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28 July 2021

Honeycomb Investment Trust plc

Honeycomb Investment Trust plc (the "Company" or "Honeycomb") announces that the Investment Manager's monthly factsheet for 30 June 2021 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 30 June 2021 on a cum-income basis was 1,017.0 pence, based on a NAV of £358.6 million, and on an ex-income basis was 1,017.9 pence, based on a NAV of £358.9 million. The NAVs have been calculated by Apex Fund Services (UK) Ltd.

Honeycomb delivered a NAV return of 0.75% for the month of June, or 9.1% annualised. This completed a strong first half performance, with a H1 annualised NAV return of 8.7%.

As highlighted last month, the Company sold its listed bond portfolio in June realising a small profit with the sales proceeds slightly exceeding the net book value of the portfolio. This has driven a reduction in investment assets from £614m in May to £594m in June.

The pipeline of deals continues to be strong with a new SME facility completing in July which has seen the majority of the proceeds from the bond sale re-invested.

Market Insights: Trends and opportunities in UK SME Finance

With 2020 a challenging year all round, UK SME's have demonstrated their resilience and ability to adapt as well as their importance to the UK economy . According to the Bank of England, SMEs account for 70% of all new jobs since 2010, 61% of private sector employment and 50% of all turnover generated across the country.

Data from Oxford Economics suggests that during 2020, SME appetite for growth finance was at the highest level since 2016, with online searches for business loans increasing over 5x. This trend is unsurprising and, as the UK overall embraced an increased online presence, Business Finance followed suit. Existing trends that had slowly been gathering momentum, such as the adoption of digital services; open banking integration; and use of analytics for onboarding or reporting requirements, were accelerated and integrated to provide customers with an informed, improved and more seamless decision-making experience. The pandemic also accelerated the developments of contactless payments - PWC estimate that cash machine withdrawals in the UK fell by £37bn. Further, the share of retail sales conducted online was 46% higher in 2020 than in the previous year.

The COVID-19 pandemic brought existing disruption from technology and regulations into sharper focus, and non-bank lenders, having already been at the forefront of many of these initiatives, were able to move swiftly and effectively to help provide SME's with access to finance through these times. By 2019, EY estimated 30% of SME Finance was being supplied by non-bank lenders, and the British

Business Bank also estimated approximately 30% of Asset Finance being accounted for by Non-Bank Lenders.

The ability to assess affordability and credit worthiness through open banking integration; perform KYC checks and onboarding; and complete due diligence in a timely manner, are all critical factors to improve the customer experience. This is one of the reasons that larger institutions are investing so heavily in digital lending infrastructure, as they realise the shortfalls in legacy technology and infrastructure in meeting the demands of new digital savvy customers. It is clear these are long term structural shifts that are here to stay.

On the supply side of the equation, it is estimated that approximately £75bn of emergency funding has been provided from the British Business Bank (BBB). On 23rd March 2020 the Govt launched the Coronavirus Business Interruption Loan Scheme (CBILS), with the BBB guaranteeing 80% of each loan, and paying the first year of interest. Lenders required accreditation from the BBB, and around two-thirds of the more than 100 accredited CBILS lenders were alternative brands. The scheme is now closed, being replaced by the Recovery Loan Scheme ("RLS"). We believe opportunities to continue to support lending to SME's through government backed schemes offer compelling risk-adjusted returns for shareholders.

Through a dedicated and specialist team, Pollen Street has developed the network and infrastructure to partner with the strongest players in selected markets within SME finance to support this sector.

Pollen Street looks to partner with innovative companies with substantial track records in the SME lending space and strong underwriting capabilities underpinned by modern technology and experienced teams. Some examples of lenders which PSC has chosen to partner with are outlined below.

1. Nucleus was formed in 2011 and has over 9 years of operational history during which it has originated over £1.7bn. Nucleus gained CBILS accreditation in July-20, and also provides invoice finance; property backed loans; cash flow finance loans and merchant cash advances. PSC offer senior secured funding against SME loans with an 80% government guarantee under the Coronavirus Business Interruption Loan Scheme.

2. Leading Small Business Lender in UK & Europe – identified a gap in the lending market, with SMEs' reduced access to short-term overdraft facilities from banks - since 2011, it has lent over £1bn to >50,000 customers in UK and Germany. Their proprietary scoring model, overlaid with manual underwriting, has demonstrated strong ability to price for risk. During 2020 the business achieved accreditation for the UK CBILs scheme and has deployed £300m+ to support businesses through the Covid pandemic. PSC have worked in partnership with the lender since 2016, offering a senior secured facility funding short-term SME receivables.

3. E-commerce MCA Lender – Smaller ticket SME lending has been growing steadily in the UK since the last Financial Crisis as high street lenders have slowly withdrawn from this market, with new alternative finance platforms and challenger banks now serving the demand (now accounting for up to 50% of outstanding SME lending). This well backed business offers short-term financing to UK e-commerce SMEs requiring capital to spend on marketing and inventory, which is secured on a share of their future revenues. The business has strong underwriting capabilities - supported by the latest technology including API integration to rich data sources, and AI decisioning combined with human oversight.

We believe there is certainly scope for continued growth in this space and are excited to see the opportunities in the non-bank SME lending sector continue to evolve in a way that can generate positive impact for investors, people, partners and wider society. Alongside our aim to provide consistent, compelling returns for investors is our commitment to positive impact. Through our investment and lending philosophy we aim to have a long term sustainable positive impact for small and medium sized business owners and the UK economy as a whole.

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