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# Alpha Real Capital

## Solving the Social Infrastructure Crisis

Adrian D'Enrico – Head of Social

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**Predictable inflation-linked cashflows with significant (c.600bps\*) pickup over gilts**



**Scale (£50bn+) investment opportunity underpinned by robust fundamentals**



**Positive, quantifiable social impact delivered in addition to attractive returns**

Physical assets across a range of sectors which accommodate or facilitate social activities or services, deliver positive outcomes for the people and communities they serve

### Three broad sectors

## Healthcare



## Housing



## Education



Primary care

Providing high quality facilities for patient treatment, increasing access to services and delivering societal health benefits

Typical tenants

NHS Trust / Clinical Commissioning Group / GP partners

UN SDGs



Supported Living

Providing secure, fit-for-purpose accommodation for vulnerable adults, promoting independence and facilitating wider positive outcomes

Typical tenants

Local authority / housing association / charities

UN SDGs



University faculty

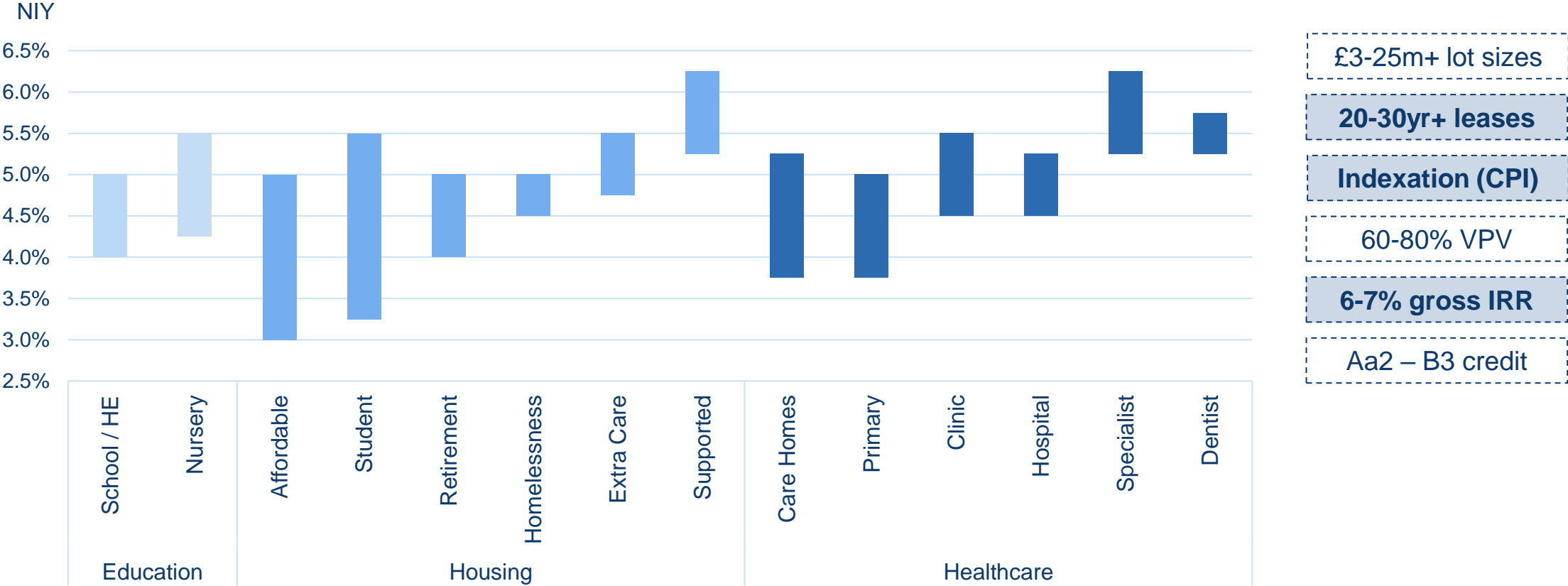
Providing high-quality teaching facilities which promotes learning, provides stability and improves long-term opportunities

Typical tenants

University / college / local authority partnership

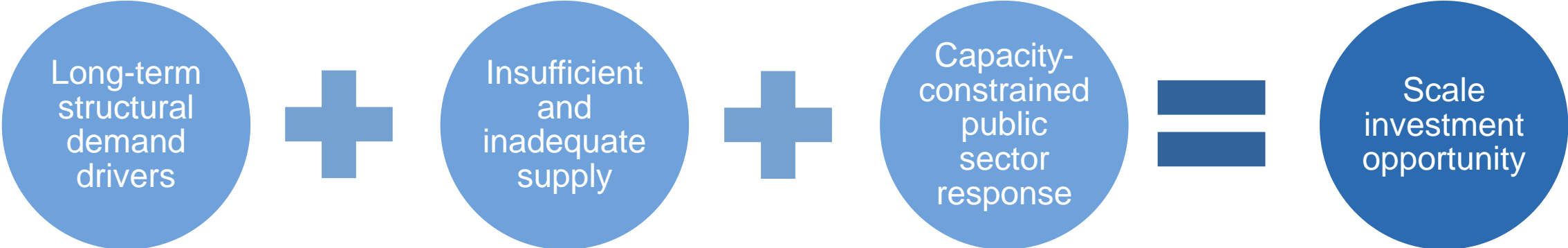
UN SDGs





A range of assets collectively offering attractive yields and long-term inflation linked income underpinned (directly or indirectly) by public sector funding

Source: Alpha Real Capital, based on market conditions as at 30 September 2021.



By 2030, one in five people in the UK (21.8%) will be aged 65 or over with the 85+ the fastest growing age group<sup>1</sup>

1.6 million households on waiting lists<sup>3</sup>, with 95,370 households in temporary accommodation<sup>4</sup>

Public sector net debt exceeded 100% of GDP in May 2020 – the first time since 1963 – and exceeded £2trn in July<sup>6</sup>

Opportunity to invest at scale into assets delivering long-term inflation-linked income which support and strengthen communities

The UK population is expected to increase by c.3 million in the next decade, surpassing 70 million by 2031<sup>2</sup>

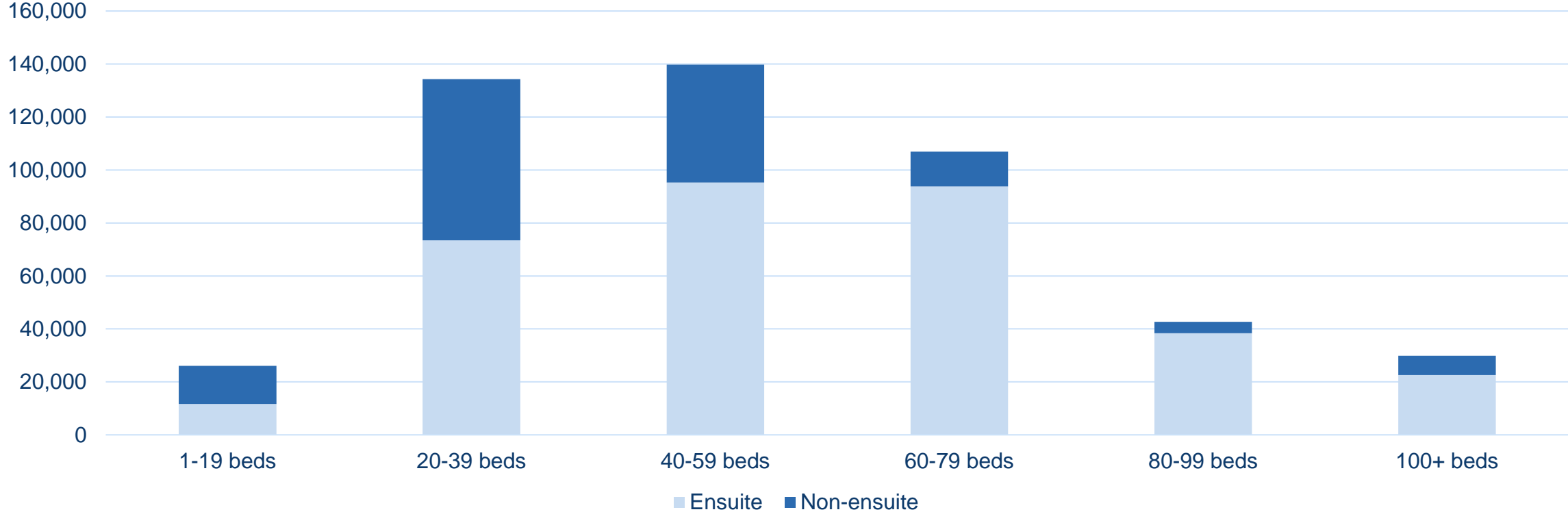
50% of GPs stated that existing premises are inadequate for the provision of existing GP services<sup>5</sup>

Under pressure local authorities are expected to face a Covid-19 financial hit equal to 13% of pre-crisis expenditure in 2020-21<sup>7</sup>

Satisfies increasing investor appetite for/consideration of ESG and SRI metrics and principles

Sources: <sup>1</sup> Age UK – Later Life in the UK, 2019, <sup>2</sup> ONS National Population Projections 2018, ONS, 2020, <sup>3</sup> NHF People in Housing Need, 2020, <sup>4</sup> MHCLG Live Tables, April 2021, <sup>5</sup> BMA, 2019, <sup>6</sup> ONS – Public Sector Finances UK, July 2020, <sup>7</sup> IFS – COVID-19 and English council funding, August 2020

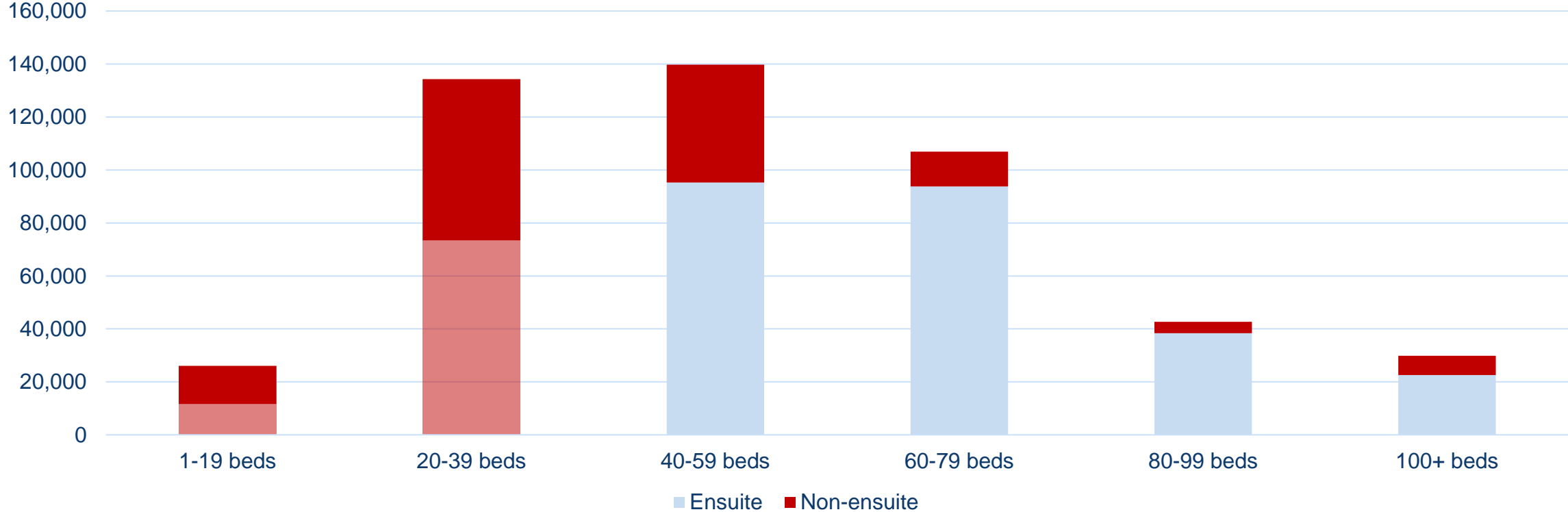
## Market exposed to small care homes and non-standard beds<sup>1</sup>



Half of the UK’s registered beds are in small care homes (<40 beds) deemed ‘not fit for purpose’ or comprise non-ensuite rooms which no longer meet market standards<sup>2</sup>

Sources: <sup>1</sup> Caredata.co.uk (Tomorrow’s Guides) & Knight Frank, 2020, <sup>2</sup> Knight Frank

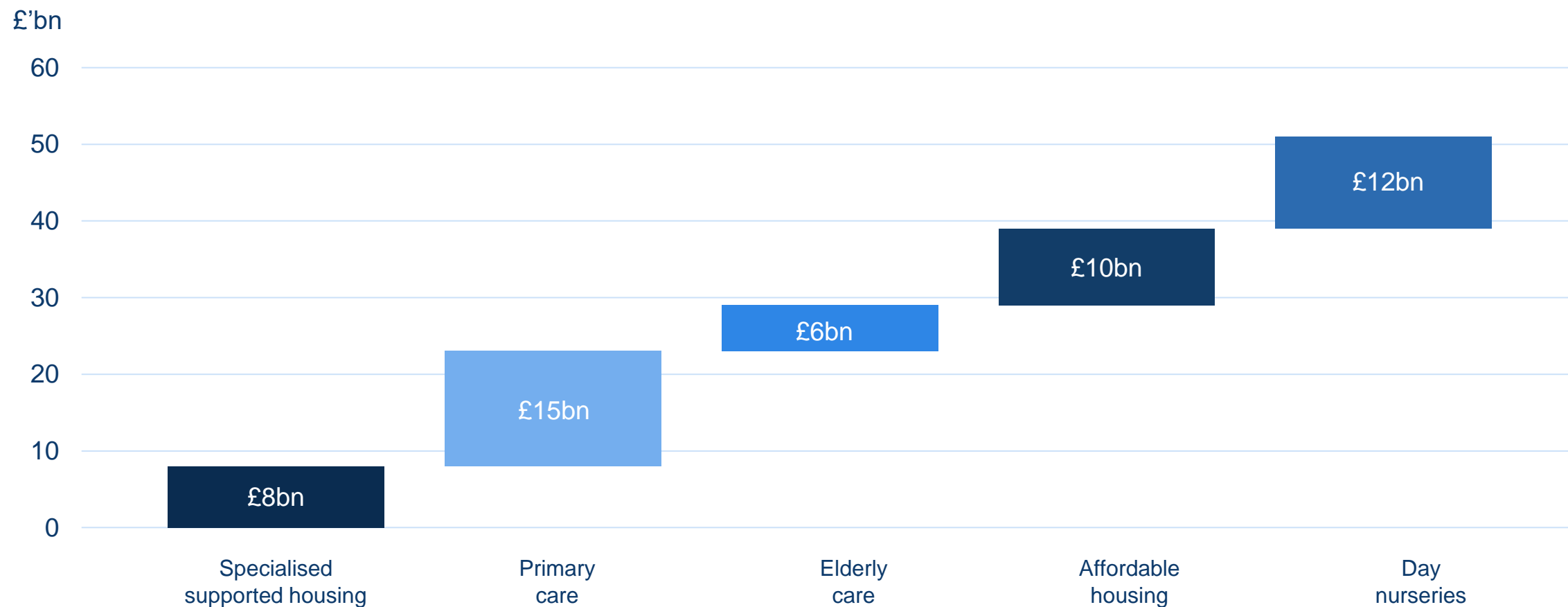
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## Scale of the opportunity – £50bn+ based on conservative estimates

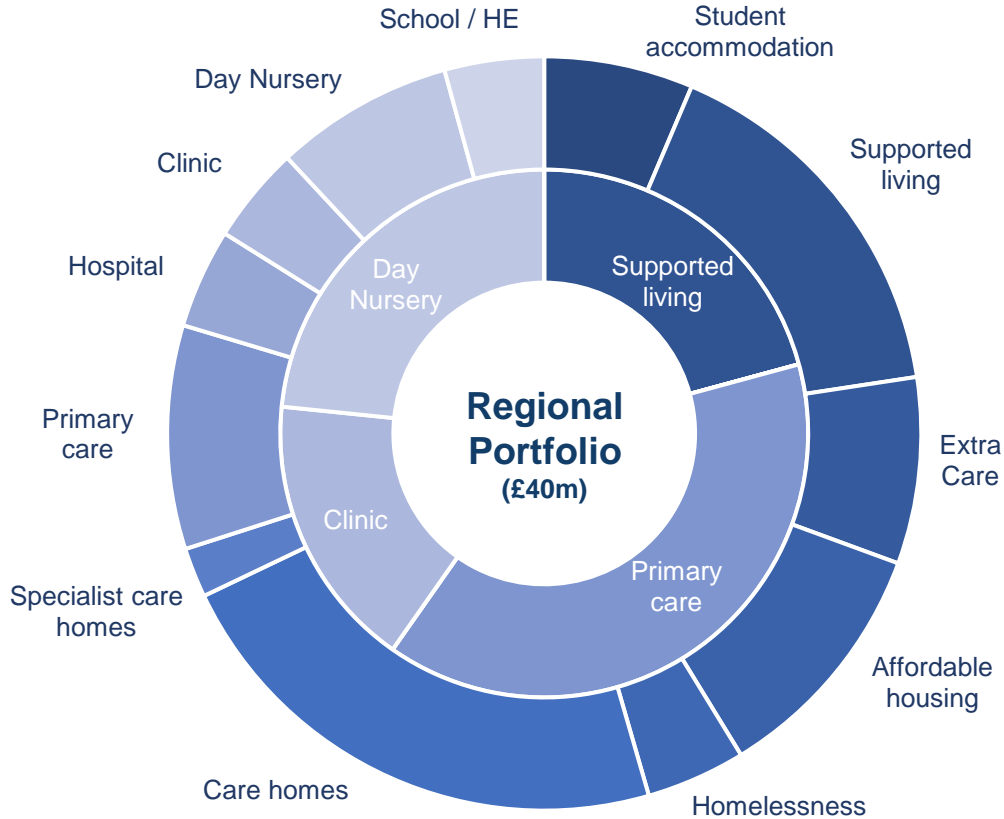


Even based on conservative assumptions, £50bn+ of capital investment is required to deliver social infrastructure assets to meet current need and support future growth



## SECTOR DIVERSIFICATION

**National Portfolio**  
(£500m)

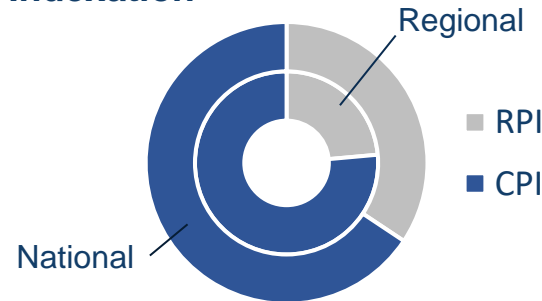


- **National:** 66 assets, 12 sectors, asset range £3 – 20m
- **Regional:** 8 assets, 4 sectors, asset range £3 – 7.5m

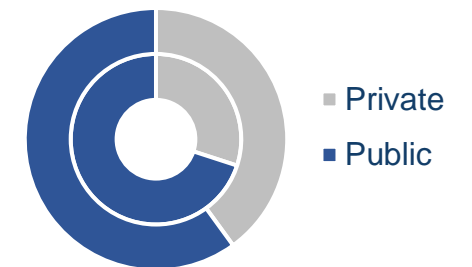
## TANGIBLE & QUANTIFIABLE ESG BENEFITS

	National	Regional
UN SDG alignment		
Social value generated	£2.4bn	£300m
Social value ratio	£1 : £4.75	£1 : £7.83
Social infrastructure	<ul style="list-style-type: none"> <li>▪ 84k patients</li> <li>▪ 800 homes</li> <li>▪ 585 beds</li> <li>▪ 960 nursery places</li> </ul>	<ul style="list-style-type: none"> <li>▪ 28k patients</li> <li>▪ 40 homes</li> <li>▪ 240 nursery places</li> </ul>

## Indexation



## Occupier funding source





**Construction Risk &  
Cost Control**



**Reputational Risk**



**Regulatory &  
Political risk**



**Deployment**



**Income Security**



**Liquidity**

Proactive origination, detailed sector and counterparty level underwriting and a flexible, diversified investment approach are essential for deployment into social infrastructure



### Predictable inflation-linked cashflows

- Long-term inflation-linked income streams, with public sector support
- 15 years duration at current spreads\* of c.6% p.a. over index-linked gilts



### Scale investment opportunity

- Largely untapped £50bn+ opportunity with multi-sector approach
- Flexibility to invest nationally or locally to deliver place-based impacts



### Positive social impact

- Tangible and quantifiable social benefits in addition to financial returns
- Delivers on both the E and S of ESG, supporting communities

Any questions?



**Adrian D'Enrico**  
Head of Social

adriandenrico@alpharealcapital.com

+44 (0) 20 7391 4782



**Boris Mikhailov**  
Client Solutions

borismikhailov@alpharealcapital.com

+44 (0) 20 7391 4696






**Stuart Hanson**  
Client Solutions

shanson@alpharealcapital.com

+44 (0) 20 7391 4566

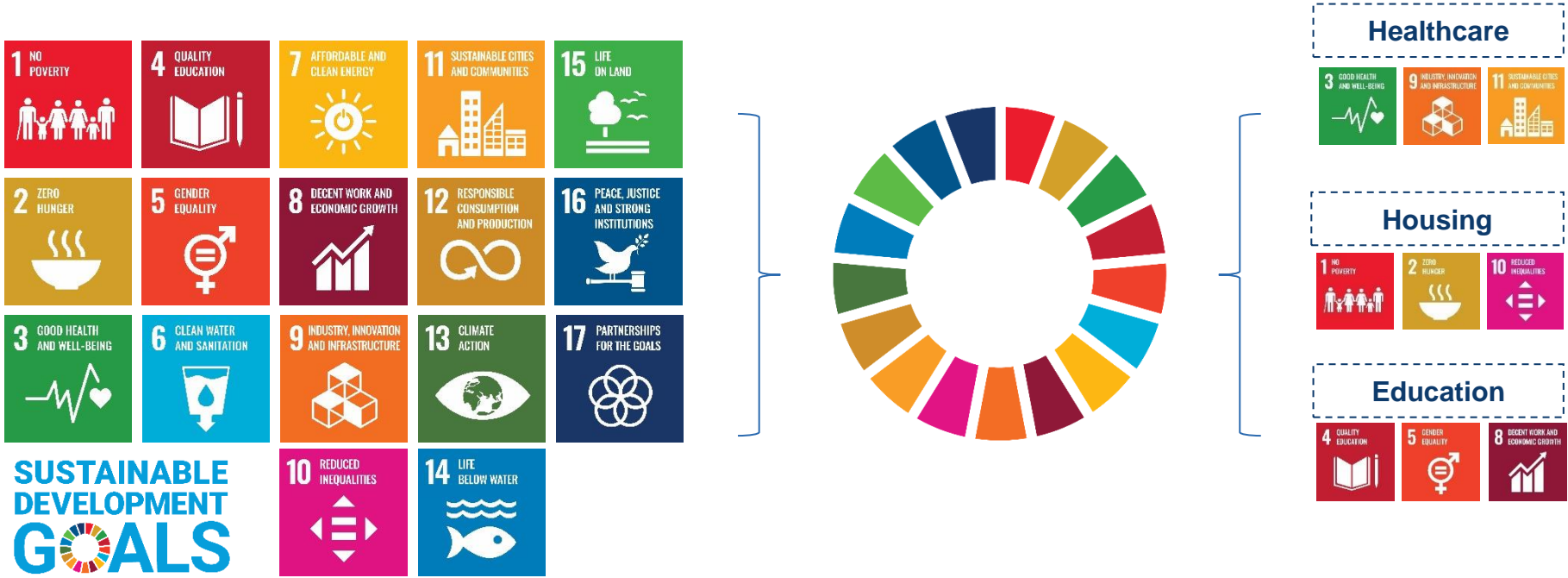
# Appendix

# 'Core and satellite' approach combines regional focus with national scale

	National / pooled	Combined	Regional / segregated	
				
<b>Social benefit</b>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	<i>Strong social characteristics irrespective of scale</i>
<b>Diversification</b>	✓ ✓ ✓	✓ ✓ ✓	✓	<i>Pooled vehicle provides broader sector exposure</i>
<b>Deployment speed</b>	✓ ✓ ✓	✓ ✓	✓	<i>National remit broadens investible opportunity pool</i>
<b>Deployment capacity</b>	✓ ✓ ✓	✓ ✓	✓	<i>Larger portfolio can secure larger assets</i>
<b>Liquidity</b>	✓ ✓ ✓	✓ ✓ ✓	✓ ✓	<i>Sub-portfolios enhance potential liquidity</i>
<b>Bespoke structuring</b>	✓	✓ ✓	✓ ✓ ✓	<i>Segregated approach permits greater flexibility</i>
<b>Targeted opportunities</b>	✓	✓ ✓	✓ ✓ ✓	<i>Regional focus can target under-provision</i>
<b>Local impact</b>	✓	✓ ✓	✓ ✓ ✓	<i>Regional mandate focuses benefits</i>

# Diversification mitigates risks and enhances achievable benefits

- 2030 Agenda for Sustainable Development, adopted by UN Member States in 2015
- 17 Sustainable Development Goals covering a wide range of factors, to try and alleviate poverty and deprivations whilst improving health and education, reducing inequality and spurring economic growth



Source: UN Sustainable Development Goals, Alpha Real Capital, for illustrative purposes only.



### Environmental

- Focus on modern, purpose-built assets with economic life beyond initial lease term
- Early-stage participation in development process ensures regulatory compliance
- Purpose-built/majority refurbished assets limit occupational, maintenance & repair costs
- Assessment of alternative use – supporting adaptation or repurposing if required



### Social

- Operators can afford to rent, but not build = supply generation maximises social benefit
- Identifying assets with long-term user demand = best community & investment outcome
- Leases to experienced operators, with sector specialisms, supports positive outcomes
- Assessment and measurement of tangible social benefits

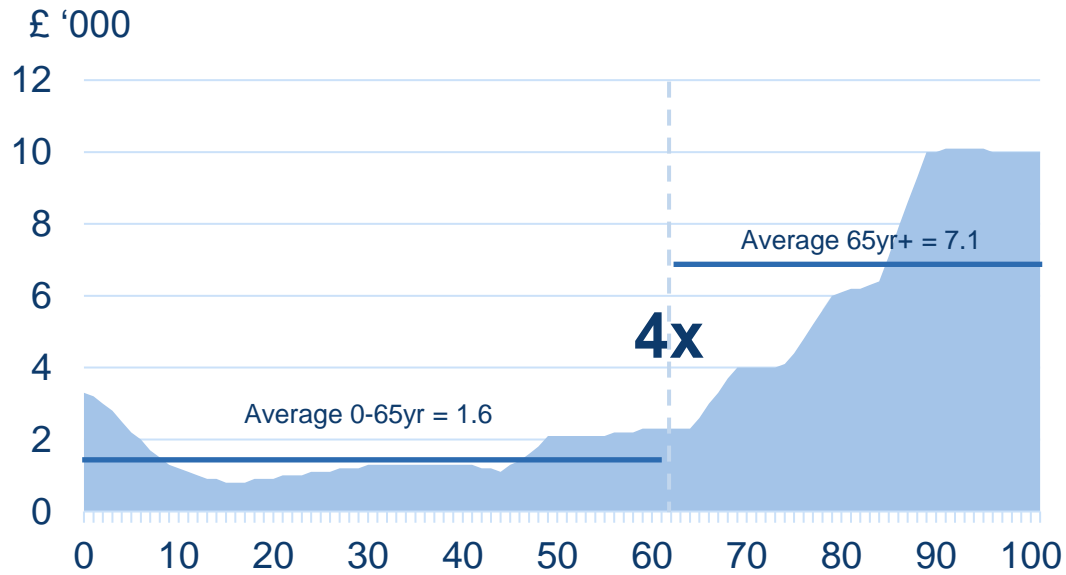


### Governance

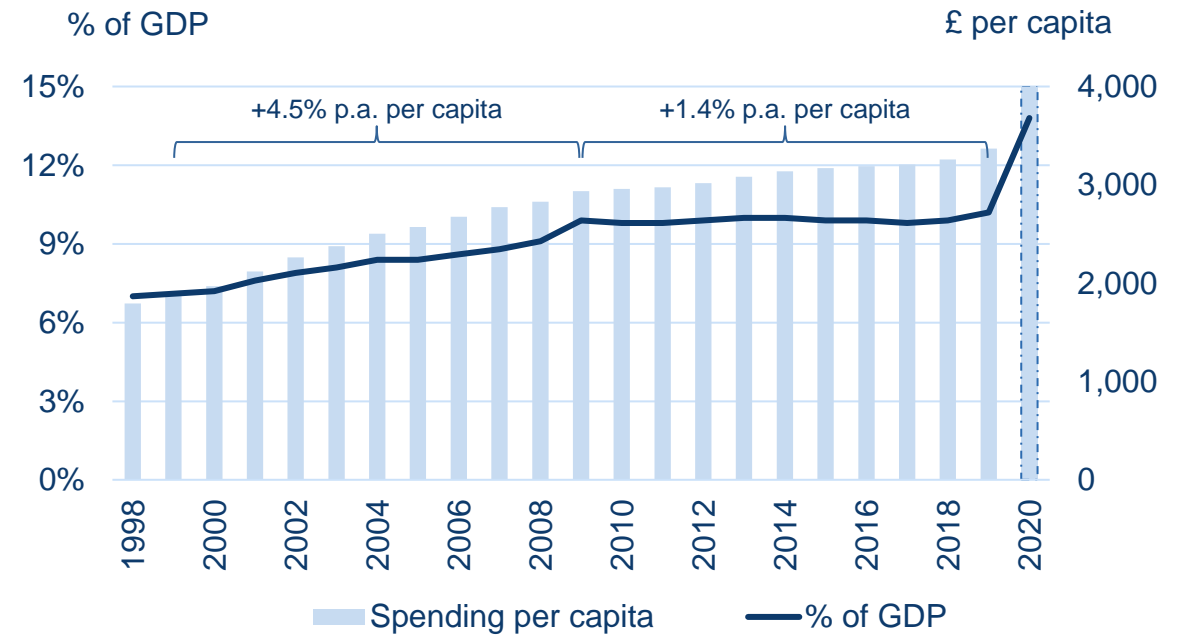
- Detailed analysis of underlying source of income and funding used to pay rent
- Origination process facilitates optimised investment quality and long-term affordability
- Adopting a long-term approach, establishing relationships and working with tenants
- Investment in highly regulated sectors, working with others to set & evolve standards



### Health spending by age<sup>1</sup>



### UK Public Healthcare Expenditure<sup>2</sup>



A growing, ageing population requires significant increases in care spending.  
With public finances under pressure, the public sector response will be constrained.

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