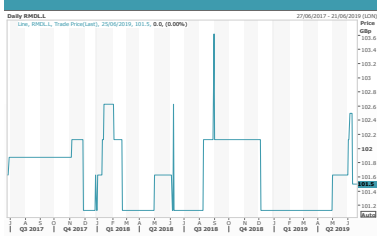


### Premium Equity Closed-Ended Investment Funds



Source: Refinitiv

### Market data

EPIC/TKR	RMDL/RMDZ
Price (p)	102/103.5
12m High (p)	104.0
12m Low (p)	100.2
Shares (m)	112.20
Mkt Cap (£m)	114
NAV per ord. shr. (p)	99.59
Free Float	100%
Market	LSE Equity Inv. Instruments

### 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
	(RM) +44 131 6037060
	<a href="http://rmdl.co.uk">rmdl.co.uk</a>

### 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, and that 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 more external refinancing. The shares trade at a 2% premium to NAV.

- ▶ **RMDL monthly report:** As at 31 May 2019, the company's portfolio consisted of 34 debt investments with an average yield of 8.55%, spread across 13 sectors, with a split between fixed and floating rate debt of 60/40. The portfolio grew by £4m to £124m in May, despite three loan repayments.
- ▶ **Peer newsflow:** On 25 June, GCP Asset Backed *announced* a placing of 60.3m shares at 105p, raising £63m. Hadrian's Wall's latest NAV (April) was 97.94p (pre 1.9% impact from increased general provisions taken in May). On 30 May, SQN announced *significant progress on the Suniva investment* in terms of litigation.
- ▶ **Valuation:** RMDL trades at a small premium to NAV and to the average of its closest peers. We estimate that further equity issues at this level will enhance current shareholders by ca.1%. We note that RMDL has started to draw on its revolving credit line, making an equity issue more likely. 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. Like any lending business, credit needs to be correctly assessed, and managed once drawn down and recovered. 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%	1%
Loan book	102,581	180,000	245,000
Equity issued in year	40,920	77,801	77,250

Source: Hardman &amp; Co Research