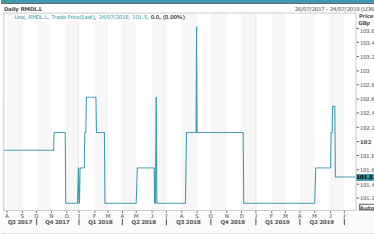


Premium Equity Closed-Ended Investment Funds


Source: Refinitiv

Market data

EPIC/TKR	RMDL/RMDZ
Price (p)	101.5/105.5
12m High (p)	104.0
12m Low (p)	100.2
Shares (m)	112.20
Mkt Cap (£m)	114
NAV p/shr. (p)	98.0
Free Float	100%
Market	LSE Equity Inv. Instrmt.

Description

RM Secured Direct Lending (RMDL) aims to generate attractive and regular dividends through investment in debt instruments that are backed by real assets, led by exceptional management teams, and that usually demonstrate high cashflow visibility.

Company information

Chairman	Norman Crighton
NED	Guy Heald
NED	Marlene Wood
Inv. Mgr.	RM
CIO	James Robson
Co. Manager	Pietro Nicholls
AIFM	IFM

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rmdl.co.uk
Key shareholders

CCLA	18%
Quilter	13%
Merian Global	13%
Brooks MacDonald	5%
Hawksmoor	5%
CG AM	4%
Charles Taylor	3%
RM (Inv. Mgr.)	0.8%

Diary

Mid' Jul	June Factsheet
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Analyst

Mark Thomas 020 7194 7622

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RM SECURED DIRECT LENDING

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We reviewed RMDL in detail in our initiation report, *Predictable revenue streams generating high yield*, published on 5 June 2019. RMDL offers investors an ongoing ca.6.5% dividend yield, supported by multi-year assets, a rising revenue yield and economies of scale. We outlined how credit is well controlled, gearing levels are appropriate, the investment manager's interests are aligned to shareholders (now owns 1.043m shares), and any discount will be actively managed. There are risks when the cycle turns; and its book has shown a propensity to turn over, which, in the future, could see external refinancing. The shares are at a 4% premium to NAV.

- ▶ **RMDL monthly report:** The NAV total return in June was 0.41% and in 1H'19 4.82% (which is a little ahead of target). The end-June portfolio had 35 investments (one net in month, three gross), with an average yield of 8.61%. The split between the fixed and floating rate was 60/40, and the average life of the portfolio is 3.46 years.
- ▶ **Peer news flow:** On 16 July, GCP Asset Backed announced its NAV was 102.31p (April 101.99p). On 23 July, SQN announced that its June NAV performance had been -0.02% (one-year return 4.98%). SEQI (infrastructure debt IC) reported a June NAV increase of 1.15%.
- ▶ **Valuation:** RMDL trades at a premium to NAV and to the average of its closest peers. Investors can take comfort from the NAV being robustly reviewed by external agents. RMDL issuing equity above NAV enhances existing shareholders (see announcement of 24 July). RMDL has not seen a major loss.
- ▶ **Risks:** Credit remains key for any lender, and we examine in detail the investment manager's approach. We believe the right approaches to limit both the probability of default and loss, given default, are in place. The book has shown a surprising propensity to turn over. There are modest currency and key personnel risks.
- ▶ **Investment summary:** RMDL offers investors a different asset class, with a substantial yield generated on a sustainable basis from long-term assets with predictable income streams and a strong pipeline. Any lending business needs to correctly assess and manage credit. RMDL has all these characteristics. The market has given it a small premium to NAV, reflecting these traits and a material element of market-driven valuation.

Financial summary and valuation

Year-end Dec (£000)	2018	2019E	2020E
Profit/loss on investments	-807	1,130	-450
Income	8,199	12,292	18,913
Investment manager's fee	-894	-1,276	-1,964
Other expenses	-1,134	-1,150	-1,350
Finance costs	-1,037	-380	-380
Pre-tax return	4,327	10,616	14,768
Dividend (p)	6.5	6.9	6.5
Dividend cover (Hardman & Co basis, x)	1.0	1.1	1.1
NAV (p)	0.97	1.00	1.01
S/P premium to NAV	5%	2%	0%
Loan book	102,581	180,000	245,000
Equity issued in year	40,920	77,801	77,250

Source: Hardman & Co Research