

# **HONEYCOMB INVESTMENT TRUST PLC**

**31 March 2022**

## INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 0.66% for the month, which is equivalent to 7.8% per annum. NAV return was driven by strong risk adjusted yield of 9.0%. This is in-line with the Q1 total risk adjusted yield, driving a 7.9% NAV return for the quarter.

Net Investment Assets increased in the month to £586m, from £580m at the end of Feb. This was driven by drawdowns on a senior electric vehicle fleet financing facility as well as net deployment of £7.3m across the senior real estate debt facilities.

The pipeline of new opportunities is strong with c£400m of well progressed deals across Europe and is diversified across a range of sub sectors including micro mobility, small balance SME loans and insurance run off financing. Whilst the outlook for our target market remains positive, the manager Pollen Street Capital remains very focused on the broader macro-economic environment. PSC also continues to see opportunities in sustainability-oriented sectors offering attractive risk adjusted returns whilst also making a positive impact from an ESG perspective.

Despite the more challenging macro-outlook, PSC believes that asset backed direct lending represents a resilient asset class that delivers strong relative value versus other private credit opportunities and publicly traded comparables. The combination of asset backing via large diverse pools of financial and hard assets along with bespoke structuring delivers strong downside protection with a significant margin of safety as well as premium returns.

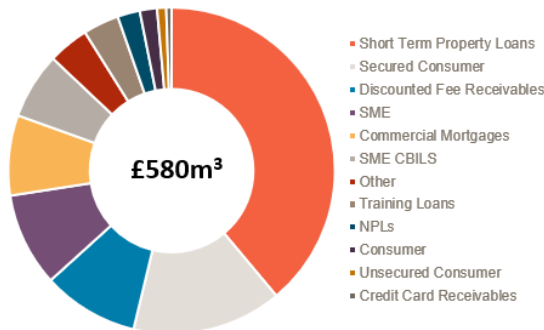
Proprietary data systems and comprehensive data collection provide the manager with regular and detailed data, and strong transparent relationships with our lending partners enable the manager to closely monitor underlying performance. Detailed monitoring of the portfolio provides reassurance that, despite broader economic concerns, the investment portfolio remains in a strong position.

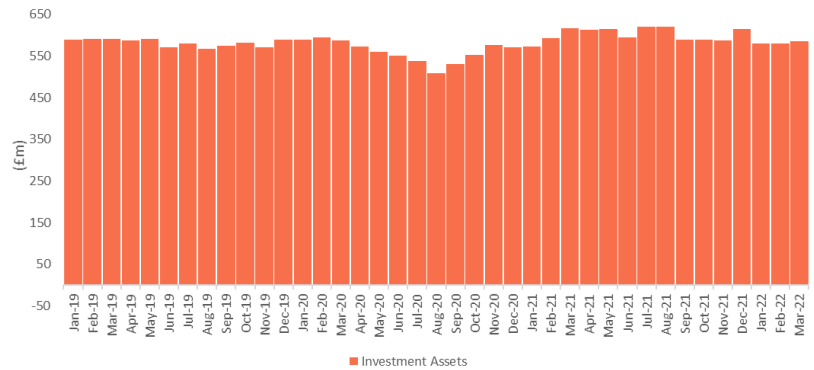
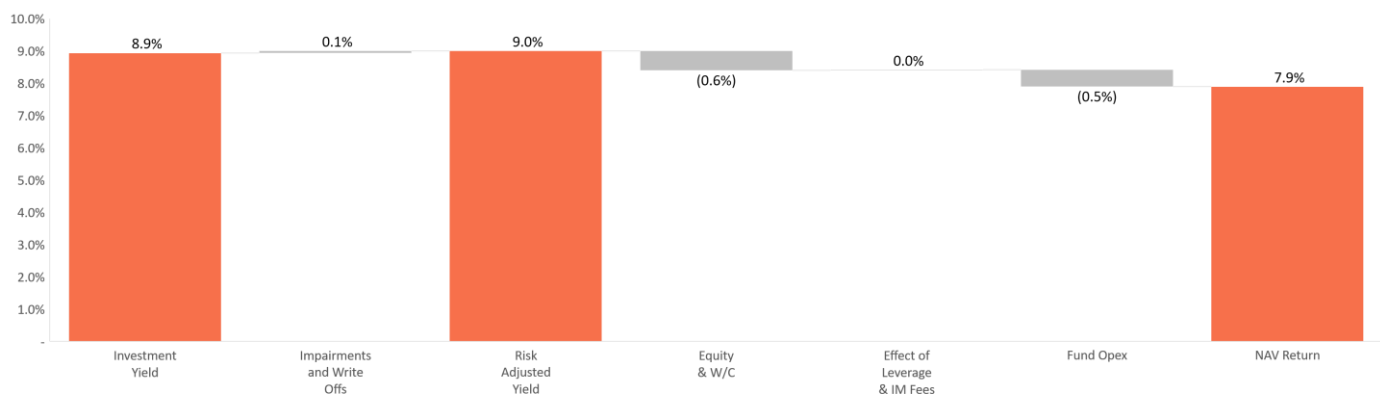
In response to the unfortunate events in Ukraine, the Honeycomb Board reported, on 11 March 2022, that the Company does not have any direct exposure to Russia. Further, the Company announced, via an RNS on 21 March, that it now intends to commence a share buyback programme, commencing on that date and expected to end no later than 29 April 2022. The policy is to consider conducting share buybacks when trading at a discount of more than 5%. Details of the ongoing programme are updated through RNS postings on the London Stock Exchange.

Finally, the Board was pleased to note that Capital Finance International magazine has named Pollen Street Capital Best Responsible Alternative Investment Team UK for the second consecutive year. The judging panel also noted Pollen Street Capital's prioritisation of lasting impact backing companies and credit partners that help consumers to make greener choices, increase their access to finance and SMEs to promote job creation and socioeconomic growth.

### Key Details

Monthly NAV Return (Annualised)	7.8%
Monthly NAV Return	0.66%
YTD NAV Return	1.95%
ITD* NAV Return	51.9%
NAV Cum. Income	£358.9m
NAV Ex. Income	£358.5m
Market Capitalisation	£329.3m
Net Investment Assets	£585.5m
Net Debt to Equity	62.4%
Debt to Equity	68.6%
Shares in Issue	35,218,434
Share Price	935.0p
NAV Cum. Income per Share	1,019.0p
NAV Ex. Income per Share	1,018.0p
Premium (Discount) to NAV Cum Income	(8.2)%

**Figure 1 - Composition of Investment Assets**

<sup>3</sup> Net Investment Assets

**Figure 2 - Investment Assets**

**Figure 3 – Q1 2022 Returns Bridge**

**Figure 4 – Top 10 Holdings**

		Deal Type <sup>(1)</sup>	Structure	Sector	Value of Holding at 31 Mar-22 (£m)	LTV <sup>(2)</sup>	Percentage of Portfolio <sup>(3)</sup>
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	Creditfix Limited	Structured	Senior	Discounted Fee Receivables	50.6	52%	8.7%
4	Oplo Direct Portfolio	Direct Portfolio	Secured	Secured Consumer	45.7	82%	7.9%
5	Downing Development Loans	Structured	Senior	Short Term Property Loans	37.8	65%	6.5%
6	Nucleus Cash Flow Finance Limited	Structured	Senior	CBILS SME	37.0	96%	6.4%
7	GE Portfolio	Direct Portfolio	Secured	Secured Consumer	30.2	62%	5.2%
8	Queen Street	Direct Portfolio	Senior	Short Term Property Loans	28.8	65%	5.0%
9	Duke Royalty	Structured	Senior	SME	28.6	40%	4.8%
10	Beaufort	Direct Portfolio	Senior	Short Term Property Loans	23.9	70%	4.1%

Statistics as at 31 March 2022

- Direct Portfolios labelled as Senior in structure refer to portfolios of loans that are individually senior secured
- 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.
- Net Investment Assets

**Background and Investment Objective**

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

**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%	<b>7.85%</b>	<b>7.83%</b>
NAV Return IAS 39	2017	0.69%	0.69%	0.78%	0.62%	1.80% <sup>(1)</sup>	0.55%	0.65%	0.62%	0.63%	0.61%	0.61%	0.79%	<b>9.11%</b>	<b>17.24%</b>
NAV Return IFRS 9	2018	0.66%	0.59%	0.72%	1.36% <sup>(3)</sup>	0.56%	0.60%	0.63%	0.67%	0.67%	0.67%	0.65%	0.60%	<b>8.43%</b>	<b>25.12%</b> <sup>(2)</sup>
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%	<b>7.79%</b>	<b>33.17%</b> <sup>(2)</sup>
NAV Return IFRS 9	2020	1.62% <sup>(4)</sup>	0.65%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%	0.58%	0.62%	0.67%	<b>7.71%</b>	<b>41.15%</b> <sup>(2)</sup>
NAV Return IFRS 9	2021	0.67%	0.64%	0.75%	0.73%	0.77%	0.75%	0.72%	0.71%	0.66%	0.68%	0.66%	0.69%	<b>8.49%</b>	<b>49.90%</b> <sup>(2)</sup>
NAV Return IFRS 9	2022	0.69%	0.59%											<b>1.28%</b>	<b>51.25%</b> <sup>(2)</sup>
Share Price Performance**	2016	150%	-	-	-	-	-	-	-	-	-	-	0.54%	<b>2.05%</b>	<b>2.05%</b>
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%)	<b>13.42%</b>	<b>15.75%</b>
Share Price Performance**	2018	(19.4%)	-	-	(17.6%)	-	-	0.90%	-	0.89%	(0.44%)	-	-	<b>(2.38%)</b>	<b>13.00%</b>
Share Price Performance**	2019	-	-	-	-	(1.33%)	(0.45%)	-	(0.45%)	(6.33%)	(3.86%)	(1.51%)	(0.77%)	<b>(13.94%)</b>	<b>(2.75%)</b>
Share Price Performance**	2020	(2.13%)	(2.13%)	(1.48%)	(1.33%)	-	1.69%	1.33%	7.21%	12.54%	1.63%	-	0.80%	<b>(3.08%)</b>	<b>(5.75%)</b>
Share Price Performance**	2021	2.92%	(1.03%)	(2.08%)	2.66%	(0.52%)	1.04%	-	(1.55%)	1.57%	-	(0.52%)	(2.07%)	<b>0.27%</b>	<b>(5.50%)</b>
Share Price Performance**	2022	1.59%	(1.46%)											<b>(9.81%)</b>	<b>(15.00%)</b>
Dividend Per Share (Pence)***	2016	-	-	-	-	2.11	-	-	-	19.66	-	23.13	-	<b>44.90</b>	<b>44.90</b>
Dividend Per Share (Pence)***	2017	-	-	23.5	-	24.50****	-	-	-	20.00	-	-	20.00	<b>88.00</b>	<b>132.90</b>
Dividend Per Share (Pence)***	2018	-	-	20.00	20.00	-	-	-	-	20.00	-	-	20.00	<b>80.00</b>	<b>212.90</b>
Dividend Per Share (Pence)***	2019	-	-	20.00	-	-	20.00	-	-	20.00	-	-	20.00	<b>80.00</b>	<b>292.90</b>
Dividend Per Share (Pence)***	2020	-	20.00	-	-	-	20.00	-	-	20.00	-	20.00	-	<b>80.00</b>	<b>372.90</b>
Dividend Per Share (Pence)***	2021	-	-	20.00	-	-	20.00	-	-	20.00	-	-	20.00	<b>80.00</b>	<b>452.90</b>
Dividend Per Share (Pence)***	2022	-	-											<b>0.00</b>	<b>452.90</b>

\* 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

<sup>(1)</sup> NAV return excluding effect of capital raise and issuance at a premium would have been 0.77%

<sup>(2)</sup> Inception to date NAV return affected by IFRS 9 initial recognition on 2018 brought forward retained earnings

<sup>(3)</sup> NAV return excluding effect of capital raise and issuance at a premium would have been 0.63%

<sup>(4)</sup> 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.