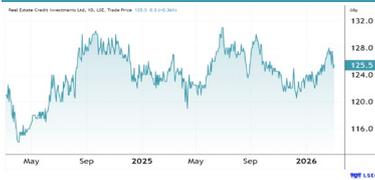




4 March 2026

Diversified Financial Services



Source: LSEG, 2026

Market data

EPIC/TKR	RECI
Price (p)	125.0
12m high (p)	132.0
12m low (p)	118.0
Shares (m, exc. Treasury)	221.7
Mkt cap (£m)	277.1
NAV p/sh (Jan'26, p)	140.8
Disc. to NAV (%)	-9.6
Div. yield (FY'25)	9.6%
Country/Ccy of listing	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	+44 (0)207 968 7328

www.realestatecreditinvestments.com

Key shareholders (Mar'25)

Close Bros.	10.49%
Hargreaves Lansdown AM	7.85%
Premier Miton (Jun'24)	5.97%
Aberdeen	5.51%
Waverton	5.38%
Canaccord Genuity	5.10%
Tilney Smith Williamson	5.00%

Diary

Mid-Mar	Feb NAV
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Analysts

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

REAL ESTATE CREDIT INVESTMENTS

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Manager presentation and Q&A

RECI has hosted two short webinars (see the links [here](#)). In the first, RECI's Chairman and manager gave a presentation outlining 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 support in the continuation vote at the recent AGM. They discussed how structural shifts are shaping pricing dynamics and how risks are managed. The discussion also explored its competitive advantages in recoveries, the rationale behind selective share buybacks, and how RECI's lending model meets current opportunities and risk.

- **Presentation:** RECI's Chair and manager outlined how RECI delivers a 10%+ weighted average yield by focusing on senior-secured loans, backed by UK and European property. RECI is actively redeploying repayments into a healthy pipeline of opportunities across a range of sectors supported by prudent LTVs.
- **Q&A:** For us, the most interesting part of the Q&A session was the review of the risks and opportunities from the structural shifts facing RECI as long-term interest rates normalise at higher levels. RECI finances "productive", growing real estate sectors that earn sustainable income to support higher valuations.
- **Valuation:** RECI traded at premiums to NAV in the five-year, pre-pandemic era. The current discount to NAV is 9.6%. The dividend has been a consistent 3p per quarter for many years and generates a 9.6% yield. RECI is moving to lower-risk but higher-margin exposures, which should improve dividend cover.
- **Risks:** Any lender is exposed to credit risks. We believe RECI has appropriate policies to reduce default probability and loss in the event of default. Positions are illiquid. Its average total commitment to expected value LTV is 69.7%, and most loans (all of the top 10) are senior-secured, providing a downside cushion.
- **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, but RECI's strong liquidity and debt restructuring expertise should allow it time to manage problem accounts. An extended £10m buyback programme was announced on [30 September 2025](#).

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 comp. income	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%	-20.7%	-14.9%	-12.5%	-12.5%
Debt to equity	24%	7%	22%	32%	34%
Dividend (p)	12.0	12.0	12.0	12.0	12.0
Dividend yield	9.6%	9.6%	9.6%	9.6%	9.6%

*2023-25 historical at that date, 2026-27E NAV to current s/p. Source: Hardman & Co Research

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Presentation

RECI can access range of niche opportunities to generate 10%+ yield

RECI's Chairman Andreas Tautscher and Cheyne Capital's Ravi Stickney (RECI's manager) outlined how the fund delivers a 10%+ weighted average yield by focusing on senior-secured loans, backed by UK and European property. With nearly £400m in gross assets, RECI is actively redeploying repayments into a healthy pipeline of higher-margin, new opportunities across sectors such as logistics, hospitality, and healthcare, supported by prudent LTVs. The discussion also highlighted the fund's rigorous risk management, comparatively modest leverage ratio, and its clear stance on dividend sustainability and discount to NAV.

The presentation was structured as follows (time in brackets):

(00:11): Mark Thomas (Hardman & Co): Introduction and session overview

(00:31): Andreas Tautscher (RECI Chair) welcomes investors, introduces RECI

(01:08): Ravi Stickney: Cheyne Capital's role and RECI's strategy

(03:06): Portfolio structure: senior secured lending, conservative LTVs

(04:09): Returns: current NAV, yield, leverage and loan book overview

(05:48): Dividend yield (9.5%) and NAV discount discussion

(06:45): Top 10 positions and sector focus (housing, student, healthcare)

(07:46): Risk transparency: traffic light matrix and defaulted loans

(09:23): Strategic priorities: credit preservation, dividend sustainability, closing the NAV gap

A copy of the accompanying slides is available [here](#).

For us, the key takeaways were:

Focus on lower-risk senior loans

- ▶ Cheyne has been focused in Western Europe and the UK for 17 years. Loans are in senior form, for better governance and control, with a typical loan to value of 60%-65%.

Limited leverage

- ▶ RECI has limited leverage to enhance returns. The maximum 40% of NAV may be compared with similar US funds whose leverage can be 400%.

Stable income

- ▶ Stable income (paid out in dividend) and NAV (designed to withstand economic cycles).

Regular investor communication...

- ▶ Factsheets and updates (available [here](#)) give investors regular information flow on the company.

...including risk exposures

- ▶ Page 7 of the accompanying presentation gave a detailed risk classification breakdown. This included fully performing, those with increased vigilance, and those in default. Page 8 gives more detail on the defaulted positions, including two that are focused in the French office sector (see table below). The larger loan is described as having good recovery potential, although the outlook for the smaller one (2.7% NAV) is more uncertain. The vast majority of the book is fully performing, despite the environment.

Detailed slide on riskier exposures (as at September 2025)



Position Analysis – Risk Rating as at 30 September 2025

– The following four positions (£35.4m Fair Value / 11.3% of NAV) are rated as 'defaulted' positions:

Risk Rating	Type	Seniority	Commitment	Investment Portfolio Fair Value (Gross)	% of NAV	Commentary
3	Bilateral loan	Senior Loan	£30.4m	£24.0m (Target recovery: £24.0m)	7.6%	<ul style="list-style-type: none"> Senior loan to support the acquisition, refurbishment and extension of a freehold office building located in Saint-Ouen, directly adjacent to Paris 17th arrondissement. Post pandemic leasing in Paris remains weak. This asset has seen increased leasing activity, but no material take up, yet. Sponsor has a further 3mm guarantee to inject into the deal which we are working with sponsor on.
3	Bilateral loan	Senior Loan	£16.8m	£8.4m (Target recovery: £8.6m)	2.7%	<ul style="list-style-type: none"> 27,000 sqm Grade A office building located to the east of central Paris Since completion in 2023, letting progress has been slow partly thanks to post-pandemic working patterns leading to reduced tenant occupational requirements Our loan basis allows us to market the vacant office space at an attractive level relative to the local market We continue to work with the asset manager on strategies for letting alongside alternative uses for the building with the aim of optimising the repayment of our loan
4	Bilateral loan	Special Sits	£14.2m	£3.0m (Target recovery: £3.0m)	1.0%	<ul style="list-style-type: none"> Multi-use development located in north Berlin, Germany We have been moving the asset's business plan forward but stress in the German real estate market has slowed progress in resolving the position. Valuation of the asset remains conservative.
4	CMBS	CMBS	£0.1m	£0.0m (Target recovery: £0.0m)	0.0%	<ul style="list-style-type: none"> CMBS 1.0 transaction issued in 2006 secured against UK care homes Cheyne continue to expect recovery of Principal
Total			£61.5m	£35.4m	11.3%	

Source: RECI, Hardman & Co Research

Repayments being recycled into higher-margin loans

- ▶ Regular repayments are being recycled into new loans, which, currently, return a higher IRR than the maturing loans. All loans since early 2023 have been floating rate.

Accommodation the biggest sector

- ▶ The biggest sector is “living accommodation”, but this covers a range of subsectors, including housing for young city professionals, students, families, the elderly, and those needing accommodation with healthcare support. More detail is given in the monthly factsheets.

RECI's priorities are credit preservation, dividend sustainability and closing the discount

- ▶ RECI's priorities are:
 - **Credit preservation:** In our previous reports, we have emphasised the importance of the culture, and all loans are made by the Cheyne team, with the same people making recoveries of their problem loans for over 17 years.
 - **Dividend sustainability:** Income and profit stability drive the stable dividend.
 - **Close the share price discount to NAV:** Actions include the rapid deployment into higher-paying loans in a diversified portfolio and increased investor communication.

Q&A

The [Q&A session](#) covered five topics:

Q: Over the past few years, we have seen many debt investment companies wind down. In contrast, RECI's 2025 continuation vote got around 95% approval to continue. What are you doing differently from peers?

(Time: 0:51): The chair commented that he thought the key factors on the continuation vote for RECI are i) a great manager (Cheyne Capital), ii) a clearly defined market focus on where and to whom to lend, iii) a consistent delivery of a well-diversified yield, and iv) good communication with investors. In working with Cheyne Capital, the Chair believes RECI has one of the top-rated providers of development loans in the European market. This allows it access to premium deal flow, which is expertly risk managed by a group of "talented and experienced professionals". Building on this, RECI has kept focus in the real estate finance sector, which means investors know both where that money is going and RECI's risk appetite.

Q: In the recent past, there seems to be one in a hundred-year event nearly every year. From your perspective, what is your view of the current market, including perhaps the outlook for real estate, interest rates, spreads

(Time: 2:53): There have been many one-off major events generating their own challenges, but, on top, there has been a structural change in real assets since 2022. Both inflation and interest rates are permanently higher than the decade before, creating major issues for real estate assets pricing. Priced when interest rates were zero and capital abundant, real-asset yields could be 3% and lower. They are now being priced off a risk-free rate of 3%, which means the asset yield must be 4.5%-5% or higher. That is a permanent dilution in value of the real estate asset and is a major structural challenge. Buyers need productive assets to beat the risk-free rate.

Q: Discounts continue to persist in the listed Investment Trust world. How are you dealing with this and what do you think drives this? Can you outline how you got to a rolling six-month buyback programme of up to £10m and how it has been executed.?

(Time: 5:07): The discount drives a lot of commentary and discussion with investors, and the board spends a lot of time discussing it with the advisors. The Chair saw a lot of factors contributing to market-wide discounts, but, for RECI specifically, there is a low level of liquidity (daily trading volumes), which means that any shareholder wishing to trim their holding, even by a small amount, creates a shortfall vs. buyers. Ideally, RECI would be bigger in market capitalisation, which would help liquidity. The board has continued to provide the capital to the broker to execute buybacks where this makes financial sense; although, as a general rule, it would rather deploy funds back into new loans. The board knows the discount is a concern for investors.

Q: We believe recoveries made from problem situations are a key driver to ultimate loss. You appear to have developed significant skills in this. Can you give more colour on how you get your money back when borrowers are behind their plans?

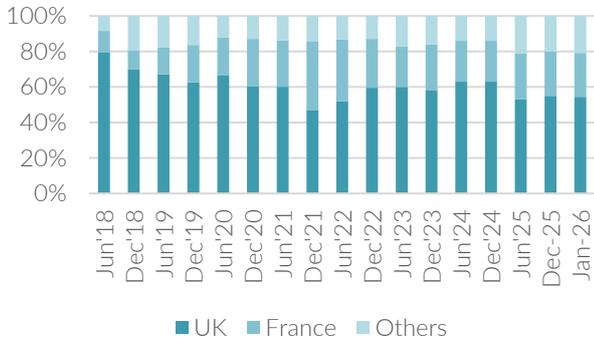
(Time: 7:15): Real estate senior lending is different from lenders with difficulties in corporate loans. Investors need to understand why there are defaults: i) macro changes, e.g. interest rates up and valuations down, ii) shock events such as COVID-19, or iii) failing borrower. What then drives recoveries is the ability to establish the value of security. In corporate loans, there may be none. Governance and control of security are very important, which is why Cheyne has always had a huge degree of covenants. The next layer is to understand what the borrower will do. For Cheyne, 95 times out of 100, they are looking for constructive help. With Cheyne's level of control, it is in a very good position to productively help in these 95 out of 100 cases by, for example, extending the time of the loan in exchange for de-risking the exposure, with, for example, further equity injected into the project. If the borrower will not work with Cheyne, it then moves to enforcing security. Given Cheyne's expertise, this can be done in-house, developing their own asset management plan.

Q: What would keep the board up all night/see as its main risks and how are these risks managed?

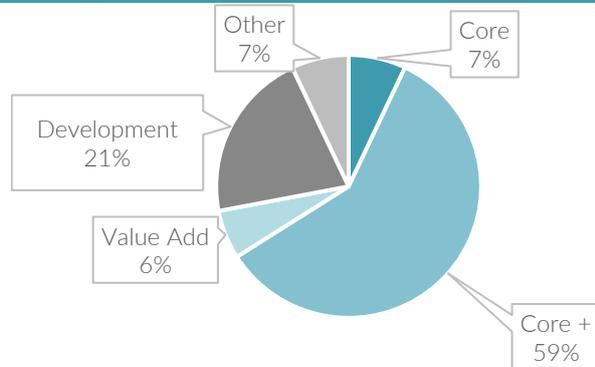
(Time: 10:25): The board has defined in the Report and Accounts, among others, the key risks as portfolio returns, dividend risk, valuation risk and credit risk. To make the returns RECI generates, there will always be risk, but it is how this risk is measured and managed that determines the end return. The measuring comes from ensuring RECI has the transparency and reporting of what is happening in the underlying lending portfolios. These are managed by ensuring the RECI board has regular meetings with the manager to understand how they are managing these risks, their analysis and the board challenging them where necessary. There has been a big improvement in transparency of reporting. RECI also undergoes annual audit by the external auditors, who provide further challenge and scrutiny.

Portfolio summary (Jan'26)

Geographical mix of assets (%)

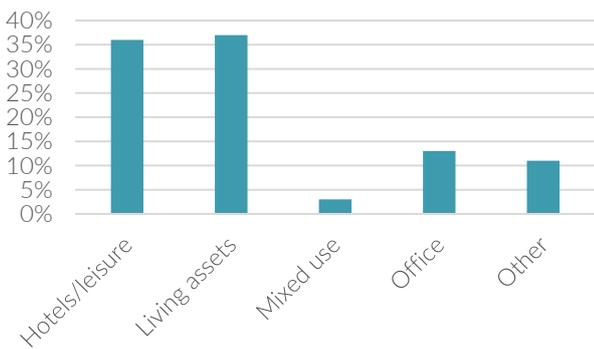


Asset type (%)

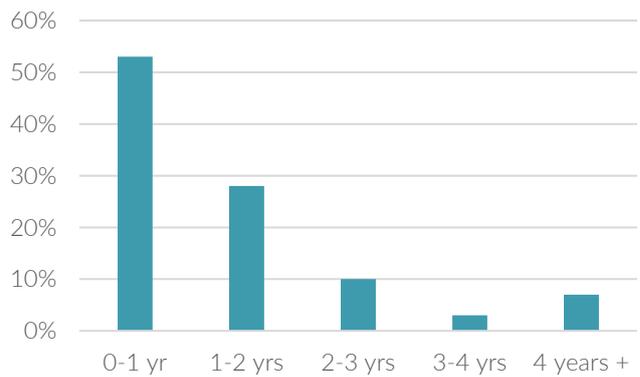


Source: RECI, Hardman & Co Research

Sectoral mix of investments (%)

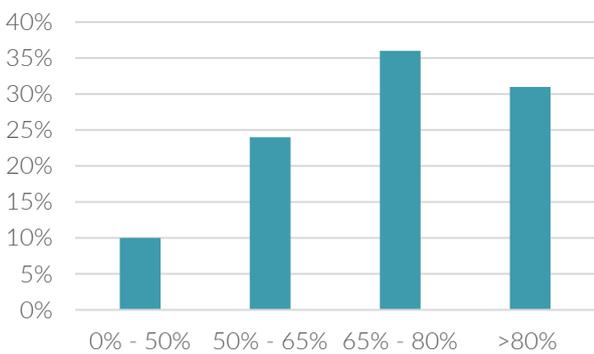


Duration (%)

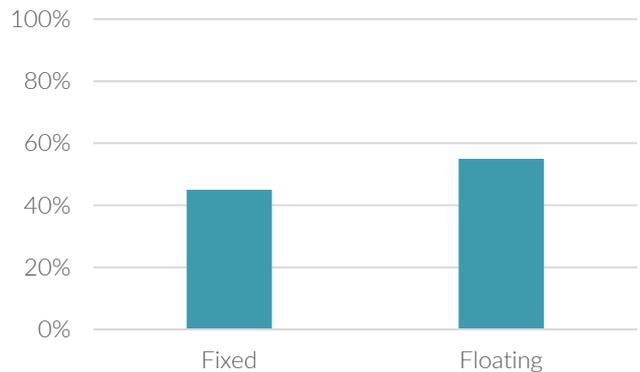


Source: RECI, Hardman & Co Research

Current loan to gross development value (%)



Interest type (%)



Source: RECI, Hardman & Co Research

Valuation

Absolute

Current NAV is realistic

In previous reports, we have considered how the NAV is assessed (see pages 23-24 of our initiation report, [7%+ yield from well-secured property debt portfolio](#), published on 28 August 2019). The critical issues are how conservative the culture of the organisation is, and the independent checks and controls that are in place to review the process. As we noted in that report, RECI's approach, to both issues, is in line with best practice, resulting in an NAV that fairly reflects the company's value.

By the nature of being a debt investor, the NAV is recycled via cash from maturing positions. Consequently, there is a marked contrast in how a rising interest rate environment affects REITs and RECI. For the former, the valuation basis is hit. For the latter, the recycling of capital takes returns towards a higher plane.

The short life of RECI's book means that loans are constantly repaying with an illiquid, private asset being recycled into cash. In valuation terms, we believe investors should consider this as marking back to hard cash (rather than marking to market or a model), thus improving their confidence in the NAV calculation.

Yield

12p annual dividend expected

Throughout the COVID-19 crisis, when RECI took large, early MTM hits in 2020, and then steadily released them throughout the rest of the year, it maintained a consistent 3p quarterly dividend. The trust appears very committed to this dividend, and the noise from MTM losses and gains will reduce with a *de minimis* bond portfolio. Despite recent falls in rates, as older loans mature and are reinvested, the new rates still generate higher returns than the maturing ones. The current yield is 9.6%, and a 12p annual dividend is expected, with the recurring interest income forecast broadly covering the dividend at this level.

Relative

Close peer comparisons weak given their wind-down status

Comparisons of RECI with a close peer group are no longer relevant given the wind-down status of LBOW and SWEF; although, for what it's worth, the AIC average discount in the property debt sector is 12%. Looking at the other AIC debt sectors, the direct lending average discount is 9%, the loans and bonds average premium is 2% and the structured finance average discount 2%. The latest reported ratings are available on the AIC website [here](#).

Reversion to historical average levels would see discount close significantly

We reviewed the historical discount in detail in our note, [Why the discount has been closing and its outlook](#), published on 15 October 2024. The key conclusions from that note were that RECI's discount had halved over the prior six months and that we believed this was due both to actions taken by the trust (with an active buyback programme, changing asset mix, particularly the reduction in bonds, and enhanced disclosure of highest-risk positions) and more favourable markets. Interestingly, not all debt investment companies have benefitted from the more favourable markets.

By historical standards, the current level of RECI's discount is very high, nearly 10% above the 10-year average. This is despite the fact that RECI used to have a bond portfolio, which, at times, introduced significant NAV volatility. *Ceteris paribus*, the absence of this volatility, in our view, justifies a lower discount/higher premium. RECI was at an average 2% premium in 2015-19 and traded at a premium again in 2021-22, leaving room for investor concerns to moderate considerably by just reverting to historical average levels.

Financials

Our forecasts are unchanged.

Profit and loss						
Year-end Mar (£m)	2022	2023	2024	2025	2026E	2027E
Interest income bonds	3.2	5.0	1.5	0.8	0.2	-
Interest income loans	23.7	26.7	28.4	28.1	38.0	39.8
Other interest income	0.0	0.2	0.4	0.7	0.7	0.7
Interest income	27.0	31.9	30.3	29.5	38.9	40.6
Net (losses)/gains on investments	5.4	0.8	0.6	3.6	-	3.0
Net losses on options	-	-	-	-	-	-
Net gains on foreign exchange instruments	0.0	(2.1)	0.4	1.0	-	-
Total net gains on fin. assets at FV through P&L	5.4	(1.3)	1.0	4.7	-	3.0
Operating income	32.4	30.7	31.4	34.2	38.9	43.6
Management fee	(4.4)	(4.3)	(4.2)	(4.1)	(4.0)	(3.9)
Performance fee	-	-	-	-	-	-
Other operating expenses	(1.5)	(1.8)	(1.8)	(2.5)	(2.7)	(2.9)
Operating expenses	(5.8)	(6.1)	(6.0)	(6.6)	(6.7)	(6.8)
Profit before finance costs	26.5	24.5	25.4	27.6	32.2	36.8
Finance costs	(2.0)	(4.0)	(3.5)	(4.8)	(8.5)	(8.5)
Net profit	24.6	20.6	21.9	22.8	23.7	28.3

Note: classification bonds and loans restated in 2021, Source: RECI Report and Accounts, Hardman & Co Research

Balance sheet						
@ 31 Mar (£m)	2022	2023	2024	2025	2026E	2027E
Bonds	98.5	49.2	7.9	6.8	0.0	0.0
Loans	295.9	341.5	305.0	344.9	378.5	418.5
Equity securities	0.0	10.0	16.4	17.8	17.8	20.8
Financial assets at FV through P&L	394.3	400.7	329.4	369.5	396.3	439.3
Cash and cash equivalents	47.4	14.1	18.3	19.3	14.5	38.7
Cash collateral at broker	5.2	2.4	4.5	2.9	2.9	2.9
Derivatives	0.0	1.8	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.1	0.1	0.1	0.1
Receivables for investments sold	0.0	0.0	0.0	0.0	0.0	0.0
Total current assets	52.6	18.2	22.9	22.2	17.5	41.6
Total assets	447.0	419.0	352.3	391.7	413.7	480.9
Current liabilities						
Derivatives	1.1	0.0	0.1	0.2	0.2	0.2
Financing	100.4	80.2	23.8	70.9	100.0	120.0
Cash collateral due to broker	0.0	0.0	0.0	0.0	0.0	0.0
Preference shares	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	1.6	1.9	2.0	2.3	2.6	2.9
Total liabilities	103.0	82.0	25.9	73.4	102.8	123.1
Net assets	343.9	337.0	326.4	318.4	310.9	357.8
No. shares (m)	229.3	229.3	225.2	221.7	217.7	250.3
NAV per share (p)	150.0	146.9	144.9	143.6	142.8	142.9

Source: RECI Report and Accounts, Hardman & Co Research

Note: We continue to assume a share issuance at the end of the second year of forecasting. This has been our (rolling) policy for some years and is a statement of intent rather than a firm expectation. We believe the board wants to grow RECI to achieve portfolio diversification and economies of scale but is also aware regarding investors' disapproval of issues at below NAV. An immediate issue is unlikely, but we believe it right to flag a future potential one in our estimates.

Appendix: list of Hardman & Co reports

Given the regulatory restrictions on distributing research on this company, the monthly book entry for RECI can be accessed through our website, [Hardman & Co Research](#). More detailed research reports are listed below. Each link contains a click-through to our *Directors Talk* audio interviews, summarising each report. Company announcements, including buybacks, can be found on [RECI's](#) page on the LSE website.

- ▶ [Our *initiation report* \(28 August 2019\).](#)
- ▶ [Delivering on its promises \(17 December 2019\).](#)
- ▶ [Getting a balanced view on outlook \(21 May 2020\).](#)
- ▶ [Improving returns on new opportunities \(14 September 2020\).](#)
- ▶ [Portfolio repayments fund enhanced return pipeline \(18 January 2021\).](#)
- ▶ [Experience shows resilience of the model \(6 May 2021\).](#)
- ▶ [Experience shows resilience of the model \(2\) \(12 August 2021\).](#)
- ▶ [Why rising rates should not hurt RECI \(8 November 2021\).](#)
- ▶ [Vive la difference \(15 February 2022\).](#)
- ▶ [New faces, same resilience \(20 May 2022\).](#)
- ▶ [Marks taken in uncertainty, released thereafter \(5 August 2022\).](#)
- ▶ [Positioned for the current crisis \(17 November 2022\).](#)
- ▶ [Looking at the current opportunities \(9 February 2023\).](#)
- ▶ [Double tangible security \(13 June 2023\).](#)
- ▶ [Why CRE equity worries should not apply to RECI \(30 August 2023\).](#)
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