# Senior Secured UK Property Debt Investments Ltd

## Fact Sheet

As at 31st July 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 31 July 2017**

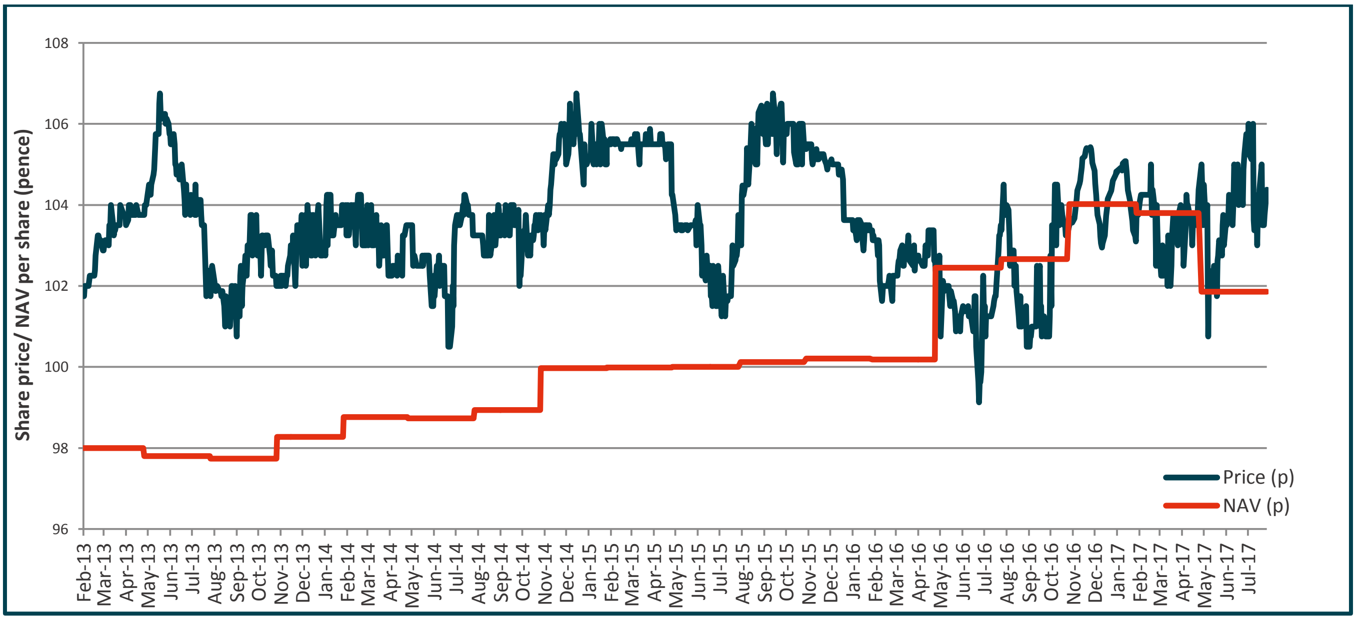
| | |
|---|---|
| Share price (pence per share): | 104.38 |
| NAV (pence per share): | 101.46 |
| Premium: | 2.88% |
| Market capitalisation: | £112.95 million |

**Key portfolio statistics at 31 July 2017**

| | |
|---|---|
| Number of investments: | 9 |
| Percentage capital invested[(1)]: | 92.35% |
| Weighted avg. investment coupon: | 6.11% |
| Weighted avg. LTV: | 57.9% |
| Weighted avg. ICR: | 222% |

[(1)] Loans advanced at amortised cost / Total equity attributable to the owners of the Company

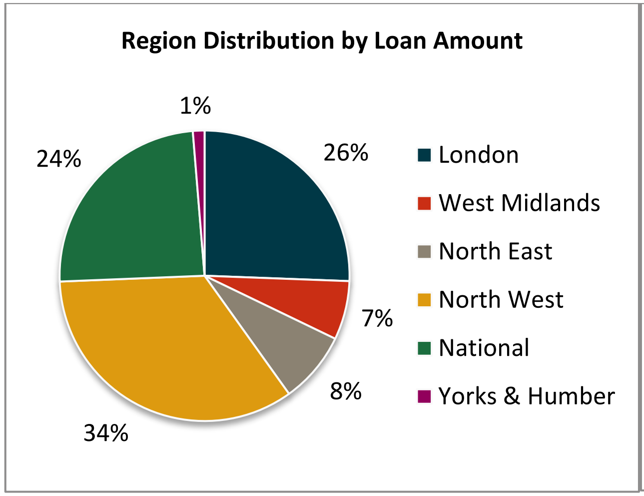
**Share price v NAV (from IPO to 31 July 2017)[(2)]**

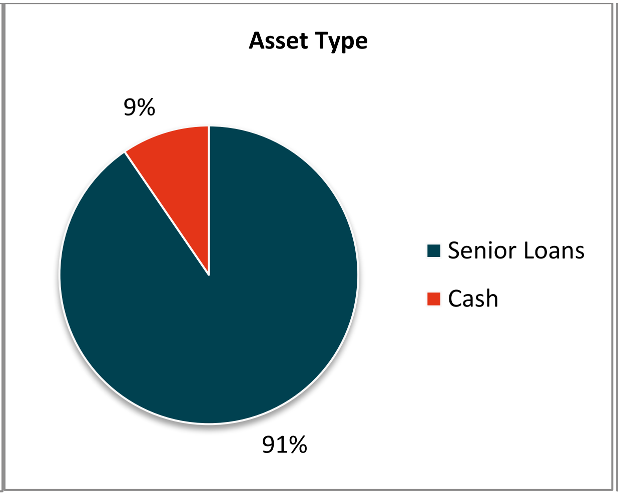


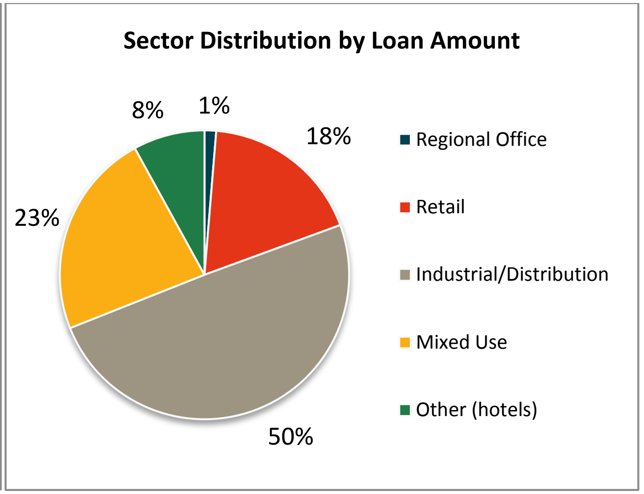

[(2)] Reduction in NAV in April 2017 due to declaration of 2.25 pence per share special dividend

# Investment Portfolio as at 31 July 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 | 1.34 | 14.20 | 55.3 | 193 | 11.94 | 43.4 | 185 |
| Meadow | London | Retail | Sep-13 | 0.42 | 18.07 | 65.0 | 150 | 18.07 | 63.0 | 114 |
| Northlands | London | Mixed use | Nov-13 | 1.32 | 7.20 | 61.7 | 192 | 7.58 | 45.6 | 146 |
| Hulbert | Midlands | Industrial/distribution | Dec-13 | 1.34 | 6.57 | 65.0 | 168 | 6.57 | 52.2 | 171 |
| Halcyon | National | Industrial/distribution | Dec-13 | 1.34 | 8.60 | 64.8 | 116 | 8.60 | 63.3 | 116 |
| Carrara | Yorks & Humber | Regional office | Dec-13 | 1.34 | 1.30 | 65.0 | 113 | 1.30 | 65.0 | 113 |
| Ramada | North East | Other (hotel) | Apr-14 | 1.75 | 7.98 | 64.4 | 180 | 7.98 | 66.0 | 167 |
| Commercial Regional Space | North West | Industrial/distribution | Mar-16 | 1.71 | 22.40 | 64.0 | 280 | 22.40 | 64.0 | 281 |
| BMO | National | Mixed use | Jan-17 | 1.71 | 16.00 | 55.4 | 404 | 15.79 | 54.7 | 442 |
| **Total / weighted average** | | | | **1.35** | **102.32** | **61.6** | **227** | **100.22** | **57.9** | **222** |



# Investment Adviser’s Commentary

## Summary

At 31 July 2017 the investment portfolio comprised 9 loans, with limited changes during the quarter.

- The par value of the loan portfolio increased to £100.22 million (30 April 2017: £99.83 million)
- The special dividend of 2.25 pence per share declared in April was paid during the quarter.
- NAV per share fell from 101.86 pence to 101.46 pence, as a modest level of Group cash resources was applied towards dividend payments during the quarter.
- Projected portfolio gross IRR is 9.19% (30 April 2017: 9.16%)
- Weighted average interest coupon increased modestly to 6.11% (30 April 2017: 6.09%)
- Portfolio LTV stable at 57.9% and portfolio ICR broadly unchanged at 222% (30 April 2017: 223%)
- Weighted average loan maturity of 1.35 years (30 April 2017: 1.60 years) and weighted average remaining coupon protection of 0.36 years (31 January 2017: 0.54 years)

## Group Performance

The Group’s portfolio was largely unchanged, with a £0.6 million new advance under the Northlands loan completing during the quarter, offset by a modest circa £0.2 million repayment of the BMO loan.

The Group’s loan portfolio continues to perform in line with expectations and in compliance with all of the Group’s investment parameters, and the Company remains well positioned to continue to deliver its target dividend.

## Portfolio

| **Portfolio statistics** | **31 July 2017** | **30 April 2017** |
|---|---:|---:|
| **Number of loan investments** | 9 | 9 |
| **Aggregate principal advanced** | £100,223,477 | £99,829,750 |
| **Weighted average LTV** | 57.90% | 57.88% |
| **Weighted average ICR** | 222% | 223% |
| **Weighted average interest coupon** | 6.11% pa | 6.09% pa |
| **Weighted average projected gross IRR** | 9.19% pa | 9.16% pa |
| **Weighted average unexpired loan term** | 1.35 years | 1.60 years |
| **Weighted average unexpired Interest income protection** | 0.36 years | 0.54 years |
| **Cash held** | £10,571,446 | £13,376,690 |

## Market Commentary

The increase in investment activity in the UK commercial property market observed in Q1 2017 continued into Q2, resulting in H1 aggregate transactions of £25.8 billion, in line with the five year average. This figure was however flattered by a number of sizeable Central London transactions, including British Land's £1.15 billion sale of the Leadenhall Building to Hong Kong-based CC Investments, and Great Portland Estates' £435 million sale of Rathbone Place to West Invest and Deka.

This trend of large sales by leading UK REITs to international investors continued into Q3, with Canary Wharf and Land Securities' well-publicised £1.28 billion sale of the 'Walkie Talkie' to LKK, and St Modwen's £470 million sale of a Nine Elms site to a reported Chinese buyer. This trend confirms London's enduring appeal for international investors but perhaps indicates the REITs calling the top of the London market.

The UK Banks continue to show restraint in their lending appetite, with LTV's at circa 50%. According to the semi-annual De Montfort University lending survey, released during the quarter and reflecting H2 2016 activity, more aggressive pricing by international lenders and insurers has resulted in margin compression for senior loans secured on prime property, but otherwise the Investment Adviser has observed loan margins widen over the last twelve months. Benchmark interest rates (both 3-month LIBOR and the 5-year swap rate) remain extremely low by historic standards and the overall cost of finance remains very affordable for borrowers.

Mezzanine lending remains competitive, in a market that is notable for its low volume of transactions, with larger opportunities now being marketed on a global basis through brokers such as Eastdil and JLL. Also notable is the continued reduction over the last several years in lending to UK regional markets, where De Montfort figures show a fall in aggregate loan exposures from circa 75% in 2010 to circa 53% today. These twin trends reinforce the Investment Adviser's view that best value (and lowest competition) is to be found outside of prime, big ticket London deals.

## Outlook

Looking forward, although the summer months are traditionally quiet in the property markets, the Investment Adviser has developed an encouraging pipeline under the new investment parameters. This pipeline of potential deals exceeds £100 million across eight loans with coupons between 6.5% and 8.0% and a projected average IRR of approximately 9%. In the near term, three of these loans are anticipated to move towards completion which would deploy a principal balance of approximately £46 million with a projected IRR of 9.6%. Although these investments remain subject to contract and due diligence, and there can be no assurance that they will complete, the prospective loans, in the Board's view, offer attractive risk-return profiles to shareholders.

These new advances would deploy the Company's existing cash balance of circa £10.6 million, and the Board also anticipates being in a position to consider an equity fundraising under the approved placing programme to fund the additional balance required for these attractive new opportunities.

## Contacts

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