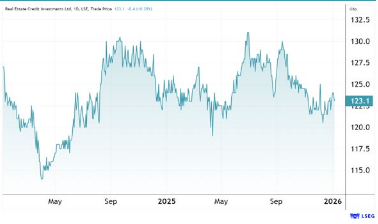
REAL ESTATE CREDIT INVESTMENTS

Diversified Financial Services



Source: LSEG, 2026

Market data

EPIC/TKR	**RECI**
Price (p)	**124.0**
12m high (p)	132.0
12m low (p)	118.0
Shares (m, exc. Treasury)	221.7
Mkt cap (£m)	276.0
NAV p/sh (Nov'25, p)	142.4
Disc. to NAV (%)	-12.9
Div. yield (FY'25)	9.7%
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 residential properties in the United Kingdom 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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	realestatecreditinvestments.com

Key shareholders

Close Bros.	9.35%
Bank Leumi	8.02%
Hargreaves Lansdown AM	6.42%
Canaccord Genuity	5.91%
Premier Miton (Jun'24)	5.52%
Evelyn Partners (Sep'24)	4.99%
FIL (Apr'24)	4.64%

Diary

Mid-Jan	Dec factsheet

Analysts

Mark Thomas mt@hardmanandco.com
Mike Foster mf@hardmanandco.com

In previous reports, we have highlighted RECI's downside resilience. Its recent investor day (see our note *Investor Day: opportunities aplenty*) highlighted the scale of opportunities for the trust in 2026 and beyond. The key driver is its strong pipeline driven by the manager's expertise and scale accessing the least competitive sectors of real estate lending. It can earn good returns (typically 8%-10% unleveraged) with only modest sensitivity to whole-market dynamics. Regular repayments, both contractual and customers refinancing, mean that there is flexibility to take opportunities as they emerge. We sense an increased appetite for development finance.

- **Access to least competitive subsectors:** Real estate finance is not one market. Competition varies enormously; banks, for example, have little appetite for development finance due to regulatory capital penalties. Cheyne's scale means it accesses deals that are too large for many other finance providers.
- **Retail webinars:** RECI has hosted two webinars (see *here*). RECI's Chairman and manager outlined the fund's strategy and operational management to deliver superior returns. In the second, they answered investor questions, including why the fund secured overwhelming shareholder continuation vote backing.
- **Valuation:** In the five-year, pre-pandemic era, on average, RECI traded at a premium to NAV. In periods of market uncertainty, it has traded at a discount; currently, it trades at a well-above-average 12.9% discount. RECI is paying an annualised 12p dividend, generating a yield of 9.7%, 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 65.2%, 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. Directors and management have demonstrated their confidence in its sustainability through share purchases. Market wide, credit risk is currently above average, although rating agencies expect defaults to reduce in 2025, and RECI's strong liquidity and debt restructuring expertise should allow it time to manage problem accounts. Borrowers have injected further equity into deals. A rolling series of *six-monthly buybacks*, of up to £10m, has been seen.

Financial summary and valuation

Year-end Mar (£m)	2023	2024	2025	2026E	2027E
Interest income	31.9	30.3	29.5	38.9	40.6
Operating income	30.7	31.4	34.2	38.9	43.6
Management fee	(4.3)	(4.2)	(4.1)	(4.0)	(3.9)
Performance fee	-	-	-	-	-
Operating expenses	(6.1)	(6.0)	(6.6)	(6.7)	(6.8)
Total comprehensive inc.	20.6	21.9	22.8	23.7	28.3
EPS (p)	9.0	9.6	10.2	10.7	12.1
NAV per share (p)	146.9	144.9	143.6	142.8	142.9
S/P prem./disc. (-) to NAV*	-9.1%	-20.8%	-14.9%	-13.2%	-13.2%
Debt to equity	24%	7%	22%	32%	34%
Dividend (p)	12.0	12.0	12.0	12.0	12.0
Dividend yield	9.7%	9.7%	9.7%	9.7%	9.7%

**2023-25 actual NAV and s/p, 2026-27E NAV to current s/p. Source: Hardman & Co Research*