



# 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)	260.7

Management/professional advisors	
Manager	Octopus AIF Management Limited
Investment Advisor	Octopus Healthcare Adviser Limited
Property Fund Manager	

Depository

TMF Group Depository Services Limited

Auditors

BDO Limited

## Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index *		
	Octopus Healthcare Fund	Other Balanced Funds	All balanced funds	All funds
3 months	2.3	0.33	0.28	0.26
Year-to-date	2.3	0.33	0.28	0.26
12 months	10.1	5.69	4.78	4.06
3 years+	-	6.88	6.15	5.60
5 years+	-	9.63	9.06	8.52
10 years+	-	8.54	8.26	8.46

Note: \* Weighted average returns + Annualised

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

## 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	
Maximum lot-size holding permitted at purchase	15% of Gross Asset Value
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	7.7	7.0	5.7
Standard retail – Rest of UK	0.0	3.6	3.6	3.8
Shopping centres	0.0	1.9	2.5	7.6
Retail warehouses	0.0	13.5	13.9	13.3
<b>All UK retail</b>	<b>0.0</b>	<b>26.6</b>	<b>27.1</b>	<b>30.4</b>
City offices	0.0	3.8	3.7	3.3
West End offices	0.0	7.6	8.3	7.3
Rest of South East offices	0.0	11.8	11.3	7.7
Rest of UK offices	0.0	5.8	5.8	4.9
<b>All UK offices</b>	<b>0.0</b>	<b>28.9</b>	<b>29.0</b>	<b>23.2</b>
South East industrial	<b>0.0</b>	18.9	19.1	15.3
Rest of UK industrial	0.0	10.1	10.1	8.0
<b>All UK industrial</b>	<b>0.0</b>	<b>29.1</b>	<b>29.2</b>	<b>23.4</b>
Other UK properties	98.3	11.0	9.7	18.8
Cash***	1.7	4.4	5.1	4.3
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*\* MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

^ Includes Investment in Indirects

#### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	24	269.0	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0	0.0
<b>Total</b>	<b>24</b>	<b>269.0</b>	<b>100.0</b>

#### Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Skylark House	Horsham	Other	21.4	7.9
Sandfields	Cheltenham	Other	20.6	7.7

Snowdrop House	Ware	Other	18.6	6.9
Grosvenor Manor	Chester	Other	18.2	6.8
Highmarket House	Banbury	Other	17.4	6.5
Elm Bank	Kettering	Other	17.2	6.4
Brampton View	Northampton	Other	15.9	5.9
Winchcombe Place	Newbury	Other	14.5	5.4
Ruddington Manor	Wilford	Other	12.8	4.8
Seagrave House	Corby	Other	11.6	4.3
<b>10 largest investments as % of portfolio</b>			<b>168.2</b>	<b>62.5</b>

#### Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	1	2.4	0.9
2.5 - 5	2	8.2	3.1
5-10	11	90.2	33.5
10-25	10	168.2	62.5
25 - 50	0	0.0	0.0
50 - 100	0	0.0	0.0
Over 100	0	0.0	0.0
<b>Total</b>	<b>24</b>	<b>269.0</b>	<b>100.0</b>
Average lot size		11.2	

Property Yield*	
Net initial yield	5.35%
Nominal equivalent yield	6.16%
True equivalent yield	6.40%
Net reversionary yield	5.47%

Voids as % of ERV*	
Investments	0.00%
Developments	0.00%
Total	0.00%

#### 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
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

#### 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	-	-	-	-	-	-	-	-
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	-	-	-	-	-	-	-	-
Industrial	-	-	-	-	-	-	-	-
Other	100.0	-	-	-	-	0.0	-	-
<b>Overall</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>

\*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
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### The unexpired term of leases

Years	% of rent passing
20 years or greater	100.0
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	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
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

### 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)+
0	0	0	80	0.019	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

Development exposure*				
	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	86.3	86.3	54.5
% of all directly held properties*	0.00%	32.09%	32.09%	20.26%

\* 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
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Yes

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

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	269.0	0.0	0.0	0.0	269.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-11.5	0.0	0.0	0.0	-11.5
Cash	4.7	0.0	0.0	0.0	4.7
Other net assets/liabilities	-1.4	0.0	0.0	0.0	-1.4
Total net assets	260.7	0.0	0.0	0.0	260.7
Gearing (%)					
Net debt (cash)/properties	2.5	-	-	-	2.5
Net debt (cash)/equity	2.6	-	-	-	2.6

#### Quarterly data per unit

As at	30-Dec-17	30-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Bid (GBP)						1,121.74
Offer (GBP)						1,070.46
Mid (GBP)						1,096.10
Bid/offer spread						-4.79%
Net asset value (GBP)						1,086.76
Quarterly distribution (GBP)						10.55
Yield						4.21%

#### 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**

- a. The Fund may accept Commitments having a total value of at least £1,000,000, with Trustee discretion over smaller amounts.
- b. 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, it is anticipated that the Fund will seek to make an election known as the "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

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%	-	-
<b>Total</b>	<b>0</b>	<b>0.0</b>
Major investors		
Largest holder	0	0.0
Three largest holders	0	0.0
Five largest holders	0	0.0
Ten largest holders	0	0.0
Internal/external investors		
Internal	1	1.1
External	17	98.9

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

Liquidity		
Period		Year to Dec 2019
<b>Issues and redemptions</b>		
Units in issue as at start of period		193,221
Units issued during period		46,712
Units redeemed during period		0
Units in issue at end of period		239,933
<b>Unit transfers</b>		
Matched bargains		13,332
Matched bargains %*		5.56%

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