Target Healthcare REIT Limited (THRL:LN)
Quarterly Investor Report: April 2017 (figures as at and for quarter ended 31 March 2017)

Overview
- Launch Date: March 2013
- ISIN: JE00B95CGW71
- Registered number: 112287
- Expected quarterly dividend: Feb/May/Aug/Nov
- Financial year end: 30 June
- Currency: Sterling
- Website: www.targethealthcarereit.co.uk

Ordinary Share Class
- (25/04/17)
  - Shares in issue: 252,180,851
  - Share price: 113.88 pence
  - Market cap: £287 million
  - Share price premium to EPRA NAV: 12.2%

Key ratios and financials
- (31/03/17)
  - Investment properties: £274.6 million
  - Drawn debt: £30 million
  - EPRA NAV: £256.1 million
  - EPRA NAV per share: 101.5 pence
  - EPRA NAV growth: 0.3%
  - Quarterly EPRA earnings per share*: 1.31 pence
  - Quarterly dividend per share: 1.57 pence
  - Dividend yield: 5.5%
  - LTV: 10.9%
  - Management fee rate: 0.9% of NAV
  - Performance fee: 10% of portfolio outperformance of Index; capped at 0.35% of NAV; rolling, cumulative 3-year period; subject to claw-back.
  - WAULT: 29.6 years

Summary Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>Mar-17</th>
<th>Dec-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment properties</td>
<td>£274.6</td>
<td>£253.1</td>
</tr>
<tr>
<td>Cash</td>
<td>11.6</td>
<td>26.7</td>
</tr>
<tr>
<td>Net current assets / (liabilities)</td>
<td>(0.1)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Bank loan</td>
<td>(30.0)</td>
<td>(21.0)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td><strong>256.1</strong></td>
<td><strong>256.9</strong></td>
</tr>
<tr>
<td>EPRA NAV per share</td>
<td>101.5 p</td>
<td>101.8 p</td>
</tr>
</tbody>
</table>

Ignores the effect of fixed/guaranteed rent reviews.

Group at a glance

Overview
- THRL aims to provide shareholders with an attractive level of income with the potential for moderate capital and income growth through investing in best-in-class care homes assets with robust financial characteristics. The Group acquires modern, purpose-built properties fully equipped with ensuite wet rooms, operated by a diverse group of tenants leased at sustainable rental levels and rental covers over the long-term. The Group focuses on locations underpinned by favourable dynamics (population demographics and social grade, supply / demand) and seeks to support high quality tenants who demonstrate excellent operational capabilities and a strong care ethos.

Recent news

- The Group acquired two purpose built homes near Wimborne, Dorset for an undisclosed price. The Group also completed the acquisitions of two newly built homes in Frinton-on-Sea and Sutton-in-Ashfield, for £14.8 million including costs, for which contracts had been previously been exchanged. Subsequent to 31 March 2017, the Group acquired a care home in Dover, Kent for £6.1 million including costs.

Pipeline
- The Investment Manager is considering a number of near-term investment opportunities.

Performance
- On a like-for-like basis, the portfolio value increased by 0.5% over the quarter. The increase reflects an element of yield compression across individual assets as the underlying trading performance of the homes mature as well as uplifts from our ongoing embedded rent reviews.

Healthcare investment market
- US REITs have become less active in the market whilst we are hearing of greater interest from Asia-Pacific investors. Private equity investors remain very active in the sector. Four Seasons Health Care, the UK’s largest care home operator, has announced positive 2016 results as the turnaround of the company gathers pace. EBITDA at the company rose 43% to £55m. In addition, HC-One is in talks to acquire BUPA’s portfolio of care homes which would see HC-One become the largest care operator in the UK. In terms of market yields, we are seeing very aggressive yields at the prime end of the market.

Healthcare market
- The adult social care sector continues to face many headwinds including staffing retention, nursing shortages, and the rising National Living Wage. The latter issue is resulting in smaller operators being squeezed out of the market. In the Spring Budget, the Chancellor announced an extra £2 billion for adult social care, with £1 billion available in the 2016-17 fiscal year. The news has been welcomed, however, it is not enough to fill the estimated £2.6 billion funding gap facing the sector and there is still no political consensus regarding the source of funding. The issues faced by the sector highlight the need for specialist investment managers whose sole focus is on this sector.
Portfolio summary

### Income by operator

- Ideal Carehomes (10 homes)
- Care Concern Group (6 homes)
- Orchard Care Homes (5 homes)
- Priory Group (5 homes)
- Bondcare (3 homes)
- Balhousie Care (3 homes)
- Oxfordshire operator (1 home)
- Hudson Healthcare (2 homes)
- Tyneside Operator (2 homes)
- Other tenants (7 x 1 home)

Notes: income % calculated by reference to passing rents as at 31 March 2017.

### Geographical spread of portfolio by value

- South East 15.5%
- North West 14.9%
- Yorkshire & the Humber 14.3%
- East Midlands 14.2%
- Scotland 10.5%
- Northern Ireland 8.1%
- Eastern 7.1%
- West Midlands 5.7%
- South West 5.1%
- North East 4.6%

### Ten largest investments by income

<table>
<thead>
<tr>
<th>Asset</th>
<th>Acquired</th>
<th>Location</th>
<th>Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxfordshire Home</td>
<td>February 2016</td>
<td>South East</td>
<td>Oxfordshire Operator</td>
</tr>
<tr>
<td>Bromford Lane Care Centre</td>
<td>June 2014</td>
<td>West Midlands</td>
<td>Bondcare Group</td>
</tr>
<tr>
<td>Barnes Lodge Care Home</td>
<td>October 2016</td>
<td>South East</td>
<td>Abbeyfield Kent Society</td>
</tr>
<tr>
<td>Hastings Court</td>
<td>December 2014</td>
<td>South East</td>
<td>Oakland Primecare</td>
</tr>
<tr>
<td>St. Helen’s Hall and Lodge</td>
<td>October 2013</td>
<td>North West</td>
<td>Orchard Care Homes Group</td>
</tr>
<tr>
<td>Whittington House</td>
<td>June 2016</td>
<td>South West</td>
<td>Caring Homes Group</td>
</tr>
<tr>
<td>Sandiacre Court Care Home</td>
<td>August 2016</td>
<td>East Midlands</td>
<td>Hudson Healthcare</td>
</tr>
<tr>
<td>Summerfield House</td>
<td>May 2016</td>
<td>Yorkshire &amp; The Humber</td>
<td>Bondcare Group</td>
</tr>
<tr>
<td>The Ashton Care Home</td>
<td>July 2014</td>
<td>East Midlands</td>
<td>Care Concern Group</td>
</tr>
<tr>
<td>Bohill House Care Home</td>
<td>July 2014</td>
<td>Northern Ireland</td>
<td>Priory Group</td>
</tr>
</tbody>
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### Directors

- Malcom Naish (Chairman)
- Professor June Andrews
- Gordon Coull
- Thomas J Hutchison III
- Hilary Jones
- Ian Webster

### Investment Manager

- Target Advisers LLP
  - Kenneth MacKenzie
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  - kenneth@targetadvisers.co.uk

### Advisers

- Administrator: R&H Fund Services Limited
- Depositary: Augentius Depositary Group Ltd
- Broker: Stifel Nicolaus Europe Limited
- UK Legal Auditors: Dickson Minto W.S. Ernst & Young LLP

* Excluding the effects of accrual for potential performance fee for the year to 31 December 2017.

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