Key Investment Principles

Senior Trust Retirement Village Income Generator Limited

Dated 10 January 2020

Contents

1. Introduction

These Key Investment Principles define the investment policies and objectives which govern Senior Trust Retirement Village Income Generator Limited (the "Company"). The Manager of the Company is Senior Trust Management Limited ("we", "us" or the "Manager").

Senior Trust is a limited liability company, incorporated under the laws of New Zealand that is governed by its Board and its constitution (which can be found in the Disclose Register at www.business.govt.nz/disclose under Senior Trust's offer number (OFR12802) and at the New Zealand Companies Office).

Senior Trust was established in 20 December 2019 to provide a provide investors with a consistent, reliable and attractive return by taking advantage of the growth in the Retirement Village and Aged Care sector.

Senior Trust has contracted STML to undertake, execute and manage the assets of the Company, through a Management Agreement dated 8 January 2020. The Management Agreement can be found in the Disclose Register at www.business.govt.nz/disclose under Senior Trust's offer number (OFR12802).

The most current version of this document is available on Disclose at https://disclose-register.companiesoffice.govt.nz. Information can also be located at www.seniortrust.co.nz

Our Board is responsible for ensuring that this document is adhered to by us.

This document takes effect from 10 January 2020.

2. Investment Objectives

The objective of the Company is to provide investors with a consistent, reliable and attractive return by taking advantage of the growth in the New Zealand Retirement Village and Aged Care industry. The Company will only conduct business within this industry. The return the Company seeks to achieve means that the risk profile of the Company will be greater than New Zealand registered bank term deposits. A copy of the PDS can be found on the offer register on Disclose (www.business.govt.nz/disclose).

To deliver the above objective, the Company will make secured loans to the operators of existing or new Retirement Villages and Aged Care Facilities based in New Zealand. The loans will generally be made to operators of privately owned Retirement Villages and Aged Care Facilities which are seeking to refinance, expand existing operations or embark on the development of new facilities.

The Company will also retain a requisite level of cash to meet operating expenses and provide the potential for Shares to be repurchased in a timely manner.

In the unlikely event that the Manager is unable to source sufficient lending opportunities that meet its lending criteria, then the Company may invest in debt securities such as term deposits issued by New Zealand registered banks or any other rated institution that has a credit rating of at least BBB from Standard & Poors (or an equivalent rating from another internationally recognised rating agency).

3. Investment Philosophy

The Company will invest by making secured loans to the operators of existing or new Retirement Villages and Aged Care Facilities based in New Zealand. The Manager believes that the New Zealand Retirement Village and Aged Care industry is well regulated and orderly and that, due to demographic factors, the industry has strong prospects for sustained growth over an extended period. The New Zealand Retirement Village and Aged Care industry will be the sole focus of investment for the Company.

The following Company fundamentals support this belief:

- New Zealand's aging population.
- The increasing acceptability of communal aged accommodation as evidenced by rising market penetration rates.
- Retirement Villages deliver long term cash flows to the operators of the Retirement Village as opposed to short term speculative gains.
- The stability provided by residential assets which have a history of capital growth over the long term.

The Manager's belief is that the key driver of demand for lending by the Company to participants in the New Zealand Retirement Village and Aged Care industry is the ability of the Company to provide long term continuity of funding catering for both new developments and redevelopment opportunities.

4. Investment Strategy

The Company is only permitted to invest by making secured loans to operators of new or existing Retirement Villages and Aged Care facilities, based in New Zealand, hold cash and (in the unlikely event the Manager is unable to source sufficient lending opportunities) invest in certain debt securities as set out above. The Company is also permitted to lend to the Manager for the purposes of Share repurchases as set out in the Funding Agreement with the Manager, a copy of which is available on the Disclose Register, (www.business.govt.nz/disclose) (OFR12802).

The Company's investments will likely be concentrated in a small number of loans to operators of Retirement Villages and Aged Care Facilities. Accordingly, the Company's investments will not be diversified beyond such loans.

While there are no allocation restrictions with respect to:

- the loans made to refinance or expand existing operations or embark on the development of new facilities;
- geographical location of the facilities;
- security ranking of the loans;
- length of term of the loan; or
- any other variables,

the Company is restricted to lending to a maximum, continuous loan to value ratio ("**LVR**") of 75% of the assessed value of the security taken over the Retirement Village or Aged Care Facility, with the assessment based on a mortgage valuation by an independent registered valuer (approved by the Manager) who assesses the market value of the assets used as security for the loan.

For loans made to operators of Retirement Village and Aged Care Facilities that are used for development purposes, Work-In-Progress ("WIP") reports certified by a quantity surveyor will also be provided during the development in order to substantiate an increase in the valuation. The WIP reports provide an assessment of the value of the works completed on-site. The WIP report will be taken into account when assessing whether the borrower is within the 75% LVR ratio.

The value of the Operator's Interests also form part of the LVR calculation.

In accordance with the Company's Borrowing Policy, the Company may also borrow from external sources to fund investment opportunities. The level of overall borrowing by the Company shall not exceed 20% of the Company's assets. A copy of the Company' Borrowing Policy can be found on the scheme register on Disclose (www.business.govt.nz/disclose)

Investment Characteristics

The Company will lend to operators of Retirement Villages and Aged Care Facilities that display some or all of the following characteristics that are demonstrated by:

a) Being located in areas of proven demand

- Sales record to date
- Market evidence and demographics statistics
- Market research
- Projected build and sustainable sales rate
- Realistic development programme.

b) Having stakeholders who have a material investment in the facility

- Financial statements, cash equity and shareholders' contributions
- Reputational worth of guarantors
- Personal resources of guarantors
- Level of hands on involvement.

c) Having operators with a proven track record of performance in the industry

- The Company will not exclude new entrants into the industry, but will give additional weighting to other characteristics in the event that the loan is to a new entrant.

d) Having input from third party advisors with relevant expertise and skills in the Aged Care and Retirement Village industry.

e) Being registered in accordance with the Retirement Villages Act

- Registration is not a prerequisite, however weighting will be given to Retirement Villages which are registered.

Investments are structured to generate steady cash flows from interest payments made by borrowers that will, provided that contractual obligations are met, ensure the Company can meet its investment objective of providing investors with a consistent, reliable and attractive quarterly return relative to the risk profile of their investment.

Performance Objective

The Company's targeted distribution rate is set by the Board from time to time and is the intended percentage before tax return when compared to the Share Issue Price. A distribution is not guaranteed, and depending on market conditions, may change over time.

Investors can contact the Manager to find out the current targeted distribution rate or prior rate at which distributions were paid.

The Company will maintain a policy of distributing quarterly only income collected in cash after payment of expenses and any other provisions the Manager considers appropriate. The performance of the Company to the targeted distribution rate is assessed quarterly by the Board in setting and approval of the quarterly distributions.

Interest rates charged to the borrowers will be set after taking into account the targeted distribution rate and the Company's operating costs. The Manager also takes into consideration the risk and overall lending profile of the borrower.

If it is in the Company's interest, the Manager may permit loans to be made by other parties to the borrower that are subordinated to the Company's loans. Any principal repayments on loans which are subordinated to the Company will require the consent of the Manager.

The loans that the Company makes are secured by mortgages over Retirement Village and Aged Care Facility land and/or property. The ranking of the security will depend on the circumstances of each individual loan. In some cases, and subject always to the 75% LVR restriction, there may be other parties who have loans and security interests that rank ahead of or equally with the Company. In particular, it may be in the interests of all parties that low cost funding from banks form part of the funding mix for a Retirement Village or Aged Care Facility in which case the bank's security will rank ahead of the Company's.

5. Investment Strategy Review

The investment strategy of the Company is reviewed on an annual basis by the Board.

6. Key Investment Policies

The overarching investment policy is to invest the assets:

a. according to the investment objectives and parameters described in this SIPO; while

b. complying with:

   1. all applicable laws; and
   2. the requirements of the disclosure documents.

Below are the key investment policies that are relevant to achieving the Company's investment objective;

- **Conflicts of Interest and Related Party Transactions policy**
  The Manager recognises that conflicts of interest or potential conflicts can present issues, particularly those between investors and the Manager. A 'Conflicts of Interest' policy has been adopted by the Board. The Policy assists the directors and employees to recognise, disclose and manage conflicts of interest and potential conflicts between the Manager (or individual staff) and investors. The Policy also provides a procedure to manage and resolve any potential or apparent conflicts in a way that is fair to investors.

- **Borrowings Policy**
  The policy details the specific circumstances when the Manager may borrow from third parties to enable the Company to meet its requirements.

- **Asset Valuation and Pricing Policy**
  This policy is to set out the principles and methodology used for asset valuation and pricing of the Company's assets.

- **Governance policies**
  The Manager acts within a strong governance framework overseen by an experienced Board. The compliance program ensures the Manager is acting in the best interests of shareholders.

  The Board has adopted a number of governance policies and procedures. All policies are reviewed annually and approved by the Board.

  Various policy documents are contained on the Disclose Register at www.business.govt.nz/disclose under the Offer number (OFR12802).

  Governance documents can also be located at www.seniortrust.co.nz

Investment Risk

Investment risk is monitored by the Board. Below are some of the key risks for the Company:

- **Concentration Risk**
  The Company's assets will be concentrated in a small number of loans, in a specific sector of the Retirement Village and Aged Care industry.

- **Security Position Risk**
  The loans we make to operators of Retirement Villages and Aged Care Facilities will likely rank behind the prior security rights of the operator's statutory supervisor under the Retirement Villages Act (if there is one) and/or money lent to them by other financier(s) such as a bank.

- **Credit Risk and Refinancing Risk**
  If the borrower is unable to pay the agreed interest and/or repay the principal loan, when due (or at all); and/or requires refinancing in order to repay the loan and is unsuccessful in securing refinancing, this would adversely impact our ability to achieve our performance objectives, provide returns for our Shareholders and/or buyback Shares.

- **Lending Risk**
  If the Manager is unable to identify lending opportunities which adhere to the Company's lending criteria this may have an impact on the Company being able to achieve our objectives for returns.

- **Development risk**
  A new business or property under development is more likely to fail than an existing business with a proven track record. This could be significant for the Company because it is expected that most of our loans will be made to operators of Retirement Villages and Aged Care Facilities whose facilities are in the process of being developed.

- **People and Capability Risk**
  Key directors and senior managers may leave or may select investments that fail to meet the Company's investment objectives.

  The PDS provides more information about the risks of investing in the Company. A copy of the PDS can be found on the offer register of Disclose (www.business.govt.nz/disclose).

7. Investment Performance Monitoring

The Company comprises a small number of loans to operators of privately owned Retirement Villages and Aged Care Facilities who are seeking to either refinance, expand existing operations or embark on the development of new facilities.

All loan approvals will be subject to the following assessment and must be approved by the Board. Loans are assessed against categories of risk. Each category of risk is assessed using the below Risk Matrix and the loan will not be approved if the combined score of the Risk Matrix is 18 or over.

Risk Matrix:

Probability / Impact	Minimal	Low	Medium	High	Severe
Certain	5	6	7	8	9
Highly Probable	4	5	6	7	8
Probable	3	4	5	6	7
Unlikely	2	3	4	5	6
Highly Unlikely	1	2	3	4	5

Risk categories which are assessed include:

- **Liquidity & Cash flow Risk**

To assess whether the borrower has access to enough cash to meet immediate, short-term and long term payment obligations, the Manager will consider some or all of the following variables when considering whether the borrower will experience liquidity issues:

Cash reserves, future sales, other sources of cash flows, available credit facilities and cash flow forecasts.

- **Management and Operational Risk**

To assess whether the borrower's management team has the expertise, capability and capacity to manage the operation or development effectively, the Manager will consider some or all of the following variables:

Corporate culture, experience, financial controls, strength in depth and governance.

- **Security Risk**

To consider whether the level of security available in the event of the borrower defaulting on the loan is adequate, the Manager will consider in its discretion whether the loan is at risk due to the level of security provided. Some or all of the following factors will be considered:

Loan to Value Ratio, elements making up the valuation e.g. bare land, resource consents, WIP, sales and conditional sales, extent of lending that ranks in priority to the lending undertaken by the Company.

Where the Company's security is subordinated to the interests of a prior ranking lender, the quantitative Risk Matrix for security will automatically be deemed to be 9 points. In order for the loan to be considered for approval, other risk assessment categories will require a correspondingly lower risk threshold in order that the total score is less than 18 points.

On a monthly basis, a loan review will be undertaken where the above risk categories will be reviewed and scored in accordance with the Risk Matrix. If the score is 18 or over then the Board may exercise any rights it has under the loan documentation to undertake remedial action, which may include terminating the loan.

In addition to the Risk Matrix, the performance of loans made for facilities under development will be monitored by some or all of the following:

- site inspections
- analysis of quantity surveyor reports
- comparison of actual versus budgeted expenditure
- development delays or issues
- forecast sales and settlement dates being met.

At a minimum, the Board or Manager will undertake an annual review of the borrower. This will include an assessment of the most recent independent valuation report from a registered valuer, if applicable, an analysis of the year end audited financial statements and other requested information provided by the borrower.

In addition, a member of the Board or Manager may undertake a site visit and provide a formal report to the Board. The review process enables the identification of any deficiencies or credit issues arising and thereby exercise its right to take remedial action if required.

8. Board’s Responsibilities

The Board shall:

- Approve all investment decisions in accordance with this document and disclosures in the offer documents for the Company.
- Establish and maintain criteria for the measurement of performance of the various loans made by the Company.
- Ensure the Key Investment Principles remain relevant in respect of prevailing economic conditions.
- Ensure the Company complies with all of its obligations under relevant laws, including in relation to any current offer documents for the Company.
- Ensure compliance with the Manager's obligations under relevant laws, including in relation to Company updates and annual reporting.

9. Related Party Lending

The Company may make loans to other retirement and aged care operators where Senior Trust Capital (a related party) is a lower tier lender (in the sense that both Senior Trust Capital's right to receive payment of interest and principal, and its security position, rank behind the Company's) or Senior Trust Capital, or its subsidiary, has an equity interest. Provided that the loans are compliant with this document, any offer document for the Company, governing documents for the Company (such as the Constitution) and are on normal commercial, arms-length terms.

Where loans are intended to be made to any related or associated entity of the Manager or the Company:

- the loan application must be approved by the independent directors of the Board;
- the independent registered valuer must be appointed by the Manager;
- loan reviews will be undertaken by a person who is independent of the borrower; and
- the annual review of the borrower will be undertaken by one of the independent directors of the Manager.

All loans intended to be made to a related or associated entity of the Manager or the Company, must comply with the Company's Conflicts of Interest and Related Party Transaction Policy and Procedures.

10. Glossary

Any capitalised terms used in this Document which are not defined below may be defined in the PDS.	
Aged Care Facility	Aged Care Facilities may not be registered Retirement Villages but are usually associated with a registered Retirement Village or a facility that intends to register. Aged Care Facilities are licensed by the relevant District Health Board (DHB) and provide care on the basis of an age-related residential care contract with the DHB.
Board	The board of directors of the Company.
Company	Senior Trust Retirement Village Income Generator Limited.
Loan to value ratio or LVR	A loan-to-value ratio (LVR) is a measure of how much the Company will lend compared to the value of the assets. The calculation Includes all pari passu and prior ranking security (but excludes all fully subordinated indebtedness).
Manager	Senior Trust Management Limited.
Operator's Interest	Present value attributable to the forecast future net income flows to be generated which the owner is entitled to receive for owning the village.
Retirement Village	Means a village owned by an entity which owns real property predominantly intended for the residential use of persons above a defined age. Retirement Villages may include any of the following: • a fully developed Retirement Village; • a partially developed Retirement Village which has further development plans, and includes its associated development or expansion activity; • a Retirement Village development underway; and • Bare land which is intended for the development of a Retirement Village. For the last two categories, the development plans may be such that common facilities or related facilities (such as Aged Care Facilities or hospitals) may be constructed prior to, during or after the Retirement Village element of the development.
Retirement Villages Act	Retirement Villages Act 2003 and its related legislation.
Share	An ordinary share in the Company.
Shareholder	A person for the time being registered in the Share Register as the holder of a Share in the Company and includes persons jointly registered.
Work in Progress	Is the value of sums expended on uncompleted dwellings or supporting infrastructure.