SHINING A LIGHT ON THE……
Home REIT Ltd

AT A GLANCE

Investment Objective
To deliver inflation-protected income and capital growth over the medium term for Shareholders through funding the acquisition and creation of high-quality homeless accommodation across the UK let on long-term index-linked leases.

Inception Date	12th October 2020
Fund Factsheet Link	https://markets.ft.com/data/investment-trust/tearsheet/summary?s=HOME:LSE

Management	
Manager Name	**Start Date**
Jamie Beale	12th October 2020
Gareth Jones	12th October 2020
Charlotte Fletcher	12th October 2020
Alex Baker	5th August 2022

FUND PERFORMANCE

Performance from 12th October 2020 to 30th November 2022:

	2020	2021	2022
Home REIT Ltd	8.00%	23.14%	-59.71%

Performance over 12 months, and since launch:

	1 year	Since launch
Home REIT Ltd	-53..65%	46.41%

You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
-	-	-	-	-	-	-	-

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

Fund Benchmark	Targets 7% p.a. return
Fund size (Mil)	GBP 1.17 bn
Ongoing Charge (share class A)	The Investment Adviser is entitled to an annual fee based on NAV payable monthly in arrear calculated at the rate of: (i) 0.85% for first GBP500 m; (ii) 0.75 % for NAV from GBP500 m to GBP750 m; and (iii) 0.65% fro NAV above GBP750 m. No performance fee is payable to the Investment Adviser.

Bull points (pros)	Bear points (cons)
• Discount currently 57.40% • Low levels of gearing • Ultimately government back rents • Careful risk management • Independent valuations of properties from two sources • Ability to re-assign leases to ensure continuity of payment of leases • Fully paid rent, no rent arrears	• Under attack from short seller driving share price down

UPDATE….

This is a strategy that sits in our Positive Impact Portfolios. It aims to help provide long-term housing to help alleviate homelessness in the UK. Most accommodation tends to be short term in nature and can be expensive. This looks to change that mould.

This is demand driven and that is important for the strategy. They work closely with housing associations to deliver accommodation in particular areas which focus on a particular need. Examples would include homelessness, people coming out of prison or people escaping domestic violence.

It is important to reflect on what has happened in the last few weeks. The sector was “hit” when there was uncertainty following the mini-budget. It is important to understand that this has relatively low levels of debt with net gearing at +9.23%. This is considered low risk for investors. Lending is with Scottish Widows fixed in two tranches over 12 and 15 years. Therefore, the rise in interest rates has not impacted the strategy, although the market assumed this to be the case.

Long dated, low cost, fixed rate debt

1st Debt Tranche

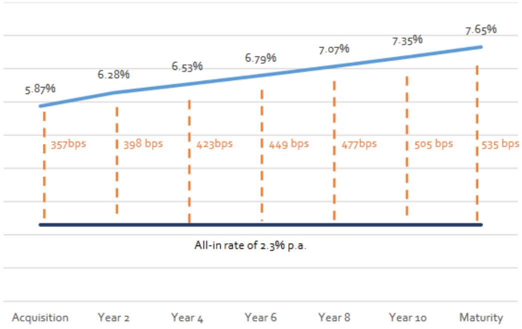
Lender	Scottish Widows
Term	12 years
All-in rate	2.07% (180 bps margin)
Rate	Fixed to maturity
Repayment	Interest only
LTV	35%
LTV Covenant	50%
IC Covenant	300%

2nd Debt Tranche

Lender	Scottish Widows
Term	15 years
All-in rate	2.53% (175 bps margin)
Rate	Fixed to maturity
Repayment	Interest only
LTV	35%
LTV Covenant	50%
IC Covenant	300%

Long term free cash flow generation

- **357bps spread between triple net indexed rental income (5.87% NIY) and fixed costs of debt (2.3%) underpins target returns**
- Spread would increase to **535bps** by expiry of the term underpinning sustainability of returns



Illustrative example only, assuming CPI growth per slide 19 and then 2% p.a. growth rate in CPI thereafter

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What has really damaged the performance and confidence in the strategy is an unregulated entity in the US called Viceroy Research. They have no experience in the investment market, however their website openly states that they focus on short selling, which aims to profit from a reduction in share price of a particular stock.

They see themselves as an investigative financial research group. They have produced a couple of reports on HOME REIT which have been negative and this has driven down the price, which in turn provides them with a profit.

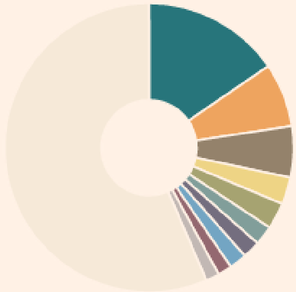
There is very little that HOME REIT can do other than to respond to the allegations and take legal action, which is what they are doing. This is a US firm so can effectively do as it so wishes, even if the allegations are without foundation. A similar firm took steps to drive down the price of CIVITAS in the same way.

We will cover some of the key areas, but it is worth highlighting some of the investors in the strategy:

Institutional shareholders

Top holders | Movers

Holder	Shares	% Held
M&G Investment Management Ltd. AS OF 24 NOV 2022	122.09m	15.44%
BlackRock Investment Management (UK) Ltd. AS OF 11 OCT 2022	56.59m	7.16%
Liontrust Investment Partners LLP AS OF 30 NOV 2022	45.27m	5.73%
J. M. Finn & Co. Ltd. AS OF 28 SEP 2021	24.03m	3.04%
Newton Investment Management Ltd. AS OF 27 SEP 2021	23.37m	2.96%
Sarasin & Partners LLP AS OF 31 AUG 2021	17.22m	2.18%
The Vanguard Group, Inc. AS OF 02 OCT 2022	15.60m	1.97%
Rathbone Investment Management Ltd. AS OF 27 SEP 2021	15.51m	1.96%
Wesleyan Assurance Society AS OF 02 OCT 2022	12.46m	1.58%
South Yorkshire Pensions Authority AS OF 02 OCT 2022	12.00m	1.52%



43.53%
Per cent of shares held by top holders

Data from 30 Sep 2022 - 02 Nov 2022

Source: FactSet Research Systems Inc.

There were comments about tenants not appearing to pay rent and that rent would not be covered. There are in fact no overdue rents. Ultimately rent is supported by central government funding and the portfolio is independently valued by Knight Frank LLP and the lender Scottish Widows.

In terms of the valuations, since IPO and 28 February the revaluation gain is 6.4% per property.

There were question marks around the accountancy practice. These follow IFRS accounting standards. They will be issuing audited accounts shortly and therefore this should provide stability for the share price.

Further allegations were made around the ability to pay rent, bad management etc. This has some of the lowest average rent at just below £100 a week, with capped inflation increases of around 2 to 4%. The properties are independently monitored through reports such as the Good Economy Report and ESG Reports. They also work closely with housing associations and can replace the leaseholder without impact rents, and more importantly the tenants.

Another question mark was around fees which are some of the lowest in the industry with no performance fee. The current fee averages at 0.79%.

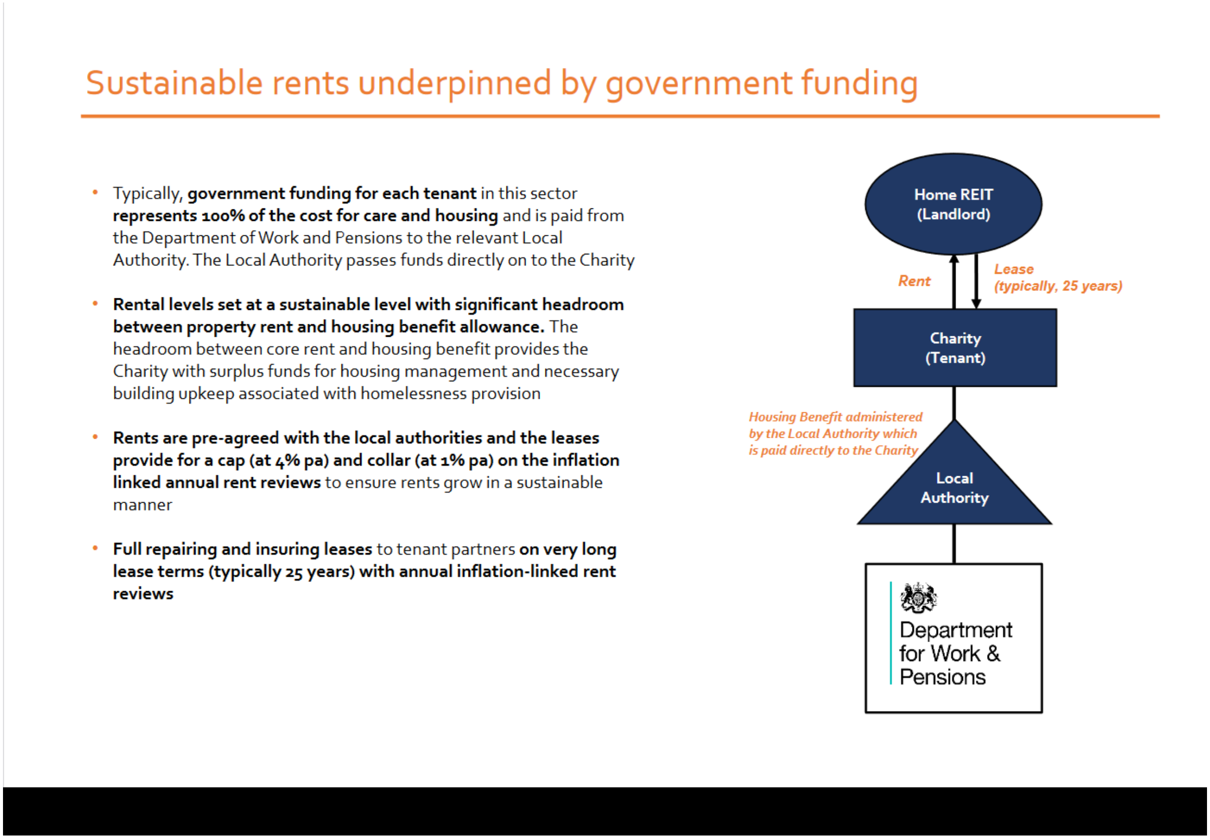
It is also worth mentioning that one housing association has gone into administration however the lease continues to be paid and the individuals are unaffected by this. The purpose of having a clause in the lease is to protect against scenarios such as this, so they re-assign to another provider.

As a summary the company look to:

1. Provide high-quality accommodation to homeless and vulnerable individuals in need of housing
2. Benefit from residual value and alternative use characteristics
3. Are let on very long unexpired lease terms (typically 20 to 30 years to expiry or first break)
4. Have triple net, full repairing and insuring leases, and
5. Have rent reviews that are inflation linked (typically capped at 4% and collared at 1% or contain fixed uplifts

On average HOME REIT properties provide Local Authorities with a rental saving of approximately 70% versus the alternatives. Properties are driven by tenant needs in particular areas, and sourced to deliver on those requirements.

This is all underpinned by government funding.



Properties are purchased from developers which means they can be refurbished and upgraded prior to occupation by the residents. The developer / vendor typically providers the tenants with additional funding which equates to twelve months of rent.

Below are key operating and financial metrics:

Tenant	Area	Focus	Beds	Exposure (by rent)	Invoiced rent	Cash received	Rent free	Arrears	Average Tenant rent (pw)
Lotus Sanctuary	Midlands	2	939	12.2%	£3.7m	£3.7m	Nil	Nil	£136
Supportive Homes CIC	NW	1	1,020	10.4%	£3.0m	£3.0m	Nil	Nil	£106
Redemption Project CIC	Midlands	1+2	890	9.1%	£2.7m	£2.7m	Nil	Nil	£106
Big Help Project	NW	1+3	1,253	9.1%	£3.9m	£3.9m	Nil	Nil	£75
One CIC	NW	1+3+4	808	8.3%[1]	£3.0m	£3.0m	Nil	Nil	£106
Gen Liv UK CIC	NW	1+2	571	6.3%	£3.0m	£3.0m	Nil	Nil	£114

Bloom Social Housing CIC	SW	1	637	5.3%	£2.0m	£2.0m	Nil	Nil	£86
CG Community Council	SE	1+3	386	5.0%	£2.4m	£2.4m	Nil	Nil	£134
Dovecot & Princess Drive Community Association	NW	1+3+5	396	4.5%	£2.0m	£2.0m	Nil	Nil	£117
Noble Tree	London	1	527	4.5%	£1.6m	£1.6m	Nil	Nil	£88
LTG Vision CIC	NW	1	646	4.0%	£1.1m	£1.1m	Nil	Nil	£65
Dawson Housing Limited	SW	1	397	3.4%	£1.8m	£1.8m	Nil	Nil	£88
Circle Housing and Support CIC	EE	1	451	2.6%	£1.4m	£1.4m	Nil	Nil	£61
Ashwood Housing Solutions CIC	EE	1	415	2.6%	£0.4m	£0.4m	Nil	Nil	£65
Complete Homes NW CIC	NW	1+2	214	2.2%	£0.3m	£0.3m	Nil	Nil	£105
Eden Safe Homes CIC	WM	1+2	280	2.2%	£0.5m	£0.5m	Nil	Nil	£80
Mansit Housing CIC	London	1	234	1.4%	£0.5m	£0.5m	Nil	Nil	£80
Serenity Support CIC	London	1+2	96	1.2%	£0.7m	£0.7m	Nil	Nil	£133
Lifeline (NW) CIC	NW	1+3	131	1.2%	£0.4m	£0.4m	Nil	Nil	£95
N-Trust Homes CIC	NW	1	113	1.1%	£0.6m	£0.3m	£0.3 m	Nil	£97
Marigold Housing	EM	1	72	0.7%	£0.2m	£0.2m	Nil	Nil	£96
Midland Living CIC	WM	1	55	0.6%	£0.3m	£0.3m	Nil	Nil	£119
ICDE Homes CIC	WM	1	85	0.6%	£0.3m	£0.1m	£0.2 m	Nil	£71
Select Social Housing CIC	NW	1	73	0.5%	£0.3m	£0.2m	£0.1 m	Nil	£71
Elemel CIC	SW	1	33	0.4%	£0.1m	£0.1m	Nil	Nil	£125
Care and Community Foundation CIC	NW	1	36	0.3%	£0.2m	£0.2m	Nil	Nil	£95

New Beginnings CIC	NW	1	44	0.3%	£0.1m	£0.1m	Nil	Nil	£70
Ready 4 Home CIC	NW	3	15	0.1%	£0.1m	£0.1m	Nil	Nil	£80
Total			**10,817**	**100%**	**£36.6m**	**£36.0m**	**£0.6m**	**Nil**	

Note: All figures as at 1 November 2022, reflecting FY periods to 31 August 2022.
Note 1: Following the reassignment of Circle's leases to One CIC as outlined below, rents paid by One CIC represented c. 10.9% of the Company's total.
Note 2: Invoiced rent does not include adjustments for straight-lining of rent, accrued and deferred income
Note 3: All rent free figures reflect the six-month period from 1 March to 31 August 2022
Note 4: The Company has disregarded aggregate arrears of less than £10,000 across all Tenants (being less than 0.027% of the Company's invoiced rent in the year to 31 August 2022) over the financial period for the purposes of this announcement
Focus: 1= General Homeless, 2= Vulnerable Women, 3= Prison Leavers, 4= Domestic Abuse, 5= Ex-Service-people.

In summary, we have a company which by its own admission is a couple of friends who do short selling and have only recently decided to do this full time. They have no knowledge of the sector or even the company but obviously see this as an easy target to drive profit by pushing down the share price. They are not UK based although clearly HOME are looking at taking legal action. The reasons for holding remain strong:

1. The supply / demand imbalance between the unmet demand for low-cost affordable housing in the UK and the limited supply of quality, cost-effective housing stock
2. A material and growing spread between the high cost of private rentals and the level of Universal Credit funding for housing benefit
3. The statutory obligations imposed on Local Authorities under the Homelessness Reduction Act 2017 to house homeless people
4. The ability to charge a low rent but still deliver a sustainable net initial yield on cost of 5.9% per annum for investors and at the same time deliver quality, fully refurbished accommodation for residents
5. Low levels of debt fixed for between 12 and 15 years
6. Inflation capped rent increases, or fixed increases
7. Independently valued by two sources – Knight Frank LLP and Scottish Widows
8. Close work with the tenants and break clause to ensure that rent continues to be paid and that the residents are not impacted should something happen
9. Properties are constantly reviewed to ensure they retain a high quality. This is good for both the resident looking for long-term stability, and the investor, as poor housing means the value will decrease.