ICG LONGBOW

# Senior Secured UK Property Debt Investments Ltd

## Fact Sheet

As at 30th April 2017

# 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**

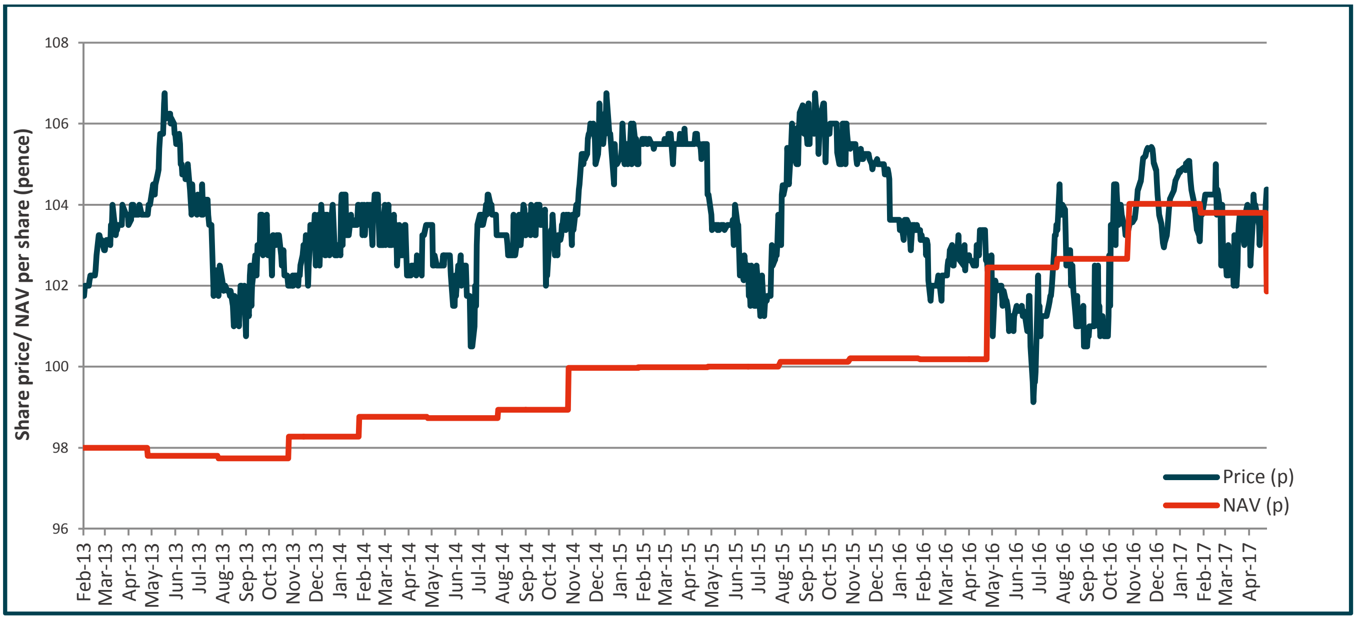
| | | | |
|---|---|---|---|
| Fund launch: | 5 February 2013 | Fund type: | Closed ended investment company |
| Investment Adviser: | ICG-Longbow | Domicile: | Guernsey |
| Base currency: | GBP | Listing: | London Stock Exchange |
| Issued shares: | 108.22 million | ISIN code: | GG0B8C23581 |
| Management fee: | 1.0% | LSE code: | LBOW |
| | | Website: | www.lbow.co.uk |

| **Share price & NAV at 30 April 2017** | |
|---|---|
| Share price (pence per share): | 104.38 |
| NAV (pence per share): | 101.86 |
| Premium: | 2.47% |
| Market capitalisation: | £112.96m |
| Dividend (pence per share)[1]: | 1.5 pence |
| Dividend payment date[1]: | 2 June 2017 |

| **Key portfolio statistics at 30 April 2017** | |
|---|---|
| Number of investments: | 9 |
| Percentage capital invested[2]: | 92.56% |
| Weighted avg. investment coupon: | 6.09% |
| Weighted avg. LTV: | 57.88% |
| Weighted avg. ICR: | 223% |

(1) For Quarter ended 30 April 2017 (Ex-dividend date 13 July 2017)
(2) Loans advanced at amortised cost / Total equity attributable to the owners of the Company

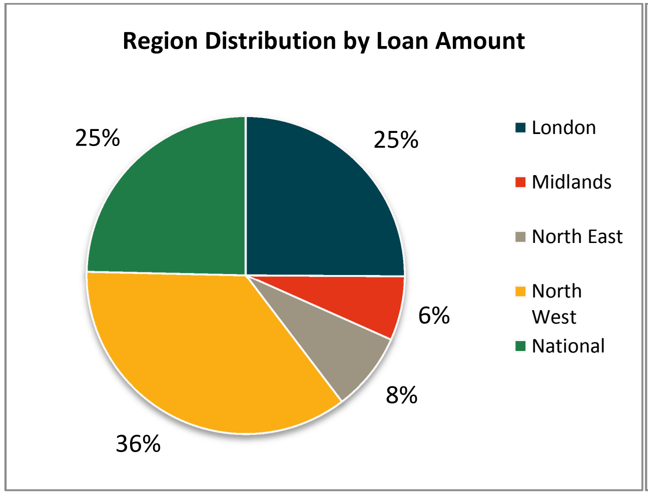
**Share price v NAV (from IPO to 30 April 2017) [(1)]**

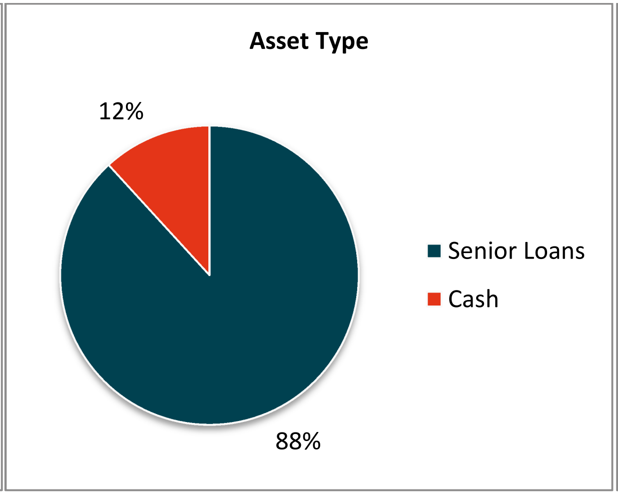


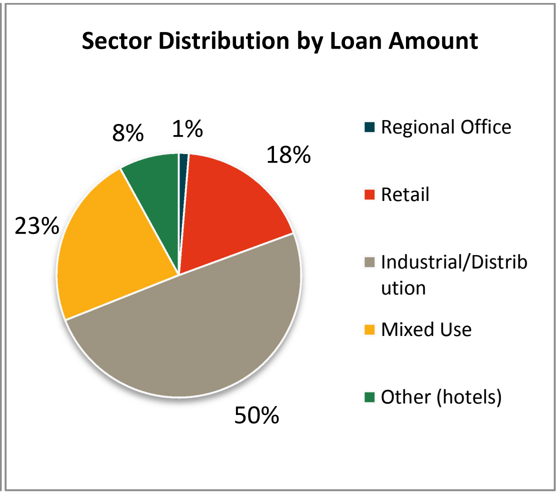

(1) NAV fell at quarter end owing to the special dividend of 2.25 pence per ordinary share

# Investment Portfolio as at 30 April 2017

| Project | Region | Sector | Term start | Unexp term (yrs) | Day 1 balance (£m) | Day 1 LTV (%) | Day 1 ICR (%) | Principal Balance outstanding (£m) | Current LTV (%) | Current ICR (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| IRAF | North West | Industrial/distribution | Jul-13 | 1.83 | 14.20 | 55.3 | 193 | 11.94 | 43.4 | 175 |
| Meadows | London | Retail | Sep-13 | 0.91 | 18.07 | 65.0 | 150 | 18.07 | 63.0 | 114 |
| Northlands | London | Mixed use | Nov-13 | 1.82 | 7.20 | 61.7 | 192 | 6.98 | 43.4 | 154 |
| Hulbert | Midlands | Industrial/distribution | Dec-13 | 1.84 | 6.57 | 65.0 | 168 | 6.57 | 52.3 | 185 |
| Halcyon | National | Industrial/distribution | Dec-13 | 1.85 | 8.60 | 64.8 | 116 | 8.60 | 63.3 | 113 |
| Carrara | North West | Regional office | Dec-13 | 1.85 | 1.30 | 65.0 | 113 | 1.30 | 65.0 | 113 |
| Ramada | North East | Other (hotel) | Apr-14 | 2.24 | 7.98 | 64.4 | 180 | 7.98 | 66.0 | 176 |
| Commercial R. S. Ltd | North West | Industrial/distribution | Mar-16 | 2.20 | 22.40 | 64.0 | 280 | 22.40 | 64.0 | 333 |
| BMO | National | Mixed use | Jan-17 | 2.20 | 16.00 | 55.5 | 404 | 16.00 | 55.5 | 363 |
| **Total / weighted average** | | | | **1.85** | **112.32** | **62.3** | **219** | **99.84** | **57.9** | **223** |



# Investment Adviser's Commentary

## Summary

At 30 April 2017 the investment portfolio comprised 9 loans following the repayment during the period of the Lanos (York) loan.

- The par value of the loan portfolio is now £99.83 million (31 Jan: £109.3m)
- NAV per share fell from 103.80 to 101.86 due to the declaration in January 2017 of the 2.25 pence per share special dividend.
- Projected portfolio gross IRR is 9.16% (31 Jan: 8.96%)
- Weighted average interest coupon is now 6.09% (31 Jan: 6.24%)
- Portfolio LTV has increased from 57.04% to 57.88% and Portfolio ICR has decreased from 235% to 223%
- Weighted average loan maturity of 1.60 years (31 Jan: 1.85 years) and weighted average remaining coupon protection of 0.54 years (31 Jan: 0.74 years)

## Group Performance

The Group's portfolio changed in the quarter with a full repayment of the Lanos (York) loan and an additional £0.5 million advance under the current Northlands Portfolio loan facility. Profit after tax for the quarter was £1.96 million (1.81 pence per share).

The Group's loan portfolio continues to perform in line with expectations with a weighted average exposure of 57.9% LTV and a maximum individual exposure of 66.0% LTV, and benefits from 0.54 years weighted average income protection remaining as at 30 April 2017. The Company expects to utilise prepayment and exit fees received to date to negate any effect of cash drag until the proceeds are reinvested.

## Portfolio

| Portfolio statistics | 30 April 2017 | 31 January 2017 |
|---|---|---|
| Number of loan investments | 9 | 10 |
| Aggregate principal advanced | £99,829,750 | £109,329,750 |
| Weighted average LTV | 57.88% | 57.04% |
| Weighted average ICR | 223% | 235% |
| Weighted average interest coupon | 6.09% pa | 6.24% pa |
| Weighted average unexpired loan term | 1.60 years | 1.85 years |
| Weighted average unexpired Interest income protection | 0.54 years | 0.74 years |
| Cash held | £13,376,690 (1) | £3,258,954 |

(1) Prior to payment of quarterly dividend of 1.5 pence per ordinary share and special dividend of 2.25 pence per ordinary share on 2 June 2017.

## Outlook

UK commercial property values continued to recover in Q1 2017, with the MSCI All Property Quarterly Capital Values Index recording 0.9% growth over the quarter, following 1.0% growth recorded in the preceding quarter. However, given the sharp fall in Q3 2016, capital values remain down 0.3% over the last 12 months and the MSCI Inc. All Property Total Returns Quarterly Index showed a 4.6% return for the 12 months to Q1 2017 – broadly in line with market expectations for the period to 2020, where returns are expected to be driven by income yield.

Investment transaction volumes remained broadly flat at £12.2bn - down only 6% on the 5 year quarterly average and down 7% on Q1 2016. However, the quarter was notable for the number of very large transactions, with five acquisitions accounting for £2.4bn of the total (four or which were bought by international purchasers and two-thirds by value related to City of London offices). Without these exceptional deals, transaction volumes would have been at levels last seen in Q3 2016 immediately after the EU referendum or Q2 2013 before that, which is more in line with ICG-Longbow's perception from the market.

In response to the uncertain political environment, we are seeing greater polarisation in the marketplace between sectors and also within sectors according to the nature of the property, with many investors avoiding properties that are perceived to be high risk, favouring core properties with secure income streams. However, against the backdrop of economic growth and continuing occupational demand, we believe this may lead to interesting buying opportunities for value-add or less stabilised properties for our partners, which we expect will generate attractive risk adjusted returns.

Looking forward, and following shareholder approval of the revised investment strategy, the Investment Adviser has begun to compile an attractive pipeline of prospective transactions to capitalise on both the market opportunity, and the Company's ability to raise new capital alongside reinvestment of proceeds from repayments in order to sustain its 6 pence per annum dividend target.

## Contacts

| Investment Adviser | Administrator, Designated Manager & Company Secretary | Corporate Broker |
|---|---|---|
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