5%

¹ Represents hybrid securities portfolio under previous manager – fully disposed of in first half FY21

² Investments now classified as non-current given term of investments are greater than 12 months

³ Increase in NTA reflective of new securities issued in December 2020 (net of redemptions under prior management)

Profit and Loss

	30 Jun 2021	30 Jun 2020	Change	Change
	\$'000	\$'000	\$'000	%
Income				
Investment Income	416	643	(227)	1 (35%)
Net gain on financial assets	303	391	(88)	(23%)
Total income	719	1,034	(315)	(30%)
Expenses				
Management fees	(82)	(155)	73	2 (47%)
Fund expenses	(178)	(122)	(56)	3 46%
Total expenses	(260)	(277)	17	(6%)
Operating profit for the year	459	757	(298)	(39%)
Distributions paid	311	910		4

1 Investment income in FY21 is reflective of income following 360 Capital's investment in April 2021. FY22 investment income is forecast at \$1.53m.

2 360 Capital did not charge management fees to the Fund from November 2020 through to March 2021

3 Fund operating expenses include registry fees, ASX and audit fee and includes transition costs and one off expenses incurred under prior management

4 New Fund strategy provides unitholders with distributions from sustainable earnings

6. Outlook and Guidance

Proposed capital raise to continue growth of the Fund

- 1

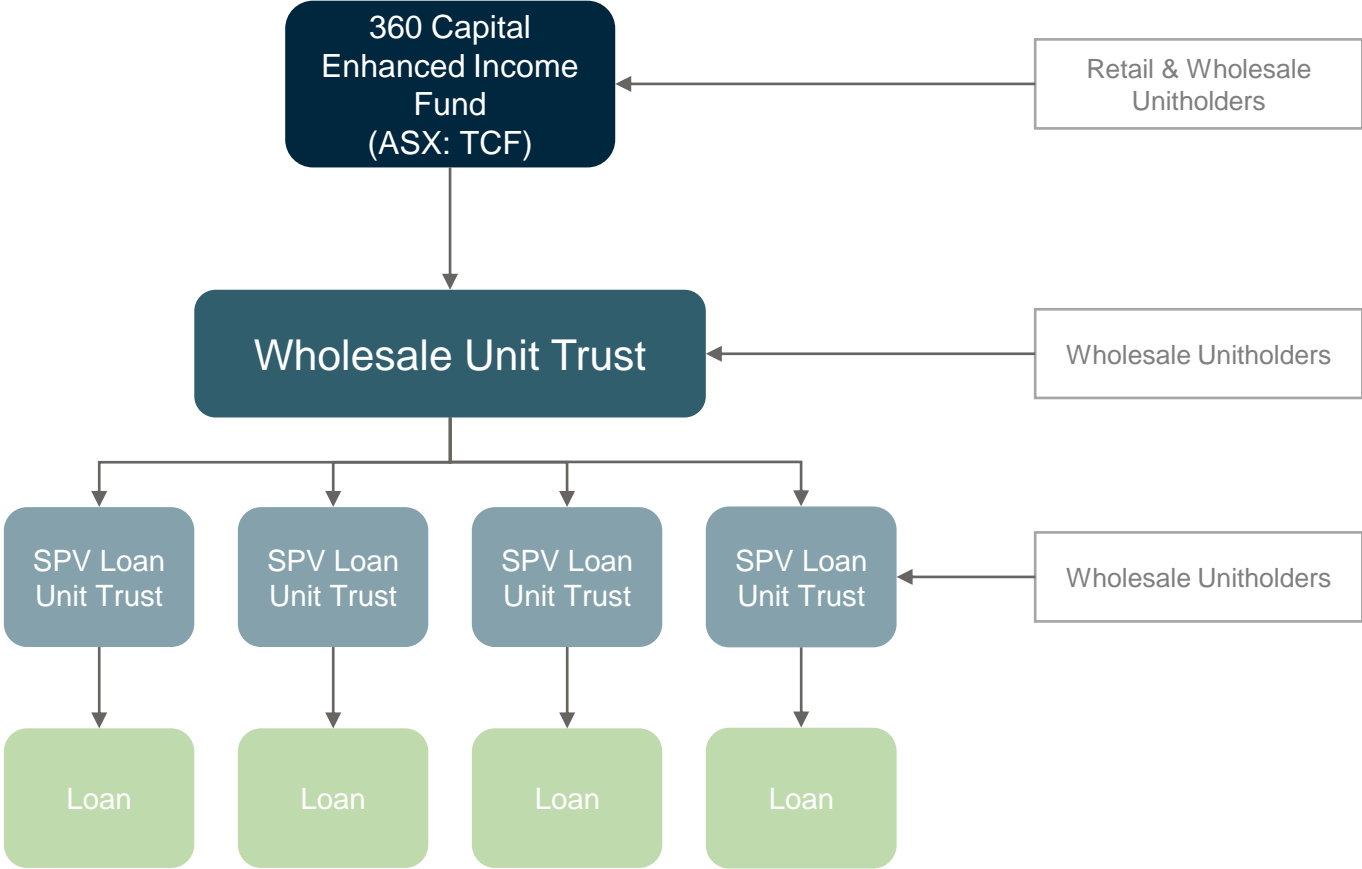
Key objective of TCF is to grow its asset base and diversify its portfolio of loan investments
- 2

Going forward, TCF will comprise sub-trusts which allow the Fund to diversify its capital – with unlisted capital to invest in loans in “partnership” with TCF – allowing greater diversification
- 3

If TCF undertakes a capital raising over the next few months, it will not be below TCF’s NTA, with the responsible entity to pay for raising costs
- 4

The proposed structure provides investors the ability to participate at either the listed, unlisted or asset level
- 5

Unitholders in either TCF or the Wholesale Unit Trust will not be charged dual management fees.





Outlook

FY22 forecast distribution 36.0cpu (3.0cpu / month) from Fund earnings ensuring preservation of NTA.

The Fund continues to explore opportunities to scale, diversify and improve liquidity in TCF.

It is anticipated that the Fund will undertake further capital raisings to support prospective transaction pipeline.

TCF continues to assess loan investment opportunities of between \$10m - \$30m in a variety of sectors where the risk adjusted return meets the distribution hurdles of the Fund.



Appendix 1: Management Team

Management Team



Chris Chase
Head of Private Credit

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.



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.



Kim Child
General Counsel & Company Secretary

Kim has over 10 years of experience as a corporate lawyer practicing across London and Sydney, including at top tier firms Clayton Utz and King & Wood Mallesons. Kim has worked on a range of corporate transactions with a focus on the real estate sector.

Having worked alongside the 360 Capital Group for several years, Kim joined the Group in August 2020 and was appointed General Counsel and Company Secretary.

Kim holds a Bachelor of Laws and is qualified to practice in both New South Wales and the UK.



William Isles
Senior Analyst

Prior to joining 360 Capital, William worked as a commercial real estate investment sales Associate in Manhattan, having commenced his career in Boston as an Asset Management Analyst for a global hospitality services firm.

William holds a Bachelor of Economics degree from Boston College, and is a currently pursuing a Master of Real Estate Finance degree from New York University.



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.

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