

**ICG ■ LONGBOW**

# ICG-Longbow

Senior Secured UK Property Debt Investments Ltd

Q2 Fact Sheet

As at 31st July 2014



# ICG-Longbow Senior Secured UK Property Debt Investments Ltd

## Investment Objective

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 Date:	5 <sup>th</sup> February, 2013	Fund Type:	Closed ended investment company
Fund Manager:	Longbow Real Estate Capital LLP	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

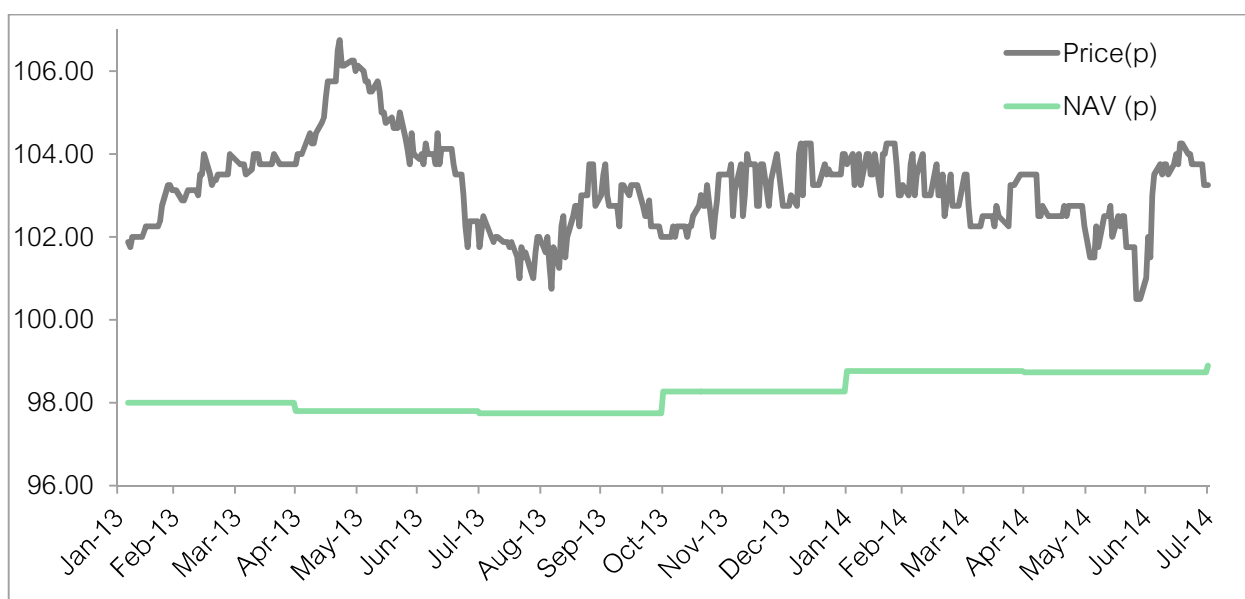
## Share Price & NAV at 31 July 2014

Share Price (p)	103.25
NAV (p) (Ex Div)	98.94
Premium/ (Discount)	4.35%
Market Cap.	£111.7m
Declared dividend (p) <sup>(1)</sup>	1.50
Dividend payment date	

## Key Portfolio Statistics at 31 July 2014

Number of Investments:	10
Percentage Capital Investment:	98.3%
Weighted average coupon:	7.39%
Weighted Avg. projected total return:	8.41%
Weighted Avg. LTV:	60.4%
Weighted Avg. interest coverage ratio:	154%

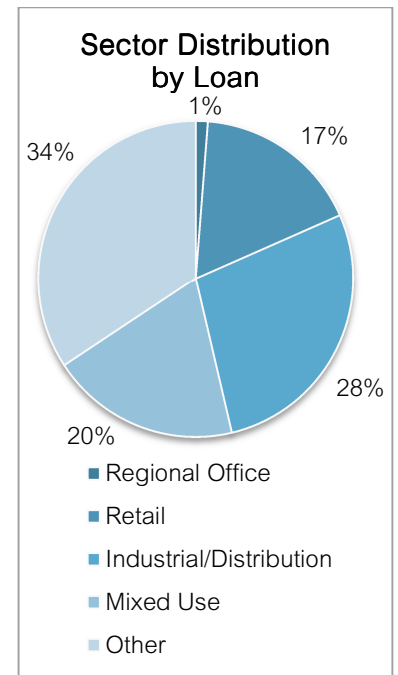
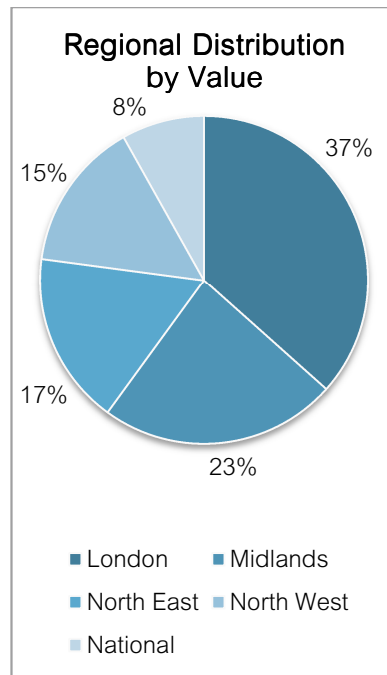
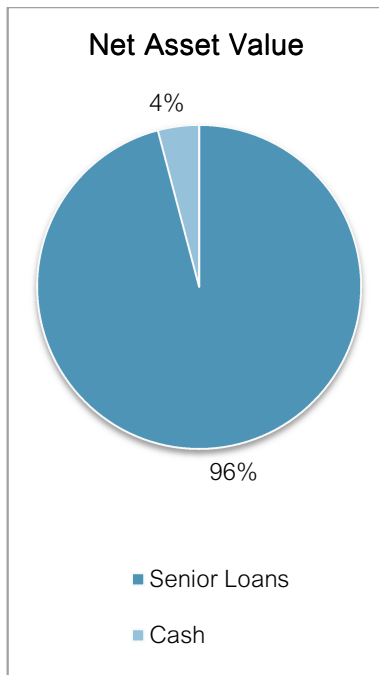
## Share Price v NAV (from IPO to 31 July 2014)



<sup>(1)</sup> For Quarter ending 31<sup>st</sup> July 2014

# ICG-Longbow Senior Secured UK Property Debt Investments Ltd

## Portfolio Composition as at 31 April 2014



## Investment Portfolio as at 31<sup>st</sup> July 2014

Transaction	Region	Sector	Term start	Unexp term (yrs)	Day-1 Balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Current Balance (£m)	Current LTV (%)	Current ICR (%)
Mansion Student Fund	Midlands/ Scotland	Other (Student)	Jun-13	4.85	18.070	54.8	204	18.070	46.5	224 <sup>1</sup>
LM Real Estate	North West	Industrial/ Distribution	Jul-13	4.34	14.200	59.3	193	13.300	60.1	125 <sup>2</sup>
Meadows RE Fund II	London	Retail	Sep-13	3.42	18.070	65.0	150	18.070	65.0	130
Northlands Portfolio	London	Mixed Use	Nov-13	4.32	7.200	61.7	192	7.200 <sup>3</sup>	60.6	127
Hulbert	Midlands	Industrial/ Distribution	Dec-13	4.34	6.565	65.0	168	6.565	65.0	171
Halcyon Ground Rents	National	Industrial/ Distribution	Dec-13	4.35	8.600	64.8	116	8.600	64.8	116
Cararra Ground Rents	North West	Regional Office	Dec-13	4.35	1.300	65.0	113	1.300	65.0	113
Raees	London	Mixed Use	Dec-13	4.36	13.250	65.0	122	13.250	64.6	132
Lanos (York)	Yorks & Humberside	Other(Hotel)	Mar-14	4.42	10.000	64.9	122	10.000	61.1	120 <sup>1</sup>
Ramada Gateshead	North East	Other (Hotel)	Apr-14	4.75	7.983	64.4	180	7.983	64.4	180 <sup>1</sup>
<b>Total</b>				<b>4.31</b>	<b>105.238</b>	<b>62.2</b>	<b>162</b>	<b>104.338</b>	<b>60.4</b>	<b>154<sup>2</sup></b>

<sup>1</sup> ICR reporting basis for hotel and student accommodation loans changed from quarterly to annual with effect from 31 July 2014 in order to eliminate the impact of seasonality.

<sup>2</sup> Lettings on the LM Real Estate portfolio completed in the quarter and subject to rent free periods at the quarter end, will increase the interest coverage ratio from 125% to circa 190% at the end of Q3 2014, increasing portfolio ICR to circa 160%

<sup>3</sup> At 31 July, following a property disposal by the Northlands, the net proceeds were held on the account under control of the company. £0.7 million was applied to the partial repayment of the loan following the period end.

## Investment Manager's Commentary

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### Market:

Underpinned by continued growth in GDP, low interest rates and increasing employment through the first and second quarters of 2014, coupled with low levels of development over last 6 years, rental values continued to increase across all property sectors in Q2 2014. The improving economic factors have led to increased take up across the UK, driven by still affordable rents in many locations. This has started to have a positive impact on vacancy levels throughout the UK in turn is filtering through to increased net operating income, whether viewed at market, portfolio or individual property level. With increased investor confidence in the property market as a function of the economic growth and visible signs of an upswing in the occupational market, the recovery in property values outside of London has continued through the second quarter of 2014 and 12-month total return for the IPD quarterly index for the year to the end of June rose to 16.4%, including a 10% growth in capital values over the year.

The first half of 2014 saw the increasing availability of debt for the UK commercial real estate sector. This has been characterised by the continued growth in the number of debt providers and the return of the UK banks to the regional lending market. The consequential competition for business has had the effect of reducing lending margins. However, there has not been any material increase in risk appetite over the same period.

### Portfolio:

With the initial investment programme having been completed 98% of the Company's available capital was deployed. Given the multi-let nature of the majority of the Company's ten loan portfolio and the fact that six of the ten loans are themselves underpinned by portfolios of properties, a degree of low level change in the security portfolio can be expected from quarter to quarter. Of particular note completing during Q2 was the part paydown of the LM Real Estate loan by £0.9m to £13.3m, with the capital proceeds being redeployed into the Gateshead loan. The Northlands sponsor also completed a property sale in the period and as at quarter end £1.3million was held on a proceeds account under control of the Company. These proceeds were subsequently applied to the partial repayment of the loan (£723k) and associated prepayment and exit fees, with a further £0.5million being released to the borrower to meet portfolio expenses, or being held on account pending capital expenditure on the remaining portfolio.

Post quarter end the principal behind the LM Real Estate Loan has sold the majority of the Company's security portfolio to a new institutionally backed borrower managed by Infrared Capital partners, who have taken an assignment of the Borrower's interest in the loan, subject to a further part pre-payment of £1.365m, reducing the loan balance to £11.935m and thereby improving interest cover ratios and generating additional fee income of approximately £0.5m for the Company.

It is anticipated that the aggregate prepayment proceeds discussed above (£2.1million) will be redeployed within the existing loan portfolio to finance value enhancing capital expenditure. The 10 loans in the portfolio have a weighted coupon of 7.39% and a projected IRR of 8.41%. The Investment Manager believes the Company's loan portfolio to be strongly secured, given the first and only charge with a current weighted exposure of 60.4% and an Interest Coverage Ratio of 154%, together with the diversification of risk at portfolio level by sector and geography and at the loan level through the exposure predominantly to multi-property or multi-tenanted security. All of the loans are fully compliant with parameters set out in the Prospectus.

### Outlook:

Underpinned by the favourable economic conditions and property market discussed above and given the continued performance of the 10 loan portfolio, we expect to be able to maintain the dividend payment level of 1.5p per share (paid in respect of the quarter ending 30<sup>th</sup> April), for the foreseeable future. ICG-Longbow will monitor the portfolio's performance going forward, with the objective of ensuring that the risk profile does not increase, whilst seeking opportunities to increase returns.

## Contacts

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Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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