HARDMAN&CO.

REAL ESTATE CREDIT INVESTMENTS

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Some of the key highlights from the 2026 Report and Accounts (released on 25 June) include i) "underlying performance remains good… not seeing any significant impacts in our market" from the heightened macro-uncertainties, ii) Directors/Cheyne staff bought 284k shares since 1 April 2025, showing their confidence in the model, iii) £186m new investments, primarily funded by £161m of capital and interest repayments – total assets were £425m, RECI's portfolio can be quickly churned into new opportunities with an average portfolio life of 18 months at year-end, iv) NAV decline of 5p after 12p dividends paid, v) ca.90% of year-end assets senior secured.

- **RECI's objectives:** The R&A also highlighted RECI's key objectives: i) provide investors with a diversified portfolio of real estate credit investments; ii) deliver stable quarterly dividend with minimum volatility; iii) exploit real estate credit opportunities; and iv) growth through Cheyne's unique platform.
- **Latest factsheet:** RECI had a diversified portfolio of 23 investments (valuation £308m), cash equivalents of £27.8m and net effective leverage was 19%. The weighted average levered yield was 11.1% and loan-to-value 67.4%. The portfolio was 53% in UK and 24% in France, and 76% had a duration <2years.
- **Valuation:** In the five-year, pre-pandemic era, on average, RECI traded at a premium to NAV. It is now trading at a substantial discount, which appears anomalous. RECI is paying an annualised 12p dividend, generating a yield of 10.4%, which we expect to be covered by recurring net interest income.
- **Risks:** Any lender is exposed to credit risks. We believe RECI has appropriate policies to reduce the probability of default. Its average LTV is 67.4%, and most loans (inc. all of the top 10) are senior-secured, providing a downside cushion. Some assets are illiquid. In the short term, investor sentiment could be an issue.
- **Investment summary:** RECI generates an above-average dividend yield from well-managed credit assets. RECI's strong liquidity, credit assessment, close relationships with borrowers and restructuring expertise should allow it time to manage problem accounts in more challenging conditions. Borrowers have injected further equity into deals. Three buybacks were seen in *March 2026*.

Financial summary and valuation

Year-end Mar (£m)	2024	2025	2026	2027E	2028E
Interest income	30.3	29.5	33.3	36.0	35.8
Operating income	31.4	34.2	25.4	37.0	38.3
Management fee	(4.2)	(4.1)	(4.0)	(3.8)	(3.8)
Performance fee	-	-	-	-	-
Operating expenses	(6.0)	(6.6)	(4.0)	(5.8)	(5.8)
Total comprehensive inc.	21.9	22.8	15.2	24.9	26.0
EPS (p)	9.6	10.2	6.9	11.3	11.8
NAV per share (p)	144.9	143.6	138.4	137.7	137.0
S/P prem./disc. (-) to NAV*	-20.8%	-14.9%	-16.5%	-16.1%	-15.7%
Debt to equity	7%	22%	39%	40%	36%
Dividend (p)	12.0	12.0	12.0	12.0	12.0
Dividend yield	10.4%	10.4%	10.4%	10.4%	10.4%

**2024-26 actual NAV and s/p, 2027-28E NAV to current s/p. Source: Hardman & Co Research*

Diversified Financial Services

Source: LSEG, 2026

Market data

EPIC/TKR	**RECI**
Price (p)	**115.5**
12m high (p)	132.0
12m low (p)	112.0
Shares (m, exc. Treasury)	221.0
Mkt cap (£m)	255.3
NAV p/sh (May'26, p)	139.3
Disc. to NAV (%)	-17.1
Div. yield (FY'26)	10.4%
Country/Ccy	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 "living" properties in the UK and Western Europe.

Company information

Chair	Andreas Tautscher
NEDs	Susie Farnon, Colleen McHugh, Mark Thompson
Inv. Mgr.	Cheyne Capital
Main contact	Ravi Stickney

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Key shareholders (31 Mar 26)

Oaktree CM	9.45%
Hargreaves Lansd. AM	9.10%
Aberdeen	6.77%
Premier Miton (Jun'24)	6.06%
Waverton	5.50%

Diary

Mid-Jul	Jun factsheet

Analysts

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