IMPORTANT: This fact sheet contains expressions of opinion and forward-looking statements of expectation.
Any such view, expectation or opinion is solely attributable to the Investment Manager.

TwentyFour ASSET MANAGEMENT

UK Mortgages Limited

30 September 2020

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

Commentary

Mortgage and Housing Market

The strong rally in the housing market continues apace, with Halifax reporting the fastest annual house price growth rate since June 2016 at 7.5%, though the monthly rate of 0.3% was the slowest in four months. Nationwide also reported the average house price hit a new record high at £227,825, up 5.8% on the year. Regionally, the so called 'race for space' also appears to be gathering momentum with Knight Frank reporting a quarterly rise of 0.9% in outer London and a 2% rise for country properties, including cottages, farmhouses and manor houses, with the number of offers accepted outside London hitting an all-time record. This was supported by Bank of England data showing mortgage approvals reached a 13-year high in October. On that note, however, data from the mortgage broker Trussle showed that the combination of lockdown, increased property demand and processing capacity due to working from home has caused the time it takes to buy a property to double to around 116 days, and are warning that mortgage applications made later than early December may not reach completion before the end of the Stamp Duty relief period next April, which is also when the current Help to Buy scheme expires. A number of participants in the property sector have already been urging the Chancellor to extend the deadline in order to prevent a backlog and cliff effect. Regarding extensions, along with the extension of the furlough scheme, and the imminent start of a second lockdown, the Chancellor also asked the FCA to further extend the Mortgage Payment Holiday scheme until January 31, 2021. However, this is simply a further extension of the same measures previously extended in July, with the maximum deferral period remaining at six months. As such, while we expect some new deferral requests and some extensions to those who have only taken an initial three-month deferral so far, it is likely that any increase in numbers will be relatively limited and most likely offset by existing deferrals coming to an end. Further details of the ongoing reduction of payment holidays in our portfolios is given below.

RMBS Market

Despite heavy supply in the broad European ABS market, this was mostly concentrated in mainland European Auto and Consumer assets, and only one UK RMBS deal came to market. That was from a debut issuer with a mixed pool of both owner-occupied and BTL loans, plus a heavy proportion of second-charge loans; very different and not really comparable to UKML portfolios. In secondary markets, the strong technical prevailed in the absence of material primary supply and spreads remained firm. Trading flows were interrupted mid-month by a very large £600m UK NC/BTL BWIC across senior and mezzanine bonds. Investors hoping to source bonds in the auction at discounted levels were left disappointed as there was strong participation across the capital stack from both investors and dealers. However, despite this the combined weight of renewed COVID-19 lockdowns, the US election, a looming Brexit deadline, and dealers protecting balance sheets towards year-end led to weaker equity and broader credit markets, and saw ABS markets indirectly affected more latterly with a modicum of widening across senior bonds.

Fund Commentary

It's far too early to assess the number of new payment holiday/extension requests that lenders are likely to receive following the latest extension to the scheme, but given the revised scheme is only open to those who haven't already taken the maximum six-month deferral, we do not expect to see a big increase, particularly as many existing deferrals are coming to an end so numbers are more likely to continue to fall, just a little more slowly. In very early evidence at the time of writing, TML have seen just two requests for new deferrals and five for extensions, and Coventry saw just one extension request offset by a redemption. TML meanwhile saw a further 137 borrowers return to making payments at the end of their deferral period, bringing the live exposure in the combined TML portfolios down to around 2.1% from a peak of over 40%. The BTL portfolios, which saw a much lower payment holiday experience than the owner-occupied sector, also continue to fall. In both sectors, a small proportion are likely to ultimately result in longer term arrears, and also in a few cases some repossessions once the current moratorium comes to an end, but the vast majority of borrowers have or are now returning to making payments. The Fund's board has now concluded its strategic review and subsequent follow-up consultations with shareholders, who strongly supported their proposals for a revised mandate for increased dividend cover and enhanced liquidity and returns, to be voted on at an EGM on 4th December. They also completed the repurchase of c. 41m shares during September as planned. As these were purchased at a discount, this will result in an uplift in NAV, of c. 2.24 pence per share to be reflected in next month's NAV for September. Meanwhile, the portfolio managers have continued preparations for future securitisations, in particular following-up on the Keystone RMBS investor introduction held in September.

Investment Outlook

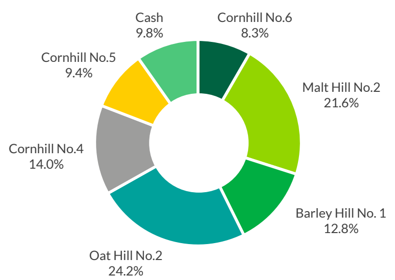
With just a handful of primary deals in the current visible pipeline, activity is likely to start to tail off for the balance of the year. We continue to have a positive outlook for RMBS markets and are encouraged by the resilience and performance against a very challenging backdrop. The anticipated lower levels of primary supply should continue to support the strong favourable technical into year-end, however we remain cognizant that a significant uptick in broader market volatility could also flow through to the ABS sector.

Portfolio Summary	Buy-to-Let					Owner Occupied
	Purchased			Forward Flow Originated		
	Cornhill 6	Malt Hill 2	Oat Hill 1	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	£158m	£337m	£479m	£286m*	£161m	£238m*
Number Accounts	872	1,930	3,759	1,318*	938	1,213*
Average Mortgage Size	£181k	£174k	£127k	£217k	171,995	£196k
WA Indexed LTV	62.01%	60.26%	64.12%	71.61%	65.49%	71.83%
WA Interest Rate	2.37%	2.71%	1.37%	3.40%	4.15%	3.88%
WA Remaining Term (mth)	188	214	114	265	278	308
WA Seasoning (mth)	62	43	164	9	25	9
3mth + Arrears (% balance)	0.00%	0.15%	0.81%	0.00%	1.68%	0.18%

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 30/09/2020

Investment breakdown



as at 30/09/2020

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:*	£174.7mn
Shares in Issue:	273mn
Price per Share:*	64.00p
NAV per Share:*	81.02p
NAV per Share (inc Dividend):*	104.65p
Premium / (Discount) to NAV:*	-21.01%

Source: TwentyFour Asset Management. * as at 31/08/2020

Glossary

BTL: Buy-to-Let
BWIC: Bids Wanted in Competition
NC: Non-Conforming
RMBS: Residential Mortgage Backed Securities
TML: The Mortgage Lender

Trading Information

TIDM	UKML
ISIN	GG00BXDZMK63
SEDOL	BXDZMK6
AMC (%)	0.60

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.

Fund Managers

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

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

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

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

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

Further Information

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