

HONEYCOMB INVESTMENT TRUST PLC

30 April 2021

INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company" or "HONY") delivered a NAV return of 0.73% for the month of April, or 8.9% annualised. NAV has increased from £357.6m in March, to £360.2m at the end of April.

Investment Assets remained relatively flat in the month at £613m, from £617m in March. Repayments across senior structured facilities were broadly offset by drawdowns across the senior property portfolio. Returns in the month were driven by a strong annualised credit asset return of 9.0%. The portfolio continues to perform well with strong levels of cash collection.

Pipeline & Market Commentary

As the UK economy opens up, the Investment Manager has continued to identify attractive lending opportunities, with a near term pipeline of £1.1bn.

In the post-COVID landscape, the company continues to focus on opportunities offering resilient returns and downside protection through structural security and asset backing, with c.94% of the near-term pipeline being structurally secured.

The Investment Manager also sees significant opportunities in the real estate sector and SME lending sector, which account for c60% of the near-term pipeline. There is also a focus on ESG within the pipeline, particularly regarding electric vehicle opportunities.

We note the recent developments regarding Amigo Holdings Plc and the court's decision to not sanction the scheme of arrangement. We continue to monitor the situation closely with the Honeycomb NAV exposure to Amigo senior secured bonds of £9.8m. As previously disclosed, Honeycomb adopts amortised cost accounting across its credit portfolio including the bond portfolio. This can differ to the on-screen market value of traded securities. As at 26 May 2021, the market value of the Amigo bonds was £8.3m¹. Amigo combined with other bonds in the Honeycomb portfolio has a NAV exposure of £22.1m, versus a market value as at 26th May of £22.6m¹.

Key Details

Monthly NAV Return (Annualised)	8.9%
Monthly NAV Return	0.73%
YTD NAV Return	2.80%
ITD* NAV Return	44.0%
NAV Cum. Income	£360.2m
NAV Ex. Income	£358.9m
Market Capitalisation	£340.3m
Net Investment Assets	£613.0m
Net Debt to Equity	70.3%
Debt to Equity	74.7%
Shares in Issue	35,259,741
Share Price	965.0p
NAV Cum. Income per Share	1,021.5p
NAV Ex. Income per Share	1,017.8p
Premium (Discount) to NAV Cum Income	(5.5)%

*ITD: Inception to Date – excludes IPO Issue Costs

¹ Latest close price available plus accrued interest

Figure 2 - Composition of Investment Assets

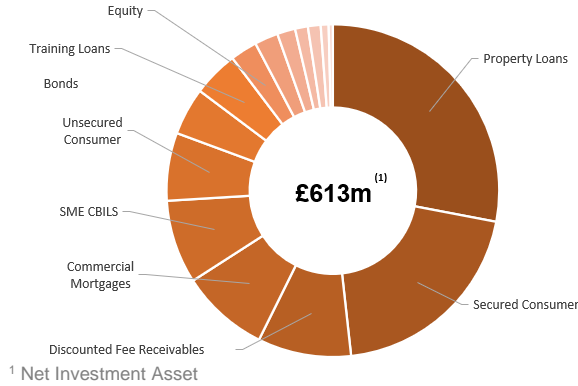
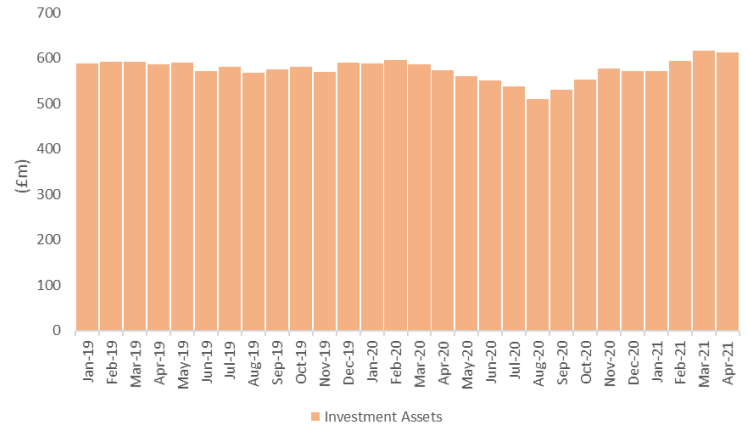
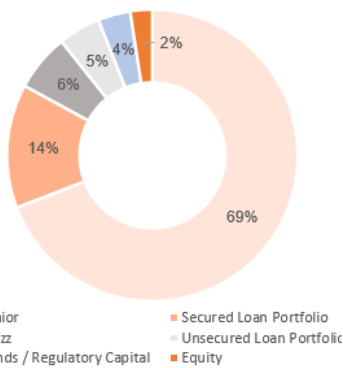


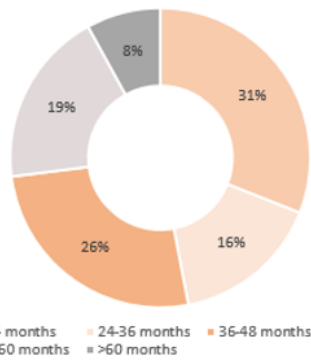
Figure 3 Investment Assets



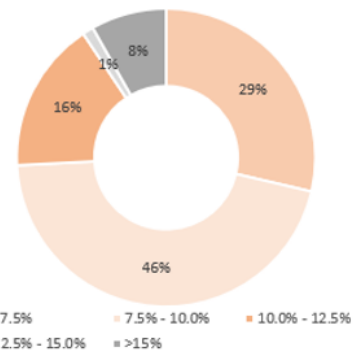
NAV Stratification by Structure (1)



NAV Stratification by Remaining Term (2)



NAV Stratification by Yield (3)



¹ NAV excluding working capital and debt, stratified by investment structure

² NAV excluding working capital and debt, stratified by average remaining term of each platform

³ NAV excluding working capital and debt, stratified by average yield of each platform

Figure 4 – Top 10 Holdings

		Deal Type ⁽¹⁾	Structure	Sector	Value of holding at 30-Apr-2021 (£m)	LTV ⁽²⁾	Percentage of Portfolio ⁽³⁾
1	UK Agricultural Finance	Direct Portfolio	Senior	Property	53.70	49%	8.8%
2	Creditfix Limited	Structured	Senior	Discounted fee receivables	50.50	41%	8.2%
3	Sancus Loans Limited	Structured	Senior	Property	47.40	52%	7.7%
4	Nucleus Cash Flow Finance Limited	Structured	Senior	SME CBILS	46.50	96%	7.6%
5	Oplo Direct Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	37.60	81%	6.1%
6	GE Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	36.90	61%	6.0%
7	Oplo Structured	Structured	Mezzanine	Secured Consumer	35.30	91%	5.8%
8	Downing Development Loans	Direct Portfolio	Senior	Property	26.10	64%	4.3%
9	Propfin Limited	Structured	Senior	Property	26.00	68%	4.2%
10	118118 Loans	Structured	Senior	Unsecured Consumer	23.50	75%	3.8%

Statistics as at 30 April 2021

1. Direct Portfolios labelled as Senior in structure refer to portfolios of loans that are individually senior secured

2. In the case of Direct Portfolios, the LTV is against latest underlying collateral values (typically at origination for directly originated assets or at purchase for acquired seasoned portfolios). For structured facilities the LTV reflects the maximum advance rate against eligible assets for Oplo Structured and 118118 Loans, and in the case of structured property-backed facilities, the LTV reflects the look through LTV against the underlying property collateral. Development finance loan LTVs are quoted as the maximum LTGDV at origination.

3. Net Investment Assets

Background and Investment Objective

Honeycomb Investment Trust plc (the “Company”) employs a specialist lending strategy whose investment objective is to provide shareholders with an attractive level of dividend income with capital preservation. The Company operates an asset backed credit strategy that delivers stable income alongside strong downside protections through providing predominantly senior lending to non-bank lenders on their underlying loan portfolios.

The investment strategy is driven by the ongoing structural changes in the Financial Services industry that create a significant opportunity for non-bank lenders to reach customers who are underserved by mainstream banks with bespoke and appropriate products. Responsible investing is at the core of the Investment strategy. The Group’s focus on Impact is built around 5 key areas where Honeycomb can make a meaningful difference; regional growth and supporting SMEs, affordable energy efficient homes, financial inclusion, green finance and responsible lending practices.

Investment Features

- 8% targeted dividend on issue price when fully invested and leverage applied, payable quarterly.
- Investments secured on loan portfolios of non bank lenders
- Over 40 different investments - a diverse portfolio, no single asset / single sector risk
- Short duration - Average life 2 to 3 years with underlying portfolio typically amortising removing refinancing/ exit risk
- Investments benefit from tight Covenants and Corporate security
- Conservative Leverage
- Impact Investments supporting Financial Inclusion, Affordable Housing, Regional Growth & Green Housing

Fund Facts

Type of Fund	Closed – Ended Fund
Listing	Main Market 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%

* applicable to gross assets
** subject to 5% preferred return hurdle and high watermark

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	1.62% ⁽⁴⁾	0.65%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%	0.58%	0.62%	0.67%	7.71%	41.15% ⁽²⁾
NAV Return IFRS 9	2021	0.67%	0.64%	0.75%	0.73%									2.80%	44.03% ⁽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%	12.54%	1.63%	-	0.80%	(3.08%)	(5.75%)
Share Price Performance**	2021	2.92%	(1.03%)	(2.08%)	2.66%									2.39%	(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	-	-	20.00	80.00	292.90
Dividend Per Share (Pence)***	2020	-	20.00	-	-	-	20.00	-	-	20.00	-	20.00	-	80.00	372.90
Dividend Per Share (Pence)***	2021	-	-	20.00	-									20.00	392.90

* 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 0.60%

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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.