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Dear Unitholder,

360 CAPITAL RETAIL FUND: STRATEGY UPDATE

As you are aware, 360 Capital Retail Fund (the "Fund") was established in January 2004 to purchase and hold an initial portfolio of 11 retail properties for a fixed ten year term. The objective of the Fund was to provide Unitholders with a regular tax deferred income stream with the possibility of providing capital growth.

Under the terms of the Fund's Product Disclosure Statement issued in March 2005, the term of the Fund is to expire 10 years from establishment being February 2014 ("Termination Date"). In light of this, and the current outlook for the Fund's property, the Responsible Entity now wishes to advise Unitholders of the Fund's new strategic direction being to sell the Fund's property and subsequently wind up the Fund.

Financial Position

Following the impact of global financial crisis on assets values and the Fund's ensuing non-compliance with loan covenants in 2008, the Fund implemented a divestment strategy in order to meet capital expenditure commitments within the portfolio, repay debt and meet the financiers' compliance covenants. The Fund's financial position was stabilised following several asset sales and refinancing in April 2012 which enabled distributions to recommence to Unitholders in the first quarter of FY2013 at 1.00 cents per Unit p.a. The Fund's $21.3 million finance facility with the Bank of Western Australia is now fully drawn and expires in December 2013. At 31 December 2012, the Fund's loan to value ratio (LVR) was 59.0%.

Property Portfolio Summary

The Fund now holds a single asset, Inala Plaza Shopping Centre ("Inala Plaza") which is was 98.7% occupied with a weighted average lease expiry of 4.5 years (by income) at 31 December 2012. The Centre was last externally valued in November 2011 at $36.0 million and is currently held at $36.0 million in the 31 December 2012 financial accounts. The Centre is anchored by a Woolworths Supermarket (on a lease that expires in December 2027 which contributes 15.6% of Fund income) and a Coles Supermarket (on a lease that expires in June 2015 which contributes 10.7% of Fund income) and has 73 specialty shops. Coles has now indicated that its Inala Plaza store is not performing as well as the national average for Coles' stores and it will therefore not be entering into new lease negotiations when its lease expires in June 2015.

In terms of the health of the broader retail market, consumers continue to be cautious. Inala Plaza continues to experience steady tenant demand. Both centre traffic and sales turnover figures continue to improve; so too traffic within the centre. This combined with the continued strength of the Queensland economy should place the centre in good stead in the medium-term.

Rationale for New Strategy

As a result of the above factors, several potential options regarding the Fund's future have been considered. These options took into account the property's growth potential and market outlook, the Fund's LVR and pending debt facility expiry date in December 2013 and the Fund's termination date in February 2014. These options included an extension of the Fund term, a listing of the Fund on the Australian Stock Exchange, rights issues, mergers, Unit buyback and a sale and wind up scenario.

Based on the Fund's LVR and the Responsible Entity's view of the outlook for Inala Plaza, the Responsible Entity has determined that an extension of the Fund's term would require a significant equity capital injection which would not provide a suitably attractive investment proposition for new investors in comparison to other opportunities in the market. An extension of the Fund's term would also invariably dilute earnings and NTA per Unit of existing Unitholders without a commensurate lift in income returns or capital growth potential. Similarly, a listing of the Fund on the Australian Stock Exchange as a single asset A-REIT may be costly and is unlikely to be well received in the market. Potential mergers and a Unit buy back were discounted for similar reasons.

Process – Sale and Wind Up

The Responsible Entity has concluded that a sale of the property and wind up of the Fund is the best option for Unitholders and has adopted this as the future strategy of the Fund.

Initial discussions with Stonebridge Property Group, a commercial real estate agency, have been held to discuss a sale of the Property via a potential Expression of Interest campaign to be launched in May 2013. The Responsible Entity anticipates the sale of the property will take place over three months. Upon the close of the campaign, the Responsible Entity will review offers from potential purchasers before communicating with Unitholders regarding the sale and any expected capital returns.

This update has been provided in order to keep you informed as to the progress of your investment - you are not required to take any action.

Further information will be provided to Unitholders as the strategy is implemented, however it is anticipated distributions will continue to be paid to Unitholders at the current rate of 1.0 cents per Unit p.a.

Should you have any questions in relation to the strategy or wish to discuss the Fund further, please do not hesitate to contact us via email on investorselationsP360capital.com.au, call 1800 182 257 or check the website for further updates at www.360capital.com.au

Yours faithfully,

Tim Spencer
Head of Investor Relations
360 Capital Property Group