



Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st January 2020

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:	121.30 million	ISIN code:	GG00B8C23S81
Investment Advisory fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & Estimated NAV at 31 January 2020

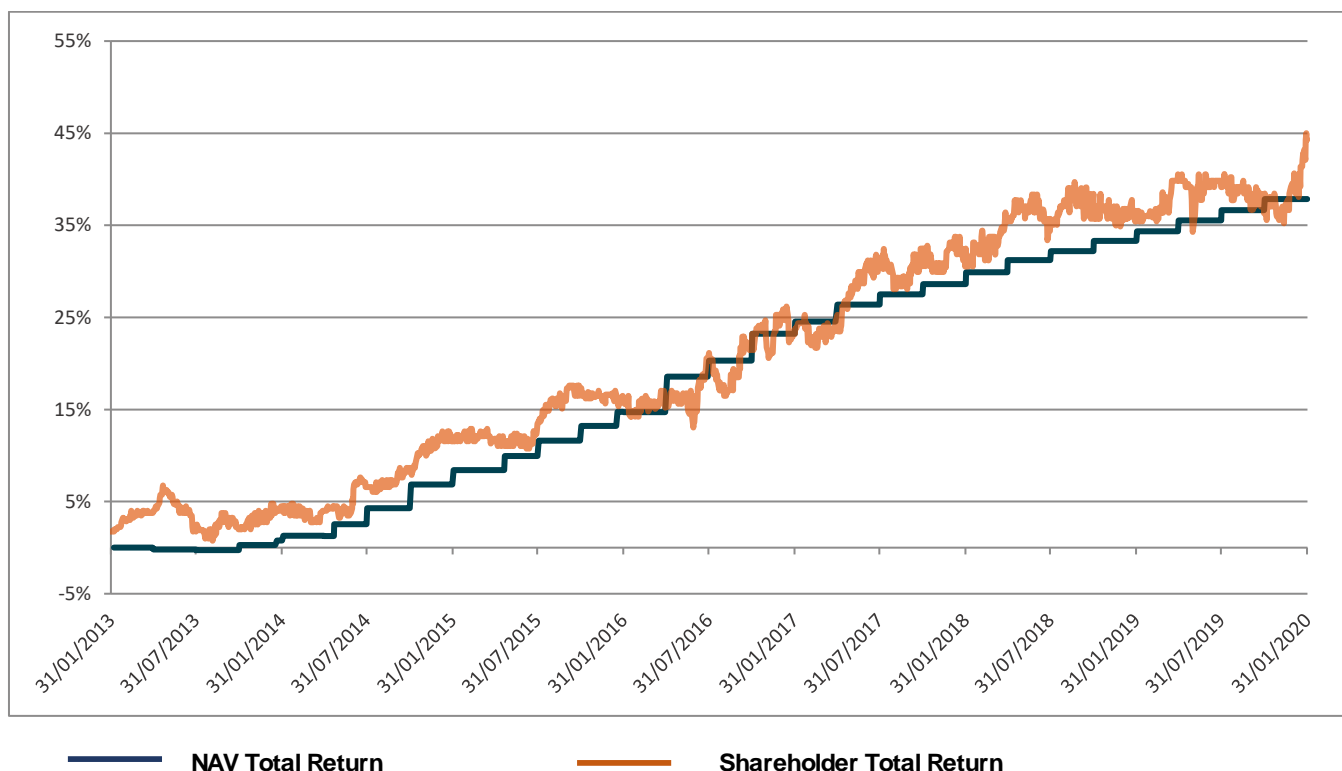
Share price (pence per share):	99.00
NAV (pence per share):	98.20
Premium/(Discount):	0.81%
Market capitalisation:	£120.09 million

Key portfolio statistics at 31 January 2020

Number of investments:	10
Percentage capital invested ⁽¹⁾ :	101.4%
Weighted avg. investment coupon:	7.51%
Weighted avg. LTV:	66.4%

⁽¹⁾ Loans advanced at amortised cost / Total equity attributable to the owners of the Company. Includes amounts drawn down on the Group working capital facility.

Share Price Total Returns vs NAV Total Return (from IPO to 31 January 2020)



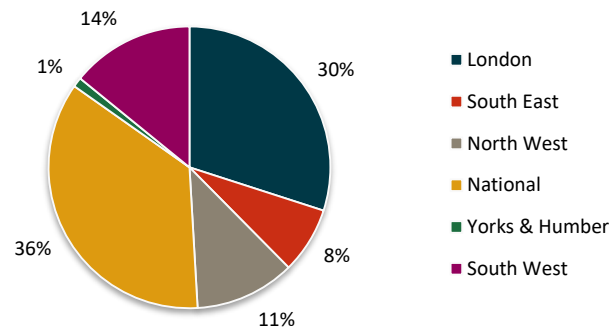
Investment Portfolio as at 31 January 2020

Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding (£m)	Balance undrawn (£m)	Current LTV (%)
Meadows RE Fund II ⁽¹⁾	London	Residential	Sep-13	0.50	18.07	65.0	21.50		60.4
Halcyon Ground Rents ⁽²⁾	National	Industrial/distribution	Dec-13	0.00	8.60	64.8	5.73		65.2
Carrara Ground Rents ⁽²⁾	Yorks/Humb	Office	Dec-13	0.00	1.30	65.0	1.30		65.0
BMO Real Estate Partners	National	Mixed use	Jan-17	0.00	16.00	55.4	15.79		51.5
Quattro	South East	Mixed use	Oct-17	0.96	9.00	83.7	9.00		80.6
Affinity	South West	Office	Mar-18	2.29	14.20	67.3	16.70		70.8
Southport Hotel	North West	Hotel	Feb-19	3.20	12.50	59.5	13.77	1.23	65.6
Northlands Portfolio	London	Mixed use	Aug-19	2.70	9.00	55.3	9.24	3.26	56.8
RoyaleLife	National	Residential	Sept-19	3.71	20.27	74.3	22.46	2.14	76.9
LBS	London	Office	Oct-19	2.70	4.92	69.3	5.27	1.23	74.2
Total / weighted average				1.85	113.86	65.7	120.77	7.86	66.4

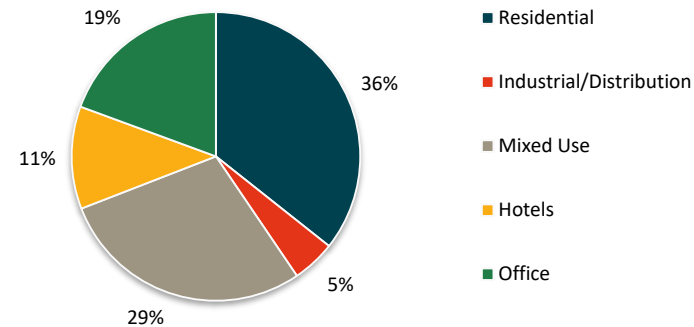
⁽¹⁾ Loan repaid following quarter end

⁽²⁾ Loan was extended post quarter end to December 2020

Region Distribution by Loan Amount



Sector Distribution by Loan Amount



Investment Adviser's Commentary

Summary

At 31 January 2020 the investment portfolio comprised ten loans. Principal activity in the quarter included:

- Increase in the par value of the loan portfolio to £120.77 million (31 October 2019: £118.43 million)
- Total commitments unchanged at £128.6 million.
- Weighted average interest coupon of 7.51% (31 October 2019: 7.11%)
- Extension of the Company's Halcyon and Carrara loans
- Average LTV of 66.4% (31 October 2019: 65.7%) following the portfolio changes
- Completion of new £7.75m loan commitment following quarter end
- Repayment following quarter end of the £21.5m Meadows loan, together with exit and prepayment fees
- Despite the above progress, market turbulence post quarter-end sparked by the Covid-19 pandemic has resulted in a significant decline in the share price, to 81.75 pence per share as at 13 March 2020

Group Performance

With Q4 2019 dominated by domestic political uncertainty in the UK, portfolio changes were modest with investment activity during the period limited to funding follow-on tranches of existing loan commitments. The portfolio remained fully invested with modest drawdowns on the Group revolving credit facility, totalling £5.2 million at period end.

Portfolio LTV remains robust and defensive at 66.4% at quarter end, all secured by first ranking mortgage investments. The weighted average loan coupon increased notably in the quarter with the benefit of follow-on funding commitments and the repricing of one of the Group's loans.

Following quarter end, the Company entered into a new £7.75 million loan commitment secured by an industrial estate in Merseyside, which carries a three year term and is accretive to shareholders. Also post-quarter end, the £21.5 million Meadows loan repaid in full, following successful completion of the business plan and an opportunistic sale of the underlying property. The repayment was accompanied by exit and prepayment fees of £0.7 million.

The result of these portfolio changes, together with the funding of follow-on tranches on existing loan commitments, means the portfolio is drawn to circa £104.3m, with a weighted average portfolio LTV to 67.9%, with a weighted average coupon of 7.49% and unexpired loan term of 2.2 years.

The portfolio as a whole continues to perform in line with expectations and in compliance with the Group's investment parameters.

Portfolio

Portfolio statistics	31 January 2020	31 October 2019
Number of loan investments	10	10
Aggregate principal advanced	£120,769,516	£118,428,458
Weighted average LTV	66.4%	65.7%
Weighted average interest coupon	7.51%	7.11% pa
Weighted average unexpired loan term	1.85 years	2.03 years
Weighted average coupon protection period	1.01 years	1.15 years
Cash held	£3,383,841	£12,815,827
Drawings under working capital facility ¹	£5,200,000	£10,000,000

¹ As at the date of this Fact Sheet, drawings under the working capital facility totalled £nil

Market Commentary

The election of a Conservative Government on December 12th could not be described as a surprise, given the considerable opinion polling data pointing to that outcome, but the size of the Government's majority was some way ahead of consensus expectations. The passing of the Withdrawal Act led to the UK leaving the EU on 31st January, and whilst considerable uncertainty remains about the nature of the future trading relationship, both anecdotal evidence and flash data pointed to an immediate overall improvement in business and consumer confidence.

Whilst many speculated over whether this was an initial adrenalin shot – the 'Boris Bounce' – or whether it could be sustained into the medium term, any disagreements were put to bed in February following the outbreak of the Coronavirus (Covid-19) and its global spread. In early March markets saw levels of volatility not seen since the financial crisis. Oil prices fell by up to 30% in one 24 hour period as Russia and Saudi Arabia failed to agree on a policy response to the crisis; this exacerbated turbulence in already nervous equity markets with one-day falls on 9th March at levels not seen since the Lehman collapse which spurred the global financial crisis.

Government bonds rallied sharply in a flight to safety. The UK 2-year gilt briefly fell into negative territory with the 10-year below 0.3%, giving the new Chancellor Rishi Sunak some cover for an expansionary Budget and ambitious borrowing programme to fund infrastructure. The Bank of England played its part with an emergency 0.5% rate cut, co-ordinated with the Budget and announced alongside a relaxation of bank capital buffer rules and a new term lending scheme focused on SMEs. Moreover several clearing banks announced a package of measures to help individuals and SMEs, including deferral of interest payments for those affected by the virus.

The fast-moving spread of the pandemic has caused widespread closure of schools, shops, bars and restaurants globally with restrictions on public gathering which we expect to become more prevalent in the coming days and weeks. The continuing effects of Covid-19 have rendered redundant most economic and property market forecasts, which are now being regularly updated with increasingly bearish outlooks. We currently expect a sharp drop in UK GDP but an expansionary Budget and accommodative monetary policy may help mitigate some of the worst effects.

Prior to the outbreak, we had seen early indications of a return to confidence in January and February, with previously moribund sectors such as out-of-town retail parks being widely bid in the market as an element of confidence and price certainty returned. Most market participants we spoke to in the early part of the year were optimistic about prospects in the near term, albeit with several expressing caution that we may see uncertainty return as we move into Q4, should there be no clear news on the future UK/EU trading relationship. Needless to say many are now keeping their ambitions in check and reviewing their own portfolios carefully. We have yet to see any hard evidence of transactions falling through as a result of Covid-19, although expect this will come in time.

Outlook

Following the portfolio changes concluded after quarter end, the Company's loan commitments total approximately £115 million, of which circa £104 million has been drawn to date.

The Company and its investment portfolio are in a robust position to weather the challenges arising from the outbreak of the Coronavirus, given the diversity of underlying tenants and relatively low exposure to the most immediately vulnerable sectors such as travel, retail, leisure and hotels. Moreover the Company has access to cash and bank facilities of over £35 million and is well-placed to withstand disruptions and capitalise on any opportunities arising, such as lenders withdrawing from transactions.

Nonetheless we continue to act with extreme caution; no-one can predict with certainty the overall effects of the outbreak on the UK economy, property and lending markets, and we believe the bar for new investing should be set much higher as a result. We believe our longstanding philosophy of supporting properties and sponsors which can deliver income and value growth outside of market cycles and shocks remains the best way to proceed in a period of uncertainty.

Contacts

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