

PRESS CUTTINGS

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UK alternative lenders reap the rewards in sector left open by conventional banks

17/05/2016 by: Lucy Howell

Banks' tough lending criteria means there are exciting pockets of the market left open for alternative lenders, says Gravis Capital Partners LLP (GCP).

Project Finance Investments Limited (PFI), the latest fund from GCP, is a lender focused on the project finance sector of UK lending evolved from the banking withdrawal from many lenders in the UK.

Rollo Wright, founding partner of GCP, says the trust has "over delivered" since its launch in October 2015 and was able to pay out its first dividend ahead of schedule as well as increasing its target dividend by 25 percent.

Two characteristics which drive the company are having security over a physical asset such as a property and security over a contracted cash flow i.e 21 year lease for a housing association. Its diversified portfolio of project finance investments made over £100 million in October which was reinvested "a lot quicker than anticipated". This is the reason why it was able to bring forward the first dividend payment to this month rather than later this year in August. Additionally, the target dividend for next year has increased to five percent (compared to four percent this year).

The company is looking to raise a further £60100 million, as they continue to see many "exciting" lending opportunities in the market at the moment. "We don't see the banks becoming more active in our sector. If anything the banks are become more withdrawn and they continue to be difficult to deal with," said Mr Wright. "This creates huge opportunities for alternative lenders."

"Banks are very inflexible about size and long lending terms of loans. Project Finance Investments as a lender has a good reputation for being reliable finance on the terms that are tailored to whatever our borrower needs," Mr Wright said.

Returns in mainstream markets such as bonds have been falling over the last few years. This is important for those who require absolute return i.e. pensioners who need a regular income, says Mr Wright.

"They have to take a greater level of risk every year to achieve that absolute level of return. We believe you can find value in the credit market at the moment. Along with wealth managers, pensioners and individual investors are the bread and butter of our shareholders."

The company has invested in eight loans to date with a weighted average yield of 8.1 percent. The weighted average remaining term is around nine years and the average size of loans is between £4 20 million. In terms of the structure of the debt, it is all senior so the company has first ranking security in all instances which give them 100 percent control over the assets which they lend against.

GCP's other funds include GCP Infrastructure Investments, a FTSE250 investment trust launched in 2010 with a market capital of around £750 million; and GCP Student Living, which invests in purpose built student blocks primarily in and around London