ICG LONGBOW

Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st October 2019

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

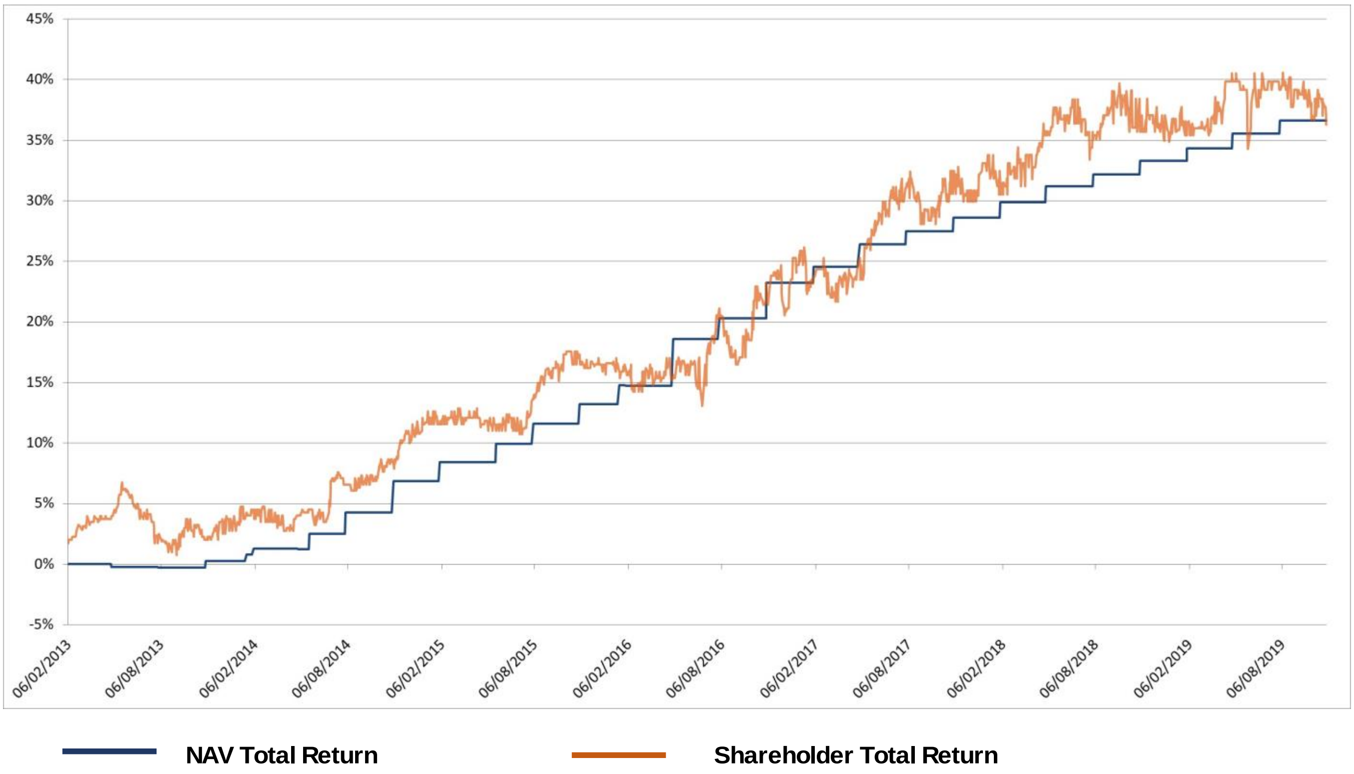
Fund launch:	5 February 2013	Fund type:	Closed ended investment company
Investment Adviser:	ICG-Longbow	Domicile:	Guernsey
Base currency:	GBP	Listing:	London Stock Exchange
Issued shares:	121.30 million	ISIN code:	GG00B8C23S81
Investment Advisory fee:	1.0%	LSE code:	LBOW
		Website:	www.lbow.co.uk

Share price & Estimated NAV at 31 October 2019	
Share price (pence per share):	95.00
NAV (pence per share):	98.09
Premium/(Discount):	(3.15%)
Market capitalisation:	£115.24 million

Key portfolio statistics at 31 October 2019	
Number of investments:	10
Percentage capital invested[1]:	100.0%
Weighted avg. investment coupon:	7.11%
Weighted avg. LTV:	65.7%

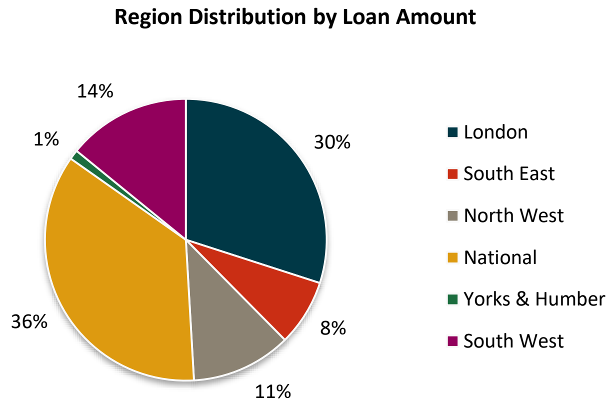
[1] Loans advanced at amortised cost / Total equity attributable to the owners of the Company. Includes amounts drawn down on the Group working capital facility.

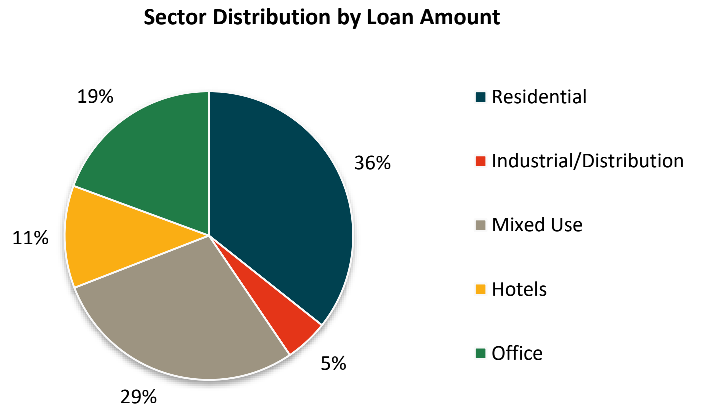
Share Price Total Returns vs NAV Total Return (from IPO to 31 October 2019)



Investment Portfolio as at 31 October 2019

Project	Region	Sector	Term start	Unexp. term (years)	Day 1 balance (£m)	Day 1 LTV (%)	Balance outstanding (£m)	Balance committed (£m)	Current LTV (%)
Meadows RE Fund II	London	Residential	Sep-13	0.75	18.07	65.0	21.50		60.4
Halcyon Ground Rents	National	Industrial/distribution	Dec-13	0.10	8.60	64.8	5.73		65.2
Carrara Ground Rents	Yorks/Humb	Office	Dec-13	0.10	1.30	65.0	1.30		65.0
BMO Real Estate Partners	National	Mixed use	Jan-17	0.00	16.00	55.4	15.79		51.5
Quattro	South East	Mixed use	Oct-17	1.21	9.00	83.7	9.00		80.6
Affinity	South West	Office	Mar-18	2.54	14.20	67.3	16.70		66.0
Southport Hotel	North West	Hotel	Feb-19	3.46	12.50	59.5	13.58	1.42	64.7
Northlands Portfolio	London	Mixed use	Aug-19	2.96	9.00	55.3	9.00	3.50	55.3
RoyaleLife	National	Residential	Sept-19	2.96	20.27	78.9	20.87	3.73	80.0
LBS	London	Office	Oct-19	3.96	4.92	69.3	4.95	1.52	69.3
Total / weighted average				2.03	116.56	66.5	118.43	10.2	65.7





Investment Adviser's Commentary

Summary

At 31 October 2019 the investment portfolio comprised ten loans. Principal activity in the quarter included:

- Two new transactions completed totalling £31.1 million of loan commitments
- Long term refinancing of the Company's Northlands loan (£12.5 million commitment)
- Increase in the par value of the loan portfolio to £118.43 million (31 July 2019: £92.28 million) with total commitments of £128.6 million.
- Fully invested portfolio with restoration of full dividend cover
- Weighted average interest coupon rising to 7.11% (31 July 2019: 6.91%)
- Further improvement in weighted average unexpired loan term to 2.03 years (31 July 2019: 1.36 years)
- Average LTV of 65.7% (31 July 2019: 59.4%) following the portfolio changes

Group Performance

The Company saw a strong period of investment activity in the quarter, with three new loans advanced during the period including the refinancing of the Company's strongly performing Northlands loan for a further three-year term. In total £43.6 million of commitments were made, with the Company's equity capital now fully committed and the revolving credit facility partially drawn and available to fund follow-on commitments at investment level.

As a result of the strong returns secured on new investments and reinvesting surplus cash, full dividend cover has been restored with a weighted average investment coupon of 7.11%, supplemented by contractual arrangement and exit fees. We are pleased to report that for investments concluded during 2019, the projected weighted average IRR is circa 9.4% demonstrating the Company's ability to secure accretive deals for shareholders.

Following quarter end, and as a result of its regular engagement with borrowers on their refinancing strategies, the Company has agreed short term loan extensions (together with new fees and coupon protection periods), on the Meadows, Halycon and Carrara loans. The BMO loan reached maturity at the end of the period, and the Company has offered to extend the loan which remains well secured at 51.5% LTV. As highlighted in our Interim Report and Accounts, we continue to monitor the Quattro loan closely. However the recent exchange of contracts for the sale of one of the borrower's portfolio properties should ease the situation.

Although one proposed pipeline transaction fell away after the quarter end, this has allowed for part-repayment of the Group revolving credit facility and has created headroom for the Company to pursue an alternative opportunity, to the value of circa £7.8 million, in the industrial sector. This is now in solicitors' hands. Moreover, the Company does not envisage any material loan repayments in the near term.

As highlighted in the Interim Report and Accounts, and following the transactional activity detailed above, we now expect a period of stable income with the Company well placed to deliver some modest NAV accretion in future quarters. The Investment Adviser continues to pursue a pipeline of valuable investment opportunities. Brexit and election uncertainty have significantly reduced completions but the Board remains hopeful that with greater clarity in the coming year, the prospects for raising further capital to pursue and complete new loans will accelerate.

The portfolio continues to perform in line with expectations and in compliance with the Group's investment parameters.

Portfolio

Portfolio statistics	31 October 2019	31 July 2019
Number of loan investments	10	8
Aggregate principal advanced	£118,428,458	£92,277,958
Weighted average LTV	65.7%	59.4%
Weighted average interest coupon	7.11% pa	6.91% pa
Weighted average unexpired loan term	2.03 years	1.36 years
Weighted average coupon protection period	1.15 years	0.80 years
Cash held [1]	£12,815,827	£27,200,525
Drawings under working capital facility [1]	£10,000,000	£0

[1] As at the date of this Fact Sheet, drawings under the working capital facility totalled £1,200,000

Market Commentary

After a disappointing GDP print in Q2 (negative 0.2%), economic activity appeared to pick up with the ONS reporting a return to growth, of 0.3%, in the three months to September 2019. Nonetheless lead indicators suggest the possibility of sluggishness in the near to medium-term. Whilst the strength of the labour market has consistently been a bright spot in the economic data, there are signs of slowing albeit from a historically strong position - total employment fell modestly in the three months to September, and the Bank of England now anticipates that pay growth will moderate in the next 12 months, albeit from a 10-year high currently.

Property investment activity remained subdued in Q3. Volume was down 19% on Q3 2018, and year-to-date volume is now 26% down on the same period last year. That said, quarterly activity was back in line with the 10-year average (+2%), largely due to a return of large deals (£250m plus), notably in the student accommodation sector. Volume for smaller deals (under £100m) was down 27% on Q3 last year, but up 6% on last quarter. The Industrial sector was back in line with the 5-year average, reflecting continued investor demand for multi-let estates and urban logistics, but confidence in Retail remains low, and small Office deals fell for the third consecutive quarter to the lowest quarterly volume since 2012.

During the quarter the results of the semi-annual lending market survey by Cass Business School were released, and the data show that most lending metrics were broadly stable in H1 2019. Cass state that the debt market is now in its fifth year of what looks like ‘extraordinary stability’ in both loan volumes and market structures; in their view lender underwriting and credit metrics have settled around a new normal. This reflects our experience – with some exceptions, clearing bank lending appears to have stabilised around the provision of 50% - 55% LTV amortising loans, leaving clear blue water between that part of the market and the Company’s debt offering.

Whilst the election uncertainty in the fourth quarter stalled much of the transactional activity in the market, there is at least now a clear and decisive outcome. The return of a majority Conservative government and the likelihood of an EU Withdrawal Agreement being approved and signed into UK law may well reduce the near term uncertainty and could lead to improved investor confidence, with a release of more investment stock to the market.

Outlook

With the conclusion during the quarter of three new loans and subsequently extensions having been agreed on three others, the Company now benefits from a secure and stabilised portfolio with a fully covered dividend and the prospect of some medium term NAV accretion, in line with the Company's investment objectives.

Whilst transactional activity has fallen and many deals are taking longer to conclude, the Company is still seeing continued demand for its capital from potential borrowers and is now in the position of being able to balance its strong pipeline of new lending opportunities against available funds, which will allow for progression of the most secure and accretive deals for shareholders. In the event we do see a pick-up in transactions post-election as anticipated above, the Company is well placed to capitalise on high quality opportunities.

IPF consensus forecasts for the next five years are projecting total returns from direct UK property market investment averaging 3.9% per annum. With the Company's fully covered dividend yield now in excess of 6% per annum against the current NAV, for a secure first mortgage portfolio with an average LTV of circa 65%, we continue to believe the investment case for debt over equity is strong.

Contacts

Investment Adviser	Administrator, Designated Manager & Company Secretary	Corporate Broker
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