



EDMOND
DE ROTHSCHILD

FUNDING AFFORDABLE HOMES

January 2024



Aims to deliver social impact and long-term inflation-linked returns

This is a marketing communication. Please refer to the Private Placement Memorandum (“PPM”, available [here](#)) before making an investment decision. Further information about the sustainability-related aspects of the Fund is available [here](#).

OUR CONVICTION

Financing the development of affordable housing in the UK constitutes an opportunity to make tangible and measurable impact, while delivering long-term stable investment returns.

STRUCTURAL UNDERSUPPLY AND GROWING DEMAND

- ▶ There are 1.6m UK households (3-4m people) on housing waiting lists¹ – 278,000 households are statutorily homeless²
- ▶ Over 60,000 new affordable homes are needed every year³ – a level reached only twice in the last 25 years⁴
- ▶ The UK population continues to grow and is expected to increase by c. 3 million in the next decade, surpassing 70 million by 2031⁵

THE FUNDING AFFORDABLE HOMES APPROACH

- ▶ **Impact:** Funding Affordable Homes (“FAH”, “the Fund”) focuses on acquiring or funding the development of new affordable (subsidised and regulated) housing. New homes deliver additionality and support positive outcomes for residents in housing need.
- ▶ **Sustainable product:** a focus on forward funding delivers modern, purpose-built assets with an economic life beyond the initial lease term

- ▶ **Operational risk:** FAH leases homes to government-regulated housing associations and local authorities to generate attractive long-term inflation-linked rental income
- ▶ **Market access:** the Fund owns its own Housing Association (FAHHA) providing access to the sector

INVESTMENT OUTCOMES

- ▶ Long income with low volatility and inflation protection, majority government funded
- ▶ Backed by real assets bought at below open market value
- ▶ Predictable cashflows aim to deliver a target distribution yield⁶ of 4% p.a. and a total return⁷ of 6-7% p.a. through capital appreciation
- ▶ Investment diversification with low correlation to other property markets and the broader economy
- ▶ Affordable housing investments deliver tangible and measurable social impact in addition to financial returns



KEY POINTS

New capital raise with an existing **diversified portfolio** (currently 10 investments) aiming to offer **long-term inflation-linked returns**

Revised investment strategy, constitution and governance

Audited by the **Good Economy**, a leading specialist in **impact measurement and management**

Fund operates **its own housing association**

Established team with **deep sector experience**

The strategy is exposed to the **risk of capital loss**

Article 9⁸ disclosure under EU SFDR with tangible social impact

DIVERSIFIED SEED PORTFOLIO


The Fund benefits from a diversified portfolio of 10 assets across the UK, providing 768 homes and includes:

Ryde, Isle of Wight




- Extra Care + General Needs (Affordable Rent / Shared Ownership)
- 102 homes (75 apartments, 27 bungalows)

Island Point, London



- General Needs (Affordable Rent, Social Rent + Shared Ownership)
- 173 homes (163 apartments, 10 houses)

King Street, Luton



- Homelessness Project (Specialist)
- 42 homes (78 places)

EDR REIM PLATFORM



9

offices in Europe



120+

professionals



£3.6bn

residential assets under management

Source: EdR REIM, April 2023

1. NHF People in Housing Need, 2020, 2, 4. DLUHC Live Tables, 2022, 3. Savills – Building Through The Cycles, 2018, 5. ONS, 2020 6. Distributed quarterly in arrears, 7. Net of costs, fees and taxes. Note: return and yield targets are estimates only and are not guaranteed in any way. Data as per June 2023. Source: EdR REIM. 8. SFDR classification: The investment policy of a fund may change over time and therefore its classification under the Sustainable Finance Disclosure Regulation (SFDR) may change. If you have any doubts about the SFDR classification of a fund, please contact your usual adviser. Article 9 SFDR: Article 9 funds according to the Sustainable Finance Disclosure Regulation (SFDR): funds whose investment policy includes a sustainable investment objective.

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CORPORATE GOVERNANCE

FAH has brought together senior figures from affordable housing, the charitable sector, public policy and political life and combined this expertise with real estate, asset management and investment management skills. The integrated team has a proven track-record in enabling the development and provision of affordable housing, with a strong social conscience.

KEY BOARD MEMBERS AND MANAGEMENT



Richard McCarthy, CBE

Director

- Former Director General, Neighbourhoods at the Department for Communities & Local Government
- Had full responsibility for English housing and planning policy
- Former Chairman of the National Housing Federation and former CEO of the Peabody Trust



Debby Ounsted, CBE

Director

- Former Chair of The Joseph Rowntree Foundation
- Has held Chief Executive roles at two housing associations
- A leading management consultant within the affordable housing sector, with first-hand knowledge of many housing associations



Adrian D'Enrico

Fund Manager of FAH

- 15 years' experience in Fund Management
- Developed and Managed over GBP 1bn of UK real estate
- Most recently Head of Social at Alpha Real Capital
- Prior to Alpha he ran AXA's long income fund and Henley's specialist supported living fund



Paul Munday

CEO of FAHHA

- 26 years' affordable housing experience
- Directly involved in developing and purchasing more than 10,000 affordable homes
- Individual projects of up to £1.25bn
- Responsible for leading the day to day activities of FAH

INVESTMENT PARTNERS



INVESTMENT ALIGNMENT AND BENCHMARKING

THE
GOOD
ECONOMY

Signatory of:



Principles for
Responsible
Investment



KEY FUND INFORMATION

Target fund size	£500m+
Fund life	Evergreen structure
Risk profile	Core (INREV style classification)
Geography	UK only
Target net IRR	6-7% p.a.*
Target distribution	4% p.a.* (paid quarterly in arrears)
Leverage	Target 40% of GAV (max. 50%)
Currency	GBP
Minimum Commitment	Class A: £10 million

Advisory fee	0.55-0.85% on NAV (subject to scale)
Acquisition / sale fees	1.0% of net purchase price or net sale price
Structure	Luxembourg SICAV SIF S.A.
Real Estate Advisor	Edmond de Rothschild REIM (UK) Ltd
Administrator / Depositary	Langham Hall Luxembourg
AIFM	Funds Avenue S.A.
Auditor	BDO
External Valuer	Jones Lang LaSalle (JLL)
Social Impact Advisor	The Good Economy

*Return and yield targets are estimates only and are not guaranteed in any way. Investments pose a risk. Historical returns are no guarantee of future returns. Investments in the Fund can both increase and decrease in value and investors may not get back the full amount invested. The decision to invest in the Fund should take into account all the characteristics or objective of the Fund as described in its PPM. Data as at June 2023.

MAIN POTENTIAL RISKS

Investment in the Fund carries a degree of risk including but not limited to: risk of no guarantee of return, risk of limited asset class diversification, distribution risk, risks relating to UK residential property, liquidity risk, interest rate risk, leverage risk (which may increase or reduce losses or returns) and currency risk. Complete information on the risks of an investment in the Fund can be found in the PPM (Part 3 – Risk Factors).

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