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HONEYCOMB INVESTMENT TRUST PLC

31 December 2021

INVEST WITH IMPACT

INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 0.69% for the month, which is equivalent to 8.1% per annum. This brings total NAV return for 2021 to 8.49%. This represents the strongest annual NAV return since 2017 and has been achieved through strong underlying Credit Asset returns of 9.6%.

Key Details

Monthly NAV Return (Annualised)	8.1%
Monthly NAV Return	0.69%
YTD NAV Return	8.49%
ITD* NAV Return	49.9%
NAV Cum. Income	£359.3m
NAV Ex. Income	£358.9m
Market Capitalisation	£333.2m
Net Investment Assets	£614.8m
Net Debt to Equity	71.1%
Debt to Equity	74.7%
Shares in Issue	35,259,741
Share Price	945.0p
NAV Cum. Income per Share	1,019.1p
NAV Ex. Income per Share	1,017.8p
Premium (Discount) to NAV Cum Income	(7.3)%

2021 Performance

2021 has been a year of execution and consistency for Honeycomb Investment Trust. The Company entered 2021 in a strong position with a robust credit portfolio, long term debt facilities and a strong pipeline of compelling investment opportunities.

Over the course of 2021 HONY remained fully invested with investment assets increasing to £615m from £571m in December 2020 with total deployment of c.£250m as capital was reinvested from loans that repaid.

Through 2021 the Portfolio continued to deliver on the strategy, focusing on senior asset secured exposures and reducing the direct unsecured consumer exposure in the portfolio. In line with this secured strategy, the Investment Manager sold the remaining direct unsecured consumer portfolio in December 2021 for carrying value, with the proceeds reinvested in senior secured positions. This completes the final phase of the planned focus of Honeycomb's asset base onto senior and asset secured debt with 78% of the credit portfolio in senior assets and 100% structurally secured.

As a result of this strategy, impairment charges continued to reduce throughout 2021. In addition, the Company's listed bond portfolio was sold in June realising a small profit.

The portfolio has performed well throughout 2021 despite uncertainty in the macro environment. The Company's ability to continue to deliver uninterrupted strong performance has demonstrated the portfolio's consistent income generation, and the stability of the returns are a result of the diligent investment approach that focuses on senior investments secured on diverse pools of assets with strict risk adjusted returns criteria and strong credit quality. Proactive portfolio management lies at the heart of the investment philosophy and the Manager's senior secured strategy protects the Company from underperformance in the asset base. There have been no significant changes to the debt facilities and the Company remains in a strong liquidity position.

Going in to 2022 the pipeline of new deals is strong at £1.5bn, with a number of opportunities in the sustainability sector.

2022 Outlook & Opportunities

As private lending markets continue to evolve in and beyond 2022, Pollen Street Capital continually assess how structural shifts in consumer behaviour and markets create attractive opportunities for Honeycomb Investment Trust. Below we explore the transition to a more sustainable ecosystem.

Sustainability

The rapid pace of the global sustainability transformation continues to outweigh the availability of finance for driving social and the environmental impact. At Pollen Street, we see this structural shift as a huge opportunity to be part of the solution and deliver a positive impact for society and our investors. In our view, structural shifts will create opportunities within three key segments:

1. Decarbonising the economy - Transport

An important part of the shift to a net zero emission economy is replacing high emission diesel and petrol vehicles with electric vehicles. Electric vehicles (EVs) are typically more expensive than their fossil fuel equivalents, increasing the need for financing solutions encouraging the transition. The Investment Manager sees two core customer bases with clear appetite for finance; consumers and ride-share drivers. Our focus within this sector is to provide senior facilities to operators of electric vehicle fleets, with our latest investment in the sector being a facility to Onto, the largest pure-play electric vehicle subscription business in Europe secured on their fleet of EVs. The Investment Manager continues to see opportunities in this sector, and expects it to form an integral part of 2022 deal flow. There are also growing opportunities in the electric micro-mobility sector for senior facilities collateralised by fleets, offering attractive return profiles with strong downside protection.

2. Energy efficiency – Home / Development

Newly constructed homes are on average 60%+ more energy efficient than the existing housing stock. Our focus for real estate investment is in financing the construction of new residential housing, thereby improving the energy-efficiency of buildings and reducing carbon emissions. In particular, we see clear and significant benefits in adopting modern construction methods, including modular housing, and specific guidance and government targets to ensure efficiency and sustainable build qualities.

3. Renewable energy

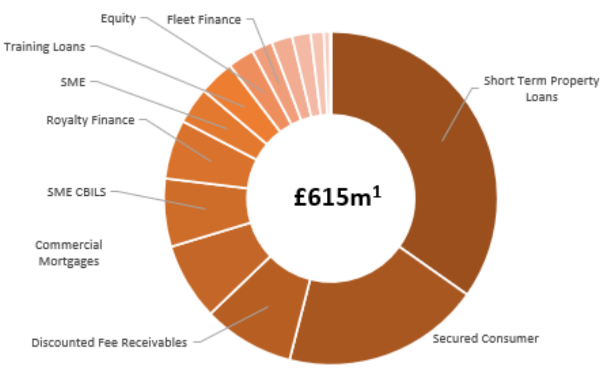
The transition towards a more sustainable society necessitates immediate action to replace polluting energy sources, with greener, more sustainable fuels. Research suggests that the UK is on course to double its solar capacity by 2030, but will need to treble it if the nation is to meet its net-zero target for 2050. Large scale renewable energy focused infrastructure projects are typically well funded through institutional and governmental capital, smaller more granular projects remain underfunded. For example, home-installed solar panels typically require significant upfront cost, and so are unaffordable for many households, yet create material energy savings, and are in many cases cash generative as excess electricity is sold to the grid. This creates an attractive opportunity to provide funding for the installation of the panels, helping customers save money while moving to more sustainable energy sources.

4. Sustainability Linked Loans

As the ESG lending space continues to grow, we see innovative Sustainable Finance products developing to align a company's ESG strategy with its financing structure. Sustainability Linked Loans (SLL) have become increasingly popular and are at the forefront of this trend. SLL differ from traditional green financing in that they have no restriction on the use of funds and are more akin to a traditional debt product. The key difference is that an SLL aligns a borrowers financing to one or more sustainability performance targets (SPTs) which are targets relating to ESG specific KPIs. The loans include downward ratchets on margins if these pre-determined KPIs are met thereby incentivising borrowers to improve their sustainability impact through a reduction in the cost of borrowing.

According to Dealogic global SLL issuance in FY20 was in excess of $150bn and we see more growth ahead for Sustainability Linked Loans and Bonds. The Investment Manager already applies an impact lens and standard ESG diligence as part of the investment process. These SLLs are an opportunity for asset managers to further influence and help drive the positive impact of their credit partners. Clearly the benefits are broad, with increased transparency allowing borrowers to demonstrate their ESG credential in a way that allows investors to measure and understand the impact of their investments.

Figure 2 - Composition of Investment Assets



[1] Net Investment Assets

Figure 3 Investment Assets

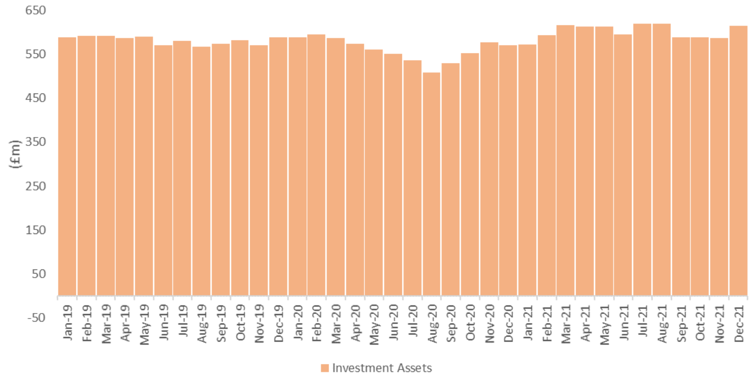
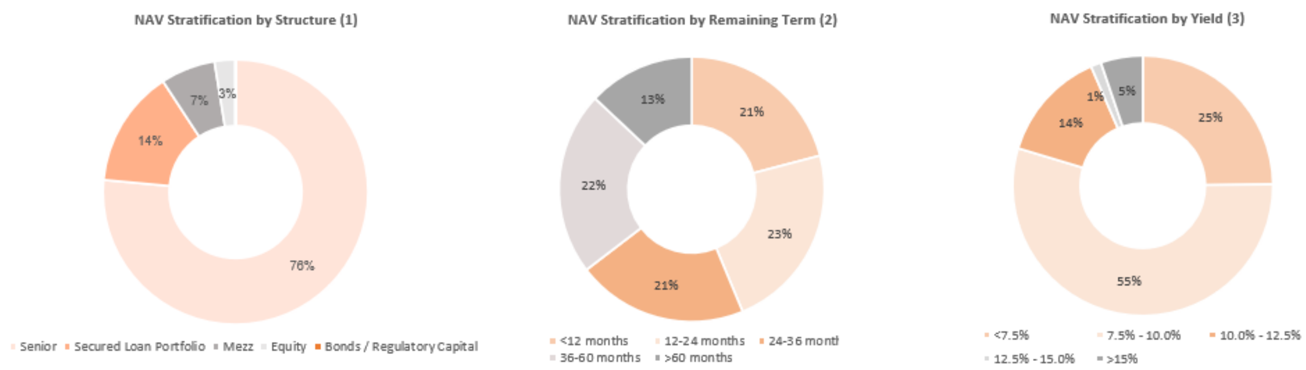
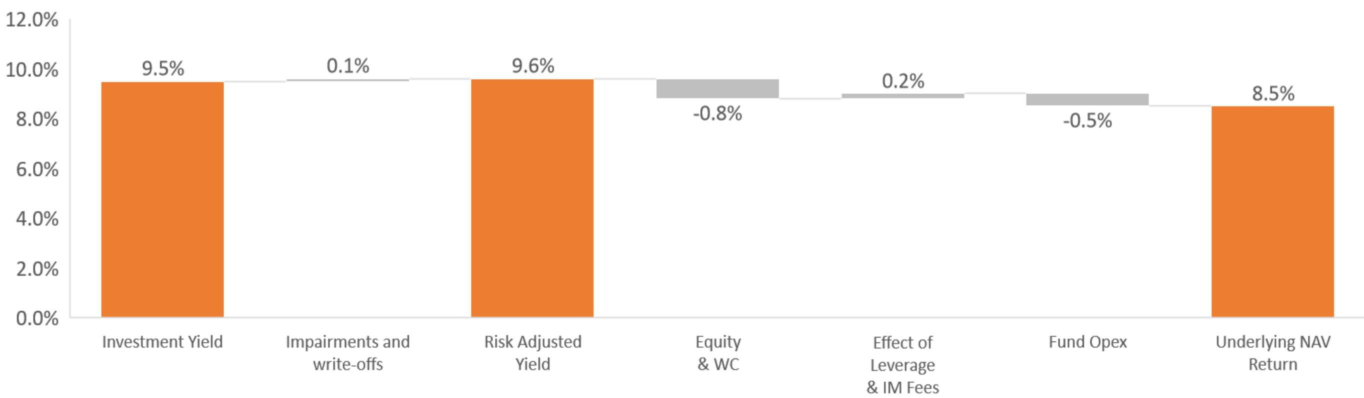


Figure 4 – NAV Stratification



[1] NAV excluding working capital and debt, stratified by investment structure
[2] NAV excluding working capital and recourse debt, stratified by expected remaining term of each asset
[3] NAV excluding working capital and debt, stratified by average yield of each platform

Figure 5 – FY21 Returns Bridge



Source: Pollen Street Capital Limited.

Figure 6– Top 10 Holdings

		Deal Type [1]	Structure	Sector	Value of Holding at 31-Dec-21 (£m)	LTV [2]	Percentage of Portfolio [3]
1	UK Agricultural Finance	Direct Portfolio	Senior	Property	52.9	50%	8.6%
2	Sancus Loans Limited	Structured	Senior	Property	52.8	54%	8.6%
3	Creditfix Limited	Structured	Senior	Discounted fee receivables	51.3	39%	8.3%
4	Oplo Direct Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	48.6	81%	7.9%
5	Nucleus Cash Flow Finance Limited	Structured	Senior	SME CBILS	40.6	96%	6.6%
6	Downing Development Loans	Direct Portfolio	Senior	Property	35.9	63%	5.8%
7	Duke Royalty	Structured	Senior	SME	35.2	40%	5.7%
8	GE Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	31.2	61%	5.1%
9	Oplo Structured	Structured	Mezzanine	Secured Consumer	29.9	95%	4.9%
10	Queen Street	Structured	Senior	Property	24.6	75%	4.0%

Statistics as at 31 December 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%	**7.85%**	**7.83%**
NAV Return IAS 39	2017	0.69%	0.69%	0.78%	0.62%	1.80%[(1)]	0.55%	0.65%	0.62%	0.63%	0.61%	0.61%	0.79%	**9.11%**	**17.24%**
NAV Return IFRS 9	2018	0.66%	0.59%	0.72%	1.36%[(3)]	0.56%	0.60%	0.63%	0.67%	0.67%	0.67%	0.65%	0.60%	**8.43%**	**25.12%[(2)]**
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%	**7.79%**	**33.17%[(2)]**
NAV Return IFRS 9	2020	1.62%[(4)]	0.65%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%	0.58%	0.62%	0.67%	**7.71%**	**41.15%[(2)]**
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%	0.66%	0.69%	**8.49%**	**49.90%[(2)]**
Share Price Performance**	2016	1.50%	-	-	-	-	-	-	-	-	-	-	0.54%	**2.05%**	**2.05%**
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%)	**13.42%**	**15.75%**
Share Price Performance**	2018	(1.94%)	-	-	(1.76%)	-	-	0.90%	-	0.89%	(0.44%)	-	-	**(2.38%)**	**13.00%**
Share Price Performance**	2019	-	-	-	-	(1.33%)	(0.45%)	-	(0.45%)	(6.33%)	(3.86%)	(1.51%)	(0.77%)	**(13.94%)**	**(2.75%)**
Share Price Performance**	2020	(2.13%)	(2.13%)	(18.48%)	(1.33%)	-	1.69%	1.33%	7.21%	12.54%	1.63%	-	0.80%	**(3.08%)**	**(5.75%)**
Share Price Performance**	2021	2.92%	(1.03%)	(2.08%)	2.66%	(0.52%)	1.04%	-	(1.55%)	1.57%	-	(0.52%)	(2.07%)	**0.27%**	**(5.50%)**
Dividend Per Share (Pence)***	2016	-	-	-	-	2.11	-	-	-	19.66	-	23.13	-	**44.90**	**44.90**
Dividend Per Share (Pence)***	2017	-	-	23.5	-	24.50****	-	-	-	20.00	-	-	20.00	**88.00**	**132.90**
Dividend Per Share (Pence)***	2018	-	-	20.00	20.00	-	-	-	-	20.00	-	-	20.00	**80.00**	**212.90**
Dividend Per Share (Pence)***	2019	-	-	20.00	-	-	20.00	-	-	20.00	-	-	20.00	**80.00**	**292.90**
Dividend Per Share (Pence)***	2020	-	20.00	-	-	-	20.00	-	-	20.00	-	20.00	-	**80.00**	**372.90**
Dividend Per Share (Pence)***	2021	-	-	20.00	-	-	20.00	-	-	20.00	-	-	20.00	**80.00**	**452.90**

* 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

(1) NAV return excluding effect of capital raise and issuance at a premium would have been 0.77%
(2) Inception to date NAV return affected by IFRS 9 initial recognition on 2018 brought forward retained earnings
(3) NAV return excluding effect of capital raise and issuance at a premium would have been 0.63%
(4) 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.