Net Asset Value and Investment Update

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GCP Asset Backed Income Fund Ltd
15 October 2020

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

LEI: 213800FBBZCQMP73A815

Net Asset Value and Investment Update

GCP Asset Backed, which invests in asset backed loans, announces that as at 30 September 2020, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 101.29 pence.

NAV

The NAV performance for the period is a positive movement of 0.46 pence per share after the payment of dividends, a rise of 0.46 per cent.

The Company's investments continued to perform in the period to 30 September 2020, with all principal and interest payments received as expected[1].

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 have been made due to the continued uncertainties associated with the COVID-19 pandemic.

Five years

We are pleased to report that GABI has turned five years old having launched in October 2015 with the aim of:

- providing shareholders with regular and growing dividends;
- achieving modest capital appreciation over the long term; and
- providing shareholders with attractive returns relative to the level of risk taken.

We are pleased to report that we have met all of those targets to date, having;

- exceeded our dividend target in every year set since IPO;
- grown the NAV of the Company; and
- provided an attractive total return on investment.

In terms of some key stats, since IPO GABI has:

- invested £632m across 62 loans in 21 sectors;
- had repayments of £192m, including 14 loans which have fully repaid; and
- generated £110m of interest income and paid out £84m in dividends.

We would like to thank our investors for their continued support, and our borrowers and service providers for all the work they have done over the years. We look forward to continuing to meet our targets going forward.

Portfolio Update

During the period, two loans secured against student accommodation were partially repaid, which, with scheduled repayments, meant £16.2m was repaid and £20.9m was deployed across eight loans. The Company also made its first loan secured against football media rights and is actively looking at several other loans in this space.

Thus far in 2020, the Company has received all expected interest and principal[1] on time and in full, received principal repayments of £80.8m, deployed £70.4m and generated fees from early loan repayments.

As described further below, there continues to be an impact from COVID-19 across a number of the Company and its subsidiary (the "Group")'s borrowers. We therefore continue to take a cautious and prudent approach on discount rates, despite uninterrupted debt service, as inherent uncertainty in the medium to long term continues to persist. Our expectations for the long term returns the Company may generate have not changed.

The Investment Manager will be holding a webinar on 2 November at 10am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

Care Homes - Discount Rate unchanged from 31 March 2020

The Group has lent to four care homes. Testing regimes are in place in all four of the care homes. In the period, one staff member tested positive for COVID-19, although this did not spread to any residents. At the period end, the Investment Manager was not aware of any active cases in either the residents or staff.

The discount rate has been held constant as, although the homes have weathered the outbreak well, there is still uncertainty in this sector.

New bookings and enquiries picked up through the period and it is hoped that this momentum will continue into the winter months.

In September, the UK government announced an additional £546m of funding for the care home sector to help bolster infection prevention during the winter period.

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 15 sites in pre-development (one site was sold in the quarter). The borrower provides a mixture of long stay and short stay accommodation.

Since the COVID-19 restrictions were lifted, the borrower's long and short stay business has seen improvements month-on-month as its sales and marketing strategies continue to generate demand from consumers and extended stay agents.

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 closed in March 2020 in accordance with Government guidance, but since the beginning of July, has been slowly opening non-public areas. The opening of these areas has gone well and the facility was 73 per cent occupied in the period.

The facility owner was targeting a soft opening of the public spaces in October. However, the additional restrictions placed on venues by the Government, including the 10 o'clock curfew, has meant that the owner has had to put these plans back on hold.

The Investment Manager continues to remain cautious on this loan and is working closely with the borrower. The borrower made its quarterly payment from its debt service reserve account - the only borrower to do so.

The second facility recently reached practical completion on the buildings, with work starting on the fit-out and outside spaces. The borrower has currently let 19 of the 40 units and discussions continue with parties interested in the remaining units.

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 unchanged from 30 June 2020

This loan defaulted in March 2019 and remains the only loan to have defaulted since IPO. The Investment Manager has been in active discussions with a developer to buy the secured assets in this group since December last year, with COVID-19 and then the reduction in gas prices delaying a sale.

We are pleased to report that the developer has obtained initial credit approval from its funder and has moved to start legal work. It is expected that this asset will be sold this quarter.

Nurseries - Discount Rate unchanged from 31 March 2020

The Group has lent to six nurseries, four of which are operational, with two in construction and due to open in November 2020.

The borrower group continues to perform and is tracking back to full occupancy. One of the nurseries has received an outstanding accreditation from OFSTED, with the borrower group waiting for OFSTED to conduct reviews on the three remaining operational sites.

Waste Facility - Discount Rate reduced by 100bps back to par

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.

The facility continues to perform and is close to operating back at full capacity.

Boilers - Discount Rate unchanged from 31 March 2020

The boiler portfolio continues to perform and late payments remained at below 3.5 per cent of total payments due in the period. The repayments and interest remain covered and the book continues to perform.

The loan is conservatively financed and has cash sweep mechanics in place to ensure debt remains prioritised if the outlook on the loans starts 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.

The book has continued to perform throughout the period, buoyed by the impact of government incentives including the stamp duty holiday and right to buy.

Student accommodation - Various rates

The Group has six loans secured against student accommodation projects. During the period, two of the loans were partially repaid and we are expecting further repayments this quarter against these loans.

Two of the projects exited construction during the period and opened on time to accept September residents.

Outlook

The Company has collected all expected[1] payments during the first nine months of the year despite the significant impact of the pandemic, remaining in a robust position with cash on its balance sheet and with access to an undrawn £50m credit facility.

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 Investment Manager continues to seek out 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.

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

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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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