



30 November 2020

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

Commentary

Mortgage and Housing Market

Housing and mortgage market statistics are beginning to show a more mixed picture as we approach year-end, with the Stamp Duty relief period due to finish at the end of March 2021. The Government has confirmed there are no plans to extend the deadline, and time has probably run out to complete any purchases not already agreed.

With the market set to exceed one million sales this year according to Savills, the average house price up by over £15,000 between June and November according to Halifax, and the value of new mortgage commitments at a 13-year high according to the Bank of England, the year is ending on a high. However, RICS tempered their 21-year-high house price data by reporting 21% of respondents in their monthly survey have a negative expectation for the year ahead, and home.co.uk reported a 0.6% dip in prices for England and Wales in its December report, though it welcomed this current sense of caution on vendors' behalf as reducing the chances of larger corrections through next year. In fact, Rightmove predicted a 4% growth rate for 2021 as the official UK HPI showed annual growth at 5.3% to October and average house prices at a new record high of £245,000, though Halifax has warned (with a high level of uncertainty) prices could fall 5% in 2021, partially reversing the 7.6% growth it has seen in the last 12 months.

RMBS Market

Primary UK RMBS supply has now come to an end for the year with just one publicly placed deal in the last month, and that being a risk mitigation deal from a large UK clearing bank offering only mezzanine bonds, rather than a traditional funding transaction.

Overall, UK RMBS issuance in 2020 has been dominated by non-bank specialist lenders, with the mainstream banks notable for their near absence since the pandemic began, which is not unexpected given the ongoing funding mechanisms still available to them – the recent extension of the BoE's TFSE scheme until October 2021 suggests next year won't be any different.

As a result, spreads in secondary markets have continued to grind slowly tighter, though we remain wary of broader macro challenges, in particular the still unresolved Brexit trade deal and the potential for further restrictions both by severity and duration due to the coronavirus pandemic.

Fund Commentary

The number of borrowers taking payment holidays continues to dwindle to de-minimis levels, with only a handful of borrowers taking up new or extended deferrals before the prolonged deadline for new requests comes to an end in January. Exposure in the combined TML owner-occupied portfolios fell again to just 1.55% in early December, from a peak in June of over 40%, while in the CHL BTL pool just 28 loans are now deferring payments from a pool of over 4,000 and Keystone now have no payment deferrals at all.

Meanwhile, the Fund's EGM on December 4 showed overwhelming approval with 80.5% in favour of the board's proposals for a revised mandate with a focus on increasing dividend cover and enhancing liquidity and returns.

As a result, the portfolio managers will continue to finalise preparations for the securitisation of the Keystone portfolio once the origination of the pool has been completed. Potential investors are well set following the non-deal roadshow and the investor due diligence session held over the last few months, which both saw strong investor attendance and subsequent encouraging feedback. With RMBS markets in good shape and an encouraging technical picture for the sector, such a deal, particularly given the portfolio's outstanding loan performance through the COVID-19 disruption, should attract strong demand, subject of course to timing as well as prevailing macro conditions.

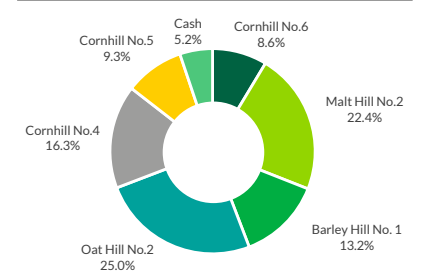
Investment Outlook

The ABS market overall approaches the year-end in a relatively stable position. The primary market is done for 2020 and the focus now starts to shift towards the issuance pipeline for next year. Most market analysts suggest an increase overall for 2021, though this being from the reduced levels seen this year due to the shutdown during the first lockdown. This is also tempered by the technical factors still at play for UK banks, which will temper if not entirely suspend issuance from that sector, and should be supportive for spread performance across the whole UK RMBS market in the absence of any unexpected meaningful new supply.

Fundamental performance has been robust despite the unparalleled shock from the pandemic, and the rapid fiscal support measures have played their part across all markets. With rate of payment holidays diminishing to insignificant levels, so has the level of serious credit risk in the sector.

Portfolio Summary	Buy-to-Let			Owner Occupied		
	Purchased		Oat Hill 1	Forward Flow Originated		
	Cornhill 6	Malt Hill 2		Cornhill 4	Barley Hill 1	Cornhill 5
Originator	Coventry Building Society	Coventry Building Society	Capital Home Loans	Keystone Property Finance	The Mortgage Lender	The Mortgage Lender
Outstanding Balance	£155m	£333m	£474m	£316m*	£152m	£236m*
Number Accounts	858	1,915	3,713	1,457*	894	1,209*
Average Mortgage Size	£181k	£174k	£128k	£217k	£170k	£196k
WA Indexed LTV	61.92%	60.18%	62.64%	71.62%	64.14%	70.15%
WA Interest Rate	2.34%	2.71%	1.37%	3.41%	4.19%	3.88%
WA Remaining Term (mth)	186	211	112	264	276	307
WA Seasoning (mth)	64	46	166	10	27	11
3mth + Arrears (% balance)	0.00%	0.07%	0.84%	0.00%	1.94%	0.19%

Investment breakdown



as at 30/11/2020

1. Dividend guidance in this factsheet is a target only and not a profit forecast and there can be no assurance that this target will be met.

* from February 2020, pipeline has been excluded and figure refers to completed loans only

as at 30/11/2020

Fund Facts

Type of Fund:	Closed-ended Investment Scheme
Listing & Trading:	LSE Specialist Fund Market
ISA & SIPP Eligible:	Yes
Launch Date:	7th July 2015
Currency:	£ denominated
NAV Calculation:	As of the last business day of each month
Dealing:	Daily during LSE opening hours
Dividend:	Quarterly from April 2016
Market Capitalisation*:	£146.2mn
Shares in Issue:	232mn
Price per Share*:	63.00p
NAV per Share*:	81.14p
NAV per Share (inc Dividend)*:	107.39p
Premium / (Discount) to NAV*:	-22.36%

Source: TwentyFour Asset Management. * as at 31/10/2020

Glossary

ABS:	Asset Backed Securities
BoE:	Bank of England
BTL:	Buy-to-Let
CHL:	Capital Home Loans
EGM:	Extraordinary General Meeting
MPC:	Monetary Policy Committee
RICS:	Royal Institute of Chartered Surveyors
RMBS:	Residential Mortgage Backed Securities
TFSME:	Term Funding Scheme with additional incentives for SMEs
TML:	The Mortgage Lender

Trading Information

TIDM	UKML
ISIN	GG00BXDZMK63
SEDOL	BXDZMK6
AMC (%)	0.60

Fund Managers

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

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

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

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

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

Further Information



TwentyFour AM
John Magrath
Tel. 020 7015 8912
john.magrath@twentyfouram.com

Numis

Numis Securities
Chris Gook
Tel. 020 7260 1378
c.gook@numis.com

FOR INSTITUTIONAL/PROFESSIONAL INVESTORS ONLY. NO OTHER PERSONS SHOULD RELY ON THE INFORMATION CONTAINED IN THIS DOCUMENT. This document has been prepared for information purposes only in order to facilitate preliminary discussions with potential investors in the Fund and will not be made available to retail customers (as defined in the Financial Conduct Authority's rules). The information and opinions contained herein are for background purposes only and do not purport to be full or complete. This document is preliminary and the information contained is selective and subject to verification, completion and amendment. It is not intended to be construed as a prospectus or other solicitation for the sale of any particular investment nor as investment advice and does not have regard to the specific investment objectives, financial situation, and particular needs of any person to whom it is presented. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein and no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted by TwentyFour Asset Management LLP, Numis Securities Limited or the Fund or by any of their respective members, officers, employees or agents. Any application for shares in the Fund may be made solely on the basis of the information and opinions contained in the prospectus, as and when it becomes available, which may be different from the information and opinions contained in this document. Investors should not subscribe for or purchase any shares in the Fund on the basis of the information set out in this document. This document may not be distributed to the press or any other person, may not be reproduced in any form and may not be published, in whole or in part, for any purpose. Neither this document nor any part or copy of it may be taken or transmitted into, or distributed (directly or indirectly) in the United States, Australia, Canada or Japan (or to any resident of Japan) or any of their territories or possessions. The value of investments and the income from them can fall as well as rise. An investor may not get back the amount of money that he/she invests. This document has been issued by TwentyFour Asset Management LLP. For definitions of the investment terminology used within this document please see glossary at: <https://twentyfouram.com/glossary> TwentyFour Asset Management LLP is able to assist those institutional clients who require it with meeting their Solvency 2 obligations. In particular, TwentyFour Asset Management LLP will make all reasonable endeavours to comply with the Solvency 2 Regulations 2015 Article 256. Please contact the Compliance Department at compliance@twentyfouram.com for more information. TwentyFour Asset Management LLP is a Limited Liability Partnership incorporated in England under Partnership No. OC335015 with its registered office at 8th Floor, The Monument Building, 11 Monument Street, London EC3R 8AF and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 481888.

Investment Objective

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

Investment Policy

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

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

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

IFRS 9

With regards to IFRS 9 – the company has been reporting its results in accordance with IFRS 9 since 1 July 2018. When making future loss provisions under IFRS 9 the low level of historic defaults in the UK mortgage sector and the credit protection afforded by the low LTV of the loans within our portfolio is factored into our provision calculations, along with the recent addition of mortgage payment holidays. The unaudited impact of IFRS 9 has been calculated at 0.92% on the Fund's NAV, for the 30 June 2020. The impact of expected credit losses is already modelled in the IRR calculations for our portfolios and is also included in our portfolio dividend and NAV models.

Key Risks

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

OCF Breakdown

UK Mortgages Ltd	0.81%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.15%
	Total 0.96%
Servicing and Transaction costs (for information)*	2.18%

*Servicing and transaction costs are provided for information only as deal specific servicing and other transaction costs are included in IRR projections per investment. As at 30/06/2020.