REAL ESTATE CREDIT INVESTMENTS LIMITED

Q1 Investor Presentation

August 2023

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 30 June 2023, a detailed review of the positions held by the Company, and detail of the Company's strategy with regards to dividends, leverage, and opportunities in the UK and European real estate credit markets

Contents

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. $5bn via private funds and managed accounts.

2009
FOUNDED

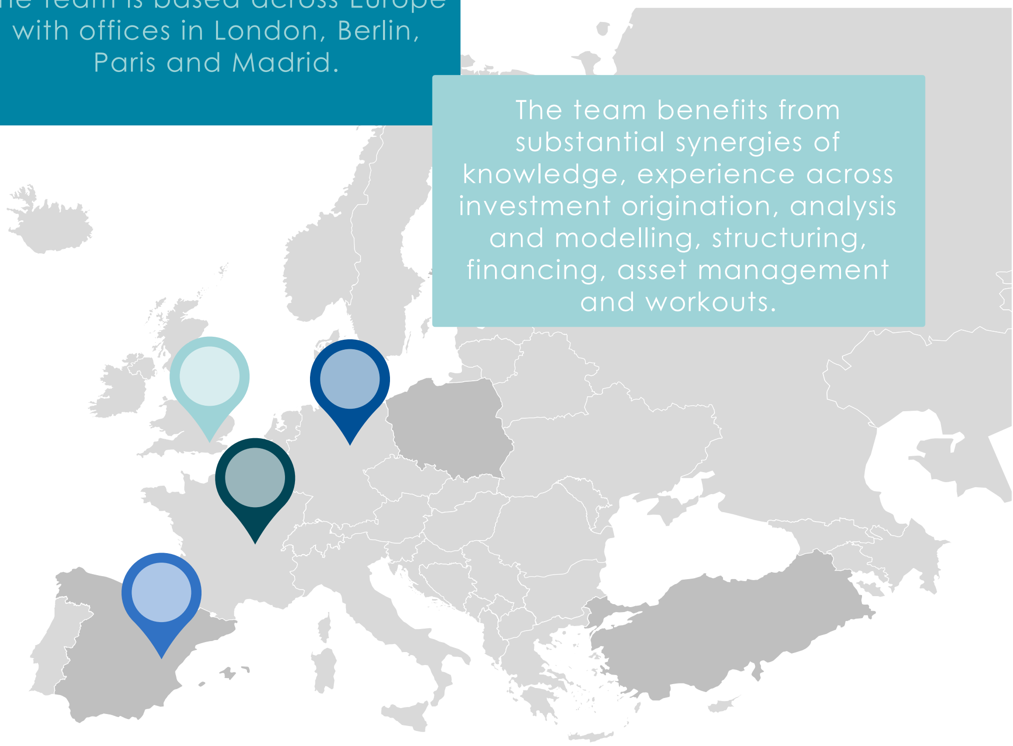
$5.0BN
ASSETS UNDER MANAGEMENT

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.



Regulatory Risk Warning: Personnel may change. As at 30 June 2023.

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 13th year of operation and is one of the largest non-bank stand-alone real estate credit providers in Europe.

c.£5.0bn
AUM

14+ yr
TRACK RECORD

90+
GLOBAL INVESTORS

c.40
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 9.7 billion of capital across 161 private credit deals since the inception of the CRECH programme in 2011.[1]

[1] As at December 2022

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**

- 47 positions

✓ **Transparent and conservative leverage**

- Net leverage 9.8% (with £27.8m cash) as at 30 June 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$5bn AUM**

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

- Cheyne's immediate pipeline of deals stands at £2.0bn with a WA LTV of 59% and unlevered IRR of 11.7%

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

- A high yielding portfolio, combined with a short weighted average life of 1.8 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: +2.0%
  - No defaults in the portfolio
  - Rotation of market bond portfolio into strong senior loans with attractive returns
  - During the quarter, two UK loans and one Portuguese loan fully repaid, realising net proceeds of £28.2m, and providing headroom to invest in new deals at enhanced IRRs

- **Cash**
  - Cash reserves remain targeted at between 5% to 10% of NAV
  - As at 30 June 2023, cash was £27.8m.

- **Dividend**
  - Dividends maintained at 3p per quarter, 9.5% yield, based on share price, as at 30 June 2023
  - Dividend predominantly covered by interest income

- **Opportunities**
  - The present macroeconomic backdrop is set to continue through 2023, 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

Investment Opportunity in Senior Loans

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

- A focus on **senior**, 1st lien loans:
  - Senior deals now account for 90% 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%** as at 30 June 2023
- Predominantly large, well-capitalised, and experienced institutional borrowers
- Minimal exposure to shopping centres (<2% of GAV), secondary offices (0% of GAV) and logistics (<6% 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

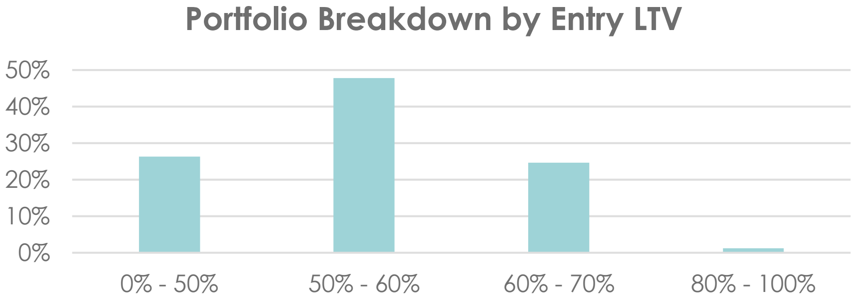
Positioned for the Current Macroeconomic Backdrop

- Current market conditions reflect the unravelling of a decade of low interest rates and low inflation
- Expectation is for base rates in the UK and Europe to retrench from current higher levels but remain elevated
  - Entrenched higher base rates translate into higher yields on real estate
- Recessionary pressure over the next 1-3 years will challenge rental growth assumptions
- Commercial property valuation declines are expected across the board; albeit declines to be more pronounced in
  - (a) asset classes exposed to operational demand softening; and
  - (b) assets underwritten to significant rental growth and tight exit yields
- Resilient asset classes include affordable multifamily and single family homes (PRS), student housing, industrial and prime offices (with the highest ESG credentials)
- Exposed asset classes include shopping centres, logistics and secondary offices
- 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 and resilient asset classes**

30 June 2023 Snapshot

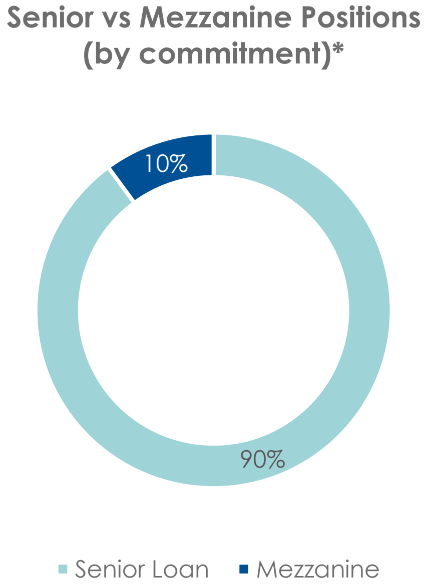
Portfolio Overview

- 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 90% 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 58.9%
- The breakdown of LTV is as below:



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

	March-23	June-23
Bilateral Loans and Bonds	92.2%	94.0%
Market Bonds	7.8%	6.0%



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

Current Position

- RECI announced its fourth interim quarterly dividend for this financial year of 3p in June 2023
- Balance sheet leverage reduced to 9.8% at 30 June 2023

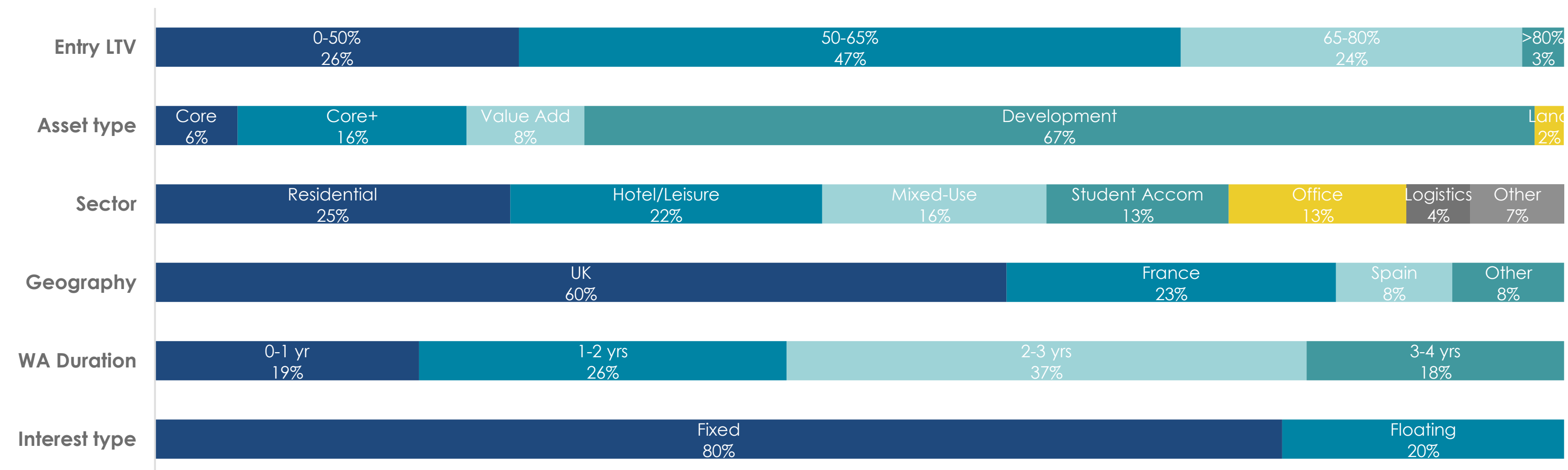
	31-Mar-23	30-Apr-23	31-May-23	30-Jun-23
Bilateral Loans & Bonds*	£367.8m	£357.1m	£357.2m	£364.8m
Public Market Bonds	£49.2m	£33.8m	£33.4m	£33.7m
Cash	£17.0m	£26.7m	£28.7m	£27.8m
Financing (Combined Recourse and Non-Recourse)	-£102.0m	-£82.7m	-£82.3m	-£87.7m
Other Assets & Liabilities	£4.9m	£4.7m	£4.9m	£5.5m
Net Assets	**£337.0m**	**£339.6m**	**£341.8m**	**£344.1m**
Shares Outstanding	**229,332,478**	**229,332,478**	**229,332,478**	**229,332,478**
NAV per share	**£1.469**	**£1.480**	**£1.490**	**£1.499**
Debt to Equity Ratio	30.3%	24.3%	24.1%	25.5%
Net Effective Leverage	19.1%	10.8%	10.0%	9.8%

*Values show Fair Values gross of leverage

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	30	£364.8m	£300.8m	88.9%	60.8%	9.9%	1.7
Market Bonds	15	£33.7m	£9.7m	2.9%	52.4%	41.9%	2.5
Cash			£27.8m	8.2%			
Total/GAV/Weighted Ave	**45**		**£338.2m**	**100.0%**	**60.0%**	**10.9%**	**1.8**

PORTFOLIO SUMMMARY (by commitment)



1. For Loan Type definitions please refer to slide 24

Portfolio Composition – Bilateral Deals[1]

Number of loans	Investment Portfolio	WA LTV[3]	WA Unlevered Yield[2]	WA Life
30	**£364.8m**	**60.8%**	**9.5%**	**1.7 yrs**

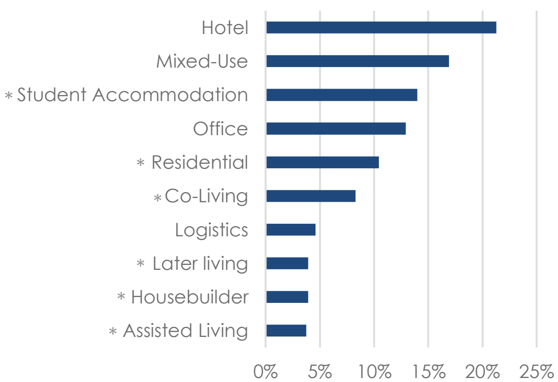
- £364.8m portfolio (£300.8m net of leverage) comprising 30 loans, predominantly senior and mezzanine loans in the UK, France and Spain
- Undrawn loan commitments of £137.7m as at 30 June 2023

Loan Breakdowns by Commitment

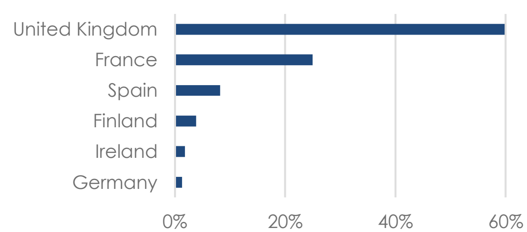
Asset Class Breakdown

Total **Living Assets** = 42.5% of the portfolio

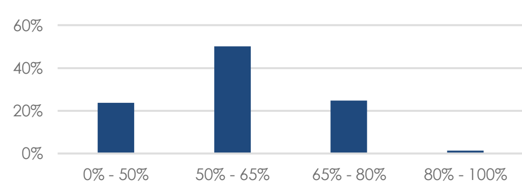
*** Denotes Living Asset classes**



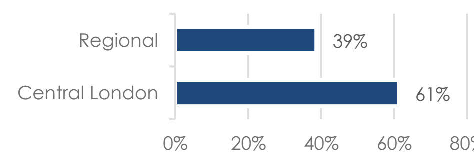
Geographical Breakdown



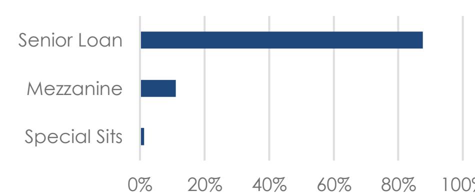
LTV[3]



UK Breakdown



Loan Type Breakdown



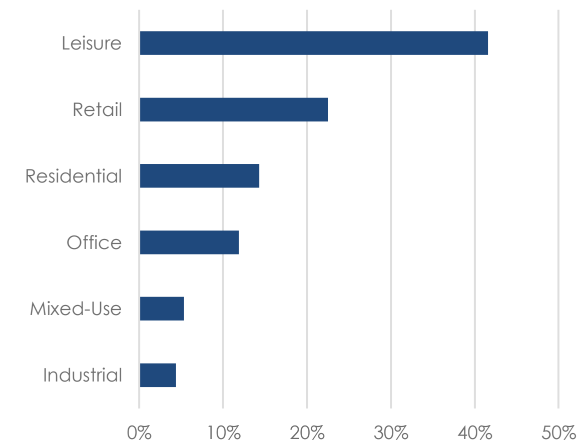
[1]Certain self-originated bilateral loans are technically structured as bonds to enhance marketability
[2] Yield stated is the effective accounting yield based on the funded loan balances, which includes interest and fees. Some loans also benefit from equity upside participation, which is only recognised 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 24 for definition)

Portfolio Composition – Public Market Bond Portfolio

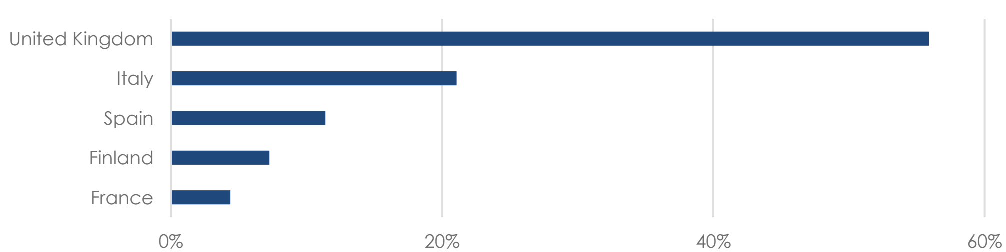
Number of Bonds	Fair Value	Discount to Par	WA LTV	WA Unlevered Yield	WA Life
15	£33.7m	13.5%	52.4%	15.7%	2.5yrs

- The Investment Manager has accelerated its rotation of the portfolio from market CMBS to senior loans, leaving a bond portfolio of 15 positions and a notional of £40.8m representing just 5.9% of the portfolio as at 30 June.
- 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 current market bond book has been impacted by the significant sell-off in wider fixed income markets. The current WA MTM of the market bond book is 86.5% of par.

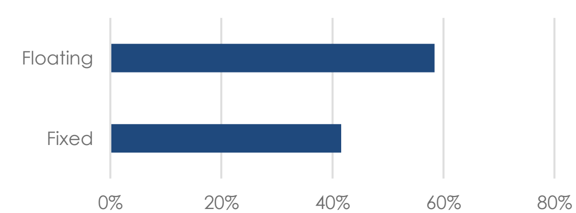
Sector



Geography



Interest Rate Type



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

REAL ESTATE CREDIT INVESTMENTS

Cheyne CAPITAL

Position Analysis – Top 10 by Commitment as at 30 June 2023

	Deal	Commitment	% of NAV	Entry LTV	Investment Strategy	Sector	Country	Asset Type[6]	Description
1	Max II	£82.4m	9.8%	48%	Senior Loan	Mixed-Use	United Kingdom	Core+	Light industrial, office and mid-market residential asset portfolio in the UK.
2	Fusion BXT Senior	£45.2m	4.3%	58%	Senior Loan	Student Accommodation	United Kingdom	Development	Student accommodation development in London. Expected completion in Q3 2025.
3	Fulton	£32.7m	2.8%	67%	Senior Loan	Residential	United Kingdom	Development	Residential, affordable housing and mixed-use scheme over five blocks within Greater London.
4	Colisee	£30.9m	8.1%	58%	Senior Loan	Office	France	Development	Refurbishment and extension of a freehold office building in Saint Ouen, Paris
5	Hoxton	£22.8m	6.7%	59%	Senior Loan	Office	United Kingdom	Core	Fully let 98,246 sq ft new grade A office block located in Hoxton, London
6	Sabina	£22.4m	4.0%	49%	Senior Loan	Residential	Spain	Development	Build-for-sale luxury villa development
7	Balto	£20.6m	5.8%	36%	Senior Loan	Housebuilder	France	Development	Income producing residential developer in France
8	Airport Hotel	£20.4m	1.4%	65%	Senior Loan	Hotel	Finland	Development	Finland hotel development in progress. Expected completion in Q3 2024
9	Perseus	£19.9m	4.1%	80%	Senior Loan	Hotel	France	Development	French Hotels in Nice and Paris. Development in progress. Expected completion in Q3 2024
10	RS Kensington	£19.7m	5.4%	60%	Senior Loan	Assisted Living	United Kingdom	Core+	Acquisition of the leasehold interest in 190 luxury assisted living units in Kensington, London

Top 10 Positions

1. Max II

A senior loan (0 – 55% LTV) to a well-established UK operator with a well-diversified mixed-use portfolio of assets across the UK. The facility comprises an investment tranche and a development tranche to facilitate the development of industrial assets. The portfolio includes both income producing assets and developments across the residential, office and industrial sectors as well as land sites awaiting planning. Completed industrial assets are letting well with fully stabilised assets expected to be refinanced in line with business plan.

2. Fusion BXT Senior

A senior development loan (58% LTV) to a well-known sponsor to Cheyne, to complete the purchase and finance the development of the site in Brent Cross Town, London of a 662 bed student scheme. Cheyne entered the deal in a significantly de-risked position since it had already achieved planning at closing. Since then the University of Sheffield Hallam has recently announced that it will be opening a new campus in the area and has agreed to enter into a Nominations Agreement with the development.

3. Fulton

A £187m senior development loan (59.08% LTGDV, 73.39% LTC) to a well-known London property developer to fund an equity recapitalisation and development of a site in Wembley, London for a residential led mixed-use scheme comprising of five towers blocks ranging from ground plus 14 to 28 storeys. The approved development comprises of 876 residential units, retail and industrial floorspace, alongside 39,000 sqft of flexible industrial / commercial space. The development has progressed with site demolition complete, and the superstructure works have commenced with no reported delays or cost overruns, with positive sales figures being achieved to date.

4. Colisee

Since closing in Q4 2020, the sponsors reached an agreement with the local authorities for ca 4,600 sqm of additional office space. The building permit was submitted in December 2020 and approval of the local council was received in June 2021. The building permit is now free of any third party recourses. Construction is going according to plan with a PC date of October 2023. The marketing campaign was launched in Q3 2022 with multiple potential tenants. We are currently in discussions with the borrower regarding the loan's maturity (November 2023).

Top 10 Positions

5. Hoxton

A senior investment loan (59% LTVPV) secured against a 100,000 sqft office located in London with a BREEAM excellent rating. The sponsor has significant UK experience and a strong and successful relationship with Cheyne.

6. Sabina

A €104.5m senior development loan capped at 50% LTGDV to finance the development of a luxury villa community located on Ibiza. The development consists of 40 luxury villas ranging from 345 sqm to 1,049 sqm spread throughout the 17ha site overlooking the sea and rolling hills of the island. The sponsors are three individuals with decades of experience in real estate development. 80% of the villas are already pre-sold, significantly de-risking the loan. The term of the loan is 60 months (December 2026) with repayment expected through the receipt of sales proceeds from individual purchasers upon completion.

7. Balto

A €81.5m corporate loan to acquire a pure residential developer with a very strong position in the Toulouse region and an increasing foothold in the greater Paris area. Based on the purchase price (€224m) the LTC amounted to 36.4% at closing and as of 30/06/2023, the LTV amounted to 33.6%. The developer has outperformed the business plan in 2022.

8. Airport Hotel

A €88.0m senior development loan with 60% LTV to finance the development of a leasehold 13-floor hotel in Finland to become operational before the exit through the refinancing of its debt. The property will consist of 33,540 sqm of useable space and includes 3 restaurants, 2 bars, a 3,500 sqm conference space, a spa, and a gym; and will be built in accordance with LEED Gold certificate requirements. Full planning permission for the development has been granted. Cheyne loan's initial term is 42 months (March 2025) extendable by a further 6 months.

Top 10 Positions

9. Perseus

A €93m loan (up to 85% LTC-80% LTV) to a hotel operator, representing 2.0% of GAV, backed by 2 high-end luxury leisure hotels in France (one operating, one in construction phase). The operating hotel has outperformed the BP both in terms of ADR and EBITDA in 2022, this outstanding performance continued into S1 2023. For the hotel in construction phase, the development is progressing well, within time and budget and the construction contracts have now all been allocated within budget with a PC date of March 2023.

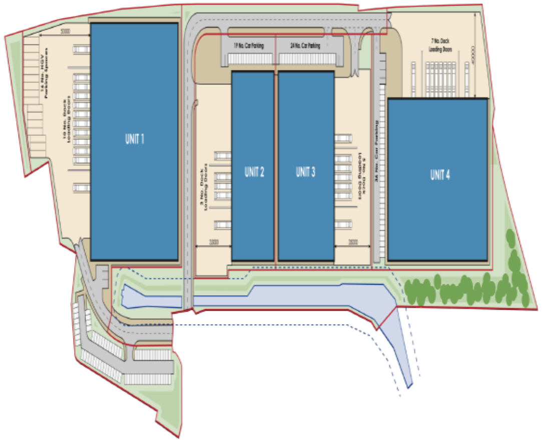
10. RS Kensington

A £204.9m investment loan secured against the forward purchase of two build-to-sell senior living assets in central London, with a 60% loan to value and c.2 years remaining. The scheme comprises of 190 units totalling 200,000 SQFT across a mix of 1-4 bed apartments, as well as concierge, restaurants, gyms, pools, saunas etc. The borrower is an assisted living platform that is 95% owned by Goldman Sachs, has a strong pipeline of sites across London and is currently in early discussions with Cheyne about another possible financing.

Recent Deals

Deal Description	Student Accommodation
Instrument	Senior Loan
Total RECI Commitment	£45.2m
Location	London, United Kingdom
Collateral	662 PBSA units
Project Type	Development
Entry LTV	58%

Deal Description	Co-living development
Instrument	Senior Loan
Total RECI Commitment	£18.7m
Location	Central London
Collateral	332 units
Project Type	Development
Entry LTV	59%



Deal Description	London last mile logistics
Instrument	Senior Loan
Total RECI Commitment	£11.9m
Location	London, United Kingdom
Collateral	Land
Project Type	Development
Entry LTV	59%

Recent Deals

Deal Description	Residential
Instrument	Senior Loan
Total RECI Commitment	£32.7m
Location	London, United Kingdom
Collateral	493 residential units
Project Type	Development
Entry LTV	67%

Deal Description	Hotel
Instrument	Senior Loan
Total RECI Commitment	£19.1m
Location	Multi City, United Kingdom
Collateral	6 Spa Resorts
Project Type	Core+
Entry LTV	67%

Deal Description	Later Living
Instrument	Senior Loan
Total RECI Commitment	£10.6m
Location	Regional, United Kingdom
Collateral	183 later living units
Project Type	Development
Entry LTV	56%

Leverage Review

Financial Leverage

RECI's current net balance sheet leverage position is 10.8% 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 30 June 2023:

	Balance Sheet Leverage[1]	Contingent Liabilities[2]	Cash	Net Effective Leverage	Asset Level Structured Funding
£ Amount	£59.1m	£2.2m	£27.8m	**£33.5m**	£28.6m
% of NAV	17.2%	0.6%	8.1%	**9.8%**	8.3%
W/A cost of finance	6.4%	-	-	**-**	7.8%
# of positions	16				6

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 year ended 30 June 2023

	Absolute £m	Pence Per Share	% of NAV Annualised
Interest Income	7.6	3.3	8.8%
Other income	0.1	0.1	0.2%
Finance costs	-1.0	-0.5	-1.2%
Interest income	**6.7**	**2.9**	**7.8%**
Expenses (inc management and perf fees)	-1.4	-0.6	-1.7%
Fair Value Adjustments (inc realised and unrealised profit and loss on investments)	1.5	0.6	1.7%
Net Profit	**6.7**	**2.9**	**7.8%**

- **Net Profit of £6.7m, being 0.98x covered against dividends paid of £6.9m in this 3 month period.**

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 30 June 2023

Continuing to Deliver an Attractive and Stable Dividend

Share Price	NAV	Discount	Dividend Yield[1]	Market Cap
126.0p	149.9p	16.0%	9.7%	£289.0m

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 fourth interim dividend of 3p in June 2023
- An annual dividend of 12 pence represents a dividend yield of 9.7% on share price as at 30 June 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

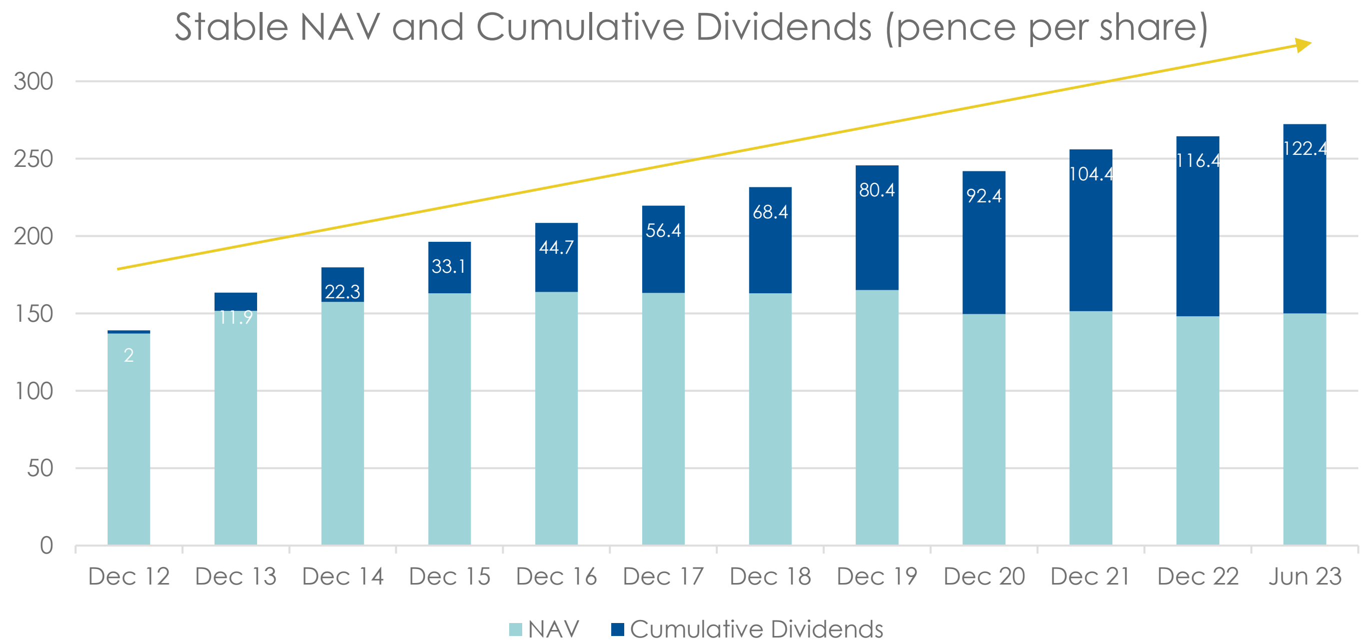
Dividend sustainability will derive from **net distributable income** and **cash coverage**

- **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 ample 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 £0.03 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	3.3%	7.0%	26.2%	32.3%

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.

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

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.

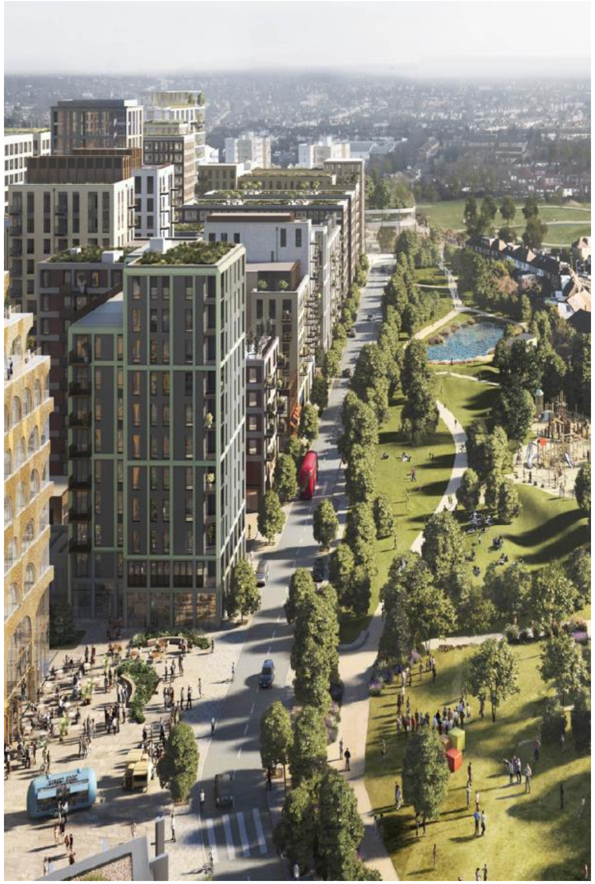
Governance

- 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 currently considering 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.

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 March 2021 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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