

HONEYCOMB INVESTMENT TRUST PLC

31 January 2022

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.

NAV return was driven by strong risk adjusted yield of 9.1%. Net Investment Assets reduced in the month (£615m in December, to £579m in January) driven predominately by the repayment of a £30m structured facility as the business was acquired by a bank.

Key Details

Monthly NAV Return (Annualised)	8.1%
Monthly NAV Return	0.69%
YTD NAV Return	0.69%
ITD* NAV Return	50.6%
NAV Cum. Income	£361.8m
NAV Ex. Income	£359.3m
Market Capitalisation	£338.5m
Net Investment Assets	£579.3m
Net Debt to Equity	58.6%
Debt to Equity	69.5%
Shares in Issue	35,259,741
Share Price	960.0p
NAV Cum. Income per Share	1,026.1p
NAV Ex. Income per Share	1,019.1p
Premium (Discount) to NAV Cum Income	(6.4)%

COMMENT FROM THE CHAIRMAN

COMBINATION WITH POLLEN STREET

On 15 February 2022, the board of Honeycomb announced that it had reached agreement on the terms of a recommended all share combination with Pollen Street Capital Holdings Limited, the parent company of the investment manager. Under the terms of the agreement, Honeycomb will acquire the entire issued share capital of Pollen Street Capital Holdings Limited in exchange for shares in the combined group such that the Honeycomb and Pollen Street businesses will be combined into a premium listed entity, owned by the shareholders of Honeycomb and Pollen Street. The combination is conditional on shareholder and regulatory approval. At announcement, shareholders representing c.56% of Honeycomb's issued share capital have given their support for the transaction.

As shareholders know, Honeycomb has been delivering strong and stable performance since inception in 2015, consistently delivering a net investment return of c.8%.

We feel privileged to have many supportive shareholders and thank them for their longstanding support.

I strongly believe that this is an extremely attractive opportunity for shareholders, as a combination with Pollen Street will accelerate growth and unlock value, delivering recurring income, retaining an attractive dividend yield (anticipated to be 6.5% and 6.6% in 2022 and 2023 respectively¹, on the basis of Pollen Street shareholders having agreed to waive dividends on 50% of consideration shares issued to them through 2022 and 2023) whilst presenting strong growth opportunities. The transaction is also expected to be EPS accretive in the second full year post closing for Honeycomb's shareholders².

¹ Based on the Honeycomb share price of 967.5 pence on 14 February 2022 (being the last business day prior to announcement).

² The statement that the combination is expected to be EPS accretive should not be construed as a profit forecast and should not be interpreted to mean that the EPS in any future financial period will necessarily match or be greater than those for any preceding financial period.

Pollen Street is a highly successful and fast-growing alternative asset manager with:

- deep capabilities in both Private Equity and Credit with well-established and outperforming flagship strategies
- a business that is benefiting from strong tailwinds from investor demand in its products; and
- a business that is at an inflexion point with highly visible growth ahead

The Board conducted extensive due diligence and believes that the combination will generate substantial value for shareholders, both because of the attractive valuation on which Honeycomb is acquiring the Pollen Street business compared to listed peers in the alternative asset management sector, and because of the profile of the combined group going forward. In particular the combined group will have:

- a balance of recurring fee income and interest income that delivers an attractive and growing revenue profile; and
- exciting potential to accelerate high quality growth as Honeycomb's capital can be deployed to unlock a multiplier effect on capital raising and, in doing so, accelerate the growth of new strategies
- The combined business will benefit from a complementary set of investment management and balance sheet activities, with strong earnings growth. The investment portfolio will continue to be predominantly invested in high quality, diversified and low risk asset based direct lending investments, generating stable returns. The investment portfolio profile of the combined group is expected to remain in line with the investment profile of Honeycomb on a stand-alone basis.

The transaction creates a business with a rare combination of high growth and high income yield. It also presents strong benefits for shareholders from a public market perspective:

- increased investor universe providing opportunity to diversify the share register;
- scale and growth expected to attract greater analyst coverage; and
- possibility for increased liquidity on account of the larger market cap and potential future FTSE 250 inclusion.

A shareholder circular will be published in due course and sent to shareholders to provide further details of, and request shareholder approval for the transaction.

BUYBACK PROGRAMME

The Board notes the current share price and if this persists will consider reactivating the Company's share buyback programme as the Board believes that at the current price the Company's shares offer significant value and a share buyback will be value accretive. The Board's policy is to consider conducting share buybacks when the shares trade more than 5% below NAV subject to maintaining the Company's gearing target limit.

Robert Sharpe

Chairman

Figure 2 - Composition of Investment Assets

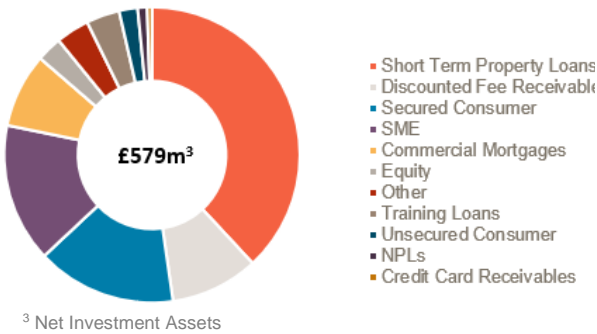


Figure 3 Investment Assets

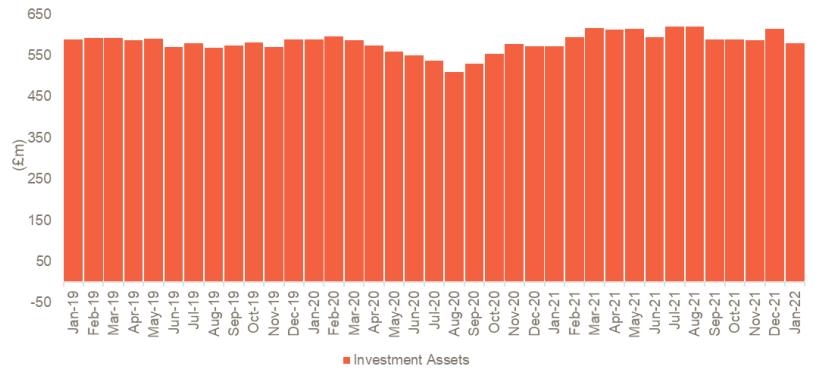
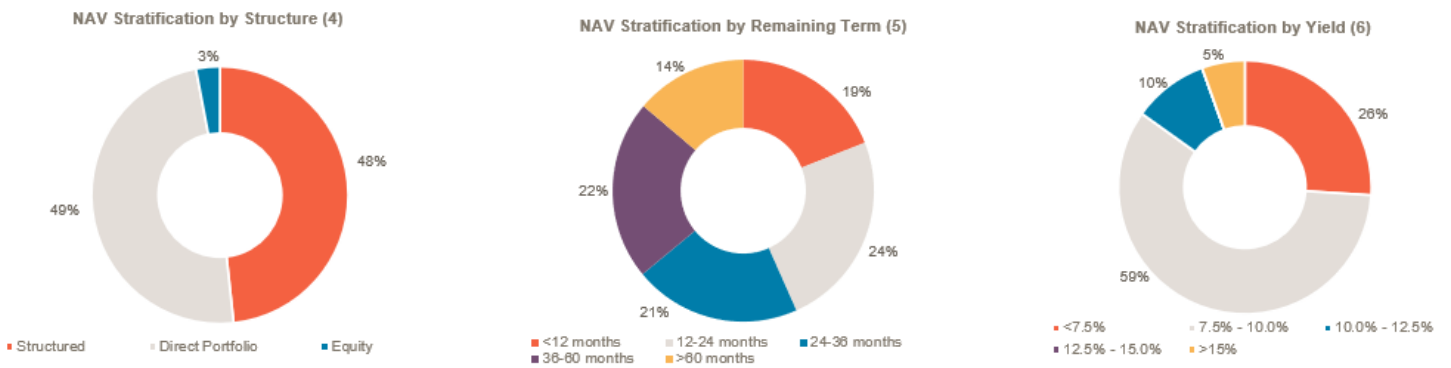


Figure 4 – NAV Stratification



⁴ NAV excluding working capital and debt, stratified by investment structure
⁵ NAV excluding working capital and recourse debt, stratified by expected remaining term of each asset
⁶ NAV excluding working capital and debt, stratified by average yield of each platform

Figure 5 – January 2022 Returns Bridge

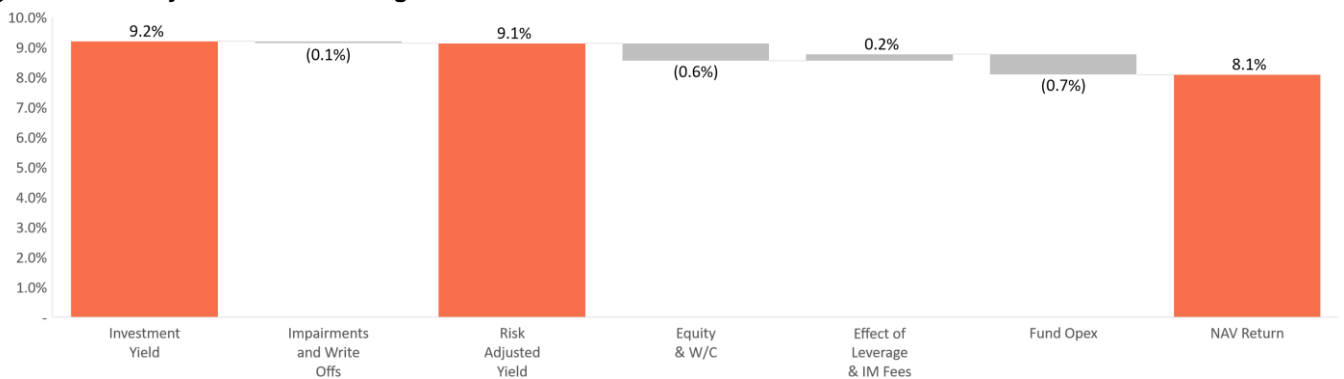


Figure 6– Top 10 Holdings

		Deal Type ⁽¹⁾	Structure	Sector	Value of Holding at 31-Jan-22 (£m)	LTV ⁽²⁾	Percentage of Portfolio ⁽³⁾
1	Sancus Loans Limited	Structured	Senior	Short Term Property Loans	52.8	50%	9.1%
2	UK Agricultural Finance	Direct Portfolio	Senior	Short Term Property Loans	52.8	49%	9.1%
3	Creditfix Limited	Structured	Senior	Discounted Fee Receivables	51.2	52%	8.8%
4	Oplo Direct Portfolio	Direct Portfolio	Secured	Secured Consumer	47.6	82%	8.1%
5	Nucleus Cash Flow Finance Limited	Structured	Senior	SME	39.5	96%	6.7%
6	Downing Development Loans	Structured	Senior	Short Term Property Loans	36.2	65%	6.2%
7	GE Portfolio	Direct Portfolio	Secured	Secured Consumer	30.6	62%	5.3%
8	Queen Street	Direct Portfolio	Senior	Short Term Property Loans	27.5	65%	4.7%
9	Duke Royalty	Structured	Senior	SME	23.9	40%	4.1%
10	Beaufort	Direct Portfolio	Senior	Short Term Property Loans	23.0	70%	4.0%

Statistics as at 31 January 2022

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⁾
NAV Return IFRS 9	2022	0.69%												0.69%	50.62%⁽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%)
Share Price Performance**	2022	1.59%												1.59%	(4.00%)
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
Dividend Per Share (Pence)***	2022	-												0.00	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.