Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 30th April 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
Investment Manager:	ICG Alternative Investment Ltd
Base currency:	GBP
Issued shares:	121.30 million
Investment Management fee:	1.0%

Fund type:	Closed ended investment company
Domicile:	Guernsey
Listing:	London Stock Exchange
ISIN code:	GG00B8C23S81
LSE code:	LBOW
Website:	www.lbow.co.uk

Share price & Estimated NAV at 30 April 2021

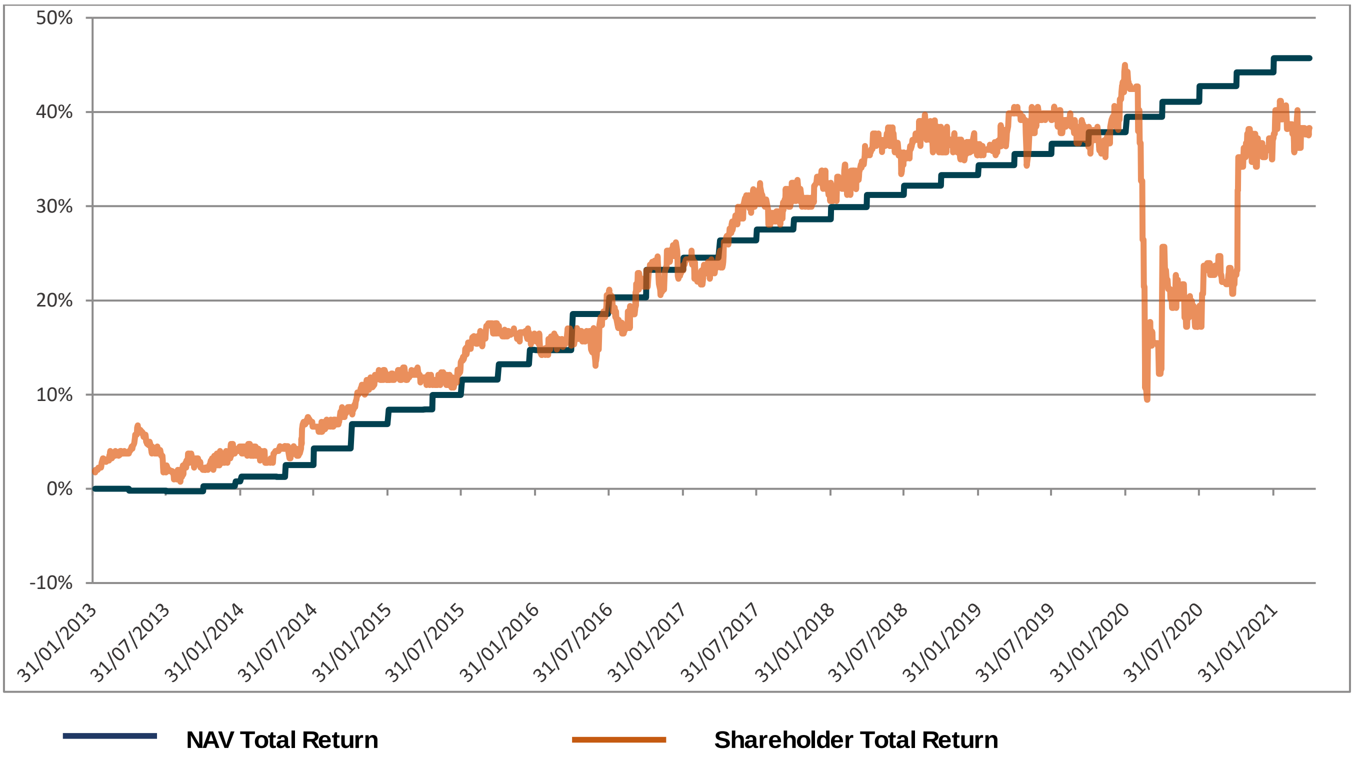
Share price (pence per share):	86.40
NAV (pence per share):	98.30
Premium/(Discount):	(12.1%)
Market capitalisation:	£104.81 million

Key portfolio statistics at 30 April 2021

Number of investments:	9
Percentage capital invested[(1)]:	93.2%
Weighted avg. investment coupon:	7.19%
Weighted avg. LTV:	68.6%

[(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 30 April 2021)

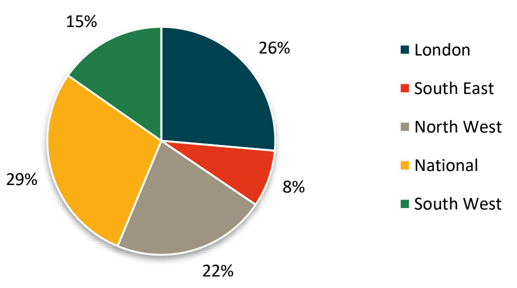


Investment Portfolio as at 30 April 2021

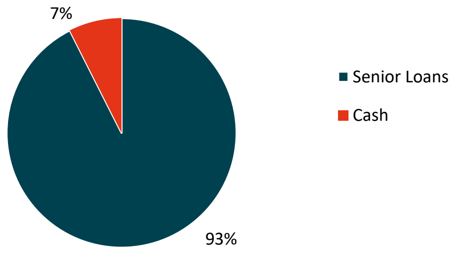
Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding [1] (£m)	Balance undrawn (£m)	Current LTV [2] (%)
Halcyon	National	Industrial/distribution	Dec-13	0.00	8.60	64.8	5.73		65.2
Quattro	South East	Mixed use	Oct-17	0.00	9.00	83.7	8.86		80.1
Affinity	South West	Office	Mar-18	1.04	14.20	67.3	16.96	0.74	67.0
Southport	North West	Hotel	Feb-19	1.96	12.50	59.5	15.00		63.8
Northlands	London	Mixed use	Aug-19	1.46	9.00	55.3	9.81	2.69	60.3
RoyaleLife	National	Residential	Sept-19	2.46	20.27	74.3	25.38		75.4
LBS	London	Office	Oct-19	1.46	4.92	69.3	6.39	0.09	58.0
Knowsley	North West	Industrial	Feb-20	1.96	3.50	60.3	7.75		63.1
GMG	London	Office	July-20	1.46	12.75	70.0	13.55	3.34	71.3
Total / weighted average				**1.53**	**94.74**	**68.2**	**109.43**	**6.86**	**68.6**

[1] For the RoyaleLife facility, Balance outstanding includes capitalised interest
[2] After quarter end, the Southport property was revalued with an LTV of 72.8% as at the date of this Fact Sheet

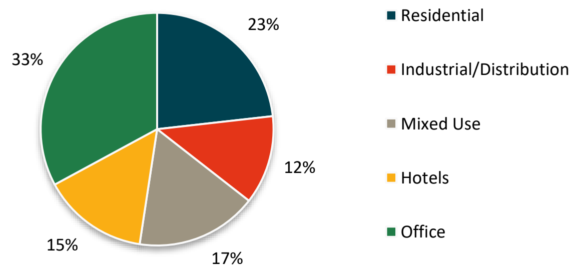
Region Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Manager's Commentary

Summary

At 30 April 2021 the investment portfolio comprised nine loans, and there was no change to the loan portfolio during the quarter. The Company continued to advance the committed capital expenditure facilities across the portfolio.

As at the Quarter end:

- Modest increase in the par value of the loan portfolio to £109.43 million (31 January 2021: £109.26 million), with total commitments of £116.29 million
- Quarter end free cash position of £7.4 million with unfunded commitments of £6.9 million;
- NAV per share of 98.3 pence (31 January 2021: 98.3 pence)
- Weighted average LTV of 68.6% (31 January 2021: 69.3%)
- WA interest coupon of 7.19% (31 January 2021: 7.19%), before recognition of arrangement and exit fees
- The Company's shares continue to trade at discount to NAV, at 86.40 pence per share as at 30 April 2021

Group Performance

All interest payments due on all the loans for the period have been made in full.

Modest loan advances were made on the committed facilities in the Affinity and GMG loans, offset by a repayment of £1.1 million on the Southport hotel loan representing the catch up of previously capitalised interest. Overall total loans advanced increased by £0.1 million in the period. NAV per share for the period was largely flat on the quarter.

Portfolio LTV stood at 68.6% at quarter end, below the prior period largely owing to the repayment on the Southport loan, together with a positive revaluation of the Knowsley facility. As quarter end, the Company had £7.4 million of cash, which is sufficient to cover its committed but undrawn funding obligations of £6.9 million.

Investment Overview

During the quarter, the Southport hotel borrower received a reverse premium from a lease surrender with one of the commercial tenants on its estate, with the proceeds used in part to pay down the previously capitalised interest on the loan. We also commissioned a revaluation of the hotel following publication of the Government's reopening roadmap, which reported after quarter end. This showed a reduction from the prior value, but when combined with the loan repayment means the loan LTV as at the date of this Fact Sheet is 72.8%, giving adequate headroom on the Company's exposure. Bookings for the remainder of 2021 are robust, reflecting the expected rise in 'staycations' in the UK.

The Knowsley industrial property was also revalued during the period, with an increase in value reported as a result of the successful implementation of the borrower's business plan. LTV is now 63.1% and the sector continues to benefit from strong investor and lender demand.

The Company's Quattro loan sponsor continues to see slow but steady progress in implementing its business plan; during the quarter the development of a number of residential apartments were completed and placed under offer, and a planning application was submitted for the redevelopment of the largest portfolio asset. Whilst the loan is past due, the steps to exit are visible and achievable and as such at the current time we are supporting the sponsor's ongoing sales and refinancing proposals.

The RoyaleLife loan sponsor has seen a steady increase in sales completions on its portfolio of bungalow homes parks, despite the lockdown restrictions and its (largely older) clientele tending to be more cautious when making purchasing decisions. The Sponsor is positive on the market outlook.

The sponsor of the Halcyon loan is in the advanced stages of a refinancing of the portfolio, which is expected to complete in the coming weeks. The proceeds from this should allow the Company to make its first capital distribution to shareholders, as noted further below.

Portfolio

Portfolio statistics	30 April 2021	31 January 2021
Number of loan investments	9	9
Aggregate principal advanced [1]	£109,429,930	£109,258,944
Weighted average LTV	68.6%	69.3%
Weighted average interest coupon	7.19%	7.19%
Weighted average unexpired loan term	1.53 years	1.76 years
Cash held	£7,392,743	£8,773,640
Undrawn loan commitments	£6,856,266	£8,021,889
Drawings under working capital facility	Nil	Nil

[1] Includes capitalised interest

Market Commentary

The increased business and consumer confidence resulting from the UK's rapid vaccine rollout and the ongoing easing of lockdown restrictions has led to an upward revision to economic forecasts. While Q1 GDP fell by 1.5%, this was more than offset by a 2.3% rise in April. The latest OECD forecast projects a rise in GDP of 7.2% for 2021 as a whole, up from a forecast 5.1% rise in March. Encouragingly, the 2022 projections have also increased, to a 5.5% rise, from 4.7% three months ago.

Investor confidence may also be increasing as a result. According to CBRE, capital values improved by 1.5% in the three months to May 2021, driven by growth in industrials and retail warehousing. On the transaction side, Lambert Smith Hampton report the total number of deals recorded in Q1 2021 was up 10% on the prior quarter, notwithstanding the lockdown restrictions. On a long term basis transaction values however remain relatively subdued. Around £11.2 billion was transacted in Q1 2021, some 13% below the five-year quarterly average and 22% down on the Q4 2020 level.

Demand for industrial and logistics assets remains strong, with transactional volumes of £3.5 billion in Q1. This continued into April with Aberdeen Standard's £100m+ acquisition of a 530,000 sq ft logistics hub in Hinckley. Reportedly leased to Amazon, this transacted at close to a 3% yield. Multi-let industrial volumes in Q1 were also strong, with the £1.2 billion transacted being the highest level since Q4 2018.

In the office sector, the occupational picture varies markedly with local supply and demand dynamics. According to Savills, almost all regional markets saw prime rents grow in 2020, and this continued into Q1 with Manchester and Leeds each seeing record rental levels. By contrast London rents have softened for grade B space in particular, driven by a fall in take up and rising vacancy as tenant-controlled space is released to the market.

Investment volumes in the capital were £1.2 billion in Q1 2021, some 68% below the 10-year average, according to JLL, however with around £3 billion said to be under offer, an increase is expected in the second half of 2021. As usual London accounted for three of the four largest Q1 deals by value, led by the sale of 66 Shoe Lane to Wing Tai Properties for £255 million. Outside London, Belfast's Merchant Square was sold to a Middle Eastern investor for £87m, in Northern Ireland's largest ever single asset office deal.

We have also begun to see some signs of life in the retail sector. Retail warehousing, where investors have come alive to the number of 'essential' retailers performing strongly, has been in high demand with £650 million of parks trading in Q1 2021, the highest level since 2018. Supermarkets have also been sought after, and there are emerging signs of liquidity in the shopping centre market, with smaller or secondary assets (such as West Orchards in Coventry) trading at auction and, in May, the first notable acquisition of a 'prime' scheme – the Touchwood centre in Solihull – for some years. This centre was acquired by a US investor for approximately £90 million.

During the quarter the regular Cass Business School report on the UK real estate finance market was published. The research reported total new lending in 2020 down 23% from a year earlier, and a lending landscape dominated by loan extensions and refinancing - which accounted for 57% of all new lending. More recently, Bank of England data show a sharp £0.9 billion decline in net lending to commercial property in April, offsetting much of the £1.1 billion of net growth seen in Q1 2021. While we expect new lending overall will remain relatively subdued, particularly among the clearing banks, there remains appetite to lend from challenger banks, alternative lenders and (on larger deals) CMBS lenders.

Outlook

In line with the revised Investment Objective and Policy approved by shareholders in January, the Company is now undertaking an orderly realisation of its portfolio. As highlighted in the Company's recent report and accounts, we are managing the portfolio seeking to achieve a balance between maximising the value received from the Company's investments, and making timely returns to shareholders.

The Company currently has committed but undrawn funding obligations totalling approximately £6.9 million, which is covered by its current cash position. The Company does not expect to be in a position to make a capital distribution until such time as it receives further loan repayments, and our current guidance remains for a first distribution of capital to shareholders later this financial quarter or in early Q3 2021, following the anticipated refinancing of the Halcyon loan.

The Company remains financially resilient with a strong net cash position, and a first mortgage loan portfolio with an average LTV below 70%. With the continued positive vaccination news and the ongoing emergence from the UK lockdown, the immediate economic and market outlook appears more favourable than for some time, which we believe will bode well for the property security underpinning the Company's loan investments.

Contacts

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