

Target Fund Managers Limited

The UK Stewardship Code

31 December 2025

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Target Fund Managers Limited, along with Target Advisers LLP (collectively “Target”, the “Company” or the “Organisation”) has chosen to present the following Policy and Context Disclosure and the Activities and Outcomes Report as a single comprehensive document in line with the recommendations of The UK Stewardship Code 2026 published by the Financial Reporting Council.

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Stewardship is the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries.

Effective stewardship supports investors to make well-informed investment decisions to deliver returns that meet the objectives of their clients and beneficiaries today, without compromising the ability to do so in the future. In doing so, investors take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend.

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.

This Report consists of two sections:

- **Policy and Context Disclosure:** which describes the Organisation's stewardship policies, governance structures and other contextual information which provides important factual background information.
- **Activities and Outcomes Report:** This report, which will be updated annually, explains how the Organisation has applied the principles of the UK Stewardship Code 2026 (the "Stewardship Code") over the year ended 31 December 2025 focusing specifically on stewardship activities conducted during the year and their outcomes. It demonstrates the practical application of the Organisation's stewardship policies and explains how these activities supported the delivery of long-term sustainable value for clients and beneficiaries.

This Report was approved by the Board of Target Fund Managers Limited on 30 April 2026.

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Chief Executive

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POLICY AND CONTEXT DISCLOSURE

A. Describe your organisation, your investment beliefs, your clients or beneficiaries and how that informs your approach to stewardship.

Introduction and client base

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. All investments are made and managed directly without the use of any external managers.

As at 31 December 2025, Target had assets under management of c.£1.0 billion, consisting of investments in 96 care homes, with 37 individual tenant operators. All properties are currently located in the UK, although Target’s client mandates do allow limited investment in healthcare properties in other regions, such as the Republic of Ireland.

Since its establishment, Target has provided real estate investment funds primarily to institutional investors both through its appointment as Investment Manager to a UK-incorporated FTSE-250 listed company, Target Healthcare REIT plc, and through private institutional mandates. As at 31 December 2025, Target had two UK-based institutional clients with further analysis incorporating the underlying client base of the listed company being set out below.

The weighted average underlying client base of Target’s clients as at 31 December 2025 can be analysed by client type as follows:

- c. 70% institutional investors
- c. 21% wealth managers, private clients and family offices
- c. 9% direct retail

The weighted average underlying client base of Target’s clients as at 31 December 2025 can be analysed geographically as follows:

- c. 82% United Kingdom
- c. 7% USA
- c. 11% other

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, being five years or more, and therefore the property portfolio is constructed on this basis in order to meet the specified investment objectives and investment policies of Target’s clients. All property portfolios are individually constructed and are actively managed in line with the client requirements and/or investment mandate, and are not designed to match the constituents of any index or benchmark.

Purpose and investment beliefs

Target has a long-term investment horizon and has established strict investment criteria within workable investment policies.

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. The type of properties that are acquired under Target’s investment approach are modern, purpose-built care homes which provide a high quality of real estate for the operating tenant, and their residents and staff. This analytical, principled investment approach aims to accelerate the improvement in the physical

standards of UK care homes through long-term, responsible investment in modern real estate and 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. A core tenet of Target's investment approach is that rents are initially set at a prudent level, whilst providing scope for improvement should the operational performance of the home and tenant subsequently evidence that a higher rent level is supportable.

The tenants operating the care homes in which Target invests are typically providing care for residents in their latter years, 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.

Target invests in, and advocates for, modern, well-designed, purpose-built care homes with full en suite wet-room facilities as 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 c.64%⁽¹⁾ of the UK's existing care home bedrooms in need of modernisation to these minimum standards. The sector is recognising the need to modernise its real estate, with wet-room provision having increased to 36% from 14%⁽¹⁾ only eleven years ago. Demographic trends in the UK, with increasing numbers of people over 85 years of age and increasing demand for needs-based care, require a significant increase in the future supply of modern care home real estate and allow 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 carers; 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.

In addition to the acquisition of standing assets, Target aims to bring new long-term capital into the sector through prudent investment in forward funded developments, pre-let to carefully selected tenant operators.

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, tenant operator and local community, but ultimately support Target's clients by ensuring well covered rental income streams, thereby also preserving investment yields and capital values.

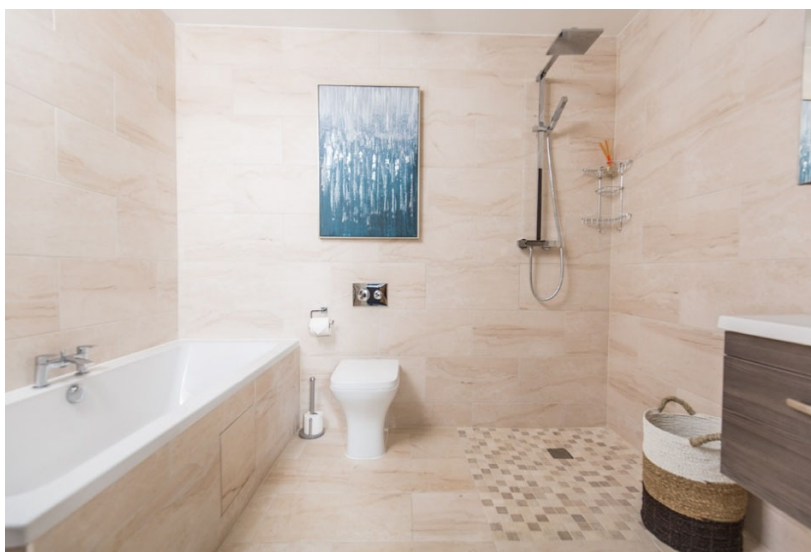
(1) Carterwood – December 2025

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 effective stewardship, which will continue to attract further long-term investment capital to the sector, will ensure that the financial interests of both Target and its clients are aligned.



Culture and Values

Target aims to ensure that all activities undertaken by the Company, its staff and representatives demonstrate the Company's values of Collaboration, Professionalism, Integrity, Openness, Respect, Care, Humility and Forgiveness.

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.

As part of the recruitment process, it is confirmed 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. This includes all new team members attending one of the regular care home visits alongside an experienced member of the asset management team in order to ensure that they fully understand the asset class, the quality of the real estate and the importance of good stewardship for clients, tenant operators, care home residents and the local communities that they serve.

The sector in which Target invests is complex, and needs detailed monitoring, understanding and input, as appropriate, both to anticipate and manage problems 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 Policy and Context Disclosure B.

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 and the requirement for rents to be set at sustainable levels.

B. Describe how your resources enable effective stewardship.

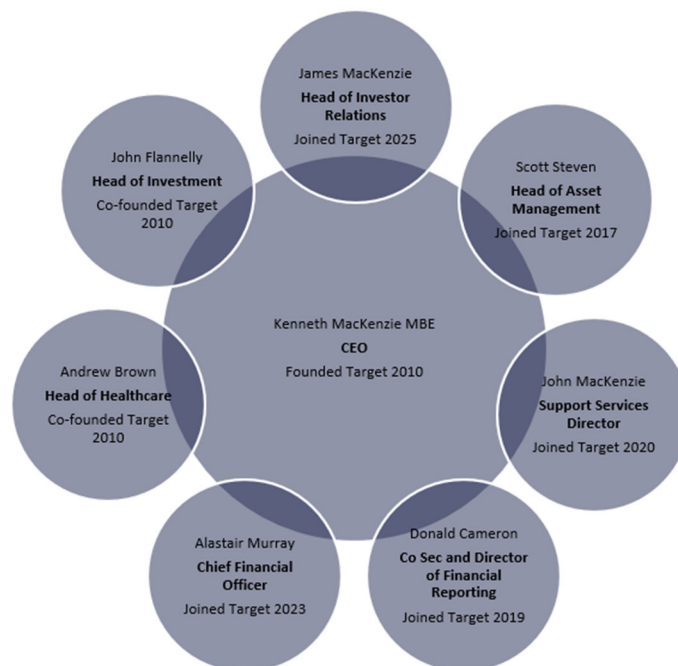
Ultimate responsibility and accountability for stewardship lies with the Board, with day-to-day matters considered by the Executive Team. Given the specialist segment of the property sector in which Target operates, Target considers that its effective stewardship is driven by two main factors;

- Target’s investment approach, which is implemented primarily by the Investment Team, and
- Target’s oversight, monitoring and engagement with both tenant operators and the physical real estate, which is implemented primarily by the Asset Management Team.

Both the Investment Team and the Asset Management Team are overseen by the Executive, Board and ultimately the supervisory body of the relevant client, with stewardship concerns embedded within the overall ethos and detailed policies followed throughout Target.

The senior management team of Target consists of eight executives (the “Executive Team”). It has responsibility for strategic and operational decision making on behalf of the business and recommendations in relation to the funds it manages, including stewardship matters. Target is majority-owned by certain members of the Executive Team (and their associated persons).

The Executive Team meets regularly, usually at least weekly, and takes a collaborative approach with collective responsibility.



The key members of the Executive Team, along with three non-executive Directors, form the Board of the Company which meets on a quarterly basis. The Board includes an independent non-executive Director. The role of independent non-executive Director is fulfilled by Malcolm Naish MBE, an experienced property and investment professional, having qualified as a Chartered Surveyor in 1976.

With a total of 33 team members at 31 December 2025, 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 internal Risk and Compliance Officer and an external compliance consultant company.

Target has established separate ESG, Compliance & Operational Risk and Conflicts Committees. Further detail on the Conflicts Committee is set out in more detail in Policy and Context Disclosure D. 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.

By including members of the Executive Team, as well as an appropriate cross section of team members from each of the functional teams, in each of these Committees, Target ensures that the activities that they undertake are sufficiently resourced with a wide range of experience and qualifications. This also ensures that members of the Executive Team have direct oversight of the requirements of each of the Committees, and can ensure that Target as a whole has appropriately resourced its investments in systems, processes and research. The membership of each of the Committees is considered on a regular basis, and formally by the Board at least every three years.

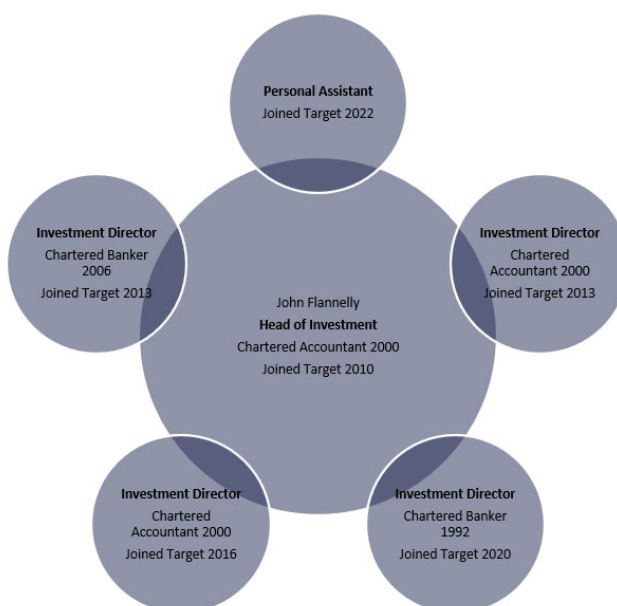
As a niche fund manager, with just over £1 billion of Assets Under Management, the number of clients, properties and tenants allows the Executive Team to hold an in-depth understanding of the portfolio with reporting lines from each of the functions as necessary to provide additional detail.

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 cascaded to the wider team. New staff recruited to the business complete an established induction process; which includes regular one-on-one meetings with the 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.

Since Target was established in 2010, it has continued to hire specialist staff, including those with experience of care home management and operation. This ensures that Target has in-house experience of the tenants’ businesses in order to provide better oversight of clients’ properties and to identify and reduce individual property and/or portfolio risks. Target also undertakes 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 in which it invests, and the drivers of its tenant operators. Target then ensures that the key drivers identified are inherent within the investment and asset management processes within the business. Target uses the research and due diligence undertaken to date, supported by underlying information on UK care homes, local demographics and other important factors, in order to drive appropriate investment decisions. This in-house information is supplemented by subscriptions to appropriate external providers such as LaingBuisson and Carterwood.

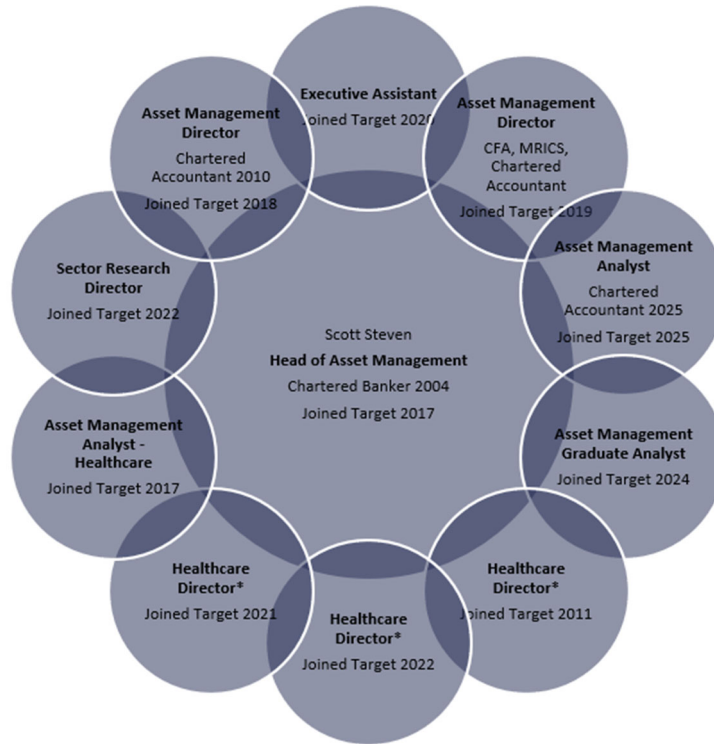
Investment Team:

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.



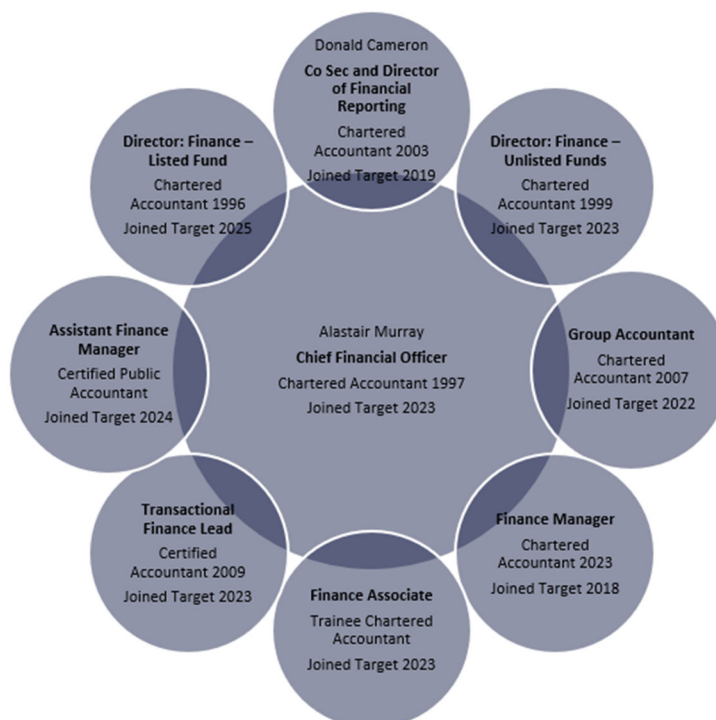
Asset Management Team:

The Asset Management Team is responsible for the ongoing monitoring of the properties (such as ensuring tenants are meeting their obligations under the full repairing and insuring (“FRI”) 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. The Asset Management Team will also lead on any potential property or portfolio sales, supported by the Investment Team.



**The Healthcare Directors have professional qualifications and experience across a number of specialisms of construction, nursing and the management of care homes and healthcare providers.*

Finance and Company Secretarial:



Stewardship

There is not a separate stewardship team, instead stewardship matters are inherent to both the investment and the asset management processes. Ultimately the Executive Team, who discuss and review all significant investment or asset management matters before any recommendations are made to the Boards of client funds, are responsible for considering stewardship matters under the oversight of the Board.

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 Policy and Context Disclosure A, ensure stewardship considerations are addressed.

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 aired 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 need 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, it is considered that the flat structure allows the tone and values held by the Executive Team to cascade effectively to individuals within the Company.

Systems and technology

Target does not use many specific systems and technology to support stewardship. However, it has created a proprietary database of UK care home data which is used to understand market trends, to aid in the appraisal of investment opportunities, and to support the review of the existing homes and operator tenants. Target will also use technology to simplify and support its existing processes where appropriate, such as the recent automation of the process to summarise the results and findings from care home visits.

Use of outsourced services

Where appropriate, given Target's size, external service providers may be used to provide specialist advice or services, such as lawyers, surveyors or consultants. One such example is the continued appointment of a sustainability, energy and building services consultancy to enable the ongoing provision of BREEAM assessments on a representative sample of properties, to continue to develop an ESG framework and to ensure that Target's investment methodology remains up-to-date in relation to ESG-matters, and to advise on Target's GRESB submission on behalf of its main client's portfolio. This was supported by the previous appointment of an additional sustainability adviser to assess the same client's net zero carbon strategy and pathway, which is continuing to be implemented by Target on behalf of the client.

Target also runs regular 'target team learning' events where guests are invited to present to the entire Target team in order to increase the knowledge base across the entire organisation both on matters directly relevant to the sector in which it operates and more widely to improve and broaden the team's overall knowledge and understanding. These guests will include significant outsourced service providers, where appropriate, and a presentation from the sustainability, energy and building services consultancy on ESG considerations for the care home sector was included during the year ended 31 December 2025.



C. Describe your stewardship policies and processes, and how you review them.

Policies

As set out in Policy and Context Disclosure A and Principle 1, the key stewardship policies and processes in relation to the type of real estate in which Target invests on behalf of its clients are those relating to Investment and Asset Management.

These cover:

- Investment approach and 'Investment Appraisal' template
- The House Standard 'Targeting Tomorrow' in relation to ESG assessment of investment opportunities
- Asset Management policies including the 'Visit Report' template

Policies will be reviewed either as part of a regular review to consider whether any changes are required, or to pro-actively address any new matters or changes in circumstances which have been identified. These reviews will generally be undertaken internally by the team responsible for the policy or procedure, and if any significant amendments are proposed these will be referred to the Executive Team for discussion and, if thought fit, approval. Where relevant, such changes will also be considered by the relevant internal Committee(s), such as the Compliance and Operational Risk Committee. A top-down approach may also be followed where the Executive or relevant Committee identifies a new matter or changes in circumstances and instructs the relevant team to ensure that Target's policies or processes are amended to ensure that it is appropriately addressed.

Whilst the majority of reviews will be conducted internally, external advice may be sought where the matter is related to a matter for which Target engages relevant experts. For example, any material review or revision to the Targeting Tomorrow framework would be carried out in conjunction with the engaged ESG consultancy firm. Significant changes in processes, insofar as they impact on internal controls, would also be expected to be reviewed after the event by the Independent Service Auditor as part of the production of the ISAE-3402 Type-2 report (see below).

Reporting

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 main clients during the year under review which each have independent Boards and/or detailed and regular reporting directly to the underlying investor(s), 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 client's 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.

As set out in more detail in Policy and Context Disclosure E, 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.

Given the stewardship principles followed are inherent to Target's investment and asset management approaches, and with the external independent Boards of each of Target's clients having direct visibility of the processes being followed and the outcomes achieved, it had not been considered necessary historically to undertake any additional internal or external assurance specifically in relation to stewardship matters. However, Target commissions an annual report over its own internal control processes, prepared under ISAE-3402: *Assurance Reports on Controls at a Service Organization* and reported upon by a big-four accountancy firm. This takes the form of a Type-2 report, which reviews the design and operation of controls over a period of time. The latest report is unqualified and did not contain any significant exceptions or highlight any concerns over stewardship matters. It is anticipated that Target will continue to commission the production of a Type-2 ISAE-3402 report on an annual basis.

D. Describe how you manage stewardship-related conflicts of interest to put the best interests of clients and beneficiaries first.

Conflicts of interest policy

Target has established a Conflicts Committee, which has written terms of reference. This is constituted of an independent chair, the Risk & 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, the Chief Financial Officer and the 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 and will ensure that, where appropriate, any conflicts have been brought to the attention of the relevant client.

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, particularly including FCA Principle 6: Customers' Interests and FCA Principle 8: Conflicts of Interest.

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 their stated investment criteria and geographic and tenant concentration parameters.

Target will use reasonable efforts to allocate an investment opportunity to the client whose investment criteria most closely matches the investment opportunity. If the asset is suitable for more than one of Target's clients, allocations will be made on a rotational basis. Target will, however, have discretion in particular circumstances to allocate an asset or group of assets to a particular client outside the rotational policy, with the allocation committee overseeing all allocation decisions and ensuring that the allocation policy is applied fairly to all clients. Following allocation, due diligence will be instructed on behalf of the relevant client and, assuming satisfactory due diligence, the asset will be acquired by that client.

The allocation policy was last revised materially during the year ended 31 December 2022 to reflect changes in Target's clients and was discussed with each of Target's main clients at that time to ensure that they shared Target's view that the policy as drafted achieved the aim of fairly allocating available investment opportunities. The policy includes a dispute resolution procedure should any disagreement arise as to the interpretation, application or result of the policy in the future.

Disposals

When a fund decides to sell an asset, it is expected that in many cases 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, and ethical walls will be established within Target to ensure segregation of information.

Disclosure

Where there are any conflicts of interest arising between Target and any of the other parties involved in an investment transaction, these are detailed in the investment paper provided to the client. Where there are no such conflicts, this is also explicitly stated.

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 more than one fund is competing for equity at the same time from the same investor.

Personal Account Dealing

Target's Compliance Manual, which is updated and circulated regularly to all Team Members, forbids any personal dealing by employees that is against, or may compromise, the interests of its clients. The policy is designed to minimise actual or potential conflicts between employees and investors and clients of the Company, and prevent fraudulent or manipulative practices with respect to dealings in securities held. Failure to comply with this principle is a serious disciplinary matter.

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.

Other examples of real or potential 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.

The Conflicts Committee will also consider any real or potential conflicts between the interests of Target and those of its clients; for example, where an investment, asset management or asset allocation (such as share buybacks) recommendation may impact on the level of management fees paid to Target by the client.

E. Describe how you maintain a dialogue with clients and/or beneficiaries.

The main fund managed or advised by Target during the reporting year has an independent Board of Directors. Target's culture and investment process ensures that detailed and bespoke reports are provided on a regular and timely basis to the Board to ensure that it is able to appropriately undertake its own stewardship activities and monitoring of Target's investment approach and performance. Where private funds do not have an independent Board of Directors, such reporting is provided directly to the shareholder representatives at one-to-one meetings. As an example, Target's largest client holds quarterly scheduled Board Meetings, and a separate annual strategy meeting which regularly also includes physical visits to a representative sample of the properties owned by the client. These meetings are supported by extensive Board papers reporting on the property portfolio, including any systemic or individual risks identified. Detailed investment papers are also provided in relation to each property acquisition, disposal or significant asset management initiative proposed by Target.

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, or equivalent, where applicable;
- Written recommendations in relation to each material Investment decision will be provided to the non-executive directors, or equivalent; 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.

Reporting to client Boards is based on mutually agreed reporting and feedback mechanisms and there have been no instances where assets have not been managed in line with clients' stewardship and investment policies. Feedback will be received from clients, at least annually, in relation to the performance of Target as Investment Manager, which will be used to identify any areas where the needs of the client and/or beneficiaries are not being met.

Target will meet regularly with the underlying investors in its clients' portfolios and, through these discussions, will gain an understanding of the needs and preferences of underlying investors. For listed client(s), further information on the needs and preferences of underlying investors will be received from the clients' brokers.

For Target's client which has a premium listing on the London Stock Exchange, investor relations with the underlying investors in the REIT is evolving and the volume of direct shareholder engagement on stewardship and investment matters, including material environmental, social and governance issues, continues to increase. This reporting will continue to be adapted to provide, where possible, data requested by underlying investors. For example, in this regard, Target produced for this client a Sustainability Report for the year ended 31 December 2024, published in July 2025, for which the client received an EPRA Sustainability Best Practices gold award. It is intended to continue to publish such report annually.

ACTIVITIES AND OUTCOMES REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

Principle 1: Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries.

Systematically integrating stewardship into the investment process is essential to promote long-term sustainable value creation for clients and beneficiaries.

Reporting under this Principle shows how stewardship and investment are integrated in the organisation.

As set out in Policy and Context Disclosure B, Target is structured with an Investment Team (which makes the initial investment appraisal and, if appropriate, investment recommendation) and an Asset Management Team (which deals with the ongoing management of the property after acquisition, including potential disposals).

Whilst both of these teams, and their integrated stewardship and material environmental, social and governance principles, are closely aligned, for clarity their approaches are reported separately below. Further details on asset management activities undertaken in relation to engagement with the property tenants are reported under Principle 3 and the active exercising of rights and responsibilities under the lease agreements under Principle 4.

Investment approach

As a specialist, long-term investor in the healthcare sector, Target makes investments which:

- provide a positive social impact by meeting its stringent 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. Target follows a house standard framework to assess the ESG credentials of any proposed acquisition.

Investment appraisal

In an average year, Target will usually consider in excess of 100 introductions for potential property acquisitions. During the year ended 31 December 2025, after applying strict investment criteria and conducting due diligence, Target acquired three standing properties and committed to acquire another property development once it reaches practical completion. Target also sold eleven properties on behalf of its clients. Further details on certain of these acquisitions and disposals are included as case studies 1 and 2 below.

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. 100% of bedrooms have an en suite wet-room including shower.

Investment opportunities are identified and evaluated on their individual merits and on the strength of their contribution to the investment strategy of Target's clients. 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. The success of these investments is naturally 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. Target also recognises the importance of a high-quality building to help tenant operators deliver this. Target has adopted a house standard framework to appraise an asset from an ESG perspective. All assets subject to acquisition are reviewed against this framework, with the framework itself reviewed on an ad-hoc basis with the input of an external adviser to ensure that it continues to reflect any changes in ESG best practice.

The house standard framework enables Target to consider the extent to which a new acquisition meets its requirements. It provides Target with an understanding of how an acquisition performs against a broad range of criteria, spanning materially relevant issues the UK Care Home market faces, such as:

- **Site context**, such as the use of previously developed land, ecological context, and environmental constraints.
- **Managing Climate Related Risks**, to screen potential climate related risks through the diligence process, by analysing risk factors which may present long-term risks to a building.
- **Design Standards**, to ensure that the quality of design of the real estate meets the requirements of tenants, residents and staff. The framework also considers specific environmental design features covering matters such as energy, water, and waste.
- **Construction Standards**, to ensure that any new home funded adopts high standards of construction management.
- **Community and Operator**, to examine how new acquisitions relate to the communities which they serve.
- **Accreditations**, to ensure alignment with best practices in sustainable design and construction.

The assessment against this framework considers both expected standards, where any non-compliance will require robust justification, and aspirational standards, which are considered to represent best practice criteria. It is expected that a care home acquired by a Target client would be able to align with the majority of these aspirational standards, however failure to do so does not require justification through Target's investment decision making.



Each asset is also 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, and other relevant factors. 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 the property 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.

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.

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 client's approval process) which has a specific ESG section to highlight the particular considerations of each investment.

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 wet-room provision in all rooms
- Corridor width
- External spaces available for resident use
- Availability and cost of suitably qualified staff in the local area

Consideration of appropriate occupancy and fill-up rate assumptions, at appropriate fee rates, are also important considerations, particularly in relation to potential forward fund developments.

The modern care homes Target invests in are new or nearly new purpose-built properties. At the start of the year, 100% of the EPC ratings across its clients' aggregated portfolios (with Scottish properties converted to the English-equivalent rating) are rated B or better which was significantly above the sector average. This means that all properties would currently comply with the Minimum Energy Performance Standards introduced by the Energy Act 2011 (which is likely to require the properties held by Target's clients to have an EPC rating of B or better by 2030).

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.

Target has commissioned a “BREEAM in use” assessment for a sample of the properties in its largest client’s portfolio. The BREEAM process is a recognised benchmark which addresses the following topics:



These “BREEAM in use” assessments are valid for three years and, where appropriate, have been supplemented by a sustainability and energy audit, which considers potential payback and carbon savings for possible retrofit measures to improve the sustainability of the assets. Target has continued to engage BREEAM reports where considered appropriate to maintain an appropriate sample of valid assessments and, subject to the requirements of individual clients, Target intends to instruct a BREEAM certificate for each newly acquired care home post-acquisition (with a pre-acquisition assessment of the expected rating to be undertaken by an external consultant as part of the due diligence process). Given the similarity in the type of properties held, it is expected that each assessment conducted will provide many findings and recommendations that will be beneficial for the clients’ portfolio(s) as a whole and therefore a BREEAM in-use assessment is not expected to be necessary for every individual asset on an ongoing basis. The current intention is that a representative sample equal to around 10% of the total properties within clients’ portfolios will have a valid “BREEAM in use” rating.

Target has worked with an external consultant in order to develop a house standard entitled ‘targeting tomorrow’ which was applied to all acquisitions undertaken during the year. This house standard framework is designed to embed the highest ESG standards across every investment opportunity. Whilst many of the matters detailed therein have been inherent in the investment approach followed since the initial establishment of Target, the house standard formalises the framework for evaluating ESG matters regarding proposed acquisitions and provides a quantitative, as well as qualitative, assessment of how a proposed acquisition will perform against a broad range of ESG criteria. The house standard can also be used to provide clear and actionable criteria to other service providers, such as developers, surveyors and tenants, as to Target’s expectations in relation to material ESG matters.





Case Study 1: Acquisition of three properties and forward commitment for a fourth

An appropriate illustration of Target's investment approach in practice was the acquisition during the year of a portfolio of three strongly performing modern operational care homes, and the contractual commitment to acquire a fourth, all in prime Central Scotland locations.

Activity in the year

The three existing operational care homes, acquired via sale and leaseback from an experienced operator with an unparalleled knowledge of its local market, featured 100 per cent en suite wet-room provision and had demonstrated an ability to deliver consistently strong rent cover generation greater than 2x. Serving a private-pay client base and underpinned by compelling local demographics, the properties benefit from 35-year, full repairing and insuring occupational leases with RPI-linked caps and collars. The commercial terms of each of the occupational leases are consistent with equivalent leases in place across Target's portfolios and include green provisions such as energy-usage data collection.

The development of the fourth property, a forward commitment pre-let to the same operator, was already well advanced at the time of entering into the commitment and is expected to reach practical completion in summer 2026. It will also feature 100% en suite wet-room provision, exceptional ESG standards targeting the highest certifications, and will offer net zero carbon operational capability.

The acquisition also illustrated Target's approach of partnering with a highly-experienced tenant operator who has evidenced a strong regulatory track record as well as widening the tenant diversification for its client's portfolio.

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.

In order to maintain oversight of hold/exit decisions, Target undertakes a formal quarterly portfolio review at which each property held by its clients is discussed. An indication of the hold/exit strategy for each home is also reported to the client Board, or equivalent, on a regular basis.

Given the long-term nature of real estate investment, and Target's careful selection of tenants, combined with its investment approach of focusing on quality real estate in appropriate geographic locations and leased at sustainable and affordable rent levels, all of which help enable a re-tenanting of the property should this prove necessary, Target does not expect to require to undertake significant asset sales on behalf of clients to achieve effective stewardship.

Case Study 2: Disposal of portfolio of nine properties

Similar to the disposal of a portfolio of four properties detailed in this report last year, during the course of the year under review Target sold a portfolio of nine properties achieving a good financial return for the client over the period of ownership whilst also improving certain key performance and diversification statistics for the remaining portfolio.

Activity in the year

Target entered into an agreement to sell a portfolio of nine care homes, leased to Ideal Carehomes ('Ideal'), to an institutional purchaser. The proceeds of c.£86 million represented a premium of 11.6% to the client's external valuation, and therefore the disposal was highly accretive to the client's EPRA NTA per share. However, the primary intention of the transaction was to reduce the client's exposure to its largest tenant, something which Target had been considering since Ideal had been acquired by the UK's largest care home operator, HC-One, in late 2023. Prior to this disposal, Ideal had been the client's largest tenant, accounting for c.16% of contracted rent. The portfolio sold also represented properties that were marginally older, and with a marginally shorter weighted average unexpired lease term, than the remainder of the client's portfolio. Completion of the disposal resulted in an annualised ungeared internal rate of return in excess of 11%, demonstrating Target's active approach to portfolio management and ability to drive returns for its clients. It also provided additional funds to recycle into the acquisition of alternative assets, and to fund the construction of new development assets, in order to improve the overall characteristics and net initial yield of the client's portfolio.

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 and 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 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 visits and dialogue with care home managers, Target aims to have awareness of developments at its homes and to identify potential further improvements. 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.

Physical visits are usually undertaken to each care home at least twice yearly, and are supplemented by telephone conversations with the care homes and head office staff of each of the tenants. These calls are aimed not only at collating information in relation to the assets held, but also to pass on Target's experience and market knowledge. Visits to each home are rotated between the three healthcare directors and it is intended that no Healthcare Director visits the same home on more than four consecutive occasions in order to provide consistency of reporting and experience, as well as a variety of opinions on each home from individuals with differing skill sets and areas of expertise. The reports from each visit are circulated to the entire Target team.

Over the year to 31 December 2025, Target team members undertook a total of 278 physical visits to homes, consisting of 194 in depth six-monthly visits, 77 further scheduled, but shorter and more informal, physical visits and 7 site visits to inspect the progress of building works being undertaken at properties/development sites (with the final development being undertaken during the year having reached practical completion in September 2025). Target believes that the direct observation of both the fabric of the care home properties and

the operations being conducted therein that is facilitated by a physical visit significantly enhances its stewardship of the direct property portfolio. Target also helped to facilitate accompanied visits by certain of the non-executive Directors of a client to an aggregate of ten of the care homes held in that client's portfolio to further inform them of the specifics of the type of properties held and thereby enhance the client Board's own stewardship role.

Given the age of the properties which Target has acquired since inception, few have required major refurbishment or upgrades to date, although one such example has been given as Case Study 3 below. Over time Target expects to see more opportunities to work with tenants on upgrading the homes and to implement further ESG initiatives.

Case Study 3: Previous refurbishment and tenant support results in long-term improvements

This case study evidences the positive impact that can be generated through the Group's engaged landlord approach, and also illustrates why Target will ordinarily choose to engage with a tenant to resolve any issue which arises during the tenancy, to minimise the crystallisation of bad debts and avoid the costs of administration for clients, as well as minimising the impact on the residents and staff of the care homes.

Background

On behalf of its client, Target purchased a property in the North West of England in 2017 with the intention of refurbishing it to lift the late 1990's home's real estate quality to a modern market-leading standard. This refurbishment, which ultimately completed in April 2024, provided positive social improvements for the home's residents, including the conversion of all en suite WCs into full wet-rooms. Energy efficiency enhancements collectively improved the home's environmental credentials, leading to an EPC "A" on this property.

Activity in the year

Although the home experienced operational challenges during the refurbishment, which in turn led to rent arrears, Target supported the tenant through the turnaround of the home, such that the rent arrears were subsequently fully repaid and the tenant started to build up a rent deposit. Moreover, the subsequent strong financial and operational performance of the home, delivering a rent cover of >2.0 times over a twelve month period, meant that pre-agreed lease performance triggers were met, generating a rent increase of more than 6%, which was accretive to the client's returns in terms of both rental income and property value. The home currently holds a rating of 9.9 out of 10 on Carehome.co.uk.

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 original Target 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. More recent updates to Target's standard lease terms 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. These amendments will be proposed for all new leases and Target will also seek to incorporate appropriate green lease amendments in existing leases where opportunities arise.

Target's typical 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.

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.

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.

Target requests the environmental performance data for 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.

In relation to its largest client, Target has reviewed each home based on gas and electricity usage intensity, EPC rating and EPC age date in order to help identify a priority list of care homes where undertaking ESG initiatives would be the most advantageous for both Target's client and society as a whole. In combination with an ESG-specialist consultant, the level of carbon intensity of the client's portfolio has been calculated, and the potential impact of identified interventions assessed, relative to the CRREM and SBTi joint 1.5°C decarbonisation pathway, in order to progress the actions required for the client's portfolio to achieve net zero carbon in an appropriate timeframe.

Over the last year, Target has established reporting processes to collate the utility usage data collected across the portfolios of properties it manages in order to produce a benchmark, and to then report back to each tenant the relative environmental performance of each of the homes it operates. Target intends to continue to refine this process with the aim of encouraging its tenants to reduce the operational carbon generated by each home and thereby reduce the environmental impact of its clients' property portfolios. Target will also work with clients where appropriate capital expenditure, such as the installation of photovoltaic ('PV') panels, may be appropriate and is similarly starting to compile and share statistics in relation to the financial and environmental benefits from homes to which PV panels have recently been retrofitted.

Case Study 4: Retrofitting photovoltaic ('PV') panels

In 2024, Target implemented a project to start retrofitting PV panels to homes within one of its client's portfolios in order to reduce carbon emissions and the tenant's costs, whilst delivering a return (c.7%) on the capital deployed.

Activity in the year

To date PV panels have been installed at eight care homes through this scheme, and the operational panels installed have been successful in generating on average almost 10% more electricity than projected prior to installation. The PV panels have been installed for a full calendar year at five homes, allowing Target to fully analyse the annual performance impact of the project – on average the panels have generated a third of the electrical energy usage at each home, which has reduced carbon emissions (approximately 60,000kg CO₂e for these five homes over the course of the year) and delivered costs saving for each tenant operator (over £10k net costs reduction per home per annum). This has also reduced the tenant operator's exposure to energy price volatility.

In addition to this scheme, through active landlord engagement and discussions in respect of the benefits of PV panels, three other homes have installed PV panels at their own cost, which are also delivering ongoing carbon and costs savings.

Asset Classes other than Real Estate

Given the investment policies and structures of Target's clients, being either fully invested, holding revolving credit facilities which are repaid when significant cash balances would otherwise arise, or providing committed funds that are only drawn once a suitable acquisition has been identified and is close to completion, Target has not invested any uncommitted capital in any other asset classes prior to investment in real estate. Where significant cash balances are held, credit risk will be minimised by placing these funds only with a financial institution with a long-term credit rating of BBB or better, and by spreading the risk across a number of counterparties where appropriate.

EFFECTIVENESS

Portfolio resilience and performance

Over the year to 31 December 2025, rental collection was 99% in aggregate across all Target's client portfolios, demonstrating the resilience of the rental income generated by each portfolio's assets. The external property valuations also proved resilient with the average like-for-like net initial yield on the aggregate care home properties held by Target's clients remaining largely unchanged on a like-for-like basis and capital values being further supported by inflation-linked rental uplifts. This revenue and capital performance, even in the challenging economic circumstances of higher interest rates and inflation, continued to evidence the effectiveness of the investment approach adopted. The potential impact of this market disruption was partially mitigated by Target's investment approach of focussing on properties leased at sustainable rent levels and in high quality real estate that would be expected to remain attractive to alternative tenant operators and generate private fees, ensuring that the level of rent cover for client portfolios remained above initial investment assumptions.

As at 31 December 2025, the portfolio weighted total returns (based on total assets) across Target's clients which were members of the MSCI UK Healthcare Annual Property Index (the "MSCI Index") were as follows:

	One year	Three years	Five years	Ten years
Total return (annualised)	11.0%	10.2%	8.6%	9.1%
MSCI Index (annualised)	7.4%	5.7%	5.6%	6.9%

Target's largest client was ranked second out of 39 portfolios in the MSCI Index on a total return basis for the year ended 31 December 2025, and second (out of 12) when measured on a ten-year basis.

Principle 2: Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial markets.

Market-wide and systemic risks are those that cannot be mitigated by diversifying investments and can therefore have a significant impact on long-term investment returns. Effective stewardship takes these risks into account.

Reporting under this Principle enables readers to understand how the organisation incorporates consideration of market-wide and systemic risks into its investment process.

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, 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 represented on the Board of the British Property Federation ('BPF') Healthcare Committee and enjoys longstanding relationships with both Care England as a supporter member and National Care Forum (NCF) as a recurring annual partner. It will also liaise and discuss matters of significance to the sector with market regulators, such as the Care Quality Commission (primarily through their Market Oversight team).

As discussed in more detail in Principle 1, Target remains a strong advocate of ensuring that the level of rent for tenants of properties held by its clients, and across the industry generally, are initially set at sustainable levels. This allows tenants to weather the financial consequences arising from unexpected events, whether these be matters specific to an individual care home or endemic to the care home sector as a whole; the pandemic having been an extreme example of the latter. The sustainability of rental levels, combined with the quality of real estate also advocated by Target, is considered key to the responsible allocation, management and oversight of capital by protecting both tenants and their residents, whilst also facilitating the re-tenanting of properties on behalf of Target's clients without the loss of long-term value, and minimising disruption to the underlying residents, should this ultimately prove necessary. In more recent times, the initial setting of rents at sustainable levels will have provided tenants with additional headroom to weather the impact of inflation, particularly from rising staff costs and variable energy prices, and higher interest rates.

Target has continued to use meetings with investors, analysts and other market participants, as well as attendance at sector forums, to emphasise the benefits of affordable and sustainable rental levels, on good quality real estate, in order to ensure the appropriate allocation of capital and prevent the future market disruption that may occur were rental levels to be set at unsustainable levels across the sector as a whole.

The pandemic was a good example of the effectiveness of risk management. Pandemic risk was present on risk registers (both for Target and Target's clients) as a low likelihood/medium impact risk for the sector since prior to the start of the pandemic. In more recent times, Target's focus on purpose-built, best-in-class real estate,

including forward funding new developments, has helped to supply additional beds to a market where supply is expected to reduce as older homes close, and where demographic tailwinds continue to forecast an increase in demand.

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 continued to perform 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).

A further risk that has continued to increase in importance is the focus on ESG matters by the underlying investors in Target's clients, the property market generally and the tenants of the clients' properties and the commensurate risk of redundancy of older, non-compliant assets. Target's investment approach results in long-term investment in ESG-compliant, purpose-built care home real estate commensurate with modern living standards. However, by entering into long term leases with single tenants, Target does not have control over the supply or use of energy at the properties in which its clients' invest and, with tenants having the benefit of quiet enjoyment over the lease term, Target and its clients do not have full control over the ability to upgrade the properties in future should ESG standards or investor/tenant expectations and requirements change during the lease term. This will also impact on Target's approach to Principle 3, where Target may require to use its influence with its tenants to improve the ESG-credentials of the clients' property portfolio(s).

Target's investment approach and portfolio management strategies are intended to address this risk arising from evolving ESG expectations by continuing to advocate for, and fund, the provision and development of purpose-built care homes, as this is considered by Target to be more appropriate real estate in which to invest in order to future proof against changes in the appropriate environmental and social credentials required by investors, tenants and the underlying residents and their families. This is supported by the inclusion of green clauses in new leases, and the amendment of existing leases where opportunities arise. As at 31 December 2025, green clauses were included in 65% of leases across Target's client portfolios.

In relation to the wider sector, during the year ended 31 December 2025 Target was represented at the quarterly British Property Federation ('BPF') Healthcare Committee; similarly with the National Care Forum ('NCF'), attending both quarterly meetings and the National two-day conference. Target has a supporter membership of NCF as well as Care England, and attended the latter association's annual conference.

Recent topics on which Target has continued to provide input at these committees / events have been social care reform, ESG matters, including proposals on how to 'measure' the 'S' element, and not least the question of the UK's quality of care home stock and the need for wider education of the general public, investors, and politicians regarding the modernisation requirements of the real estate in the sector.

Target also participated in the BPF consultation on the Government proposals on Upward Only Rent Reviews, providing data on how leases in the care home sector are structured as well as more qualitative information on the anticipated impact of the proposals. The BPF indicated that collating such data from members was key in enabling them to present the full impact of the proposals to policymakers, including which sectors would be most affected.

Target has also produced an animated film, which remains available on both its website and that of its main client, to advocate for modernisation of the real estate in the sector and, in particular, highlight the need for en suite wet-rooms.

Target also engaged with tenants of the properties held by its clients, and wider market participants, at a tenant dinner which it arranged. This is a forum used to promote discussion and the sharing of ideas and best practice across the tenant base and, in usual circumstances, is held annually. Further detail on the tenant dinner held during the year ended 31 December 2025 is contained in Principle 3.

During the year, Target was directly approached by the Competition and Markets Authority (CMA) in relation to the potential impact on the effective functioning of the UK care home sector from proposed corporate activity by other significant market participants, and completed the requested submissions.

Principle 3: Signatories engage to maintain or enhance the value of assets.

Engagement may take many forms, including directly with investee companies and other assets, with other relevant stakeholders, bilaterally or in collaboration with other investors.

Reporting under this Principle gives readers some practical examples of the organisation's engagement policy in operation.

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 Policy and Context Disclosure A and Principle 1, 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. More detail on such visits is provided in Principle 1.

During the year ended 31 December 2025, Target has primarily engaged with tenants in relation to six matters:

- Tenant dinner: an annual event which was held in early September 2025 to bring together tenants with other stakeholders across the care sector. The agenda and speakers each year are selected to reflect current issues or areas of interest, with this year's event covering commercial and regulatory trends in the operational sector and reflections from senior experienced sector specialists.
- The re-tenanting of six properties relating to three separate tenants to improve future financial performance of those assets at the same time as ensuring consistency for those living and working in those care homes (see case studies 5 and 6 below and case study 7 in Principle 4 for detail on these transactions).
- Significant investment in existing assets in order to improve the quality of the real estate and enhance / protect value for clients; including the retrofitting 37 wet rooms at one home to improve the environment for the elderly residents living in that care home, and thereby increasing the aggregate wet room percentage across all client portfolios to 100%. PV panels were also retrofitted at a number of homes (see case study 4 in Principle 1 for more details).
- Agreement of performance payments totalling £2.4 million across two homes, resulting in an increase in rent receivable by the client at a yield consistent with the initial investment thesis for each home and efficient capital management for the relevant tenants.
- Completion of two new leases, including the introduction of a new tenant to a client portfolio, following the completion of forward fund developments.
- Included green clauses on a number of leases through negotiation with existing tenants and made further progress on the collection of environmental performance related data from tenants in order to enhance and improve the ESG reporting for clients.

As mentioned in Principle 1, it is anticipated that during the forthcoming year Target will further engage with tenants in relation to potential ESG improvements to its clients' property portfolios. Such improvements may be both beneficial to Target's clients and the tenants of the properties, whilst also having benefits for society as a whole from improved energy efficiency and/or the resultant reduction in net carbon emissions.

Case studies

Target's approach 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. Detailed examples of this approach that arose in the year are detailed in the two case studies below:

Case Study 5: Supporting Operator Exit from Care Home Market

This case study illustrates that ongoing re-tenanting activity is an inherent part of the asset management approach used to proactively address the changes in some tenant operators' strategies that may arise over a 35-year lease. In this case, the disposal of one property, and the re-tenanting of two others, was undertaken to facilitate the tenant's preference to exit the care operator market.

Background

The owner of a tenant leasing three of a client's homes decided to exit the elderly care market. This was not a distressed situation, and they maintained their support for the operator throughout the strategically motivated exit process. A key priority was to ensure that the homes remained operational throughout the re-tenanting process, thereby maintaining value for Target's client whilst ensuring the uninterrupted provision of care for the staff and residents of the relevant care homes.

Activity in the year

Target discussed with the operator how to deliver both a positive long-term solution for the homes and sought to deliver a strong financial outcome for the client's shareholders. The compelling local demographics and high-quality real estate resulted in several interested operators, and Target's priority was to find the "right" operator to deliver a long-term, high-quality service to residents.

Target identified operators who it considered to be the best "fit" for each home, ultimately recommending the re-tenanting of two of the homes and the sale of the third. In relation to the re-tenantings, both of the homes have now transitioned smoothly to new operators. Overall, a positive financial result was achieved for Target's client. With approximately 15 years remaining on the leases, material exit premiums from the outgoing tenant, significantly in excess of any leases incentives paid to the incoming tenants, were received for two of the homes. The sale proceeds reflected a premium of 8% to the prevailing external valuation, and the surrender premiums received, without any reduction in the ongoing valuations of the relevant properties, added to the client's financial return. Working closely with the operators, Target delivered an excellent solution for residents, staff, the local communities and the client's shareholders.

Case Study 6: Supporting Operator Exit From Care Home Market

This case study further illustrates that ongoing re-tenanting activity is an inherent part of the asset management approach. Similar to the above, the re-tenanting of three homes was undertaken to facilitate the tenant's preference to exit the care operator market.

Background

The tenant of three of a client's homes decided to exit the elderly care market. The operation of the homes owned by Target's client remained profitable, however cashflow constraints elsewhere in the tenant's business meant that rent was not being paid in full. Similar to the example provided in Case Study 5 above, a key priority for Target was to support the existing tenant to ensure that the homes remained operational throughout the re-tenanting process in order to protect value for Target's client whilst ensuring the uninterrupted provision of care for residents.

Activity in the year

Target discussed with the operator how to deliver both a positive long-term solution for the homes and sought to protect the financial position for the client's shareholders. Again, the compelling local demographics and high-quality real estate resulted in several interested operators. Target ultimately recommended the re-tenanting of the three homes to two of the client's existing tenant operators. The rental level of each of the homes remained unchanged and, as part of the terms of the re-tenanting, Target secured a parent company guarantee from the outgoing tenant which ensured the collection of the agreed rent arrears for the client. The homes remained operational for staff and residents throughout the re-tenanting process.

Collaborative engagement

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.

There has been no significant collaborative engagement in relation to the year ended 31 December 2025.

Escalation

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 Policy and Context Disclosure A and Principle 1. 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.

There have been no significant escalated stewardship activities in the year ended 31 December 2025 in addition to those matters already detailed elsewhere in this report.

Principle 4: Signatories actively exercise their rights and responsibilities.

While rights and responsibilities differ depending on the type of asset, it is important that signatories seek to exercise rights, where they can, for effective stewardship.

Reporting under this Principle gives the reader an insight into how the organisation exercises its rights to maintain or enhance the value of its client's investments.

Listed equities

Target did not invest in any listed equities in the year ended 31 December 2025.

Other asset classes – direct property

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 1 and 3. Given the nature of the properties held, which each have a single tenant and a long-term operational lease, property AGM's are not applicable.

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, for instance 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.

The following case study further illustrates how Target has exercised its rights as a landlord in order to maintain or enhance the value of its client's investments in a situation where the tenant was not meeting its obligations under the lease agreement.

Case Study 7: Successful Re-tenanting After Operator in Administration

During the year ended 31 December 2025, on behalf of one of its clients, Target placed a tenant operator into administration, following a significant period of non-payment of rent. This allowed the property to be re-tenanted, whilst remaining operational, and therefore protecting the residents and staff of the home as well as the client's financial position.

Background

In 2021, one of Target's clients forward funded the development of a new care home in the South of England, supporting a tenant who was a small, family-owned operator. This tenant had a strong track record operating older care homes, and wished to re-position their group towards modern, best-in-class real estate. Although the home started well with good early ratings, the trading performance of the tenant's remaining older care homes across its wider group declined. Consequently, the tenant became unable to meet their rental obligations.

Activity in the year

Despite initially attempting to work with the tenant to help it meet its rental obligations, the wider tenant group's challenges impacted on the leasehold operations' performance, including a downwards re-rating of the care home by the Care Quality Commission. Ultimately, it was concluded that, both to protect the interests of the client company's shareholders and to ensure continuity for the staff and residents of the care home, it was best to place the tenant into administration.

Whilst an independent care consultancy firm temporarily ran the care home on behalf of the administrators, the leasehold interest was marketed. This attracted significant interest from multiple operators, resulting in the care home being successfully re-tenanted within four months of the administration. The strong operator demand meant that Target was not required to offer any rent incentives as part of the transaction, and the new tenant also accepted a modest increase in the immediate passing rent, with a further increase six months after the re-tenanting date.

Whilst the administration ultimately resulted in exceptional costs for the client of £0.9 million and total rent arrears of £1.3 million, the combined increase in the passing rent and the marginal tightening of the net initial yield applied by the client's external valuers, resulted in an initial increase in the property valuation of £1.2m over the nine months following the re-tenanting. There is the potential for further capital upside from a continuation of the tightening of the net initial yield applied by the external valuers as the care home's future operational performance improves. Importantly, delivering the re-tenanting has secured the future stability of the care home, ensuring a sustainable, secure and high-quality environment for residents, their families and staff alike.

This case study demonstrates the benefit of Target's investment approach of investing in high-quality purpose-built care homes in the right locations. This ensures that, where an issue does arise with the incumbent tenant, the underlying demand for the real estate from alternative operators helps to protect the fundamental capital value over the long-term.

Principle 5: Signatories integrate stewardship considerations into their selection and oversight of external managers.

For signatories that use external managers the process of selecting, monitoring and engaging with those managers is a key part of effective stewardship.

Reporting under this Principle illustrates how the organisation interacts with its external managers, including the expectations the organisation sets for them to engage and exercise rights and responsibilities on the organisation's behalf.

Target does not appoint any external managers and therefore does not report under this principle.

Principle 6: Signatories monitor and hold to account stewardship service providers.

Many signatories rely on third parties to provide a range of services that enable them to fulfil their stewardship responsibilities. Oversight of these service providers is an important aspect of stewardship.

Reporting under this Principle shows how the organisation has ensured the services provided by third parties support effective stewardship. Relevant service providers may include, but are not limited to, proxy advisors, investment consultants and engagement services providers.

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 as 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. In turn, the performance of Target is reviewed at least annually by its principal client.

There have been no significant matters arising during the year ended 31 December 2025 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.

In order to maintain the quality and availability of surveyors used in assessing investment opportunities, asset management and forward fund developments, Target has continued to move from the use of a single surveying firm to the use of multiple firms; 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.