



30 July 2021

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

Commentary

Mortgage and Housing Market

UK mortgage and housing markets continued to tread water through the traditionally quieter summer months. Data reports were mixed with house prices dipping by 0.3% according to Rightmove, while conversely Halifax said prices rose by 0.7% in August, with 28% of activity driven by first-time buyers according to Propertymark. The monthly RICS survey reported a slowing of both sales and demand during the month as the end of the stamp duty relief period approaches. Reallymoving predicted the housing market will settle into a slower period of growth this autumn, with prices expected to increase by 0.7% over the next three months. Meanwhile, the Bank of England reported mortgage approvals also followed the summer trend by falling for a second consecutive month, however, the level remains well above pre-pandemic levels.

RMBS Market

The UK RMBS market also had a quieter summer as issuers, arrangers, dealers and investors took a break other than a couple of pre-placed deals, but demand has remained strong and the pipeline for the autumn looks strong. Several deals were announced in the last week of August, mostly in the BTL sector and all of which have attracted good interest.

Fund Commentary

The summer has also meant a slightly less hectic time for the portfolio management team following the achievements from the first half of the year, though one small but important piece of work was concluded during the last month which has been in progress for some time. It is anticipated that we will refinance the TML pools in February next year, which will re-leverage the prepayments that have de-levered the Barley Hill No.1 pool and combine them with the loans from the Cornhill No.5 pool, thereby locking in further returns. In order to remove any hurdles to this combined refinancing, in the last month we have concluded some amendments with HSBC, the warehouse lender to the Cornhill No.5 facility, which was due to increase in cost. We have negotiated the removal of that increase, saving the Company from the increased outgoings, and simultaneously we have realigned the maturity of the facility with the refinancing of Barley Hill No.1. We also amended the prevailing Libor-based swap agreement to a Sonia-based formula given that the facility will now extend beyond the Libor cessation date at the end of 2021.

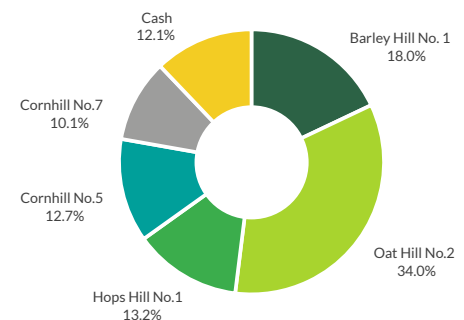
Investment Outlook

As noted above we are already seeing a post-summer pick-up in RMBS market activity, and the positive momentum seen throughout the year so far shows no sign of abating. The supply-demand dynamic is unlikely to change significantly in the medium term. Little supply is expected from the banking sector, which is well served by cheap term funding from the BoE, plus a likely reduction in issuance from a number of specialist lenders which have recently been acquired by organisations with broad access to alternative funding sources.

Portfolio Summary	Buy-to-Let			Owner Occupied	
	Purchased	Forward Flow Originated			
	Oat Hill 2	Hops Hill 1	Cornhill 7	Barley Hill 1	Cornhill 5
Originator	Capital Home Loans	Keystone Property Finance		The Mortgage Lender	
Outstanding Balance	£453m	£393m	£138m	£108m	£221m
Number Accounts	3,552	1,770	485	693	1,154
Average Mortgage Size	£128k	£222k	£284k	£156k	£191k
WA Indexed LTV	57.88%	71.83%	72.19%	57.90%	63.75%
WA Interest Rate	1.37%	3.46%	3.44%	4.45%	3.92%
WA Remaining Term (mth)	105	260	282	265	299
WA Seasoning (mth)	174	15	2	36	19
3mth + Arrears (% balance)	1.50%	0.00%	0.00%	5.32%	0.71%

as at 30/07/2021

Investment breakdown



as at 30/07/2021

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*:	£129.45mn
Shares in Issue*:	179mn
Price per Share*:	72.40p
NAV per Share*:	77.79p
NAV per Share (inc Dividend)*:	106.29p
Premium / (Discount) to NAV*:	-6.93%

Source: TwentyFour Asset Management. * as at 30/06/2021

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

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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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 1.22% on the Fund's NAV for the period ending 31 December 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	0.91%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.18%
	Total 1.08%
Servicing and Transaction costs (for information)*	2.38%

*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 31/05/2021.