

28th October 2016

Dear Investor,

Host Capital UK Student Accommodation Fund (the Fund) / Feeder Trust – Suspension of dealing in shares in the Fund and notice of proposed Fund closure

Over the last year and encouraged by the good performing asset class that Student Accommodation is, Host Capital has been making material efforts to attract new investors into your Fund. Whilst potential investor feedback was generally positive on the asset class, the Fund's income focus, its low risk and even the Fund structure, the current Fund size and the associated lack of adequate property diversification proved to be significant "catch 22" barriers to our securing sufficient new investment. More recently, the concerns over Brexit combined with some major property funds suspending further undermined new investor's confidence in the wider property sector.

Given the above, and the resulting increasing pressure on the Fund's liquidity due to the requirements of daily dealing and the nature of the underlying immovable properties Host Capital has determined that the Fund is too small to be considered economically viable in the long term. After a careful review of the Fund's liquidity position (that is, essentially, its cash holdings to meet investor share redemption requests and its running costs) and the trend of net redemption requests, we have also decided, with the agreement of the Fund's Depositary, that, with regard to the interests of all investors in the Fund, dealings in shares in the Fund should be suspended immediately – with effect from the close of business on the 27th October 2016. Accordingly, we have informed the FCA of the suspension of dealing. We also intend to apply to the FCA shortly for its consent to the winding up of the Fund.

During the suspension Fund shareholders will no longer be able to sell their shares back to the Fund, and we currently anticipate that the Fund is unlikely to come out of suspension and therefore that their share of the Fund's assets will be returned to shareholders as part of the winding up. Following the sale of the Fund's remaining property assets, we will discharge all Fund liabilities, return remaining Fund assets to shareholders and wind up the Fund. However, we will be in contact again with more details on the proposed winding up and its timing following the anticipated completion of the FCA's formal processes.

Please note that during the suspension, and wind up process, we intend to make the annual distribution to shareholders in accordance with our normal timing on or around the 30th November 2016.

Having examined and exhausted all other options, we firmly believe this action to be in the best interests of Fund shareholders.

I have little doubt that closing the Fund will be both disappointing and frustrating for you. With such a strong asset class and generally positive outlook we too are hugely disappointed at this outcome. However with Shareholder interests always at the centre of our concerns, our task in the coming weeks/months is to protect shareholder capital through the prudent disposal of the Fund's property

assets. In terms of timings and whilst we are conscious of returning shareholder capital as soon as practically possible, please be reassured we will not seek any “fire sale” of the fund assets as this will only guarantee a material erosion of investor capital. Instead the sale process will be conducted thoughtfully and deliberately with capital preservation always our core objective. This said, you should expect some impact to capital values associated with the normal disposal of physical property assets. Please find attached a Q&A which I hope answers some of your questions. Naturally I am happy to take any further questions that may arise.

We will be publishing, on our website, details that keep Fund shareholders informed about the suspension as well as writing to you again to inform you of progress in relation to the proposed winding up.

May I take this opportunity to thank you most sincerely for all your loyal support for the Fund. We have truly done everything in our power to grow this Fund but I’m afraid that, on this occasion and for the reasons stated, the Fund size and adverse market conditions have conspired against us.

Yours sincerely

A handwritten signature in black ink, appearing to read "Christopher Finch". The signature is written in a cursive style with a large, stylized initial 'C' and 'F'.

Christopher Finch
Managing Director

HC UK STUDENT ACCOMMODATION FUND – FUND SUSPENSION & CLOSURE NOTICE

SHAREHOLDER Q&A

28th October 2016

Question:	Answer:
<p>Clearly this is a most disappointing outcome to what I had hoped would prove to be a successful Fund “re-launch”. Please remind me of the background/why we have ended up where we are?</p>	<p>The Fund launched in Nov 2012 and throughout 2012/2013 went from nil to almost £50m and four properties. However in 2013 regulatory developments meant that the sale of unregulated funds (known as unregulated collective investment schemes) into the UK retail investor market was very difficult.</p> <p>There were two big unregulated collective investment schemes investing in UK Student Accommodation. Whilst the Host Capital Student Fund was a regulated fund, it suffered from contagion as investors redeemed from offshore unregulated student accommodation funds. As a result, the Fund contracted in size during 2014/2015 and two property assets had to be sold to meet redemptions. Those redemptions were settled during Spring 2015, and Host Capital moved the Fund towards an income focus and proactively promoted the Fund throughout the UK and beyond. Despite this huge marketing effort spanning several countries, new assets raised were insufficient to enable the Fund to diversify and attract further investors.</p>
<p>Why have you suspended dealing? Have you run out of liquidity?</p>	<p>No. The Fund has sufficient liquidity to discharge its forecast liabilities. However, as insufficient liquidity now exists to maintain normal daily dealing in the Fund’s shares, which are underpinned by immovable property stocks, it was deemed necessary and prudent to suspend dealing.</p>
<p>How long will I have to wait before my investment monies are returned?</p>	<p>This will depend on how long it takes to dispose of the Fund’s remaining two property assets following the FCA’s anticipated approval of the winding up. Both these assets are fully let and performing well so we do not expect it to take too long to sell these properties. Once the buyer(s) is/are secured, the normal disposal process usually takes 2-4 months. We will be in contact again to update you on progress.</p>
<p>How much will I receive back?</p>	<p>Until the sale prices of the property assets are known and all remaining liabilities of the Fund are fully</p>

	discharged it is impossible to confirm the exact amount which will be distributed to Fund shareholders. However, whilst some expenses and transaction costs will be incurred, capital preservation will be at the core of Host Capital's objectives when disposing of the Fund's assets. Do bear in mind that these are good assets which are performing well.
Can I deal in the Fund when it is suspended?	No.
Will you continue to price the Fund during suspension?	Yes
I have invested via a Platform/Wrap/ISA/SIPP. Have you notified them of this situation?	Yes, all platform/wrap providers held on our share register have been notified. Platforms will continue to show the prevailing price of the Fund but you will not be able to deal in the Fund.
Will I still receive my regular income payments?	Yes, we intend to make the normal annual distribution to all income shareholders at the end of November 2016. Accumulation shareholders will see their income rolled up and capitalised on this date and will be reflected in their final distribution of assets when the fund is wound up.
I have further questions who do I contact?	In the first instance please contact your Financial Adviser. Alternatively, please contact Host Capital Customer Dealing Team on 0207 290 9490.