Honeycomb Investment Trust plc

28 February 2022

# Investment Manager’s Commentary

**Key Details**

|  |  |
| --- | --- |
| Monthly NAV Return (Annualised) | 7.7% |
| Monthly NAV Return | 0.59% |
| YTD NAV Return | 1.28% |
| ITD\* NAV Return | 51.2% |
| NAV Cum. Income | £363.9m |
| NAV Ex. Income | £361.8m |
| Market Capitalisation | £299.7m |
| Net Investment Assets | £579.9m |
| Net Debt to Equity | 58.7% |
| Debt to Equity | 68.2% |
| Shares in Issue | 35,259,741 |
| Share Price | 850.0p |
| NAV Cum. Income per Share | 1,032.2p |
| NAV Ex. Income per Share | 1,017.8p |
| Premium (Discount) to NAV Cum Income | (17.6)% |

Honeycomb Investment Trust plc (the “Company”) delivered a NAV return of 0.59% for the month, which is equivalent to 7.7% per annum.

NAV return was driven by strong risk adjusted yield of 9.1% with no impairment charge in the month due to the continued strength in performance of the portfolio. In line with previous years the result was impacted slightly by February being a short month, with interest accruing on a day count basis on the majority of underlying investments.

Net Investment Assets were stable in the month (£579m in January, to £580m in February).

Chart, sunburst chart

Description automatically generated**Figure 2 - Composition of Investment Assets Figure 3 Investment Assets**

3 Net Investment Assets

**Figure 4 – NAV Stratification**

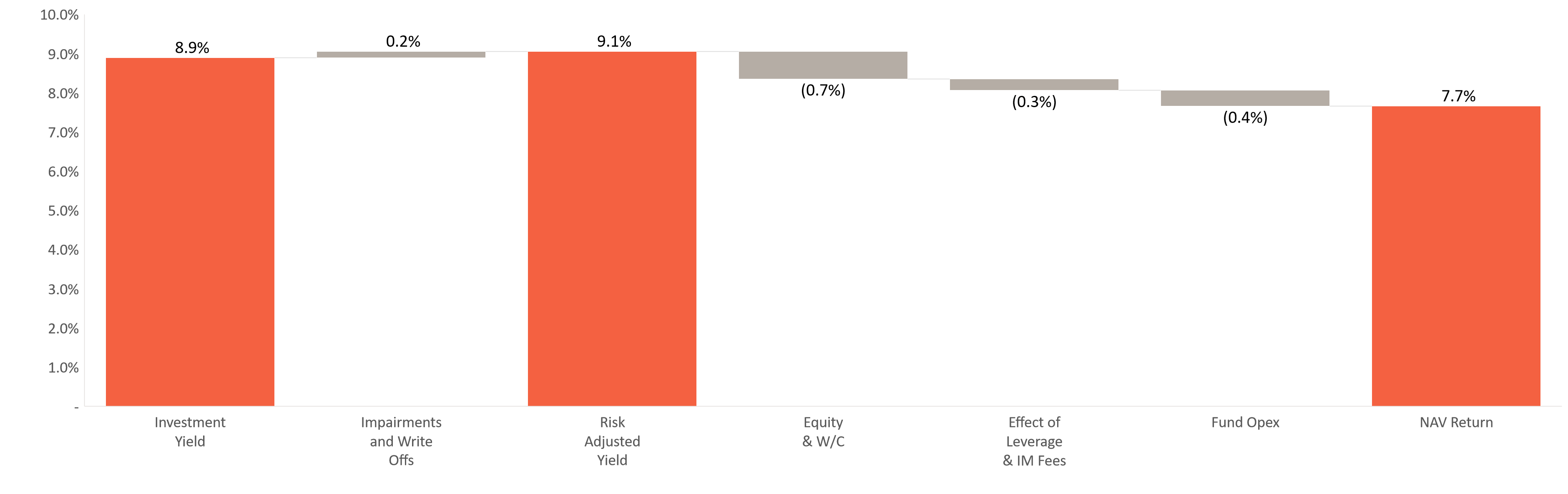
Chart

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

5 NAV excluding working capital and recourse debt, stratified by expected remaining term of each asset

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

**Figure 5 – February 2022 Returns Bridge**

**Figure 6– Top 10 Holdings**

**1**

Sancus Loans Limited

Structured

Senior

Short Term Property Loans

52.8

50%

9.1%

**2**

UK Agricultural Finance

Direct Portfolio

Senior

Short Term Property Loans

52.7

49%

9.1%

**3**

Oplo Direct Portfolio

Direct Portfolio

Secured

Secured Consumer

50.6

52%

8.7%

**4**

Creditfix Limited

Structured

Senior

Discounted Fee Receivables

45.7

82%

7.9%%

**5**

Downing Development Loans

Structured

Senior

Short Term Property Loans

37.8

65%

6.5%

**6**

Queen Street

Direct Portfolio

Senior

Short Term Property Loans

37.0

65%

6.4%

**7**

GE Portfolio

Direct Portfolio

Secured

Secured Consumer

30.2

62%

5.2%

**8**

Nucleus Cash Flow Finance Limited

Structured

Senior

SME

28.8

96%

5.0%

**9**

Duke Royalty

Structured

Senior

SME

28.6

40%

4.8%

**10**

Beaufort

Direct Portfolio

Senior

Short Term Property Loans

y

23.9

70%

4.1%

**Percentage of**

**Portfolio**

**(3)**

**Value of Holding**

**at 28-Feb-22 (£m)**

**Deal Type**

**(1)**

**Structure**

**Sector**

**LTV**

**(2)**

Statistics as at 28 February 2022

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

**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 | |

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

The strategy aims to generate positive impact around key areas where Honeycomb Investment Trust can make a meaningful difference; Financial Inclusion, Affordable Housing, Regional Growth & Green Housing.

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
* A diverse and granular 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

**Performance & Dividend History**



(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%

\* 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

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Net Asset Value performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

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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.