TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund Limited

Annual Report and Audited Financial Statements

For the year ended 30 September 2019

CONTENTS

Corporate Information	2
Summary Information	3
Chairperson’s Statement	5
Portfolio Manager's Report	8
Top Twenty Holdings	12
Board Members	13
Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges	14
Directors’ Report	15
Statement of Directors’ Responsibilities	28
Directors’ Remuneration Report	30
Audit and Risk Committee Report	32
Alternative Investment Fund Manager’s Report	35
Depositary Statement	37
Independent Auditor’s Report	38
Financial Statements	
Statement of Comprehensive Income	44
Statement of Financial Position	45
Statement of Changes in Equity	46
Statement of Cash Flows	47
Notes to the Financial Statements	48

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 can 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, including currency and 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 arranging 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.

At launch the Company had a target net total return on the original issue price of between 8% and 10% per annum. This comprised 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, particularly given the current low interest rate environment. As such the total return generated has been lower than initially anticipated, although the 6p dividend per annum has consistently been met and the Portfolio Manager is confident, based on the current outlook, that this dividend target will be maintained in the current year. Refer to note 19 to the Financial Statements for details of the Company’s dividend policy.

In accordance with the Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution.

SUMMARY INFORMATION continued

Shareholder Information

Maitland Institutional Services Limited ("Maitland") 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.

Financial Highlights

	Year ended 30.09.19	Year ended 30.09.18
Total Net Assets	£167,827,286	£169,743,090
Net Asset Value per Share	90.63p	93.17p
Share price	93.00p	97.00p
Premium to NAV	2.62%	4.11%
Dividends declared during the year	6.34p	6.55p
Dividends paid during the year	6.55p	6.56p

As at 4 December 2019, the premium had moved to 1.93%. The estimated NAV per share and share price stood at 91.83p and 93.60p, respectively.

Results are discussed further in the Director's Report on pages 16 and 17.

Ongoing Charges

Ongoing charges for the year ended 30 September 2019 have been calculated in accordance with the Association of Investment Companies (the "AIC") recommended methodology. The ongoing charges for the year ended 30 September 2019 were 1.12% (30 September 2018: 1.18%) on an annualised basis.

CHAIRPERSON'S STATEMENT

For the year ended 30 September 2019

The financial year started with challenging conditions for investors with largely weaker corporate earnings, slower global growth expectations from the International Monetary Fund ("IMF") and a very hawkish October 2018 commentary from the Federal Reserve ("Fed"). Sentiment was impacted when Fed Chair, Powell raised the possibility of Fed Funds being tightened beyond the perceived neutral rate, creating fears of a policy error. As a result global stock markets had the worst month in 6 years and the benchmark 10 year US Treasury yield breached the 3.25% resistance level. Geopolitical fears and comments from President Trump reiterating his disapproval of Powell and the Fed's tightening bias added further to volatility.

At the November 2018 Federal Open Market Committee ("FOMC") meeting Powell made a complete U-turn and his dovish tone resulted in a sharp turnaround for the interest rates market, sending the 10 year US Treasury Yield below 3%. Nevertheless the Fed increased the Fed Funds rate to 2.25-2.50% on 19 December 2018, but the market immediately began to sense that the next move would be lower, despite the Dot-plot charts suggesting the opposite.

Then on the 4 January 2019, at the American Economic Associations ("AEA") meeting in Atlanta, Powell emphasised that the Fed were adopting a data-dependant stance and that 'he wouldn't hesitate to adjust the balance sheet reduction if it was causing problems for the economy'. This supportive guidance led to a sharp rally in credit markets, reversing the credit spread widening seen in Q4-2018.

The key event over the summer was the Federal Open Markets Committee ("FOMC") meeting on 31 July 2019 when the Fed Funds rate was cut for the first time in a decade; Powell said it was a 'mid-cycle adjustment' but that it didn't mean the Fed would stop at just one cut. Amid this, and the trade tariff uncertainty, the key 2-10s yield curve briefly inverted, which many investors consider a reliable end-of-cycle predictor.

Over the reporting period sentiment was pulled in different directions by trade talks between USA and China and the emergence of tensions between the EU and USA over EU state subsidies added to concerns over the economic outlook in Europe. Narratives relating to these tensions continue to impact sentiment, volatility and the economic outlook and these remain unresolved.

Volatility in European assets remained relatively high driven by a difficult political backdrop and poor economic performance. Germany is especially sensitive to a fall in global trade and to the ongoing trade disputes and falling factory orders were an area of concern for investors and policy makers.

Reflecting this Mario Draghi struck a dovish note, stating that the European Central Bank ("ECB") saw risks tilted to the downside and 'they stood ready to adjust all instruments if necessary'. Draghi delivered on this in September 2019, announcing a further cut in the ECB refinancing rate to -50bps, further quantitative easing ("QE") from 1 November 2019 and tiering for bank reserve deposits held at the ECB. It remains to be seen if this policy will succeed in the 'real economy' but markets responded favourably.

Brexit news continued to dominate the headlines in the UK with paralysis in the political system adding to uncertainty and negotiating difficulties. Whilst the UK economy remained relatively resilient UK assets increasingly discounted high perceived risks from Brexit and potential domestic political fallout. These accounts will be approved on the 12 December 2019 which is election day in the UK and therefore the uncertainty remains as I write this. Hopefully by the time you read it that uncertainty will have been lifted.

CHAIRPERSON'S STATEMENT continued

For the year ended 30 September 2019

The portfolio managers recognised that the weaker sentiment and heightened volatility in Q4 2018 was an intra-cycle dip, rather than the start of an end-of-cycle period, and took the opportunity, to selectively add favoured credits at the shorter end of the credit curve. However, a lack of new issuance volume impaired secondary market flows limiting the availability of suitable assets. Despite demand for tap issues the portfolio managers declined a number of requests for new share issuance and only £3m of new shares were issued over the year.

Portfolio performance and dividends

Despite considerable economic uncertainty, geopolitical volatility and a very challenging period for markets in Q4 2018, the fund generated a respectable return over the financial year. The total return based on reinvestment of dividends for the year was 5.16% (NAV per Share). Reflecting the difficult backdrop the 3 months to 31 December 2018 produced a negative return of 2.92% but the last 9 months generated a strong 7.94% return.

Once again the key outperforming sector for the year was Banking, where the portfolio managers continue to be very selective. The net contribution from the banking sector was 2.92%, or 57% of the total return for the Fund, despite representing only 35% of the average allocation during the period. Insurance was another key performing sector generating a net contribution of 0.99%. The allocation to asset backed securities ("ABS") averaged 28% through the year but contributed a net 1.17% of the return, as the bonds were slow to recover from the sharp sell-off in late 2018. The portfolio managers still consider the sector to represent relative value and maintain the exposure. The only sectors where there were negative returns for the year were in European high yield corporates (net contribution -0.17%) and North American high yield corporates (net contribution -0.54%). These were primarily due to the underperformance in the French paper and pulp company, Lecta and US energy producer, EP Energy.

During the period, the Share Price dropped 4p (2018: 2.5p) but dividends totalling 6.55p (2018: 6.56p) were paid, therefore the Share Price return including dividends paid (but not reinvested) was 2.63% (2018: 4.08%). To some extent this reflects the fall in the premium to NAV which fell from 4.11% to 2.62%. Results are discussed further in the Director's Report on pages 16 and 17.

Moving forward

This economic and credit cycle is now extended and whilst defaults and recover rates remain attractive an expectation that this will not remain so forever is not unreasonable. Although the manager does not currently anticipate a significant change to existing conditions, we must be mindful that the quality of the general credit universe has fallen over the past decade. Favourable issuance terms have led to relaxed covenants and lower yields enabling weaker companies to refinance, often with extended maturities.

As a credit fund we are exposed to a deterioration in the credit environment and the higher yield we generate is a reward of illiquidity and credit risks. The focus of the Manager is very bottom up and is built on a strong understanding of each security held and the specific drivers of credit. This centres on only buying securities that satisfy strict criteria and then closely monitoring these, thus helping mitigate many risks more top down strategies incur.

The closed ended structure for this fund was chosen to enable the manager to exploit the illiquidity premium on certain types of fixed income security. This dramatically reduces any mismatch between the liquidity of the fund and that of the underlying assets held, making this the most prudent way to hold such assets.

CHAIRPERSON'S STATEMENT continued

For the year ended 30 September 2019

However, recent comments by Powell and Carney, Head of the Bank of England, about potential illiquidity in fixed income markets is a warning that the cost and availability of liquidity is not constant. High demand for fixed income products coupled with low yields and spreads has ensured robust issuance activity reducing the cost to deploy funds but secondary market liquidity can be problematic due to changes in the market eco-system including regulatory reforms. Whilst this can generate an illiquidity premium which feeds our strategy, we are very aware of the wider impact of a shift in liquidity and monitor this closely, benefiting from detailed liquidity analysis by the Manager and the AFIM.

The current economic expansion is the longest in modern history and hence investor sentiment is becoming more fragile. Geopolitical risks remain elevated and with global growth declining and economic risk growing the portfolio managers anticipate more frequent periods of volatility as the end of this cycle approaches. They intend to utilise any heightened volatility to source suitable new assets and maintain the relatively attractive yield without taking increased risks. As such the portfolio managers are confident that the Company's income will continue to be sufficient to maintain the 0.5p dividend per month for the year ahead.

Claire Whittet
Chair
12 December 2019

PORTFOLIO MANAGER'S REPORT

For the year ended 30 September 2019

The first half of the financial year was defined by two very distinct quarters. The first quarter began with a number of challenges for investors; with disappointing earnings from a number of bellwether corporates, such as Amazon and Caterpillar, and a sobering downgrade of global growth expectations from the International Monetary Fund ("IMF"). However, market sentiment became severely impaired following a very hawkish October 2018 commentary from Fed Chair, Jerome Powell, raising the possibility of Fed Funds being tightened beyond the perceived neutral rate, resulting in market fears of an impending policy error. This led to global stocks having their worst month in 6 years, the benchmark 10y US Treasury yield breaching the 3.25% resistance level and the key 2-10s curve briefly steepen to 34bps. Geopolitical fears then took hold again, resulting in Treasury yields retreating back, with volatility being further stoked by comments from President Trump who reiterated his disapproval of Powell and the Fed's tightening bias.

Sensing a repeat of the 'Bernanke-tantrum' of 2013 Powell adopted a dovish tone in his November 2018 statement, which resulted in a sharp change of direction for the rates market, with the 10y UST yield dipping below 3% and the 2s10s curve flatten by c.20bps over the month. As expected the Fed hiked Fed Funds to 2.25-2.50% on 19 December 2018 but the market then began to question whether the Fed would be able to hike at all in 2019; despite the Dot-plot charts suggesting the opposite. This uncertainty, coupled to some forced selling by international funds resulted in a weak quarter for sentiment and asset performance.

At the American Economic Associations ("AEA") meeting in Atlanta on 4 January 2019, Powell, who was joined by Janet Yellen and Ben Bernanke, emphasised that the Fed were taking a data-dependant stance and that 'he wouldn't hesitate to adjust the balance sheet reduction if it was causing problems for the economy'. The market took this as confirmation of a supportive Fed, leading to a sharp rally in credit markets, rapidly reversing the widening of Q4 2018; while the dovish stance led to a weaker USD, which in turn helped the EM sector to also recover.

Fresh round of talks between US and China helped market sentiment over the early spring period, although President Trump threatened to impose $11bn of tariffs on European goods, which led the EU to formally open trade talks. There was a brief reversal in sentiment in May 2019 as the US imposed restrictions on Huawei Corporation, together with negative rhetoric from the Trump administration claiming China had back-tracked on previous trade agreements. An agreement that the US-China talks could re-convene at the G20 meeting helped sentiment recover and this was supplemented by a very dovish tone from Powell, increasing expectations of further cuts to Fed Funds. The key event over the summer was the FOMC meeting on 31 July 2019 when Fed Funds were cut for the first time in a decade; Powell said it was a 'mid-cycle adjustment' but that it didn't mean the Fed would stop at just one cut. Amid this, and the trade tariff uncertainty, the key 2s10s yield curve briefly inverted, which many investors consider a reliable end-of-cycle predictor.

In the Eurozone, volatility continued in Italian Government Bonds ("BTPs"), as a disagreement between the EU and coalition government in Rome intensified over the budget deficit. Moody's added to the volatility by downgrading Italy's rating to Baa3. Italy continued to underperform their EU peers despite the Bank of Italy predicting a deficit of over 3% in 2019, although the downside was softened by the positive tone in the wider market. In Germany the ruling CDU lost the key Hesse elections, which ultimately resulted in Angela Merkel announcing her resignation as head of the party, although she intends to stay on as Chancellor until the end of her term in 2021. In France President Macron's popularity hit the low point as he caved-in to demands from a populist uprising against the perceived elitist nature of the French government. German factory orders began to concern investors in Q2 and Mario Draghi struck a dovish note, stating that the ECB saw risks tilted to the downside but they stood ready to adjust all instruments if necessary. This was, correctly, interpreted by the market that further stimulus was being planned and hence the market rallied in anticipation. In June, the market was left in no doubt about a supportive ECB when Draghi delivered a speech at the meeting in Sintra, where he stated 'additional stimulus if the outlook for Europe doesn't improve'.

PORTFOLIO MANAGER'S REPORT continued
For the year ended 30 September 2019

Meanwhile in the UK the news was dominated by the ongoing saga of Brexit. Talks failed around the key Irish border issue resulting in Theresa May being ousted as Prime Minister and a number of resignations (and sackings) in the Conservative party, resulting in new leader and Prime Minister Johnson losing a coalition majority in the House and being forced by Parliament to take 'no-deal' off the negotiating table with the EU. Hopes that a deal would be struck before the EU elections in May 2019 faded along with the leaving date of 31 October 2019, and the calling of a UK general election on the 12 December 2019 merely fuelled the uncertainty.

Portfolio Commentary
The portfolio managers recognised that the weaker sentiment and heightened volatility in Q4 2018 was an intra-cycle dip, rather than the start of an end-of-cycle period, and took the opportunity, where possible, to add favoured credits at the shorter end of the credit curve. However, a lack of new issuance volume, which impaired secondary market flow, did limit the availability of suitable assets and as such the portfolio managers declined a number of requests for new share issuance. The sharp improvement in market sentiment, following the Fed 'pivot' in January, added to the challenge of sourcing suitable assets; although the re-financing of the original AT1 ("Additional Tier 1") issues in 2013 and 2014 are now occurring in the market and is gradually creating new opportunity and alleviating any re-investment risk for the fund.

Overall the fund has performed in line with expectations this year ending 30 September 2019, generating a total return based on reinvestment of dividends of 5.16% for the year (NAV per Share), meeting its main goals of generating attractive income while protecting capital. As a comparison the Euro High Yield index generated a total return of 5.22% over the period, the Sterling High Yield 6.25% and Dollar High Yield indices 6.30%.

Market Outlook and Strategy
With the US economic expansion extending into record territory and geopolitical risks remaining elevated, in particular fears of a hard Brexit and an all-out trade war between the US and China, market commentary is invariably drawn to talk of when the next recession could appear. As a consequence market sentiment is relative fragile. Nevertheless, the supportive actions of central banks in 2019, including rate cuts from the Federal Reserve and a further rate cut and further quantitative easing from the ECB, have helped risk assets to perform strongly, even as risk-off rates products have also generated strong returns to more cautious investors. Thanks mainly to central bank actions, volatility remained relatively low during the period, apart from Q4 2018 when the portfolio managers ("PMs") were able to find very attractive investment opportunities, and this is likely to continue unless geopolitical risks become elevated. In this environment, trading will likely remain low, but with bond maturities also being relatively infrequent the PMs are confident of finding attractive reinvestment opportunities and maintaining the month income of 0.50p for the year.

Environmental, Social and Governance

Introduction
TwentyFour believes that Environmental, Social and Governance ("ESG") considerations can have a material influence on the value of investments. As such TwentyFour has a formal framework which incorporates ESG factors into its investment process. TwentyFour has a fourteen strong ESG steering group representing all areas of its business, including three partners, and is governed by the firm's Executive Committee.

PORTFOLIO MANAGER'S REPORT continued

For the year ended 30 September 2019

TwentyFour's ESG Investment Approach

TwentyFour believes that investment returns can be enhanced and protected by taking ESG considerations into account in the investment process, and has therefore adopted an Integration approach to ESG. As part of the firm's integrated investment approach every member of the investment team is required to 'own' the process. As such, all investment professionals at TwentyFour are responsible for including ESG factors in their investment decisions, and this forms part of their appraisal process. Currently, statistical evidence (Barclays Equity Gilt Study 2017) shows the strongest correlation between performance and governance, which is an area TwentyFour has focussed on since the firm's inception. Another of our firm's principles is to regularly meet companies that we invest in.

Integration

An integrated approach means that we are disciplined in including ESG parameters in our overall investment relative value analysis. In other words, ESG considerations are explicitly part of our investment process. As an anchor to our ESG investment process, we utilise a third party database in order to help provide measurement and context. This data has been incorporated into our proprietary 'Observatory' relative value database. The data covers a comprehensive number of ESG parameters for publically listed companies. This helps us in a number of ways. It allows our Portfolio Managers to place an issuer's ESG profile on a relative basis compared to its peers. We are thus better placed to identify the financial implications of any specific ESG risks including current controversies. Momentum (whether the company is on an improving ESG trend) through time is captured and finally our analysis highlights any areas where we specifically require to think about or engage with a company.

Just as we utilise company ratings, but never rely on them as we always conduct our own research, it is the same with ESG in that we do not solely rely on third party output. Depending on our interaction with a company or our knowledge of industry trends we are able to adjust scores as appropriate. There is a structural problem facing fixed income investors in that not all issuers are publically listed entities so the information set available in some instances may be sparse, or just very different. In such cases we have to conduct even more of our own analysis. Our model prompts portfolio managers with the most relevant standard questions regarding ESG factors which facilitate a consistent basis for such analysis.

ABS do not fit neatly into the model of corporates that ESG databases cover. While the sponsor or originator of the deal will likely be covered in the database, the issuer is typically a Special Purpose Vehicle ("SPV"), set up solely for the purpose of issuing the bonds. Given the limited operational scope of the SPV there is little opportunity for the issuer to engage in activities covering ESG. However, that does not mean that the sponsor's business, the asset pool, the servicing of the underlying loans and so on are impossible to analyse through an ESG lens. Fortunately in this strategy we build our own models for every security considered. We have constructed a number of data requirements that we feel are appropriate for structured credit and which are consistent with our ESG database. As mentioned our level of engagement is proportionately higher for these transactions. Thus we have integrated ESG factors into our ABS investment decisions.

Our ESG investment process from a top down view, which is implemented by every member of the portfolio management team, can be described as;

- Numerical ESG scores created
- ESG peer assessment provided
- Trend Analysis assessed (momentum)
- Controversies assessed
- Investment and valuation implications considered
- Engagement process when applicable

PORTFOLIO MANAGER'S REPORT continued

For the year ended 30 September 2019

In summary, we have produced a framework which integrates ESG into our existing relative value decision making process. Importantly, we have really focussed on making our model flexible and easy for portfolio managers to use. Sometimes ESG factors will be the dominant driver in an investment decision, other times much less so. Crucially our model has the ability to evolve and is flexible enough to adapt to future regulatory or investor demands.

Engagement and Voting

We believe in actively engaging on behalf of the Company's investors at a company, industry and regulatory level. As fixed income investors, our voting rights are limited, thus engagement as a fixed income manager is somewhat different to that of managers in the equity space. Our level of engagement is relatively high when appropriate. There are a number of reasons for this, though central is the experience level of our partners and portfolio managers who can easily engage with companies or industry bodies at the highest level when necessary. With respect to some issuers we will interact with them at multiple levels, from senior to junior debt, ABS to whole loans.

Our buying power also gives us the opportunity to engage. This is particularly the case in our ABS business where we are more often than not directly influencing the structure, asset mix and terms of a transaction.

We also engage on behalf of the Company's investors at the industry and regulatory level. TwentyFour Asset Management is an advisor to the Bank of England, the PRA/FCA, the UK Treasury, the European Commission, the European Banking Authority and a number of other EU Finance Ministries. Our firm is the only UK asset manager who are founding partners of the Prime Collateralised Securities ("PCS") initiative. We are in our fifth term as vice-chair of the Association for Financial Markets in Europe ("AFME") and a member of the Bank of England Residential Property Forum.

Screening

As mentioned above we can and do run funds which screen out investments or sectors, which our risk systems and models can easily accommodate.

Conclusion

We believe that our integrated approach across our strategies achieves the main objectives of responsible investing and is in the interest of our clients. We have more to do, and while we do not have all the answers we will always seek to improve our process through time. We will not however engage in the 'arms race' to have the largest profile with the most badges in an attempt to impress with our ESG credentials. That particular trend will reduce competition and at the margin will actually be negative for the advancement of responsible investing. As the industry evolves we have the platform to incorporate information and techniques where it makes sense for our investors and as such we are happy to openly engage with our clients to discuss ideas or requirements.

TwentyFour Asset Management LLP
12 December 2019

TOP TWENTY HOLDINGS
As at 30 September 2019

	Nominal/ Shares	Credit Security Sector	Fair Value * £	Percentage of Net Asset Value
Nationwide Bldg Society 10.25 29/06/2049	40,960	Financial - Banks	6,421,229	3.83
Coventry Bldg Society 6.875 31/12/2049	4,560,000	Financial - Banks	4,768,238	2.84
Aldermore Group 11.875 31/12/2049	3,350,000	Financial - Banks	3,443,015	2.05
Santander Uk	2,000,000	Financial - Banks	3,139,047	1.87
Bracken Midco1 8.875 15/10/2023	2,960,000	High Yield - European	2,809,825	1.67
Societe Generale 7.375 31/12/2049	2,960,000	Financial - Banks	2,533,027	1.51
Barclays PLC 7.875 31/12/2049	2,365,000	Financial - Banks	2,521,207	1.50
Oaknorth Bank 7.75 01/06/2028	2,500,000	Financial - Banks	2,512,500	1.50
Phoenix Group 5.75 31/12/2049	2,780,000	Financial - Insurance	2,501,363	1.49
Arbour Clo 2 15/05/2030	3,000,000	ABS	2,489,166	1.48
Banco de Sabadell 6.5 31/12/2049	2,800,000	Financial - Banks	2,482,273	1.48
Capital Bridging Finance 1 MEZZ 12/11/2018	2,500,000	ABS	2,418,750	1.44
Rothesay Life 6.875 31/12/2049	2,500,000	Financial - Insurance	2,397,856	1.43
Paragon Group of Companies 7.25 09/09/2026	2,200,000	Financial - Banks	2,348,636	1.40
St Pauls Clo 25/04/2030	2,835,000	ABS	2,257,280	1.35
Intesa Sanpaolo 7.75 31/12/2019	2,150,000	Financial - Banks	2,243,209	1.34
Onesavings Bank 9.125 31/12/2049	2,200,000	Financial - Banks	2,233,825	1.33
Deutsche Pfandbriefbank 5.75 31/12/2049	2,400,000	Financial - Banks	2,197,733	1.31
Banco Bilbao Vizcaya Argentaria 8.875 29/12/2049	2,200,000	Financial - Banks	2,156,450	1.28
Hayfin Emerald Clo 5.47 06/09/2031	2,500,000	ABS	2,140,750	1.28
Total			56,015,379	33.38

* 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 of bonds and asset backed securities (“ABS”) as at 30 September 2019 can be obtained from the Administrator on request.

BOARD MEMBERS

Biographical details of the Directors are as follows:

Claire Whittet - (Chair) (age 64)
Ms Whittet is a resident of Guernsey and has 40 years' experience in the banking industry. She joined Rothschild Bank International Ltd in 2003 as a Director and was latterly Managing Director and Co-Head before becoming a Non-Executive Director on her retirement in 2016. She 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 joining Rothschild. Ms Whittet holds a number of Non-Executive Directorships.

Ms Whittet has 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 64)
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 and 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.

Ian Martin - (Non-executive Director) (age 55)
Mr Martin has over 34 years' experience in finance gathered in a variety of multi asset investment focused roles in the UK, Asia, Switzerland and South America. More recently he was the Chief Investment Officer (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 multi asset trading as well as CIO and Managing Director of a Fund of Hedge funds company.

He has an MSc, is a Fellow of the Institute of Directors (IOD) holding the Chartered Director qualification as well as being a Chartered Member of the Chartered Institute of Securities and Investment (CISI). Currently he is a Director of Bedlam Family Office. Mr Martin was appointed to the Board on 15 July 2014.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED EXCHANGES

The following summarises the Directors' directorships in other public listed companies:

Company Name	Stock Exchange
Claire Whittet (Chair)	
BH Macro Limited	London
Eurocastle Investment Limited	Amsterdam
International Public Partnerships Limited	London
Riverstone Energy Limited	London
Third Point Offshore Investors Limited	London
Christopher Legge	
Ashmore Global Opportunities Limited	London
NB Distressed Debt Investment Fund Limited	London
Sherborne Investors (Guernsey) B Limited	London
Sherborne Investors (Guernsey) C Limited	London
Third Point Offshore Investors Limited	London
Ian Martin	
None	

DIRECTORS' REPORT

The Directors present their Annual Report and Audited Financial Statements for the year ended 30 September 2019.

Business Review

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 LSE on 10 March 2014.

Investment Objective and Policy
The investment objective and policy is set out in the Summary Information on page 3.

Discount/Premium to Net Asset Value
The Board monitors and manages the level of the share price discount/premium to NAV. In managing this, the Company can operate a share buyback facility whereby it may purchase, subject to various terms as set out in its Articles and in accordance with The Companies (Guernsey) Law, 2008, up to 14.99% of the Company's Ordinary Redeemable Shares in issue immediately following Admission for trading in the LSE.

The Company also offers investors a Quarterly Tender, contingent on certain factors, to provide Shareholders with a quarterly opportunity to submit Ordinary Shares for placing or repurchase by the Company at a price representing a discount of no more than 2% to the then prevailing NAV. For additional information refer to note 16 (ii) to the Financial Statements.

Shareholder Information
Shareholder information is set out in the Summary Information on page 3.

The Company has the ability to issue up to 18,517,915 ordinary shares under a TAP facility as approved at the Annual General Meeting ("AGM") on 4 July 2019. During the financial year ended 30 September 2019, the Company issued 3,000,000 shares being 2,000,000 shares on 3 October 2018 and 1,000,000 shares on 26 November 2018.

Going Concern
The Directors believe that, having considered the Company's investment objective (see Summary Information on page 3), financial risk management (see note 16 to the Financial Statements) and in view of the Company's holdings in cash and cash equivalents, the liquidity of investments and the income deriving from those investments, the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the financial statements.

Viability Statement
Under the UK Corporate Governance Code, the Board is required to make a "viability statement" which considers the Company's current position and principal risks and uncertainties combined with an assessment of the prospects of the Company in order to be able to state that they have a reasonable expectation that the Company will be able to continue in operation over the period of their assessment. The Board considers that three years is an appropriate period to assess the viability of the Company given the uncertainty of the investment world and the strategy period. In selecting this period the Board considered the environment within which the Company operates and the risks associated with the Company.

The Company's prospects are driven by its business model and strategy. The Company's aim is to provide investors with an attractive level of income and a focus on capital preservation in uncertain times, by investing in less liquid, high yielding credit securities.

DIRECTORS' REPORT continued

Viability Statement continued

The Board confirms they have performed a robust assessment of the principal risks facing the Company and the Board's assessment of the Company over the three year period has been made with reference to the Company's current position and prospects, the Company's strategy, and the Board's risk appetite having considered each of the Company's Principal Risks and Uncertainties summarised on pages 24 and 25.

The Board has also considered the Company's cash flows and income flows, its likely ability to pay dividends and the portfolio analysis, including but not limited to liquidity analysis, foreign exchange analysis, credit analysis and valuation analysis. The analysis has taken the form of stress tests on the Company as well as cash flow modelling based on a range of different market scenarios. All of the foregoing have been considered against the background of the Company's dividend target.

Key assumptions considered by the Board in relation to the viability of the Company are as follows:

Dividend Target

The ongoing viability of the Company and the validity of the going concern basis depend on the Company meeting its dividend target annually during the three-year period. In the event that the Company does not meet the dividend target as disclosed in note 19 to the Financial Statements, the Directors will convene a general meeting in accordance with the Continuation Vote requirements set out in note 16 to the Financial Statements. The Board acknowledges the increase in deficit as mentioned in the results section below and continues to monitor income closely to ensure the dividend target is met.

Quarterly Tenders

The Company has incorporated into its structure a mechanism for a quarterly tender to reduce the risk of Ordinary Shares trading at a discount to NAV. It is anticipated that the Company will tender on a quarterly basis for up to 20% of the Ordinary Shares in issue as at the relevant Quarter Record Date, subject to an aggregate limit of 50% of the Ordinary Shares in issue in any twelve month period ending on the relevant Quarter Record Date. In the event that quarterly tender applications, on any tender submission deadline, exceed the 50% limit, the Directors will convene a General Meeting in accordance with the Continuation Vote requirements set out in note 16 to the Financial Statements. The quarterly tenders will be at the discretion of the Board. Ordinary Shares trading at a discount to NAV over a long period of time may impact the viability of the Company.

The Board having considered the analysis above, have a reasonable expectation that the Company will remain viable over the three year period to 30 September 2022.

During the year 621,675 shares were tendered and repurchased.

Results

The results for the year are set out in the Statement of Comprehensive Income. The Directors paid income distributions of £11,740,789 in respect of the year ended 30 September 2019, a breakdown of which can be found in note 19 to the Financial Statements. The 30 September 2019 distribution which was declared on 10 October 2019 was paid on 31 October 2019.

Distributions made with respect to any income period comprise excess income, defined as (a) the total income of the portfolio for the period, (b) an additional amount paid out of capital to reflect any additional income in the course of any share subscriptions that took place during the period (including additional 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 from the foreign exchange contracts caused by the libor differentials between each foreign exchange currency pair.

DIRECTORS' REPORT continued

Results continued

The Company has seen a drop in retained earnings during the period. Retained earnings includes realised and unrealised gains and loss on the Company's assets such as bonds and foreign exchange derivatives, which are used purely for hedging, as well as security income. Securities purchased at a premium and large foreign exchange rate movements, of which both were notable in the period - for example the EUR versus GBP rate moved in the range 9.1% during the period - can affect retained earnings. However, the primary objective of the Company is to generate income and current and future income generation is continuingly being reviewed by the Company to ensure the dividend target is met, whilst continuing to improve and maintain the Company's retained earnings when possible.

Key Performance Indicators ("KPIs")

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives. Below are the main KPIs which have been identified by the Board for determining the progress of the Company:

- Monthly Dividends;
- Net Asset Value;
- Share Price;
- Discount/Premium; and
- Ongoing Charges.

A record of these measures is disclosed on page 4.

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 and on the last business day of each month, or market capitalisation of each class of share. For additional information refer to note 14 to the Financial Statements.

The Board considers that the interests of Shareholders, as a whole, are best served by the ongoing appointment of the Portfolio Manager to achieve the Company's investment objectives.

Alternative Investment Fund Manager ("AIFM")

Alternative investment fund management services are provided by Maitland Institutional Services Limited ("Maitland") (formerly Phoenix Fund Services (UK) Limited). The AIFM fee is payable quarterly in arrears at a rate of 0.07% of the NAV 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. For additional information refer to note 15 to the Financial Statements.

Custodian and Depositary

Custody and Depositary services are provided by Northern Trust (Guernsey) Limited. The terms of the Depositary agreement allow Northern Trust (Guernsey) Limited to receive professional fees for services rendered. The Depositary agreement includes custodian duties. For additional information refer to note 15 to the Financial Statements.

Directors

The Directors of the Company during the year and at the date of this Report are set out on page 2.

Directors' and Other Interests

The Directors of the Company held the following Ordinary Shares beneficially:

DIRECTORS' REPORT continued

Directors' and Other Interests continued

	30.09.19 Shares	30.09.18 Shares
Claire Whittet	25,000	25,000
Christopher Legge	50,000	50,000
Ian Martin	35,000	35,000

The Board do not hold any shareholdings in entities where the Company has a stake in the same entity that amounts to more than 1% of its portfolio.

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment company in order to comply with the principles of the UK Corporate Governance Code (the "UK Code"). The Company is also required to comply with the Code of Corporate Governance (the "GFSC Code") issued by the Guernsey Financial Services Commission.

The UK Listing Authority requires all UK premium listing companies to disclose how they have complied with the provisions of the UK Code. This Corporate Governance Statement, together with the Going Concern Statement, Viability Statement and the Statement of Directors' Responsibilities set out on pages 28 to 29, indicates how the Company has complied with the principles of good governance of the UK Code and its requirements on Internal Control.

The Company is a member of the AIC and by complying with the AIC Code of Corporate Governance (the "AIC Code") is deemed to comply with both the UK Code and the GFSC Code.

The Board has considered the principles and recommendations of the AIC Code, by reference to the guidance notes provided by the AIC Guide, and consider that reporting against these will provide better information to shareholders. To ensure ongoing compliance with these principles the Board reviews a report from the Corporate Secretary at each quarterly meeting, identifying how the Company is in compliance and identifying any changes that might be necessary.

The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. The UK Code is available in the Financial Reporting Council's website, www.frc.org.uk.

Throughout the year ended 30 September 2019, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the Chief Executive;
- Executive Directors' remuneration;
- Annually assessing the need for an internal audit function;
- Senior Independent Director;

For the reasons set out in the AIC Guide, the Board considers that the first three provisions are not relevant to the position of the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The reason for not appointing a Senior Independent Director is set out on page 19.

DIRECTORS' REPORT continued

Corporate Governance continued
There have been no other instances of non-compliance, other than those noted above.

The AIC updated its Code on 5 February 2019 to reflect revised Principles and Provisions included in the UK Corporate Governance Code which was revised in 2018. These changes apply to financial years beginning on or after 1 January 2019 and the Directors intend to report on the Company's compliance with the changes in the Annual Report for the year ended 30 September 2020.

Role, Composition and Independence of the Board
The Board is the Company's governing body and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board's responsibilities for the Annual Report and Audited Financial Statements are set out in the Statement of Directors' Responsibilities on pages 28 to 29.

The Board currently consists of three non-executive Directors, all of whom are considered to be independent of the Portfolio Manager and as prescribed by the Listing Rules.

The Board does not consider it appropriate to appoint a Senior Independent Director because all Directors are deemed to be independent by the Company. The Board considers it has the appropriate balance of diverse skills and experience, independence and knowledge of the Company and the wider sector, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making. The Chair is responsible for leadership of the Board and ensuring its effectiveness.

Chair
The Chair is Claire Whittet. The Chair of the Board must be, and is considered to be, independent for the purposes of Chapter 15 of the Listing Rules.

Biographies for all the Directors can be found on page 13. Furthermore, the Board:

- has no current or historical employment with the Portfolio Manager; and
- has no current directorships in any other investment funds managed by the Portfolio Manager.

The Board needs to ensure that the Annual Report and Audited Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In seeking to achieve this, the Directors have set out the Company's investment objective and policy and have explained how the Board and its delegated Committees operate and how the Directors review the risk environment within which the Company operates and set appropriate risk controls. Furthermore, throughout the Annual Report and Audited Financial Statements the Board has sought to provide further information to enable shareholders to have a fair, balanced and understandable view.

The Board has contractually delegated responsibility for the management of its investment portfolio, the arrangement of custodial and depositary services and the provision of accounting and company secretarial services.

DIRECTORS' REPORT continued

Corporate Governance continued

Role, Composition and Independence of the Board continued
The Board is responsible for the appointment and monitoring of all service providers to the Company.

The Directors are kept fully informed of investment and financial controls and other matters by all services providers that are relevant to the business of the Company and should be brought to the attention of the Directors.

The Company has adopted a policy that the composition of the Board of Directors, which is required by the Company's Articles to comprise of at least two persons, is at all times such that a majority of the Directors are independent of the Portfolio Manager and any company in the same group as the Portfolio Manager; the Chair of the Board of Directors is free from any conflicts of interest and is independent of the Portfolio Manager and of any company in the same group as the Portfolio Manager; and that no more than one director, partner, employee or professional adviser to the Portfolio Manager or any company in the same group as the Portfolio Manager may be a Director of the Company at any one time.

The Board has a breadth of experience relevant to the Company and the Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new director appointment to the Board, consideration will be given as to what induction process is appropriate.

The Board has also given careful consideration to the recommendations of the Davies Review. The Board has reviewed its composition and believes that the current appointments provide an appropriate range of skills, experience and diversity. In order to maintain its diversity, the Board is committed to continuing its implementation of the recommendations of the Davies Review as part of its succession planning over future years and complying with the disclosure requirements of DTR 7.2.8 in terms of the Company's diversity policy.

Cross-Directorships
Ms Whittet and Mr Legge both hold positions on the Board of Third Point Offshore Investors Ltd, a London listed Company, as noted on page 14. The Board does not consider this to be a threat to their independence.

Directors' Attendance at Meetings
The Board holds quarterly Board meetings, to discuss general management including: dividend policy, structure, finance, corporate governance, marketing, risk management, liquidity, compliance, asset allocation and gearing, contracts and performance. The quarterly Board meetings are the principal source of regular information for the Board enabling it to determine policy and to monitor performance, compliance and controls but these meetings are also supplemented by communication and discussions throughout the year.

A representative from each of the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and Corporate Broker attends each Board meeting either in person or by telephone thus enabling the Board to fully discuss and review the Company's operation and performance. Each Director has direct access to the Portfolio Manager and Company Secretary and may, at the expense of the Company, seek independent professional advice on any matter.

Both appointment and removal of these parties is to be agreed by the Board as a whole.

The Audit and Risk Committee meets at least twice a year, the Management Engagement Committee ("MEC") and Remuneration and Nomination Committee meet at least once a year, a dividend meeting is held monthly and there are additional meetings covering the Quarterly Tender as and when necessary. In addition, ad hoc meetings of the Board to review specific items between the regular scheduled quarterly meetings can be arranged. Between formal meetings there is regular contact with the Portfolio Manager, AIFM, Administrator, Custodian and Depositary and the Corporate Broker.

DIRECTORS' REPORT continued

Corporate Governance continued

Directors' Attendance at Meetings continued

Although two of the Directors hold other listed Board positions, none of these is for a trading company and the Board is satisfied that they have sufficient time commitment to carry out their duties for the Company as evidenced by their attendance at the Board, Audit and Management Engagement Committee meetings during the year which was as follows:

	Board Meetings		Audit and Risk Committee Meetings		Management Engagement Committee		Remuneration and Nomination Committee Meetings		Ad hoc Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Claire Whittet	5	5	2	2	1	1	1	1	16	10
Christopher Legge	5	5	2	2	1	1	1	1	16	12
Ian Martin	5	5	2	2	1	1	1	1	16	13

At the Board meetings, the Directors review the management of the Company's assets and liabilities and all other significant matters so as to ensure that the Directors maintain overall control and supervision of the Company's affairs.

Election of Directors

The election of Directors is set out in the Directors' Remuneration Report on pages 30 to 31.

Board Performance and Training

During the year the Board undertook an annual self-evaluation and Chair evaluation and discussed the results in September 2019. The Board assessed and discussed their composition and balance of skills, board processes, information flows, any areas for additional training, board dynamics, accountability and their effectiveness. There were no material findings from this evaluation.

In 2017, the Board commissioned Optimus Group Limited ("Optimus") to conduct an independent evaluation of the performance of the Board, its committees and its individual Directors including mapping its performance to the UK Code, the AIC Code and the AIC Handbook for Directors of Investment Companies. The conclusion of the evaluation was positive and Optimus were satisfied that the Board is compliant with the Code in those areas reviewed. Following the review the Board created the Remuneration and Nomination Committee. The next external evaluation will take place during 2020.

On appointment to the Board, Directors will be offered relevant training and induction. Training is an on-going matter as is discussion on the overall strategy of the Company and the Board met with the Portfolio Manager early in the year to discuss these matters.

On appointment to the Board, each Director considered the expected time needed to discharge their responsibilities effectively. The Directors confirmed that each had sufficient time to allocate and would inform the Board of any subsequent changes.

In respect of the Criminal Finances Act 2017 which has introduced a new corporate criminal offence ("CCO") of 'failing to take reasonable steps to prevent the facilitation of tax evasion', the Board confirms that they are committed to zero tolerance towards the criminal facilitation of tax evasion.

Retirement by Rotation

Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. The Directors are also required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective. Notwithstanding the foregoing, all Directors have agreed to stand for re-election annually.

DIRECTORS' REPORT continued

Corporate Governance continued

Board Committees and their Activities

Terms of Reference
All Terms of Reference of the Board's Committees are available from the Administrator upon request.

Management Engagement Committee
The Board has established a Management Engagement Committee with formal duties and responsibilities. The Management Engagement Committee commits to meeting at least once a year and comprises the entire Board with Ian Martin appointed as Chair. These duties and responsibilities include the regular review of the performance, fees and contractual arrangements with the Portfolio Manager and other service providers and the preparation of the Committee's annual opinion as to the Portfolio Manager's services.

The Management Engagement Committee carried out its review of the performance and capabilities of the Portfolio Manager at its meeting during the year and the Board recommended the continued appointment of TwentyFour Asset Management LLP as Portfolio Manager to be in the interest of the Company.

The Board conducts an annual strategy day with the PMs at their offices and in addition to this attended the PMs Annual conference. The Board also conducted a site visit at Maitland Institutional Services Limited the AFIM for the Company.

The Board considers that the interests of Shareholders, as a whole, are best served by the ongoing appointment of the AIFM and Custodian and Depositary to achieve the Company's investment objectives.

Audit and Risk Committee
An Audit and Risk Committee has been established consisting of all Directors with Christopher Legge appointed as Chair. As there are only 3 Directors of the Company, the Board considers it appropriate that all Directors should be members of the Audit and Risk Committee. The terms of reference of the Audit and Risk Committee provide that the committee shall be responsible, amongst other things, for reviewing the Interim and Annual Financial Statements, considering the appointment and independence of external auditors, discussing with the external auditors the scope of the audit and reviewing the Company's compliance with the AIC Code.

Further details on the Audit and Risk Committee can be found in the Audit and Risk Committee Report on page 32.

Remuneration and Nomination Committee
The Remuneration and Nomination Committee has been established consisting of all Directors with Christopher Legge appointed as Chair.

The Committee met on the 6 September 2019.

During the meeting an independent report regarding Non-executive Directors' fees in 2018 was tabled. After consideration of the report it was suggested that the directors' fees be increased to the following: Chair: £44,000 (4.8% increase), Audit Committee Chair: £38,500 (4.1% increase), MEC Chair £33,500 (4.7% increase) and an ordinary Director £31,500 (5% increase). It was agreed to make a recommendation to the Board to increase the fees as suggested with effect from 1 October 2019.

Diversity of the Board was discussed and it was noted that the split of 33% remained within the gender diversity guidelines. The Committee also discussed the skills and experience of the Board and considers them adequate to fulfill their duties.

DIRECTORS' REPORT continued

Corporate Governance continued

International Tax Reporting

For purposes of the US Foreign Account Tax Compliance Act, the Company registered with the US Internal Revenue Service ("IRS") as a Guernsey reporting Foreign Financial Institution ("FFI"), received a Global Intermediary Identification Number (E5XSVA.99999.SL.831), and can be found on the IRS FFI list.

The Common Reporting Standard ("CRS") is a global standard for the automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development ("OECD"), which has been adopted in Guernsey.

The Board ensures that the Company is compliant with Guernsey regulations and guidance in this regard. The activities of the Company do not constitute relevant activities as defined by the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 (as amended) and as such the Company was out of scope.

Strategy

The strategy for the Company is to capture the illiquidity premium that is associated with 'off the run' bond issues. As part of the general search for high conviction, relative value securities the Portfolio Manager continually came across interesting investment opportunities but too often these bonds did not offer sufficient liquidity to use in the typical daily mark-to-market UCITs funds, however they are suitable for closed ended vehicles. By remaining highly selective and without conceding on underlying credit quality, the strategy targets a monthly distribution of 0.5p per share, with all excess income, as discussed in the Results section of the Director's Report on pages 16 and 17, being distributed to investors at the year-end of the Company.

Internal Controls

The Board is ultimately responsible for establishing and maintaining the Company's system of internal financial and operating control and for maintaining and reviewing its effectiveness. The Company's risk matrix continues to be the core element of the Company's risk management process in establishing the Company's system of internal financial and reporting control. The risk matrix is prepared and maintained by the Board which initially identifies the risks facing the Company and then collectively assesses the likelihood of each risk, the impact of those risks and the strength of the controls operating over each risk. The system of internal financial and operating control is designed to manage rather than to eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

These controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained and the financial information for publication is reliable. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

This process has been in place for the year under review and up to the date of approval of this Annual Report and Audited Financial Statements and is reviewed by the Board and is in accordance with the AIC Code.

The AIC Code requires Directors to conduct at least annually a review of the Company's system of internal financial and operating control, covering all controls, including financial, operational, compliance and risk management. The Board has evaluated the systems of internal controls of the Company. In particular, it has prepared a process for identifying and evaluating the significant risks affecting the Company and the policies by which these risks are managed. The Board also considers whether the appointment of an internal auditor is required and has determined that there is no requirement for a direct internal audit function.

DIRECTORS' REPORT continued

Corporate Governance continued

Internal Controls continued
The Board has delegated the day to day responsibilities for the management of the Company's investment portfolio, the provision of depositary services and administration, registrar and corporate secretarial functions including the independent calculation of the Company's NAV and the production of the Annual Report and Financial Statements which are independently audited.

Formal contractual agreements have been put in place between the Company and providers of these services. Even though the Board has delegated responsibility for these functions, it retains accountability for these functions and is responsible for the systems of internal control. At each quarterly Board meeting, compliance reports are provided by the Administrator, Company Secretary, Portfolio Manager, AIFM and Depositary. The Board also receives confirmation from the Administrator of its accreditation under its Service Organisation Controls 1 report.

The Company's risk exposure and the effectiveness of its risk management and internal control systems are reviewed by the Audit and Risk Committee at its meetings and annually by the Board. The Board believes that the Company has adequate and effective systems in place to identify, mitigate and manage the risks to which it is exposed. Principal Risks and Uncertainties are summarised below.

Principal Risks and Uncertainties
The Board is responsible for the Company's system of internal financial and reporting controls and for reviewing its effectiveness. The Board is satisfied that by using the Company's risk matrix as its core element in establishing the Company's system, internal financial and reporting controls while monitoring the investment limits and restrictions set out in the Company's investment objective and policy, that the Board has carried out a robust assessment of the principal risks and uncertainties facing the Company.

The principal risks which have been identified and the steps which are taken by the Board to mitigate them are as follows:

Market risk
The underlying investments comprised in the portfolio are subject to market risk. The Company is therefore at risk that market events may affect performance and in particular may affect the value of the Company's investments which are valued on a marked to market basis. Market risk is the risk associated with changes in market prices, including spreads, economic uncertainty, changes in laws and political (national and international) circumstances. While the Company, through its investments in Credit Securities intends to hold a diversified portfolio of assets, factors such as levels of sovereign debt or political events may have a material impact which could be materially detrimental to the performance of the Company's investments.

Under extreme market conditions the portfolio may not benefit from diversification. For additional information refer to Note 16 to the Financial Statements.

Liquidity risk
Investments made by the Company may be illiquid and this may limit the ability of the Company to realise its investments for the purposes of cash management, such as generating cash for dividend payments to Shareholders or buying back Ordinary Shares under the Quarterly Tenders or in the market. Substantially all of the assets of the Company are invested in Credit Securities. There may be no active market in the Company's interests in Credit Securities and the Company may be required to provide liquidity to fund Tender Requests or repay any borrowings. The Company does not have redemption rights in relation to any of its investments. As a consequence, the value of the Company's investments may be materially adversely affected. For additional information refer to note 16 to the Financial Statements.

DIRECTORS' REPORT continued

Corporate Governance continued

Principal Risks and Uncertainties continued

Credit risk
The Company may not achieve the Dividend Target and investors may not get back the full value of their investment because the Company invests in Credit Securities issued by other companies, trusts or other investment vehicles which, compared to bonds issued or guaranteed by governments, are generally exposed to greater risk of default in the repayment of the capital provided to the issuer or interest payments due to the Company. The amount of credit risk is indicated by the issuer's credit rating which is assigned by one or more internationally recognised rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but generally provides a good indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. There is a risk that an internationally recognised rating agency may assign incorrect or inappropriate credit ratings to issuers. Issuers often issue securities which are ranked in order of seniority which, in the event of default, would be reflected in the priority in which investors might be paid back.

The level of defaults in the portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

In the event of a default of a Credit Security, the Company's right to recover will depend on the ability of the Company to exercise any rights that it has against the borrower under the insolvency legislation of the jurisdiction in which the borrower is incorporated. As a creditor, the Company's level of protection and rights of enforcement may therefore vary significantly from one country to another, may change over time and may be subject to rights and protections which the relevant borrower or its other creditors might be entitled to exercise. Refer to Investment Objective and Policy on page 3 for information regarding investment restrictions currently in place in order to manage credit risk. For additional information refer to note 16 to the Financial Statements.

Foreign currency risk
The Company is exposed to foreign currency risk through its investments denominated in currencies other than Sterling. The Company's share capital is denominated in Sterling and its expenses are incurred in Sterling. The Company's Financial Statements are maintained and presented in Sterling. At year end, of the foreign currency investments, approximately 51% are in Euros and 8% are in US Dollars. Amongst other factors affecting the foreign exchange markets, events in the Eurozone and U.S. may have an impact upon the value of the Euro and US dollar which in turn will impact the value of the Company's Euro and US dollar denominated investments. The Company manages its exposure to currency movements by using spot and forward foreign exchange contracts, which are rolled forward periodically. For additional information refer to note 16 to the Financial Statements.

Reinvestment risk
Quantitative easing resulted in lower yields across all fixed income products and tightening credit spreads. This could pose a challenge for the Portfolio Manager when it comes to reinvesting any monies that result from portfolio asset redemptions and income payments. The Portfolio Manager has recognised this potential challenge and performed ongoing cash flow analysis on the current portfolio; encouragingly the redemptions and expected income payments over the coming 12 months do not pose a significant challenge. Trying to predict market conditions years ahead is notoriously difficult, however the Portfolio Manager recognises there may be a requirement to be more opportunistic in terms of timing for new investments i.e. aim to reinvest when the market is most volatile and also to remain vigilant to requests for issuance of new shares. For further information refer to note 16 to the Financial Statements.

DIRECTORS' REPORT continued

Corporate Governance continued

Other Risks and Uncertainties

The Board has identified the following other risks and uncertainties along with steps taken to mitigate them:

Operational risks
The Company is exposed to the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, AIFM and the Custodian and Depositary amongst others. The Board and its Audit and Risk Committee regularly review reports from the Portfolio Manager, the AIFM, Administrator and Custodian and Depositary on their internal controls. The Administrator will report to the Portfolio Manager any valuation issues which will be brought to the Board for final approval as required.

Accounting, legal and regulatory risks
The Company is exposed to the risk that it may fail to maintain accurate accounting records, fail to comply with requirements of its Admission document and fail to meet listing obligations. The accounting records prepared by the Administrator are reviewed by the Portfolio Manager. The Portfolio Manager, Administrator, AIFM, Custodian and Depositary and Corporate Broker provide regular updates to the Board on compliance with the Admission document and changes in regulation. Changes in legal or regulatory environment can have a major impact on some classes of debt. The Portfolio Manager and Board monitor this and take appropriate action where needed.

Income recognition risk
The Board considers income recognition as another risk and uncertainty of the Company. The Portfolio Manager estimates the remaining life of the security and its likely terminal value, which has an impact on the effective interest rate of the Credit Securities which in turn impacts the calculation of interest income. The Board asked the Audit and Risk Committee to consider this risk with work undertaken by the Audit and Risk Committee as discussed on pages 32 to 34. As a result of this work, the Board is satisfied that income is appropriately stated in all material aspects in the Financial Statements.

Cyber security risks
The Company is exposed to risk arising from a successful cyber-attack through its service providers. The Company requests of its service providers that they have appropriate safeguards in place to mitigate the risk of cyber-attacks (including minimizing the adverse consequences arising from any such attack), that they provide regular updates to the Board on cyber security, and conduct ongoing monitoring of industry developments in this area. The Board is satisfied that the Company's service providers have the relevant controls in place to mitigate this risk.

Shareholder Engagement

The Board welcomes shareholders' views and places great importance on communication with its shareholders. Shareholders wishing to meet with the Chair and other Board members should contact the Company's Administrator.

The Portfolio Manager and Listing Sponsor maintain a regular dialogue with institutional shareholders, the feedback from which is reported to the Board.

The Company's AGM provides a forum for shareholders to meet and discuss issues of the Company and shareholders with the opportunity to vote on the resolutions as specified in the Notice of AGM. The Notice of the AGM and the results are released to the LSE in the form of an announcement.

Members of the Board attend investor days and conferences held by the Portfolio Manager.

An Extraordinary Resolution was proposed at the AGM on 4 July 2019 to dis-apply pre-emption rights to equity shares allotted by the Directors of the Company for cash, as if the pre-emption rights contained in the Articles in respect of such equity securities did not apply. It was carried by the necessary 75% of votes in favour.

DIRECTORS' REPORT continued

Corporate Governance continued

Shareholder Engagement continued
In addition, the Company maintains a website which contains comprehensive information, including links to regulatory announcements, share price information, financial reports, investment objectives and investor contacts.

Environmental, Social and Governance ("ESG") considerations
The Board, together with the Portfolio Manager, take ESG matters seriously and their approach is covered within the Portfolio Managers report on pages 9 to 11.

Significant Shareholdings
Shareholders with holdings of more than 3.0% of the Shares of the Company at 9 December 2019 were as follows:

	Number of shares	Percentage of issued share capital
Nortrust Nominees Limited	12,891,836	6.96%
Pershing Nominees Limited	10,558,038	5.70%
HSBC Global Custody Nominee (UK) Limited	9,086,625	4.91%
Huntress (CI) Nominees Limited	6,427,648	3.47%
State Street Nominees Limited	6,148,442	3.32%
W B Nominees Limited	5,923,269	3.20%
Hargreaves Lansdown (Nominees) Limited	5,900,918	3.19%
Roy Nominees Limited	5,635,000	3.04%

Those invested directly or indirectly in 3.0% or more of the issued share capital of the Company will have the same voting rights as other holders of the Shares.

Independent Auditor
A resolution for the reappointment of PricewaterhouseCoopers CI LLP was proposed and approved at the AGM on 4 July 2019.

Signed on behalf of the Board of Directors on 12 December 2019 by:

Chair Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Audited Financial Statements in accordance with applicable Guernsey law and regulations.

Guernsey Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") and applicable law.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for the oversight of the maintenance and integrity of the corporate and financial information in relation to the Company website; 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 financial statements since they were initially presented on the website.

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES continued

The Directors confirm that to the best of their knowledge:

(a) The Financial Statements have been prepared in accordance with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 30 September 2019.

(b) The Annual Report includes information detailed in the Chair's Statement, Portfolio Manager's Report, Directors' Report, Directors' Remuneration Report, Audit and Risk Committee Report, Alternative Investment Fund Manager's Report and Depositary Statement provides a fair review of the information required by:

(i) DTR 4.1.8 and DTR 4.1.9 of the Disclosure and Transparency Rules, being a fair review of the Company business and a description of the principal risks and uncertainties facing the Company; and

(ii) DTR 4.1.11 of the Disclosure and Transparency Rules, being an indication of important events that have occurred since the end of the financial year and the likely future development of the Company.

In the opinion of the Board, the Financial Statements taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy.

By order of the Board,

Chair Director
12 December 2019

DIRECTORS' REMUNERATION REPORT

The Directors' remuneration report has been prepared in accordance with the UK Code as issued by the UK Listing Authority. An ordinary resolution for the approval of the annual remuneration report was put to the shareholders at the AGM held on 4 July 2019.

Remuneration policy

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of shareholders.

It is the responsibility of the Remuneration and Nomination Committee to determine and approve the Directors' remuneration, who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chair's remuneration is decided separately and is approved by the Board as a whole.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

Remuneration

The Directors of the Company are remunerated for their services at such a rate as the Directors determine, provided that the aggregate amount of such fees does not exceed £150,000 per annum.

Directors are remunerated in the form of fees, payable quarterly in arrears, to the Director personally. No Directors have been paid additional remuneration by the Company outside their normal Director's fees and expenses.

In the year ended 30 September 2019 the Directors received the following annual remuneration in the form of Directors' fees:

Claire Whittet (Chair of the Board)	£42,000
Christopher Legge (Audit and Risk Committee Chairman)	£37,000
Ian Martin (MEC Chairman)	£32,000
Total	£111,000

As discussed in the Directors' Report on page 22, directors fees increased from 1 October 2019.

Appropriate Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued in February and July 2014. Each Director's appointment letter provides that, upon the termination of his/her appointment, that he/she must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

DIRECTORS' REMUNERATION REPORT continued

Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years but have opted for annual re-election. The Directors are required to seek re-election if they have already served for more than nine years. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors shown in note 14 to the Financial Statements are for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 12 December 2019 by:

Chair Director

AUDIT AND RISK COMMITTEE REPORT

On the following pages, we present the Audit and Risk Committee's Report, setting out the responsibilities of the Audit and Risk Committee and its key activities for the year ended 30 September 2019.

The Audit and Risk Committee has scrutinised the appropriateness of the Company's system of risk management and internal financial and operating controls, the robustness and integrity of the Company's financial reporting, along with the external audit process. The Audit and Risk Committee has devoted time to ensuring that controls and processes have been properly established, documented and implemented.

During the course of the year, the information that the Audit and Risk Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

The Audit and Risk Committee is supportive of the latest UK Code recommendations and other corporate governance organisations such as the AIC, and believes that the revised AIC Code, when issued, will allow the Audit and Risk Committee to further strengthen its role as a key independent oversight Committee.

A new version of the UK Code was issued during 2018 and was effective from 1 January 2019. The Audit and Risk Committee has considered the impact on its responsibilities with the Company and is well placed to ensure compliance.

Role and responsibilities

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information and any significant financial judgement contained therein, before publication.

In addition, the Audit and Risk Committee reviews the systems of internal financial and operating controls on a continuing basis that the Administrator, Portfolio Manager, AIFM, and Custodian and Depositary and the Board have established with respect to finance, accounting, risk management, compliance, fraud and audit. The Audit and Risk Committee also reviews the accounting and financial reporting processes, along with reviewing the roles, independence and effectiveness of the external auditor.

The ultimate responsibility for reviewing and approving the Annual and Interim Financial Statements remain with the Board.

The Audit and Risk Committee's full terms of reference can be obtained by contacting the Company's Administrator.

Risk management and internal control

The Board, as a whole, considers the nature and extent of the Company's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered that the Board has fulfilled its obligations under the AIC Code.

The Audit and Risk Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company's on-going risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit and Risk Committee through reports received from the Portfolio Manager, AIFM and Custodian and Depositary, along with those from the Administrator and external auditor.

Fraud, Bribery and Corruption

The Board has relied on the overarching requirement placed on the service providers under the relevant agreements to comply with applicable law, including anti-bribery laws. A review of the service provider policies took place at the Management Engagement Committee Meeting on 4 July 2019. The Board receives confirmation from all service providers that there has been no fraud, bribery or corruption.

AUDIT AND RISK COMMITTEE REPORT continued

Financial reporting and significant financial issues

The Audit and Risk Committee assesses whether suitable accounting policies have been adopted and whether the Portfolio Manager has made appropriate estimates and judgements. The Audit and Risk Committee reviews accounting papers prepared by the Portfolio Manager and Administrator which provides details on the main financial reporting judgements.

The Audit and Risk Committee also reviews reports by the external auditors which highlight any issues with respect to the work undertaken on the audit.

The significant issues considered during the year by the Audit and Risk Committee in relation to the Financial Statements and how they were addressed are detailed below:

(i) Valuation of investments:
The Company's investments had a fair value of £158,334,767 as at 30 September 2019 (30 September 2018: £162,829,994) and represent a substantial portion of net assets of the Company. As such this is the largest factor in relation to the consideration of the Financial Statements. These investments are valued in accordance with the Accounting Policies set out in note 2 and note 3 to the Financial Statements. The Audit and Risk Committee considered the valuation of the investments held by the Company as at 30 September 2019 to be reasonable based on information provided by the Portfolio Manager, AIFM, Administrator, Custodian and Depositary on their processes for the valuation of these investments.

(ii) Income Recognition:
The Audit and Risk Committee considered the calculation of income from investments recorded in the Financial Statements as at 30 September 2019. As disclosed in note 3(ii)(b) of the Notes to the Financial Statements, the estimated life of Credit Securities is determined by the Portfolio Manager, impacting the effective interest rate of the Credit Securities which in turn impacts the calculation of income from investments. The Audit and Risk Committee reviews the Portfolio Manager's processes at least annually for determining the expected life of the Company's investments and have found them to be reasonable based on the explanations provided and information obtained from the Portfolio Manager. The Auditor also reviews the processes and methodology supporting them. The Audit and Risk Committee was therefore satisfied that income was appropriately stated in all material aspects in the Financial Statements.

Following a review of the presentations and reports from the Portfolio Manager and Administrator and consulting where necessary with the external auditor, the Audit and Risk Committee is satisfied that the Financial Statements appropriately address the critical judgements and key estimates (both in respect to the amounts reported and the disclosures). The Audit and Risk Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

The Company's reporting currency is Sterling while a significant proportion of the investments owned are denominated in foreign currencies. The Company operates a hedging strategy designed to mitigate the impact of foreign currency rate changes on the performance of the Company. The Audit and Risk Committee has used information from the Administrator and Portfolio Manager to satisfy itself concerning the effectiveness of the hedging process, as well as to confirm that realised and unrealised foreign currency gains and losses have been correctly recorded.

At the Audit and Risk Committee meeting to review the Annual Report and Audited Financial Statements, the Audit and Risk Committee received and reviewed a report on the audit from the external auditors. On the basis of its review of this report, the Audit and Risk Committee is satisfied that the external auditor has fulfilled its responsibilities with diligence and professional scepticism. The Audit and Risk Committee advised the Board that these Annual Financial Statements, taken as a whole, are fair, balanced and understandable.

The Audit and Risk Committee is satisfied that the judgements made by the Portfolio Manager and Administrator are reasonable, and that appropriate disclosures have been included in the Financial Statements.

AUDIT AND RISK COMMITTEE REPORT continued

External Auditors
The Audit and Risk Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. PricewaterhouseCoopers CI LLP (“PwC”) were appointed as the first auditors of the Company. During the year the Audit and Risk Committee received and reviewed audit plans and reports from the external auditors. It is standard practice for the external auditors to meet privately with the Audit and Risk Committee without the Portfolio Manager and other service providers being present at each Audit and Risk Committee meeting.

To assess the effectiveness of the external audit process, the auditors were asked to articulate the steps that they have taken to ensure objectivity and independence, including where the auditor provides non-audit services. The Audit and Risk Committee monitors the auditors’ performance, behaviour and effectiveness during the exercise of their duties, which informs the decision to recommend reappointment on an annual basis.

The Company generally does not utilise external auditors for internal audit purposes, secondments or valuation advice. Services which are in the nature of audit, such as tax compliance, private letter rulings, accounting advice and disclosure advice are normally permitted but all non-audit services are required to be pre-approved by the Audit and Risk Committee.

The FRC Ethical Standards require that the audit engagement leaders on listed entities are rotated at least every 5 years. Roland Mills replaced Evelyn Brady as audit engagement leader following the signing of the Annual Report and Audited Financial Statements for the year ended 30 September 2018.

The following table summarises the remuneration paid to PwC and to other PwC member firms for audit and non-audit services in respect of the year ended 30 September 2019 and for the year ended 30 September 2018.

	Year ended 30.09.19	Year ended 30.09.18
PricewaterhouseCoopers CI LLP - Assurance work	£	£
- Annual audit of the Company	54,000	51,500
- Interim review	17,000	16,000
PricewaterhouseCoopers CI LLP - Non assurance work		
- Tax consulting and compliance services	15,000	15,000
- Ratio of assurance to non-assurance work	83% / 17%	82% / 18%

The Company does not qualify as an EU Public Interest Entity and is therefore not subject to the restrictions on non-audit services provided by its auditor under this regime.

For any questions on the activities of the Audit and Risk Committee not addressed in the foregoing, a member of the Audit and Risk Committee remains available to attend each AGM to respond to such questions.

The Audit and Risk Committee and Risk Report was approved by the Audit and Risk Committee on 12 December 2019 and signed on behalf by:

Christopher Legge
Chairman, Audit and Risk Committee

ALTERNATIVE INVESTMENT MANAGER'S REPORT

Maitland Institutional Services Ltd acts as the Alternative Investment Fund Manager ("AIFM") of TwentyFour Select Monthly Income Fund Limited ("the Company") providing portfolio management and risk management services to the Company.

The AIFM has delegated the following of its alternative investment fund management functions:

- It has delegated the portfolio management function for listed investments to TwentyFour Asset Management LLP.
- It has delegated the portfolio management function for unlisted investments to TwentyFour Asset Management LLP.

The AIFM is required by the Alternative Investment Fund Managers Directive 2011, 61/EU (the "AIFM Directive") and all applicable rules and regulations implementing the AIFM Directive in the UK (the "AIFM" Rules):

- To make the annual report available to investors and to ensure that the annual report is prepared in accordance with applicable accounting standards, the Company's articles of incorporation and the AIFM Rules and that the annual report is audited in accordance with International Standards on Auditing;
- Be responsible for the proper valuation of the Company's assets, the calculation of the Company's net asset value and the publication of the Company's net asset value; and,
- To make available to the Company's shareholders, a description of all fees, charges and expenses and the amounts thereof, which have been directly or indirectly borne by them,
- Ensure that the Company's shareholders have the ability to redeem their share in the capital of the Company in a manner consistent with the principle of fair treatment of investors under the AIFM Rules and in accordance with the Company's redemption policy and its obligations.

The AIFM is required to ensure that the annual report contains a report that shall include a fair and balanced review of the activities and performance of the Company, containing also a description of the principal risks and investment or economic uncertainties that the Company might face.

AIFM Remuneration

The AIFM is subject to a remuneration policy which meets the requirements of the Alternative Investment Fund Managers Directive (AIFMD) as out in SYSC 19B of the FCA Handbook.

The policy is designed to ensure practices for employee remuneration are consistent with, and promote, sound and effective risk management. It does not encourage risk-taking which is inconsistent with the risk profiles, rules or instrument of incorporation of the funds managed, and does not impair the AIFM's compliance with its duty to act in the best interests of the funds it manages.

The AIFM has reviewed the Remuneration Policy and its application in the last year which has resulted in no material changes to the policy or irregularities to process.

The remuneration disclosure does not include portfolio management activities as these are undertaken by various third party investment managers appointed by the AIFM. The investment manager is required to make separate public disclosure as part of their obligations under the Capital Requirements Directive.

The AIFM is required to disclose the total remuneration it pays to its staff during the financial year of the fund, split into fixed and variable remuneration, with separate aggregate disclosure for staff whose actions may have a material impact to the risk profile of a fund or the AIFM itself. This includes executives, senior risk and compliance staff and certain senior managers.

ALTERNATIVE INVESTMENT MANAGER'S REPORT continued

Year ending 30th September 2019	Number of beneficiaries	Fixed	Variable	Total
Total remuneration paid by the AIFM during the year	75	£5,162,113.68	£67,544	£5,229,657.68
Remuneration paid to employees who are material risk takers	6	£798,329.21	£32,694	£831,023.21

Further information is available in the AIFM's Remuneration Policy Statement which can be obtained from www.maitlandgroup.com or, on request free of charge, by writing to the registered office of the AIFM.

In so far as the AIFM is aware:

- There is no relevant audit information of which the Company's auditors or the Company's Board of directors are unaware; and
- The AIFM has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

We hereby certify that this report is made on behalf of the AIFM, Maitland Institutional Services Ltd.

R Ackermann
P.F. Brickley
Directors
Maitland Institutional Services Ltd
12 December 2019

DEPOSITARY STATEMENT
for the year ended 30 September 2019

Report of the Depositary to the Shareholders
Northern Trust (Guernsey) Limited has been appointed as Depositary to TwentyFour Select Monthly Income Fund Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of Maitland Institutional Services Limited (the "AIFM") and the Company for the year ended 30 September 2019, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation") and The Authorised Closed Ended Investment Scheme Rules 2008.

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM, the Company or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates is or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review
The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

Review
In our view, the Company has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document; and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited
12 December 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of TwentyFour Select Monthly Income Fund Limited (the "Company") as at 30 September 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements of the Company, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall materiality was £3.4 million which represents 2% of net assets.

Audit scope

- The Company is incorporated and based in Guernsey.
- We conducted our audit of the financial statements from information provided by Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") to whom the Board of directors has delegated the administration function. The Company engages TwentyFour Asset Management LLP (the "Portfolio Manager") to manage the investment portfolio. We had significant interaction with both the Administrator and the Portfolio Manager during our audit.
- We conducted all of our audit work in Guernsey.

Key audit matters

- Valuation of investments.

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company materiality	£3.4 million (2018: £3.4 million)
How we determined it	2% of net assets
Rationale for the materiality benchmark	We believe that net assets is the most appropriate benchmark because this is the key metric of interest to investors.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £168,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Key audit matter	How our audit addressed the Key audit matter
Valuation of investments Investments are designated as financial assets at fair value through profit or loss and are disclosed separately on the Statement of Financial Position (£158.3 million). Investments comprise a diverse portfolio of credit securities and are fair valued in accordance with the policies set out in note 2(e), and the fair value of investments and movement therein are further disclosed in notes 9 and 17 respectively. Investments represent the most significant balance on the Statement of Financial Position and, due to the market liquidity and assumptions underlying each security, the valuations are subject to management estimate, as detailed under note 3(ii)(a). Owing to the level of subjectivity that could be applied in fair valuing investments, the risk of manipulation or error could be material and as a result we have designated the valuation of investments as a significant audit risk.	• We understood and evaluated the internal control environment in place at the Administrator and the Portfolio Manager over the valuation of the investment portfolio. • We assessed the accounting policy for investment valuation compliance with International Financial Reporting Standards. • We performed testing to check that the investment valuations had been accounted for and applied consistently in accordance with the stated accounting policy. • We tested the valuation of investments by using our asset pricing team in the PwC UK network firm to reprice the portfolio. Prices were obtained by our pricing team from a range of sources, including exchange traded and consensus prices. Whilst we sought to reprice the entire portfolio, due to licensee access restrictions, for 6 of the 110 investments (representing 6% of the net asset value) our PwC pricing team were unable to obtain prices. The engagement team sought supporting evidence for these prices from the Administrator and/or the Portfolio Manager and in doing so, we also assessed the independence, reputation and reliability of the sources of the supporting evidence provided in these instances. • In order to determine the ongoing reliability of the investment valuations from period to period, we also, for a sample of disposals, compared the sales transaction price to the most recently recorded valuation prior to the disposal, which allowed us to assess the reliability of the valuation data at that point. • During the year the Board adopted a new investment fair value hierarchy philosophy (the hierarchy disclosure required by IFRS), which saw more granularity in the determination of what observable inputs are used in determining whether a price of an investment is Level 3 (based on unobservable data) or Level 2 (unquoted but based on observable data for the same/similar instruments). We obtained the Board approved fair value hierarchy philosophy and we engaged with the Board and the Portfolio Manager to understand the drivers for amending the principles therein. We also tested the Portfolio Manager's year-end process by evaluating a sample of the fair value hierarchy changes from Level 3 to Level 2. No matters or material differences were identified in our testing which required reporting to those charged with governance or that would lead us to believe that the portfolio of investments does not materially reflect fair value.

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Audited Financial Statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement set out on page 15 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT continued

TO THE MEMBERS OF TWENTYFOUR SELECT MONTHLY INCOME FUND LIMITED

- the directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and

- the part of the Corporate Governance Statement relating to the Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, 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.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands
12 December 2019

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2019

	Notes	Year ended 30.09.19 £	Year ended 30.09.18 £
Income			
Interest income on financial assets at fair value through profit and loss		12,308,151	11,969,011
Net foreign currency losses	8	(64,175)	(1,289,838)
Net losses on financial assets at fair value through profit or loss	9	(2,967,024)	(3,831,521)
Total income		9,276,952	6,847,652
Expenses			
Portfolio management fees	14	(1,265,691)	(1,201,499)
Directors' fees	14	(111,000)	(111,000)
Administration fees	15	(119,705)	(119,623)
AIFM management fees	15	(80,792)	(77,924)
Audit fee		(54,000)	(49,975)
Custody fees	15	(19,232)	(18,150)
Broker fees		(50,000)	(53,452)
Depositary fees	15	(27,861)	(26,523)
Legal fees		(68,567)	(71,162)
Other expenses		(96,972)	(168,151)
Total expenses		(1,893,820)	(1,897,459)
Total comprehensive income for the year		7,383,132	4,950,193
Earnings per Ordinary Share - Basic & Diluted	4	0.040	0.029

All items in the above statement derive from continuing operations.

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION
as at 30 September 2019

Assets	Notes	30.09.19 £	30.09.18 £
Current assets			
Financial assets at fair value through profit and loss			
- Investments	9	158,334,767	162,829,994
- Derivative assets: Forward currency contracts	16	686,397	10,686
Amounts due from broker		629,488	3,019,184
Other receivables	10	2,717,968	2,984,168
Cash and cash equivalents		7,197,759	6,834,535
Total current assets		169,566,379	175,678,567
Liabilities			
Current liabilities			
Amounts due to broker		444,938	4,810,956
Other payables	11	282,609	395,189
Financial liabilities at fair value through profit and loss			
- Derivative liabilities: Forward currency contracts	16	34,760	729,332
Interest income received in advance		976,786	-
Total current liabilities		1,739,093	5,935,477
Total net assets		167,827,286	169,743,090
Equity			
Share capital account	12	180,201,379	177,393,446
Retained earnings		(12,374,093)	(7,650,356)
Total equity		167,827,286	169,743,090
Ordinary Shares in issue	12	185,179,151	182,179,151
Net Asset Value per Ordinary Share (pence)	6	90.63	93.17

The Financial Statements on pages 44 to 78 were approved by the Board of Directors on 12 December 2019 and signed on its behalf by:

Chair Director

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2019

	Notes	Share capital account £	Retained earnings £	Total £
Balance at 1 October 2018		177,393,446	(7,650,356)	169,743,090
Issue of shares		2,847,700	-	2,847,700
Share issue costs		(33,602)	-	(33,602)
Income equalisation on new issues	5	(6,165)	6,165	-
Distributions paid		-	(12,113,034)	(12,113,034)
Total comprehensive income for the year		-	7,383,132	7,383,132
Balance at 30 September 2019		180,201,379	(12,374,093)	167,827,286

	Notes	Share capital account £	Retained earnings £	Total £
Balance at 1 October 2017		157,001,121	(1,793,164)	155,207,957
Issue of shares		20,817,500	-	20,817,500
Share issue costs		(244,606)	-	(244,606)
Income equalisation on new issues	5	(180,569)	180,569	-
Distributions paid		-	(10,987,954)	(10,987,954)
Total comprehensive income for the year		-	4,950,193	4,950,193
Balance at 30 September 2018		177,393,446	(7,650,356)	169,743,090

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS
for the year ended 30 September 2019

	Notes	Year ended 30.09.19 £	Year ended 30.09.18 £
Cash flows from/(used in) operating activities			
Total comprehensive income for the year		7,383,132	4,950,193
Adjustments for:			
Net losses on financial assets at fair value through profit or loss	9	2,967,024	3,831,521
Amortisation adjustment under effective interest rate method	9	(511,152)	(783,913)
Unrealised (gains)/losses on derivatives	8	(1,370,283)	613,703
Exchange gain on cash and cash equivalents		(4,009)	(5,502)
Deacrease/(increase) in other receivables		266,200	(221,218)
Increase/(decrease) in other payables		864,206	(47,510)
Purchase of investments		(65,710,201)	(71,864,425)
Sale of investments		65,773,234	52,601,891
Net cash generated from/(used in) operating activities		9,658,151	(10,925,260)
Cash flows (used in)/from financing activities			
Proceeds from issue of ordinary shares	12	2,847,700	20,817,500
Share issue costs	12	(33,602)	(244,606)
Dividend distribution		(12,113,034)	(10,987,956)
Net cash (outflow)/inflow from financing activities		(9,298,936)	9,584,938
Increase/(decrease) in cash and cash equivalents		359,215	(1,340,322)
Cash and cash equivalents at beginning of year		6,834,535	8,169,355
Exchange gain on cash and cash equivalents		4,009	5,502
Cash and cash equivalents at end of year		7,197,759	6,834,535

The accompanying notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2019

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 ("LSE") on 10 March 2014.

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

The Portfolio Manager of the Company is TwentyFour Asset Management LLP (the "Portfolio Manager").

2. Principal Accounting Policies
a) Basis of preparation and Statement of compliance
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are in compliance with the Companies (Guernsey) Law, 2008.

b) Presentation of information
The Financial Statements have been prepared on a going concern basis under the historical cost convention adjusted to take account of the revaluation of the Company's financial assets and liabilities at fair value through profit or loss.

c) Standards, amendments and interpretations effective during the year
The following standards, interpretations and amendments were adopted for the year ended 30 September 2019:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

i) IFRS 9 'Financial Instruments'
IFRS 9 'Financial Instruments' ("IFRS 9") replaces IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39"). IFRS 9 specifies how an entity should classify and measure financial assets`. The standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39.

The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1 'Presentation of Financial Statements', which require:

- impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. Under IAS 39, impairment was recognised when losses were incurred. The Company did not previously report any incurred losses; and

- separate presentation in the Statement of Comprehensive Income of interest revenue calculated using the effective interest method.

The adoption of IFRS 9 had no material impact on the net assets attributable to holders of Ordinary Redeemable Shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

2. Principal Accounting Policies continued

c) Standards, amendments and interpretations effective during the year continued

i) IFRS 9 'Financial Instruments' continued

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at 1 October 2018.

There was no effect of adopting IFRS 9 on the carrying amounts of the financial assets as at 1 October 2018 which would relate solely to the new impairment requirements.

	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets				
Financial assets at fair value through profit or loss:			£	£
- Investments*	Assets at FVTPL	Assets at FVTPL	162,829,994	162,829,994
- Derivative assets: Forward currency contracts	Assets at FVTPL	Assets at FVTPL	10,686	10,686
Amounts due from Broker	Loans and receivables	Amortised cost	3,019,184	3,019,184
Other receivables (excluding prepayments)	Loans and receivables	Amortised cost	2,944,973	2,944,973
Cash and cash equivalents	Loans and receivables	Amortised cost	6,834,535	6,834,535
Total Financial Assets			175,639,372	175,639,372
Financial Liabilities				
Financial liabilities at fair value through profit or loss:			£	£
- Derivative liabilities: Forward currency contracts	Liabilities at FVPTL	Liabilities at FVPTL	729,332	729,332
Amounts due to brokers	Other financial liabilities	Amortised cost	4,810,956	4,810,956
Other payables	Other financial liabilities	Amortised cost	395,189	395,189
Total Financial Liabilities			5,935,477	5,935,477

* Under IAS 39, these financial assets were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. The Company has elected to measure these assets at FVTPL under IFRS 9.

There were no changes to the carrying amounts of the financial assets on transition from IAS 39 to IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

2. Principal Accounting Policies continued

c) Standards, amendments and interpretations effective during the year continued
Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. Therefore, the carrying amount of other receivables remains the same under IFRS 9 as the expected credit losses on the financial assets have been assessed as immaterial as noted below.

The new impairment model applies to financial assets measured at amortised cost and the standard mandates the use of the simplified approach to calculating the expected credit losses for trade receivables. The impairment calculation is based on the Company's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. Given the historical level of defaults and the credit risk of the investment portfolio, there is a negligible impact because of the lifetime expected credit loss to be recognised versus the previous impairment model applied by the Company.

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9 and the identified impairment loss is also assessed as immaterial.

Transition
The Company applied IFRS 9 prospectively, with an initial application date of 1 October 2018. The Company has not restated the comparative information, which will continue to be reported under IAS 39.

ii) IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 'Revenue from Contracts with Customers' specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Material revenue streams have been reviewed and there has not been a material impact on timing of recognition or gross up for principal/agent considerations.

The Company has undertaken a review of its revenue streams and concluded that there is no impact on the way in which the Company recognises its revenues as all revenues are earned on financial instruments. The Company has applied IFRS 15 retrospectively although no restatements were required.

d) Standards, amendments and interpretations issued but not yet effective
At the reporting date of these Financial Statements, the following standards, interpretations and amendments, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 16 Leases (Effective 1 January 2019)

The Company expects that the adoption of IFRS 16 in the future period will not have an impact on the Company's Financial Statements, as it does not hold any leases.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

2. Principal Accounting Policies continued

e) Financial assets at fair value through profit or loss

Classification

The Company classifies its investments in credit securities and derivatives as financial assets at fair value through profit or loss.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed and their performance is evaluated on a fair value basis in accordance with the Company's business model per IFRS 9.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

The Company's policy requires the Portfolio Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date, the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

The Company may invest in 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 Company records any principal repayments as they arise and realises a gain or loss in the net gains on financial assets at fair value through profit or loss in the Statement of Comprehensive Income in the period in which they occur.

The interest income arising on these Credit Securities is recognised on a time-proportionate basis using the effective interest rate method and shown within income in the Statement of Comprehensive Income.

Fair value estimation

IFRS 13 defines fair value as 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 (an exit price).

i) Credit Securities traded or dealt on an active market or exchange

Credit Securities that are traded or dealt on an active market or exchange are valued by reference to their quoted mid-market price as at the close of trading on the reporting date as the Directors deem the mid-market price to be a reasonable approximation of an exit price.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

2. Principal Accounting Policies continued

e) Financial assets at fair value through profit or loss continued

ii) Credit Securities not traded or dealt on an active market or exchange
Credit Securities which are not traded or dealt on active markets or exchanges are valued by reference to their mid-price, as at the close of business on the reporting date as determined by pricing service providers that use broker dealer quotations, reported trades or valuation estimates from their internal pricing models. If a price cannot be obtained from an independent price vendor, or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will source mid-price quotes at the close of business on the reporting date from independent third party brokers/dealers for the relevant security. If no mid-price is available then a bid-price will be used.

In cases where no third party price is available (either from an independent price vendor or independent third party brokers/dealers), or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This 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 commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forward foreign currency contracts
Forward foreign currency contracts are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently measured at their fair value. Fair value is determined from underlying asset prices indices, reference rates and other observable inputs. These instruments are normally valued by pricing service providers or by utilising broker or dealer quotations. All forward foreign currency contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses on forward currency contracts are recognised as part of net foreign currency gains in the Statement of Comprehensive Income.

Impairment
Financial assets that are stated at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate.

Any impairment losses impacting the amortised cost disclosed for the financial assets at fair value through profit and loss are recognised in the Statement of Comprehensive Income as realised losses within the net gain/loss on financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

2. Principal Accounting Policies continued

f) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Derivatives are not settled on a net basis and therefore derivative assets and liabilities are shown gross.

g) Amounts due from and due to brokers
Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

h) Income
Interest income is recognised on a time-proportionate basis using the effective interest rate method. Discounts received or premiums paid in connection with the acquisition of Credit Securities are amortised into interest income using the effective interest rate method over the expected life of the related security.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Portfolio Manager estimates cash flows considering the expected life of the financial instrument, including future credit losses and deferred interest payments. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and all other premiums or discounts.

i) Cash and cash equivalents
Cash and cash equivalents comprises deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are included in current liabilities in the Statement of Financial Position.

j) Share capital
Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are shown in equity as a deduction, net of tax, from the proceeds and disclosed in the Statement of Changes in Equity.

Repurchased Tendered Shares are treated as a distribution of capital and deducted from the Share Capital account.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

2. Principal Accounting Policies continued

k) Other reserves

Other reserves consist of equalisation on issues of new shares, distributions paid and total comprehensive income for the year.

l) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using Sterling, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Financial Statements are presented in Sterling, which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income.

m) Transaction costs

Transaction costs on financial assets and liabilities at fair value through profit or loss include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income.

n) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Directors are of the opinion that the Company is engaged in a single segment of business, being investments in Credit Securities. The Directors manage the business in this way. For additional information refer to note 18.

o) Expenses

All expenses are included in the Statement of Comprehensive Income on an accruals basis and are recognised through profit or loss in the Statement of Comprehensive Income.

p) Other receivables

Other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

q) Other payables

Other payables are obligations to pay for services that have been acquired in the ordinary course of business. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

2. Principal Accounting Policies continued

r) Dividend distributions
Dividend distributions to the Company's shareholders are recognised as liabilities in the Company's financial statements and disclosed in the Statement of Changes in Equity in the period in which the dividends are approved by the Board.

s) Income equalisation on new issues
In order to ensure there are no dilutive effects on earnings per share for current shareholders when issuing new shares, a transfer is made between share capital and other reserves to reflect that amount of income included in the purchase price of the new shares.

t) Treasury Shares
The Company has the right to issue and purchase up to 14.99% of the total number of its own shares, as disclosed in note 12.

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 4 and 6.

3. Significant accounting judgements, estimates and assumptions
The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

(i) Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Financial Statements:

Functional currency
As disclosed in note 2(l), the Company's functional currency is Sterling. Sterling is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. Dividends are also paid to its investors in Sterling. The Directors believe that Sterling best represents the functional currency.

(ii) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising which are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

3. Significant accounting judgements, estimates and assumptions continued

(ii) Estimates and assumptions continued

(a) Fair value of securities not quoted in active markets

The Company carries its investments in Credit Securities at fair value, with changes in value being recognised in the Statement of Comprehensive Income. In cases where prices of Credit Securities are not quoted in an active market, the Portfolio Manager will obtain prices determined at the close of business on the reporting date from an independent price vendor. The Portfolio Manager exercises its judgement on the quality of the independent price vendor and information provided. If a price cannot be obtained from an independent price vendor or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value of the Credit Security, the Portfolio Manager will source prices from independent third party brokers or dealers for the relevant security, which may be indicative rather than tradable. Where no third party price is available, or where the Portfolio Manager determines that the third party quote is not an accurate representation of the fair value, the Portfolio Manager will determine the valuation based on the Portfolio Manager's valuation policy. This 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 commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. No Credit Securities were priced by the Portfolio Manager during the year or any previous year.

(b) Estimated life of Credit Securities

In determining the estimated life of the Credit Securities held by the Company, the Portfolio Manager estimates the remaining life of the security with respect to expected prepayment rates, default rates and loss rates together with other information available in the market underlying the security. The estimated life of the Credit Securities, as determined by the Portfolio Manager, impacts the effective interest rate of the Credit Securities which in turn impacts the calculation of income as discussed in note 2(h).

(c) Determination of observable inputs

As discussed in note 17, when determining the levels of investments within the fair value hierarchy, the determination of what constitutes ‘observable’ requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

4. Earnings per Ordinary Share - Basic & Diluted

The earnings per Ordinary Share - Basic and Diluted of 4.0p (30 September 2018: 2.9p) has been calculated based on the weighted average number of Ordinary Shares of 185,006,548 (30 September 2018: 167,986,686) and a net gain for the year of £7,383,132 (30 September 2018: £4,950,193).

5. 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 year amounted to £6,165 (30 September 2018: £180,569).

6. Net Asset Value per Ordinary Share

The net asset value of each Share of 90.63 (30 September 2018: 93.17p) is determined by dividing the net assets of the Company attributed to the Shares of £167,827,286 (30 September 2018: £169,743,090) by the number of Shares in issue at 30 September 2019 of 185,179,151 (30 September 2018: 182,179,151).

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

7. 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 (30 September 2018: £1,200). The activities of the Company do not constitute relevant activities as defined by the Income Tax (Substance Requirements) (Implementation) Regulations, 2018 (as amended) and as such the Company was out of scope.

8. Net foreign currency (losses)/gains

	Year ended 30.09.19 £	Year ended 30.09.18 £
Movement in net unrealised gains(losses) on forward currency contracts	1,370,283	(613,703)
Movement in unrealised gains/(losses) on spot currency contracts	10,387	(10,890)
Realised losses on forward currency contracts	(230,440)	(642,348)
Realised currency losses/(gains) on receivables/payables	(1,190,963)	51
Unrealised currency losses on receivables/payables	(23,442)	(22,948)
	(64,175)	(1,289,838)

9. Investments

	As at 30.09.19 £	As at 30.09.18 £
Financial assets at fair value through profit and loss:		
Unlisted Investments:		
Opening amortised cost	158,413,688	137,736,071
Purchases at cost	61,344,183	72,998,902
Proceeds on sale/principal repayment	(63,383,538)	(55,621,075)
Amortisation adjustment under effective interest rate method	511,152	783,913
Realised gain on sale/principal repayment	4,595,217	4,609,061
Realised loss on sale/principal repayment	(5,408,535)	(2,093,184)
Closing amortised cost	156,072,167	158,413,688
Unrealised gain on investments	5,579,321	6,821,995
Unrealised loss on investments	(3,316,721)	(2,405,689)
Fair value	158,334,767	162,829,994

	As at 30.09.19 £	As at 30.09.18 £
Realised gain on sale/principal repayment	4,595,217	4,609,061
Realised loss on sale/principal repayment	(5,408,535)	(2,093,184)
Decrease in unrealised gain	(1,242,674)	(5,717,151)
Increase in unrealised loss	(911,032)	(630,247)
Net loss on financial assets at fair value through profit or loss	(2,967,024)	(3,831,521)

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

10. Other receivables

	As at 30.09.19 £	As at 30.09.18 £
Interest income receivable	2,479,801	2,845,755
Prepaid expenses	28,904	39,195
Dividends receivable	209,263	99,190
Foreign currency receivable	-	28
	2,717,968	2,984,168

11. Other payables

	As at 30.09.19 £	As at 30.09.18 £
Portfolio management fees payable	107,716	205,615
Directors' fees payable	-	27,750
Administration fees payable	23,322	23,440
AIFM management fees payable	16,138	18,905
Audit fees payable	54,000	51,500
Other expenses payable	76,953	53,960
Depositary fees payable	2,239	2,150
Custody fees payable	2,241	1,454
Foreign currency payable	-	10,415
	282,609	395,189

12. 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.

Issued Share Capital

	As at 30.09.19 £	As at 30.09.18 £
Ordinary Shares		
Share Capital at the beginning of the year	177,393,446	157,001,121
Issue of shares	2,847,700	20,817,500
Share issue costs	(33,602)	(244,606)
Income equalisation on new issues	(6,165)	(180,569)
Total Share Capital at the end of the year	180,201,379	177,393,446

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

12. Share Capital continued

Issued Share Capital continued

Reconciliation of number of Shares

	30.09.19 Shares	30.09.18 Shares
Ordinary Shares		
Shares at the beginning of the year	182,179,151	160,929,151
Issue of shares	3,000,000	21,250,000
Total Shares in issue at the end of the year	185,179,151	182,179,151

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.

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.

The Company held no Treasury as at 30 September 2019 (2018: Nil).

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position

	Financial assets at fair value through profit and loss £	Amortised Cost £	Total £
30 September 2019			
Financial Assets			
Financial assets at fair value through profit and loss			
-Investments			
-Bonds	97,230,422	-	97,230,422
-Asset backed securities	61,104,345	-	61,104,345
-Derivative assets: Forward currency contracts	686,397	-	686,397
Amounts due from broker	-	629,488	629,488
Other receivables (excluding prepaid expenses)	-	2,689,064	2,689,064
Cash and cash equivalents	-	7,197,759	7,197,759
	159,021,164	10,516,311	169,537,475

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position continued

	Financial liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2019			
Financial Liabilities			
Amounts due to broker	-	444,938	444,938
Other payables	-	282,609	282,609
Interest income received in advance	-	976,786	976,786
Financial liabilities at fair value through profit and loss			
-Derivative liabilities: Forward currency contracts	34,760	-	34,760
	34,760	1,704,333	1,739,093

	Financial assets at fair value through profit and loss	Amortised Cost	Total
	£	£	£
30 September 2018			
Financial Assets			
Financial assets at fair value through profit and loss			
-Investments			
-Bonds	106,254,172	-	106,254,172
-Asset backed securities	56,575,822	-	56,575,822
-Derivative assets: Forward currency contracts	10,686	-	10,686
Amounts due from broker	-	3,019,184	3,019,184
Other receivables (excluding prepaid expenses)	-	2,944,973	2,944,973
Cash and cash equivalents	-	6,834,535	6,834,535
	162,840,680	12,798,692	175,639,372

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

13. Analysis of Financial Assets and Liabilities by Measurement Basis as per Statement of Financial Position continued

	Financial liabilities at fair value through profit and loss	Other financial liabilities	Total
	£	£	£
30 September 2018			
Financial Liabilities			
Amounts due to broker	-	4,810,956	4,810,956
Other payables	-	395,189	395,189
Financial liabilities at fair value through profit and loss			
-Derivative liabilities: Forward currency contracts	729,332	-	729,332
	729,332	5,206,145	5,935,477

14. 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 Directors' fees for the year and the outstanding fees at year end are as follows.

	30.09.19	30.09.18
	£	£
Claire Whittet (Chair of the Board)	42,000	42,000
Christopher Legge (Audit Committee Chairman)	37,000	37,000
Ian Martin (MEC Chairman)	32,000	32,000
Total Directors' fees	111,000	111,000

	As at 30.09.19	As at 30.09.18
	£	£
Directors' fee payable (note 11)	-	27,750

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

14. Related Parties continued

b) Shares held by related parties
The Directors of the Company held the following shares beneficially:

	30.09.19 Shares	30.09.18 Shares
Claire Whittet	25,000	25,000
Christopher Legge	50,000	50,000
Ian Martin	35,000	35,000

Directors are entitled to receive the dividends on any shares held by them during the year. Dividends declared by the Company are set out in note 19.

As at 30 September 2019, the Portfolio Manager held no Shares (30 September 2018: no Shares) of the Issued Share Capital. Partners and employees of the Portfolio Manager decreased their holdings during the year, and held 1,010,642 Shares (30 September 2018: 1,153,258), which is 0.55% (30 September 2018: 0.63%) of the Issued Share Capital.

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 portfolio management fees for the year amounted to £1,265,691 (30 September 2018: £1,201,499) of which £107,716 (30 September 2018: £205,615) is payable at year 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 year, the Portfolio Manager received £5,145 (30 September 2018: £36,431) in commission.

15. Material Agreements

a) Alternative Investment Fund Manager (“AIFM”)
The Company’s AIFM is Maitland Institutional Services 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 year, AIFM fees of £80,792 (30 September 2018: £77,924) were charged to the Company, of which £16,138 (30 September 2018: £18,905) remained payable at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

15. 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 year, administration and secretarial fees of £119,705 (30 September 2018: £119,623) were charged to the Company, of which £23,322 (30 September 2018: £23,440) remained payable at the end of the year.

c) Broker

For its services as the Company's broker, Numis Securities 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 year, the Broker received £28,477 (30 September 2018: £208,175) 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 NAV 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 year, depositary fees of £27,861 (30 September 2018: £26,523) were charged to the Company, of which £2,239 (30 September 2018: £2,150) remained payable at the end of the year.

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 year amounted to £19,232 (30 September 2018: £18,150) of which £2,241 (30 September 2018: £1,454) is due and payable at the end of the year.

16. Financial Risk Management

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

The Company's financial instruments include financial assets/liabilities at fair value through profit or loss, cash and cash equivalents, amounts due to/from broker, other receivables and other payables. The techniques and instruments utilised for the purposes of efficient portfolio management are those which are reasonably believed by the Board to be economically appropriate to the efficient management of the Company.

Market risk

Market risk embodies the potential for both losses and gains and includes foreign currency risk, interest rate risk, price risk and reinvestment risk. The Company's strategy on the management of market risk is driven by the Company's investment objective. The Company's investment objective is to generate attractive risk adjusted returns principally through investment in Credit Securities.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Market risk continued
(i) Price risk
The underlying investments comprised in the portfolio are subject to price risk. The Company is therefore at risk that market events may affect performance and in particular may affect the value of the Company's investments which are valued on a mark to market and mark to model basis. Price risk is risk associated with changes in market prices or rates, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, national and international political circumstances. The Company's policy is to manage price risk by holding a diversified portfolio of assets, through its investments in Credit Securities.

The Company's policy also stipulates that at purchase no more than 5% of the portfolio value can be exposed to any single Credit Security or issuer of Credit Securities.

The price of a Credit Security can be affected by a number of factors, including: (i) changes in the market's perception of the underlying assets backing the security; (ii) economic and political factors such as interest rates and levels of unemployment and taxation which can have an impact on the arrears, foreclosures and losses incurred with respect to the pool of assets backing the security; (iii) changes in the market's perception of the adequacy of credit support built into the security's structure to protect against losses caused by arrears and foreclosures; (iv) changes in the perceived creditworthiness of the originator of the security or any other third parties to the transaction; (v) the speed at which mortgages or loans within the pool are repaid by the underlying borrowers (whether voluntary or due to arrears or foreclosures).

(ii) Reinvestment risk
Reinvestment risk is the risk that future coupons from a bond will not be reinvested at the yield prevailing when the bond was initially purchased.

A key determinant of a bond's yield is the price at which it is purchased and, therefore, when the market price of bonds generally increases, the yield of bonds purchased generally decreases. As such, the overall yield of the portfolio, and therefore the level of dividends payable to Shareholders, would fall to the extent that the market prices of Credit Securities generally rise and the proceeds of Credit Securities held by the Company that mature or are sold are not able to be reinvested in Credit Securities with a yield comparable to that of the portfolio as a whole. The Company assesses reinvestment risk on at least a monthly basis by calculating the projected amortisation profile of the Company across the next three years. In addition, changes in the Company's yield and income are assessed over the same timeframe as bonds redeem or mature to identify any periods where reinvestment risk may be more significant.

Price sensitivity analysis
The following details the Company's sensitivity to movement in market prices. The analysis is based on a 10% and 5% (30 September 2017: 10% and 5%) increase or decrease in market prices. This represents management's best estimate of a reasonable possible shift in market prices, having regard to historical volatility.

At 30 September 2019, if the market prices had been 10% and 5% (30 September 2018: 10% and 5%) higher with all other variables held constant, the increase in the net assets attributable to equity Shareholders would have been £15,833,391 and £7,916,695 respectively (30 September 2018: £16,282,999 and £8,141,500). The total comprehensive income for the year would have also increased by £15,833,391 and £7,916,695 (30 September 2018: £16,282,999 and £8,141,500). An equal change in the opposite direction would have decreased the net assets attributable to equity Shareholders and total comprehensive income respectively.

Actual trading results may differ from the above sensitivity analysis and those differences may be material.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

(iii) Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial assets at fair value through profit or loss.

The tables below summarise the Company's exposure to interest rate risk:

	Floating rate	Fixed rate	Non-interest bearing	Total
As at 30 September 2019	£	£	£	£
Investments	31,828,751	126,506,016	-	158,334,767
Derivative assets: Forward currency contracts	-	-	686,397	686,397
Amounts due from broker	-	-	629,488	629,488
Other receivables	-	-	2,717,968	2,717,968
Cash and cash equivalents	7,197,759	-	-	7,197,759
Derivative liabilities: Forward currency contracts	-	-	(34,760)	(34,760)
Amounts due to broker	-	-	(444,938)	(444,938)
Other payables	-	-	(282,609)	(282,609)
Interest income received in advance	-	-	(976,786)	(976,786)
Net current assets	39,026,510	126,506,016	2,294,760	167,827,286
As at 30 September 2018	£	£	£	£
Investments	41,553,484	121,276,510	-	162,829,994
Derivative assets: Forward currency contracts	-	-	10,686	10,686
Amounts due from broker	-	-	3,019,184	3,019,184
Other receivables	-	-	2,984,168	2,984,168
Cash and cash equivalents	6,834,535	-	-	6,834,535
Derivative liabilities: Forward currency contracts	-	-	(729,332)	(729,332)
Amounts due to broker	-	-	(4,810,956)	(4,810,956)
Other payables	-	-	(395,189)	(395,189)
Net current assets	48,388,019	121,276,510	78,561	169,743,090

The Company holds fixed rate and floating rate financial instruments which, based on current portfolio duration, have low exposure to fair value interest rate risk as, when the short-term interest rates increase, the interest rate on a floating rate note will increase. The maximum time to re-fix interest rates is six months and therefore the Company has low interest rate risk and, as such it is not deemed necessary to perform sensitivity analysis over interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

(iii) Interest rate risk continued

As at 30 September 2019, 75% of the Company's net current asset position was invested in fixed rate securities, however the overall credit spread duration of the Company was 3.6 years. A credit spread duration of 3.6 indicates that the portfolio's value will rise or fall by 3.6bp should the reference credit spread rise or fall by 1bp. The value of Credit securities may be affected by interest rate movements. Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, however the underlying cash positions will not be affected.

The Company's continuing position in relation to interest rate risk is monitored on a weekly basis by the Portfolio Manager as part of its review of the weekly Net Asset Value calculations prepared by the Company's Administrator.

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests predominantly in non-Sterling assets while its Shares are denominated in Sterling, its expenses are incurred in Sterling and its presentational currency is Sterling. Therefore the Statement of Financial Position may be significantly affected by movements in the exchange rate between foreign currencies and Sterling. The Company manages the exposure to currency movements by using spot and forward foreign exchange contracts, rolling forward on a periodic basis.

At year end, the Company had seven (30 September 2018: six) open forward currency contracts.

Open forward currency contracts

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised gains/(losses)
	30.09.19	**30.09.19**	**30.09.19**	**30.09.19**
	Currency	£	£	£
Seven Sterling forward foreign currency contracts totalling:				
6 EUR forward foreign currency contract	(91,751,565)	(81,878,779)	(81,204,969)	673,810
1 USD forward foreign currency contract	(16,678,881)	(13,506,042)	(13,528,215)	(22,173)
				651,637

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised (losses)
	30.09.18	**30.09.18**	**30.09.18**	**30.09.18**
	Currency	£	£	£
Six Sterling forward foreign currency contracts totalling:				
1 CHF forward foreign currency contract	(40,495)	(31,731)	(31,817)	(86)
3 EUR forward foreign currency contract	(85,850,355)	(76,100,188)	(76,512,544)	(412,356)
2 USD forward foreign currency contract	(25,230,064)	(19,025,947)	(19,332,151)	(306,204)
				(718,646)

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

(iv) Foreign currency risk continued

At year end, the Company had nil (30 September 2018: three) open spot currency contracts.

Open spot currency contracts

	Contract values	Outstanding contracts	Mark to market equivalent	Unrealised losses
	30.09.18	**30.09.18**	**30.09.18**	**30.09.18**
	Currency	£	£	£
Three Sterling spot foreign currency contract				
2 EUR spot currency contract	901,166	802,804	802,657	(147)
1 GBP spot currency contract	(2,844,503)	(2,171,045)	(2,181,285)	(10,240)
				(10,387)

As at 30 September 2019 and 2018 the Company held the following assets and liabilities denominated in currencies other than Pound Sterling:

	30.09.19	**30.09.18**
	£	**£**
Investments	92,633,805	97,050,699
Cash and cash equivalents	835,621	678,883
Amounts due from broker and other receivables	1,930,690	4,365,964
Less: Amounts due to broker	-	(3,973,710)
Less: Other payables	(976,786)	-
Less: Open forward currency contracts	(94,733,184)	(95,876,512)
Less: Open spot currency contracts	-	(1,378,627)
	(309,854)	866,697

The following tables summarise the sensitivity of the Company's assets and liabilities to changes in foreign exchange movements between Euro, US Dollar and Swiss Franc, and the Company functional currency of Sterling as at 30 September 2019 and 2018. The analysis is based on the assumption that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

(iv) Foreign currency risk continued

	30.09.19 £	30.09.18 £
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 10% (30.09.18: 10%) increase in EUR/GBP	74,838	(31,533)
- 10% (30.09.18: 10%) decrease in EUR/GBP	(11,890)	132,789
Impact on Statement of Changes in Equity in response to a:		
- 10% (30.09.18: 10%) increase in EUR/GBP	74,838	(31,533)
- 10% (30.09.18: 10%) decrease in EUR/GBP	(11,890)	132,789

	30.09.19 £	30.09.18 £
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 10% (30.09.18: 10%) increase in USD/GBP	(20,651)	(17,975)
- 10% (30.09.18: 10%) decrease in USD/GBP	8,978	(10,682)
Impact on Statement of Changes in Equity in response to a:		
- 10% (30.09.18: 10%) increase in USD/GBP	(20,651)	(17,975)
- 10% (30.09.18: 10%) decrease in USD/GBP	8,978	(10,682)

	30.09.19 £	30.09.18 £
Impact on Statement of Comprehensive Income and Equity in response to a:		
- 10% (30.09.18: 10%) increase in CHF/GBP	(1,474)	43
- 10% (30.09.18: 10%) decrease in CHF/GBP	1,615	7
Impact on Statement of Changes in Equity in response to a:		
- 10% (30.09.18: 10%) increase in CHF/GBP	(1,474)	43
- 10% (30.09.18: 10%) decrease in CHF/GBP	1,615	7

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis.

The main concentration of credit risk to which the Company is exposed arises from the Company's investments in Credit Securities. The Company is also exposed to counterparty credit risk on forwards, cash and cash equivalents, amounts due from brokers and other receivable balances.

The Company's policy is to manage this risk by maintaining a portfolio diversified by issuer. While the prospectus permits no more than 5% of the portfolio value to be invested in any single Credit Security or issuer of Credit Securities, the Portfolio Manager operates to stricter exposures dependent on the credit rating of each single Credit Security or issuer of Credit Securities.

Portfolio of debt securities by ratings category using the highest rating assigned by Standard and Poor's ("S&P"), Moody's Analytics ("Moody's") or Fitch Ratings ("Fitch"):

	30.09.19	30.09.18
BBB+	1.72%	2.66%
BBB	1.12%	0.00%
BBB-	14.46%	6.76%
BB+	9.38%	9.09%
BB	12.01%	4.94%
BB-	10.31%	7.98%
B+	4.77%	6.45%
B	21.55%	30.80%
B-	4.46%	8.20%
CCC+	1.09%	0.22%
CCC	0.00%	0.49%
CC	0.19%	0.00%
Not Rated*	18.94%	22.41%
	100.00%	100.00%

*The non-rated exposure within the Company is managed in exactly the same way as the exposure to any other rated bond in the portfolio. A bond not rated by any of Moody's, S&P or Fitch does not necessarily translate as poor credit quality. Often smaller issues/tranches, or private deals which the Company holds, won't apply for a rating due to the cost of doing so from the relevant credit agencies. The portfolio managers have no significant credit concerns with the unrated, or rated, bonds currently held.

To further understand credit risk, the Portfolio Manager undertakes extensive due diligence procedures on investments in Credit Securities and monitors the on-going investment in these securities.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Credit risk continued
The Company manages its counterparty exposure in respect of cash and cash equivalents and forwards by investing with counterparties with a “single A” or higher credit rating. The majority of cash is currently placed with The Northern Trust Company. The Company is subject to credit risk to the extent that this institution may be unable to return this cash. The Northern Trust Company is a wholly owned subsidiary of The Northern Trust Corporation. The Northern Trust Corporation is publicly traded and a constituent of S&P 500. The Northern Trust Corporation has a credit rating of A+ from Standard & Poor's and A2 from Moody's.

The Company’s maximum credit exposure is limited to the carrying amount of financial assets recognised as at the statement of financial position date, as summarised below:

	30.09.19	30.09.18
	£	£
Investments	158,334,767	162,829,994
Amounts due from broker	629,488	3,019,184
Cash and cash equivalents	7,197,759	6,834,535
Derivative assets: Forward currency contracts	686,397	10,686
Other receivables	2,717,968	2,984,168
	169,566,379	175,678,567

Investments in Credit Securities that are not backed by mortgages present certain risks that are not presented by mortgage-backed securities (“MBS”). Primarily, these securities may not have the benefit of the same security interest in the related collateral. Therefore, there is a possibility that recoveries on defaulted collateral may not, in some cases, be available to support payments on these securities. The risk of investing in these types of Credit Securities is ultimately dependent upon payment of the underlying debt by the debtor.

Liquidity risk
Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Investments made by the Company in Credit Securities may be relatively illiquid and this may limit the ability of the Company to realise its investments for the purposes of cash management such as generating cash for dividend payments to Shareholders or buying back Ordinary Shares under the Quarterly Tenders or in the market. Investments in Credit Securities may also have no active market and the Company also has no redemption rights in respect of these investments. The Company has the ability to borrow to ensure sufficient cash flows.

The Portfolio Manager considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. Cash flows from trade and other receivables are all contractually due within twelve months.

The Portfolio Manager shall maintain a liquidity management policy to monitor the liquidity risk of the Company.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Liquidity risk continued
Shareholders have no right to have their shares redeemed or repurchased by the Company, except as detailed under the Capital Risk Management (Quarterly Tenders) section of this note. Shareholders wishing to release their investment in the Company are therefore required to dispose of their shares on the market.

The following table analyses the Company's liabilities into relevant maturity groupings based on the maturities at the statement of financial position date. The amounts in the table are the undiscounted net cash flows on the financial liabilities:

	Up to 1 month	1-6 months	6-12 months	Total
As at 30 September 2019	£	£	£	£
Amounts due to broker	(444,938)	-	-	(444,938)
Derivative liabilities: Forward currency contracts	-	(34,760)	-	(34,760)
Other payables	(228,609)	(54,000)	-	(282,609)
Total	(673,547)	(88,760)	-	(762,307)

	Up to 1 month	1-6 months	6-12 months	Total
As at 30 September 2018	£	£	£	£
Amounts due to broker	(4,810,956)	-	-	(4,810,956)
Derivative liabilities: Forward currency contracts	-	(729,332)	-	(729,332)
Other payables	(343,689)	(51,500)	-	(395,189)
Total	(5,154,645)	(780,832)	-	(5,935,477)

Capital risk management
The Company manages its capital to ensure that it is able to continue as a going concern while following the Company's stated investment policy. The capital structure of the Company consists of Shareholders' equity, which comprises share capital and other reserves. To maintain or adjust the capital structure, the Company may return capital to Shareholders or issue new Shares. There are no regulatory requirements to return capital to Shareholders.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Capital risk management continued

(i) Quarterly Tenders

With the objective of minimising the risk of the Ordinary Shares trading at a discount to NAV and to assist in the narrowing of any discount at which the Ordinary Shares may trade from time to time, the Company has incorporated into its structure a mechanism (a "Quarterly Tender"), contingent on certain factors as described below, which can be exercised at the discretion of the Directors, to provide Shareholders with a quarterly opportunity to submit Ordinary Shares for placing or repurchase by the Company at a price representing a discount of no more than 2% to the then prevailing NAV.

Upon confirmation of the number of Tender Requests made in respect of each Quarter Record Date, the Company intends first, through its corporate broker acting on a reasonable endeavours basis, to seek to satisfy Tender Requests by placing the Tendered Shares with investors in the secondary market.

Second, subject to the Tender Restrictions, the Company intends to repurchase for cancellation any Tendered Shares not placed in the secondary market.

It is anticipated that the Company will tender on a quarterly basis for up to 20% of the Ordinary Shares in issue as at the relevant Quarter Record Date, subject to an aggregate limit of 50% of the Ordinary Shares in issue in any twelve month period ending on the relevant Quarter Record Date.

(ii)Share buybacks

The Company has been granted the authority to make market purchases of up to a maximum of 14.99% of the aggregate number of Ordinary Redeemable Shares in issue immediately following Admission at a price not exceeding the higher of (i) 5% above the average of the mid-market values of the Ordinary Redeemable Shares for the 5 business days before the purchase is made or, (ii) the higher of the price of the last independent trade and the highest current investment bid for the Ordinary Redeemable Shares.

In deciding whether to make any such purchases the Directors will have regard to what they believe to be in the best interests of Shareholders as a whole, to the applicable legal requirements and any other requirements in its Articles. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the Shareholders, and is expressly subject to the Company having sufficient surplus cash resources available (excluding borrowed moneys).

The Listing Rules prohibit the Company from conducting any share buybacks during close periods immediately preceding the publication of annual and interim results.

(iii) Continuation votes

In the event that:

(i) the Dividend Target, as disclosed in note 19, is not met; or

(ii) on any Tender Submission Deadline, applications for the Company to repurchase 50% or more of the Company's issued Ordinary Shares, calculated as at the relevant Quarter Record Date, are received by the Company,

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

16. Financial Risk Management continued

Capital risk management continued

A General Meeting will be convened at which the Directors will propose an Ordinary Resolution that the Company should continue as an investment company. If any such Ordinary Resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for submission to the members of the Company at a General Meeting to be convened by the Directors for a date not more than 6 months after the date of the meeting at which such Ordinary Resolution was not passed.

17. 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 30 September 2019.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss				
-Investments				
-Bonds	-	89,863,362	7,367,060	97,230,422
-Asset backed securities	-	61,104,345	-	61,104,345
-Derivative assets: Forward currency contracts	-	686,397	-	686,397
Total assets as at 30 September 2019	-	151,654,104	7,367,060	159,021,164
Liabilities				
Financial liabilities at fair value through profit or loss				
-Derivative liabilities: Forward currency contracts	-	34,760	-	34,760
Total liabilities as at 30 September 2019	-	34,760	-	34,760

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

17. 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 2018.

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Financial assets at fair value through profit or loss				
-Bonds	-	40,656,257	65,597,915	106,254,172
-Asset backed securities	-	46,866,424	9,709,398	56,575,822
-Derivative assets: Forward currency contracts	-	10,686	-	10,686
Total assets as at 30 September 2018	-	87,533,367	75,307,313	162,840,680
Liabilities				
Financial liabilities at fair value through profit or loss				
-Derivative liabilities: Forward currency contracts	-	729,332	-	729,332
Total liabilities as at 30 September 2018	-	729,332	-	729,332

Credit Securities which have a value based on quoted market prices in active markets are classified in level 1. At the end of the 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 or level 3. Credit securities priced at cost are classified as level 3. Credit securities with prices obtained from independent price vendors, where the Portfolio Manager is able to assess whether the observable inputs used for their modelling of prices are accurate and the Portfolio Manager has the ability to challenge these vendors with further observable inputs, are classified as level 2. Prices obtained from vendors who are not easily challengeable or transparent in showing their assumptions for the method of pricing these assets, are classified as level 3. Credit Securities priced at an average of two vendors' prices are classified as level 3.

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 dealer quotes and if the price represents a reliable and an observable price, the Credit Security is classified in level 2. Any dealer quote that is over 20 days old is considered stale and is classified as level 3.

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

17. Fair Value Measurement continued

There were no transfers between level 1 and 2 during the year, however transfers from level 3 to level 2 occurred based on the Portfolio Manager's ability to obtain a more reliable and observable price as detailed above.

Due to the inputs into the valuation of Credit Securities classified as level 3 not being available or visible to the Company, no meaningful sensitivity on inputs can be performed.

Following the change in the Company's fair value measurement policy, 49 of 110 portfolio positions were priced using an average of Markit and ICE at 30 Sept 2019. The Fair Value methodology used for previous years would have rendered all of these positions as IFRS 13 Level 3 securities. The updated fair value methodology acknowledges that an average price of Markit and ICE prices uses observable market data inputs, and that the price calculated for such positions is an interpolation of two observable market data inputs, and should therefore be considered as Level 2 securities under IFRS 13 rather than Level 3.

The following table presents the movement in level 3 instruments for the year ended 30 September 2019 by class of financial instrument.

	Bonds	Asset backed securities	Total
30.09.19	**£**	**£**	**£**
Opening balance	65,597,915	9,709,398	75,307,313
Net purchases	(11,225,449)	792,964	(10,432,485)
Net realised loss for the year	(1,517,620)	(1,091,307)	(2,608,927)
Net unrealised gain/(loss) for the year	289,073	(34,597)	254,476
Transfer into Level 3	-	2,500,000	2,500,000
Transfer out of Level 3	(53,143,919)	(4,509,398)	(57,653,317)
Closing balance	-	7,367,060	7,367,060

The following table presents the movement in level 3 instruments for the year ended 30 September 2018 by class of financial instrument.

	Bonds	Asset backed securities	Total
30.09.18	**£**	**£**	**£**
Opening balance	73,901,893	8,361,751	82,263,644
Net purchases	1,842	5,849,062	5,850,904
Net loss for the year	(1,086,461)	652,813	(433,648)
Net unrealised gain for the year	(1,074,122)	(254,682)	(1,328,804)
Transfer into Level 3	8,972,727	-	8,972,727
Transfer out of Level 3	(15,117,964)	(4,899,546)	(20,017,510)
Closing balance	65,597,915	9,709,398	75,307,313

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

17. 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 2019 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
30 September 2019	**£**	**£**	**£**	**£**
Assets				
Amounts due from broker	-	629,488	-	629,488
Other receivables	-	2,717,968	-	2,717,968
Cash and cash equivalents	7,197,759	-	-	7,197,759
Total	**7,197,759**	**3,347,456**	**-**	**10,545,215**
Liabilities				
Amounts due to broker	-	444,938	-	444,938
Other payables	-	282,609	-	282,609
Interest income received in advance	-	976,786	-	976,786
Total	**-**	**1,704,333**	**-**	**1,704,333**

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2018 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
30 September 2018	**£**	**£**	**£**	**£**
Assets				
Amounts due from broker	-	3,019,184	-	3,019,184
Other receivables	-	2,984,168	-	2,984,168
Cash and cash equivalents	6,834,535	-	-	6,834,535
Total	**6,834,535**	**6,003,352**	**-**	**12,837,887**
Liabilities				
Amounts due to broker	-	4,810,956	-	4,810,956
Other payables	-	395,189	-	395,189
Total	**-**	**5,206,145**	**-**	**5,206,145**

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 September 2019

17. Fair Value Measurement continued

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. Amounts due from brokers and other receivables represent the contractual amounts and rights due to the Company for settlement of trades and income.

18. 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 interest income on financial assets at fair value through profit and loss being interest income received from Credit Securities.

19. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's excess income, as defined below, 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.

Excess income is defined as the distributions made with respect to any income period, which 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 gain / (loss) on the foreign exchange contracts caused by the libor differentials between each foreign exchange currency pair. This definition differs from the IFRS "net income" definition which also recognises gains and losses on financial assets.

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

NOTES TO THE FINANCIAL STATEMENTS continued
for the year ended 30 September 2019

19. Dividend Policy continued
The Company declared the following dividends in respect of the profit for the year ended 30 September 2019:

Period to	Dividend rate per Share (pence)	Net dividend paid Income (£)	Ex-dividend date	Record date	Pay date
31 October 2018	0.50	920,896	15 November 2018	16 November 2018	30 November 2018
30 November 2018	0.50	925,896	13 December 2018	14 December 2018	31 December 2018
31 December 2018	0.50	925,896	17 January 2019	18 January 2019	31 January 2019
31 January 2019	0.50	925,896	14 February 2019	15 February 2019	28 February 2019
28 February 2019	0.50	925,896	14 March 2019	15 March 2019	29 March 2019
31 March 2019	0.50	925,896	18 April 2019	23 April 2019	30 April 2019
30 April 2019	0.50	925,896	16 May 2019	17 May 2019	31 May 2019
31 May 2019	0.50	925,896	20 June 2019	21 June 2019	28 June 2019
30 June 2019	0.50	925,896	18 July 2019	19 July 2019	31 July 2019
31 July 2019	0.50	925,896	15 August 2019	16 August 2019	30 August 2019
31 August 2019	0.50	925,896	19 September 2019	20 September 2019	30 September 2019
30 September 2019	0.84	1,560,933	17 October 2019	18 October 2019	31 October 2019

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.

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

21. Subsequent Events
These Financial Statements were approved for issuance by the Board on 12 December 2019. Subsequent events have been evaluated to this date.

Subsequent to the year end and up to the date of signing of the Annual Report and Audited Financial Statements, the following events took place:

Dividend declarations

Declaration date	Dividend rate per Share (pence)
10 October 2019	0.84
7 November 2019	0.50
12 December 2019	0.50

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