



30 June 2021

UK Mortgages Limited is a LSE-quoted listed closed-ended fund managed by TwentyFour Asset Management LLP.

Commentary

Mortgage and Housing Market

The onset of summer and the initial tapering of Stamp Duty relief at the end of June has slowed the momentum in housing and mortgage markets, as buyers and sellers catch their breath, and solicitors, valuers, agents and lenders try to take something of a well-earned break.

Halifax reported a year-on-year rise in house prices of 7.6% to July vs 8.7% the previous month, whilst the BoE reported a fall in mortgage approvals in June to 81.3k from 86.9k in May as buyers ran out of time to take advantage of the tax break. That said, the tapered relief remains in place until the end of September, so lenders expect a further rush towards the end of the summer as buyers aim to lock in the still significant saving.

RMBS Market

Similarly, the UK RMBS market headed for the summer break with a slowdown in new issue flow, although investor demand remains strong with the couple of deals that did emerge just as summer began, both pricing at solid levels. The curve continues to flatten, driven by demand for mezzanine bonds and investor sentiment favouring longer credit duration tranches in both primary and secondary.

Fund Commentary

The onset of summer has also meant a quieter period for the portfolio management team, albeit after a flurry of activity through the first half of the year. With all of the major milestones that were set at the beginning of the year now completed successfully, the vast majority of the second half is likely to be characterised by steady and growing income as the second Keystone portfolio continues to grow. Expected monthly origination between £25m and £30m with a c.1% net margin will generate between £25,000 and £30,000 of incremental revenue every month – equal to around an extra 0.015p of additional income added to the NAV each month.

Meanwhile, in the background, we will be working towards the known future objectives for the first half of next year, such as refinancing the TML portfolios (due in February) and the likely securitisation of the second Keystone portfolio shortly thereafter.

The portfolios continue to perform as expected, with arrears in the TML portfolios continuing to improve now that full servicing has resumed following the various moratoriums and forbearance measure implementations imposed on lenders by the FCA during the height of the pandemic, and a similar improvement seen in the CHL pool. The Keystone loans continue to perform exemplarily with no arrears in sight. Furthermore, of the 29 loans granted a payment holiday (the lowest in the industry), 18 have already completely repaid their deferred amount. The other 11 are all entirely up to date with their repayment schedules – an outstanding performance.

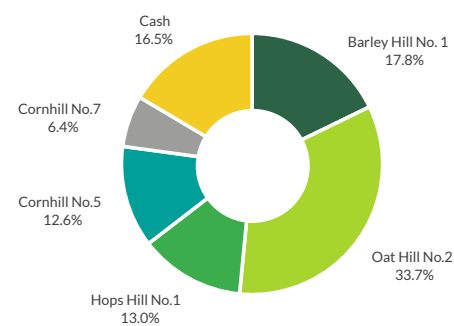
Investment Outlook

With the summer now upon us, the market is likely to remain quiet through August. However, as mentioned above, housing market activity is expected to rise sharply in September, and capital markets will surely follow. As a result, we expect spread performance to remain firm in the near term as all sectors continue to benefit from a solid technical backdrop.

Portfolio Summary	Buy-to-Let			Owner Occupied	
	Purchased	Forward Flow Originated			
	Oat Hill 2	Hops Hill 1	Cornhill 7	Barley Hill 1	Cornhill 5
Originator	Capital Home Loans	Keystone Property Finance		The Mortgage Lender	
Outstanding Balance	£456m	£395m	£116m	£113m	£224m
Number Accounts	3,571	1,781	400	715	1,170
Average Mortgage Size	£128k	£222k	£290k	£158k	£192k
WA Indexed LTV	60.66%	71.85%	72.16%	60.38%	66.30%
WA Interest Rate	1.37%	3.46%	3.44%	4.46%	3.90%
WA Remaining Term (mth)	106	261	282	268	300
WA Seasoning (mth)	173	14	1	35	18
3mth + Arrears (% balance)	1.38%	0.00%	0.00%	4.91%	0.85%

as at 30/06/2021

Investment breakdown



as at 30/06/2021

Fund Facts

Type of Fund:	Closed-ended Investment Scheme
Listing & Trading:	LSE Specialist Fund Market
ISA & SIPP Eligible:	Yes
Launch Date:	7th July 2015
Currency:	£ denominated
NAV Calculation:	As of the last business day of each month
Dealing:	Daily during LSE opening hours
Dividend:	Quarterly from April 2016
Market Capitalisation*:	£148.14mn
Shares in Issue*:	205mn
Price per Share*:	72.10p
NAV per Share*:	76.64p
NAV per Share (inc Dividend)*:	105.14p
Premium / (Discount) to NAV*:	-5.92%

Source: TwentyFour Asset Management. * as at 31/05/2021

Glossary

BoE:	Bank of England
BTL:	Buy-to-Let
EPC:	Energy Performance Certificate
HMRC:	Her Majesty's Revenue and Customs
RICS:	Royal Institute of Chartered Surveyors
RMBS:	Residential Mortgage Backed Securities
ONS:	Office of National Statistics
TML:	The Mortgage Lender

Trading Information

TIDM	UKML
ISIN	GG00BXDZMK63
SEDOL	BXDZMK6
AMC (%)	0.60

This figure may vary from year to year.

Fund Managers

Robert Ford
Partner, Portfolio Management, industry experience since 1986. Previously a Managing Director and Head of European ABS Trading at Barclays Capital.

Ben Hayward
Partner, Portfolio Management, industry experience since 1998. Previously he was a senior fund manager to four portfolios at Citi Alternatives.

Douglas Charleston
Portfolio Management, industry experience since 2006. Previous roles include structuring ABS at Lloyds, ratings analyst at S&P and a portfolio manager at Nationwide.

Silvia Piva
Portfolio Management, industry experience since 2007. Previously she was a structurer and originator at RBS covering UK financial institutions.

Shilpa Pathak
Portfolio Assistant, industry experience since 2013. Previous roles include an application development consultant at Dow Jones and a software developer at Dell.

Further Information



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Investment Objective

The Company aims to provide Shareholders with stable income returns through low leveraged exposure to portfolios of loans secured against UK residential property.

Investment Policy

The Company's investment policy is to invest in a diversified portfolio of UK residential mortgages.

- The Company will purchase legacy portfolios with strong observable performance histories or new portfolios with robust underwriting standards
- Primary origination mechanism may also be put in place
- Leverage will be used, initially via a banking facility, before fully securitized term structure put in place

This is only a summary; details of the Company's investment policy, including investment restrictions, are set out in the Prospectus.

IFRS 9

With regards to IFRS 9 – the company has been reporting its results in accordance with IFRS 9 since 1 July 2018. When making future loss provisions under IFRS 9 the low level of historic defaults in the UK mortgage sector and the credit protection afforded by the low LTV of the loans within our portfolio is factored into our provision calculations, along with the recent addition of mortgage payment holidays. The unaudited impact of IFRS 9 has been calculated at 1.22% on the Fund's NAV for the period ending 31 December 2020. The impact of expected credit losses is already modelled in the IRR calculations for our portfolios and is also included in our portfolio dividend and NAV models.

Key Risks

- **All financial investment involves risk. The value of your investment isn't guaranteed, and its value and income will rise and fall. Investors may not get back the full amount invested.**
- Past performance is not a reliable indicator of future performance, and the Fund may not achieve its investment objective.
- The fund can invest in portfolios of mortgages or the equivalent risk. The lenders of such products may not receive in full the amounts owed to them by underlying borrowers, affecting the performance of the Fund.
- Prepayment risks also vary and can impact returns.
- The fund employs leverage, which may increase volatility of the Net Asset Value.

OCF Breakdown

UK Mortgages Ltd	0.91%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.18%
	Total 1.08%
Servicing and Transaction costs (for information)*	2.38%

*Servicing and transaction costs are provided for information only as deal specific servicing and other transaction costs are included in IRR projections per investment. As at 31/05/2021.