Net Asset Value and Investment Update

RNS Number : 9350L
GCP Asset Backed Income Fund Ltd
18 January 2021

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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 31 December 2020, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 102.18 pence.

NAV

The NAV performance for the 3 month period is a positive movement of 0.89 pence per share after the payment of dividends (which included the payment of a special dividend), a rise of 0.88 per cent.

The Company's investments continued to perform in the period to 31 December 2020, with all principal and interest payments received as expected[1]. The performance in this period means that all expected interest and principal payments were received in their entirety throughout the year.

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.

Portfolio Repayments and Redeployment

Through a challenging year, we believe that the GABI portfolio has demonstrated strength, not only in its ability to meet interest payments due, but also through the significant repayments received in the year.

Over the course of the year, there was a total of £130m in repayments, with £118m being redeployed into new investments. The scale of these repayments demonstrated the attractiveness of our loans even in these challenging conditions.

In the current period £48.3m of principal was repaid, including five loans which were repaid in full, consisting of:

Sector	Amount repaid £'m	Interest rate	Fund IRR	Reason
Student accommodation	£9.03m	9.5%	10.14%	Underlying asset sold to a pension fund
Student accommodation	£21.46m	9.5%	10.31%	Underlying asset sold to a pension fund
Energy and Infra	£7.03m	7.5%	8.56%	Underlying asset sold to an infrastructure fund
Energy and Infra	£5.45m	7.5%	8.37%	Underlying asset sold to an infrastructure fund
Asset finance	£1.50m	10.75%	11.29%	Repaid using available cashflows
Total	£44.47m	8.95%	9.40%	

These transactions demonstrate the institutional quality of the loans in the portfolio and the origination approach that is taken by the Company.

In the period £51.9m was deployed with seven new loans originated. The new loans included a football finance loan to a Premier League team and a new loan secured against a co-living development in Boston, US. The origination in the period ensured that the Fund remained fully deployed throughout the period, ending with £5m drawn on its revolving credit facility.

Portfolio Update

As described further below, there continues to be an impact from COVID-19 across a number of the borrowers of the Company and its subsidiary (the "Group"). However, whilst we are maintaining a cautious and prudent approach on discount rates, we have continued to unwind several of the provisions we put in place March 2020, because of the continued performance of the loans.

Impact	Commentary	% of Portfolio December	% of Portfolio March	Movement (as % of portfolio)
Low	No major impact to the way the business operates, with revenue			

	and costs remaining in line with previous quarters. No expected long term impact as a result of change in the medium term.	52.1%	23.5%	+28.6%
Medium	Some impact on how the business operates, some increased costs or reduction in revenues Limited expected disruption to markets in the medium term.	39.1%	64.5%	-25.4%
High	Significant impact on how the business operates, increases in costs or reductions in revenues Expected disruption to the business model in the medium term.	8.8%	12.0%	-3.2%

The Investment Manager will be holding a webinar on 27th January at 10am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

Sector update

Care Homes - Discount Rate adjustment removed and valued back at par

The Group has provided finance to four high-end private care homes. The discount rate has been removed as the homes have operated well throughout the year and new bookings have continued to track up across all homes.

In a positive development, staff and residents in the homes have been vaccinated for COVID-19 in the first wave of the vaccine roll-out. The borrower continues to benefit from a number of government support packages and enquiries from new residents has picked up.

Co-living - Discount Rate unchanged from 31 March 2020

The co-living assets provide a mixture of long stay and short stay accommodation. The Group has a facility in place with a security package comprising 9 operational assets, 3 assets in construction and 15 sites in pre-development.

The borrower's long and short stay business has proven resilient despite the UK Government-advised COVID-19 restrictions, and it has seen sustained demand from consumers. The borrower continues to review strategic funding options to deliver its development sites, and recently closed a joint venture deal to fund pre-construction of one of its London assets.

These assets are valued with an LTV of less than 65 per cent.

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 is impacted by the Government restrictions on working. Tenants are only able to operate if they have a legitimate reason to stay open. Several tenants remain operational in the building, including food kiosks supplying delivery services. Tenants that have remained open, continue to pay rent and service charges. Tenants who do not have a reason to operate have had their rent suspended.

Current occupancy at the facility is 84% by area, with several new tenants lined up for when lock down restrictions ease.

The loan utilised its debt service reserve account last year to pay interest due. This account has now been exhausted and we are beginning conversations with the borrower to determine the position of the March interest payment. The asset represents 0.5% of net assets and the interest due represents 0.6% of income in the quarter. The Investment Manager continues to remain cautious on this loan.

The second facility recently reached practical completion on the buildings, with work starting on the fit-out and outside spaces. The borrower has let 83% of the Phase1 units. Discussions are well progressed on Phase 2 let outs.

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 fully open until Spring 2021, however, a number of tenants have taken up early occupancy, including a micro brewery, coffee shop and wood workshop.

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 (it represents only 0.4% of net assets). We have continued to work on a sale of the asset. As reported last quarter, the buyer instructed advisers with their suite of due diligence reporting completed pre-Christmas. Work is ongoing with regards to agreeing the build and operating contracts. We are working towards a completion in Q1 2021.

Nurseries - Discount Rate reduced by average of 29 bps

The Group has lent to six nurseries, all of which are now operational, with two opening in the quarter.

The borrower group continues to perform and occupancy remains high and strong ramp-up is being seen on the recently opened sites. Nurseries have been allowed to remain open under the current restrictions and there has been minimal drop-off in attendance, despite the national lockdown.

Bridging Loans - Discount Rate reduced by 25bps

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 Help to Buy schemes. We have kept a small 25bps COVID-19 related risk premium due to the continued economic uncertainty.

Student accommodation - Various rates

The Group has four remaining loans secured against student accommodation projects, as, during the period, two of the operational loans

were fully repaid. Of these four loans, one is operational, with the remaining three in development. We are expecting two of these development loans to complete construction in the summer, ahead of the academic year 2021/22. All construction projects are proceeding as planned, despite the current lockdown.

The two operational loans that repaid in the period generated strong returns for the Fund and were sold at prices above the initial valuations, highlighting the continued and strong institutional investor appetite in this sector.

General

Share dealings

Over the quarter, the Company purchased 1,333,000 of its own shares at an average price of 84.52 pence, to be held in treasury. The buybacks were conducted at a significant discount to NAV.

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

Dividends

On 19 October 2020, the Company declared a quarterly dividend in respect of the period from 1 July 2020 to 30 September 2020 of 1.55p per share, which was paid on 27 November 2020. In addition to this quarterly dividend, and to reflect the fact that portfolio returns have exceeded the amount expected to be paid by way of regular quarterly dividends, on 26 November 2020, the Company declared a special dividend of 0.25p per share, which was paid on 29 December 2020.

In respect of the current financial year, the Company has paid three quarterly dividends of 1.55p per share and the special dividend of 0.25p per share. It is expected that the fourth interim dividend, in respect of the period from 1 October 2020 to 31 December 2020, will be announced later this month.

Outlook

The Company has collected all expected[1] payments during the year despite the significant impact of the pandemic. The Company has access to around £45m of capital via its RCF.

The Investment Manager remains encouraged by the financial position of our borrowers and the proactive steps each borrower is continuing to take in managing their businesses in these challenging times. The Group's annual results are due to be published in late March.

[1]As previously reported by the Company, the CHP and ROC loan referred to in this 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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