

# RM Secured Direct Lending PLC

## Quarterly Fact Sheet

31<sup>st</sup> September 2019

Company Overview	
ISIN - Ord's	GB00BYMTBG55
ISIN - ZDP's	GB00BG1TSQ91
Ticker Ord's	RMDL
Dividend	Quarterly
Listing	Main Market LSE Premium Listing
Target Dividend Yield	6.5% p. a <sup>1</sup>
Management Fee	0.875% <sup>2</sup> :
Discount Management Strategy	Share buy-backs if 6% discount or more <sup>3</sup>
Shares in Issue Ord's	112,224,581
Shares in issue ZDP's	10,869,950
Share Price Ord's mid	101.50p
Investment Managers holding (shares)	1,043,989
Gross Assets	£126.9m <sup>4</sup>
Net Assets Ord's	£110,041,533
Acc Cap Entitle ZDP's	£11,445,662
NAV per Share Ord's	98.05p
Accrued Capital Entitlement per ZDP	105.30p
Share Price Premium	+ 3.52% Ord's
<b>Non-Executive Directors</b> Norman Crighton (Chairman) Guy Heald Marlene Wood	
<b>Advisory &amp; Administration</b> AIFM: International Fund Management Limited Administrator & Company Secretary: PraxisIFM Fund Services (UK) Ltd Valuation Agent: Mazars LLP Legal Advisers: Gowling WLG (UK) LLP Auditor: Ernst & Young LLP Corporate Broker: N+1 Singer Advisory LLP	
<b>Investment Manager</b> RM Capital Markets Limited, 7 Melville Crescent, Edinburgh EH3 7JA James Robson +44 (0) 131 603 7069 James.Robson@rm-funds.co.uk Pietro Nicholls +44 (0) 20 3697 1768 Pietro.Nicholls@rm-funds.co.uk www.rm-funds.co.uk Company Address: RM Secured Direct Lending PLC, Mermaid House, 2 Puddle Dock, London EC4V 3DB	

## Overview

RM Secured Direct Lending PLC ("RMDL" or the "Company") is a closed-ended investment trust established to invest in a portfolio of secured debt instruments. The Company aims to generate attractive and regular dividends through loans sourced or originated by RM Capital Markets Limited, (the "Investment Manager") with a degree of inflation protection through index-linked returns where appropriate. Loans in which the Company invests are predominantly secured against assets such as real estate or plant and machinery and/or income streams such as accounts receivable.

## Market Update

During Q3 2019 US, UK and European stock markets were in line with the 2019 highs, principally due to the growing belief that the European Central Bank (ECB) will restart the quantitative easing (QE) process and that the Federal Reserve (Fed) will continue to remain accommodative. As expected, the Fed cut rates for the first time in over a decade.

Within Europe, the ECB prepared its opening gambit by launching a fresh round of QE set at €20bn per month 'for as long as it takes'. Whilst this leaves the ECB with considerable room to expand its balance sheet in the event eurozone economies deteriorate further, the key impact for investors will be the almost certain disappearance of positive yields in government bonds and credit assets. A recent piece of analysis published by RM Funds demonstrated the challenges ahead for asset allocators: of the 2,727 euro denominated IG corporate bonds (accounting for c. €1.2trn) within Barclay's Bloomberg index, c. 22% are negative yielding, and 82% have a yield less than or equal to eurozone inflation. <https://rm-funds.co.uk/wp-content/uploads/2019/10/Where-is-the-yield.pdf>.

On the domestic front, Brexit negotiations took one step forward and then one step back. However, the UK now appears to be moving towards a resolution either as a consequence of the "die in a ditch" October 31<sup>st</sup> date or due to the likely election that would follow any requested extension to the 31<sup>st</sup> October deadline, as required by The Benn Act should there be no agreed deal in place with the EU.

## NAV

NAV % Total Return for the month was 0.70% and brings the NAV % Total Return for the first 9 months of the year to 6.63%. Consequently, the Company is well on track to exceed its distribution target of 6.5 pence per share for the calendar year.

The Ordinary Share NAV as at 30<sup>th</sup> September 2019 was 98.05 pence, which is 0.95 pence lower than the end of August. The monthly movement in NAV was mainly driven by the ex-dividend effect of the 1.625 pence total declared in August and paid in September, positive net interest income net of expenses of 0.64 pence and an increase in portfolio valuations of 0.06 pence.

The Investment Manager will continue to use part of their management fee to purchase shares and will be notifying the market on or shortly after 16<sup>th</sup> October that the purchase for Q3 2019 has been completed, increasing their total direct holding to in excess of 1,043,000 shares.



## Company & Portfolio Update

### Portfolio Activity

The portfolio consists of 35 investments split across 13 sectors. The average yield on the portfolio increased by 21 bps to 8.82% in the quarter. Invested capital currently stands at £125m, with the RCF facility partially drawn and is very similar to the position at the end of Q2. The weighted average life of the Loans within the portfolio is 3.50 years and duration of just under 1.50 years.

During the quarter there were two new investments and several drawdowns on existing facilities. The transactions were funded from a combination of existing Loans maturing, repayments and two divestments. To date the Investment Manager has invested over £200m of capital in high quality businesses secured by tangible real assets, and recycled or re-deployed in excess of £75m of capital. This continues to demonstrate the Investment Manager's ability to invest in high quality Loans, generate attractive risk-adjusted returns and collect principal repayments. In addition, these repayments and divestments demonstrate the robustness of the Company's valuation policy and carrying values of the holdings.

Overall, private debt represents c. 96% of the portfolio's holdings with the full breakdown as follows: 59% bilateral loans, 37% within club or syndicated private loans and 4% in liquid corporate debt.

### New Investments in the Quarter

#### Euroports

- Euroports, a leading European port infrastructure operator: €2m participation in private syndicated facility maturing 2026 paying Euribor +775bps. This investment follows the key theme for the Company of investing in real assets with visible cashflows. In addition, there is significant sponsor equity support sitting below the RMDL investment and the business offers substantial asset and cash flow coverage.

#### énergie Fitness

énergie Fitness, the leading low-cost fitness franchisor in the UK and Ireland; £6m new investment to provide a comprehensive financing package to support leading sustainable and impact investor, Bridges Fund Management, in its acquisition of énergie Fitness. The financing package includes senior secured term loan and revolving credit facilities. The health and fitness sector remains a fast-growing market and with an increasing demand for high quality, low-cost operators. As the sole lender RMDL's Investment Manager has structured a highly covenanted, senior secured loan.

## Outlook & Pipeline

The Investment Manager has a variety of investment opportunities that satisfy the strict credit criteria and sector focus which are currently going through the Due Diligence and Documentation processes. It remains confident in its ability to originate and close high quality investments. It is focused on deploying and recycling capital into non-cyclical sectors, with real asset security and limited correlation to wider equity markets. The monitoring of the existing loans remains a priority, with all loans marked-to-market on a monthly basis reflecting perceived or actual risks to underlying Loan performance. The Investment Manager will continue to maintain this strict discipline relating to the due diligence, structuring, documentation and overall credit quality of existing and prospective investments.



### Company Portfolio at month end

**35** Number of Loans      **£125m** Total invested <sup>i</sup>      **8.82%** Average Yield      **3.50** years Average Life

<sup>i</sup>Actual capital invested, excludes undrawn commitments, includes investments yet to settle;

### Largest 10 loans by drawn amounts across the entire portfolio

Business Activity	Loan Value (£m)	Expected Yield	WAL
Asset Finance	10.19	8.00%	4.25
Telecommunications	8.53	11.04%	1.76
Hospitality	8.50	9.00%	4.52
Hospitality	8.30	9.00%	4.52
Business Services	7.00	6.46%	5.15
Automotive Parts Manufacturing	6.90	12.00%	3.24
Gym franchising	6.30	8.26%	6.84
Healthcare	6.00	6.23%	5.52
Hospitality	4.96	13.56%	0.29
Student Accommodation	4.92	9.00%	1.01

## Fund performance

2019													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p	-	-	1.625	-	-	2.00	-	-	1.625	-	-	-	5.25p
NAV (Cum income) p	97.62	98.38	98.36	98.95	99.59	98.00	98.69	99.00	98.05	-	-	-	-
NAV Total Return %	0.67	0.78	1.64	0.59	0.65	0.41	0.70	0.31	0.70	-	-	-	6.63%
Net Interest Income p	0.69	0.57	1.45	0.58	0.71	0.63	0.58	0.79	0.64	-	-	-	6.64p

2018													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends (pence)	-	2.00	-	-	-	1.625	-	1.625	-	-	-	1.625	6.875p
NAV (Cum Income) p	99.26	97.76	98.17	98.66	99.14	97.85	98.11	97.01	97.34	98.08	98.20	96.98	-
NAV Total Return %	0.68	0.50	0.41	0.50	0.49	0.34	0.26	0.53	0.34	0.76	0.12	0.41	5.47%
Net Interest Income p	0.85	0.64	0.47	0.48	0.52	0.55	0.56	0.50	0.49	0.60	0.51	0.62	6.98p

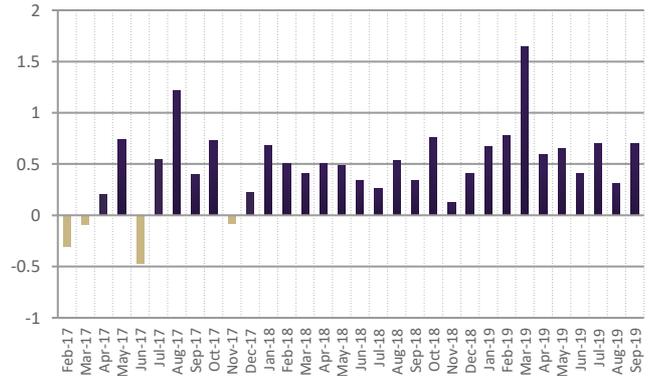
2017													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p	-	-	-	-	-	0.20	-	0.20	-	-	1.80	-	2.20p
NAV (Cum income) p	97.70	97.40	97.31	97.51	98.23	97.57	98.11	99.11	99.51	100.24	98.36	98.59	-
NAV Total Return %	(0.31)	(0.31)	(0.09)	0.21	0.74	(0.47)	0.55	1.22	0.40	0.73	(0.08)	0.23	3.18%
Net Interest Income p	(0.20)	(0.13)	(0.03)	0.02	0.33	0.35	0.52	1.25	0.38	0.64	0.47	0.46	4.06p



**Cumulative NAV Performance since inception**

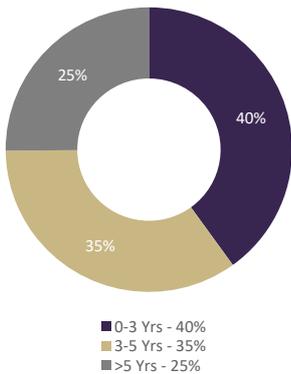


**NAV monthly return %**

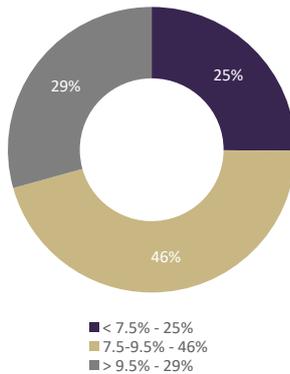


**Portfolio Statistics**

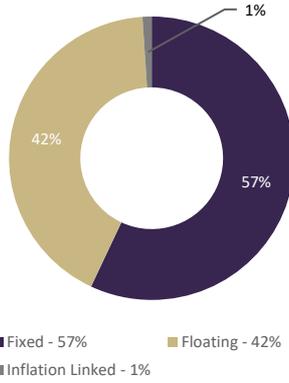
**WAL of Loan Book**



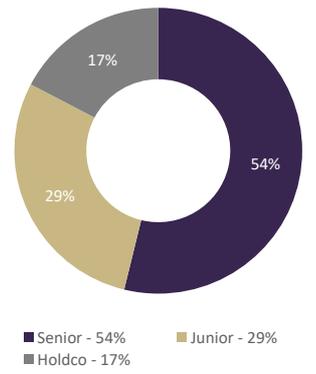
**Annualised Yield**



**Coupon Type**



**Investment Type**



**Notes**

- Dividend Yield based on IPO issue price. The target dividend should not be taken as an indication of the Company's expected future performance or results. The target dividend is a target only and there is no guarantee that it can or will be achieved and should not be seen as an indication of the Company's expected or actual return. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Actual events and conditions may differ materially from the assumptions used to establish the target dividend.
- Management fee on Net Assets including ZDP issue. 50% of the Management Fee is used by the Investment Manager to buy shares in the Company as part of the discount control mechanism and to align management interests with Shareholders
- Discount control mechanism triggers if shares trading at an average discount of more than six percent over previous 6-month trading period.
- Gross asset calculation is the sum of Net Assets, ZDPs and drawings of RCF.
- NAV total return % is calculated as NAV (cum income) at the end of the period, plus dividends declared during the period, divided by NAV (cum income) calculated on a per share basis at the start of the period.
- YTD NAV Total Return assumes dividends are reinvested at NAV and includes compounding.
- YTD Net Interest Income per share is the aggregate of the monthly net interest income per share figures based on the number of Ordinary shares in issue at the end of each respective month which can be diluted over the year by new Ordinary Shares being issued and therefore does not necessarily reflect the year end position for the Ordinary shareholders.
- Cumulative NAV performance rebased at 100 on Jan 2017 and assumes dividends are reinvested at NAV and includes compounding.

**Disclaimer**

This Report is intended solely for the information of the person to whom it is provided by the Company, the Investment Manager or the Administrator. This Report does not constitute an offer or solicitation for the purchase or sale of any investment or financial instrument in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions or views expressed in this Report are those of the Investment Manager, and do not constitute investment advice and are subject to change without notice, and neither the Company nor the Investment Manager is under any obligation to update such opinions. Whether the Company proceeds with any investment is dependent on multiple factors including, but not limited to the completion of satisfactory due diligence. Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Manager and the Administrator. Information contained in this Report is believed to be accurate at the date of publication, but none of the Company, the Investment Manager and the Administrator gives any representation or warranty as to the Report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this Report or its contents. RM Capital Markets Limited is authorised and regulated by the FCA, registered in Scotland (Registered Number: SC380707).