Quarterly Portfolio Update and Dividend

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GCP Asset Backed Income Fund Ltd
26 January 2023

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

LEI: 213800FBBZCQMP73A815

Quarterly Portfolio Update and Dividend Announcement

GCP Asset Backed, which invests in asset backed loans, announces that, as at 31 December 2022, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 94.90 pence per share.

NAV

The NAV performance for the 3-month period to 31 December 2022 is a downward movement of 1.26 pence per share after the payment of dividends, a decrease of 1.31 per cent.

The negative NAV performance for the period was driven by further reductions in the valuation of the Co-Living Group Loan due to a re-assessment of the estimates of the net realisable value of the underlying assets that remain subject to changes in market conditions and other factors.

Portfolio Update

Whilst the negative NAV movement over the period is disappointing**,** the Investment Manager is pleased to report an active period for investment with £45.2m invested, including drawdown of a £14m loan committed in Q3 2022. Investments were made in the period in further drawdowns for both new and existing borrowers in six distinct sectors including football finance, anaerobic digestion, community facilities, FX margin financing, residential development and property lending. Investments in the period have seen further progress in the Company's ability to opportunistically capture higher yields, with an average 8.9% yield in the period (8.7% in Q3) against the Company's average portfolio yield of 8.03% (7.57% in Q3). We believe that this demonstrates the strength of the opportunity presented to reset the return profile of the portfolio through re-investment in the current macroeconomic environment.

Over the quarter, £24.1m in repayments were received, including scheduled amortisation across operational assets and final repayments on a property bridging position, infrastructure assets and one of the football finance loans. The weighted average yield on loans repaid during the quarter was 7.5%.

Inflation mechanics on a number of loans have been triggered by base rate increases, leading to uplifts in interest rates of up to 75bps on impacted loans. The Investment Manager continues to work closely with borrowers to ensure that inflation mechanics remain appropriate for the underlying businesses, but the Investment Manager is pleased to see these increases flowing through to the loan book valuation.

Work-out continued on the two problem loans:

- Co-Living Group Loan (1.0% of the Company's portfolio):

  Work is continuing to realise value from key assets within the portfolio.

  During the period, the Canary Wharf asset was sold by the acquisition vehicle, which is a significant milestone in the recovery process. Work continues with the buyer with the final settlement of the remaining sales proceeds expected by the end of H1 2023. Progress is ongoing to resolve outstanding points for the acquisition vehicle to market the other large operational asset, Old Oak. The Collective Group's sales process for the flagship US asset has not produced viable offers to-date .and the cost estimates to wind up the acquisition vehicle have been revised upwards. Therefore, in conjunction with the Company's independent Valuation Agent, it has been deemed prudent to apply a further write-down to the recovery figure for the assets.

  While this is a disappointing result for the Company, the Investment Manager is confident that the issues with this loan do not read-across to the rest of the portfolio which is continuing to perform well.

- Community Facilities (1.5% of the Company's portfolio):

  Performance of both sites was positive over the quarter, with income from Christmas events and the football World Cup driving additional revenue. As reported in October 2022, one site has moved to new ownership and the Investment Manager is working closely with operators on the second site to move the asset into profitability and agree a revised repayment profile.

In addition, the Investment Manager has added one additional asset to the watchlist:

- Supported Living Asset (3.0% of the Company's portfolio):

  This loan is secured against 15 properties, of which three are managed by a Registered Provider which was downgraded by the Regulator for Social Housing in the period and is currently overdue on some rental payments. These three properties account for 1.5% of the Company's portfolio and accrued unpaid rent is *de* minimis. The Investment Manager is working with the borrower to explore available options to help ensure recovery of the outstanding amounts in full. The remaining 12 properties continue to perform in line with expectations.

Dividends

On 2 November 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 July 2022 to 30 September 2022 of 1.58125p per share, which was paid on 9 December 2022.

The Board is pleased to announce a quarterly dividend in respect of the period from 1 October 2022 to 31 December 2022 of 1.58125 pence per ordinary share (the "Q4 Dividend").

The ordinary shares will go ex-dividend on 2 February 2023 and will be paid on 3 March 2023 to holders of ordinary shares recorded on the register as at close of business on 3 February 2023.

Scrip Dividend Suspension

The Board, in its discretion, has determined that the offer of a scrip dividend will remain suspended for the Q4 Dividend. The suspension is as a result of the discount between the likely scrip dividend reference price of the shares and the current net asset value per share of the Company. The Board will keep the payment of future scrip dividends under review.

Share Buybacks

In the period, the Company purchased 5,682,459 of its own shares at an average price of 81.7p, to be held in treasury. The buybacks have continued post period end, with an additional 2,050,000 shares purchased as at the date of this announcement. The Company's shares are currently trading at a discount to the December 2022 quarter end NAV. The Board and Investment Manager are continuing to work to try to reduce this discount and have been engaging with shareholders in the period.

Outlook

Whilst it is disappointing to see a further reduction in the NAV, the Investment Manager is pleased to report significant re-investment of the portfolio and efficient use of available capital. The Investment Manager is continuing to see strong opportunities for investment with new and existing borrowers at attractive risk-adjusted rates of return.

The current macroeconomic environment presents both challenges but also opportunities for alternative lenders and the Investment Manager remains confident that the portfolio of defensive and diversified loans mean that the Company is well placed to deliver against the Company's investment objectives, including regular and growing distributions.

The Investment Manager will be holding a webinar on Wednesday 1st February at 10am 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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