



Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st October 2016

Summary

The Investment objective of the company is "...to construct a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% pa, paid quarterly, with an underlying target portfolio IRR of 8% pa..."

Fund Facts

Fund Launch:	5 th February, 2013	Fund Type:	Closed ended investment company
Fund Manager:	Intermediate Capital Managers Ltd	Domicile:	Guernsey
Base Currency:	GBP	Listing:	London Stock Exchange
Issued Shares:	108.2 million	ISIN Code:	GG0B8C23581
Management Fee:	1.0%	LSE Code:	LBOW
		Website:	www.lbow.co.uk

Share Price & NAV at 31 October 2016

Share Price (pence per share)	103.50
NAV (pence per share)	104.02
Premium/ (discount)	(0.50%)
Market Cap.	£112.57m
Approved dividend (pence per share) ⁽¹⁾	1.5 pence
Dividend payment date ⁽¹⁾	13 January 2017

⁽¹⁾ For Quarter ended 31 October 2016 (Ex-dividend date 22/12/2016)

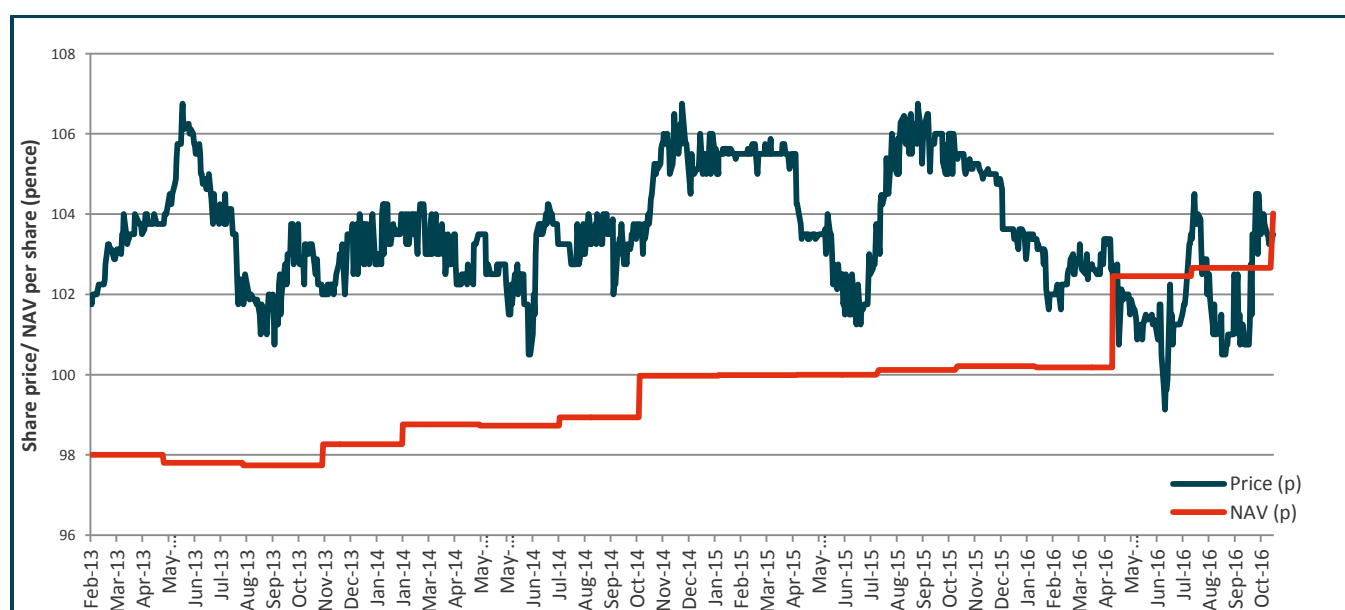
⁽²⁾ Loans advanced at amortised cost / Total equity attributable to the owners of the Company

Key Portfolio Statistics at 31 October 2016

Number of Investments:	9
Percentage Capital Invested ⁽²⁾ :	82.91%
Weighted average investment coupon:	6.77%
Weighted Avg. projected Investment IRR ⁽³⁾ :	8.96%
Weighted Avg. LTV:	57.82%
Weighted Avg. interest coverage ratio:	206%

⁽³⁾ Weighted average projected gross portfolio IRR reflects loan cashflows including interest, fees, advances and repayments, comprising (i) actual cashflows arising from loans in current portfolio and repaid loans since origination to date, and (ii) projected cashflows from the current portfolio through to each loan's maturity.

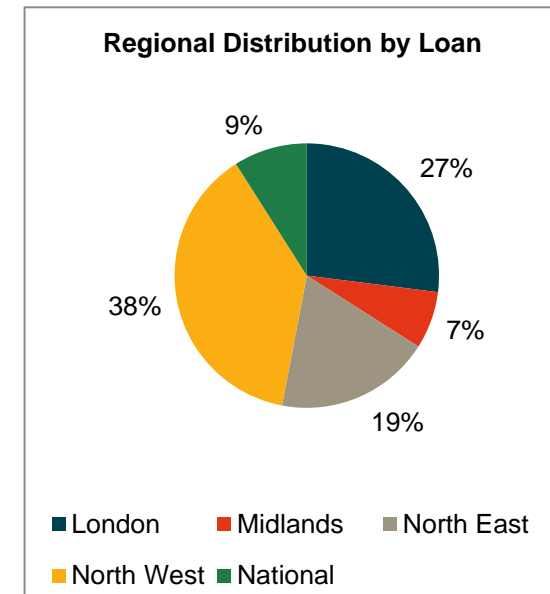
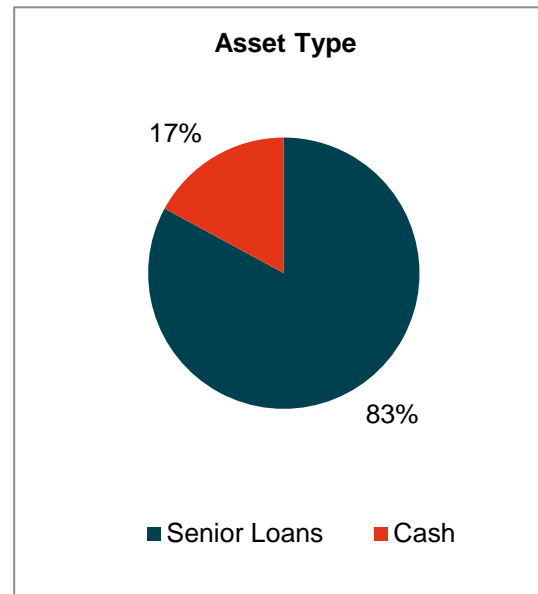
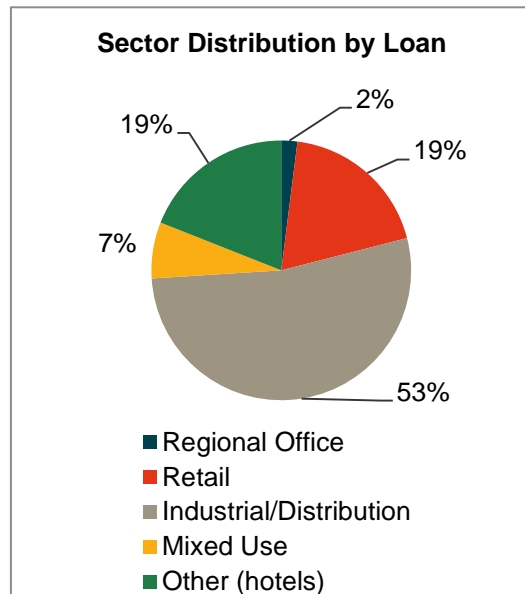
Share Price v NAV (from IPO to 31 October 2016)



Investment Portfolio as at 31 October 2016

Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
IRAF Portfolio ⁽¹⁾	North West	Industrial/distribution	Jul-13	2.08	14.20	55.31	193	11.94	43.51	210
Meadows RE Fund II	London	Retail	Sep-13	1.17	18.07	65.00	150	18.07	62.96	129
Northlands Portfolio	London	Mixed use	Nov-13	2.07	7.20	61.70	192	6.48	46.12	164
Hulbert Properties	Midlands	Industrial/distribution	Dec-13	2.09	6.57	65.00	168	6.57	55.38	180
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	2.10	8.60	64.80	116	8.60	63.90	116
Cararra Ground Rents	North West	Regional office	Dec-13	2.10	1.30	65.00	113	1.30	65.00	113
Lanos (York)	North East	Other (hotel)	Mar-14	2.17	10.00	64.90	122	10.00	50.00	154
Ramada Gateshead	North East	Other (hotel)	Apr-14	2.49	7.98	64.40	180	7.98	63.86	189
Commercial R. S. Ltd	North West	Industrial/distribution	Mar-16	2.45	22.40	65.00	280	22.40	64.00	354
Total / weighted average				2.04	96.32	63.45	187	93.33	57.82	206

⁽¹⁾ IRAF portfolio loan is a replacement of the LM Real Estate loan. It is secured on substantially the same portfolio as the previous LM Real Estate loan but with a new borrower and on substantially the same commercial terms. Day 1 figures represent LM Real Estate loan opening position.



Investment Manager's Commentary

Summary

At 31 October 2016 the investment portfolio comprised 9 loans following the repayment in the quarter of the Raees International loan.

- The par value of the loan portfolio is now £93.3 million (31 July: £106.6m)
- NAV per share has increased from 102.66 to 104.02
- Projected portfolio gross IRR is 8.96% (31 July: 8.72%)
- Weighted average interest coupon is now 6.77% (31 July: 6.83%)
- Portfolio LTV has increased from 57.31% to 57.82% and Portfolio ICR has increased from 181% to 206%
- Weighted average loan maturity of 2.04 years (31 July: 2.30 years) and weighted average remaining coupon protection of 0.90 years (31 July: 1.15 years)

Group Performance

As previously mentioned, the Group's portfolio changed in the quarter, and as a result profit after tax for the quarter is £3.09 million (2.86 pence per share), benefitting from the Raees International prepayment and exit fees of £1.34m (1.24 pence per share).

The Group's loan portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters. Whilst the existing loans remain outstanding, and with 0.90 years weighted average income protection remaining as at 31 October 2016 (ranging from 0.4 years to 1.5 years), the Company remains well positioned to continue to deliver its target dividend.

Portfolio

Portfolio statistics	31 October 2016	31 January 2016
Number of loan investments	9	11
Aggregate balance	£93,329,750	£104,002,150
Weighted average LTV	57.82%	52.65%
Weighted average ICR	206%	161%
Weighted average interest coupon	6.77% pa	7.40% pa
Weighted average projected gross IRR ⁽¹⁾	8.96% pa	8.49% pa
Weighted average unexpired loan term	2.04 years	2.81 years
Weighted average unexpired Interest income protection	0.90 years	1.60 years
Cash held	£19,420,936	£5,306,129

Outlook

Following the UK referendum and initial volatility that ensued as result of the gating of a number of retail property funds, UK commercial real estate markets have stabilised somewhat with a general consensus that values will settle 5-10% below their pre referendum highs. The UK economy is forecast to continue to grow, albeit at a slower pace, and employment remains high supporting the case for rental levels to remain stable as the level of vacancy continues to reduce and new property development is low. The referendum has also had an impact on the real estate finance markets, with a number of banks cutting their loan to value risk appetite, and pricing has firmed.

We anticipate further volatility in the real estate investment markets as BREXIT news emerges, with central London offices being particularly exposed given rents hit record highs pre-referendum and the development pipeline has continued. However the portfolio remains very well positioned to withstand such shocks given its regional focus and diverse nature of the underlying real estate.

The Investment Manager is identifying potential opportunities to reinvest the proceeds of the Raees repayment within the current parameters of the Company.

As the protected term of the loans reduces and whilst interest rates remain low, we anticipate that borrowers will balance the cost of early repayment with the opportunity to secure cheaper long term finance which may lead to further repayments over the next year.

As discussed in the interim report and accounts the Board is working with ICG-Longbow and Cenkos to develop revised investment objectives and policy which it hopes to present to shareholders shortly and ahead of the forthcoming continuation vote.

Contacts

Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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