

Unite UK Student Accommodation Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund's investment policy is to combine attractive current income with long term capital growth by acquiring and managing a diversified portfolio of institutional quality direct let student accommodation properties within the UK. We provide a home for over 24,000 students in 70 purpose built properties across 23 of the UK's strongest university towns and cities. Its portfolio consists of 70 properties, with a current market value of over GBP 2.0bn. The investment objective is to generate a target minimum distribution yield of 5.0% pa and to exceed an annualised return of 10% pa over 7 years.

INVESTOR CONSTITUENCY

The Fund is open to UK and overseas tax-exempt and tax-paying expert investors.

Fund details	
Type of fund	Property Unit Trust
Residence	Jersey
Launch date	15-Dec-06
Open/closed-ended	Open-ended*
Earliest date of winding up	Not applicable**
Year-end	31-Dec
NAV (GBPm)	1691.1

Source: UNITE Integrated Solutions plc

Management/professional advisors	
Trust Manager	USAF Jersey Manager Limited*

Property advisor	UNITE Integrated Solutions plc*
Fund Manager	James Watts
Operator	Mazars Corporate Finance Limited
Administrator	Sanne Fund Administration Limited
Auditors	Deloitte

Source: UNITE Integrated Solutions plc

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index		
	Unite UK Student Accommodation Fund	Other balanced funds	All balanced funds	All funds
3 months	2.8	0.6	0.6	0.4
Year-to-date	4.6	1.0	0.9	0.6
12 months	7.5	4.1	3.4	2.8
3 years+	8.8	6.6	6.3	5.6
5 years+	12.7	8.9	8.3	7.6
10 years+	13.4	9.1	8.7	9.1

Source: MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

Property investment restrictions

Maximum development exposure	The value of non-income producing assets should not exceeds 10% of the Fund's total portfolio value
Maximum speculative development exposure	Nil
Maximum lot-size holding as a standing investment	All properties acquired must be at least 85% let, with a year one projected NOI of at least 5.5%
Maximum lot-size holding permitted at purchase	None specified
Maximum exposure to limited partnerships	None specified
Maximum exposure to joint ventures	None specified
Maximum exposure to closed and open-ended property unit trusts	None specified

Source: UNITE Integrated Solutions plc

Portfolio distribution %

	Unite UK Student Accommodation Fund	Retail	Total
North West	13.0	0.1	13.1
Yorkshire & Humberside	14.5	0.1	14.5
South West	11.1	0.1	11.2
Scotland	12.0	-	12.0
East Midlands	9.9	0.0	9.9
Rest of London*	15.5	0.1	15.6
West Midlands	5.5	0.1	5.6
Midtown	-	-	-
South East	11.4	0.0	11.5
City	-	-	-
West End	-	-	-
Eastern	-	-	-
North East	5.7	0.1	5.8
Wales	-	-	-
Northern Ireland	-	-	-
Other	-	-	-
Cash	-	-	1.0
Overall	98.6	0.5	100.0

Source: UNITE Integrated Solutions plc

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	67	2,398.9	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
Total	67	2,398.9	100.0

Source: UNITE Integrated Solutions plc

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Emily Bowes	London	Other	114.8	4.8
The Plaza	Leeds	Other	95.3	4.0
Grand Central	Liverpool	Other	86.6	3.6
Sidney Webb House	London	Other	81.7	3.4
Blithedale Court	London	Other	78.1	3.3
Piccadilly Point	Manchester	Other	74.1	3.1
Greetham Street	Portsmouth	Other	70.4	2.9
Sky Plaza	Leeds	Other	68.4	2.9
Unite Student Village	Liverpool	Other	64.5	2.7
New Medlock House	Manchester	Other	63.5	2.6
10 largest investments as % of portfolio			797.2	33.2

Source: UNITE Integrated Solutions plc

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	0	0.0	0.0
2.5 - 5	1	3.3	0.1
5-10	4	34.4	1.4
10-25	20	361.1	15.1
25 - 50	28	989.3	41.2
50 - 100	13	896.1	37.4
100-150	1	114.8	4.8
Over 150	0	0.0	0.0
Total	67	2398.9	100.0
Average lot size		35.8	

Source: UNITE Integrated Solutions plc

Property Yield	
Net initial yield	5.25%
Nominal equivalent yield	0.00%
True equivalent yield	0.00%
Net reversionary yield	0.00%

Source: UNITE Integrated Solutions plc

Voids as % of ERV	
Investments	2.68%
Developments	0.50%
Total	3.18%

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	0.6	0.6
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	0.0	0.0
Industrial	0.0	0.0
Other	99.4	99.4
Overall	100.0	100.0

Source: UNITE Integrated Solutions plc

Comparison of rents passing and ERV by type of property*

Sector	Rent passing %	Pre-lets & rent-free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	85.0	0.0	0.0	15.0	0.0	0.0	0.0	100.0
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	-	-	-	-	-	-	-	0.0
Industrial	-	-	-	-	-	-	-	0.0
Other	96.9	0.0	0.5	2.6	0.0	0.0	0.0	100.0
Overall	96.8	0.0	0.5	2.7	0.0	0.0	0.0	100.0

*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source: UNITE Integrated Solutions plc

Listed Investments			
	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
	0.0	0.0	0.0

The unexpired term of leases	
Years	% of rent passing
20 years or greater	1.9
15 years or greater, but less than 20	0.0
10 years or greater, but less than 15	0.0
5 years or greater, but less than 10	3.6
Less than 5 years	94.5

Source: UNITE Integrated Solutions plc

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: UNITE Integrated Solutions plc

Debt analysis	
Fixed rate borrowings	Variable rate borrowings

Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)
380	3.4%	3.9
185	3.9%	5.9
125	2.7%	5.9
0	0.00%	0.00
0	0.00%	0.00

Source: UNITE Integrated Solutions plc

Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0.0%	0
0	0.0%	0
0	0.0%	0
100	1.4%	0
0	0.0%	0

Development exposure*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	9.50	9.50	27.54
% of all directly held properties*	0.00%	0.40%	0.40%	1.15%

* Includes joint ventures in which the Fund has an interest of 50% or more

Source: UNITE Integrated Solutions plc

Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly, on 31 March, 30 June, 30 September and 31 December
Valuers	CB Richard Ellis
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full Member

Source: UNITE Integrated Solutions plc

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	75% loan to value*
Cash holdings (maximum)	**
Cash holdings (minimum)	**

Source: UNITE Integrated Solutions plc

The contribution of major tenants to rental income

Tenant	%
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
-	0.0
Three largest tenants' contribution to rental income	0.0
Five largest tenants' contribution to rental income	0.0
Ten largest tenants' contribution to rental income	0.0

Source: UNITE Integrated Solutions plc

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2398.9	0.0	0.0	0.0	2398.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-702.0	0.0	0.0	0.0	-702.0
Cash	23.3	0.0	0.0	0.0	23.3
Other net assets/liabilities	-29.1	0.0	0.0	0.0	-29.1
Total net assets	1691.1	0.0	0.0	0.0	1691.1
Gearing (%)					
Net debt (cash)/properties	28.3	-	-	-	28.3
Net debt (cash)/equity	40.1	-	-	-	40.1

Source: UNITE Integrated Solutions plc

Quarterly data per unit						
As at	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Bid (GBP)	1.343	1.359	1.363	1.372	1.377	1.398
Offer (GBP)	1.356	1.370	1.372	1.383	1.388	1.412
Mid (GBP)	1.349	1.364	1.368	1.378	1.383	1.405
Bid/offer spread	0.9%	0.8%	0.7%	0.8%	0.8%	1.0%
Net asset value (GBP)	1.343	1.359	1.363	1.372	1.377	1.398
Quarterly distribution (GBP)	0.0182	0.0175	0.0190	0.0055	0.0190	0.0177
Yield	4.7%	4.5%	4.6%	4.4%	4.4%	4.4%

Source: UNITE Integrated Solutions plc

Net asset value

The Trust's NAV per unit is re-calculated by the Trust Manager each quarter within five working days of the quarterly revaluation of the property portfolio.

The Trust's fixed rate debt and any other financial instruments are marked to market each quarter and included in the re-calculation of its NAV on the basis of their market values. Performance fees are estimated and accrued and therefore also reflect in the quarterly re-calculation of the Trust's net asset value.

Distributions

The Fund distributes its income on a quarterly basis within 20 business days of quarter end.

Distributions of income are made gross of income tax to UK residents and to overseas residents qualifying under the Non-Resident Landlord's Scheme.

Minimum investment/disinvestment

Minimum initial investment: GBP1,000,000 (subject to the discretion of the manager)

Minimum additional investment: No minimum

Minimum holding: GBP1,000,000* (subject to the discretion of the manager)

* Including amounts due in respect of a subscription agreement.

Redemption of units

Unitholders may request the Fund to redeem all or part of their holdings on a semi-annual basis. Notice must be given at least 90 days prior to a calendar half-year end, and redemption requests will be effective on the first calendar half year-end following the expiry of the notice period (the 'Redemption Effective Date'). If the Fund has insufficient liquidity to satisfy redemption requests in full, these will be met on a pro-rata basis, as and when liquid assets become available.

During the 180-days following the Redemption Effective Day (the 'Primary Redemption Period') the Trust Manager will determine which liquid assets can be made available. The Trust will not be obliged to sell properties during the Primary Redemption Period.

On expiry of the Primary Redemption Period, the Trust Manager will be obliged to use its reasonable endeavours to satisfy redemptions by increasing borrowings, raising additional capital or by selling properties. The Trust Manager will not be obliged to sell properties representing more than 10% of the Trust's gross asset value within any four consecutive quarterly periods, or to sell any property within four years of its acquisition by the Trust.

Termination

It is intended that the Fund will have an infinite life. A vote to terminate would require a 90% majority before 15 December 2016 (the 10th anniversary of the Initial Closing of the Fund), and an 80% majority, thereafter

Taxation

Capital Gains Tax

Since it is registered in Jersey, the fund is not subject to UK capital gains tax. Those investors who are subject to tax may be liable to capital gains tax on the redemption or sale of their units in the fund.

Income Tax

Distributions of income are made gross of income tax to UK residents and to overseas residents qualifying under the Non-Resident Landlord's Scheme.

Stamp duty reserve tax

The fund's registration in Jersey means that the issue and transfer of units do not attract SDRT.

Charges

Annual fees

The Trust Manager, Trustee, Administrator and Operator are entitled to fees currently totaling GBP0.15m pa.

The Property Manager is entitled to

- 1) An asset management fee equivalent to 0.5925% pa of the market value of the Trust's properties
- 2) A cash management fee equivalent to 0.10% pa of the Trust's average daily cash balances both of the above are subordinated to provide investors with a minimum cash yield distribution of 5.0% in each of the first three years following the Initial Closing

Performance fees

Unite is entitled to a performance fee equivalent to 25% of the investment performance of the Trust in excess of a Priority Return to unit holders of 9% pa. The performance related participation is payable annually based on NAV and distributions for the preceding 12 months (adjusted for any cumulative underperformance) in the form of units in the Trust (at a price based on NAV at the most recent valuation date prior to issue).

Acquisition Fees

The Property Manager is entitled to receive an acquisition fee equal to 1.0% of the gross acquisition cost of any property acquired other than from Unite. (Amounts payable will be net of any third party introductory or agency fees).

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	63	30.2
1% or greater but less than 2%	14	20.0
2% or greater but less than 4%	4	11.7
4% or greater but less than 8%	2	12.8
Greater than 8.0%	1	25.3
Total	84	100.0
Major investors		
Largest holder	1	25.3
Three largest holders	3	38.1
Five largest holders	5	45.2
Ten largest holders	10	53.8
Internal/external investors		
Internal	1	25.3
External	83	74.7

Source: UNITE Integrated Solutions plc

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
Issues and redemptions						
Units in issue as at start of period	749,191,571	886,910,217	1,159,634,521	1,183,486,231	1,190,523,053	1,193,864,016
Units issued during period	137,718,646	272,724,304	23,851,710	7,036,822	3,340,963	-
Units redeemed during period	-	-	-	-	0	0
Units in issue at end of period	886,910,217	1,159,634,521	1,183,486,231	1,190,523,053	1,193,864,016	1,193,864,016
Unit transfers						
Matched bargains	41,737,624	19,195,591	112,661,422	49,010,358	109,649,246	-
Matched bargains %*	4.7%	1.7%	9.5%	4.1%	9.2%	0.0%

* as % of units in issue at the end of the period

Source: UNITE Integrated Solutions plc

Note

Unite Students is the UK's largest manager and developer of purpose-built student accommodation serving the country's world-leading higher education sector. We currently provide homes for almost 50,000 students in more than 140 properties across 24 leading university towns and cities in England and Scotland. Unite also has a strong development pipeline, which will deliver a further 8,000 beds in the next three years.

Our 1,450 people are driven by a common purpose: to provide the students who live with us a 'Home for Success' and to be the most trusted brand in the sector. We do this through great service, great people and great properties, all designed on the basis of an unrivalled insight into students' needs and preferences.

Unite's accommodation is high quality, safe and secure, and close to university campuses, transport links and local amenities. Students live predominantly in en-suite study bedrooms with rents covering all bills, insurance, 24-hour security, fortnightly cleaning services and high-speed Wi-Fi. MyUnite, our mobile app, provides practical support such as instant messaging and maintenance requests.

Our commitment to customer service is powered by an innovative, in-house operating platform. It provides a wide range of benefits to our students, such as an optimised online booking process, as well as providing us with a unique ability to drive value from our portfolio through scale efficiencies and revenue management.

Alongside delivering great service, our other strategic priority is delivering growing and sustainable earnings, underpinned by a strong capital structure. A key part of this strategy is increasing the proportion of beds let through partnerships with mid and high tariff universities which are experiencing record levels of student demand. We currently partner with 60 higher education institutions, guaranteeing that 60% of our rooms are let under multi-year, 'nomination agreements' providing high visibility of forward occupancy and rental growth certainty over half of our revenue.