



CORAL NEWSLETTER

WELCOME TO THIS EDITION OF THE CORAL NEWSLETTER. Keeping you in touch with the latest industry news and comment as well as announcements and points of interest from Coral Portfolio.



FROM THE FOUNDER

WHY STUDENT ACCOMMODATION IS ATTRACTING SO MANY INVESTORS

When Bloomberg recently examined “Student Dorms Drawing Billionaires Have Record Sales in U.K.” (<http://www.bloomberg.com/news/articles/2015-10-26/student-dorms-drawing-billionaires-have-record-sales-in-u-k> 26 October 2015), we had another entrant in what has been a growing list of experts and analysts declaring what Coral Portfolio has known for several years --- student accommodation is a promising and rapidly expanding sector for potential investment.

The reasons for the attractiveness of this market certainly include the coming demographic wave that will see a significant increase in the number of people pursuing degrees in higher education in the coming years. However, there are other elements that factor into why this is such a compelling sector.

With the growth in investment activity of \$6.5 billion invested this year from pension funds to investment banks, the

student accommodation sector, a comparatively recession-resistant real estate investment area, has proven its worth with long-term sustainable growth and returns. Being able to project what an area's student housing needs will be in the future helps to provide stability. There's also a certain logical element at play here --- the appeal of a residence conveniently located near campus won't waver too much over time, assuming that the project is well designed and well maintained. So, prudent research is the order of the day, determining which of these projects is ideal.

As Coral expands its scale and geographical investment horizon, ensuring continued strong governance, it's not just investment dollars (and yuan and Euros and pounds) that are drawn into the process. In this newsletter, you'll see we present several ways to determine whether a potential investment vehicle is properly vetted and mitigates your risk. We'll look

at the ways Coral Portfolio works with independent companies and organizations to ensure proper regulation and governance remains a hallmark of everything we do along with Coral's investment strategy.

I hope you find this information useful and informative. This is an exciting time to be in the global accommodation sector with more students than ever seeking higher education. As with any investment it's also a time to... pursue an education!

We look forward to being part of that research, and invite you to join us to visit some student accommodation properties under development at your next earliest opportunity. ●

Regards,
John Kennedy

CEO and Founder, Coral Portfolio

WHAT IS THE AIFMD AND WHAT DOES IT MEAN FOR INVESTORS?



THE COUNCIL OF THE EUROPEAN UNION INTRODUCED THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD) AS A COMPREHENSIVE PLAN TO SUPERVISE AND REGULATE ALTERNATIVE ASSET FUNDS AND THE ACTIONS OF THEIR MANAGERS.

The EU recently introduced the most wide-reaching regulatory change for investment funds seen in recent years. The Alternative Investment Fund Managers Directive (AIFMD) is a comprehensive plan to supervise and regulate alternative asset funds and the actions of their managers.

The enhancements -- including capital obligations, organizational and governance requirements, and the regular disclosure of information to investors -- build-upon the already robust regulation that Coral has had in place since our launch in 2009.

A key pillar in Coral's supervisory regime has been having the RBS Global Banking (Luxembourg) SA, a subsidiary of The Royal Bank of Scotland PLC, serve as our Depositary. The Depositary ensures the security of the Fund's assets and cash through independent custody.

Furthermore, the protection provided by the Depositary, Administrator and Auditor in providing statutory supervision

of assets, fund administration and audit, has also been strengthened. Each has a statutory duty to ensure that all of Coral's transactions involving subscriptions, redemptions, asset purchases and disposals are not only carried out properly but also that valuations and suitability for the fund's investment mandate are stringently monitored. Depositaries are now responsible for oversight of the funds they work with.

In practice, this set of requirements mitigates risk; works to reduce potential for fraud; and serves to protect the investor from malfeasance. The AIFMD is, therefore, a powerful addition to the cause of investor protection and as a fund approved under this legislation in one of the world's leading jurisdictions, Coral Portfolio provides high standards of asset security and governance. ●



1 Penrhyn Road, Kingston, Surrey, England

EXPANSION FOR CORAL PORTFOLIO

To accommodate Coral's recent growth in the sector, we have invested in growing the Coral team to best support our existing investors and manage increasing demand from new investors. We are pleased to welcome Ben Harvie and Adrian Perry to the team, and to promote Craig Johnson from the Middle East region to EMEA Director, replacing Gavin Furber-Smith following his departure. We also welcome Paul Discalicaou, who replaces Santiago Leidenz as Fund Administrator. ●

YOUR TEAM AT CORAL PORTFOLIO:

John Kennedy - Chief Executive Officer

Ben Harvie - Fund Manager

Craig Johnson - EMEA Director

Adrian Perry - Asia Director

Ali Khan - Senior Financial Controller

Paul Discalicaou - Financial Administrator

Tony Trescothick - Head of Marketing

Paddy Allen - Strategic Advisor to Coral; Head of Capital Relationships at GSA Group

Tabitha Aldrich-Smith - Communications Counsel, GSA Group

For more information on the executive team please click here:

<http://www.coralportfolio.com/about>

BEING AN INFORMED INVESTOR...



THE STUDENT ACCOMMODATION INVESTMENT SECTOR IS AN EXCITING AND PROMISING AREA FOR INVESTMENT.

However, not all platforms are structured appropriately and to the same degree of transparency, governance and regulatory protections of Coral Student Portfolio.

ELEMENTS TO BE CONSIDERED SHOULD INCLUDE:

Who is responsible for calculating the Net Asset Value (NAV)?

Coral Portfolio's NAVs are calculated independently by Apex Fund Services, who are one of the World's largest independent fund administrators. They calculate the NAV using valuations provided directly to them by the administrators of the underlying funds and structures held within Coral's portfolio. The NAVs and their corresponding share prices are promptly posted to Coral's website and distributed widely to investors and industry data providers.

Does the fund regularly publish performance records detailing the calculation of its Net Asset Value as well as a summary of all transactions?

Coral Student Portfolio provides monthly and annual reports in extensive detail on its website, in mailer updates to interested parties, and to all relevant regulators.

Apex Fund Services act as administrator, registrar and transfer agent, calculating the NAV independently of Coral.



Is the investment fund independently audited by a reputable, professional firm?

Coral has worked with global leader Ernst & Young for more than six years to ensure the fund is thoroughly, professionally and consistently audited.

Is the fund independently advised?

Coral is advised by CBRE Capital Advisers in the UK, who are FCA regulated and independently advises on all fund-related purchases.

Are your investments held in a secure and reputable Depositary?

The Royal Bank of Scotland is officially recognised as the Depositary ensuring investors' ownership of the Coral Student Portfolio Fund. The cash and assets of the Coral fund are held in

RBS which boasts a 288 year history, and today features more than 141,000 employees and 700 branches.

How does Coral make investments? And in what kind of properties?

Coral Student Portfolio Fund's strategy is to invest in purpose-built student accommodation assets globally, delivering a diversified return through a mixture of robust income and capital returns. The Fund's structure provides it with the ability to invest with a range of providers in a diverse number of jurisdictions. These investments may comprise completed and operating assets, developments, development forward funding purchases, joint ventures or strategic debt positions. ●

CORAL'S STRUCTURE AS A "FUND OF FUNDS" OFFERS FLEXIBILITY TO SERVICING INVESTORS

Student Housing has emerged as a main-stream global asset class worth an estimated US\$200 billion.

- JLL, *Student Accommodation Global Report 2014*

"Growing demand is set alongside very low levels of supply in many markets, making student housing a secure and appealing investment. While it was considered a fringe, alternative investment class just two decades ago, student housing is now firmly established in the UK and US and the sector now has increasing appeal to institutional investors who are actively participating in the market.

Performance in the sector has low correlation to the traditional real estate asset classes, so it has proved particularly effective in diversifying property portfolios. Institutional investors, with traditional investor- operators, pushed global investment volumes to new highs in 2015, exceeding anything seen before."

- Savills *World Student Housing Report, 2015*

As a regulated, monthly-traded vehicle investing in student accommodation, Coral Portfolio has a proven track record of dedication to high standards of fund governance, robust regulation and competitive performance.

We have also maintained a carefully managed liquidity policy that has been soundly tested in recent years following a spate of competitor fund suspensions across a broad range of asset classes.

Coral is a pure fund manager. We do not develop student housing projects and can therefore focus upon investors' interests primarily. This removes any conflict of interest and potential disincentive to sell down assets to meet liquidity calls. Coral also invests in assets

that can create liquidity through sales of units or positions.

But we also have another advantage over many other funds.

Our "Fund of Funds" structure, which is widely used in other sectors but which is comparatively unique in student accommodation, is a significant part of our investment strategy and permits much quicker disposals of assets when cash is needed to satisfy redemptions or when a portfolio change is required.

It is this flexibility that has stood our fund in such good stead over the past six and a half years and which has allowed us to continue to provide good performance and liquidity – a significant accomplishment in the turbulent investment and financial climate witnessed over the past few years.

CORAL'S DIVERSIFIED INVESTMENT STRATEGY

The Fund carefully balances its portfolio allocations between mature, established markets (such as the UK) and identified growth markets with strong potential for increasing higher education enrolments and a shortage of high-quality student accommodation. In particular, the Fund's strategic relationships (such as Global Student Accommodation Group) provide us with unique opportunities to invest in new markets with 'first-mover' advantage. As student accommodation matures as an asset class in these locations, we anticipate that rental growth and yield compression will follow, as seen in the UK over the last decade.

Investment decisions are a carefully considered, research-led process with focus on the following key criteria:

MACRO TRENDS:

- Locations with forecast growth in the provision of higher education, student enrolments and educational hubs;
- Growing attraction of international students and mobile domestic students;
- Robust economic markets.

SPECIFIC LOCATIONS WITH:

- A significant supply / demand imbalance of purpose-built student accommodation;
- Market rental levels that will underpin successful development and enable future rental growth.

EDUCATIONAL INSTITUTIONS:

- Proximity to world class universities and leading education providers attracting growing numbers of students;
- Opportunities to build long term relationships with education providers.

OPERATOR TRACK RECORD AND STRATEGY:

- Operators with established management and market knowledge;
- Provision of market leading services to maximise occupancy and student demand.

UNDERLYING INVESTMENT FUND:

- Appropriate capital structuring; including allocation to a particular investment (from 15% - 100% depending on the opportunity)
- Robust Fund strategy and risk management to deliver target returns.

In conjunction with the Fund's Investment Advisers, detailed due diligence on all opportunities is undertaken before considering any investment. ●

CORAL STUDENT PORTFOLIO – INVESTMENT UPDATES



Over the last six months Coral has been very active in reviewing our current portfolio allocations, in order to optimise investor value and protect against downside risks. An example of this is the Fund's investment in the London Student No.2 LP. As the case study [below] outlines, following completion of the development of the property it was successfully leased for the current academic year. The Fund took the strategic decision with the developer/operator to sell the property given its appeal to the market as a brand new and fully leased offering. This sale, due to complete in late November 2015, is forecast to deliver the Fund approximately a 24.5% IRR on its investment over a circa 2.5 year period.

Similar reviews have been undertaken on the Fund's investments in the Crosslane and St. Regent portfolios. These

investments have not performed at the expected levels due to local market letting performance, mix of room types in market and underperforming operator. In agreement with the manager some of these properties have recently been marketed for sale, with four of the properties currently in due diligence to potential buyers.

Whilst the impact of this process has flattened returns slightly over the last two months, the Fund continues to have a strong core portfolio which will benefit from this active portfolio management and performance as we enter 2016, with proceeds being reinvested into new opportunities.

We look forward to bringing you further updates in the coming months as we re-deploy any realised capital to optimise investor returns.

Following the successful exit from the Nido Portfolio in the first half of the year, the Fund invested these proceeds into a strategic short-term increase in our holding of the University Capital Trust (via the GSAF GBP Fund). This has enabled the Fund to quickly recycle the Nido proceeds into a strong performing, established vehicle. We aim to reduce this holding in the first half of 2016 and will reinvest it into a pipeline of other identified opportunities. The ability to move quickly and take strategic positions in this way will continue to stand Coral Student Portfolio in good stead going forward.

Finally, we are excited to introduce an Investor portal during the first half of 2016, to enable information to be more readily available and in more interactive formats. This will further enhance our communications channels to our valued and appreciated investors. ●



CASE STUDY: ONE PENRHYN ROAD, KINGSTON, LONDON.



INVESTMENT – LONDON STUDENT NO.2 LP SALE OF ONE PENRHYN ROAD, KINGSTON-UPON-THAMES, LONDON.



One Penrhyn Road, a 115 studio bedroom property offering 121 beds, in Kingston-upon-Thames, near London excellently situated at the edge of Kingston University's Penrhyn Road and Knights Park campuses and a short distance to the town centre.

- Coral invested a total of £7.2m into the London Student No.2 Limited partnership between June 2013 and January 2014. It is a 90% stake in The Partnership.
- The Partnership owns one property, a newly completed development known as 1 Penrhyn Road, which comprises 115 studios. The development was recently completed, with a very high standard of finishes and is fully let for the current academic year.
- Following a marketing campaign, contracts for sale were exchanged with the purchaser in early November 2015, with settlement of the sale completed on 23 November, 2015. The investment is forecast to have returned an IRR of approximately 24.5% over the 2.5 year holding period.

GROWING DEMAND FOR HIGHER EDUCATION



THE COLLECTIVE RESOURCES WITHIN CORAL AND ITS PARTNERS ARE EXCEPTIONAL. IN PARTICULAR, OUR RESEARCH CAPABILITY PERMITS US AN UNRIVALLED VIEW OF THE DEVELOPING HIGHER EDUCATION AND ACCOMPANYING STUDENT ACCOMMODATION SECTORS.

Due to demographic changes on a global scale, we are projecting substantially increased demand for higher education in all regions and, as a consequence purpose-built accommodation, which needs to be fit for the ever-more discerning student population. These projections and forecasts are a lynchpin in the development of our investment strategy.

DEMAND FOR NEW AND DIFFERENT SKILLS

New technology and the growing sophistication of economies have generated demand for new and different skills- services, manufacturing and more recently digital and technological innovation. The higher education sector is responding to these needs and student numbers are growing dramatically.

A LOOK AT THE FORECASTS TELLS ITS OWN STORY:

-From 2001 to 2011, the number of students increased globally 76 million to 183million**

-In the next ten years student numbers are forecast to increase by a further 100 million**

-Emerging economies 10-year enrolment growth will average 8% pa – compared to 2.8% in developed

economies

-Mobile students (those who move away from home to study) doubled to 4.5million 2001 to 2011 – forecast to double again in next ten years**

-Government sponsorship and support for higher education is growing

The changing patterns of student mobility are also indicative of greater numbers of young people embracing the university experience as they realise the value of exposure to cultural differ-

ence and diversity. Employers are actively seeking to recruit job applicants with the broadest possible experience of studying and working internationally.

University education is a leading driver of economic expansion and, almost without exception, global growth in higher education is underpinned by government policy. Alongside the aspirations of young people to improve their experience, this government support makes for exciting times ahead for Coral and its investors. ●

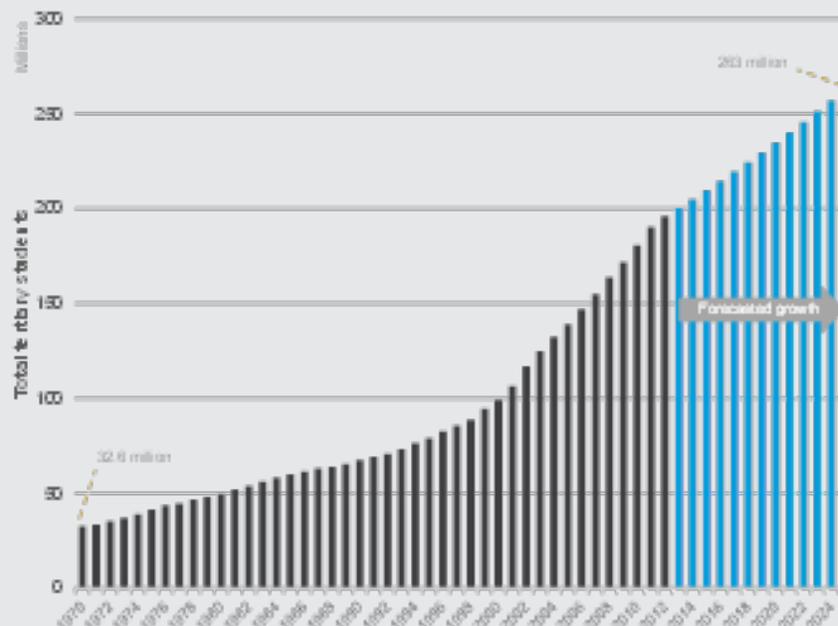


Chart: UNESCO 2015

**OECD 2013 – Education Indicators Focus

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