REAL ESTATE CREDIT INVESTMENTS LIMITED

Investor Day

27 June 2024

www.recreditinvest.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 update presentation has been prepared by the Company's Investment Manager to provide investors with an update of the position of the Company, 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.

<u>This presentation is not marketing material and is not intended for retail customers.</u>

Contents

2024 Annual Report Summary & Recent Events

Financial Performance

- RECI delivered a total net profit of £21.9 million on year-end total assets of £352.3 million, compared with a £20.6 million net profit in the prior year, on total assets of £419.0 million.
- NAV was £1.45 per share (£1.47 per share as at 31 March 2023) which, combined with the 12 pence per share of dividends payable in respect of the year ended 31 March 2024, represents an annualised total return for Shareholders of 7.0%.
- During the financial year ended 31 March 2024, the Company's shares traded at an average discount to NAV of 14.7%, (6.1% discount for the year ended 31 March 2023).
- Earnings per share was 9.6p (9.0p in 31 March 2023).

Portfolio Overview

- RECI's total investment portfolio was valued at £360.0m (gross) as at 31 March 2024.
- The bilateral loan and bond portfolio of £352.1m comprised 25 loans, with an average current LTV of 64.9%, an average unlevered yield of 9.7% and a weighted average life of 1.3 years.
- **Senior loans** account for 86% of the total portfolio by commitment value.
- The market bond portfolio was valued at £7.9m comprising of only 6 remaining positions (1% of the portfolio).

Repayments and Bond Sales

- RECI received £112.3m (gross) of proceeds via the repayments of 9 bilateral loan and bonds.
- RECI received £42.9m (gross) of proceeds via the sale of 12 market bonds.

Leverage and Cash

- As at 31 March 2024, RECI's balance sheet leverage is £23.8 million (7.3% of NAV), set against a 40% of NAV limit.
- Total cash balance as of 31 March was £22.8m (7.0% of NAV).
- Net effective leverage, including £3.9m of contingent liabilities (representing the 25% of asset level borrowings provided to certain asset level structured finance counterparties) was £4.9m (1.5% of NAV).

Recent Events and Future Opportunities

- Since the year end, the Company has received and negotiated 3 further repayments totalling c.£38.8m (net of leverage).
- RECI has also committed to invest c.£18.5m (net) into a loan in Cheyne's pipeline of investment opportunities.
- Given the sustained level of repayments forecast to be received in 2024, RECI is in a strong position to use its excess cash to reinvest into highly compelling pipeline of high yielding senior loans.

REAL ESTATE CREDIT INVESTMENTS

NAV and Share Price

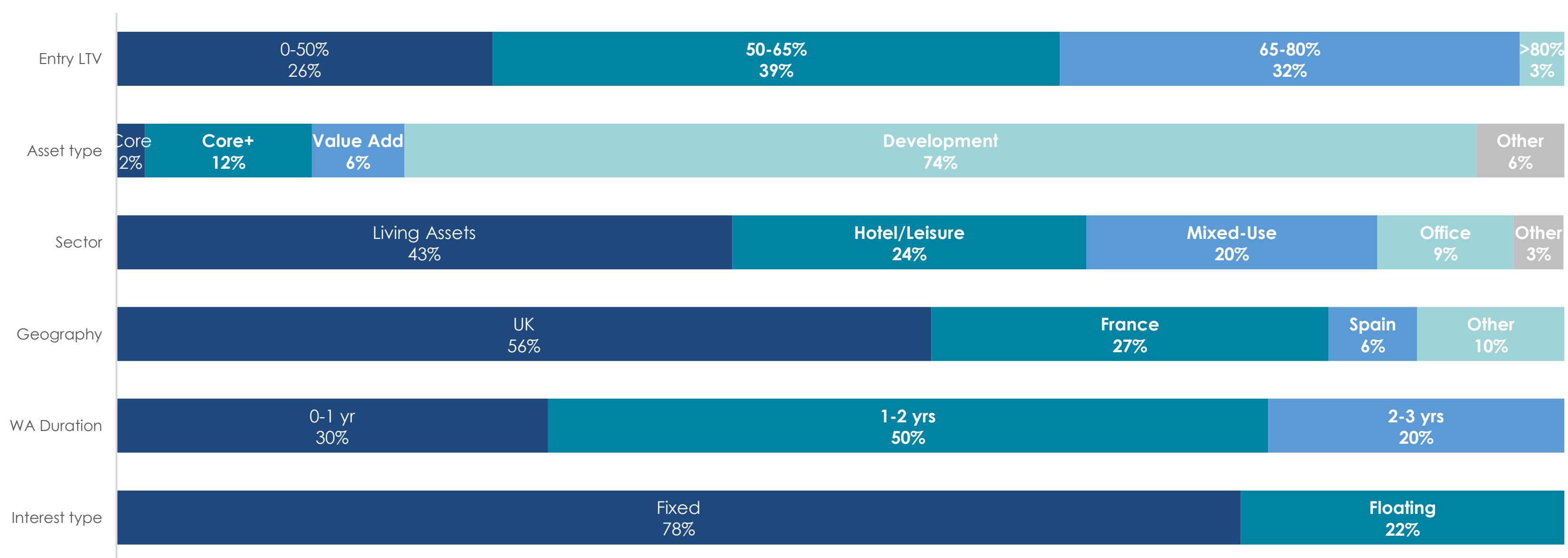
	26 June 2024	FYE 2024
Net Assets	£331.4 m*	326.4m
Shares Outstanding	**223.0m****	**225.2m**
NAV / share	148.6	145.0
Share Price	**122.0**	**115.0**
Discount	**17.1%**	**20.7%**
Market Capitalisation	**£272.1m**	**£262.6m**
Dividend annualised (12pps)	**£26.8m**	**£27.4m**
Dividend yield	**9.8%**	**10.4%**

* Signed off 31 May 2024 net assets figure.
** Current shares outstanding post buybacks since year-end.

Portfolio Overview as at 31 May 2024

	No of Positions	Investment Portfolio Value (Gross)	Investment Portfolio Value (Net)	% of GAV	Current Levered Yield
Bilateral Loans & Bonds	23	£355.9m	£307.4m	92.6%	9.9%
Market Bonds	5	£7.9m	£3.1m	0.9%	27.5%
Cash			£21.7m	6.5%	
Total/GAV/Weighted Ave	**28**	**£363.9m**	**£332.2m**	**100.0%**	**10.0%**

PORTFOLIO SUMMMARY (by commitment)



RECI
REAL ESTATE CREDIT INVESTMENTS

Bilateral Loan and Bond Portfolio as at 31 May 2024

	Description	Final Legal Maturity	RECI Commitment	Fair Value	Entry LTV	Current LTV	Current Yield	Risk Rating	Upside Share
1	Senior loan secured against a light industrial, office and mid-market residential portfolio in UK	18/07/2025	£82.2m	£48.5m	57.0%	56.0%	9.0%	1	
2	A senior loan on a prime 11,500 sqm freehold office in North-West Paris,	31/10/2023	£30.9m	£30.9m	58.4%	110.5%	9.4%	2	
3	A senior loan to finance a PBSA building in Brent Cross, London	21/08/2026	£48.1m	£23.6m	58.7%	58.7%	10.6%	1	
4	Mezzanine Loan to finance the acquisition of 4 central London Hotels*	15/03/2024	£20.2m	£22.7m	77.0%	77.0%	12.5%	1	
5	Senior loan - acquisition financing of a French residential developer	20/10/2027	£20.6m	£18.6m	36.0%	36.0%	9.2%	1	
6	Senior loan secured against a hotel in multiple locations in the UK.	30/04/2027	£19.1m	£18.3m	70.0%	70.0%	6.8%	1	
7	Senior loan secured against an assisted living facility in London, UK.	30/06/2025	£19.7m	£17.5m	58.0%	59.0%	8.0%	1	
8	Senior loan secured against a luxury villa development in Ibiza, Spain	23/12/2026	£22.4m	£15.9m	42.2%	42.2%	11.3%	1	
9	A mezzanine loan to finance the completion of a 5* boutique hotel in Paris	06/08/2026	£17.4m	£16.3m	72.4%	68.5%	13.2%	1	
10	Senior loan secured against a residential development in Wembley, London.	18/08/2027	£32.7m	£17.3m	58.8%	58.8%	8.8%	1	
11	Senior loan secured against hotels in France	07/10/2024	£20.1m	£15.1m	61.9%	61.9%	8.6%	1	Y
12	Senior Loan to develop a hotel at the Helsinki Airport in Finland	24/09/2025	£20.4m	£13.7m	46.8%	46.8%	8.9%	1	
13	A senior loan to finance a PBSA building in Brent Cross, London.	16/03/2027	£7.9m	£13.4m	68.2%	68.2%	10.0%	1	Y
14	Senior loan secured against a logistic asset North of Paris*	30/04/2025	£12.3m	£12.5m	73.4%	73.4%	7.9%	1	
15	Senior loan secured against an assisted living facility in London, UK	14/04/2025	£10.6m	£11.0m	60.2%	60.5%	9.0%	1	
16	Whole loan to develop an office building in Bagnolet, Paris suburbs**	23/12/2022	£14.5m	£10.3m	58.0%	100.0%	12.7%	4	
17	Profit participating mezzanine investment secured by a co-living asset in Maida Vale, London	26/01/2026	£6.8m	£9.4m	79.2%	59.0%	10.7%	1	Y
18	Senior loan on a co-living asset in London	26/01/2026	£18.7m	£9.2m	59.0%	59.0%	10.0%	1	
19	Senior loan secured by a hotel development in Dublin	04/11/2025	£9.8m	£8.7m	56.9%	56.9%	8.6%	1	
20	Mezzanine loan secured against luxury leisure hotels in France	22/05/2024	£11.1m	£7.7m	48.8%	44.5%	9.2%	1	
21	Senior loan secured against a PBSA development in Seville, Spain	23/12/2026	£7.2m	£7.3m	56.5%	59.5%	8.3%	1	
22	Senior loan secured against a co-living facility in multiple locations in France.	25/03/2025	£5.2m	£5.5m	63.4%	63.3%	6.2%	1	
23	Special situations shareholder loan, backed by a shopping centre based in Berlin, Germany**	31/12/2024	£14.2m	£2.5m	72.7%	100.0%	0.0%	4	
		Total	**£481.8m**	**£355.9m**	**61.0%**	**64.9%**	**9.9%**		

* Repaid post 31 May 2024 / repaid by end of July 2024
** Impaired loan

Market Bond Portfolio as at 31 May 2024

Description	Asset Strategy	Sector	Country	Fixed / Floating	RECI Commitment	Price	RECI Market Value	Expected recovery value	Current LTV	WA Duration	Current Unlevered Yield
Bond secured against an Italian logistics portfolio	Core	Retail	Italy	Floating	£4.7m	59.6	£2.8m	£2.8m	78.9%	2.2	31.6%
Bond secured against a residential portfolio in UK	Core	Residential	United Kingdom	Floating	£2.9m	93.1	£2.7m	£2.9m	71.3%	2.6	12.1%
Bond secured against a residential portfolio in UK	Core	Residential	United Kingdom	Floating	£2.3m	95.7	£2.2m	£2.3m	65.6%	2.6	10.2%
Bond secured against a portfolio of Italian and German retail and office assets*	Workout	Office	Italy	Floating	£0.2m	50.0	£0.1m	£0.0m	100.0%	0.5	9.0%
Bond secured against a portfolio of UK non-conforming but-to-let mortgages	Workout	Healthcare	United Kingdom	Floating	£0.3m	0.0	£0.0m	£0.0m	100.0%	0.5	9.0%
Bond secured against a portfolio of Italian and German retail and office assets	Workout	Mixed-Use	Germany	Floating	£4.7m	0.0	£0.0m	£0.0m	100.0%	0.0	0.0%
				Total	**£10.4m**	**75.0**	**£7.9m**		**73.1%**	**2.4**	**18.5%**

Recovery estimates

- The recovery estimates are based on a hold to maturity basis
- The net profit that may be generated (if held to maturity) on this basis is £0.3m

* Position has been sold as of May 2024

Position Analysis – Risk Rating as at 31 May 2024

- Following careful analysis of market conditions, RECI has in instances conservatively taken unrealised value impairments to its portfolio
- RECI's assets are marked at fair value at each month end and any such impairments 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 further losses to current carrying NAV expected
4. Defaulted. Possible further loss to current carrying NAV

- The portfolio, using the 31 May 2024 figures, is risk rated as follows:

Key	Risk Rating	Number (#)	Investment Portfolio Fair Value (Gross)	% of NAV
1	Performing. Not on Watchlist	21	£306.2m	92.4%
2	Performing. Watchlist for potential underperformance	3	£44.8m	13.5%
3	Defaulted. No further losses to NAV expected	1	£10.3m	3.1%
4	Defaulted. Possible further loss to NAV	3	£2.6m	0.8%
	Total	**28**	**£363.9m**	**109.8%**

Position Analysis – Risk Rating as at 31 May 2024

– The following position is rated as category 2 or higher:

Loan #	Risk Rating	Type	Asset	Commitment	Investment Portfolio Fair Value (Gross)	% of NAV	Commentary
2	**2**	Senior Loan	Office - Paris	£30.9m	£30.9m	9.3%	• Prime Grade A office asset in Paris (west) • Entry LTC was 67% and LTGDV of 58.5% • Private Equity sponsor delivered asset CAPEX on time and on budget • Delivered to the highest ESG standards • Leasing market in Paris has been slow. And cap rates (yield's) have moved out significantly since 2022 • Loan extended was Euro 78m. Current carrying accrued value is Euro 94m. Current MV is Euro 85m reflecting the voids and high yields. • Sponsor's business plan is to "stand behind" the asset and continue with the leasing program to accrete value. • To that, sponsor has now injected cash equity into the deal and agreed to switch the deal to cash pay. A further cash equity injection has been agreed to occur at October 2024 • Given current leasing interest, we expect a fully let building by end 2025, facilitating a sale at or above the valuation. • Given the continuing equity injections and sponsors continued positive work towards leasing, we are supportive of the extension on this loan • Conservative exit value of Euro 111m vs loan basis of Euro 90 m at exit

Position Analysis – Risk Rating as at 31 May 2024

– The following positions are rated as category 2 or higher:

Loan #	Risk Rating	Type	Seniority	Commitment	Investment Portfolio Fair Value (Gross)	% of NAV	Commentary
16	**4**	Senior Loan	Office - Paris	£14.5m	**£10.3m (impaired by £1.2m)**	3.1%	• The asset 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.
24	**4**	Special Sits	Retail & residential	£14.2m	**£2.5m (loan has been impaired by £5.3m)**	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 • As an update, the city council have now engaged on a change of use proposal towards more residential provision (which the city is lacking in). If this is successful, the recovery on this position may be in excess of the impairment amount

Office Exposure

- RECI's exposure to offices are of a Prime Grade A nature with the best ESG credentials.
- Whilst leases are being struck at healthy rental tones for Prime Grade A space, the recovery in leasing markets is pronounced in London but less so in Paris.
- London prime offices, with the best credentials, are undersupplied and command rents in excess of pre-2020 levels. Leasing activity is robust, though the time to effect a lease has lengthened considerably as decision making on movements are more fluid.
- Paris offices have seen a similar dynamic, albeit the time it takes for decision on leases to be made is very long.
- In London, as in Paris, there are now noticeable differences in demand tone for micro locations. In general, city centre and west are performing better than the fringe Eastern locations (in both cities).
- Yields (Cap Rates) on offices have moved out significantly, with a moribund investment market (other than for the highest quality stock in the best locations).
- RECI's exposure to offices is in the senior loan position and as below:

Loan #	Risk Rating	Fair Value	% of NAV
2	2	£30.5m	9.3%
16	4	£10.4	3.1%
	Total	**£40.9m**	**12.4%**

France Update

- The election to select 577 members of the legislative assembly in France will be held on 30th June and 7th July.
- The current polling indicates a populist government (at either end of the spectrum) or a hung assembly.
- A populist majority is seen to be likely to inflame debt markets and a hung assembly to put the country into a period of stasis (which is being seen as the best case scenario).
- At present, there does not appear to be a path towards a quick reversion to the mean if either end of the populist spectrum takes hold.
- The impact on real estate in France is likely to be:
  - Hugely negative for high end housing with a flight of wealth from the country;
  - Negative for commerce, and hence offices, logistics, industrial and other productive assets;
  - Benign for luxury leisure (but negative for business travel hotels);
  - Yield on real assets overall will reflect the higher risky yields on French government debt.

- RECI's exposure to 7 French assets are split between offices, housing and luxury hotels:

Loan #	Asset	Fair Value	% of NAV
2	Office	£30.5m	9.3%
16	Office	£10.4	3.1%
20	Luxury Hotel	£7.8	2.4%
5	Housing	£19.0	5.8%
23	Multifamily Housing	£5.5	1.7%
11	Luxury Hotel	£13.7	4.2%
9	Luxury Hotel	£16.0	4.9%
	Total	**£102.9**	**31.4%**

Leverage Review

Financial Leverage

RECI's current net balance sheet leverage position is 1.5% of NAV (gross of 7.3% 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 May 2024:

	Balance Sheet Leverage[1]	Contingent Liabilities[2]	Cash	Net Effective Leverage	Asset Level Structured Funding
£ Amount	£24.3m	£3.0m	£21.7m	£5.6m	£29.3m
% of NAV	7.4%	1.2%	6.5%	1.7%	8.8%
W/A cost of finance	7.7%			0	8.2%
# of positions	6				4

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.

Buybacks

- On 31 August 2023, the Company announced an initial share buyback programme, with a maximum aggregate purchase price of £5.0m.
- Pursuant to that programme, a total of 4.1m shares were purchased for treasury for an aggregate amount of c.£5.0m.
- Shares were repurchased under the Initial Programme at an average discount to net asset value per share of 16.6%, with the Company's shares trading at an average discount of 14.2% from 31 August 2023 to 25 March 2024 (the date of the last share repurchase under the Initial Programme).
- On 28 March 2024, the Company announced that it intended to undertake a further buyback programme which will run to 30 September 2024.
- The maximum aggregate purchase price of all shares acquired under the Successor Programme will be £10.0m and 1.8m have been repurchased to date at an aggregate amount of c.£2.2m.
- Since announcing the programme, a total of 5.9m shares have been purchased, for an aggregate amount of c.£7.2m.

Conclusion

RECI's key priorities remain the:

- Credit management on all of its positions:
  - To which, the focus on senior loans and key defensive principles have helped RECI steer through multiple periods of global stress (Brexit, Pandemic, rate rises).
- Dividend cover and growth, solely measured by the income receipts.

- Cheyne Real Estate, is the largest established direct lender in Europe for real estate and continues to provide much needed accretive solutions to real estate , especially so in senior lending.

- Cheyne Real Estate is committed to working with RECI towards its key objectives above and to continue to grow the company into the long term, sustainable, compelling investment thesis in senior direct lending to commercial real estate in Europe

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