

# 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 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 align 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 have 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 two routes; (1) providing structured loans to specialist lenders; and (2) acquiring portfolios of whole 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

Monthly NAV Return (Annualised)	7.9%
Monthly NAV Return	0.66%
YTD NAV Return	5.77%
ITD* NAV Return	31.08%
NAV Cum. Income	£400.1m
NAV Ex. Income	£393.8m
Market Capitalisation	£408.3m
Investment Assets	£597.6m
Debt to Equity	50%
Shares in Issue	39,449,919
Share Price	1,035.0p
NAV Cum. Income per Share	1,014.3p
NAV Ex. Income per Share	998.2p
Premium (Discount) to NAV Cum Income	2.04%

\*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

# Honeycomb Investment Trust plc

## Investment Returns

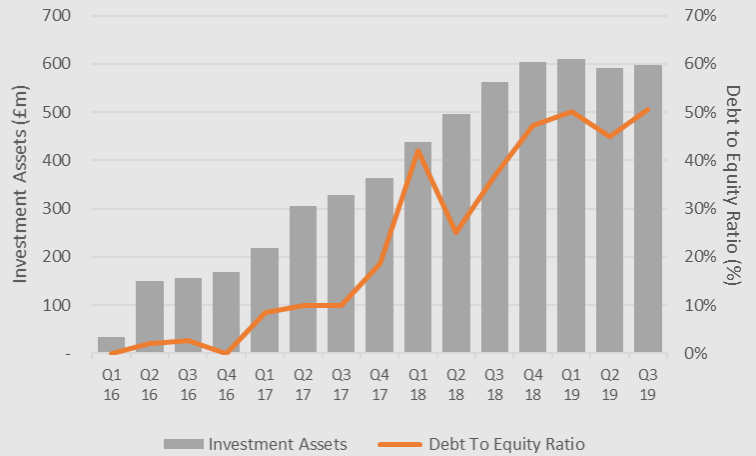
The Company continued to deliver strong results in Q3 2019 generating 8.0% NAV return per share on an annualised basis, which is 2.00% for the quarter. This brings the year to date return to 5.77% and 31.08% since inception.

The underlying portfolio performance for Q3 2019 remained stable with investment yield of 10.7%, impairments and write offs of 1.1% and a risk adjusted yield of 9.7%. The effect of expenses & leverage were modest, resulting in a NAV return of 8.0%.

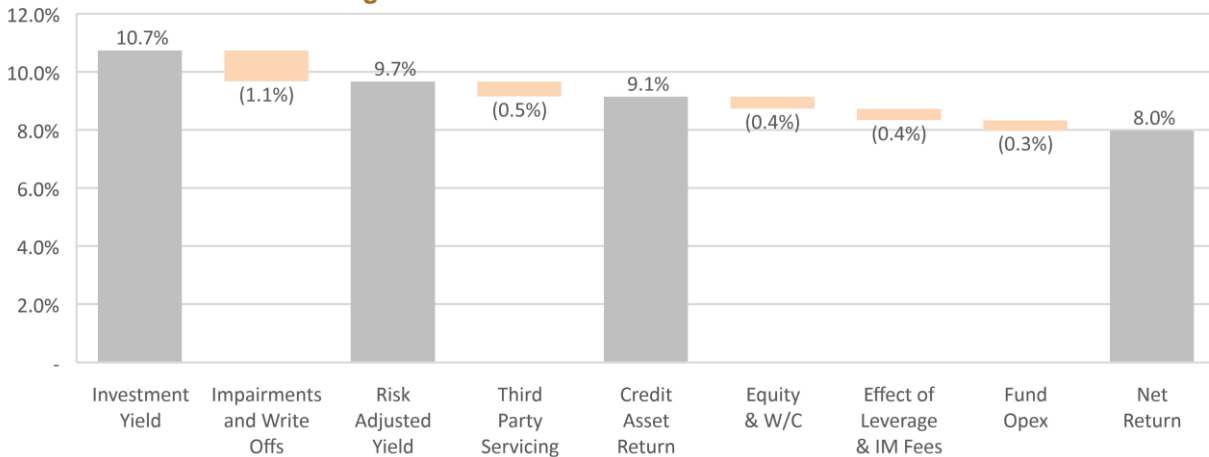
During the period the Company closed a new £82m debt facility which will reduce the cost of funds.

In the period one structured facility refinanced and proceeds are being redeployed into new deals. The pipeline remains strong with several new opportunities with attractive risk adjusted returns.

Investment Asset Growth & Leverage



## Q3 2019 Investment Return Bridge<sup>(1)</sup>



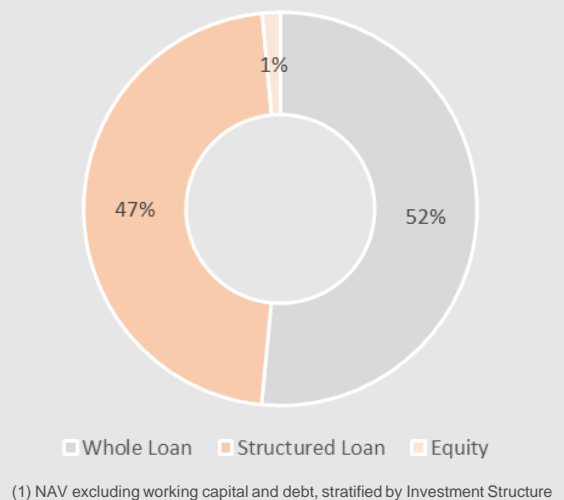
<sup>1</sup> Investment Yield calculated as Q3 2019 income net of amortised acquisition costs over average credit assets for Q3 2019, annualised.

## Asset Diversification

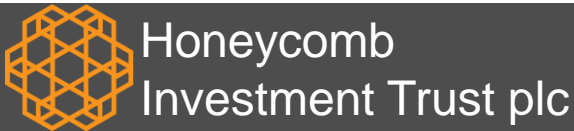
47% of the portfolio is composed of structured loans. These are facilities provided to lenders where the lender retains the first loss. The Company has built a diversified portfolio of 21 structured facilities. Each facility has been designed to deliver stable returns with downside mitigation and typically has 10 bespoke covenants per deal.

52% of the portfolio is composed of whole loans. These are pools of loans acquired from the loan originator by the Company. 59% of these loans are secured.

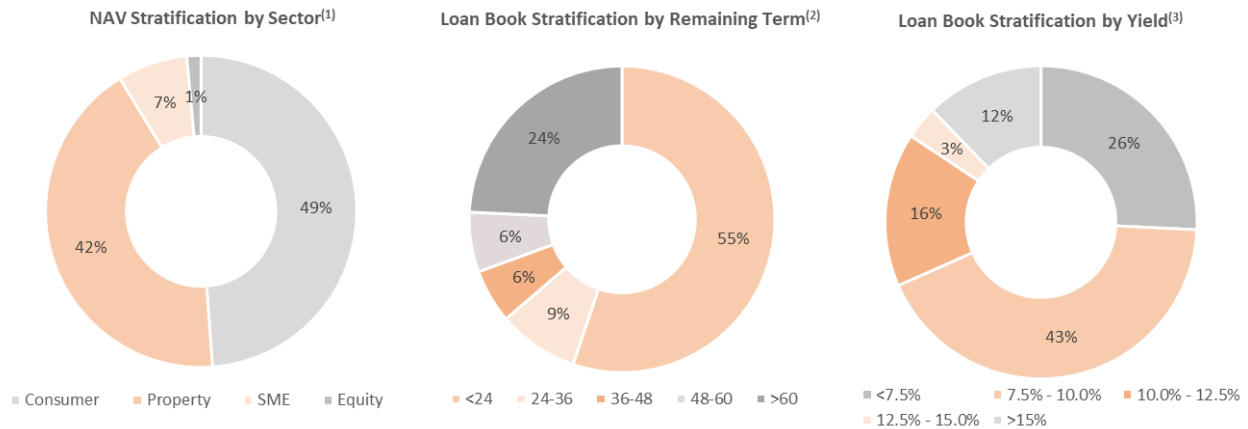
NAV Stratification by Investment Structure<sup>(1)</sup>



(1) NAV excluding working capital and debt, stratified by Investment Structure



## Stratification of the Portfolio



<sup>(1)</sup> NAV excluding working capital and debt, stratified by sector

<sup>(2)</sup> Gross outstanding loan balance, excluding Equity Assets and bonds, stratified by the remaining term of each loan

<sup>(3)</sup> Gross outstanding loan balance, excluding Equity Assets, stratified by the headline interest rate of each loan or bond

## Performance and 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%	180% <sup>(1)</sup>	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%	136% <sup>(3)</sup>	0.56%	0.60%	0.63%	0.67%	0.67%	0.67%	0.65%	0.60%	8.43%	25.12%
NAV Return IFRS 9	2019	0.58%	0.54%	0.67%	0.67%	0.64%	0.65%	0.67%	0.66%	0.66%				5.77%	31.08% <sup>(2)</sup>
Share Price Performance**	2016	150%	-	-	-	-	-	-	-	-	-	0.54%	2.05%	2.05%	
Share Price Performance**	2017	3.92%	3.72%	0.45%	181%	(0.89%)	4.93%	2.78%	0.42%	(124%)	(0.84%)	(149%)	13.42%	15.75%	
Share Price Performance**	2018	(194%)	-	-	(176%)	-	0.90%	-	0.89%	(0.44%)	-	-	(2.38%)	13.00%	
Share Price Performance**	2019	-	-	-	-	(133%)	(0.45%)	-	(0.45%)	(6.33%)			(8.41%)	3.50%	
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				60.00	272.90	

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

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

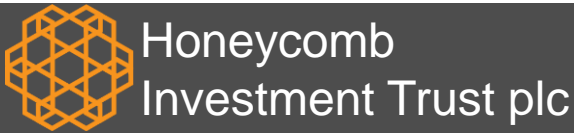
\*\*\* Recognised in the month when marked ex-dividend

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

<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 bought forward retained earnings

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



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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.

**"Investment Yield"** is calculated as income net of amortised acquisition costs over average credit assets, annualised.