

# **HONEYCOMB INVESTMENT TRUST PLC**

**31 May 2021**

## INVESTMENT MANAGER'S COMMENTARY

Honeycomb Investment Trust plc (the "Company" or "HONY") delivered a NAV return of 0.77% for the month of May, or 9.0% annualised. NAV has increased from £360.2m in April, to £362.9m at the end of May.

Investment Assets remained broadly flat in the month at £614m, from £613m in April, as drawdowns on existing facilities were largely offset by small partial paydowns.

Returns in the month were driven by a strong annualised credit asset return of 9.6%. This trend has been consistent across asset classes, particularly supported by strong performance in property-backed investment returns.

In June, we sold Honeycomb's listed bond portfolio (including Amigo Holdings Plc) realising a small profit with the sales proceeds marginally exceeding the net book value of the portfolio.

The pipeline of above-hurdle investment opportunities continues to be strong, with the current pipeline standing at £1.2bn+. The pipeline is well-diversified by asset class, with 37% relating to SME lending, 36% to property-backed and 27% to consumer.

### Impact and ESG Update

We continue to see increasing momentum across the sustainability agenda in the run up to COP26 and as economies look to grow coming out of Covid-19. We are excited to play our part in driving a positive social and environmental impact, including working with our partners to develop lending products that support financial inclusion and a positive environmental impact. Some of our near-term opportunities

Pollen Street prides itself on its partnership approach; bringing expertise to deliver performance and accelerate ESG impact. This approach is set out in a series of articles in [Investment Week](#) and [Global Banking and Finance Review](#). The seven practical steps cover collaboration, a common language and goals to drive positive impact across the businesses that managers are invested in as well as within their industry and wider society.

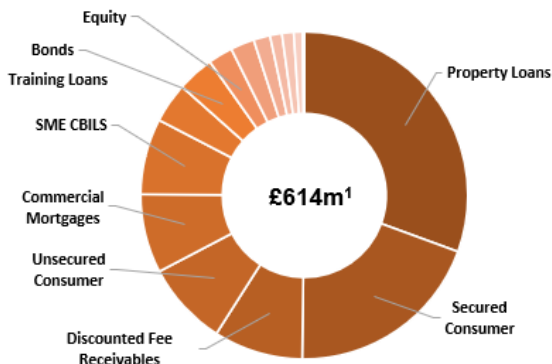
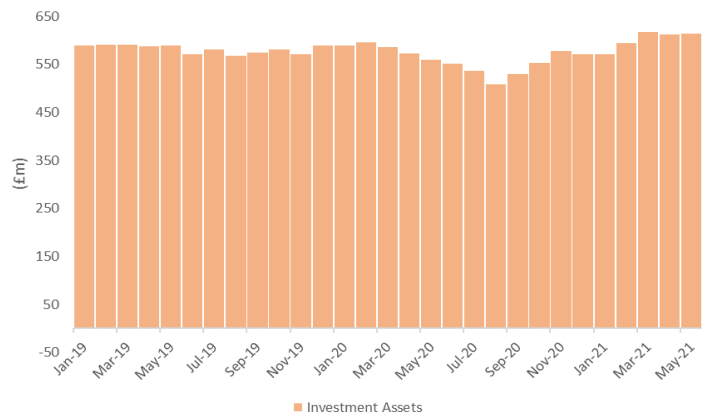
We are thrilled to share that Pollen Street Capital has been shortlisted for [Diversity and Inclusion Leader of the Year 2021](#) in the Private Equity Awards. This recognises our commitment to promote diversity and inclusion in our business and the wider industry, including our recent involvement in initiatives to accelerate female entrepreneurship.

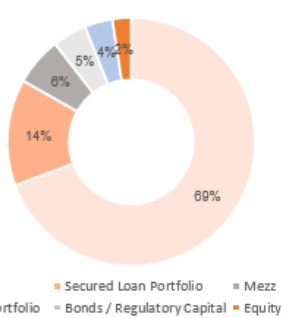
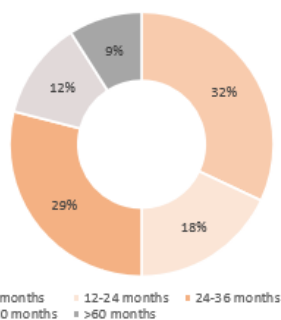
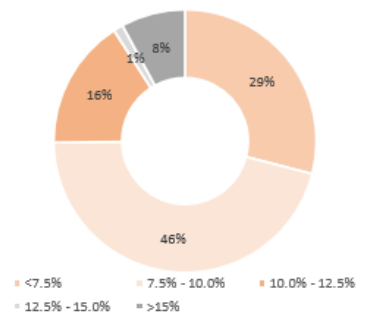
### Key Details

Monthly NAV Return (Annualised)	9.0%
Monthly NAV Return	0.77%
YTD NAV Return	3.57%
ITD* NAV Return	44.8%
NAV Cum. Income	£362.9m
NAV Ex. Income	£358.9m
Market Capitalisation	£338.5m
Net Investment Assets	£613.7m
Net Debt to Equity	69.3%
Debt to Equity	73.8%
Shares in Issue	35,259,741
Share Price	960.0p
NAV Cum. Income per Share	1,029.3p
NAV Ex. Income per Share	1,017.8p
Premium (Discount) to NAV Cum Income	(6.7)%

\*ITD: Inception to Date – excludes IPO Issue Costs

Some of our near-term opportunities comprise a strong Impact agenda and we are excited to partner with businesses with a strong environmental and social focal point.

**Honeycomb Investment Trust plc**
**Figure 2 - Composition of Investment Assets**

**Figure 3 Investment Assets**

<sup>1</sup> Net Investment Asset

**NAV Stratification by Structure (1)**

**NAV Stratification by Remaining Term (2)**

**NAV Stratification by Yield (3)**

<sup>1</sup> NAV excluding working capital and debt, stratified by investment structure

<sup>2</sup> NAV excluding working capital and recourse debt, stratified by expected remaining term of each asset

<sup>3</sup> NAV excluding working capital and debt, stratified by average yield of each platform

**Figure 4 – Top 10 Holdings**

		Deal Type <sup>(1)</sup>	Structure	Sector	Value of Holding at 31-May-21 (£m)	LTV <sup>(2)</sup>	Percentage of Portfolio <sup>(3)</sup>
1	UK Agricultural Finance	Direct Portfolio	Senior	Property	54.7	50%	8.9%
2	Creditfix Limited	Structured	Senior	Discounted fee receivables	52.1	39%	8.5%
3	Sancus Loans Limited	Structured	Senior	Property	47.7	54%	7.8%
4	Nucleus Cash Flow Finance Limited	Structured	Senior	SME CBILS	46.1	96%	7.5%
5	Oplo Direct Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	39.8	81%	6.5%
6	GE Portfolio	Direct Portfolio	Loan Portfolio	Secured Consumer	36.5	61%	5.9%
7	Oplo Structured	Structured	Mezzanine	Secured Consumer	35.3	95%	5.8%
8	118118 Loans	Structured	Senior	Unsecured Consumer	24.4	75%	4.0%
9	Downing Development Loans	Direct Portfolio	Senior	Property	23.8	63%	3.9%
10	Propfin Limited	Structured	Senior	Property	23.0	60%	3.7%

Statistics as at 31 May 2021

<sup>1</sup> Direct Portfolios labelled as Senior in structure refer to portfolios of loans that are individually senior secured

<sup>2</sup> 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.

<sup>3</sup> Net Investment Assets

**Background and Investment Objective**

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

The investment strategy is driven 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. Responsible investing is at the core of the Investment strategy. The Group's focus on Impact is built around 5 key areas where Honeycomb can make a meaningful difference; regional growth and supporting SMEs, affordable energy efficient homes, financial inclusion, green finance and responsible lending practices.

**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
- Over 40 different investments - a diverse 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
- Impact Investments supporting Financial Inclusion, Affordable Housing, Regional Growth & Green Housing

**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%	180% <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%	136% <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	162% <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%								<b>3.57%</b>	<b>44.83%</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%	181%	(0.89%)	4.93%	2.78%	0.42%	(124%)	(0.84%)	(0.63%)	(149%)	<b>13.42%</b>	<b>15.75%</b>
Share Price Performance** 2018	(194%)	-	-	(176%)	-	-	0.90%	-	0.89%	(0.44%)	-	-	<b>(2.38%)</b>	<b>13.00%</b>
Share Price Performance** 2019	-	-	-	-	(133%)	(0.45%)	-	(0.45%)	(6.33%)	(3.86%)	(151%)	(0.77%)	<b>(13.94%)</b>	<b>(2.75%)</b>
Share Price Performance** 2020	(2.13%)	(2.13%)	(18.48%)	(133%)	-	169%	133%	7.21%	12.54%	163%	-	0.80%	<b>(3.08%)</b>	<b>(5.75%)</b>
Share Price Performance** 2021	2.92%	(103%)	(2.08%)	2.66%	(0.52%)								<b>1.86%</b>	<b>(4.00%)</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	-	-								<b>20.00</b>	<b>392.90</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.