

18 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 yesterday 17 July 2017.

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

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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

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17 July 2017

Dear fellow Member,

360 Capital Response to Asia Pacific Data Centres (AJD) Recommendation

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.

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

Then on 13 July 2017, the board released a further response to 360 Capital's proposal.

It is clear from the AJD board's response that:

The board still has NO clear strategy for AJD – After being inactive for the past 4 years, the board's strategy is to now sell the assets in a fire sale approach and deprive securityholders of the further opportunities in the data centre sector

The board has NO material financial interest in the success of AJD – Its financial interest is in retaining its director fees

The board has not proactively grown securityholder value:

- Revaluing the portfolio is not proactively managing the portfolio
- Achieving a nil increase on the Melbourne market rent review is not growing value
- Financing with higher debt costs is not growing value
- Suddenly considering initiatives in response to 360 Capital's proposal is not growing value
- Failing to appreciate and capitalise on the significant opportunities in data centres is not growing value

The board has NOT driven AJD outperformance – AJD's performance is as a result of asset appreciation beyond the board's control. Moreover, the share price has increased 16% only since 360 Capital purchased securities in May 2017 and began instigating a proactive strategy for AJD.

360 Capital, on the other hand:

Has a strategy for AJD and has already investigated various opportunities for AJD that will drive future AJD performance;

Will return \$0.45 per security to investors as a tax deferred payment within 3 months of taking over management;

Will enter in a new three-year facility at a reduced interest rate;

Will communicate with securityholders in an open fashion, as it has since being involved in AJD over the past two months;

Will take a rigorous approach to cost management, including investigating the expenditure by the current board to defend its conflicted position. If appropriate, 360 Capital will seek action if such costs are not in the best interest of securityholders;

Will increase distributions - following the capital distribution, the FY18 effective distribution yield on the adjusted security price increases from 5.72% to 6.80%¹, representing an increase of 19%;

Is aligned with fellow securityholders, having invested \$36 million and already spent over \$50,000 of its own money to highlight to securityholders the opportunities available to AJD. The 360 Capital proposal, inclusive of the undertaking to reinternalise management for no consideration, ensures the interests of 360 Capital and AJD securityholders are fully aligned; and

Has a strong track record of delivering outperformance to fellow investors.

360 Capital does not believe a sale of the portfolio or securities at this time is in the best interest of securityholders and believes there are far better opportunities for securityholders to maximize returns.

The AJD board has committed in excess of \$500,000 of securityholders cash to:

- defend their positions and director fees despite their long history of inactivity;
- deprive securityholders of potential cost savings of over \$400,000 per year; and
- reduce the wealth of securityholders as a result of this expenditure.

Despite 4 years of inaction, in response to 360 Capital's proposal, the AJD board now asks securityholders to trust it to preside over a sale process and deny securityholders of the substantial upside potential through retaining the portfolio and pursuing other value-enhancing initiatives. In rushing an opaque and poorly considered sale process to frustrate the purpose of the 28 July meeting, 360 Capital believes that the AJD board is not acting in the best interest of securityholders. There is simply no need for the board to rush this process. AJD securityholders should have the right to consider the management team it wishes to drive value going forward.

Despite 360 Capital's requests, the board of AJD refuses to disclose the terms on which Fort Street and other advisers have been appointed and to disclose the incentives to be paid to those advisers. 360 Capital's concern is that such incentives may result in a transaction which is suboptimal and not in the best interests of AJD securityholders.

At the very least, the AJD board should fully disclose all details of any such process, including whether there are any ongoing discussions with any parties, potential pricing and what conditions might apply (including securityholder approvals and whether NEXTDC will exercise its right of first refusal over the assets).

¹ Calculated as a percentage against an adjusted price of \$1.25 per Security (being \$1.70 price as less the \$0.45 capital distribution).

360 Capital is also concerned that the current board in defending its position may seek to do a capital raising to dilute investors.

The current board and its directors:

1. have no clearly defined strategy to optimise value for securityholders;
2. are not being open with investors and we believe are denying securityholders the opportunity to vote on a fully informed basis; and
3. are conflicted insofar as their financial interests rest with maintaining their director fees and not maximising securityholder value.

If you wish to maximise your returns from the opportunities currently available in the data centre sector, vote **FOR** the appointment of 360 FM Capital Limited as responsible entity and thereby appoint the management team which is fully aligned with your interests.

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 TO SAVE AJD FROM THE SALE OF ITS ASSETS, AND WINDING UP OF AJD AND DESTRUCTION OF VALUE

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