

# TwentyFour Income Fund Limited

**Interim Report and Unaudited Condensed Interim Financial Statements**  
For the period 1 April 2016 to 30 September 2016





# TwentyFour Income Fund Limited

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# TwentyFour Income Fund Limited

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## CORPORATE INFORMATION

### Directors

Trevor Ash (Chairman)  
Ian Burns  
Richard Burwood  
Jeannette Etherden

### Custodian, Principal Banker and Depositary

Northern Trust (Guernsey) Limited  
PO Box 71  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey, GY1 3DA

### Registered Office

PO Box 255  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey, GY1 3QL

### Secretary and Administrator

Northern Trust International Fund Administration  
Services (Guernsey) Limited  
PO Box 255  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey, GY1 3QL

### Alternative Investment Fund Manager

Maitland Institutional Services Limited  
Springfield Lodge  
Colchester Road  
Chelmsford, CM2 5PW

### Corporate Broker

Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London, EC4M 7LT

### Portfolio Manager

TwentyFour Asset Management LLP  
8th Floor  
The Monument Building  
11 Monument Street  
London  
EC3R 8AF

### Independent Auditor

PricewaterhouseCoopers CI LLP  
PO Box 321  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey, GY1 4ND

### UK Legal Advisers to the Company

Eversheds LLP  
One Wood Street  
London, EC2V 7WS

### Receiving Agent

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS13 8AE

### Guernsey Legal Advisers to the Company

Carey Olsen  
Carey House  
Les Banques  
St Peter Port  
Guernsey, GY1 4BZ

### Registrars

Computershare Investor Services  
(Guernsey) Limited  
3rd Floor  
NatWest House  
Le Truchot  
St Peter Port  
Guernsey, GY1 1WD

# TwentyFour Income Fund Limited

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## SUMMARY INFORMATION

### The Company

TwentyFour Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company's shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

### Investment Objective and Investment Policy

The Company's investment objective is to generate attractive risk adjusted returns principally through income distributions.

Following the Extraordinary General Meeting held on 16 December 2015, Shareholders approved the change in investment policy to the one set out below. Full details were set out in the circular dated 25 November 2015 ("the Circular") which is available on the Company's website ([www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)).

The Company's investment policy is to invest in a diversified portfolio of UK and European Asset Backed Securities.

The Company will maintain a Portfolio diversified by issuer, it being anticipated that the Portfolio will comprise at least 50 Asset Backed Securities at all times.

The Portfolio must comply, as at each date an investment is made, with the following restrictions:

- (i) no more than 20 per cent. of the Portfolio value will be backed by collateral in any single country (save that this restriction will not apply to Northern European countries); and
- (ii) no more than 5 per cent. of the Portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities; and
- (iii) no more than 10 per cent. of the Portfolio value will be exposed in aggregate to instruments not deemed securities for the purposes of FSMA.

As an exception to the requirements set out above, the Portfolio Manager is permitted to purchase new investments at any time when the Portfolio does not comply with one or more of those restrictions so long as, at the time of investment:

- the asset purchased will be compliant with the single country restriction above (even where following the purchase more than 20 per cent. of the Portfolio will be backed by collateral in another single country due to market movements);
- the asset purchased will be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 5 per cent. of the Portfolio value will be exposed to another single Asset Backed Security or issuer due to market movements); and
- such purchase does not make the Portfolio, in aggregate, less compliant with any of (i), (ii) and (iii) above.

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

# TwentyFour Income Fund Limited

## SUMMARY INFORMATION (continued)

### Target Returns

The Company has a target annual net total return on the Company's NAV of between 6 and 9 per cent. per annum, which includes quarterly dividends with a target yield each financial year of 6 per cent. or higher, of the Issue Price.\*

### Shareholder Information

Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") is responsible for calculating the NAV per share of the Company. The unaudited NAV per ordinary redeemable share will be calculated as at the close of business on the last business day of every week and the last business day of every month by the Administrator and will be announced by a Regulatory News Service the following business day.

### Financial Highlights

	30.09.16	31.03.16	30.09.15
Total Net Assets	£421,430,858	£333,410,804	£326,957,553
Net Asset Value per share	110.23p	103.73p	114.76p
Share price	112.00p	105.75p	123.25p
Premium to Net Asset Value	1.61%	1.94%	7.40%
Dividends declared in respect of the period	3.00p	7.14p	3.00p

As at 16 November 2016, the above Premium to Net Asset Value had moved to a discount of 0.83%. The estimated NAV per share and mid-market share price stood at 108.90p and 108.00p respectively.

### Ongoing Charges

Ongoing charges for the period ended 30 September 2016 have been calculated in accordance with the AIC's recommended methodology. The ongoing charges for the period ended 30 September 2016 were 0.96% (30 September 2015: 0.95%).

\* This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target return should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors, including the number of Ordinary Shares outstanding, and the Company's total expense ratio. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in or retain or increase their investment in the Company. See note 16 of the Company's Annual Financial Statements for the year ended 31 March 2016 for further details.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT

for the period from 1 April 2016 to 30 September 2016

For the majority of the period the Company's shares continued to trade at a premium, as they had done since launch, with the average during the period being 2.08%. The premium was less volatile than during the previous year due to the ongoing programme of issuance that the Company utilised during the period, satisfying demand for stock as it arose. The Board is comfortable that a reasonable premium has been established, but remains willing to continue to issue further shares, subject to the Portfolio Manager confirming that attractive investment opportunities are available in the market.

Since launch, the NAV per share has increased 12.23p, along with total dividends of 21.68p distributed. During the period, the NAV per Share rose 6.50p and the income component of the return to investors remained strong as the Company declared two dividends of 1.5p per share to cover the pro-rata minimum return of 6p per share, with a third dividend of 1.5p and a final dividend covering all excess returns per share in respect of the year expected to be paid in the second half of the Company's financial year.

At the start of the period the Asset Backed Securities ("ABS") market, along with all other financial markets, was undergoing a material increase in yields, as risk sentiment had deteriorated in the first quarter of 2016. This was largely driven by factors outside of the ABS market, but led to a significant improvement in opportunities in European ABS, buoyed by continued strong fundamental performance of the underlying assets.

The general recovery in sentiment seen during the quarter to end of June was curtailed by the shock result of the UK referendum on EU membership. However following the further expansion of supportive policies from the Bank of England, a recovery in sentiment again allowed European ABS spreads to perform well. Towards the end of the period there remained a material credit spread premium available to investors in the ABS market in comparison with corporate credits with similar ratings.

The ongoing investment opportunity remains extremely attractive, however instability remains in global financial markets, driven most recently by a resurgence in uncertainty regarding the timing of the UK's exit from the EU and its subsequent relationship with the single market. This may again create volatility in markets and further buying opportunities within ABS, and indeed might present a good opportunity for further growth of the Company. I take comfort in the Portfolio Manager's confidence that this does not reflect any stress in the current credit quality of the portfolio and I remain confident of the Company's ability to fulfill its objectives.

Trevor Ash  
Chairman  
16 November 2016

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT

for the period from 1 April 2016 to 30 September 2016

### Market Commentary

The six month period to 30 September 2016 saw material swings in market sentiment, and therefore performance in the fixed income market, including European ABS. The period saw the Company's NAV per Share and Share Price increase 6.50p and 6.25p respectively, and dividends for the period totalled 3p.

As the period opened sentiment was recovering from the volatility seen in the first quarter of the year. This was driven by concerns around global growth, oil price volatility and strength in the banking sector. Notably during this period of volatility, the main drivers of performance in the mortgage and other consumer debt sectors were either stable or improving through the first quarter. Against this backdrop the second quarter was positive across most markets as sentiment recovered, allowing bond prices to perform and compressing available yields further. A notable marker of the change in sentiment in the ABS market was the successful launch of the Towd Point transaction in April. This was the £6.4bn partial refinancing of the Granite transaction that had been sold to a private equity investor at the end of 2015, a sale which itself had materially impeded performance in the European ABS market post summer. The deal was launched into a recovering market and was many times oversubscribed. It represented one of the biggest trades seen since the start of the credit crisis, illustrating the strength and depth of the ABS investor base.

The market's recovery lasted until the end of June, at which point the result of the referendum on the UK's membership of the European Union sent the market into a new tailspin. Risk premia on assets jumped and stayed at elevated levels until the Bank of England took remedial action through the re-opening and expansion of the Quantitative Easing programme, with the launch of the Term Funding Scheme for banks. These measures, combined with the well supported succession of Theresa May as Prime Minister, and the deferral of the triggering of Article 50, proved to be the stimulus for most markets to perform. Despite an initial lag by the corporate credit markets, the ABS market soon followed suit.

Although the summer was relatively subdued in terms of new issuance, secondary market liquidity was strong, and spreads continued to grind tighter in ABS. In September investors' focus suddenly shifted to a very active primary market, with offerings from a variety of geographies and sectors resulting in issuance exceeding €11bn.

### Market Outlook

While sentiment in the ABS market is clearly bullish, there are potential clouds on the horizon for the remainder of 2016: the ongoing negotiations in the DoJ/Deutsche Bank settlement, the increase in the rhetoric surrounding the UK/EU 'divorce' and the aftermath of the election in the US, along with the upcoming referendum in Italy (December). While these events do not present any fundamental risk to the European ABS market, they have the potential to affect risk sentiment across the board. In 2017 the political agenda will likely be centre stage again, with elections in the Netherlands, France and Germany, where the far-right parties are gaining popularity.

This is likely to keep markets in a more cautious mode as we enter the final quarter of the year. Whatever happens it seems central bank support will remain a key stabilising factor, particularly here in the UK and Europe, but also in the US. We expect the Fed to be closely gauging market sentiment, as or when they do eventually raise interest rates. The central bank asset purchase programs will likely continue to keep spreads low for the foreseeable future.

The Portfolio Manager expects the pipeline of new issuance to remain elevated over October and early November, particularly with UK non-prime RMBS and CLO supply. The demand for bonds is likely to remain strong as there are new buyers entering the market. A slowdown in primary issuance towards the latter end of 2016 should create a strong technical lift for the ABS market, particularly as the sector remains good value versus European (and UK) High Yield bonds, and even more so compared to investment grade corporate bonds.

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT (continued)

for the period ended 30 September 2016

### Foreign Exchange Accounting

The Company's policy is to hedge foreign currency risk. The currency markets experienced ongoing volatility during the period with the referendum outcome in June, the main driver behind the currency moves versus Sterling. The EUR/GBP rate finished 9.47% higher, with the one day movement immediately after the referendum vote almost 9% in itself. The Company has significant exposure to Euro assets, representing 70% of the Portfolio, which remains fully hedged.

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

Foreign Exchange hedging is used to manage the portfolio's currency risk efficiently and not to enhance investment returns.

The net foreign currency gain on the portfolio (recorded within net gains on financial assets at fair value through profit or loss) and the net foreign currency losses on the forward currency contracts (included within net foreign currency losses) are recognised in accordance with the hedging policy and IFRS, within the Unaudited Condensed Statement of Comprehensive Income.

TwentyFour Asset Management LLP  
16 November 2016

## TwentyFour Income Fund Limited

### TOP TWENTY HOLDINGS

As at 30 September 2016

Security	Nominal/ Shares	Asset Backed Security Sector	Fair Value £	Percentage of Net Asset Value
SCGC 2015-1 E	15,000,000	Consumer ABS	13,562,613	3.22
LUSI 5 A	18,726,174	Prime RMBS	12,838,911	3.05
WARW 1 E	12,180,000	Non-conforming RMBS	11,144,700	2.64
CBFLU 1 MEZZ	10,000,000	Buy-to-Let RMBS	10,050,000	2.38
TPMF 2016-GR1X E	9,000,000	Prime RMBS	9,000,900	2.14
CELES 2015-1 C	8,750,000	Buy-to-Let RMBS	8,268,750	1.96
INTS 3 C	9,820,000	Prime RMBS	8,087,081	1.92
CADOG 3X E	10,000,000	CLO	7,724,027	1.83
HARVT 15X F	10,000,000	CLO	7,651,190	1.82
EMACP 2007-NL4 D	13,750,000	Prime RMBS	7,057,598	1.67
AURUS 2016-1 F	7,500,000	Consumer ABS	6,491,697	1.54
SCGC 2016-1 E	7,500,000	Consumer ABS	6,488,453	1.54
RMS 28 E	6,250,000	Non-conforming RMBS	5,969,306	1.42
HWKSM 2016-1 D	6,000,000	Non-conforming RMBS	5,892,000	1.40
BBVAL 2007-1 B	7,031,147	Leases	5,784,579	1.37
CASSA 2007-1 B	7,500,000	Prime RMBS	5,757,227	1.37
ALME 3X F	7,500,000	CLO	5,593,936	1.33
RMACS 2006-NS3X M2C	7,335,230	Non-conforming RMBS	5,381,011	1.28
AVOCA 16X E	6,250,000	CLO	5,366,476	1.27
SPAUL 3X E	6,500,000	CLO	5,207,214	1.24

# TwentyFour Income Fund Limited

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## BOARD MEMBERS

Biographical details of the Directors are as follows:

### **Trevor Ash - (Chairman) (age 70)**

Mr Ash is a resident of Guernsey and has over 30 years of investment experience. He is a Fellow of the Chartered Institute for Securities and Investment. He was formerly a managing director of Rothschild Asset Management (CI) Limited. He is a director of a number of hedge funds, fund of hedge funds, venture capital, derivative and other offshore funds including several managed or advised by Insight and Rothschild. Mr Ash retired as a director of NM Rothschild & Sons (CI) Limited, the banking arm of the Rothschild Group in the Channel Islands in 1999. Mr Ash was appointed to the Board on 11 January 2013.

### **Ian Burns - (Non-executive Director and Chairman of the Audit Committee) (age 57)**

Mr Burns is a resident of Guernsey and a fellow of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Securities and Investment. He is a founder and Executive Director of Via Executive Limited, a specialist management consulting company and managing director of Regent Mercantile Holdings Limited, a privately owned investment company. Mr Burns is currently a non-executive director of London listed Phaunos Timber Fund Limited, River and Mercantile UK Micro Cap Limited and Fast Forward Innovations Limited (AIM). He is also a director of Montreux Capital Corp which is listed on the Toronto Stock Exchange and a number of other offshore funds. Mr Burns was appointed to the Board on 17 January 2013.

### **Richard Burwood - (Non-executive Director) (age 49)**

Mr Burwood is a resident of Guernsey with over 25 years' experience in banking and investment management and serves on the boards of a number of fixed income, private equity and hedge funds. During 18 years with Citibank London, Mr Burwood spent 11 years as a fixed income portfolio manager spanning both banks/finance investments and Asset Backed Securities. He gained direct experience as a portfolio manager of securities backed by mortgages, auto loans and collateralised loan obligations. Mr Burwood has lived in Guernsey since 2010, initially working as a portfolio manager for EFG Financial Products (Guernsey) Ltd managing the treasury department's ALCO Fixed Income portfolio. From 2011 to 2013 Mr Burwood worked as the business and investment manager for the Guernsey branch of Man Investments (CH) AG. This role involved overseeing all aspects of the business including operations and management of proprietary investments. In January 2014 Mr Burwood joined the board of RoundShield Fund I GP Ltd, a Guernsey private equity fund, focused on European small to mid-cap opportunities. In August 2015 he became a Board Member of Funding Circle SME Income Fund Ltd, a Guernsey Company, offering investors access to a diversified pool of SME loans originated through Funding Circle's marketplaces in the UK, US and Europe. Mr Burwood was appointed to the Board on 17 January 2013.

### **Jeannette (Jan) Etherden - (Non-executive Director) (age 56)**

Ms Etherden is a resident of the United Kingdom. She started in 1983 as a research analyst at Confederation Life (acquired by Sun Life of Canada in 1994) and was Head of UK Equities from 1991. In 1996 she moved to Newton Investment Management Limited as a multi-asset fund manager. She was appointed a Director of Newton Investment Management Limited in 1997 and additionally was Chief Operating Officer of Investments at Newton Investment Management Limited from 1999 until her resignation in 2001. From January 2004 to January 2006 she was Business Development Manager for the Candela Fund at Olympus Capital Management. Ms Etherden has been a Director of Ruffer Investment Company Ltd since 1 July 2004 and a Director of Miton UK MicroCap Trust plc since 31 March 2015. Ms Etherden was appointed to the Board on 17 January 2013.

# TwentyFour Income Fund Limited

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## STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

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

The principal risks and uncertainties assessed by the Board relating to the Company were disclosed in the Annual Report and Audited Financial Statements for the period from 1 April 2015 to 31 March 2016. The principal risks disclosed can be divided into the various areas as follows:

- **Market risk**  
Market risk is risk associated with changes in market prices including spreads, interest rates, economic uncertainty, changes in laws and national and international political circumstances such as the recent UK vote to leave the EU. This vote has introduced new uncertainties and instability into financial markets. As the process of a major country leaving the EU has no precedent, the Board and Portfolio Manager expect an ongoing period of market uncertainty as the implications are processed.
- **Reinvestment risk**  
Reinvestment risk is the risk that any monies resulting from principal and income payments from a bond will not be reinvested at the prevailing interest rate when the bond was initially purchased.
- **Credit risk**  
The investment portfolio is comprised of Asset Backed Securities which expose the Company to credit risk, being the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.
- **Liquidity risk**  
As substantially all of the assets of the Company are invested in Asset Backed Securities, the Company is exposed to liquidity risk and may not be able to generate sufficient cash resources to meet the dividend target and settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.
- **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 is exposed to foreign currency risk through its investment in predominately Euro denominated assets although mitigates this risk through hedging. As a result of the UK vote to leave the EU there has been an increase in the volatility of the EUR/GBP exchange rate.

A detailed explanation of these can be found in note 16 on page 20 onwards in the Annual Report. The Board and Portfolio Manager do not consider these risks to have changed and these risks are considered to remain relevant for the remaining six months of the financial year.

### Going Concern

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

The Directors believe that it is appropriate to continue to adopt a going concern basis in preparing the Interim Report and Unaudited Condensed Interim Financial Statements given the Company's holdings of cash and cash equivalents, the liquidity of investments and the income deriving from those investments, meaning the Company has adequate financial resources to meet its liabilities as they fall due.

# TwentyFour Income Fund Limited

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## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- these Unaudited Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by DTR 4.2.4R.
- the interim management report meets the requirements of an interim management report, and includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the period from 1 April 2016 to 30 September 2016 and their impact on the Unaudited Condensed Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the period from 1 April 2016 to 30 September 2016 and that have materially affected the financial position or performance of the Company during that period as included in note 15.

By order of the Board,

Trevor Ash  
Chairman  
16 November 2016

Ian Burns  
Director

# TwentyFour Income Fund Limited

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## INDEPENDENT INTERIM REVIEW REPORT TO TWENTYFOUR INCOME FUND LIMITED

### *Introduction*

We have been engaged by TwentyFour Income Fund Limited ("the Company") to review the Unaudited Condensed set of Interim Financial Statements in the Interim Report for the six months ended 30 September 2016, which comprises the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Financial Position as at 30 September 2016, the Unaudited Condensed Statement of Changes in Equity, the Unaudited Condensed Statement of Cash Flows and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Unaudited Condensed set of Interim Financial Statements.

### *Directors' responsibilities*

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

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

### *Our responsibility*

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

### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the Unaudited Condensed set of Interim Financial Statements in the Interim Report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands  
16 November 2016

### **Publication of Interim Financial Report**

- (a) The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report and Unaudited Condensed Interim Financial Statements since they were initially presented on the website.
- (b) Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## TwentyFour Income Fund Limited

### UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 April 2016 to 30 September 2016

		For the period from 01.04.16 to 30.09.16	For the period from 01.04.15 to 30.09.15
	Note	£	£
<b>Income</b>		(Unaudited)	(Unaudited)
Interest income		12,181,289	10,085,786
Net foreign currency losses	7	(17,904,777)	(4,395,477)
Net gains/(losses) on financial assets at fair value through profit or loss	8	34,804,266	(9,932,546)
<b>Total income</b>		<u>29,080,778</u>	<u>(4,242,237)</u>
Portfolio management fees	15	(1,361,602)	(1,257,929)
Directors' fees	15	(63,750)	(53,750)
Administration and secretarial fees	16	(100,161)	(94,589)
Audit fees		(26,675)	(33,550)
Custody fees	16	(19,929)	(17,417)
Broker fees		(25,079)	(24,900)
AIFM management fees	16	(70,835)	(65,295)
Depositary fees	16	(26,485)	(24,715)
Legal and professional fees		(14,012)	(10,463)
Other expenses		(66,307)	(43,476)
<b>Total expenses</b>		<u>(1,774,835)</u>	<u>(1,626,084)</u>
Total comprehensive income/(loss) for the period		<u>27,305,943</u>	<u>(5,868,321)</u>
<b>Earnings/(loss) per Ordinary Redeemable Share - Basic &amp; Diluted</b>	3	<u>0.081</u>	<u>(0.021)</u>

All items in the above statement derive from continuing operations.

The notes on pages 17 to 30 form an integral part of these Unaudited Condensed Interim Financial Statements.

# TwentyFour Income Fund Limited

## UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

Assets	Note	30.09.2016 £	31.03.2016 £
<b>Current assets</b>		(Unaudited)	(Audited)
Financial assets at fair value through profit and loss			
- Investments	8	398,840,659	333,347,124
- Derivative assets: Forward currency contracts	18	56,683	365,658
Amounts due from broker		-	13,098,887
Amounts due from shares issued		2,806,250	-
Other receivables	9	2,427,034	2,089,799
Margin account	12	1,380,000	-
Cash and cash equivalents		28,615,088	4,913,606
<b>Total current assets</b>		<u>434,125,714</u>	<u>353,815,074</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit and loss			
- Derivative liabilities: Credit default swap	8,11	1,306,999	-
- Derivative liabilities: Forward currency contracts	18	5,518,155	6,172,432
Amounts due to brokers		5,360,561	6,104,874
Dividend payable		-	7,521,590
Other payables	10	509,141	605,374
<b>Total liabilities</b>		<u>12,694,856</u>	<u>20,404,270</u>
<b>Net current assets</b>		<u>421,430,858</u>	<u>333,410,804</u>
<b>Equity</b>			
Share capital account	13	392,590,770	327,589,440
Retained earnings		28,840,088	5,821,364
<b>Total equity</b>		<u>421,430,858</u>	<u>333,410,804</u>
Ordinary Redeemable Shares in issue	13	<u>382,314,151</u>	<u>321,420,417</u>
Net Asset Value per Ordinary Redeemable Share (pence)	5	<u>110.23</u>	<u>103.73</u>

The Unaudited Condensed Interim Financial Statements on pages 13 to 30 were approved by the Board of Directors on 16 November 2016 and signed on its behalf by:

**Trevor Ash**  
Chairman

**Ian Burns**  
Director

The notes on pages 17 to 30 form an integral part of the Financial Statements.

## TwentyFour Income Fund Limited

### UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY

for the period from 1 April 2016 to 30 September 2016

	Note	Share Capital Account £ (Unaudited)	Retained Earnings £ (Unaudited)	Total £ (Unaudited)
Balances at 1 April 2016		327,589,440	5,821,364	333,410,804
Issue of shares		66,742,970	-	66,742,970
Share issue costs		(1,062,805)	-	(1,062,805)
Distributions paid		-	(4,966,054)	(4,966,054)
Income equalisation on new issues	4	(678,835)	678,835	-
Total comprehensive gain for the period		-	27,305,943	27,305,943
<b>Balance at 30 September 2016</b>		<b>392,590,770</b>	<b>28,840,088</b>	<b>421,430,858</b>
		Share Capital Account £ (Unaudited)	Retained Earnings £ (Unaudited)	Total £ (Unaudited)
Balances at 1 April 2015		292,107,523	51,117,517	343,225,040
Distributions paid		-	(10,399,166)	(10,399,166)
Total comprehensive loss for the period		-	(5,868,321)	(5,868,321)
<b>Balance at 30 September 2015</b>		<b>292,107,523</b>	<b>34,850,030</b>	<b>326,957,553</b>

The notes on pages 17 to 30 form an integral part of these Unaudited Condensed Interim Financial Statements.

## TwentyFour Income Fund Limited

### UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

for the period from 1 April 2016 to 30 September 2016

	For the period from 01.04.16 to 30.09.16 £ (Unaudited)	For the period from 01.04.15 to 30.09.15 £ (Unaudited)
<b>Cash flows from operating activities</b>		
Total comprehensive income/(loss) for the period	27,305,943	(5,868,321)
Adjustments for:		
Net (gain)/loss on investments	(34,804,266)	9,932,546
Amortisation adjustment under effective interest rate method	(5,648,835)	(5,469,339)
(Increase)/decrease in other receivables	(337,235)	358,861
Decrease other payables	(157,260)	(18,492)
Unrealised gains on forward currency contracts	7 (345,300)	(96,173)
Increase in margin account	(1,380,000)	-
Purchase of investments	(140,841,760)	(83,060,260)
Sale of investments	129,462,899	92,939,105
Net cash (used in)/generated from operating activities	<u>(26,745,814)</u>	<u>8,717,927</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of Ordinary Redeemable Shares	63,936,720	-
Share issue costs	(1,001,778)	-
Dividend distribution	(12,487,646)	(10,399,166)
Net cash inflow/(outflow) from financing activities	<u>50,447,296</u>	<u>(10,399,166)</u>
Increase/(decrease) in cash and cash equivalents	<u>23,701,482</u>	<u>(1,681,239)</u>
Cash and cash equivalents at beginning of period	<u>4,913,606</u>	<u>7,152,308</u>
Cash and cash equivalents at end of period	<u>28,615,088</u>	<u>5,471,069</u>

The notes on pages 17 to 30 form an integral part of the Financial Statements.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

for the period from 1 April 2016 to 30 September 2016

### 1. General Information

TwentyFour Income Fund Limited (the "Company") was incorporated with limited liability in Guernsey, as a closed-ended investment company on 11 January 2013. The Company's Shares were listed with a Premium Listing on the Official List of the UK Listing Authority and admitted to trading on the Main Market of the London Stock Exchange on 6 March 2013.

The Company's investment objective is to generate attractive risk adjusted returns principally through income distributions.

The Company pursues its investment objective by investing in a diversified portfolio of UK and European Asset Backed Securities.

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

### 2. Principal Accounting Policies

#### a) Statement of compliance

The Unaudited Condensed Interim Financial Statements for the period 1 April 2016 to 30 September 2016 have been prepared on a going concern basis in accordance with IAS 34 "Interim Financial Reporting", the Listing Rules of the London Stock Exchange ("LSE") and applicable legal and regulatory requirements.

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the period ended 31 March 2016 financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS") and which received an unqualified report.

#### b) Changes in accounting policy

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

The two additional accounting policies include:

#### i) Financial liabilities held at fair value through profit and loss

##### Credit default swap

Credit default swaps are derivative contracts and as such are recognised at fair value on the date on which they are entered into and subsequently measured at fair value through profit and loss. These contracts were initially utilised by the Company to mitigate against market volatility following the EU referendum vote in the UK and continue to be utilised in response to further excess market volatility. These credit default swaps are recognised at their fair value, with movements in fair value taken to the Unaudited Condensed Statement of Comprehensive Income. Fees paid to the credit default swap counterparty are recognised in the Unaudited Condensed Statement of Comprehensive Income on an accruals basis.

The fair value of credit default swaps are based on external valuations. The valuation of the credit default swaps' fair value means fluctuations will be reflected in the unrealised gains or losses on financial assets or liabilities held at fair value through profit or loss.

Derivatives are carried in the Unaudited Condensed Statement of Financial Position as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

#### ii) Collateral

Cash collateral provided by the Company is identified in the Unaudited Condensed Statement of Financial Position as a margin account and is not included as a component of cash and cash equivalents.

#### c) Significant judgements and estimates

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

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 3. Earnings/(loss) per Ordinary Redeemable Share - Basic & Diluted

The earnings/(loss) per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 336,678,999 (30 September 2015: 284,908,712) and a net gain of £27,305,943 (30 September 2015: net loss of £5,868,321).

### 4. Income equalisation on 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 accrued income at the time of purchase and a transfer has been made from share capital to income to reflect this. The transfer for the period amounted to £678,835 (30 September 2015: £Nil).

### 5. Net Asset Value per Ordinary Redeemable Share

The net asset value of each Share of 110 pence (31 March 2016: 104 pence) is determined by dividing the net assets of the Company attributed to the Shares of £421,430,858 (31 March 2016: £333,410,804) by the number of Shares in issue at 30 September 2016 of 382,314,151 (31 March 2016: 321,420,417).

### 6. Taxation

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

### 7. Net foreign currency losses

	For the period from 01.04.16 to 30.09.16 £ (Unaudited)	For the period from 01.04.15 to 30.09.15 £ (Unaudited)
Movement on unrealised gain on forward currency contracts	345,300	96,173
Realised loss on foreign currency contracts	(18,226,373)	(4,530,944)
Unrealised foreign currency loss on receivables/payables	(25,515)	(28,278)
Unrealised foreign currency exchange gain on interest receivable	1,811	67,572
	<u>(17,904,777)</u>	<u>(4,395,477)</u>

## TwentyFour Income Fund Limited

### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

#### 8. Investments

	For the period from 01.04.16 to 30.09.16	01.04.15 to 31.03.16
	£	£
	(Unaudited)	(Audited)
Financial assets at fair value through profit or loss:		
Unlisted Investments:		
Opening book cost	339,411,981	351,856,355
Purchases at cost	140,097,447	236,792,582
Proceeds on sale/principal repayment	(116,364,012)	(239,243,114)
Amortisation adjustment under effective interest rate method	5,648,835	11,025,323
Realised gains on sale/principal repayment	7,053,229	3,122,176
Realised losses on sale/principal repayment	(5,012,449)	(24,141,341)
	<hr/>	<hr/>
Closing book cost	370,835,031	339,411,981
Unrealised gain on investments	31,610,406	7,985,695
Unrealised loss on investments	(4,911,777)	(14,050,552)
	<hr/>	<hr/>
Fair value	397,533,660	333,347,124
	<hr/> <hr/>	<hr/> <hr/>
	For the period from 01.04.16 to 30.09.16	For the period from 01.04.15 to 30.09.15
	£	£
	(Unaudited)	(Unaudited)
Realised gains on sale/principal repayment	7,053,229	11,817,268
Realised losses on sales/principal repayment	(5,012,449)	(28,003,734)
Increase in unrealised gain	23,624,711	9,401,173
Decrease/(increase) in unrealised loss	9,138,775	(3,147,253)
	<hr/>	<hr/>
Net gains/(losses) on financial assets at fair value through profit or loss	34,804,266	(9,932,546)
	<hr/> <hr/>	<hr/> <hr/>

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

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 9. Other receivables

	As at 30.09.16	As at 31.03.16
	£	£
	(Unaudited)	(Audited)
Coupon interest receivable	2,414,004	2,046,796
Prepaid expenses	13,030	43,003
	<u>2,427,034</u>	<u>2,089,799</u>

### 10. Other payables

	As at 30.09.16	As at 31.03.16
	£	£
	(Unaudited)	(Audited)
Portfolio Management fees payable	256,979	203,567
Custody fee payable	3,426	2,714
Administration fee payable	51,971	44,734
Directors' fee payable	31,875	46,875
Audit fee payable	25,655	66,200
AIFM Management fee payable	36,180	30,728
Depository fees payable	4,899	4,028
Share issue costs payable	61,027	-
General expenses payable	37,129	206,528
	<u>509,141</u>	<u>605,374</u>

### 11. Derivative liabilities: Credit default swap

On 12 July 2016 the Company entered into a credit default swap to mitigate against market volatility post the referendum vote in the UK. The trade was maintained over the summer, in response to further excess market volatility, especially within the CLO sector, which in risk-off periods is highly correlated to European High Yield, and continued to be held entering into the period end to hedge against future market events at the time, which included the US elections. The trade was deemed the best hedging option for the Company and is used for efficient portfolio management purposes only.

Collateral of £1.380m is held with BNP Paribas in relation to the credit default swap.

### 12. Margin account

The margin account represents a margin deposit of collateral held by BNP Paribas in relation to the credit default swap.

	As at 30.09.16	As at 31.03.16
	£	£
	(Unaudited)	(Audited)
Margin account	1,380,000	-
	<u>1,380,000</u>	<u>-</u>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 13. Share Capital

#### Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

#### Issued Share Capital

	As at 30.09.16	As at 31.03.16
	£	£
	(Unaudited)	(Audited)
Ordinary Redeemable Shares		
Share Capital at the beginning of the period/year	327,589,440	292,107,523
Issued Share Capital	66,742,970	44,364,627
Redeemed Share Capital	-	(6,620,551)
Share issue costs	(1,062,805)	(1,604,862)
Income equalisation on new issues	(678,835)	(657,297)
Total Share Capital at the end of the period/year	<u>392,590,770</u>	<u>327,589,440</u>

#### Reconciliation of number of shares

	As at 30.09.16	As at 31.03.16
	shares	shares
	(Unaudited)	(Audited)
Ordinary Redeemable Shares		
Shares at the beginning of the period/year	321,420,417	284,908,712
Issue of Shares	60,893,734	43,136,894
Redemption of Shares	-	(6,625,189)
Total Shares in issue at the end of the period/year	<u>382,314,151</u>	<u>321,420,417</u>

The Share Capital of the Company consists of an unlimited number of Shares with or without par value which, upon issue, the Directors may designate as: Ordinary Redeemable Shares; Realisation Shares or such other class as the Board shall determine and denominated in such currencies as shall be determined at the discretion of the Board.

As at 30 September 2016, one share class has been issued, being the Ordinary Redeemable Shares of the Company.

The Ordinary Redeemable Shares carry the following rights:

- a) the Ordinary Redeemable Shares carry the right to receive all income of the Company attributable to the Ordinary Redeemable 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.
- c) 56 days before the annual general meeting date of the Company in each third year (the "Reorganisation Date"), the Shareholders are entitled to serve a written notice (a "Realisation Election") requesting that all or a part of the Ordinary Redeemable Shares held by them be redesignated to Realisation Shares, subject to the aggregate NAV of the continuing Ordinary Redeemable Shares on the last business day before the Reorganisation Date being not less than £100 million. A Realisation Notice, once given is irrevocable unless the Board agrees otherwise. If one or more Realisation Elections be duly made and the aggregate NAV of the continuing Ordinary Redeemable Shares on the last business day before the Reorganisation Date is less than £100 million, the Realisation will not take place. Shareholders do not have a right to have their shares redeemed and shares are redeemable at the discretion of the Board.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 14. Analysis of Financial Assets and Liabilities by Measurement Basis

	Assets at fair value through profit and loss £	Loans and receivables £	Total £
30 September 2016 (Unaudited)			
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	398,840,659	-	398,840,659
- Derivative assets: Forward Currency contracts	56,683	-	56,683
Cash and cash equivalents	-	28,615,088	28,615,088
Margin cash	-	1,380,000	1,380,000
Amounts due from shares issued	-	2,806,250	2,806,250
Other receivables	-	2,427,034	2,427,034
	<u>398,897,342</u>	<u>35,228,372</u>	<u>434,125,714</u>
	Liabilities at fair value through profit and loss £	Other financial liabilities £	Total £
<b>Financial Liabilities as per Statement of Financial Position</b>			
Financial liabilities at fair value through profit or loss:			
- Derivative liabilities: Credit default swap	1,306,999	-	1,306,999
- Derivative liabilities: Forward currency contracts	5,518,155	-	5,518,155
Amounts due to brokers	-	5,360,561	5,360,561
Other payables	-	509,141	509,141
	<u>6,825,154</u>	<u>5,869,702</u>	<u>12,694,856</u>
	Assets at fair value through profit and loss £	Loans and receivables £	Total £
31 March 2016 (Audited)			
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	333,347,124	-	333,347,124
- Derivative assets: Forward Currency contracts	365,658	-	365,658
Cash and cash equivalents	-	4,913,606	4,913,606
Amounts due from broker	-	13,098,887	13,098,887
Other receivables	-	2,089,799	2,089,799
	<u>333,712,782</u>	<u>20,102,292</u>	<u>353,815,074</u>
	Liabilities at fair value through profit and loss £	Other financial liabilities £	Total £
<b>Financial Liabilities as per Statement of Financial Position</b>			
Financial liabilities at fair value through profit or loss:			
- Derivative liabilities: Forward currency contracts	6,172,432	-	6,172,432
Amounts due to brokers	-	6,104,874	6,104,874
Dividend payable	-	7,521,590	7,521,590
Other payables	-	605,374	605,374
	<u>6,172,432</u>	<u>14,231,838</u>	<u>20,404,270</u>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 15. 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.

With effect from 1 April 2016 the annual Directors' fees comprise £35,000 payable to Mr Ash, the Chairman, £32,500 to Mr Burns as Chairman of the Audit Committee and £30,000 to Mr Burwood and Ms Etherden. During the period ended 30 September 2016, Directors fees of £63,750 (30 September 2015: £53,750) were charged to the Company, of which £31,875 (31 March 2016: £46,875) remained payable at the end of the period.

#### b) Shares held by related parties

As at 30 September 2016, Directors of the Company held the following shares beneficially:

	Number of Shares 30.09.16	Number of Shares 31.03.16
Trevor Ash	50,000	50,000
Ian Burns	29,242	29,242
Richard Burwood	5,000	5,000
Jeannette Etherden	25,000	25,000

As at 30 September 2016, the Portfolio Manager held Nil Shares (31 March 2016: Nil Shares) and partners and employees of the Portfolio Manager held 1,122,487 Shares (31 March 2016: 1,041,438 Shares), which is 0.29% (31 March 2016: 0.32%) 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 Net Asset Value, which is calculated weekly on each valuation day, or market capitalisation of each class of shares. Total investment management fees for the period amounted to £1,361,602 (30 September 2015: £1,257,929) of which £256,979 (31 March 2016: £203,567) is due and payable at the period end. The Portfolio Management Agreement dated 29 May 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 0.15% of the aggregate gross offering proceeds plus any applicable VAT in relation to any issue of new Shares, following admission, in consideration of marketing services that it provides to the Company. During the period the Portfolio Manager received £113,692 (30 September 2015: £Nil) in commission.

### 16. Material Agreements

#### a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services Limited (formerly known as Phoenix Fund Services (UK) Limited). In consideration for the services provided by the AIFM under the AIFM Agreement the AIFM is entitled to receive from the Company a minimum fee of £20,000 per annum and fees payable quarterly in arrears at a rate of 0.07% of the Net Asset Value of the Company below £50 million, 0.05% on Net Assets between £50 million and £100 million and 0.03% on Net Assets in excess of £100 million. During the period ended 30 September 2016, AIFM fees of £70,835 (30 September 2015: £65,295) were charged to the Company, of which £36,180 (31 March 2016: £30,728) remained payable at the end of the period.

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 16. 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 £75,000 each year. In addition, an annual fee of £25,000 will be charged for corporate governance and company secretarial services. Total administration and secretarial fees for the period amounted to £100,161 (30 September 2015: £94,589) of which £51,971 (31 March 2016: £44,734) is due and payable at the period end.

#### c) Depositary

Depositary fees are payable to Northern trust (Guernsey) Limited, monthly in arrears, at a rate of 0.0175% of the Net Asset Value of the Company up to £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 £25,000 each year. Total depositary fees and charges for the period amounted to £26,485 (30 September 2015: £24,715) of which £4,899 (31 March 2016: £4,028) is due and payable at the period end.

The Depositary is also entitled to a Global Custody fee of a minimum of £8,500 per annum plus transaction fees. Total Global Custody fees and charges for the period amounted to £19,929 (30 September 2015: £17,417) of which £3,426 (31 March 2016: £2,714) is due and payable at the period end.

### 17. Financial Risk Management

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

These Unaudited Condensed Interim Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's Annual Financial Statements for the year ended 31 March 2016.

Other than the introduction of the credit default swap to manage credit risk, there have been no other changes in the risk management practices or in any risk management policies since the year end.

### 18. 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).

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 18. Fair Value Measurement (continued)

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the periods ended 30 September 2016 and 31 March 2016.

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
<i>BTL RMBS</i>	-	8,268,750	24,849,622	33,118,372
<i>CMBS</i>	-	-	3,474,437	3,474,437
<i>Consumer ABS</i>	-	8,218,707	24,812,508	33,031,215
<i>Leases</i>	-	-	5,784,579	5,784,579
<i>Leveraged Loan CLO</i>	-	28,855,689	124,742,862	153,598,551
<i>Non-Conforming RMBS</i>	-	37,758,383	42,246,720	80,005,103
<i>Prime RMBS</i>	-	27,621,441	58,692,667	86,314,108
<i>Student Loans</i>	-	-	3,514,294	3,514,294
<i>Forward currency contracts</i>	-	56,683	-	56,683
<b>Total assets as at 30 September 2016</b>	<b>-</b>	<b>110,779,653</b>	<b>288,117,689</b>	<b>398,897,342</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Credit default swap	-	-	1,306,999	1,306,999
<i>Forward currency contracts</i>	-	5,518,155	-	5,518,155
<b>Total liabilities as at 30 September 2016</b>	<b>-</b>	<b>5,518,155</b>	<b>1,306,999</b>	<b>6,825,154</b>
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>	(Audited)	(Audited)	(Audited)	(Audited)
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
<i>BTL RMBS</i>	-	7,787,500	11,891,299	19,678,799
<i>CMBS</i>	-	16,995,757	960,073	17,955,830
<i>Consumer ABS</i>	-	-	6,349,756	6,349,756
<i>Leases</i>	-	-	6,849,079	6,849,079
<i>Leveraged Loan CLO</i>	-	18,807,198	105,657,778	124,464,976
<i>Non-Conforming RMBS</i>	-	15,392,286	54,985,830	70,378,116
<i>Peripheral RMBS</i>	-	10,624,612	35,500,557	46,125,169
<i>Prime RMBS</i>	-	18,216,146	19,348,957	37,565,103
<i>Student Loans</i>	-	-	3,980,296	3,980,296
<i>Forward currency contracts</i>	-	365,658	-	365,658
<b>Total assets as at 31 March 2016</b>	<b>-</b>	<b>88,189,157</b>	<b>245,523,625</b>	<b>333,712,782</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
<i>Forward currency contracts</i>	-	6,172,432	-	6,172,432
<b>Total liabilities as at 31 March 2016</b>	<b>-</b>	<b>6,172,432</b>	<b>-</b>	<b>6,172,432</b>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 18. Fair Value Measurement (continued)

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

Asset Backed Securities which are not traded or dealt on organised markets or exchanges are classified in level 2 or 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 Asset Backed Security, the Portfolio Manager may source prices from third party broker or dealer quotes and if the price represents a reliable and an observable price, the Asset Backed Security is classified in level 2. All Asset Backed Securities classified as level 2 at 30 September 2016 and 31 March 2016 were priced from third party broker or dealer quotes.

Where the Portfolio Manager sources prices from a price vendor, the Asset Backed Security is classified in level 3. In instances where no third party verifiable price is available (either from price vendor or third party broker/dealer quotes), or where the Portfolio Manager determines that the provided price is not an accurate representation of the fair value, these Asset Backed Securities would be valued by the Portfolio Manager. The Portfolio Manager will determine the valuation of these Asset Backed Securities based on the Portfolio Manager's valuation policy, which may include the use of a comparable arm's length transaction, reference to other securities that are substantially the same, discounted cash flow analysis and other valuation techniques and these Asset Backed Securities are classified in level 3. No Asset Backed Securities were priced by the Portfolio Manager during the period or in any previous period. All Asset Backed Securities classified as level 3 at 30 September 2016 and 31 March 2016 were priced from third party price vendors.

The Company determines a transfer between level 2 and level 3 with reference to the source of pricing, and where an Asset Backed Security is priced based on a third party broker or dealer quote at year end, but was priced by a third party price vendor at the previous reporting period, a transfer from level 3 to level 2 is deemed to have occurred. Similarly, where an Asset Backed Security is priced using a third party price vendor at year end, but was priced based on a third party broker or dealer quote at the previous reporting period, a transfer from level 2 to level 3 is deemed to have occurred.

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

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 18. Fair Value Measurement (continued)

The following tables present the movement in level 3 instruments for the periods ended 30 September 2016 and 31 March 2016 by class of financial instrument.

	Opening balance	Purchases /(sales)	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2016	Net unrealised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 30 September 2016	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>BTL RMBS</i>	20,243,342	4,443,985	12,592	149,703	-	-	24,849,622
<i>CMBS</i>	960,073	(973,380)	(14,810)	321,677	3,180,877	-	3,474,437
<i>Consumer ABS</i>	6,349,756	17,328,699	(19,573)	1,153,626	-	-	24,812,508
<i>Leases</i>	6,849,079	(2,053,432)	29,823	959,109	-	-	5,784,579
<i>Leveraged Loan CLO</i>	105,657,778	10,404,886	1,789,098	14,906,440	11,131,365	(19,146,705)	124,742,862
<i>Non-Conforming RMBS</i>	46,633,787	(6,270,444)	(717,502)	4,720,387	7,177,500	(9,297,008)	42,246,720
<i>Prime RMBS</i>	54,849,514	(7,615,355)	(374,907)	3,617,490	12,069,066	(3,853,141)	58,692,667
<i>Student Loans</i>	3,980,296	(126,069)	(37,846)	(302,087)	-	-	3,514,294
<i>Total at 30 September 2016</i>	<u>245,523,625</u>	<u>15,138,890</u>	<u>666,875</u>	<u>25,526,345</u>	<u>33,558,808</u>	<u>(32,296,854)</u>	<u>288,117,689</u>

	Opening balance	Purchases /(sales)	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2016	Net unrealised (loss)/gain for the year included in the Statement of Comprehensive Income for level 3 Investments held at 31 March 2016	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<i>BLT RMBS</i>	-	11,790,398	153,765	(52,864)	-	-	11,891,299
<i>CMBS</i>	18,091,399	(10,178,979)	(554,294)	1,638,552	-	(8,036,605)	960,073
<i>Consumer ABS</i>	-	5,786,052	15,252	548,452	-	-	6,349,756
<i>Leases</i>	5,992,141	(5,292,771)	(760,544)	724,534	6,185,719	-	6,849,079
<i>Leveraged Loan CLO</i>	90,659,573	5,207,084	(9,745,127)	7,695,625	21,861,200	(10,020,577)	105,657,778
<i>Non-Conforming RMBS</i>	59,491,651	5,751,916	(2,561,715)	(3,909,084)	-	(3,786,938)	54,985,830
<i>Peripheral RMBS</i>	29,471,239	(12,469,267)	(2,061,559)	1,292,287	19,267,857	-	35,500,557
<i>Prime RMBS</i>	26,484,697	6,258,039	(431,042)	(4,975,216)	6,712,204	(14,699,725)	19,348,957
<i>Peripheral SME</i>	4,808,157	(4,757,497)	(296,136)	245,476	-	-	-
<i>Student Loans</i>	-	2,722,802	(1,210)	(393,891)	1,652,595	-	3,980,296
<i>Total at 31 March 2016</i>	<u>234,998,857</u>	<u>4,817,777</u>	<u>(16,242,610)</u>	<u>2,813,871</u>	<u>55,679,575</u>	<u>(36,543,845)</u>	<u>245,523,625</u>

## TwentyFour Income Fund Limited

### NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

#### 18. Fair Value Measurement (Continued)

The following tables analyse within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2016 and 31 March 2016 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
	30.09.2016	30.09.2016	30.09.2016	30.09.2016
	£	£	£	£
<b>Assets (Unaudited)</b>				
Cash and cash equivalents	28,615,088	-	-	28,615,088
Amounts due from shares issued	-	2,806,250	-	2,806,250
Margin account	1,380,000	-	-	1,380,000
Other receivables	-	2,427,034	-	2,427,034
<b>Total</b>	<b>29,995,088</b>	<b>5,233,284</b>	<b>-</b>	<b>35,228,372</b>

#### Liabilities

Amounts due to brokers	-	5,360,561	-	5,360,561
Other payables	-	509,141	-	509,141
<b>Total</b>	<b>-</b>	<b>5,869,702</b>	<b>-</b>	<b>5,869,702</b>

	Level 1	Level 2	Level 3	Total
	31.03.2016	31.03.2016	31.03.2016	31.03.2016
	£	£	£	£
<b>Assets (Audited)</b>				
Cash and cash equivalents	4,913,606	-	-	4,913,606
Amounts due from brokers	-	13,098,887	-	13,098,887
Other receivables	-	2,089,799	-	2,089,799
<b>Total</b>	<b>4,913,606</b>	<b>15,188,686</b>	<b>-</b>	<b>20,102,292</b>

#### Liabilities

Amounts due to brokers	-	6,104,874	-	6,104,874
Dividend payable	-	7,521,590	-	7,521,590
Other payables	-	605,374	-	605,374
<b>Total</b>	<b>-</b>	<b>14,231,838</b>	<b>-</b>	<b>14,231,838</b>

# TwentyFour Income Fund Limited

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 18. Fair Value Measurement (continued)

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

Cash and cash equivalents include cash in hand and 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, amounts due from shares issued, other receivables and the margin account represent the contractual amounts and rights due to the Company for settlement of trades, issued shares, income and the collateral respectively.

### 19. 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 Asset Backed 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 Unaudited Condensed Statement of Comprehensive Income as investment income being interest income received from Asset Backed Securities.

### 20. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's net income arising each quarter to the holders of Ordinary Redeemable Shares. For these purposes, the Company's income will include the interest payable by the Asset Backed Securities in the Portfolio and the amortisation of any discount or premium to par at which an Asset Backed Security is purchased over its remaining expected life, prior to its maturity, however there is no guarantee that the dividend target for future financial years will be met or that the Company will make any distributions at all.

Distributions made with respect to any income period comprise (a) the accrued income of the portfolio for the period, and (b) an additional amount to reflect any income purchased in the course of any share subscriptions that took place during the period. Including purchased income in this way ensures that the income yield of the shares is not diluted as a consequence of the issue of new shares during an income period and (c) any income on the foreign exchange contracts created by the libor differentials between each foreign currency pair.

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

The Company declared the following dividends in respect of the distributable profit for the period from 1 April 2016 to 30 September 2016:

Period to	Dividend rate per Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date	Pay date
30 June 2016	0.015	4,966,054	14 July 2016	15 July 2016	29 July 2016
30 September 2016	0.015	5,824,712	21 October 2016	20 October 2016	31 October 2016

# TwentyFour Income Fund Limited

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## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

for the period from 1 April 2016 to 30 September 2016

### 20. Dividend Policy (continued)

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.

### 21. Ultimate Controlling Party

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

### 22. Subsequent Events

These Financial Statements were approved for issuance by the Board on 16 November 2016. Subsequent events have been evaluated until this date.

On 6 October 2016, the Company announced that 2,500,000 new Ordinary Shares were issued at a price of 112.43 pence per share.

On 11 October 2016, the Company announced that 3,500,000 new Ordinary Shares were issued at a price of 112.57 pence per share.

On 31 October 2016, the Company paid a dividend as detailed above.









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