

UK Mortgages Limited

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.

30 November 2021

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

Commentary

Mortgage and Housing Market

As has been witnessed since the Stamp Duty relief programme came to an end, property transactions continued at a reduced level, with UK Finance reporting that Q4 property purchases were down 26% compared to the previous quarter. However, notably, this still represented a 10% increase from the pre-pandemic level in Q3 2019, according to Mortgage Introducer. Alongside this, the latest RICS survey showed a slight increase in house prices, albeit Rightmove and HM Land Registry both reported a slight fall. That said, both also pointed out that 2021 has been a strong year, as did Zoopla, who reported prices have increased by 7.1% for the year. Looking forward, Halifax have predicted a more modest 1% rise for 2022, as the Bank of England's decision to increase interest rates is expected to increase the cost of borrowing further. Still, RICS data evidenced a supply and demand imbalance due to an increase in new buyer inquiries and the number of properties on estate agents' books at less than 70% of the average in the past decade.

Meanwhile, mortgage lending saw a slight slowdown following a frantic spring and summer. The Bank of England said that the value of gross mortgage advances in Q3 fell to £73.4bn from £89bn in Q2, although this is probably no surprise given the reduction and subsequent removal of Stamp Duty relief. However, mortgage approvals remained in good health as the year ended, with Sirius Property Finance reporting the value of monthly approvals having increased by 26% from pre-pandemic levels.

RMBS Market

The UK RMBS market also quietened down into the year-end with just two non-mainstream deals publicly priced. One came from a dealer-sponsored platform refinancing a called deal comprising BTL loans from an originator that is no longer active. The second was related to the refinancing of a legacy pool from before the financial crisis. Given their slightly esoteric nature, both priced at a small premium, whilst secondary spreads set a constructive tone going into year-end.

Fund Commentary

The day-to-day management of the portfolio reflected the quieter tone in broader markets. The hedging of the latest loan origination and the near-term pipeline ahead of the Bank of England's interest rate rise was the highlight of the activity. On that note, the fund saw yet another good month of underlying asset growth as Keystone continued to complete further loans with a December pipeline that ran right up to the end of the year. Ultimately, the pool finished 2021 around £20m ahead of the revised level forecast in late Q3 and almost £60m above the highest expectations when the warehouse was initially signed. With a target portfolio of around £400m, the ramp-up is now about 65% complete.

Elsewhere, performance across all portfolios remains stable and broadly unchanged from the previous month, whilst in the background preparations for anticipated activity in the first half of 2022 have continued to occupy the portfolio managers.

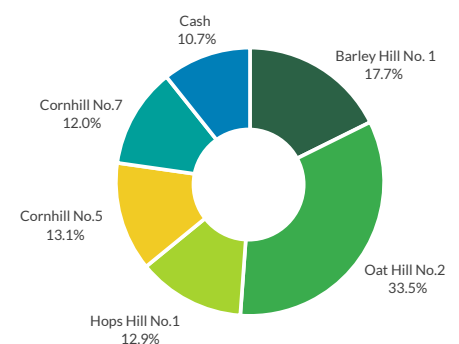
Investment Outlook

Indications are that the primary pipeline for early 2022 will be relatively busy, as some originators make an early start to funding along with several outstanding deals expected to be called and refinanced, plus the possible return of some bank lenders. That said, investor demand has remained strong across the capital stack, evidenced by oversubscription levels in virtually every deal. This dynamic is supported by the strong performance of underlying assets in the face of an uncertain macroeconomic backdrop for the second consecutive year, with only the briefest periods of volatility imported from broader markets. Rating agency upgrades have also prevailed strongly throughout the year.

Portfolio Summary	Buy-to-Let			Owner Occupied	
	Purchased Oat Hill 2	Forward Flow Originated			
		Hops Hill 1	Cornhill 7	Barley Hill 1	Cornhill 5
Originator	Capital Home Loans	Keystone Property Finance		The Mortgage Lender	
Outstanding Balance	£442m	£386m	£231m	£96m	£192m
Number Accounts	3,457	1,733	895	635	1,022
Average Mortgage Size	£128k	£223k	£259k	£151k	£188k
WA Indexed LTV	56.98%	71.73%	71.91%	56.09%	62.16%
WA Interest Rate	1.37%	3.48%	3.42%	4.43%	4.10%
WA Remaining Term (mth)	102	257	278	260	295
WA Seasoning (mth)	178	19	4	40	23
3mth + Arrears (% balance)	1.22%	0.00%	0.00%	5.26%	1.17%

as at 30/11/2021

Investment breakdown



as at 30/11/2021

Fund Facts

Type of Fund:	Closed-ended Investment Scheme
Listing & Trading:	LSE Specialist Fund Market
ISA & SIPP Eligible:	Yes
Launch Date:	7th July 2015
Currency:	£ denominated
NAV Calculation:	As of the last business day of each month
Dealing:	Daily during LSE opening hours
Dividend:	Quarterly from April 2016
Market Capitalisation*:	£126.59 mn
Shares in Issue*:	179mn
Price per Share*:	70.80p
NAV per Share*:	78.35p
NAV per Share (inc Dividend)*:	109.10p
Premium / (Discount) to NAV*:	-9.64%

Source: TwentyFour Asset Management. * as at 31/10/2021

Glossary

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

Trading Information

TIDM	UKML
ISIN	GG00BXDZMK63
SEDOL	BXDZMK6
AMC (%)	0.60

This figure may vary from year to year.

Fund Managers

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.

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

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

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

Further Information



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Investment Objective

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

Investment Policy

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

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

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

IFRS 9

With regards to IFRS 9 – the company has been reporting its results in accordance with IFRS 9 since 1 July 2018. When making future loss provisions under IFRS 9 the low level of historic defaults in the UK mortgage sector and the credit protection afforded by the low LTV of the loans within our portfolio is factored into our provision calculations, along with the recent addition of mortgage payment holidays. The audited impact of IFRS 9 has been calculated at 0.99% on the Fund's NAV for the period ending 30 June 2021. 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	0.95%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.28%
	Total 1.23%
Servicing and Transaction costs (for information)*	2.55%

*Servicing and transaction costs are provided for information only as deal specific servicing and other transaction costs are included in IRR projections per investment. As at 31/10/2021.