

# **HONEYCOMB INVESTMENT TRUST PLC**

**31 October 2021**

## INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company" or "HONY") delivered a NAV return of 0.68% for the month of October, or 8.0% annualised.

Net Investment Assets remained stable in the month (£589.2m in September, to £589.3m in October) as £14m of partial repayments in structured facilities were redeployed into drawdowns from existing facilities.

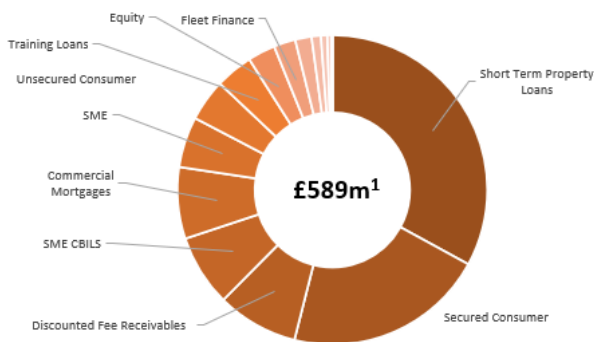
The underlying risk adjusted yield remained strong at 9.0% annualised for the month with credit metrics remaining positive.

The pipeline of investment opportunities remains robust, with a number of new transactions in exclusivity which are due to complete in Q4 2021 / Q1 2022.

### Key Details

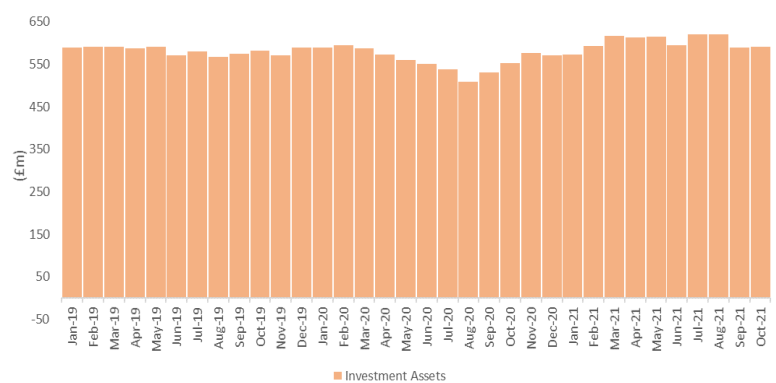
Monthly NAV Return (Annualised)	8.0%
Monthly NAV Return	0.68%
YTD NAV Return	7.12%
ITD* NAV Return	48.5%
NAV Cum. Income	£361.5m
NAV Ex. Income	£358.9m
Market Capitalisation	£342.0m
Net Investment Assets	£589.3m
Net Debt to Equity	62.3%
Debt to Equity	71.5%
Shares in Issue	35,259,741
Share Price	970.0p
NAV Cum. Income per Share	1,025.3p
NAV Ex. Income per Share	1,017.8p
Premium (Discount) to NAV Cum Income	(5.4)%

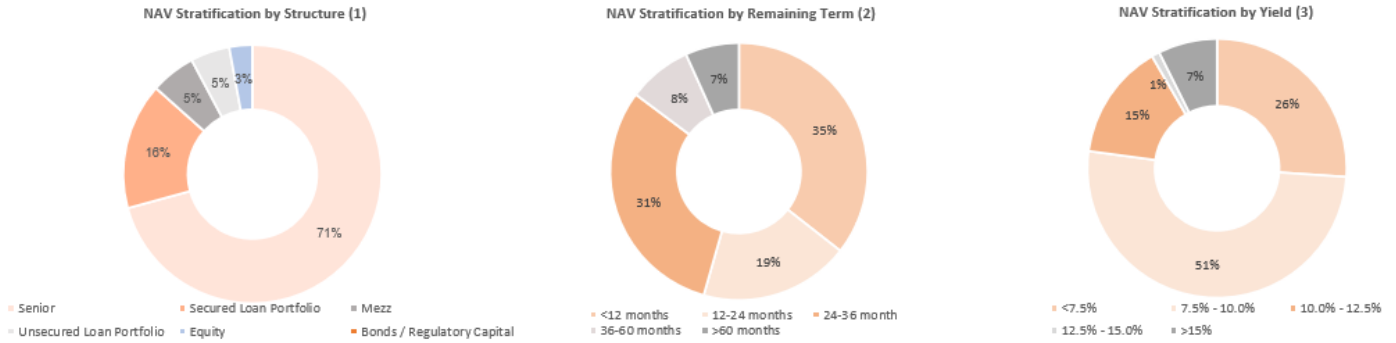
**Figure 2 - Composition of Investment Assets**



<sup>1</sup> Net Investment Assets

**Figure 3 Investment Assets**

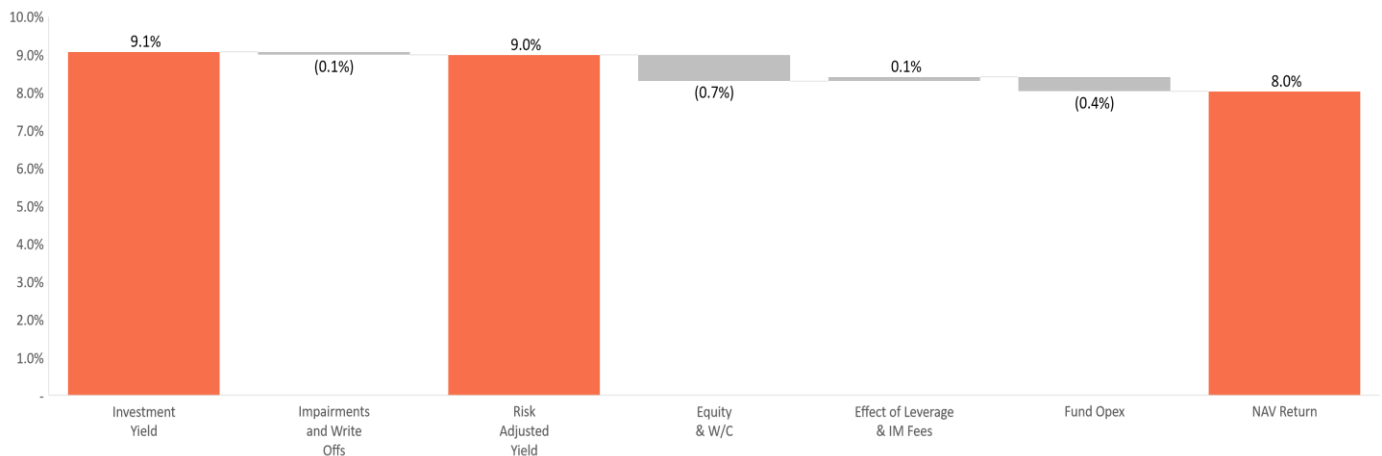


**Figure 4 – NAV Stratification**


<sup>1</sup> NAV excluding working capital and debt, stratified by investment structure

<sup>2</sup> NAV excluding working capital and recourse debt, stratified by expected remaining term of each asset

<sup>3</sup> NAV excluding working capital and debt, stratified by average yield of each platform

**Figure 5 – October 2021 Returns Bridge**


**Figure 6– Top 10 Holdings**

		Deal Type <sup>(1)</sup>	Structure	Sector	Value of Holding at 31-Oct-21 (£m)	LTV <sup>(2)</sup>	Percentage of Portfolio <sup>(3)</sup>
1	UK Agricultural Finance	Direct Portfolio	Senior	Property	53.6	50%	9.1%
2	Oplo Direct Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	51.7	81%	8.8%
3	Sancus Loans Limited	Structured	Senior	Property	47.8	54%	8.1%
4	Creditfix Limited	Structured	Senior	Discounted fee receivables	47.5	39%	8.1%
5	Nucleus Cash Flow Finance Limited	Structured	Senior	SME CBILS	44.0	96%	7.5%
6	Downing Development Loans	Direct Portfolio	Senior	Property	34.2	63%	5.8%
7	GE Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	32.6	61%	5.5%
8	Oplo Structured	Structured	Mezzanine	Secured Consumer	30.2	95%	5.1%
9	Queen Street	Structured	Senior	Property	22.3	75%	3.8%
10	Amicus Commercial Mortgages	Direct Portfolio	Senior	Property	18.8	60%	3.2%

Statistics as at 31 October 2021

1. Direct Portfolios labelled as Senior in structure refer to portfolios of loans that are individually senior secured
2. In the case of Direct Portfolios, the LTV is against latest underlying collateral values (typically at origination for directly originated assets or at purchase for acquired seasoned portfolios). For structured facilities the LTV reflects the maximum advance rate against eligible assets for Oplo Structured and 118118 Loans, and in the case of structured property-backed facilities, the LTV reflects the look through LTV against the underlying property collateral. Development finance loan LTVs are quoted as the maximum LTGDV at origination.
3. Net Investment Assets

## Background and Investment Objective

Honeycomb Investment Trust plc (the “Company”) operates an asset backed credit strategy that delivers stable income alongside strong downside protection through providing predominantly senior lending to non-bank lenders secured on their underlying loan portfolios. The investment strategy is supported by the ongoing structural changes in the financial services industry that create a significant opportunity for non-bank lenders to reach customers who are underserved by mainstream banks with bespoke and appropriate products. The investment objective is to provide shareholders with an attractive level of dividend income with capital preservation.

The strategy aims to generate positive impact around key areas where Honeycomb Investment Trust can make a meaningful difference; Financial Inclusion, Affordable Housing, Regional Growth & Green Housing.

## Investment Features

- 8% targeted dividend on issue price when fully invested and leverage applied, payable quarterly.
- Investments secured on loan portfolios of non bank lenders
- Over 40 different investments - a diverse and granular portfolio, no single asset / single sector risk
- Short duration - Average life 2 to 3 years with underlying portfolio typically amortising removing refinancing/ exit risk
- Investments benefit from tight Covenants and Corporate security
- Conservative Leverage

## Fund Facts

Type of Fund	Closed – Ended Fund
Listing	Main Market of the London Stock Exchange
Ticker	HONY
ISIN	GB00BYZV3G25
Inception Date	23 December 2015
Dividend	Quarterly
NAV Calculation	As of last day, of each month
Management Fee*	1%
Performance Fee**	10%

\* applicable to gross assets

\*\* subject to 5% preferred return hurdle and high watermark

**Performance & Dividend History**

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD*
NAV Return IAS 39	2016	0.04%	0.13%	0.19%	0.92%	0.60%	0.79%	0.68%	0.70%	0.88%	0.89%	0.92%	0.94%	<b>7.85%</b>	<b>7.83%</b>
NAV Return IAS 39	2017	0.69%	0.69%	0.78%	0.62%	1.80% <sup>(1)</sup>	0.55%	0.65%	0.62%	0.63%	0.61%	0.61%	0.79%	<b>9.11%</b>	<b>17.24%</b>
NAV Return IFRS 9	2018	0.66%	0.59%	0.72%	1.36% <sup>(3)</sup>	0.56%	0.60%	0.63%	0.67%	0.67%	0.67%	0.65%	0.60%	<b>8.43%</b>	<b>25.12%<sup>(2)</sup></b>
NAV Return IFRS 9	2019	0.58%	0.54%	0.67%	0.67%	0.64%	0.65%	0.67%	0.66%	0.66%	0.67%	0.67%	0.67%	<b>7.79%</b>	<b>33.17%<sup>(2)</sup></b>
NAV Return IFRS 9	2020	1.62% <sup>(4)</sup>	0.65%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%	0.58%	0.62%	0.67%	<b>7.71%</b>	<b>41.15%<sup>(2)</sup></b>
NAV Return IFRS 9	2021	0.67%	0.64%	0.75%	0.73%	0.77%	0.75%	0.72%	0.71%	0.66%	0.68%			<b>7.12%</b>	<b>48.49%<sup>(2)</sup></b>
Share Price Performance**	2016	1.50%	-	-	-	-	-	-	-	-	-	-	0.54%	<b>2.05%</b>	<b>2.05%</b>
Share Price Performance**	2017	3.92%	3.72%	0.45%	1.81%	(0.89%)	4.93%	2.78%	0.42%	(1.24%)	(0.84%)	(0.63%)	(1.49%)	<b>13.42%</b>	<b>15.75%</b>
Share Price Performance**	2018	(1.94%)	-	-	(1.76%)	-	-	0.90%	-	0.89%	(0.44%)	-	-	<b>(2.38%)</b>	<b>13.00%</b>
Share Price Performance**	2019	-	-	-	-	(1.33%)	(0.45%)	-	(0.45%)	(6.33%)	(3.86%)	(1.51%)	(0.77%)	<b>(13.94%)</b>	<b>(2.75%)</b>
Share Price Performance**	2020	(2.13%)	(2.13%)	(18.48%)	(1.33%)	-	1.69%	1.33%	7.21%	12.54%	1.63%	-	0.80%	<b>(3.08%)</b>	<b>(5.75%)</b>
Share Price Performance**	2021	2.92%	(1.03%)	(2.08%)	2.66%	(0.52%)	1.04%	-	(1.55%)	1.57%	-			<b>2.92%</b>	<b>(3.00%)</b>
Dividend Per Share (Pence)***	2016	-	-	-	-	2.11	-	-	-	19.66	-	23.13	-	<b>44.90</b>	<b>44.90</b>
Dividend Per Share (Pence)***	2017	-	-	23.5	-	24.50****	-	-	-	20.00	-	-	20.00	<b>88.00</b>	<b>132.90</b>
Dividend Per Share (Pence)***	2018	-	-	20.00	20.00	-	-	-	-	20.00	-	-	20.00	<b>80.00</b>	<b>212.90</b>
Dividend Per Share (Pence)***	2019	-	-	20.00	-	-	20.00	-	-	20.00	-	-	20.00	<b>80.00</b>	<b>292.90</b>
Dividend Per Share (Pence)***	2020	-	20.00	-	-	-	20.00	-	-	20.00	-	20.00	-	<b>80.00</b>	<b>372.90</b>
Dividend Per Share (Pence)***	2021	-	-	20.00	-	-	20.00	-	-	20.00	-			<b>60.00</b>	<b>432.90</b>

\* ITD: Inception to Date – excludes IPO Issue Costs

\*\* Based on IPO Issue Price of 1000p

\*\*\* Recognised in the month when marked ex-dividend

\*\*\*\* Based upon the number of shares at the ex-dividend date

<sup>(1)</sup> NAV return excluding effect of capital raise and issuance at a premium would have been 0.77%

<sup>(2)</sup> Inception to date NAV return affected by IFRS 9 initial recognition on 2018 brought forward retained earnings

<sup>(3)</sup> NAV return excluding effect of capital raise and issuance at a premium would have been 0.63%

<sup>(4)</sup> NAV return excluding effect of buy backs would have been 0.60%

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## Glossary

**NAV (Cum Income)** is the value of investments, other assets and cash, including current year revenue, less liabilities.

**NAV (Ex Income)** is the value of investments, other assets and cash, excluding current year revenue, less liabilities

**NAV Return** is calculated as NAV Cum. Income at the end of the period, plus dividends declared during the period, divided by NAV Cum. Income at the start of the period, calculated on a per share basis.

**Share Price** closing mid-market share price at month end (excluding dividends reinvested).

**Premium / (Discount)** the amount by which the price per share is either higher (at a premium) or lower (at a discount) than the NAV Cum. Income, expressed as a percentage of the NAV Cum. Income per share.

**Net Assets** total assets minus any liabilities.

**Market Capitalisation** the closing mid-market share price multiplied by the number of shares outstanding at month end.

**Debt to Equity** the value of total leverage including any accrued interest and fees divided by the NAV

**Annualisation Methodology** Monthly returns have been calculated by multiplying the actual number of days in the year divided by the actual number of days in the month.