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# TwentyFour Income Fund Limited

**Interim Management Report and Unaudited Condensed Interim Financial Statements**  
For the period from 1 April 2019 to 30 September 2019



# **TwentyFour Income Fund Limited**

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# TwentyFour Income Fund Limited

## CORPORATE INFORMATION

**Directors**

Trevor Ash (Chairman)  
Ian Burns (Senior Independent Director)  
Richard Burwood  
Joanne Fintzen

**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

**Administrator and Company Secretary**

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 (“AIFM”)**

Maitland Institutional Services Limited  
Hamilton Centre  
Rodney Way  
Chelmsford, CM1 3BY

**Broker and Financial Adviser**

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

**Portfolio Manager**

TwentyFour Asset Management LLP  
8<sup>th</sup> Floor, The Monument Building  
11 Monument Street  
London, EC3R 8AF

**Independent Auditor**

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

**UK Legal Advisers to the Company**

Eversheds Sutherland (International) 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  
1<sup>st</sup> Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey, GY1 1DB

# TwentyFour Income Fund Limited

## 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.

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

At an Extraordinary General Meeting held on 10 May 2019, Shareholders agreed to pass a resolution to update the Company’s Investment Policy. Amended Investment Policy details are outlined below. Details of the prior Investment Policy can be found in the Company’s Annual Financial Statements for the year ended 31 March 2019.

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);
- (ii) no more than 10 per cent. of the Portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities, but provided that where more than 5 per cent. of the Portfolio value is exposed to a single Asset Backed Security, these Asset Backed Securities in respect of which more than 5 per cent. of the Portfolio value is exposed, may not, in aggregate, make up more than 40 per cent. of the total Portfolio value of the Company;
- (iii) no more than 15 per cent. of the Portfolio value will be exposed in aggregate to instruments not deemed securities for the purposes of FSMA, provided that no more than 3 per cent. of the Portfolio value will be exposed to any single such instrument; and
- (iv) up to 10 per cent. of the Portfolio value may be exposed to Asset Backed Securities backed by collateral from several countries where, in addition to countries within the UK and Europe, one or more of the countries is outside of the UK and Europe.

As an exception to the requirements set out above the Portfolio Manager will be 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 would 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 would be compliant with the single Asset Backed Security/issuer exposure restriction above (even where following the purchase more than 10 per cent. of the Portfolio value will be exposed to any single Asset Backed Security or issuer of Asset Backed Securities, provided that Asset Backed Securities within the Portfolio to which more than 5 per cent. of the Portfolio value is exposed, may not make up more than 40 per cent. of the total Portfolio value of the Company); and
- such purchase does not make the Portfolio, in aggregate, less compliant with any of (i), (ii), (iii) and (iv) above.

# TwentyFour Income Fund Limited

## SUMMARY INFORMATION Continued

### Investment Objective and Investment Policy (continued)

Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

- cash or cash equivalents, namely money market funds or short term money market funds (as defined in the ‘Guidelines on a Common Definition of European Money Market Funds published by the Committee of European Securities Regulators (CESR) and adopted by the European Securities and Markets Authority (ESMA)) and other money market instruments (including certificates of deposit, floating rate notes and fixed rate commercial paper of banks or other counterparties having a “single A” or higher credit rating as determined by any internationally recognised rating agency selected by the Board which, may or may not be registered in the EU); and
- any “government and public securities” as defined for the purposes of the FCA Rules.

The Company may employ gearing or derivatives for investment purposes.

The Company may, from time to time, use borrowing for investment opportunities and short-term liquidity purposes, which could be achieved through a loan facility or other types of collateralised borrowing instruments including repurchase transactions or stock lending. The Company may have more than one, loan, repurchase or stock loan facility in place. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Company’s assets. In this case, the Directors will restrict borrowing to an amount not exceeding 25 per cent. of the Company’s Net Asset Value at the time of drawdown. Derivatives may be used for currency hedging purposes as set out below and for efficient portfolio management.

In accordance with the Listing Rules, the Company can only make a material change to its investment policy with the approval of its Shareholders by Ordinary Resolution.

### Target Returns

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

### Ongoing Charges

Ongoing charges for the period ended 30 September 2019 have been calculated in accordance with the Association of Investment Companies (the “AIC”) recommended methodology. The ongoing charges for the period ended 30 September 2019 were 0.95% (30 September 2018: 0.93%).

\* The Issue Price being £1.00. 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. Further details on the Company’s financial risk management can be found in note 16 of the Company’s Annual Financial Statements for the year ended 31 March 2019, which can be found on the Company’s website ([www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)).

# TwentyFour Income Fund Limited

## SUMMARY INFORMATION Continued

### 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

	For the six month period ending 30.09.19	For the year ended 31.03.19	For the six month period ending 30.09.18
Total Net Assets	£557,157,995	£500,465,449	£457,025,616
Net Asset Value per share	110.39p	113.28p	115.46p
Share price	108.50p	115.28p	120.50p
(Discount)/premium to Net Asset Value	(1.71%)	1.77%	4.37%
Dividends declared in respect of the period/year	3.00p	6.45p	3.00p

As at 14 November 2019, the discount had moved to 0.08%. The estimated NAV per share and mid-market share price stood at 110.34p and 110.25p respectively.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT

for the period from 1 April 2019 to 30 September 2019

I am pleased to present my report on the Company's progress for the six months ending 30 September 2019.

The Company's shares have typically traded at a premium since launch, and continued to do so during the first three months of the period, however in the second half this drifted to a discount. The average premium during the period was 0.43%, and moved in a range of +3.0% to -3.5% during the six months. I see the move to a discount as more reflective of the current uncertain macro-economic climate rather than specifically attributable to sentiment specific to our Company.

It remains the view of the board that it may continue to authorise the issuance of further shares as a premium management mechanism when the shares trade at a premium and when the Portfolio Managers can confirm that attractive investment opportunities are available in the market.

The total return of the NAV per Share was 2.4% (including dividends paid) during the period, and the income component of the return to investors remained strong as the Company declared two dividends of 1.5p per share, and paid a final dividend for the previous period covering all excess returns in respect of the year of 1.95p per share. The Net Asset Value ("NAV") total return on the shares from launch to 29 March 2019 was 66.7% (including dividends paid).

The NAV performance of the Company has varied during the period, being broadly positive during the first three months, as European ABS spread performance caught up with corporate credit after a slow start to 2019. Some weakness was experienced during August and September, though prices rebounded strongly into the end of the period. Fundamental performance of the asset pools and structures remains strong and stable, and ratings remain stable with a bias towards upgrades over downgrades.

The market continued to provide attractive opportunities for investment during the period, allowing for additional capital to be issued. In addition the Board was pleased to see overwhelming support for the changes to the investment mandate that the Portfolio Managers proposed earlier in the period.

During the period the Company issued 81,250,000 shares, at an average premium of 2.00%, raising a total of £93,123,125. Subsequently at the Realisation Election, 6,000,000 shares were placed in the market and 18,349,342 further shares were purchased for cancellation by the Company.

The Company's investment strategy continues to offer an attractive opportunity to investors in terms of a greater credit spread, the ability to remove duration risk and to achieve these through investing in high quality assets. While I recognise the potential for volatility, I believe the Company's structure remains an appropriate way for investors to invest in such assets. I remain confident of the Company's ability to fulfil its objectives.

Trevor Ash  
Chairman  
14 November 2019

# TwentyFour Income Fund Limited

## PORTFOLIO MANAGER'S REPORT

for the period from 1 April 2019 to 30 September 2019

### Market Commentary

In April, the Board of TwentyFour Income Fund announced the intention to issue new ordinary redeemable shares in response to ongoing demand, and due to the Board and TwentyFour Asset Management being of the view that there was an opportunity to deploy additional funds with favourable returns. The capital raising saw significant demand of £80m, which was very successful against a backdrop of equity and wider market volatility during the subscription period.

The key themes that have driven wider market sentiment year-to-date, continued throughout the period, with central bank policy and the trade tariff dispute dominating the markets; while Brexit uncertainty remained heightened.

Sentiment in the European ABS market continued to improve throughout the month, with the Brexit extension adding to the support and following the successful refinancing of the large legacy Northern Rock mortgage portfolio transaction in March. The strong technical support remained due in part to a fairly limited issuance in Q1, which was not focused in any particular sector but spread across a diverse array of credits. The UK market also saw its first Prime STS RMBS deal from Nationwide, which drew very strong demand. The deal was also notable as it was the first publicly placed deal in the market referencing Sonia as the index, as opposed to Libor. The transition of UK issuers who migrated to the Sonia index increased during the period, which had been expected, as the Bank of England encouraged and continues to encourage a move away from fixing to Libor; which is due to be phased out at the end of 2021.

May saw fairly light supply in primary issuance at the beginning of the month, with spreads continuing to grind tighter across most asset classes; albeit at a slower pace. As the month progressed, the market saw multiple new issues being announced, culminating in what was the busiest two weeks of the year in ABS markets. Throughout the month the tone of the market was positive despite the “risk-off” tone in wider credit markets, and although there was more supply, the levels of oversubscription and pricing being at the tighter end of the range suggested that the supply was not sufficient to fill investor demand. Secondary activity remained fairly quiet at the start of the month with fairly balanced flows, and spread levels remained broadly unchanged. However, supply picked up steadily as the month progressed and we started to see a little weakness seep into the ABS market, as broader volatility and wider Crossover and Main index spreads started to feed into dealer pricing at the end of the month. Primary CLO issuance was slower over the month compared to April, and although CLO spreads continued to lag the credit and loan markets, overall year-to-date performance, particularly in the AAA and mezzanine space, remained positive. Some of the focus on primary deals was at the shorter end, as we saw a pick-up in CLO refinancing deals and continued to see a steeper tiering on a spread basis develop between manager, maturity and tranche rating.

Markets rallied across the board in June, with both “risk-off” and “risk-on” assets posting positive returns, as the Fed seemed to pacify the markets’ call for lower rates, and the rhetoric relating to the US-China trade standoff eased during the month. As a result, 10-year US Treasury yields dipped below 2% for the first time since 2016, and European government bonds hit record low yield levels, while all major equity indices were up on the month. The key event in Europe was the ECB meeting where outgoing president Mario Draghi delivered a particularly dovish speech, stating that the ECB stood ready to act with additional stimulus if the outlook in Europe did not improve. This naturally led to a strong rally in both European government bonds and credit.

# TwentyFour Income Fund Limited

## PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 April 2019 to 30 September 2019

### Market Commentary (continued)

The positive macro sentiment filtered through to the European ABS market throughout June, although a combination of heavy secondary offerings and consistent primary issuance at the end of May and early June weighed on spreads, and volatility remained elevated. Secondary flow was respectable with decent liquidity provided by dealers, and once the broader macro picture recovered in wider markets, we saw more balanced flows in the ABS space, with buyers returning to the secondary market as the month progressed; leading to a compression in spreads. CLO secondary market supply was also quite heavy in the first part of the month, which was mainly attributable to rotation into primary, profit taking from Q1 and realisation of CLO outperformance in May. Again a lot of the liquidity was provided by dealers, but this still led to a dispersion in clearing levels of around 5-10 bp in mezzanine bonds on 'tier one' managers and slightly wider for 'tier two'. In the latter part of the month there was a better tone with a strong pick-up in two-way flows leading to a compression in spreads, particularly in mezzanine bonds.

The momentum of primary ABS issuance continued unabated throughout July against a fairly benign macro market backdrop. With low levels of volatility, most deals were placed at the tighter end of guidance with decent levels of oversubscription in mezzanine bonds in particular. One or two deals found the going a little tougher - typically those from less vanilla asset classes, but were fully placed once the pricing terms were adjusted to more attractive clearing levels. The pace of issuance in CLOs led to spreads being a little weaker in the mezzanine tranches, which was understandable given the amount of supply. This was in contrast to AAA CLO spreads, which contracted by around 5bp over the month, highlighting the compelling relative value of the asset class versus other investment grade credit, particularly once the heightened value of the Euribor floor is taken into account following the movement in the swap curve; also reflecting the attraction for yen and US dollar based investors. The deeper mezzanine spreads have been driven more by the manager and the quality of the underlying portfolio. Secondary spreads in the wider ABS market generally held in well over the month, trending sideways as opposed to widening in the face of heightened primary supply.

At a macro level, August was far from the subdued market activity normally associated with this time of year. Escalating trade wars, geopolitical events and deteriorating economic data combined to create a more vulnerable backdrop to risk markets and a relentless rally in government bonds, resulting in all developed economy government bond markets ending the month sharply tighter. As is often the case when broader markets are volatile, and particularly given the summer recess, the European ABS market was typically very quiet with virtually no primary public issuance. As a consequence, spread movement over the month in the UK market was a little mixed, widening in sympathy with broader markets in the first part of the month, negligibly in the case of AAAs but a little more in mezzanine bonds. Some modest tightening occurred in the latter part of the month on the back of improved sentiment and falling yields in rates markets; albeit, based on very low traded volumes. In contrast euro denominated ABS spreads held in better as some sectors saw modest tightening, and this was reflective of lower supply, the ongoing impact of the falling euro swap curve and a more stable geopolitical backdrop.

Following the typical summer lull for ABS primary issuance, the market bounced back in September with a wide range of deals priced. Issuance over the month grossed around €9bn, a cumulative total of around €71bn year-to-date, which is at this point, almost at the same level as this time, last year. Another positive factor was an increase in the amount of mezzanine bonds available in new issues, giving more opportunity to add incremental yield. Subscription levels were very strong across all transactions, particularly in mezzanine bonds, and all tranches were priced at the tighter end of initial guidance.

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 April 2019 to 30 September 2019

### Market Outlook

Geopolitical events, central bank policy and Brexit remain in the background and will continue to play a part in the ongoing spikes in volatility as and when they are imported to the ABS market, to varying degrees.

A large post-summer primary ABS pipeline has been absorbed by the market, with relative ease, confirming that investor sentiment remains strong with a large amount of cash being available on the side-lines. We expect to see further supply over the final quarter of the year and the backdrop suggests this will continue to be well received subject to structure and pricing.

Current elevated spreads in the UK ABS market will likely be an effective defensive holding against the deep uncertainty around the Brexit outcome, and could ultimately also offer some spread upside, given the high level of fundamental credit protection within the structures. Fundamental performance of the underlying assets remains robust and the portfolio managers will remain measured on risk and will maintain appropriate levels of liquidity in the Fund.

TwentyFour Asset Management  
14 November 2019

# TwentyFour Income Fund Limited

## TOP TWENTY HOLDINGS

as at 30 September 2019

Security	Nominal/ Shares	Asset Backed Security Sector	Fair Value	Percentage of Net Asset Value
			£	
TULPENHUIS 0.0% 18/04/2051	25,000,000	Prime RMBS	22,117,181	3.97
VSK HOLDINGS LIMITED SER	790,000	Prime RMBS	13,978,478	2.51
CAP. BRIDGE FIN. NO1 '1 MEZZ' FRN 08/11/2018	14,000,000	Buy-to-Let RMBS	13,545,000	2.43
VSK HLDGS. '1 C4-1' VAR 01/10/2058	1,250,000	Prime RMBS	12,098,872	2.17
EQTY. RELEASE FNDG. NO 5 '5 B' FRN 14/07/2050	14,550,000	Prime RMBS	11,486,881	2.06
AUTOFLORENCE 1 SRL '1 F' 7.00% 25/12/2042	12,000,000	Auto Loans	10,695,869	1.92
ERNA 1 A '1 A' FRN 25/07/2031	11,342,680	CMBS	10,084,228	1.81
FNDG. II '1 A' FRN 15/06/2022	10,000,000	Consumer ABS	10,015,253	1.80
SYON SECURITIES 19-1 B CLO FLT 19/07/2026	9,000,000	Prime RMBS	8,991,510	1.61
RESIDENTIAL MORTGAGE 28 '28 E' FRN 15/06/2046	8,550,000	Non-Conforming RMBS	8,628,292	1.55
AURORUS 2017 BV '1 G' FRN 11/8/2078	9,200,000	Consumer ABS	8,342,601	1.50
AVOCA CLO XVI DAC '16X ER' FRN 15/07/2031	8,750,000	CLO	7,453,312	1.34
TRINI 2015-1X E '1X E' FRN 15/07/2051	7,283,000	Non-Conforming RMBS	7,395,887	1.33
HAYFIN EMERALD CLO II DAC '2X E' FRN 27/05/2032	8,500,000	CLO	7,367,204	1.32
MAN GLG EURO CLO V DAC '5X E' FRN 15/12/2031	8,700,000	CLO	7,311,940	1.31
TAURUS 2019-1 FR DAC '1FR E' FRN 02/02/2031	8,076,674	CMBS	7,207,709	1.29
SC GERMANY CONSUMER 2016-1 UG '1 E' FRN 13/09/2029	7,500,000	Consumer ABS	6,990,669	1.25
SYON SECS. 19-1 Z FRN 19/07/2026	6,500,000	Prime RMBS	6,479,664	1.16
ALME LOAN FNDG. III DESIG '3X FRNE' FRN 15/04/2030	7,500,000	CLO	6,423,444	1.15
CASTELL 2017-1 '1 F' FRN 25/10/2044	6,000,000	Non-Conforming RMBS	6,064,200	1.09

The full portfolio listing as at 30 September 2019 can be obtained from the Administrator on request.

# TwentyFour Income Fund Limited

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## BOARD MEMBERS

Biographical details of the Directors are as follows:

### **Trevor Ash - (Chairman) (age 73)**

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. 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. Since retirement, he has acted as 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, JP Morgan and Merrill Lynch. Mr Ash was appointed to the Board on 11 January 2013.

### **Ian Burns - (Non-executive Director, Senior Independent Director and Chairman of the Audit Committee) (age 60)**

Mr Burns is a resident of Guernsey and a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Society of Trust and Estate Planners. 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 River and Mercantile UK Micro Cap Limited and FastForward Innovations Limited (AIM) and a number of private investment funds. Mr Burns was appointed to the Board on 17 January 2013.

### **Richard Burwood - (Non-executive Director) (age 52)**

Mr Burwood is a resident of Guernsey with over 25 years' experience in banking and investment management. 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. Mr Burwood has lived in Guernsey since 2010, initially working as a portfolio manager for EFG Financial Products, managing the treasury department's ALCO Fixed Income portfolio. From 2011 to 2013, Mr Burwood worked as the Business and Investment Manager for Man Investments, Guernsey. In January 2014, Mr Burwood joined the board of RoundShield Fund, 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, which provides investors access to a diversified pool of SME loans originated through Funding Circle's marketplaces in the UK, US and Europe. Mr Burwood also serves on the boards of Habrok, a hedge fund specialising in Indian equities, and EFG International Finance, a structured note issuance company based in Guernsey. Mr Burwood was appointed to the Board on 17 January 2013.

### **Joanne Fintzen - (Non-executive Director) (age 49)**

Ms Fintzen is a resident of the United Kingdom, with extensive experience of the finance sector and the investment industry. She trained as a Solicitor with Clifford Chance and worked in the Banking, Fixed Income and Securitisation areas. She joined Citigroup in 1999 providing legal coverage to an asset management division. She was subsequently appointed as European General Counsel for Citigroup Alternative Investments where she was responsible for the provision of legal and structuring support for vehicles which invested \$100bn across asset-backed securities as well as hedge funds investing in various different strategies in addition to private equity and venture capital funds. Ms Fintzen was appointed to the Board on 7 January 2019.

# TwentyFour Income Fund Limited

## 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 year ended 31 March 2019. 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.
- 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  
Liquidity risk is that the Company does not have sufficient cash resources to meet obligations, including the dividend target, 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.

A detailed explanation of these can be found in note 16 of 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.

As from financial year ends beginning on or after 1 January 2019, the 2018 UK Corporate Governance Code comes into effect. The new code does not require any additional reporting in the Company's Unaudited Condensed Interim Financial Statements, however, additional reporting will be introduced in the Annual Report for the year end 30 March 2020. The additional reporting requires the Board to provide more in-depth information about how the directors performed their duty and are how they are working on the strategic, long-term future of the Company. The new reporting will also include assessments of both emerging and principal risks facing the Company; policies and business impact on environmental matters as well as information as to how the Company interacts with its stakeholders.

### Related Parties

Related party balances and transactions are disclosed in note 13 of these Unaudited Condensed Interim Financial Statements.

# **TwentyFour Income Fund Limited**

## **STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued**

### **Going Concern**

Under the 2018 UK Corporate Governance Code 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 these Unaudited Condensed Interim Financial Statements.

The Directors believe that it is appropriate to adopt the going concern basis in preparing the Unaudited Condensed Interim Financial Statements in view of the Company's holdings in cash and cash equivalents and the liquidity of investments and the income deriving from those investments, meaning the Company has adequate financial resources and suitable management arrangements in place to continue as a going concern for at least twelve months from the date of approval of the Unaudited Condensed Interim Financial Statements.

# **TwentyFour Income Fund Limited**

## **DIRECTORS' 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 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 2019 to 30 September 2019 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 2019 to 30 September 2019 and that have materially affected the financial position or performance of the Company during that period as included in note 13.

By order of the Board

**Trevor Ash**  
**Chairman**  
**14 November 2019**

**Ian Burns**  
**Director**

# TwentyFour Income Fund Limited

## INDEPENDENT REVIEW REPORT

TO TWENTYFOUR INCOME FUND LIMITED

### Our conclusion

We have reviewed the accompanying unaudited condensed interim financial statements of TwentyFour Income Fund Limited (the “Company”) as of 30 September 2019. Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

### What we have reviewed

The accompanying unaudited condensed interim financial statements comprise:

- the condensed statement of financial position as of 30 September 2019;
- the condensed statement of comprehensive income for the six-month period then ended;
- the condensed statement of changes in equity for the six-month period then ended;
- the condensed statement of cash flows for the six-month period then ended; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

### Our responsibilities and those of the directors

The Directors are responsible for the preparation and presentation of these unaudited condensed interim financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority.

Our responsibility is to express a conclusion on these unaudited condensed interim financial statements based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom’s Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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 inquiries, 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.

# **TwentyFour Income Fund Limited**

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## **INDEPENDENT REVIEW REPORT Continued**

TO TWENTYFOUR INCOME FUND LIMITED

We have read the other information contained in the interim management report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed interim financial statements.

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands  
**15 November 2019**

- a) The maintenance and integrity of the TwentyFour Income Fund Limited website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the unaudited condensed interim financial statements since they were initially presented on the website.
- b) Legislation in Guernsey governing the preparation and dissemination of unaudited condensed interim financial statements may differ from legislation in other jurisdictions.

# TwentyFour Income Fund Limited

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 April 2019 to 30 September 2019

	Note	For the period from 01.04.19 to 30.09.19	For the period from 01.04.18 to 30.09.18
		£	£
<b>Income</b>		(Unaudited)	(Unaudited)
Interest income on financial assets at fair value through profit and loss		16,219,029	13,909,213
Net foreign currency losses	7	(7,695,355)	(2,806,146)
Net losses on financial assets at fair value through profit or loss	8	(3,597,275)	(4,923,865)
<b>Total income</b>		<b>4,926,399</b>	<b>6,179,202</b>
Portfolio management fees	13	(2,147,375)	(1,727,461)
Directors' fees	13	(73,750)	(63,750)
Administration and secretarial fees	14	(142,362)	(119,706)
Audit fees		(28,500)	(27,500)
Custody fees	14	(28,632)	(23,033)
Broker fees		(24,417)	(22,890)
AIFM management fees	14	(101,059)	(84,090)
Depositary fees	14	(39,581)	(32,551)
Legal and professional fees		(249,116)	(251,725)
Listing fees		(162,587)	(16,449)
Registration fees		(17,738)	(11,549)
Other expenses		(124,836)	(43,074)
<b>Total expenses</b>		<b>(3,139,953)</b>	<b>(2,423,778)</b>
Total comprehensive income for the period		<b>1,786,446</b>	<b>3,755,424</b>
<b>Earnings per Ordinary Redeemable Share - Basic &amp; Diluted</b>	3	<b>0.0036</b>	<b>0.009</b>

All items in the above statement derive from continuing operations.

The notes on pages 21 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

# TwentyFour Income Fund Limited

## CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 September 2019

	Note	30.09.2019 £ (Unaudited)	31.03.2019 £ (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit and loss			
- Investments	8	543,643,774	491,596,605
- Derivative assets: Forward currency contracts	16	1,107,049	52,575
Amounts due from broker		-	3,908,529
Amounts due from shares issued		-	3,456,600
Other receivables	9	3,802,017	3,112,577
Cash and cash equivalents		36,503,817	36,505,984
<b>Total assets</b>		<b>585,056,657</b>	<b>538,632,870</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit and loss			
- Derivative liabilities: Forward currency contracts	16	24,448	1,919,402
Amounts due to brokers		16,744,029	35,401,772
Interest income received in advance		10,516,486	-
Other payables	10	613,699	846,247
<b>Total liabilities</b>		<b>27,898,662</b>	<b>38,167,421</b>
<b>Net assets</b>		<b>557,157,995</b>	<b>500,465,449</b>
<b>Equity</b>			
Share capital account	11	530,491,915	459,436,544
Retained earnings		26,666,080	41,028,905
<b>Total equity</b>		<b>557,157,995</b>	<b>500,465,449</b>
Ordinary Redeemable Shares in issue	11	504,714,809	441,814,151
Net Asset Value per Ordinary Redeemable Share (pence)	5	110.39	113.28

The Unaudited Condensed Interim Financial Statements on pages 17 to 33 were approved by the Board of Directors on 14 November 2019 and signed on its behalf by

Trevor Ash  
Chairman

Ian Burns  
Director

The notes on pages 21 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

# TwentyFour Income Fund Limited

## CONDENSED STATEMENT OF CHANGES IN EQUITY

for the period from 1 April 2019 to 30 September 2019

	Note	Share capital account £	Retained earnings £	Total £
<b>Balances at 1 April 2019</b>		459,436,544	41,028,905	500,465,449
Issue of shares	11	93,123,125	-	93,123,125
Redemption of shares	11	(20,050,326)	-	(20,050,326)
Share issue costs	11	(1,485,986)	-	(1,485,986)
Dividend distributions paid		-	(16,680,713)	(16,680,713)
Income equalisation on new issues	4	(531,442)	531,442	-
Total comprehensive gain for the period		-	1,786,446	1,786,446
<b>Balances at 30 September 2019 (unaudited)</b>		<b>530,491,915</b>	<b>26,666,080</b>	<b>557,157,995</b>
<hr/>				
		Share capital account £	Retained earnings £	Total £
<b>Balances at 1 April 2018</b>		407,509,059	62,504,072	470,013,131
Dividend distributions paid		-	(16,742,939)	(16,742,939)
Total comprehensive gain for the period		-	3,755,424	3,755,424
<b>Balances at 30 September 2018 (unaudited)</b>		<b>407,509,059</b>	<b>49,516,557</b>	<b>457,025,616</b>

The notes on pages 21 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

# TwentyFour Income Fund Limited

## CONDENSED STATEMENT OF CASH FLOWS

for the period from 1 April 2019 to 30 September 2019

	Note	For the period from 01.04.19 to 30.09.19	For the period from 01.04.18 to 30.09.18
		£ (Unaudited)	£ (Unaudited)
<b>Cash flows from operating activities</b>			
Total comprehensive income for the period		1,786,446	3,755,424
Adjustments for:			
Net losses on investments	7	3,597,275	4,923,865
Amortisation adjustment under effective interest rate method		(3,125,386)	(2,931,412)
Unrealised (gains)/losses on forward currency contracts	7	(2,949,428)	93,078
Exchange losses on cash and cash equivalents		2,384	1,121
(Decrease)/increase in other receivables		(689,440)	316,124
Increase other payables		10,363,430	6,491
Purchase of investments	8	(289,292,567)	(162,114,527)
Sale of investments	8	222,024,295	180,372,524
Net cash (used in)/generated from operating activities		(58,282,991)	24,422,688
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Redeemable Shares		96,579,725	-
Redemption of Ordinary Redeemable Shares		(20,050,326)	-
Share issue costs		(1,565,478)	-
Dividend distribution		(16,680,713)	(16,742,939)
Net cash inflow/ (outflow) from financing activities		58,283,208	(16,742,939)
<b>Increase in cash and cash equivalents</b>			
		217	7,679,749
Cash and cash equivalents at beginning of the period		36,505,984	11,624,245
Exchange losses on cash and cash equivalents		(2,384)	(1,121)
<b>Cash and cash equivalents at end of the period</b>		<b>36,503,817</b>	<b>19,302,873</b>

The notes on pages 21 to 33 form an integral part of these Unaudited Condensed Interim Financial Statements.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period from 1 April 2019 to 30 September 2019

### 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 and policy is set out in the Summary Information on pages 3 and 4.

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 2019 to 30 September 2019 have been prepared on a going concern basis in accordance with IAS 34 “Interim Financial Reporting”, the Disclosure Guidance and Transparency Rules Sourcebook of the United Kingdom’s Financial Conduct Authority (“FCA”) and applicable legal and regulatory requirements.

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and which received an unqualified auditor’s report.

#### b) Changes in Accounting Policy

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

#### 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.

#### d) Standards, Amendments and Interpretations Effective during the Period

The accounting policies adopted are consistent with those used in the Annual Report and Audited Financial Statements for the year ended 31 March 2019. As disclosed in those Annual Financial Statements, IFRS 16 ‘Leases’, was applicable for financial reporting periods starting 1 January 2019. As such, this standard has been adopted by the Company, but has not materially affected the Company. There were no other new standards, interpretations or amendments to standards issued and effective for the period that materially impacted the Company.

### 3. Earnings per Ordinary Redeemable Share - Basic & Diluted

The earnings per Ordinary Redeemable Share - Basic and Diluted has been calculated based on the weighted average number of Ordinary Redeemable Shares of 503,096,552 (30 September 2018: 395,814,151) and a net gain of £1,786,446 (30 September 2018: net gain of £3,755,424).

### 4. Income Equalisation on New Issues

In order to ensure there are no dilutive effects on earnings per share for current shareholders when issuing new shares, earnings are calculated in respect of accrued income at the time of purchase and a transfer is made from share capital to income to reflect this. The transfer for the period is £531,442 (30 September 2018: £Nil).

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

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

The net asset value of each Share of £1.10 (31 March 2019: £1.13) is determined by dividing the net assets of the Company attributed to the Shares of £557,157,995 (31 March 2019: £500,465,449) by the number of Shares in issue at 30 September 2019 of 504,714,809 (31 March 2019: 441,814,151).

### 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 (2018: £1,200).

### 7. Net Foreign Currency Losses

	For the period from 01.04.19 to 30.09.19	For the period from 01.04.18 to 30.09.18
	£	£
	(Unaudited)	(Unaudited)
Movement on unrealised gain/(loss) on forward currency contracts	2,949,428	(93,078)
Realised loss on foreign currency contracts	(10,703,842)	(2,695,110)
Unrealised foreign currency gain/(loss) on receivables/payables	84,289	(26,768)
Unrealised foreign currency exchange (loss)/gain on interest receivable	(25,230)	8,810
	<hr/> <hr/>	<hr/> <hr/>
	(7,695,355)	(2,806,146)
	<hr/> <hr/>	<hr/> <hr/>

### 8. Investments

	For the period from 01.04.19 to 30.09.19	For the year from 01.04.18 to 31.03.19
	£	£
	(Unaudited)	(Audited)
<b>Financial assets at fair value through profit or loss:</b>		
<b>Unlisted Investments:</b>		
Opening book cost	494,729,337	434,416,774
Purchases at cost	270,634,824	331,409,934
Proceeds on sale/principal repayment	(218,115,766)	(279,264,771)
Amortisation adjustment under effective interest rate method	3,125,386	4,906,587
Realised gains on sale/principal repayment	15,867,355	11,564,064
Realised losses on sale/principal repayment	(15,831,970)	(8,303,251)
Closing book cost	550,409,166	494,729,337
Unrealised gains on investments	6,668,632	9,778,665
Unrealised losses on investments	(13,434,024)	(12,911,397)
<b>Fair value</b>	<hr/> <hr/>	<hr/> <hr/>
	543,643,774	491,596,605

The Company does not experience any seasonality or cyclical in its investment activities.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 8. Investments (continued)

	For the period from 01.04.19 to 30.09.19	For the period from 01.04.18 to 30.09.18
	£	£
	(Unaudited)	(Unaudited)
Realised gains on sale/principal repayment	15,867,355	10,381,636
Realised losses on sales/principal repayment	(15,831,970)	(2,108,544)
Movement in unrealised gains	(3,110,033)	(9,482,870)
Movement in unrealised losses	(522,627)	(3,714,087)
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(3,597,275)</b>	<b>(4,923,865)</b>

### 9. Other Receivables

	As at 30.09.19	As at 31.03.19
	£	£
	(Unaudited)	(Audited)
Coupon interest receivable	3,658,832	3,100,037
Prepaid expenses	143,185	12,540
	<b>3,802,017</b>	<b>3,112,577</b>

### 10. Other Payables

	As at 30.09.19	As at 31.03.19
	£	£
	(Unaudited)	(Audited)
Portfolio management fees payable	374,187	560,933
Custody fees payable	4,986	3,806
Administration and secretarial fees payable	75,409	58,542
Audit fees payable	28,500	57,000
AIFM management fees payable	46,153	41,194
Depositary fees payable	6,664	5,353
Share issue costs payable	-	79,492
General expenses payable	77,800	39,927
	<b>613,699</b>	<b>846,247</b>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 11. Share Capital

#### Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

#### Issued Share Capital

	As at 30.09.19	As at 31.03.19
	£	£
<b>Ordinary Redeemable Shares</b>	(Unaudited)	(Audited)
Share Capital at the beginning of the period/year	459,436,544	407,509,059
Issued Share Capital	93,123,125	53,010,450
Redeemed Share Capital	(20,050,326)	-
Share issue costs	(1,485,986)	(609,620)
Income equalisation on new issues	(531,442)	(473,345)
Total Share Capital at the end of the period/year	<u>530,491,915</u>	<u>459,436,544</u>

#### Reconciliation of number of Shares

	As at 30.09.19	As at 31.03.19
	Shares	Shares
<b>Ordinary Redeemable Shares</b>	(Unaudited)	(Audited)
Shares at the beginning of the period/year	441,814,151	395,814,151
Issue of Shares	81,250,000	46,000,000
Redemption of Shares	(18,349,342)	-
Total Shares in issue at the end of the period/year	<u>504,714,809</u>	<u>441,814,151</u>

	As at 30.09.19	As at 31.03.19
	£	£
<b>Treasury Shares</b>	(Unaudited)	(Audited)
Treasury Share capital at the beginning of the period/year	43,083,300	43,083,300
Total Treasury Share capital at the end of the period/year	<u>43,083,300</u>	<u>43,083,300</u>

#### Reconciliation of number of Shares

	As at 30.09.19	As at 31.03.19
	Shares	Shares
<b>Treasury Shares</b>	(Unaudited)	(Audited)
Treasury Shares at the beginning of the period/year	<u>39,000,000</u>	<u>39,000,000</u>
Total Shares at the end of the period/year	<u>39,000,000</u>	<u>39,000,000</u>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 11. Share Capital (continued)

#### Issued Share Capital (continued)

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 2019, 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. The next realisation opportunity is due to occur at the end of the next three year term, at the date of the AGM in September 2022.

The Company has the right to issue and purchase up to 14.99% of the total number of its own shares at £0.01 each, to be classed as Treasury Shares and may cancel those Shares or hold any such Shares as Treasury Shares, provided that the number of Shares held as Treasury Shares shall not at any time exceed 10% of the total number of Shares of that class in issue at that time or such amount as provided in the Companies Law.

On 24 January 2017, the Company issued and purchased 39,000,000 Ordinary Shares of £0.01 at a price of 110.47p, to be held in treasury. The total amount paid to purchase these shares was £43,083,300 and has been deducted from the shareholders' equity. The Company has the right to re-issue these shares at a later date. All shares issued were fully paid.

On 12 September 2019 the Company purchased and immediately cancelled 18,349,342 Ordinary Shares at a total cost of £20,050,326.

Shares held in Treasury are excluded from calculations when determining Earnings per Ordinary Redeemable Share or Net Asset Value per Ordinary Redeemable Share, as detailed in notes 3 and 5.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued for the period from 1 April 2019 to 30 September 2019

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

	Assets at fair value through profit and loss	Amortised cost	Total
	£	£	£
30 September 2019 (Unaudited)			
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	543,643,774	-	543,643,774
- Derivative assets: Forward currency contracts	1,107,049	-	1,107,049
Other receivables (excluding prepayments)	-	3,658,832	3,658,832
Cash and cash equivalents	-	36,503,817	36,503,817
	<u>544,750,823</u>	<u>40,162,649</u>	<u>584,913,472</u>

	Liabilities at fair value through profit and loss	Amortised cost	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	24,448	-	24,448
Amounts due to brokers	-	16,744,029	16,744,029
Interest income received in advance	-	10,516,486	10,516,486
Other payables	-	613,699	613,699
	<u>24,448</u>	<u>27,874,214</u>	<u>27,898,662</u>

	Assets at fair value through profit and loss	Loans and receivables	Total
	£	£	£
31 March 2019 (Audited)			
<b>Financial Assets as per Statement of Financial Position</b>			
Financial assets at fair value through profit or loss:			
- Investments	491,596,605	-	491,596,605
- Derivative assets: Forward currency contracts	52,575	-	52,575
Amounts due from broker	-	3,908,529	3,908,529
Amounts due from shares issued	-	3,456,600	3,456,600
Other receivables (excluding prepayments)	-	3,100,037	3,100,037
Cash and cash equivalents	-	36,505,984	36,505,984
	<u>491,649,180</u>	<u>46,971,150</u>	<u>538,620,330</u>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued for the period from 1 April 2019 to 30 September 2019

### 12. Analysis of Financial Assets and Liabilities by Measurement Basis (continued)

	Liabilities at fair	value through profit and loss	Amortised cost	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	1,919,402	-	1,919,402	
Amounts due to brokers		- 35,401,772	35,401,772	
Other payables		- 846,247	846,247	
	<b>1,919,402</b>	<b>36,248,019</b>	<b>38,167,421</b>	

### 13. 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 per annum.

Until 31 December 2018, the annual fees were £35,000 payable to Mr Ash, the Chairman, £32,500 to Mr Burns as Chairman of the Audit Committee and £30,000 for all other Directors.

Effective from 1 January 2019, the annual fees are £40,000 for the Chairman, £37,500 for Chairman of the Audit Committee, and £35,000 for all other Directors.

During the period ended 30 September 2019, Directors fees of £73,750 (30 September 2018: £63,750) were charged to the Company, of which £Nil (31 March 2019: £Nil) remained payable at the end of the period.

#### b) Shares Held by Related Parties

As at 30 September 2019, Directors of the Company held the following shares beneficially:

	Number of Shares 30.09.19	Number of Shares 31.03.19
Trevor Ash	58,734	50,000
Ian Burns	29,242	29,242
Richard Burwood	22,476	5,000
Joanne Fintzen	17,476	-

As at 30 September 2019, the Portfolio Manager held Nil Shares (31 March 2019: Nil Shares) and partners and employees of the Portfolio Manager held 1,986,136 Shares (31 March 2019: 1,797,760 Shares), which is 0.39% (31 March 2019: 0.41%) of the Issued Share Capital.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 13. Related Parties (continued)

#### 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 portfolio management fees for the period amounted to £2,147,375 (30 September 2018: £1,727,461) of which £374,187 (31 March 2019: £560,933) 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 £140,970 (30 September 2018: £Nil) in commission.

### 14. Material Agreements

#### a) Alternative Investment Fund Manager

The Company's Alternative Investment Fund Manager (the "AIFM") is Maitland Institutional Services 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 2019, AIFM fees of £101,059 (30 September 2018: £84,090) were charged to the Company, of which £46,153 (31 March 2019: £41,194) remained payable at the end of the period.

#### 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 is charged for corporate governance and company secretarial services. Total administration and secretarial fees for the period amounted to £142,362 (30 September 2018: £119,706) of which £75,409 (31 March 2019: £58,542) is due and payable at end of the period.

#### 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 £39,581, (30 September 2018: £32,551) of which £6,664 (31 March 2019: £5,353) 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 £28,632 (30 September 2018: £23,033) of which £4,986 (31 March 2019: £3,806) is due and payable at the period end.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 15. Financial Risk Management

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

These Unaudited Condensed Interim Financial Statements do not include the 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 2019.

### 16. 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).

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value for the period and year ended 30 September 2019 and 31 March 2019.

	Level 1 £	Level 2 £	Level 3 £	Total £
Assets	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
Auto Loans	-	20,114,151	-	20,114,151
Buy-to-Let RMBS	-	45,703,563	13,545,000	59,248,563
CLO	-	193,202,639	-	193,202,639
CMBS	-	27,758,296	-	27,758,296
Consumer ABS	-	35,397,959	-	35,397,959
Non-Conforming RMBS	-	94,098,412	7,500,000	101,598,412
Prime RMBS	-	54,073,304	48,194,531	102,267,835
Student Loans	-	4,055,919	-	4,055,919
Forward currency contracts	-	1,107,049	-	1,107,049
<b>Total assets as at 30 September 2019</b>	<b>-</b>	<b>475,511,292</b>	<b>69,239,531</b>	<b>544,750,823</b>
Liabilities				
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	24,448	-	24,448
<b>Total liabilities as at 30 September 2019</b>	<b>-</b>	<b>24,448</b>	<b>-</b>	<b>24,448</b>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 16. Fair Value Measurement (continued)

	Level 1 £ (Audited)	Level 2 £ (Audited)	Level 3 £ (Audited)	Total £ (Audited)
<b>Assets</b>				
Financial assets at fair value through profit or loss:				
Asset Backed Securities:				
<i>Auto Loans</i>	-	7,497,786	-	7,497,786
<i>Buy-to-Let RMBS</i>	-	33,617,638	4,274,394	37,892,032
<i>CLO</i>	-	146,496,116	22,634,620	169,130,736
<i>CMBS</i>	-	19,075,885	-	19,075,885
<i>Consumer ABS</i>	-	23,338,586	23,069,273	46,407,859
<i>Non-Conforming RMBS</i>	-	140,656,997	5,738,296	146,395,293
<i>Prime RMBS</i>	-	58,566,061	4,964,961	63,531,022
<i>Student Loans</i>	-	1,665,992	-	1,665,992
<i>Forward currency contracts</i>	-	52,575	-	52,575
<b>Total assets as at 31 March 2019</b>	<b>-</b>	<b>430,967,636</b>	<b>60,681,544</b>	<b>491,649,180</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	1,919,402	-	1,919,402
<b>Total liabilities as at 31 March 2019</b>	<b>-</b>	<b>1,919,402</b>	<b>-</b>	<b>1,919,402</b>

Asset Backed Securities which have a value based on quoted market prices in active markets are classified in Level 1. At the end of the period, 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. Asset Backed securities priced at cost are classified as Level 3. Asset Backed securities with prices obtained from independent price vendors, where the Portfolio Manager is able to assess whether the observable inputs used for their modelling of prices are accurate and the Portfolio Manager has the ability to challenge these vendors with further observable inputs, are classified as Level 2. Prices obtained from vendors who are not easily challengeable or transparent in showing their assumptions for the method of pricing these assets, are classified as Level 3. Asset Backed Securities priced at an average of two vendors' prices are classified as 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. Any broker quote that is over 20 days old is considered stale and is classified as Level 3.

There were no transfers between Level 1 and 2 during the period, however transfers between Level 2 and Level 3 occur based on the Portfolio Manager's ability to obtain a reliable and observable price as detailed above.

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

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 16. Fair Value Measurement (continued)

The following tables present the movement in Level 3 instruments for the period and year ended 30 September 2019 and 31 March 2019 by class of financial instrument.

	Net Opening balance	Net (sales)/ purchases	Net realised gain/(loss) for the period included in the Statement of Comprehensive Income for Level 3 Investments held at 30 September 2019	Net unrealised (loss)/gain for the period included in the Statement of Comprehensive Income for Level 3 Investments held at 30 September 2019	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
<i>Buy-to-Let RMBS</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Buy-to-Let RMBS</i>	4,274,394	-	5,648	(530,648)	14,070,000	(4,274,394)	13,545,000
<i>CLO</i>	22,634,620	(5,449,568)	370,380	(75,297)	-	(17,480,135)	-
<i>Consumer ABS</i>	23,069,273	(16,895,241)	2,111,559	(1,418,094)	-	(6,867,497)	-
<i>Non-Conforming RMBS</i>	5,738,296	1,152,765	90,435	(34,673)	5,000,000	(4,446,823)	7,500,000
<i>Prime RMBS</i>	4,964,961	39,008,270	(12,436,776)	633,215	20,989,822	(4,964,961)	48,194,531
<i>Total at 30 September 2019</i>	<b>60,681,544</b>	<b>17,816,226</b>	<b>(9,858,754)</b>	<b>(1,425,497)</b>	<b>40,059,822</b>	<b>(38,033,810)</b>	<b>69,239,531</b>

	Net Opening balance	Net sales	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2019	Net unrealised loss for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2019	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
<i>Buy-to-Let RMBS</i>	11,415,545	(8,065,099)	28,579	(35,795)	2,532,194	(1,601,030)	4,274,394
<i>CLO</i>	26,925,077	(9,451,515)	686,952	(2,306,438)	12,393,095	(5,612,551)	22,634,620
<i>Consumer ABS</i>	4,624,151	(4,623,230)	(38,963)	(1,498,289)	24,605,604	-	23,069,273
<i>Non-Conforming RMBS</i>	56,869,802	(17,570,445)	195,998	(220,758)	5,785,031	(39,321,332)	5,738,296
<i>Prime RMBS</i>	27,739,640	(3,856,534)	1,847,870	(1,615,836)	2,685,927	(21,836,106)	4,964,961
<i>Student Loans</i>	1,605,746	-	-	-	-	(1,605,746)	-
<i>Total at 31 March 2019</i>	<b>129,179,961</b>	<b>(43,566,823)</b>	<b>2,720,436</b>	<b>(5,677,116)</b>	<b>48,001,851</b>	<b>(69,976,765)</b>	<b>60,681,544</b>

The tables on the following page analyse within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2019 and 31 March 2019 but for which fair value is disclosed.

The assets and liabilities included in the below 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 and other receivables represent the contractual amounts and rights due to the Company for settlement of trades and income.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 16. Fair Value Measurement (continued)

	Level 1 £ (Unaudited)	Level 2 £ (Unaudited)	Level 3 £ (Unaudited)	Total £ (Unaudited)
<b>Assets</b>				
Cash and cash equivalents	36,503,817	-	-	36,503,817
Other receivables	-	3,802,017	-	3,802,017
<b>Total assets as at 30 September 2019</b>	<b>36,503,817</b>	<b>3,802,017</b>	<b>-</b>	<b>40,305,834</b>

<b>Liabilities</b>				
Amounts due to brokers	-	16,744,029	-	16,744,029
Other payables	-	613,699	-	613,699
<b>Total liabilities as at 30 September 2019</b>	<b>-</b>	<b>17,357,728</b>	<b>-</b>	<b>17,357,728</b>

	Level 1 £ (Audited)	Level 2 £ (Audited)	Level 3 £ (Audited)	Total £ (Audited)
<b>Assets</b>				
Cash and cash equivalents	36,505,984	-	-	36,505,984
Amounts due from brokers	-	3,908,529	-	3,908,529
Amounts due from shares issued	-	3,456,600	-	3,456,600
Other receivables	-	3,112,577	-	3,112,577
<b>Total assets as at 31 March 2019</b>	<b>36,505,984</b>	<b>10,477,706</b>	<b>-</b>	<b>46,983,690</b>

<b>Liabilities</b>				
Amounts due to brokers	-	35,401,772	-	35,401,772
Other payables	-	846,247	-	846,247
<b>Total liabilities as at 31 March 2019</b>	<b>-</b>	<b>36,248,019</b>	<b>-</b>	<b>36,248,019</b>

### 17. 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 on page 10.

Revenue earned is reported separately on the face of the Condensed Statement of Comprehensive Income as investment income being interest income received from Asset Backed Securities.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2019 to 30 September 2019

### 18. Dividend Policy

The Board intends to distribute an amount at least equal to the value of the Company's income available for distribution 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 quarter 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, less (d) total expenditure for the period.

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

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.

The Company declared the following dividends in respect of distributable profit for the period ended 30 September 2019:

Period to	Dividend rate per Share	Net dividend payable	Record date	Ex-dividend date	Pay date
	(pence)	(£)			
28 June 2019	0.0150	7,845,962	19 July 2019	18 July 2019	31 July 2019
30 September 2019	0.0150	7,570,722	18 October 2019	17 October 2019	31 October 2019

### 19. Ultimate Controlling Party

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

### 20. Subsequent Events

These Financial Statements were approved for issuance by the Board on 14 November 2019. Subsequent events have been evaluated until this date.

On 31 October 2019, the Company paid a dividend as detailed in note 18.

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