

HONEYCOMB INVESTMENT TRUST PLC

31 August 2020

INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 0.87% for the month, which is equivalent to 10.23% per annum.

One-off items that occurred in the month included:

- The Company incurred £0.3m of costs associated with the potential merger with Pollen Street Secured Lending plc. On 3 September the Company announced that it no longer intended to proceed with the offer under Rule 2.7 of the Code.
- The Company bought £3.4 million of its own shares in August, bringing total buy backs over 2020 to be 8.6% of the total share capital. The Board remains committed to continuing this buyback program and the share price has responded well and is trading at 900p at the time of writing

Portfolio Performance

The portfolio continues to perform well with the majority of underlying customer loans (both owned directly and financed through structured facilities) now out of Covid forbearance. We continue to keep a close watch over performance as tighter lockdown restrictions have been introduced again in the UK and the furlough scheme begins to be wound down.

The Company completed a new transaction in the month providing a senior facility to an SME lender secured on government guaranteed CBILs portfolio. The facility is attractively priced with significant downside protection from a combination of the 80% government guarantee and the junior equity provided by the lender.

Key Details

Monthly NAV Return (Annualised)	10.2%
Monthly NAV Return	0.87%
YTD NAV Return	5.57%
ITD* NAV Return	38.93%
NAV Cum. Income	£372.0m
NAV Ex. Income	£366.3m
Market Capitalisation	£294.9m
Net Investment Assets	£509.0m
Debt to Equity	48.8%
Shares in Issue	36,070,077
Share Price	817.5p
NAV Cum. Income per Share	1,031.4p
NAV Ex. Income per Share	1,015.6p
Premium (Discount) to NAV Cum Income	(20.7)%

*ITD: Inception to Date – excludes IPO Issue Costs

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	0.60%	0.60%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%					5.57%	38.93%⁽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%					(15.94%)	(18.25%)
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	-	-	-	-	-	-	40.00	332.90

* 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%

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.

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

Important Disclosures

This newsletter is issued in the United Kingdom by Pollen Street Capital Limited. It is provided for the purpose of information only and should not be construed as constituting an offer, solicitation, invitation or inducement to buy or sell shares in Honeycomb Investment Trust plc ("the Company"). If you are unsure of the suitability of this investment you should take independent advice. All data in this factsheet is at or to the final day of the calendar month identified in the heading of the factsheet's front page unless otherwise stated. Investors should read the prospectus or offering memorandum before investing in the Company.

Net Asset Value performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance. Past performance should not be seen as an indication of future performance. The value of investments and any income may fluctuate and investors may not get back the full amount invested. The views expressed are those of the Company's Investment Manager, Pollen Street Capital Limited, as at the time of writing. These are subject to change without notice and do not constitute investment advice. Although the Company and Pollen Street Capital Limited have used reasonable efforts to ensure the accuracy of the information contained in this newsletter, neither the Company nor Pollen Street Capital Limited make any warranties or representations with respect to the completeness or accuracy of the information set forth herein and the full impact of Covid-19 on markets and investments may not be foreseeable for some time. Examples of investment process, risk management, due diligence, position sizes, diversification, leverage, assessment of risk and similar information (together, the "Investment Programme") are presented as general guidelines used for illustration purposes only and are subject to change without notice to investors at any time at the sole discretion of Pollen Street Capital Limited. In addition, the composition and size of, and risks associated with, current or future investments of the Company may differ substantially from examples set forth in this newsletter. Accordingly, actual implementation of the Investment Program may vary from the examples presented herein.

This newsletter may not be distributed or transmitted in any jurisdiction outside the United Kingdom where such distribution may lead to a breach of law or regulatory requirements, or transmitted, distributed or sent to or by any national, resident, or citizen of any nation other than the United Kingdom. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdiction.

Pollen Street Capital Limited is authorised and regulated by the Financial Conduct Authority and is registered in England (reg. no. 08741640) with its registered office at 11/12 Hanover Street, London, England, W1S 1JJ.

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.