

HONEYCOMB INVESTMENT TRUST PLC

30 September 2020

INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company") delivered a NAV return of 0.28% for the month, which is equivalent to 3.4% per annum. The underlying return was 7.4% per annum, which reflects the strength of performance of the underlying portfolio.

The actual results differed from the underlying performance primarily for two reasons:

- 1) The Company renewed and extended both of its debt facilities in the month. The new facilities have maturity dates of Q3/Q4 2022 with additional extension options available and provide the Company with a stable funding base for at least the next two years. The facility limits were also increased to a combined total of £350 million. The Company incurred one-off costs to terminate the previous facilities before their contractual maturity and expensed all of the previous setup costs. These costs were all taken in the month rather than recognised over the life of the new facilities.
- 2) In September the Company repurchased 437,336 of its shares at an average price of 882.6p. This represents 1.2% of the total share capital, bringing the total buybacks year to date to 3,817,178 or 10.7% of the share capital. The share price has continued to respond well and at the time of writing was 935p.

Portfolio Performance

The portfolio continues to perform well with the majority of underlying customer loans (both owned directly and financed through structured facilities) now out of Covid forbearance. We continue to keep a close watch over performance as tighter lockdown restrictions have been introduced again in the UK along with the extension of the government support schemes.

Premium Listing

In October, the Company's shares were admitted to the Premium Segment of the LSE's Main Market. The move up from the Specialist Funds Segment to the Premium Segment is an important step for the Company and makes its shares accessible to a wider range of investors, as the company looks to continue its growth.

Specialist and Digitally Enabled Lenders

Our partners have continued the strong performance that we have witnessed from the on-set of the COVID pandemic. From that time, we have seen outperformance from those platforms whose business models rely on regular dialogue with their customers and who have close and on-going customer engagement to ensure they are prudently managing their portfolio and approach to new originations. The proximity to customers together with the agile deployment of digital capability to enhance that engagement has been extremely powerful and resulted in very robust performance across the board.

We expect the ongoing disruption brought about by Covid-19 to increase the challenges to the large incumbent lenders and create compelling opportunities for the smaller, more nimble businesses. We continue to partner with those businesses that are able to work closely with customers, react quickly to the changing environment and create tailored and responsible lending products to support the economy as we emerge from the pandemic.

ESG Report and Ten Years Time Program

Pollen Street is proud to have published its inaugural ESG Report and announce the selection of partners for its Ten Years Time ("TYT") program. Our TYT program aims to connect our ESG impact with the firm and its incredible people and expertise, and for our people to go beyond our portfolio to make an impact. The selected partners are detailed below.

Key Details

Monthly NAV Return (Annualised)	3.4%
Monthly NAV Return	0.28%
YTD NAV Return	5.9%
ITD* NAV Return	37.2%
NAV Cum. Income	£361.4m
NAV Ex. Income	£362.4m
Market Capitalisation	£320.7m
Net Investment Assets	£530.5m
Debt to Equity	64.3%
Shares in Issue	35,632,741
Share Price	900.0p
NAV Cum. Income per Share	1,014.3p
NAV Ex. Income per Share	1,016.9p
Premium (Discount) to NAV Cum Income	(11.3)%

*ITD: Inception to Date – excludes IPO Issue Costs

Future First

Future First is a charity that aims for every state school and college in the UK to be supported by a thriving and engaged alumni community, which improves students' motivation, confidence and life chances.

futurefirst.org.uk

Council for Investing in Female Entrepreneurs

The Council for Investing in Female Entrepreneurs (CfIFE) aims to support female entrepreneurs by tackling barriers to funding available and accessible by them. The Council is a community of firms and individuals who are passionate about achieving long-term behavioural changes to close the funding gender gap, and was created as a result of the Alison Rose Review of Female Entrepreneurship, published in March 2019.



Big Issue Invest

Founded in 2005, Big Issue Invest extends The Big Issue's mission to dismantle poverty through creating opportunity by financing the growth of sustainable social enterprises and charities across the UK.

Big Issue Invest offers social enterprises, charities and profit-with-purpose businesses, loans and investment from £20,000 to £3 million. Since 2005, Big Issue Invest have invested in approximately 300 social enterprises and charities, all of which have positively influenced the lives of an estimated 1 million people across the UK.



bigissueinvest.com

Blue Ventures

Blue Ventures develops transformative approaches for catalysing and sustaining locally led marine conservation. They work in places where the ocean is vital to local cultures and economies, and are committed to protecting marine biodiversity in ways that benefit coastal people.



blueventures.org

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	0.60%	0.60%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%				5.85%	37.19%⁽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%	10.09%				(7.46%)	(10.00%)
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				60.00	352.90

* 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 0.66%

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 through the acquisition of interests in loans made to consumers and small business as well as other counterparties.

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 consumer, property and SME loans are asset classes that have 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.

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.

Fund Facts

Type of Fund	Closed – Ended Fund
Listing	Premium Listing Segment 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%

*subject to 5% preferred return hurdle and high watermark

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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.