Target Fund Managers Limited

The UK Stewardship Code

Statement of Compliance: 31 December 2020

Contents

Introduction	
Contact us: +44 (0)1786 845 912 info@targetfundmanagers.com targetfundmanagers.com	Target Fund Managers Limited, along with Target Advisers LLP (collectively "Target" or the "Company"), is a fund manager and investment adviser in healthcare real estate and a specialist in the care home subset of that asset class. Target's predominant investment strategies are in modern, well-designed, purpose-built care homes for the elderly which are subject to long leases with carefully assessed third party tenant operators. As at 31 December 2020, Target had assets under management of c.£0.8 billion, consisting of investments in 94 care homes, with 28 individual tenant operators. Target's purpose since establishment in 2010, through responsible real estate investment, has been to provide and advocate for fit-for-purpose real estate which improves living standards for residents and facilitates quality personal care. This analytical, principled investment approach aims to deliver long-term investor returns and ensure effective stewardship practice and outcomes in the process. Target's mission requires it to partner with tenant operators who share its values and ethos and can demonstrate the necessary operational capabilities to effectively care for residents and provide an efficient and rewarding environment for their staff. Target values these partnerships and believes they are fundamental to the long-term success of its investments. All investments are made with diligence, detailed analysis and a genuine passion for doing what is right for all stakeholders. The tenants operating the care homes Target invests in are typically providing care for residents in their latter years, and often end of life, and so it is essential that this is happening in the right setting. Target follows an 'engaged landlord' approach to ensure that the tenants' operational and financial performance continues to meet an appropriate standard and, within the constraints imposed by a landlord/ tenant relationship, will take action where necessary to ensure effective stewardship of the assets under its management. The type of properties that are acquired under Target's investment approach are modern, purpose-built care homes which will provide a high quality of real estate for the operating tenant, and their residents and staff. The following report sets out how Target's stated business model and strategy naturally aligns with the requirements of the Stewardship Code; being the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Statement of Compliance was approved by the Board of Target Fund Managers Limited on 31 March 2021. **Kenneth MacKenzie** **Chief Executive**

Principle 1: Purpose and Governance	
Principle:	**Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**
Context:	**Purpose and investment beliefs** Target's purpose is to accelerate the improvement in the physical standards of UK care homes through long-term, responsible investment in modern real estate which delivers clients' return objectives. Target invests in, and advocates for, modern, well-designed, purpose-built care homes with full en-suite wetroom facilities to be the minimum acceptable standard across the sector. These provide dignity, privacy and choice for residents, are well-equipped for care providers to operate in, and allow for community interaction and pleasant visiting for friends/families of residents as well as most effectively supporting infection control efforts. Real estate of this standard is significantly undersupplied, with 74%[1] of the UK's existing care home bedrooms in need of modernisation to these minimum standards. Demographic trends, with increasing numbers of people over 85 years of age and increasing demand for need-based care, requires significant increase in the future supply of care home real estate and allows Target to invest with confidence for the long-term. Target will aim to partner with others in the industry that share its beliefs, ethos and values. It is Target's belief that investing in high-quality real estate, combined with careful selection of tenant operators, will not only benefit the underlying residents, communities and care providers; but will ensure effective stewardship of clients' funds by ensuring that: • the real estate acquired is of high-quality and best-in-class within its local market ensuring that, as the overall improvement in the physical standards of real estate in the care sector advocated by Target comes to fruition, the physical assets held remain in demand by both tenant operators and their underlying residents; • the demand for care provision in the physical real estate is supported by local demographics; and • the terms of the lease, and the careful selection of capable tenant operators, ensures the long-term, sustainable nature of the business being operated from each home, thereby providing clients with robust, long-term income or, should it prove necessary, permits the re-tenanting of the property on a timely basis with minimum disruption to residents and without loss of value for clients. Target's investment approach is to act as an 'engaged landlord', ensuring that it not only understands the physical fabric of the buildings in which it invests, but that it also understands the underlying drivers of the care home operated by the tenant from that property. Target's interest goes beyond the purely financial, with the firm belief that a home and operator that ensures the wellbeing of residents will ultimately be a successful one. A successful and well-run tenant business will not only benefit the residents and tenant operator, but ultimately support Target's clients by ensuring well covered rental income streams, thereby also preserving investment yields and capital values.

	Culture and Values Target aims to ensure that all activities undertaken by the Company, its staff and representatives demonstrate the Company's eight values of Collaboration, Professionalism, Integrity, Openness, Respect, Care, Humility and Forgiveness. As part of the recruitment process, it is ensured that any new employees share Target's values, with training and other activities undertaken to ensure that the culture inherent at the Company's inception in 2010 remains undiluted as the Target team grows in size. Further detail on Target's structure is provided in principle 2. **Business Model and Strategy** Target's business model is to act as Investment Manager, Asset Manager and/ or Alternative Investment Fund Manager to investment companies and funds. Target's investment approach is to invest monies for the long-term in order to generate long-term, sustainable income with the potential for capital growth. This matches the requirement of the sector in which it primarily invests, care homes for the elderly, which is a sector that Target believes is in need of long-term capital investment. Effective stewardship of its clients' monies is essential to the preservation of capital required to meet Target's long-term investment horizon and to ensure that the assets acquired can continue to generate income on a long-term, sustainable basis. Target's management fees are based on the level of funds under management and therefore ensuring effective stewardship, which will continue to attract further long-term investment capital to the sector, ensures that the financial interests of both Target and its clients are aligned. The current funds managed or advised by Target have independent Boards of Directors. Target's culture and investment process ensures that detailed and bespoke reports are provided on a regular and timely basis to those Boards to ensure that they are able to appropriately undertake their own stewardship activities and monitoring of Target's investment approach and performance. As an example, the frequency of Board reporting in relation to Target's largest client was increased to weekly during the peak of the COVID-19 pandemic. (1) Carterwood - 2020
Activity:	Target has a long-term investment horizon and has established strict investment criteria within workable investment policies (which are set out in more detail in principle 7). Since Target was established in 2010, it has continued to hire specialist staff, and undertake research in order to educate itself and ensure that, collectively, it is a specialist in the sector and understands the key drivers of performance of the properties, and tenant operators, in which it invests. Target then ensures that the key drivers identified are inherent within the investment and asset management processes within the business. Target has used the research and due diligence undertaken to date to build a proprietary database of underlying information on UK care homes, local demographics and other important factors in order to drive appropriate investment decisions (further information on the investment approach is contained in principle 7 and on the asset management approach in principle 9). This in-house information is supplemented by subscriptions to appropriate external providers such as LaingBuisson, Carterwood and Experian.

	The sector in which Target invests is complex, and needs detailed monitoring, understanding and input when appropriate both to anticipate problems and manage them to protect value, and to ensure that the tenant operators are able to provide care for residents in an appropriate setting. The continued investment in employees of Target is set out in more detail in principle 2. In addition to the acquisition of standing assets, Target has brought new long-term capital into the sector through the careful investment in forward funded developments, pre-let to carefully selected tenant operators. The culture established within Target ensures that all employees are committed to the mission, as are partner funds which it manages/advises, leading to investment decisions being taken which are in the long-term interests of client funds, care home properties, tenant operators and their underlying residents. Target has aimed to use its expertise to educate market participants on the appropriateness of its underlying investment strategy by highlighting, through investment reports, presentations and seminars/sector events, the significant undersupply of quality properties in the sector.
Outcome:	New staff recruited to the business continued to complete the established induction process; which includes regular one-on-one meetings with the four founding members of the business to ensure that they understand the Company's core values and beliefs, and reflect these accordingly in any actions they undertake on behalf of Target. In an average year, Target will usually consider in excess of 100 introductions for potential property acquisitions. After applying Target's strict investment criteria, following the investment approach set out in principle 7, and conducting due diligence, Target completed three property acquisitions and committed to two forward fund developments in the year ended 31 December 2020. Target, in consultation with its main client, whom had monies available for investment, chose to pause new investment acquisitions over the summer due to uncertainty over market conditions. As with most sectors, over the year the largest change likely to disrupt Target's established purpose, investment beliefs, strategy and culture was the impact of the COVID-19 pandemic. This was particularly pronounced in the care home sector in which Target's clients invest. Over the course of the year to 31 December 2020, particularly since COVID-19 was pronounced as a pandemic by the World Health Organisation in March 2020, Target has carefully monitored the performance of its investment portfolio. Whilst the twice annual physical visits to each care home usually undertaken were not possible during lockdown, these were replaced with telephone conversations with the care homes and head office staff of each of the tenants; with Target undertaking more than 1,000 calls over the year in relation to the 94 properties and 28 tenant operators across the two main client portfolios. These calls were aimed not only at collating information in relation to the assets held, but also to pass on Target's experience and market knowledge. **EFFECTIVENESS** **Portfolio resilience and performance** Over the year to 31 December 2020, rental collection was c.95%, demonstrating the resilience of the rental income generated by the portfolio's assets. The external property valuations remained largely unchanged, with a slight degree of yield

tightening. This revenue and capital performance, in challenging circumstances, evidenced the effectiveness of the investment approach adopted.

As at 31 December 2020, the portfolio weighted total returns (based on total assets) across Target's clients were as follows:

	One year	Three years	Five years
Total return (annualised)	7.5%	8.9%	9.6%
MSCI UK Healthcare Annual Property Index (the "MSCI Index")	6.8%	7.4%	8.2%

Investment

Case study: Castle Grange and Hutton Manor

Castle Grange and Hutton Manor are two care homes of exceptional quality acquired by Target on behalf of a client in January 2020. Both locations have an undersupply of high quality, purpose-built care homes and these acquisitions demonstrate Target's ongoing commitment to seek opportunities to improve the elderly care offering in geographic locations across the UK.

Both homes have 86 bedrooms with 100% en-suite wetroom shower facilities and resident facilities include luxurious lounges, private terraces, courtyards, balconies and hair & beauty salons. Castle Grange has been designed around an internal courtyard which includes a beautiful wintergarden that residents can enjoy all year round and Hutton Manor has been constructed using natural stone to complement the architecture of the surrounding residential neighbourhood. The internal fit out and furnishings at both homes are exceptional and are comparable to the very best care homes in the country.

Asset Management

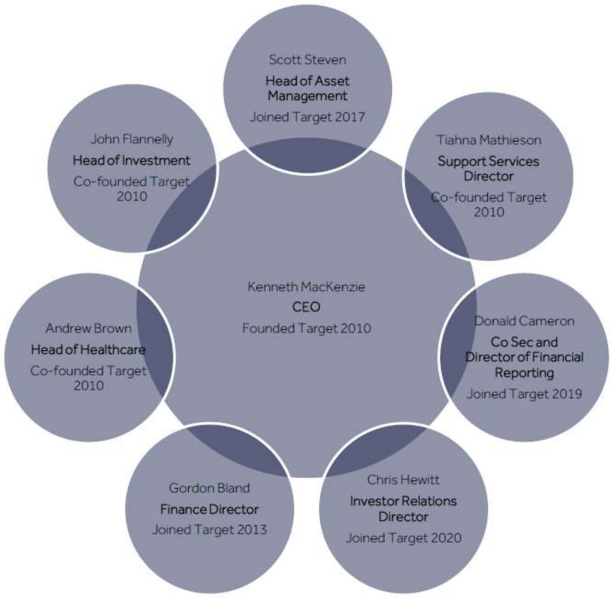
Target's belief in being an engaged landlord ensures that it remains fully up-to-date with activities at each of the homes it owns throughout the period of ownership. An example of this approach arose in relation to the re-tenanting of seven of the properties held across two of Target's clients.

Case Study: Re-tenanting of Orchard Care Homes properties

In September 2019, Target was notified that Orchard Care Homes, a prominent tenant in both of Target's client portfolios, intended to exit its lease commitments on seven care homes. Although such a situation is always disappointing, Target swiftly applied its specialist sector knowledge and extensive network of sector relationships to deliver an appropriate transfer of the services provided at the care homes to new tenants, with continuity of care and employment for the residents and staff respectively, essential components to a successful outcome. In early 2020, the transfer of the seven care homes to two existing operators was completed, with care levels undisturbed. The re-tenanting resulted in no significant change in the contracted rental income over the remainder of the leases on an aggregate basis, and a small aggregate valuation uplift recognised by the relevant clients' external valuers at the following quarterly valuation.

Engagement with clients and other stakeholders

In March 2020, Target appointed an independent sustainability consultant to review Target's performance in relation to ESG matters. This process involved a review of the operational activities of the business, a tenant engagement questionnaire and interviews with investors. The output of this engagement was a roadmap for (i) more explicit documentation of how Target is assessing and acting upon ESG matters in certain areas of activity and (ii) greater integration of ESG matters into other areas where it is less clear how ESG is being reflected, measured and reported upon. Recognising that ESG is not static but an evolving and interactive process, the roadmap set out a series of short and medium-term objectives. Having implemented the short-term objectives in 2020, Target is focused on the ongoing medium-term objectives.

<table>
<tr><th colspan="2">Principle 2: Purpose and Governance</th></tr>
<tr><td>Principle:</td><td>Signatories’ governance, resources and incentives support stewardship.</td></tr>
<tr><td>Context:</td><td>
The senior management team of Target consists of eight executives (the “Executive Team”) and has responsibility for strategic and operational decision making on behalf of the business and recommendations in relation to the funds it manages. Target is majority-owned by certain members of the Executive Team (and their associated persons).
The Executive Team meets regularly, at least twice a week, and takes a collaborative approach with collective responsibility.


The key members of the Executive Team, along with two non-executive Directors, form the Board of the Company which meets on a quarterly basis.
With a total of 30 team members, there are regular opportunities for the whole business to engage collectively and share significant developments in the business, the portfolio or the broader environment. The individual functional teams also meet regularly to share information, ideas and knowledge on both the property portfolios held and the wider sector.
The Executive Team/Board is supported by an external Compliance Officer.
During the year ended 31 December 2020, Target has established separate ESG and Compliance Committees, which complement the Conflicts Committee which was established during the previous year. Further detail on the Conflicts Committee is set out in more detail in principle 3. These committees include members of the Executive Team, or other senior members of staff, depending on the matters to be discussed. The intention of the committees is to ensure that matters arising are considered on a timely basis, and in depth, prior to each committee reporting directly to the Board.
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<tr><td>Activity:</td><td>
As a niche fund manager, with less than £1 billion of Assets Under Management, the number of clients, properties and tenants allows the Executive Team to hold an in-depth understanding of the portfolio with reporting lines from each of the functions as necessary to provide additional detail.
The co-ordination of approach at the Executive Team level ensures that Target’s care ethos and values are both aligned at a high level and reported downwards to the wider team.
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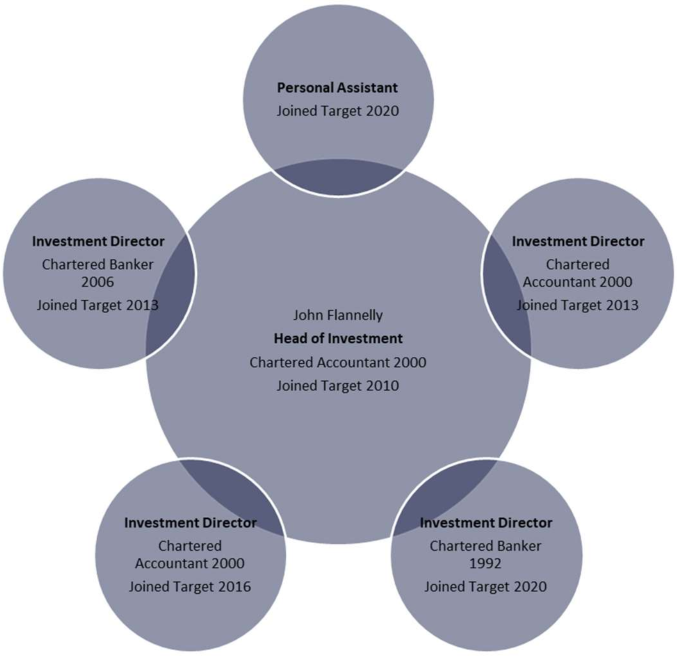
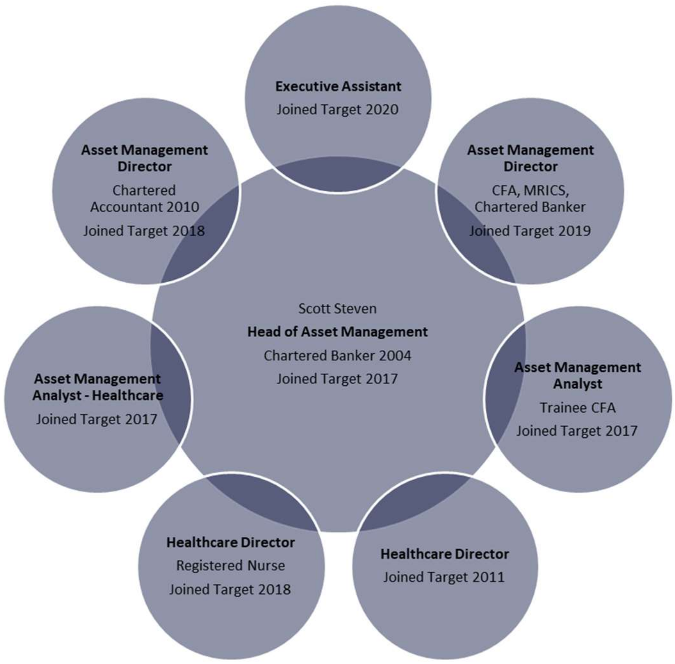
Investment Team:



The Investment Team is responsible for all initial investment acquisitions, including the completion of due diligence, and consists of experienced professionals, with a variety of experience, including banking. As necessary, expertise may be shared between the Investment Team and the Asset Management Team depending on the level of activity, the nature of the work being undertaken and the skills and experience required.

Asset Management Team:



The Asset Management Team is responsible for the ongoing monitoring of the properties (such as ensuring tenants are meeting their obligations under the fully repairing and insuring leases) and monitoring of the underlying tenants; both in terms of financial performance and care related aspects. The Asset Management Team will be responsible for any changes to properties, or the underlying lease agreements, subsequent to initial acquisition.

Finance and Company Secretarial:

Stewardship

There is not a separate stewardship team, instead stewardship matters are inherent in the investment process (see principle 7) and the asset management process (see principle 9). Ultimately the Executive Team, who discuss and review all significant investment or asset management matters, as appropriate, before any recommendations are made to the Boards of client funds, are responsible for considering stewardship matters.

The performance measure of individual employees and their financial remuneration does not specifically incorporate stewardship. However, individual performance will be assessed against the Company's values and investment approach which, as set out in principle 1, ensure stewardship considerations are inherently addressed.

Outcome:

It is considered that the chosen governance structures and processes have been effective in supporting stewardship and are appropriate for the current size and nature of Target, the nature of its clients and the structure of its clients' underlying governance structures. The structure of the Executive Team ensures views from all functions are heard and discussed in significant decision-making. This allows effective stewardship by ensuring that all opposing views and priorities are heard, carefully considered and a fair and balanced conclusion reached. Ultimately, Target aims to balance financial returns with the sensitivity required to ensure that continuity of care is maintained for the end-users of the clients' homes.

It is, however, noted that, as the size of the client portfolio and number of employees required to appropriately manage these portfolios continues to grow, the current flat organisational structure may require to become more hierarchical and therefore the current processes may require to be amended to introduce, formalise and document additional levels of control over time. At present, the structure facilitates the tone and values held by the Executive Team to cascade effectively to individuals within the Company.

	The recent enforced change to working-from-home requirements, and the potential that this may become a permanent feature of workplaces across the UK, including at Target, may also require changes to the current processes to ensure that the current benefits of team learning, sharing of experiences and leading by example, continue to be inherent in the systems adopted whilst all employees may not be continually together at the same physical location.

Principle 3: Purpose and Governance	
Principle:	**Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**
Context:	Target has established a Conflicts Committee, which has written terms of reference and is constituted by an independent chair, the Compliance Officer and members of the Executive Team. The members of the Executive Team that are currently full-time members of the Conflicts Committee are the Head of Investment, Finance Director and Company Secretary; it is intended that members are rotated over time and that additional members may be invited to attend depending on the matters to be discussed. The Conflicts Committee will report any significant matters directly to the Board. The Conflicts Committee reviews Target's policies and procedures, as well as ensuring that actual or potential conflicts of interest are being identified and addressed appropriately and in line with the established policy. Target has a written conflicts of interest policy to address actual and potential conflicts of interest and this is considered on a regular basis by the Conflicts Committee. The aim of the Policy is to avoid conflicts of interest and to manage conflicts of interest in a manner that is equitable to the parties involved. A summary of the key terms of the conflicts of interest policy is set out below: Target will comply with applicable laws and will always seek to comply with the principles set out in the handbooks and guidance published by the Financial Conduct Authority in relation to conflicts, including FCA Principle 6: Treating Customers Fairly. In the unlikely event Target's procedures and controls will not be sufficient to ensure that a potential conflict of interest does not damage a client's interests, it may be agreed between Target and the client (both acting reasonably) that the client may undertake the matter themselves or appoint a third party to do so. Target will disclose all conflicts of interest (whether actual or potential) to the clients who are affected (or potentially affected) by the conflict. The level of detail disclosed may be constrained where such disclosure would result in a breach of law or regulation by Target. Target will provide such information as may reasonably be requested by the parties affected or potentially affected by the conflict. *Acquisitions* Target has in place an allocation policy to ensure that it is able to fairly allocate available investment opportunities between its clients. Target will use reasonable efforts to ensure that each client has the opportunity to participate in potential investment opportunities of which Target is aware that fall within its investment objective and policy. In so doing Target will take into account the available asset opportunities for each of its funds in the light of the stated geographic and tenant concentration policies and the level of available capital held by each of them. Target will use reasonable efforts to allocate an investment opportunity to the client whose investment criteria most closely matches the investment opportunity. In the event that more than one client's investment criteria matches the available investment opportunities such opportunities will be shared between such clients on a fair basis pro rata (such pro rating based on the capital of the respective funds available immediately following the most recent fundraising of any of the funds) with priority given to the client in respect of which the period since it was last offered an investment opportunity is the longest on a rotational basis (with the rotational basis specifically not taking into account any other assets which may have been allocated under any other criteria of the allocation policy of Target).

	Disposals When a fund decides to sell an asset, it is expected that in almost all sales processes a third-party agent will be appointed to manage an open market process. In a situation whereby Target, acting for another fund, resolves to bid for such asset, it will disclose the potential conflict fully to both the potential bidding fund and the disposing fund. *Provision of information* Recognising the requirement to treat customers fairly, where Target is in possession of information that is available to, is to be provided to, or which has been requested by, more than one client (including their respective advisers, service providers, agents, fund manager or investment manager) it shall treat the clients fairly when disclosing such information and will ensure that the same information is provided to the clients at the same time. *Confidential information & Information Storage* Target will put in place procedures, reasonably acceptable to the clients concerned, to ensure that confidential, proprietary or commercially sensitive information relating to any client is not shared or made available to other clients or to third parties. *Fund promotion* Target shall not promote its clients' funds in any way that may cause confusion between those funds and shall, where possible, seek to avoid situations where a fund is competing for equity at the same time from the same investor.
Activity:	A summary of the ongoing potential or actual conflicts is circulated to the members of the Conflicts Committee at least quarterly, or more frequently should the circumstances of a potential or actual conflict arise or change. The Conflicts Committee meets at least twice a year to consider its terms of reference, ensure the completeness of the conflicts register and the process for ensuring that all conflicts are captured and reported and to review the current position of all reported conflicts. Whilst many of the specific actual or potential conflicts are specific to individual clients and therefore cannot be publicly disclosed without breaching client confidentiality, the Conflicts Committee will consider, for example, circumstances where the same care home operator may be the tenant of properties held by more than one of Target's clients. The Conflicts Committee will ensure that any decision made, or recommendation provided, considers the impact on a home-by-home basis and is not making a combined decision that may benefit the performance of one client's property at the expense of another.
Outcome:	**Case Study: Cross-directorship and client interest** During the year ended 31 December 2020, it was noted that one of the senior employees of Target was, in relation to their role at Target, also a director of a tenant operator that held a lease in a property owned by one of Target's clients. The tenant operator held a buy back provision in relation to this property which permitted them to acquire the property at the higher of market value or a level that resulted in a pre-determined IRR for the client. The client was fully aware of the buyback provision and the potential conflict at the time of initial acquisition.

	Although resolution of this matter did not occur until early 2021, separate teams and segregation of data were established within Target from the point at which the tenant operator communicated their intention to exercise the buy back option. This ensured that the interests of both the tenant operator and the owner of the property were kept entirely separate, decisions and recommendations were made independently, and client-specific information was not shared. **Case Study: Re-tenanting of Orchard Care Homes properties** During the year ended 31 December 2020, as set out in more detail in principle 1, Target completed the re-tenanting of seven care homes, having previously received notice that a prominent tenant intended to exit its lease commitments. These care homes were owned by two separate clients. The Asset Management Team ensured that the terms of the re-tenanting ensured that the interests of both clients were equally balanced and that neither was prejudiced by the potential conflict.

Principle 4: Purpose and Governance	
Principle:	**Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**
Activity:	The Board and Executive Team are responsible for the Company's risk matrix which documents risks faced by the Company and the investment universe of its clients in their ability to meet their objectives. The matrix is formally updated by the Board at least annually and is also considered throughout the year at strategic sessions of the Executive Team. The risk universe is considered for completeness, through business discussion against an objectives framework, brainstorming and comparison against other published risk matrices, and each risk is then rated based on likelihood and impact. Risk management and mitigants are considered, and ultimately the Company's response is documented with actions allocated where relevant. The Board and Executive Team take a prudent and conservative approach to risk assessment and management to reflect the risk appetite of client funds and the sensitive nature of the sector in which Target is investing in, recognising that investments are long-term and that the preservation of capital, sustainability of assets and continued generation of income is fundamental. The investment approach is aligned – quality real estate standards are well-designed to meet the demands of residents and their families, as well as allowing care providers to operate effectively (i.e. to minimise chance of adverse events and to maximise trading performance). The asset management approach is also aligned, with a look through to the sector and its risks, and early-warning to allow Target to manage challenges with tenants to minimise risk to continuation of service. In relation to the wider sector, Target is involved with the BPF Healthcare Committee, Care England and National Care Forum (NCF). It will also liaise and discuss matters of significance to the sector with market regulators, such as the Care Quality Commission (through their Market Oversight team).
Outcome:	The COVID-19 pandemic has been a good example of the effectiveness of risk management. Pandemic risk has been present on risk registers (both for Target and Target's clients) as a low likelihood/medium impact risk for the sector. Target's investment approach and portfolio management strategies were assessed to be effective mitigants, based on real estate standards and the operational capabilities of tenants in its homes. The sector overall has performed well relative to other property sub-sectors (based on preservation of capital values and the resilient level of rent collection as set out in principle 1), with Target's investment approach having focussed on ensuring that the properties in which it invests its clients' funds are leased on sustainable and affordable rent levels. Target was engaged with the tenants of the clients' properties throughout to understand the challenges they were facing and their needs (with more than 1,000 telephone contacts made over the year). This left Target, and its clients, well-positioned to support tenants as required to mitigate the risk of service/business failure which was critical not only to support stewardship of the clients' assets, but to minimise disruption for underlying residents of the care homes.

	In addition to the stewardship of the clients' assets and underlying tenant operators, Target was in contact with the underlying investors in the clients' funds, releasing additional information to the market as appropriate, to explain what was happening and to understand their investment needs and preferences. Target shared information with tenants on: • changing guidance from healthcare authorities (such as in relation to PPE); • changes to the regulatory oversight approach, which Target heard though contacts in the sector and shared prior to implementation; • relevant legal webinars from key partners that Target thought may be helpful; and • commercial trends in the sector from Target's contacts and wider overview. Target also facilitated the gifting of a number of electronic tablets to each home on behalf of its clients in order to aid communication between residents and their families during lockdown in the clients' care homes. One example of participation in constructive industry initiatives during the year ended 31 December 2020 was Target's membership of a forum consisting of other landlords in the sector, that was moderated and reported on by a large property advisory company, in order to ensure consistency of approach in relation to property valuation disclosures during uncertain times, and to share industry knowledge and experience. Target also participated in sector research to assist with an understanding of the impact of COVID-19 across operators and landlords.

Principle 5: Purpose and Governance	
Principle:	**Signatories review their policies, assure their processes and assess the effectiveness of their activities.**
Activity:	The Board will review this Stewardship Report, and the supporting stewardship processes at least annually. Given the size of Target, and the nature of its clients, a review by the Board, and continuous assessment by the Executive Team is considered proportional and no separate Stewardship Committee has been established. Given the structure of Target, and its two main clients which each have independent Boards, there is continuous independent oversight of any material investment proposals, asset management initiatives and performance. The standard of reporting prepared, both internally to the Boards of those clients and any external reporting prepared on behalf of those clients for underlying investors in the clients' funds, is also subject to regular review and comment. For clients with a premium listing on the London Stock Exchange, the Board will also formally consider annually the terms of appointment of Target as investment manager, the quality of other services provided and whether the continued appointment of Target is in shareholders' interests as a whole. Target will also be in communication with the underlying investors in the funds it manages; either directly through meetings and presentations or indirectly by feedback received from, for example, the relevant client's broker, Board or other advisers. For those clients for which Target has been appointed as Alternative Investment Fund Manager ('AIFM') under the Alternative Investment Fund Managers Directive, the Alternative Investment Fund ('AIF') will have appointed a depositary. The activities of the depositary will include cash flow monitoring, ownership verification and compliance oversight services and they will report directly on their findings to the Board of the AIF. Target, and its clients, subscribe to various market indices, such as the MSCI Index (as reported in principle 1) which will provide benchmark and portfolio information against which the performance of Target can be monitored and, where appropriate, reported. In order to ensure that Stewardship Reporting is fair, balanced and understandable, all disclosures are prepared by relevantly skilled and experienced team members and are subject to review by the Executive Team and, where appropriate, the Board before publication. In addition, for external reporting on behalf of clients, the client's other external advisers such as legal advisers, brokers and auditors will provide comments and challenge before publication.
Outcome:	During the year ended 31 December 2020, Target has received and acted upon feedback from a number of sources: • The bespoke reporting to clients' Boards continues to be improved and amended in order to reflect changing circumstances and client requests. In particular, during the COVID-19 pandemic, additional metrics appropriate to measuring the potential impact on clients' funds were determined and reported on a regular basis; both internally to clients and, where appropriate, externally to the underlying investors in the clients' funds. • Standard lease terms used by Target as the initial basis for discussion with any tenant operator are kept under regular review and recently have been amended to incorporate additional information provisions and requirements in relation to ESG principles. This is an area that is evolving rapidly and therefore is expected to continue to change to ensure that Target, and its clients, can meet their stewardship, and reporting, requirements.

Principle 6: Investment Approach	
Principle:	**Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**
Context:	The client base of Target as at 31 December 2020 can be analysed as follows: • 17% Assets Under Management whose underlying investors are advised institutional investors • 83% Assets Under Management whose underlying investors are split as follows: c. 69% institutional investors c. 27% wealth managers, private clients and family offices c. 2% direct retail The Assets Under Management can be analysed across asset classes and geographies as follows: • 100% AUM is UK Care homes and elderly living real estate Investment in properties and property-related assets is expected to be long-term in nature and therefore the property portfolio is constructed on this basis in order to meet the specified investment objectives and investment policies of the underlying clients.
Activity:	Each of Target's clients has an investment objective and investment policy in place and the Management Agreement with the client will ensure that each client's assets are to be managed in alignment with their stewardship and investment policies. Formal reporting, and meetings, will be held with the Board (or equivalent) of each client at least quarterly and the papers for these meetings will detail the performance, or other appropriate metrics, against which the status of the client's portfolio is measured and assessed. The nature of the reporting will depend on the type of client and will generally consist of: **Listed companies:** • Quarterly comprehensive and bespoke Board report will be provided to the non-executive directors; • Written recommendations in relation to each material Investment decision will be provided to the non-executive directors; • Full suite of reporting to external shareholders of the client will be prepared and reviewed by the client and their other external advisers; incorporating best practice such as the UK Code of Corporate Governance, the AIC Code and SORP, and EPRA guidance; • AGM will be organised and held; and • Regular shareholder engagement will be undertaken with the underlying investors of the client through management roadshows. **Private funds** • Quarterly comprehensive and bespoke Board report will be provided to the non-executive directors, where applicable; • Written recommendations in relation to each material Investment decision will be provided to the non-executive directors; and • Investor meetings with comprehensive reporting pack supplied. All material Investment/Asset Management recommendations will be submitted to the relevant Client's Board for consideration, where applicable.

Outcome:	Reporting to Client Boards is based on mutually agreed reporting and feedback mechanisms and there have been no instances in the year ended 31 December 2020 where assets have not been managed in line with clients' stewardship and investment policies. For Target's client which is a Real Estate Investment Trust ('REIT'), which has a premium listing on the London Stock Exchange, investor relations with the underlying investors in the REIT is evolving with the volume of direct shareholder engagement on stewardship and investment matters, including material environmental, social and governance issues, increasing, and reporting will continue to be adapted to provide, where possible, data requested by underlying investors.

<table>
<tr><th colspan="2">Principle 7: Investment Approach</th></tr>
<tr><td>Principle:</td><td>Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.</td></tr>
<tr><td>Context:</td><td>
As set out in principle 2 above, Target is structured with an Investment Team (which makes the initial investment appraisal and, if appropriate, investment recommendation) and Asset Management Team (which deals with the ongoing management of the property after acquisition).
Whilst both these teams, and their integrated stewardship and material environmental, social and governance principles, are closely aligned, for clarity their approaches are reported separately below:
Investment appraisal
As a specialist, long-term investor in the healthcare sector, Target makes investments which:

provide a positive social impact by meeting its minimum real estate standards of design and construction;
ensure that rents are set to be sustainable for the long-term permitting tenants to develop long-term businesses that provide continual and sustained levels of care to their residents;
benchmark appropriately in relation to the energy efficiency and sustainability of the real estate; and
are well governed at the portfolio level (stewardship of assets as an engaged landlord) and at fund level (best practice corporate governance, reporting and oversight).

Target takes a commercial and diligent approach to asset selection and ongoing asset ownership, built around the detailed analysis of investment risks and opportunities, an up to date understanding of the sector and market context and drawing upon the specialist experience and expertise of the Executive and Investment Team staff.
Investment opportunities are identified and evaluated on their individual merits and on the strength of their contribution to the investment strategy.
ESG forms part of this evaluation strategy as it is aligned with Target’s mission of investing in new care homes that set the standard for elderly care and recognising that the success of these investments is linked to the performance of the operator tenant. A considerable part of Target’s due diligence extends to the experience and track record of the tenant, their care ethos and their commitment to responsible business and good industry practice.
Ongoing Asset Management
Target’s policies and procedures identify the routine aspects of rent collection, rent reviews, financial and operational performance of the care homes, maintenance along with other typical property management activities.
In addition, Target prides itself on its engaged landlord approach through which it seeks to engage in a regular and proactive dialogue with each care home manager and the area and executive management of each operator. As part of this engagement, it undertakes:

care home visits (virtual where necessary) to monitor and support tenants, at least once every six months. Target observes and notes care quality, assesses

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	capital expenditure and repair/maintenance requirements, home performance, including regulatory findings with local/regional management; • regular calls and meetings with tenant senior management to discuss commercial and strategic trends; and • consideration of the results of regulator quality assessments as part of its overall view of tenant and asset performance. Through this programme of in-person and virtual visits and dialogue with care home managers, Target aims to have awareness of developments at its homes. As a landlord Target will proactively engage with the operators to understand what action is being taken to rectify a shortcoming, or to offer advice or support, to liaise with head office and monitor proposed changes or improvements. Given the age of the properties which Target has acquired since inception, few have required major refurbishment or upgrades to date. Over time Target expects to see more opportunities to work with tenants on upgrading the homes. **Exit Decisions** Properties held will be continually assessed and, where appropriate, an investment or asset management recommendation will be made to the Board, or equivalent, of the relevant client.
Activity:	**Investment appraisal** In keeping with Target's investment policy for each fund, all property assets are high standard, future proofed, modern purpose-built care homes. The homes have good public spaces and facilities for residents, wide corridors and good lighting throughout and space in all the resident rooms. Nearly every bedroom has an en-suite wet room including shower. Target reviews the plans for any home, including the technology used in the fabric of the building and in its operations, its situation in the local community and the types of care being proposed by the operator. Each asset is assessed on the basis of Target's forecast Fair Maintainable Trade derived from the number of beds, the expected fees achievable, the occupancy, the operating costs, etc. The rent is set to what Target believes is a long-term sustainable level which is intended to preserve the attractiveness of the asset in the event of needing to re-tenant at any point in the future. This asset specific analysis is then benchmarked against the hundreds of other homes Target has acquired or assessed and Target will often make recommendations for changes based on this experience and, where such changes are a condition of Target's investment, they will be included in the relevant contractual terms. Due diligence also considers the local authority planning approval, ground investigation reports, flood risk assessments, proposed building materials and methods, plant and other internal equipment. Target will visit any proposed investment and will appoint a surveyor to undertake a detailed review of any standing asset or to monitor the progress of any construction or refurbishment works. Target reviews the operator's track record – financial, operational, regulatory and also resident/family reviews and undertakes visits to other homes operated by them to ensure the standards of care meet Target's ethos. Maintaining strong staffing levels is fundamental to the provision of high-quality care, as well as providing good employment opportunities in what is traditionally a

	predominantly female workforce. Target ensures that its homes budget for appropriate levels of staff during the diligence process as well as considering the visibility and professionalism of staff on every home visit. If the Investment Team wishes to progress an acquisition, it undertakes a "peer review" inviting all team members to a presentation on the potential acquisition, allowing for rigorous challenge in relation to any aspect of the evaluation to date, ensuring consistency of approach. Finally, a written investment appraisal is submitted for approval (in accordance with the relevant fund's approval process) which now has a specific ESG section to highlight the particular considerations of each investment. **Asset Management** While Target has no direct relationship with the residents in its care homes, the team members interact with staff and observe residents on any visit which provides an indication of resident well-being. The website www.carehome.co.uk is a leading UK care home review website and a forum for comments on care homes. Target monitors this website for reviews (and responses from management) for each of its homes on a weekly basis. Target carries out frequent reviews and benchmarking of its standard form leases to ensure all requirements remain appropriate, including relating to ESG matters. The existing leases contained performance measures such as compliance with the minimum energy performance standards introduced by the Energy Act 2011 brought into force by The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015. The latest review led to updates that require new tenants to share details of the environmental performance from their operations (including energy use, utility consumption, waste production, etc) and to co-operate in identifying strategies to improve their environmental performance over time. Through this approach Target intends to influence and collaborate with its tenants over the life of the leases. Target's leases also include provisions relating to maintaining the standard of the building beyond the typical "FRI" type clauses, including the ability for Target to require minimum annual capital spend if it feels the building has not been maintained to the relevant standards.
Outcome:	**Investment Appraisal** As part of the assessment of each new care home investment, Target considers the following particular features that it has identified as being essential in meeting the standards it expects for the residents: • Size of home per registered bed • Number and size of communal or public areas for resident use • En-suite wetroom provision in all rooms • Corridor width • External spaces available for resident use The modern care homes Target invests in are new or nearly new purpose-built properties and 100% of the EPC ratings across its portfolio (excluding Scotland) are A to C which is above the sector average, with greater than 85% rated B or better, as at 31 December 2020.

	As operators begin to report on the environmental performance of their operations, both within Target portfolios and the wider market, there will be more data available to compare different building styles and operating approaches which will further feed into Target's investment appraisal process. **Asset Management** In addition to the home visits it undertakes every six months and its monitoring of any press coverage, regulatory publications and independent reviews, Target receives regular information relating to the operations of the care homes. Target will request the environmental performance data from the operations in each care home to build a data set allowing comparison of performance by home and by tenant and also reporting of the overall portfolio. The Asset Management team operates a Red, Amber and Green grading system on each home that takes into account all of the above indicators and that is reported at least quarterly to the Executive Team and the respective governance structures of each client.

Principle 8: Investment Approach	
Principle:	**Signatories monitor and hold to account managers and/or service providers.**
Activity:	Target, in combination with its clients where appropriate, undertake an appraisal at least annually of the significant service providers, including external data and research providers, to both Target and its clients. Given the nature of the work conducted by Target, there are few external providers which provide services directly to Target, with the majority of the appraisals being conducted in relation to services provided directly from external parties to Target's clients. This review consists of a qualitative analysis against certain defined measures such are service levels, communication, understanding of client requirements, technical knowledge, timeliness of response and cost-effectiveness. The outcome of this assessment will be reported to, and discussed with, the non-executive Directors of the relevant client.
Outcome:	There have been no significant matters arising during the year ended 31 December 2020 where service providers have failed to meet Target's expectations; although the costs of certain providers have been benchmarked against alternative providers in order to ensure value for money was being achieved on behalf of Target's clients. No significant matters were noted in relation to service providers arising as a result of COVID-19 or working-from-home related matters. In order to try to maintain the quality of surveyors used in assessing investment opportunities, asset management and forward fund developments, Target has moved from the use of a single surveying firm to the use of multiple firms; with the intention of establishing a panel of approved surveyors from which an appropriate appointee can be selected for an individual project depending on the surveyor's availability, and the timing and geographic location of the property under consideration.

Principle 9: Engagement	
Principle:	**Signatories engage with issuers to maintain or enhance the value of assets.**
Activity:	As set out above, Target invests in direct property assets and does not invest in equities or debt securities, and therefore its investments do not come with voting rights. Therefore, the equivalent of 'issuers' in relation to the stewardship of the type of assets in which Target invests is considered to be the tenants of the properties in which it invests. As set out in principles 1 and 7, Target follows an 'engaged landlord' approach where it will aim to monitor and, where appropriate, influence the behaviours and actions of tenants both in order to maintain or enhance the value of assets and to achieve the best results for all stakeholders with an aim of generating sustainable benefits for the economy, the environment and society as a whole. This influence may be evidenced either through the exercise of the rights/covenants available under the existing lease agreements, or in the choice of tenants which Target works with in relation to a future development, acquisition or re-tenanting. Target believes that it has a level of engagement with the tenants of its clients' properties that exceeds the usual landlord/ tenant relationship. In order to ensure responsible allocation, management and oversight of the capital invested, Target takes an active approach to on-going monitoring and performance forecasting to ensure that the investment parameters are adhered to. As part of continuing due diligence, Target 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 usual circumstances, Target also undertakes regular site visits, at least every six months, on the properties that its clients own. Due to recent COVID-19 restrictions, alternative measures have been put in place to ensure that Target has remained actively engaged with tenant operators (as set out in principle 1).
Outcome:	During the year ended 31 December 2020, Target has primarily engaged with tenants in relation to two matters: • The re-tenanting of seven properties relating to a tenant that indicated an intention to exit its lease commitments on seven care homes (see Principle 1: Case Study: Re-tenanting of Orchard Care Homes properties) • The careful monitoring of two tenants, operating four homes in aggregate, which had contributed to the majority of rent arrears across all the homes owned by Target's clients. Whilst COVID-19 matters prevented resolution being reached during the year ended 31 December 2020, shortly after the year end an agreement was reached with one of these tenants for partial settlement of outstanding rent and for a consensual re-tenanting of two homes. At the other two homes, operated by a different tenant, resident occupancy and trading is improving towards the levels anticipated by the investment case, with one home having recently started paying its rent in full. It is highlighted that, whilst these descriptions are primarily of financial matters, one of the key considerations of Target in resolving these situations on behalf of their clients, was to monitor the situation to ensure that, where applicable, the care homes were able to continue to operate in order to minimise disruption for the tenants' underlying residents.

Principle 10: Engagement	
Principle:	**Signatories, where necessary, participate in collaborative engagement to influence issuers.**
Activity:	As an investor in direct property, it is unlikely that there will be joint ownership of any of the underlying assets and therefore collaborative engagement is likely to be limited. The investments do not carry voting rights in relation to the activities of the tenants. However, where a single tenant operator operates multiple homes, with different owners, it is possible that Target may work in collaborative engagement with other landlords, within the constraints of a landlord/ tenant relationship, in order to influence the tenant's behaviour or support the resolution of an issue faced by the tenant.
Outcome:	There has been no significant collaborative engagement in relation to the year ended 31 December 2020.

Principle 11: Engagement	
Principle:	**Signatories, where necessary, escalate stewardship activities to influence issuers.**
Activity:	As an investor in direct property, it is unlikely that escalation of stewardship activities to influence issuers will be necessary beyond the asset management already detailed under principles 7 and 9. The investments do not carry voting rights in relation to the activities of the tenants. However, Target will aim to ensure that it is always engaging with employees at an appropriate level of the tenant operators; whether this be the care home management, head office personnel or senior employees/directors.
Outcome:	There have been no escalated stewardship activities in the year ended 31 December 2020 outwith the matters disclosed in principle 9.

Principle 12: Exercising Rights and Responsibilities	
Principle:	**Signatories actively exercise their rights and responsibilities.**
Context:	As an investor in direct property, the investments held do not carry voting rights. The asset management activities in relation to direct property investments are set out in principles 7 and 9. Although it is acknowledged that it is not directly related to this principle, where Target acts as Company Secretary to a listed company, it will ensure that to the extent possible, best practice recommendations, such as the views of proxy advisory companies or other relevant bodies, such as the pre-emption group, are taken into consideration in any resolutions drafted for its clients. Target, along with the relevant client's Board and other advisers, will look to actively engage with investors in relation to any concerns they raise in relation to the relevant client's activities or proposed resolutions, to the extent they fall within Target's authority to so do.
Activity:	Not applicable for direct property investments.
Outcome:	Not applicable for direct property investments.