# Quarterly update

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GCP Asset Backed Income Fund Ltd
25 January 2024

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GCP Asset Backed Income Fund Limited

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

LEI: 213800FBBZCQMP73A815

**Quarterly Update**

GCP Asset Backed, which invests in asset backed loans, announces that, at 31 December 2023, the unaudited net asset value ("NAV") per ordinary share of the Company (including current period revenue) is 93.21 pence per share.

**NAV**

The NAV represents a quarterly decrease of 0.15 pence per ordinary share (0.16%) from 30 September 2023. As detailed in the portfolio update below, this is mostly a reflection of broad sector-based discount rate movements rather than any material loan-specific valuation adjustments. The weighted average discount rate of the portfolio at 31 December 2023 was 10.63%, an increase of 0.36 percentage points over the quarter and an increase of 2.25 percentage points since 31 December 2022.

**Capital allocation**

As previously stated, in the period up until the Company's AGM in May 2024, the Board of Directors (the "Board") intend to use any available cash: (i) to repay the Company's outstanding balance under its revolving credit facilities and reduce the Company's net debt; or (ii) buyback the Company's shares whilst such shares trade at a material discount to the Company's NAV per ordinary share. Ahead of the May 2024 AGM, the Investment Manager, Gravis Capital Management Limited, will continue to work with existing borrowers to determine how best to maximise value for the Company.

During the quarter ending 31 December 2023, the Company did not make any investments with new borrowers. At 31 December 2023, the Company had fully repaid its revolving credit facility (£30.1 million drawn at 30 September 2023) and had cash at that date of £30.9 million.

No new investment activity is planned during the current quarter, with the exception of the potential amendment and extension of facilities to existing borrowers, which the Investment Manager will continue to assess on a case-by-case basis with any such amendments and extensions that are material requiring approval of the Board of the Company.

The Board expects to announce an update on its Strategic Review for the future of the Company in the coming days, alongside details of a share buyback programme.

**Investment Manager resource update**

Following the appointment of Anthony Curl as Chief Investment Officer on 3 October 2023, the Investment Manager has further announced that Albane Poulin will be joining, on 5 February 2024, as Head of Private Credit, a new role.

Albane Poulin brings a wealth of private credit origination and management experience. She joins the Investment Manager from abrdn, where she was Head of European Private Placements and the lead fund manager of the Secure Income and Cash Flow Funds. Albane will support the ongoing provision of services to the Company, alongside Philip Kent, Anthony Curl, Luther Ward-Faint and the wider team. She will also serve on the Investment Manager's Investment Committee. The Investment Manager looks forward to introducing her to shareholders in due course.

**Portfolio update**

In arriving at the 31 December 2023 valuations, Mazars, the Company's independent valuation agent, has applied specific discount rate adjustments to certain sectors, including a 25 basis point premium for most of the Company's loans in the property and social housing sectors and a 50 basis point increase in discount rate for the solar sector loan to align with the increase in discount rates for that sector, as witnessed over the last 15-18 months.

As previously announced, in December 2023 the Company received circa £35 million from the early repayment of loans secured against a portfolio of nurseries across the UK. The proceeds comprised the repayment of £33.64 million of principal, £0.65 million of accrued interest and a prepayment fee of £0.75 million.

Combined with scheduled repayments over the quarter to 31 December 2023, a total of just over £50 million of repayments was received. Interest of £6.68 million was realised over the period.

No assets were added to the Watchlist or Problem Loans list during the quarter. The Company and Investment Manager continue to work to resolve the remaining Problem and Watchlist loans. More detail on the status of these loans is provided below:

Watchlist and Problem Loans (together representing 11.4% by value of the 31 December 2023 NAV):

- Co-living group (0.3% NAV): this asset has been written down materially over past quarters based on estimated recovery amounts and is held at an unchanged value for 31 December 2023.

- Social housing (3.2% NAV): classified as a Problem Loan due to persistent covenant breaches and failure to

meet repayment obligations stemming from issues relating to one of the Registered Providers; an initiative is underway to exit the exposure.

- Multi-use community facilities (0.5% NAV): the Investment Manager is in discussions to change the food and beverage provider and events space operator, alongside exploring exit options.

- Student accommodation (5.7% NAV): repayment on the scheduled maturity date was not received and the Investment Manager is in discussions concerning a short-term extension to enable an orderly sale of the operational assets, which are performing well; repayment expected in 2024.

- Student accommodation (0.6% NAV): the Borrower has requested an extension to allow for a refinancing / sale of this asset in order to repay the loan; comfort is taken from the Borrower's intention to use proceeds from the sale of another asset, expected in the near term, to be used to repay this loan.

- Multi-use community facilities (1.0% NAV): continued improvements to performance have been seen and the asset has re-commenced payments; the loan remains on the Watchlist until further improvement has been established.

- Football finance (0.1% NAV): for one of the football finance loans, Mazars has written-off the unguaranteed portion due to uncertainty around repayments as these are dependent upon the club being sold in the future and the amount of sale proceeds that may be received; the guaranteed portfolio of the loan is held at par. The adjustment for the 31 December 2023 valuation was a £0.7 million impairment.

**Dividends**

On 8 November 2023, the Directors declared a quarterly dividend in respect of the period from 1 July 2023 to 30 September 2023 of 1.58125p per share, which was paid on 15 December 2023. Aggregate dividend payments over the last 12-months represent a 9.5% yield on the Company's closing share price at 24 January 2024.

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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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