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1st December 2020

Honeycomb Investment Trust plc

Honeycomb Investment Trust plc (the "Company") announces that the investment manager's monthly factsheet for October 2020 is now available on its website at http://www.honeycombplc.com. The text of the factsheet has been reproduced below.

October Factsheet

Honeycomb Investment Trust plc (the "Company" or "HONY") delivered a NAV return of 0.58% for the month, which is equivalent to 6.8% per annum.

Portfolio Performance and Leverage

The portfolio continues to perform well with stable performance throughout the Covid period. This stability is driven by the Company's focus on credit investments secured on loan portfolios of non-bank lenders with strong downside protection from structural seniority and junior cash equity provided by the borrower. This first loss buffer provides a double layer of protection so that, on top of robust performance in the underlying portfolios, HONY returns are further insulated from defaults in the underlying loans and receivables.

Cash collections in HONY have been consistent throughout 2020 with £153m collected over the past 6 months vs £141m in the prior 6 months. The strong level of cash collection along with the low levels of new investments during the Covid period has meant that the investment portfolio has repaid down from £595m in February 2020 to a low £509m in August. This increased to £553m in October through drawdowns under existing investments and the completion of three new investments. The income generated by the Company is directly proportional to the size of the investment portfolio with the full benefit of new investments not recognized until the month after completion.

The Company has been careful in its deployment and is being highly selective in the new investments it makes. The pipeline of new opportunities is looking strong and the Company expects the investment assets to build back towards the £600m level over the coming months.

As mentioned in the September newsletter the Company extended its debt facilities in September and October with the maturities now falling in Q4 2022 and Q3 2023 meaning the Company has secured its financing facilities over the medium term. In addition, in November alongside increasing a senior facility secured on Coronavirus Business Interruption Loan Scheme ("CBILS") loans, the Company secured an attractively priced, term matched non-recourse SPV financing against the investment.

The total committed financing under these facilities is £360m. The total amounts drawn under these facilities at 31st October was £230m with the Company having £37m in cash. The net debt to equity was 53.3% and debt to equity was 63.6%. The Company's intention is to remain within the net debt to equity target of 50%-75% with a proportion of the revolving TOPCO facility being reserved as a liquidity buffer which is not forecast to be drawn. Both of the SPV facilities repay monthly and therefore reduce in size in line with the assets that support them.

The Company believes securing longer term larger facilities is a prudent approach as it provides a liquidity buffer for unforeseen circumstances, positions the company to take advantage of exceptional opportunities and means leverage is already secured in the event that the trust grows in the future without the need for further re-financings.

Buybacks

The Board have put in place an active buyback program throughout 2020 with the Company repurchasing 3,980,178 or 11.2% of the share capital. In October the Company repurchased 163,000 of its shares at an average price of 926.8p. On the 11th November the Company announced it had increased the size of this program with the Board stating its intention to continue until the share price is less than a 5% discount to NAV.

Portfolio Composition

The portfolio is well diversified with ~40 different investments across a variety of sectors and is well balanced across SME, Consumer and Property.

The portfolio is performing well with 88% being structurally secured with subordinated equity junior to the Company's position, insulating the Company from volatility in the performance of the underlying assets.

The remaining 12% consists of consumer direct unsecured loans and the equity positions. The consumer direct position has been in run off for the past 18+ months and the Manager accelerated the return of capital by selling £44.6m in August at a small premium to NAV. The loans are amortising and generating returns in line with target and the remaining exposure is expected to run off naturally in 12 months. The Manager is exploring options to accelerate the return of capital and will redeploy the proceeds in structurally secured loans.

The structurally secured portfolio is performing well with strong income, conservative LTVs and over collateralization.

The Company has just completed a £16m (day 1 amount) new investment supported by short term property loans where the Company has acquired a carefully selected portfolio of 17 loans from a development finance lender that are performing and seasoned. The loans are expected to deliver a 9% return and have an LTV of 59%.

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