



**ICG**  
**LONGBOW**

**Senior Secured UK Property Debt  
Investments Ltd**

**Fact Sheet**

As at 31<sup>st</sup> January 2018

# Summary

The Investment objective of the Group, as approved by the Shareholders of the Company, is “to construct a portfolio of UK real estate debt related investments predominantly comprising loans secured by first ranking fixed charges against commercial property investments, with the aim of providing shareholders with attractive, quarterly dividends, capital preservation and, over the longer term, a degree of capital appreciation.”

## Fund facts

Fund launch:	5 February 2013	Fund type:	Closed ended investment company
Investment Adviser:	ICG-Longbow	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	117.04 million	ISIN code:	GG0B8C23581
Management fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

## Share price & Estimated NAV at 31 January 2018

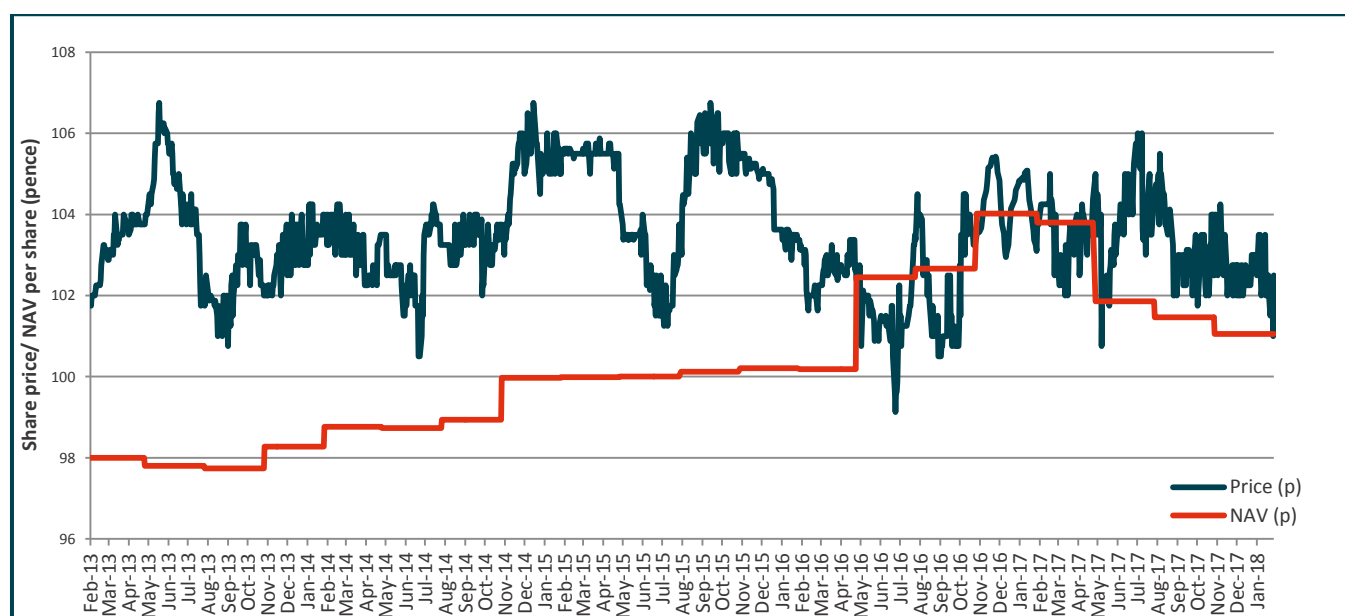
Share price (pence per share):	102.50
Estimated NAV (pence per share):	100.80
Premium:	1.69%
Market capitalisation:	£119.97 million

## Key portfolio statistics at 31 January 2018

Number of investments:	10
Percentage capital invested <sup>(1)</sup> :	95.21%
Weighted avg. investment coupon:	6.29%
Weighted avg. LTV:	60.6%
Weighted avg. ICR:	218%

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

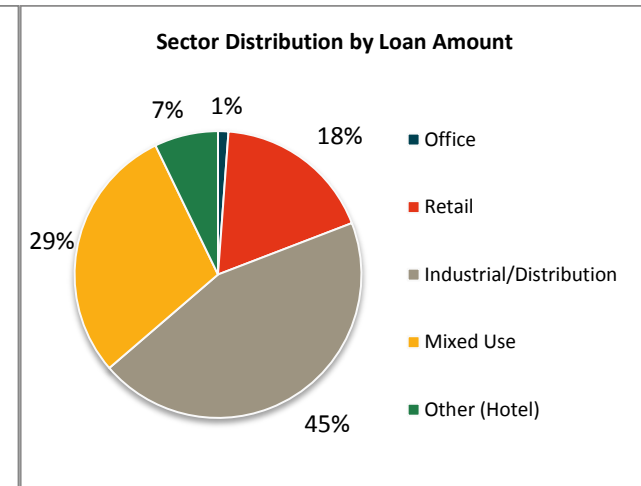
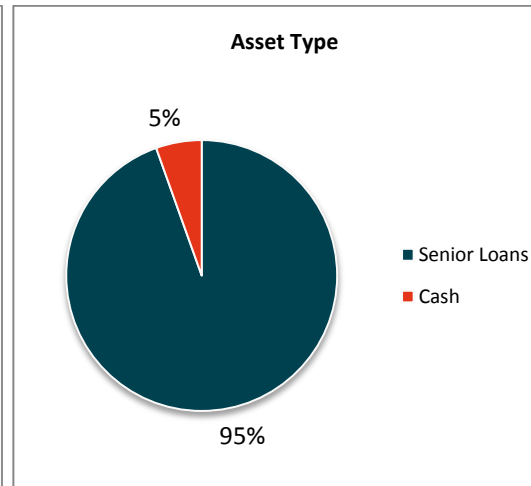
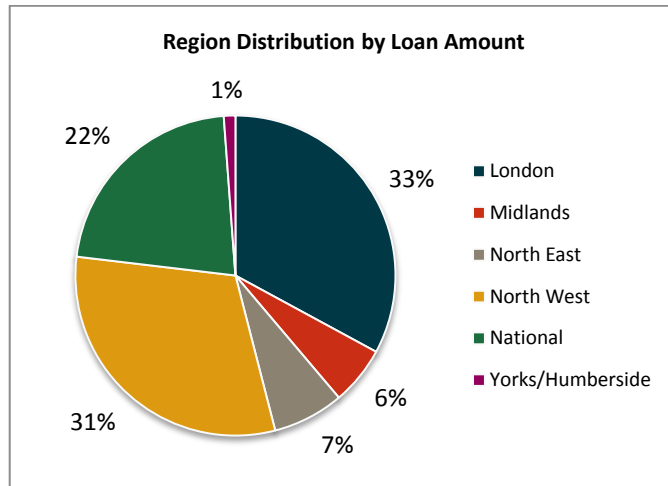
## Share price v NAV (from IPO to 31 January 2018) <sup>(2)</sup>



<sup>(2)</sup> Reduction in NAV in April 2017 due to declaration of 2.25 pence per share special dividend

## Investment Portfolio as at 31 January 2018

Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Principal Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
IRAF	North West	Industrial/distribution	Jul-13	0.83	14.20	55.3	193	11.94	43.4	172
Meadow	London	Retail	Sep-13	1.99	18.07	65.0	150	20.00	69.4	103
Northlands	London	Mixed use	Nov-13	0.82	7.20	61.7	192	7.58	45.6	143
Hulbert	Midlands	Industrial/distribution	Dec-13	0.84	6.57	65.0	168	6.57	50.4	192
Halcyon	National	Industrial/distribution	Dec-13	0.85	8.60	64.8	116	8.60	63.4	113
Carrara	Yorks & Humber	Regional office	Dec-13	0.85	1.30	65.0	113	1.30	65.0	113
Ramada	North East	Other (hotel)	Apr-14	1.24	7.98	64.4	180	7.98	66.0	161
Commercial Regional Space	North West	Industrial/distribution	Mar-16	1.20	22.40	64.0	280	22.40	64.0	359
BMO	National	Mixed use	Jan-17	1.20	16.00	55.4	404	15.79	51.1	405
Quattro	South East	Mixed use	Oct-17	2.96	9.00	83.7	100	9.00	83.7	100
<b>Total / weighted average</b>				<b>1.37</b>	<b>111.32</b>	<b>63.5</b>	<b>217</b>	<b>111.15</b>	<b>60.6</b>	<b>218</b>



# Investment Adviser's Commentary

## Summary

At 31 January 2018 the investment portfolio comprised 10 loans.

- The par value of the loan portfolio was £111.15 million (31 October 2017: £109.22 million)
- NAV per share fell from 101.05 pence to an estimated 100.8 pence where, as in previous quarters, a modest level of retained earnings was applied towards the interim dividend payment of 1.5 pence per share
- Weighted average interest coupon increased to 6.29% (31 October 2017: 6.26%)
- Portfolio LTV is now 60.6% (31 October 2017: 60.1%) and portfolio ICR now 218% (31 October 2017: 239%)
- Weighted average loan maturity of 1.37 years (31 October 2017: 1.09 years) and weighted average remaining coupon protection of 0.53 years (31 October 2017: 0.18 years)

## Group Performance

There were no new loans or loan repayments in the quarter, however the Group's loan portfolio increased modestly owing to a further advance of £1.93 million to the borrower under the Pentavia loan, accompanied by an extension of the loan term and coupon protection period. The additional advance increased the percentage of the Group's capital invested from 92.7% as at 31 October 2017 to 95.2% as at 31 January 2018, which will modestly increase the Group's earnings from the loan portfolio.

The portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters.

## Portfolio

Portfolio statistics	31 January 2018	31 October 2017
Number of loan investments	10	10
Aggregate principal advanced	£111,153,477	£109,223,477
Weighted average LTV	60.6%	60.1%
Weighted average ICR	218%	239%
Weighted average interest coupon	6.29% pa	6.26% pa
Weighted average unexpired loan term	1.37 years	1.09 years
Weighted average unexpired Interest income protection	0.53 years	0.18 years
Cash held	£6,486,150	£8,728,317

## Post quarter-end activity

The Group received repayment proceeds of £12.3 million from the redemption in full of the IRAF loan, comprising an £11.94 million principal repayment, together with exit fees and interest. These proceeds, together with available cash resources, were immediately reinvested into a new £16.2 million loan commitment secured by a multi-let office property in Bristol (the "Affinity Loan"), with an initial LTV ratio of 67.3%. A further increase of circa £0.9 million was made to the borrower of the Company's Northlands loan, taking LTV on that facility to 53.5%.

Following these changes, the aggregate principal advanced is now £114.34 million, increasing the percentage of the Group's capital invested to circa 97.4%, from 95.2% as at the quarter end. Pro forma portfolio LTV is 63.7%, ICR is 207% and weighted average interest coupon is 6.31%. The weighted average unexpired loan terms, and coupon protection periods, have also improved to 1.67 years and 0.73 years, respectively.

## Market Commentary

Against a backdrop of robust employment and continuing low levels of real estate development across the UK, rental values grew by over 2% in 2017, according to the MSCI All Property index - broadly in line with 2016 levels. There is however a divergence between sectors, with industrial rents having increased by over 5%, compared with 1.5% growth for offices, and (perhaps surprisingly given sector headwinds) 1% growth in retail rental values.

The MSCI UK All Property quarterly index reported capital value growth of 5.2% over 2017, leading to a 10% total return for the property market. Whilst this shows a strong year for UK property, it reflects a recovery from the negative sentiment in the aftermath of the EU referendum, which contributed to a fall in values of 1.6% in 2016. Consequently, all property capital values at the end of 2017 are just 3.6% higher than at the end of 2015, whilst over the same period the FTSE 100 index had grown over 22%.

Investment market volumes generally surprised to the upside in 2017, with £16.5 billion of transactions recorded by Lambert Smith Hampton in Q4 2017, bringing the annual total to £58.8 billion – broadly in line with the five year average but up 25% on 2016. The strong performance of the industrial sector in terms of capital value movement is echoed in the transaction volumes, with a record £8 billion of transactions identified – up 31% on the five year average. However, even this volume has been exceeded by the alternative and specialist sectors, with £10 billion of sales recorded underpinned by a number of very large student accommodation portfolio transactions.

In the debt markets, a review of the year end accounts of the UK clearing banks confirms the trend of this group of lenders steadily reducing exposure to the sector, as highlighted in previous factsheets. During the year, Lloyds Banking Group reported a reduction in its UK CRE loan book by circa £2 billion (10%); Royal Bank of Scotland by circa £1 billion (5%); and Santander by circa £0.9 billion (10%). LTV ratios have continued to reduce, and we now see very little bank lending at LTVs over 55%. We expect this trend to continue given the regulatory environment, leaving the Company well placed to capture demand for senior whole loans in the 65% - 80% LTV range.

## Outlook

The Investment Adviser continues to reposition the Group's loan book as original investments come towards the end of their contractual terms, with circa £45 million of investments having been extended or newly originated in the past six months. Whilst the loan portfolio is being repositioned in line with the new investment parameters, the Company has, and will continue to, utilise its retained earnings to supplement in-period earnings per share to maintain its target dividend of 6 pence per share. This will result in a modest reduction in NAV per share until the repositioning is complete.

Where appropriate, we continue to look to extend or retain existing loans, and replace any investments that do repay with opportunities from the current deal pipeline, which is as strong and deep as we have seen since the Company's IPO in 2013. We are also firmly focused on creating a platform for the Company to grow, and believe the current portfolio and pipeline, with supportive market conditions, provide a strong foundation for this future growth. As a result, on 13 March 2018, the Company announced a further placing of new ordinary shares under its Placing Programme in order to allow the Company to take advantage of this attractive near term pipeline of investment opportunities.

## Contacts

Investment Adviser	Administrator, Designated Manager & Company Secretary	Corporate Broker
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