RECI
REAL ESTATE CREDIT INVESTMENTS

Cheyne
CAPITAL

REAL ESTATE CREDIT INVESTMENTS LIMITED

Q3 Investor Presentation

February 2024

WINNER – Specialist Debt

www.realestatecreditinvestments.com
Ticker: RECI LN

Background

Real Estate Credit Investments (RECI) is a closed-ended investment company which originates and invests in real estate debt secured by commercial real estate in Western Europe, focusing primarily on the United Kingdom, France and Spain.

RECI is externally managed by Cheyne Capital's real estate business which was formed in 2008 and currently manages c. $5bn via private funds and managed accounts. RECI's overarching aim is to deliver a stable quarterly dividend with minimal volatility, through economic and credit cycles via a levered exposure to real estate credit investments. Investments may take different forms but are principally in:

- **Self-Originated Deals**: predominantly bilateral senior real estate loans and bonds
- **Market Bonds**: listed real estate debt securities such as Commercial Mortgage Backed Securities (CMBS) bonds that are not self-originated.

This quarterly update presentation has been prepared by the Company's Investment Manager to provide investors with an update of the position of the Company as at 31 December 2023, a detailed review of the positions held by the Company, and details of the Company's strategy with regards to dividends, leverage, and opportunities in the UK and European real estate credit markets.

Contents

	Page
Background	2
Cheyne Real Estate Overview	4
Company Summary	6
Key Quarter Updates	7
Investment Opportunity in Senior Loans	8
Positioned for the Current Macroeconomic Backdrop	9
Portfolio Snapshot	10
Position Analysis – Top 10 by Commitment	16
Position Analysis – Risk Rating	17
Leverage Review	19
Earnings & Dividends Reconciliation	20
Continuing to Deliver an Attractive and Stable Dividend	21
Shareholder Return	22
Summary	23
Appendix	24

Cheyne Real Estate Overview

- RECI is managed by Cheyne Capital Management (UK) LLP, a UK investment manager, which is authorised and regulated by the FCA.
- Cheyne Capital's real estate business was formed in 2008 and currently manages c. $5.5bn via private funds and managed accounts.

2008
FOUNDED

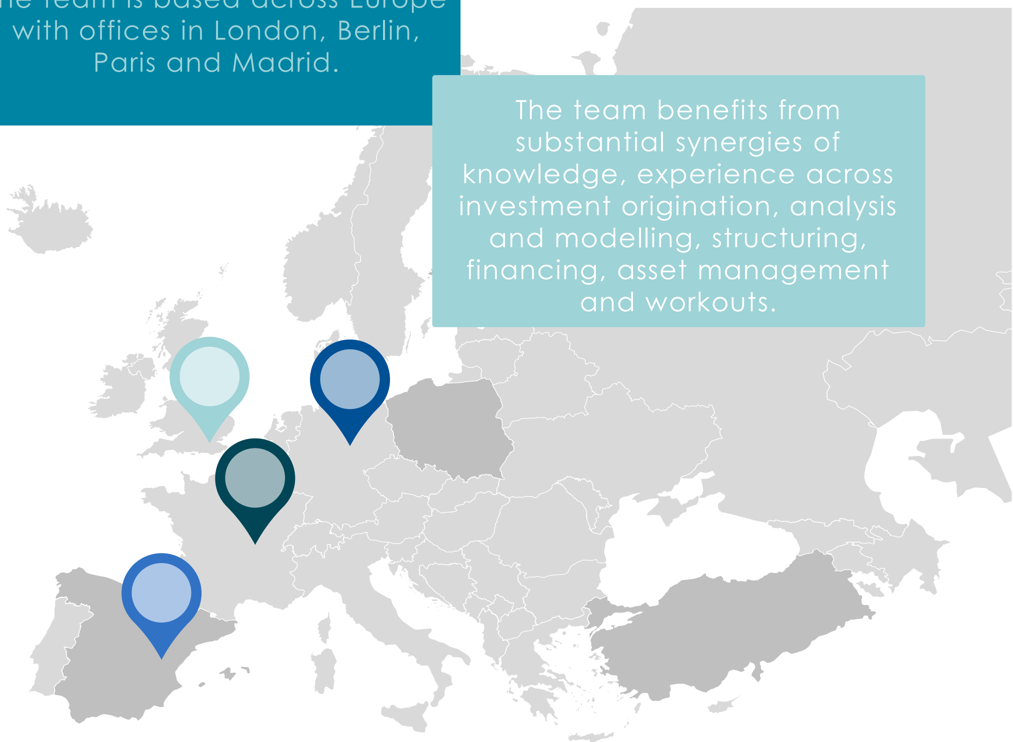
$5.5BN
ASSETS UNDER MANAGEMENT

37
STAFF AND PARTNERS

4
OFFICES ACROSS UK & EUROPE

The team is based across Europe with offices in London, Berlin, Paris and Madrid.

The team benefits from substantial synergies of knowledge, experience across investment origination, analysis and modelling, structuring, financing, asset management and workouts.



Cheyne Real Estate Overview

From its origins as a market leader and innovator in real estate lending, Cheyne's real estate team is now in its 14th year of operation and is one of the largest non-bank stand-alone real estate credit providers in Europe.

c.$5.5bn
AUM

14+ yr
TRACK RECORD

90+
GLOBAL INVESTORS

c.37
DEDICATED REAL ESTATE PROFESSIONALS

- Key overarching aims have remained the same since inception:

DEFENSIVE ENTRY POINTS → **STRONG RISK/RETURN PROFILE** → **STABLE RETURNS**

- The team has consistently delivered a strong track record of stable, attractive returns, across multiple market cycles and economic shocks. We remain highly focused on continuing to deliver an attractive risk/return profile to our investors, across all market conditions.
- Cheyne's expertise spans origination, structuring, execution, realisations and workouts in real estate credit, having committed GBP 11.2 billion of capital across 174 private credit deals since the inception of the CRECH programme in 2011.[1]

[1] As at 31 December 2023

Company Summary

✓ **Quarterly dividends delivered consistently since August 2011**

- The Company has consistently sought to pay a stable quarterly dividend from its distributable profits
- This has led to a stable annualised dividend of around 7% of NAV

✓ **Highly granular book**

- 34 positions in real estate loans and bonds, across a diverse range of sectors and geographies, with a weighted average LTV of 60.7% providing significant defensive equity headroom and an average yield of 10.2% offering an attractive buffer to risk free rates

✓ **Transparent and conservative leverage**

- Net leverage 6.4% (with £12.1m cash) as at 31 December 2023 versus a leverage limit of 40%
- Non-recourse and limited-recourse, term, structured finance provides returns optimisation and financial flexibility on senior loans

✓ **Access to established real estate investment team at Cheyne, which manages c£.5.5bn AUM**

✓ **Access to pipeline of enhanced return investment opportunities identified by Cheyne**

- Cheyne's immediate pipeline of deals stands at £1.1bn with a WA LTV of 59% and unlevered IRR of 12.5%

✓ **Robust mitigation against a rising rates environment**

- A high yielding portfolio, combined with a short weighted average life of 1.5 years, ensures minimal exposure to yield widening and the ability to redeploy quickly at higher rates
- Strong pipeline of floating rate senior loans

Key Quarter Updates

- **Portfolio**
  - Total NAV Return for the quarter: -0.6% / Total NAV Return to Q3 2023 : +4.1%
  - During the quarter, one UK loan fully repaid, realising net proceeds of £9.4m, and providing headroom to invest in new deals at enhanced IRRs
  - Rotation of market bond portfolio into strong senior loans with attractive returns
- **Cash**
  - Cash reserves remain targeted at between 5% to 10% of NAV
  - As at 31 December 2023, cash was £12.1m / 3.7% of NAV
- **Dividend**
  - Dividends maintained at 3p per quarter, annualised 9.3% yield, based on share price as at 31 December 2023
  - Dividends predominantly covered by net interest income generated from RECI's assets. The aim is for dividend cover to totally come from net interest income
- **Opportunities**
  - The present macroeconomic backdrop is set to continue through 2024, resulting in further constraints in bank lending and alternative sources of capital. The opportunity to provide senior loans at low risk points, for higher margins, is increasingly evident
  - The Company expects to deploy its currently available cash resources to its near term commitments and towards a compelling emerging opportunity set in senior loans
- **Citywire Investment Trust Awards 2023**
  - RECI won the Best Performance award for Specialist Debt at Citywire's London-listed Investment Companies awards held on 01 November 2023. The performance awards are given to investment companies judged to have delivered the best underlying return in terms of growth in NAV in the three years to 31 August 2023.

Investment Opportunity in Senior Loans

Attractive returns from defensive, senior, low LTV credit exposure to UK and Continental European commercial real estate assets

- A focus on **senior**, 1st lien loans:
  - Senior deals now account for 87% of the total portfolio by commitment value
  - Top 10 positions are 100% senior loans
  - New origination is 100% senior loans
- Weighted Average LTV on total portfolio by commitment value of **60.7%** as at 31 December 2023
- Predominantly large, well-capitalised, and experienced institutional borrowers
- Minimal exposure to shopping centres (<3% of GAV), secondary offices (0% of GAV) and logistics (<5% of GAV)
- RECI retains absolute governance, covenants and control, afforded by senior ranking and bilateral singular lending relationships
- Portfolio has withstood COVID-19 and other macro events, and is well placed to withstand the current revaluations in real estate

Positioned for the Current Macroeconomic Backdrop

- Current market conditions reflect the unravelling of a decade of low interest rates and low inflation

- Expectation until recently was for base rates in the UK and Europe to retrench from current higher levels. However, expectations today have been materially revised for 2 main reasons:

  1. A resurgence of geopolitical uncertainty, leading to exogenous risks coming back to the fore; and
  2. Economies (and employment) proving very resilient leading to a prolonged period of higher rates.

- Our view remains that a terminal interest rate in the region of 3-4% globally is conducive for productivity and growth. However, exogenous inflationary threats are a concern which are now difficult to see through

- Entrenched higher base rates translate into higher yields on real estate, putting pressure on commercial property valuations

- Holders of income generating real assets are seeing a race between improvements in rents against yields remaining higher for longer and the need to sell

- Increasingly, a forced sale outcome is being forced upon asset owners due to:

  1. Loans originated prior to 2020 fast approaching their maturity dates, with lenders reluctant to extend; and
  2. After a period of relative calm, redemptions from open ended funds accelerating

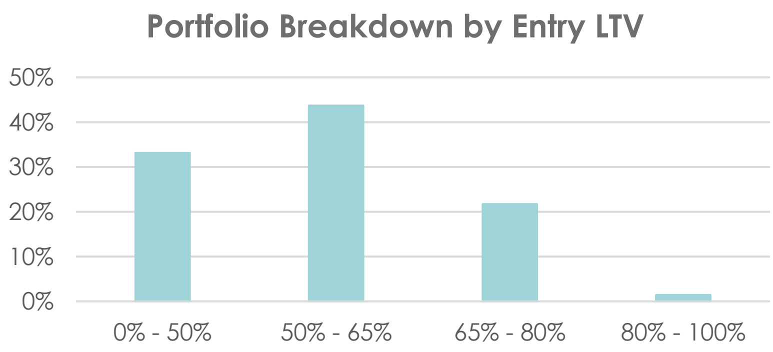
- With valuation declines, we believe that higher levered and thin capital structures are particularly exposed to losses – equity, preferred equity, mezzanine and whole loans – especially so in the exposed asset classes above. Also, a lack of governance removes the ability to work through any crisis

- **RECI's book is dominated by senior bilateral loans which affords it absolute governance over the underlying asset**

31 December 2023 Snapshot

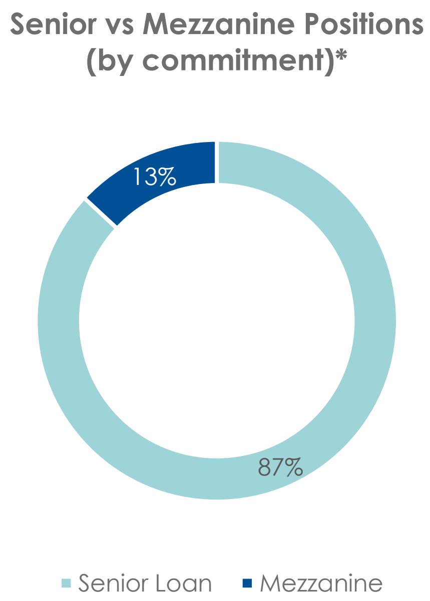
Portfolio Overview

- RECI's focus is on senior loans
- Since 2016, the book has been migrating towards an all-senior loan book.
- Today, senior secured positions represent 87% of the total portfolio by commitment
- The pipeline of new loans is entirely senior
- The WA LTV by fair value of the total portfolio is 60.7%
- The breakdown of LTV is as below:



Split of Portfolio by Commitment Value
(Fair Value for Market Bonds)

	Sept-23	Dec-23
Bilateral Loans and Bonds	93.7%	98.5%
Market Bonds	6.3%	1.5%



*These figures include all loans and bond positions. All CMBS bonds are classed as Senior Credit

Current Position

- RECI announced its second interim quarterly dividend for this financial year of 3p in November 2023; went ex-dividend 07 December 2023
- Balance sheet leverage was 8.7% at 31 December 2023

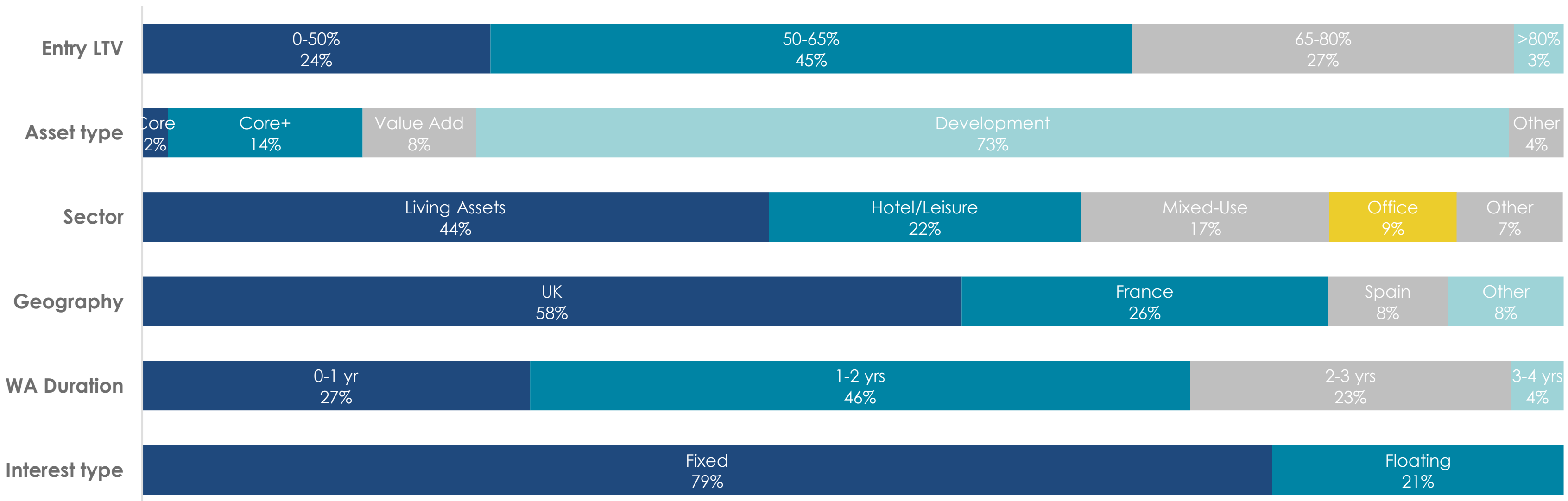
	30-Jun-23	30-Sept-23	31-Dec-23
Bilateral Loans & Bonds*	£364.8m	£389.6m	£366.1m
Public Market Bonds	£33.7m	£35.1m	£7.6m
Cash	£27.8m	£14.9m	£12.1m
Financing (Combined Recourse and Non-Recourse)	-£87.7m	-£90.3m	-£55.1m
Other Assets & Liabilities	£5.5m	-£10.5m	£0.1m**
Net Assets	**£344.1m**	**£338.8m**	**£330.6m**
Shares Outstanding	**229,332,478**	**229,332,478**	**229,332,478**
NAV per share	**£1.499**	**£1.477**	**£1.442**
Debt to Equity Ratio	25.5%	26.7%	16.7%
Net Effective Leverage	9.8%	14.1%	6.4%

*Values show Fair Values gross of leverage
**Includes £1.7m derivatives and £1.9m other accruals.

Portfolio Composition

	No of Positions	Investment Portfolio Value (Gross)	Investment Portfolio Value (Net)	% of GAV	Entry LTV	Current Levered Yield	Weighted Average Life (yrs)
Bilateral Loans & Bonds	28	£366.1m	£315.9m	95.5%	60.4%	9.9%	1.5
Market Bonds	6	£7.6m	£2.8m	0.8%	69.8%	42.9%	2.6
Cash			£12.1m	3.7%			
Total/GAV/Weighted Ave	**34**	**£373.7m**	**£330.8m**	**100.0%**	**60.7%**	**10.2%**	**1.5**

PORTFOLIO SUMMMARY (by commitment)



1. For Loan Type definitions please refer to slide 30

Past performance is not a guide to future results. Actual results and developments may differ materially from those expressed or implied herein.

Portfolio Composition – Bilateral Deals[1]

Number of loans	Investment Portfolio	WA LTV[3]	WA Unlevered Yield[2]	WA Life
28	**£366.1m**	**60.9%**	**9.6%**	**1.5 yrs**

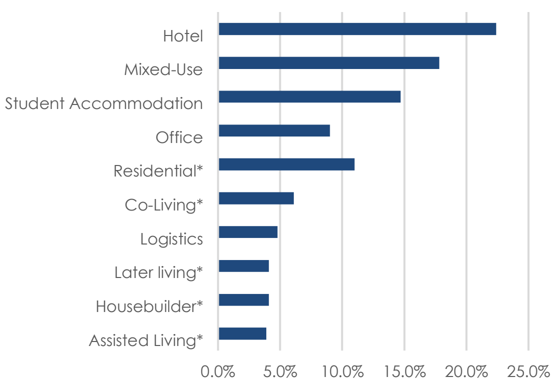
- £366.1m portfolio (£319.2m net of leverage) comprising 28 loans, predominantly senior loans in the UK, France and Spain
- Undrawn loan commitments of £84.7m as at 31 December 2023
- RECI's assets are marked at fair value at each month end, please refer to the appendix (slide 30) for further details on the valuation approach

Loan Breakdowns by Commitment

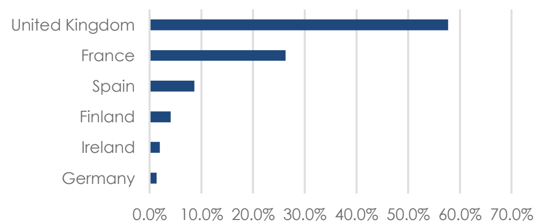
Asset Class Breakdown

Total **Living Assets** = 29.2% of the portfolio

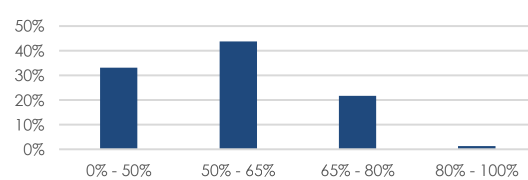
* Denotes Living Asset classes



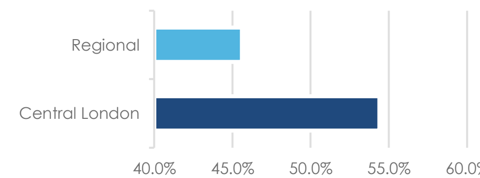
Geographical Breakdown



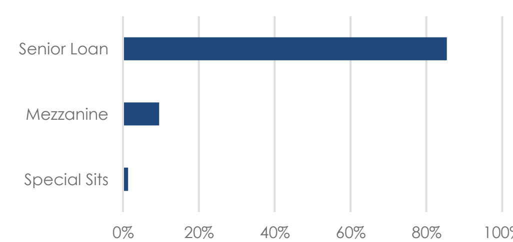
LTV[3]



UK Breakdown



Loan Type Breakdown



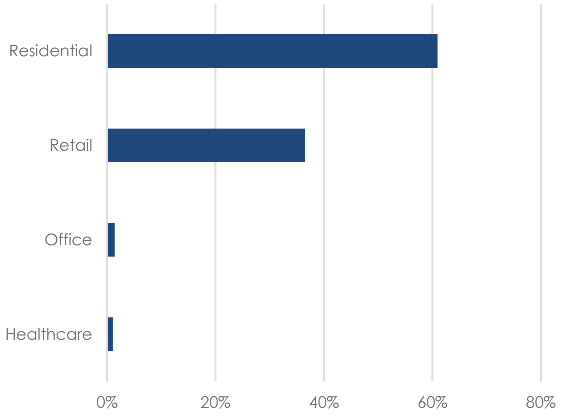
[1]Certain self-originated bilateral loans are technically structured as bonds to enhance marketability
[2] Yield stated is the effective accounting yield based on the funded loan balances, which includes interest and fees. Some loans also benefit from equity upside participation, which is only recognised following evidenced delivery, and can result in significant incremental gains in excess of the effective accounting yield. The portfolio includes listed notes, of which some are leveraged.
[3]LTV by commitment as of the date the investments were originated (see slide 30 for definition)

Portfolio Composition – Public Market Bond Portfolio

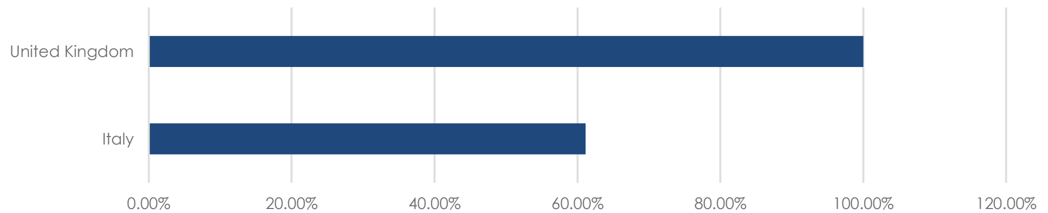
Number of Bonds	Fair Value	Discount to Par	WA LTV	WA Unlevered Yield	WA Life
6	£7.6m	21.4%	69.8%	19.9%	2.6yrs

- The Investment Manager accelerated its rotation of the portfolio from market CMBS to senior loans, leaving a bond portfolio of 6 positions and a notional of £10.6m representing just 6.3% of the portfolio as at 31 December
- Bond investments are typically senior secured (1st lien) credits at conservative LTV collateralised by core and core+ assets and owned by large institutional sponsors
- The bonds are valued on a mark to market ("MTM") basis, where independent 3rd party pricing is obtained based on observable market trading levels (bid/offer)
- The market bond book has been impacted by the significant sell-off in wider fixed income markets.

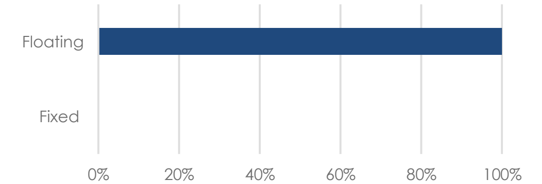
Sector



Geography



Interest Rate Type



Position Analysis – Top 10 by Commitment as at 31 December 2023

	Deal Description	Commitment	% of NAV	Drawn Fair Value	Entry LTV	Investment Strategy	Sector	Country	Asset Type
1	Light industrial, office and mid-market residential asset portfolio in the UK.	£82.3m	12%	£39.5m	48%	Senior Loan	Mixed-Use	United Kingdom	Development
2	Student accommodation development in London. Expected completion in Q3 2025.	£45.2m	6%	£18.7m	58%	Senior Loan	Student Accommodation	United Kingdom	Development
3	Residential, affordable housing and mixed-use scheme over five blocks within Greater London.	£32.7m	4%	£13.2m	67%	Senior Loan	Residential	United Kingdom	Development
4	Refurbishment and extension of a freehold office building in Saint Ouen, Paris	£30.9m	9%	£30.2m	58%	Senior Loan	Office	France	Value Add / Transitional
5	Build-for-sale luxury villa development	£22.4m	5%	£16.2m	49%	Senior Loan	Residential	Spain	Development
6	Income producing residential developer in France	£20.6m	6%	£19.6m	36%	Senior Loan	Housebuilder	France	Development
7	Finland hotel development in progress. Expected completion in Q3 2024	£20.4m	4%	£12.9m	65%	Senior Loan	Hotel	Finland	Development
8	French Hotels in Nice and Paris. Development in progress. Expected completion in Q3 2024	£19.9m	5%	£17.3m	80%	Senior Loan	Hotel	France	Development
9	Acquisition of the leasehold interest in 190 luxury assisted living units in Kensington, London	£19.7m	5%	£18.1m	60%	Senior Loan	Assisted Living	United Kingdom	Core+
10	Refinance of 6 stabilised hotel/resorts located across the UK	£19.1m	6%	£18.2m	67%	Senior Loan	Hotel	United Kingdom	Core+

Position Analysis – Risk Rating as at 31 December 2023

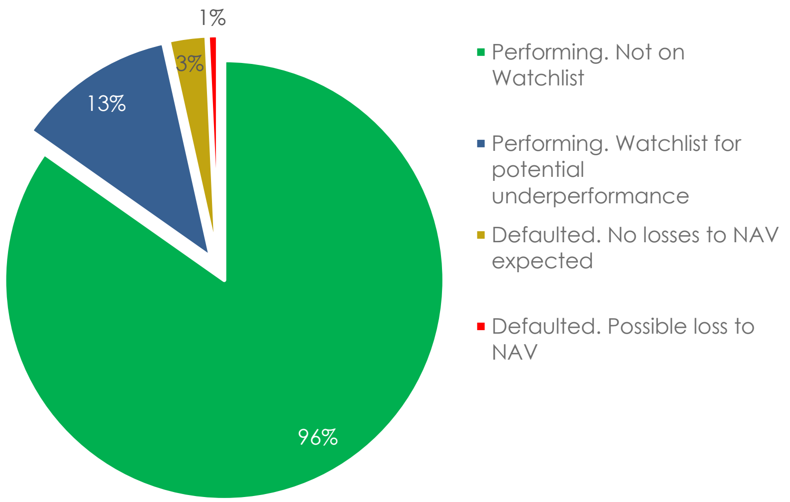
- Following careful analysis of market conditions, RECI has in instances conservatively taken unrealised mark downs to its portfolio
- RECI's assets are marked at fair value at each month end and any write downs are represented in the monthly NAV
- As an additional surveillance procedure, the Investment Manager also applies a risk rating to its portfolio
- The Investment Manager has established four risk ratings:

  1. Performing. Not on Watchlist
  2. Performing. Watchlist for potential underperformance
  3. Defaulted. No losses to NAV expected
  4. Defaulted. Possible loss to NAV

- As at 31 December 2023, the portfolio is rated as follows:

Key	Risk Rating	Number (#)	Investment Portfolio Fair Value (Gross)[1]	% of NAV
1	Performing. Not on Watchlist	25	£316.8m	95.8%
2	Performing. Watchlist for potential underperformance	3	£43.9m	13.3%
3	Defaulted. No losses to NAV expected	1	£10.3m	3.1%
4	Defaulted. Possible loss to NAV	4	£2.7m	0.8%
	Total	**33**	**£373.7m**	**113.1%**

Investment Portfolio Fair Value (% of NAV)



[1]Fair Value is the current carrying value of an investment on RECI's books as recognised under IFRS

Position Analysis – Risk Rating as at 31 December 2023

- The following five positions (£13.0m Fair Value (Gross) / 3.9% of NAV) are rated as 'defaulted' positions:

Risk Rating	Deal Name	Type	Seniority	Commitment	Investment Portfolio Fair Value (Gross)	% of NAV	Commentary
3	Wonderbuilding	Bilateral loan	Senior	£14.5m	£10.3m (Target recovery: £10.3m)	3.1%	• Wonderbuilding is a prime, Grade A office asset located to the east of central Paris. • The development was concluded on time and budget. However, with the changes since COVID in working patterns, Paris has been slow to recover tenant return to the office, which is reflected in a slower than expected lease up of the building. • Cheyne's loan basis is low in the asset, and hence, we can afford to take a longer time to lease up the asset, which we will do. • In the interim, Cheyne's valuation policy is to reflect the lower asset valuation. • Cheyne will continue to work actively with the borrower and a selected asset manager to expedite leasing the asset, to secure early repayment of the principal as well as all accrued interest.
4	MZ Holdings	Bilateral loan	Special Sits	£6.8m	£2.5m (Target recovery: £2.5m)	0.8%	• Shopping centre, located in Berlin Germany • Due to severe disruption in the German real estate and banking market from the collapse of Signa, RECI reassessed the recovery valuation on a legacy mezzanine position exposed to a Berlin asset and conservatively marked this asset down
4	WINDM X-X D	CMBS	CMBS	£0.4m	£0.1m	0.0%	• CMBS 1.0 transaction issued in 2007, originally collateralised by debt against multiple European assets. • One loan remains, secured on five offices across north and central Italy • Cheyne expect minimal recovery of Principal
4	ECLIP 2006-4 E	CMBS	CMBS	£0.3m	£0.1m	0.0%	• CMBS 1.0 transaction issued in 2006 secured against UK care homes • Cheyne expect minimal recovery of Principal
4	Braintree	Bilateral loan	Mezzanine	£10.0m	£0.0m	0.0%	• Legacy mezzanine loan, secured against a UK retail asset • Cheyne expect minimal to no recovery of Principal
Total				**£32.0m**	**£13.0m**	**3.9%**	

Leverage Review

Financial Leverage

RECI's current net balance sheet leverage position is 6.4% of NAV (against a maximum permitted financial leverage of 40%). RECI's financial leverage (also referred to as recourse leverage) comprises: (a) the flexible term repurchase agreements (REPO) on its liquid bonds; and (b) any limited guarantees that may be provided to structured financing counterparties.

Structured Asset Level Funding (Term-Matched, Non-Recourse and Limited-Recourse Financing)

RECI can also benefit from optimising the returns on its senior loans by utilising the structured funding relationships Cheyne has with a number of lenders. The Company may choose to enhance the returns via asset level, term matched funding, which has no recourse (or limited recourse via partial guarantees) to the Company and retains the risk profile and governance benefits of a senior loan for the Company. This is referred to as loan-on-loan lending.

Financing Summary

We believe that the long-term strategy for the Company should be a mix of structured term funding on its senior loan book and REPO financing on its liquid bond book, thereby maintaining a conservative level of recourse leverage supported by strong assets and liquid instruments.

The Company will continue to maintain a prudent overall leverage position.

As at 31 December 2023:

	Balance Sheet Leverage[1]	Contingent Liabilities[2]	Cash	Net Effective Leverage	Asset Level Structured Funding
£ Amount	£28.8m	£4.4m	£12.1m	£21.1m	£26.9m
% of NAV	8.7%	1.3%	3.7%	6.4%	8.1%
W/A cost of finance	6.9%	0	0	0	8.0%
# of positions	8				5

1. RECI has a limit on balance sheet leverage (i.e. Financial Leverage) of 40% of NAV, as set out in its borrowing policy
2. Contingent liabilities include any partial limited recourse guarantees provided to asset level structured finance counterparties.

Earnings and Dividends Reconciliation

Gross to Net reconciliation for the period ended 31 December 2023

	Absolute £m	Pence Per Share	% of NAV Annualised
Interest Income	8.5	3.7	10.0%
Other income	0.0	0.0	0.0%
Finance costs	-1.2	-0.5	-1.4%
Total income	**7.3**	**3.2**	**8.6%**
Expenses (inc management and perf fees)	-1.5	-0.7	-1.8%
Fair Value Adjustments (inc realised and unrealised profit and loss on investments)	-7.1	-3.1	-8.4%
Net Profit / Loss	**-1.3**	**-0.6**	**-1.5%**

- **Net Loss of £-1.3m, against dividends declared of £6.9m in this 3-month period (-0.19x dividend cover).**

The breakdown is based on estimates which have been internally calculated by Cheyne Capital and which have not been externally verified. Actual returns may be different. This is not a profit forecast. The values for each column may not sum to the total due to rounding differences. Percentage returns based on annualised figures over the NAV per share as at 31 December 2023

Continuing to Deliver an Attractive and Stable Dividend

Share Price	NAV	Discount	Dividend Yield[1]	Market Cap
129.5p	144.2p	10.2%	9.3%	£297.0m

RECI's dividend policy: it is the intention of the Company to pay a stable quarterly dividend. Since 2013, this has remained at **a fairly constant yield of 7% on the Company's NAV**

- The Company announced its second interim dividend for this year ending 31 March 2024 of 3p in November 2023
- An annual dividend of 12 pence represents a dividend yield of 9.3% on share price as at 31 December 2023
- The Company has an overarching aim of paying out its total returns in dividends to investors and to provide dividend sustainability. The current environment of **low-risk senior loans yielding 12%+** (and of a floating rate nature), helps RECI achieve that aim as the current loans are recycled
- Funding rates have increased, which has impacted the net interest income returns, but as short-dated assets repay, and RECI redeploys into floating rate senior loans, dividend cover is expected to increase

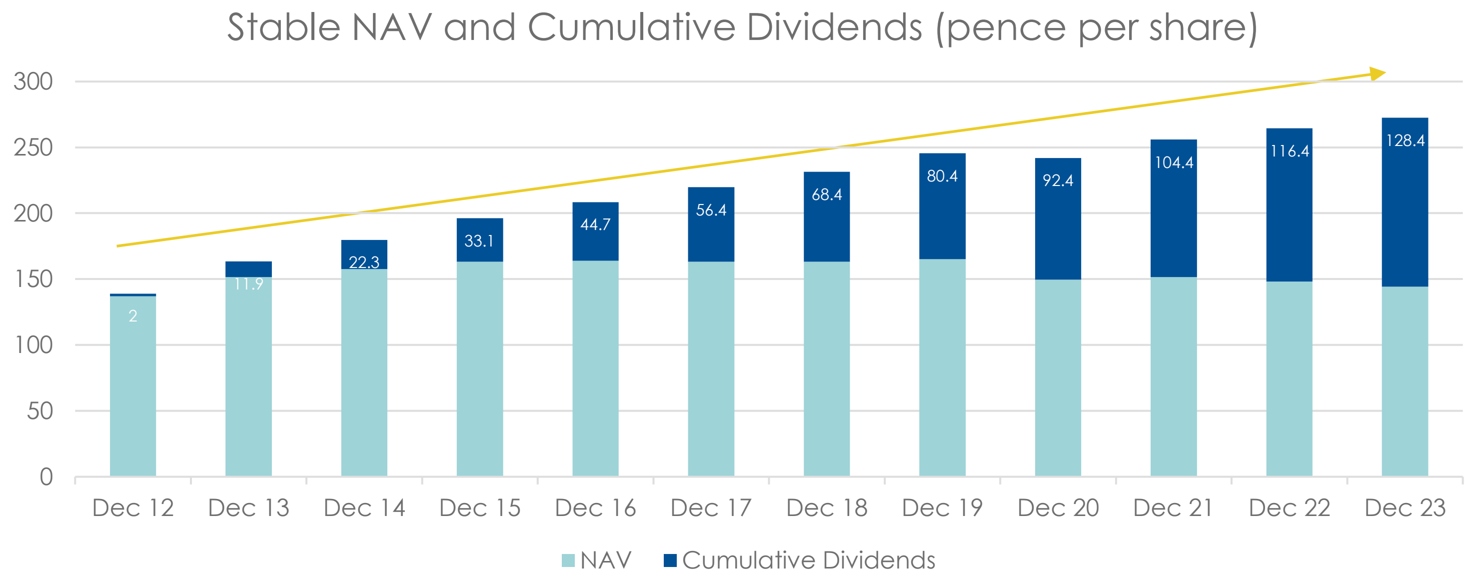
Dividend sustainability will derive from **net distributable income** and **cash coverage**

- **Net distributable income** derives from net regular income (coupon yield from the underlying loans and bonds) and any profits earned above that regular income. To maintain and improve the Company's regular income, the Company has successfully deployed some of the substantial cash reserves (built through the COVID crisis) into attractive high yielding loans and will continue to do so to improve its net income
- Our granular cash forecasting and stress scenarios give us the confidence that the Company can maintain its dividend **cash coverage** for the long term

[1] on share price

Shareholder Return

- RECI has a long track record of delivering a stable NAV and consistent dividends
- RECI has paid a quarterly dividend of 3.0 pence per share for the past 25 quarters, since the dividend policy was introduced in August 2011.



Reflects cumulative dividends (in pence) since the dividend policy was introduced in August 2011.

Total Return[1]	**YTD**	**1 yr**	**3 yr**	**5 yr**
NAV	5.7%	5.7%	22.7%	31.0%

1. Total NAV return assumes dividends are reinvested. YTD = Calendar year, 1yr = last 12 months, 3 yr = last 36 months, 5yr = last 60 months. Total NAV Return calculations are based on a rolling model.

RECI: Summary

- RECI has demonstrated **its portfolio and structural resiliency** during the BREXIT, COVID19 and Ukraine led crises. It is equally well positioned going into this present period of uncertainty
- RECI is well positioned to deliver on its overarching objective to provide ordinary shareholders with attractive and stable returns, primarily in the form of quarterly dividends
- RECI has the opportunity to participate with Cheyne's Capital Real Estate's large lending business, in continuing to capitalise on the attractive emerging opportunities

Focused on senior secured credit, with defensive LTVs

Strong governance control over its loan book

Large, experienced, well capitalised borrowers

Conservative and flexible leverage profile

Dividend stability and coverage without compromising risk

Management from Cheyne Capital's Real Estate team

Appendix

ESG

We believe that an overarching focus on ESG considerations is entirely aligned with our investment goals:

- Sustainability credentials directly support real estate valuations
- Sustainable, energy efficient buildings are more valuable to asset owners by:
  - Supporting higher rents, lower vacancies and lower operating costs; and
  - Supporting exit valuations

ESG considerations in our investments are not merely a passive analysis but rather the opportunity to effect positive change:

- Cheyne Real Estate is a key stakeholder in our investments, frequently the sole lender to a real estate asset
- This provides the ability to directly engage with all new sponsors to help drive the ESG agenda directly and seek to address any deficiencies and opportunities to improve sustainability credentials of the asset
  - This is particularly relevant in development, value-add and transitional financing, which represent a core focus for Cheyne Real Estate.

EVORA

Our Partnership with EVORA

- EVORA Global is widely recognised as one of the leading sustainability consultancy specialists to the real estate industry.

- ESG considerations have formed a key part of Cheyne's approach to investments in real estate for many years. In February 2022, Cheyne partnered with Evora to formalise its approach to the incorporation of sustainability considerations into the investment process. Our ongoing partnership with a leading external specialist is expected to enable Cheyne to remain at the forefront of the rapidly evolving ESG agenda, and provide an independent checkpoint to challenge their ESG investment process and ensure robustness.

- Cheyne has worked with Evora to prepare customised ESG questionnaires for each of the real estate asset types the Cheyne real estate lending funds finance: standing, refurbishment and development assets, together with a borrower questionnaire.

- The questionnaires seek to quantify each investment's performance against key ESG criteria, utilising a consistent approach to enable aggregation across the assets within the relevant Cheyne fund. The score is set at a stringent enough level to effect a conversation about enhancing the ESG characteristics if they are not up to our standards.

Industry Engagement

- We believe in the importance of engagement across the network of our peers and real estate sponsors
  - Striving to improve our knowledge and experience of ESG considerations in real estate
  - Actively participating in the industry dialogue, sharing our own experiences to help drive the ESG agenda forward

- Arron Taggart, Cheyne Real Estate's UK Head, is **Vice Chair of the GRI Club Sustainable Hospitality Committee**
  - The committee aims to drive the agenda towards more sustainable and efficient developments, buildings and operations in the hospitality sector
  - Members seek to share real world challenges and solutions around mitigating the impact of the sector's environmental footprint
- Arron also sits on the **CRE Finance Council of Europe's ESG Steering Committee**
  - The group is looking to launch an industry wide benchmark for the real estate lending community

Arron Taggart has over 20 years' experience in the real estate markets. He joined Cheyne in August 2012 and has since originated and structured c£6bn of real estate investments both from the debt and equity side and now leads the UK and Ireland team within Cheyne's real estate group. Prior to Cheyne, Arron was co-head of real estate in London and the South of England for Clydesdale Bank, responsible for setting the strategy and management of the loan portfolio. Previously, he was at Bank of Scotland and Hitachi Capital. Arron is a director on the Commercial Real Estate Finance Council Europe board

GRI Club SUSTAINABLE HOSPITALITY Global Committee

CRE Finance Council® The Voice of Commercial Real Estate Finance

ESG – Deal Example

Riverstone – Kensington, UK

Senior Living Development

Environmental

- The are a number of initiatives to promote energy efficiency including motion sensor lighting and operating electric vehicles / providing EV charging points.
- Targeted BREEAM Excellent rating.

Social

- The property is looking to address a shortage of assisted-living retirement units in London for residents who are +65 years old and want to remain within central London.

Governance

- Riverstone is governed by an experienced team and Board which has put in place policies to ensure the health and safety of its residents wellbeing are at the core of its agenda.
- The building has been built to the highest regulations and will adhere to the highest standards of care, providing an ergonomic and age-appropriate design to reduce the risk of accidents and facilitate independence for longer.

ESG – Deal Example

Fusion – Brent Cross, UK

Student Accommodation Development

Environmental

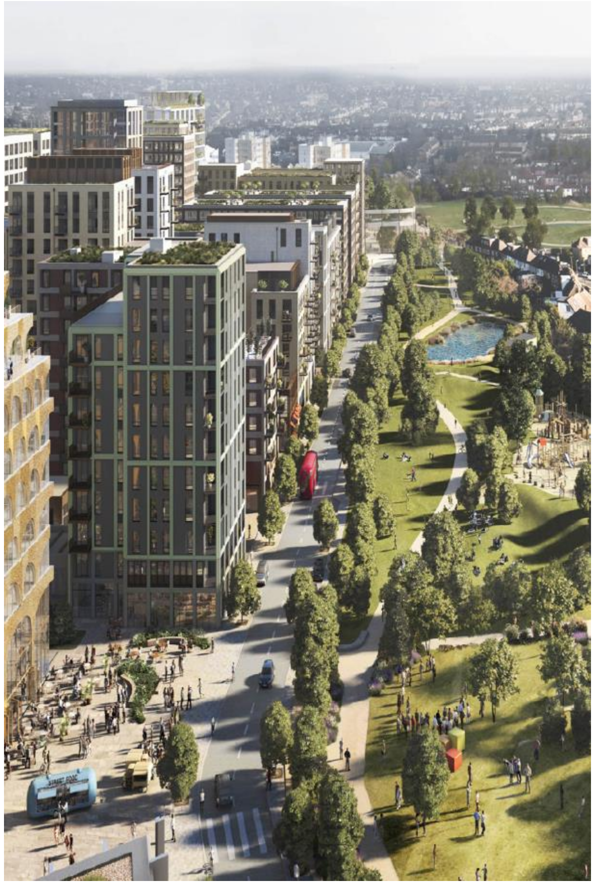
- Zero carbon heating will service the site which will lead to a reduction in operating carbon emissions.
- There will also be a green roof, rainwater recovery systems, green electrical utility provider and a ‘zero waste’ shop on site.
- Brent Cross Town will aim to achieve net zero carbon by 2030.
- BREEAM Excellent rating, with Cheyne, along with its Joint Venture partner, Fusion Students, have agreed to provide further funding to support the improvement to BREEAM Outstanding

Social

- The accommodation will create a social hub for students with an emphasis on wellbeing and physical and mental health for students. There will be outdoor and relaxation spaces, with the wider Brent Cross scheme creating a new community space for local residents.

Governance

- Fusion have teamed up with Health Assured in April 2020 to provide employees with a wellbeing platform and complete support network for personal and professional problems.



Confidence in Valuation of Assets

RECI's assets are marked at fair value at each month end. Any required asset specific provisions or write downs would be represented in the NAV each month. The IFRS accounting policy RECI reports under does not support a general portfolio provision.

Valuation of Financial Instruments

- The Company categorises investments using the following hierarchy as defined by IFRS 13:
  - Level 1 – Quoted market prices in an active market for an identical instrument;
  - Level 2 – Valuation techniques based on observable inputs; and
  - Level 3 – Valuation techniques using significant unobservable inputs.
- The Company makes loans into structures which are not traded in an active market and there are no independent quotes available for these loans. Such holdings are classified as Level 3 investments. The fair value of these loans is linked directly to the value of the real estate loans that the underlying structures invests in, which are determined based on modelled expected cash flows (drawdown principal and interest repayments, and maturity dates)
- Fair value of the real estate loans is adjusted for changes in the credit quality of both the borrower and the underlying property collateral, and changes in the market rate on similar instruments where changes are material. No material movements on the fair value of the real estate loans have been identified and the par value of the loans was used. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security/property. This includes obtaining a valuation of the underlying property (to assess loan-to-value of the investment). In most instances, the terms of the loan require periodic revaluation of the underlying property to check against loan-to-value covenants. All the fees associated with the investments (arrangement fees, exit fees, etc.) are paid directly to the Company and not paid to the Investment Manager.

- In carrying out the Company's strategy, the Investment Manager undertakes the following measures:
  - An initial and continuing detailed evaluation of each of its portfolio positions in light of the various impacts of changing economic circumstances on operating models and valuations;
  - Positive engagement with all borrowers and counterparties; and
  - Continued granular analysis of the future liquidity profile of the Company.

Definitions

- **Asset types:**
  - **Core** – assets that benefit from having long term income
  - **Core +** – assets that benefit from having strong current income, but do require some measure of asset management to optimise its income profile and term
  - **Value add / transitional** – assets that require asset management (typically refurbishment) and re-letting to secure a core income profile
  - **Development: Groundworks/Super-Structure** – assets that are to be built from the ground up and are in the ground-works stage or building the super-structure has commenced. These typically already benefit from the requisite consent to develop
  - **Development: Fit-Out** - assets that have either been built from the ground up and have reached the completion of the super-structure ("topped out"), or assets which are in need of substantial refurbishment works. These typically already benefit from the requisite consent to develop
  - **Development: De-Risked** – development assets which benefit from being substantially pre-sold or pre-let
  - **Real Estate Op-Co/Prop-Co Loan** – loan secured by both the operating company as well as all of the company's real assets
- **LTV (Loan to Value):** The outstanding balance on a loan divided by the current value of an asset. In the case of mezzanine loans, the LTV will represent the highest leverage exposure of the loan
- **LTGDV (Loan to Gross Development Value):** The expected loan balance at the conclusion of a development or value-add project (which will include all amounts advanced towards the development loan facility as well as accrued interest, divided by the expected value of the asset once the project is complete
- **LTC (Loan to Cost):** Reflects the loan to the total cash capitalisation of the project
- **Fair Value:** The current carrying value of an investment on RECI's books as recognised under IFRS
- **Nominal Face Value:** The nominal face value of a bond is the par amount due on that bond
- **FVTPL:** fair value through profit and loss. This represents the net gains or losses recorded on a loan or bond investment in the period which are other than interest income. These may be from trading gains and losses on bonds, fee income or recognition of gains from profit participating loans
- **Yield to Worst**: WA Yield to Worst is based on the current unlevered yield on the bonds - using prices as at 31 December 2023 and assuming that the bonds are extended beyond their scheduled maturity date. The worst case extension dates are based on Cheyne's assumptions of the maximum extensions that will be granted to borrowers by the servicers in the current environment. Pricing assumptions and actual returns may differ materially from those expressed or implied herein

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