

6 October 2015

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Australian Industrial REIT – Explanatory Statement in response to the Notice of Meeting

Please find attached the Explanatory Statement prepared by Fife Capital Funds Limited as responsible entity of Australian Industrial REIT in response to the Notice of Meeting issued by 360 Capital Investment Management Limited (ACN 133 363 185) that will be dispatched to Australian Industrial REIT (ASX: ANI) unitholders.

Yours faithfully



Susan Vuong
Company Secretary

AUSTRALIAN INDUSTRIAL REIT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES
YOUR IMMEDIATE ATTENTION

Explanatory Statement in response to Notice of Meeting

to be held at 10.00am (Sydney time) on Monday, 26 October 2015.

This Explanatory Statement has been issued by **Fife Capital Funds Limited** (ACN 130 077 735) as responsible entity of **Australian Industrial REIT** (ARSN 165 651 301) in response to a Notice of Meeting issued by **360 Capital Investment Management Limited** (ACN 133 363 185).

VOTE AGAINST THE RE REPLACEMENT RESOLUTIONS

Your Independent Directors unanimously recommend that you **VOTE AGAINST** the RE Replacement Resolutions by completing and submitting the enclosed Proxy Form to be received by 10.00am (Sydney time) on Saturday, 24 October 2015.

ANI Unitholder Information Line

ANI has established a Unitholder Information Line which ANI Unitholders should call if they have any queries in relation to the Meeting. The telephone number for the Unitholder Information Line is:

- 1300 730 659 (Toll Free for calls within Australia); or
- +61 1300 730 659 (for callers outside Australia),

which is available Monday to Friday between 8.30am and 5.30pm (Sydney time).

FINANCIAL ADVISERS



LEGAL ADVISER

KING & WOOD
MALLESONS

Important notices

Nature of this document

This document is an Explanatory Statement issued by Fife Capital Funds Limited as responsible entity of Australian Industrial REIT ("**ANI**") in response to a proposed Meeting of ANI Unitholders to be held at 10.00am (Sydney time) on 26 October 2015, pursuant to the Notice of Meeting issued by TIX.

You should read this Explanatory Statement in its entirety.

Date

This Explanatory Statement is dated 6 October 2015.

Defined terms

A number of defined terms are used in this Explanatory Statement. These terms are explained in the glossary in Section 4. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Explanatory Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Explanatory Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of each ANI Unitholder. Your Independent Directors encourage you to seek independent financial, taxation or other professional advice as necessary before making a decision whether to vote against or in favour of the RE Replacement Resolutions.

Disclaimer regarding forward looking statements

This Explanatory Statement contains forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which ANI operates as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied

in any forward looking statement and such deviations are both normal and to be expected. None of ANI, Fife Funds and any of its officers or employees, or any person named in this Explanatory Statement with their consent or any person involved in the preparation of this Explanatory Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement.

The forward looking statements in this Explanatory Statement reflect views held only as at the date of this Explanatory Statement.

Disclaimer as to information

The information on TIX, 360 Capital RE, 360 CAML and 360 Capital Group contained in this Explanatory Statement has been prepared by ANI using publicly available information. The information in this Explanatory Statement concerning TIX, 360 Capital RE, 360 CAML and 360 Capital Group has not been independently verified by ANI. Accordingly, ANI does not, subject to the Corporations Act and general law, make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

Unitholder information line

If you have any queries in relation to this Explanatory Statement or the Meeting, please contact the Unitholder Information Line on 1300 730 659 (Toll Free for calls within Australia) or +61 1300 730 659 (callers outside Australia), which is available Monday to Friday between 8.30am and 5.30pm (Sydney time).

Further information relating to the Meeting of ANI Unitholders can be obtained from ANI's website at <http://www.aireit.com.au>.

Key details

Date proxy form must be received by Fife Capital Funds Limited	10:00am (Sydney time) on Saturday, 24 October 2015
Meeting Date	10:00am (Sydney time) on Monday, 26 October 2015
Meeting Location	Adelaide Room Sofitel Sydney Wentworth 61-101 Phillip Street Sydney NSW 2000

Table of contents

1	Reasons to VOTE AGAINST the RE Replacement Resolutions	5
2	Misleading statements made in the Notice of Meeting	7
3	Directors' recommendation and intention to VOTE AGAINST the RE Replacement Resolutions	9
4	Glossary	10

If the RE Replacement Resolutions are approved, Fife Capital Funds Limited (“Fife Funds”) will be replaced as responsible entity of ANI by 360 Capital ANI Management Limited (“360 CAML”)

IT IS IMPORTANT THAT YOU COMPLETE AND RETURN THE ENCLOSED PROXY FORM

- The change of responsible entity will be successful if only 50% of those ANI Units **actually voted** at the meeting approve the resolutions.
- As a result, TIX may be successful in changing the responsible entity even where ANI Unitholders holding a majority of ANI Units have not supported that change.
- It is important that you vote against the RE Replacement Resolutions whether you intend to reject or accept the TIX Offer.

FIFE FUNDS HAS CREATED VALUE FOR ANI UNITHOLDERS AND IS THE BEST-PLACED STEWARD TO REPRESENT THE INTERESTS OF ANI UNITHOLDERS

Fife Funds has a demonstrated track record of acting in the best interests of ANI Unitholders. Under the stewardship of Fife Funds,

- the TIX Offer has been improved by \$0.27, an increase of 12.9%¹, and the cash component which was not included in the initial proposal has been increased and made unconditional;
- an indicative, non-binding all-cash proposal of \$2.40 per ANI Unit (“**Possible Cash Offer**”) has been received, providing the potential for ANI Unitholders to receive a more attractive and certain value outcome;
- independent ANI Unitholders overwhelmingly rejected 360 Capital RE’s previous efforts to replace Fife Funds as responsible entity of ANI. 360 CAML’s management proposition has not materially changed.

Had 360 Capital RE been successful in replacing Fife Funds as responsible entity of ANI in May 2015, it is highly unlikely that the TIX Offer would have been increased, or that the Possible Cash Offer would have emerged.

ANI Unitholders may lose the opportunity to consider the Possible Cash Offer if 360 CAML is appointed as responsible entity of ANI and it does not work to ensure the Possible Cash Offer is put to ANI Unitholders.

Consistent with its duties to act in the interests of ANI Unitholders, Fife Funds has delivered *improved value* and *greater certainty* for ANI Unitholders.

Given its track record, Fife Funds is best placed to maximise value to all ANI Unitholders. This includes responding to the TIX Offer, and ensuring the Possible Cash Offer is put to ANI Unitholders in a timely manner.

1. Based on the original TIX offer announced on 19 December 2014 of 0.89 TIX Units per ANI Unit with no cash payment and comparing that to the value of the current TIX Offer and using the closing price of TIX units on 5 October 2015 of \$2.34 per TIX unit to value both offers.

How does the Meeting relate to the TIX Offer?

TIX has been seeking to orchestrate a strategy to gain control of ANI. The first limb of this strategy has involved the TIX Offer. Having failed to gain traction under the TIX Offer, and having already failed to replace the responsible entity of ANI once, TIX is making another attempt to gain control of ANI by replacing the responsible entity without paying a control premium to ANI Unitholders or owning a majority interest in ANI Units.

The Independent Directors recommend you DO NOT ACCEPT THE TIX OFFER AT THIS TIME AND WAIT FOR THE POSSIBLE CASH OFFER. Each of the Directors intends not to accept the TIX Offer at this time.

The IBC considers the Possible Cash Offer would be superior to the TIX Offer for the following reasons:

- The Possible Cash Offer would provide a more attractive and certain value outcome;
- 100% cash consideration allows ANI Unitholders complete freedom of choice to reinvest;
- Concerns remain in respect of the TIX portfolio and 360 Capital Group capability and strategy; and
- 360 Capital Group has unsatisfactory governance arrangements.

However, there is a risk that if you do not accept the TIX Offer before it closes and the Possible Cash Offer is not made or its conditions are not satisfied there may be no takeover offer available for acceptance. There is also a risk if you remain an ANI unitholder that 360 CAML will be appointed as the responsible entity of ANI at the meeting on 26 October 2015. If the TIX Offer closes and the Possible Cash Offer is not made or its conditions are not satisfied it can be expected that the price of ANI Units traded on the ASX will be less than the value implied by the TIX Offer and there can be no certainty that TIX would subsequently offer to acquire ANI units at a value reflecting the TIX Offer. In this situation you could suffer loss if you did not accept the TIX Offer.

Notwithstanding these risks the IBC recommends that you wait to see if the Possible Cash Offer is put to ANI Unitholders. The IBC considers it would be in the interests of all ANI unitholders for TIX not to receive acceptances under the TIX Offer so that the Possible Cash Offer becomes available and capable of acceptance.

You should carefully monitor developments over the coming days and the scheduled closing date of the TIX Offer and await any further recommendation from the IBC.

For more information on the TIX Offer read the Fourth Supplementary Target's Statement in relation to the TIX Offer released by Fife Funds on 6 October 2015.

IT IS IMPORTANT THAT YOU EXERCISE YOUR RIGHT TO VOTE AGAINST THE RE REPLACEMENT RESOLUTIONS EVEN IF YOU INTEND TO ACCEPT THE TIX OFFER.

Whether or not you intend to accept or reject the TIX Offer, the Fife Funds board is best placed to respond to takeover proposals for ANI and ensure you receive the highest available offer for your ANI Units.

WHAT SHOULD I DO?

Why am I receiving this document?

TIX has convened a Meeting of Unitholders to be held at 10.00am on 26 October 2015.

The purpose of the Meeting is to consider resolutions to remove Fife Funds as responsible entity of ANI and to replace it with 360 CAML.

The RE Replacement Resolutions are one component of TIX's strategy to gain control of ANI.

You should read this Explanatory Statement carefully and in its entirety before deciding how to vote on the RE Replacement Resolutions.

If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.

If you have any questions you should call the official ANI Unitholder information line on:

- 1300 730 659 (Toll Free for calls within Australia); or
- +61 1300 730 659 (for callers outside Australia),

which is available Monday to Friday between 8.30am and 5.30pm (Sydney time).

The Unitholder Information line will endeavor to provide answers to your questions.

What should I do with the enclosed Proxy Form?

If you wish to vote in person, you must attend the Meeting at 10.00am (Sydney time) on 26 October 2015. The Meeting will be held in the Adelaide Room at the Sofitel Sydney Wentworth, located on 61-101 Phillip Street in Sydney, New South Wales. If you cannot attend the Meeting in person but wish to vote on the RE Replacement Resolutions, you may do so by completing and submitting the enclosed proxy form.

If you wish to follow the recommendation of the Directors of Fife Funds and vote against the RE Replacement Resolutions, you should complete the enclosed proxy form in the manner specified on page 4 and return it to Fife Funds via one of the following methods:

- by reply paid post: post the completed proxy form in the enclosed reply paid envelope; or
- by fax: fax the completed proxy form to Fife Funds at its registered office at +61 2 9251 2877; or
- in person: hand deliver the completed proxy form to Fife Funds at its registered office at Level 12, 89 York Street Sydney NSW 2000; or
- by post: posting the completed proxy form to Fife Funds at Fife Capital Funds Limited as Responsible Entity of Australian Industrial REIT, Level 12, 89 York Street, Sydney NSW 2000.

Duly completed proxy forms must be received by Fife Funds by no later than **10.00am (Sydney time) on Saturday, 24 October 2015** to be valid.

If you have already submitted a proxy form in relation to the Meeting but wish to change the way you voted, please complete and return the enclosed proxy form. If you need a new proxy form, please contact the Unitholder Information Line to arrange for a new proxy form to be sent to you.

Voting instructions to **VOTE AGAINST** the RE Replacement Resolutions

AUSTRALIAN INDUSTRIAL REIT

ARSN 165 651 301
Fife Capital Funds Limited
ABN 18 130 077 735 AFSL 438693
As responsible entity of Australian Industrial REIT

LODGE YOUR VOTE

By mail: use the reply paid envelope enclosed or mail to:
Fife Capital Funds Limited
as responsible entity of
Australian Industrial REIT
Level 12, 89 York Street
Sydney NSW 2000
Australia

By fax: +61 2 9251 2877

All enquiries to: Telephone: +61 1800 236 994 (free call within Australia)

NAME AND ADDRESS OF UNITHOLDER

SRN/HIN

UNITHOLDER VOTING FORM

I/We being a unitholder(s) of Australian Industrial REIT (the Fund) and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

☒

Rod Pearse, the Independent Chairman of the Responsible Entity of the Fund (mark with an 'X')

OR

PLEASE NOTE: Leave this box blank if you wish to appoint Rod Pearse as your proxy. Do not insert your own name.

or failing the individual or body corporate named, or if no individual or body corporate is named, Rod Pearse, the Independent Chairman of the Responsible Entity of the Fund, or if Rod Pearse is not in attendance at the meeting, Peter Dransfield, an Independent Director of the Responsible Entity of the Fund, as my/our proxy to act generally at the general meeting of the Australian Industrial REIT to be held at 10:00am (AEDT) on Monday, 26 October 2015 at Adelaide Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000 or at any adjournment or postponement of that meeting (the Meeting) on my/our behalf (including, without limitation, to vote as the proxy sees fit on any procedural resolution or motion including the appointment of the Chairman of the Meeting and to call a poll) and to vote in accordance with the following directions (or if no directions have been given, I/we will be deemed to direct my/our proxy to vote against each of Resolution 1 and Resolution 2) for me/us on my/our behalf at the Meeting.

Proxies will only be valid and accepted by the Responsible Entity if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf.

STEP 2 VOTING DIRECTIONS

ORDINARY RESOLUTIONS

Resolution 1
Ordinary Resolution to remove Fife Capital Funds Limited as the responsible entity of ANI

For	Against	Abstain
☐	☒	☐

The Independent Directors recommend you vote against this resolution by marking this box with an "X"

Resolution 2
Ordinary Resolution to appoint 360 Capital ANI Management Limited as the new responsible entity of ANI

For	Against	Abstain
☐	☒	☐

The Independent Directors recommend you vote against this resolution by marking this box with an "X"

STEP 3 SIGNATURE OF UNITHOLDERS - THIS MUST BE COMPLETED

Unitholder 1 (Individual) Sole Director and Sole Company Secretary	Joint Unitholder 2 (Individual) Director/Company Secretary (Delete one)	Joint Unitholder 3 (Individual) Director
Contact Name	Contact Daytime Telephone ()	Date of Execution / /

This form should be signed by the Unitholder. If a joint holding, either Unitholder may sign. If signed by the Unitholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Step 1
Mark this box with an "X"

Step 2
Mark the "Against" box with an "X"

Step 3
Mark the "Against" box with an "X"

Step 4
Sign here

Step 5
Complete your full contact details

Step 6
Write the date here

ANI PRX503N

1. Reasons to **VOTE AGAINST** the RE Replacement Resolution

1.1 Background

The proposal to replace Fife Funds as responsible entity of ANI was announced by TIX on 25 September 2015, and details of the RE Replacement Resolutions in the Notice of Meeting were issued by TIX on 28 September 2015. You would also be aware of the unsolicited off-market takeover offer from 360 Capital Industrial Fund ("**TIX**"), announced on 19 December 2014, and updated on 24 March 2015 and on 28 September 2015 ("**TIX Offer**")

The Independent Board Committee has recommended that you wait for the Possible Cash Offer of \$2.40 per ANI Unit. The Independent Expert, KPMG Corporate Finance, has concluded the TIX Offer is fair and reasonable in the absence of a superior offer.

It is possible that the TIX Offer will close with TIX being a minority unitholder in ANI but the RE Replacement Resolutions, if passed, would result in 360 CAML replacing Fife Funds as the responsible entity of ANI. **IT IS THEREFORE IMPORTANT THAT YOU EXERCISE YOUR RIGHT TO VOTE ON THE RESOLUTIONS IRRESPECTIVE OF YOUR DECISION CONCERNING THE TIX OFFER.**

1.2 Reason 1 – Fife Funds has created value for ANI Unitholders

Fife Funds has a demonstrated track record of acting in the best interests of ANI Unitholders. Under the stewardship of the Fife Funds:

- **Fife Funds has delivered value since the IPO of ANI** – Fife Funds has been the responsible entity of ANI since ANI first listed in October 2013, and has a demonstrated track record of delivering value for ANI unitholders. Since ANI's Initial Public Offer, Fife Funds has led the growth of ANI's portfolio from eight assets to 16 as at 30 June 2015, with the value of the portfolio almost doubling in that period. Fife Funds is highly familiar with ANI's portfolio, structure and strategy, and is best placed to ensure ANI Unitholders receive the best possible value from their investment in ANI.
- **The IBC has been able to significantly improve the terms of the TIX Offer since the time of its first announcement** – The TIX Offer has been improved by \$0.27, an increase of 12.9% (based on the closing price of TIX units on 5 October 2015). The original TIX Offer, first announced on 19 December 2014 was for an offer consideration of 0.89 TIX Units for each ANI Unit. In its Bidders Statement dated 3 February 2015, the offer consideration was conditionally improved by a cash payment by 360 Capital of 3 cents if before the end of the offer period a 360 Capital entity is appointed responsible entity of ANI or in excess of 50% of ANI Unitholders accept the TIX Offer. In its third supplementary bidder's statement dated 24 March 2015 the scrip component of the TIX Offer was improved to 0.90 TIX Units, a cash component of 4.5 cents was added and the conditional cash payment by 360 Capital was increased to 10 cents. In its fourth supplementary bidders statement dated 28 September 2015 the aggregate cash consideration was increased to 24.5 cents and the conditions to the cash payment by 360 Capital were removed.
- **The IBC has overseen the emergence of the Possible Cash Offer** – A indicative, non-binding all-cash proposal offering \$2.40 per ANI Unit has been received, providing the potential for ANI Unitholders to receive the certainty of cash consideration. On 21 September 2015, Fife Funds announced that it had received the first indicative, non-binding all cash proposal from a credible consortium of offshore investors to acquire all ANI Units. On 6 October 2015, the offshore listed investors, Redefine Properties Limited and The Pivotal Fund Limited made a further indicative, non-binding all-cash proposal (ie, the Possible Cash Offer) offering \$2.40 cash per ANI Unit. The IBC considers that the form of consideration under the Possible Cash Offer would provide a more attractive and certain value outcome relative to the TIX Offer.
- **Independent ANI Unitholders overwhelmingly rejected 360 Capital RE's previous efforts to replace Fife Funds as responsible entity of ANI** – On 27 April 2015, 360 Capital RE (as responsible entity of TIX) convened a meeting of ANI Unitholders for 25 May 2015 to remove Fife Funds as responsible entity and appoint another 360 Capital Group entity, 360 CAML, as the new responsible entity of ANI. At the meeting of ANI Unitholders on 25 May 2015, those resolutions were defeated. Excluding units voted by 360 Capital Group, the voting results of the meeting showed 98% of ANI Units voted on the proposal supported Fife Funds being retained as responsible entity with unitholders holding over 75% of ANI units voting on the proposal.

Had 360 Capital RE been successful in replacing Fife Funds as responsible entity of ANI in May 2015, it is highly unlikely that the TIX Offer would have been increased or that the Possible Cash Offer from Redefine and Pivotal would have emerged.

Consistent with its duties to act in the interests of ANI Unitholders, Fife Funds has delivered improved value and greater certainty for ANI Unitholders.

1.3 Reason 2 – Fife Funds is the best placed custodian to represent the interests of ANI Unitholders

- **Fife Funds has a demonstrated track record of acting in the best interest of ANI Unitholders** – This includes responding to the TIX Offer and overseeing the emergence of the Possible Cash Offer. Given its track record, Fife Funds is best placed to maximise value for all ANI Unitholders.
- **If 360 CAML were appointed responsible entity it would be responding to the TIX Offer** – One 360 Capital entity (360 CAML) would be responsible for responding to a takeover bid from another 360 Capital entity (360 Capital RE, as responsible entity of TIX). The IBC considers that this would create a clear conflict of interest, particularly now that the Possible Cash Offer has been announced and the IBC has recommended that ANI Unitholders do not accept the TIX Offer at this time and wait to see if the Possible Cash Offer is put to ANI Unitholders. ANI Unitholders following the IBC's recommendation should carefully monitor the scheduled closing date of the TIX Offer (currently scheduled for 12 October 2015) and await any further announcements from the IBC.

1.4 Reason 3 – 360 Capital RE's proposed change of responsible entity may result in an inferior value outcome for ANI unitholders

- **The Possible Cash Offer may not be put to ANI Unitholders** – ANI Unitholders may lose the opportunity to consider the Possible Cash Offer if 360 CAML is appointed responsible entity of ANI and it does not work to ensure the Possible Cash Offer is put to ANI Unitholders.
- **360 Capital RE is attempting to gain effective control of ANI without acquiring a majority interest or providing a certain value outcome** – TIX has been seeking to orchestrate a strategy to gain control of ANI. The first limb of this strategy has involved the TIX Offer. Having failed to gain traction under the TIX Offer, and having already failed to replace the responsible entity of ANI once, TIX is making another attempt to gain control of ANI by calling a meeting of ANI Unitholders and putting a proposal to replace the responsible entity without having first acquired a majority interest in ANI Units. Although TIX only owns approximately 36% of all ANI Units¹, TIX will be able to pass the RE Replacement Resolutions, and deliver control of ANI to 360 Capital, if one third or more of ANI Unitholders do not vote.

1.5 Reason 4 – 360 CAML's governance and conflict arrangements are unsatisfactory

- **The 360 CAML proposition for ANI has not materially changed** – The 360 CAML proposition has not materially changed since the last ANI Unitholder meeting where independent ANI Unitholders overwhelmingly rejected the appointment of 360 CAML as responsible entity. 360 CAML's proposed amendments to its governance arrangements do not resolve all conflict concerns raised previously in the Target's Statement. In particular, conflicts will arise between ANI and TIX if 360 CAML is appointed as the responsible entity of ANI and TIX does not acquire 100% of ANI.
- **Conflict issues if ANI and TIX remain listed** – If ANI and TIX remain listed on the ASX, and are both managed by 360 Capital Group entities, then a number of conflict issues would arise relating to the allocation of:
 - investment opportunities;
 - potential tenants; and
 - potential investors,

where they are suitable for both ANI and TIX. In response to this, TIX has proposed a dedicated fund manager and dedicated responsible entity (360 CAML) to be appointed to ANI with a majority independent board from 360 Capital Group. However the IBC still has concerns regarding:

- the nominated independent directors of 360 CAML lack relevant real estate experience based on information disclosed by TIX;
- the identity of the ANI fund manager still remains unknown, and ANI unitholders are unable to assess the individual's expertise and suitability for the role; and
- the management protocols disclosed in the Meeting Explanatory Memorandum mean that ANI and TIX would compete for investment opportunities, potential tenants and potential investors.

1.6 Reason 5 – 360 CAML has no stated track record or clear strategy for ANI

- **360 CAML has no stated track record** – The effectiveness of the proposed 360 CAML board and unknown fund manager in representing your interests is uncertain. In particular, the 360 CAML board includes only two non-executive directors, and may rely on the resources of 360 Capital Group to perform its function. This could give rise to conflicts of interest issues as described below.
- **No clear strategy** – 360 CAML has stated that if it is appointed as responsible entity, it will undertake a strategic review of ANI. The outcomes of this strategic review may result in operational changes to the portfolio or repositioning of the portfolio. If 360 CAML is appointed as responsible entity, the future strategy of ANI would be uncertain for ANI Unitholders.

1. As at the date of this statement.

2. Misleading statements made in the Notice of Meeting

360 Capital RE has made numerous statements in the Notice of Meeting that are misleading or incorrect and require correction. The most concerning of these statements have been addressed below, although this table is not intended to be an exhaustive list of inaccuracies in the Notice of Meeting.

360 Capital RE claim	IBC response
Proposed reduction in management fees	
360 CAML will reduce management fees by up to 50% per annum	NO CERTAINTY - The fee reduction will only apply where TIX does not acquire 100% of ANI Units under the Offer 360 CAML has previously indicated the fee reduction will be reviewed on a quarterly basis. The Notice of Meeting is silent on the question of review and does not nominate an intended duration for the fee reduction. It is unclear what is intended and therefore, there can be no certainty as to the level or duration of the fee waiver available for ANI Unitholders
360 CAML management and governance	
360 CAML will be supported by a dedicated ANI fund manager	UNCLEAR - The details of 360 CAML's proposed ANI fund manager will only be communicated to ANI Unitholders if 360 CAML becomes the responsible entity of ANI - The only members of the proposed ANI management team that 360 Capital Group has outlined are those that have a role with other funds managed by 360 Capital Group, including TIX
Independent board and management of potential conflicts	MISLEADING - The appointment of 360 CAML with a majority independent board does not address the inherent conflict with regard to the overlap of new investment opportunities, tenants and potential investors where both ANI and TIX remain listed - The management protocols adopted by 360 Capital Group, 360 CAML and 360 Capital RE provide that new investment opportunities, tenants or potential investors identified by 360 Capital Group will be presented to the board and fund managers for TIX and ANI. Where TIX and ANI wish to pursue the opportunity, both boards and fund managers will be free to negotiate separately in respect of the opportunity and Tony Pitt will be excluded from the decision making process. This means that ANI and TIX may compete with each other which would not be in the best interests of ANI Unitholders
Property Management	
Fife Capital Group receives property management fees of 3.0% of gross income that are above market rates	MISLEADING - Fife Capital Group receives property management fees of 3.0% of gross income as disclosed in the Product Disclosure Statement issued in connection with listing - The fee was benchmarked against other listed industrial REITs and set at a competitive rate having regard to the range of services provided 360 Capital Group's comparison of its proposed property management fee of 1.3% of gross income across the portfolio is not a like-for-like comparison as the range of services provided by Fife Capital Group is wider than that generally offered by real estate services firms for lower fee levels similar to those paid by TIX. It therefore fails to provide a useful benchmark for ANI Unitholders - Fife Capital Group is committed to delivering value for money to ANI Unitholders and a level of service which promotes high levels of tenant satisfaction and is thus conducive to high levels of retention

360 Capital RE claim**IBC response****Property development**

ANI must allow Fife Capital Group to be development manager in respect of all development projects even if the appointment of Fife Capital Group is not in the best interests of members

MISLEADING

- ANI is free to work with all developers – the Co-operation Deed with Fife Capital Group does not preclude ANI from acquiring assets from other vendors (whether built-to-suit or completed assets)
- Fife Capital Group has and will continue to consider build-to-suit opportunities with other developers that meet ANI's investment policy
- Fife Capital Group has a first right of refusal to be appointed as development manager with fees levied either based on the valuation on completion or on market terms, as disclosed in ANI's Product Disclosure Statement
- The majority independent board of Fife Funds determines whether to accept or reject any development opportunities put to it by Fife Capital Group
- There is no basis for 360 Capital Group to assert that Fife Capital Group is entitled to be appointed development manager when it is not in the best interests of ANI

3. Directors' recommendation and intention to **VOTE AGAINST** the RE Replacement Resolutions

3.1 Fife Funds Board Composition

The Directors of Fife Funds at the date of this Explanatory Statement are:

Director	Number of ANI Units held
Rod Pearse OAM	379,841
Allan Fife	532,425
Michael Allen	52,077
Peter Dransfield	81,353
John Hudson	52,077

At the time of ANI's IPO in October 2013, it was determined that John Hudson should not be put forward as being an independent director given his role as a member of the investment committee of the Terra Australis Property Fund ("**TAP**"). Six of the eight properties acquired by ANI in connection with the IPO were acquired from TAP. The sale of those properties has now completed and since the IPO, the remaining contractual arrangements between TAP and ANI have wound up in all material respects. John Hudson is of the view that, although he is not categorised as an independent director of the Responsible Entity, those interests in the Fife Capital Group do not preclude him from providing a recommendation to ANI Unitholders with respect to the RE Replacement Resolutions and the TIX Offer.

3.2 Recommendation

THE IBC UNANIMOUSLY RECOMMENDS THAT UNITHOLDERS VOTE AGAINST THE RE REPLACEMENT RESOLUTIONS.

The Independent Directors of Fife Funds, together with Non-Executive Director John Hudson, recommend that ANI Unitholders **VOTE AGAINST the RE Replacement Resolutions**. Allan Fife, the Managing Director of Fife Funds, is an ultimate owner of Fife Funds and has elected not to make a recommendation.

Each of the Fife Funds Directors intends to vote the ANI Units they hold **AGAINST** the RE Replacement Resolutions.

4. Glossary

4.1 Definitions

Defined term	Meaning
360 CAML	360 Capital ANI Management Ltd (ACN 090 664 396, AFSL 221474).
360 Capital Group	The stapled entity comprising 360 Capital Group Limited (ABN 18 113 569 136) and 360 Capital RE as responsible entity of the 360 Capital Investment Trust (ARSN 104 552 598), listed on ASX.
360 Capital RE	360 Capital Investment Management Limited (ACN 133 363 185, AFSL 340 304).
ANI or the Fund	Australian Industrial REIT (ARSN 165 651 301) including any of its Subsidiaries or Controlled Entities and, where the context requires Fife Funds as responsible entity of Australian Industrial REIT.
ANI Unit	One fully paid ordinary unit in ANI.
ANI Unitholder	The holder of an ANI Unit.
ASX	ASX Limited (ABN 98 008 624 691) or Australian Securities Exchange, as the context requires.
ASX Listing Rules	The official listing rules of the ASX.
Business Day	Has the meaning given in the ASX Listing Rules.
Controlled Entities	Any trust or other entity controlled by ANI in respect of which ANI has a direct or indirect economic interest of at least 50%.
Corporations Act	Corporations Act 2001 (Cth).
Directors	Current directors of ANI.
Explanatory Statement	This Explanatory Statement dated 6 October 2015.
Fife Funds or the Responsible Entity	Fife Capital Funds Limited (ABN 18 130 077 735) as responsible entity of Australian Industrial REIT.
Fife Capital Group	The group of entities related to Fife Capital Group Pty Limited including the Responsible Entity.
Independent Board Committee or IBC	Committee comprising the Independent Directors that was given responsibility for considering the Offer and the RE Replacement Resolutions.
Independent Directors	Rod Pearce, Michael Allen and Peter Dransfield.
Independent Expert	KPMG Corporate Finance.
IPO	Initial Public Offering.
Meeting	The general meeting of Unitholders to be held at 10.00am (Sydney time) on 26 October 2015 convened by TIX.
Notice of Meeting	The Notice of Meeting and Explanatory Memorandum dated 28 September 2015 issued by 360 Capital RE pursuant to section 601FM of the Corporations Act.
Pivotal	The Pivotal Fund Limited.
Possible Cash Offer	Cash proposal of \$2.40 per ANI Unit.
RE	Responsible entity.
Redefine	Redefine Properties Limited.
RE Replacement Resolutions	The resolutions proposing to remove Fife Funds as RE of ANI and appoint 360 CAML as the RE of ANI as set out in the Notice of Meeting.
REIT	Real Estate Investment Trust.
TAP	Terra Australis Property Fund.
Target's Statement	The Target's Statement in relation to the TIX Offer, issued by Fife Funds as responsible entity of ANI and dated 26 February 2015, as supplemented by the first supplementary target's statement dated 30 March 2015, the second supplementary target's statement dated 31 March 2015, the third supplementary target's statement dated 21 September 2015 and the fourth supplementary target's statement dated 6 October 2015.

Defined term	Meaning
TIX	360 Capital Industrial Fund (ARSN 099 680 252) or 360 Capital RE acting in its capacity as RE of 360 Capital Industrial Fund (ARSN 099 680 252) as the context requires.
TIX Bidder's Statement	The replacement Bidder's Statement served on ANI on 13 February 2015 which replaced the bidder's statement in relation to the Offer, prepared by 360 Capital RE and dated 3 February 2015, as supplemented by the second supplementary bidder's statement dated 23 February 2015, the third supplementary bidder's statement dated 24 March 2015 and the fourth supplementary bidder's statement dated 28 September 2015.
TIX Offer	The takeover offer by TIX for ANI Units under Chapter 6 of the Corporations Act.
TIX Unit	A fully paid unit in TIX.
Unitholder Information Line	Information line which Unitholders should call if they have any queries in relation to the TIX Offer or Meeting. The telephone number is: • 1300 730 659 (Toll Free for calls within Australia); or • +61 1300 730 659 (outside Australia), which is available Monday to Friday between 8.30am and 5.30pm (Sydney time).

4.2 Interpretation

Unless the context otherwise requires:

- headings used in this Explanatory Statement are inserted for convenience and do not affect the interpretation of this Explanatory Statement;
- words or phrases defined in the Corporations Act have the same meaning in this Explanatory Statement;
- a reference to a "Section" is a reference to a section of this Explanatory Statement;
- a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- the singular includes the plural and vice versa;
- the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency; and
- Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia.

VOTE AGAINST THE RE REPLACEMENT RESOLUTIONS

Your Independent Directors unanimously recommend that you **VOTE AGAINST** the RE Replacement Resolutions by completing and submitting the enclosed Proxy Form to be received by 10.00am (Sydney time) on Saturday, 24 October 2015.

Corporate directory

Australian Industrial REIT

ARSN 165 651 301

Responsible Entity

Fife Capital Funds Limited

ABN 18 130 077 735

AFSL 438693

Board of Directors of the Responsible Entity

Rod Pearce OAM (Independent Chairman)

Allan Fife (Managing Director)

Peter Dransfield (Independent Non-executive Director)

Michael Allen (Independent Non-executive Director)

John Hudson (Non-executive Director)

Secretaries of the Responsible Entity

Keir Barnes

Susan Vuong

Registered Office of the Responsible Entity

Level 12

89 York Street

Sydney NSW 2000

Legal Advisers

King & Wood Mallesons

Level 61, Governor Phillip Tower

1 Farrer Place

Sydney NSW 2000

Financial Advisers

Fort Street Advisers Pty Ltd

Level 11

1 O'Connell Street

Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower

2 Chifley Square

Sydney NSW 2000

Unit Registry

Link Market Services Limited

Level 12

680 George Street

Sydney NSW 2000

Locked Bag A14

Sydney South NSW 1235

AUSTRALIAN INDUSTRIAL REIT