This document is issued by Target Fund Managers Limited (the "Investment Manager" or the "AIFM") solely in order to make certain particular information available to investors in Target Healthcare REIT plc (the "Company" and, together with its subsidiaries, the “Group”) before they invest, in accordance with the requirements of the FCA Rules implementing the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (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 www.targethealthcarereit.co.uk. This Investor Disclosure Document is based on information, law and practice at the date hereof. The Company, its Directors and the Investment Manager as its AIFM cannot be bound by an out of date Investor Disclosure Document when it has issued a new Investor Disclosure Document and investors should check with the Investment Manager that this is the most recently published Investor Disclosure Document.

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 PLC
INVESTOR DISCLOSURE DOCUMENT
IMPORTANT INFORMATION

Regulatory and legal status of the Company

Target Healthcare REIT plc is an 'alternative investment fund' ("AIF") for the purposes of the AIFM Directive which has appointed Target Fund Managers Limited (the “Investment Manager”) as its Alternative Investment Fund Manager and Investment Manager. The Investment Manager is authorised and regulated by the United Kingdom Financial Conduct Authority (the “FCA”) as a “full-scope” AIFM for the Company.

The Company is a closed-ended investment company, limited by shares and incorporated in England and Wales. The Company's shares are listed on the premium segment of the Official List of the Financial Conduct 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 “Articles”), the FCA Listing Rules, the FCA Disclosure Guidance and Transparency Rules, the AIC Code of Corporate Governance (February 2019) and the Companies Act 2006 (as amended from time to time) (the "Companies Act"). The Company is not authorised or regulated by the Financial Conduct Authority.

The provisions of the Company's Articles are binding on the Company and its shareholders. The Articles 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. The Company's Articles are governed by, and construed in accordance with, English law.

Limited purpose of this document

This document is not being issued for any purpose other than to make certain required regulatory disclosures to investors in accordance with the requirements of the AIFM Directive and, to the fullest extent permitted under applicable law and regulations, the Company, the Investment Manager and their 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 does not include (and it is not intended to include) all the information which investors or 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, its Directors and the Investment Manager as its AIFM 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, the Investment Manager or any of their respective 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 the Company’s 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 any persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. In particular, 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.

This Investor Disclosure Document is dated, and is valid, as at 24 February 2021.

THE COMPANY

Investment Objective

The Group's Investment Objective is to provide shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of freehold and long leasehold care homes, that are let to care home operators, and other healthcare assets in the UK.

Investment policy

The Group pursues its objective by investing in a portfolio of care homes, predominantly in the UK, that are let to care home operators on full repairing and insuring leases that are subject to annual uplifts based on increases in the UK retail prices index (subject to caps and collars) or fixed uplifts. The Group is also able to generate up to 15 per cent of its gross income, in any financial year, from non-rental revenue or profit related payments from care home operators under management contracts in addition to the rental income due under full repairing and insuring leases.

In order to spread risk and diversify its portfolio, the Group is also permitted to invest up to: (i) 15 per cent of its gross assets, at the time of investment, in other healthcare assets, such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools and hospitals; and (ii) 25 per cent of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of the Group. The Directors have no current intention to acquire other healthcare assets or indirect property investment funds. The Group may also acquire or establish companies, funds or other SPVs which themselves own assets falling within the Group's investment policy.

The Group may either invest in assets that require development or that are under development, which when completed would fall within the Group's investment policy to invest in UK care homes and other healthcare assets, including by means of the forward funding of developments and forward commitments to purchase completed developments, provided that the Group will not undertake speculative development and that the gross budgeted development costs to the Group of all such developments, including forward funding and forward commitments, does not exceed 25 per cent. of the Group's gross assets on the commencement of the relevant development. Any development will only be for investment purposes.

In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 20 per cent of the Group's gross asset value and, in any financial year beginning after the Group is fully invested, the rent received from a single tenant or tenants within the same group (other than from central or local government, or primary health trusts) is not expected to exceed 30 per cent of the total income of the Group, at the time of investment.

The Group will not acquire any asset or enter into any lease or related agreement if that would result in a breach of the conditions applying to the Group's REIT status.

The Group is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

Gearing policy

Gearing calculated as borrowings as a percentage of the Group's assets, may not exceed 35 per cent. at the time of drawdown. The Board currently intends that, over the medium term, borrowings of the Group will represent approximately 25 per cent. of the Group's gross assets at the time of drawdown. However, it is expected that Group borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the property portfolio.

Leverage

The Group 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. The Company's Articles currently limit the gearing permitted by the Group to 35 per cent. of the Group's gross assets at the time of drawdown.

In pursuing this policy, the Group has in place:

- a £70 million bank facility with the Royal Bank of Scotland plc, repayable on 5 November 2025, comprising a term loan facility of £30 million and a revolving credit facility of £40 million. A SONIA-based interest rate swap, documented in the form of market standard ISDA documentation, has been entered into in order to fully hedge the interest rate payable on the £30 million term loan facility for the term loan's duration;

- an £100 million revolving credit facility with HSBC, repayable on 5 November 2023, with the option to extend (at the discretion of HSBC) for two further twelve-month period periods; and

- a £50 million committed term loan facility with ReAssure Limited, repayable on 12 January 2032.

The Group may continue to make use of hedging to manage its exposure to interest rate risk through the use of interest rate swaps.

The maximum amount of leverage which the AIFM is entitled to employ on behalf of the AIF

The AIFM Directive prescribes two methods of measuring and expressing leverage (as opposed to gearing) and requires disclosure of the maximum amount of 'leverage' the Group might be subject to. The definition of leverage is wider than that of gearing and includes exposures that are not considered to be gearing. To allow for future fluctuations in property values, and in accordance with the above gearing intention, the maximum leverage of the Group calculated in accordance with the requirements of the AIFM Directive, and being inclusive of exposure to derivatives such as the interest rate swaps used to fix the interest rates on certain borrowings, is 300 per cent on both a gross and commitment basis.

The Company discloses on its website at the same time as it makes its Annual Report and Financial Statements 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.

The total amount of gearing employed by the Group is updated regularly in the Quarterly Investor Report published on the Company's website.

Investment strategy and investment techniques

In building its investment portfolio, the Group has targeted and will continue to target modern, purpose-built care homes, that are let to care home operators, and other healthcare assets in the UK that seek to benefit from the following:

- changing UK demographics resulting in higher numbers of the elderly, and demand drivers for healthcare;
- patient choice, expectations as to quality of care home and the expectation of on-going growth of the private pay market;
- the forecast rise in acute, chronic illness and dementia; and
- a focus on new-build and compliant buildings with high quality care home operators as tenants.

These long-term drivers, which drive occupation of the underlying assets and therefore investment demand, form the cornerstone of the investment strategy of the Company.

The Group pursues a "best-in-class" strategy, where it seeks to utilise the specialist healthcare asset and fund management expertise of the Investment Manager to source and actively manage properties which meet the investment operating criteria of the Company whilst seeking to maximise returns to shareholders.

The investment approach focuses on:

- geographical regions and local markets with acceptable economic fundamentals, and a demand/supply imbalance for best in class care homes supported by both the state and self-pay markets;
- high quality operators of largely new-build healthcare assets;

- care sub-markets with positive indicators for the long-term drivers of occupier demand such as nursing care;
- emerging sub-markets undergoing structural change or convergence with more established markets such as dementia care; and
- mis-pricing opportunities across a range of selective geographic areas and sub-markets, such as pre-let development funding.

The Group focuses on a range of potential investments including, inter alia, the following:

Single care homes. An operator may have a range of freehold and leasehold care homes and be seeking to release cash to restructure its balance sheet or to invest in further care homes. The Group would acquire the care home and grant a lease to the operator.

Portfolio of care homes. An operator may be looking to undertake a larger scale transaction and to standardise its leasehold arrangements. This has the advantage of deploying capital rapidly.

Forward funding developments. The Investment Manager is able to source these forward funding projects through its contacts and position in the market. These projects provide the Group with the opportunity to invest in new, purpose-built care homes which either might not otherwise be available in certain locations and/or in respect of which the Group might not otherwise be able to achieve the same yields on an already-built care home in the same location. The Group will not undertake any speculative development and it does not act as a developer. It acquires the sites and funds a developer during the project. The developers are typically known to the Group as they tend to be operators of care homes. All forward funding projects are pre-let to future operators and the lease agreement is agreed at the start of the project prior to any development commencing.

Other healthcare assets. Where appropriate the Group may also consider investing in other healthcare assets such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools, specialist schools, hospitals and retirement apartments. The Group will only invest in these other types of healthcare assets where they are of a suitable quality and the underlying market dynamics indicate a robust investment opportunity.

Investment process

Asset origination

The Group targets modern purpose-built homes, with the aim of "future proofing" the assets against obsolescence and benefiting from the trend of moving away from older, typically converted, care home properties.

The Group focuses on acquiring residential, dementia and nursing care homes and selective specialist care homes.

The Investment Manager typically targets investments in areas that have either surplus demand or a predominance of poorer quality facilities. Cognisance is taken of the local demographic data and areas with potential for a reasonable ratio of private fee payers taking preference. The geographic target area is, and will continue to be, predominantly the UK.

Sourcing

The Investment Manager's team has comprehensive links with the operators, agents, private equity investors and developers in the health care sector via a well-developed network. Although there is increased interest in the market for acquiring care homes and other healthcare assets, the Investment Manager is confident that it can continue to source suitable assets, including further forward funding projects, in accordance with the Company's investment policy and strategy.

Investment offer and heads of terms

The Investment Manager carries out a high-level review of the tenant (the operator and/or the management team) and also reviews the proposed lease structure to ensure that all basic investment criteria are met including whether the asset is likely to deliver appropriate rental cover over time. An outline of the deal is then established and non-binding heads of terms are agreed.

Due diligence procedures

The Investment Manager evaluates all project risks it believes are material to making an investment decision and assesses how those risks are mitigated. The credentials of the tenant management team of a prospective investment are evaluated to assess the reputation and experience of the tenant in respect of the subject investment and its other (if any) business activities, including, but not limited to: other tenancies; freehold assets; and any inspection reports relating to the prospective investment or other businesses of the tenant. Key personnel are also assessed to ensure that they have the relevant background and skills to be successful and there is sufficient dedication of senior staff to the business management of the asset. Where appropriate it complements its analysis through the use of professional third-party advisers including valuation and insurance experts, legal advisers, etc. These advisers are engaged to conduct due diligence that is intended to provide an additional and independent review of key aspects and risks of a care home or other healthcare asset, providing comfort as to the level of risk mitigation and the care home or other healthcare asset's ongoing performance.

Regard is also given to, inter alia, the operator's covenant strength and reputation, specification of the accommodation and the nature and standards of care provided.

Investment review

The investment review focuses on the following three key areas of the investment opportunity: revenue, costs and profitability. The Investment Manager analyses the revenue capabilities of an investment opportunity which is driven by the type of case the asset is designed for (e.g. nursing care, residential care, dementia, elderly, mentally infirm), the occupancy rate of the asset, the fee rate per bed (which includes an analysis on the current trends and forecasts) and more widely by the demographics which underpin the balance between supply and demand and includes a review of competing assets in the immediate area. The Investment Manager also carries out a cost breakdown and an analysis which involves identifying tenants who are likely to operate the most successful business. The Investment Manager analyses the investment opportunity's business model to determine whether the stated revenue and costs are appropriate, can be better managed or are overly optimistic. The review also focuses on the profitability of the business (which is often analysed by reference to EBITDARM and EBITDAM) and how its rental cover directly impacts the investment yield of the asset and portfolio as a whole. The Investment Manager typically runs a bottom up approach to the investment proposal presented and undertakes a sensitivity analysis. The investment opportunity is reviewed in the light of the competing care homes in the area (with due cognisance being given to any relevant planning applications which might impact upon the business of the target care home). A desktop inspection is also initially carried out, together with a physical inspection of the area, and due diligence is also carried out on the key care homes which the Investment Manager considers compete with the investment opportunity.

Where there is an opportunity to look at a portfolio of assets, the Investment Manager will review the assets and asset plans with the senior managers of the tenant business and undertake tours of the assets. This process can be highly revealing in respect of the operator's depth of knowledge of a market and the specific strategy it has in respect of the individual assets. Wherever possible, the Investment Manager liaises informally with the care home personnel of the manager of the tenant business to gain an additional perspective.

Investment monitoring

The Investment Manager takes an active approach to on-going monitoring and performance analysis to ensure that the investment parameters are adhered to. As part of continuing due diligence, the Investment Manager will monitor aspects such as: market fundamentals, yield movements, rental growth, supply and demand, rent cover, tenant profitability, fee rates, changes in legislation, regulatory reports on assets, portfolio activity, investment activity, performance, corporate actions and valuation. In normal circumstances the Investment Manager also undertakes regular site visits on the properties that the Group owns. Due to the COVID-19 pandemic, the Investment Manager is supporting the infection control processes of the Group's tenants by postponing scheduled care home visits for the time being and has been having regular calls with the Group's tenants. Close asset monitoring continues remotely, through established reporting channels for key metrics and regular discussions at both a senior management and individual care home level.

The forward funding projects are carefully monitored by the Investment Manager and the progress of the development is reviewed prior to each payment instalment date. In accordance with the terms of any forward funding agreement, the Group only makes a payment instalment to the designated project's, and not the developer's, bank account once the prescribed development stage and/or criteria has been certified by surveyors.

Changes to Investment Strategy or Investment Policy

The Strategic Report section of the Group's annual report, which is available on its website www.targethealthcarereit.co.uk, sets out the investment strategy and techniques 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.

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 48 direct and indirect subsidiaries – all of which are wholly owned by their immediate parent company with no non-controlling interests. The ownership structure of the Group (excluding dormant subsidiaries) is as follows:

Company Name	Country of Incorporation	Company Number	Immediate parent
Target Healthcare REIT Limited	Jersey	112287	Target Healthcare REIT plc
THR Number One plc	England & Wales	8996524	Target Healthcare REIT Limited
THR Number Two Limited	England & Wales	8816684	THR Number One plc
THR Number 3 Limited	England & Wales	8486658	THR Number 12 plc
THR Number 4 Limited	England & Wales	7381556	Target Healthcare REIT Limited
THR Number 5 Limited	England & Wales	5043616	THR Number 12 plc
THR Number 6 Limited	England & Wales	8596340	THR Number 12 plc
THR Number 7 Limited	Gibraltar	101482	THR Number 12 plc
THR Number 8 Limited	Gibraltar	103750	THR Number 15 plc
THR Number 9 Limited	England & Wales	9162771	THR Number Two Limited
THR Number 10 Limited	England & Wales	10489623	THR Number 15 plc
THR Number 11 Limited	Scotland	SC449233	Target Healthcare REIT Limited
THR Number 12 plc	England & Wales	10766378	Target Healthcare REIT plc
THR Number 13 Limited	England & Wales	10609722	Target Healthcare REIT Limited
THR Number 14 Limited	England & Wales	10609739	Target Healthcare REIT Limited
THR Number 15 plc	England & Wales	11137916	Target Healthcare REIT Limited
THR Number 16 Limited	England & Wales	10773560	Target Healthcare REIT Limited
THR Number 17 (Holdings) Limited	England & Wales	8241267	THR Number 15 plc
THR Number 17 Limited	England & Wales	7638039	THR Number 17 (Holdings) Limited
THR Number 18 Limited	England & Wales	11038154	Target Healthcare REIT Limited
THR Number 19 Limited	England & Wales	11319885	Target Healthcare REIT Limited
THR Number 20 Limited	England & Wales	8783262	THR Number 15 plc
THR Number 21 Limited	England & Wales	9335508	THR Number 15 plc
THR Number 22 Limited	England & Wales	11390916	THR Number 15 plc
THR Number 23 Limited	England & Wales	11585158	Target Healthcare REIT Limited
THR Number 24 Limited	England & Wales	11585387	Target Healthcare REIT Limited
THR Number 25 S.a r.l.	Luxembourg	B196691	THR Number 15 plc

THR Number 26 S.a r.l.	Luxembourg	B211149	THR Number 15 plc
THR Number 27 Limited	England & Wales	10711149	THR Number 15 plc
THR Number 28 Limited	England & Wales	8728060	THR Number 15 plc
THR Number 29 Limited	England & Wales	12082968	THR Number 15 plc
THR Number 30 Limited	England & Wales	8083117	THR Number 29 Limited
THR Number 31 Limited	England & Wales	9803652	THR Number 29 Limited
THR Number 32 Limited	England & Wales	12108558	THR Number 21 Limited
THR Number 33 Limited	England & Wales	11940337	THR Number 15 plc
THR Number 34 Limited	England & Wales	8267470	THR Number 33 Limited
THR Number 35 Limited	England & Wales	12212287	THR Number 34 Limited
THR Number 36 Limited	England & Wales	10981436	Target Healthcare REIT plc
THR Number 37 Limited	England & Wales	12753132	Target Healthcare REIT plc
THR Number 38 Limited	England & Wales	12701938	Target Healthcare REIT plc

ADMINISTRATION AND MANAGEMENT OF THE COMPANY

The AIFM

Identity of AIFM and Investment Manager

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

The Investment Manager has been authorised by the FCA to act as an AIFM pursuant to the AIFMD. The Company has an Investment Management Agreement ("IMA") with the Investment Manager whereby the Investment Manager has been designated by the Company to perform the following functions:

- the investment management function in respect of the Company which includes appropriate portfolio and risk management standards and procedures;
- the ongoing oversight functions and actions necessary to ensure compliance with the applicable requirements of the AIFM rules; and
- marketing functions.

Fees

The AIFM and Investment Manager is entitled to an annual management fee of: (i) 1.05 per cent. of the net assets of the Company which is equal to or less than £500 million; plus (ii) 0.95 per cent. of the net assets of the Company which is in excess of £500 million but less than £750 million; plus (iii) 0.85 per cent. of the net assets of the Company which is in excess of £750 million but less than £1,000 million; plus (iv) 0.75 per cent. of the net assets of the Company which is in excess of £1,000 million but less than £1,500 million; plus (v) 0.65 per cent. of the net assets of the Company which is equal to or in excess of £1,500 million. If applicable, VAT will be payable in addition.

The Group's Annual Report and Financial Statements detail the latest fees paid to the Investment Manager.

Termination and Notice Period

The IMA can be terminated by either party on 24 months' written notice, provided that the earliest that notice can be served is 30 April 2021. Should the Company terminate the IMA earlier then compensation in lieu of notice will be payable to the Investment Manager. The Investment Management Agreement may be terminated immediately without compensation if the Investment Manager: is in material breach of the agreement; is guilty of negligence, wilful default or fraud; is the subject of insolvency proceedings; or there occurs a change of key managers to which the Board has not given its prior consent.

The Administrator and Company Secretary

Identity of the Administrator and Company Secretary

The appointed Administrator and Company Secretary is Target Fund Managers Limited, a private limited company incorporated in Scotland with the registered number SC548164. Its registered and head office is Laurel House, Laurelhill Business Park, Laurelhill, Stirling FK7 9JQ.

Duties of the Administrator and Company Secretary

In this role, Target Fund Managers Limited provides day to day administration services to the Company and provides the general company secretarial functions required by the Companies Act. Administrative services to the Company include reporting the quarterly Net Asset Value, bookkeeping and accounts preparation.

Fees

Pursuant to the Administration and Secretarial Agreement the Company pays the Administrator a fee of £121,285 per annum (plus VAT if applicable) payable quarterly in arrears. This fee is subject to an annual inflation-linked uplift. The Group's Annual Report and Financial Statements detail the latest fees paid to the Administrator and Company Secretary.

The Depositary

Identity of the Depositary

The Depositary is IQ EQ Depositary Company (UK) Limited. The Depositary is a company incorporated in England and Wales with registered number 05830789 and is authorised and regulated by the FCA. Its registered and head office is Two London Bridge, London SE1 9RA. The entire issued share capital of the Depositary is owned by IQ EQ Administration Services (UK) Limited. The principal business activity of the Depositary is the provision of depositary services.

Duties of the Depositary

The Depositary has been appointed by the Company under the terms of the Depositary Agreement to act as the Company's depositary and carries out the core duties under Articles 21(7), (8) and (9) of the AIFMD which include cash management and general oversight of the Group's portfolio.

The Depositary may subject to certain conditions, delegate some or all of its functions set out under Article 21(8) of the AIFMD to third parties.

Fees

The fees payable to the Depositary are calculated by reference to *inter alia* the assets held by the Group and therefore there is no maximum amount payable under the Depositary Agreement. The Group's Annual Report and Financial Statements detail the latest fees paid to the Depositary.

Termination and Notice Period

The Depositary Agreement may be terminated by either party by giving 60 days' written notice or immediately if either party is in material breach of any of the terms of the Depositary Agreement.

The Custodian

The Company currently has no custodian.

The Auditor

Identity of the Auditor

The Auditor to the Company is 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.

Duties of the Auditor

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 and Financial Statements of the Group. The Auditor's work is 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. The Audit Report in respect of the Financial Statements of the Group is set out in the Annual Report and Financial Statements.

Fees

The fees payable to the Auditor shall be determined by the Directors. The Group's Annual Report and Financial Statements detail the latest fees paid to the Auditor.

The Registrar

Identity of the Registrar

The registrar to the Company is Computershare Investor Services plc, whose registered office is at The Pavilions, Bridgewater Road, Bristol, BS13 8AE. The Registrar is incorporated in England and Wales as a public limited company with registered number 03498808.

Duties of the Registrar

The duties of the Registrar include the maintenance of the register of shareholders and shareholder legal documentation, receiving and recording proxies at the Company's Annual General Meeting, certifying and registering the transfer and settlement of shares and the calculation and payment of dividends to shareholders on the due date in accordance with instructions from the Company.

Fees

The fees charged by the Registrar are variable and are based on the number of transfers registered, the number of share issues and buy-backs and the number of general meetings held by the Company among other factors. The Group's Annual Report and Financial Statements detail the latest fees paid to the Registrar.

SHAREHOLDER INFORMATION

Reports and Accounts

Copies of the Group's latest Annual and Interim Reports may be accessed at www.targethealthcarereit.co.uk or by writing to the Company Secretary at Laurel House, Laurelhill Business Park, Laurelhill, Stirling FK7 9JQ

Publication of net asset values and share prices

The Company publishes its net asset values on a quarterly basis through a Regulatory Information Service and such publications may also be accessed at www.targethealthcarereit.co.uk. The Company's current share price is also published on the website.

The calculation of the NAV per Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Group cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

Valuation policy

The net asset value of the Company is calculated quarterly in accordance with the International Financial Reporting Standards by the Company's AIFM. 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 Healthcare Property Consultants Limited. The property valuations are prepared in accordance with the RICS Valuation – Global Standards, incorporating the International Valuation Standards (the "Red Book Global", 31 January 2020) issued by the Royal Institution of Chartered Surveyors ("RICS") incorporating the definitions of Market Value and Market Rent in accordance with VPS 4.4 and 4.5 of the Professional Standards.

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 even where such sales occur shortly after the valuation date.

Historical performance of the Company

Details of the Company's historical financial performance are provided in the Group's Annual Report and Financial Statements and Quarterly Investors Reports which are available at www.targethealthcarereit.co.uk.

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested. There can be no guarantee that the investment objective of the Company will be achieved or provide the returns sought by the Company or its investors.

Purchases and sales of shares by investors

The Company's shares are admitted to the Official List of the FCA 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 value at which shares trade on the London Stock Exchange may be below (at a discount to) or above (at a premium to) the Net Asset Value per share of the Company.

The Company's shares are not redeemable. While the Company intends at each Annual General Meeting to obtain shareholder authority to issue and buy back shares, shareholders do not have the right to have their shares re-purchased by the Company or to have new shares issued to them.

Key information document

The AIFM must provide an up-to-date Key Investor Document ("KID") under the EU Packaged Retail Insurance and Investment Products ("PRIIPs") regulation. Investors should read this document before purchasing shares in the Company. The KID can be found at www.targethealthcarereit.co.uk.

Fees and expenses

The fees and expenses which are borne by the Group and investors are limited but there is no formal cap on their level. The principal annual expenses of the Company are the fees payable to the Investment Manager, the Valuer, the Depositary, the Company's other advisers and the Directors. The Company also incurs regulatory fees, insurance costs, professional fees, audit fees and other expenses.

Fees and expenses are analysed within the financial statements in the Group's Annual Report and Financial Statements.

Legal implications of a contractual relationship

The Company is a company limited by shares, incorporated in England and Wales. While investors acquire an interest in the Company on subscribing for or purchasing shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, shareholders have no direct legal or beneficial interest in those investments. The liability of shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the shares held by them.

Shareholders' rights in respect of their investment in the Company are governed by the Articles and the Companies Act. Under English law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of association; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims; and derivative actions. In the event that a shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such shareholder should consult its own legal advisers.

Shareholders' rights are governed principally by the Articles and the Companies Act. By subscribing for Shares, investors agree to be bound by the Articles which are governed by, and construed in accordance with, English law.

Investors' Rights

The Company is reliant on the performance of third-party service providers, including the AIFM, the Auditors and the Registrar.

Without prejudice to any potential right of action in tort that a shareholder may have to bring a claim against a service provider, each shareholder's contractual relationship in respect of its investment in shares is with the Company only. Accordingly, no shareholder will have any contractual claim against any service provider with respect to such service provider's default.

In the event that a shareholder considers that it may have a claim against a third-party service provider in connection with such shareholder's investment in the Company, such shareholder should consult its own legal advisers.

The above is without prejudice to any right a Shareholder may have to bring a claim against an FCA authorised service provider under section 138D of the Financial Services and Markets Act 2000 (which provides that breach of an FCA rule by such service provider is actionable by a private

person who suffers loss as a result), or any tortious cause of action. Shareholders who believe they may have a claim under section 138D of the Financial Services and Markets Act 2000, or in tort, against any service provider in connection with their investment in the Company, should consult their legal adviser. Shareholders who are "Eligible Complainants" for the purposes of the FCA "Dispute Resolutions Complaints" rules (natural persons, micro enterprises and certain charities or trustees of a trust) are able to refer any complaints to the Financial Ombudsman Service ("FOS") (further details of which are available at www.financialombudsman.org.uk). Additionally, Shareholders may be eligible for compensation under the Financial Services Compensation Scheme ("FSCS") if they have claims against an FCA authorised service provider which is in default. There are limits on the amount of compensation available. Further information about the FSCS is at www.fscs.org.uk. To determine eligibility in relation to either the FOS or the FSCS, Shareholders should consult the respective websites above and speak to their legal advisers.
Fair treatment of investors The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. As a company listed on the FCA's Official List, the Company is required under the premium Listing Principles to treat all shareholders of a given class of shares equally. As the Company has a single class of shares in issue, the Company's shares rank *pari passu* with each other. The Directors of the Company have certain statutory duties under the Companies Act 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.
Conflicts of Interest The Depositary and the AIFM may from time to time act as manager, administrator, custodian, alternative investment fund manager, investment manager or adviser or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of the Company. It is, therefore, possible that any of them may, in the due course of their business, have potential conflicts of interests with the Company. Each will at all times have regard in such event to its obligations under the Company's Articles and/or any agreements to which it is party or by which it is bound in relation to the Company and, in particular, but without limitation, to its obligations to act in the best interests of the shareholders when undertaking any investments where conflicts of interest may arise and they will each respectively endeavour to ensure that such conflicts are resolved fairly. In particular, the AIFM has in place an allocation policy to ensure that it is able to resolve fairly any potential conflicts between the funds that it manages.

RISK FACTORS AND RISK MANAGEMENT

Risk profile

The key risks facing the Group and the mechanisms in place to monitor and measure these risks are set out in the Group's Annual Report and Financial Statements, a copy of which is available from the Company's website at www.targethealthcarereit.co.uk within the Strategic Report under the heading "Risk Rating" and within the Report of the Audit Committee under the heading "Risk Management and Internal Controls".

The Company reports in its Interim Report and Financial Statements, which can be found at www.targethealthcarereit.co.uk, whether the key risks have changed since the year end. The current risk profile may be disclosed more frequently at the AIFM's discretion.

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

The following risks are those considered by the Company and the AIFM to be the material risks arising from the Group's investing activities but they are not the only risks relating to the Company or its shares. There may also be additional risks that the Company and the AIFM do not currently consider to be material or which are not presently known to them. Before investing in shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser. The following key risks should be read in conjunction with the explanations provided in the Group's Annual and Interim Reports and the section entitled 'Liquidity risk management' below.

Key risks specific to the issuer

The performance of the Group would be adversely affected by a decline in demand for long-income and/or downturn in the property market in terms of market value or a weakening of rental yields. It may also be adversely affected by the operational performance of a care home and/or the general financial performance of an operator within the Company's portfolio. As the Company is focussed on investing in new and modern purpose-built real estate, there is an increased risk of an extended 'build-up' period prior to the home reaching operational trading maturity. These risks in particular may be exacerbated by the COVID-19 pandemic (see below).

The Group intends to continue to acquire care homes and other healthcare assets across the UK. Acquisitions of care homes and other healthcare assets involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties. Additional risks inherent in acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels, and that judgements with respect to improvements to increase the financial returns of acquired properties will prove inaccurate. The Company will incur certain fixed costs on the acquisition of properties, including stamp duty land tax in England and land and buildings transaction tax in Scotland which will reduce the Net Asset Value per share immediately following the acquisition. There is no guarantee that the value of the properties will increase by an amount in excess of these costs.

The Group in entering into forward funding arrangements is exposed to an element of development risk. If the relevant developer was not able to complete the development, the Company would have to appoint another developer which could result in delays and cost overruns. This could have an adverse impact on the Group's financial position and the amounts available to be distributed to investors by way of dividends as well as the Net Asset Value per share. Development or construction of property assets carries a higher degree of risk than is associated with operating assets and may be subject to delays, disruptions, vacancies and regulatory changes outside of the Company's control.

The Company cannot guarantee that it will maintain continued compliance with all of the REIT conditions. If the Company were to leave the REIT regime within ten years of its joining, HMRC has wide powers to direct how it would be taxed which would have a material impact on the financial condition of the Company. Any change in the taxation legislation in the United Kingdom or any other tax jurisdiction affecting shareholders could affect the value of the investments held by the Company, or affect the Company's ability to achieve its investment objective or alter the post tax returns to shareholders.

The Group is reliant on the skills of the Investment Manager and may be adversely affected if it underperforms or if the services cease to be available to the Company.

The Group is geared through borrowings. In the event of falls in asset values or rental income, such gearing will exacerbate such falls.

Key risks specific to the securities

The market value of, and the income derived from, the Company's shares can fluctuate. The market value of the shares, as well as being affected by its Net Asset Value and prospective Net Asset Value, also takes into account its dividend yield and prevailing interest rates.

There is no guarantee that the expected dividend in respect of any period will be paid. The Company's ability to pay dividends will depend principally upon its rental income received from the properties owned by the Group. The rental income (as well as the market value) of the properties acquired by the Group will be affected by the operational performance of the care home or the related business being carried on in the property and the general financial performance of the operator as well as the physical quality, design and facilities of the underlying real estate. The operational performance of a care home will be affected by local conditions such as age demographics, household incomes, home values, Local Authority funding, Care Quality Commission (or its equivalent in Scotland, Wales or Northern Ireland) ratings and the COVID-19 pandemic, all of which could lead to reduced occupancy levels and, as a result, rental shortfalls. Both rental income and market values may also be affected by other factors specific to the care home property market, such as competition from other care home owners, competition from other property funds, political or regulatory change, occupancy levels and overall demand for care homes, any further increases in the UK National Living Wage, adverse press coverage of the care home industry generally (or in relation to a specific operator or care home) and/or the outbreak of an epidemic or pandemic such as COVID-19. In the event of default by a tenant, if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Company will suffer a rental shortfall and incur additional expenses until the tenant's financial condition or occupancy rate is able to recover or the property is re-let. In addition, the property may be re-let at a different rental level to that receivable under the existing lease and incentives may be granted to the incoming tenant. The expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs and will have a material adverse impact on the financial condition and performance of such asset, which could in turn impact the level of dividends or dividend cover.

The Group is not subject to regulation as a result of the Group's investment in healthcare real estate assets. The activities of the care home operators within the Group's property portfolio, including any future care home operators, will, however, be regulated by the Care Quality Commission (the "CQC") (or its equivalent in Scotland, Wales or Northern Ireland). If any care home operator fails to comply with CQC regulations, the CQC has the power to negatively rate a home and/or threaten to withdraw its registration, following which a local authority can embargo the care home operator, meaning that such care home operator will be unable to accept any new local authority residents until the issue has been rectified and the embargo has been lifted. Accordingly, the ability of an embargoed care home operator to provide care could be restricted and hence its ability to meet its rental payment obligations may be affected. In addition, any failure of a care home operator to comply with CQC or equivalent regulations could attract negative publicity which could also have a negative impact on the occupancy levels of that operator's care homes which may lead to difficulty in making rental payments as well as impacting on the Group's reputation, financial position and/or results of operations.

Dividend growth will depend principally on growth in rental income and other income returns on the underlying assets and the extent to which the Group is invested. The timing of any investment will depend, inter alia, on the availability of suitable care homes that the Group may let to care home operators at suitable prices. There can be no assurance as to whether the Group can find suitable properties, on financially attractive terms, in which to invest. The longer the period before investment, the greater the likelihood that having excess uninvested cash will limit the Group's growth in underlying earnings and its ability to make distributions to shareholders will be adversely affected.

While the Board will seek to spread risk relating to tenant concentration, there is the risk, from time to time, that the Group will have a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants.

Key risks specific to COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of the Novel Coronavirus (COVID-19) to be a global pandemic. The COVID-19 Pandemic and the measures taken to control the outbreak have led to volatility and a substantial decline in stock markets and other financial markets around the world and a downturn in the global economy. The future development and the long-term impacts of the outbreak are unknown and it remains to be seen how and when the global economy and financial markets will recover from the impact of the COVID-19 Pandemic and what effect any ongoing and/or further outbreaks may have on the global economy and financial markets not least those in the care sector whom have been directly impacted.

The pandemic could result in uncertainty over the fair value of the Group's property portfolio. In this regard, in line with industry practice, the external valuation of the Group's property portfolio at both 31 March 2020 and 30 June 2020 was subject to a market standard material uncertainty clause. This clause was removed from the 30 September 2020 valuation and has not been reinstated to date. In addition, the various restrictions imposed by the UK Government in connection with COVID-19 may impact on the Group's ability to carry out its due diligence on future pipeline assets to the extent that these restrictions prevent property surveys, site visits or other matters that require an in-person presence. This may result in a delay in the completion of property acquisitions.

Furthermore, due to the potential impact of COVID-19 on the financial strength and the operational performance of the underlying tenants (due to factors such as an outbreak within a care home, reduced admissions, reduced occupancy levels, potential staff shortages, increased costs of staffing and/or the cost of provision of personal protective equipment), there may be an increased risk of a delay in the receipt of rental income by the Group and/or an increase in the risk of default by the tenant(s) of the properties. This could materially affect the Group's NAV per share, the underlying earnings of the Group and its ability to make distributions to shareholders.

The pandemic could result in further market uncertainty in relation to the financial performance of the Group and lead to further volatility in the Company's share price.

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 effective internal operational risk management policies and procedures in order to appropriately identify, measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses.

Investors will be notified, by way of a disclosure in the Group's Annual Report and Financial Statements or on the Company's website, in the event of any material changes being made to the current risk profile of the Group and the risk management systems employed by the AIFM to manage those risks.

Liquidity risk management

The Group's investments comprise UK care homes. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The AIFM undertakes liquidity management procedures in relation to the Group which are intended to ensure that the Group's investment portfolio maintains a level of liquidity which is appropriate to the Group's obligations in respect of investment transactions (including forward fund commitments and contingent deferred consideration), share buybacks, loan interest and capital repayments, dividend payments and other operating costs.

The Group's liquidity risk is managed on an ongoing basis by the Investment Manager and monitored on a quarterly basis by the Board. The AIFM ensures that the appropriate levels of liquidity are held within the Group 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. In order to mitigate liquidity risk, the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a period of at least twelve months.

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 in the Group's Annual Report and Financial Statements or 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. This will include:

- the percentage of the Group's assets that are subject to special arrangements arising from their illiquid nature, if applicable; and
- any new arrangements for managing the liquidity of the Group.

Professional negligence liability risks

The AIFM covers its potential liability risks arising from professional liability by maintaining an amount of its own funds in accordance with 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.