

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

Commentary

The Portfolio Managers remain occupied with the ongoing administration and maintenance of the fund's existing investments and continue to look further into new opportunities, working on a number of prospects to deploy the fund's remaining capital.

Mortgage Market

According to the RICS market survey, activity appears to be stabilising to some extent, although it continues to be restrained by a persistent shortage of new instructions, along with economic uncertainty.

There continues to be downward pressure on house prices across London and the South East, with no change at national level overall from last month thanks to the solid gains reported in Wales, Northern Ireland and the North West. Over the last year house prices rose by 4.5%, taking the average property value in the UK to £223,807, with London experiencing the slowest growth (Source: ONS's UK House Price Index for October).

According to UK Finance, now incorporating CML, the number and value of loans for remortgaging and for house purchases rose in October 2017 in comparison with the previous month and with the same period in 2016. We can expect this trend to continue further through the end of the year and into 2018 as borrowers seek to take advantage of low interest rates, which despite the recent rate rise remain affordable for the vast majority of borrowers.

In the lending arena we continue to observe a slight reduction in residential mortgage rates products, both from specialist lenders and even some building societies. Somewhat counterintuitive in a rising interest-rates environment, this is being driven by increased competition within a contracted mortgage market and is fundamentally supported by alternative funding structures and the larger margins the specialist lenders enjoy compared to the large high street banks.

RMBS Market

As might be expected given the time of year, December was a quiet month for the ABS market, with no new issuance in the UK mortgage space, and only a handful of transactions across Europe. However, this pushed total gross issuance amount for 2017 to just over €84bn, which encouragingly is the highest level of European annual ABS issuance since the financial crisis.

With very little activity on the primary market and an active albeit quieter secondary market, spreads closed the year at historical tight levels.

Malt Hill No. 1 (Coventry Building Society)

The portfolio continues to exhibit strong performance, in line with or better than our expectations at the time of purchase, and only one of the 1,268 loans in the portfolio was in arrears as at the end of November. The unscheduled prepayments within the portfolio have substantially slowed down in November and we expect the trend to continue into the year end. Paired with the structural changes approved by the RMBS investors in October, we expect this will translate into the stabilisation of the investment leverage for the foreseeable future, remaining therefore broadly in line with initial projections.

Cornhill Mortgages No.2 (The Mortgage Lender – TML)

As at the end of November, completions and pipeline were around £150m, with completed origination at c.£109m. The pace of completions remains generally in line with expectations, seeing something of a traditional slowdown due to the festive season. Regardless, the portfolio continues to show asset performance that beats the most optimistic expectations, with no loans currently in arrears.

Oat Hill No.1 (Capital Home Loans – CHL)

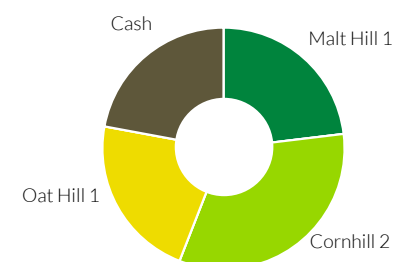
We continue to be satisfied by the performance of the assets, which has been particularly stable since the purchase of the portfolio, reflecting the seasoned nature of the loans. As at the end of November less than 1% of the entire pool was overdue on one or more instalments, and we have experienced a recovery rate of over 75% on the loans in repossession since the closing of the securitisation. Excess spread earned on the latest interest payment date is also in line with expectations.

Portfolio Summary	Malt Hill No. 1	Cornhill No. 2	Oat Hill No. 1
Originator	Coventry Building Society	The Mortgage Lender	Capital Home Loans
Outstanding Balance	£228m	£148m*	£563m
Number Accounts	1,268	780	4,352
Average Mortgage Size	180k	192k	129k
WA Current Indexed LTV	63.49%	66.65%	66.83%
WA Interest Rate	2.95%	3.53%	1.54%
WA Remaining Term (mth)	221	296	144
WA Seasoning (mth)	28	5	130
3mth + Arrears (% balance)	0.00%	0.00%	0.34%

* includes completions and pipeline

as at 30/11/2017

Investment breakdown



as at 30/11/2017

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:*	£231.3 mn
Shares in Issue:	250 mn
Current Price per Share:*	92.50p
Current NAV per Share:*	87.44p
Current NAV per Share (inc Dividend):*	97.94 p
Premium / (Discount) to NAV:*	5.79%

Source: TwentyFour Asset Management. * as at 31/10/2017

Trading Information

TIDM	UKML
ISIN	GG00BXDZMK63
SEDOL	BXDZMK6
Distribution Frequency	Quarterly
AMC (%)	0.60

* as at 31/08/2017

Fund Managers

Robert Ford

Partner with 31 years' experience, previously a Managing Director and Head of European ABS Trading at Barclays Capital.

Ben Hayward

Partner with 19 years' structured finance experience; previously senior fund manager to four portfolios at Citi Alternatives.

Douglas Charleston

Portfolio Manager with 11 years' experience. Previous roles include a structurer at Lloyds, ratings analyst at S&P and a portfolio manager at Nationwide.

Silvia Piva

Portfolio Manager with over 9 years' experience. Previously she was a structurer and originator at RBS covering UK financial institutions.

Shilpa Pathak

Portfolio Assistant with 4 years' experience. Previous roles include an application development consultant at Dow Jones and a software developer at Dell.

Further Information



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Investment Outlook

Since closing Oat Hill No.1 this summer, we continue to analyse a number of investment opportunities that would allow the full deployment of the capital released following the securitisation, and we are currently engaged on several potential projects that, if fully pursued, may also require further capital raising. These opportunities are at different stages and any expectation of deployment would be over the course of the next 3 to 6 months, a timeframe that would allow sufficient time for fundraising should it be required.

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.

Glossary

ABS:	Asset Backed Securities
RMBS:	Residential Mortgage Backed Securities
IPD:	Interest Payment Date
BoE:	Bank of England
CCS:	Credit Conditions Survey
CML:	Council of Mortgage Lenders
ONS:	Office of National Statistics
RICS:	Royal Institution of Chartered Surveyors
NWM:	NatWest Markets
TML:	The Mortgage Lender
BTL:	Buy-to-Let
SVR:	Standard Variable Rate
LTV:	Loan-to-Value
NPL:	Non-Performing Loans

OCF Breakdown

UK Mortgages Ltd	0.91%
UK Mortgages DAC and SPVs (excl. servicing and transaction costs)	0.09%
Total	1.00%
Servicing and Transaction costs (for information)*	1.12%

*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 31/10/2017

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This document has been issued by TwentyFour Asset Management LLP.

For definitions of the investment terminology used within this document please see glossary at: <https://twentyfouram.com/glossary>

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