Senior Secured UK Property Debt Investments Ltd

Fact Sheet

As at 31st October 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
Investment Adviser:	ICG-Longbow
Base currency:	GBP
Issued shares:	117.04 million
Management fee:	1.0%

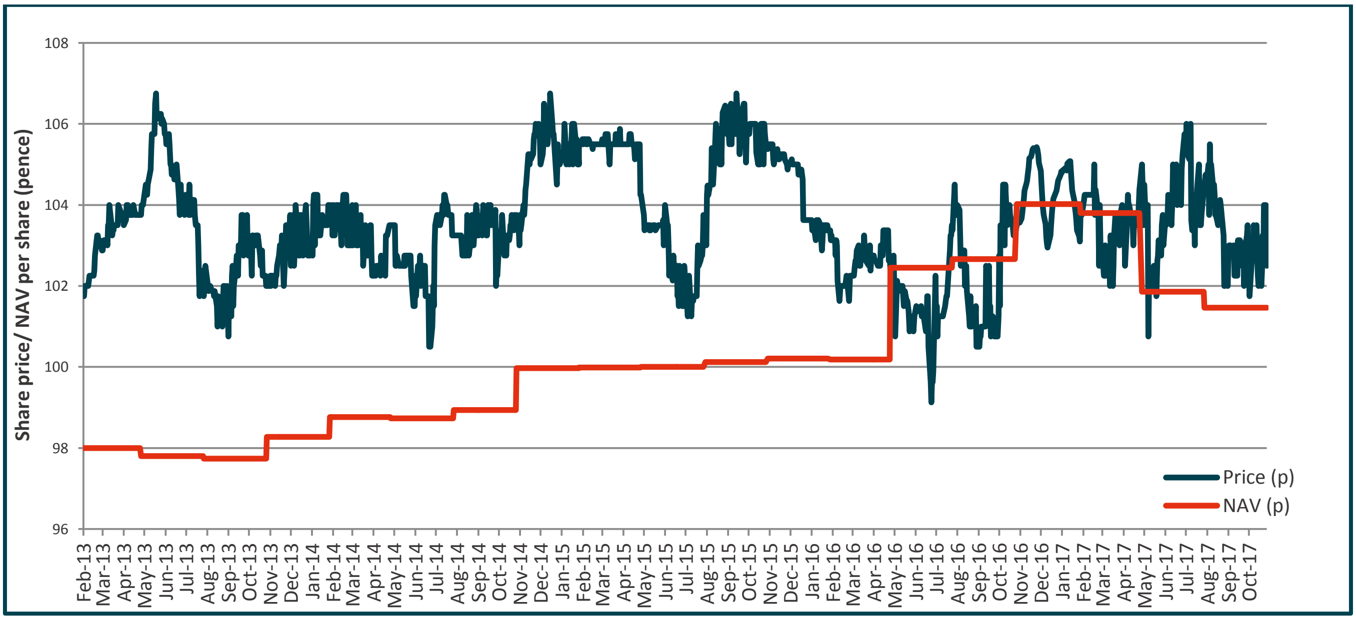
Fund type:	Closed ended investment company
Domicile:	Guernsey
Listing:	London Stock Exchange
ISIN code:	GG0B8C23581
LSE code:	LBOW
Website:	www.lbow.co.uk

Share price & NAV at 31 October 2017	
Share price (pence per share):	104.00
NAV (pence per share):	101.05
Premium:	2.84%
Market capitalisation:	£121.72 million

Key portfolio statistics at 31 October 2017	
Number of investments:	10
Percentage capital invested[1]:	92.65%
Weighted avg. investment coupon:	6.26%
Weighted avg. LTV:	60.1%
Weighted avg. ICR:	239%

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

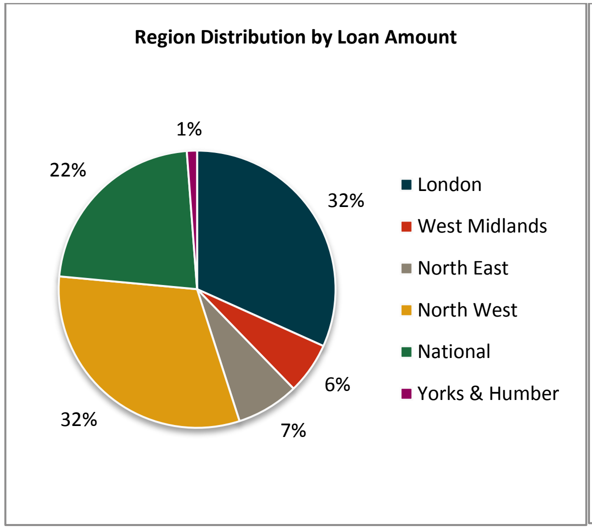
Share price v NAV (from IPO to 31 October 2017)[2]

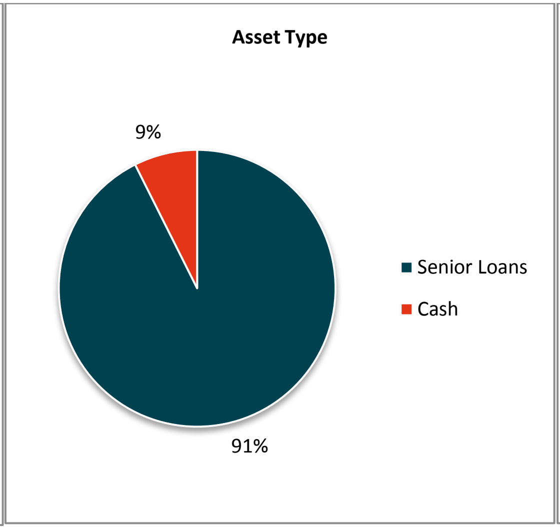


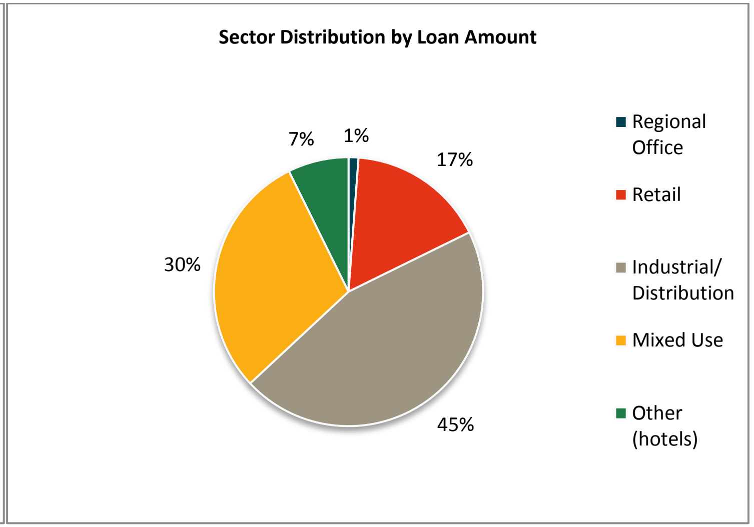
[2] Reduction in NAV in April 2017 due to declaration of 2.25 pence per share special dividend

Investment Portfolio as at 31 October 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	1.08	14.20	55.3	193	11.94	43.4	224
Meadow	London	Retail	Sep-13	0.17	18.07	65.0	150	18.07	63.0	114
Northlands	London	Mixed use	Nov-13	1.07	7.20	61.7	192	7.58	45.6	150
Hulbert	Midlands	Industrial/distribution	Dec-13	1.09	6.57	65.0	168	6.57	52.2	189
Halcyon	National	Industrial/distribution	Dec-13	1.10	8.60	64.8	116	8.60	63.3	113
Carrara	Yorks & Humber	Regional office	Dec-13	1.10	1.30	65.0	113	1.30	65.0	113
Ramada	North East	Other (hotel)	Apr-14	1.49	7.98	64.4	180	7.98	66.0	164
Commercial Regional Space	North West	Industrial/distribution	Mar-16	1.45	22.40	64.0	280	22.40	64.0	379
BMO	National	Mixed use	Jan-17	1.45	16.00	55.4	404	15.79	54.7	374
Quattro	South East	Mixed use	Oct-17	3.21	9.00	83.7	100	9.00	83.7	100
Total / weighted average				**1.27**	**111.32**	**63.5**	**227**	**109.22**	**60.1**	**239**







Investment Adviser's Commentary

Summary

At 31 October 2017 the investment portfolio comprised 10 loans, following the advancement during the quarter of the Quattro loan.

- The par value of the loan portfolio increased to £109.22 million (31 July 2017: £100.22 million)
- NAV per share fell from 101.46 pence to 101.05 pence where, as in the prior quarter, a modest level of Group cash resources was applied towards dividend payments
- Projected portfolio gross IRR is 9.11% (31 July 2017: 9.19%)
- Weighted average interest coupon increased to 6.26% (31 July 2017: 6.11%)
- Portfolio LTV increased to 60.1% (31 July: 57.9%) and portfolio ICR improved to 239% (31 July 2017: 222%)
- Weighted average loan maturity of 1.09 years (31 July 2017: 1.35 years) and weighted average remaining coupon protection of 0.18 years (31 July 2017: 0.36 years)

Group Performance

The Group's loan portfolio increased during the quarter, with the advancement of the £9.0m Quattro loan – the first under the revised investment parameters – funded by issuance of 8,823,529 new shares under the approved placing programme. The portfolio continues to perform in line with expectations and in compliance with all of the Group's investment parameters. The Company remains well positioned to continue to deliver its target dividend, and as new loans are advanced under the revised investment parameters, we anticipate the weighted average interest coupon to increase further, leading to improved dividend cover.

Portfolio

Portfolio statistics	31 October 2017	31 July 2017
Number of loan investments	10	9
Aggregate principal advanced	£109,223,477	£100,223,477
Weighted average LTV	60.10%	57.90%
Weighted average ICR	239%	222%
Weighted average interest coupon	6.26% pa	6.11% pa
Weighted average projected gross IRR	9.11% pa	9.19% pa
Weighted average unexpired loan term	1.09 years	1.35 years
Weighted average unexpired Interest income protection	0.18 years	0.36 years
Cash held	£8,728,317	£10,571,446

Market Commentary

In the occupational markets, generally robust tenant demand and the continuing suppressed levels of construction are feeding through into rental values, with growth being recorded across all sectors in the past 12 months. Although industrial is leading rental value growth at over 5% due to the strongest demand and tightest availability, with offices at circa 0.75%, retail is stagnant at c. 0.25%. Also of note is that, according to the latest CBRE Monthly Index, over the last three months office rental growth has been close to zero, whilst Central London office rents have started to decline.

The strong investment market recorded last quarter has again continued, with £15bn of transactions identified which is 9% above the five year average and 52% up on Q3 2016 (immediately following the EU referendum). The Q3 figure brings the volume of sales over the 12 month period to £54bn, with the expectation that over the whole of 2017 annual sales volumes will be at or above this figure and will make 2017 one of the five strongest years recorded.

Whilst total transaction volumes have been driven by a small number of large acquisitions – with nine deals above £400m accounting for broadly a third of the total – at the smaller (sub-£50 million) end of the market, activity was also healthy, being 8% above the five year average, whilst regional sales were 9% above the average. This improved level of activity in the mid-market is to the Company's benefit, and reflects the Investment Adviser's experience of an increased level of enquiries from prospective borrowers in recent quarters.

The strong demand for investment property, coupled with the healthy underlying market, has supported growth in values of 5.5% in the past twelve months, more than offsetting the decline in values following the EU referendum. Whilst office values have come in at around this average level of growth, industrials have unsurprisingly strongly outperformed at over double this level, whilst retail lags at about half of the average.

In the debt markets, demand from lenders for modestly-leveraged, big ticket deals remains strong and we have seen margins tighten in this area over the last six months, driven by competition between UK clearers and overseas lenders. Another continuing trend is that of REITs moving towards unsecured debt facilities, with NewRiver Retail and Unite Group the most recent to take this approach. Neither of these trends materially affect the Company, which continues to focus on the mid-market space where debt capital is relatively undersupplied,

Outlook

The Investment Adviser has agreed terms on over £30m of new investments, together with a modest increase to an existing portfolio loan. If progressed, these opportunities will allow the Board to consider further equity fundraising under the approved placing programme, albeit any share issuance will be weighed against the potential for loan redemptions in the near term, with the Board particularly focused on minimising any cash drag.

The encouraging pipeline highlighted last quarter continues to develop, with new prospective opportunities sourced across all the main property sectors during the period.

Contacts

Investment Adviser	Administrator, Designated Manager & Company Secretary	Corporate Broker
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