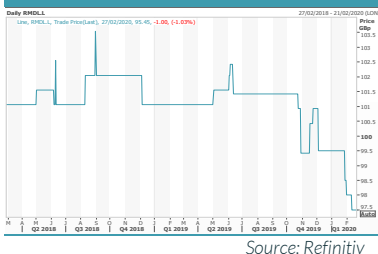


Premium Equity Closed-Ended Investment Funds

Market data

EPIC/TKR	RMDL/RMDZ
Price (p)	97.5/105.5
12m RMDL (ord.) High (p)	103.0
12m RMDL(ord.) Low (p)	97.5
Shares Ord (m)	122.24
Mkt Cap (£m)	131
NAV p/shr (p)	98.3
Free Float	100%
Market	LSE Equity Inv. Instr.

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 Funds
CIO	James Robson
Co. Manager	Pietro Nicholls
AIFM	IFM

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rmdl.co.uk

Key shareholders

CCLA	17%
Quilter	16%
Merian Global	13%
Brooks MacDonald & Hawksmoor	5%
CG AM & Jupiter	4%
Sarasin, Charles Taylor, PAM,	3%
Seneca & Blankstone Sington	
RM (Inv. Mgr.)	1%

Diary

Mid-Mar	Feb factsheet
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Analyst

Mark Thomas	020 7194 7622
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RM SECURED DIRECT LENDING

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RMDL offers investors i) a high dividend yield, ii) a proven record in downside risk management, and iii) a non-correlated share price. Its monthly NAV growth has proved very stable, driven by predictable net interest income, rather than capital movements. RMDL delivers its returns via high skill and service levels, assessing, monitoring and collecting credit in line with best practice. RMDL will be presenting at Hardman & Co's Investor Forum on 10 March. The February 2020 2% share price fall, moving the shares to a small discount to NAV, was on minimal volumes, and we believe reflects the illiquidity in the shares, rather than anything more fundamental.

- ▶ **RMDL news flow:** The ordinary share cum income NAV at *end-January* was 98.31p, a monthly return of 0.51% (1 year 8%). The return came from net interest income net of expenses (0.6p) and a fall in portfolio valuations (0.08p covering all credit and currency movements). There are 34 loans at an average yield of 8.6%.
- ▶ **Peer news flow:** GCP Asset Backed's *December factsheet* gave details of its portfolio and its 102.3p NAV (s/p 108p). SQN gave *updates* on valuation and the strategic review process. SEQL announced a *January NAV* of 105.55p (s/p 114.8p) and a £250m *target share issue*. HONY announced *the sale of 35% of its shares*.
- ▶ **Valuation:** RMDL trades at a small discount to NAV. Investors can take comfort from the NAV being provided by external parties. RMDL, to date, is one of the few consistent performers within the sector, and the focus on real assets and mid-market corporates has been a strategy that has provided consistent returns.
- ▶ **Risks:** Credit is key for any lender, and we have examined 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, which is done by RM Funds, who have a proven track record of doing this consistently well.

Financial summary and valuation

Year-end Dec (£000)	2018	2019E	2020E
Profit/loss on investments	-807	1,650	-325
Income	8,199	10,117	16,688
Investment manager's fee	-894	-1,038	-1,494
Other expenses	-1,134	-1,150	-1,350
Finance costs	-1,037	-380	-380
Pre-tax return	4,327	9,199	13,138
Dividend (p)	6.5	6.9	6.5
Dividend yield	6.7%	7.1%	6.7%
Dividend cover (x)	1.0	1.2	1.2
NAV (p)	0.97	0.99	1.01
S/P premium/discount to NAV	1%	-1%	-3%
Loan book	102,581	134,000	245,000

Source: Hardman & Co Research