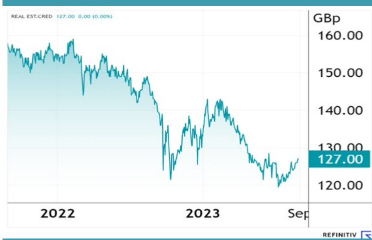
HARDMAN&CO.

30 August 2023

Diversified Financial Services



Source: Refinitiv

Market data

EPIC/TKR	**RECI**
Price (p)	**126.5**
12m high (p)	145.0
12m low (p)	119.5
Shares (m)	229.3
Mkt cap (£m)	290.1
NAV p/sh (Jul'23, p)	148.2
Discount to NAV	-15%
Div. yield (FY'21)	9.5%
Country/Ccy of listing	UK/GBP
Market	Premium equity closed-ended inv. funds

Description

Real Estate Credit Investments (RECI) is a closed-ended investment company that originates and invests in real estate debt secured by commercial or residential properties in the United Kingdom and Western Europe.

Company information

Chair	Bob Cowdell
NEDs	Susie Farnon, John Hallam, Colleen McHugh
Inv. Mgr.	Cheyne Capital
Main contact	Richard Lang
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Key shareholders (Mar'23)

Close Bros.	9.18%
Bank Leumi	7.87%
Hargreaves Lansdown AM	6.30%
Canaccord Genuity	5.81%
Tilney Smith and Williamson	5.79%
FIL	5.18%

Diary

Mid-Sep	Aug NAV
15 Sep	AGM

Analysts

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REAL ESTATE CREDIT INVESTMENTS

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Why CRE equity worries should not apply to RECI

RECI's current discount to NAV (15%) suggests to us that some investors could be concerned that potential issues with commercial real estate (CRE) will dramatically affect the trust's assets. In our view, the key reasons why they should *not* lie in RECI's management of its position as a debt provider and in its asset selection. We note i) CRE equity holders take first losses (with a 60% LTV, RECI has a big cushion), ii) when accounts have got into difficulties, RECI has typically seen more funds injected by the equity backers, iii) CRE equity holders suffer from rising rates, as value transfers from equity holders to debt providers, and iv) RECI has limited office exposure (none in the US) – the sector most exposed to working from home.

- **CRE equity holders vs. debt:** CRE equity holders are affected directly by falling CRE prices, rents and rising borrowing costs. The risks to a debt provider to CRE (like RECI) arise from the probability of a borrower defaulting and loss in the event of default, not CRE prices alone. We detail below how RECI materially reduces both of these factors.
- *July 2023 factsheet:* The underlying NAV rose 1.5p, due to recurring interest income (1.0p). Cash was £17m, and gross leverage £90m. The book has 45 positions (30 loans, gross drawn value £371m, and 15 bonds, fair value £35m – down from 26 and £90m, respectively, at end-March). The weighted average LTV is 60%, and the yield is 10.8%.
- **Valuation:** In the five-year, pre-pandemic era, on average, RECI traded at a premium to NAV. In periods of market uncertainty, it has traded at a discount. It now trades at a 15% discount, a level not seen since late 2020. RECI paid its annualised 12p dividend in 2022, which generated a yield of 9.5% – expected to be covered by interest alone.
- **Risks:** Credit cycle and individual loan risk are intrinsic. All security values are currently under pressure. We believe RECI has appropriate policies to reduce the probability of default and has a good track record in choosing borrowers. Some assets are illiquid. Much of the book is development loans.
- **Investment summary:** RECI generates an above-average dividend yield from well-managed credit assets. Income from its positions covers the dividends. Sentiment to marketwide credit risk is currently difficult, but RECI's strong liquidity and debt restructuring expertise provide extra reassurance. Where needed, to date, borrowers have injected further equity into deals.

Financial summary and valuation

Year-end Mar (£m)	2022	2023	2024E	2025E
Interest income	27.0	31.9	38.3	42.7
Operating income	32.4	30.7	43.3	47.7
Management fee	(4.4)	(4.3)	(4.2)	(4.3)
Performance fee	-	-	-	-
Operating expenses	(5.8)	(6.1)	(6.2)	(6.4)
Total comp. income	24.6	20.6	32.1	36.3
EPS (p)	10.7	9.0	11.3	12.8
NAV per share (p)	150.0	146.9	148.9	151.9
S/P prem./disc. (-) to NAV*	0.4%	-9.1%	-15.1%	-16.7%
Debt to equity	29%	24%	18%	8%
Dividend (p)	12.0	12.0	12.0	12.0
Dividend yield	9.5%	9.5%	9.5%	9.5%

*2022-23 share price actual, 2024-25 forecast NAV to current share price
Source: Hardman & Co Research

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Why key investor concerns with CRE should not apply to RECI

Property trusts at much wider discounts than AIC average

Property debt trusts at wider discounts than other debt funds

RECI at lower discount than average property debt trust

The extent to which CRE is out of favour is illustrated in the chart below. As can be seen, the AIC property sub-sectors trade at discounts of 2.0x-3.7x the AIC overall average, and the debt property funds (of which RECI is a member) trade at 3.6x the discount of the debt loans and bonds sector.

Discount to NAV for AIC property and selected other sectors (%)

Source: AIC, accessed 29 August, Hardman & Co Research

CRE equity holders take first loss

Potential losses for debt providers should consider probability of default and loss in the event of default

We believe the concerns influencing the CRE equity listed vehicles have been read across to debt providers, even though the economic exposure is very different. CRE equity holders take first losses, and so have the greatest exposure to falling CRE prices. For debt providers, we analyse potential losses by considering both the probability of the customer defaulting and the loss in the event of a default. RECI's performance in challenging environments was reviewed in our notes, *Experience shows resilience of the model* (published on 6 May 2021) and *Experience shows resilience of the model (2)* (published on 12 August 2021).

Probability of default

Culture critical to probability of default, and Cheyne lenders "own" their exposures

Assessing the probability of default, in our view, starts with the culture of the organisation and, in particular, the ownership of the loans by individuals making the loans. In multiple previous reports, we have highlighted how Cheyne staff own their loans, are responsible for managing accounts in difficulties and how this culture makes the organisation (and so RECI) unlike mainstream lenders. Ownership of the account creates a very different approach to credit assessment and monitoring, typically having the lending much closer to the borrower.

Rapid and effective management of problem accounts dramatically reduces probability of loss, as evidenced by RECI through COVID-19

In previous notes, we have also emphasised the importance of how quickly problem accounts are identified and what action is taken to resolve the difficulties. Cheyne proved its approach through COVID-19, when it did not see any losses in the high-risk hotel sector. Equity investors typically injected further funds, and the terms of debt were extended for a higher interest rate to reflect the increased risk. With the capital injections and debt refinancing, the borrowers were able to trade through the periods of closure to a sustainable operating performance/sell assets at more attractive prices. Cheyne is often either the main debt provider or leads the restructuring, making the process much simpler than syndicated deals.

REC's management of new accounts…

…plus geographical and sector diversification…

…give comfort on lower-than-average probability of default

The probability of default will also be affected by:

- The age of lending, with new lending typically higher-risk than old. We addressed this in detail in our note, New faces, same resilience (published on 20 May 2022).
- A lack of geographical diversity. The July 2023 factsheet highlights that 60% of the portfolio is in the UK, 24% in France, 8% in Spain and 8% "other" Europe, giving a reasonable spread of exposure. We highlighted the advantages of the French exposure in our note, Vive la difference (published on 15 February 2022).
- A concentration in high-risk sectors.
  - The extent to which workers return to offices post COVID-19 has been a major concern, especially for US investors (where the local market has seen a lower return than in Europe). RECI has no US office exposure directly, and the 13% of the portfolio that is to office (with a further 16% in mixed-use) is typically to prime locations, where demand has remained robust. on page 6, we review the top 10 exposures, of which offices account for just two. Of note is a loan to *WeWork*, where the initial LTV was just 44% (since revised, on devaluation, to 59%). The other exposure is to a well-capitalised private equity (PE) backer.
  - 42% of the portfolio is in living assets (student accommodation, residential, housebuilders, assisted living), where some of the largest exposures (again, see page 6) are to developers that we would characterise as generally being in high-demand/limited-supply areas, and with experienced backers who have substantial resources.
  - Overall development accounts for 69% of the portfolio, with the borrowers and sites having the above characteristics, which should reduce the probability of default. Development finance has historically been an area of significant loss for mainstream lenders, and, consequently, in challenging times, they cut limits sharply/withdraw entirely. Even good borrowers offering significant security cannot access mainstream finance, because of the banking sector's limited approach. Lenders such as Cheyne can consequently cherry-pick attractive risk/reward opportunities.
- Falling rents, reflecting the demand/supply dynamic, will initially affect CRE equity holders through lower revenue and profit. The recent downgrades to US banks by both S&P and Moody's were driven partially by the fact that they had *meaningful exposure to CRE*[1]. We believe that a lender's ownership of loans (and closeness to borrowers) is such that it should identify potential problems early and start the restructuring/refinance discussions before the borrower reaches a crisis point.

Some borrowers likely to face challenging trading, but Cheyne approach reduces probability of default

We do not under-estimate the probability that some Cheyne borrowers will face highly challenging trading. In our view, however, the approach taken by Cheyne reduces the probability that these will feed through into default events.

Loss in the event of default

High-quality security, with big LTV cushion, should limit loss in event of default

We discussed RECI's security in detail in our most recent note, Double tangible security (published on 13 June 2023). Despite the market conditions, Cheyne did not reach the stage of enforcing security through COVID-19. It is only at that stage that the conservatism of LTVs becomes important, and, with a 60% LTV, RECI has a huge cushion against loss. Looking at the distribution of LTVs at entry, just 3% was at an LTV of 80% or more, a quarter at 65%-80%, nearly a half at 50%-65%, and a quarter at under 50%.

[1] https://www.cbsnews.com/news/s-p-banks-downgraded-list-of-banks/

Impact of rising rates

Detailed analysis indicates impact of rising rates is manageable

We believe there is a market concern that CRE equity holders will suffer from rising and sustained interest rates, as value transfers from equity holders to debt providers. *In extremis*, this will lead to the failure of CRE companies, and so potential credit implications for RECI. Clearly, the first stage of this issue, the transfer of value from equity holders to debt providers, would be to RECI's advantage; so the primary concern is likely to be the impact on credit. We have discussed this largely above, but we reviewed the direct exposure to rising rates in our note, *Why rising rates should not hurt RECI* (published on 8 November 2021).

Bond portfolio allocation

As market bonds have been reallocated into senior notes, investors should see less NAV volatility

At end-July 2023, the bond portfolio had a gross fair value of £35m in 15 exposures, against £90m in 26 exposures at the start of the year. Significant realisations have been directed to reduce leverage and into senior loans. Historically, RECI's marking to market of its bonds resulted in large unrealised writedowns at times of crisis, and then a long tail of compensating writeups in subsequent months (see our note, *Marks taken in uncertainty, released thereafter* (published on 5 August 2022). This created NAV volatility, which will now be reduced significantly by the smaller portfolio.

RECI's top 10 exposures

Top 10 position by commitment

Commitment (£m)	Current % NAV	Entry NAV (%)	Loan	Sector	County	Asset Type
82.4	10.0	48	Senior	Mixed-use	UK	Development
45.2	4.4	58	Senior	Student accomm.	UK	Development
32.7	2.9	67	Senior	Residential	UK	Development
30.9	8.3	58	Senior	Office	France	Value add/ Transitional
22.8	6.8	59	Senior	Office	UK	Core+
22.4	4.3	49	Senior	Residential	Spain	Development
20.6	5.7	36	Senior	Housebuilder	France	Development
20.4	1.7	65	Senior	Hotel	Finland	Development
19.9	4.4	80	Senior	Hotel	France	Development
19.7	5.4	60	Senior	Assisted living	UK	Core+

Source: RECI July Factsheet, Hardman & Co Research

Real estate exposure

Concerning the July exposure, the top 10 exposures are effectively unchanged on the June position, which itself was unchanged on the previous month.

- Exposure to the UK remains high.
- The next greatest exposure remains France.
- All top 10 remain senior loans, and the counterparts are strong entities.
- The exposure to development loans remains high, with seven developer-led and nine out of the top 10 fully or partly developer-led.
- Assessing the data on percentage of NAV, it is clear that there has been some advance in the drawn amount on several of the development commitments, as one would expect.
- The largest single position by far comprises a UK portfolio; so a detailed assessment of real estate risk is not possible here. This is an actively managed portfolio. We assess the overall character and note the long track record RECI has with the sponsor.

1: Max II – UK mixed-use development

Long track record with sponsor, portfolio with positions maturing and being refreshed, competitive advantage and value-add to sponsor

RECI has a long track record with this sponsor, who benefits from the flexibility of the advance. This was classified as a Core+ holding earlier in the year, indicating a combination of yielding asset and development asset. The balance would appear to have been reassessed as being a development commitment, which we understand is simply a recognition of the balance being in this category – hence a technical reclassification. We understand that there is a 60% LTV cap, with a series of deals being financed, and then maturing within the wrapper. Each new advance within the position is taken on its merit. A good proportion is development land.

2: Fusion BXT – London student accommodation

Some market and political risk in this development loan, but market is significantly undersupplied. A balance of risk/reward/competition

This commitment was taken in November 2022, and so is priced post the worst of the market turbulence. It comprises UK (London) student accommodation at an early stage of development, to be completed in 3Q'25. Student assets are dependent on a number of factors, which may move for or against the risk. Being London-led, we consider the risk to be more than acceptable, given the undersupply.

3: Fulton – London (Wembley) residential-led, mixed-use development

Again, balance of risk/reward/competition, much assisted by being strong project and sponsor well-known to RECI

We consider RECI's position to be significantly enhanced, as it benefits from a positive track record with this sponsor. This is a residential-led, mixed-use development in Wembley, northwest London. Wembley is a long-established strategic redevelopment zone, which is a benefit in terms of the established price points and footfall assessment. The downside is the greater competition, but we have looked at the price points and specification, and this is a well-positioned asset. Clearly, footfall has slowed this past year, but recent performance is not troubling, and the development is well-supported. There is also an encouraging flow of funds through the life of this position. Cash liquidity encourages us to anticipate repayment upon scheduled maturity. This development is entering a pre-selling phase of social housing to Brent Council, added to which the council is purchasing some private development apartments, we understand. The developer, therefore, holds in escrow a useful quantum of deposits – a figure that is growing.

4: Coliséee – Office Saint Ouen, Paris

Acceptable risk, which should come out successfully, but not easy market, and LTV nudging 60%, with valuation risk on downside

RECI's track record with developments, and in France, no doubt encouraged attractive terms to be put forward. While the market has changed somewhat since 2020, when the loan was instigated, particularly driven by interest rates, we believe the timing of the opening of this position was already one where conservative valuations were being put forward. This office development is in Paris, near the main ring road. This development at Saint Ouen is almost fully built. The sponsor is PE, and interest is currently being paid. Once a tenant is in place, a refinance event can take place. As a final point to bear in mind, Paris and the wider French economy have experienced a relatively robust position in recent years.

5: Hoxton – London office

This is a London office investment let to *WeWork*

With modest LTV, plenty of "wiggle room" in difficult market

This London office investment is in Hoxton. The asset is let to *WeWork* on a long lease. Given further concerns about *WeWork* as recently as May 2023, we would consider the position and layout of the building to be just as important as the lease. Both of these are strong. On our enquiries two months ago, we learned that the sub-let occupancy is above 70%. That said, *WeWork*'s business model is a risk. However, it is an appropriate type of let and building for the area, with many innovative businesses. The LTV has recently been stated at 44%, which is a usefully modest level. When we assessed this two months ago, we wrote: "Even were the value to slip, as yields move out, a refinance should be achievable, with LTVs up to, say, around 60%. This indicates a wide margin for an asset-down valuation – in this case, some 25%. We would consider this a conservative illustration, a reassuring cushion". The LTV is now stated at 59%. Assuming that this reflects the expected revaluation of the asset onto a higher yield, we are not overly concerned by the stated LTV. Formerly classified Core, it has now moved to Core+. This may indicate a slight level of development/refurbishment.

6: Sabina – Spanish villas

RECI understands development risk and timings, and much of sales risk has gone via pre-sales

Much of the sales risk has already been removed. This is a further phase, and the majority of the villas are pre-sold to high-net-worth individuals.

7: Balto – French housebuilder portfolio

Effectively a low LTV company loan in a market sector that – as well as upside – has some intrinsic risks but is performing reasonably after a year of difficult market background

We consider RECI's position to be enhanced by its understanding not only of the French market but also of developers. This is a loan to a developer company, rather than a position with a specific development, by Lone Star. The company loan was to finance the 2021 purchase of a French housebuilder. RECI financed 35% of the purchase price; so, even with recent headwinds in the sector globally, the collateral would be well-underpinned.

8: Airport Hotel – Finland (Helsinki) hotel

LTV is perhaps surprisingly high, but RECI has high expertise and a very good track record in hotels – so is justified in backing its judgment

RECI has a deep understanding of the hotel developer market, and exited pre-COVID-19 positions with poise, after becoming more involved in the progress of the relevant projects during the COVID-19 turbulence. This stands RECI in good stead to assess risk. Here, the position is with a large, experienced contractor retained under a fixed-price contract. The development is progressing on schedule, with expected completion in June 2024.

9:Perseus – French hotels (Paris and Nice)

RECI well-positioned in competition with other lenders, due to deep understanding of hotel developer market, gained in recent turbulent years

Here, too, the deep understanding of the hotel developer market that RECI has gained in recent years, amid COVID-19 turbulence, must be seen as a competitive advantage. There has been a strong tourist season across Europe and, indeed, globally this summer. The asset comprises two French hotels: one a yielding asset, the other a development. The majority of the exposure is to the development position, in Nice's old town. This is a construction management arrangement, not a fixed price. Construction is progressing well. Upon completion, the asset could be sold or refinanced.

10: RS Kensington – luxury assisted senior living, London

High-quality project in an under-served market

This is a Core+ exposure, a high-quality project in Kensington, London. The capital advanced was deployed in the acquisition of a 190-unit complex, complete with 20,000 sq. ft. of communal facilities, which include a concierge, a chauffeur service, a swimming pool, a spa, a screening room, and restaurants and bars. This appears to be a straightforward position, with a granular exit, not reliant on other investors needing to discount cashflows from an entire scheme.

Valuation

Absolute

Current NAV likely to be on conservative side

We have, in previous reports, considered how the NAV is assessed (see pages 23-24 of our initiation report, *7%+ yield from well-secured property debt portfolio*, published on 28 August 2019). The critical issues are how conservative the culture of the organisation is, and the independent checks and controls that are in place to review the process. As we noted in that report, RECI's approach to both issues appears in line with best practice.

Yield

12p annual dividend expected

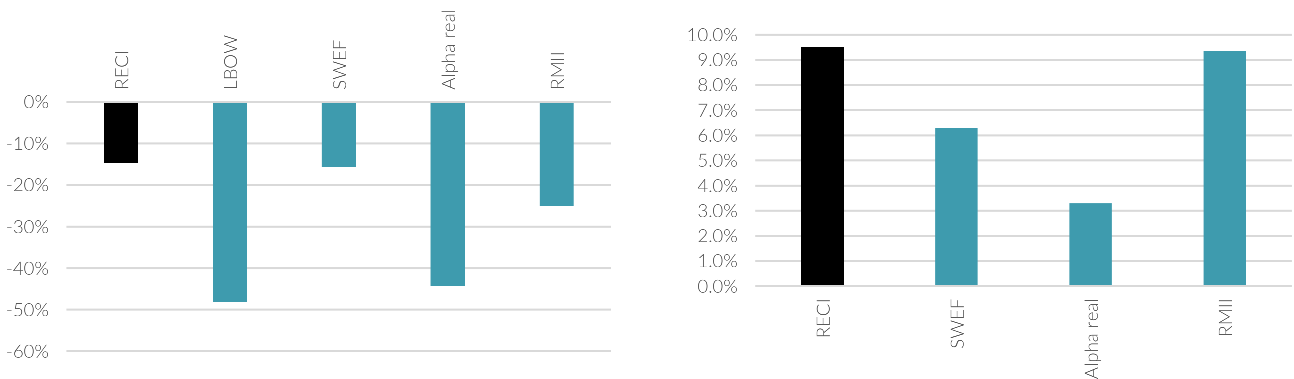
Through the COVID-19 crisis, when RECI took large, early MTM hits in 2020, and then steadily released them through the rest of the year, it maintained a consistent 3p quarterly dividend. The yield was covered largely by stable monthly interest income, and the bond MTM saw capital gains/losses feeding through to NAV noise. With the recent market recession uncertainty and the hiatus in the gilt and bond markets following the UK mini-budget, we saw the same happening, and, again, RECI followed the same, consistent policy: a stable 3p quarterly dividend. The trust appears very committed to this dividend, which is covered largely by interest income, and the noise from MTM losses and gains will reduce with a smaller bond portfolio. The current yield is 9.5%, and a 12p annual dividend is expected.

Relative

NAV rating and dividend yield among highest in close peer group

Comparisons of RECI with a close and broad peer group are given in the charts below. RECI's NAV rating is among the highest in the close peer group. Having returned to trade at a premium after the pandemic, the recent market uncertainty has, once again, meant that RECI is now trading at a discount. The dividend yield is the among the highest of RECI's closest peers (LBOW in wind-down). For investors who view the risk controls and procedures in RECI as robust, such a valuation appears anomalous. We have removed GABI from the comparison, given its proposed combination with GCP Infrastructure Investments Limited.

Premium/discount to NAV (LHS, %), and dividend yield for RECI and selected peers (RHS, %)



Source: Latest factsheets, priced at close at 29 August 2023, Hardman & Co Research

Financials

Profit and loss									
Year-end Mar (£m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Interest income bonds	2.6	5.4	6.9	11.5	12.9	3.2	5.0	2.2	0.5
Interest income loans	12.5	12.8	15.2	14.9	14.1	23.7	26.7	36.1	42.2
Other interest income	0.2	0.2	0.2	0.1	0.0	0.0	0.2	0.0	0.0
Interest income	**15.3**	**18.4**	**22.3**	**26.4**	**27.0**	**27.0**	**31.9**	**38.3**	**42.7**
Net (losses)/gains on investments	4.6	2.8	(0.1)	(35.9)	18.2	5.4	(1.3)	5.0	5.0
Net losses on options	(2.4)	(0.9)	-	-	-	-	-	-	-
Net gains on foreign exchange instruments	(1.8)	0.2	3.1	-	0.1	0.0	0.0	-	-
Total net gains on fin. assets at FV through P&L	0.5	2.2	3.0	(36.8)	18.3	5.4	(1.3)	5.0	5.0
Operating income	**15.7**	**20.6**	**25.3**	**(10.4)**	**45.3**	**32.4**	**30.7**	**43.3**	**47.7**
Management fee	(2.0)	(2.6)	(3.0)	(4.1)	(4.3)	(4.4)	(4.3)	(4.2)	(4.3)
Performance fee	(0.1)	(0.3)	(0.7)	1.0	-	-	-	-	-
Other operating expenses	(1.1)	(0.8)	(1.1)	(2.4)	(1.6)	(1.5)	(1.8)	(2.0)	(2.1)
Operating expenses	(3.2)	(3.7)	(4.8)	(5.6)	(5.8)	(5.8)	(6.1)	(6.2)	(6.4)
Profit before finance costs	**12.5**	**16.8**	**20.4**	**(15.9)**	**39.5**	**26.5**	**24.5**	**37.1**	**41.3**
Finance costs	(3.4)	(1.9)	(1.2)	(1.5)	(2.2)	(2.0)	(4.0)	(5.0)	(5.0)
Net profit	**9.1**	**14.9**	**19.2**	**(17.4)**	**37.2**	**24.6**	**20.6**	**32.1**	**36.3**

Note: classification bonds and loans restated in 2021, Source: RECI Report and Accounts, Hardman & Co Research

Hardman & Co adjusted profit & loss									
Year-end Mar (£m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Statutory profit	9.1	14.9	19.2	(17.4)	37.2	24.6	20.6	32.1	36.3
Capital gains & FX movements	0.5	2.2	3.0	(36.8)	18.3	5.4	(1.3)	5.0	5.0
Profit excl. capital gains & FX	**8.6**	**12.8**	**16.3**	**19.4**	**18.9**	**19.2**	**21.8**	**27.1**	**31.3**
Adjustment to performance fee	0.1	0.3	0.1	(0.3)	0.9	1.0	0.5	(0.6)	(1.4)
Adjusted profit	**8.7**	**13.1**	**16.3**	**19.0**	**19.9**	**20.2**	**22.3**	**26.5**	**29.9**
Cost of dividend	(8.4)	(13.7)	(17.6)	(25.1)	(27.5)	(27.5)	(27.5)	(27.5)	(27.5)
Statutory cover	1.1	1.1	1.1	(0.7)	1.4	0.9	1.3	1.3	1.3
– excluding capital gains cover	1.0	0.9	0.9	0.8	0.7	0.7	1.1	1.1	1.1

Source: RECI Report and Accounts, Hardman & Co Research

Balance sheet									
@ 31 Mar (£m)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**
Bonds	49.8	97.3	163.1	237.6	254.3	98.5	49.2	15.0	0.0
Loans	109.3	148.1	139.4	137.6	136.1	295.9	351.5	385.7	475.7
Financial assets at FV through P&L	**159.0**	**245.4**	**302.5**	**375.2**	**390.4**	**394.3**	**400.7**	**400.7**	**475.7**
Cash and cash equivalents	24.9	7.2	38.6	27.0	21.2	47.4	14.1	(1.5)	4.1
Cash collateral at broker	0.0	2.4	1.4	25.0	0.9	5.2	2.4	2.4	2.4
Derivatives	0.9	0.2	0.7	0.0	2.3	0.0	1.8	1.8	1.8
Other assets	4.4	4.9	12.0	14.6	11.4	0.0	0.0	0.0	0.0
Receivables for investments sold	0.0	48.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	30.2	62.8	52.7	66.6	35.8	52.6	18.2	2.7	8.3
Total assets	**189.3**	**308.2**	**355.2**	**441.8**	**426.2**	**447.0**	**419.0**	**403.4**	**484.0**
Current liabilities									
Derivatives	0.0	0.0	0.0	6.2	0.0	1.1	0.0	0.0	0.0
Financing	0.0	78.3	100.1	97.0	77.8	100.4	80.2	60.0	35.0
Cash collateral due to broker	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	41.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	2.7	1.3	1.7	1.5	1.5	1.6	1.9	1.9	1.9
Total liabilities	45.0	79.6	102.0	104.6	79.4	103.0	82.0	61.9	36.9
Net assets	**144.3**	**228.5**	**253.2**	**337.2**	**346.9**	**343.9**	**337.0**	**341.5**	**447.1**
No shares (m)	88.4	139.4	153.3	229.3	229.3	229.3	229.3	229.3	294.3
NAV per share (p)	**163.2**	**164.0**	**165.1**	**147.0**	**151.3**	**150.0**	**146.9**	**148.9**	**151.9**

Source: RECI Report and Accounts, Hardman & Co Research

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