

Statement of Investment Policy and Objectives

1.0 Effective date

This Statement of Investment Policy and Objectives (SIPO) is effective as of 30 November 2016.

2.0 Investment overview

Structure

This SIPO is for the managed investment scheme known as Vital Healthcare Property Trust (Vital or the Trust).

Vital units are listed on the New Zealand Stock Exchange (NZX code: VHP).

The Trust is managed by Vital Healthcare Management Limited (Manager) and supervised by Trustees Executors Limited, a supervisor licensed under the Financial Markets Supervisors Act 2011 (Supervisor).

Purpose

Vital's main function is to identify, acquire and manage healthcare properties that are leased or for lease to operators across the healthcare continuum. From time to time, Vital may undertake the design, refurbishment or development of healthcare properties for particular health service operators. Vital may invest directly in real property, or in companies or trusts (listed on a recognised stock exchange or unlisted) which themselves own, directly or indirectly, real property with healthcare related qualities.

Availability of SIPO

The Manager will make this SIPO available on the register entry for the scheme's register on the Disclose website at www.business.govt.nz/disclose. Otherwise a copy of the SIPO is available, on request and free of charge, to the Trust's unitholders and the FMA by contacting the Manager at enquiry@vhpt.co.nz.

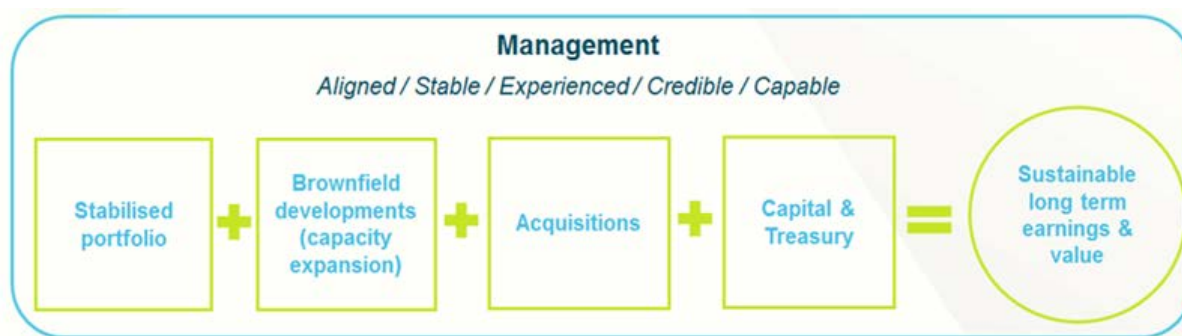
3.0 Investment objectives

The Manager aims to:

- ▶ Select and manage high quality healthcare real estate;
- ▶ Which has quality tenant(s);
- ▶ With long lease terms where possible; and
- ▶ In a good location.

The approach is to ensure that any risks taken are appropriate and commensurate with the Trust's goals, protecting unitholder interests and creating a sustainable distribution.

4.0 Investment philosophy



Vital is a long term owner, manager and investor in healthcare real estate. This means Vital is focused on investing directly in real property, or in companies or trusts (listed on a recognised stock exchange or unlisted) which themselves own, directly or indirectly, real property with healthcare related qualities. Vital does not operate healthcare facilities itself – instead, it receives rental income and or investment income from any healthcare related investments it may undertake.

Rental income is received through owning healthcare properties that are leased or for lease to healthcare operators and/or tenants with healthcare characteristics to their business.

5.0 Investment strategy

The Manager determines the investment strategy for the Trust by:

- ▶ Taking into account the investment objectives and investment philosophies set out in this SIPO;
- ▶ Maintaining a clear understanding of the market and its development; and
- ▶ Monitoring the performance of the Trust against its investment objectives.

The Trust's healthcare real estate investment universe can be considered quite wide. Typically, the Trust's rent-paying tenants include hospital operators and healthcare providers who deliver a range of services including medical research, acute surgical, primary healthcare, support, rehabilitation, mental health and residential aged care. Other tenants include government organisations (e.g. DHB's), pharmaceutical companies, healthcare warehousing and distribution centres and corporate offices of healthcare related organisations (e.g. healthcare insurance companies) or other health sector related entities.

From time to time, Vital may undertake the design, refurbishment or development of healthcare properties for operators in response to operator demand.

The Trust's investment strategy can be summarised as:

- ▶ To develop a portfolio of investments in, or relating to healthcare real estate;
- ▶ To select investments by carrying out a due diligence and thorough investigation of the real estate and the market in order to ensure that properties are of high quality, likely to keep their value, and meet the investment objectives; and
- ▶ Retain management with recognised competency in selecting suitable tenants and in setting lease terms aimed at maximising a sustainable rental yield.

The scheme may invest in other investments, which are not explicitly stated here but that the Manager considers fall within the above parameters of authorised investments, which appropriately reflect the risk profile of the Trust and will contribute to the performance objectives of the Trust.

6.0 Authorised Investments

The Trust will invest only in “Authorised Investments”. Authorised Investments as at the effective date of this SIPO are defined in Appendix 1.

The categories of Authorised Investments may be changed:

- (a) With the consent of the Supervisor; or
- (b) With the approval of a Special Resolution (as defined in the Trust Deed) of Unit Holders; or
- (c) By the process involving notice to Unit Holders described in Appendix 2.

7.0 Benchmark asset allocation

Subject to the limitation to “Authorised Investments” described in paragraph 6, there are no limits on the nature or type of investments that may be made, nor are there limits on the proportion of each asset invested in.

8.0 Policies and processes

Borrowing Policy

The Trust Deed provides that no borrowing may be made if the effect is that borrowings outstanding would exceed 50% of the gross value of the Trust Fund.

Interest Rate Policy

The Trust’s interest rate policy has the primary objective of ensuring that interest rate risk does not materially affect the Trust’s financial performance. It is intended to continue to adopt an interest rate management policy to minimise the interest rate charged on bank borrowings. The Trust may therefore from time to time elect to fix interest rates or enter into other interest rate management arrangements.

Foreign Exchange Policy - translation

The Trust has a natural hedge, whereby the level of property portfolio assets owned in Australia is offset by the level of bank borrowings also denominated in Australian Dollars. The balance not matched off leaves the Trust’s net asset position exposed to fluctuations in exchange rates.

The Trust has adopted a policy of having the natural hedge described above supplemented by foreign exchange instruments being entered into, taking the hedge to a level of 85% to 100%, or following the Board of the Managers approval reduced to a lower level.

Foreign Exchange Policy - transaction

The Trust aims to decrease volatility in its income levels because of Australian Dollar denominated income flows that will be converted into New Zealand Dollars to meet unitholder distribution requirements. This transaction risk is managed on a rolling 12 month basis against projected net Australian Dollar income.

Distribution Policy

The Trust's distribution policy is to make quarterly cash distributions based on the Net Distributable Income of the Trust (as defined in the Trust Deed). With a stable platform and strong underlying performance balanced with a prudent capital position the Board of the Manager will set the level of the distribution based on maintaining a sustainable distribution.

Capital Expenditure Policy

The Manager's ongoing capex policy is to work closely with the property manager and tenants to monitor the general condition of the site and the building and to ensure ongoing routine repairs and maintenance are undertaken with a high level of workmanship.

Conflicts of Interests and Related Party Transactions

The Manager has adopted policies in relation to conflicts of interest and related party transactions. These policies may be viewed on the Trust's website (www.vhpt.co.nz/our-structure). The Manager and the Trust are also subject to the provisions of the NZX Listing Rules relating to conflicts of interest and transactions with related parties.

Operational Risk Management Policy

As a licensed managed investment scheme manager, the Manager has compliance procedures and policies in place that ensure compliance with its regulatory and professional obligations.

9.0 Investment performance review

Internal performance monitoring

Each financial quarter management will provide a report to the Board of the Manager detailing:

- (a) Financial information over the comparative period including a statement of comprehensive income and statement of financial position;
- (b) Compliance information including loan to value ratio (as defined in the Trust Deed and bank facility), interest coverage ratio and compliance with other bank facility covenants; and
- (c) Portfolio metrics including occupancy and weighted average lease term to expiry (WALE).

Reporting to investors

Performance against the investment objectives of the Trust can be measured by reference to the financial statements of the Trust, and other information released by the Trust on the NZX market announcement platform.

10.0 Investment strategy review

The Board of the Manager will review this SIPO annually (or more frequently if required) in relation to market conditions and regulatory requirements.

The Manager may propose amendments to the SIPO in accordance with the Trust Deed and the FMC Act. The Manager will consult with the Supervisor regarding the proposed amendments. The Manager must give notice to investors if the changes materially affect

existing investors. If the change is to the definition of Authorised Investments, paragraph 6 must be complied with.

The SIPO must be approved by the Board of the Manager.

The most current version of the SIPO is available on Disclose and on our website (www.vhpt.co.nz).

Appendix 1

Authorised Investments

“Authorised Investments” means any of the following:

- (a) Land whether held by the Supervisor alone or in shares with or pursuant to any other arrangement in common with any other person;
- (b) Any share, unit or other interest in any Specified Person;
- (c) Debt securities (as defined in the Financial Markets Conduct Act 2013);
- (d) Cash; and
- (e) Any futures contract, foreign exchange contract or other arrangement for hedging or reducing any market movement risk or other financial risk.

For this purpose:

“Land” means land and real estate of every estate or description and every interest therein or relating thereto and includes without limitation:

- (a) States and interests in freehold and leasehold or other tenure;
- (b) Estates and interest in any stratum estate created (in relation to New Zealand pursuant to the Unit Titles Act 2010) or in relation to Australia or elsewhere in the world pursuant to any similar legislation;
- (c) Any purchase agreement, licence, easement, option, joint venture agreement, building contract or other agreement or right of any type attaching to or relating to land, real estate or any interest therein; and
- (d) All buildings, improvements, plant, machinery, fixtures and fittings erected or installed on or relating to land, real estate or any interest therein.

“Specified Person” means a company, trust, partnership, joint venture, firm, association or other body of persons (whether incorporated or not) of which all or substantially all the fixed assets are:

- (a) Land; and/or
- (b) Shares and/or other interests in another Specified Person or Specified Persons.

Appendix 2

Change to Authorised Investments

Where the process provided within Appendix 2 applies (under paragraph 6 above):

1. The Manager will give notice to Unit Holders in such form as the Supervisor approves:
 - a. Setting out details of a proposed variation to the definition of Authorised Investments; and
 - b. Stating that if Unit Holders holding 10% or more of the number of Units on issue at the date of the notice give notice to the Manager within 20 Business Days (as defined in the Trust Deed) of the date of the notice that they disapprove of the proposed variation, then the Manager will either not proceed with the variation, or call a meeting of Unit Holders to consider the variation.
2. If no Unit Holders, or Unit Holders holding less than 10% of the number of Units on issue, give notice disapproving the proposed variation, the proposed variation shall be deemed to be approved and the Manager shall amend the definition of Authorised Investments in this SIPO to give effect to the variation proposed in the notice sent to Unit Holders.
3. If Unit Holders holding 10% or more of the number of Units on issue give notice disapproving the proposed variation, then either the Manager will not proceed with the proposed variation, or the Manager will convene a meeting of Unit Holders to consider the proposed variation. If at that meeting the Unit Holders by Special Resolution (as defined in the Trust Deed) approve the variation, the Manager will amend the definition of Authorised Investments in this SIPO to give effect to the proposed variation.