

12 July 2017

**360 Capital Group (TGP)
Meeting to Change the Responsible Entity of Asia Pacific Data Centres**

Attached is correspondence sent to Asia Pacific Data Centre Group (ASX: AJD) securityholders today.

ASX Release

More information on the Group can be found on the ASX's website at www.asx.com.au using the Group's ASX code "TGP", on the Group's website www.360capital.com.au, by calling the 360 Capital investor enquiry line on 1300 082 130 or by emailing investor.relations@360capital.com.au

Alternatively, please contact:

Tony Pitt
Managing Director
360 Capital Group
+61 2 8405 8860

Glenn Butterworth
Chief Financial Officer
360 Capital Group
+61 2 8405 8860

About 360 Capital Group (ASX: TGP)

360 Capital Group is an ASX-listed, property investment and funds management group concentrating on strategic investment and active investment management of property assets. The Group actively invests in direct property assets, property securities, real estate debt and various corporate real estate investments within Australian real estate markets on a private and public equity basis.

360 Capital Group

Incorporating 360 Capital Group Limited ABN 18 113 569 136 & 360 Capital Investment Trust ARSN 104 552 598

Level 8, 56 Pitt Street Sydney NSW 2000 | T +61 2 8405 8860 | Fax +61 2 9238 0354 | E investor.relations@360capital.com.au | W www.360capital.com.au



360 Capital FM Limited
ABN 15 090 664 396

Level 8
56 Pitt Street
Sydney NSW 2000

Phone: (02) 8405 8860
Fax: (02) 9238 0354
Web: www.360capital.com.au

12 July 2017

Dear fellow Member,

Important proposal concerning Asia Pacific Data Centres (AJD)

On 28 June 2017, 360 Capital presented AJD securityholders with a proposal to replace the responsible entity and management of AJD with a management team that is fully aligned with AJD securityholders. 360 Capital is the largest securityholder in AJD holding a stake of 19.9%. As the AJD board is aware, the terms of this proposal have been carefully designed to ensure that there will be full alignment between the interests of 360 Capital and AJD securityholders.

On 7 July 2017, the Board of AJD made an announcement regarding amongst other things, a potential sale of the assets held by AJD including:

- Discussions with third parties to determine whether they will put a proposal to AJD securityholders for the acquisition of AJD's assets or securities; or
- Combine AJD's with other real estate portfolios; and
- Commencing a broader process to ascertain whether other parties have any interest to acquire AJD's assets or securities

The Board also states that there is no guarantee that a proposal capable of consideration by AJD's securityholders will eventuate.

We note that a sale of all of the securities is likely to require 360 Capital's approval. The sale of the assets would require a majority vote of securityholders and the tenant, Next DC, not exercising a first right of refusal over the assets and in either case substantial due diligence by a prospective purchaser. Furthermore, we do not want to see the AJD portfolio merged with other real estate portfolios. We invested in AJD to invest in data centres and the unique opportunities in that sector!

Now is not the appropriate time to sell the portfolio with two of the three assets (61.5% by value) under a market rent review in December 2017 from which 360 Capital would expect an increase in rental (and therefore value) to occur.

360 Capital is highly sceptical of the motives behind the recently announced initiatives of the board of AJD. 360 Capital believes such initiatives to be a product of the AJD board reacting adversely to the proposal to replace the management of AJD rather than the pursuit of the best interests of securityholders. Why else would the AJD board suddenly move to pursue these initiatives over the last week?

There have been no market developments that would have otherwise caused the AJD board to take this action. In fact, 360 Capital has engaged with a number of the very same third parties which the AJD board now refers, many of which we understand were previously rebuffed by the AJD board prior to 360 Capital presenting its proposal.

Unfortunately, this behaviour is consistent with the AJD board's dealings with 360 Capital to date. Prior to presenting its proposal to AJD securityholders, 360 Capital approached the AJD board regarding capital management initiatives. 360 Capital was also rebuffed. How are securityholders now meant to believe the bona fides of the AJD board when it speaks about investigating refinancing and capital management initiatives?

In 360 Capital's opinion, the AJD board's conduct is defensive and reactionary. It seems only since 360 Capital's proposal was put to securityholders did the AJD board appoint external advisors, including financial and media advisers. These advisers are at a substantial cost to securityholders (in excess of \$500,000). 360 Capital is also concerned that the terms on which Fort Street and other financial advisers have been appointed will incentivise those advisers to procure a transaction which is rushed and is suboptimal and not in the best interests of AJD securityholders. The terms upon which Fort Street has been appointed should be disclosed to the market so that the market can understand how the AJD board has incentivised Fort Street. This is material information.

360 Capital has already flagged the pursuit of a number of initiatives should the resolutions be passed. Given 360 Capital's experience and its alignment with securityholders, it is well placed to investigate any initiatives on behalf of securityholders. There is simply no need for the AJD board to rush anything through. The AJD board is unlikely to secure the best outcome for securityholders in doing so. The AJD board should acknowledge and not frustrate the legitimate and valuable right of securityholders to determine which management team they want to drive value for AJD securityholders.

We enclose for your consideration a presentation setting out the 360 Capital Proposal to enable you to fully consider the merits of the 360 Capital Proposal.

Your vote is important and **we recommend that you vote in Favour of both resolutions**. We have enclosed a proxy form and pre-paid envelope for your convenience if you cannot make the meeting.

YOUR VOTE IS IMPORTANT

WE RECOMMEND YOU VOTE IN FAVOUR OF BOTH RESOLUTIONS

Benefits for Members

360 Capital FM Limited has prepared a proposal for Members which seeks to achieve the following:

- **a new management team** - this will be effected by 360 Capital FM Limited replacing the responsible entity of the APDC Trust and the subsequent appointment of a new board to APDC Company (subject to any necessary Member approval). Following these Management Changes, AJD will benefit from a fully aligned management team with extensive experience;
- **a reduction in Management Costs** - reduction of approximately \$0.4 million per annum¹;
- **nil consideration re-internalisation** – upon obtaining economic scale, 360 Capital will internalise AJD management again for no consideration (see section 2.6 of the Explanatory Memorandum);

¹ The full extent of these cost savings are dependent on the directors of APDC Company being replaced with the directors of 360 Capital FM Limited and does not provide for the costs of any restructure or redundancy (refer to sections 1.5 and 2.2).

- **a capital distribution** - a capital distribution of \$0.45 per Security, which will be funded by drawing down under the new debt facility and which is expected to be tax deferred in the hands of Members²;
- **an increase in distributions** - following the capital distribution, the FY18 effective distribution yield on the adjusted security price increases from 5.72% to 6.80%³, representing an increase of 19%;
- **new debt facility** - a new 3-year finance facility, with a reduced interest rate (see section 2.5);
- **alignment between management and Members** - the appointment of a management team which is fully aligned with its fellow Members through 360 Capital Group's 19.9% holding in AJD;
- **a proactive strategy** - 360 Capital Group will seek to implement a strategy to capitalise on growth opportunities available to AJD in the Asia Pacific region including:
 - advancing confidential discussions already commenced with global data centre (DC) operators;
 - advancing confidential discussions with US DC REITs looking to expand throughout Pan-Asia;
 - investigating data centre acquisitions in Australia and Asia; and
 - exploring other options to enhance returns to Members.

Your vote is important. 360 Capital FM Limited encourages Members to vote on the Resolutions by either attending the Meeting in person or by appointing a proxy to vote on their behalf.

Should you have any questions in relation to the Meeting, please do not hesitate to contact 360 Capital Investor Services on 1300 082 130 or email investor.relations@360capital.com.au.

Yours sincerely



David van Aanholt
Independent Chairman
360 Capital Group

² The capital distribution is subject to the entry into the Debt Facility. Following the capital distribution, AJD will be geared to 34.2% (calculated as total debt less cash as a percentage of total assets less cash).

³ Calculated as a percentage against an adjusted price of \$1.25 per Security (being \$1.70 price as less the \$0.45 capital distribution).