

BMO Real Estate Partners

Private capital - A complementary approach

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BMO Real Estate Partners

BMO  Global Asset Management

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Investment risk

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Estimates and forecasts are provided for illustrative purposes only; they are not a guarantee of future performance and should not be relied upon for any investment decisions. Estimates are based on assumptions and subject to change without notice.

The value of directly held property reflects the opinion of valuers and is reviewed periodically.



Agenda

- Who we are
- What we can offer
- Our approach
- A flexible solution
- Summary

BMO Global Asset Management's Direct Real Estate Specialists

BMO Global Asset Management responsible for £250bn+ asset under management

BMO Real Estate Partners highlights

 <p>Active management</p>	<p>BMO Real Estate Partners are a property specialist that manages assets of £6.4 billion*.</p>
 <p>Ability to source stock</p>	<ul style="list-style-type: none"> • Extensive network of local contacts, strong reputation and experience • Access to on and off-market transactions • c.£20bn of stock reviewed annually
 <p>Proven performance</p>	<ul style="list-style-type: none"> • Stock selection • Low voids • Low tenant default • Hands-on-property management
 <p>ESG credentials</p>	<ul style="list-style-type: none"> • 20 years of investor engagement • BMO UK Property Fund 

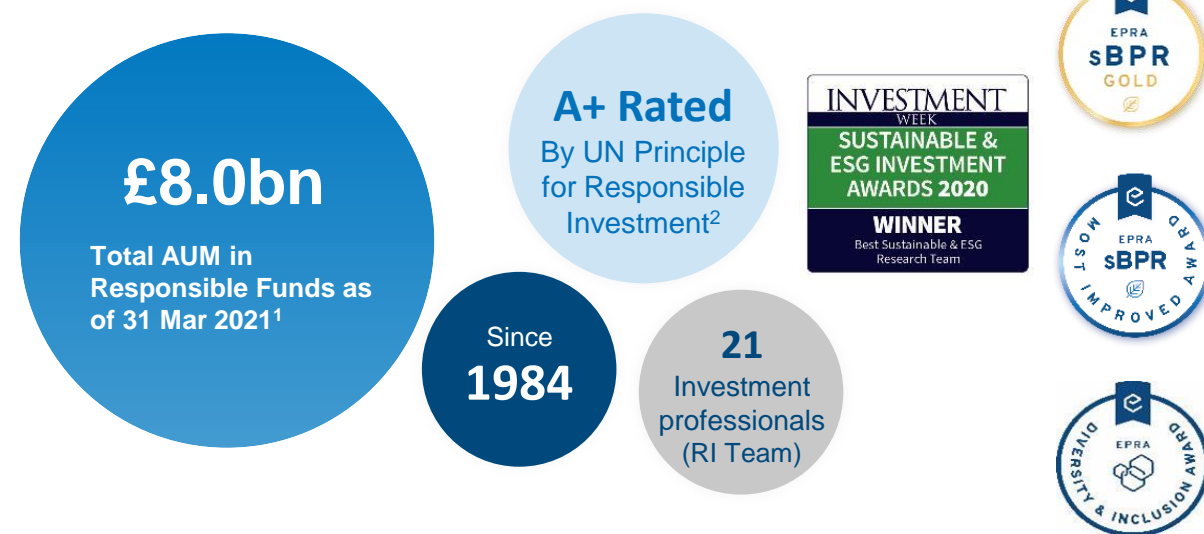
Investment Trusts

Our 10 Investment Trusts enable our customers to invest in specific regions and globally.

Investing in commercial property in sectors including office, retail and industrial units through our three Property Trusts.

- **BMO Commercial Property Trust**
- **BMO Real Estate Investors**
- **TR Property Investment Trust**

Responsible Investment is a core competency



£8.0bn
Total AUM in Responsible Funds as of 31 Mar 2021¹

A+ Rated
By UN Principle for Responsible Investment²

Since 1984

21
Investment professionals (RI Team)

INVESTMENT WEEK SUSTAINABLE & ESG INVESTMENT AWARDS 2020 WINNER
Best Sustainable & ESG Research Team

EPRA SBPR GOLD

EPRA SBPR AWARDS FOR IMPROVED AWARD
BEST ESG RESEARCH TEAM

EPRA DIVERSITY & INCLUSION AWARD

1. Source: BMO Global Asset Management as at 31-Mar-21.

2. For strategy & governance

3. Best ESG Research Team by Investment Week (joint winner). <https://event.investmentweek.co.uk/sustainableesginvestmentawards2020/en/page/2020-winners>

* As at 31st March 2021

Introducing the complementary approach

Evolving the lease based model for Supported Housing



Developed to be a regulatory compliant model



Sustainable, transparent rents




Better balance of risk between RP and owner




Measureable ESG Impact

BMO and Social Income are collectively working to launch a new responsible housing investment trust (“the Trust”) which is focused on delivering sustainable, high quality accommodation and creating positive disruption within the Supported Housing market.



‘Acquiring, repositioning and developing supported housing in a truly sustainable manner’



‘A funding model that meets the expanding needs of the sector’

Matching risk, return and social impact to generate positive outcomes for all stakeholders

Our proposal for a leasing model

Positive Disruption

A responsible property solution seeking to better balance the needs of both Registered Provider and investors.

- Flexible leasing model with leases aligned to underlying care contracts
- Incorporating de-commissioning break clauses
- Conforming with Regulator guidelines
- Enabling us to work with the highest quality counterparties to increase the provision of good quality supported housing
- A focus on property fundamentals
 - Providing good quality, fit-for-purpose housing
 - Value in the building, not the lease length
 - Rents benchmarked against private market
- CPI-linked leases aligned to care packages balances RP and Investor requirements to create a mutually sustainable model



A flexible approach

Provision across the Supported Housing market

Specialised
Supported
Housing

Adults aged 18-65 with
long term care needs



Extra
Care

Adults aged 55+ with a
spectrum of care needs



Young
Persons

Young people aged 16-25
with care needs



Temporary
Accommo-
dation

Interim accommodation for
adults with support needs



Single
Service
User

Adults with complex care
needs



Source: Specialised Supported Housing; Extra Care Charitable Trust; Macintyre; Nacro

Addressing the Regulator for Social Housing's concerns

Aligned with Regulator's recommendations

The Regulator of Social Housing wants a sustainable model for lease-based Supported Housing

Lease-based providers of specialised supported housing

2. Executive summary

- 2.1 Following the near failure of First Priority Housing Association in 2018, the RSH has been engaging with a range of registered providers (RPs) of specialised supported housing and has downgraded a number of the organisations to a non-compliant grading for governance and/or financial viability.
- 2.2 These regulatory judgements and notices have revealed some recurring themes, which include:
- the concentration risk that comes from having long-term, low-margin inflation-linked leases as a single source of finance
 - the thin capitalisation of some of the RPs undertaking this model
 - poor risk management and contingency planning undertaken by some of the RPs
 - some inappropriate governance practises that have led to poor decision making
 - a lack of assurance about whether appropriate rents are being charged.

Regulator concerns

The Regulator's requirements

- ✓ Leases aligned to care packages
- ✓ Work with highly rated RP partners
- ✓ Rents benchmarked against private market
- ✓ Value for money for the public purse

Does this work for you and address your concerns?

Source: Regulator of Social Housing, Lease based providers of specialist supported housing, Addendum to sector risk profile, April 2019.

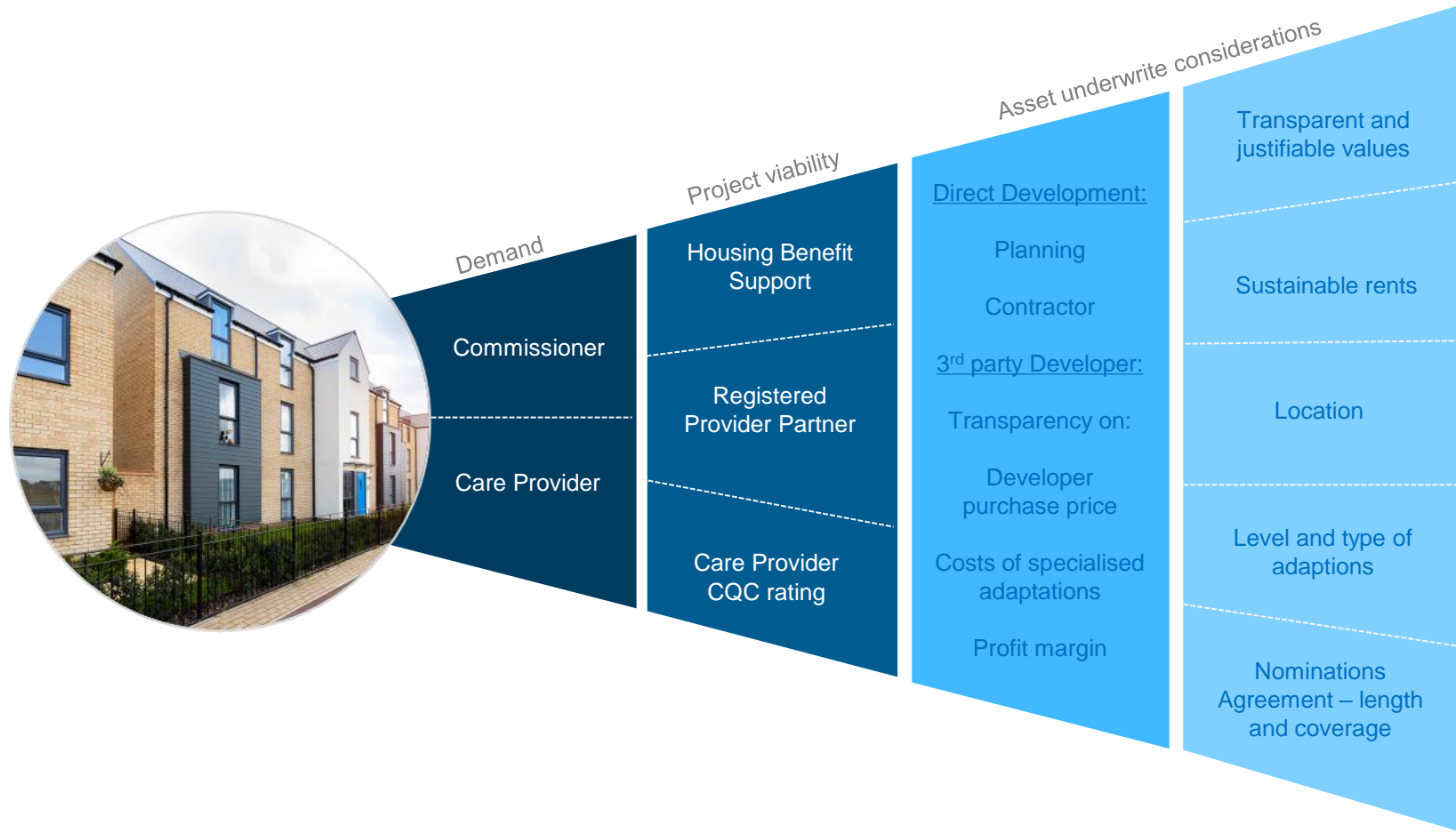
How we're different

A responsible and complementary approach



- Flexible, regulatory-compliant lease terms
- Clear target metrics to ensure strength and quality of counterparties
- Better suited accommodation in sustainable locations
- Transparency in rent setting
- Partnering with like-minded organisations to provide expertise and scale
- Delivering properties with commissioner support to ensure meeting demand
- Wide governance and oversight

How we work with you to provide the right accommodation



Source: BMO Real Estate Partners

Evolving private capital's role in Supported Housing

We are focused on providing a better source of equity for the provision and operation of Supported Housing across the UK



The Trust's ESG objectives are applied and measured throughout lifecycle of a property from acquisition through refurbishment and operation.

Appropriate accommodation

Increase supply for targeted local need. Facilitate person centred care and offer value for money through fair lease terms across the UK

Resilient housing



Create environmentally and operationally efficient homes


Screening & engagement

Deliver quality stock to well rated Registered Providers and Care Providers to expand and improve the quality of care



Transparent ESG reporting

Themes	Supply, policy aligned and quality service	Climate stability and net zero carbon	Manage impact risk
<p>Metrics & Indicators</p> <p>Aligned with Equity Impact Project reporting architecture</p>  <p>THE GOOD ECONOMY</p>	<ul style="list-style-type: none"> • Number of units funded • Number of units occupied • Percentage of homes with life-cycle plan • Percentage homes with CQC rating of 'good' or higher • Net promoter score 	<ul style="list-style-type: none"> • Distribution of EPC ratings • Emissions intensity • Renewable energy production/ consumption • Green certification • Risk mitigation statement • Net zero carbon strategy 	<ul style="list-style-type: none"> • Expected impact additionality of fund • Potential impact risks and how these are managed • Qualitative dialogue with occupiers
<p>Alignment, adjacency and support for the UN Sustainable Development Goals</p>			
			



Why we should work together

- A complementary source of capital for lease-based supported housing providing flexibility and a fair balance of risk
- Developed to address the RSH's concerns
- Providing good quality, suitable housing for vulnerable individuals
- Transparent rents benchmarked to private market
- Property sourcing and delivery managed by the Trust saving your time and resource

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