Net Asset Value and Investment Update

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GCP Asset Backed Income Fund Ltd
15 July 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 30 June 2021, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 102.71 pence.

NAV

The NAV performance for the 3 month period is a positive movement of 0.22 pence per share after the payment of dividends, a rise of 0.21 per cent.

The Company's investments continued to perform in the period to 30 June 2021, with all principal and interest payments received as expected[1]. The performance in this period means that all expected interest and principal payments have been received in their entirety since the onset of the COVID-19 pandemic in early 2020.

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 to discount rate movements to reflect continued uncertainties related to the COVID-19 pandemic on several loans. During the period a number of discount rate adjustments have been made, which are detailed below.

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

Portfolio Update

We continue to allocate our loans into three categories on a high-level basis. In line with previous updates, the portfolio as a whole continues to move towards a lower risk rating, with discount rates being adjusted to reflect this risk reduction.

Impact	Commentary	% of Portfolio June 21	% of Portfolio March 21	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.	55.4%	56.5%	(1.1)%
Medium	Some impact on how the business operates, some increased costs or reduction in revenues. Limited expected disruption to markets in the medium term.	36.5%	34.7%	1.8%
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.	8.1%	8.8%	(0.7%)

The Investment Manager will be holding a webinar on 27 July 2021 at 10am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

Sector update

Co-living - Discount Rate increased from 31 March 2020 by 250bps

The borrower, which provides a mixture of long stay and short stay accommodation, has a facility in place with a security package comprising 10 operational assets, 5 assets in construction and 12 sites in pre-development.

GABI is a minority lender as part of a syndicate of lenders to the borrower. The borrower undertook a strategic review of its funding position and determined that the long-term viability of the borrower group would be better met via a sale. A sales process was kicked off in the period and several bids were received for the borrower group, with bidders now at the second round stage.

The discount rate on the loan has been increased to reflect the offers received for the group and the expected buyout price on the debt.

Community Facility - Discount Rate unchanged from 31 March 2020

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

Despite both facilities now being open, they continue to be impacted by the UK Government's restrictions on dining and drinking. These restrictions continue to limit capacity at both venues, as only table service is allowed in groups of up to six. Serving customers in this way increases overheads as additional serving, front of house and cleaning staff are all required. Despite these restrictions, both facilities have operated well in the period, taking advantage of the UEFA European 2020 Championship to significantly increase both footfall and income.

One site made interest payments as planned, whilst the newer site continued to capitalise interest. Both sites are experiencing strong interest in their remaining units, including a significant events operator who is interested in leasing the event space at the new site for a period of 10 years.

We remain hopeful that the easing of restrictions will allow these businesses to thrive. Continuing the prudent approach to adjustments, we have held the current provisions until we see the impact of the movement out of lockdown.

CHP and ROC Engines - Discount Rate unchanged from 30 June 2020

This loan defaulted in March 2019, since which time we have been working to achieve a sale of the asset. We are pleased to report that the asset was sold to an investment bank in the period. This resulted in an immediate repayment of £1.08m, with a further £1.1m held in escrow subject to any potential warranty claims. The first £1m is expected to be released in December 2021 and the final £0.1m in March 2023. We remain confident that there are unlikely to be any claims against these warranties, as the SPV has sat dormant and within our control since it defaulted.

There is one ROC engine which sat outside the sale. This is in a separate SPV, over which we have full security. The developers were awarded a Renewable Heat Incentive tariff in the period and are now looking to build out the facility, targeting financial close towards the beginning of quarter four. We have not ascribed any value to this engine in the current NAV and will update this in September, depending on whether financial close is likely to be achieved or whether we will need to sell the engine.

The valuation of the asset was slightly increased in the period in line with the current expected recovery of the warranty amounts. This asset has been moved from high to medium risk in the period.

Nurseries - Discount Rate unchanged from 31 March 2021

The Group has lent to 11 nurseries, all of which are now operational. The group lent against one additional nursery in the period.

The borrower group continues to perform and occupancy remains high. We remain excited about the borrower who is fast building a reputation as one of the premium nursery brands in London.

Bridging/Development and Buy to Let Loans - Discount Rate reduced by average of 2bps

The Group has lent to several parties which provide specialist property 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. This book of loans has continued to perform strongly throughout the period, though an average 15bps discount rate adjustment remains across the loans. This is to provide some caution against fluctuations in property prices as a result of the ending of the stamp duty holiday and furlough schemes provided by the UK Government.

The Group has also provided a warehousing line for a buy-to-let mortgage portfolio, which was refinanced in the period through a securitisation of the book. This is the third time our warehousing line has been securitised and on each occasion the spreads achieved have tightened. The funds returned are moved into bridging loans as the warehousing line builds back up, ensuring there is no cash drag on behalf of the Fund. As a result of the continued high performance, the 15bps discount rate adjustment on the buy to let portfolio has been removed.

Student accommodation - Various rates

The Group has four remaining loans secured against student accommodation projects.

In the period we increased the discount rate against our Australian student accommodation loan by 100bps. This rate was increased due to the continued lockdown of the country and therefore the difficulty in attracting foreign students. The three main buildings we have funded have all completed construction, though they are all currently mothballed. The equity holders remain highly supportive and have injected additional equity to cover the running of the assets through to 2022. We are also in discussions with the equity holders regarding a small prepayment on the loan.

We have decreased the provision on our Dublin loan by 100bps as a result of the strong advanced bookings that are being seen for September.

Overall we remain highly supportive of our student accommodation loans and we are seeing significant interest from large institutions in the high quality and well located assets we have funded.

General

The portfolio continues to rotate well with £35.7m repaid and £54m deployed against five new loans in the period. We continue to see strong performance in existing loans with notable increases in the occupancy of our care homes and the continued strong performance of property loans being a highlight in the period.

During the period, shareholders voted to allow the Company to increase its overseas exposure from 20% to 30%, at the period end the total overseas exposure was 20%.

Dividends

On 29 April 2021, the Company declared a quarterly dividend in respect of the period from 1 January 2021 to 31 March 2021 of 1.575p per share, which was paid on 14 June 2021.

Outlook

We continue to remain encouraged by the overall performance and strong cash generation of the portfolio. As the country looks to lift remaining coronavirus restrictions, we remain hopeful that the high risk loans we have highlighted will be able to recover.

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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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