

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT DOES NOT CONSTITUTE AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.

6 August 2020

For immediate release

**Possible Combination of Honeycomb Investment Trust plc ("HIT") and
Pollen Street Secured Lending plc ("PSSL")**

HIT today announces that it has made a proposal to PSSL regarding a possible merger of HIT and PSSL (together the "Enlarged Group"). As described further below, under the terms of the merger PSSL shareholders would receive new ordinary shares in HIT on a NAV for NAV basis (the "Possible Merger").

The board of HIT believes that there is an opportunity for shareholder value creation from the combination of HIT and PSSL to create the leading listed investment trust dedicated to providing finance to the specialty finance market. The HIT board considers that the combination of PSSL and HIT would be in the best long term interests of both companies and their respective shareholders.

HIT has consulted with certain of its largest shareholders who have indicated they are, in principle, supportive of the Possible Merger. These investors also hold shares representing, in aggregate, 30.7 per cent of the PSSL total number of outstanding shares¹.

Key terms of the Possible Merger

The possible offer for the entire issued and to be issued share capital of PSSL has been made on the basis of an unaudited "NAV for NAV" combination. Based on HIT's and PSSL's unaudited NAV per share (post recent share buybacks) of 1,016.4p and 948.8p at 30 June 2020 respectively, PSSL shareholders would be entitled to receive:

0.9335 new HIT ordinary shares in exchange for each PSSL ordinary share.

Further information on the assumptions underlying our proposal is outlined in the Appendix to this announcement.

Under the terms of the Possible Merger, PSSL shareholders would also be entitled to receive the dividends, if any, declared by PSSL in respect of the three month period to 30 June 2020 and the three month period to 30 September 2020, provided that the aggregate of the dividends for each such period does not exceed 12.0 pence per PSSL ordinary share and is covered by income for the period. The terms of the Possible Merger would not be adjusted for the dividends, if any, declared by HIT in respect of both the three month periods to 30 June 2020 and 30 September 2020 (and PSSL shareholders would not be entitled to receive such dividends), provided that the aggregate of the dividends for each such period does not exceed 20.0 pence per HIT ordinary share.

The Possible Merger would result in PSSL shareholders owning approximately 65.3 per cent of the Enlarged Group on a fully diluted basis.

In addition, subject to consultation with shareholders, HIT is considering alternative structures including either a partial cash alternative, subject to certain limits, or a share buyback programme post completion of a transaction.

¹ Supportive shareholders comprise: Quilter Investors Limited (14,603,993 shares), Standard Life Aberdeen plc (4,740,501 shares), Thesis Asset Management Limited (1,669,314 shares) and AXA Investment Managers (1,640,000 shares)

Rationale for a combination of HIT and PSSL

HIT believes the creation of the leading UK specialty finance investment trust has a number of benefits for both PSSL and HIT shareholders:

- **Scale:** The Enlarged Group would have combined investment assets of approximately £1.5bn enabling it to continue to capitalise on attractive investment opportunities, while ensuring a stable NAV return to shareholders.
- **Diversity:** The Enlarged Group would have a more diversified portfolio, better positioning it for changing economic cycles.
- **Liquidity:** The Enlarged Group will seek confirmation from the Financial Conduct Authority and London Stock Exchange that it is eligible for a transfer to the premium segment of the main market of the London Stock Exchange. HIT's enhanced scale is expected to support inclusion in the FTSE 250 Index following any transfer to the premium segment, resulting in a broader and deeper potential investor base for both entities. The Enlarged Group is expected to enjoy an elevated market profile including increased analyst coverage, which should enhance the liquidity of the Enlarged Group's shares in the secondary market.
- **Synergies:** The combination is expected to lead to a reduction in operating costs for the Enlarged Group given potential de-duplication benefits. In addition, HIT has agreed with Pollen Street Capital Limited ("PSC"), its investment manager, that in the event a formal offer on the terms of the Possible Merger was made and was successful, the fee arrangement in the existing investment management agreement between HIT and PSC would be reduced to reflect the increased scale of the Enlarged Group. The exact terms of the reduced fees would form part of any announcement of a firm intention to make an offer for PSSL, if such an announcement were to be made.
- **Financial impacts:** Given the potential benefit from a reduction in investment manager fees and other cost savings, the combination is expected to result in compelling value creation for both sets of shareholders, with enhanced overall shareholder dividend potential relative to their respective standalone dividend prospects.
- **Active discount management policy:** Given the impact of recent market volatility on the share prices of both HIT and PSSL, HIT believes the proposal provides an opportunity for both sets of shareholders to realise NAV over time in more normalised markets.

Following the combination, HIT would seek to operate an active discount management policy as well as proactively seeking to manage any investor specific liquidity demands. This would include, inter alia, periodic return of capital to shareholders via the use of selective share buybacks and/or tender offers as well as potential strategic placements with new investors. HIT has already implemented such measures effectively as highlighted most recently by the share buyback announced on 2 June 2020.

The pro forma borrowings of the Enlarged Group will leave sufficient headroom relative to the current leverage targets of HIT and PSSL.

- **Positioning:** Both PSSL and HIT, managed by entities affiliated with PSC, have a long track record of consistent credit performance and dividends. In particular, the prudent approach over the course of the COVID-19 related macroeconomic downturn has preserved capital and the manager expects increased investment opportunities in the coming months. The Enlarged Group will have the scale and resources to take full advantage of any improvement in the market environment.

Other matters

This announcement does not constitute an announcement of a firm intention to make an offer under Rule 2.7 of the Code. Any offer will be made solely by formal offer documentation, which will set out the full terms and conditions of any offer. There can be no certainty that any offer will ultimately be made.

In accordance with Rule 2.6(a) of the Code, HIT is required, by no later than 5.00pm on 3 September 2020, either to announce a firm intention to make an offer for PSSSL in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Takeover Panel in accordance with Rule 2.6(c) of the Code.

Pursuant to Rule 2.5 of the Code, HIT reserves the right to:

1. Amend the terms of any offer (including making an offer on less favourable terms than those set out in this announcement):
 - a. with the agreement or recommendation of the board of PSSSL;
 - b. if a third party announces a firm intention to make an offer for PSSSL which, at that date, is of a value less than the value implied by the Possible Merger;
 - c. following an announcement by PSSSL of a whitewash transaction pursuant to the Code; or
 - d. to take account of the value of any dividend or other distribution which is announced, declared, made or paid by PSSSL or HIT after the date of this announcement, other than the dividends, if any:
 - i. declared by PSSSL in respect of the three month period to 30 June 2020, provided that such dividend does not exceed 12.0 pence per PSSSL ordinary share in aggregate and is covered by income for the period;
 - ii. declared by PSSSL in respect of the three month period to 30 September 2020, provided that such dividend does not exceed 12.0 pence per PSSSL ordinary share in aggregate and is covered by income for the period;
 - iii. declared by HIT in respect of the three month period to 30 June 2020, provided that such dividend does not exceed 20.0 pence per HIT ordinary share in aggregate; and/or
 - iv. declared by HIT in respect of the three month period to 30 September 2020, provided that such dividend does not exceed 20.0 pence per HIT ordinary share in aggregate.
2. Vary the form of consideration as set out above and/or introduce other forms of consideration such as cash in substitution for all or part of the share consideration.

A further announcement will be made in due course.

The person responsible for arranging for the release of this announcement on behalf of HIT is Robert Sharpe, Chairman.

Enquiries:

Greenbrook (PR adviser to HIT) Andrew Honnor Alex Jones Matthew Goodman	+44 (0) 207 952 2000 honeycomb@greenbrookpr.com
Goldman Sachs International (Joint Financial Adviser to HIT) John Brennan Chris Emmerson Ken Hayahara Ronan Breen	+44 (0) 207 774 1000
Jefferies International Limited (Joint Financial Adviser to HIT) Graham Davidson Paul Bundred Neil Winward	+44 (0) 207 029 8000 +44 (0) 207 029 8076 +44 (0) 207 548 4226 +44 (0) 207 029 8140

Disclaimer

Goldman Sachs International, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA") in the United Kingdom, is acting exclusively for HIT and for no one else in connection with the possible offer and will not be responsible to anyone other than HIT for providing the protections afforded to its clients or for providing advice in relation to the possible offer, the contents of this announcement or any other matters referred to in this announcement.

Jefferies which is authorised and regulated in the UK by the FCA, is acting exclusively as financial adviser to HIT and no one else in connection with the possible offer and shall not be responsible to anyone other than HIT for providing the protections afforded to clients of Jefferies nor for providing advice in connection with the possible offer or any matter referred to herein. Neither Jefferies, nor any of its affiliates, subsidiaries or branches owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person other than HIT in connection with this Announcement, any statement contained herein or otherwise.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Takeover Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Rule 2.9 Information

HIT confirms that as at the close of business on 5 August 2020, its issued share capital consisted of 36,514,919 ordinary shares of 1p each in issue, excluding treasury shares. The International Securities Identification Number of the ordinary shares is GB00BYZV3G25.

Publication of this announcement

A copy of this announcement will be available on HIT's website at <https://www.honeycombplc.com/announcements>. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Cautionary note regarding forward-looking statements

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Enlarged Group and certain plans and objectives of HIT with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "hope", "aims", "continue", "will", "may", "should", "would", "could", or other words of similar meaning. These statements are based on assumptions and assessments made by HIT in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and actual results and developments could differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. HIT does not assume any obligation to update or correct the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Additional information

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise.

The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Appendix: Sources and bases

Key metrics stated in this announcement have been based on published sources as summarised below:

Metric	Ref.	Data	Source
HIT NAV reported (cum income basis)	A	£371.1m	Company newsletter 30 June 2020
HIT current number of shares outstanding at the latest practicable date	B	36.5m	Company newsletter 30 June 2020
HIT NAVps (ex income basis)		1,016.4p	Company newsletter 30 June 2020
PSSL NAV reported (cum income basis)	C	£700.8m	Company newsletter 30 June 2020
PSSL share buybacks since 30 June 2020 factsheet	D	£0.9m	1 July 2020 to 5 August 2020 (announced 6 August 2020)
PSSL NAV (adj. buyback basis)	E	£699.9m	Calculation (C - D)
PSSL current number of shares outstanding at the latest practicable date	F	73.8m	Company announcement, 06 August 2020
PSSL NAVps (ex income basis)		948.8p	Calculation (E / F x 100)
Exchange ratio (No. HIT shares per 1 PSSL share)	G	0.9335	Calculation (PSSL NAVps / HIT NAVps)
Number of HIT shares issued to PSSL	H	68.9m	Calculation (F x G)
Pro forma share count	I	105.4m	Calculation (B + H)
PSSL ownership of Enlarged Group		65.35%	Calculation (H / I)