

# Honeycomb Investment Trust plc

## Investment Manager's Commentary

Honeycomb Investment Trust plc (the "Company") had another strong month in October generating 8.1% NAV return per share on an annualised basis, which is 0.67% for the month. This brings the year to date return to 6.44% or 31.77% since inception.

The strong performance in the month was driven by stable returns on the portfolio as well as a new structured facility that was signed in October, increasing investment assets by £7m. The pipeline of new deals remains strong.

The Company declared a 20.0 pence per share dividend on 8 November 2019.

## 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.

## Key Details

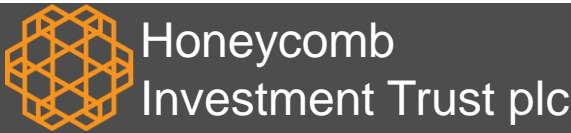
|                                      |            |
|--------------------------------------|------------|
| Monthly NAV Return (Annualised)      | 8.1%       |
| Monthly NAV Return                   | 0.67%      |
| YTD NAV Return                       | 6.44%      |
| ITD* NAV Return                      | 31.77%     |
| NAV Cum. Income                      | £402.8m    |
| NAV Ex. Income                       | £393.8m    |
| Market Capitalisation                | £392.5m    |
| Investment Assets                    | £605.8m    |
| Debt to Equity                       | 49.5%      |
| Shares in Issue                      | 39,449,919 |
| Share Price                          | 995.0p     |
| NAV Cum. Income per Share            | 1,021.1p   |
| NAV Ex. Income per Share             | 998.2p     |
| Premium (Discount) to NAV Cum Income | (2.56)%    |

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

## Fund Facts

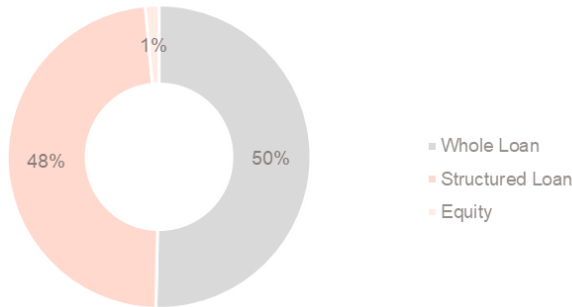
|                  |  |
|------------------|--|
| Type of Fund     | Closed – Ended Fund                                  |
| Listing          | Specialist Fund Segment of the London Stock Exchange |
| Ticker           | HONY   |
| ISIN             | GB00BYZV3G25   |
| Inception Date   | 23 December 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

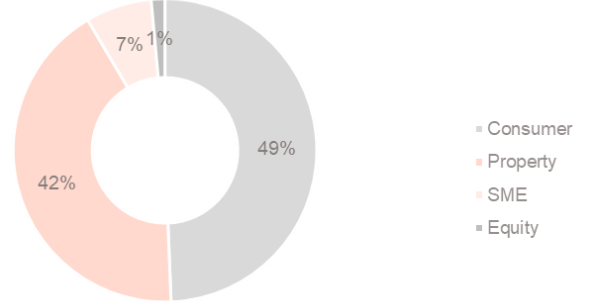


**Stratification of the Portfolio**

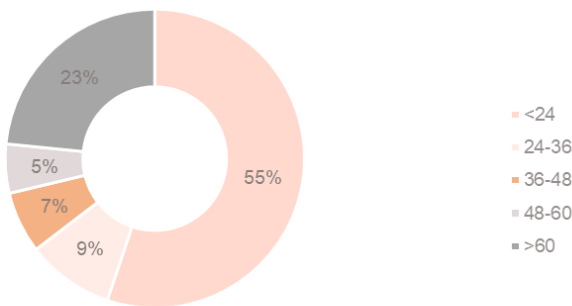
NAV Stratification by Structure<sup>(1)</sup>



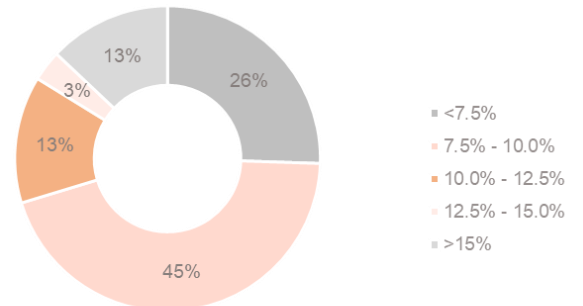
NAV Stratification by Sector<sup>(2)</sup>



Loan Book Stratification by Remaining Term<sup>(3)</sup>



Loan Book Stratification by Yield<sup>(4)</sup>



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

<sup>(2)</sup> NAV excluding working capital and debt, stratified by sector

<sup>(3)</sup> Gross outstanding loan balance, excluding Equity Assets and bonds, stratified by the remaining term of each loan

<sup>(4)</sup> Gross outstanding loan balance, excluding Equity Assets, stratified by the headline interest rate of each loan or bond

**Performance and 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%               | 180% <sup>(1)</sup> | 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% | 136% <sup>(3)</sup> | 0.56%               | 0.60%   | 0.63% | 0.67%   | 0.67%   | 0.67%   | 0.65%   | 0.60%  | 8.43%    | 25.12%                |
| 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%   |         |        | 6.44%    | 31.77% <sup>(2)</sup> |
| Share Price Performance**     | 2016 | 150%   | -     | -     | -                   | -                   | -       | -     | -       | -       | -       | -       | 0.54%  | 2.05%    | 2.05%                 |
| 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%) | 13.42%   | 15.75%                |
| Share Price Performance**     | 2018 | (194%) | -     | -     | (176%)              | -                   | -       | 0.90% | -       | 0.89%   | (0.44%) | -       | -      | (2.38%)  | 13.00%                |
| Share Price Performance**     | 2019 | -      | -     | -     | -                   | (133%)              | (0.45%) | -     | (0.45%) | (6.33%) | (3.86%) |         |        | (11.95%) | (0.50%)               |
| 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   | -       |         |        | 60.00    | 272.90                |

\* 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

<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 bought forward retained earnings

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

Source: Pollen Street Capital Limited

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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.