



Honeycomb Investment Trust plc

Background and Investment Objective

Honeycomb Investment Trust plc (the “Company”) is a specialist lending fund whose investment objective is to provide shareholders with an attractive level of dividend income and capital growth through the acquisition of interests in loans made to consumers and small business as well as other counterparties.

The Company may also make selected equity investments that aligned with the Company’s strategy, and that present opportunities to enhance the Company’s returns from its investments.

The Company believes that consumer, property and SME loans are asset classes that has the potential to provide attractive returns for investors on a risk-adjusted basis. Changes in the focus of mainstream lenders together with the implementation of new models that utilise data, analytics and technology more effectively, provide an opportunity to deliver better products to borrowers while generating attractive returns for the Company.

The Company and the Investment Manager seek to acquire credit assets which meet the specified underwriting criteria through three routes; (1) organically originate and acquire through referral partners which source opportunities; (2) acquiring seasoned portfolios; and (3) providing senior and mezzanine structured loans secured on portfolios of consumer, property and SME loans.

Investment Features

- Investment team has a combined 100+ years credit underwriting and consumer lending experience.
- Highly granular and well diversified portfolio.
- Majority of portfolio benefiting from downside protection or seasoning.
- 8% targeted dividend on issue price when fully invested and leverage applied, payable quarterly.
- UK Investment Trust tax treatment.

Key Details

	IAS 39	IFRS 9
Net Assets (Cum Income)	£403.27m	£400.89m
Net Assets (Ex Income)	£396.74m	£394.41m
Monthly Total NAV Return	0.60%	0.67%
YTD Total NAV Return	6.27%	6.50%
ITD* Total NAV Return	23.74%	23.13%
Debt to Equity	37.05%	37.05%
Shares in Issue	39,449,919	39,449,919
Share Price	1,135.0p	1,135.0p
Market Capitalisation	£447.76m	£447.76m
NAV per Share (Cum Income)	1,022.2p	1,016.2p
NAV per Share (Ex Income)	1,005.7p	999.8p
Premium / (Discount) to NAV (Cum Income)	11.03%	11.69%

*ITD: Inception to Date – excludes IPO Issue Costs

Fund Facts

Type of Fund	Closed – Ended Fund
Listing	Specialist Fund Segment 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%

*subject to 5% preferred return hurdle and high watermark

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Investment Manager's Commentary

The Company generated 0.67% and 0.60% NAV return per share in September 2018 under IFRS 9 and IAS 39 respectively. Overall in Q3 2018 returns were 1.97% and 1.93% under IFRS 9 and IAS 39 respectively. The Company has delivered 23.13% since inception on an IFRS 9 basis and 23.74% on an IAS 39 basis. IFRS 9 has had a 0.61% impact on NAV since inception.

The Company delivered strong growth in the quarter with investment assets increasing from £497m to £562m driven by originations of £130m. The growth in assets has been funded through the committed revolving debt facilities which at month end were drawn to £147m or 37% debt to equity. The current debt facilities available to the Company are £200m.

Investment asset growth has been broadly consistent across all three sectors with Consumer and Property representing the majority of the portfolio. The Company believes the portfolio is well positioned with over 75% of the credit assets benefiting from either credit enhancement or being purchased portfolios with seasoning. Notable transactions in the quarter include providing senior financing against a pool of secured SME loans, and the acquisition of a pool of well seasoned small balance mixed residential and commercial mortgages.

The underlying portfolio performance remains strong with annualised year to date income yield of 11.3%, bad debts of (1.1%) and risk adjusted yield of 10.2%. The impact of leverage on NAV returns has been modest in the year to date as the Company has been investing the proceeds of the April 2018 capital raise and has been below its target debt to equity ratio. These proceeds are now fully invested and new growth in assets is being funded by the debt facilities increasing the debt to equity ratio towards the target.

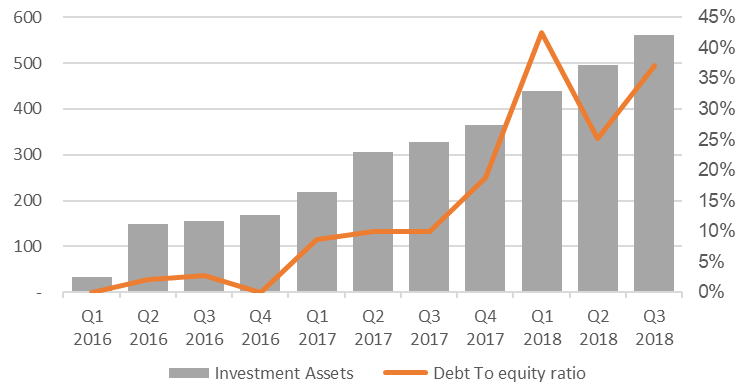
The Investment Manager continues to see significant lending opportunities with attractive returns in the Company's chosen markets. The pipeline of new opportunities (inclusive of commitments) remains strong at over £500m. However, with the Company approaching its target debt to equity ratio the current capacity for new investments will be limited as we go into quarter four of 2018.

Consumer loans represent £289m (52%) of the credit assets. 59% of the exposure is either structured with credit enhancement or comprises purchased portfolios with seasoning. The remaining 41% of the portfolio is organically originated.

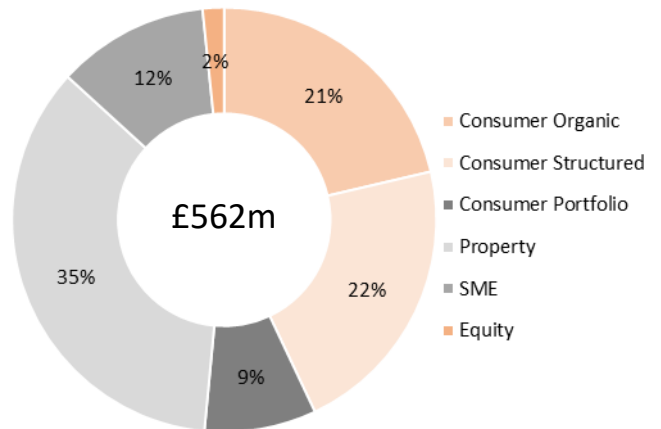
Property loans represent £198m (35%) of the portfolio and consist of second charge residential mortgages, small balance residential and commercial mortgages and bridging loans. The portfolio benefits from conservative LTVs with the average being less than 70%. The majority of the exposure is from portfolios that have been acquired and where the loans have significant seasoning and customers have been making repayments for some time.

SME loans represent £65m (12%) of the portfolio with the exposure predominately through structured facilities with credit enhancement provided by the originator. The structure of these facilities provides significant protection should the credit performance of the underlying assets deteriorate.

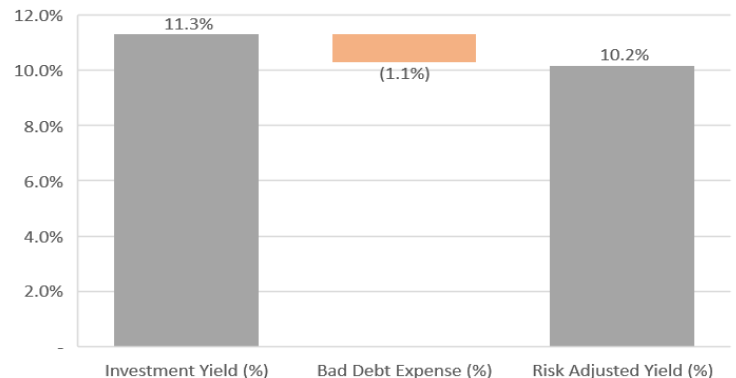
Investment Assets



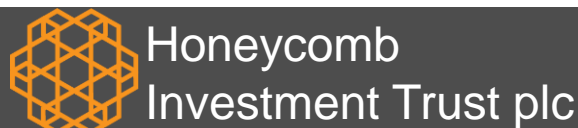
Investment Asset Split



Returns Bridge¹



¹ Income yield calculated as year to date income over average credit assets over the year annualised. Bad debt expense is calculated as year to date impairments excluding IFRS 9 Stage 1 over average credit assets over the year annualised



Performance and Dividend History

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	ITD*
Total 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%
Total NAV Return IAS 39	2017	0.69%	0.69%	0.78%	0.62%	180% ⁽¹⁾	0.55%	0.65%	0.62%	0.63%	0.61%	0.61%	0.79%	9.11%	17.24%
Total NAV Return IAS 39	2018	0.66%	0.63%	0.79%	1.15%	0.54%	0.55%	0.64%	0.68%	0.60%				6.27%	23.74%
Total NAV Return IFRS 9	2018	0.66%	0.59%	0.72%	136% ⁽³⁾	0.56%	0.60%	0.63%	0.67%	0.67%				6.50%	23.13% ⁽²⁾
Share Price Performance**	2016	150%	-	-	-	-	-	-	-	-	-	-	0.54%	2.05%	2.05%
Share Price Performance**	2017	3.92%	3.72%	0.45%	18%	(0.89%)	4.93%	2.78%	0.42%	(124%)	(0.84%)	(0.63%)	(149%)	13.42%	15.75%
Share Price Performance**	2018	(194%)	-	-	(176%)	-	-	0.90%	-	0.89%				(1.94%)	13.50%
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				60.00	192.90

* 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 bought forward retained earnings

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

Important Disclosures

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Net Asset Value performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

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Glossary

“NAV (Cum Income)” will include all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid.

“NAV (Ex Income)” will be the NAV (Cum-Income) excluding net income (both revenue and capital income) that is yet to be transferred to reserves as described below. For this purpose net income will comprise all income not yet moved to reserves (both revenue and capital income), less the value of (i) any dividends paid in respect of that income and (ii) any dividends in respect of that income which have been declared and marked ex dividend but not yet paid.

Any income in respect of a financial year, which is intended to remain undistributed will be moved to reserves on the first business day of the immediately following year, meaning that each figure for NAV (Ex-Income) reported during a financial year will equate to the NAV (Cum-Income) less undistributed income which has not been moved to reserves.

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

“Premium / (Discount)” the amount by which the price per share of an investment trust is either higher (at a premium) or lower (at a discount) than the net asset value per share (cum income), expressed as a percentage of the net asset value 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.

“Total 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) calculated on a per share basis at the start of the period.