Quarterly update and dividend declaration

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GCP Asset Backed Income Fund Ltd
20 July 2023

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

LEI: 213800FBBZCQMP73A815

Quarterly update and dividend declaration

GCP Asset Backed, which invests in asset backed loans, announces that, at 30 June 2023, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) was 93.96 pence per share.

NAV

The NAV represents a quarterly decrease of 1.17 pence per share (1.2%) from 31 March 2023 primarily as a result of an increase in discount rates in response to the prevailing interest rate and credit spread environment, as advised by Mazars, the Company's independent valuation agent. The weighted average discount rate of the portfolio at 30 June 2023 was 9.3%, an increase of c. 1.3% over the previous 12 months (30 June 2022: 8.0%), excluding the Company's Co-living group investment. The weighted average yield generated by the Company's investments excluding the Co-living group investment has increased from c. 7.9% to c. 8.6% over the same period.

Share price

The Board and Investment Manager remain focused on addressing the discount to NAV at which the Company's shares trade. Since the start of 2023, the Company has purchased 8.525 million of its own shares and over 16 million since the commencement of the buyback strategy, to help support the share price, providing liquidity for those looking to dispose of shares, along with NAV accretion for remaining holders.

The Company's current share rating means that, whilst such rating persists, further new investment activity is considered secondary to using the Company's available cash resources to either: (i) repay the revolving credit facilities and reduce the Company's net debt; or (ii) buyback the Company's shares. In the 6-month period to 30 June 2023, the Company has invested only £4.5 million into new investments outside of supporting existing borrower relationships.

The Board and Investment Manager continue to work on strategic initiatives that, if completed, should provide benefits to Shareholders.

Resource update

The Investment Manager has informed the Board that it has agreed terms with a senior individual who will join the Investment Manager in October 2023 as Chief Investment Officer. The individual has significant experience in analysing and structuring credit products and will support Philip Kent and the Gravis team more widely in their provision of investment management services to the Company. The Board and Investment Manager look forward to introducing this individual to shareholders in due course.

Portfolio update

During the quarter to 30 June 2023, £7.6 million of interest was realised and c. £14.0 million of repayments were received. The Company also invested c. £11.1 million, including a further investment of c. £10 million to continue to support an existing borrower in the roll-out of high-end nurseries and follow-on investments of c. £1.1 million to existing borrowers.

In the period, the Bank of England raised its base rate from 4.25% to 5.00%. The Company has several investments where the interest rate charged is linked to the base rate and therefore future income is expected to increase by c. £400,000 per annum by way of additional interest chargeable.

The Company and Investment Manager continue to work to resolve the four problem and three watchlist loans, as detailed below. Percentage exposures reflect the valuation of each investment relative to the fair value of total investments at 30 June 2023.

- For the supported living asset (2.9%) previously classified as a problem loan, positive progress has been made in the period. Mazars recommended increasing the discount rate on the loan by 50bps to account for market movements, which have also been applied to other supported living assets within the portfolio.

- In respect of the Co-living group (2.1% across two investments), progress has been made in the disposal of the US asset and the Investment Manager continues to work with senior lenders to agree options for the disposal of the Old Oak asset. Mazars' central valuation recommendation, incorporated in the NAV, is at a similar level to the 31 March 2023 valuation.

- In the period, cash payments were received in respect of the guarantee underwriting 50% of the outstanding amounts under the previously disclosed football finance problem loan (0.3%). A creditor proposal has been received in respect of the other 50%, the impact of which (if accepted) would be an impairment of c. £0.9 million. As recommended by Mazars, this impairment has been reflected in the NAV.

- The Investment Manager and Mazars have recommended a provision against the value of the previously disclosed problem loan secured against a multi-use community facility (0.5%) of c. £1 million due to ongoing operational challenges at the project. The Investment Manager continues to actively engage with the Borrower and other key stakeholders on initiatives to resolve such challenges. The other multi-use community facility loan (0.9%) remains on the watchlist. Mazars noted the improvements to the performance on the site and recommended no change to their previous valuation.

- The Company has not received cash interest and repayments owed totalling c. £3 million under two loan facilities invested in a portfolio of student accommodation assets (5.6%). In one case a repayment of c. £2.3 million has been delayed due to delays in the refinancing of the project. A short extension is being sought with cash interest payments continuing to be fully serviced. In the other case, the Investment Manager is engaged with the Borrower to resolve the non-payment and remains confident in recovery of the amounts owed and the value of the underlying assets. No provision has been made in the NAV in respect of these investments.

Revolving Credit Facilities

On 7 July 2023, the Company announced an extension to the maturity date of its revolving credit arrangements, to August 2024, on the same terms as the existing facility. At 30 June 2023, the drawn balance of the revolving credit facility was £48.1 million.

Dividends

On 3 May 2023, the Directors declared a quarterly dividend in respect of the period from 1 January 2023 to 31 March 2023 of 1.58125p per share, which was paid on 12 June 2023. Aggregate dividend payments over the last 12-months represent a 11.5% yield on the Company's closing share price at 18 July 2023.

The Board is pleased to announce a quarterly dividend in respect of the period from 1 April 2023 to 30 June 2023 of 1.58125 pence per ordinary share (the "**Q2 Dividend**").

The ordinary shares will go ex-dividend on 27 July 2023 and will be paid on 25 August 2023 to holders of ordinary shares recorded on the register as at close of business on 28 July 2023.

Scrip dividend suspension

The Board, in its discretion, has determined that the offer of a scrip dividend will remain suspended for the Q2 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.

The Investment Manager will be holding a webinar on Tuesday 25th July at 11am to provide more detail on this update. 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. Its shares are traded on the Premium Segment of 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 Company 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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