Net Asset Value and Investment Update

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GCP Asset Backed Income Fund Ltd
15 July 2020

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(the "Company" or "GCP Asset Backed")

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GCP Asset Backed, which invests in asset backed loans, announces that as at 30 June 2020, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) was 100.83 pence.

NAV

The NAV performance for the period is a positive movement of 0.90 pence and a rise of 0.9 per cent.

The Company's investments continued to perform in the period to 30 June 2020, with all principal and interest payments received as expected[1], generating an increase in NAV of 0.90 pence per share after the payment of dividends.

The Board, after due consideration to advice from the independent Valuation Agent and recommendations from the Investment Manager, has determined to continue with its prudent approach and keep in place a number of the discount rate movements that were made last quarter due to the continued uncertainties associated with the COVID-19 pandemic.

The Board and the Investment Manager remain confident that the Company and its subsidiary's (the Group's) diverse portfolio of assets continues to perform well and continues to offer shareholders both strong downside protection and an attractive yield even in current markets.

Portfolio Update

So far this financial year, the Company has received all expected interest and principal[1] on time and in full, as well as generating significant fees from early loan repayments. One of the Company's smallest loans was repaid in full during the quarter, with the early repayment fee generating a net IRR to the Company of nearly 40%. The Investment Manager has not received any requests for forbearance for the upcoming quarter, although one borrower is expected to continue to rely on its debt service reserve account to service its quarterly payment (see further details under Community Facility below).

As described below, there continues to be an impact from COVID-19 across a number of the Group's borrowers although all have performed in line with expectations to date and the Investment Manager is confident that the Group's portfolio remains highly defensive, by diversity of sector, borrower and through the customary protections that are afforded to debt providers.

We continue to take a cautious and prudent approach on discount rates, despite the uninterrupted debt service, as inherent uncertainty in the medium to long term continues to persist. Our expectations of the long term returns the Company may generate have not changed.

The Investment Manager will be holding a webinar on 24 July at 10am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

[1] As previously reported by the Company the CHP and ROC loan referred to below remains in default and no payments are expected on this loan until the anticipated sale completes.

Care Homes - Discount Rate unchanged from 31 March 2020

The Group has lent to four care homes. COVID-19 was detected at one of the homes during the period. At the period end, the Investment Manager was not aware of any active cases in either the residents or staff. The UK Government has announced a programme of weekly testing for staff and residents and the homes have all had access to sufficient PPE and staff throughout the period.

The discount rate has been held, as although the homes have weathered the outbreak well, the Investment Manager believes there will be a slow down in take up of new care beds over the remainder of the year. The Investment Manager will continue to monitor the impact the virus has on new residents, noting that demographics and the push for newly designed and modern homes will continue to play into the homes' favour.

Co-living - Discount Rate unchanged from 31 March 2020

The Group has a facility in place with a security package comprising 9 operational assets, 2 assets in construction and 16 sites in pre-development. The borrower provides a mixture of long stay and short stay accommodation.

Since the COVID-19 outbreak, the short stay business has been impacted by UK Government-advised restrictions, whilst the long stay accommodation remains operational and is expected to benefit from the easing of lockdown. Due to the refinancing that occurred on this asset in February, the borrower is currently in a strong cash position with the ability to weather the impact of the drop in occupancy.

The borrower has put in place strategies and is looking at several further means of maximising revenue on its sites. These include discussions with various planning authorities in relation to the planning strategy for relevant sites and engaging in a contract with a citywide health department to provide short stay accommodation for health workers.

Community Facility - Discount Rate unchanged from 31 March 2020

The Group has provided loans to two community facilities. These borrowers house a variety of small businesses, including bars, food outlets, co-working space and studio space.

One facility has been operational since December 2017. This facility was closed in accordance with Government guidance. Since the beginning of July, the facility has been slowly opening non-public areas and is in discussions with tenants about the opening of public areas.

The Investment Manager continues to remain cautious on this loan and is working closely with the management, noting that it is highly unlikely this business will be able to operate in the same manner as pre COVID-19. The borrower continues to have access to a debt service reserve account which it is using to make interest payments.

The second facility recently reached practical completion on the buildings, with work starting on the fit out and outside spaces. This facility has significant outdoor space which the Investment Manager believes will help ensure that it is better able to cope with the impact of COVID-19. The facility is not due to open until Spring 2021.

CHP and ROC Engines - Discount Rate increased by 2100 bps

This loan defaulted in March 2019 and remains the only loan to have defaulted since IPO. The loan has in place a signed sale and purchase agreement and it was expected that the transaction would have been completed during the quarter. However, since COVID-19, gas prices have halved which has put the initial project returns for the buyers under some strain. The buyers are in the process of renegotiating the construction and operations contracts to get the required savings to make the project fundable.

The Investment Manager continues to work with the buyers, but it has also reached out to several other parties who have expressed an interest in the equipment. Due to the continued uncertainty around the timing of a disposal, the Company has decided to increase the bad debt provision on this asset.

Nurseries - Discount Rate unchanged from 31 March 2020

The Group has lent to five nurseries, four of which are operational, with one in construction. The nurseries have 320 children registered to attend and also operate significant waitlists. All four operational nurseries have now re-opened and are in the process of slowly ramping up operations in accordance with government guidelines.

The borrower was able to benefit from business interruption insurance, as well several other government initiatives. The nursery in construction is now due to open in November, with construction slowing down because of the difficulties maintaining social distancing whilst working inside the building.

Waste Facility - Discount Rate unchanged from 31 March 2020

The Group has lent to a waste facility which processes c.130,000 tonnes per annum of commercial, industrial and household waste. The facility produces a refuse-derived fuel which is supplied to a large building supply company under a long-term contract for burning in its cement kilns.

As a result of COVID-19 there was an initial drop in waste supply to the facility, coupled with the contracted offtaker turning off its cement kilns.

The borrower responded well to the challenges, keeping the facility open throughout, finding new supplies of waste and purchasing a bail and wrap machine to enable the plants offtake to be stored. As economic activity increases, waste streams have started to be switched back on and the cement kilns have also been turned on, meaning the facility is tracking back to full operating capacity.

Boilers - Discount Rate unchanged from 31 March 2020

The boiler portfolio continues to perform well, though an increase in late payments was noted in the quarter. However, this still represents less than 3.5% of total payments due. The repayments and interest remain well covered and the book continues to perform strongly.

This loan had been previously revalued upwards due to its strong performance and the discount rate increase in the last quarter simply reversed this upwards valuation, taking it back to its par value. All cover ratios continue to be met and the borrowers' business remains active. The loan was conservatively financed with cover ratios being applied generating headroom in the cashflows, as well as cash sweep mechanics put in place to ensure debt remained prioritised if the outlook on the loans did start to deteriorate.

Bridging Loans - Discount Rate unchanged from 31 March 2020

The Group has lent to several parties which provide bridging loans secured against residential property. The loans are at a low loan-to-value ratio (less than 65 per cent) and typically have secondary protection in place, including personal guarantees.

A discount rate movement was added last quarter due to the slowdown in the housing market because of COVID-19. The book has continued to perform throughout the period, however, the rate is being held due to the continued uncertainty that is underpinning the UK housing market. However, the Company notes that recent Government initiatives are likely to have a positive impact.

Mezzanine Loans - Discount Rate moved to asset specific assessment

Last quarter a blanket increase was applied across all mezzanine loans. This quarter the loans were looked at on an individual basis, resulting in the increase being removed from several loans which are performing strongly.

Construction Assets -Discount Rate moved to asset specific assessment

Last quarter a blanket rate increase was applied on all construction loans. Three loans exited construction during this quarter, resulting in the increase being removed from these loans. We equally assessed all loans on an individual basis and have only continued to apply the discount rate increase to loans which are showing a potential or expected construction delay.

Share dealings

Over the quarter, the Company purchased 25,000 of its own shares at an average price of 78.19 pence, to be held in treasury. The buybacks were conducted at a significant discount to NAV. One of the Directors of the Company also purchased shares in the period.

The Board and Investment Manager note that the Company's shares continue to trade at a significant discount to NAV and continue to monitor this closely.

Outlook

The Company has had a very strong first six months of the year despite the significant impact of the pandemic. The loan book continues to perform and the dividend remains fully covered. We are happy that the loan book remains highly defensive and diverse and performed strongly both prior to the onset of COVID-19 and during the first wave of the pandemic. The Investment Manager remains encouraged by the financial position of our borrowers, the steps each borrower is taking in managing an unprecedented situation and the support they are receiving from

their equity investors.

The defensive nature of the portfolio means significant income will continue to be generated and distributed as dividends. The Company is in a robust position with cash on its balance sheet and it has access to an undrawn £50m credit facility, which was extended to August 2021 post period end. The extension was granted on the same terms as the previous facility.

We continue to seek out and look for attractive investment opportunities, both supporting our existing borrowers who are seeing opportunities as a result of coming through the pandemic in a position of strength and assessing new transactions which were historically too tightly priced for the Group's cost of capital.

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Notes to Editors

GCP Asset Backed is a closed ended investment company traded on the Main Market of the London Stock Exchange. Its investment objective is to generate attractive risk-adjusted returns primarily through regular, growing distributions and modest capital appreciation over the long term.

The Group seeks to meet its investment objective by making investments in a diversified portfolio of predominantly UK based asset back loans which have contracted, predictable medium to long term cash flows and/or physical assets.

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