

Honeycomb Investment Trust plc

Investment Manager's Commentary

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 7.6% on an annualised basis, which is equivalent to 0.60% for the month. The portfolio has continued to perform well delivering a strong level of income.

The outbreak of coronavirus disease 2019 ("COVID-19") has caused major disruption across the globe. The principal effects of the outbreak in the UK occurred in March and therefore it has not had a material effect on the February results. The manager is speaking to its clients daily and actively reviewing the impact on the portfolio to ensure the correct actions are being taken to mitigate the impact where possible.

As at the time of writing the portfolio has not seen a material impact in payment performance, however the majority of underlying consumer and SME payment dates are towards the end of the month. We expect to see some short term disruption through requests for forbearance and we continue to monitor daily.

Given the uncertain economic environment the manager has adopted a prudent approach with the focus on the existing portfolio and ensuring cash collections remain robust and the appropriate strategies are put place. The manager continues to have faith in the strength of the performance of the asset class despite the unprecedented conditions. The portfolio and underlying asset security will benefit from a number key features:

- Majority of portfolio is asset backed with 50% in structured with an average advance rate of 66%; 28% in property backed whole loans with average LTVs below 70%; and 16% in unsecured consumer whole loans (down from 20% in 2019 with the portfolio already in run off);
- Significant majority of the underlying assets are amortising and generate strong levels of cash;
- Underlying loan portfolios are highly granular with low concentration; and
- Strong yields with high levels of bad debt coverage.

The manager is not proposing to re-invest the cash generated by the portfolio in new investments until there is more visibility on the impact of the lockdown restrictions on performance and a return to some level of normality in the economy. In the structured portfolio where the Company provides finance to non-bank lenders, the manager is working with the borrowers to help them navigate the difficult environment whilst ensuring most of the cash generated by their portfolio is utilised to repay our loan.

The manager has been working on refinancing the main Honeycomb debt facility since Q3 2019. The existing facility has been extended to June 2020 to permit negotiations on the refinancing to be finalised. The fees and costs associated with the extension will be amortised through 2020.

Key Details

Monthly NAV Return (Annualised)	7.6%
Monthly NAV Return	0.60%
YTD NAV Return	2.23%
ITD* NAV Return	35.47%
NAV Cum. Income	£379.0m
NAV Ex. Income	£374.9m
Market Capitalisation	£342.7m
Investment Assets	£618.4m
Debt to Equity	58.2%
Shares in Issue	37,249,919
Share Price	920.0p
NAV Cum. Income per Share	1,017.5p
NAV Ex. Income per Share	1,006.4p
Premium (Discount) to NAV Cum Income	(9.58)%


*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%

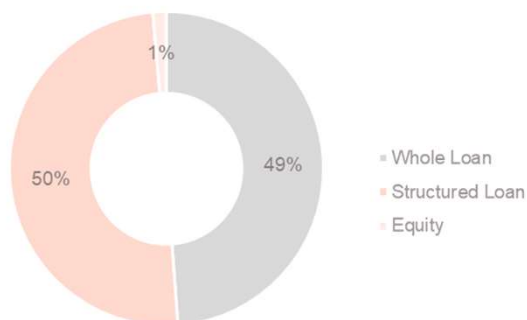
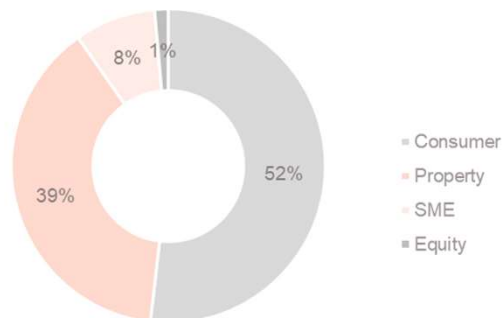
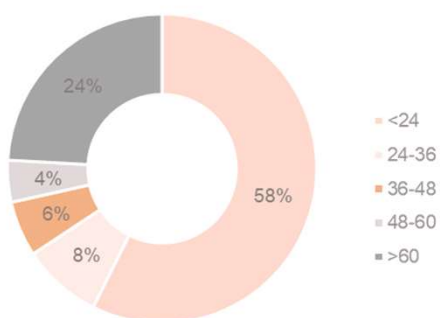
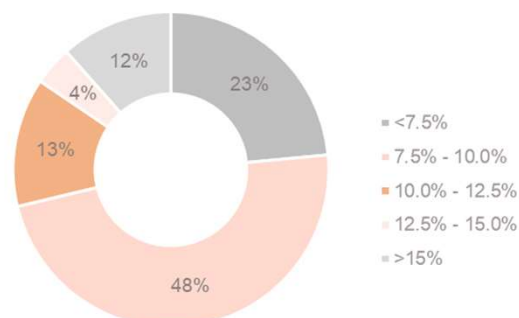
*subject to 5% preferred return hurdle and high watermark

Source: Pollen Street Capital Limited
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Honeycomb Investment Trust plc

Stratification of the Portfolio

NAV Stratification by Structure⁽¹⁾NAV Stratification by Sector⁽²⁾Loan Book Stratification by Remaining Term⁽³⁾Loan Book Stratification by Yield⁽⁴⁾

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

⁽²⁾ NAV excluding working capital and debt, stratified by sector

⁽³⁾ Gross outstanding loan balance, excluding Equity Assets and bonds, stratified by the remaining term of each loan

⁽⁴⁾ 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% ⁽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%	136% ⁽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	162%	0.60%											2.23%	35.47% ⁽²⁾
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%)	(0.63%)	(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%)	(3.86%)	(151%)	(0.77%)	(13.94%)	(2.75%)
Share Price Performance**	2020	(3.34%)	(2.13%)											(5.40%)	(8.00%)
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	312.90

* 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%

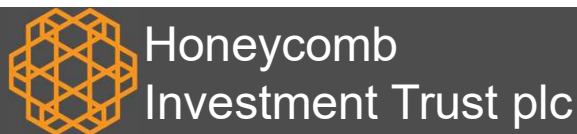
⁽⁴⁾ NAV return excluding effect of buy backs would have been 0.66%

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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 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.

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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)" 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.