

HONEYCOMB INVESTMENT TRUST PLC

28 February 2021

INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company" or "Honeycomb") delivered a NAV return of 0.64% for the month of February, or 8.3% annualised. NAV has increased from £359.6m at the end of January, to £361.9m at the end of February. Returns in the month were driven by a strong annualised credit asset return of 10.0%.

Portfolio Performance

Net Investment Assets increased in the month by £22m, to £593m, driven by drawdowns on existing senior facilities to borrowers across the SME and property sectors.

The Company's ability to continue to deliver uninterrupted strong performance during Covid-19 has demonstrated the portfolio's strong income generation together with downside protection through structural seniority and asset backing with an increasing proportion with real estate backing where the Investment Manager sees significant opportunity.

Pipeline & Market Commentary

The current pipeline of new potential investments is particularly strong, and the Investment Manager has identified even more attractive lending opportunities as the Covid-19 pandemic accelerates the structural challenges facing traditional banks.

As the mainstream banks increasingly focus on only vanilla product sets, the non-bank lending sector is increasingly critical to support local communities through financing SMEs, developing affordable housing, improving the energy efficiency of property, and going forward transportation, creating employment and driving financial inclusion. As the population becomes more engaged in living their lives on a sustainable basis, these lending products enable real people to have real positive impact in their daily lives.

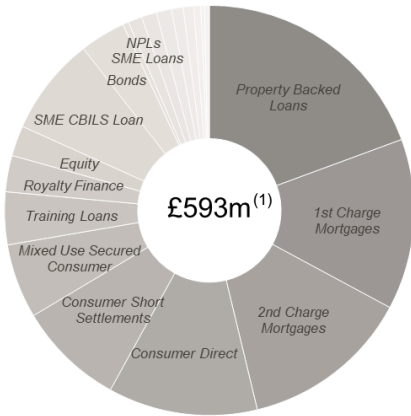
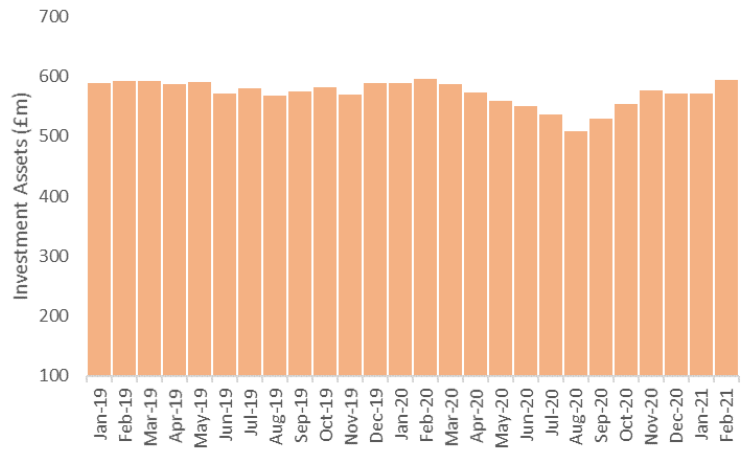
The Company has a near term pipeline of c.£2.7billion to deploy capital in excess of its return targets and, the Investment Manager and Board see significant scope to grow the net assets of Honeycomb over time. To that end, the Board continues to focus on its discount management and to improve the liquidity of the shares.

With the government backed Coronavirus Business Interruption Loan Scheme ("CBILS") being replaced by the Recovery Loan Scheme ("RLS"), the Manager believes opportunities to continue to support lending to SMEs through government backed schemes offer compelling risk-adjusted returns for shareholders. To date, the Company has supported CBILS lending and expects opportunities to deploy further capital supporting RLS lending.

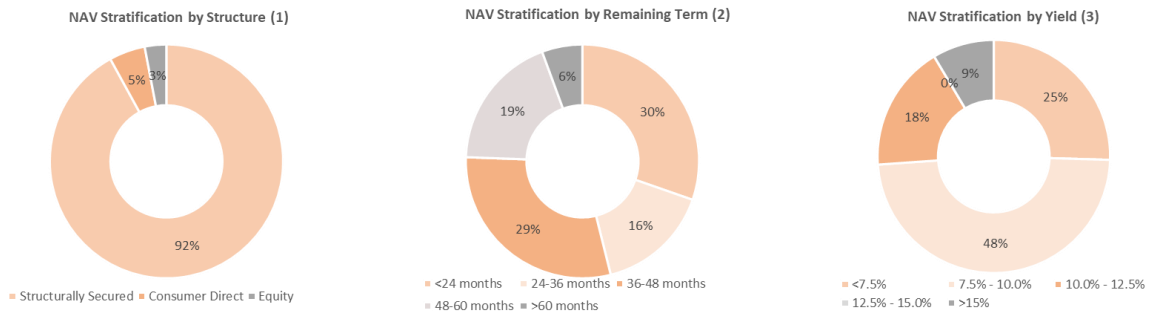
Key Details

Monthly NAV Return (Annualised)	8.3%
Monthly NAV Return	0.64%
YTD NAV Return	1.31%
ITD* NAV Return	42.5%
NAV Cum. Income	£361.9m
NAV Ex. Income	£358.9m
Market Capitalisation	£338.5m
Net Investment Assets	£593.3m
Net Debt to Equity	64.9%
Debt to Equity	75.2%
Shares in Issue	35,259,741
Share Price	960.0p
NAV Cum. Income per Share	1,026.4p
NAV Ex. Income per Share	1,017.8p
Premium (Discount) to NAV Cum Income	(6.5)%

*ITD: Inception to Date – excludes IPO Issue Costs

Figure 1. Composition of Portfolio Assets

Figure 2. Investment Assets


¹ Net Investment Assets

Figure 3 - Composition of Investment Assets


¹ NAV excluding working capital and debt, stratified by investment structure

² NAV excluding working capital and debt, stratified by average remaining term of each platform

³ NAV excluding working capital and debt, stratified by average yield of each platform

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	1.62% ⁽⁴⁾	0.65%	0.25%	0.42%	0.42%	0.75%	0.61%	0.87%	0.28%	0.58%	0.62%	0.67%	7.71%	41.15%⁽²⁾
NAV Return IFRS 9	2021	0.67%	0.64%											1.31%	42.49%⁽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%	12.54%	1.63%	-	0.80%	(3.08%)	(5.75%)
Share Price Performance**	2021	2.92%	(1.03%)											1.86%	(4.00%)
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	-	20.00	-	80.00	372.90
Dividend Per Share (Pence)***	2021	-	-											-	372.90

* 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 0.60%

Background and Investment Objective

Honeycomb Investment Trust plc (the “Company”) is a direct lending fund whose investment objective is to provide shareholders with an attractive level of dividend income and capital growth primarily through investing in asset secured loans. 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 the asset class has 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.

Investment Features

Investment team has a combined 100+ years credit underwriting experience.

- 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	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

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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 by the actual number of days in the year divided by the actual number of days in the month.