



2013 annual results presentation  
December 2013



# Agenda

1. Introduction
2. Portfolio review
3. Key financials
4. NHS and primary care update
5. 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 generating government-funded long term secure cash flow
- ✘ FTSE All Share £273 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

<sup>1</sup>As at 6 December 2013

## MedicX Fund Highlights in the year



- ✘ Total shareholder return of 13.1% for the year (2012: 9.0%)<sup>1</sup>
- ✘ 65.3% increase in EBITDA to £20.8 million<sup>2</sup> (2012: £12.6 million)
- ✘ Dividend and underlying dividend cover 63.8% and 70.7% respectively (30 September 2012: 42% and 68%)<sup>3</sup>
- ✘ New committed investment and approved investments since 1 October 2012 of £66.7 million acquired at a cash yield of 5.85%
- ✘ £456.7 million committed investment in 121 primary healthcare properties an increase of 16% in the year (30 September 2012: £394.8 million, 107 properties)<sup>4, 5</sup>
- ✘ Framework agreement with GPI agreed and strong pipeline of c.£100 million
- ✘ Successful fund raising completed shortly after year end was substantially over subscribed

<sup>1</sup>Based on share price growth between 30 September 2012 and 30 September 2013 and dividends received during the year

<sup>2</sup>Excluding (as appropriate) revaluation gains £0.2m, performance fees £0.4m, finance costs £11.0m, and interest income £0.1m

<sup>3</sup>Dividend cover excludes revaluation gains, performance fee and fair value on reset of loans. Adjusted dividend cover includes impact of properties under construction as completed properties

<sup>4</sup>As at 6 December 2013

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

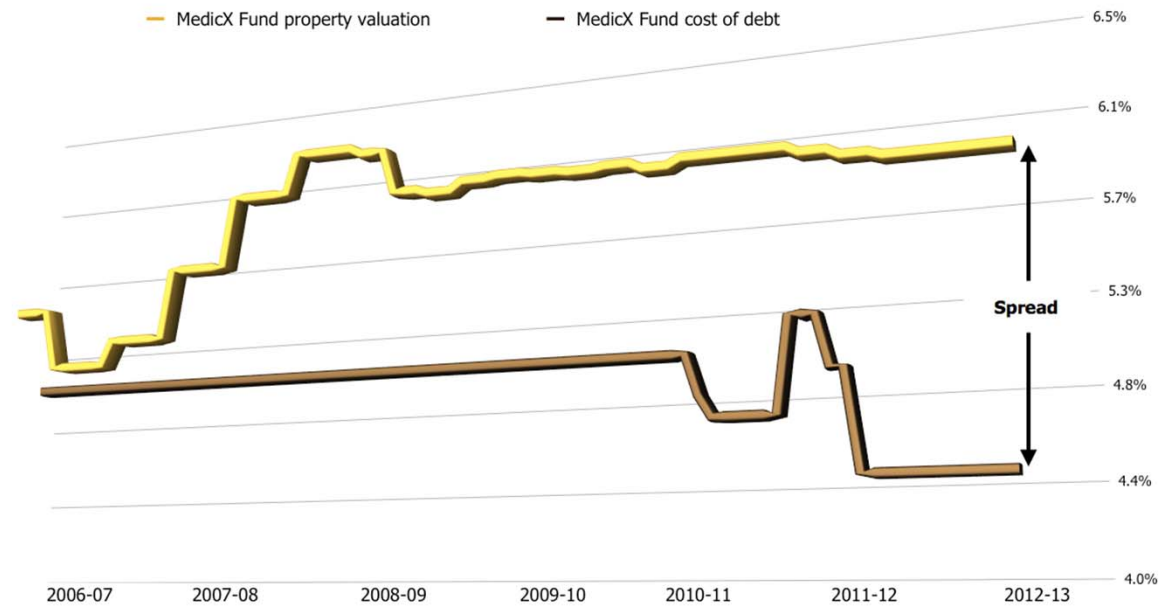
## MedicX Fund

### Robust financial position



- ✘ Committed investment **£456.7m<sup>1</sup>**
- ✘ Property valuation yield **5.79%<sup>2</sup>**
- ✘ Adjusted NAV plus debt **69.4p<sup>2</sup>**
- ✘ Average lease term **17.0 years<sup>1</sup>**
- ✘ Total drawn debt facilities **£275.7m<sup>2</sup>**
- ✘ Average cost of debt **4.45%<sup>1</sup>**
- ✘ Average debt term **15.8 years<sup>2</sup>**
- ✘ Adjusted gearing **56.4%<sup>2</sup>**
- ✘ Average property age **6.0 years<sup>1</sup>**

### Property yield vs borrowing cost



<sup>1</sup>As at 6 December 2013

<sup>2</sup>As at 30 September 2013

## MedicX Fund Value drivers



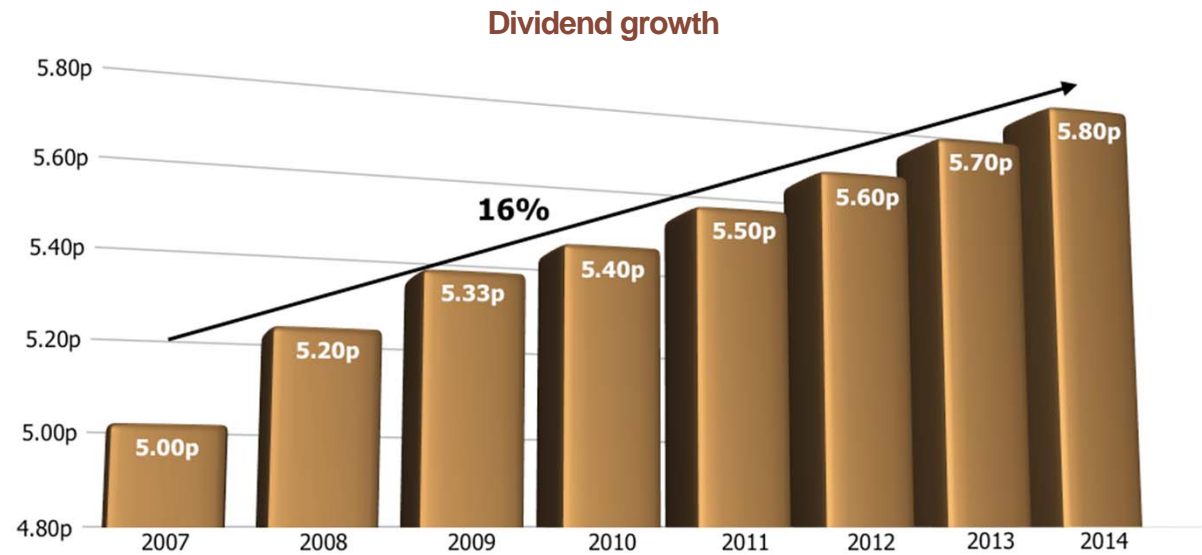
<b>Investment quality</b>	✓	£66.7 million of new property invested with average age 0.5 years and 20.9 year average unexpired lease term
<b>Financing capability</b>	✓	£34.7 million debt acquired at an average rate of 4.47% with 14.8 year average unexpired lease term New £25 million revolving loan facility with an agreed term of three years and an all-in variable rate expected to be 3%
<b>Asset management</b>	✓	11 active initiatives £3.4 million rent reviews agreed in the year with the equivalent of an average 1.7% per annum increase
<b>Cost control and scale</b>	✓	Fees continue to reduce with scale
<b>Performance record</b>	✓	10.2% per annum average total shareholder return over last five years
<b>Transparency and clarity</b>	✓	Low risk model is clearly understood by investors, building confidence and enhancing valuation
<b>Dividend</b>	✓	Dividend paid increased from 5.7p to 5.8p

## Shareholding returns

Continuing to deliver consistent returns



	Dividends and share price growth
Sept 2013	13.1% <sup>1</sup>
Sept 2012	9.0%
Sept 2011	9.4%
Sept 2010	8.6%
Sept 2009	10.8%



✘ 10.2% per annum average total shareholder return over last five years

<sup>1</sup>As at 30 September 2013



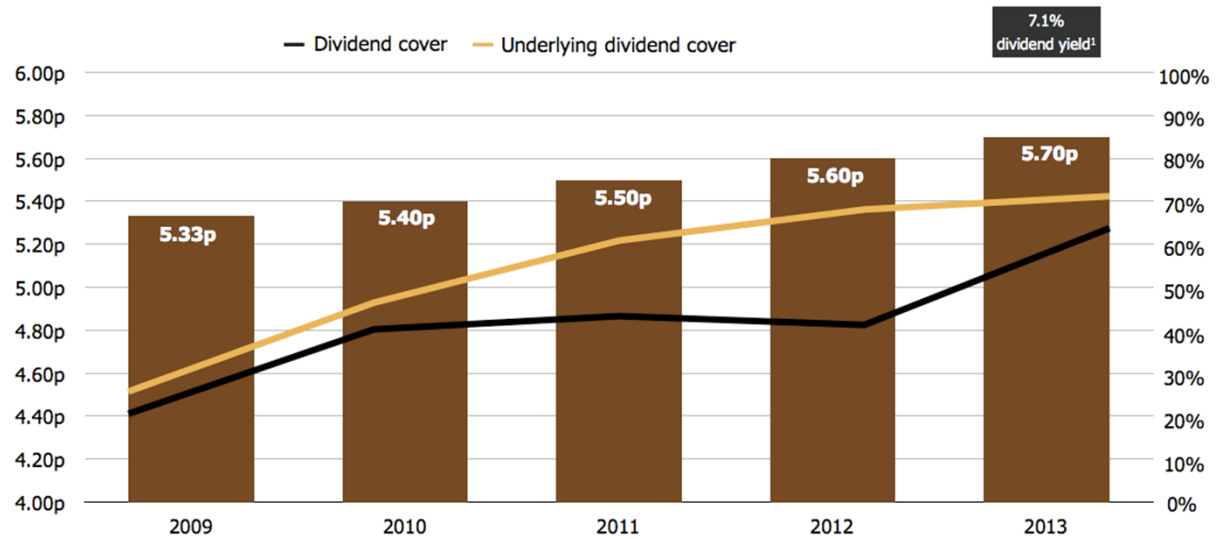
## Dividends

### Progressive dividend policy



Underlying dividend cover is adjusted to reflect completion of the properties under construction

	Yield (%)
Dividend <sup>1</sup>	5.7p
Share price <sup>2</sup>	80.0p
Yield on share price	7.1%



	Sept 2011 dividend	Mar 2012 dividend	Sept 2012 dividend	Mar 2013 dividend	Sept 2013 dividend
Scrip take up	4%	9%	12%	10%	9%

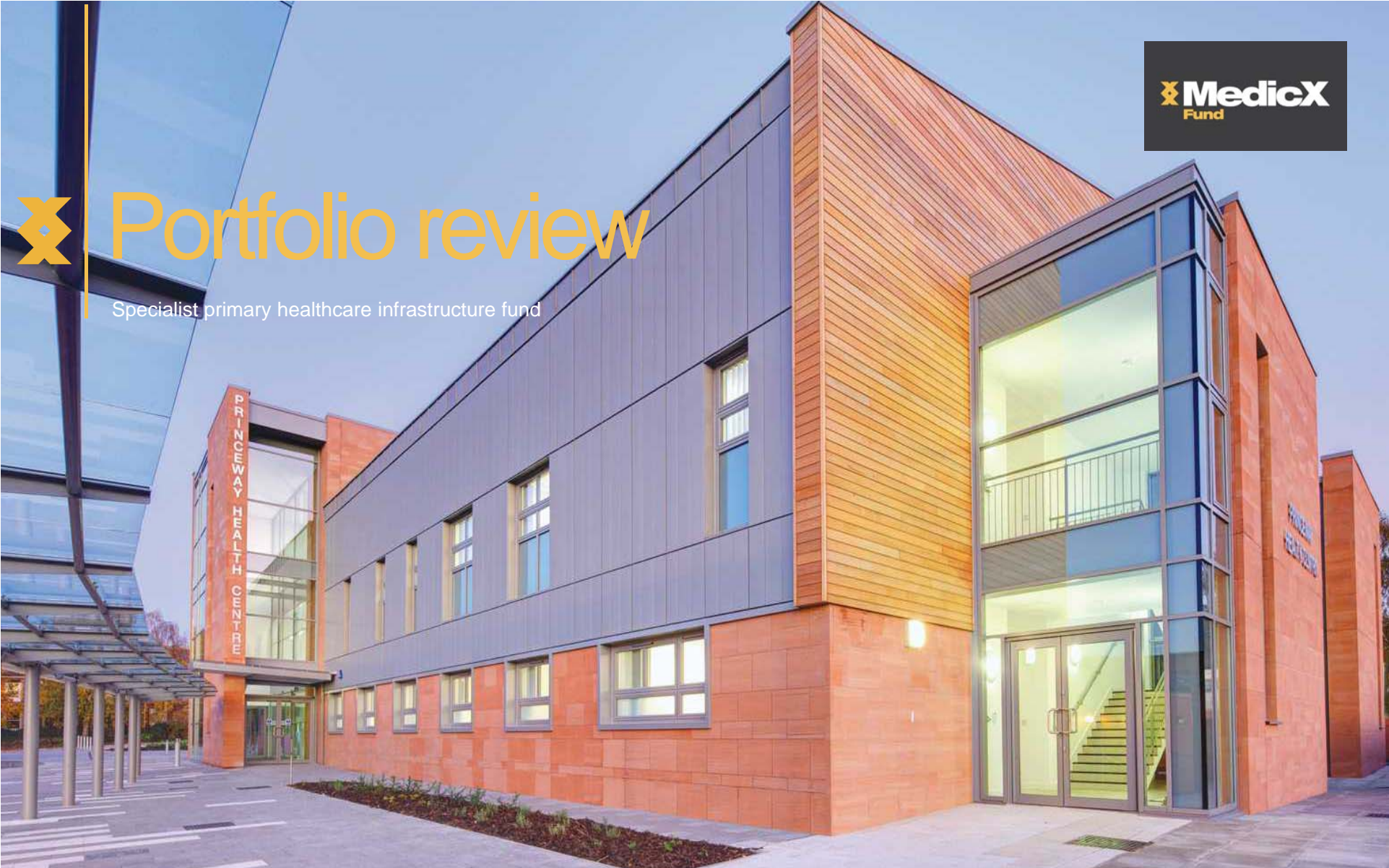
<sup>1</sup>For the financial year ended 30 September 2013

<sup>2</sup>As at 30 September 2013



# Portfolio review

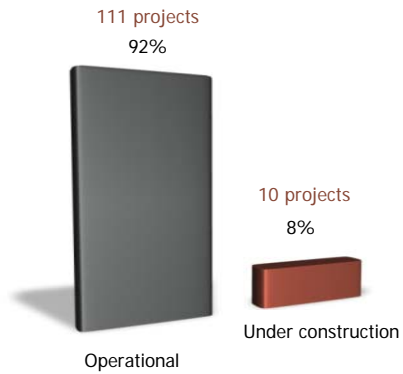
Specialist primary healthcare infrastructure fund



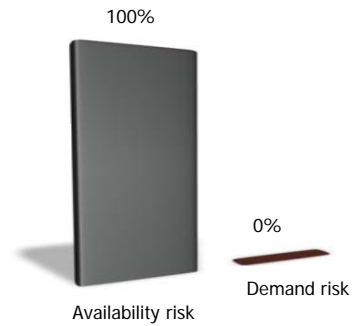
# Portfolio of modern purpose built assets Portfolio review<sup>1</sup>



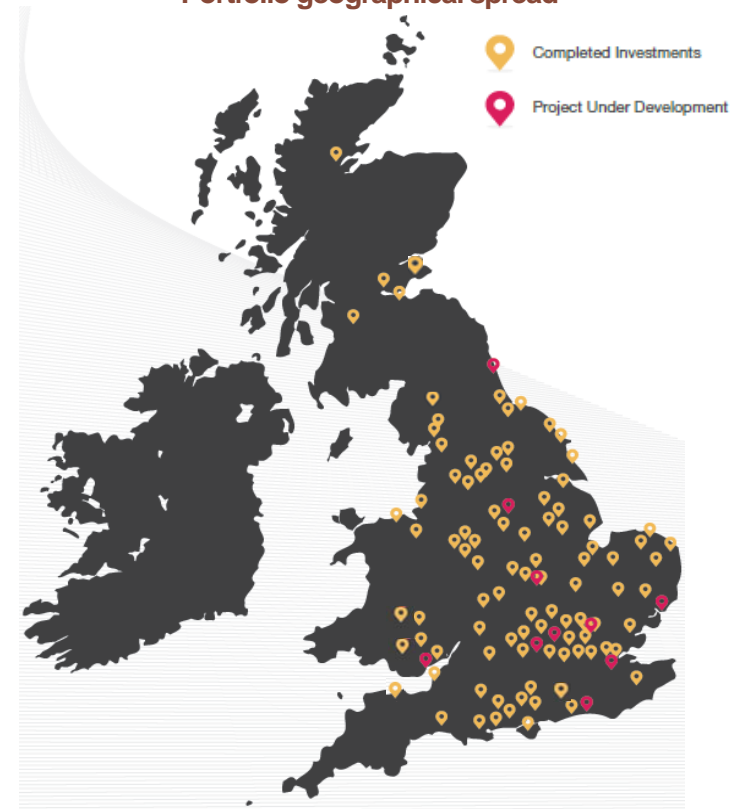
## 121 assets



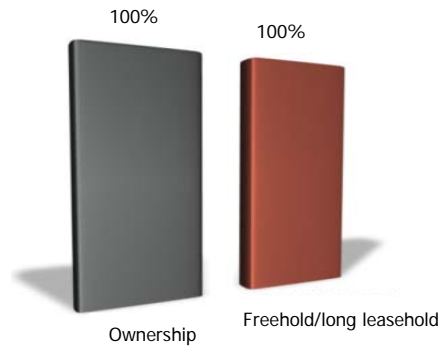
## Contractual certainty of income



## Portfolio geographical spread



## Security of tenure



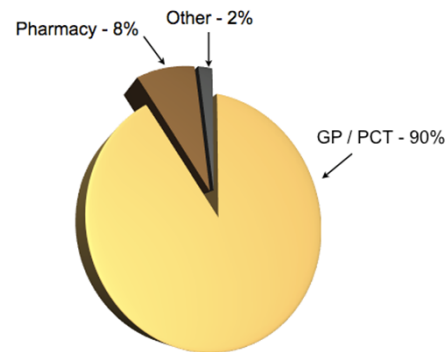
<sup>1</sup>As at 6 December 2013

# Portfolio of modern purpose built assets

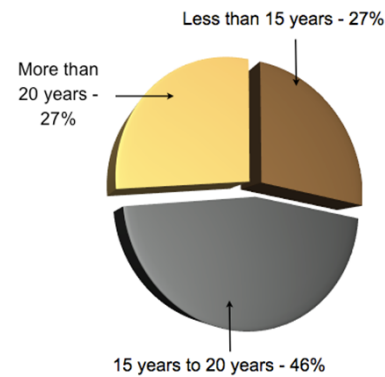
## Portfolio review<sup>1</sup>



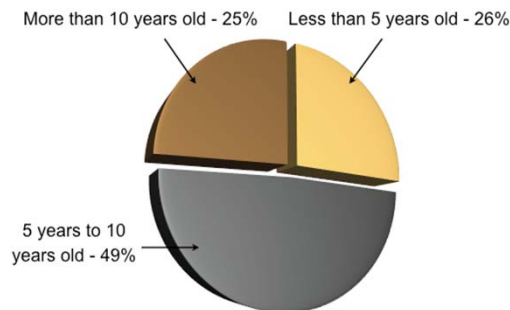
**Security of income by tenant type**



**Security of income by lease expiry**

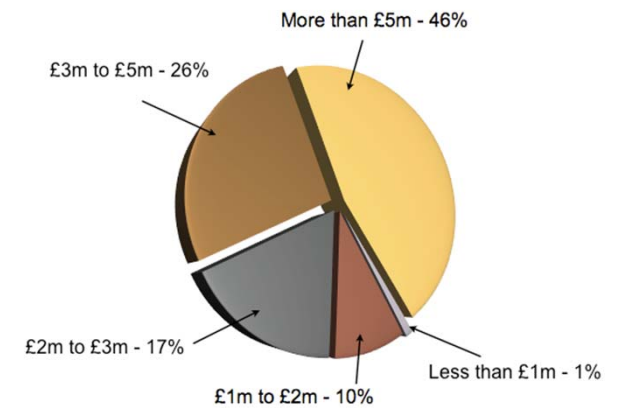


**Modernity of assets**



- Average unexpired lease term 17.0 years<sup>2</sup>
- Average age 6.0 years<sup>2</sup>
- Average value £3.7 million<sup>2</sup>

**Value per property**



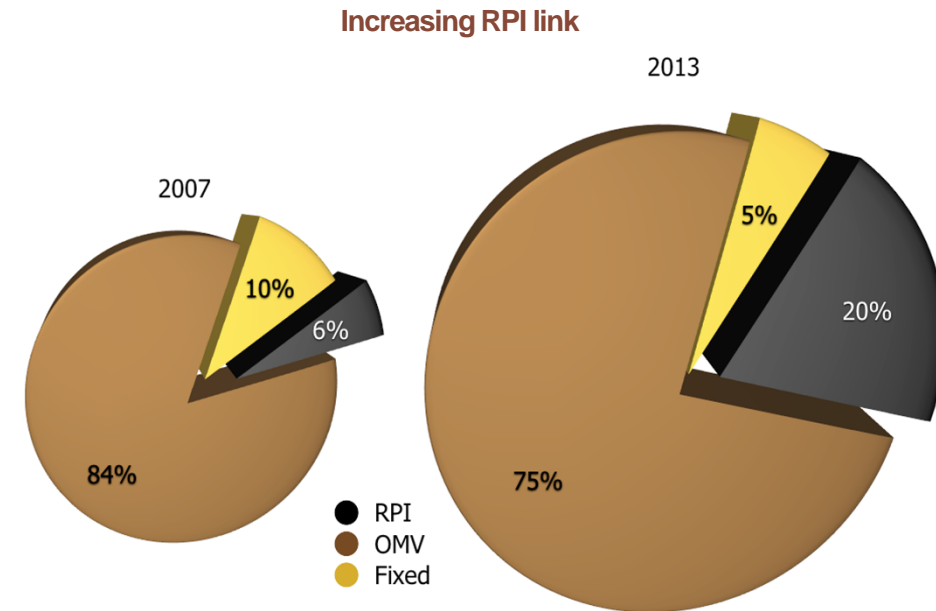
<sup>1</sup>As at 30 September 2013; includes completed value of properties under construction

<sup>2</sup>As at 6 December 2013; includes completed value of properties under construction

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



- ✘ Total rent roll £28.8 million
  - ✘ £26.3 million completed
  - ✘ £2.5 million under construction
- ✘ £9.7 million passing rents currently under negotiation
- ✘ £3.4 million rent reviews agreed during the period<sup>2</sup>
- ✘ Equivalent to 1.7% per annum increase achieved<sup>3</sup>
  - ✘ 1.2% open market reviews
  - ✘ 3.2% RPI
  - ✘ 2.5% fixed uplifts
- ✘ Continued pressure on open market reviews



<sup>1</sup>As at 6 December 2013

<sup>2</sup>Period from 1 October 2012 to 30 September 2013

<sup>3</sup>Excludes 100% fixed uplift on a small nominal rent which if included increases the overall achieved to 2.0% and fixed uplifts to 25.5%

## 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
Passing rents agreed	£1,814,809	£1,134,357	£2,952,193	£2,129,484	£2,662,646	£2,935,773	£1,345,024
Annualised increase	3.1%	2.4%	1.8%	2.8%	2.3%	2.4%	3.1% <sup>2</sup>
- Open market reviews	3.0%	1.8%	1.8%	2.8%	1.8%	0.9%	2.7%
- RPI	3.8%	3.9%	1.4%	2.6%	4.6%	3.4%	3.4%
- Fixed uplifts	n/a	2.5%	2.5%	n/a	2.5%	2.5%	-

<sup>1</sup>Based on review date falling due in the year ending as at 30 September 2013

<sup>2</sup>Excludes 100% fixed uplift on a small nominal rent which if included increases the overall achieved to 4.0%

# Rental growth prospects

## Supply and demand in primary care



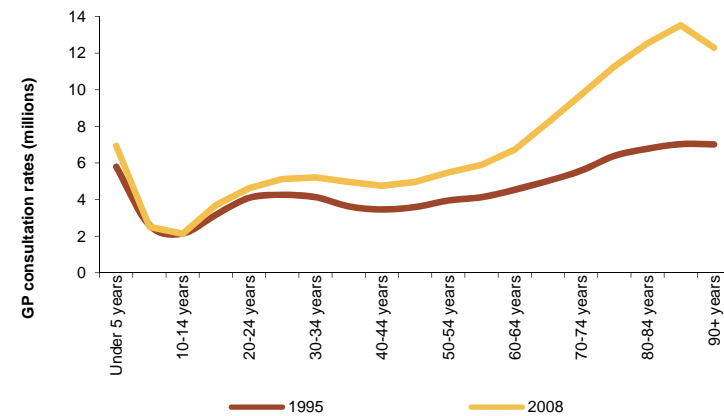
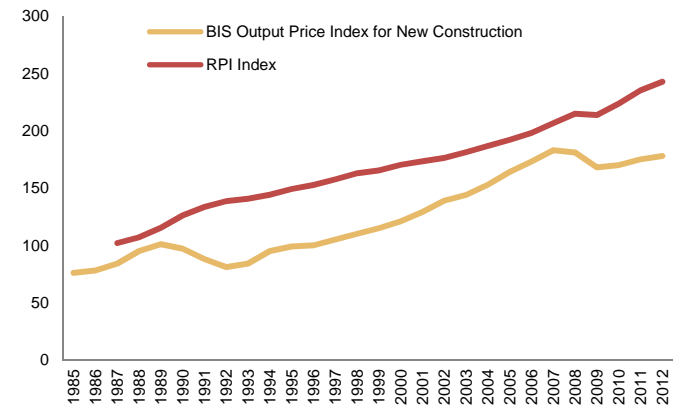
### Rental growth driven by construction costs and new build rental evidence

#### Construction costs<sup>1</sup>

- ✘ Economic activity now increasing
- ✘ The BIS Output Price Index for All Work (2010): all Construction 2nd Quarter 2013 increased by 0.8% on the previous quarter and by 2.9% year-on-year
- ✘ The BIS Output Price Index for New Construction (2010): all New Construction for 2nd Quarter 2013 increased by 0.6% on the previous quarter and by 2.9% year-on-year

#### Demand

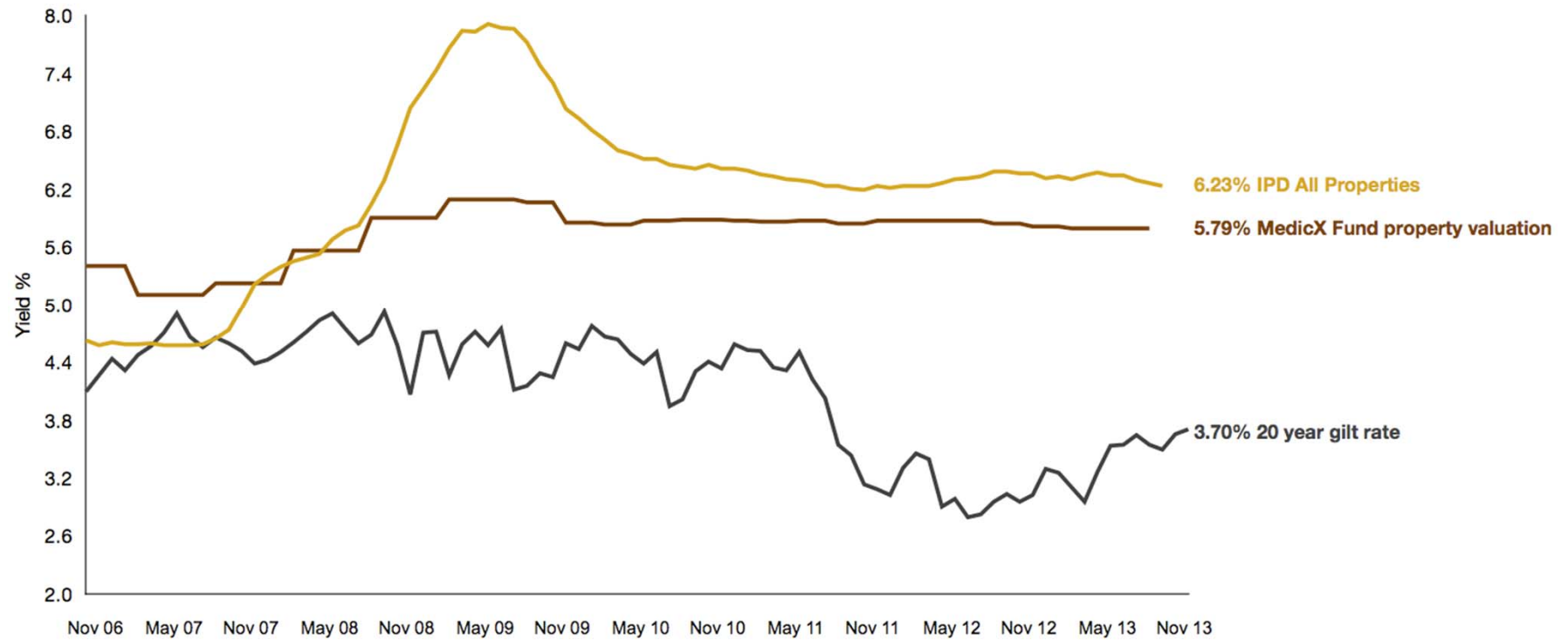
- ✘ Increasing pressure for new premises due to low activity for past three years
- ✘ 60% of GPs work from unsuitable premises
- ✘ Commissioners are likely to buy more services at a local level
- ✘ Clinical Commissioning Groups now established and making decisions
- ✘ Over 85's to double from 1.4 million to 2.8 million by 2033<sup>2</sup>



<sup>1</sup>Source: Department for Business, Innovation and Skills (BIS) website, data extracted 27 September 2013

<sup>2</sup>Source: Age UK Later Life in the United Kingdom Report, August 2013

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



<sup>1</sup>MedicX Fund property valuation as at 30 September 2013, IPD data as at 31 October 2013 and Gilt rate data as at 6 December 2013

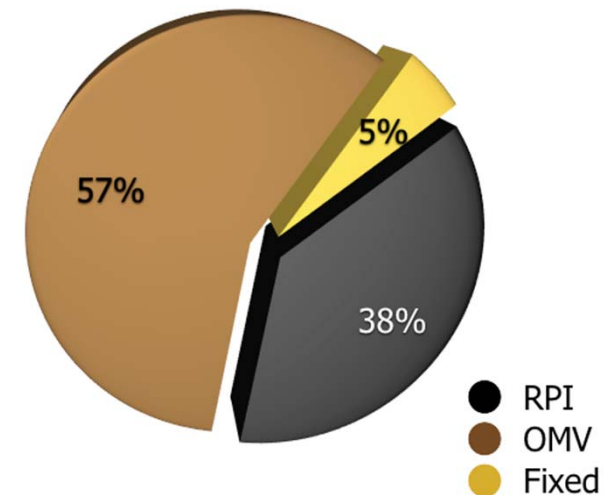


## Corporate transaction GPI portfolio acquisition



- ✘ Total committed investment of £44.7 million in 14 properties
- ✘ Earnings enhancing acquisition
- ✘ Impact on adjusted NAV + debt mark-to-market on acquisition neutral
- ✘ Seven properties completed / operational and seven properties under construction
- ✘ Development risk retained by GPI for properties under construction
- ✘ Rent roll £2.7 million
- ✘ Average age of completed properties less than one year old
- ✘ First right of refusal to fund future GPI developments
- ✘ GPI leading developer with 20 people, 20 years history and having previously developed £450 million of properties

GPI portfolio acquisition  
lease type<sup>1</sup>



<sup>1</sup>Based on initial 14 properties as at 28 May 2013

## Recent primary care property acquisitions

Total investment of £22.0 million in four properties



✂ Average cash yield of 5.96% on the four recent primary care property acquisitions



Cambridge Primary Care Centre

Lot size (NIA)	900m <sup>2</sup>
Lease terms	RPI 25 years
Committed investment	£5.5m



Prenton Primary Care Centre

Lot size (NIA)	866m <sup>2</sup>
Lease terms	RPI 21 years
Committed investment	£2.8m



Watford Primary Care Centre

Lot size (NIA)	2,465m <sup>2</sup>
Lease terms	OMV 20 years
Committed investment	£7.7m



Wigston Primary Care Centre

Lot size (NIA)	1,994m <sup>2</sup>
Lease terms	OMV 21 years
Committed investment	£6.0m

## Recent primary care property disposals Active asset management of the portfolio



- ✘ Four properties sold for an average of 5% over the most recent valuation
- ✘ Three further properties under offer with a combined value of £3.4 million



Maida Vale Primary Care Centre

Lot size (NIA)	447m <sup>2</sup>
Market valuation	£1.9m
Divestment price	£2.1m



Chandlers Ford Primary Care Centre

Lot size (NIA)	372m <sup>2</sup>
Market valuation	£1.0m
Divestment price	£1.0m



Wheathampstead Primary Care Centre

Lot size (NIA)	578m <sup>2</sup>
Market valuation	£0.6m
Divestment price	£0.6m



High Wycombe Primary Care Centre

Lot size (NIA)	334m <sup>2</sup>
Market valuation	£1.0m
Divestment price	£1.0m

## Asset management Strategic portfolio management



Property	Overview	Timing
Retford	Pharmacy extension and GP refurbishment	✓
Hoveton & Wroxham	GP extension	2014
Wood Green	Pharmacy extension and GP refurbishment	2014
Eastbourne	GP and pharmacy extension	2014
Sutton	GP extension	2014
Richmond	Redevelopment and conversion	2014
Richmond	Hospital extension	2014
Wakefield	GP and pharmacy extension	2014
Pudsey	GP extension	2014
Swaffham	Redevelopment	2015
Cobham	Extension	2015





# Key financials

Specialist primary healthcare infrastructure fund



## Key financials

### Income statement



	12 months to 30 Sept 2013 £000	'Restated' 12 months to 30 Sept 2012 £000	Change
Rent receivable	24,201	15,642	55%
Other income <sup>1</sup>	1,492	860	73%
<b>Total income</b>	<b>25,693</b>	<b>16,502</b>	<b>56%</b>
Direct property costs <sup>2</sup>	1,052	719	46%
Investment advisory fee	2,957	2,384	24%
Overheads	912	836	9%
<b>Total expenses</b>	<b>4,921</b>	<b>3,939</b>	<b>25%</b>
<b>EBITDA</b>	<b>20,772</b>	<b>12,563</b>	<b>65%</b>
Finance income	125	127	(2)%
Finance costs	11,375	7,464	52%
<b>Adjusted earnings<sup>3</sup></b>	<b>9,522</b>	<b>5,226</b>	<b>82%</b>
Valuation gain	248	(2,269)	111%
<b>Adjusted earnings including valuation gain</b>	<b>9,770</b>	<b>2,957</b>	<b>230%</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



#### ⌘ Gearing following fund raising c.45%

	As at 30 Sept 2013 £000	As at 30 Sept 2013 Pence per share
Gross assets excluding cash	437,653	159.2
Debt	273,744	99.6
Cash	27,063	9.8
Net debt	246,681	89.7
Adjusted NAV <sup>1</sup>	173,342	63.1
Adjusted NAV plus debt MtM <sup>1</sup>	190,676	69.4
DCF	266,698	97.0
	As at 30 Sept 2013	Restrictions / covenants
Adjusted gearing <sup>1</sup>	56%	75%
Aviva debt service interest cover <sup>2</sup>	202%	140%
Aviva loan to value <sup>2</sup>	63%	75%
DPB debt service interest cover <sup>3</sup>	381%	140%
DPB loan to value <sup>3</sup>	62.5%	70%

<sup>1</sup>Adjusted to exclude goodwill, deferred tax not expected to crystallise, financial derivatives and the excess of the fair value to the reset cost of the Aviva PMPI loans

<sup>2</sup>Relate to £100 million Aviva loan only

<sup>3</sup>Relate to £31.2 million Deutsche Postbank loan only

## Key financials

### Debt funding



- ✂ Average all-in fixed rate of debt of 4.45% and an average unexpired term of 15.8<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	Deutsche Postbank facility	Aviva £50m facility	Acquired Aviva facilities - PMPI	Acquired Aviva facilities - GPG
Facility size	£100 million	£31.2 million	£50 million	£62.9 million	£34.6 million
Committed	December 2006	December 2009	February 2012	July 2012	May 2013
Drawn	£100 million	£31.2 million	£50 million	£62.9 million	£30.5 million
Expiry	December 2036	April 2015	February 2032	February 2027 <sup>2</sup>	November 2032 <sup>2</sup>
Interest rate (incl. margin)	5.01%	2.75%	4.37%	4.45%	4.47%
Hedging activities	n/a	Swap	n/a	n/a	n/a
Loan to value draw down	65%	62.5%	65%	n/a	n/a
Repayment terms	Interest only	Interest only	Amortises from year 11 to £30 million at year 20	Amortising	Amortising
Interest cover covenant	140%	140%	110%	104% <sup>2</sup>	103%
Loan to value covenant	75%	70% Tested after years two and four	75%	n/a	n/a

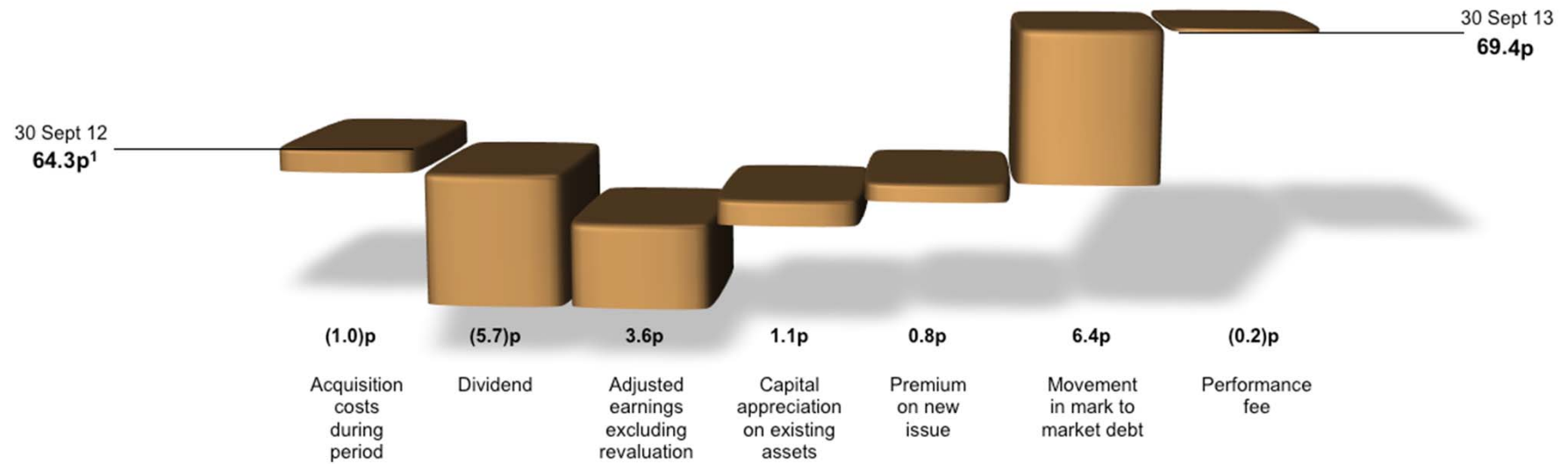
<sup>1</sup>As at 30 September 2013

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



## Key financials

### Adjusted NAV plus debt benefit



<sup>1</sup>Adjusted to exclude goodwill, the impact of deferred tax not expected to crystallise, financial derivatives, and the post year-end impact of resetting debt interest costs



# NHS and primary care update

Specialist primary healthcare infrastructure fund



## NHS and primary care update

### Pressure on primary care estate



#### Political drivers

- ✘ Health and Social Care Act 2013 in place
- ✘ Focus on integrated and colocation of services
- ✘ GPs remain key gate keeper and commissioners of care
- ✘ GPs to take back out of hours care
- ✘ Continual drive for efficiencies and cost savings
- ✘ Health and Wellbeing Board will have strategic influence over local commissioning decisions

#### Pressure on GP's

- ✘ Ageing population leading to increased demand<sup>1</sup>
- ✘ 95% increase in consultations with 85-89 year olds in ten years up to 2008/09<sup>1</sup>
- ✘ 53% of population have a chronic disease<sup>1</sup>
- ✘ Spending pressure<sup>1</sup>
- ✘ Over 85's to double from 1.4 million to 2.8 million by 2033<sup>2</sup>

#### Pressure on premises

- ✘ 20% of premises inspected by CQC non-compliant<sup>3</sup>
- ✘ 75% of GPs are unhappy with premises and cannot expand services<sup>4</sup>
- ✘ Estimated that over half of GP surgeries contain asbestos<sup>5</sup>

<sup>1</sup>Source: NHS England Improving General Practice – A Call to Action, August 2013

<sup>2</sup>Source: Age UK Later Life in the United Kingdom Report, August 2013

<sup>3</sup>Source: Pulse Magazine (online) August 2013

<sup>4</sup>Source: BMA Survey of GP practice premises March 2010

<sup>5</sup>Source: Commissioning GP website March 2013

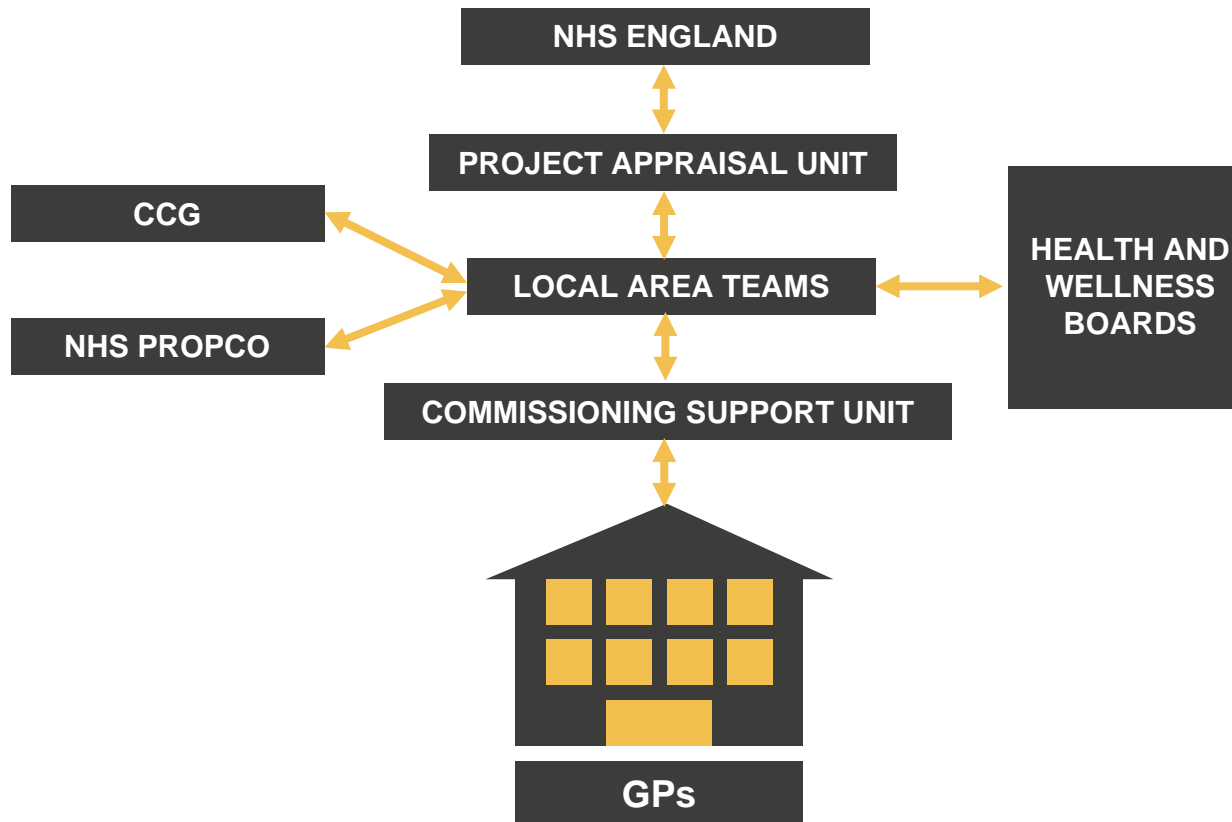
## NHS and primary care update Transformational strategy



- ✘ Integration
- ✘ Co-location of services
- ✘ Change from a reactive to proactive service
- ✘ Increased personal responsibility for health
- ✘ Demographic change – the elderly and chronic disease
- ✘ Intermediate care – hospital admission avoidance



NHS and primary care update  
Primary care rental streams 2015





# 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 MedicX Property and GPI
- ✘ Strong pipeline of c.£100 million potential acquisitions when fully developed including £30 million in legals
- ✘ Circa £6 million rent roll
- ✘ 29 properties including 18 from MedicX Property and GPI
- ✘ Further completed property acquisition opportunities under review

<sup>1</sup>As at 6 December 2013

## Investment opportunity Conclusion



- ✘ Strong pipeline of c.£100 million potential acquisitions when fully developed
- ✘ Earnings enhanced as MedicX Fund grows
- ✘ Management well placed to take advantage of opportunities
- ✘ Attractive total return proposition and track record
  - ✘ 7.1% dividend yield at 80.25 pence per share
  - ✘ 10.2% p.a. average total shareholder return over last five years<sup>1</sup>

<sup>1</sup>Share price growth plus dividends paid. 2008/09 10.8%, 2009/10 8.6%, 2010/11 9.4%, 2011/12 9.0% and 2012/13 13.1%





# Appendices

Specialist primary healthcare infrastructure fund



**MedicX**  
Fund



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



	DCF	Share price
Pence per share	97.0p	80.0p
Weighted discount rate	7.1%	8.9%
Risk premium to 20 year gilt rate	3.6%	n/a
Rental growth per annum	2.5%	(0.1)%
Capital appreciation per annum	1.0%	(1.1)%

	DCF reconciliation
Adjusted NAV plus debt benefit	69.4p
Purchasers costs at 5.80%	+9.5p
Implied yield shift to 5.21% <sup>2</sup>	+18.1p
DCF NAV	97.0p

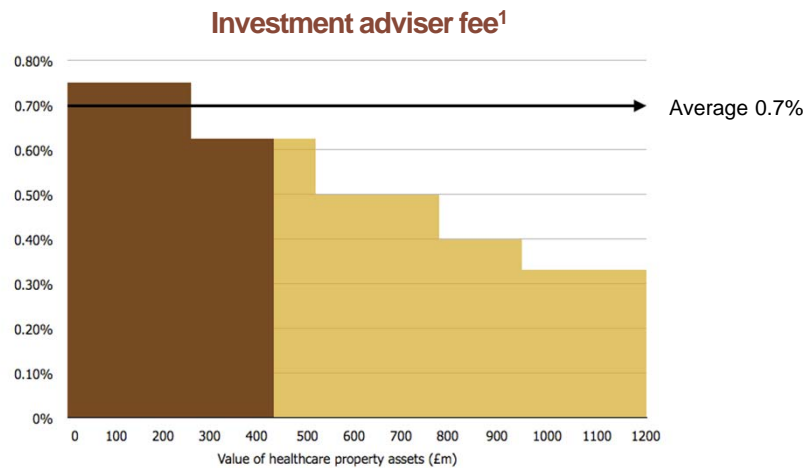
<sup>1</sup>As at 30 September 2013

<sup>2</sup>Implied yield shift as at 30 September 2013 is to 5.21% assuming debt benefit of 6.3p

## Investment adviser and property management fee structure Further reductions



- ✘ Lower investment adviser and property management fees
  - ✘ Fees on healthcare property assets only rather than gross assets (excluding cash)
  - ✘ Reduced investment adviser fee of 0.33% above £1 billion gross assets
  - ✘ Property management fees reduced from 3% to 1.5% above £25 million
- ✘ Incremental fees reduced further as portfolio grows



<sup>1</sup>As at 30 September 2013, based on committed investment of £458.5 million in 123 properties with a £28.8 million rent roll

## 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	111	105	100	96	91
	7.0	109	104	98	94	89
	8.0	107	102	97	92	88
	9.0	106	101	96	91	87
	10.0	105	100	95	90	86

### Rental and capital value increases per annum

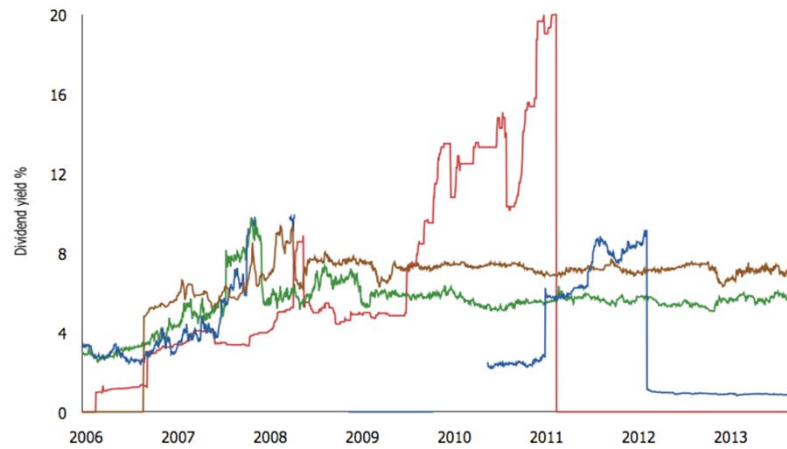
NAV pence per share	Rental					
Capital	%	0.5	1.5	2.5	3.5	4.5
	-1.0	67	73	80	88	97
	0.0	75	81	88	96	105
	1.0	83	90	97	105	114
	2.0	94	100	107	115	124
	3.0	105	112	119	127	136

<sup>1</sup>As at 30 September 2013

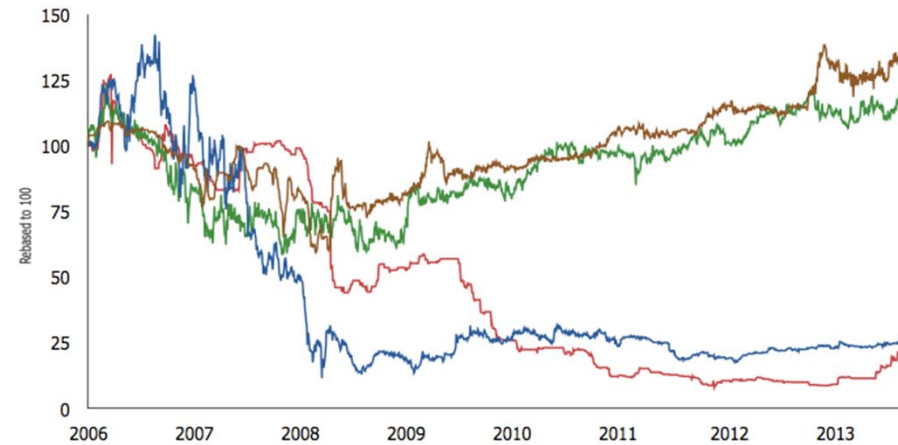
## MedicX Fund performance Sector comparison<sup>1</sup>



### 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 6 December 2013 – Canaccord Genuity / DataStream

✘ **David Staples, Chairman**

Guernsey based quoted Fund Director (FCA, CTA)

✘ **Christopher Bennett, Director**

Jersey based Real Estate Financier and quoted Fund Director (MRICS)

✘ **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

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