

17<sup>th</sup> February 2017

Dear Investor,

**Host Capital UK Student Accommodation Fund (the Fund) / Feeder Trust – Update**

It is now just over 3 months since we suspended dealing in the Fund / Feeder Trust (the dealing in the Fund and the Feeder Trust was suspended with effect from the close of business on the 27<sup>th</sup> October 2016) and I thought it helpful to provide a further update on progress achieved so far:

- If you recall, full sales particulars on the Fund's two property assets were prepared and since then Host Capital has quietly approached over 26 professional counterparties known to be interested in acquiring yielding student property assets. Of this number six parties showed serious interest and one even made an initial offer on the larger property asset but sadly at a price deemed by Host Capital to be too low so this did not proceed.
- Since then one of the six interested parties has recently come forward and made an acceptable offer for both properties. This particular purchaser not only has serious financial backing but also understands student accommodation. For commercial sensitivity reasons we cannot disclose at this juncture the offer price but I can confirm it is deemed fair and in shareholder interests. In addition to this another party has also shown serious interest in the Fund assets which is encouraging.
- The next stage is for the desired purchaser to complete their initial due diligence which we expect to take another two weeks. At the end of this period both parties will then move into the legal process. Assuming no major legal hold ups, completion of the sale of the two property assets could take place as early as April. If so, there would be an early distribution of the majority of shareholder capital with only a small amount of capital being retained to discharge all remaining liabilities of the Fund ahead of any Fund wind up (as deemed appropriate). The remaining capital will be distributed after the termination accounts have been produced and audited.
- Whilst the above is clearly encouraging news kindly note that until contracts are exchanged, real estate deals can and sometimes do fall through. Whilst Host Capital has no reason to expect this sale to fall through, we are only one of two parties in this transaction. Also, when the property sales are complete, Fund shareholders will see a dip in Fund share prices around that time which will simply reflect the processing of the transaction and all the associated costs such as agency, technical, legal secretarial etc. This is entirely normal.
- Other than a suspension to Fund dealing, the Fund continues to function as normal with rental income being received, preparation for securing new tenants for student year 2017/2018 proceeding well and daily pricing continuing.
- We continue liaising with the depositary and the FCA on the progress of the property assets' sale.

- It remains our priority to protect shareholder value and return shareholder capital as soon as practicably possible.

Once again can I take this opportunity to thank you most sincerely for all your patience and understanding. Further updates will be sent as developments occur.

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**