



Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 30th April 2022

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 30 April 2022

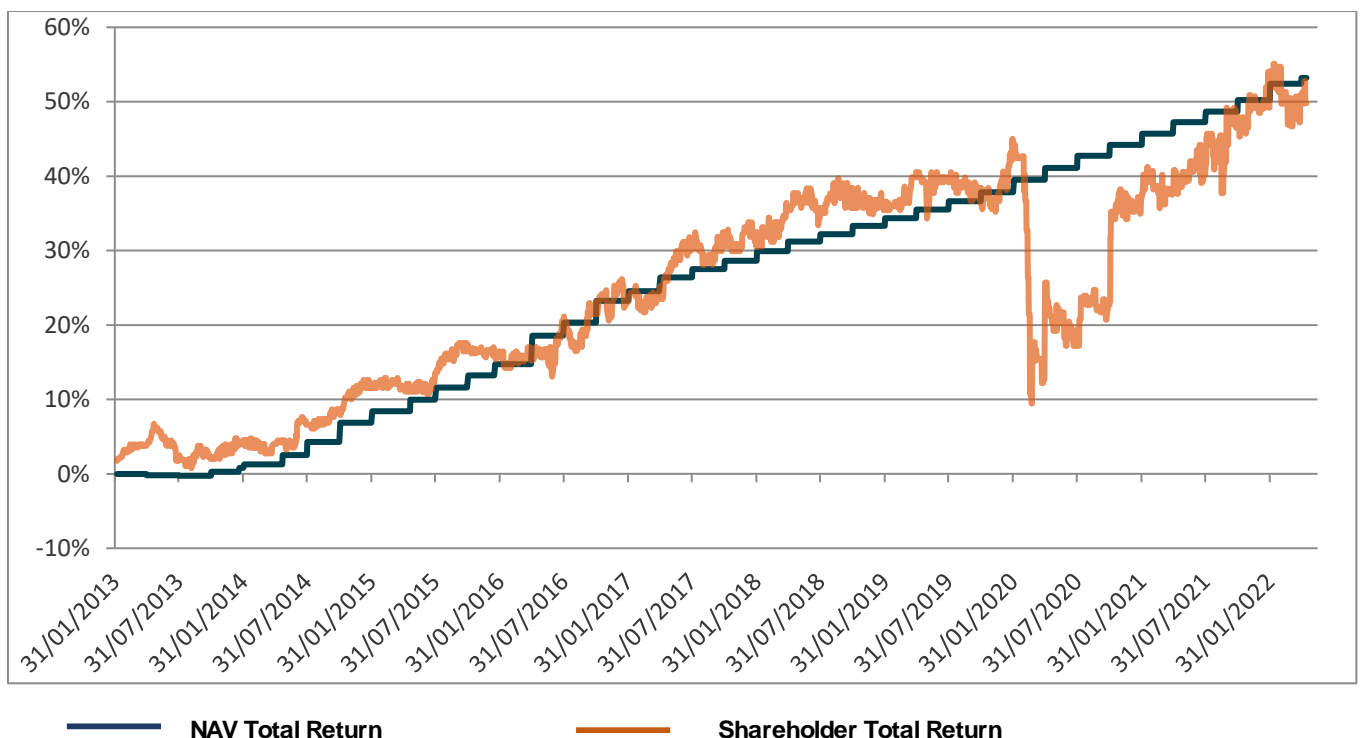
Share price (pence per share):	67.25
NAV (pence per share):	72.54
Premium/(Discount):	(7.3%)
Market capitalisation:	£81.58 million

Key portfolio statistics at 30 April 2022

Number of investments:	5
Percentage capital invested ⁽¹⁾ :	87.9%
Weighted avg. investment coupon:	7.34%
Weighted avg. LTV:	67.3%

⁽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 30 April 2022)

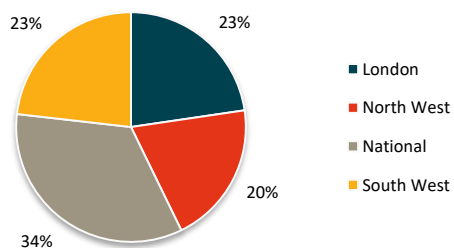


Investment Portfolio as at 30 April 2022

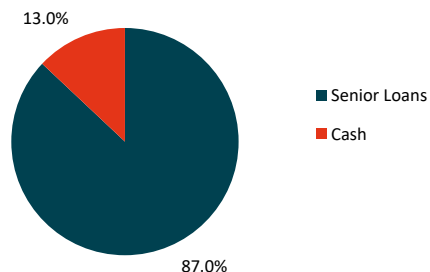
Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding ^(1, 2) (£m)	Balance undrawn (£m)	Current LTV (%)
Affinity	South West	Office	Mar-18	0.04	14.20	67.3	17.30	0.00	68.4
Southport	North West	Hotel	Feb-19	0.96	12.50	59.5	15.00	0.00	85.7
Northlands	London	Mixed use	Aug-19	0.46	9.00	55.3	10.53	0.00	58.3
RoyaleLife	National	Residential	Sept-19	1.46	20.27	74.3	25.38	0.00	61.5
LBS	London	Office	Oct-19	0.46	4.92	69.3	6.47	0.00	58.9
Total / weighted average				0.80	86.14	68.2	74.68	0.00	67.3

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

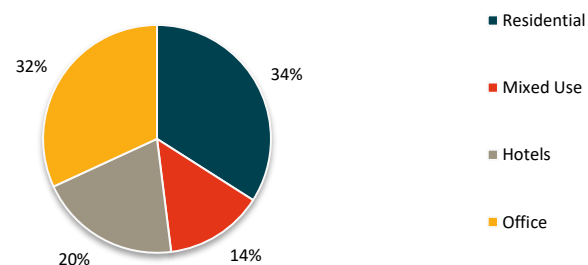
Region Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Manager's Commentary

Summary

At 30 April 2022 the investment portfolio comprised five loans. As at Quarter end or during the period:

- The Quattro loan repaid in full, with total capital repaid of £6.0 million
- Resulting reduction in the par value of the loan portfolio to £74.7 million (31 January 2022: £80.5 million)
- NAV per share of 72.5 pence (31 January 2022: 72.4 pence)
- Weighted average LTV of 67.3% (31 January 2022: 67.8%)
- The Company's share price of 67.25 pence per share showed a 7.3% discount to NAV at period end.

On 18th May 2022, following period end, a capital distribution equivalent of £7.3 million, or 6.0 pence per ordinary share, was declared with the redemption payment to be made in June 2022, which will bring total capital returned to approximately £38.8 million or 32.0 pence per ordinary share.

Group Performance

The Company's performance was largely stable during the quarter, with the principal change being the repayment of the Quattro loan highlighted above.

NAV was modestly increased in the period largely due to additional income from the RoyaleLife loan.

Investment Overview

The Company received repayment of the remaining balance of the Quattro investment at the end of April 2022, following a refinancing of the portfolio by a third party lender. As shareholders will be aware this investment had been problematic and extended past its original maturity date, however ultimately the business plan was executed successfully and all principal, interest and fees were repaid in full.

As set out in the Company's recent annual report and accounts, several of the properties securing the remaining investments – including the LBS, Affinity and Northlands loans – have been placed on the market for sale by the respective borrowers. While there is no assurance these sales processes will conclude within the remaining term of the loans, we do have visibility on progress and consequently a strong level of confidence in repayment of these loans during the next two quarters. In particular, following period end we agreed a short term extension of the Affinity loan to allow for the sale process to conclude.

The RoyaleLife loan continues to see valuation improvements, and a report received during the period (with an effective valuation date in 2021) shows an improvement in LTV to 61.5%. As highlighted in prior Fact Sheets, we are also seeing increased corporate interest in whole business acquisitions within the sector, including the recent purchases of Park Holidays, Aria Resorts and Coppergreen.

In May 2022 a public consultation was launched for the development of a new Southport Events Centre on land adjoining the Southport hotel. The proposal is supported by grant funding and, if delivered, will comprise a new state-of-the-art theatre along with a conference and business events venue which, our advice suggests, will be transformational for the area and so the hotel.

Portfolio

Portfolio statistics	30 April 2022	31 January 2022
Number of loan investments	5	6
Aggregate principal advanced ¹	£74,684,723	£80,543,427
Weighted average LTV	67.3%	67.8%
Weighted average interest coupon	7.34%	7.39%
Weighted average unexpired loan term	0.80 years	0.97 years
Cash held	£11,144,601	£4,801,224
Undrawn loan commitments	£nil	£400,000

¹ Includes capitalised interest

Market Commentary

The fall out from the Russian invasion of Ukraine continues to be felt by the markets. Energy prices have been the most obvious economic cost but policy makers are increasingly alive to the near-term challenges in food supply, with both countries among the world's largest exporters of wheat, barley and maize, and Russia also critical to supplies of fertilizers such as potash.

The knock-on price increases have been widely felt in the UK, with CPI in the 12 months to end-April 2022 standing at 9%, compared to 5.5% in the 12 months to January. While the Government has announced a £15 billion support package, consumer borrowing is rising and it seems highly likely that there will be some belt-tightening and cuts to discretionary household spending in order to cover the basic necessities of food and fuel.

Perhaps the most notable impact on real estate comes from the major price rises seen in key construction materials – steel, copper, concrete and brick prices are all up by at least 15% over the past 12 months, which has led to across the board tender-price inflation. In an industry where contractors work to thin margins, we are beginning to see the repricing of contracts mid-project and the first evidence of insolvencies.

Another notable talking point has been Amazon's recent announcement of a roll-back in take up of distribution units (where it has the dominant occupier) and what that could mean for the red-hot industrial markets. The share price of SEGRO, the FTSE 100 industrial landlord, has fallen by around 15% since the announcement in early May, with a similar fall for Tritax Big Box REIT. Agents continue to highlight that market fundamentals remain extremely positive - UK vacancy rates currently sit at around 2.3%, a record low, according to specialists at DTRE, and both transaction and leasing volumes remain strong. In May we saw units in Ashby-de-la-Zouch and Wednesbury, both in the Midlands, trading in the sub-3% yield area, which had previously been limited to London and the South East.

An emerging challenge in the property markets is the rapidly rising cost of finance, with the benchmark five year swap rate rising by close to 100bp in the quarter, followed by a similar rise since quarter end, driven by three consecutive rises in Bank rate and the inflation outlook. At the same time, we are seeing evidence credit spreads beginning to widen, as lenders own costs of funding increase and the complex market outlook is priced in.

These rising costs have not yet appeared to weigh on lending activity, which rose sharply in April, according to Bank of England data, with over £800m of new net lending to property. This continued liquidity in the lending markets should help the Company's borrowers as they seek to sell or refinance their investments.

Outlook

We are aware that formal sales processes have been launched for assets securing three of the Company's remaining five loans, and as highlighted in the Company's Annual Report and Accounts, we expect the LBS and Affinity loans to repay in H2 2022, with the Northlands loan to follow later in the year.

While further capital distributions to shareholders will be dependent upon loan repayments, the Company continues to target dividend payments equating to an annualised 6% of the preceding quarter's end net asset value.

We will continue to keep shareholders updated on any changes to the remaining loan investments, and the Investment Manager continues to be satisfied with the security position of the Company's loan portfolio.

Contacts

Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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