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 (Jun'26, p)	140.6
Disc. to NAV (%)	-17.9
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-Aug	Jul factsheet

Analysts

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REAL ESTATE CREDIT INVESTMENTS

The key messages from RECI's *FY'26 results to March* and *update presentation* (reviewed in our note *FY'26 results: High yield, clear path to dividend cover*) were, first, that the dividend of 3p per quarter has continued to be paid (yield 10.3%). While uncovered in FY'26, there are clear paths for earnings to cover the dividend in due course. In the meantime, the board appears committed to maintaining the payout at the current level. Secondly, credit remains very good, with 92% of the portfolio performing and clear strategies to managing the defaulting assets. Thirdly, while leverage has increased, it is conservative.

- **Strategy**: RECI's manager, Cheyne, has a large real estate lending team, with multiple on-the-ground offices bringing it close to borrowers. Its whole-market experience means it can identify the optimal risk/reward opportunities at any given time, making it only modestly sensitive to macro trends.
- **Dividend cover**: We see clear paths to reestablishing dividend cover with normalised fair value (losses)/gains – *inter alia*, FY'26 equity participation loan losses should not recur/may reverse. New investments are at higher margins and the book's short duration means higher income can be generated quickly.
- **Valuation:** In the five years, pre-pandemic, 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%, a similar level to the recurring net interest income RECI generates.
- **Risks:** Any lender is exposed to credit risks. We believe RECI has appropriate policies to reduce the probability of default. Its average LTV is 67.5%, 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*