

Octopus Healthcare Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund's strategy is focussed on two components of the UK healthcare real estate investment market: Elderly Care Homes; and Specialist Healthcare. Both components target the following: primarily purpose built real estate; held as either freehold or long leasehold tenure; minimum unexpired lease term of twenty years; fixed or index-linked rental uplifts (subject to caps and collars); rental levels which shall be affordable over the term of the lease.

INVESTOR CONSTITUENCY

Europe

Fund details	
Type of fund	Specialist
Residence	Guernsey (Channel Islands)
Launch date	30 August 2017
Open/closed-ended	Open Ended
Earliest date of winding up	N/A
Year-end	31st December
NAV (GBPm)	709.2

Management/professional advisors	
Manager	Octopus AIF Management Limited
Investment Advisor	Octopus Investments Limited
Property Fund Manager	
Depository	TMF Group Depository Services Limited
Auditors	BDO LLP

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index *		
	Octopus Healthcare Fund	Other Balanced Funds	All balanced funds	All funds
3 months	-	2.2	2.2	1.8
Year-to-date	-	2.2	2.2	1.8
12 months	-	2.5	2.5	0.7
3 years+	-	2.7	2.4	1.1
5 years+	-	4.6	4.1	3.2
10 years+	-	6.8	6.4	5.9

Note: * Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	40% of Gross Asset Value while NAV is <£250m, 30% of Gross Asset Value while NAV is >£250m
Maximum speculative development exposure	N/a
Maximum lot-size holding as a standing investment	15% of Gross Asset Value
Maximum lot-size holding permitted at purchase	
Maximum exposure to limited partnerships	Not permitted
Maximum exposure to joint ventures	Not specified
Maximum exposure to closed and open-ended property unit trusts	Not permitted

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index**		
	Octopus Healthcare Fund*	Other Balanced Funds	All balanced funds	All funds
Standard retail – South East	0.0	6.0	5.2	4.9
Standard retail – Rest of UK	0.0	2.1	2.4	3.3
Shopping centres	0.0	0.7	1.2	3.5
Retail warehouses	0.0	10.9	10.5	9.0
All UK retail	0.0	19.7	19.3	20.6
City offices	0.0	3.9	3.6	3.4
West End offices	0.0	7.6	8.5	7.6
Rest of South East offices	0.0	10.8	10.2	7.4
Rest of UK offices	0.0	6.0	5.6	5.1
All UK offices	0.0	28.3	27.9	23.5

South East industrial	0.0	21.7	22.7	18.5
Rest of UK industrial	0.0	12.0	11.8	9.5
All UK industrial	0.0	33.7	34.5	28.0
Other UK properties	98.3	11.3	10.7	21.9
Cash***	1.7	7.0	7.7	5.9
Overall	100.0	100.0	100.0	100.0

** MSCI/AREF UK Quarterly Property Fund Index

^ Includes Investment in Indirects

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	69	881.5	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0	0.0
Total	69	881.5	100.0

Source:

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio

*Octopus Healthcare Fund has declined to provide this data on the grounds of its commercial sensitivity

10 largest investments as % of portfolio

Source:

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	6	24.3	2.8
5-10	13	108.3	12.3
10-25	49	722.9	82.0
25 - 50	1	26.0	3.0
50 - 100	0	0.0	0.0
Over 100	0	0.0	0.0
Total	69	881.5	100.0
Average lot size		12.8	

Property Yield*	Voids as % of ERV*
Net initial yield	Investments
Nominal equivalent yield	Developments
True equivalent yield	Total
Net reversionary yield	

*Octopus Healthcare Fund has declined to provide the data in the above table on the grounds of its commercial sensitivity

Rental income & ERV by type of property*		
	Rental income %	Estimated rental value %
Standard retail	0.0	0.0
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	100.0	100.0
Overall	100.0	100.0

Source:

Over Renting and Reversionary Potential, % Rent Passing

Sector	Rent Passing, GBP Millions	Rent Free, % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented, % Rent Passing	Reversionary potential, % Rent Passing	Reversionary potential Net of Over renting, % Rent Passing	Market Value, % Rent Passing
Standard retail	-	-	-	-	-	-	-	-
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	-	-	-	-	-	-	-	-
Industrial	-	-	-	-	-	-	-	-
Other	47.5	0.0	0.0	1.4	-4.3	1.5	-2.7	101.5
Overall	47.5	0.0	0.0	1.4	-4.3	1.5	-2.7	101.5

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

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

The unexpired term of leases	
Years	% of rent passing
20 years or greater	97.3
15 years or greater, but less than 20	2.7
10 years or greater, but less than 15	0.0
5 years or greater, but less than 10	0.0
Less than 5 years	0.0

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

Source:

Debt analysis*						
Fixed rate borrowings			Variable rate borrowings			
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+	

*Octopus Healthcare Fund has declined to provide this data on the grounds of its commercial sensitivity

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

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

Valuations/performance monitors/affiliations	
Frequency of valuation	Quarterly
Valuers	Knight Frank LLP and Cushman & Wakefield
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	No
Member of the Association of Real Estate Funds	Yes

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted for investment purposes	The Borrowing Cap is 30% of Gross Asset Value
for liquidity purposes	
Cash holdings (maximum)	significant capital expenditure projects relating to the Investments
Cash holdings (minimum)	N/A

Source:

The contribution of major tenants to rental income

Tenant	%
--------	---

*Octopus Healthcare Fund has declined to provide this data on the grounds of its commercial sensitivity

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

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	881.5	0.0	0.0	0.0	881.5
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-178.0	0.0	0.0	0.0	-178.0
Cash	15.4	0.0	0.0	0.0	15.4
Other net assets/liabilities	-9.8	0.0	0.0	0.0	-9.8
Total net assets	709.2	0.0	0.0	0.0	709.2
Gearing (%)					
Net debt (cash)/properties	18.4	-	-	-	18.4
Net debt (cash)/equity	22.9	-	-	-	22.9

Quarterly data per unit

As at	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21
Bid (GBP)	1,105.81	1,110.69	*	*	*	*
Offer (GBP)	1,166.83	1,169.73	*	*	*	*
Mid (GBP)	1,136.32	1,140.21	*	*	*	*
Bid/offer spread	5.23%	5.05%	*	*	*	*
Net asset value (GBP)	1,122.65	1,127.60	*	*	*	*
Quarterly distribution (GBP)	*	*	*	*	*	*
Yield	-	-	-	-	-	-

Source: *Octopus Healthcare Fund has declined to provide this data on the grounds of its commercial sensitivity

Unit pricing

The Fund's Net Asset Value and Net Asset Value per Unit are calculated as at each calendar quarter end date. The bid/offer price applied to the Net Asset Value per Unit is calculated and applied by the Trustee as at the issue date of new Units.

Distributions

Distributions are calculated and declared on a quarterly basis, with cash paid within 20 business days of the respective quarter end date.

Minimum investment/disinvestment

- The Fund may accept Commitments having a total value of at least £1,000,000, with Trustee discretion over smaller amounts.
- Redemption dates on 30 June and 31 December.

Creation, transfer and realisation of units

Commitments are drawn down by the Trustee in exchange for Units, in respect of Commitments dated in a quarter which is first in time before subsequent quarters, and in each quarter pro rata to the aggregate outstanding Commitments made in such quarter.

Taxation

The Fund should be treated as fiscally transparent for the purposes of United Kingdom tax on income. Pursuant to Finance Act 2019 (the "FA 2019") and subordinate legislation, the Fund will also broadly be treated as company for capital gains tax purposes. However, following the expansion of the UK charge to tax on gains by non-residents from direct or indirect investments in UK real estate pursuant to the rules contained in FA 2019, The Fund has made an 'exemption election' whereby the Fund itself and each of its subsidiary entities in which it holds a 40% or greater interest, will be exempt from UK charge to tax on gains from any direct or indirect disposals of UK real estate investment. Notwithstanding the exemption election, the Trustee intends that the affairs of the Fund should be managed and conducted so that it does not become resident in the UK for UK tax purposes.

Charges

the Fund Manager is entitled to charge a fee each quarter on the Net Asset Value of the Fund, as follows:

- i. 0.75 per cent. per annum of the Net Asset Value up to £250,000,000 of the Net Asset Value; plus
- ii. 0.65 per cent. per annum of the Net Asset Value between £250,000,001 to £500,000,000 of the Net Asset Value; plus
- iii. 0.55 per cent. per annum of the Net Asset Value in excess of £500,000,000 of the Net Asset Value

Source:

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue		
1% or greater but less than 2%		
2% or greater but less than 4%		
4% or greater but less than 8%		
Greater than 8.0%		
Total		
Major investors		
Largest holder		
Three largest holders		
Five largest holders		
Ten largest holders		
Internal/external investors		
Internal		
External		

Note: OHF does not wish to provide this data on the grounds of its commercial sensitivity

Liquidity			
Period	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021
Issues and redemptions			
Units in issue as at start of period	193221,3017	322,303	322,303
Units issued during period	129082	249,438	41,890
Units redeemed during period	0	0	0
Units in issue at end of period	322303	571,741	364,193
Unit transfers			
Matched bargains	0	0	0
Matched bargains %*	0	0	0.00%

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