TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Interim Management Report and Unaudited Condensed Interim Financial Statements

For the period from 1 October 2015 to 31 March 2016

TwentyFour Select Monthly Income Fund Limited

CONTENTS

CORPORATE INFORMATION

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SUMMARY INFORMATION

The Company
TwentyFour Select Monthly Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 February 2014. The Company's shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange ("LSE") on 10 March 2014.

Investment Objective and Investment Policy
The Company's investment objective is to generate attractive risk adjusted returns, principally through income distributions.

The Company's investment policy is to invest in a diversified portfolio of credit securities.

The portfolio may be comprised of any category of credit security, including, without prejudice to the generality of the foregoing, bank capital, corporate bonds, high yield bonds, leveraged loans, payment-in kind notes and asset backed securities. The portfolio will include securities of a less liquid nature. The portfolio will be dynamically managed by TwentyFour Asset Management LLP (the "Portfolio Manager") and, in particular, will not be subject to any geographical restrictions.

The Company maintains a portfolio diversified by issuer; the portfolio comprises at least 50 Credit Securities. No more than 5% of the portfolio value will be invested in any single Credit Security or issuer of Credit Securities, tested at the time of making or adding to an investment in the relevant Credit Security. Uninvested cash, surplus capital or assets may be invested on a temporary basis 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 higher credit rating as determined by any internationally recognised rating agency which, may or may not be registered in the EU; and

- Any ''government and public securities'' as defined for the purposes of the Financial Conduct Authority (the "FCA") Rules.

Efficient portfolio management techniques are employed by the Company, such as currency hedging, interest rate hedging and the use of derivatives to manage key risks such as interest rate sensitivity and to mitigate market volatility. The Company's currency hedging policy will only be used for efficient portfolio management and not to attempt to enhance investment returns.

The Company will not employ gearing or derivatives for investment purposes. The Company may use borrowing for short-term liquidity purposes, which could be achieved through a loan facility or other types of collateralised borrowing instruments including repurchase transactions and stock lending. The Articles restrict the borrowings of the Company to 10% of the Company's Net Asset Value ("NAV") at the time of drawdown.

The Company has a target net total return on the original issue price of between 8% and 10% per annum. This comprises a target dividend payment of 6p and a target capital return of 2p-4p both based on the original issue amount of 100p. There is no guarantee that this can or will be achieved.
Refer to note 18 on pages 31 and 32 for details of the Company's dividend policy.

Shareholder Information
Maitland Institutional Services Limited ("Maitland") *(formerly Phoenix Fund Services (UK) Limited)* is responsible for calculating the NAV per share of the Company. Maitland delegated this responsibility to Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") however Maitland still performs an oversight function. The unaudited NAV per Ordinary Share will be calculated as at the close of business on every Wednesday that is also a business day and the last business day of every month and will be announced by a Regulatory Information Service the following business day.

SUMMARY INFORMATION continued

Financial Highlights

	31.03.16	30.09.15	31.03.15
Total Net Assets	£128,390,508	£134,560,344	£136,943,952
Net Asset Value per share	85.97p	92.59p	96.62p
Share price	88.75p	96.63p	100.00p
Premium to Net Asset Value	3.23%	4.36%	3.50%
Dividends declared during the period	3.00p	6.53p	3.00p
Dividends paid during the period	3.53p	7.07p	4.07p

Ongoing Charges

Ongoing charges for the 6 month period ended 31 March 2016 have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology. The ongoing charges for the period ended 31 March 2016 were 1.21% (31 March 2015: 1.19%) on an annualised basis.

CHAIR'S STATEMENT

for the period from 1 October 2015 to 31 March 2016

The 6 months to 31 March 2016 saw a challenging period of elevated macro-economic and geopolitical uncertainty. This resulted in mostly benign market activity, with many investors retreating to hold cash. Given this background, it is encouraging that there was modest share issuance by the Company during the period, with the number of shares increasing from 145,335,881 to 149,335,881.

The challenging market conditions resulted in a period of high price volatility for the Company's portfolio assets, with mark-to-market declines exacerbated by extremely poor liquidity in secondary markets. The Portfolio Manager has been particularly active in keeping investors informed about prevailing market conditions, the challenges faced and the underlying fundamental strength of the portfolio; as such there has been no requirement to liquidate any assets from the Company to meet liquidity needs. The investment composition of the Company continues to meet an acceptable level of diversity and target yield, and there have been no issues in achieving the pre-determined gross monthly dividend of 0.5p per share with any excess income paid out in the month following the Company's year-end. The dividend policy is discussed in note 18 on pages 31 and 32.

The Portfolio Manager and the Company's Board continue to adhere to a strict discipline of only accepting new share issuance to meet investor demand and only when there are suitable investment opportunities in the market place. In particular consideration is always given to the diversification benefits of new money and the opportunity to enhance yield without compromising portfolio risk. For the period in question the opportunities were limited in Q4-2015 (due to a lack of secondary market activity) but conditions changed in Q1-2016 which the Portfolio Manager recognised and which resulted in a number of meetings with potential investors during March.

Performance is expected to continue to be relatively volatile in 2016, with a number of economic and political uncertainties expected to weigh on market sentiment. A slowdown in Emerging Markets, concerns about global deflationary factors and the looming UK referendum on EU membership are all likely to create headwinds for the risk assets over the course of the year. However, continued support from the Central Banks, in particular the recent actions of the European Central Bank ("ECB") (€80bn per month asset purchase programme, Targeted Longer Term Repo operations and negative deposit rates) are expected to be the catalyst to drive yields lower and credit spreads tighter from current traded levels.

With volatile market conditions, at times poor liquidity and shifting investor sentiment, valuations can move very fast increasing NAV volatility. Continued focus on testing the portfolio for liquidity and valuation risks is one of our main focuses.

The Board continues to work with the Portfolio Manager to monitor and stress test the portfolio to ensure that even with idiosyncratic events the Company is likely to be able to comply with its dividend policy. The annualised dividend for the period is currently on target.

Claire Whittet
Chair
12 May 2016

PORTFOLIO MANAGER'S REPORT

for the period from 1 October 2015 to 31 March 2016

Economic Background

The six month period to 31 March 2016 was dominated by weak sentiment across all risk markets, driven by a multitude of geo-political, macro-economic and technical concerns, but no over-riding catalyst. So far at least, it is a classic case-study of markets overshooting on expectation rather than on a realised event.

After a relatively weak third quarter of 2015, the market started Q4 with an upbeat tone, which was ironically started by a poor US non-farm payrolls number, interpreted by the market as being low enough to eliminate an October interest rate hike by the Federal Open Market Committee ("FOMC"). This led to some noticeable short-covering by trading desks and a pick-up in new supply, which in turn helped secondary market flow. The Q3-2015 earnings cycle confirmed the theme that the US cycle is more advanced than the UK and Europe, with corporates generally beating profit forecasts but falling short on revenues, with the stronger US Dollar ("$") being widely referenced as the main cause for that miss.

In Europe, the ECB talk became markedly more dovish at the start of Q4-2015, leading to expectations of further support at the Governing Council meeting in December. However, the FOMC meeting on 28 October 2015 inferred that the Federal Reserve System ("Fed") saw enough domestic consumer demand to potentially warrant its first rate hike and this reversed the relief rally and sent sentiment back into a negative mode as we approached the year end. Mid-way through November the markets were overshadowed by the awful terrorist attack in Paris, which added to the sombre mood. In the political arena, the recently appointed Portuguese government were ousted by a left-wing coalition led by Antonio Costa, leading to initial fears of anti-Eurozone policies and a reversal of austerity measures.

At the micro level, the US high yield ("HY") sector weakened due to a combination of lower oil prices and the prospect of higher Federal Funds Rate ("FFR") which increased the expectation of a spike in the default rate. In the US, Veritas (a large telecom operator) cancelled $2.45bn & €760m of new debt issuance and in Europe, Abengoa (a leading Spanish engineering/infrastructure group) announced it was filing for creditor protection while it looked to secure additional capital.

Unusually December turned out to be a dramatic month and very challenging for investors to navigate. As expected the ECB cut the depo-rate to minus 30bp and extended the asset purchase programme out to May 2017, and agreed to reinvest maturing bonds. However, this was deemed insufficient by market participants and this set the tone for a miserable end to the year for risk assets. In line with consensus the FOMC hiked FRR to 0.25-0.50%. Although the following rhetoric from Janet Yellen was relatively dovish, the large outflows from US high yield bond funds prior to the announcement gathered pace leading to some managers being unable to meet these outflow requests (due to poor market liquidity). The result was the US HY sector recording only its third negative year in the last 2 decades, with a total return of minus 5%. The downward spiral continued to the year-end with commodity prices at the core of the action, with Brent crude down a further 17% in the month, taking 2015 losses to a huge 44%.

In Europe the political turmoil continued with Spanish elections providing an inconclusive result and the individual political parties seemingly unable to agree on a workable coalition, leading to the likelihood of re-elections in Q2-2016. Then, just as the market was looking forward to a quiet Christmas break, there was one last surprise as the Bank of Portugal ("BOP") astonishingly decided that Novo Banco should have a bail-in of senior debt. Astoundingly the debt was not bailed in to the existing bank, but instead removed as a liability and passed to a bad bank, with the BOP selecting just 5 of the 52 available bonds, thereby ignoring the key concept of *pari passu*. Legal action was therefore inevitable and the reputation of Portugal was severely impaired.

The weak sentiment continued into January and 2016 had the most sombre start to a year that we can recall. The weakness in oil prices continued as Iran, free from 37 years of international sanctions, prepared to add supply into a market reeling from weak demand and high inventory levels, resulting in West Texas Intermediate ("WTI") crude testing new lows of $28.50 a barrel.

PORTFOLIO MANAGER'S REPORT continued

for the period from 1 October 2015 to 31 March 2016

Economic Background continued

To add to the melee, China released Q4-2015 Gross Domestic Product numbers of 6.8% which, even though this was only 0.1% below consensus, sent the market bears a late Christmas present. At the first FOMC of 2016, Janet Yellen signalled that the Fed had concerns about the global economic outlook and left FFR on hold at 0.25-0.5%. The Bank of Japan then shocked the market by moving domestic rates into negative territory – only 8 days after stating it was "not seriously considering" a negative rate. In Europe, Mario Draghi announced the ECB were keeping rates on hold at the January meeting but would 'review and possibly reconsider' their policy stance in March. In the UK, Mark Carney added to the dovish central bank rhetoric and ruled out any imminent rise in UK rates saying "the World is weaker and UK growth has slowed".

The negative tone that had weighed down the previous 6 months reached a low point in early February as the 'rolling bear' sentiment switched its attention to the banking sector. Credit Suisse announced a sobering set of results a week after Deutsche Bank had released poor Fiscal Year 2015 numbers, leading markets to question the solvency of the banking system. Speculation was rife that Deutsche Bank would be the first bank not to pay coupons on their contingent capital bonds, and despite this being rebuked by the bank, the rumour was enough to result in contagion spreading through the whole bank hybrid sector, regardless of the credit quality of the borrower. Asset-backed securities ("ABS"), particularly Collateralised Loan Obligations ("CLO"), also endured sharp price declines in the month as comments from a couple of investment banks announced their departure from the sector, leading to a strong technical headwind for the ABS sector. The Company had a significant holding in ABS at the end of the month (29 February 2016: 34% / 31 March 2016: 35%) which contributed to the poor performance during February.

Slowly but surely, a combination of relative value stock-pickers and short-covering halted the generic selling pressure, helped by a reasonable 2015 results season, where broadly speaking top line growth was benign but the bottom line generally beat expectations. European corporates also fared better than the US in the results season and there were few hints of the upcoming recession that markets have been increasingly pricing in, and certainly no hints of a solvency crisis in European banking.

The political bandwagon continued with David Cameron announcing the UK referendum on EU membership would take place on 23 June 2016 which had an immediate negative impact on Sterling and Sterling assets. The elections in Ireland continued the Eurozone trend as voters rejected the austerity policies that had pulled the country out of economic insecurity and left Ireland trying to form a workable coalition government.

At the end of Q1-2016 the market received a welcome boost with the ECB announcing a raft of stimuli that exceeded all expectations. A 10bp cut in the deposit facility to -40bp was in line with consensus but a €20bn per month increase in the asset purchase programme, including investment grade non-bank corporation, and a new series of four Targeted Longer Term Refinancing Operations ("TLTRO") each with a 4-year maturity (the initial operation to be conducted in June and the final one in March-2017) was viewed as a major surprise to the upside for Eurozone risk markets. The fact that the banks have been offered unlimited liquidity support through to March 2021, with borrowing rates potentially as low as the deposit facility rate, was met, unsurprisingly, with a significant relief rally in subordinated bank paper across the Euro-region.

On the other side of the Atlantic the FOMC decided to keep FFR on hold at 0.25-0.50%, which was in line with consensus although the comments were slightly more dovish as Yellen highlighted that "global economic and financial developments continue to pose risks". Overall the market feels more balanced than at the start of the year but remains vulnerable to periods of stress with the forthcoming UK referendum and continued concerns about Emerging Market slowdown and deflationary pressures. Thankfully continued Central Bank support looks likely to remain for the foreseeable future.

PORTFOLIO MANAGER'S REPORT continued

for the period from 1 October 2015 to 31 March 2016

Economic Background continued

In terms of performance the total return for the Euro HY sector over the period was 3.03% and the HY Coco index posted a 0.84% return. Currency markets experienced significant volatility during the period due in part to the market events mentioned above, with the EUR vs. GBP and USD vs. GBP both experiencing moves in the range of 14% and 13% respectively. Swiss franc and Swedish Krona both moved 7% and 9% versus Sterling by the end of the period, which the Company had exposure to through its assets, however the Company hedges its currency risk as part of the investment policy.

Performance Review

The Company's objective is to produce an attractive level of income, with an aim of generating a minimum monthly income of 0.5p, with any excess income annually distributed to investors. This is a high conviction strategy based on bonds providing relative value in the credit markets, with an emphasis on the securities that exhibit a degree of liquidity premium and assets that are primarily buy-to-hold.

As mentioned above, there has been some significant volatility in the underlying mark-to-market prices across the asset sectors held in the Company, in particular the Company's weighting to ABS as mentioned and exposure to the banking sector (25% as at 31 March 2016). In addition there has been a notable idiosyncratic event surrounding the Nova Banco credit, which has yet to be resolved and that the Company has exposure to.

The six months in question have been very challenging for higher beta credit, particularly in the period of mid-Dec to mid-Feb and as a result the Company's NAV per Share decreased by 6.62p. In the six month period the Company paid dividends totalling 3.53p.

Foreign Exchange Accounting

The Company's policy is to hedge foreign exchange currency risk. The Company hedges this risk by using "rolling forwards" for each currency pair with a one month maturity, selling forward a notional amount equivalent to the market value of the assets. Any movements in foreign exchange rates are monitored daily and the hedge is adjusted when necessary to ensure that currency exposure remains within strict limits. The Company operates to a tolerance of +/-0.50% exposure to the NAV on each non-GBP currency.

The hedging policy is designed to only be used to manage the portfolio efficiently and not to enhance investment returns.

The net foreign currency loss is recorded in accordance with the hedging policy and IFRS. However, within the net loss on financial assets at fair value through profit or loss there is a corresponding foreign currency gain.

Investment Outlook

The Company was established to take advantage of creditworthy bonds that exhibit a degree of liquidity premium, and hedging out any excessive duration risk. However, with the change in interest rate expectations, the interest rate swap position has been a drag on the Company's performance and so has been removed as the Portfolio Manager ("PM") team feel that hedging is no longer necessary, given the relative short maturities of the underlying assets.

Credit risk has become markedly cheaper as markets rapidly positioned themselves given current uncertainty and increased talk of a global slowdown and a challenge to corporate earnings. The PM sees this as a material opportunity and whilst already positioned for credit exposure, the team has tried to optimise the portfolio to ensure a harder bounce back and have held a number of select investor meetings to highlight the benefits of a small capital increase to exploit the opportunities that currently exist in secondary markets.

PORTFOLIO MANAGER'S REPORT continued

for the period from 1 October 2015 to 31 March 2016

Investment Outlook continued

The PM views the current economic and sentiment weakness as driven by potential earnings downgrades rather than a solvency issue or one that is expected to lead to a material pick up in the default rates (outside of the troubled energy and commodity sectors). However, the team also believe that the current volatility will continue to affect markets and asset price moves will continue to be exacerbated by poor liquidity and political uncertainty such as the forthcoming UK referendum on EU membership and the stalemate in the recent Spanish and Irish elections. Overall though, the team believes that Central Bank support will ultimately result in lower yields in Europe and tighter credit spreads which should drive the opportunity for deriving yield plus capital gains from current levels over the course of 2016.

TwentyFour Asset Management LLP
12 May 2016

TOP TWENTY HOLDINGS

As at 31 March 2016

	Nominal/ Shares	Credit Security Sector	Fair Value * £	Percentage of Net Asset Value
Barclays PLC 7.875 29/12/2049	5,000,000	Banks	4,500,000	3.50
Nationwide Bldg Society 10.25 29/06/2049	35,000	Banks	4,388,140	3.42
Coventry Bldg Society 6.375 29/12/2049	4,240,000	Banks	3,787,829	2.95
Santander UK Group 10.375 31/12/2049	2,000,000	Banks	3,029,343	2.36
Shawbrook Group 8.5 28/10/2025	2,800,000	Banks	2,856,000	2.22
Herbert Park BV Series 1X E 20/10/2026	4,600,000	ABS	2,751,107	2.14
Aareal Bank AG 7.625 29/11/2049	3,600,000	Banks	2,709,830	2.11
Bank of Ireland 7.375 29/12/2049	3,400,000	Banks	2,600,925	2.03
Carlyle Global Mkts Strategies Euro 2015-2X E 21/09/2029	4,000,000	ABS	2,600,518	2.03
Avoca CLO 11X F 15/07/2027	4,000,000	ABS	2,568,804	2.00
Capital Bridging Finance 1 MEZZ 05/07/2018	2,500,000	ABS	2,475,000	1.93
New Look 8 01/07/2023	2,450,000	High Yield	2,389,158	1.86
Ardagh Finance Holdings 8.375 15/06/2019	2,978,398	High Yield	2,371,092	1.85
Intralot Capital Luxembourg SA 6 15/05/2021	3,300,000	High Yield	2,362,583	1.84
Jubilee CDO BV 2014-12X F 15/07/2027	3,950,000	ABS	2,327,652	1.81
Voyage Care BondCo PLC 11 01/02/2019	2,250,000	High Yield	2,261,250	1.76
Keystone Financing 9.5 15/10/2019	2,100,000	High Yield	2,181,743	1.70
esure Group PLC 6.75 19/12/2024	2,200,000	Insurance	2,070,322	1.61
Aldermore Group 11.875 29/12/2049	1,900,000	Banks	2,047,250	1.59
SC Germany Consumer 2015-1 E 13/12/2028	2,500,000	ABS	1,984,299	1.55
Total			54,262,845	42.26

* Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The full portfolio listing as at 31 March 2016 can be obtained from the Administrator on request.

BOARD MEMBERS

Biographical details of the Directors are as follows:

Claire Whittet - (Chair) (age 60)
Ms Whittet is a resident of Guernsey and has over 38 years' experience in the banking industry and since 2003 has been a Director and, more recently, Managing Director and Co-Head of Rothschild Bank International Ltd and a Director of Rothschild Bank (CI) Ltd. Ms Whittet is also a non-executive director of a number of listed funds. Ms Whittet began her career at the Bank of Scotland where she was for 19 years in a variety of personal and corporate finance roles. Subsequently, Ms Whittet joined Bank of Bermuda and was Global Head of Private Client Credit before taking up her current position at Rothschild.

Ms Whittet holds an MA from Edinburgh University, is a member of the Chartered Institute of Bankers in Scotland, a member of the Chartered Insurance Institute, a Chartered Banker, a member of the Institute of Directors and holds the Institute of Directors Diploma in Company Direction. Ms Whittet was appointed to the Board on 12 February 2014.

Christopher F. L. Legge - (Non-executive Director) (age 60)
Mr Legge is a Guernsey resident and worked for Ernst & Young in Guernsey from 1983 to 2003. Having joined the firm as an audit manager in 1983, he was appointed a partner in 1986 and managing partner in 1998. From 1990 to 1998, he was head of Audit and Accountancy and was responsible for the audits of a number of banking, insurance, investment fund, property fund and other financial services clients. He also had responsibility for the firm's training, quality control and compliance functions. He was appointed managing partner for the Channel Islands region in 2000 and merged the business with Ernst & Young LLP in the United Kingdom. He retired from Ernst & Young in 2003.

Mr Legge currently holds a number of non-executive directorships in the financial services sector including BH Macro Limited (FTSE 250) where he is Senior Independent Director. He also chairs the Audit Committees of several UK listed companies. He is an FCA and holds a BA (Hons) in Economics from the University of Manchester. Mr Legge was appointed to the Board on 12 February 2014.

Thomas H. Emch - (Non-executive Director) (age 72)
Mr Emch is an independent Board member and consultant. He graduated from the University of Zurich (lic.oec.publ.) and IMD (PED) in Lausanne. During his professional career he successively was European Treasurer of Litton International, SVP of Banque Paribas Suisse, EVP of Lombard Odier & Co. and CEO of Royal Bank of Canada (Suisse), a position he held for 11 years until his retirement in 1999. Throughout his banking career, he served on the Boards of numerous companies and professional associations in Switzerland and abroad. Mr Emch was appointed to the Board on 12 February 2014.

Ian Martin - (Non-executive Director) (age 52)
Ian Martin has over 30 years' experience in finance gathered in a variety of multi asset investment focused roles in the UK, Hong Kong, Switzerland and Uruguay. More recently he was the CIO and Head of Asset Management and Research at Lloyds Bank in Geneva and then Head of Bespoke Portfolio Management and Advisory for key clients in UBP Bank in Geneva. Previous roles have included senior roles in equity derivatives and trading as well as CIO and Managing Director of a Fund of Hedge fund company in the UK. Currently he is a Director of Bedlam Family Office. Mr Martin was appointed to the Board on 15 July 2014.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Company's assets are comprised of Bonds and Asset Backed Securities carrying exposure to risks related to the underlying assets backing the security or the originator of the security. The Company's principal risks are therefore market or economic in nature.

The principal risks assessed by the Board relating to the Company were disclosed in the Annual Report and Audited Financial Statements for the year ended 30 September 2015. The principal risks disclosed include market risk, liquidity risk, credit risk, foreign currency risk, operational risk, accounting, legal and regulatory risk, income recognition risk and reinvestment risk. A detailed explanation of these can be found in the annual report. The Board and Portfolio Manager do not consider these risks to have changed and remain relevant for the remaining six months of the financial year.

Going Concern

Under the 2014 UK Corporate Governance Code (effective for periods beginning on or after 1 October 2014) and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties to the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

The Board believes that it is appropriate to adopt the going concern basis in preparing the Unaudited Condensed Interim Financial Statements in view of its holding in cash and cash equivalents and certain more liquid investments within the portfolio and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- these Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by DTR 4.2.4.

- This interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 October 2015 to 31 March 2016 and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 1 October 2015 to 31 March 2016 and that have materially affected the financial position or performance of the Company during that period as included in note 13.

By order of the Board,

Claire Whittet
Chair
12 May 2016

INDEPENDENT INTERIM REVIEW REPORT
TO TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Introduction

We have been engaged by the Company to review the Condensed Interim Financial Statements in the Interim Report for the six months ended 31 March 2016, which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Financial Position as at 31 March 2016, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Interim Financial Statements.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 a), the Annual Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards. The Condensed Interim Financial Statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the Condensed Interim Financial Statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Interim Financial Statements in the Interim Report for the six months ended 31 March 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
12 May 2016

Publication of Interim Financial Report

(a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report and Unaudited Condensed Interim Financial Statements since they were initially presented on the website.

(b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

TwentyFour Select Monthly Income Fund Limited

UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the period from 1 October 2015 to 31 March 2016

	Notes	For the period from 01.10.15 to 31.03.16 £ (Unaudited)	For the period from 01.10.14 to 31.03.15 £ (Unaudited)
Income			
Interest income		5,188,581	4,628,160
Net foreign currency (loss)/gain	7	(4,937,731)	4,242,345
Net loss on financial assets at fair value through profit or loss	8	(4,105,583)	(4,766,611)
Total (loss)/income		(3,854,733)	4,103,894
Expenses			
Portfolio management fee	13	(497,284)	(476,739)
Directors' fees	13	(63,750)	(59,092)
Administration fees	14	(50,907)	(49,269)
AIFM management fee	14	(33,353)	(39,752)
Audit fee		(34,613)	(39,110)
Custody fees	14	(8,015)	(7,709)
Broker fees		(25,000)	(25,137)
Depositary fees	14	(12,500)	(10,781)
Other expenses		(79,250)	(77,569)
Total expenses		(804,672)	(785,158)
Total comprehensive (loss)/income for the period		(4,659,405)	3,318,736
(Loss)/earnings per Ordinary Share - Basic & Diluted	3	(0.031)	0.025

All items in the above statement derive from continuing operations.

The notes on pages 18 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

Assets	Notes	31.03.16 £ (Unaudited)	30.09.15 £ (Audited)
Current assets			
Investments	8	124,613,800	128,802,069
Derivative assets	16	76,247	480,209
Amounts due from broker		971,291	1,233,420
Other receivables	9	3,056,569	2,794,811
Cash and cash equivalents		1,228,287	4,532,345
Total current assets		129,946,194	137,842,854
Liabilities			
Current liabilities			
Amounts due to broker		-	1,889,571
Other payables	10	209,644	245,140
Derivative liabilities	16	1,346,042	1,147,799
Total current liabilities		1,555,686	3,282,510
Total net assets		128,390,508	134,560,344
Equity			
Share capital account	11	146,308,285	142,609,447
Other reserves		(17,917,777)	(8,049,103)
Total equity		128,390,508	134,560,344
Ordinary Shares in issue	11	149,335,881	145,335,881
Net Asset Value per Ordinary Share	5	85.97	92.59

The Unaudited Condensed Interim Financial Statements on pages 14 to 33 were approved by the Board of Directors on 12 May 2016 and signed on its behalf by:

Claire Whittet
Chair

Christopher Legge
Director

The notes on pages 18 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
for the period from 1 October 2015 to 31 March 2016

	Share Capital Account £ (Unaudited)	Other Reserves £ (Unaudited)	Total £ (Unaudited)
Balance at 01 October 2015	142,609,447	(8,049,103)	134,560,344
Reissue of treasury shares	3,761,380	-	3,761,380
Share issue costs	(45,711)	-	(45,711)
Income equalisation on new issues	(16,831)	16,831	-
Distributions paid	-	(5,226,100)	(5,226,100)
Total comprehensive loss for the period	-	(4,659,405)	(4,659,405)
Balance at 31 March 2016	146,308,285	(17,917,777)	128,390,508

	Share Capital Account £ (Unaudited)	Other Reserves £ (Unaudited)	Total £ (Unaudited)
Balance at 01 October 2014	123,434,794	(240,328)	123,194,466
Issue of shares	29,527,004	-	29,527,004
Purchase of own shares to hold in treasury	(13,451,019)		(13,451,019)
Share issue costs	(285,777)	-	(285,777)
Income equalisation on new issues	(89,571)	89,571	-
Distributions paid	-	(5,359,458)	(5,359,458)
Total comprehensive income for the period	-	3,318,736	3,318,736
Balance at 31 March 2015	139,135,431	(2,191,479)	136,943,952

The notes on pages 18 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

for the period from 1 October 2015 to 31 March 2016

	Notes	For the period from 01.10.15 to 31.03.16 £ (Unaudited)	For the period from 01.10.14 to 31.03.15 £ (Unaudited)
Cash flows used in operating activities			
Total comprehensive (loss)/income for the period		(4,659,405)	3,318,736
Adjustments for:			
Net loss on investments	8	4,105,583	4,766,611
Amortisation adjustment under effective interest rate method	8	(399,818)	(340,390)
Unrealised loss on derivatives		602,205	1,699,455
Increase in other receivables	9	(261,758)	(290,150)
Decrease in other payables	10	(35,496)	(24,447)
Purchase of investments		(40,851,930)	(47,111,121)
Sale of investments	8,9	39,706,992	24,125,695
Net cash used in operating activities		(1,793,627)	(13,855,611)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	11	-	29,527,004
Payment for shares redeemed to hold in treasury	11	-	(13,451,019)
Proceeds from re-issuance of treasury shares	11	3,761,380	-
Share issue costs	11	(45,711)	(285,777)
Dividend distribution	18	(5,226,100)	(5,359,458)
Net cash (outflow)/inflow from financing activities		(1,510,431)	10,430,750
Decrease in cash and cash equivalents		(3,304,058)	(3,424,861)
Cash and cash equivalents at beginning of period		4,532,345	4,912,175
Cash and cash equivalents at end of period		1,228,287	1,487,314

The notes on pages 18 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the period from 1 October 2015 to 31 March 2016

1. General Information

TwentyFour Select Monthly Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 12 February 2014. The Company's Shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 10 March 2014.

The investment objective and policy is set out in the Company Information on page 3.

The Portfolio Manager of the Company is TwentyFour Asset Management.

2. Principal Accounting Policies

a) Basis of preparation and Statement of compliance

The Unaudited Condensed Interim Financial Statements for the period from 1 October 2015 to 31 March 2016 have been prepared on a going concern basis in accordance with IAS 34, the Listing Rules of the LSE and applicable legal and regulatory requirements.

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 September 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and which received an unqualified audit report.

b) Changes in presentation

In the current financial period, there have been no changes to the accounting policies from those applied in the most recent audited annual financial statements.

c) Significant judgements and estimates

In the current financial period, there have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the most recent audited annual financial statements.

3. (Loss)/earnings per Ordinary Share - Basic & Diluted

The earnings per Ordinary Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Shares of 148,517,847 (31 March 2015: 133,872,894) and a net loss for the period of £4,659,405 (31 March 2015: net gain of £3,318,736).

4. Income on equalisation of new issues

In order to ensure there were no dilutive effects on earnings per share for current shareholders when issuing new shares, earnings have been calculated in respect of the accrued income at the time of purchase and a transfer has been made from share capital to income to reflect this. The transfer for the period amounted to £16,831 (31 March 2015: £89,571).

5. Net Asset Value per Ordinary Share

The net asset value of each Share of 85.97p (31 March 2015: 96.62p) is determined by dividing the net assets of the Company attributed to the Shares of £128,390,508 (31 March 2015: £136,943,952) by the number of Shares in issue at 31 March 2016 of 149,335,881 (31 March 2015: 141,735,881).

6. Taxation

The Company has been granted Exempt Status under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 to income tax in Guernsey. Its liability for Guernsey taxation is limited to an annual fee of £1,200 (31 March 2015: £1,200).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

7. Net foreign currency (losses)/gains

	For the period from 01.10.15 to 31.03.16 £ (Unaudited)	For the period from 01.10.14 to 31.03.15 £ (Unaudited)
Movement in net unrealised loss on forward currency contracts	(602,206)	(1,699,455)
Realised (loss)/gain on forward currency contracts	(6,322,220)	5,626,185
Realised currency gain	1,955,702	304,360
Unrealised income exchange gain	30,993	11,255
	(4,937,731)	4,242,345

8. Investments

	31.03.16 £ (Unaudited)	30.09.15 £ (Audited)
Financial assets at fair value through profit and loss:		
Unlisted Investments:		
Opening book cost	139,639,982	122,539,767
Purchases at cost	38,962,359	88,769,362
Proceeds on sale/principal repayment	(39,444,863)	(68,000,998)
Amortisation adjustment under effective interest rate method	399,818	639,168
Realised gain on sale/principal repayment	1,488,248	1,461,103
Realised loss on sale/principal repayment	(2,876,883)	(5,768,420)
Closing book cost	138,168,661	139,639,982
Unrealised gain on investments	2,343,300	1,659,469
Unrealised loss on investments	(15,898,161)	(12,497,382)
Fair value	124,613,800	128,802,069
Realised gain on sale/principal repayment	1,488,248	1,461,103
Realised loss on sale/principal repayment	(2,876,883)	(5,768,420)
Increase in unrealised gain	4,330,645	3,550,064
Increase in unrealised loss	(7,047,593)	(9,156,808)
Net loss on financial assets at fair value through profit or loss	(4,105,583)	(9,914,061)

The Company does not experience any seasonality or cyclicality in its investing activities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

9. Other receivables

	31.03.16 £ (Unaudited)	30.09.15 £ (Audited)
Interest income receivable and accrued income	2,921,290	2,672,409
Prepaid expenses	31,247	15,175
Dividends receivable	104,032	107,227
	3,056,569	2,794,811

10. Other payables

	31.03.16 £ (Unaudited)	30.09.15 £ (Audited)
Portfolio Management fees payable	81,253	92,094
Directors' fee payable	31,875	26,875
Administration fee payable	24,788	26,050
AIFM management fee payable	17,046	18,369
Audit fee payable	22,913	45,700
General expenses payable	27,425	32,838
Depositary fee payable	2,117	2,260
Custody fee payable	2,227	954
	209,644	245,140

11. Share Capital

Authorised Share Capital

The Directors may issue an unlimited number of Ordinary Shares at no par value and an unlimited number of Ordinary Shares with a par value.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

11. Share Capital continued

Issued Share Capital

	31.03.16	30.09.15
	£	£
Ordinary Shares	(Unaudited)	(Audited)
Share Capital at the beginning of the period/year	142,609,447	123,434,794
Issue of shares	-	29,527,004
Share issue costs	(45,711)	(339,085)
Purchase of own shares into treasury	-	(13,451,019)
Re-issuance of treasury shares	3,761,380	3,551,432
Income equalisation on new issues	(16,831)	(113,679)
Total Share Capital at the end of the period/year	146,308,285	142,609,447

	31.03.16	30.09.15
	£	£
Treasury Shares	(Unaudited)	(Audited)
Share Capital at the beginning of the period/year	9,899,587	-
Purchased shares	-	13,451,019
Sold shares	(3,761,380)	(3,551,432)
Total Share Capital at the end of the period/year	6,138,207	9,899,587

Reconciliation of number of Shares

	31.03.16	30.09.15
	Shares	Shares
Ordinary Shares	(Unaudited)	(Audited)
Shares at the beginning of the period/year	145,335,881	125,185,881
Issue of shares	-	30,723,887
Purchase of own shares into treasury	-	(14,173,887)
Re-issuance of treasury shares	4,000,000	3,600,000
Total Shares in issue at the end of the period/year	149,335,881	145,335,881

The Ordinary Shares carry the following rights:

a) the Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares.

b) the Shareholders present in person or by proxy or present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for each Share held.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

11. Share Capital continued

Reconciliation of number of Treasury Shares

Treasury Shares	31.03.16 Shares (Unaudited)	30.09.15 Shares (Audited)
Shares at the beginning of the period/year	10,573,887	-
Purchase of own shares to hold in treasury	-	14,173,887
Reissue of treasury shares	(4,000,000)	(3,600,000)
Total Shares held in treasury at the end of the period/year	6,573,887	10,573,887

The Company has the right to issue and purchase up to 14.99% of the total number of its own shares at £0.01 each, to be classed as Treasury Shares and may cancel those Shares or hold any such Shares as Treasury Shares, provided that the number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of Shares of that class in issue at that time or such amount as provided in the Companies Law.

On 13 February 2015 the Company purchased 14,173,887 Ordinary Shares of £0.01 at a price of 94.90p to be held in treasury. The total amount paid to purchase these shares was £13,451,019 and has been deducted from the shareholders' equity. The Company has the right to reissue these shares at a later date. All shares issued were fully paid. During the period ended 31 March 2016, 4,000,000 treasury shares were reissued for a total consideration of £3,761,380 (year ended 30 September 2015, 3,600,000 treasury shares were reissued for a total consideration of £3,551,432).

Shares held in Treasury are excluded from calculations when determining Earnings per Ordinary Share or Net Asset Value per Ordinary Share as detailed in notes 3 and 5.

12. Analysis of Financial Assets and Liabilities by Measurement Basis

	Financial Assets at fair value through profit and loss £	Loans and receivables £	Total £
31 March 2016 (Unaudited)			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Bonds	81,802,043	-	81,802,043
-Asset backed securities	42,811,757	-	42,811,757
Derivative assets (see note 16)	76,247	-	76,247
Amounts due from broker	-	971,291	971,291
Other receivables	-	3,056,569	3,056,569
Cash and cash equivalents	-	1,228,287	1,228,287
	124,690,047	5,256,147	129,946,194

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

12. Analysis of Financial Assets and Liabilities by Measurement Basis continued

	Financial Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
31 March 2016 (Unaudited)			
Financial Liabilities as per Statement of Financial Position			
Other payables	-	209,644	209,644
Derivative liabilities (see note 16)	1,346,042	-	1,346,042
	1,346,042	209,644	1,555,686

	Financial Assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
30 September 2015 (Audited)			
Financial Assets as per Statement of Financial Position			
Investments at fair value through profit or loss:			
-Bonds	94,262,743	-	94,262,743
-Asset backed securities	35,378,946	-	35,378,946
-Interest rate swaps	(839,620)	-	(839,620)
Derivative assets (see note 16)	480,209	-	480,209
Amounts due from broker	-	1,233,420	1,233,420
Other receivables	-	2,794,811	2,794,811
Cash and cash equivalents	-	4,532,345	4,532,345
	129,282,278	8,560,576	137,842,854

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

12. Analysis of Financial Assets and Liabilities by Measurement Basis continued

	Financial Liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2015 (Audited)			
Financial Liabilities as per Statement of Financial Position			
Amounts due to brokers	-	1,889,571	1,889,571
Other payables	-	245,140	245,140
Derivative liabilities (see note 16)	1,147,799	-	1,147,799
	1,147,799	2,134,711	3,282,510

13. Related Parties

a) Directors' Remuneration & Expenses

The Directors of the Company are remunerated for their services at such a rate as the Directors determine. The aggregate fees of the Directors will not exceed £150,000.

The annual Directors' fees comprise £35,000 (2015: £30,000) payable to Ms Whittet, the Chair, £32,500 (2015: £27,500) to Mr Legge as Chair of the Audit Committee and £30,000 (2015: £25,000) each to Mr Emch and Mr Martin. During the period, Directors' fees of £63,750 (31 March 2015: £59,092) were charged to the Company, of which £31,875 (30 September 2015: £26,875) remained payable at the end of the period. Directors' expenses for the period were £5,354 (31 March 2015: £4,807).

b) Shares held by related parties

The Directors of the Company held the following shares beneficially:

	Number of Shares	
	31.03.16	**30.09.15**
Claire Whittet	25,000	25,000
Christopher Legge	50,000	50,000
Thomas Emch	25,000	25,000
Ian Martin	35,000	25,000

Directors are entitled to receive the dividends on any shares held by them during the period. Dividends declared by the Company are set out in Note 18 on page 32.

As at 31 March 2016, the Portfolio Manager held no Shares (30 September 2015: no Shares) of the Issued Share Capital. Partners and employees of the Portfolio Manager increased their holdings during the period, and held 1,669,668 (30 September 2015: 883,227), which is 1.12% (30 September 2015: 0.61%) of the Issued Share Capital.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

13. Related Parties continued

c) Portfolio Manager

The portfolio management fee is payable to the Portfolio Manager, TwentyFour Asset Management LLP, monthly in arrears at a rate of 0.75% per annum of the lower of NAV, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total investment management fees for the period amounted to £497,284 (31 March 2015: £476,739) of which £81,253 (30 September 2015: £92,094) is payable at period end. The Portfolio Management Agreement dated 17 February 2014 remains in force until determined by the Company or the Portfolio Manager giving the other party not less than twelve months' notice in writing. Under certain circumstances, the Company or the Portfolio Manager is entitled to immediately terminate the agreement in writing.

The Portfolio Manager is also entitled to a commission of 0.175% of the aggregate gross offering proceeds plus any applicable VAT in relation to any issue of new Shares, following admission, in consideration of marketing services that it provides to the Company. During the period, the Portfolio Manager received £6,582 (31 March 2015: £28,133) in commission.

The Portfolio Manager entered into a strategic partnership with Vontobel Asset Management ("Vontobel") in April 2015, the multi-boutique asset manager and subsidiary of the Vontobel Group. Vontobel acquired a 60 percent stake in TwentyFour Asset Management LLP. The strategic partnership has had no impact on the Portfolio Manager's activities and fees.

14. Material Agreements

a) Alternative Investment Fund Manager

The Company's AIFM is Maitland Institutional Services Limited *(formerly Phoenix Fund Services (UK) Limited)*. In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the Net Asset Value of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the period, AIFM fees of £33,353 (31 March 2015: £39,752) were charged to the Company, of which £17,046 (30 September 2015: £18,369) remained payable at the end of the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

14. Material Agreements continued

b) Administrator and Secretary

Administration fees are payable to Northern Trust International Fund Administration Services (Guernsey) Limited monthly in arrears at a rate of 0.06% of the Net Asset Value of the Company below £100 million, 0.05% on Net Assets between £100 million and £200 million and 0.04% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum of £75,000 for each year. In addition, an annual fee of £25,000 will be charged for corporate governance and company secretarial services. During the period, administration and secretarial fees of £50,907 (31 March 2015: £49,269) were charged to the Company, of which £24,788 (30 September 2015: £26,050) remained payable at the end of the period.

c) Broker

For its services as the Company's broker pursuant to an engagement letter dated 13 February 2014, Numis Securites Limited (the "Broker") is entitled to receive a retainer fee of £50,000 per annum and also a commission of 1% on all tap issues. During the period the Broker received £37,614 (31 March 2015: £160,760) in commission, which is charged as a cost of issuance.

d) Depositary

Depositary's fees are payable to Northern Trust (Guernsey) Limited monthly in arrears at a rate of 0.0175% of the Net Asset Value of the Company below £100 million, 0.0150% on Net Assets between £100 million and £200 million and 0.0125% on Net Assets in excess of £200 million as at the last business day of the month subject to a minimum of £25,000 for each year. During the period, depositary fees of £12,500 (31 March 2015: £10,781) were charged to the Company, of which £2,117 (30 September 2015: £2,260) remained payable at the end of the period.

The Depositary is also entitled to a Global Custody fee of a minimum of £8,500 per annum plus transaction fees. Total Global Custody fees and charges for the period amounted to £8,015 (31 March 2015: £7,709) of which £2,227 (30 September 2015: £954) is due and payable at the end of the period.

15. Financial Risk Management

The Company's activities expose it to a variety of financial risks: Market risk (including price risk and reinvestment risk), interest rate risk, credit risk, liquidity risk, foreign currency risk and capital risk.

These Unaudited Condensed Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements for the year ended 30 September 2015.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

16. Fair Value Measurement

All assets and liabilities are carried at fair value or at carrying value which equates to fair value.

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value as at 31 March 2016.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets at fair value through profit and loss:				
-Bonds	-	5,843,998	75,958,045	81,802,043
-Asset backed securities	-	7,184,507	35,627,250	42,811,757
Derivative assets	-	76,247	-	76,247
Total assets as at 31 March 2016	-	13,104,752	111,585,295	124,690,047
Liabilities				
Derivative liabilities	-	1,346,042	-	1,346,042
Total liabilities as at 31 March 2016	-	1,346,042	-	1,346,042

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued
for the period from 1 October 2015 to 31 March 2016

16. Fair Value Measurement continued

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value as 30 September 2015.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets at fair value through profit and loss:				
-Bonds	-	2,452,088	91,810,655	94,262,743
-Interest rate swaps	-	-	(839,620)	(839,620)
-Asset backed securities	-	4,024,690	31,354,256	35,378,946
Derivative assets	-	480,209	-	480,209
Total assets as at 30 September 2015	-	6,956,987	122,325,291	129,282,278
Liabilities				
Derivative liabilities	-	1,147,799	-	1,147,799
Total liabilities as at 30 September 2015	-	1,147,799	-	1,147,799

Credit Securities which have a value based on quoted market prices in active markets are classified in level 1. At the end of the period/year, no Credit Securities held by the Company are classified as level 1.

Credit Securities which are not traded or dealt on organised markets or exchanges are classified in level 2. Where the Portfolio Manager determines that the price obtained from an independent price vendor is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager may source prices from third party broker or dealer quotes and if the price represents a firm tradable price, the Credit Security is classified in level 2.

Credit Securities that are priced based on prices obtained from an independent price vendor or where no third party verifiable price is available are classified in level 3. The valuation of these Credit Securities where no third party verifiable price is available will be determined based on the Portfolio Manager's valuation policy, which may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques. Where the Portfolio Manager sources prices from a third party broker or dealer quotes and these prices are indicative rather than tradable, the Credit Security is classified in level 3. Due to the inputs into the valuation of the Credit Securities classified in level 3 not being available or visible to the Company, no sensitivity on inputs can be performed.

There were no transfers between level 1 and 2 during the period/year, however transfers between level 2 and 3 occurred based on the Portfolio Manager's ability to obtain a firm tradable price as detailed above.

There were no changes in valuation techniques during the period/year.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

16. Fair Value Measurement continued

The following table presents the movement in level 3 instruments for the period ended 31 March 2016 by class of financial instrument.

	Preferred Stock	Bonds	Interest Rate Swaps	Asset backed securities	Total
	£	£	£	£	£
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance	-	91,810,656	(839,620)	31,354,255	122,325,291
Net (sales)/purchases		(11,774,668)	1,076,632	9,846,085	(851,951)
Investment reclassification	-	-	-	-	-
Net realised gain loss for the year included in the Statement of Comprehensive Income for level 3 Investments	-	586,282	(1,076,632)	(616,637)	(1,106,987)
Net unrealised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2016	-	(2,496,099)	839,620	(875,698)	(2,532,177)
Transfer into Level 3	-	2,452,087	-	2,608,698	5,060,785
Transfer out of Level 3	-	(4,620,213)	-	(6,689,453)	(11,309,666)
Closing balance	-	75,958,045	-	35,627,250	111,585,295

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

16. Fair Value Measurement continued

The following table presents the movement in level 3 instruments for the year ended 30 September 2015 by class of financial instrument.

	Preferred Stock	Bonds	Interest Rate Swaps	Asset backed securities	Total
	£	£	£	£	£
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Opening balance	2,895,000	76,681,142	(252,574)	20,443,918	99,767,486
Net purchases		18,279,930		7,892,798	26,172,728
Investment reclassification	(2,895,000)	2,895,000	-	-	-
Net realised gain loss for the year included in the Statement of Comprehensive Income for level 3 Investments	-	(2,455,922)	-	(728,036)	(3,183,958)
Net unrealised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2015	-	(990,085)	(587,046)	(2,032,042)	(3,609,173)
Transfer into Level 3	-	2,545,025	-	8,637,135	11,182,160
Transfer out of Level 3	-	(5,144,434)	-	(2,859,518)	(8,003,952)
Closing balance	-	91,810,656	(839,620)	31,354,255	122,325,291

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 March 2016 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
31 March 2016 (Unaudited)	£	£	£	£
Assets				
Amounts due from broker	-	971,291	-	971,291
Other receivables	-	3,056,569	-	3,056,569
Cash and cash equivalents	1,228,287	-	-	1,228,287
Total	**1,228,287**	**4,027,860**	**-**	**5,256,147**
Liabilities				
Other payables	-	209,644	-	209,644
Total	**-**	**209,644**	**-**	**209,644**

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

16. Fair Value Measurement continued

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2015 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
30 September 2015 (Audited)	**£**	**£**	**£**	**£**
Assets				
Amounts due from broker	-	1,233,420	-	1,233,420
Other receivables	-	2,794,811		2,794,811
Cash and cash equivalents	4,532,345	-	-	4,532,345
Total	**4,532,345**	**4,028,231**	**-**	**8,560,576**
Liabilities				
Amounts due to brokers	-	1,889,571	-	1,889,571
Other payables	-	245,140	-	245,140
Total	**-**	**2,134,711**	**-**	**2,134,711**

The assets and liabilities included in the above tables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks.

Amounts due to brokers and other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses.

17. Segmental Reporting

The Board is responsible for reviewing the Company's entire portfolio and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Company's performance is evaluated on an overall basis.

The Company invests in a diversified portfolio of Credit Securities. The fair value of the major financial instruments held by the Company and the equivalent percentages of the total value of the Company are reported in the Top Twenty Holdings.

Revenue earned is reported separately on the face of the Statement of Comprehensive Income as investment income being interest income received from Credit Securities.

18. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's net income arising each financial year to the holders of Ordinary Shares. However, there is no guarantee that the dividend target of 6.0 pence per Ordinary Share for each financial year will be met or that the Company will make any distributions at all.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

18. Dividend Policy continued

Distributions made with respect to any income period comprise (a) the accrued income of the portfolio for the period (for these purposes, the Company's income will include the interest payable by the Credit Securities in the Portfolio and amortisation of any discount or premium to par at which a Credit Security is purchased over its remaining expected life), and (b) an additional amount to reflect any income purchased in the course of any share subscriptions that took place during the period. Including purchased income in this way ensures that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period and (c) any income on the foreign exchange contracts caused by the libor differentials between each foreign exchange currency pair.

The Board expects that dividends will constitute the principal element of the return to the holders of Ordinary Shares.

The Company declared the following dividends in respect of the profit for the period ended 31 March 2016:

Period to	Dividend rate per Share (pence)	Net dividend paid - Income (£)	Ex-dividend date	Record date	Pay date
31 October 2015	0.50	744,179	19 November 2015	20 November 2015	30 November 2015
30 November 2015	0.50	744,179	17 December 2015	18 December 2015	31 December 2015
31 December 2015	0.50	744,179	21 January 2016	22 January 2016	29 January 2016
31 January 2016	0.50	744,179	18 February 2016	19 February 2016	29 February 2016
29 February 2016	0.50	746,679	17 March 2016	18 March 2016	31 March 2016
31 March 2016	0.50	746,679	16 April 2016	17 April 2016	30 April 2016

Under the Companies (Guernsey) Law, 2008, the Company can distribute dividends from capital and revenue reserves, subject to the net asset and solvency test. The net asset and solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Board confirms that the Company passed the net asset and solvency test for each dividend paid.

19. Ultimate Controlling Party

In the opinion of the Directors on the basis of shareholdings advised to them, the Company has no ultimate controlling party.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 October 2015 to 31 March 2016

20. Subsequent Events

These Unaudited Condensed Interim Financial Statements were approved for issuance by the Board on 12 May 2016. Subsequent events have been evaluated until this date.

On 4 April 2016, the Company announced that pursuant to the quarterly tender for the period ending 31 March 2016, all of the 2,588,206 tendered shares were placed for 86.03 pence per Ordinary share.

On 11 April 2016, 1,493,270 treasury shares were re-issued for a total consideration of £1,285,705.

As at the date of the Unaudited Condensed Interim Financial Statements the Company had 150,829,151 shares in use of which 5,080,617 were held in treasury.

On 14 April 2016, the Company declared a dividend of 0.05p per share.

On 12 May 2016, the Company declared a dividend of 0.05p per share.