

HONEYCOMB INVESTMENT TRUST PLC

31 January 2021

INVESTMENT MANAGER'S COMMENTARY

Following on from a successful quarter end, Honeycomb Investment Trust plc (the "Company" or "HONY") delivered a NAV return of 0.67% for the month of January, which is equivalent to 7.9% per annum.

Portfolio Performance

2020 was a challenging year across all sectors, as businesses adjusted to the Covid-19 pandemic and ensured they had the necessary provisions in place to cushion the impact. The Investment Manager made the decision early on in the pandemic to ensure cash collection and proactive portfolio management took centre-stage and to ensure a robust performance for shareholders, and the continued delivery of both a strong NAV performance and dividend payment. Following a successful 2020, this resulted in a strong start to the year for HONY, with NAV returns back to pre-Covid levels in January following similar performance in Q4 2020.

The performance was driven by strong investment yield of 10.1% per annum, coupled with low impairment charges of 0.2% per annum. The modest impairment charge is supported by the Manager's senior-secured strategy that protects the Company from underperformance in the asset base.

Whilst the investment assets were broadly flat month on month at £572m, a new senior facility to finance credit card receivables was signed in January that is expected to draw over the coming months. The facility offers an expected IRR in excess of 10% and good downside protection through a conservative LTV. Additional senior loans were added in the property sector, where the Investment Manager believes security and leverage ratios continue to offer a compelling risk-adjusted return for shareholders.

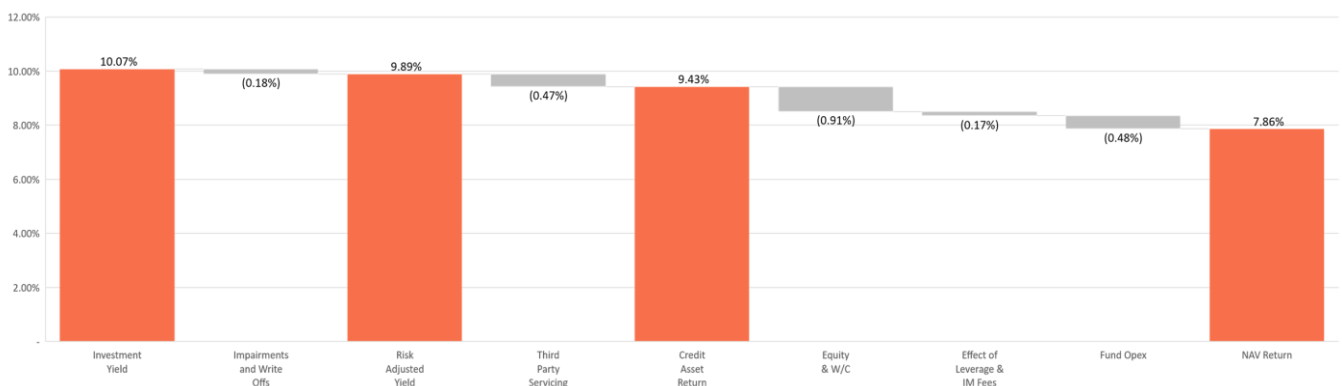
The pipeline of new potential investments remains strong with non-bank lenders seeing opportunities to grow and take market share from traditional banks. The Covid-19 pandemic has further accelerated this structural change and the Company continues to aim to be the market leading finance partner to the non-bank sector.

Key Details

Monthly NAV Return (Annualised)	7.9%
Monthly NAV Return	0.67%
YTD NAV Return	0.67%
ITD* NAV Return	41.8%
NAV Cum. Income	£359.6m
NAV Ex. Income	£358.9m
Market Capitalisation	£342.0m
Net Investment Assets	£571.6m
Net Debt to Equity	59.0%
Debt to Equity	76.1%
Shares in Issue	35,259,741
Share Price	970.0p
NAV Cum. Income per Share	1,019.9p
NAV Ex. Income per Share	1,017.9p
Premium (Discount) to NAV Cum Income	(4.9)%

*ITD: Inception to Date – excludes IPO Issue Costs

Returns Bridge – January 2021



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	0.65%	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%												0.67%	41.83%⁽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%												2.92%	(3.00%)
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	-	-	20.00	-	20.00	-	80.00	372.90
Dividend Per Share (Pence)***	2021	-												-	372.90

* 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%

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 primarily through investing in asset secured loans and selected equity investments that are aligned with the Company’s strategy and that present opportunities to enhance the Company’s returns from its investments.

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 the asset class has 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.

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

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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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.