

This document is issued by Target Fund Managers Limited (the "Manager" or the "AIFM") solely in order to make certain particular information available to investors in the Target Healthcare REIT Limited (the "Company" and together with its subsidiaries the "Group") before they invest, in accordance with the requirements of the FCA Rules implementing the AIFM Directive in the United Kingdom. It is made available to investors in the Company by being made available on the Company's website at <http://www.targethealthcarereit.co.uk>

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

## **TARGET HEALTHCARE REIT LIMITED**

### **INVESTOR DISCLOSURE DOCUMENT**

### **IMPORTANT INFORMATION**

#### **Regulatory status of the Company**

Target Healthcare REIT Limited is an 'alternative investment fund' ("AIF") for the purposes of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFM Directive") and is incorporated in Jersey.

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to the provisions of its articles of association, the Listing Rules, the Disclosure and Transparency Rules, the UK Corporate Governance Code and the Companies (Jersey) Law, 1991 (as amended).

The provisions of the Company's articles of association are binding on the Company and its shareholders. The articles of association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by the laws of Jersey.

#### **Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company and its Directors will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

#### **No advice**

The Company and its Directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

#### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

## THE COMPANY

### Investment policy

### Investment restrictions and guidelines

The Company's annual report, which is available from its website, <http://www.targethealthcarereit.co.uk>, sets out the investment restrictions and guidelines currently applied in managing the Company's portfolio.

### Leverage

The Company may use gearing (also known as leverage) to increase potential returns to shareholders. Liquidity and borrowings are managed with the aim of increasing returns to shareholders. Pursuant to the Company's gearing policy, it is the Board's intention that any borrowings of the Company will not exceed 20 per cent. of the assets of the Company's group at the time of drawdown.

In pursuing this policy, the Group has in place a £50 million five-year bank facility with the Royal Bank of Scotland comprising a term loan facility of £30 million and a revolving credit facility of £20 million. Interest on this facility is payable at a rate equal to the aggregate of LIBOR and a margin of one and a half per cent. per annum. In addition, the Group has also entered into a five year £40m committed term loan facility with First Commercial Bank, Limited. This facility has interest payable at a rate equal to the aggregate of LIBOR and a margin of one and three quarters per cent. per annum.

The Group will manage its exposure to interest rate risk through the use of interest rate swaps.

The Company's articles of association currently limit the gearing permitted by the Company to 35 per cent. of the gross assets of the Company's group at the time of the borrowing.

The maximum leverage of the Company permitted under the AIFM Directive and using the definitions set out in the Directive is 200 per cent. on both a gross and commitment basis.

The Company will disclose on its website at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion, the following:

- any changes to the maximum level of leverage that the AIFM may employ on behalf of the Company;
- any changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements; and
- the total amount of leverage employed by the Company.

### Investment strategy and investment techniques

The Company's annual report, which is available from its website, <http://www.targethealthcarereit.co.uk>, sets out the investment strategy and techniques currently applied in managing the Company's portfolio.

As a closed-ended investment company whose shares are admitted to the Official List under Chapter 15 of the Listing Rules, the Company is required to obtain the prior approval of the shareholders to any material change to its published investment policy. Accordingly, the Company will not make any material change to its published investment policy without the approval of its shareholders by ordinary resolution. The Company will announce any such change through a Regulatory Information Service. The Company's published investment policy is set out in the section entitled 'Investment policy' above.

Any change in investment strategy or investment policy which does not amount to a material change to the published investment policy may be made by the Company without shareholder approval.

### **The Company's Group**

The Company has nine wholly owned subsidiaries, THR Number One PLC, THR Number 4 Limited, THR Number 8 Limited, THR Number 10 Limited, THR Number 11 Limited, THR Number 12 PLC, THR Number 13 Limited, THR Number 14 Limited and THR Number 16 Limited. The group also includes THR Number Two Limited, and its wholly owned subsidiary THR Number 9 Limited, and THR Number 3 Limited which are wholly owned subsidiaries of THR Number One PLC, and THR Number 5 Limited, THR Number 6 Limited and THR Number 7 Limited which are wholly owned subsidiaries of THR Number 12 PLC.

THR Number 11 Limited is incorporated in Scotland and THR Number 7 Limited and THR Number 8 Limited are incorporated in Gibraltar. All of the other group companies are incorporated in England and Wales.

## **ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

### **The AIFM**

### ***Identity of AIFM***

The AIFM is Target Fund Managers Limited, a private limited company incorporated in Scotland with the registered number SC548164 on 19 October 2016 and is regulated by the FCA. Its registered and head office is at Laurel House Laurelhill Business Park, Laurelhill, Stirling, FK7 9JQ 0JG.

The Manager has been authorised by the FCA to act as an alternative investment fund manager pursuant to the AIFMD and has been designated by the Company to perform the following functions:

- the investment management function in respect of the Company which includes portfolio management and risk management; and
- marketing functions.

### **Fees**

The AIFM is entitled to a base management fee of 0.90 per cent. per annum of the net assets of the Company and an annual performance fee of 10 per cent. per annum of the amount by which the total return of the Company's portfolio is in excess of the total return of the IPD UK Annual Healthcare Index. The Company's annual report and accounts detail the latest fees paid to the Manager.

## **The Administrator and Company Secretary**

### ***Identity of the Administrator and Company Secretary***

R&H Fund Services (Jersey) Limited a private company incorporated in Jersey with its registered office at Ordnance House, 31 Pier Road, St. Helier, Jersey has been appointed as the Company's administrator and secretary. Pursuant to an administration and company secretarial delegation agreement R&H Fund Services (Jersey) Limited has delegated all administration and secretarial functions to Maitland Administration Services (Scotland) Limited, a private limited company incorporated in England and Wales with its registered office at Berkshire House, 168 - 173 High Holborn, London WC1V 7AA.

### **Fees**

The Company will pay Maitland Administration Services (Scotland) Limited a fixed fee of £62,992 per annum (subject to inflation-linked uplift) and a further fee of 0.05 per cent. per annum of total assets of the Company which exceed £60 million, subject to a cap of £90,000 per annum. The Company's annual report and accounts detail the latest fees paid to the Administrator and Company Secretary.

## **The Depositary**

### ***Identity of the Depositary***

The Depositary is Augentius Depositary Company Limited. The Depositary is incorporated in England and Wales as a private limited company and is regulated by the FCA. Its registered and head office is at 2 London Bridge, London SE1 9RA. The ultimate holding company of the Depositary is Augentius (UK) Limited.

The principal business activity of the Depositary is the provision of depositary services.

The Depositary has been appointed by the Company to act as the Company's depositary and shall assume its functions and responsibilities in accordance with the AIFMD. The principal duties of the Depositary are to provide independent oversight of the operation of the Company, ensure the safekeeping of the Company's assets and monitor the Company's cashflows.

The Depositary does not delegate its safekeeping function in relation to the Company's assets, but may appoint sub-custodians to provide custody services.

#### *Liability of the Depositary*

The Depositary has not entered into any arrangement contractually to discharge itself of liability in accordance with Article 21(13) of the AIFMD. The Company will notify shareholders of any changes with respect to the discharge by the Depositary of its liability in accordance with Article 21(13) through a Regulatory Information Service.

#### *Fees*

The fees payable to the Depositary are determined by the assets held by the Company. The Company's annual report and accounts detail the latest fees paid to the Depositary.

### **The Auditor**

#### *Identity of the Auditor*

The auditors to the Company are Ernst & Young LLP, whose registered office is at 1 More London Place, London SE1 2AF. The Auditor is incorporated in England and Wales as a limited liability partnership and is regulated by the FCA.

The Auditor carries out its duties in accordance with applicable laws, rules and regulations, including the audit of the accounting information contained in the annual report of the Company. The Auditor's work has been undertaken so that they might state to the Company's members those matters they are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, the Auditor does not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for their audit work, for their audit report, or for the opinions they formed.

#### *Fees*

The fees payable to the Auditor shall be determined by the Directors. The Company's annual report and accounts detail the latest fees paid to the Auditor.

## **The Registrar**

### ***Identity of the Registrar***

The registrar to the Company is Computershare Investor Services (Jersey) Limited, whose registered office is at Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES. The Registrar is incorporated in Jersey as a private company.

The duties of the Registrar include the maintenance of the register of shareholders, dividend mandate and shareholder legal documentation, certifying and registering transfers, preparation of annual return listings for submission to the Registrar of Companies.

### **Fees**

The fees charged by the Registrar are based on the number of transfers registered, the number of share issues and buy-backs, the number of general meetings held by the Company among other factors. The Company's annual report and accounts detail the latest fees paid to the Registrar.

## **SHAREHOLDER INFORMATION**

### **Annual reports and accounts**

Copies of the Company's latest annual and interim reports may be accessed at <http://www.targethealthcarereit.co.uk/investor-relations/reports-and-presentations/financial-reporting>.

### **Publication of net asset values**

The latest net asset value of the Company may be accessed at <http://www.targethealthcarereit.co.uk/investor-relations/reports-and-presentations/regulatory-news>. The Company also publishes its net asset values on a quarterly basis via a Regulatory Information Service.

### **Valuation policy**

The net asset value of the Company is calculated quarterly in accordance with the International Financial Reporting Standards. The net asset value includes income and no provision for an accrued dividend is made.

The calculation is based on the external valuation of the properties provided by Colliers International Property Consultants Limited. The properties are valued in accordance with the RICS Valuation – Professional Standards January 2014 (Red Book).

The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result valuations are subject to substantial uncertainty. There can be no assurances that the estimates resulting from the valuation process will reflect actual realisable sale prices.

### **Historical performance of the Company**

Details of the Company's historical financial performance are provided in the Company's annual reports and accounts which are available at <http://www.targethealthcarereit.co.uk/investor-relations/reports-and-presentations/financial-reporting>.  Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

### **Purchases and sales of shares by investors**

The Company's shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange.

The Company's shares are not redeemable. While the Company will typically have shareholder authority to buy back shares, shareholders do not have the right to have their shares purchased by the Company.

### **Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all shareholders of the same class of shares equally.

In particular, as directors of a company incorporated in Jersey, the Directors have certain statutory duties under the Companies (Jersey) Law, 1991 (as amended) with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

The Company's shares all rank pari passu with each other.

## **RISK FACTORS**

The key risks facing the Company and the mechanisms in place to monitor and measure these risks are set out in the Company's annual report, a copy of which is available from its website, <http://www.targethealthcarereit.co.uk/investor-relations/reports-and-presentations/financial-reporting>.

### **Risk profiles**

The Company's investing activities expose it to various types of risk that are associated with the investment properties, assets and markets in which it invests.

The AIFM assesses the sensitivity of the Company's portfolio to the most relevant risks to which the Company is or could be exposed on an ongoing basis.



The current risk profile of the Company will be disclosed periodically to investors by disclosure in the Company's annual report and accounts or more frequently at the AIFM's discretion.

#### **Risk management systems**

The Company's key risks are monitored by the AIFM on an ongoing basis and by the Board on a regular basis. The AIFM has risk management policies and processes which are used to identify and, where possible, reduce risk of loss of value in the Company's investments.

The risk management systems which the AIFM employs to manage the risks which are most relevant to the Company will be disclosed periodically to investors by disclosure in the Company's annual report and accounts or more frequently at the AIFM's discretion.

#### **Liquidity risk management**

The AIFM undertakes liquidity management procedures in relation to the Company which are intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to the Company's obligations.

The AIFM ensures that the appropriate levels of liquidity are held within the Company on a day-to-day basis with any unusual trends or areas of high risk being identified for further investigation and analysis, including appropriate stress testing.

The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

Investors will be notified, by way of a disclosure on the Company's website, in the event of any material changes being made to the liquidity management systems and procedures or where any new arrangements for managing the Company's liquidity are introduced.

#### **Professional negligence liability risks**

The AIFM covers its potential liability risks arising from professional liability by holding the appropriate additional 'own funds' within the meaning of the AIFMD

#### **Amendment of this document**

Any changes made to this document will be notified to investors by way of disclosure on the Company's website.