ICG LONGBOW

Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st July 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%

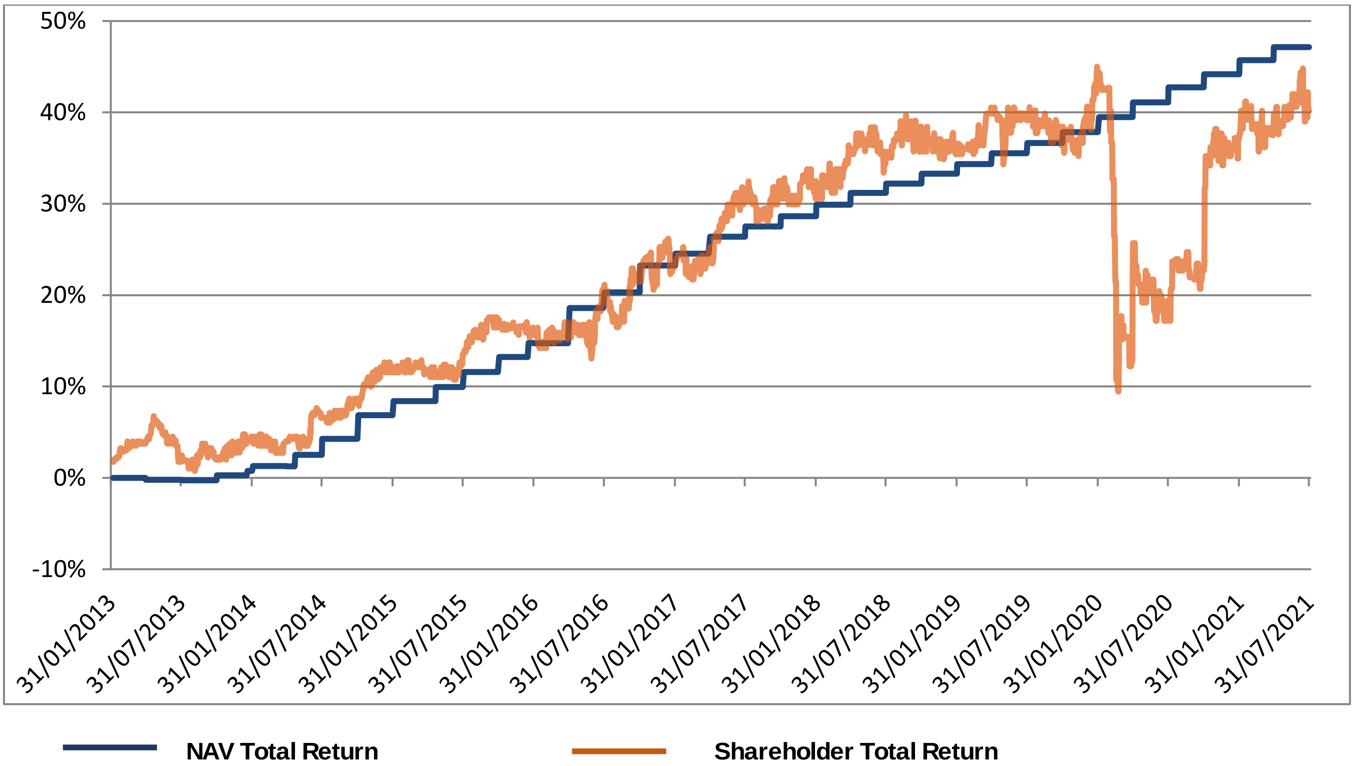
Fund type:	Closed ended investment company
Domicile:	Guernsey
Listing:	London Stock Exchange
ISIN code:	GG00B8C23S81
LSE code:	LBOW
Website:	www.lbow.co.uk

Share price & Estimated NAV at 31 July 2021	
Share price (pence per share):	89.60
NAV (pence per share):	98.21
Premium/(Discount):	(8.8%)
Market capitalisation:	£108.69 million

Key portfolio statistics at 31 July 2021	
Number of investments:	8
Percentage capital invested(1):	91.1%
Weighted avg. investment coupon:	7.17%
Weighted avg. LTV:	70.6%

(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 31 July 2021)

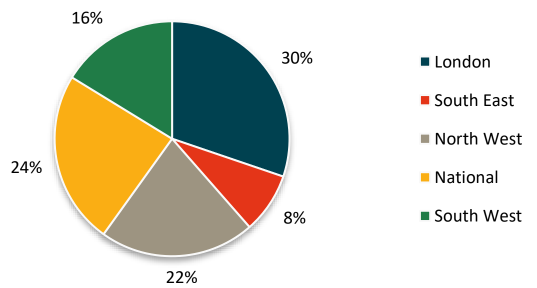


Investment Portfolio as at 31 July 2021

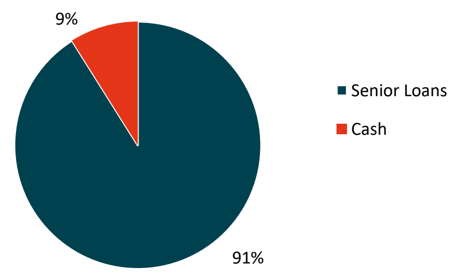
Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding [1, 2] (£m)	Balance undrawn (£m)	Current LTV [2] (%)
Quattro	South East	Mixed use	Oct-17	0.00	9.00	83.7	8.86		80.2
Affinity	South West	Office	Mar-18	0.79	14.20	67.3	17.30	0.40	68.4
Southport	North West	Hotel	Feb-19	1.71	12.50	59.5	15.00		72.8
Northlands	London	Mixed use	Aug-19	1.21	9.00	55.3	9.96	2.54	55.6
RoyaleLife	National	Residential	Sept-19	2.21	20.27	74.3	25.38		74.6
LBS	London	Office	Oct-19	1.21	4.92	69.3	6.47		58.9
Knowsley	North West	Industrial	Feb-20	1.71	3.50	60.3	7.75		63.1
GMG	London	Office	July-20	1.21	12.75	70.0	15.74	1.15	76.8
Total / weighted average				**1.38**	**86.14**	**68.2**	**106.47**	**4.09**	**70.6**

(1) For the RoyaleLife facility, Balance outstanding includes capitalised interest
(2) After quarter end, the Quattro loan was repaid by £1.70 million with the outstanding balance now £7.16 million. LTV is 76.4% as at the date of this Fact Sheet

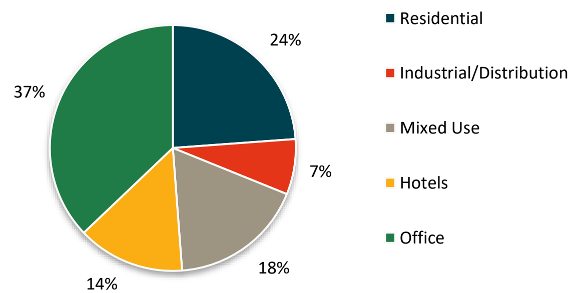
Region Distribution by Loan Amount



Asset Type



Sector Distribution by Loan Amount



Investment Manager's Commentary

Summary

At 31 July 2021 the investment portfolio comprised eight loans, following the repayment in full of the Halcyon loan. The Company continued to advance committed capital expenditure facilities across its portfolio.

As at the Quarter end:

- Reduction in the par value of the loan portfolio to £106.47 million (30 April 2021: £109.43 million), with total commitments of £110.55 million
- Quarter end free cash position of £10.5 million with unfunded commitments of £4.1 million;
- NAV per share of 98.2 pence (30 April 2021: 98.3 pence)
- Weighted average LTV of 70.6% (30 April 2021: 68.6%)
- WA interest coupon of 7.17% (30 April 2021: 7.19%), before recognition of arrangement and exit fees
- The Company's shares continue to trade at discount to NAV, at 89.60 pence per share as at 31 July 2021

Following quarter end, the Company announced a first capital distribution of 5.5 pence per ordinary share.

Group Performance

During the quarter the Halcyon loan repaid in full, with a total of £5.9 million received by the Company including interest and exit fees. Advances totalling £2.8 million in aggregate were made across the Company's existing facilities, with the majority comprising further drawdowns on the GMG loan. As a result the total outstanding loan balances reduced by approximately £3.0 million. NAV per share for the period was largely flat on the quarter.

Portfolio LTV stood at 70.6% at quarter end, as a result of portfolio changes and revaluation of the properties securing the Northlands and Southport loans. Furthermore, debt-funded capital expenditure works at the GMG and Spectrum properties have increased headline LTVs, but with the benefit of the works not yet reflected in the values.

Investment Overview

We have seen positive business plan progress on several of the Company's investments. The new development at the Knowsley asset reached practical completion during the quarter, with the refurbishment works at the property securing the GMG loan approaching completion. The latter already has two new lettings in solicitors' hands, which is positive in the context of what has been a subdued London office leasing market.

Positive letting progress has also been secured in the Affinity loan, where occupancy in this multi-let office is now at its highest since loan closing. The Northlands portfolio was revalued during the period, at a level 10% higher than the previous valuation in the light of the continued investment in the portfolio and steady implementation of the sponsor's business plan. The LBS loan was static during the quarter, but remains ahead of business plan overall.

We reported last quarter that the Company's Quattro loan sponsor was continuing to make progress towards full repayment of the loan, and shortly after quarter end we received a £1.7 million repayment following a refinancing of one of the portfolio assets. The managed exit strategy for this loan is ongoing.

The Southport hotel asset reopened during the period as lockdown restrictions in England eased. In line with our insight into other UK regional hotels, trading has been ahead of expectations given the rise in domestic 'staycations' over the summer. All key trading metrics for the summer period were comfortably above pre-pandemic levels, and forward bookings are healthy with wedding business a key contributor.

Sales velocity in the RoyaleLife portfolio improved during the summer months with home sales in the three months to July in line with the original business plan, and a strong order book. Nonetheless working capital remains tight and as a result we have agreed to staged payments of interest from the sponsor, in exchange for an increase to the minimum earnings due to the Company from the loan.

Portfolio

Portfolio statistics	31 July 2021	30 April 2021
Number of loan investments	8	9
Aggregate principal advanced [1]	£106,467,217	£109,429,930
Weighted average LTV	70.6%	68.6%
Weighted average interest coupon	7.17%	7.19%
Weighted average unexpired loan term	1.38 years	1.53 years
Cash held	£10,466,329	£7,392,743
Undrawn loan commitments	£4,087,714	£6,856,266

[1] Includes capitalised interest

Market Commentary

While the Q1 2021 lockdown restrictions weighed down UK GDP, a combination of a successful vaccine rollout, easing of restrictions and steady re-opening of the economy led to (provisional) 4.8% growth in the three months to June. According to the ONS, the economy remains 4.4% smaller than pre-pandemic levels, although Capital Economics is now forecasting a return to the February 2020 position by October. This outturn would be remarkable in the context of the unprecedented GDP falls of 12 months ago and bearish economic forecasts earlier this year.

There is now evidence indicating a sustained level of investor demand for real estate, driven by low interest rates and the weight of global capital targeting the UK (consistent with the well-publicised LBO interest in UK equity markets). According to Lambert Smith Hampton, £13.9bn of deals were transacted in Q2 2021, some 7% above the five-year quarterly average, with more than 50% of deal volumes accounted for by overseas investors. These volumes were accompanied by an increase in pricing with average yields tightening by 13bp in Q2.

Investor demand for industrial assets appears relentless, and as a result yields have compressed further, with London estates particularly sought after. Among many notable transactions, Goodman acquired Howlem Trading Estate in Tottenham for a reported £130m, a circa 2.5% yield. A significant amount of capital remains focused on the office sector, with investors seeking assets which have, or can be improved to give, strong sustainability credentials and a flexible workspace offering. Brookfield has been particularly acquisitive, with purchases including the Arlington Business Park portfolio for £0.7 billion and 30 Fenchurch Street in London for £0.6 billion. In the regions we have seen the Assembly building in Bristol trade for £135m, the largest deal in the city for 15 years.

On the occupational side, local supply and demand dynamics continue to be important but in areas where the Company has exposure the recent data has been positive. According to Savills, City offices recorded the highest level of take up in July since before the pandemic, while take-up, space under offer and active requirements in the West End are all increasing (consistent with the level of interest we have seen in the GMG building). Bristol continues to benefit from low vacancy and upwards pressure on prime rents.

In the finance markets we have begun to see margin compression in the prime / big ticket loan space, driven by a modest return of CMBS market activity and competition among European banks and insurers including the likes of ING, Axa and the German Pfandbrief and Landesbanks. This competition is particularly acute on low LTV or long income deals, with lending margins now below 150 basis points. We have yet to see any spread compression reach the mid-market, where there remains a funding gap driven by the retrenchment of UK clearing banks, which is only partially offset by growth of alternative lenders.

Outlook

In line with its Investment Objective and Policy, the Company is now undertaking an orderly realisation of its portfolio.

The Company has recently announced a first capital distribution of 5.5 pence per ordinary share (equating to approximately £6.7 million). This allows the Company to begin the process of returning cash to shareholders, whilst retaining balances sufficient to meet working capital requirements and future funding obligations, which currently total approximately £4.1 million.

Further capital distributions are expected to follow repayments received from the Company's loan portfolio. The Investment Manager is aware that certain of the properties securing the Company's loans are either under offer for sale or intended to be marketed for sale in the coming months.

We will provide shareholders with regular updates on the outlook for capital distributions when appropriate, but continue to be satisfied with the Company's loan portfolio which retains a first mortgage position with an average LTV at approximately 70%.

Contacts

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