Net Asset Value(s)

RNS Number : 8540D
GCP Asset Backed Income Fund Ltd
24 October 2022

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GCP Asset Backed Income Fund Limited

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

LEI: 213800FBBZCQMP73A815

Investment Update and Net Asset Value

GCP Asset Backed, which invests in asset backed loans, announces that, as at 30 September 2022, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 96.18 pence per share.

NAV

The NAV performance for the 3-month period is a negative movement of 2.27 pence per share after the payment of dividends, a decrease of 2.31 per cent.

The negative NAV performance for the period was primarily driven by adjustments to the discount rates of the loans as applied by the Company's independent valuation agent, to reflect increases in risk-free rates.

The valuation agent has applied an increase of 50bps in the discount rate across all loans in the property sector (excluding assets outside the UK or those expecting to repay in Q4 2022) and in the supported living sector to reflect broader market movements. Asset specific adjustments are outlined in more detail below for non-performing loans.

The Investment Manager recognises that the macroeconomic environment changed significantly in the period and heightened macroeconomic volatility persists. The Company was able to adapt to this environment, with the loans closed in the period averaging a yield of 8.7%, against an average portfolio yield of 7.6%. We believe that the current macroeconomic environment will present opportunities for the Company enabling the continued payment of an attractive level of dividends.

The outlook for alternative lenders improves in times of lending instability and the Company remains well positioned and capitalised to take advantage of these opportunities, due to the healthy repayment profile of the Company and the weighted average term of its loans of 5.1 years.

Portfolio Update

The portfolio continues to perform well, despite the challenging macroeconomic environment, with all expected principal and interest payments received in the quarter. The portfolio has continued to rotate with £28.3m of repayments in the quarter including both scheduled amortisation across operational assets such as nurseries and CNG stations, and full repayments on property bridging loans and football finance positions.

The Investment Manager is also pleased to report £41.5m in investments completed in the period, including additional drawdowns for purpose-built care homes, property lending portfolios and committed funding for construction of a new residential development in the US.

Co-Living Group Loan

Post-period end, the sale of the largest asset within the Co-Living Group completed in line with expectations. The proceeds of the sale, which are accounted for in the NAV above, are in the process of being distributed to the Company and other lenders. Further payments are expected at the end of Q4 2022 in line with the sales documentation, as final balance sheets are completed. The asset had its strongest ever quarter, with the short stay rooms trading significantly above budget.

Work is ongoing on the remaining assets within the Co-Living Group to realise value.

In addition to the increased discount rates for all loans across the property sector, the valuation agent has also applied a further write-down to the Co-Living Group Loan to reflect headwinds in UK property valuations.

Community facilities

The largest of the two community facilities continued to perform well throughout the period and is expected to transfer to a highly experienced operator in the coming weeks. The new operator has had significant success with similar sites in London and has committed to invest into the site to further enhance its revenue capabilities. The Investment Manager remains confident that this asset is now well positioned to grow its earnings and repay its loan over the term. The operator is expecting a strong Q4 with Christmas events and the football World Cup 2022 driving footfall to the site. The Investment Manager hopes to remove this asset from the watch list in the coming quarters.

The Investment Manager is working closely with the operator of the second facility to complete planned improvements on site. The new events space has opened and significant corporate bookings are being achieved. The basement space is expected to open shortly and the studios remain 94% occupied.

The valuation agent has applied a 100bps increase in the discount rate on both loans to reflect increases in benchmarks across this sector.

Dividends

On 22 July 2022, the Company declared a quarterly dividend in line with its dividend target for the year of 6.325p in respect of the period from 1 April 2022 to 30 June 2022 of 1.58125p per share, which was paid on 2 September 2022.

Share Buybacks

Post period end, the Company has purchased 539,000 of its own shares at an average price of 76.1p, to be held in treasury. The buybacks were conducted at a significant discount to the June 2022 quarter end NAV announced on 19 July 2022. The Company's shares are currently trading at a significant discount to the September 2022 quarter end NAV. The Board and Investment Manager are continuing to work to try and reduce this discount through available mechanisms.

Resignation of Lead Fund Manager

Following the post period end announcement on 10 October 2022 of the resignation of the Company's lead fund manager, David Conlon, the Investment Manager is focussed on delivering continuity of service for the Board and investors. Further information on any appointments will be announced in due course.

Outlook

The Investment Manager is continuing to see opportunities for the reinvestment of returning capital at attractive and increased risk-adjusted rates. The Company has access to its credit facility and continued return of principal, which enables it to efficiently deploy capital. We are working closely with existing and new borrowers to identify attractive opportunities in the current environment.

The Investment Manager will be holding a webinar on Wednesday 26th October at 10am to provide more detail on the portfolio. For any investor interested in joining, please e-mail zoe.french@graviscapital.com.

For further information, please contact:

Gravis Capital Management Ltd	+44 (0)20 3405 8500
Rollo Wright	
Philip Kent	
Joanne Fisk	
Investec Bank plc	+44 (0)20 7597 4000
Helen Goldsmith	
Denis Flanagan	
Neil Brierley	
Buchanan/Quill	+44 (0)20 7466 5000
Helen Tarbet	
Sarah Gibbons-Cook	
Henry Wilson	

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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