Notice of GM and Posting of Circular

TOC PROPERTY BACKED LENDING TRUST PLC
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TOC PROPERTY BACKED LENDING TRUST PLC
(the "**Company**" or "**PBLT**")

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Notice of General Meeting and Posting of Circular

The board of directors of PBLT (the "**Board**" or the "**Directors**") is pleased to provide a portfolio update and to announce a number of proposed changes to the Company's dividend policy, investment focus and strategy ahead of the 2021 continuation vote ("**Continuation Vote**"). A circular (the "**Circular**") convening a general meeting of the Company to be held at 10 a.m. on 29 March 2021 ("**General Meeting**") includes details of the proposals referred to in this announcement and will shortly be sent to shareholders. In addition to the Continuation Vote, the Circular will include a number of other proposals including capital management processes and proposed changes to the Company's investment policy (the "**Proposals**").

Portfolio update

The Company is pleased to announce that a new facility of £3.8 million was provided to Horizon Cremation (East Renfrewshire) Ltd, to facilitate the building of a modern and environmentally efficient crematorium at East Renfrewshire, Glasgow. The borrower is backed by private equity and property managers Maven Capital Partners LLP, and demonstrates the Company's continuing commitment to supporting both residential and commercial developments. The Board, as advised by its investment adviser, Tier One Capital Ltd (the "**Investment Adviser**") considers that while in general the residential building sector is likely to offer better risk weighted opportunities for the Company this financial year than commercial property, each opportunity will continue to be examined on its own merits. Consequently, it was determined that this opportunity has a number of attractive attributes. The Company is further able to announce the successful redemption of its facilities with Dinosauria Ltd and Rare Earth Medburn Ltd, which are the eighth and ninth loans to be repaid from the portfolio. These were repaid in December 2020 and January 2021 respectively and generated an Internal Rate of Return (IRR) of 8.23% and 8.24% respectively.

Dividend policy

The Board has also considered the appropriate dividend policy for the Company both for the current and for future financial years. Since June 2019, the Company has had the objective of paying dividends on a quarterly basis at the rate of 1.5 pence per quarter per share. In the current environment, however, not only have underlying base rates and LIBOR dropped, but the Company is reducing the risk of its loans by requiring a higher equity component from its borrowers, and this will have the effect of lowering interest earnings from the loans. As a consequence, the Board and the Investment Adviser have considered the likely dividend capacity of the Company. Bearing in mind that the Company intends to distribute at least 85 per cent. of its eligible income in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010 in order to retain its investment trust status, the Board has resolved to adopt a new dividend policy for the Company (further details of which will be set out in the Circular).

It is anticipated that the new policy will first take effect in respect of the dividend due to be declared in respect of the first quarter of the current financial year (expected to be declared in May 2021). As a result, the Company expects to pay dividends a rate of 1 penny per share per quarter, equivalent to 4 pence per share per year in aggregate. At the end of each financial year, the Board will consider whether payment of an additional dividend (to be paid alongside the final fourth quarter dividend for that year) is appropriate and/or required for the Company to maintain its investment trust status.

Proposed amendments to the investment policy

The proposed changes to the Company's investment policy will allow for greater flexibility to allocate capital to sectors that the Board, as advised by the Investment Adviser, has assessed as potentially more attractive within existing risk management parameters. The proposed changes will:

- reduce restrictions on sector caps imposed by the current investment policy. The current sector caps require a heavier exposure to lending to the commercial property sector than, the Board as advised by the Investment Adviser, considers is favourable in the current economic climate. The Board, as advised by the Investment Adviser, anticipates more attractive opportunities in small and medium-sized enterprise (SME) housebuilding, and has observed latent demand for the Company's lending in the local market. Commercial property opportunities will nevertheless continue to be examined on merit, as with the crematorium project referred to above under the heading "Portfolio update".
- remove reference to profit share agreements in the investment policy, including that the Directors, as advised by the Investment Adviser, anticipate that the Company will have the benefit of associated profit shares for approximately 80 per cent. of its future loan advances, as the anticipated evolution of the portfolio toward lower LTV loans is likely to result in fewer situations where an equity position can reasonably be achieved; and
- increase the maximum exposure to bridging loans, selected loan financings and other debt instruments so as to increase the flexibility available to the Investment Adviser for adding new secured loans to the portfolio that meet their risk adjusted return criteria/objectives.

The Company intends to maintain the existing policies that provide for risk management through diversification, in particular maintaining the current maximum exposure level of 20% of the Net Asset Value in respect of any one borrower or related borrowers or developer or related developer entities (calculated at the time of investment).

Full details of the proposed changes to the investment policy are set out in the appendix below.

The Listing Rules require any proposed material changes to the Company's published investment policy to be submitted to the Financial Conduct Authority ("**FCA**") for prior approval. The Company has received written approval from the FCA to make the proposed amendments to the Company's investment policy set out above and, accordingly, in accordance with the Listing Rules, it intends to seek shareholder approval for those amendments at the General Meeting.

<u>Capital management</u>

The Board has the discretion to seek to manage, on an ongoing basis, the premium or discount at which the Company's shares may trade to their net asset value ("**NAV**") through further issues and buy-backs, as appropriate.

Premium management

When the Company's shares trade at a premium to NAV, the Company may issue new shares as long as no shares are issued at a price below NAV per share. It will therefore be proposed at the forthcoming General Meeting that shareholders authorise the Directors to issue shares representing up to approximately 20 per cent. of the issued share capital of the Company on a non-pre-emptive basis. If such authority is granted, the Directors will not be obliged to offer such new shares to shareholders pro rata to their existing holdings. The reason for this is to provide flexibility if issuing new shares to investors. Unless previously authorised by shareholders, no shares will be issued at a price less than the prevailing NAV per share at the time of the issue unless they are offered pro rata to existing shareholders.

Investors should note that the issuance of new shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions.

Discount control

The Board obtained a discretionary share buyback authority at the general meeting of the Company held on 11 August 2020 (the "**2020 GM**") and this authority will expire on the earlier of the conclusion of the 2021 Annual General Meeting ("AGM") and 15 months from the passing of the resolution. It is the intention of the Directors to renew the authority obtained at the 2020 GM at the 2021 AGM. The Directors will consider repurchasing shares in the market if they believe it to be in shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for shares. The Directors will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per share under the guidelines established by the Board.

Shareholders should note that the purchase of shares by the Company is at the absolute discretion of the Directors and is subject, amongst other things, to the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

<u>Continuation Vote</u>

The Company's articles of association (the "**Articles**") provide that the Directors are required to propose an ordinary resolution that the Company continue its business as presently constituted (the "**Continuation Resolution**") at the fifth annual general meeting of the Company and at each third annual general meeting of the Company thereafter. The fifth annual general meeting of the Company is due to be held in May 2021. The Directors intend to bring this proposal forward to be considered at the General Meeting along with the other Proposals.

<u>Articles of association</u>

As a result of the Continuation Resolution being proposed early at the General Meeting, the Directors are also proposing to amend the Articles so that they are not required to propose another Continuation Resolution at the AGM to be held later this year in May. The Company is also taking the opportunity to update the Articles in order to reflect changes to market practice since its initial public offering, further details of which will be set out in the Circular. The proposed amendments to the Articles require Shareholder approval which will be sought at the General Meeting.

General Meeting

The General Meeting will be held on 29 March 2021 at 10 a.m. at the offices of Tier One Capital Ltd, Keel House, Garth Heads, Newcastle upon Tyne NE1 2JE.

The Circular will shortly be available for viewing on the Company's website at www.tocpropertybackedlendingtrust.co.uk. and on the National Storage Mechanism at https://www.fca.org.uk/markets/primary-markets/regulatory-disclosures/national-storage-mechanism.

As a result of the current restrictions in connection with COVID-19, in particular on public gatherings, the General Meeting will be run as a closed meeting and shareholders must not attend the General Meeting in person. Any person who does attempt to attend the General Meeting in person will be refused admission.

As Shareholders cannot attend the General Meeting in person, Shareholders are encouraged to vote on the resolutions to be considered at the General Meeting by proxy.

The Board welcomes questions from shareholders with regard to the resolutions being put to the General Meeting or to any other matter relating to the Company. Given the unique circumstances prevailing in connection with COVID-19, it is requested that any such questions be submitted ahead of the General Meeting by email to cosec@maitlandgroup.com.

For further information regarding the Company (Ticker: PBLT) (LEI: 213800EXPWANYN3NEV68) please call:

Tier One Capital Ltd (Investment Adviser)	+44 (0) 191 222 0099
Ian McElroy/Brendan O'Grady	
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Notes to Editors:

TOC Property Backed Lending Trust PLC is a closed-end investment company listed on the main market of the London Stock Exchange and specialises in providing finance to the residential and commercial property sector.

The Company's investment adviser is Newcastle upon Tyne based Tier One Capital Limited. Tier One Capital is a wealth management and property lending firm providing financial advice services and bespoke tailored lending to the property development market.

This announcement contains certain forward-looking statements. In some cases forward-looking statements can be identified by the use of terms such as "believes", "estimates", "anticipates", "projects", "expects", "intends", "may", "will", "seeks" or "should" or variations thereof, or by discussions of strategy, plans, objectives, goals, future events or intentions. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from any outcomes or results expressed or implied by such forward-looking statements. You should not place any reliance on forward-looking statements. Any such forward-looking statements have not been independently audited, examined or otherwise reviewed or verified and nothing in this announcement should be construed as a profit forecast.

All views expressed in this announcement are based on financial, economic, market and other conditions prevailing as of the date of this announcement. The Company does not undertake to provide access to any additional information or to update any future projections, management targets, estimates or assessments of future prospects or any other forward-looking statements to reflect events that occur or circumstances that arise after the date of this announcement, or to correct any inaccuracies in this announcement which may become apparent. The information in this announcement is subject to updating, completion, revision and amendment without notice. This announcement contains information from third party sources. Past performance is not indicative of future results and forward-looking statements are not guarantees of future performance. Investment losses may occur, and investors could lose some or all of their investment.

APPENDIX: PROPOSED AMENDMENTS TO THE INVESTMENT POLICY

The proposed amendments to the investment policy, marked to show the changes from the investment policy at the time of its IPO, are set out below. Additions are indicated with underline and deletions are indicated with strikethrough.

The Company will seek to achieve its investment objective through~~: (i)~~ a diversified portfolio of fixed rate loans predominantly secured over land and/or property in the UK~~; and (ii) receiving, in many cases, the benefit of an associated Profit Share, usually obtained by acquiring (at nil cost) a minority equity stake in the relevant borrower project development vehicle~~.

The Company will attempt to reduce downside risk by focusing on secured debt with both quality collateral and contractual protection.

The Company will make investments primarily through senior secured loans although other loans such as bridging loans, subordinated loans, selected loan financings and other debt instruments may be considered if appropriate.

The Company anticipates that the typical loan term will be between one and five years. The Company retains absolute discretion to make investments for either shorter or longer periods.

Loan to value

The Company will typically seek to originate debt where the effective loan to real estate value ratio of any investment is between 40 per cent. and 100 per cent. at the time of origination. The Company will typically seek to achieve a blended LTV across the Portfolio of no more than 75 per cent. (based on the initial valuations at the time of loan origination) once fully invested.

Sector

The Company's portfolio is intended to be appropriately diversified by sector and will be predominantly split between:

- regional residential housebuilding across the UK, with a preliminary focus on non-London based property;
- small to medium commercial property development across the UK primarily focusing on small serviced office space, hotel developments and wedding and conferencing venues; and
- direct sale and leaseback vehicles primarily operating in the professional sectors of dentists, accountants, solicitors and finance professionals.

~~Profit Shares~~

~~The Company anticipates that, for many of the fixed rate loans it will make, it will have the benefit of an associated profit share arrangement: usually obtained by acquiring (at nil cost) a minority equity stake in the relevant borrower project development vehicle. It is anticipated that each Profit Share will be with a particular borrowing team pursuant to which the Company will have a right of first refusal to provide the financing for that borrowing team's next five projects via the relevant borrower project development vehicle. The Directors (as advised by the Investment Adviser) anticipate that the Company will have the benefit of associated Profit Shares for approximately 80 per cent. of its future loan advances.~~

~~The Directors intend to negotiate Profit Shares on a developer-by-developer basis. The Company will have the benefit of suitable minority protection rights (e.g. reserved matters requiring shareholder approval and the ability to appoint director(s) to the boards of the project development vehicle) in order to protect its investment but neither the Company nor the Investment Adviser will be involved in the day-to-day operations of the project development vehicle or associated borrowing team.~~

~~Given the time frame required to fully maximise the value of a Profit Share, the Board expects that the Company's interest in a Profit Share will be held for the medium to long term. The Company will only take the benefit of Profit Share investments where the underlying loans are consistent with the investment objective and investment policy of the Company, and following completion of satisfactory due diligence, irrespective of whether a Profit Share is available.~~

~~The Initial Portfolio of 10 loans includes loans associated with 3 borrowers who have previously entered into profit sharing arrangements with the Investment Adviser. The Company will not have a right of first refusal on any further loans to such borrowers. However, Profit Share arrangements for future loans advanced by the Company to projects associated with those borrowers would accrue for the benefit of the Company and would not be retained by the Investment Adviser.~~

Investment restrictions

The Company will observe the following investment restrictions:

- the Company will derive its income from a portfolio of not less than five loans;
- no more than ~~50~~100 per cent. of the ~~Net~~Gross Asset Value will be exposed to the regional residential housebuilding sector, calculated at the time of investment;
- no more than ~~50~~100 per cent. of the ~~Net~~Gross Asset Value will be exposed to the small to medium commercial property development sector, calculated at the time of investment;
- no more than 30 per cent. of the Net Asset Value will be exposed to direct sale and leaseback vehicles, at the time of investment;
- no more than ~~25~~50 per cent. of the Net Asset Value will be exposed to subordinated loans, calculated at the time of investment and/or subsequent subordination;
- no more than ~~10~~50 per cent. of the Net Asset Value will be exposed to bridging loans, selected loan financings and other debt instruments, calculated at the time of investment;
- no more than 5 per cent. of the Net Asset Value will be exposed to unsecured loans, calculated at the time of investment;
- no single investment, or aggregate investments secured on a single property or group of properties or connected with related borrowers, will exceed 20 per cent. of the Net Asset Value, calculated at the time of investment;
- no more than ~~25 per cent. of the Net Asset Value for the first six months after Initial Admission, and no more than~~ 20 per cent. of the Net Asset Value ~~thereafter~~ will be exposed to any one

borrower or related borrowers or developer or related developer entities calculated at the time of investment;

- no more than 10 per cent. of the Net Asset Value will be exposed to any sector other than regional residential housebuilding and~~,~~ small to medium commercial property development and direct sale and leaseback vehicles; and
- the Company will not invest in other listed closed-ended investment companies.

Borrowing

The Company may use gearing if it believes it will enhance Shareholder returns over the longer term. If the Company does decide to introduce gearing it would intend to limit the Company's borrowings to a maximum of 30 per cent. of the Net Asset Value at the time of drawdown.

Cash management

The Company may from time- to-time have surplus cash. It is expected that any surplus cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency or gilts or otherwise approved by the Board.

Use of derivatives and hedging

The Company may invest through derivatives for efficient portfolio management. In particular, the Company may engage in interest rate hedging or otherwise seek to mitigate the risk of interest rate increases as part of the Company's efficient portfolio management.

In the event of a breach of the investment policy or the investment restrictions set out above, the Investment Adviser shall inform the Directors upon becoming aware of the same and if the Directors consider the breach to be material, notification will be made to a Regulatory Information Service.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.