



Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st October 2021

Investment Objective

On 3rd November 2020, the Board announced that it had decided to recommend to shareholders that the investment objective and policy of the Company are amended so that the Board can pursue a strategy of orderly realisation and the return of capital over time to shareholders. This recommendation was approved by shareholders at an Extraordinary General Meeting held on 14th January 2021.

The Company's investment objective is now to conduct an orderly realisation of the assets of the Group.

Summary

Fund facts

Fund launch:	5 February 2013	Fund type:	Closed ended investment company
Investment Manager:	ICG Alternative Investment Ltd	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	121.30 million	ISIN code:	GG00B8C23S81
Investment Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & Estimated NAV at 31 October 2021

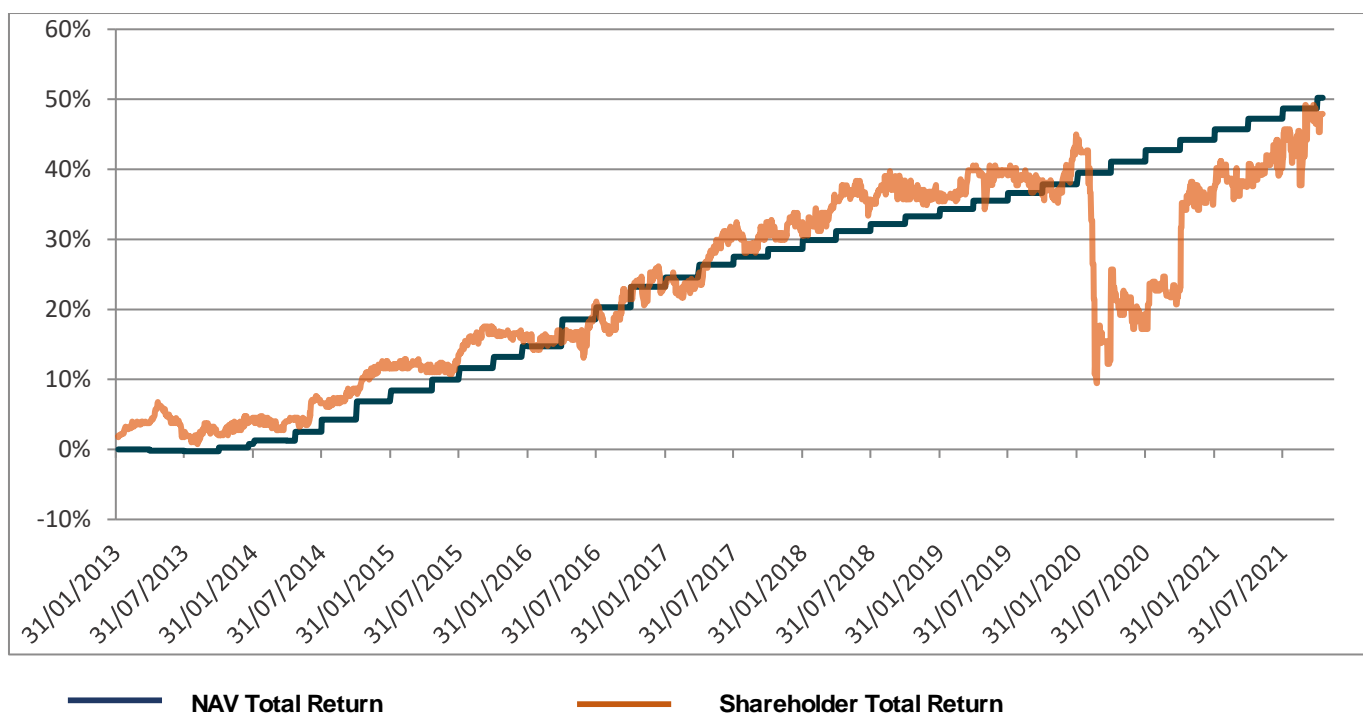
Share price (pence per share):	87.30
NAV (pence per share):	92.70
Premium/(Discount):	(5.8%)
Market capitalisation:	£105.90 million

Key portfolio statistics at 31 October 2021

Number of investments:	8
Percentage capital invested ⁽¹⁾ :	95.6%
Weighted avg. investment coupon:	7.14%
Weighted avg. LTV:	70.6%

⁽¹⁾ Loans advanced at amortised cost / Total equity attributable to the owners of the Company.

Share Price Total Returns vs NAV Total Return (from IPO to 31 October 2021)



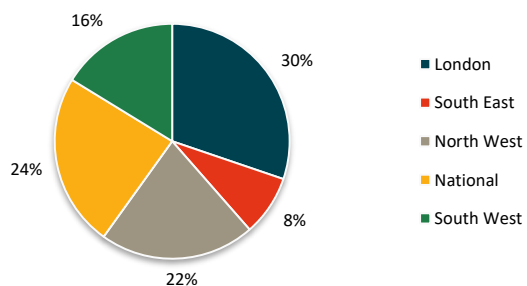
Investment Portfolio as at 31 October 2021

Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding ^(1, 2) (£m)	Balance undrawn (£m)	Current LTV (%)
Quattro	South East	Mixed use	Oct-17	0.00	9.00	83.7	6.68		76.4
Affinity	South West	Office	Mar-18	0.54	14.20	67.3	17.30	0.40	68.4
Southport	North West	Hotel	Feb-19	1.45	12.50	59.5	15.00		72.8
Northlands	London	Mixed use	Aug-19	0.96	9.00	55.3	10.25	2.25	57.3
RoyaleLife	National	Residential	Sept-19	1.95	20.27	74.3	25.38		74.6
LBS	London	Office	Oct-19	0.96	4.92	69.3	6.47		58.9
Knowsley	North West	Industrial	Feb-20	1.45	3.50	60.3	7.75		63.1
GMG	London	Office	July-20	0.96	12.75	70.0	16.17	0.72	78.9
Total / weighted average				1.18	86.14	68.2	105.01	3.37	70.6

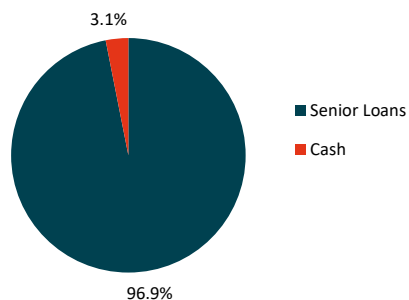
(1) For the RoyaleLife facility, Balance outstanding includes capitalised interest

(2) After quarter end, the Knowsley loan was repaid in full, and a further £0.7 million of repayments were received on the Quattro loan.

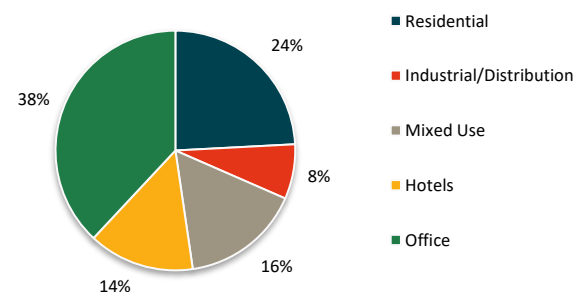
Region Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Manager's Commentary

Summary

At 31 October 2021 the investment portfolio comprised eight loans. As at the Quarter end:

- First capital distribution to shareholders completed in the period, equating to 5.5 pence per ordinary share
- Reduction in the par value of the loan portfolio to £105.0 million (31 July 2021: £106.47 million)
- Quarter end free cash position of £4.1 million with unfunded commitments of £3.4 million;
- NAV per share of 92.7 pence (31 July 2021: 98.2 pence) reflecting the effect of the capital distribution
- Weighted average LTV of 70.6% (31 July 2021: 70.6%)
- WA interest coupon of 7.14% (31 July 2021: 7.17%), before recognition of arrangement and exit fees
- The Company's share price discount to NAV has narrowed from 8.8% at 31 July 2021 to 5.1% as at 31 October 2021, with the share price at period end of 87.30 pence per share.

After quarter end, the Company announced a further capital distribution equating to 6.5 pence per ordinary share. Pro forma NAV at the date of this Fact Sheet, as adjusted for the return of capital, is 86.20 pence per share.

Group Performance

All interest due for the period has been received in full. Modest additional advances were made across the Company's existing facilities, as capital expenditure programmes supported by the Company continued to progress. Partial repayments of £2.2 million were received on the Quattro loan, following the sale and refinancing of certain of the properties. As a result the total outstanding loan balances reduced by £1.5 million in the period.

During the quarter, the Company made a first capital distribution to shareholders reflecting 5.5 pence per ordinary share, or £6.7 million in aggregate. This reduced the effective NAV per share, which on a pro forma basis was otherwise largely flat on the quarter.

Following quarter end, the Company received repayment in full of the £7.75m Knowsley loan, together with exit and prepayment fees totalling £0.15m. Additionally, a further £0.7 million of repayments were received on the Quattro loan. As a result, pro forma LTV at the date of this Fact Sheet is 71.0%.

Investment Overview

The positive momentum observed across the Company's portfolio last quarter has continued. In particular, the Company received £2.2 million of repayments from the Quattro borrower during the period, following the sale and refinancing of certain of the portfolio assets. As noted above a further £0.7 million was received after quarter end, and we remain confident as to the exit strategy for the balance of the properties.

Sales momentum at the RoyaleLife properties has continued, and as part of a wider agreement with the RoyaleLife borrower in support of its future business plan, the Company agreed a series of amendments to the loan which are accretive to the Company's overall returns. As reported last quarter, we have also extended the minimum earnings period for the loan, which will be accretive to NAV in the event of any early repayment.

Renovation works at the property securing the GMG loan have now completed and several new leases have been secured, one of which is at a record-setting rental level for the sub-market. These improvement works and leases are yet to be reflected in any revaluation but are ahead of our expectations and in our view materially improve the risk positioning of the investment.

Trading at the Southport hotel investment during the period was strong reflecting the general rise in staycations in the UK and the benefit of the sponsor's prior renovation of the property feeding through into room rates.

Portfolio

Portfolio statistics	31 October 2021	31 July 2021
Number of loan investments	8	8
Aggregate principal advanced ¹	£105,008,978	£106,467,217
Weighted average LTV	70.6%	70.6%
Weighted average interest coupon	7.14%	7.17%
Weighted average unexpired loan term	1.18 years	1.38 years
Cash held	£4,111,768	£10,466,329
Undrawn loan commitments	£3,370,148	£4,087,714

¹ Includes capitalised interest

Market Commentary

The UK economy continues to creep back towards pre-pandemic levels. Based on the monthly September GDP data, showing 0.6% month-on-month growth, GDP is just 0.6% below the February 2020 figure. Labour markets remain strong, with the unwinding of the furlough scheme in September not initially showing any impact on unemployment. Job vacancies remain high, with the 1.172m reported in October 2021 a record level. The big economic story of the quarter however was inflation, with CPI rising to 4.2% in the 12 months to October led by energy prices and supply chain issues causing price spikes in some goods and materials. Staff shortages and pay pressures are likely to increase, and as a result the outlook for interest rates has increased, with a base rate rise in December or January now widely predicted.

We have not seen any abatement in demand for real estate as a result of these economic changes. While Q3 transaction volumes of £13.5bn were slightly down on Q2, the level was still above the five-year average and - in our view – more reflective of a quieter than usual summer as market participants took advantage of the ending of lockdown restrictions to take time away from work.

In recent quarters we have reported on the seemingly relentless investor demand for industrial assets, and this has continued through to the date of this report. Q3 sales volumes of £3.8bn were the second strongest on record, according to Lambert Smith Hampton, led by Blackstone's £1.7bn sale and leaseback of ASDAs 25-unit distribution portfolio. Of further note is the level of continued yield compression. Gemini Business Park in Beckton is said to be under offer at £155m, a 2.25% yield, while on the other side of London, Gormley House in Park Royal was reported to be in contract at £51m, a 1.12% yield. In each case there will be special circumstances, and the assets are undoubtedly let off low rents compared to current market rates, but the level of growth required to secure attractive long term returns looks daunting.

The alternatives sector also continues to attract strong interest. Student housing deals in Q3 were the third highest on record, with £1.3bn of trades including the £969m sale of a portfolio of 11 sites by GCP Student Living. In November a sizeable trade was announced in the park homes sector, with Park Holidays UK to be sold to Sun Communities, Inc. of the US in a £950m deal. This sector activity supports our confidence in the prospects for the Company's RoyaleLife investment, whose assets share similar characteristics.

In the finance markets the headlines created by COP 26 has brought sustainability issues in real estate lending into sharper focus than ever before. A recent large industry conference saw two of four keynote sessions address climate and ESG matters, and with occupier, investor and lender requirements becoming more rigorous, any investment decisions today will need to have sustainability as a core theme to avoid obsolescence in the medium term.

Outlook

During the quarter the Company completed a capital distribution of 5.5 pence per ordinary share (equating to approximately £6.7 million), as a first step in realising its portfolio. The recently announced repayment of the Knowsley loan, combined with the Quattro loan repayments and the cancellation of certain of the Company's undrawn loan commitments, has allowed for a follow-on distribution of a further 6.5 pence per share.

Looking forward, we are aware that certain of our borrowers are pursuing sales and refinancing opportunities, which, as and when completed, will allow the Company to accelerate its capital return programme. We will provide shareholders with further updates when appropriate.

The Investment Manager continues to be satisfied with the security position and performance of the Company's loan portfolio.

Contacts

Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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