

Q2 2024

# The Stellar ITS Asset Update



# Strategy Overview

Strategy	Definition	Typical Return Profile	Showcase NAV
<b>Core</b>	<ul style="list-style-type: none"> <li>High quality properties.</li> <li>Very little capital expenditure on property improvements.</li> <li>Typically occupied with credit tenants on long-term leases.</li> </ul>	<b>Regular income</b>	
<b>Core Plus</b>	<ul style="list-style-type: none"> <li>Property owners typically have the ability to increase cashflows through light property improvements, management efficiencies or by increasing quality of tenants.</li> <li>Similar to core assets, these assets tend to be of high quality and well occupied.</li> </ul>	<b>Income + Growth</b>	
<b>Value-add</b>	<ul style="list-style-type: none"> <li>Little to no cash flow at acquisition.</li> <li>Potential to generate strong cashflow once value has been added.</li> </ul>	<b>Growth</b>	
<b>Strategic</b>	<ul style="list-style-type: none"> <li>Projects which may not see a return on their investment for three or more years.</li> <li>This includes developments where new or additional planning is required and change of use opportunities with less predictable cashflows.</li> </ul>	<b>Growth</b>	

# Progress Overview

## Category 1: In line with or ahead of target expectations.

Assets in this category remain on track with the original investment plan.

Partnership	Slide
The Stellar Channel Tunnel Hotel LLP	5
Stellar Newark LP	9
Panmure Forestry Partnership	10
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## Category 2: Marginally below target expectations.

Action plans to drive performance improvement are in place for assets in this category.

Partnership	Slide
Stellar Bramshaw LLP	7
Stellar Paultons LP	8
SSC Bradford LLP	15
Stellar Brandon Loan	20

## Category 3: Below target expectations

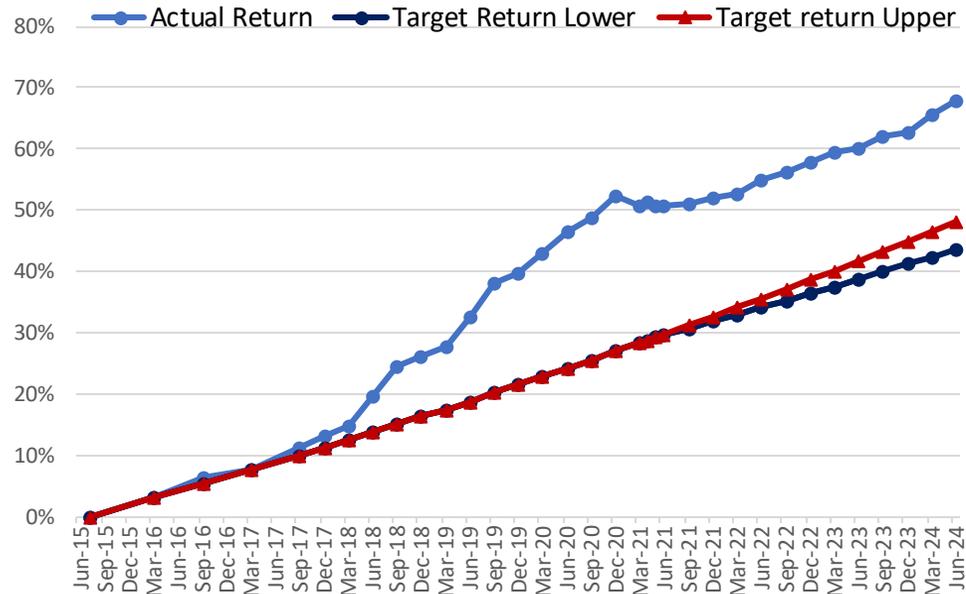
Intensive action plans to drive performance improvement are in place for assets in this category.

Partnership	Slide
Stellar Murrayshall Hotel LLP	6

# Performance Update

**The Stellar ITS NAV 30 June 2024: 1.2919**

## The Stellar ITS Cumulative Performance



## The Stellar ITS returns to 30 June 2024

	1 Year	2 Years	3 Years	Since Launch (June 2015)
Actual Total	4.80%	8.30%	11.20%	67.70%
Lower Target Total	3.00%	6.00%	9.00%	41.40%
Higher Target Total	4.50%	9.00%	14.10%	48.10%
Actual Annualised	4.80%	4.10%	3.60%	6.00%



# The Stellar Channel Tunnel Hotel LLP

Strategy: Core | Progress: Category 1

## Operational Update

- ★ **The hotel has generated strong performance YTD, finishing the period to 30 June 2024 with an EBITDA of £268k, 9% ahead of budget.**
- ★ Business on the books is strong with the 2024 Paris Olympics expected to boost performance.

## Actions / Direction of Travel

- ★ An EBITDA of c.£800,000 is forecast in the 2024/25 budget.
- ★ We are pleased to report that we have accepted an offer for the hotel that will result in a strong outcome for investors.
- ★ **We are working through the legal process with the buyer with a target completion date of September 2024. This will allow us to capitalise on the strong summer trading months prior to the sale concluding.**



# Stellar Murrayshall Hotel LLP

Strategy: Value-add | Progress: Category 3

## Operational Update

- ★ **Cumulative trading underperformance and a negative valuation by the bank has contributed to the partnership's NAV trading considerably below expectations.**
- ★ Trading performance remains behind budget YTD 30 June 2024. However, improved performance is evident relative to the 2023/24 trading year.
- ★ Despite YOY increases in revenue, this has not been sufficient to offset cost increases.
- ★ Our investment team holds weekly meetings with the management team to monitor progress against the recovery plan.
- ★ A new CRM system has been embedded at the hotel to enable greater trading analysis, more targeted marketing and greater insight into performance relative to our competitor set.

## Actions / Direction of Travel

- ★ Whilst trading has been below expectations, we have made progress in our endeavours to add value to the site by unlocking additional development opportunity.
- ★ Our local planning application for glamping pods will be heard by the council in September 2024, with a subsequent application for holiday lodges set to be heard in October 2024.
- ★ **The business is subject to intensive oversight and a recovery plan. All parties are committed to achieving the 2024/25 budget that generates a profitable trading outcome. Despite being short of budget YTD, the summer trading months to come are key to the hotels ability to meet expectations for the full trading year.**



# Stellar Bramshaw LLP

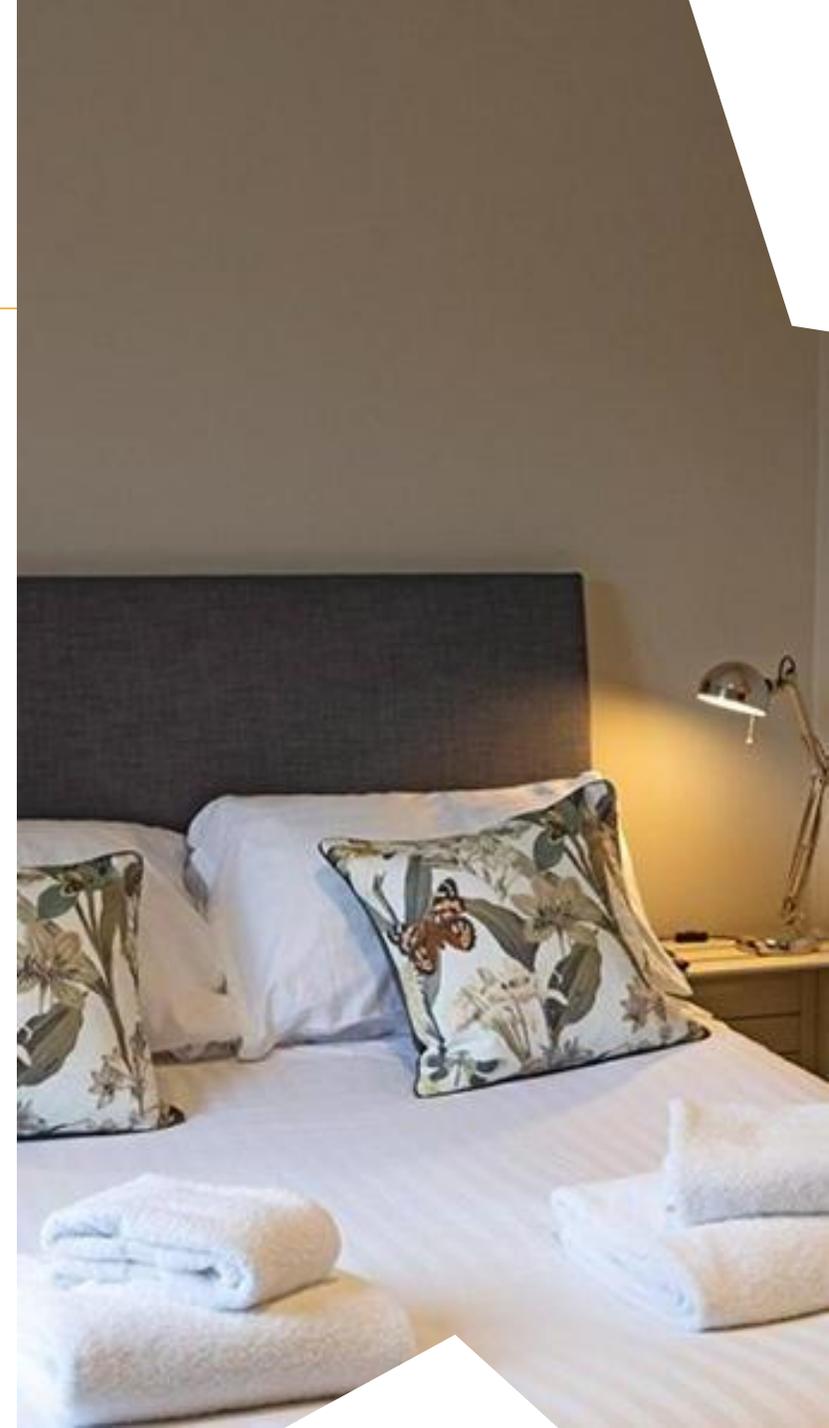
Strategy: Value-add | Progress: Category 2

## Operational Update

- ★ **The business comprises The Bell Inn and Bramshaw Golf Club. Both businesses are trading profitably YTD, albeit slightly behind budget expectations.**
- ★ The business has produced a net profit of £116k YTD.
- ★ Trading has been impacted by extreme weather experienced earlier in the year with roughly 20% more rain days between January and May 2024 than the prior year.
- ★ F&B revenue YTD remains behind budget. Heightened focus has been placed on this area of the business for Q3 2024.

## Actions / Direction of Travel

- ★ Business on the books for The Bell Inn remains robust.
- ★ We are working with Golf Now as an additional tool to drive green fee revenues. This initiative involves marketing to a wider customer base and enabling us to fill quieter booking windows on short notice.
- ★ The addition of a balcony to the clubhouse bar has been delayed due to an extended planning period.
- ★ There is a clear plan to catch up relative to budget.
- ★ **We remain confident in the LLP's ability to achieve target return expectations for investors. With a strong management team and stability from a staffing perspective, we are well positioned to drive improved trading performance in this financial year and beyond.**



# Stellar Paultons LP

Strategy: Value-add | Progress: Category 2

## Operational Update

- ★ The business has produced an operating profit of £53k YTD as at 30 June 2024.
- ★ Trading has been impacted by extreme weather experienced earlier in the year with roughly 20% more rain days between January and May 2024 than the prior year.
- ★ Revenue from the driving range has exceeded budget YTD by c.19%.
- ★ Membership renewal for YE March 2025 is progressing well.

## Actions / Direction of Travel

- ★ Key focuses this year have been on bolstering the management team and driving spend per head of visitors. The team are now settled, and this is starting to reflect in performance.
- ★ Engagement with platforms such as Golf Now has allowed us to secure green fee revenue on short notice for off peak tee times. We are also seeing more traction from corporate business and societies.
- ★ We continue to explore other avenues of extracting value from the site, such as the development of land that is currently not utilised.
- ★ **We are well placed to drive performance during the peak summer months of July, August and September and remain confident in the asset's ability to not only recover the shortfall but also to meet target return expectations on behalf of investors in the medium term.**



# Stellar Newark LP

Strategy: Core Plus | Progress: Category 1

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## Operational Update

- ★ **We are pleased to report that we successfully completed on the acquisition of Newark Golf Club on 17 July 2024.**

## Actions / Direction of Travel

- ★ We acquired this asset off-market and below its open market value.
- ★ Newark has never been traded as a commercial golf club, having been an exclusive members club since opening in 1901.
- ★ We have inherited an existing membership base and benefit from a year's worth of membership revenue having already being collected.
- ★ There is significant opportunity to unlock revenue streams that were not captured by previous ownership. These include green fees, F&B, retail and events revenue. The land also affords some interesting additional value-add opportunities which we are exploring.
- ★ **Having recently completed on the acquisition, we have embedded a management team into the business and look forward to progressing our strategy to enhance and diversify the current revenue streams.**

# Panmure Forestry Partnership

Strategy: Core Plus | Progress: Category 1

## Operational Update

- ★ **Operations at Panmure forest continue to be managed in accordance with our investment strategy.**
- ★ Timber sales of windblown trees continued in the quarter. These sales were achieved at prices fixed prior to a downturn in the timber market.
- ★ Having completed phase one of our harvesting operations, we have the requisite permission for the next block of felling. We will wait until the market picks up before harvesting the timber, this is estimated to be towards the end of 2024.

## Actions / Direction of Travel

- ★ New forestry planting of seven hectares of former farmland on the site has been successfully undertaken.
- ★ We continue to actively manage the newly planted crop which has established well.
- ★ We continue to monitor the timber market to ensure our next phase of harvesting is undertaken when there is opportunity to sell into a stronger market.
- ★ **We are pleased with progress at Panmure to date and expect target expectations to continue to be met.**



# Duchrae Forestry LLP

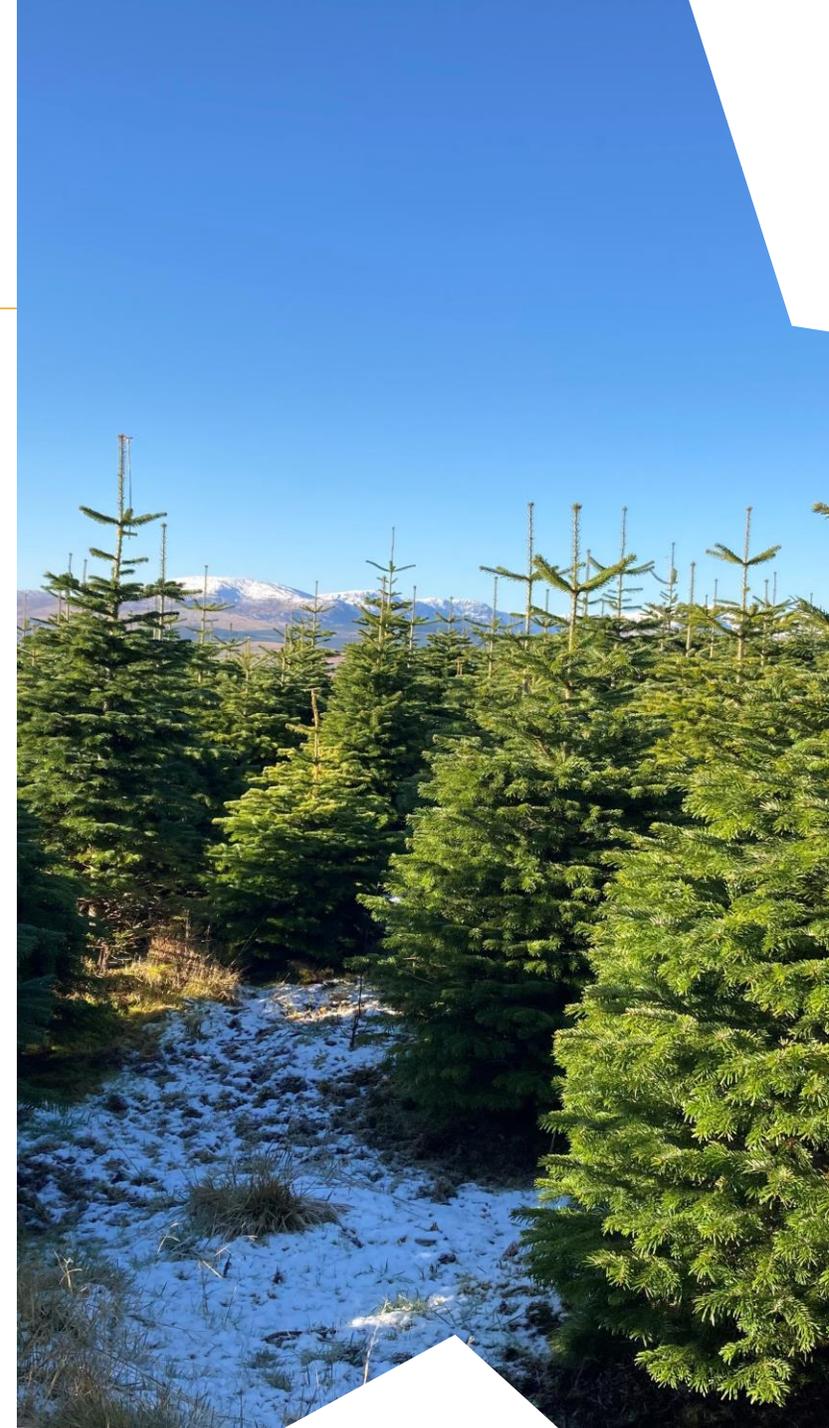
Strategy: Core Plus | Progress: Category 1

## Operational Update

- ★ **We have continued to make positive progress with our investment strategy at Duchrae Forest in the quarter.**
- ★ Planting on the c.170 hectares of land approved for afforestation is complete.
- ★ Positive growth from recent planting activities is evident and the crops continue to be managed well by our forestry partner.

## Actions / Direction of Travel

- ★ We have made further progress towards attaining planting permission for the remainder of the estate, with the requisite surveys and consultations now complete.
- ★ Our current expectation is for a decision on our planting application to be received in Q3 2024, with a positive outcome enabling planting to commence in H1 2025.
- ★ We continue to explore other avenues of extracting additional value from the site. This includes negotiations to provide access to facilitate the development of renewable energy on neighbouring plots of land. We will update investors as to any material progress in this regard.
- ★ **Progress to date at Duchrae remains in line with our strategy.**



# Stellar Tavis House (Tunbridge Wells) LP

Strategy: Core plus | Progress: Category 1

## Operational Update

- ★ **Construction works are progressing on time with practical completion scheduled for Q4 2024.**
- ★ We experienced a delay to commencing construction which means extended finance costs have been incurred. We anticipate that these can be recovered during the disposal process.
- ★ A slight construction overspend has been experienced on water pumps and two substations. However, these remain within the contingency and are expected to result in a correlated uplift in value.

## Actions / Direction of Travel

- ★ The units are being developed under a fixed price construction contract.
- ★ We have a good development management team in place to oversee the project.
- ★ We have instructed multiple agents to market the units to attract as broad a range of occupiers/buyers as possible. Discussions with potential buyers and tenants are ongoing. This will intensify closer to practical completion.
- ★ **We remain confident that target expectations can be achieved on disposal of the units.**



# Stellar Tavis House (Poole) LP

Strategy: Value-add | Progress: Category 1

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## Operational Update

- ★ **Construction works are progressing on time and on budget with practical completion is scheduled for Q1 2025.**
- ★ A delay to commencing construction means extended finance costs have been incurred. We anticipate that these can be recovered during the disposal process.

## Actions / Direction of Travel

- ★ The units are being developed under a fixed price construction contract.
- ★ We have a good development management team in place to oversee the project.
- ★ We have instructed multiple agents to market the units to attract as broad a range of occupiers/buyers as possible. Discussions will take place throughout the build. This will intensify once we are closer to practical completion.
- ★ **We remain confident that target expectations can be achieved on disposal of the units.**

# Stellar Tavis House (Hoddesdon) LP

Strategy: Core plus | Progress: Category 1

## Operational Update

- ★ **Construction works experienced delays because of extreme weather and poor oversight by the contractor. Practical completion is expected in July 2024. We expect to be compensated for the delay by way of a reduced contract sum, which offsets the additional costs associated with the delay.**

## Actions / Direction of Travel

- ★ The sale of one unit is set to complete on practical completion.
- ★ We have an additional unit under offer, with the sale progressing through the legal process. There has been interest in the remaining units and enquiries continue to progress.
- ★ **We remain confident that target expectations can be achieved on disposal of the units.**



# SSC Bradford LLP

Strategy: Value-add | Progress: Category 2

## Operational Update

- ★ There has been significant progress made at the home in the past six months following the appointment of Harbour Healthcare Limited as our operating partner. Notably the AWF has increased c.30% under their management.
- ★ We have expanded our dementia care offering with occupancy now building across the home. Dementia care is in high demand in Bradford and generates stronger revenues than residential care or general nursing.
- ★ Top-up fees are now also being collected at the home which will further enhance trading revenues.

## Actions / Direction of Travel

- ★ Occupancy is increasing and we have a healthy level of enquiries.
- ★ The home's reputation amongst those responsible for admitting residents has improved significantly.
- ★ Upgrades made to the home environment on our newly renovated dementia wing have generated excellent feedback. We are now looking to replicate this in another of the home's wings.
- ★ **With a quality operator in place and a renovated property, the home is well positioned as a superior offering to local competitors. We are confident in recouping value and meeting target expectations in the medium term.**



# Sky Delta Partnership

Strategy: Core | Progress: Category 1

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## Operational Update

- ★ **This partnership is a new bridging finance partnership which was created in Q1 2024.**
- ★ Three loans have been provided to date.
- ★ We will continue to prioritise quality over quantity, ensuring all loans are subject to our robust due diligence process.

## Actions / Direction of Travel

- ★ **We have a number of deals in due diligence and expect further capital to be deployed in H2 2024.**



# Sky Chrome Partnership

Strategy: Core | Progress: Category 1

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## Operational Update

- ★ **One loan remains outstanding in this partnership.**
- ★ We have committed the agreed facility for this partnership with no further loans to be funded.

## Actions / Direction of Travel

- ★ Performance across all other loans has either met or exceeded expectations meaning the partnership is tracking ahead of its target.
- ★ **We are working with the remaining borrower's advisers to achieve redemption of the outstanding loan with interest expeditiously and will update investors further in our next report.**



# Stellar WestBridge Loan

Strategy: Core | Progress: Category 1

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## Operational Update

- ★ **This partnership continues to perform in line with its original investment strategy.**

## Actions / Direction of Travel

- ★ All repayments have been made on time and in full to date.
- ★ **The loan is due to be fully repaid in Q1 2027.**



# Stellar Homewise Loan

Strategy: Core | Progress: Category 1

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## Operational Update

- ★ **This partnership continues to perform in line with its original investment strategy.**

## Actions / Direction of Travel

- ★ **An amendment to the existing facility agreement has been agreed. Monthly repayments will now take place between January 2025-October 2025.**



# Stellar Brandon Loan

Strategy: Core | Progress: Category 2

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## Operational Update

- ★ The Brandon project is pursuing planning opportunities around the Suffolk market town of Brandon.
- ★ The first phase involves a commercial scheme which has completed a pre-app process and expect to submit a full application later this year.

## Actions / Direction of Travel

- ★ The planning statements made by the new Government are encouraging and should help this project achieve its objectives, but it remains a long-term development opportunity with many phases.



# ESG and Sustainability

Our Process

## Initial questionnaire

- ★ Datapoints across **E**nvironmental, **S**ocial and **G**overnance.
- ★ Simple, quantitative, unambiguous and repeatable.
- ★ Allows us to measure and track progress.
- ★ Underpinned by the PRI and UN SDGs.

## SWOTDOT

- ★ SWOT analysis on E, S and G considerations.
- ★ Also assess a partnership's overall direction of travel (DOT).
- ★ Generates score out of 40 (ESG = 30 + DOT = 10).

**Action Plans:** Unique plans are formed to ensure continual improvement.

- ★ Action plans are reviewed quarterly with updates provided monthly by JV Partners.

## Ongoing review

- ★ Scores are updated annually with improvement the key focus for assets where we feel they are falling short.



## SWOTDOT Scoring



## Service Average January 2024



For further information please find our [Sustainable and Responsible Investment Policy](#)  
Our Asset Backed Spotlight can be found [here](#)

# Get in touch

We're here to help

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## Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at [enquiries@stellar-am.com](mailto:enquiries@stellar-am.com)

For further information, please visit

[www.stellar-am.com](http://www.stellar-am.com)