



# Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31<sup>st</sup> July 2016

# Summary

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:	5 <sup>th</sup> February, 2013	Fund Type:	Closed ended investment company
Fund Manager:	Intermediate Capital Managers Ltd	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 2016

Share Price (pence per share)	103.75
NAV (pence per share)	102.66
Premium/ (discount)	1.06%
Market Cap.	£112.28m
Approved dividend (pence per share) <sup>(1)</sup>	1.5 pence
Dividend payment date <sup>(1)</sup>	14 October 2016

<sup>(1)</sup> For Quarter ended 31 July 2016 (Ex-dividend date 22/09/16)

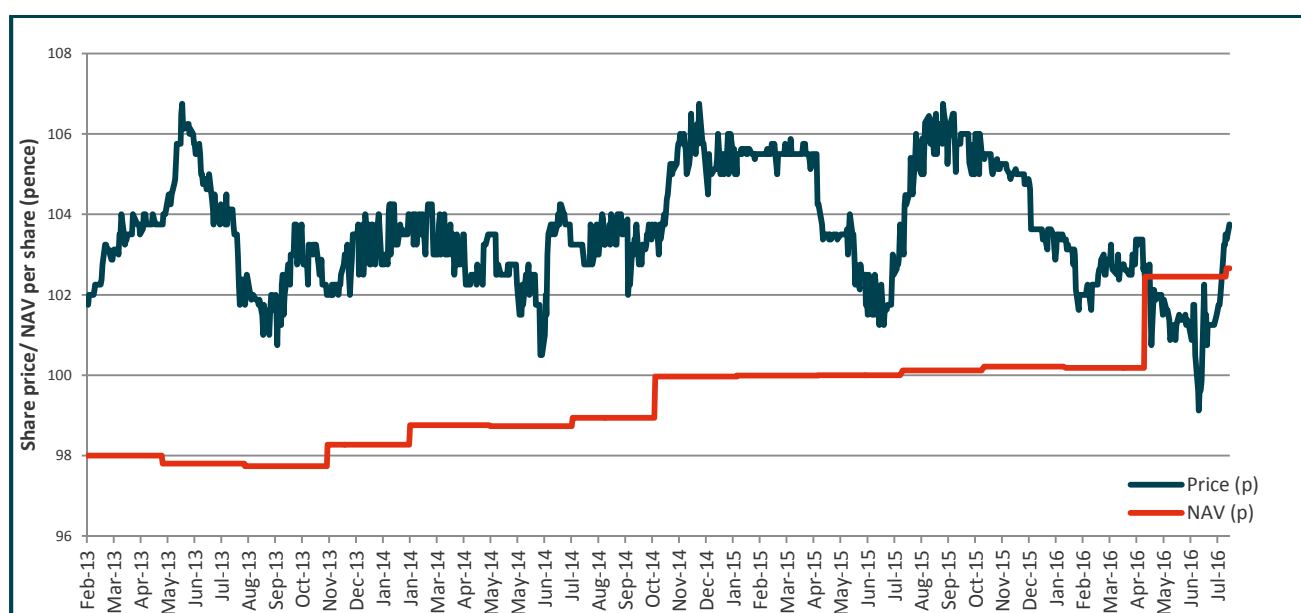
<sup>(2)</sup> Loans advanced at amortised cost / Total equity attributable to the owners of the Company

## Key Portfolio Statistics at 31 July 2016

Number of Investments:	10
Percentage Capital Invested <sup>(2)</sup> :	96.29%
Weighted average investment coupon:	6.83%
Weighted Avg. projected Investment IRR <sup>(3)</sup> :	8.72%
Weighted Avg. LTV:	57.31%
Weighted Avg. interest coverage ratio:	181%

<sup>(3)</sup> Weighted average projected gross portfolio IRR reflects loan cashflows including interest, fees, advances and repayments, comprising (i) actual cashflows arising from loans in current portfolio and repaid loans since origination to date, and (ii) projected cashflows from the current portfolio through to each loan's maturity.

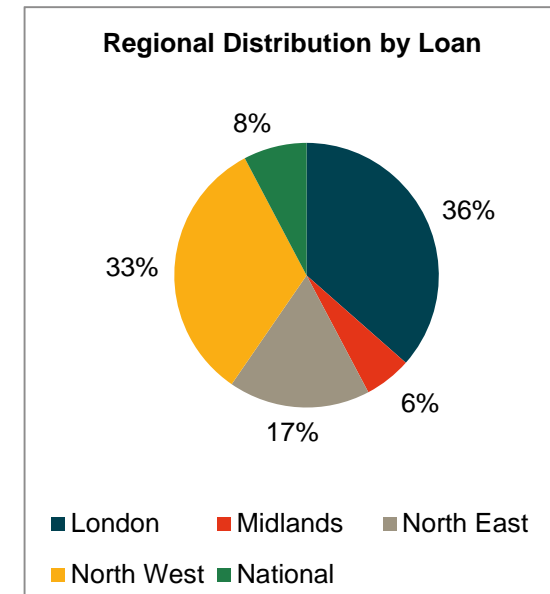
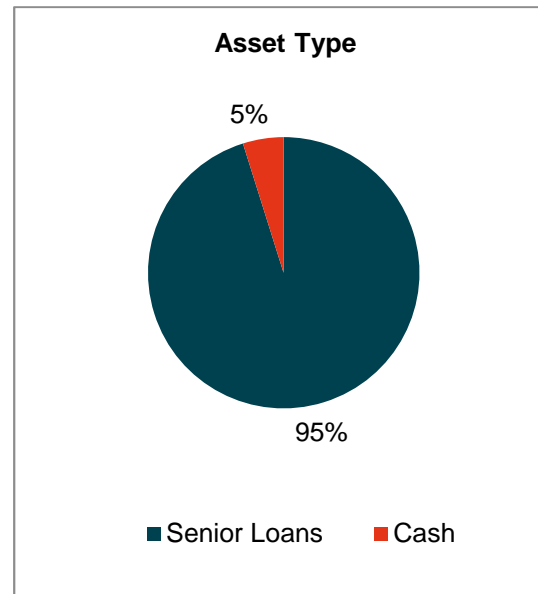
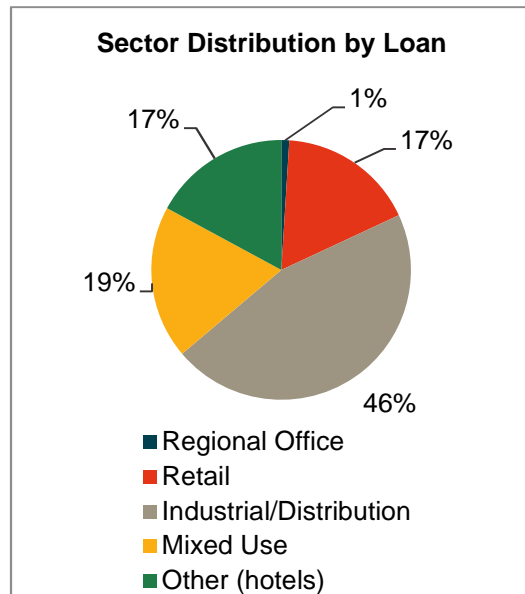
## Share Price v NAV (from IPO to 31 July 2016)



## Investment Portfolio as at 31 July 2016

Project	Region	Sector	Term start	Unexp term (yrs)	Day 1 balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance outstanding (£m)	Current LTV (%)	Current ICR (%)
IRAF Portfolio <sup>(1)</sup>	North West	Industrial/distribution	Jul-13	2.34	14.20	55.3	193	11.94	43.5	210
Meadows RE Fund II	London	Retail	Sep-13	1.42	18.07	65.0	150	18.07	63.0	113
Northlands Portfolio	London	Mixed use	Nov-13	2.32	7.20	61.7	192	6.48	46.1	156
Hulbert Properties	Midlands	Industrial/distribution	Dec-13	2.34	6.57	65.0	168	6.57	55.4	188
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	2.35	8.60	64.8	116	8.60	63.9	116
Cararra Ground Rents	North West	Regional office	Dec-13	2.35	1.30	65.0	113	1.30	65.0	113
Raees International	London	Mixed use	Dec-13	2.36	13.25	65.0	122	13.25	53.7	120
Lanos (York)	North East	Other (hotel)	Mar-14	2.42	10.00	64.9	122	10.00	50.0	125
Ramada Gateshead	North East	Other (hotel)	Apr-14	2.75	7.98	64.4	180	7.98	63.9	192
Commercial R. S. Ltd	North West	Industrial/distribution	Mar-16	2.70	22.40	64.0	280	22.40	64.0	312
<b>Total / weighted average</b>				<b>2.30</b>	<b>109.57</b>	<b>63.64</b>	<b>179</b>	<b>106.58</b>	<b>57.3</b>	<b>181</b>

<sup>(1)</sup> IRAF portfolio loan is a replacement of the LM Real Estate loan. It is secured on substantially the same portfolio as the previous LM Real Estate loan but with a new borrower and on substantially the same commercial terms. Day 1 figures represent LM Real Estate loan opening position.



# Investment Manager's Commentary

## Summary

At 31 July 2016 the investment portfolio comprised 10 loans following the repayment in the second quarter of the First Light Portfolio loan.

Each investment in the portfolio remains well secured from a capital perspective, with a weighted average LTV exposure of 57.31%, an increase from the year-end LTV of 52.65% due to the repayment of the Mansion Group Loan (exit at 39% LTV) and subsequent new loan to Commercial Regional Space Limited (entry LTV of 65%). The portfolio level gross expected IRR if held to contracted loan term maturity, and recognising prepayment/exit fees received to date, is 8.72%.

At the portfolio level, the ICR has improved following the redemptions in the period to 181% (31 January 2016: 161%).

## Group Performance

As previously mentioned, the Group's portfolio changed in the quarter and as a result profit after tax for the six months is £5.94 million (5.49 pence per share), benefitting from the Mansion and First Light prepayment and exit fees.

The Group's loan portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters. With 1.15 years weighted average income protection remaining as at 31 July 2016 (ranging from 0.7 years to 1.8 years), the Company remains well positioned to continue to deliver its target dividend.

## Portfolio

Portfolio statistics	31 July 2016	31 January 2016
Number of loan investments	10	11
Aggregate balance	£106,579,750	£104,002,150
Weighted average LTV	57.31%	52.65%
Weighted average ICR	181%	161%
Weighted average interest coupon	6.83% pa	7.40% pa
Weighted average projected gross IRR <sup>(1)</sup>	8.72% pa	8.49% pa
Weighted average unexpired loan term	2.30 years	2.81 years
Weighted average unexpired Interest income protection	1.15 years	1.60 years
Cash held	£4,293,242	£5,306,129

## Outlook

Although economic and property market conditions are likely to be subject to some uncertainty in the short to medium term, the Group's investment portfolio has entered this period from a position of strength driven by its senior, secured exposure at defensive LTV levels with strong interest cover. Furthermore, given that the property profile is outside of some of the prime, mainly central London markets, we believe that any negative impact on commercial property valuations will be mitigated by the current attractive yield premium over gilts.

As the residual loan terms and periods of income protection reduce further, we may begin to see further repayments in the underlying loan portfolio in the coming 12 months. In the short term, we envisage the ability to reinvest any such proceeds in a manner beneficial to the Group and in line with the investment parameters. However, as the portfolio's income protection runs down further, we will approach the point at which the continued redeployment of repaid capital will not be possible in a manner which meets both the Company's dividend target and its investment parameters, which were collectively set in market conditions prior to the IPO, when interest rates achievable on senior loans were materially higher than today.

Based on our experience of investing and managing over £3 billion of capital in ICG-Longbow's UK commercial real estate debt funds, covering senior debt, whole loans, mezzanine and development funding, we do believe that investment in UK commercial real estate debt continues to represent an attractive investment opportunity, which delivers strong capital protection coupled with predictable income streams. In view of this, and working in conjunction with Cenkos Securities, we expect shortly to be in a position to bring forward proposals to the Board to update the Company's Investment Policy and/ or Investment Objective which will enable the Company to reinvest repayment proceeds having regard to current and expected market conditions, whilst continuing to deliver the Company's shareholders attractive returns on both an absolute and risk adjusted basis.

## Contacts

Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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