Net Asset Value and Investment Update

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GCP Asset Backed Income Fund Ltd
19 July 2022

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GCP Asset Backed Income Fund Limited

(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, at 30 June 2022, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 98.45 pence per share.

NAV

The NAV performance for the 3 month period is a negative movement of 0.91 pence per share after the payment of dividends, a decrease of 0.92% per cent.

The negative NAV performance for the period was driven by valuation adjustments to the Company's loan to the co-living group (the "Co-living Group Loan") as described below.

Portfolio update

The Company currently has exposure to 59 loans across 22 sectors. Overall, the portfolio continues to perform well, and the Investment Manager remains satisfied with the mix and quality of investments within the portfolio.

The Company continues to experience repayment of capital, with a further £9.5 million of principal returned in the period. Its first football finance loan repaid in full, with the Company receiving additional prepayment fees. The Investment Manager believes that this is an attractive sector and, whilst not currently looking to increase the Company's overall exposure, the Investment Manager is looking to complete follow-on transactions as funds are repaid.

The Company's remaining battery storage project repaid in full in the period, generating additional income through prepayment fees. Battery storage has been a strong sector for the Company, with all loans repaying early and benefiting from fee uplifts.

The only assets in the portfolio that are categorised as high risk are the Co-living Group Loan and the two community facility loans, as described below.

The Co-living Group Loan

At 30 June 2022, given the continuing uncertainty surrounding the realisation value of the Co-living Group Loan, the Directors, having taken advice from the Company's valuation agent and Investment Manager, have considered a range of values, resulting in an impact ranging from a low of negative 1.53 pence per share to a high of positive 0.25 pence per share on the NAV of the Company. Consistent with the Board's historical preference for prudence, the Directors have decided to value the Co-living Group Loan at 30 June 2022 at the lower end of this valuation range, resulting in a negative NAV movement of 1.21 pence per share.

This decision was based upon a number of developments in the period which have altered the valuation range from what was previously considered a prudent position. The Investment Manager is working to resolve a number of these positions in a way which mitigates the impact to the Company.

Community facilities

The Company has provided loans to two community facilities, which house a variety of small businesses including bars, food outlets, co-working, studios and workshop space.

The first community facility remains near fully occupied and work is underway to further enhance the building, including letting the unused basement.

The second community facility has performed well in the period. The opening of the outside garden space at this facility, as noted at the end of the last quarter, has had a positive impact on the site. Further spaces are looking to be activated with discussions advancing on the last remaining units to be let.

The Investment Manager remains confident that these are strong assets with borrowers which should be well placed to repay their respective loans. We anticipate that the adjustments taken against these loans will be kept in place until the assets are fully stabilised and able to demonstrate a period of sustained performance.

The Investment Manager continues to work closely with the management team to support improvements at these assets.

Dividends

On 29 April 2022, the Company announced an increased quarterly dividend in line with its new dividend target for the year of 6.325p. It declared a quarterly dividend in respect of the period from 1 January 2022 to 31 March 2022 of 1.58125p per share, which was paid on 14 June 2022.

Outlook

Market volatility and economic uncertainty are continuing to increase as a result of high inflation, interest rate concerns and the impact of the Russian invasion of Ukraine on energy prices and supply chains. Whilst we note the impact that this is having on the Company's share price, the Investment Manager is pleased to report that the portfolio as a whole remains resilient. The Investment Manager continues to focus on lending in known sectors and borrowers, based on their performance during the pandemic and throughout the life of the Company. The Investment Manager believes that the continued repayments and deployment into new and attractive sectors demonstrates the robustness of the portfolio.

The Investment Manager continues to liaise with the Company's borrowers on a regular basis to assess the impact of inflation, power prices and staffing on their businesses, noting that a number of borrowers may benefit from an inflationary environment given the nature of their business models.

The Investment Manager continues to apply its measured approach to investing and is aiming to resolve the workout process of the Co-living Group Loan in a manner which will maximise recovery for the Company.

The Investment Manager will be holding a webinar on Wednesday 27 July 2022 at 10.00am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

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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 backed loans which are secured against contracted, predictable medium to long term cash flows and/or physical assets.

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