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

29 January 2021

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

Commentary

Mortgage and Housing Market

House price data and sentiment seems to be becoming more mixed although mortgage markets remain buoyant. Both Nationwide and Halifax reported falls of -0.3% for January after seven consecutive months of growth, although e.surv reported a rise of 1.2% in the month, Rightmove saw a rise of 0.5% and the ONS showed prices up 8.5% for 2020 overall. Amidst this, RICS reported a fall in in both new listings and enquiries, perhaps signalling the heat is coming off the market a little. Meanwhile, the latest Moneyfacts UK Mortgage Trends Treasury Report saw overall mortgage availability rise for the fourth consecutive month, up 42% in that time, whilst the BoE reported the number of house purchase approvals reached 818,500 in 2020, the highest number seen in a single year since 2007. That said, UK Finance sounded a note of caution predicting an ongoing rise in mortgage arrears as the economic impact from the coronavirus pandemic hits further, having seen an increase of 3.4% in Q4 of 2020.

RMBS Market

The UK RMBS market has continued its strong performance, albeit with just one deal pricing – an LCR eligible near-prime deal from Kensington which came with a "social bond" tag highlighting its lending to underserved borrowers (similar to our own TML pools), which saw ongoing heavy oversubscription and price tightening. In the last few days, a BTL deal from regular issuer Paratus and the latest deal from Citibank's multi-originator platform, were announced but are yet to price, although secondary market activity and price action with all recent deals trading tighter again would indicate further strong demand.

Fund Commentary

Following the highly successful £400m Hops Hill No.1 securitisation of our first Keystone portfolio last month, attention then turned to the second main priority from last year's strategic review – to realise the two lower yielding Coventry portfolios; the Cornhill No.6 warehouse and Malt Hill No.2 securitisation. As such, in early February, agreements were signed for Coventry to re-purchase the two portfolios on their respective IPDs in late February and then late May. These sales, subject to successful completion, will release capital to enable two tenders to be carried out, with the first expected to be shortly after the February IPD settlement date for the Cornhill 6 pool – three months earlier than indicated to investors during last year's strategic review. Furthermore, just as the Hops Hill 1 securitisation achieved better funding terms than indicated during last year's investor consultation, these sales achieved better execution than anticipated at that time and will therefore enable the amount of capital to be returned to investors to be at the top end of the £35m-£40m range indicated back then. The third leg of last year's strategic review was to build a second portfolio of Keystone loans, and so at the same time as the above, a new mandate has also been awarded for a warehouse to finance that next portfolio. Documentation for this will be completed over the next few weeks ready to fund loans once the pre-funding for the Hops Hill 1 deal is complete. By the end of January, that portfolio had already grown to around £352m from the initial £337m in the previous month when the deal was launched. Both the early execution and the better levels of the Coventry portfolio sales will lead to increased returns and an increase value for the fund, enhancing dividend coverage comfortably into positive territory and growing the NAV faster. The second Keystone portfolio will further enhance these as it grows over time. On the asset performance side, we do expect some deterioration as the lockdown unfolds and government support is gradually removed. Whilst even the Coventry loans have early stage arrears at greater levels than experienced in the last five years, so far we have only experienced this to any noticeable extent in one portfolio. The Barley Hill pool, from TML, now has 3m+ arrears of almost 3.7% by loan value (2.7% by number of loans – 23 from a pool of 850). However, almost a third of these are actually making payments but have built up arrears over the last year, primarily as a result of the pandemic. A further three properties are actually on the market for sale – not because they are in repossession but typically where there has been a relationship breakdown. This includes the property securing the largest of the loans in arrears – almost 20% of the total amount – and this loan currently has a LTV of just 37% so it is virtually unthinkable that there might be a loss once the property is sold. Overall the LTVs of all the loans in arrears is just 59.5% - again giving a significant level of buffer should a repossession become necessary in the future. Needless to say, we monitor the progress of each of these loans on a line-by-line basis every month with the servicing team at TML to ensure the most up to date information.

Investment Outlook

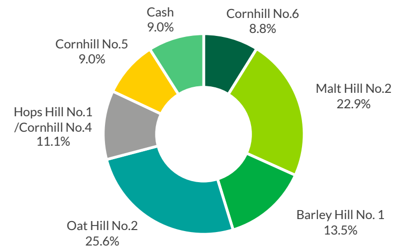
The RMBS supply-demand technical, as evidenced by the very high levels of oversubscription for primary deals so far and the demand for secondary bonds, remains very much in play and that will be supportive for spreads in the near term. The UK RMBS new issue pipeline is most likely to be predominantly from ongoing non-bank financial issuers, with a mixture of refinancings due in 2021 and recently originated collateral, with central bank schemes such as TFSME likely to be the preferred funding choice for most banks.

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	£153m	£330m	£469m	£352m*	£143m	£234m
Number Accounts	849	1,898	3,676	1,633*	850	1,204
Average Mortgage Size	£181k	£174k	£128k	£215k	£168k	£194k
WA Indexed LTV	61.94%	60.16%	61.27%	71.73%	62.28%	68.00%
WA Interest Rate	2.32%	2.71%	1.37%	3.43%	4.23%	3.89%
WA Remaining Term (mth)	184	209	111	265	274	305
WA Seasoning (mth)	66	48	168	11	29	13
3mth + Arrears (% balance)	0.00%	0.00%	0.76%	0.02%	3.66%	0.55%

*Completed loans

as at 29/01/2021

Investment breakdown



as at 29/01/2021

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www.ukmortgageslimited.com

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:*	£153.2mn
Shares in Issue:	232mn
Price per Share:*	66.00p
NAV per Share:*	81.79p
NAV per Share (inc Dividend):*	108.04p
Premium / (Discount) to NAV:*	-19.31%

Source: TwentyFour Asset Management. * as at 31/12/2020

Glossary

BoE:	Bank of England
BTL:	Buy-to-Let
IPD:	Interest Payment Date
LCR:	Liquidity Capital Ratio
LTV:	Loan-to-Value Ratio
RICS:	Royal Institute of Chartered Surveyors
RMBS:	Residential Mortgage Backed Securities
ONS:	Office of National Statistics
TFSME:	Term Funding Scheme with additional incentives for SMEs
TML:	The Mortgage Lender
SME:	Small and Medium Enterprises

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	0.78%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.15%
Total	**0.93%**
Servicing and Transaction costs (for information)*	2.09%

*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 31/10/2020.

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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