



2015 annual results presentation  
December 2015



# Agenda

1. Introduction
2. Portfolio review
3. Key financials
4. NHS and primary care update
5. Republic of Ireland
6. Investment opportunity



# Introduction

Specialist primary healthcare infrastructure fund



## MedicX Fund Objectives and overview



- ✘ Leading investor in modern purpose-built primary healthcare properties leased to doctors and the NHS / HSE generating government-funded long term secure cash flow
- ✘ FTSE All Share £309 million<sup>1</sup> market capitalisation
- ✘ Fund not a developer or operator
- ✘ External investment adviser
- ✘ Guernsey based investment company
- ✘ Objective of dividend and capital growth

## MedicX Fund Highlights in the period



- ✘ EPRA NAV 70.8 pps (30 September 2014: 65.4 pps) with dividends paid of 5.875 pps resulting in EPRA NAV total return 17.2%<sup>1</sup>
- ✘ 15.3% increase in EBITDA to £27.3 million<sup>2</sup> (30 September 2014: £23.6 million)
- ✘ Dividend cover of 63.3% for the year<sup>3</sup> (2014: 53.6%)
- ✘ Net capital appreciation of the portfolio of £25.6 million reflecting a Net Initial Yield of 5.46%
- ✘ New committed investment and approved investments since 1 October 2014 of £41.3 million<sup>4</sup>
- ✘ As at 4 December 2015 £559.5 million committed investment in 148 primary healthcare properties (8 December 2014: £518.2 million, 137 properties)<sup>4,5</sup>
- ✘ Annualised rental growth of 1.6% on reviews completed in the year
- ✘ £50 million loan note extended 9 years to December 2028 with an all in rate of 3.99%
- ✘ First investment made in the Republic of Ireland of €10.1 million

<sup>1</sup>Based on movement in NAV between 1 October 2014 and 30 September 2015 and dividends paid during the year

<sup>2</sup>Excluding (as appropriate) revaluation gains £25.6m and finance costs £13.8m

<sup>3</sup>Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans

<sup>4</sup>As at 4 December 2015

<sup>5</sup>Includes completed properties, properties under construction and committed investment

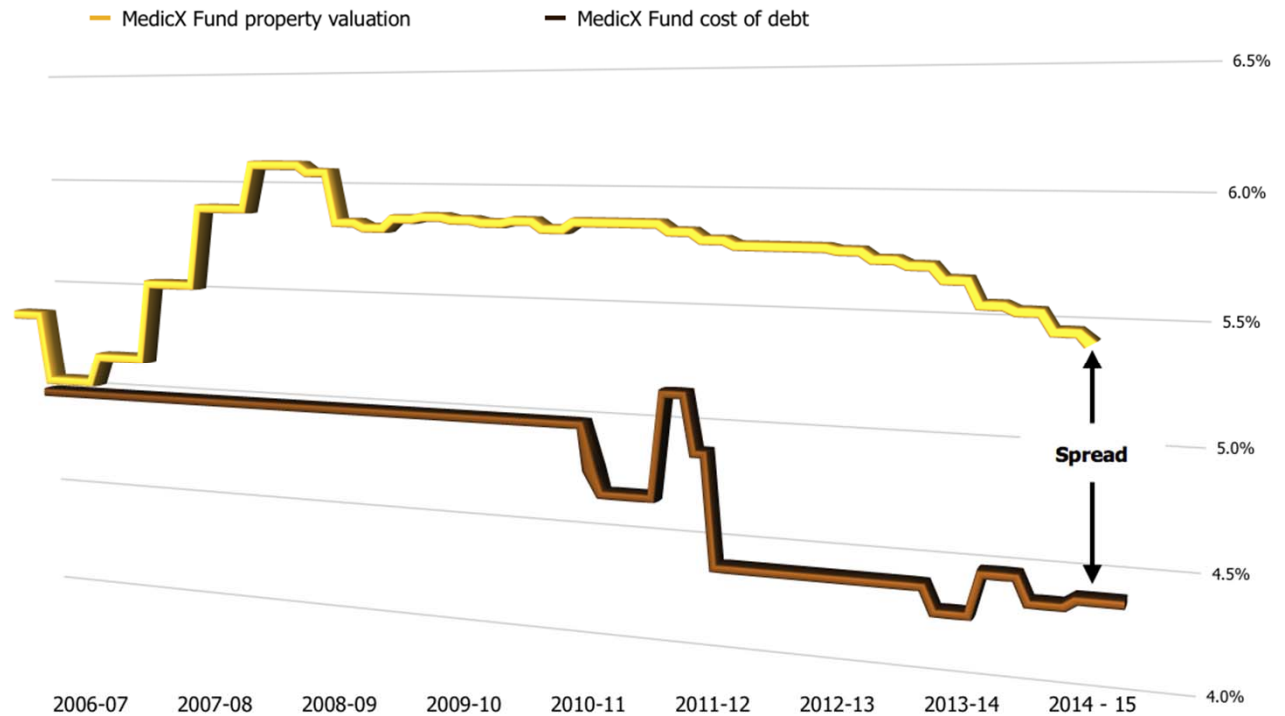


## MedicX Fund Robust financial position



### Property yield vs borrowing cost

- ✂ Committed investment **£559.5m<sup>1</sup>**
- ✂ Property valuation yield **5.46%<sup>2</sup>**
- ✂ EPRA NAV **70.8 pps<sup>2</sup>**
- ✂ EPRA NNAV **62.7 pps<sup>2</sup>**
- ✂ DCF NAV **94.9 pps<sup>2</sup>**
- ✂ Average lease term **15.8 years<sup>1</sup>**
- ✂ Total drawn debt facilities **£340.6m<sup>2</sup>**
- ✂ Average cost of debt **4.45%<sup>1</sup>**
- ✂ Average debt term **15.0 years<sup>2</sup>**
- ✂ Adjusted gearing **50.2%<sup>2</sup>**
- ✂ Average property age **7.2 years<sup>1</sup>**



<sup>1</sup>As at 4 December 2015

<sup>2</sup>As at 30 September 2015

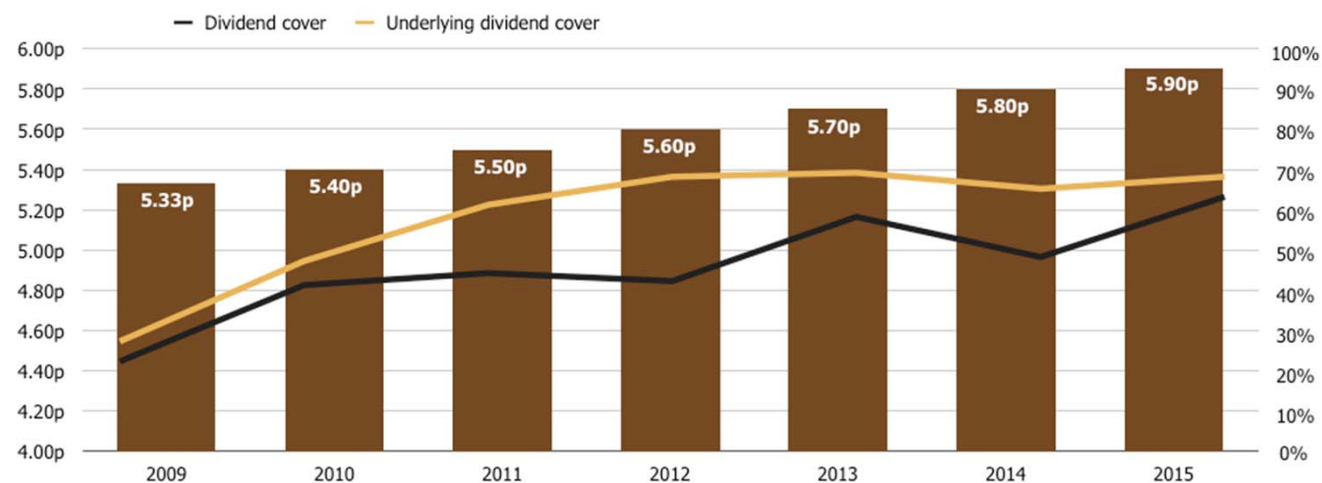
## Dividends

### Progressive dividend policy



- ⌘ Dividend cover of 63.3% for the year
- ⌘ Strategy in place to grow dividend cover over the next three years

	Yield (%)
Dividend <sup>1</sup>	5.9p
Share price <sup>2</sup>	84.5p
Yield on share price <sup>2</sup>	7.0%



	Sept 2011 dividend	Mar 2012 dividend	Sept 2012 dividend	Mar 2013 dividend	Sept 2013 dividend	Mar 2014 dividend	Sept 2014 dividend	Mar 2015 dividend	Sept 2015 dividend
Scrip take up	4%	9%	12%	10%	9%	22%	12%	14%	2%

<sup>1</sup>For the financial year ended 30 September 2015

<sup>2</sup>As at 4 December 2015

<sup>3</sup>Underlying dividend cover is adjusted to reflect completion of the properties under construction

## Investment adviser and property management fee structure Further reductions



- ✘ Lower investment adviser fees
  - ✘ Annual base fee payable to the Investment Adviser will be held at £3.878 million until property assets equals or exceeds £782 million
  - ✘ Will enable the Fund to increase its property assets by approximately £215 million without any corresponding fee increase
  - ✘ Reduced investment adviser fee of 0.30% above £1 billion property assets
- ✘ Incremental fees reduced further as portfolio grows

### Investment adviser fee

Property assets	Investment Adviser fee <sup>1</sup>
0 – £750 million	0.5%
£750 million – £1 billion	0.4%
£1 billion +	0.3%

### Property management fee

Gross rental income	Investment Adviser fee
0 – £25 million	3.0%
£25 million +	1.5%

<sup>1</sup>Subject to minimum annual base fee of £3.878 million up to property asset value of £782 million





# Portfolio review

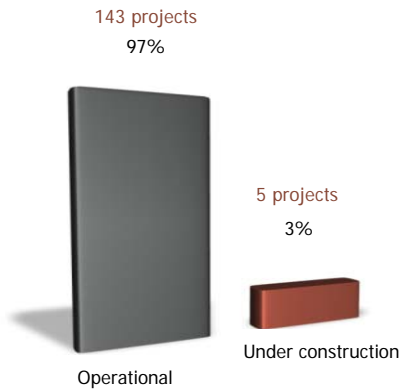
Specialist primary healthcare infrastructure fund



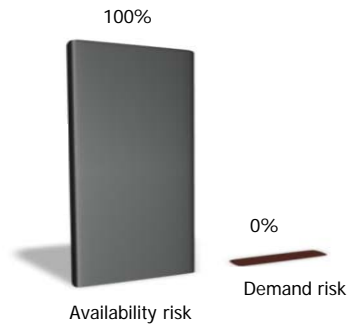
# Portfolio of modern purpose built assets Portfolio review<sup>1</sup>



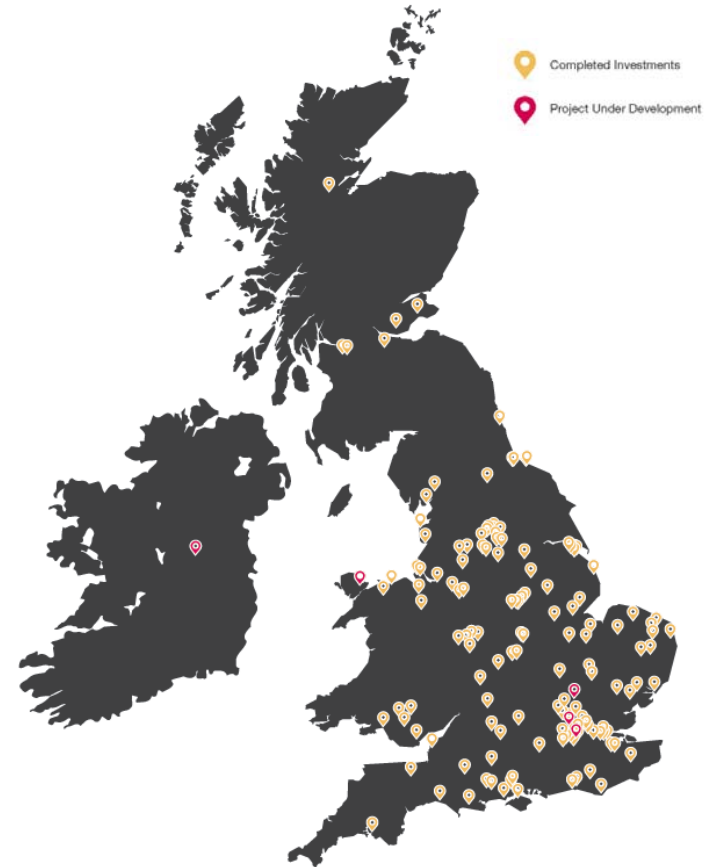
## 148 assets



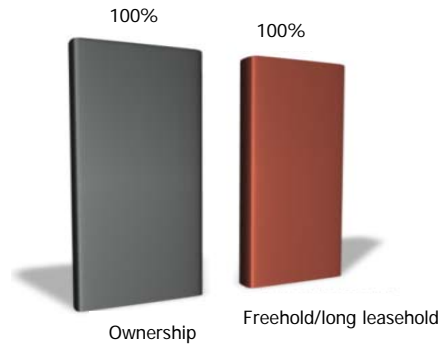
## Contractual certainty of income



## Portfolio geographical spread



## Security of tenure



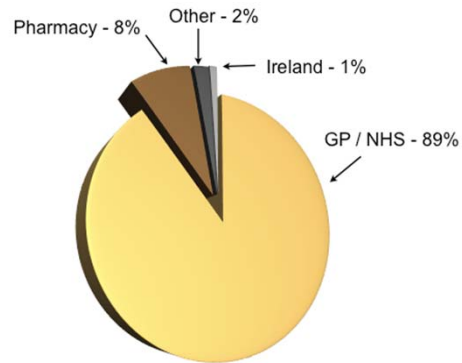
<sup>1</sup>As at 4 December 2015

# Portfolio of modern purpose built assets

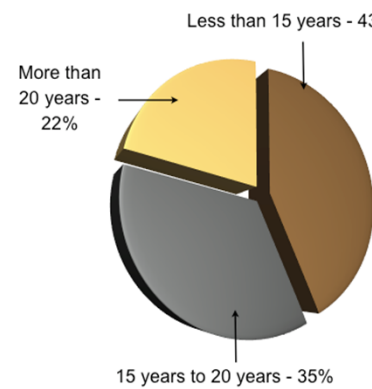
## Portfolio review as at 30 September 2015



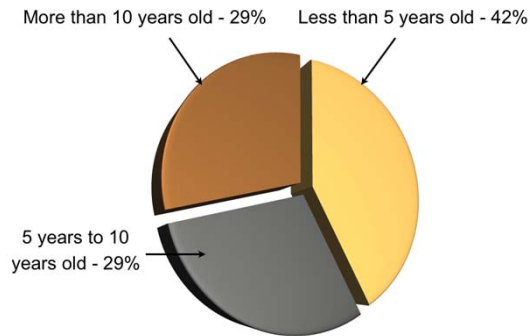
**Security of income by tenant type**



**Security of income by lease expiry**

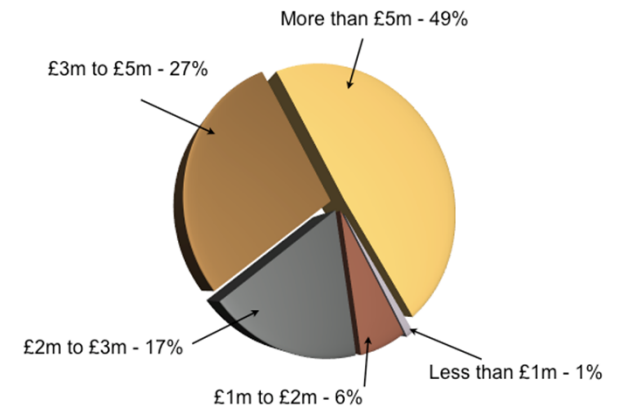


**Modernity of assets**



- Average unexpired lease term 15.7 years
- Average age 7.3 years
- Average value £4.0 million

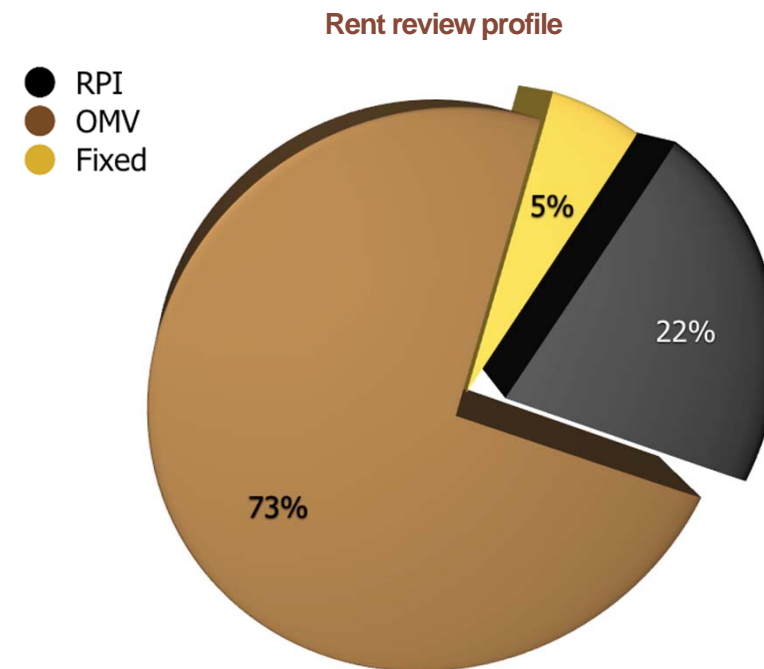
**Value per property**



## Portfolio of modern purpose built assets Rental growth<sup>1</sup>



- ✘ Total rent roll £35.8 million
  - ✘ £33.7 million completed
  - ✘ £2.1 million under construction
- ✘ £14.3 million passing rents under negotiation<sup>2</sup>
- ✘ £8.5 million rent reviews agreed during the period<sup>2</sup>
- ✘ Equivalent to 1.6% per annum increase achieved
  - ✘ 0.9% open market reviews
  - ✘ 2.6% RPI uplifts
  - ✘ 2.7% fixed uplifts



<sup>1</sup>As at 4 December 2015

<sup>2</sup>As at 30 September 2015

## Rent reviews by period<sup>1</sup>

Consistent rental growth over time



	Year to Sept 07	Year to Sept 08	Year to Sept 09	Year to Sept 10	Year to Sept 11	Year to Sept 12	Year to Sept 13	Year to Sept 14	Year to Sept 15
Passing rents agreed	£1,814,809	£1,134,357	£3,198,193	£2,785,382	£3,374,636	£5,260,148	£3,219,169	£3,096,869	£4,011,101
Annualised increase	3.1%	2.4%	2.0%	2.3%	2.0%	1.8%	1.6%	2.1%	2.0%
- Open market reviews	3.0%	1.8%	2.0%	2.2%	1.5%	1.0%	1.1%	1.5%	0.3%
- RPI	3.8%	3.9%	1.4%	2.6%	4.6%	3.4%	3.4%	2.7%	2.4%
- Fixed uplifts	n/a	2.5%	2.5%	n/a	2.5%	2.5%	n/a	2.7%	2.7%
Passing rents to be agreed	-	-	-	£140,500	£334,100	£1,436,213	£2,629,312	£3,871,129	£6,134,691

<sup>1</sup>Based on review date falling due in the year ending 30 September



Acquisitions and completions between Oct 2014 – Nov 2015  
 Total investment of £41.2 million in 11 properties



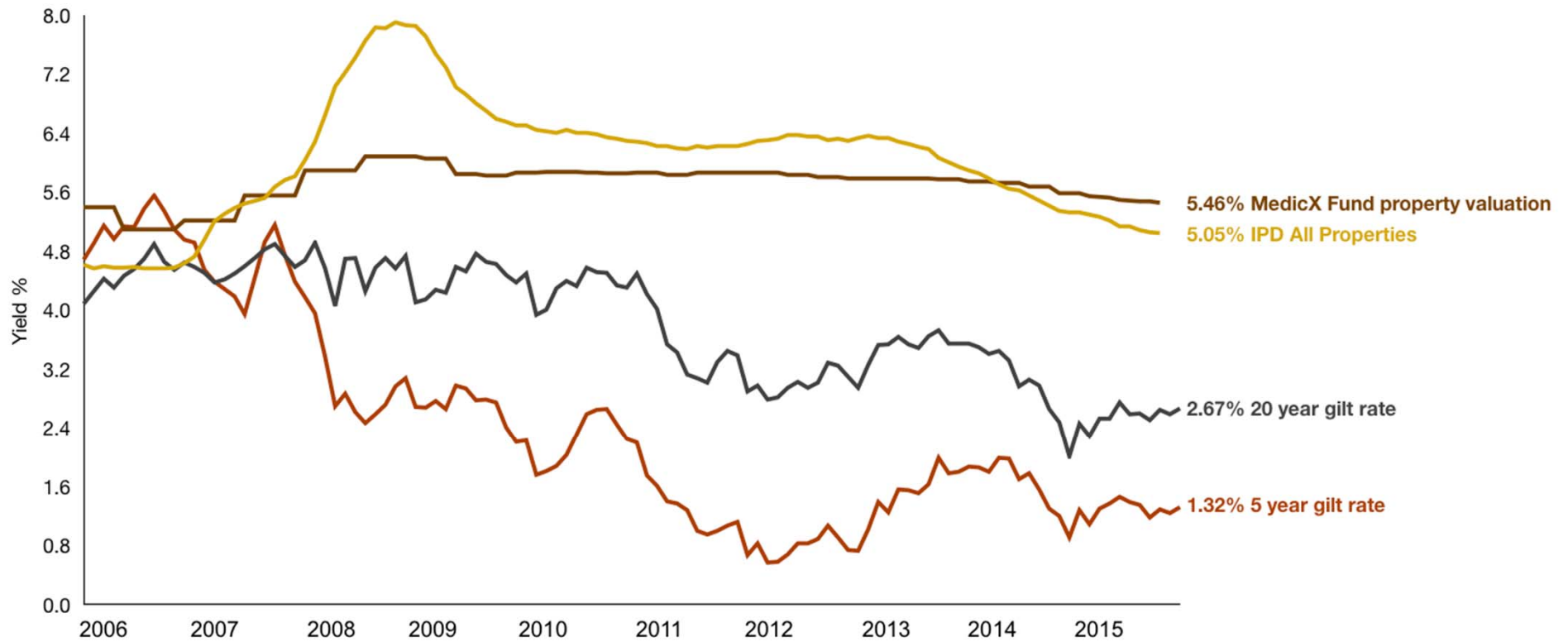
Acquisition	Developer	Investment £m
Kingsbury	GPI	4.8
Maidstone	GPI	7.0
Streatham	Intra Urban	2.9
Northampton	MPA	2.5
Benllech	GPI	2.9
Mullingar	Feasible	7.2
Portfolio	Medcentres	13.9

Completions	Developer	Investment £m
Prenton	OHP	2.8
Buckley	HPC	7.6
Poringland	Community Solutions	2.7
Devonport	GPI	2.7
Peterborough	GPI	6.7
Maidstone	GPI	7.0
Briton Ferry	Deryn Properties	4.0





MedicX Fund  
Property valuation yields stable<sup>1</sup>



<sup>1</sup>MedicX Fund property valuation as at 30 September 2015, IPD data as at 31 October 2015 and Gilt rate data as at 4 December 2015



# Key financials

Specialist primary healthcare infrastructure fund

 **MedicX**  
Fund

## Key financials Income statement



	12 months to 30 Sept 2015 £000	12 months to 30 Sept 2014 £000	Change
Rent receivable	32,811	28,085	17%
Other income <sup>1</sup>	858	1,380	(38)%
<b>Total income</b>	<b>33,669</b>	<b>29,465</b>	<b>14%</b>
Direct property costs <sup>2</sup>	1,751	1,487	18%
Investment advisory fee	3,725	3,363	11%
Overheads	938	974	(4)%
<b>Total expenses</b>	<b>6,414</b>	<b>5,824</b>	<b>10%</b>
<b>EBITDA</b>	<b>27,255</b>	<b>23,641</b>	<b>15%</b>
Finance income	66	366	(82)%
Finance costs	13,890	13,294	4%
<b>Adjusted earnings<sup>3</sup></b>	<b>13,431</b>	<b>10,713</b>	<b>25%</b>
Valuation gain	25,603	11,649	120%
<b>Adjusted earnings including valuation gain</b>	<b>39,034</b>	<b>22,362</b>	<b>75%</b>

<sup>1</sup>Including loss on disposal of property

<sup>2</sup>Including property management fees

<sup>3</sup>Adjusted to exclude revaluation gain, deferred taxation, performance fees, fair value adjustments for financial instruments and exceptional costs

## Key financials

### Balance sheet



	As at 30 Sept 2015 £000	As at 30 Sept 2015 Pence per share
Investment properties	553,479	151.6
Debt	338,308	92.7
Cash	56,910	15.6
Net debt	281,398	77.1
EPRA NAV <sup>1</sup>	258,428	70.8
EPRA NNAV	228,885	62.7
DCF	346,339	94.9
Adjusted gearing <sup>1</sup>	50.2%	49.9%

<sup>1</sup>Adjusted to exclude deferred tax not expected to crystallise and fair value of financial derivatives

## Key financials

### Debt funding



- ✘ Average all-in fixed rate of debt of 4.45% and an average unexpired term of 15.0<sup>1</sup> years, close to unexpired lease term of the investment properties
- ✘ In addition, there is a £25 million revolving loan facility with the Royal Bank of Scotland Plc which at current rates is expected to cost 3%

	Aviva £100m facility	Aviva £50m facility	Acquired Aviva facilities - PMPI	Acquired Aviva facilities - GPG	Private placement	Private placement
Facility size	£100 million	£50 million	£62.5 million	£34.6 million	£50.0 million	£50.0 million
Committed	December 2006	February 2012	July 2012	May 2013	August 2014	April 2015
Drawn	£100 million	£50 million	£62.3 million	£28.7 million	£50.0 million	£50.0 million
Expiry	December 2036	February 2032	February 2027 <sup>2</sup>	November 2032 <sup>2</sup>	December 2028	September 2028
Interest rate (incl. margin)	5.01%	4.37%	4.45%	4.47%	3.99%	3.84%
Hedging activities	n/a	n/a	n/a	n/a	n/a	n/a
Loan to value draw down	60%	54%	n/a	n/a	64%	65%
Repayment terms	Interest only	Amortises from year 11 to £30 million at year 20	Amortising	Amortising	Interest only	Interest only
Interest cover covenant	140%	110%	104% <sup>2</sup>	103%	115%	115%
Loan to value covenant	75%	75%	n/a	n/a	74%	74%

<sup>1</sup>As at 30 September 2015

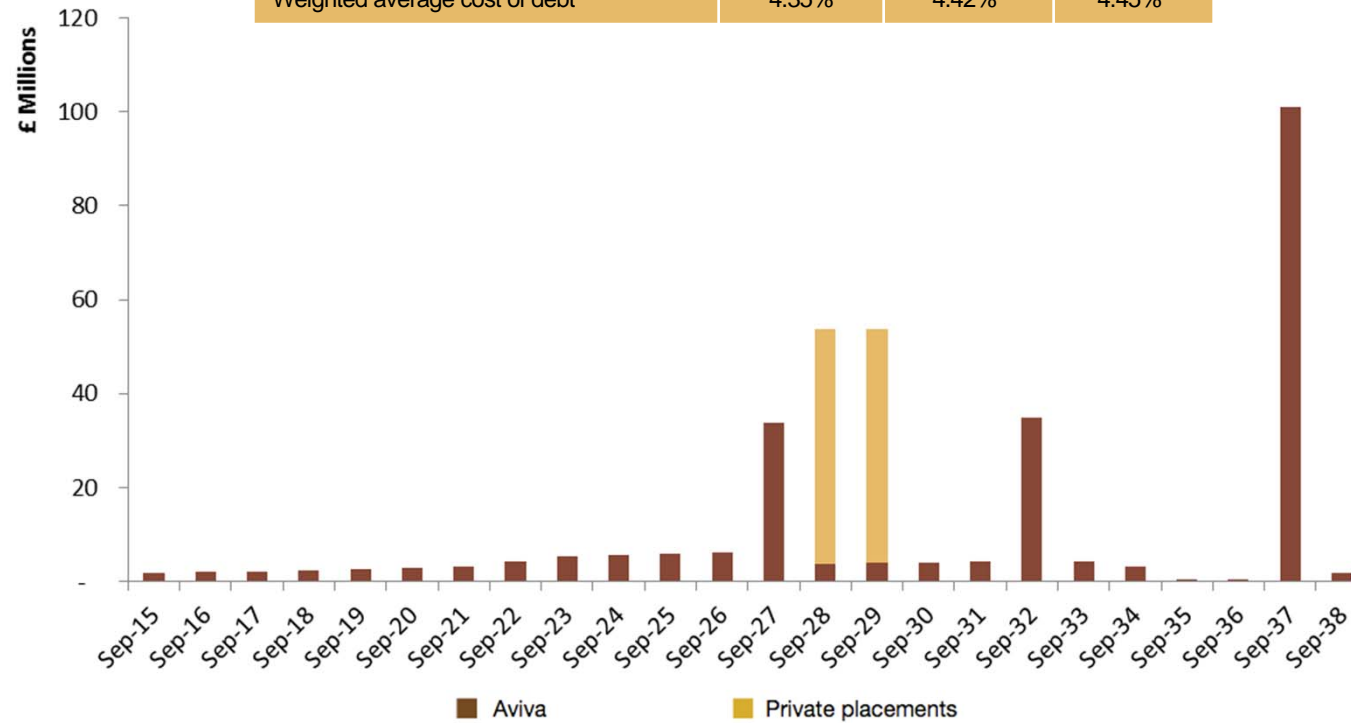
<sup>2</sup>Based on the major facility acquired

## Key financials

### Long term debt position



	Sep 2014	Mar 2015	Sept 2015
Debt	£286.3m	£289.5m	£338.3m
Weighted average maturity	13.3 years	14.0 years <sup>1</sup>	15.0 years <sup>2</sup>
Weighted average cost of debt	4.35%	4.42% <sup>1</sup>	4.45% <sup>2</sup>



<sup>1</sup>As at 7 May 2015

<sup>2</sup>As at 30 September 2015





# NHS and primary care update

Specialist primary healthcare infrastructure fund



## NHS and primary care update Political and NHS perspectives



### Five year forward plan October 2014

- ✘ Cross party support for primary care investment
- ✘ Simons Stevens, NHS Chief Executive “A new deal for primary care”
- ✘ Expand funding to upgrade primary care infrastructure and scope of services
- ✘ Primary Care Infrastructure Fund £1 billion over 5 years
- ✘ CCGs option of more control over wider NHS budget enabling shift from acute to primary and community services

### BPF Quality Buildings Quality Care November 2015

- ✘ Investment in healthcare real estate can help improve patient care
- ✘ Primary care investment would lead to significant NHS savings and reduced reliance on A&E and walk-in centres
- ✘ c.4,000 of the 7,962 GP surgeries in England and Wales are considered by medical professionals to be unfit for purpose<sup>1</sup>
- ✘ Replacing these with modern surgeries with a broad range of services requires development of 1,300 new buildings<sup>1</sup>

<sup>1</sup>Unlocking Investment in Primary Care Infrastructure, BPF, 2014

## NHS and primary care update Premises and new models of care



### Premises

- ✘ BMA review underpins the need for new infrastructure
- ✘ 70% of existing premises regarded as unfit by GPs to expand or sustain services<sup>1</sup>
- ✘ NHS policy focussed on primary care in the community as the focus for care in the future
- ✘ Co-location of services and integration of care being key
- ✘ CCGs coordinating estates strategy for the locality

### New models of care

- ✘ Super practices
  - ✘ One Health Partnerships
  - ✘ 50 practices with 275,000 patients
- ✘ Federations
  - ✘ Pennine GP Alliance
  - ✘ 26 practices with 120,000 patients
- ✘ Provider Groups
  - ✘ GP Primary Choice
  - ✘ 36 practices with 310,000 patients
- ✘ Vanguardsgroups
  - ✘ Lakeside Healthcare
  - ✘ 15 practices with 100,000 patients

<sup>1</sup>BMA Review of GP Practices 2014





# Republic of Ireland

Specialist primary healthcare infrastructure fund



Republic of Ireland  
Opportunity



- ✘ Modern integrated primary care centres leased to Health Service Executive (“HSE”) (NHS equivalent) and GPs / pharmacies
- ✘ HSE backed 25 year CPI leases for 60 - 80% of income with 5 yearly rent review
- ✘ GP 25 year CPI leases for 10 - 30% of income with 5 yearly rent review
- ✘ Pharmacy and other for 0 - 10% of income
- ✘ Lot sizes €6 - 12 million
- ✘ €50 million pipeline identified<sup>1</sup>

<sup>1</sup> As at 4 December 2015

**MedicX Fund**  
Republic of Ireland – key benefits



<b>Quality of assets</b>	✓	Modern, fit for purpose, dominant assets in locations chosen by HSE
<b>Income security</b>	✓	25 year HSE backed leases on majority of space
<b>Relative value</b>	✓	Attractive relative prices compared to UK primary care
<b>Financing capability</b>	✓	Bank appetite for lending
<b>Pipeline</b>	✓	Initial pipeline of €50 million and potential €200 million pipeline over five years



**MedicX Fund**  
Republic of Ireland – risks and other considerations



<b>Irish economy</b>	✓	Fastest growth rate in Europe (5% year on year)
<b>Euro exposure</b>	✓	Partial natural hedge through matched debt
<b>Political risk</b>	✓	Core long term infrastructure. Majority government backed
<b>Tax</b>	✓	Tax advice to manage tax leakage through non-resident company or tax free QIAIF
<b>Leases</b>	✓	CPI upwards/downwards. Minimum number of GPs required
<b>Asset management</b>	✓	Property management with local agents
<b>Performance record</b>	✓	Immature investment market in Ireland. Yield spread to UK



# Investment opportunity

Specialist primary healthcare infrastructure fund



Pipeline<sup>1</sup>  
Pipeline of new opportunities



- ✘ Investment Adviser with proprietary market access and deal flow
- ✘ Forward funding framework with developers Octopus Healthcare Property and GPI
- ✘ UK pipeline of c.£91 million potential acquisitions when fully developed
- ✘ Irish pipeline of c.€50 million potential acquisitions when fully developed
- ✘ Circa £8 million rent roll
- ✘ Further completed property acquisition opportunities under review

<sup>1</sup>As at 4 December 2015

## Investment opportunity Conclusion



- ✘ Total pipeline of £126 million of acquisitions when fully developed including £29 million in legals
- ✘ All debt fixed and long term at average rate of 4.45% and average term of 15 years
- ✘ Investment adviser fee frozen for next £215 million of new investment
- ✘ Management well placed to take advantage of opportunities
- ✘ Attractive total return proposition and track record
- ✘ Irish opportunity accelerates growth improving economies of scale and diversification
- ✘ Shareholder approval will be sought to amend the Fund's investment policy to expand investment in the Republic of Ireland (20% cap on percentage invested in the Republic of Ireland with 15% target limit)



# Appendices

Specialist primary healthcare intrasite fund



## Republic of Ireland opportunity Comparison with UK – primary care



### Ireland

- ✘ Population 4.6 million
- ✘ Department of Health led by Minister for Health
- ✘ Health Service Executive (“HSE”)
- ✘ c.58% means tested public provision (medical cards and GP Visit cards) and c.42% private medical care
- ✘ Public spending on healthcare - 9% of GDP
- ✘ 2,773 GPs
- ✘ 1,600 - 1,800 practices
- ✘ 2014 HSE goal to deliver 100 schemes within five years
- ✘ Not yet regulated by HIQA

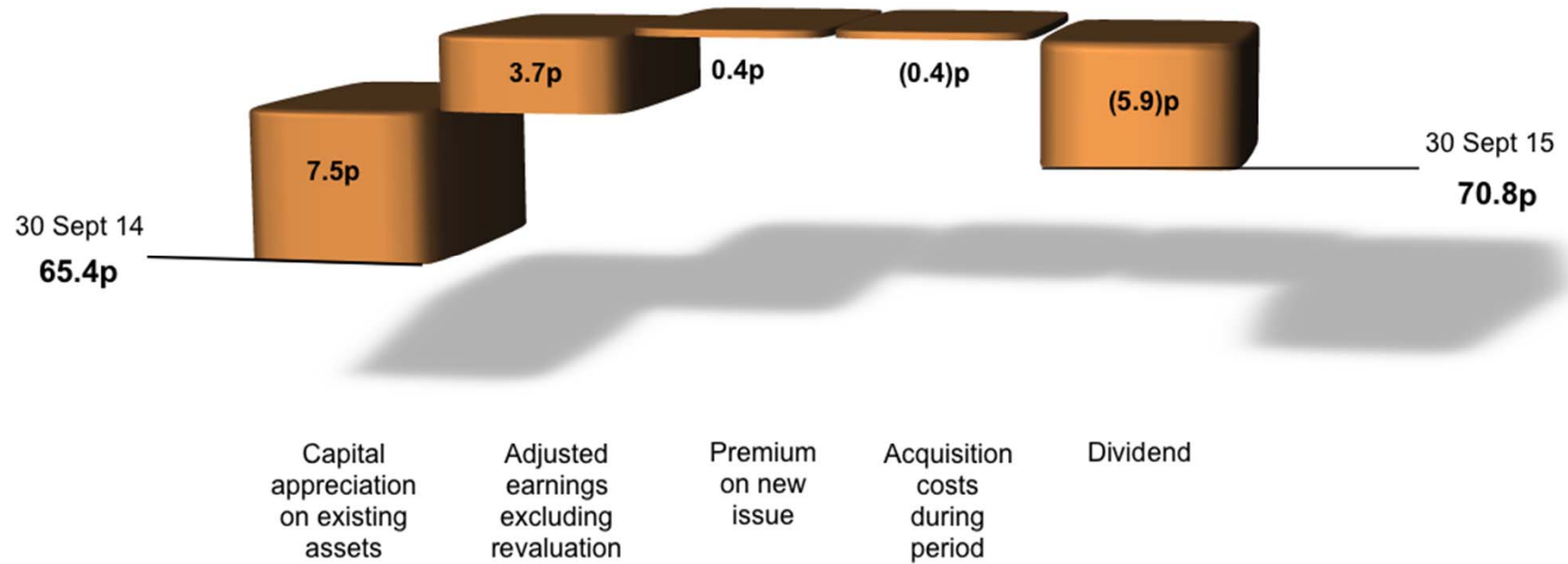
### UK

- ✘ Population 64 million
- ✘ Department of Health led by Minister for Health
- ✘ NHS England/Scotland/Wales/Northern Ireland
- ✘ Free to patient at point of delivery
- ✘ Public spending on healthcare - 9% of GDP
- ✘ 32,064 GP partners<sup>1</sup>
- ✘ 10,927 surgeries<sup>1</sup>
- ✘ 70% of existing premises regarded as unfit by GPs<sup>2</sup>
- ✘ Regulated by CQC

<sup>1</sup>Binleys summary of GP Practices  
<sup>2</sup>BMA Review of GP Practices 2014



## Key financials EPRA NAV



## MedicX Fund EPRA NNAV sensitivities<sup>1</sup>



EPRA NNAV pence per share	Cost of 20 year debt (bps)					
	%	-20	-	+20	+50	+100
Net initial yield	6.25	44.3	465	488	519	569
	6.00	48.9	512	534	566	616
	5.75	54.0	562	585	616	666
	5.46	60.4	627	649	681	731
	5.25	65.5	678	700	732	782
	5.00	72.2	744	766	798	848
	4.75	79.5	818	840	872	921

EPRA NNAV pence per share	ERV					
	%	-1%	-	+1%	+2%	+3%
Net initial yield	6.25	41.8	432	445	459	472
	6.00	47.4	488	502	516	530
	5.75	53.4	549	563	578	593
	5.46	61.2	627	642	658	673
	5.25	67.2	688	704	720	736
	5.00	75.1	768	785	802	818
	4.75	83.9	85.7	87.4	89.2	91.0

<sup>1</sup>As at 30 September 2015

## Key financials DCF NAV sensitivities<sup>1</sup>



### Discount rate

NAV pence per share	Completed					
Under construction	%	6.0	6.5	7.0	7.5	8.0
	6.0	106	102	96	92	87
	7.0	106	100	95	91	87
	8.0	105	100	95	90	86
	9.0	104	99	94	90	86
	10.0	104	99	94	89	85

### Rental and capital value increases per annum

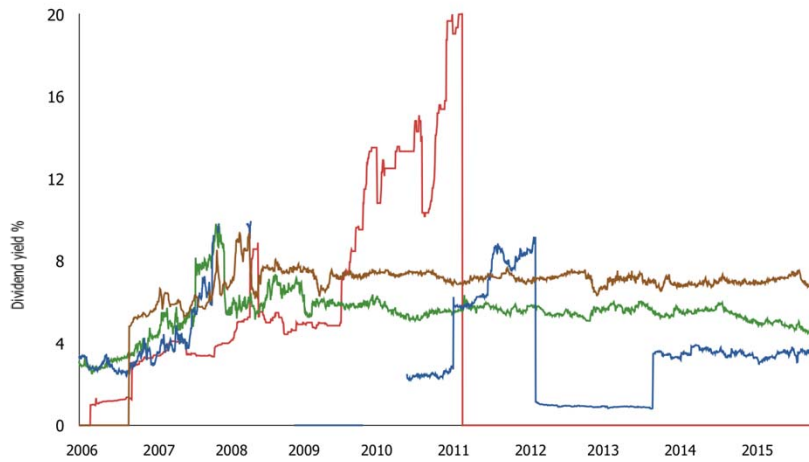
NAV pence per share	Rental					
Capital	%	0.5	1.5	2.5	3.5	4.5
	-1.0	68	73	79	85	92
	0.0	75	81	86	93	99
	1.0	84	89	95	101	108
	2.0	94	99	105	111	117
	3.0	105	110	116	122	128

<sup>1</sup>As at 30 September 2015

# MedicX Fund performance Sector comparison<sup>1</sup>



### Dividend yield



### Share price total return



- MedicX Fund (External investment adviser and investor)
- Assura Group (Internally managed, investor and developer)
- Primary Health Properties (External investment adviser and investor)
- Ashley House (Internally managed and developer)

<sup>1</sup>As at 4 December 2015 – Date sourced Thomson Reuters

✘ **David Staples, Chairman**

Guernsey based quoted Fund Director (FCA, CTA)

✘ **John Hearle, Director**

Chairman and Head of Healthcare Division of Aitchison Raffety (FRICS)

✘ **Shelagh Mason, Director**

Guernsey based Commercial Property Lawyer and quoted Fund Director

✘ **Steve Le Page, Director**

Guernsey based quoted Fund Director (FCA, CTA)

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