Aksia LLC

Hammes Income & Growth Healthcare Fund LP

Investment Due Diligence

February 2025

Aksia

Summary

Manager	Hammes Partners	Main Office	Milwaukee, Wisconsin
Sector	Real Estate	Strategy	RE Core+
Industry Focus	Industry Specialist - Real Estate (Real Estate)	Geographic Focus	Country Focus - Developed Markets - North America (United...
Firm AUM	$1.7 billion as of Dec - 2023	Target Size (Cap)	$450.0mn target
First Close Date	Sep-2022 (Actual)	Capital Raised	$177.0mn (Interim) (Dec-2023)
Minimum GP Commitment	Greater of 7% & $24.5mn	Minimum LP Commitment	$5.0mn
Co-Investments	No	Placement Agent	None

Investment Details

Primary Property Type	Medical Office	Manager Profile	Direct Operator
Investment Strategy Details	Property-Type Focused	US Regional Focus	National

Terms

Investment Period		Term	
Waterfall	European	Fee Discounts	First Close; Size Threshold; Other
Carried Interest	15%, 7% hurdle		

Return Profile

Target Returns	10% (gross); 9% (net)	Capital Call Line	Yes
Leverage	Max 55%; Target 50% (LTV)		

Target Investment Statistics

Number of Seed Investments	3	Equity Committed to Seed Assets	$175.0mn
Equity Investment Size	$1.0 - $50.0		

Executive Summary

Manager Overview

Hammes Partners was founded in 2001 by Jon Hammes to capitalize on real estate investment opportunities generated by its affiliated healthcare consulting practice, Hammes Healthcare (founded in 1993). The firm is exclusively focused on the medical office / healthcare real estate sector in the US. In 2012 the firm expanded into the institutional management universe through raising its first commingled closed-ended healthcare real estate fund.

Fund Overview

Launched in 1Q2023, Hammes Income and Growth Healthcare Fund ("HIGH" or the "Fund"), an open-ended, core-plus fund exclusively focused on investments in healthcare related real estate assets across the U.S. HIGH seeks to provide investors with exposure to the growing, non-cyclical healthcare industry through investment in a variety of medical office and healthcare assets. As of 3Q2024, HIGH totaled approximately $287 million in gross real estate value ("GAV") and $186 million in net real estate value ("NAV") across three investments.

Aksia Perspective

Hammes Income and Growth Healthcare Fund provides investors an attractive investment vehicle expected to capitalize on the strong and growing fundamentals of the healthcare real estate space that is challenging to enter for new players, with a manager who has been dedicated to the space since the early 90s and has demonstrated the ability to achieve strong risk-adjusted returns. The Fund benefits from the longstanding relationships, industry expertise, and operational experience that Hammes Healthcare provides, having a decades long track record of working with healthcare partners in an advisory capacity. These relationships are integral for success in an increasingly-crowded property sector. Finally, we note attractive economics and potential for near-term appreciation returns for investors able to participate in HIGH's Founders Round capital raise.

Merits

- **Large and Experienced Senior Team**: Over the past 30 years, Hammes has grown into one of the largest developers, operators, and owners of healthcare related real estate assets in the U.S. Notably, Hammes was ranked as the top outpatient developer of 2023 by Revista Med, having developed 1.3 million square feet across 16 outpatient facilities. Founded by Jon Hammes, the Firm has built a team of seasoned healthcare real estate professionals, including Todd Kibler, Justin Shea and Patrick Hammes. Todd Kibler, Managing Principal, is responsible for the investment and financing activities of all of the Firm's active investment vehicles. Patrick Hammes, Managing Principal, leads the portfolio management, operations, and investor activities for the Firm and the HIGH Fund. Finally, Justin Shea, Principal, is involved in all investment activities of the Firm. In total, Hammes employs 20 senior professionals across its asset management, investments, and operations teams. On average these senior professionals have 16 years of experience.

- **Vertical Integration with Affiliated Hammes Healthcare ("HH") and Hammes Realty Services ("HRS"):** HIGH has the ability to leverage HH and HRS to assist with development / construction, property management, and leasing of Fund assets. HH is a leading healthcare real estate and advisory Firm that has been a priority partner for healthcare systems who require assistance with ambulatory network and facility planning and project management. Importantly, HH's industry insights, experience, and longstanding relationships with major healthcare systems across the U.S., should aid in investment sourcing and leasing. Given HRS' property management expertise focused on oversight, on-site service, and preventive maintenance, the Fund should benefit from HRS providing key insights on tenant trends in the healthcare industry. The support from HH and HRS is especially additive in the underwriting and due diligence of prospective Fund assets.

- **Strong Track Record:** Hammes has delivered attractive risk-adjusted returns throughout its history of investing in healthcare related assets. As of 3Q2024, Hammes has invested over $1.4 billion in equity across 156 healthcare real estate properties, exceeding target returns in the first iteration of the value-add fund series and tracking well to outperform target returns in the second iteration of the series having distributed approximately 160% of invested equity to date and generating a realized gross IRR of 31.5%. Additionally, although HIGH has a limited track record, the Fund has generated a total net return of 2.0%, 4.3%, and 18.0% for the 3Q2024, 1-year, and since inception (1Q2023) time periods, respectively, outperforming the NCREIF-ODCE Index and NPI-Expanded Medical Office gross returns. Finally, Aksia notes Hammes does not have a single realized loss in its history of investing in healthcare real estate assets dating back to 2001.

- **Strong Tailwinds for the Healthcare Real Estate Sector:** The healthcare real estate sector benefits from a wide array of strong, growing demographic trends and property sector specific fundamentals in recent years. These factors include an aging U.S. population, increased demand from consumers for healthcare in outpatient facilities, a muted supply outlook, and favorable tenant and lease characteristics. Outpatient facilities continue to capture a growing majority of the increased demand given their proximity to and convince for potential patients, while also having a lower average cost of care for healthcare providers who maintain limited budgets. The growing demand for outpatient facilities has been met with a limited and strained supply of properties given the high barriers to entry in the sector.

- **Healthcare Sectors Proven Resiliency Through Market Cycles:** The healthcare real estate sector, specifically medical office buildings ("MOBs"), ambulatory care centers ("ACCs"), and acute care facilities, have proven resilient through market cycles. Leases at Hammes' target properties are typically long-term and structured with contractual rent escalations, resulting in predictable cash flows, steady rent growth, and "sticky" tenants. Generally, tenant retention at these properties is high given the desire to maintain an already established patient base in a given geography, the ability to refer tenants to affiliated healthcare groups with different specialties keeping patients "in-network", and the cost of relocating given the highly specialized nature of tenant suites. Furthermore, these properties benefit from steady, needs-based demand driven by patients requiring healthcare services regardless of economic growth or other cyclical factors and the continued migration of healthcare services away from hospital campuses to off-campus outpatient facilities.

Issues & Risks

- **Core Real Estate Valuations and Macro Environment:** We note the current uncertainty of private real estate valuations in the current environment have been challenged given uncertainty in cap rates and elevated interest rates putting pressure on the recovery of transaction volume and pricing. Generally, private real estate valuations have been slow to adjust to the higher interest rate environment, creating a notable "lag" effect vs. public-market equivalents. As valuations have slowly adjusted downward, the true "bottom" is uncertain and highly dependent on where interest rates settle.

- *Mitigant: While medical office and other healthcare real estate have not been immune to downward valuation pressure, the long-term nature and high credit profile of tenants in the industry should benefit valuations in the sector over the long-term. HIGH's current seed assets have a weighted-average lease duration of 12+ years, with strong annual rent escalations.*

- **Concentrated Portfolio and Challenging Fundraising Market for Core / Core-plus Funds:** As of 3Q2024, HIGH has acquired three assets, investing approximately $175 million out of the $315 million that has been raised to date. Given the Fund's average equity check size of approximately $57 million, HIGH currently has the ability to invest in approximately two additional assets. As such, new investors will be exposed to a small, concentrated portfolio and a Fund that has little equity to continue to expand and diversify the portfolio, absent additional fundraising success. Given the open-ended structure of HIGH, additional equity must be raised to fund potential future redemption requests when the Fund's lock-up period expires, and to scale and diversify the portfolio.
  - *Mitigant: While the fundraising market is currently challenging for core and core-plus open-ended funds generally, we are confident that Hammes' focused investment strategy in a desirable property sector will allow HIGH to continue to raise capital. Hammes expects to close the Founders Round in late 1Q2025 or early 2Q2025 with aggregate commitments of approximately $450M. Hammes' strong track record in the industry and fundraising success in its closed-ended, non-core fund series also gives us comfort in HIGH's long-term prospects.*

- **Lock-Up Period and Periodic Liquidation Windows:** New investors in HIGH are subject to a three-year lock-up period on newly invested capital. After the lock-up period, investors may request a partial or total redemption on a quarterly basis with 45 days' written notice. This structure could impact liquidity for investors in the short-term. However, we note this structure also serves to protect investors who take a long-term view, decreasing the potential for tactical / trading investors to strain HIGH's liquidity until the portfolio sufficiently scales.

- **Inflationary Pressure Impacting Rent Growth due to Long-Term Leases with Contractual Rent Bumps:** According to the U.S. Bureau of Labor Statistics, the headline inflation rate was 2.9% for full-year 2024. While this rate is relatively low, it is still above the Federal Reserve's target of 2.0%. Given tenants in HIGH's target properties typically sign long-term leases (9+ year portfolio WALT) with contractual rent bumps (average 2-3%), rental rate growth may not be able to keep up with inflation in years to come. Often, assets with long-term, fixed lease structures (such as some assets that the Fund will target) are priced similarly to bonds. Accordingly, should increases in inflation lead to further increases in interest rates, the value of these assets could be negatively impacted.

- **Potential Conflicts of Interest with HH and HRS:** Hammes recognizes that the relationships HH has established could have an impact on the services HIGH receives. While Aksia notes that HIGH will significantly benefit from HH and HRS' services and relationships by increasing the sourcing, underwriting, and overall execution of business plans, there may be conflicts of interest that arise. Jon Hammes retains significant ownership of both HH and Hammes, and the two entities transact with each other. Hammes can, but is not required to, elect to utilize HH to perform services related to any investment. There is the potential that Hammes elects to contract HH when other, less expensive, and / or better alternatives exist in the market. We note that HRS is the current property manager for the Los Angeles and Seattle seed assets, with Hammes utilizing a third party manager for the Columbus seed asset
  - *Mitigant: Aksia believes the relationship between the Firm and its affiliates is a positive differentiator that has allowed Hammes to be successful throughout its history of investing in healthcare related real estate assets. Hammes notes*

that the services that both HH and HRS provide will be no less favorable to HIGH than those available from an unaffiliated third party for comparable services

- **Key Man / Succession Risk:** Jon Hammes, Founder and Managing Principal (the "Key Person") is a member of the Firm's investment committee and is the Chairman and CEO of HH. Mr. Hammes founded the Firm in 1993 and has over 50 years of experience in healthcare-related real estate investing and the broader healthcare sector. In addition to Mr. Hammes, Todd Kibler, Managing Principal, leads the investment and financing activities for the Firm and is a member of the investment committee. While the Firm has stated that both of these professionals continue to remain dedicated to building out HIGH for the long term, both of these professionals are in the later stage of their careers and their departures would mark a significant shift in how decisions are made across the Firm, which could have a negative impact on the operations of the business, the performance of the Fund, and the ability to source opportunities through longstanding relationships held by Mr. Hammes and Mr. Kibler.
  - *Mitigant:* *Hammes has appointed Justin Shea to the Firm's Investment Committee, marking a notable moment in the Firm's long-term organizational structure given the Investment Committee has remained the same since inception. Mr. Shea is a long-tenured Hammes professional and should add a fresh perspective to the Firm's investment strategies as Mr. Hammes and Mr. Kibler enter the late stages of their respective careers.*

Management Company

Active Products

As of 3Q2024, Hammes has raised $2.3 billion across its core-plus and value-add strategies targeting healthcare-related real estate. Hammes has been relatively consistent with the value-add fund series having launched new funds with the same strategy every 3-years, on average, with incremental increases in fund size each vintage. Hammes currently manages four active real estate investment vehicles. These funds are exclusively value-add and invest across the United States. Please see the chart below for a summary:

Fund Name	Vintage	Fund Size ($M)	Strategy	Geography	Status
Hammes Partners II	2015	$438	Value-Add	North America	Closed
Hammes Partners III	2018	$687	Value-Add	North America	Closed
Hammes Partners IV	2023	$739	Value-Add	North America	Closed

Legacy & Restructured Products

Hammes has liquidated one real estate fund, Hammes Partners I ("Fund I"). Fund I includes the aggregate performance of investments made by Hammes throughout 2001 – 2014. These investments were made prior to Hammes raising its first institutional, commingled fund, Hammes Partners II.

Fund Name	Vintage	Strategy	Geography
Hammes Partners I	2001 - 2014	Value-Add	North America

Ownership

Hammes Partners is 100% owned by the three principals and their affiliated entities (further described in the Affiliated Entities section). Jon Hammes and his related family office own the majority of interests in Hammes Partners. This ownership structure has been largely unchanged since the inception of Hammes Partners, and the Firm does not foresee this structure changing.

Affiliated Entities

Hammes Partners works with two affiliated entities, HH and HRS. HH is the first entity under the "Hammes" name and was founded to provide specialized healthcare real estate consulting and property management services to hospitals and healthcare systems across the U.S. HH current services include: (i) providing operational strategy and planning; (ii) healthcare facility development; and (iii) real estate services. Since inception, HH has managed over 57 million square feet of ambulatory and acute care projects with a value of over $23 billion across approximately 1,100 healthcare real estate engagements. HRS provides property management, accounting, and leasing services for third-party healthcare properties and Hammes owned assets. HIGH will leverage both of these affiliated entities for property management, construction, leasing, tenant coordination, development, and other real estate related services.

Team

Investment Personnel

Hammes' investment team is comprised of 22 investment professionals, including 11 Analysts and Associates who provide support to senior investment team members and collaborate across other functions of the Firm. Generally, Hammes investment professionals work across the flagship value-add fund series and the newly launched HIGH Fund. Currently, no investment professionals are exclusively dedicated to HIGH. As assets under management by the Firm and Fund continue to grow, Hammes will seek to add asset management, investment, and capital raising professionals as needed throughout the life of the Fund. Once the Fund has reached critical mass, it is likely that Hammes will appoint a portfolio manager for the Fund either through an external search or promoting from within the Firm.

Hammes' asset management team is comprised of eight professionals, including its dedicated Analysts and Associates. The asset management team is supportive during the due diligence / acquisition process, during the hold period, and the disposition process.

The average experience of Hammes team members across the asset management, investment & financing, and operations functions is 16 years. Each of these teams play a role in the Firm's investment process and there is no maximum number of investments that can be led by each team member at one time. According to Hammes, this structure allows professionals to work on various transaction at a time as they are supported by a pool of supporting professionals in addition to a transaction coordination team.

Team Evolution

Since the Fund's inception, turnover has been minimal on both the investment team and the senior leadership team. In the past two years, only two investment professionals have departed. These departures were almost immediately backfilled by new hires. One of the departures was personal / performance related, and the other departure was due to a professional seeking a master's degree. Both of these individuals were focused on financing / capital markets and were at the Assistant Vice President and Associate level, respectively. The positions were filled by Jake Griswold, Senior Vice President, and a capital markets Analyst hired in 2024.

In 2024, Justin Shea, Principal, was appointed to the Firm's Investment Committee. Justin has been with the Firm for 12+ years and has 18 years of real estate experience. Aksia believes Mr. Shea's appointment to the Investment Committee demonstrates Hammes' willingness to think about succession planning as two of the Firm's Managing Principals and members of the Investment Committee enter the later stages of their careers.

Compensation, Carry & Alignment

Hammes has implemented an employee compensation plan to encourage alignment and incentivize employees over the long-term. In general, Hammes professionals are compensated with a mix of base salary, discretionary bonus, and carried interest for professionals at the level of Associate Vice President and above. A key part of this plan is the sharing of any GP carried interest generated across the Hammes value-add fund series and HIGH. For HIGH, there will be no changes to the GP carried interest structure as the Fund has no dedicated professionals. To date, no Hammes professionals have participated in the GP co-investment for HIGH. In recent discussions with Hammes, there is the potential that Hammes professionals will be able to invest in the Fund on a rolling basis, at NAV, in the near-to medium-term once the funding mechanism is sorted out and the Fund reaches significant scale.

Commensurate with carry point allocation, Hammes professionals have been required to contribute their pro-rata interest of the GP co-investment for the value-add fund series. Hammes offers to provide a loan for the required employee co-investment. Carry point awards are subject to a 6-year fixed vesting schedule. We note that Hammes has progressively shared carried interest points to more employees in each successive fund, which we believe is a key measure of team cohesiveness and alignment. Notably, Justin Shea has received an increased amount of carry points given his appointment to the Investment Committee. Subsequently, Jon Hammes' carry points have been reduced on a 1:1 basis with Mr. Shea. Please see below for a summary of carry points organized by title:

Hammes Carried Interest Splits	
Title	**Carry (%)**
Associate Vice President	0.25% - 1.0%
Vice President	0.5% - 1.0%
Senior Vice President	1.0% - 3.0%
Principal	2.0% - 4.0%
Principal (Investment Committee)	7.0%
Managing Principal	10.0%

Strategy & Risk

Strategy Overview

HIGH seeks to invest in stabilized and substantially pre-leased development healthcare real estate assets with a core-plus risk-return profile across the U.S. Investments will be held for the long-term (7+ years), offering investors long-term capital preservation, a consistent stream of cash flows, and an opportunity to see moderate capital appreciation through various, minor value creation initiatives. Additional opportunities are expected to include build-to-suit or multi-tenant facility development initiatives and / or adaptive reuses. The Fund will allow Hammes to capitalize on high-quality, core / core-plus opportunities that otherwise would not fit in the Firm's value-add strategy. Hammes believes the strong outlook for healthcare related assets, its large affiliate network, industry relationships, extensive operating capabilities, and history of managing, investing, and disposing of healthcare related assets should help to execute the strategy successfully.

Throughout Hammes' 30+ year history, the Firm has established and maintained relationships with some of the largest healthcare providers in the U.S. through its network of affiliate organizations. Hammes believes healthcare systems and large, independent physician groups will continue to take-up market share and control decisions related to how and where healthcare is delivered. In general, these groups are focused on improving their continuum of care, cost cutting, and improving clinical outcomes. Real estate ownership is not one of their core competencies and Hammes believes that it has the opportunity to capitalize on the needs of healthcare systems by providing a capital solution for groups seeking to monetize a portion of, or all, their real estate assets. Hammes intends to leverage its relationships with these healthcare systems to source, underwrite, and select investment opportunities for the Fund and to understand the long-term viability of specific assets, markets, and healthcare providers.

HIGH will target assets that are integral to the strategic operating platforms of healthcare providers and that serve a critical role in the evolving U.S. healthcare system. Target property types are outpatient care facilities, including MOBs, ACCs, and acute care facilities, that are typically leased to healthcare providers and their affiliates who are creditworthy, well-positioned in their geographic markets, and well-established. The Fund will focus on markets that offer favorable healthcare supply and demand volumes, significant barriers to entry, and demographic characteristics that allow for consistent demand for healthcare services. Please see below for a summary of market and asset characteristics that will be considered for Fund investment:

- Market Characteristics
  - Stable or growing population and employment base with stable or improving payor mix.
  - Lack of available land, strict zoning restrictions, necessity of a "certificate of need" issued by a state prior to the expansion of a healthcare systems footprint in any given market.
  - Markets with well-established, well-positioned healthcare providers restricting new entrants by way of insufficient demand to support new healthcare systems.
  - Locations that support the target healthcare provider and its affiliates' strategy and operations.
  - Emphasis on gateway and tier-one markets.
- Target Assets Characteristics
  - Facilities located on, or adjacent to, regional and national campuses of healthcare providers in major metro areas or

smaller metro areas where the target healthcare provider has majority patient market share.

- Off-campus facilities that are typically within a healthcare systems broader ambulatory care network and are an important source of inpatient and outpatient referrals.
- Facilities that are integral to delivering a particular specialty or service.
- Mixed-use projects in close proximity to healthcare provider facilities. These projects may include senior living, multifamily, retail, office, etc.
- Medical and diagnostic labs, pharmacological, therapeutics, clinical, research, development, or education facilities affiliated with or operated by healthcare providers.

In addition to stabilized existing assets, HIGH may invest in substantially pre-leased development projects. These are expected to require value-add initiative such as lease-up, repositioning, renovations, development, etc. Hammes' expects cash flow for these "non-stabilized" assets to grow over time, bolstering the Fund's overall risk-adjusted returns. In recent discussions with fund management, most assets in the Fund will likely be core with limited necessary value-add. Fund management does not foresee taking on capex, leasing, or tenant credit risk. The most likely value creation strategy that would be utilized is acquiring a property with a short-term WALT where there would be eventual lease-up required.

Generally, Hammes will wholly-own investments, but may invest through joint ventures ("JVs"), co-ownership arrangements, indirect investments, or long-term leasehold interests. In regard to JVs, the Fund may enter into a JV with healthcare providers or their affiliates. Typically the Fund will have a right of first refusal or right of first offer to purchase a JV partner's interest in the investment. Additionally, the Fund may structure sale-leaseback transactions to facilitate an easy transition for a healthcare provider who seeks to monetize their real estate but remain a tenant in the asset.

Investment Process

Hammes believes its extensive experience within the healthcare sector has allowed the Firm to develop a robust and effective investment process to source, diligence, effectively manage, and dispose of assets. The process is based on rigorous analysis and informed by the Firm's large network of healthcare-related relationships. The Firm leverages the experience and insight of its Fund management team as well as additional resources provided by HH and HRS. A summary of Hammes' investment process is provided below:

- Sourcing: Hammes has built a large network of healthcare industry relationships with key market participants throughout its 30-year history. Hammes believes that its network and reputation allows for an advantage in regard to sourcing opportunities for the Fund. In addition, the Fund expects to lean on HH's business development capabilities to source transactions as HH may have done business with a given healthcare provider in the past and recognize Hammes advisory and operational capabilities. Hammes utilizes a proprietary database to focus on markets and properties that fit within its preliminary investment criteria.
- Due Diligence: When evaluating potential investments Hammes considers a variety of relevant factors including location, lease type, income growth potential, creditworthiness of tenants, and diversification of the Fund's portfolio among other things. The Firm seeks to devise a holistic picture of the merits and risks of each investments to fully understand the investment upside potential, post-acquisition strategy, and a go-forward plan for disposition. A key consideration for HIGH investments is the tenancy of the asset. Targeted tenants are ones that are competitively positioned in their geographic market and have the ability to attract top physicians and other, complementary healthcare

tenants.

  - For "non-stabilized" assets, Hammes will perform additional due diligence to understand the viability of a prospective investment. Assessments of total project cost, forecasted returns, regulatory and environmental risk, etc. are all considered when performing diligence on opportunities for this investment strategy. In addition, any "non-stabilized" investment opportunity will be supported by a feasibility study to confirm the financial strength of the healthcare provider and other considerations that are relevant to the project. The feasibility study will be presented to the Investment Committee as part of the final approval recommendation.

- Asset Management: As part of an investment's presentation to the final Investment Committee, the investment and asset management teams create an "asset management strategic plan" that displays an investments historical and year-by-year revenue, expenses, capital expenditure plans, and key risks throughout the hold period. This strategic plan is updated for each investment on a bi-annual basis. The asset management team is also responsible for the completion of the quarterly valuations of the Fund's assets and works with the Fund's valuation management firm to finalize annual appraisals, quarterly valuation updates, and quarterly and annual valuation summaries.

- Disposition: Given the Fund has an open-end structure and its relatively recent vintage, there will be limited dispositions in the coming years. However, the Fund will determine whether or not to sell an asset based on various factors such as economic conditions, specific market conditions, tenant financial strength, etc. The focus for the Fund is preserving asset value and maximizing capital appreciation, which will also be accounted for in the determination to dispose of an asset.

- Approval Process: When reviewing and approving potential opportunities, the Investment Committee reviews a formal investment memorandum outlining the opportunity, risks, pro-forma returns, due diligence findings, etc. The approval process involves a two-step review: (i) a majority vote prior to executing a purchase agreement; and (ii) a majority vote prior to closing on any acquisition. Jon Hammes, Patrick Hammes, Todd Kibler, and Justin Shea sit on the Firm's investment committee. All major investment decisions require majority approval from the committee members.

Risk Management Process

Once the Fund reaches $2 billion in NAV, the following investment restrictions will be implemented as presented in the Fund's LPA:

- Diversification:
  - No more than 20% of Fund NAV, plus the aggregate unfunded capital commitments of investors, in any single investment.
  - No more than 20% of Fund NAV in any single investment is allocable to the credit of a single healthcare provider in a single MSA.
  - No more than 30% of Fund NAV in the credit of a single healthcare provider (regardless of location).
- Investment Type:
  - No more than 20% of the Fund NAV in development assets.
  - The Fund may commit to no less than a 75% pre-leasing threshold for development assets.

  - The Fund may not invest in unentitled land.
  - The Fund may not invest in publicly-traded securities.
  - The Fund may not engage in hedging strategies other than in connection with hedging of interest rate exposure.
- Geography:
  - No more than 35% of Fund NAV in a single MSA.
  - The Fund may only make investments located in the United States.

Portfolio Composition

The Fund's current portfolio is comprised of three properties acquired between February 2023 and May 2024. Each asset is broadly classified as healthcare real estate with 2 sub-classified as MOBs and one ambulatory surgery center ("ASC"). The size of the Fund's assets range from 62k – 191k SF and the asset vintage ranges from 2006 – 2024. All three assets are 100% leased to predominantly large, high credit-rated healthcare systems or physician groups that maintain a dominant presence in their specific geographic regions. Additionally, Hammes does not anticipate any value-add strategies to be implemented for the seed assets given the scarcity of available space in these markets, their strong tenant base, and relatively new vintages. Hammes has committed approximately $175 million to the three assets. In aggregate, the seed portfolio has a 9+ year weighted average lease term ("WALT"), with 2-3% average annual rent escalations. These seed assets directly follow HIGH's strategy of investing in high-quality, stabilized healthcare properties leased to creditworthy tenants who offer a full suite of primary and specialty care services and are in close proximity to major hospitals. Please see below for a portfolio summary and descriptions of each seed asset:

HIGH Portfolio Summary as of September 30, 2024 (in millions)							
Investment	Acquisition Date	Square Feet	Occupancy	Invested Capital	Equity Fair Value	Year Built / Renovated	Realized Proceeds
Los Angeles	Feb-23	163,211	100%	$79.8	$96.6	1954 / 2006	$7.9
Seattle	Dec-23	191,220	100%	$75.4	$81.0	2011	$1.5
Columbus	May-24	61,838	100%	$10.7	$10.8	2024	$0.2
Total	-	**416,269**	**100%**	**$165.9**	**$188.4**	-	**$9.6**

- Los Angeles Ambulatory Surgery Center & Medical Office Building:
  - In 2004, Hammes Partners I acquired a 163k SF commercial office building located in the Los Angeles, California MSA. The property was sourced on an off-market basis through the Firm's affiliate HH, who completed an ambulatory services plan and feasibility study for the adjacent 266-bed hospital campus. The Firm was selected to acquire and redevelop the property into a medical office building and ambulatory surgery center for the healthcare system. After renovations were completed in 2006, the asset became a Class A medical office building. Hammes Partners I continued to own and operate the asset until February 2023, when HIGH acquired the property for approximately $79.8 million in total Fund equity, representing a 5.8% going-in cap rate. The acquisition was financed with approximately $50 million of debt, representing a 34.1% LTV (38.5% LTC), that matures in January 2028. As of August 2024, the property is 100% leased and is anchored by two Southern California healthcare systems who have been tenants since 2004 and 2014, respectively. As of 3Q2024, the current implied cap rate is 5.3%. Initially, Hammes underwrote leasing risk as approximately 7% of the rentable space was being vacated, resulting in a higher going-in cap rate. Subsequently, Hammes was able to lease-up the vacant space with longer / stronger lease terms compared to underwriting. As a result, appraisers took a positive view on the market demand for

the asset and increased the appraised value of the property. As of 3Q2024, the current net IRR for the investment is 16.6%, with a 1.3x EM and the stabilized.

- Seattle Medical Office Building:
  - In December 2023, HIGH acquired a 191k SF medical office building located in the Seattle, Washington MSA. The facility was built in 2011 and is attached to a 157-bed hospital. The investment was sourced on an off-market basis through an engagement between a leading healthcare provider in the state of Washington and HH, as part of a larger development of the healthcare system's ambulatory care service plan. The facility was built in 2011 specifically for use by the healthcare system. The healthcare system is a regionally dominant, creditworthy tenant and has remained the property's sole tenant since 2011. HIGH acquired the property for approximately $75.4 million in total Fund equity, representing a 5.4% going-in cap rate. The asset has experienced a slight increase in value and now sits at a 5.3% implied cap rate. The acquisition was financed with approximately $37.7 million of debt, representing a 31.8% LTV (33.3% LTC), that matures in June 2036. As of September 2024, the property is 100% leased to the healthcare system with a 12-year WALT. As of 3Q2024, the current net IRR for the investment is 11% with a 1.1x net EM.
- Columbus Medical Office Building:
  - In May 2024, HIGH acquired a 62k SF medical office building located in the Columbus, OH MSA. The property was developed as a build-to-suit for one of the largest independent physician-owned primary care groups in the U.S, with over 90 locations and 450 physicians. Construction was completed in April 2024. The asset was marketed on a limited basis and Hammes believes it was awarded the acquisition due to its relationship with the local broker and developer of the asset. HIGH acquired the asset for approximately $10.7 million in total Fund equity, representing a 6.3% going-in cap rate. The acquisition was financed with approximately $12.5 million of debt, representing a 53.6% LTV (53.9% LTC), that matures in June 2029. As of September 2024, the property is 100% leased to the physician group on a 15-year lease. As of 3Q2024, the current net IRR for the investment is 7.3% with a 1.0x EM.

Near-Term Acquisitions

Hammes is currently in the late stages of closing on the acquisition of a three-story, 101k SF medical outpatient building located in a top-40 MSA in the Midwest. The property was constructed as a build-to-suit ("BTS") for one of the largest medical institutions in the country. The anchor tenant is credit-rated and is a leader in its MSA with its physicians and healthcare professionals caring for millions of patients annually. The asset offers primary care, urgent care, internal medicine, OB-GYN services, etc. The Fund would commit approximately $12 million in equity and structure a JV partnership with the anchor tenant. The property is currently 100% leased to the anchor tenant with 15-years of WALT.

Additionally, Hammes has identified two potential opportunities in the San Antonio and Houston MSAs. The San Antonio asset is a newly constructed, 108k SF, MOB and ASC that is 96% leased with a 9-year WALT. The asset is anchored by a top health system in the region who employs over 12k employees and serves 600k patients annually. The Houston asset is a 2022-vintage, 130k SF, BTS for a leading regional multi-specialty provider with over 900 physicians across 40+ specialties. The asset is 100% leased to an investment-grade tenant with 13-years of WALT. Both of these assets are trading between 5.5% - 6.0% cap rates and should yield over 6% cash-on-cash returns. Hammes anticipates a combined $75 million equity need to capitalize on both assets.

Asset/Liability Management

Leverage

At the Fund level, total indebtedness may not exceed 55% of HIGH's gross asset value ("GAV"). The Fund reports a 33% LTV ratio as of 3Q2024. On any single investment, HIGH's indebtedness may not exceed 65% of the GAV attributable to such single investment. Hammes typically obtains bank debt for each investment, secured by interest in the specific property and not cross-collateralized across multiple Fund investments. Approximately 51% of HIGH's current debt is floating rate, with the balance fixed-rate. As of 3Q2024, the Fund's weighted average cost of debt was 6.0%, with a weighted average maturity of debt at 6.3-years. Notably, no property-level debt is set to expire prior to 2028 when 51% ($50 million) will mature.

Currently, the Fund does not have a fund-level credit facility, but it is anticipated that the Fund will utilize a subscription line. The line of credit is expected to be used to allow for flexibility and speed when closing investments, time to source the most accretive debt in the market, and to reduce the administrative burden for investors by reducing the frequency of capital calls.

Given the current weighted average current implied cap rate for the HIGH portfolio is approximately 5.4%, the Fund's property-level debt, with an average cost of 6%, is not currently accretive. HIGH's average cost of debt has put pressure on the Fund's quarterly gross income return, averaging 1.8% per quarter since inception. However, the Fund generated a 4.6% gross income return for the 1-year period, resulting in the Fund being in a slightly better income return position than other, peer core / core-plus funds that Aksia has reviewed.

Accretive investments with going-in cap rates above the Fund's current cost of debt should help to bolster the Fund's income return along with the contractual annual rent increases at each property. Although, limited new equity to be acquisitive could result in the Fund's income return being muted in the short- to-medium term. Furthermore, the Fund's current assets are 100% occupied with 9+ years of WALT and 2-3% average annual rent escalations. The income profile for these properties is highly predictable and there are limited opportunities for HIGH to further grow property-level NOI. As a result, the Fund's income return will most likely remain minimal until accretive investments are added in the short- to-medium term or contractual rent escalations are captured in the long-term.

Valuation Policy / Process

The Fund's valuation management firm, the Altus Group, oversees and administers the appraisal process. 25% of HIGH's assets are appraised quarterly by external third-party appraisers, these appraisers must be approved by Hammes. The Altus Group prepares an interim quarterly valuation for the remaining 75% of the portfolio. All quarterly and annual valuations are reviewed and approved by the Altus Group and the Firm's Valuation Committee. Hammes notes that Altus maintains full discretion over HIGH's valuations and that Hammes has no ability to override Altus' valuation metrics, under the Fund' governance documents. Hammes notes that there has been no disagreements in asset value between Altus and the Firm to date. Aksia notes this valuation process is substantially similar to most other large, institutional open-ended core and core-plus funds.

Aksia has reviewed various valuation metrics for the Fund as of 4Q2024. In general, Aksia deems HIGH's current implied valuations to be in-line with available medical office valuation metrics from the Expanded NCREIF Property Index for medical office properties ("NPI – Medical Office"). HIGH is not an NPI – Medical Office constituent, however, the NPI – Medical Office provides a large, quality data set of stabilized properties across traditional and alternative sectors and U.S. markets, serving as a "like-for-like" comparison between HIGH and the benchmark.

HIGH vs. NPI-Medical Office Valuation Metrics As of December 31, 2024	HIGH Seed Assets			
	Los Angeles	Seattle	Columbus	NPI-Medical Office[1]
Occupancy	100%	100%	100%	95%
Entry Cap Rate	5.8%	5.4%	6.3%	-
Current Implied Cap Rate	5.3%	5.3%	6.2%	5.4%
Discount Rate	6.3%	7.3%	7.8%	-

HIGH's Valuation Committee meets quarterly and is responsible for reviewing and approving the Fund's asset, property-level debt, and derivative values each quarter. Additionally, the committee is responsible reviewing and verifying the assumptions made and final values and ensuring the valuation process is in-line with the Fund's valuation policy. The Valuation Committee consists of Todd Kibler (Managing Principal), Patrick Hammes (Managing Principal), Nic Horsfield (Principal), and Amy Young (Senior Vice President).

Capacity

As of 3Q2024, HIGH has closed on approximately $315 million, of which approximately $174 million has been called and committed to the Fund's three seed assets. The expected total for HIGH's Founder's Round is approximately $450 million. Once the Founder's Round is closed and if the prospective capital commitments are closed, there should be approximately $275 million to deploy, Hammes expects to commit this capital by year-end 2025.

Fees

Investors that participate in the Founders Round will benefit from a 90 bps management fee, regardless of equity commitment size. The fee discount will be in perpetuity for commitments closed by final closing of the Founders Round. After the closing of the Founders Round, new investors will pay a tiered asset management fee based on invested capital ranging from 95 bps to 135 bps per annum. HIGH also has an incentive compensation structure that is payable every three-years, subject to a three-year lookback. The incentive compensation will be equal to 15% of the excess return above a 7% IRR hurdle. Please see below for details of the tiered asset management fee:

Hammes Income & Growth Healthcare Fund Management Fees	
LP Commitment Range	Applicable Management Fee Rate
Less than $20 million	1.35%
In excess of $20 million to $50 million	1.30%
In excess of $50 million to $100 million	1.20%
In excess of $100 million to $200 million	1.00%
In excess of $200 million	0.95%

Track Record

Track Record Integrity

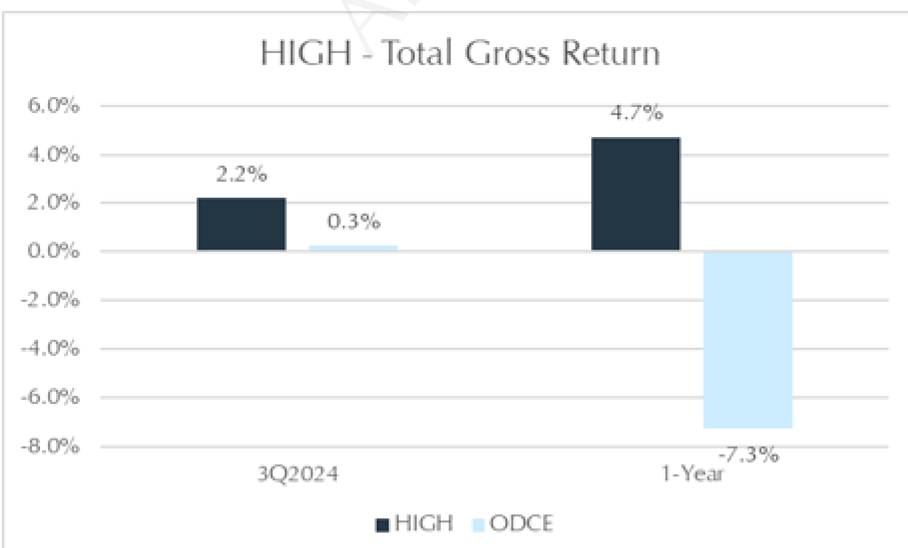
The track record presented below displays Hammes' reported income and appreciation returns for all the investments the Fund has made since inception as of 3Q2024. Given the open-end nature of the Fund, Hammes did not provide investment-level cash flows.

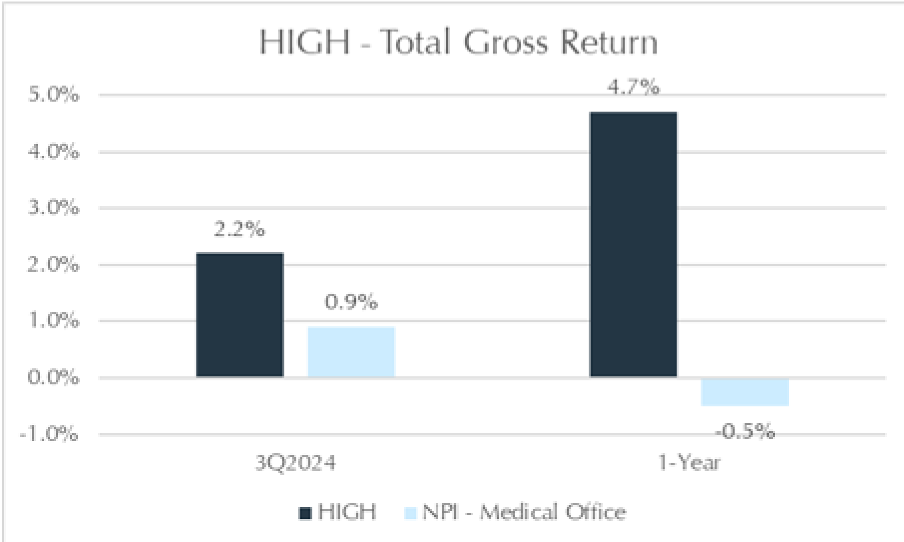
Track Record Overview

The track record dates back to HIGH's first investment in February 2023 and encompasses three total investments with aggregated invested equity of approximately $175 million.

Track Record Analysis

For 3Q2024, the Fund generated a total gross return of 2.2% (2.0% net), a 30 bps improvement from 2Q2024. HIGH's time-weighted total net returns for the one-year and since inception time periods totaled 4.3% and 18.0%, respectively. The quarter-over-quarter improvement and the strong since inception return can be primarily attributed to a 50 bp increase in the Fund's gross appreciation return from 0.5% in 2Q2024 to 1.0% in 3Q2024, driven by a meaningful mark-up in the Los Angeles assets value due to outperforming initial leasing underwriting. While HIGH's track record is relatively short and the Fund is currently in its seeding phase, the Fund has outperformed the ODCE Index by approximately 695 bps over the quarterly and one-year time periods. Additionally, HIGH has outperformed the NPI – Expanded Medical Office total gross returns by approximately 650 bps over the same time periods.





HIGH Performance as of September 30, 2024				
Time Period	Gross Income Return	Gross Appreciation Return	Total Gross Return	Total Net Return
3Q2024	1.2%	1.0%	2.2%	2.0%
1-Year	4.9%	-0.2%	4.7%	4.3%
Since Inception (1Q2023)	4.8%	14.7%	20.1%	18.0%

Given the relatively recent vintage of the Fund and its open-end nature, HIGH has not realized any investments since inception. However, Hammes has been investing in healthcare-related real estate assets through its flagship value-add fund series since 2001 and has realized 88 investments representing approximately $1.3 billion in realized proceeds. Hammes' realized track record has been exceptional throughout its history of investing in healthcare real estate assets. The Firm's value-add fund series has historically targeted an 11-13% Net IRR, and significantly exceeded this target in the first and second iterations of the fund series. While Fund III has only realized approximately 32% of closed investments, the fund is in its harvest period and is currently marked at a realized gross IRR of 43.3%. Aksia notes that given the relatively recent launch of Fund IV, return metrics are not overly meaningful.

Hammes Value-Add Fund Series Performance as of September 30, 2024								
Fund	Inception	Total Equity Raised ($mm)	Invested Equity ($mm)	Closed Investments (#)	Realized Investments (#)	Current Gross IRR	Current Net IRR	Current Net EM
Hammes Partners I	2001	$144	$144	28	28	24.5%	20.9%	3.3x
Hammes Partners II	2015	$438	$386	45	38	30.8%	23.1%	1.7x
Hammes Partners III	2018	$687	$607	69	22	16.8%	10.2%	1.2x
Hammes Partners IV	2023	$739	$108	11	0	N/A	N/A	0.8x

Appendix

Key Bios

Jon Hammes, Founder & Managing Principal, is a Managing Principal of the Firm and is a member of the Investment Committee. Jon is also the Chairman and CEO of Hammes Healthcare ("HH"). Jon founded Hammes Company Healthcare in 1993 to apply his extensive management and real estate experience to the healthcare sector. Prior to forming HH, Jon was a Managing Partner at Trammell Crow Company, responsible for managing its operations in the Midwestern United States and Canada, and a member of Trammell Crow's management board. Jon has substantial experience serving institutional investors, including in his current position as Director of the University of Wisconsin Foundation and former role of Director and Chair of the State of Wisconsin Investment Board, which invests the assets of the Wisconsin Retirement System, the State Investment Fund and other state trust funds. In addition, Jon is a Past Chair of the Medical College of Wisconsin and Past Trustee of Marquette University. He earned a B.B.A. degree in Economics from the University of Wisconsin-Milwaukee and M.S. degree in Real Estate and Investment Analysis from the University of Wisconsin-Madison.

Todd Kibler, Managing Principal, leads the investment and financing activities for the Firm and is a member of the Investment Committee. Prior to joining the Firm, Todd was a Partner with HH and served as the company's Chief Financial and Investment Officer. Todd's experience includes transactional, managerial and consultative involvement in the real estate industry, spanning virtually all product types. Prior to joining Hammes Company, Todd was Executive Vice President of Finance & Administration for Corporex Companies, a developer and operator of commercial office, industrial, hospitality, and residential properties. Previously, he was Vice President of Finance & Strategic Business for The Mills Corporation, a publicly traded REIT focused on the development and operation of retail centers, and other retail and entertainment operating ventures. Todd began his real estate career with Kenneth Leventhal & Company. Todd serves on the Advisory Board for Healthcare Real Estate Insights, a publication platform that covers the healthcare real estate sector with notable news, projects, and trends. Todd is a C.P.A. and earned a B.A. in Political Science from the University of California, Los Angeles and an M.B.A. in Real Estate and Finance from the University of Southern California.

Patrick Hammes, Managing Principal, leads the portfolio management, operational and investor activities for the Firm and is a member of the Investment Committee. Patrick is also a member of the board of directors of HH. Prior to joining the Firm, Patrick was a Vice President in the Business Services and Healthcare Investment Banking Group at Robert W. Baird & Co. ("Baird") where he participated in a wide range of financial advisory transactions, including mergers & acquisitions, equity & debt offerings, valuation opinions and private placements. Before Baird, Patrick was an attorney at Strasburger & Price in Dallas, Texas and previously clerked in the General Counsel's office of the U.S. Department of Health and Human Services.

Justin Shea, Principal, is primarily involved in the investment activities of the Firm. Prior to joining the Firm, Justin worked with the Acquisition and Asset Management groups at Greenfield Partners, a global real estate investment firm. His responsibilities included acquisition and management activities in various types of real estate, including healthcare, hospitality, distressed debt, and land, with responsibility for over $500 million in equity invested. Previously, he worked with Robert W. Baird & Co. in its Investment Banking Group. Justin serves on the board of directors, as Treasurer and Chair of the finance committee, and is a member of the executive committee and investment committee of CurePSP, an organization supporting awareness and a cure for neurodegenerative diseases. He earned a B.S. in Accountancy and a B.S. in Real Estate Finance from the University of Illinois, Urbana-Champaign.