

RM Secured Direct Lending PLC

Quarterly Fact Sheet

30th June 2020

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 ¹
Management Fee	0.875% ² :
Discount Management Strategy	Share buy-backs if 6% discount or more ³
Shares in Issue Ord's	121,259,581
Shares in issue ZDP's	10,869,950
Share Price Ord's mid	77.00p
Investment Managers holding (shares)	1,199,825
Total Assets	£133m ⁴
Net Assets Ord's	£110,536,255
Acc Cap Entitlement ZDP's	£11,787,586
NAV per Share Ord's	91.16
Accrued Capital Entitlement per ZDP	107.98p
Share Price Premium	-16% Ord's

Non-Executive Directors

Norman Crighton (Chairman)
Guy Heald
Marlene Wood

Advisory & Administration

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

Joint Corporate Brokers: N+1 Singer Advisory LLP and
Peel Hunt LLP

Investment Manager

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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" or "RM"). Loans in which the Company invests are predominantly secured against assets such as business assets, real estate or plant and machinery and/or income streams such as accounts receivable.

Market Update

There was an improvement in market sentiment from the March lows with government and central bank policy actions providing support and confidence for the market. However, the shape of the recovery remains unclear. Monetary, fiscal and health policy actions are all equally important as we head into H2 2020. The Government has shown with Leicester that local lockdown can be used to target specific area where there might be a rise in Covid infections offering a glimpse into the "New Normal". Although RM Funds remains cautious on the macro economic outlook, it continues to see a number of value investment opportunities.

Corporate bonds and loans have continued to recover over the quarter – for this period the total return on the Markit IBOX EUR Liquid High Yield Index was +11.28% and the S&P European Leveraged Loan index was 9.70%. This rebound is unsurprising as credit had a significant negative swing in March across the board with widespread and indiscriminate selling at the start of the pandemic.

NAV

NAV % Total Return for the month was +1.80%, which brings the NAV % Total Return for the quarter to 7.09%, year to date ("YTD") to -3.26% and for the last 12 months to -0.16%.

The Ordinary Share NAV as at 30th June 2020 was 91.16 pence per share, an increase of 0.02%. This monthly return of 0.02 pence per share arises from positive net interest income net of expenses of 0.94 pence per share and an increase in portfolio valuations and currency hedging costs of 0.70 pence per share. In addition, there is an ex-dividend effect of the 1.625 pence per share total ordinary dividend for the period Qr 1 2020, declared in April and paid in June 2020.

Summary for month (per share)

Profit	0.94
Change in portfolio valuations	0.70
Payment of Q1 Dividend	-1.625
Net NAV Move	0.02



Portfolio Update

During the quarter Company purchased 965,000 shares in the market. Both the Board and the Investment Manager remain focused on reducing the discount and therefore continue to closely monitor secondary market levels. As at month end, the Company held cash or near cash from trades being settled of £5m and has capacity to draw an additional £8.8m under its revolving credit facility with OakNorth bank.

The portfolio size reduced slightly from £136m to £131m of invested capital as one property bridging loan was repaid, and the Premier Foods and part of the Motor Fuels Group holdings were divested. The average portfolio yield increased slightly to 8.62%. Using the mid-market share price against the stated dividend target gives an implied yield for investors of 8.44%.

The principal focus over the quarter was the management and monitoring of the existing portfolio of investments. Below is a summary of some key exposures and activities for the period:

Asset Finance – (£9.99m) The Borrower has performed better than expected during the period and is operating within covenants and cash paying interest. This transaction has a number of investor protections should business conditions materially deteriorate.

Energie Fitness – (£7m) As announced during the period, RMDL supported a management buy-out of the business, led by its former founder. The consortium injected new equity and subordinated capital into the business. As part of the transaction RM Funds was able to successfully call upon a guarantee pledged to RMDL from the previous financial sponsor for £530,000. A portion of this capital was reinvested into the consortium to support the buy-out and provide future liquidity. The claim under the guarantee led to a gain of circa 0.375 pence per share in June (this has been recognised as income however we are seeking tax advice as to whether this gain should be recognised as capital. This income recognition might be adjusted in the future to capital which would be dependent on the outcome of the tax advice). In terms of the equity ownership of the business, RMDL will own a net 28% equity stake within the business and Pietro Nicholls will join the Board (unpaid) to represent the RMDL shareholding. The consortium principally invested via subordinated loan notes with the equity being invested at nominal value. RM Funds wrote off its arrangement fee and instead invested in the equity on the same terms as the consortium. RMDL's £7m senior secured investment remains current, with covenants and revised pricing - the loan is marked at a discount to par reflecting the staged reopening of the economy. The Investment Manager believes this is a prudent approach and is appropriate given the recent capital injection which is subordinate to the RMDL term loan.

Operational Hotel Portfolio 1& 2 – (£8.08m) / (£7.8m) Whilst the hotels remained largely closed during the period the Borrowers paid their interest as per their payment schedules. It is expected that the hotels will start to open from July. These loans remain marked at a discount to par whilst we see how the Covid situation unfolds; again, the Investment Manager considers this is a prudent approach.

Automotive Parts Manufacturing – (£6.16m) The main factory is now operating above the base case forecast delivered by management in March. As per the allowance within the loan documentation, the Borrower has elected to Pay in Kind "PIK" for the next quarter. This increases the financing costs for the Borrower. Over the period the Investment Manager has continued to mark the value of the loan lower. Specifically, this is because of the potential risks with supply chain disruption and potential weakness on the demand side.

Student Accommodation – Loan 1 (£5.99m) is utilising an interest reserve account whilst the Borrower / Sponsor finalises a decision about the property for 2020/2021 academic year. Loan 2 (£5.78m) bookings are relatively strong with reservations at c.26% for the forthcoming 2020/21 academic year compared to 33% at the same time for the 2019/20 academic year. The Borrower has an Interest reserve account, which has been utilised to pay interest to date and this Borrower will be allowed to capitalise interest for the next two quarters if required; the Lender still has one quarter cash interest in reserve.

Central London 5* Boutique Hotel – (£4.1m) Successfully refinanced over the period, enhanced security package with additional £7m of guarantees (total of £12m), increase in coupon to Libor + 7.75% (increase of 166bps). Senior secured LTV of circa 57%, interest is paid current/cash.

Travelodge hotel – (£0.9m) RMDL has lent money to one hotel that has Travelodge as a tenant. The interest on the loan has been serviced as expected and the repayment schedule and timing of future receipts is not expected to change.



Income & Dividend

During the Quarter the dividend was announced for Q1 2020. This was 1.625 pence per share in line with the target dividend for the full year and was covered by earnings by 1.2x.

Historic dividend (pence per share)

Year	Target	Achieved
2017	4.00	4.20
2018	6.50	6.50
2019	6.50	7.03
2020 YTD	6.50	Q1 paid 1.625
ITD	18.625	19.335

Outlook

There remains considerable uncertainty with regards to the economic recovery post Covid and the potential for further local lockdowns. Nevertheless, the Investment Manager remains confident that the portfolio will continue to deliver robust income returns and has solid asset backing which protects any downside exposure for investors. For Q3, RM is focused on investments into higher yielding opportunities which are being reviewed within their transaction pipeline, using their expertise to provide bespoke funding solutions for new borrowers.

The Board appointed Peel Hunt LLP as joint Corporate Broker on 7th July to work alongside N+1 Singer. Should any current investors, analysts or prospective investors wish to have meetings with the Investment Manager please contact RM Funds directly or go via your sales representative at Peel Hunt or N+1 Singer.

Company Portfolio at month end

34	£131m	8.62%	3.18 years
Number of Loans	Total invested ⁱ	Average Yield	Average Life

ⁱactual capital invested, excludes undrawn commitments, includes investments yet to settle;

Largest 10 loans by value across the entire portfolio

Business Activity	Loan Value (£m)	Expected Yield	WAL
Asset Finance	9.99	8.16%	3.50
Hotel Portfolio 1	8.08	9.47%	3.76
Hotel Portfolio 2	7.88	9.47%	3.76
Gym franchise	6.30	8.06%	4.73
Automotive parts manufacturing	6.16	16.25%	2.49
Student Accommodation 1	5.99	9.23%	0.26
Student Accommodation 2	5.78	9.23%	4.35
Healthcare	5.46	6.01%	4.76
HR and payroll services	4.97	7.70%	4.40
Childcare nurseries	4.67	5.32%	1.85



Fund performance

	1 month	3 months	6 months	1 year	2 years	ITD
NAV Total Return %	1.80%	7.09%	(3.26%)	(0.16%)	7.22%	13.9%

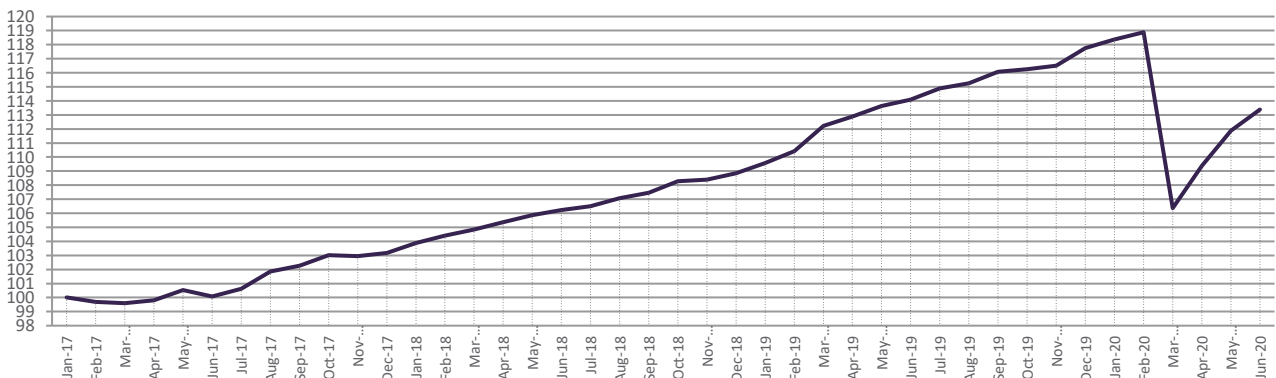
2020													YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Dividends p	-	-	1.70			1.625							3.325p
NAV (Cum income) p	98.31	98.74	86.64	89.10	91.14	91.16							-
NAV Total Return %	0.53	0.43	(10.53)	2.83	2.29	1.80							-3.26%
Net Interest Income p	0.60	0.67	0.60	0.53	0.53	0.94							3.86p

2019													YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Dividends p	-	-	1.625	-	-	2.00	-	-	1.625	-	-	1.70	6.95p
NAV (Cum income) p	97.62	98.38	98.36	98.95	99.59	98.00	98.69	99.00	98.05	98.24	98.45	97.79	-
NAV Total Return %	0.67	0.78	1.64	0.59	0.65	0.41	0.70	0.31	0.70	0.19	0.21	1.06	8.18%
Net Interest Income p	0.69	0.57	1.45	0.58	0.71	0.63	0.58	0.79	0.64	0.69	0.58	1.03	8.94p

2018													YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
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													YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
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

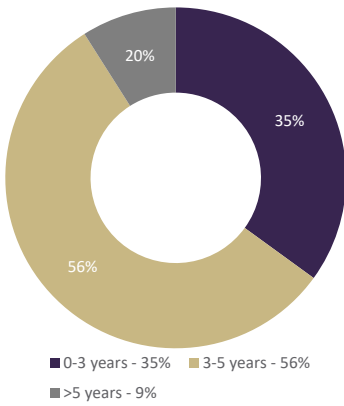
Cumulative NAV Performance since inception



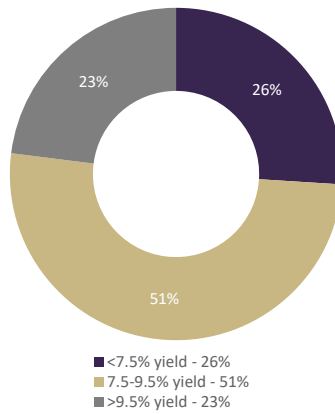


Portfolio Statistics

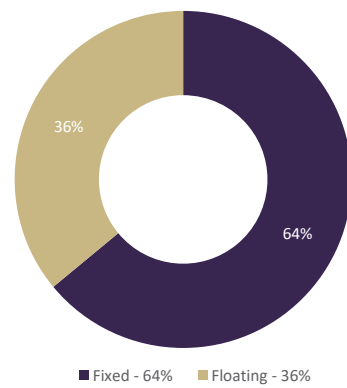
WAL of Loan Book



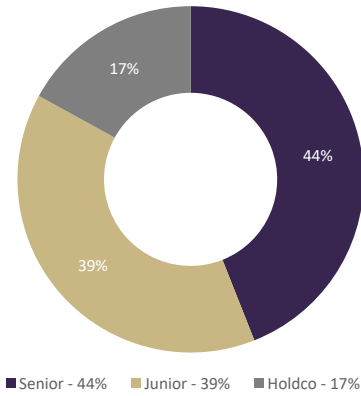
Annualised Yield



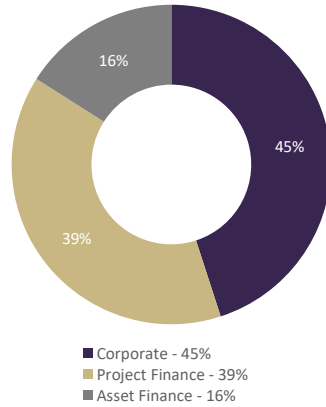
Coupon Type



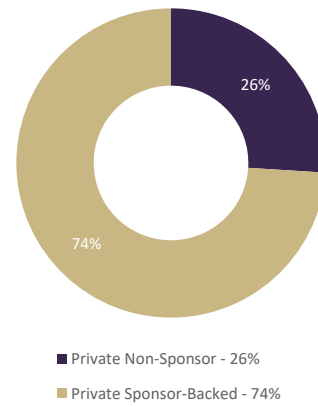
Ranking



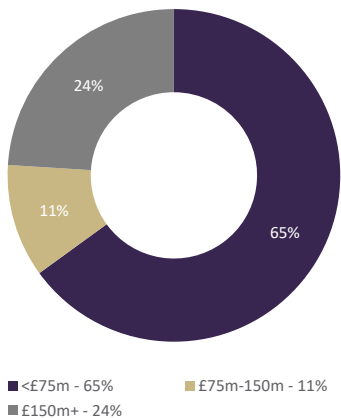
Investment Type



Ownership



Borrowers by Revenue





Portfolio list as at end of Q2.

Borrower	Rank	Deal type	Sector	Business Description	Nominal m	LTV ¹	Valuer
Private Loan- SPV	Holdco	Bilateral Loan	Asset Finance	U.K. focused asset backed lending	£10.2	68%	V Agent
Private Loan- SPV	Junior	Bilateral Loan	Hotel	Five U.K. prime location regional city hotels.	£8.5	71%	V Agent
Private Loan- SPV	Junior	Bilateral Loan	Hotel	Five U.K. prime location regional city hotels.	£8.3	71%	V Agent
Beinbauer	Holdco	Syndicated Loan	Automotive parts manufacturing	Automotive Parts Manufacturing	£7.6	83%	V Agent
Gym Franchise	Senior	Bilateral Loan	Gym franchise	Owner operator of gym franchising	£7.5	75%	V Agent
Zellis (previously NGA)	Senior	Syndicated Loan	HR and payroll services	HR and payroll services	£7.0	78%	External
Private Loan- SPV	Senior	Bilateral Loan	Student Accommodation	Coventry based purpose-built student accommodation - prime location.	£6.1	74%	V Agent
Elysium	Senior	Syndicated Loan	Healthcare	Providing acute and age care services	£6.0	72%	External
Private Loan- SPV	Junior	Bilateral Loan	Student Accommodation	Six purpose-built student accommodations located in prime regional U.K. cities	£5.9	76%	V Agent
Private Loan- SPV	Junior	Bilateral Loan	Hotel	Hotel development, Glasgow	£5.3	91%	V Agent
Busy Bees Childcare	Senior	Syndicated Loan	Childcare nurseries	Leading childcare nursery group within the UK	£5.0	64%	External
Valeo Foods	Holdco	Syndicated Loan	Food manufacturing	Manufacturer of staple food goods	£4.5	64%	External
Private Loan- SPV	Junior	Bilateral Loan	Asset Finance	U.K. focused asset backed lending	£4.5	68%	V Agent
Private Loan- SPV	Senior	Bilateral Loan	Student Accommodation	Operational student accommodation based in Glasgow	£4.4	63%	V Agent
L'Oscar	Senior	Bilateral Loan	Hotel	Boutique central London hotel	£4.1	64%	V Agent



Private Loan- SPV	Junior	Bilateral Loan	Hotel	Cambridge based recently built hotel - prime location	£4.0	71%	V Agent
Trent Capital	Senior	Bilateral Loan	Manufacturing & Energy Efficiency	Boiler manufacturer and energy efficiency measure installer	£4.0	85%	V Agent
Motor Fuel Group	Senior	Syndicated Loan	National forecourt operator, UK	National forecourt operator, UK	£3.7	59%	External
Private Loan- SPV	Junior	Bilateral Loan	Hotel	Purpose-built 3 star hotel in close proximity to Bristol Airport	£3.4	59%	V Agent
Mehiläinen	Junior	Syndicated Loan	Healthcare	Finnish private provider of healthcare and care services	£3.2	44%	External
Voyage Care	Junior	Bond	Healthcare	Providing nursing, dementia and aged care facilities	£3.0	61%	External
EG Group	Senior	Syndicated Loan	Global forecourt operator	Global forecourt operator	£3.0	53%	External
Praetura Commercial	Senior	Bilateral Loan	Invoice Finance	U.K. focused Invoice discounting	£2.8	58%	V Agent
Euroports	Junior	Syndicated Loan	Port-infrastructure	European ports business with worldwide operations.	£1.8	57%	External
EG Group 2L	Junior	Syndicated Loan	Global forecourt operator	Global forecourt operator	£1.7	55%	External
Private Loan- SPV	Senior	Bilateral Loan	RHI Receivables	Payments from domestic renewable heat scheme	£1.2	85%	V Agent
Private Loan- SPV	Junior	Bilateral Loan	Hotels	Travelodge Hotel located in Morecombe, Lancashire	£0.9	67%	V Agent
Trent Capital	Senior	Bilateral Loan	Manufacturing & Energy Efficiency	Boiler manufacturer and energy efficiency measure installer	£0.9	90%	V Agent
Private Loan- SPV	Senior	Bilateral Loan	Property Bridging	Residential property	£0.8	69%	V Agent
Private Loan- SPV	Senior	Bilateral Loan	Property Bridging	Business premises	£0.7	63%	V Agent
Private Loan- SPV	Senior	Bilateral Loan	Property Bridging	Residential property	£0.5	56%	V Agent
Private Loan- SPV	Senior	Bilateral Loan	Gym franchise	Payments from domestic renewable heat scheme	£0.5	85%	V Agent



LTV – As per recent collateral report/valuation/implied or actual equity contribution from sponsor

Valuation agent: MARKIT

Notes

1. 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.
2. 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
3. Discount control mechanism triggers if shares trading at an average discount of more than six percent over previous 6-month trading period.
4. Total Asset calculation is the sum of Net Assets, ZDPs and drawings of RCF, including loans closed but not settled.
5. 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.
6. YTD NAV Total Return assumes dividends are reinvested at NAV and includes compounding.
7. 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.
8. Cumulative NAV performance rebased at 100 on Jan 2017 and assumes dividends are reinvested at NAV and includes compounding.

Disclaimer

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