

NORTHERN HORIZON
CAPITAL

NHC NORDIC
HEALTHCARE FUND

LFMI

May 2014

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The need for healthcare in Europe is increasing. This is mainly due to the ageing population, the increase in lifestyle-related diseases, and patients' growing knowledge and expectations.



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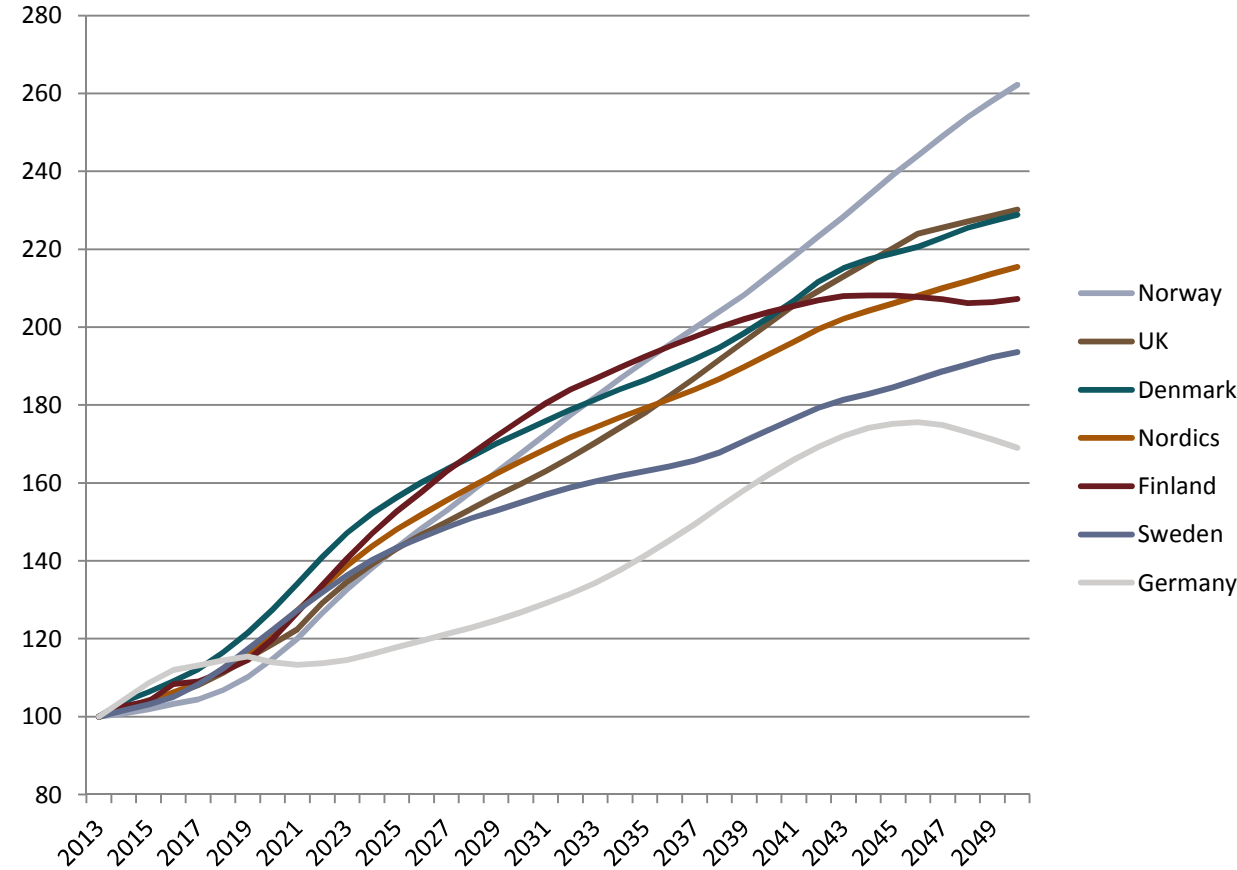
III. INVESTMENT CASE & STRATEGY

DEMOGRAPHIC PROJECTION 2013 – 2050

Number of ≥75-year-olds, 2013 = index 100

All four target countries are experiencing a rapidly ageing population, increasing the need for healthcare facilities for senior citizens

The development is spurred not only by generational shifts but also by the rise in average life expectancy overall





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III. INVESTMENT CASE & STRATEGY

INVESTMENT CASE

The proportion of people above the age of 75 is projected to grow by approximately 50 % within the next 20 years and double within the next 40 years

The total market size in the nursing home segment is currently estimated at 200,000 beds i.e. €20 bn in the targeted geographies

- It is estimated that in the coming 20 – 40 years 40 – 80 additional care homes annually will have to be developed in each target country to meet the demand, creating an investment requirement of approx. €700 – 900m p.a. into the healthcare real estate sector
- The social aspect of new private job creation within the healthcare sector is also vital, as the governments try to slow down public sector growth caused by the demographic imbalance
- In these AAA-rated economies, healthcare is, and will remain, a publicly funded model
- As the majority of the buildings will be newly developed, the portfolio is expected to have low running costs and high sustainability credentials





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III. INVESTMENT CASE & STRATEGY

INVESTMENT DEMAND



NORDIC HEALTHCARE FUND

SWEDEN	FINLAND	DENMARK	NORWAY
75 + year-old population: 2014: 836,000 2034: 1,330,000	75 + year-old population: 2014: 478,000 2034: 882,000	75 + year-old population: 2014: 415,000 2034: 736,000	75 + year-old population: 2014: 355,110 2034: 657,746
Nursing home residents: 2014: 81,000 2034: 137,000	Nursing home residents: 2014: 29,000 2034: 54,000	<i>Nursing home residents¹:</i> 2014: 60,000 2034: 113,000	Nursing home residents: 2014: 32,000 2034: 54,000
56,000 beds i.e. €5.6bn investment	25,000 beds €2.5bn investment	53,000 beds €5.3bn investment	22,000 beds €2.2 bn investment



¹ Numbers for Denmark reflect "Clients in nursing dwellings and dwellings for the elderly" which is a wider definition than in the other countries (hence the higher percentage)

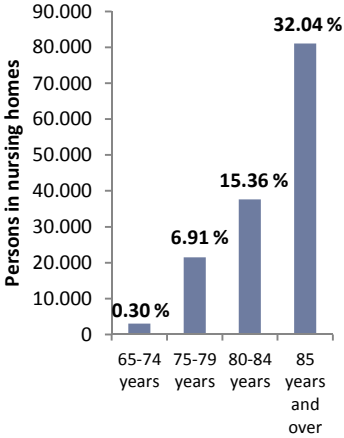


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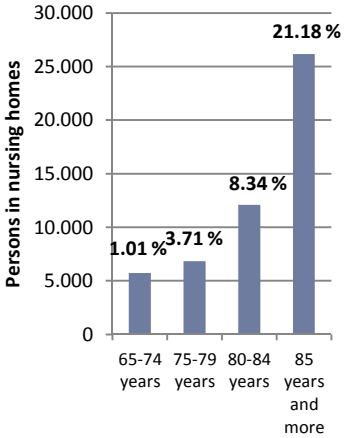
III. INVESTMENT CASE & STRATEGY

ELDERLY NURSING HOME RESIDENTS BY COUNTRY AND AGE (2012)

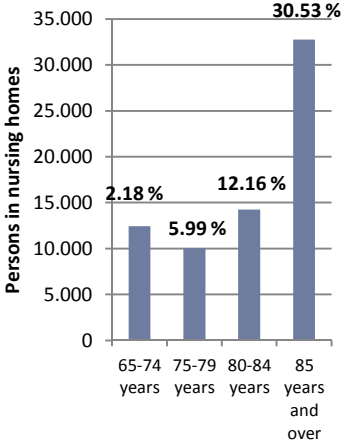
SWEDEN



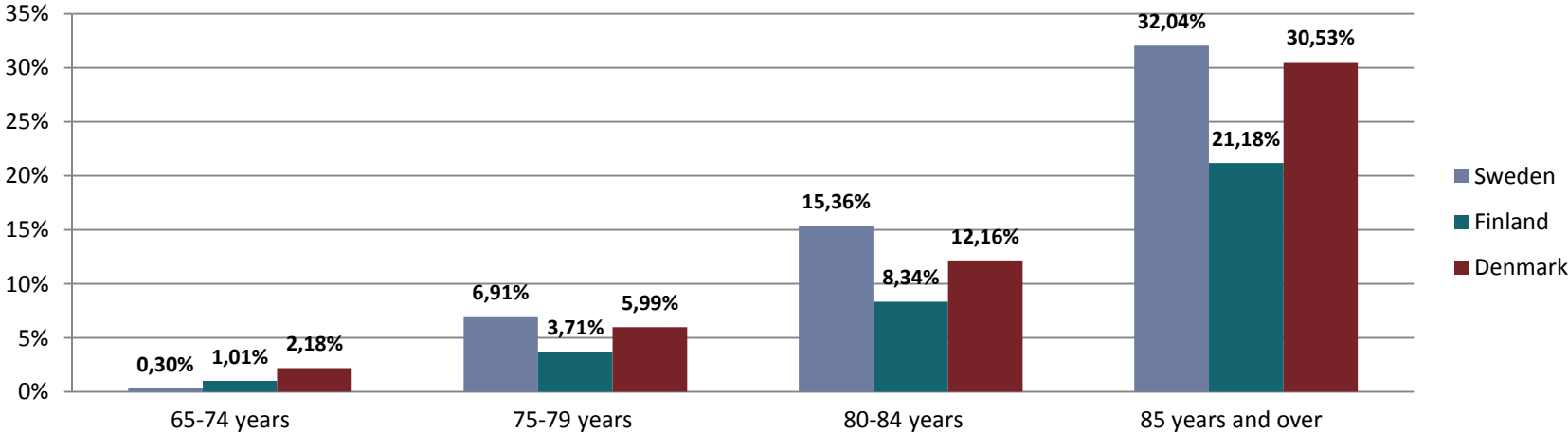
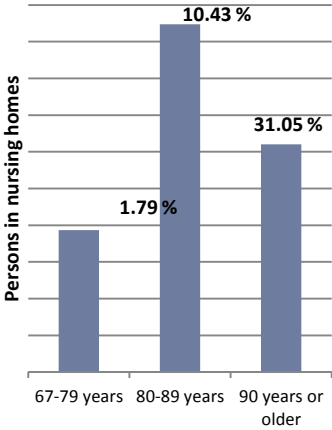
FINLAND



DENMARK



NORWAY



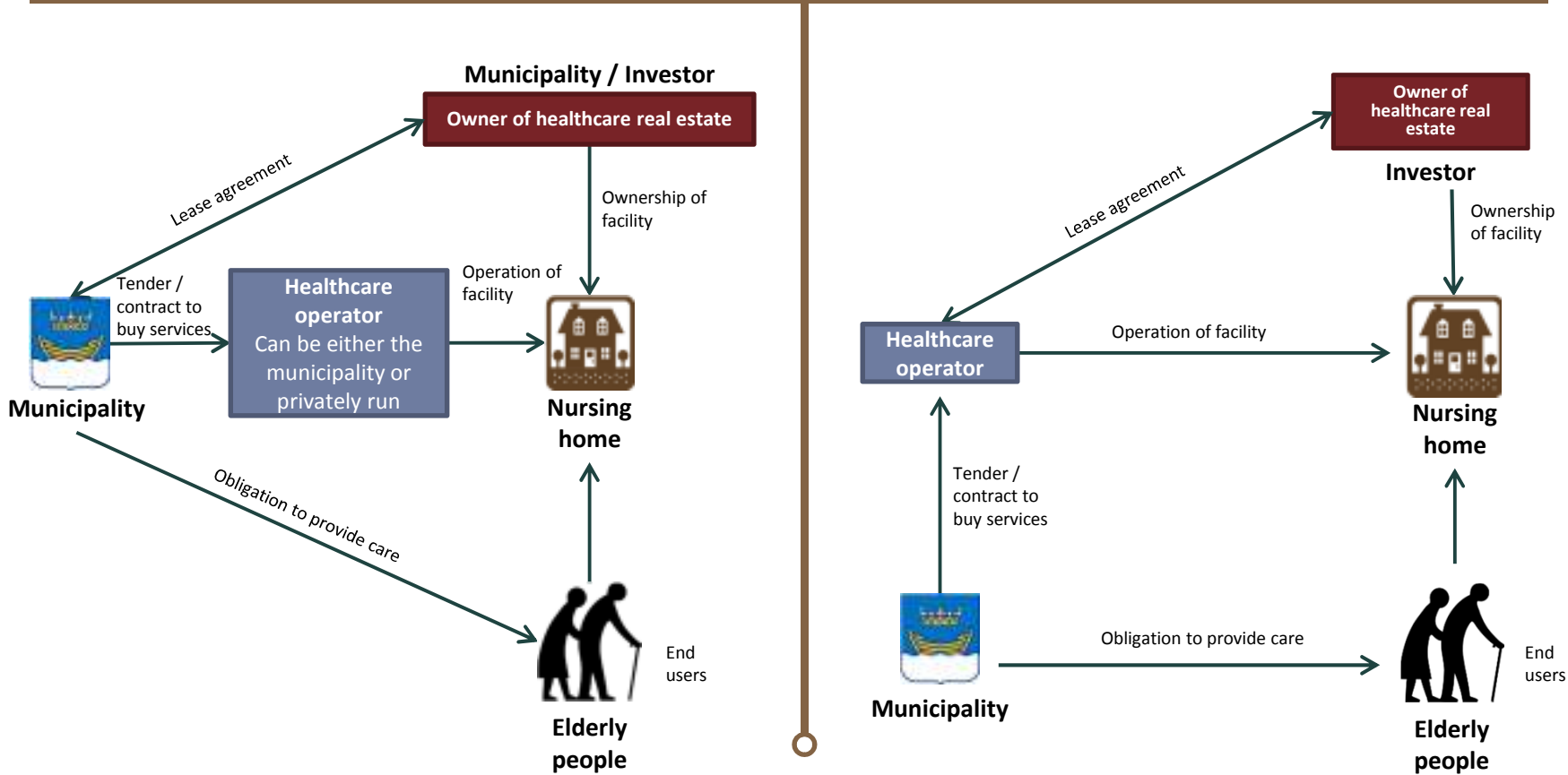
Sources: SCB, Sotkanet, Statistikbanken

Age groups in Norway are not comparable

MARKET STRUCTURE IN THE NORDICS

MUNICIPALITY DRIVEN STRUCTURE

OPERATOR DRIVEN STRUCTURE





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III. INVESTMENT CASE & STRATEGY

INVESTMENT STRATEGY



NHC Nordic Healthcare has the following main investment objectives:

- To acquire and/or develop healthcare properties in the Nordics with the purpose of renting the properties to healthcare operators and/or municipalities, primarily through the use of forward funding backed by pre-agreed long-term leases (typically 10 – 20 years)
- The Fund may also acquire existing assets for refurbishment, conversion or expansion, however with pre-agreed leases in place, i.e. non-speculative
- The Fund will not be involved in the operational side of healthcare but will simply own the properties with the purpose of renting them to public and private operators
- The target markets are Sweden (allocation 30 – 60 %), Finland (20 – 40 %), Denmark (0 – 40 %) and Norway (0 – 40 %)



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III. INVESTMENT CASE & STRATEGY

ASSET INVESTMENT CRITERIA

Senior housing or assisted living are the Fund's targeted segments

The Fund will invest into prime healthcare assets which meet modern requirements

No speculative development, i.e. long lease agreements in place from day one

- **Asset use:** Senior housing or assisted living min 80 % of portfolio and other related asset types (hospitals, clinics, medical centres) fitting within the name "healthcare" max 20 %
- **Building characteristics:** Should always be up to modern standard and meet all quality specifications regulated by the healthcare industry
 - **Forward funding:** The fund will predominantly target new, newly refurbished (equal quality as new buildings) or forward funding projects
 - **Existing buildings:** Should be new or "as good as new" meeting all modern standards, i.e. minimal capex risk
- **Lease characteristics:** Long lease agreements (typically 10-20 years with indexation) with creditworthy tenants (private healthcare operators or municipalities/public institutions)
- **No development risks:** Development needs to be backed by long lease agreements, creditworthy developers etc. i.e. no speculative development
- **Location:** In primary cities micro locations can be class A & B, but in secondary cities locations need to be class A





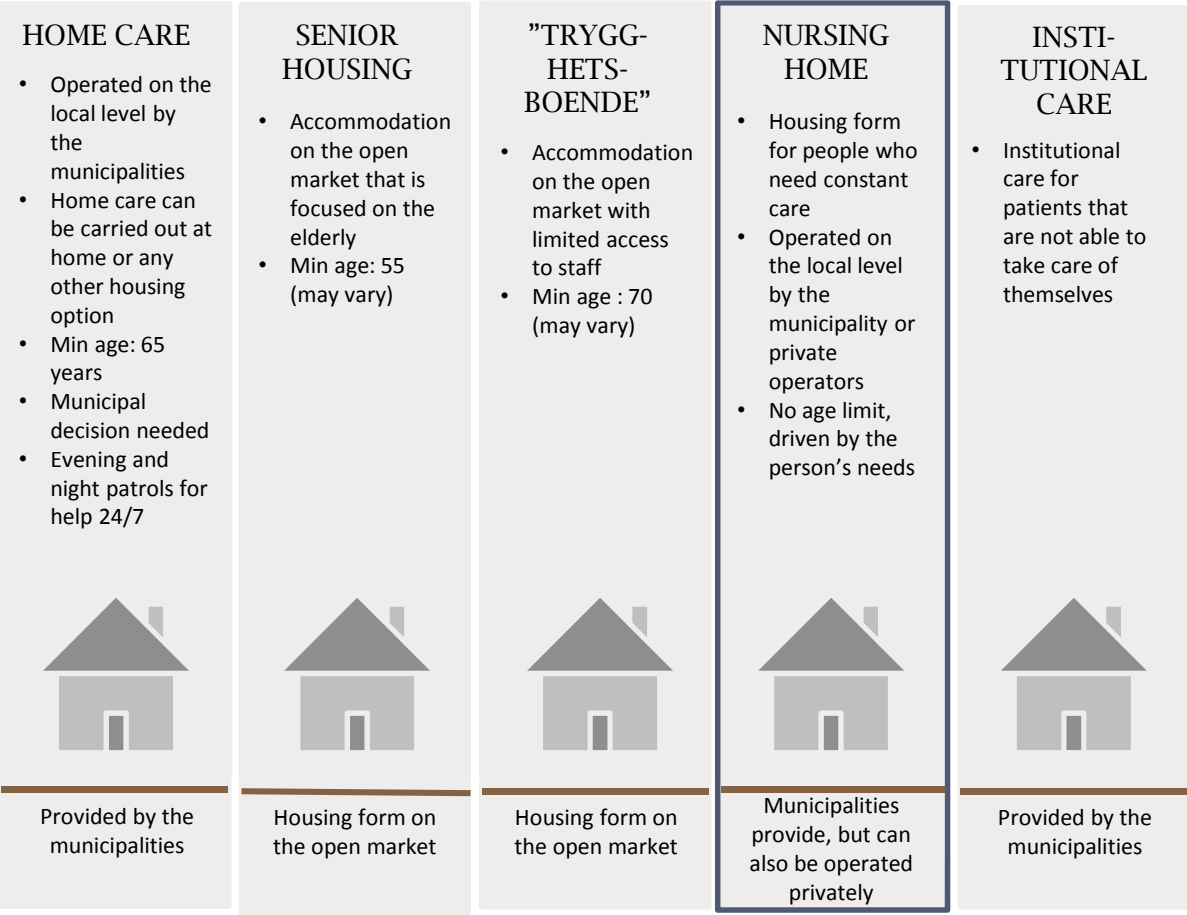
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III. INVESTMENT CASE & STRATEGY

HOUSING ALTERNATIVES



80 %
NHC'S MAIN FOCUS



INCREASING AGE & NEED FOR CARE



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III. INVESTMENT CASE & STRATEGY

RISKS & MITIGANTS



- The predominant risk to the investment is the quality selection of the properties and locations as well as operator risks
 - In-depth knowledge about the market and longstanding relationships, ensure that only quality investments are made in good locations with creditworthy operators coupled with long lease agreements
- The special regulatory requirements applicable to healthcare facilities now and in the foreseeable future are also to be considered
 - Investments only into facilities which meet today's building and regulatory standards specific for healthcare assets
- Financing of the healthcare services by the government in the long run will be challenging as the ageing population grows in numbers and costs rise
 - The demographic reality still exists, which means that irrespective of the financing model, the facilities will still be needed
 - Quality selection is crucial, so that facilities are "good enough" also for elderly persons to want to finance the care by themselves if the government does not pay the whole bill



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IV. TEAM AND SELECTED TRACK RECORD

TRACK RECORD

The investment concept is already implemented in Finland by the highly successful Finnish Healthcare funds established by NHC in 2007 and 2013

- The original fund with a gross acquisition value of €120m invested in 27 nursing homes, is the largest portfolio of its kind in Finland, assembled predominantly through development and acquisition
- The tenants are the largest healthcare operators in Finland, many of which have pan-Nordic operations
- Since reaching its full size in late 2011, the fund has distributed 8 – 10 % p.a. to its investors and the fund is set to reach its target IRR of 8 – 10 %
- The second fund, established in 2013, is continuing on this successful path





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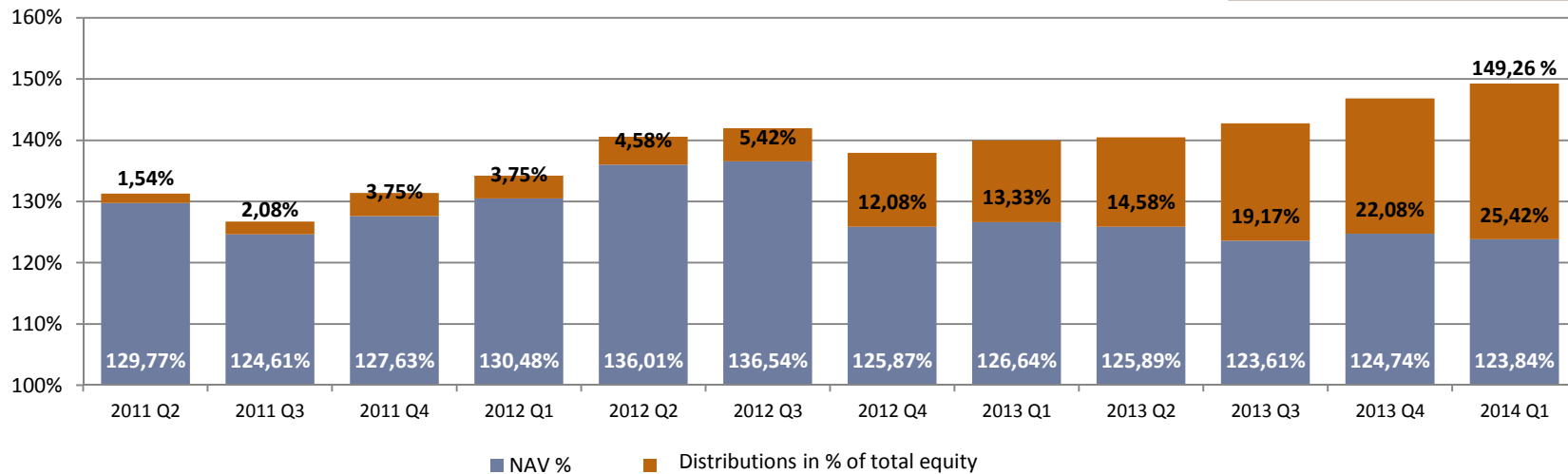
IV. TEAM AND SELECTED TRACK RECORD

HEALTHCARE IN A NUTSHELL

- 50 825 m²
- 27 nursing homes
- 1 100 beds
- 6 Finnish institutional investors

- 100 % occupancy
- The first Finnish private equity property fund focusing on elderly housing and nursing homes
- Largest portfolio in the care sector in Finland
- Well-known & responsible investor
- Local (investors, fund manager, bank, operators, property manager etc.)
- **Distributed cash flow returns to investors by 8.3 % of the invested equity in 2012 and 10.0 % in 2013¹**

EPI Healthcare I	
Structure:	Finnish Limited Partnership (Ky)
Equity:	60 M€
Leverage:	50 %
Fund size:	120 M€ investment capacity
Properties:	27
Allocation:	100 % Finland 100 % Care sector



¹ The fund became fully invested during 2012. The last capital call was in Q3/2011 and it was agreed with the investors that before this, some of the cash flow may be used for investments, thus the fund didn't pay out regular distributions before that. However, since 2012, the fund has made regular distributions to its' investors. Between Q3/2012 and Q4/2012 a there was a slight correction in valuations as the portfolio became fully invested



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IV. TEAM AND SELECTED TRACK RECORD

INVESTMENT MANAGEMENT



- NHC Nordic Healthcare draws on the same experience, network, and track record of the team responsible for its successful predecessors in Finland
 - As a market leader, this team has built extensive sector relationships and an operating model giving access to an attractive pipeline of possible acquisition targets
- Northern Horizon Capital has a strong local presence in all of the targeted markets and will further build on its existing relationships within the sector



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IV. TEAM AND SELECTED TRACK RECORD

INVESTING WITH NORTHERN HORIZON CAPITAL

Northern Horizon Capital Group is an experienced investment manager focusing on specialized real asset investment strategies in Northern Europe

NHC is a member of INREV and SIPA

- NHC currently manages eight real estate funds and two separate accounts, totaling more than €1bn in assets under management. The investment strategies and mandates span the entire region including the Nordics, Russia, the Baltics, Poland and Germany
- The NHC subsidiary BPT Real Estate is a market-leading asset and property manager in the Baltics, Poland and Russia
- Our investment management offices are located in Helsinki, Copenhagen, Stockholm, Tallinn, Vilnius and Berlin

- Northern Horizon Capital
- BPT Real Estate Services
- Both





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