



MPF- Catalyst Fund

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www.merseysidecatalystfund.org



1 Catalyst Fund

Catalyst Fund is MPF's local investment initiative and the Catalyst platform enables MPF to invest in regional projects that support development and regeneration, creating jobs and contributing to the improvement of the region whilst delivering a commercial return in line with our target return.

Total capital allocated to Catalyst Fund is 1%. Although the fund can look at any potential regional investment opportunity and invest anywhere in the capital stack from Equity to Debt, our expectation is that majority of the fund will be deployed in property related opportunities and more likely in debt instruments than equity.

To date, the Catalyst Fund has three investments – Iliad Ropewalks, North Western Hotel and Peel Heat Networks – with total committed funds of £42.16m over three loan facilities.

1.1 Strategy

The Catalyst Fund strategy is to support development and refurbishment projects in the Merseyside area that are additive to the regeneration of the Liverpool City Region and align with the economic plans for the area.

The Fund is able to accept a modestly reduced return in comparison to the broader strategy. The Fund can invest via both equity and debt, however, current market characteristics mean that lending is preferred due to superior risk adjusted returns.

Investments will typically be shorter term, from 18 months to 36 months with an individual investment range of £5 million to £30 million to ensure greater support for local projects.

The strategy is supportive of local developers and investors with the aim of investing into projects that will generate a return for the Fund but, if necessary, can tolerate a slightly higher risk position than would normally be pursued under the wider real estate strategy.



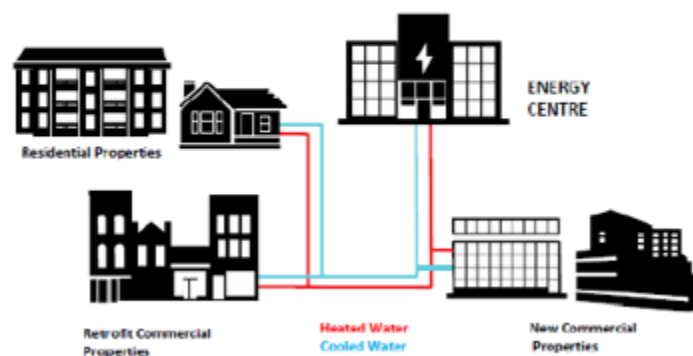
2 Mersey Heat Network (District Heating)

Catalyst Fund provided an unsecured corporate loan of around £13 million to a district heating project. The project is being developed by Mersey Heat Ltd (a subsidiary of Peel Group). This investment will accelerate the delivery of an important regeneration project in the LCR as well as facilitate low carbon heat and energy in keeping with UK Govt.'s clean growth strategy. This project will be able to provide district heating facility to around 10,000 residential units and some commercial units. Although it is an unsecured debt, the investment benefits from a full corporate guarantee for the performance and repayment of loan from a parent company with £500m of net assets. In a scenario where the Borrower (Mersey Heat Ltd) is unable to complete the project the Fund will have rights to call on the Guarantee and repayment of the loan from Peel Group. Therefore, the Fund is not exposed to any construction risk on the project.

Projected net return to MPF is at premium to comparable corporate loans. It will be lower than the other Catalyst Fund commitments to date, but this is due to significantly lower risk profile of the investment with a corporate guarantee from an entity with substantial net assets. As an infrastructure loan this investment complements and diversifies existing Catalyst commitments in the hotel and residential sector whilst supporting a strategically important development for the City Region. Peel is a large landowner and developer of the City Region's key regeneration projects. The loan also presents an opportunity to build a relationship with Peel Group and source further investment opportunities for the Catalyst Fund.

District heating is the supply to multiple buildings with heating and hot water from a centralised generation source, typically a CHP plant, via insulated underground pipes. Buildings collectively served by the same central heating plant is widely developed and mostly implemented in Europe (specifically in the Nordics), although not largely implemented in the UK. Mersey Heat Ltd initially aims to serve residential and commercial units with Liverpool Waters area but this project has the potential to expand to serve adjoining developments.

DISTRICT HEATING NETWORK



3 The Eight Building (Iliad) – Development Loan

The Fund has committed £10.25 million of senior debt (a two-year Senior Loan Facility) to provide for the construction costs to deliver a 120-unit residential development in the Rope Walks area of Liverpool. The completed building will be called the Eight Building and is to be developed by the Iliad Group, a Merseyside specialist and one of the most active developers in Merseyside.

The development is 0.70-acre site that currently has a vacant community centre and associated outdoor play area in Ropewalks, Central Liverpool. The site is a 10-minute walk from Liverpool City Centre, Liverpool One and Liverpool Central Station. The Project once complete will have 120 residential units (a mix of 1, 2 and 3 bedroom apartments), 2,519 Sq. ft of commercial space (the long leasehold already pre-sold for £250k to Liverpool City Council) and 19 car parking spaces.

The Fund benefits from a first charge over the property and full senior debt security package. (debenture, charged rental account, full step in rights). The investment is expected to achieve a strong return for a debt investment secured with a first charge against a prime Liverpool freehold.

The development has support from the City Council and is in line with the Liverpool City Region Growth Strategy, upgrading the City Region housing offer, regenerating deprived communities and maximising the use of new spaces in the City.

