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12 February 2021

Honeycomb Investment Trust plc

Honeycomb Investment Trust plc (the "Company") announces that the Investment Manager's monthly factsheet for 31 December 2020 is now available on its website at http://www.honeycombplc.com.

Net Asset Value per Share

The Company announces that its unaudited Net Asset Value ("NAV") per share as at 31 December 2020 on a cum-income basis was 1,013.5 pence, based on a NAV of £357.2 million, and on an ex-income basis was 1,017.8 pence, based on a NAV of £358.9 million. The NAVs have been calculated by Apex Fund Services (UK) Ltd.

December Factsheet

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 0.67% for the month, which is equivalent to 7.9% per annum. This brings total NAV return for 2020 to 7.7%.

Alongside the strong return performance for the year the Company has also made significant progress in a number of other areas including moving to a main market listing, putting in place an active buyback program, diversifying the shareholder register and securing long term debt facilities. This leaves Honeycomb in a robust position heading into 2021.

2020 Performance and Portfolio

The portfolio has performed well throughout 2020 despite the challenging macro backdrop. This was demonstrated by a reduction in bad debts and impairments in the year with 1.0% charge on credit assets in 2020 vs 1.3% in 2019. This performance can be attributed to:

1) A focus on credit investments secured on loan portfolios of non-bank lenders with strong downside protection from senior ranking to the lender or borrower equity as well as security over the cashflow generated by the loan portfolio. This senior ranking provides insulation from increasing defaults in the portfolio and provides a stability of returns; and

2) Resilience exhibited by the specialty finance industry throughout COVID with cash collections from loan portfolios returning to pre-pandemic levels by Q3. We have also seen the significant majority of customers, who took payment holidays, return to full contractual payments.

The Company has also benefited from the decision taken at the beginning of 2019 to reduce the exposure to consumer direct unsecured loans where the Company owns the entire loan rather than having the senior exposure with the non-bank retaining the junior equity. Whilst the yield on these loans is higher the potential volatility, running impairments and cost to service means it is more attractive to reallocate the capital to secured exposures. This part of the portfolio has reduced to 6% at December 2020.

Investments assets finished the year at £571m which was broadly flat on prior year (Dec-19 £589m). Through the initial COVID period we reduced originations and stopped new investment activity and focused on portfolio management and cash collection to ensure robust performance. This resulted in the portfolio shrinking in Q2 and Q3 before seven new investment opportunities were completed in Q4.

Offsetting some of the strong performance in the asset portfolio was one off costs incurred in relation to the debt facilities. The existing debt facilities matured in April 2020 and due to the COVID pandemic the refinancing with a new bank was delayed. This meant that there was additional costs in extending the existing facility before a short term 12 month facility could be arranged. In September the Company completed its longer term (3 year) Topco facility with a European Bank. In addition, two other SPV financings were completed in the year meaning Honeycomb ended 2020 with long term and larger debt facilities providing a strong liquidity position and an ability to grow without further refinancing.

Embedding ESG through the Company

The Company's target markets have a strong positive ESG impact which have become ever more critical in the current environment in five key areas:

1) Lending to support SMEs and communities is ever more critical in the current environment and the Company works with lenders who are close to their customers and are able to offer tailored offerings to support them in a prudent way.
2) Our real estate lending strategy is critical to improving the quality of the property stock across the UK and Europe and the creation of affordable, efficient and good value homes.
3) Lending to support financial inclusion at a time when mainstream lenders are offering only the most vanilla automated products. Our partners that are nimble and work closely with customers are able to offer high quality lending offerings.
4) Lending to support improved energy efficiency in the home is one of the key ways that individuals can have a real positive impact on the environment. Starting with home improvements, this is now moving to the electrification of transport.
5) All our lending partners are required to demonstrate and embed the highest quality of governance and their own three lines of defence which we ensure is being complied with as part of our on-going monitoring.

Overall, the opportunity for specialist lenders with more nimble business models are able to work closely with customers, react quickly to the changing environment to create tailored and responsible lending products to support the economy in this challenging and dynamic environment.

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