

INVESTMENT IS OPEN TO “WHOLESALE INVESTORS” ONLY, TO BE MADE IN ACCORDANCE WITH THE FINANCIAL MARKETS CONDUCT ACT 2013, INCLUDING SCHEDULE 1 TO THAT ACT. THIS FUND IS NOT SUITABLE FOR RETAIL INVESTORS.

NewGround

Homes for Tamariki

Delivering a commercial return to investors,
while providing stable homes for vulnerable
children and young people

THE OPPORTUNITY

Homes for Tamariki Limited is an investment vehicle that purchases existing homes throughout New Zealand and leases them to the government for the care and accommodation of vulnerable children and young people (and their caregivers).

The company aims to deliver shareholders:

- quarterly dividends in excess of 4% p.a. from government rental income
- long term capital growth from residential property
- deductibility of interest costs (as the properties are leased to the government)
- protection against rising interest costs via a unique rental pricing mechanism

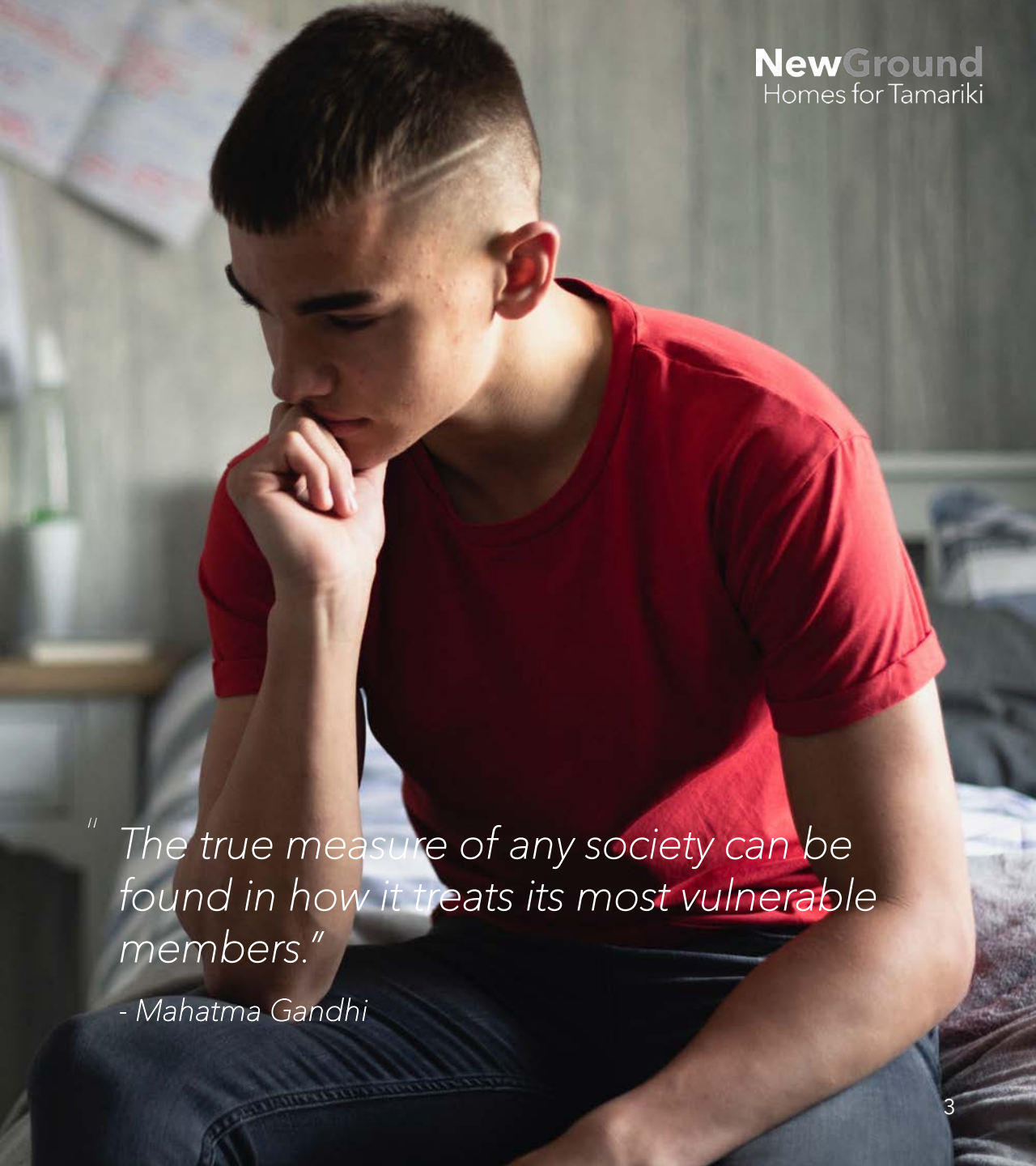


THE PROBLEM

There are approximately 5,250 children and young people in state care or custody in New Zealand, the vast majority of whom are placed in the care of extended family or foster homes.

In some situations however, those models of care are not viable and the state itself must provide the accommodation and care, for which the Ministry for Children has a network of owned and leased homes. Unfortunately, demand for these homes currently exceeds availability, and constraints on the Ministry's ability to act quickly when properties suitable for lease or purchase come on the market mean they often miss out.

As a last resort, children and young people are placed in emergency housing, such as motel rooms. For children and young people with a background of abuse and neglect or complex health needs, living in a transient environment, moving between motel rooms, facilities or even towns, can compound their trauma.



"The true measure of any society can be found in how it treats its most vulnerable members."

- Mahatma Gandhi

THE SOLUTION

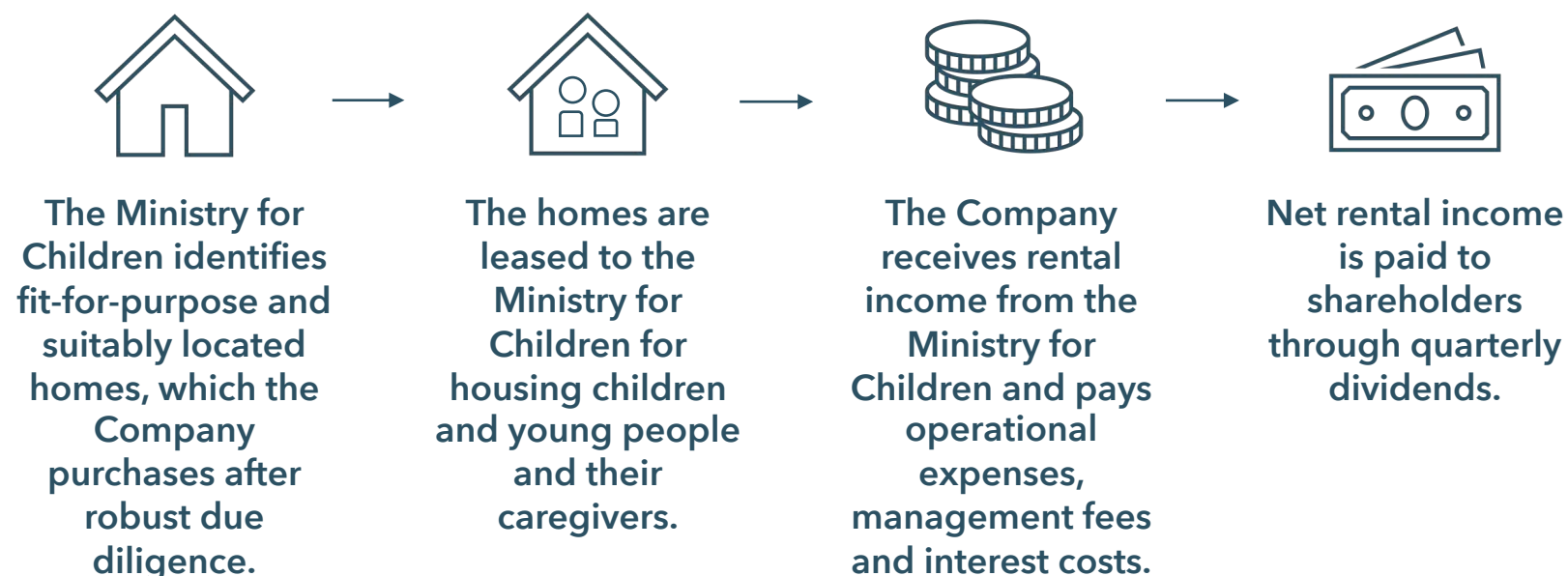
Homes for Tamariki was established to make the capital available to deliver a transformational improvement in the homes of New Zealand’s most vulnerable children and young people whilst generating an attractive yield from a government revenue stream and long-term capital appreciation.

WHAT IS THE SPECIFIC NEED?

The Ministry for Children currently requires around 30 existing homes suitable for the children and young people in their care, with demand indicated to extend to more than 100 rental homes over the next three years.

CAPITAL REQUIREMENTS

The Company’s objective is to raise at least \$20 million over the next twelve months, and up to \$70 million over the first three years.



IMPORTANT NOTE: The role of Homes for Tamariki is to acquire homes at fair value and lease these to the Ministry for Children. The Company has no role in the care or supervision of the resident children and young people. The provision of care and supervision services remain the full responsibility of the Ministry for Children.

JOURNEY TO DATE

FEBRUARY 2021

Ministry for Children approached New Ground to ask if we could develop a housing solution for the children and young people in its care.

MARCH - OCTOBER 2021

New Ground developed Homes for Tamariki Limited (the Company) as a response, in consultation with the Ministry for Children.

MAY 2022

Completed an initial capital raise, including cornerstone investments from Purpose Capital and Whakatupu Aotearoa Foundation.

JUNE - JULY 2022

Settlement of the first three homes purchased by Homes for Tamariki in Auckland, Hamilton and New Plymouth and leasing of these homes to the Ministry for Children.

OCTOBER 2022

The first young people moved into the Hamilton home and the Fund paid its first quarterly dividend.



"Regarding H4T opening, it was inspiring, moving and frankly made me feel proud to be part of such a fabulous initiative. The house itself was lovely, I'd happily live there, and a real tribute to the OT people who did all the various subtle but important modifications to make it fit for purpose. So I've come away a believer, not just in the investment model but in the positive impact H4T can have in the lives of these kids who don't deserve what they've been served up."

- Current Investor

INVESTMENT ATTRIBUTES

Homes for Tamariki enables investors to put their money where their values are, providing measurable impact alongside financial gains.

Low risk income. All properties are leased to the government on fixed term leases. Rents are based on the purchase price (weighted 65% at 4.9%, and 35% at the higher of 4.9% or the average 5-year fixed mortgage rate), and therefore, the cashflows to the fund have a similar risk profile to government debt.

Low correlation. Residential property has a low correlation to other asset classes, including other major property types. There are strong arguments for its inclusion as part of a portfolio diversification strategy.

Long term. Lack of liquidity in the short term may present a challenge for some investors, noting however the impact of potential longer-run house price inflation on overall returns. The Manager will work to facilitate liquidity requests as required. The Manager will also retain the option to sell properties with leases in place to fund liquidity requests.

Asset-based. Properties are modified/improved for use at the Ministry for Children's cost, and strong make-good provisions are key lease terms. The Ministry is also responsible for maintaining the homes for the duration of the lease. Properties are being purchased throughout New Zealand, lowering asset risk from events such as natural disaster.

Tax efficient. Unlike most forms of residential property investment, interest on debt within Homes for Tamariki Limited should be tax deductible against income for the purposes of calculating the income tax liability, due to the homes being leased to the Ministry for Children for social housing.

Any capital gain achieved should generally not be taxable so long as the properties are held for a period greater than the relevant bright line test (currently 10 years) and were not acquired on revenue account. Any tax on income received will be payable by the investors at their relevant tax rate.

Minimum investment: \$50,000 from "wholesale investors", as that term is defined in Schedule 1 of the Financial Markets Conduct Act 2013. This fund is not suitable for retail investors.

Offer closing date: Continuous raise until goals are reached

FINANCIAL RETURNS

1 The quarterly dividend is projected to average in excess of 4% per annum.

Dividends are paid from rental income received from the government, net of the costs of managing the Company, and mortgage interest.

2 The value of the Company's shares will be determined by movements in the value of the Company's properties net of mortgage debt.

The Company is currently using 35% debt funding, meaning that the share value should move by 1.3x the change in the value of the property portfolio.

3 NZ house price inflation has averaged 8.3% p.a. over the last 20 years, though this is no guide to the future.

IMPACT OUTCOMES

Our target impact outcomes not only represent significant improvements to the lives of these children and young people, but also important social and economic outcomes for Aotearoa New Zealand as a whole. These impact outcomes are not only extremely meaningful, but they are also measurable and scalable over time.

Homes for Tamariki aims to achieve a range of critical impact outcomes based on the findings of a report commissioned by the Ministry for Children in 2019, 'Specialist Group Homes - Business Case', including:

- **Increased attainment of NCEA level 2+ by up to 49% on average**
- **Increased employment stability at age 20 by up to 23% on average**
- **Reduced truancy by up to 35% on average**
- **Reduced serious offending by up to 45% on average**
- **Reduced substance abuse by up to 24% on average**
- **Reduced need for mental health treatment by up to 8% on average**

We are working with the Ministry for Children to ensure that the required data is collected to enable the reporting of the actual impact outcomes against these targets.



GOVERNMENT PARTNERSHIP

"A key shift to improve the quality of care for children and young people who are not currently able to live with whānau is the move to smaller, less institutional, and therapeutic environments connected to their communities, instead of larger residential or emergency housing environments.

We've been looking for and trying to secure a home to replace an existing home that was institutional in both look and feel. At times it felt like we were searching for a unicorn.

The home secured by New Ground's Homes for Tamariki met our required specification, is 'fit for purpose' and will enable us to:

- *provide a warm and loving environment where children and young people are safe, recovering and flourishing*
- *support children and young people to establish, maintain, or strengthen cultural identity and connections*
- *provide the 'base' from which they will experience what's important to them."*

Andrew Beattie

Change Engagement and Homes Manager
Ministry for Children



A Ministry for Children representative receiving the keys to the first Homes for Tamariki property

KEY LEASE TERMS

Lessee	The Crown (officially “The Sovereign in Right of New Zealand acting by and through Oranga Tamariki–Ministry for Children”)
Initial lease term	Five years
Rights of renewal	Three rights of renewal of five years each
Rights of termination	With three months notice during right of renewal periods, and 6 months rent penalty if the 1st right of renewal is not exercised
Rental rates	Gross lease, calculated initially as a percentage of the purchase price (the “Agreed Rent Percentage”) weighted 65% at 4.9%, and 35% at the higher of 4.9% or the average 5-year fixed mortgage rate
Payment terms	Invoiced annually and paid as a single lump sum on settlement of the property and subsequent anniversaries
Annual rent adjustment	The rent is increased by 3% on the anniversary of each lease and reset on lease renewals to the higher of the closing rent plus 3% or the Agreed Rent Percentage applied to the updated market value of the property
Use of premises	Residential accommodation for children and young people in care of the Ministry for Children and for rangatahi in need of supported transitional accommodation
Supervision & support	Supervision and support will be provided by the Ministry for Children within the homes in compliance with the their internal policies and procedures. This is responsive to the status and needs of the children and young people resident within the homes at any given point in time
Modifications	The Ministry for Children will be responsible for the cost of modifications required by their own policies or by legislation (excluding modifications required to comply with the Healthy Homes Act), such modifications to be approved in writing by the Company in advance
Make Good	The Ministry for Children will be responsible for making good any modifications or damage, in order to return the property to its original state (noting exceptions for general wear and tear).

COMPANY STRUCTURE

Size The Company aims to raise up to \$70m of equity over the next three years through a series of share issues, supplemented by conservative levels of debt funding.

Type Homes for Tamariki Limited is a Limited Liability Portfolio Investment Entity (PIE) Company, enabling tax efficient treatment for a diverse range of investors with differing tax status.

Fees The Manager will charge a fee of 0.40% + GST per annum of the total assets of the Company, and the following transaction fees, which will be adjusted every five years by CPI:

Property acquisitions \$5,000 + GST

Property divestments \$2,500 + GST

The Manager will also be reimbursed for reasonable disbursements incurred in the management of the Company (excluding the Managers internal costs) and external costs incurred in the set-up of the Company (up to a maximum of \$75,000 + GST).

Debt The Company will be permitted to borrow up to 60% of the value of the properties owned by the Fund. Currently the Company is gearing the properties with mortgage debt of 35%.

Tax As a Company PIE, tax is payable by investors on income received at their relevant tax rate. Generally, taxable income will consist of the net (of expenses) rental income derived from the properties. Note that interest costs incurred by the Company are expected to be deductible for the purposes of calculating the net taxable income, due to the homes being leased to the Crown for social housing.

As the Company buys properties for long term rental purposes, any capital gain achieved should generally not be taxable provided properties are held for longer than the relevant bright line test (currently 10 years).

INVESTMENT MANAGER

New Ground is an Auckland-based investment manager specialising in the development and management of investments that generate financial returns alongside societal and environmental impact.

We've been pioneering the development of Build to Rent (BTR) housing investments for institutional investors since 2015, and at the same time bringing about meaningful improvements for renting households by providing modern, healthy, and professionally managed homes with security of tenure.

We've also pioneered the development of professionally managed impact investment funds, co-founding New Zealand's first committed capital impact venture capital fund in 2017.

"New Ground is pleased to be able to apply our expertise and experience to investing in the next generation of New Zealanders who need it most, by providing safe, healthy and stable homes. It's just the right thing to do."

Roy Thompson

Managing Director and Co-Founder



New Ground's Build-to-Rent housing development in Hobsonville, Auckland

MAKE A DIFFERENCE

We believe investments that make a strong societal or environmental impact can also offer the greatest sustainability, financial and personal rewards over the long term. When we look after our people and our environment, we all benefit.

Join us to make a difference by contacting Roy Thompson at roy@newground.co.nz | +64 21 783 043

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