Key Information Document
This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of investing in this product and to help you compare it with other products.
Heylo Housing Secured Bond plc 1.625% per cent Inflation-linked Sterling Bonds due 2028 (the "Bonds")

- ISIN: XS1880955007
- www.heylohousing.com/bonds
- 020 3744 0415
- Competent Authority: FCA
- Date of publication: 8 October 2018

You are about to purchase a product that is not simple and may be difficult to understand

What is this product?

These Bonds are secured inflation-linked Bonds with the additional feature that if inflation is negative, the interest payments and amount repayable do not fall. These Bonds are intended for investors who:

- Are interested in receiving interest payments and for their invested capital to be linked to increases in the UK Retail Prices Index ("**RPI**")
- Are interested in protecting their invested capital and their income from both inflation and deflation (negative inflation)
- Accept that the value of their Bond may fluctuate and that they might not get back the full amount invested

Background Information on the Issuer
Heylo Housing Secured Bond plc (the "**Issuer**") intends to invest the proceeds of the Bonds in residential properties, security over which will be granted in favour of the Bondholders (for further details of the security please see Section C8 of Part I – Summary in the Base Prospectus (as referred to under the section headed 'Other relevant information' below).The properties will be made available to customers on a part buy – part rent basis (commonly known as shared ownership) in the United Kingdom by acquiring new build properties in bulk from housebuilders and/or acquiring second hand properties that have been selected by its customers for conversion to part buy – part rent. The Issuer will provide long-dated (125 year) leases to Heylo Housing Registered Provider Limited who will in turn enter into 125 year leases with end customers who contract to pay inflation-linked rent on the portion of the home that they do not own. An Affiliate of the Issuer, ResiManagement Limited, will provide management services to the Issuer, including managing its portfolio of properties, collecting payments under the long-dated leases and managing and enforcing the terms of such leases.

Payments under the Bonds
The Bonds are expected to be repaid on 30 September 2028 (the "**Maturity Date**"). The amount paid back to investors upon maturity will be at least 100% of the initial amount invested and the exact amount will depend on the rate of inflation during the life of the Bonds. The interest on the Bonds is 1.625% per annum, adjusted each semi-annual period for the change in the RPI over the relevant measurement period, paid on 31 March and 30 September every year (with the first payment being made on 31 March 2019) up to and including the Maturity Date unless the Bonds have previously been redeemed, purchased or cancelled. Steps 1 to 3 below explain how to calculate the changes from inflation reflected by the movement of the RPI between two dates (the relevant measurement period) which, in turn, effectively changes the nominal (or "par") value of the Bonds and subsequently the interest to be paid to you by the Issuer on the coupon payment date. For a full explanation and worked example, please refer to Part IV (How the return on your investment is calculated) of the Base Prospectus (as further described under the section headed 'Other relevant information' below). Steps 1-3 below describes the method that can be used to calculate the expected interest payable on the first coupon date, using the assumptions provided:

1. **Calculate the RPI inflation factor:** two RPI values are required 1) The "interest payment reference month" RPI figure (Y). This is the RPI figure for the month that is 8 months before the coupon payment date and 2) The "interest payment base month" RPI base figure (X). This is the RPI figure for the month that is 8 months before the first day of the relevant interest period (for the first coupon on 31 March 2019 the first day of the relevant interest period is the issue date of 29 October 2018). The first coupon payment date is 31 March 2019 and so the "interest payment reference month" RPI figure (Y) is the RPI level associated with July 2018 – the value is 281.7. The "interest payment base month" RPI base figure (X) is the RPI figure that is associated with February 2018 (February 2018 being 8 months before October 2018) – the value is 278.1. The RPI inflation factor associated with the first coupon payment date would therefore be calculated as Y/X = 281.7/278.1 = 1.012945
2. **Calculate the adjusted nominal value of the Bonds:** the adjusted nominal value used to calculate the interest payable is equal to the prior period's nominal value multiplied by the inflation factor. With respect to the first coupon, the prior period's nominal value of each Bond is £100.00 and the assumed inflation factor is 1.012945. The adjusted nominal value of a Bond with a face value of £100.00 would therefore be £101.29 on the first coupon payment date
3. **Calculate the interest payable:** interest payable (rounded to the nearest penny) per £100.00 face value of Bonds = (adjusted nominal value) x (coupon divided by 2) x (day count fraction). The coupon is divided by 2 because it is a semi-annual payment. The day count fraction equals the number of days in a semi-annual period for which you will earn interest (153 days for the first coupon) divided by the number of days in the semi-annual period (182 days). Continuing the above example, the interest expected to be paid on the first coupon date per £100.00 face value of Bonds (using the assumptions above) would be £101.29 x (1.625% / 2) x (153 / 182) = £0.69

Other features of the Bonds
The Bonds will benefit from a security package in the form of an equitable mortgage (explained in more detail in section C8 of the Base Prospectus) granted by the Issuer over its title to UK residential property assets acquired by it , (ii) fixed charges over any insurance policies and other contractual rights that benefit the Issuer in relation to the Mortgaged Properties, (iii) a fixed charge over cash held in a specific charged account or permitted investments held by the Issuer from time to time and (iv) a floating charge over all of the other undertaking and assets, both present and future, of the Issuer. In certain situations (such as if the Issuer fails to make payments under the Bonds) U.S. Bank Trustees Limited, as security trustee, would be able to enforce the security and sell the relevant business, assets or property of the Issuer and use the proceeds of sale to repay the Bonds. Other than creditors preferred by law, other creditors of the Issuer who do not have the benefit of such security would have to wait for payments to holders of the Bonds to be made before their own claims were settled. In addition, the terms and conditions of the Bonds require the Issuer to comply with an asset cover covenant, a debt service covenant and a negative pledge provision.

Intended Retail Investor
Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in Directive 2014/65/EU (as amended) and all channels for distribution are appropriate, subject to the distributor's suitability and appropriateness obligations, as applicable.

What are the risks and what could I get in return?

1	2	**3**	4	5	6	7

Lower risk ⟷ Higher risk

The risk indicator assumes you keep the product until the Maturity Date in 10 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less than you invested. The price of securities can go down as well as up. You may not be able to sell your securities easily or you may have to sell at a price that significantly impacts how much you get back.

There is no guarantee that an active trading market for the Bonds will develop, or what the market price for selling or buying the Bonds will be at any time. You may not be able to sell your Bonds easily, and if you do sell them in the open market you may receive less than you paid for your Bonds.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because the Issuer is not able to pay you. The Issuer has classified this product as 3 out of 7, which is a medium-low risk class. Poor market conditions could impact the capacity of the Issuer to pay you. This summary risk indicator may not reflect the actual risk of an investment in this product.

Risk factors relating to the Issuer and the Bonds are set out in the section headed "Risk Factors" in the Base Prospectus. Please read them carefully. This product does not include any protection from future market performance, so you could lose some or all of your investment. If the Issuer is not able to pay you what is owed, you could lose your entire investment. The Bonds are not protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, you may lose all or part of your investment in the Bonds.

Investment of £10,000 Scenarios		1 year	5 years	10 years Recommended holding period
Stress scenario	What you might get back after costs	£6,630.00	£6,524.81	£5,440.83
	Average return each year	-33.70%	-8.19%	-5.91%
Unfavourable scenario	What you might get back after costs	£9,459.50	£10,082.77	£11,611.13
	Average return each year	-5.41%	0.17%	1.51%
Moderate scenario	What you might get back after costs	£10,530.50	£12,811.51	£16,343.32
	Average return each year	5.31%	5.08%	5.04%
Favourable scenario	What you might get back after costs	£11,759.00	£16,362.95	£23,114.97
	Average return each year	17.59%	10.35%	8.74%

This table shows the money you could get back over the next 10 years, under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this type of investment varies and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment/product. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where the Issuer is not able to pay you.

The figures shown include all the costs of the product itself but do not include any costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back. Also, the figures shown above are calculated in a prescribed and standardised way as required by the PRIIPs Regulation (Regulation (EU) No. 1286/2014) and certain delegated legislation, regulatory technical standards and guidance. Due to the way the calculations must be carried out and owing to the nature of an inflation-linked Bond, certain performance scenario information appears overly optimistic and may be misleading.

What happens if Heylo Housing Secured Bond plc is unable to pay out?

The Bonds are not protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, neither the FSCS nor anyone else will pay compensation to you upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent or otherwise fails to pay amounts when due under the Bonds (as the case may be), you may lose all or part of your investment in the Bonds.

The Bonds are secured and so you may recover your investment in priority to any other investors - the precise security to be granted by the Issuer is set out in the Base Prospectus (Condition 4 of Part X Terms and Conditions of the Notes) (as further described under the section headed 'Other relevant information' below) and includes: an equitable mortgage granted over all properties from time to time owned by the Issuer, a floating charge over all of the assets, property and undertakings of the Issuer from time to time and a first fixed charge over certain bank accounts held by the Issuer, in particular the bank accounts that hold any cash required to ensure the Issuer meets its financial covenants as required by the Terms and Conditions of the Notes set out in the Base Prospectus (as further described under the section headed 'Other relevant information' below).

The payment obligations under the Bonds shall be the sole responsibility of Heylo Housing Secured Bond plc. The Bonds are not guaranteed by any member of the wider Heylo Group or any other person or entity.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment of £10,000 **Scenarios**	**If you cash in after 1 year**	**If you cash in after 5 years**	**If you cash in after 10 years**
Total costs	£0	£0	£0
Impact on return (RIY) per year	0.0%	0.0%	0.0%

Composition of costs

The table below shows the impact each year of the different types of costs on the investment return that you might get at the end of the recommended holding period and the meaning of the different cost categories. This table shows the impact on return per year.

One-off costs	**Entry costs**	0.00%	No entry costs are payable when you acquire Bonds. However, depending on how you buy these Bonds, you may incur other costs, including broker, commission, platform fees and any applicable taxes. The distributor will provide you with additional documents where necessary.
	Exit costs	0.00%	No exit costs are payable when you dispose of Bonds, although you may be required to pay brokerage fees or commissions.
Ongoing costs	**Portfolio transaction costs**	0.00%	The impact of the costs of the Issuer buying and selling underlying investments in the product.
	Other ongoing costs	0.00%	The impact of the Issuer's internal operational costs and expenditure on external service providers.
Incidental costs	**Performance fees**	0.00%	The impact of the costs of the Issuer paying any performance fees.
	Carried interest	0.00%	The impact of the costs of the Issuer paying any carried interest.

How long should I hold it and can I take my money out early?

The recommended holding period of the Bonds is approximately 10 years from the issue date on 29 October 2018 to the Maturity Date on 30 September 2028.

The Bonds will be listed on the Official List of the Financial Conduct Authority and admitted to trading on the regulated market of the London Stock Exchange plc. The Bonds will also be eligible for the London Stock Exchange's electronic Order Book for Fixed Income Securities. Investors should, in most normal circumstances, be able to sell their Bonds at any time, subject to market conditions, by contacting their stockbroker. Investors should be aware that a liquid market may not develop for the Bonds which may impact an investor's ability to sell the Bonds. As with any investment, there is a risk that an investor could get back less than his/her initial investment or lose his/her initial investment in its entirety. You are referred to the section headed "Risk Factors" in the Base Prospectus.

How can I complain?

Any complaints about the Bonds may be addressed to the Finance Director by email to: finance@heylohousing.com; or by post to: Heylo Housing Secured Bond plc, 5th Floor, One New Change, London, EC4M 9AF. Website: www.heylohousing.com/bonds

Any complaints regarding the purchase, ongoing management or sale of the Bonds should be addressed to the distributor of the Bonds (i.e. your stockbroker, private bank or wealth manager).

Other relevant information

The Bonds are issued under the £750,000,000 Euro Medium Term Note Programme (the "Programme") of Heylo Housing Secured Bond plc. Any investment decision should be made solely on the basis of a careful review of the Base Prospectus (dated 28 September 2018) and the Final Terms (dated 8 October 2018). The Base Prospectus and the Final Terms can be found at www.heylohousing.com/bonds and the website of the London Stock Exchange plc (www.londonstockexchange.com/newissues). Please therefore read the Base Prospectus and the Final Terms carefully before you invest. You should ensure that you understand and accept the risks relating to an investment in the Bonds before making such an investment. You should seek your own professional investment, legal and tax advice as to whether an investment in the Bonds is suitable for you.

The tax treatment in relation to the Bonds will depend on your individual circumstances and taxation law and practice at the relevant time (and so may be subject to change in the future). You should consult your tax advisers to obtain advice about the particular tax treatment in relation to the Bonds. The tax treatment of the Bonds may be complex and the level and basis of taxation may change during the life of the Bonds. It is your responsibility to comply with the tax obligations operative in your country of residence.

Please note that for the purpose of calculating the performance scenarios and risk calculations a blended benchmark was used. This benchmark's performance may not adequately reflect the actual performance of the financial product marketed. In fact there may be other benchmarks which may provide different outcomes. The Bonds do not have any trading history. In order to comply the manufacturer has made certain assumptions in the application of the relevant EU regulations in relation to cost, performance and risk calculations included in this KID which may have generated more or less favourable outcomes.

Please see www.heylohousing.com/bonds for further details and all documentation related to this investment.