



RM Secured Direct Lending Plc – Investor webinar



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Executive Summary

- **RM Secured Direct Lending “RMDL” offers investors access to a high yielding, diversified portfolio of loans**
- Mature portfolio with full capital deployment
- 4 year track record of delivering stable income returns; CBILS/RLS credit enhancement
- Refined investment focus;
 - ***Social Infrastructure***
 - ***Environmental Assets***
- Deep pipeline of opportunities offering room for Company growth and scale
- Impact objectives and annual impact reporting
- Sustainability at the core of the new focus sectors, with the Company at the forefront of the drive for Impact Measurement & Monitoring
- The Good Economy appointed as the impact assurance & reporting partner

INCEPTION TO DATE PERFORMANCE	
NAV % TR 23%	INCOME 24.15 pence
SHARE PRICE % TR 10%	SHARE PRICE 87.00

About RM Funds

- RM Funds – Specialists in private credit investments, with a 360-degree perspective investing in the debt and equity of businesses operating in the alternatives sector.
- RM was founded in 2010. Headquarters in Edinburgh and office in London.
- Private credit :
 - Established origination, credit scoring, screening and due diligence processes
 - Strength in depth; 6-person investment team
- RM currently manages:
 - Private Credit AUM c.£130m.
 - Liquid Alternatives AUM £100m.
- Team has arranged or advised on over £1.5bn of alternative finance transactions at RM.



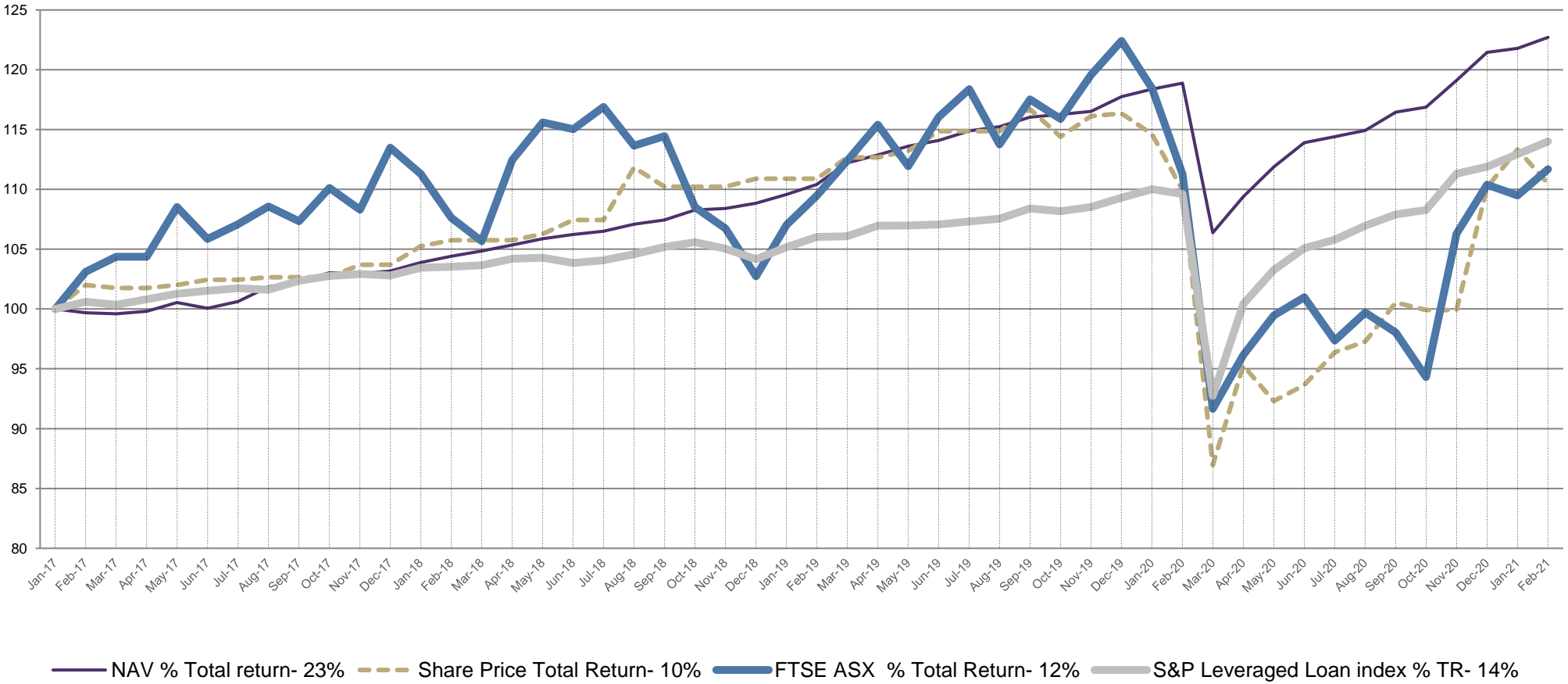
Protecting your investment in unpredictable times

RM Funds: Artists in protecting capital and generating income

Section 1 - Investment Performance

- Relative performance
- Portfolio tables
- Portfolio breakdown
- Covid resilience
- Cumulative losses versus MTM
- Discount control and share buybacks

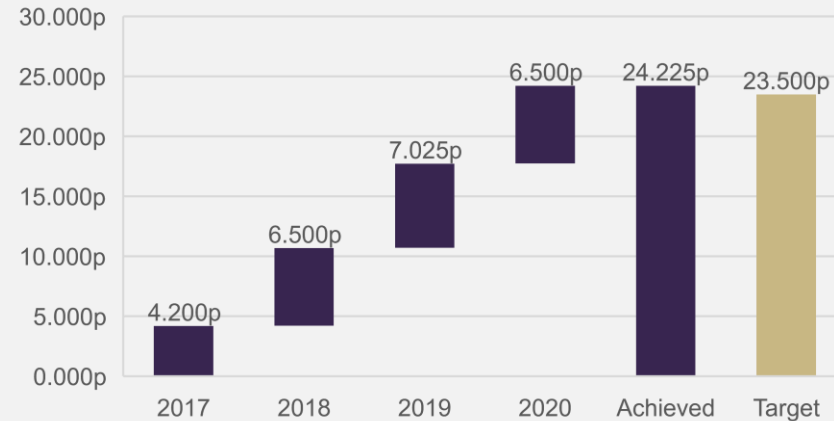
Relative performance since inception



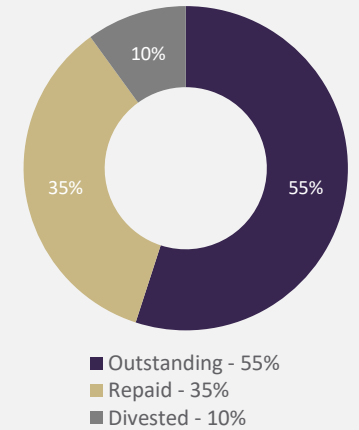
Portfolio tables

- Inception to date, over £256m of capital deployed
- Capital has been recycled over 1x
- Consistent distributions ahead of target
- CBILS 15% / Senior 32%
- Weighted Average Life 2.86 years
- 2 Loans have equity upside

RMDL Distribution Record



Investment Status



Investment

Senior 32%

CBILS G'tee
15%

Hold Co
17%

Junior 36%

Coupon

Fixed 77%

Floating 23%

0%

10%

20%

30%

40%

50%

60%

70%

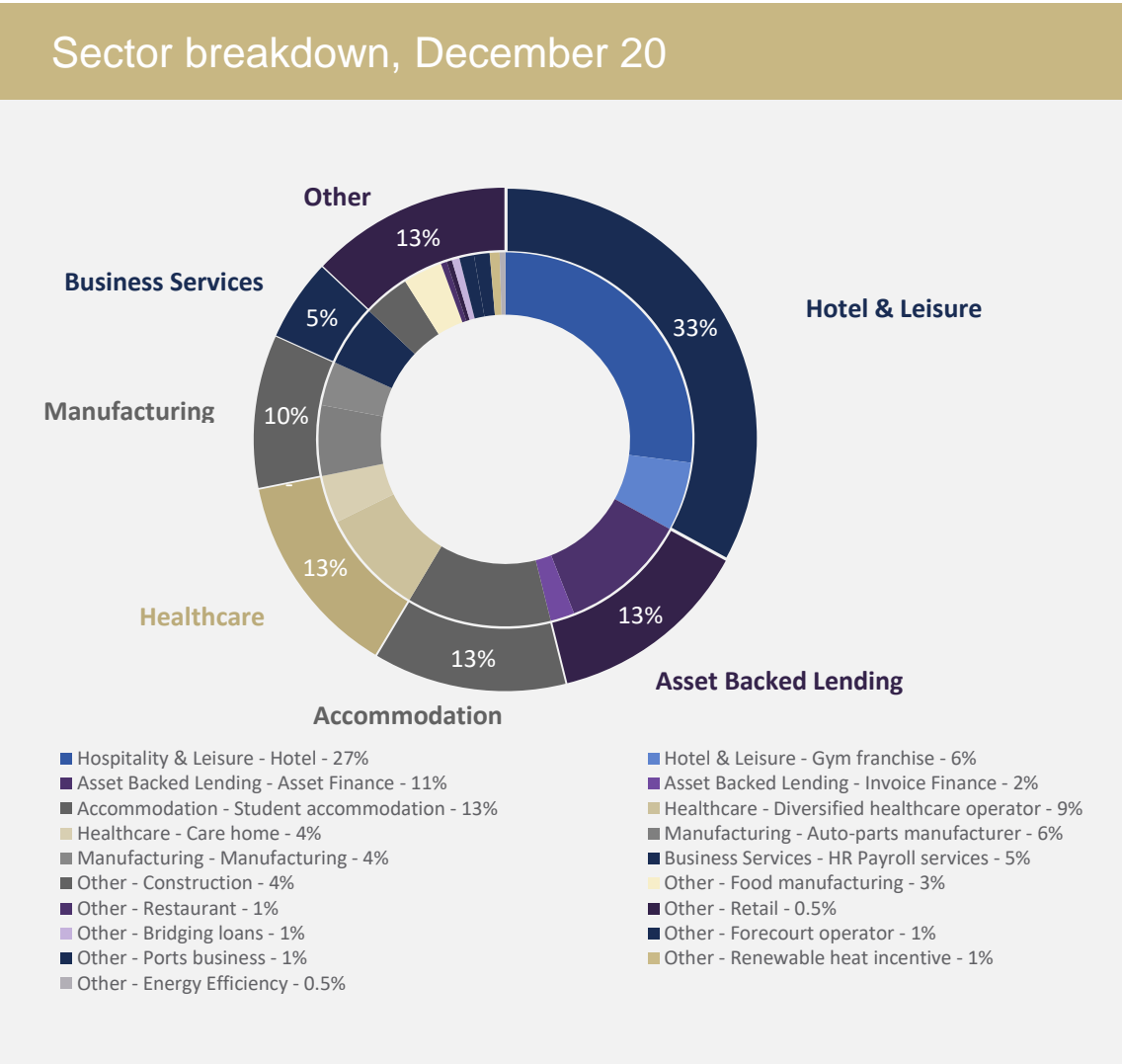
80%

90%

100%

Portfolio breakdown

- Diverse portfolio
- Average portfolio yield of 8.3%
- Circa 30% allocated to Social and Environmental Infrastructure
- Portfolio focused on defensive industry sectors and real asset security
- Strategic view over 2021 to reduce exposure to Hotel & Leisure, Business Services and Manufacturing, and re-deploy into Healthcare, Childcare & Accommodation along with Environmental Assets



2020 Dividend cover to cash dividend cover bridge

- **Total Income £10.9m**
 - PIK £1.87m >
 - two borrowers accounted for 72% of this.
 - Beinbauer represented 52% of this balance, Energie Fitness 20%

- **Net cash income £9.03m**

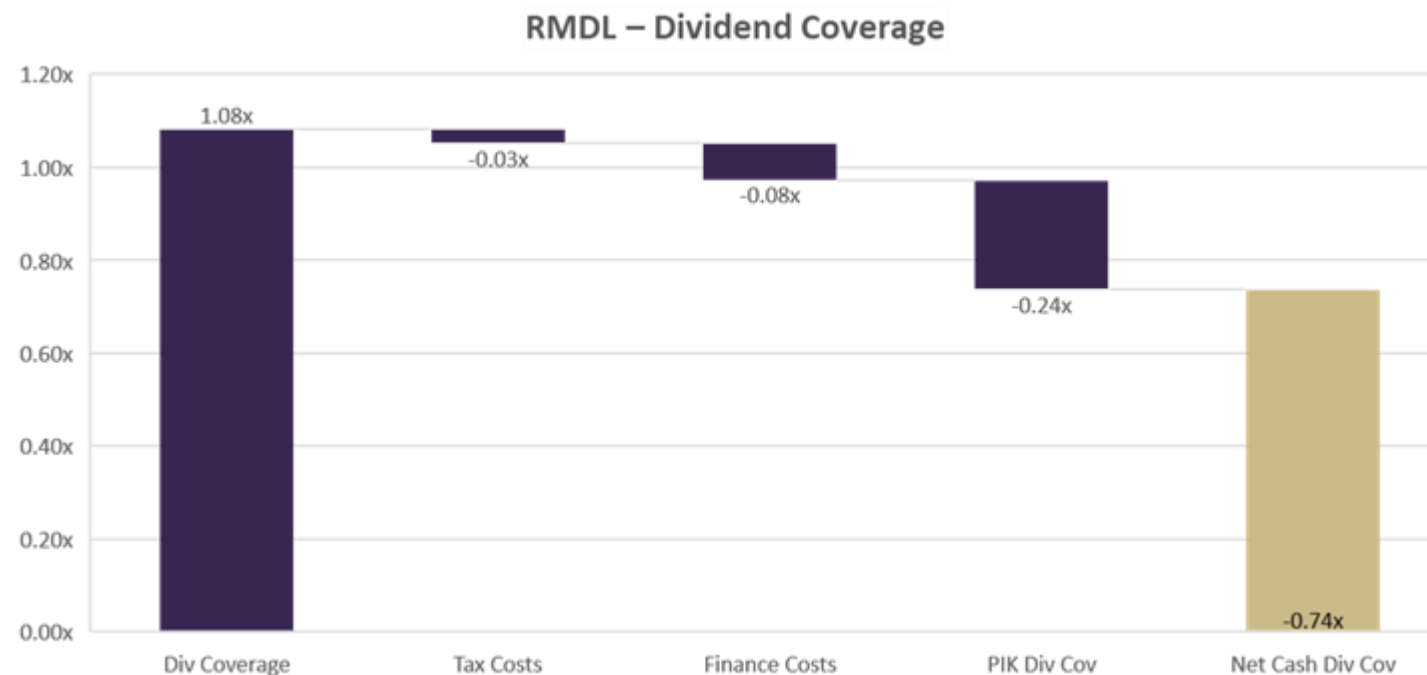
- **Costs of £2.28m**

- **Cash net income £6.75m** after costs
 - Deduct finance costs £635k ;
 - Deduct tax charge £246k

- **Net cash for dividend £5.87m**

- Declared cash dividend of £7.96m

- Ratio 0.74x cash covered
- Include income PIK 0.97x
- Add back finance charges & tax 1.08x



Covid resilience

- **RM Funds** investment team **assessed all holdings** and the degree of **exposure to covid** related issues
- Certain **borrowers were able to utilise structural features** such as **interest reserve accounts** or **PIK toggle features**
- Where the relationship with the borrower has deteriorated, or unwilling to inject capital, **enforcement action** has been taken to **preserve value**
- **Mark to market policy creates conservative values**, and **doesn't reflect equity interest** in upside yet
- Investment team is well resourced, and capacity to engage in hands-on work-out processes

Hospitality & Leisure



- **Gym Royalties** / 6% of NAV
- No additional liquidity required during covid
- **Hotels** / 28% of NAV
- Cash paid during covid
- CBILS loans expected to increase
- Construction asset fully funded

Accommodation



- **Student Accommodation** / 16%
- Various degree of operational disruption
- Enforcement action taken on 1x investment

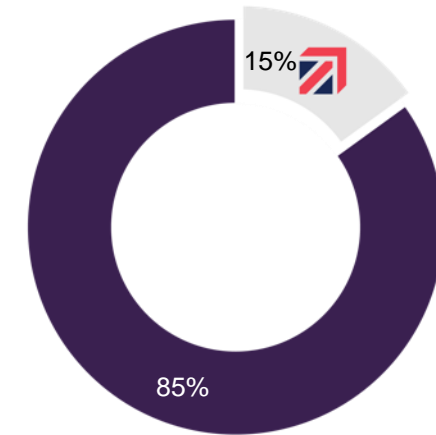
Manufacturing



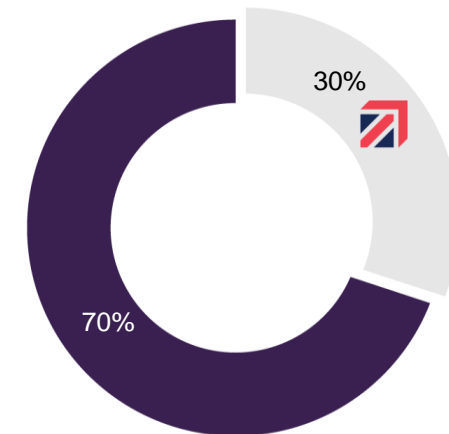
- **Manufacturing** / 6%
- Navigating pandemic, ahead of "covid budget". Behind pre-covid budget
- Utilised PIK feature of the facility. Expectation to switch to cash pay end of Q2 21

CBILS exposure – credit enhancement

- **RM Funds have £40m of CBILS capability**
- Seek to **double CBILS exposure from 15% to 30% by end of Q2**
- Only listed vehicle which directly offers investors exposure to CBILS
- Business interruption payment (“**BIP**”) offers **government contracted cashflow for 12 months**
- **Material downside protection**
 - **UK government counterparty risk**
 - **80% of principal insured as a minimum / worst case scenario**
- Recovery Loan Scheme application submitted for scheme starting 6th April which should offer further opportunities – eligible for fast track

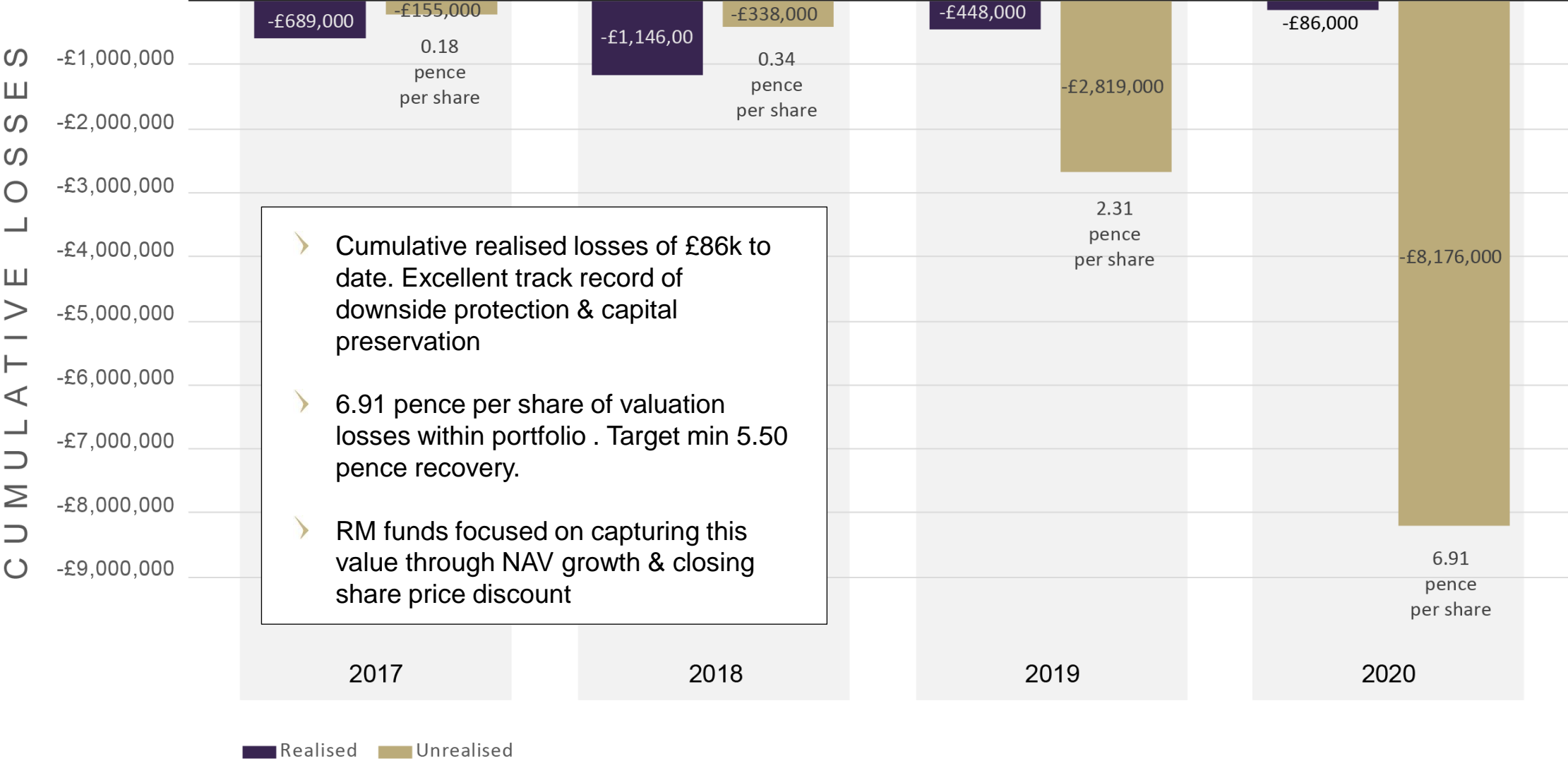


Current CBILS allocation

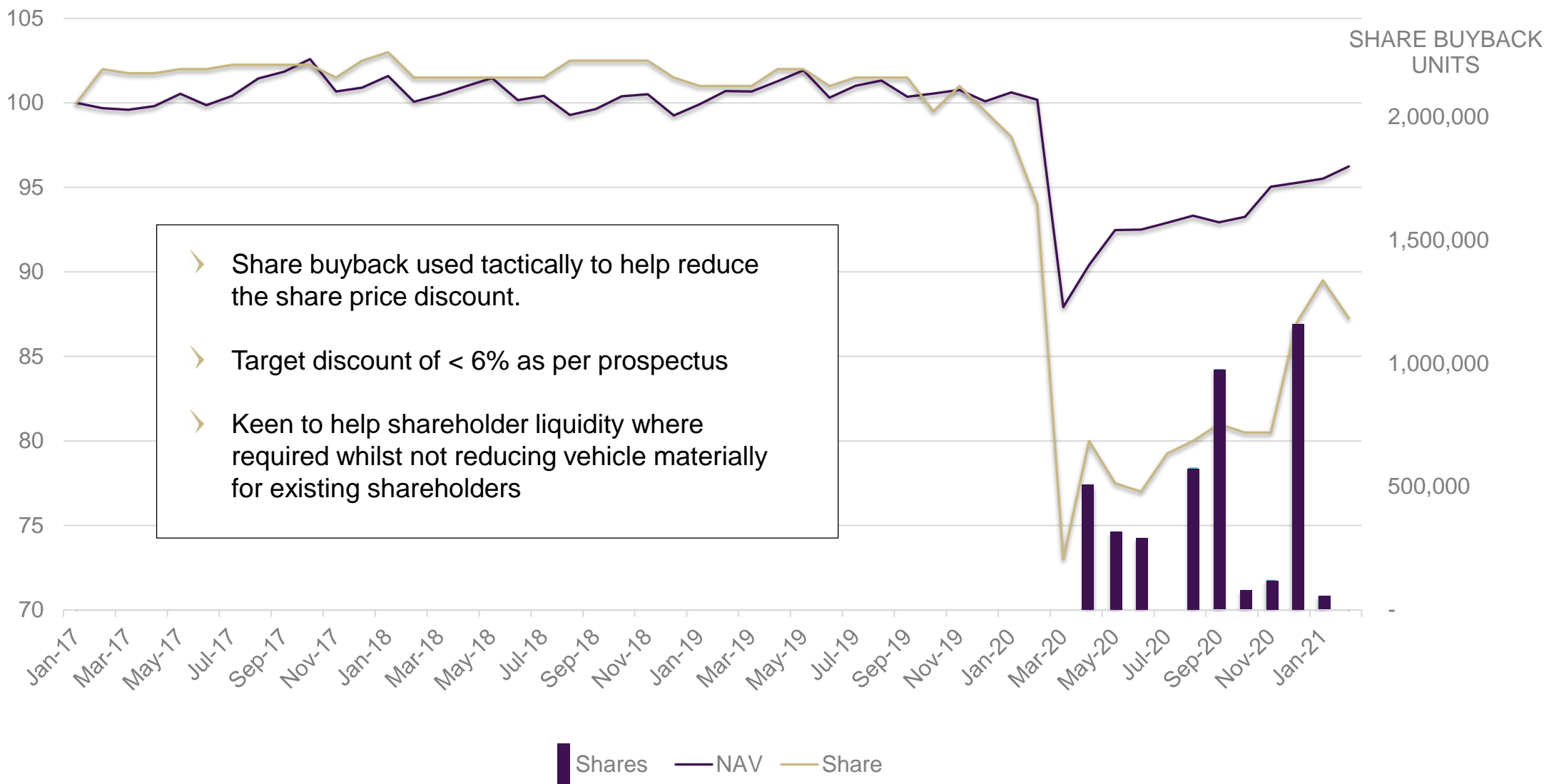


Target CBILS allocation
end Q2 2020

Cumulative realised losses versus portfolio mark to market “MTM”



Discount control & share buy backs





Tracking down the best investment opportunities

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Section 2 - Outlook

- Investment priorities
- Investment strategy overview
- Strategy focus benefits

Investment priorities

1

INCOME



Income returns

2

NET ASSET VALUE



**Revaluation of
portfolio assets**

3

SUSTAINABILITY



Focus on SDG outcomes

4

IMPACT FRAMEWORK



**Impact measurement
and management
reporting for investors**

Investment Strategy - overview

Private credit non-benchmark deal sizes:

- **Focus on non-benchmark direct loans, “the missing middle”**, of up to £15m which are too complex for traditional bank lending and too small for institutional direct lenders.
- RM Funds have extensive experience in originating bespoke non-benchmark size private credit transactions.
- Limited competition, robust investor protections, high yielding capturing the ‘complexity premium’.
- Deep opportunity set with substantial pipeline, allowing for positive sector focus whilst delivering returns significantly in excess of those available in public markets.

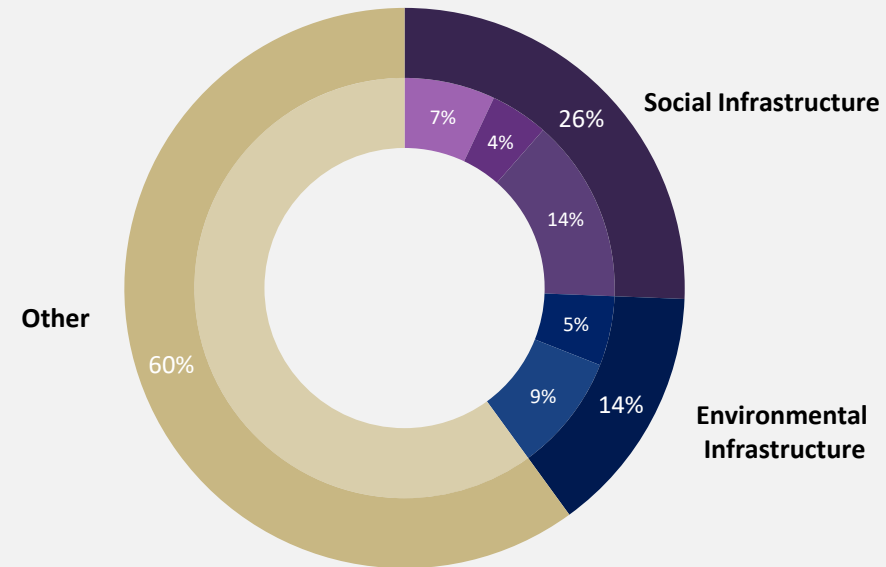
Sector Focus & Sustainability:

- Investment focus on two areas comprising six sectors
 - Social infrastructure – target 75% of portfolio
 - Accommodation; student, retirement living, PRS
 - Childcare & Education; children’s nurseries, schools
 - Healthcare; aged care & hospitals
 - Environmental assets – target 25% of portfolio
 - Energy Efficiency and Carbon Reduction
 - Clean Energy and Renewables
 - Waste Management
- **ESG & Sustainability**; Comprehensive Impact Management & Measurement framework
 - Improved core ESG performance for portfolio Companies
 - Impact objectives beneficial for achieving UN Sustainable development goals within the UK
 - The Good Economy as the Impact Assurance & Reporting partner


Strategy focus benefits

- Focus on Loans with tangible asset backing in sectors that are essential to society:
 - often highly-regulated sectors
 - strong cash flow visibility
 - reinforces non-cyclical sector focus
 - limited LTV/tangible asset-backing
- Widen shareholder appeal:
 - Seek to attract investors focused on ESG and sustainability, given explicit impact objectives, measurement and reporting framework
 - Attracting new investors that are focused infrastructure type investments given the more explicit focus

Portfolio investments to date by sector



- Social Infrastructure - Accommodation 7%
- Social Infrastructure - Childcare & education 4%
- Social Infrastructure - Healthcare 14%
- Environmental Infrastructure - Energy Efficiency and Carbon Reduction 5%
- Environmental Infrastructure - Clean energy and Renewables 9%
- Other 60%



Guidance when the route ahead is unclear

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Section 3 – Sustainability; ESG & Impact Framework

- RMDL sustainability evolution
- Impact objectives
- Sustainable development goals and impact outcomes
- Investing with Impact & framework alignment
- Positive Impact Score

Company evolution - from avoiding ESG risks to creating positive impact

	ESG integration	ESG engagement	Exclusions/ Negative ESG screening	Positive screening (ESG impact)	Impact measurement
Now <i>"RM Secured Direct Lending PLC"</i>	☑	☑	☑		
Proposed <i>"RM Secured Direct Lending PLC"</i>	☑	☑	☑	☑	☑
	Responsible Investment Policy - considering ESG issues associated with any potential investment during the due diligence phase	Working with management teams, helping them recognise and manage the opportunities and risks associated with ESG factors.	Sectors and products (e.g. gambling, tobacco, alcoholic spirits etc)	Sectors and business that contribute to meeting SDG needs	Third party reviewed impact measurement and reporting system

Impact objectives



Meet housing needs

Improved supply of quality, affordable housing and accommodation



Meet education needs

Improving quality and availability of childcare and education services



Meet health needs

Improving quality and accessibility of health and social care services



Support energy solutions

Improving availability of sustainable energy solutions



Promote a circular economy

Improved recycling, waste and sustainable water use



Improve building sustainability

Improving sustainability of buildings and transport

Impact metrics
(Social Infrastructure)

Impact metrics
(Environmental assets)



Build responsible businesses

Improving borrower performance on core ESG practices

ESG metrics

SDGS & Impact outcomes

Social infrastructure

Healthcare

3 GOOD HEALTH AND WELL-BEING



Childcare & Education

4 QUALITY EDUCATION



Accommodation

11 SUSTAINABLE CITIES AND COMMUNITIES




Impact Outcomes:

- Improving supply of quality, affordable housing and accommodation
- Improving quality and availability of childcare and education services
- Improving quality and accessibility of health and social care services

Environmental assets


Clean Energy & Renewables

7 AFFORDABLE AND CLEAN ENERGY




Waste Management

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Energy Efficiency & Carbon Reduction

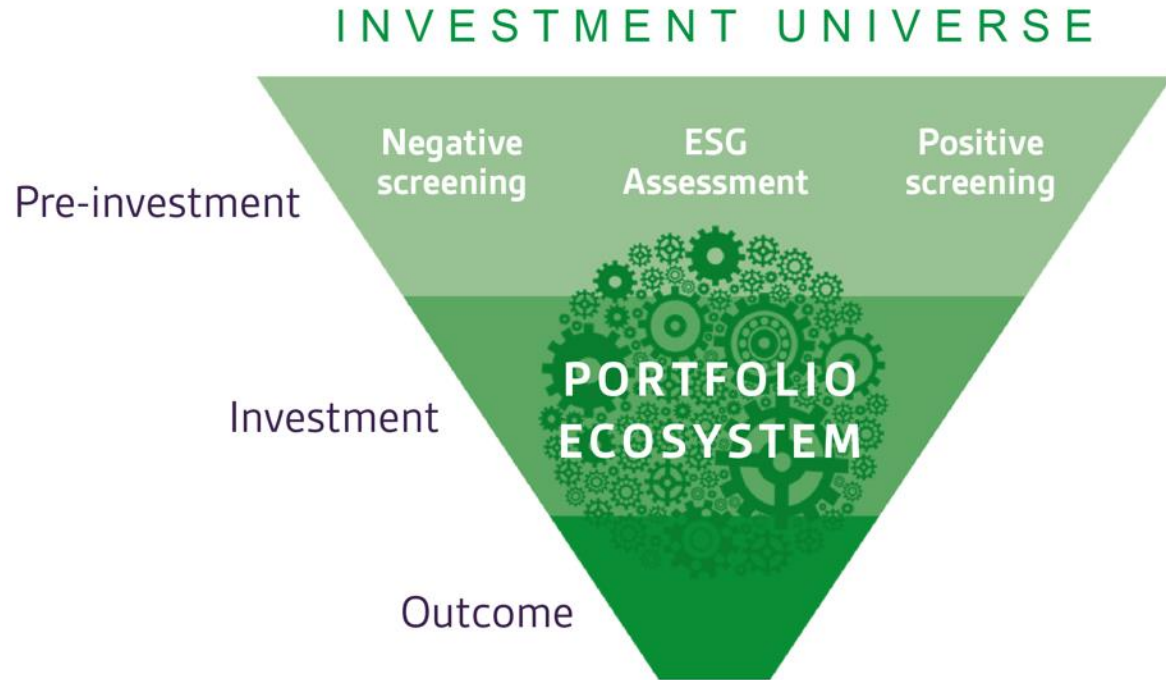
13 CLIMATE ACTION



Impact Outcomes:

- Improving availability of sustainable energy solutions
- Improving recycling, waste and sustainable water use solutions
- Improving sustainability of buildings and transport

Investing with Impact & framework alignment



RM Funds have an Impact Measurement & Management framework aligned with:

- The Impact Management Project (IMP)
- The IFC Operating Principles for Impact Management
- PRI - Principles for Responsible Investment



RM Funds have partnered with The Good Economy to provide independent reporting and assurance of the impact measurement system.

Positive Impact Score – aligning with IMP 5 dimensions of impact

1. Assessment of E&S outcomes (score sum max 15)

E

(Energy Efficiency & Carbon Reduction, Waste Management, Clean Energy)

S

(Accommodation, Childcare & Education, Healthcare)

What

Avoid a single negative outcome

1 - 5

Support many positive outcomes

Who

Well-served

1 - 5

Under-served

How much

Limited / Minimal / Short term

1 - 5

Far-reaching / Significant / Long lasting

2. Capital Impact Ratio (Apply factoring x 1,2,3)

What is the contribution of the funding towards creating impact,
Would they have achieved this irrespective of the funding, or was RM investment a direct catalyst?

3x Achieved through funding – sole lender

2x Achieved through funding – club transaction

Grow new or undersupplied capital markets - Anchoring or participating in new or previously overlooked opportunities (IMP)

1x Achieved through funding – Transaction was a broadly syndicated deal

3. Impact Strategy Ratio (Apply factoring x 1,2,3)

Are the business activities directly linked to delivering the target Sustainable Development Goals?

3x Contributes to Solutions
Directly contributes to SDGs, targeting needs of an underserved population or unmet needs.

2x Benefits stakeholders
Business that benefits stakeholders in an SDG aligned sector.

1x Acts to Avoid Harm
Mainly aimed at avoiding negative outcomes (e.g. carbon emissions).

IMP – ABC spectrum

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The art of investment

Stable investments offering long-term returns

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Summary

Summary

- Resilient portfolio; income generative, downside protected through a challenging period
- Conservative valuation policy which will lead to NAV growth
- Near term increase exposure to CBILS and aim to utilise Recovery Loan Scheme
- Exciting pipeline in Social Infrastructure & environmental assets; defensive
- Baseline scoring to be initiated shortly by The Good Economy to allow for investor reporting in 2022
- Invest in areas where RMDL can make meaningful contributions to meeting SDG's
- Seek to bring in new investors in order to reduce the share price discount and start to grow the Company
- Demonstration that debt has a place in investors portfolio when it can produce income returns of 6.5pence / current yield 7.5%
- Redemption opportunity to be offered at AGM
 - Speaking to shareholders on a an individual basis over coming months
 - Ascertain views of shareholders

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