

RM Secured Direct Lending PLC

Monthly Fact Sheet

31st May 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	6.5 pence ¹
Management Fee	0.875% ² :
Discount Management Strategy	Share buy-backs if 6% discount or more ³
Shares in Issue Ord's	121,549,581
Shares in issue ZDP's	10,869,950
Share Price Ord's mid	77.50p
Investment Managers holding (shares)	1,199,825
Total investments	£133m ⁴
Net Assets Ord's	£110,776,659
Acc Cap Entitle ZDP's	£11,704,197
NAV per Share Ord's	91.14p
Accrued Capital Entitlement per ZDP	107.67p
Share Price Premium	-15% 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

Corporate Broker: N+1 Singer Advisory LLP

Investment Manager

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 by investing in Loans sourced by RM Funds (the "Investment Manager" or "RM"). The Loans in which the Company invests are predominantly secured against company assets, real estate or plant and machinery and/or income streams such as accounts receivable.

NAV & Dividend update

The NAV total return for the month was 2.29%. This takes the one-year NAV total return to (1.5%) and the cumulative NAV total return since IPO in December 2016 to 11.9%.

The Ordinary Share NAV as at 31st May 2020 was 91.14 pence per share, which is 2.04 pence higher than at 30th April 2020, comprising interest income net of expenses of 0.53 pence per share and an increase in portfolio valuations of 1.52 pence per share which includes all credit and currency movements.

The Company declared a dividend of 1.625p per ordinary share with respect to the period Q1 2020. The dividend was covered by income by a ratio of 1 to 1.15 for the quarter with income currently on track to achieve the stated dividend objective for Q2 2020. The ex-dividend date is 5th June.

During the month the Company purchased an additional 175,000 shares, bringing the total holdings held in treasury to 675,000 shares. RM and the Board continues to monitor the discount to NAV. RM notes that 34% of the Company's portfolio is marked to the market bid of external quotes and the remaining 66% of the portfolio marked by the Valuation Agent with an average mark of 92.52. The current share price also offers a running yield of 8% on the target dividend distribution which RM feels offers income investors compelling value.

Portfolio Activity

As at 31st May, the Company's portfolio consisted of 33 debt investments with a running yield of 9.48%, diversified across 13 sectors, with the percentage split between fixed and floating rate of 56% to 44%. The portfolio structure is 60% in bilateral private loans; 38% in club or syndicated private loans; and 2% in more liquid corporate debt. Consequently, private debt investments represent 98% of the invested portfolio.

During the month the £3.5m holding in Premier Foods was divested and capital used to largely repay the RCF. This was a strategic decision in order to give the Company the ability to capitalise on attractive opportunities.

As lockdown restrictions start to ease our expectation is that portfolio companies within the hospitality and leisure sectors should start to see premises open during July.



Update on Growth Financing investment (Trent Capital)

In 2019, RMDL invested £4m in an asset backed corporate loan to Trent Capital (“Trent”). In May 2020, Trent completed stage 1 of the business plan which was the reorganisation and simplification of its corporate structure with improved financial reporting and governance functions, as required by RM within its original financing terms.

This is RMDL’s second growth financing transaction. The first, to ICP Nurseries, was successfully exited during 2019 with a material NAV gain. The objective of growth financing transactions is to generate upside/NAV growth via equity or equity options should the business be successful in executing its growth strategy whilst protecting the downside (via secured lending over real assets) to RMDL. Such transactions attract a higher degree of resource and are therefore priced and structured accordingly

Loan Amount: £4m. **Tenor:** 3 years. **Rank:** Senior. **Coupon:** 8%. **Security:** All asset debenture, including shares, fixed assets and stock, *separate security over a mixed property portfolio, including 13 residential properties and 2 commercial land parcels*. **Covenants:** Strong financial and reporting covenants.

For providing the growth financing RM has negotiated, on behalf of RMDL, an ownership stake amounting to 46% of the new ordinary equity in Trent. RM has provided significant support to Trent’s management team since the loan’s inception in 2019 and this intensive management support is expected to continue as Trent enters its next phase of growth and therefore the initial value of the RMDL equity will be zero, as per the recent external valuation commissioned by Trent following the completion of the reorganisation. This will be revisited by the independent valuation agent on a regular basis and disclosed in line with previous monthly updates. In recognition of the continued support required and completed to date and in lieu of any work fees, RM Funds has agreed with the Board of RMDL that it will receive options of 15% over this equity in Trent. These options cannot be exercised until the RMDL loan has been repaid in whole by Trent which acts as a further alignment of RM’s interests with those of RMDL shareholders.

Trent owns and operates three businesses, each well positioned in attractive growth sectors, including:

- **Fusion Energy** –Energy efficiency solutions to domestic households. Fusion Energy contracts with utility companies under the government Energy Company Obligation “Eco3” Scheme which targets energy efficiency measures in low income and vulnerable households. Energy suppliers with more than 200,000 customers are automatically required to deliver Eco3. The energy efficiency measures supplied by business are calculated by using the Home Heating Cost Reduction as measured by Lifetime Bill Savings of a measure / Fusion Energy estimates that during 2020 it will deliver c.£25m reduction in lifetime bill savings (“LBS”) with forecasts to increase next year to in excess of £50m LBS. This business delivers a triple bottom line to RMDL shareholders, in creating an economic, social and environmental return.
- **Trianco** – The manufacture and distribution of electric boilers. SAP ratings measure the carbon impact on the environment and measure the energy efficiency of a property. SAP10 is due to be released in 2020 which updates the carbon factor for electric heating and which reflects the greening of the grid. In addition, gas heating to new houses is being phased out as it will be banned by 2025. Therefore, Trianco’s Aztec range of electric boilers and specifically the new Aztec Combi boiler are well positioned to capture market share within a growing market.
- **Grizzly Ovens** – The design, manufacture and distribution of charcoal ovens under the “Grizzly” name. To date the product sold is a commercial oven supplied to restaurants and professional chefs. The “Grizzly Cub” oven has been designed for the consumer market and is in prototype stage for production to start later in 2020. The European domestic BBQ market is worth around £925m and the US market is valued at circa £1bn.



Fund performance

	1 month	3 months	6 months	1 year	2 years	ITD
NAV Total Return %	2.29%	(5.9%)	(4.0%)	(1.5%)	5.68%	11.9%

2020													YTD
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Dividends p	-	-	1.625										1.625p
NAV (Cum income) p	98.31	98.74	86.64	89.10	91.14								-
NAV Total Return %	0.53	0.43	(10.53)	2.83	2.29								-4.98%
Net Interest Income p	0.60	0.67	0.60	0.53	0.53								2.92p

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



Company Portfolio at month end

33

Number of Loans

£133m

Total invested ⁱ

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

9.38%

Average Yield

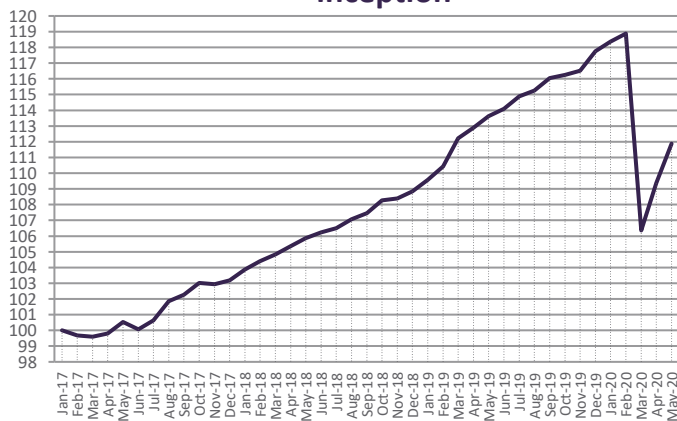
3.21 years

Average Life

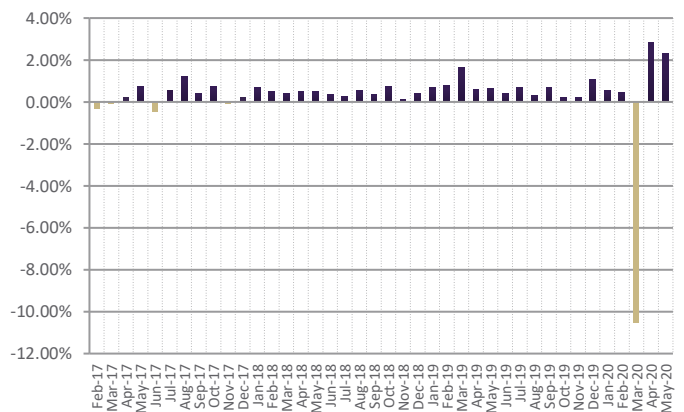
Largest 10 loans by drawn amounts across the entire portfolio

Business Activity	Loan Value (£m)	Expected Yield %	WAL ³
Asset Finance	10.19	8.16%	3.59
Hotel	8.50	9.47%	3.85
Hotel	8.30	9.47%	3.85
Automotive parts manufacturing	7.34	16.25%	2.58
Gym franchise	7.00	8.59%	6.18
HR and payroll services	7.00	8.11%	4.48
National forecourt operator, UK	6.70	4.42%	2.12
Student Accommodation	6.14	9.23%	0.35
Healthcare	6.00	6.09%	4.85
Student Accommodation	5.93	9.23%	4.43

Cumulative NAV Performance since inception



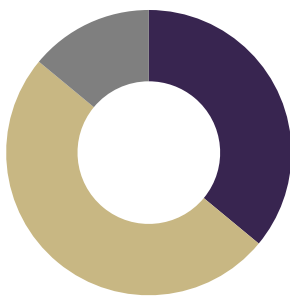
NAV monthly return %





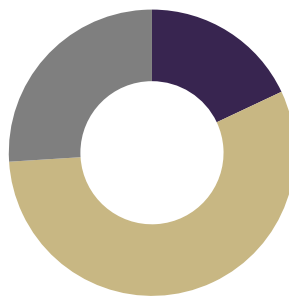
Portfolio Statistics

WAL of Loan Book



■ 0-3 years - 36%
 ■ 3-5 years - 50%
 ■ >5 years - 14%

Annualised Yield



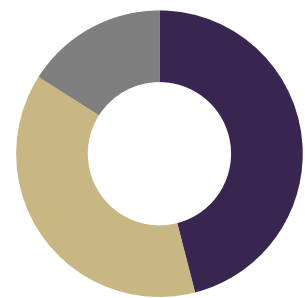
■ <7.5% yield - 18%
 ■ 7.5-9.5% yield - 56%
 ■ >9.5% yield - 26%

Coupon Type



■ Fixed - 57% ■ Floating - 43%

Investment Type



■ Senior - 46% ■ Junior - 38%
 ■ Holdco - 16%

Notes

1. 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. A proportion of the management fee is used by the Investment Manager to buy shares in the Company 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. Gross asset calculation is the sum of Net Assets, ZDPs and drawings of RCF and 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: 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).