

# TwentyFour Income Fund

## **Interim Management Report and Unaudited Condensed Consolidated Interim Financial Statements**

For the period from 1 April 2020 to 30 September 2020



**TWENTYFOUR INCOME FUND LIMITED**

**INTERIM MANAGEMENT REPORT AND UNAUDITED CONDENSED  
INTERIM FINANCIAL STATEMENTS**

**For the period from 1 April 2020 to 30 September 2020**

# TwentyFour Income Fund Limited

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# TwentyFour Income Fund Limited

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## 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 Glatigny Esplanade  
St Peter Port  
Guernsey, GY1 4ND

### **UK Legal Advisers to the Company**

Eversheds Sutherland (International) LLP  
1 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

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## 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.

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

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## 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 2020 have been calculated in accordance with the Association of Investment Companies (the “AIC”) recommended methodology. The ongoing charges for the period ended 30 September 2020 were 0.97% (30 September 2019: 0.95%).

\* 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 pay any dividends 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 17 of the Company’s Annual Financial Statements for the year ended 31 March 2020, 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 30.09.20	For the year ended 31.03.20	For the six month period ending 30.09.19
Total Net Assets	£550,226,766	£475,369,856	£557,157,995
Net Asset Value per share	108.2p	94.19p	110.39p
Share price	104.00p	88.00p	108.50p
Discount to Net Asset Value	-3.88%	-6.57%	-1.71%
Dividends declared in respect of the period/year	3.00p	6.40p	3.00p

As at 30 November 2020, the discount had moved to -3.21%. The estimated NAV per share and mid-market share price stood at 109.52p and 106.00p respectively.

# TwentyFour Income Fund Limited

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## CHAIRMAN'S STATEMENT

for the period from 1 April 2020 to 30 September 2020

I am pleased to present my report on the Company's progress for the six months ended 30 September 2020.

The Company's shares have typically traded at a premium since launch, however the market turmoil as a result of COVID-19 pushed them to a discount before the start of the period. This discount has largely persisted, though at a significantly lower level than in March, and at times the shares have also traded at a premium. However, the average discount during the period was 2.78%, and it moved in a range of a 2.62% Premium to a 7.76% discount during the period. Notably from July, the positive NAV performance was not matched by the share price.

The Board is willing to continue to authorise the issuance of further shares as a premium management mechanism, while the Portfolio Managers can confirm that attractive investment opportunities are available in the market.

The NAV total return on the shares from launch to 30 September 2020 was 70.56% (including dividends paid). The NAV per share rose from 94.19 at the start of the period to 108.20, for a total return of 18.02% (including dividends paid) during the period, and the income component of the return to investors remained strong; the Company declared two dividends of 1.9p and 1.5p per share to cover the pro-rata minimum return of 6p per share, the latter as a final dividend for the previous period covering all excess returns in respect of the year. After the period end, the Company declared a further dividend of 1.5p per share to be paid at the end of October in line with its existing dividend policy.

The NAV performance of the Company has been mostly positive during the period as it has recovered from the volatility felt across all financial markets since late February, as a result of the implications of a global shutdown in response to the COVID-19 pandemic. Fundamental performance of the asset pools and structures remains strong and stable at the period end, notably outstripping the more negative expectations felt during the immediate aftermath of the global shutdown, and ratings remain stable with a bias towards upgrades over downgrades. However, there is clearly a material negative impact on the global economy, and despite the significant amount of central bank and government support this will lead to an increase in arrears and loan defaults generally in both consumer and corporate lending markets, as well as an increase in credit ratings downgrades in future.

While greater stress will be felt within loan pools, the current pricing in the European ABS market implies a materially greater level of underperformance of those loans than is expected, even as consumer and corporate support mechanisms such as the Coronavirus Job Retention Scheme (furlough payments) are unwound. This continues to make the current opportunity set attractive.

The Company's yield remains sufficient to meet the dividend target, and successfully placed two small share issuances to take advantage of significantly cheaper investment opportunities in April. The Company reviews the dividend target on an ongoing basis but currently has no concerns in its ability to meet this target.

While I recognise the potential for volatility, in particular as the global lockdown and its impact on economic performance plays out, 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  
30 November 2020



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## PORTFOLIO MANAGER'S REPORT

for the period from 1 April 2020 to 30 September 2020

### Market Commentary

The period in question has, unsurprisingly, been dominated by the ongoing presence of COVID-19, the response from governments and central banks, and the market reaction to these events. More recently, there has been some influence from the US election, and the ongoing negotiations between the UK government and the European Union concerning their future relationship.

As the period started, most financial markets had seen the lowest prices experienced since the spread of COVID-19, and were largely on a recovery trend, buoyed by the coordinated liquidity and bond buying stimulus from multiple central banks. This continued to have a direct impact on many parts of the fixed income markets including, among others, investment grade and high yield bonds, covered bonds, US ABS and ETFs. In contrast the ECB held less than €1bn more European ABS at the end of the period than it had done at the end of February.

The recovery of the European ABS market lagged that in other sectors, partly as a result of this relative lack of stimulus. The market felt like it had little directional guidance during March and April, primarily due to the ongoing closure of the primary market, whereas other bond sectors were seeing significant levels of new issuance, with deals well oversubscribed and pricing at increasingly tighter levels. As such ABS, investors were less willing to add risk without such clear and public participant appetite.

This started to change in May as the first new deals were placed, and as expected these were from high quality, repeat issuers who were largely only issuing AAA bonds. However, these transactions were well received and were followed by a continued supply of transactions that had been delayed by the market closure, though in most cases issuers and syndicate banks sought certainty of issuance by pre-placing deals with a smaller club of investors, before announcing the trade publicly. Gradually, deals were placed from a wider range of issuers and collateral types, and with more bonds offered across a wider range of ratings.

However, as a significant amount of cheap funding had been made available to deposit-taking institutions by their central banks, fewer deals have been seen from these issuers, and that is not expected to change in a material way in the near future. So while mortgage appetite remains strong as a result of the low rate environment and the temporary stamp duty reduction in the UK, banks typically have more efficient ways of funding these.

The global lockdown has raised numerous issues around loan pool performance, with the impact of the initial and further lockdowns to be assessed in light of the significant income support for consumers, as well as direction from the regulator to lenders to consider 'payment holidays' where appropriate. Lenders quickly disclosed payment holiday data, ultimately including it in standardised monthly reporting, allowing analysis of the impact of COVID-19 on borrowers. While the take-up in the UK was material between March and July, there has been a clear trend since of borrowers not seeking to roll the initial three-month payment deferral into a second three-month option, and ultimately numbers have come down a long way.

In transactions financing loans to corporates or with corporate risk included, the impact has been more specific to sectors with more obvious links to COVID-19 disruption. Commercial mortgage-backed securitisations (CMBS) of hotels and retail have suffered more materially than those backed by logistics, for example. In Collateralised Loan Obligation (CLO) pools greater loan price stress and loan downgrade risk was seen for issuers that were in retail, leisure and hospitality, travel and similar sectors. As with reporting in the consumer ABS space, the ability to identify these risks has been key in analysing and modelling performance during the period.

# TwentyFour Income Fund Limited

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## PORTFOLIO MANAGER'S REPORT Continued

for the period from 1 April 2020 to 30 September 2020

From the onset of COVID-19, the Portfolio Managers have continually reassessed the performance of the loan pools in the portfolio, and have engaged in a very material manner with loan originators and servicers to understand the issues and trends that they were seeing. All engagement has been stored in the proprietary Observatory database that is used across all of TwentyFour's investment teams for ESG and Sustainability purposes. This information has helped the team recalibrate the credit stress modelling undertaken on individual securities, amending them to the specific implications of the global shutdown, including leverage loan sector specific stresses, the inevitable delay of arrears and defaults in consumer pools driven by payment holidays and the furlough scheme, and a second wave of COVID-19. The team continue to have high conviction in the portfolio's ability to generate income and principal as expected.

During April and May, the portfolio was incrementally rotated out of liquidity assets and other senior bonds, and into mezzanine RMBS and CLO positions, to benefit from the more material spread and price movements in the more junior part of the ABS market. Market liquidity improved over this period, making it easier to execute transactions, and though wider credit markets saw volatility in June, the Company sold further short dated assets and reinvested proceeds from a redemption into liquid positions in anticipation of further new issue supply in July. This duly allowed the addition of a Dutch consumer transaction and an auto loan transaction, among others. This approach of migrating more senior, liquid and short dated assets into positions that added greater convexity, either through a longer maturity profile or from a more material price discount, was one that continued to the end of the period. The Company introduced amendments to the investment policy in 2019 that allowed up to 25% leverage on the portfolio. This was introduced to recognise that during periods of market volatility there are often exceptional opportunities to invest in high quality assets, but that raising capital to fund such acquisitions can prove challenging due to such market conditions. During the second quarter such an environment existed, and the Company took advantage by utilising this leverage on a number of transactions.

### Market Outlook

From a fundamental performance point of view it should be expected that, while the global economy has probably seen the worst effects of prolonged and severe shutdowns, the transition from income support schemes to a more normalised environment should lead to an increase in consumer arrears and defaults. However, this expectation must be considered through the lens of historical default rates, informed by recent payment holiday data, and compared to the required default rate based on the amount of loss absorbing capital on a deal-by-deal basis.

On the corporate side, additional shorter or less complete shutdowns will also lead to an ongoing, elevated level of downgrades and defaults. However, while this will lead to weaker headlines, it is not anticipated that it will lead to stress on the portfolio or individual positions due to the robust structures and junior equity positions.

Issuance has been materially lower in 2020 than was expected, but existing transactions have largely been called as expected, or shortly after the previous expectation. As highlighted above, this lack of supply and the availability of cheaper forms of financing means there is a strong expectation that issuance levels will continue to disappoint investors. In contrast the increased yield available from European ABS - both from credit spread and the higher risk-free rate (LIBOR or hedged Euribor versus Gilts) - should attract additional capital to the sector over the foreseeable future. These considerations would be positive for relative performance of ABS against other forms of European fixed income.

TwentyFour Asset Management LLP  
30 November 2020

# TwentyFour Income Fund Limited

## TOP TWENTY HOLDINGS

as at 30 September 2020

Security	Nominal/ Shares	Asset Backed Security Sector*	Fair Value £	Percentage of Net Asset Value
OPTIMUM THREE LTD 0% 25/3/2021	18,000,000	Non-Conforming RMBS	18,000,000	3.27
TAURUS CMBS SER 2020-NL1X CLS E 20/02/2030	16,947,764	CMBS	14,604,042	2.65
VSK HOLDINGS LIMITED SER	790,000	Prime RMBS	14,450,607	2.63
TULPENHUIS 0.0% 18/04/2051	19,455,533	Prime RMBS	13,764,955	2.50
CAP. BRIDGE FIN. NO1 '1 MEZZ' FRN 08/11/2018	14,000,000	Buy-to-Let RMBS	13,020,000	2.37
EQTY. RELEASE FNDG. NO 5 '5 B' FRN 14/07/2050	14,550,000	Prime RMBS	11,792,611	2.14
AUTOFLORENCE 1 SRL '1 F' 7.00% 25/12/2042	11,590,867	Auto Loans	10,355,933	1.88
SYON SECURITIES 19-1 B CLO FLT 19/07/2026	10,185,744	Prime RMBS	10,145,561	1.84
VSK HLDGS. '1 C4-1' VAR 01/10/2058	1,250,000	Prime RMBS	10,111,589	1.84
CHARLES STREET CONDUIT AST. B '1 C' FRN 08/12/2065	9,500,000	Non-Conforming RMBS	9,218,800	1.68
TULPENHUIS SER 19-1 CL A 0.0% 13/09/2053	10,000,000	Prime RMBS	8,843,856	1.61
MAN GLG EURO CLO V DAC '5X E' FRN 15/12/2031	9,700,000	CLO	8,397,779	1.53
E-CARAT 11 '11 E' FRN 18/05/2028	8,000,000	Auto Loans	7,889,340	1.43
AURORUS 2020 BV '1 G' FRN 13/08/2046	8,300,000	Consumer ABS	7,598,127	1.38
RESID. MTG. SECS. 29 '29 E' FRN 20/12/2046	7,450,000	Non-Conforming RMBS	7,412,683	1.35
HAYFIN EMERALD CLO II DAC '2X E' FRN 27/05/2032	8,500,000	CLO	7,352,401	1.34
TRINI 2015-1X E '1X E' FRN 15/07/2051	7,283,000	Non-Conforming RMBS	7,284,894	1.32
SC GERMANY CONSUMER 2016-1 UG '1 E' FRN 13/09/2029	7,500,000	Consumer ABS	6,829,519	1.24
SYON SECS. 19-1 Z FRN 19/07/2026	6,459,539	Prime RMBS	5,953,564	1.08
TAURUS 2019-1 FR DAC '1FR E' FRN 02/02/2031	7,100,301	CMBS	5,821,233	1.06

The full portfolio listing as at 30 September 2020 can be obtained from the Administrator on request.

### \* Definition of Terms

'ABS' - Asset Backed Securities

'CLO' - Collateralised Loan Obligations

'CMBS' - Commercial Mortgage-Backed Securities

'RMBS' - Residential Mortgage-Backed Securities

# TwentyFour Income Fund Limited

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## BOARD MEMBERS

Biographical details of the Directors are as follows:

### **Trevor Ash - (Chairman) (age 74)**

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 61)**

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 Chairman of 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 53)**

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 SME Credit Realisation Fund Limited, 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 50)**

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.

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## 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 2020. 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.
- **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.
- **Operational risks**  
Operational risk is the risk arising from any failures of systems and controls in the operations of the Portfolio Manager, Administrator, AIFM, Custodian and the Depositary amongst others.
- **Accounting, legal and regulatory risks**  
The Company is exposed to the risk that it may fail to maintain accurate accounting records or fail to comply with requirements of its Admission document and fail to meet listing obligations.
- **Income recognition risk**  
The Portfolio Manager estimates the remaining expected life of the security and its likely terminal value, which has an impact on the effective interest rate of the Asset Backed Securities which in turn impacts the calculation of interest income. A material misstatement of this estimate could lead to an inappropriate amount of interest income being recognised a financial period.
- **Cyber security risks**  
The Company is exposed to risk arising from a successful cyber-attack through its service providers.
- **Coronavirus risk (COVID-19)**  
Coronavirus risk is the risk of business interruption caused by the COVID-19 pandemic, along with the potential negative impact it has on the valuation of investments.

## TwentyFour Income Fund Limited

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### STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES Continued

A detailed explanation of these can be found in note 17 of the Annual Report for the year ended 31 March 2020, which can be found on the Company's website ([www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)). 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.

The Board's process of identifying and responding to emerging risks is disclosed in page 30 of the Annual Report for the year ended 31 March 2020.

#### **Related Parties**

Related party balances and transactions are disclosed in note 14 of these Unaudited Condensed Interim Financial Statements.

#### **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

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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, equity 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 2020 to 30 September 2020 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 2020 to 30 September 2020 and that have materially affected the financial position or performance of the Company during that period as included in note 14.

By order of the Board

**Trevor Ash**  
Chairman  
30 November 2020

**Ian Burns**  
Director

# TwentyFour Income Fund Limited

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## INDEPENDENT REVIEW REPORT

TO TWENTYFOUR INCOME FUND LIMITED

### Report on the Unaudited Condensed Interim Financial Statements

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#### Our conclusion

We have reviewed TwentyFour Income Fund Limited's Unaudited Condensed Interim Financial Statements (the "interim financial statements") in the Interim Management Report and Unaudited Condensed Interim Financial Statements of TwentyFour Income Fund Limited (the "Company") for the 6-month period ended 30 September 2020. Based on our review, nothing has come to our attention that causes us to believe that the 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.

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#### What we have reviewed

The interim financial statements comprise:

- the condensed statement of financial position as at 30 September 2020;
- the condensed statement of comprehensive income for the period then ended;
- the condensed statement of cash flows for the period then ended;
- the condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed interim financial statements.

The interim financial statements included in the Interim Management Report and 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.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Company is The Companies (Guernsey) Law, 2008 and International Financial Reporting Standards ("IFRSs").

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#### Responsibilities for the interim financial statements and the review

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##### Our responsibilities and those of the directors

The Interim Management Report and Unaudited Condensed Interim Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Management Report and Unaudited Condensed Interim Financial statements 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 responsibility is to express a conclusion on the interim financial statements in the Interim Management Report and 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.



# TwentyFour Income Fund Limited

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## INDEPENDENT REVIEW REPORT Continued

TO TWENTYFOUR INCOME FUND LIMITED

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### What a review of interim financial statements involves

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 enquiries, 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.

We have read the other information contained in the Interim Management Report and Unaudited Condensed Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands  
1 December 2020

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

## TwentyFour Income Fund Limited

### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 April 2020 to 30 September 2020

		For the period from 01.04.20 to 30.09.20	For the period from 01.04.19 to 30.09.19
	Note	£	£
<b>Income</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest income on financial assets at fair value through profit and loss		18,128,568	16,219,029
Net foreign currency losses	7	(6,331,464)	(7,695,355)
Net gains/(losses) on financial assets at fair value through profit or loss	8	79,316,762	(3,597,275)
<b>Total income</b>		<b>91,113,866</b>	<b>4,926,399</b>
<b>Expenses</b>			
Portfolio management fees	14	(1,925,622)	(2,147,375)
Directors' fees	14	(73,750)	(73,750)
Administration and secretarial fees	15	(130,275)	(142,362)
Audit fees		(37,400)	(28,500)
Custody fees	15	(25,675)	(28,632)
Broker fees		(25,482)	(24,417)
AIFM management fees	15	(92,066)	(101,059)
Depositary fees	15	(35,854)	(39,581)
Legal and professional fees		(18,654)	(249,116)
Listing fees		(48,661)	(162,587)
Registration fees		(18,401)	(17,738)
Other expenses		(73,879)	(124,836)
<b>Total expenses</b>		<b>(2,505,719)</b>	<b>(3,139,953)</b>
<b>Total comprehensive income for the period</b>		<b>88,608,147</b>	<b>1,786,446</b>
<b>Earnings per Ordinary Redeemable Share - Basic &amp; Diluted</b>	3	<b>0.1744</b>	<b>0.0036</b>

All items in the above statement derive from continuing operations.

The notes on pages 20 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 2020

	Note	30.09.2020 £ (Unaudited)	31.03.2020 £ (Audited)
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit and loss			
- Investments	8	569,551,221	481,313,740
- Derivative assets: Forward currency contracts	17	82,402	14,398,192
Other receivables	9	3,677,224	3,737,798
Cash and cash equivalents		21,486,212	1,409,267
<b>Total assets</b>		<b>594,797,059</b>	<b>500,858,997</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit and loss			
- Derivative liabilities: Forward currency contracts	17	5,904,406	1,374,030
Amounts payable under repurchase agreements	11	37,595,305	23,175,944
Other payables	10	1,070,582	939,167
<b>Total liabilities</b>		<b>44,570,293</b>	<b>25,489,141</b>
<b>Net assets</b>		<b>550,226,766</b>	<b>475,369,856</b>
<b>Equity</b>			
Share capital account	12	533,945,321	530,491,915
Retained earnings		16,281,445	(55,122,059)
<b>Total equity</b>		<b>550,226,766</b>	<b>475,369,856</b>
Ordinary Redeemable Shares in issue	12	508,514,809	504,714,809
Net Asset Value per Ordinary Redeemable Share (pence)	5	108.20	94.19

The Unaudited Condensed Interim Financial Statements on pages 16 to 33 were approved by the Board of Directors on 30 November 2020 and signed on its behalf by:

**Trevor Ash**  
Chairman

**Ian Burns**  
Director

The notes on pages 20 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 2020 to 30 September 2020

	Note	Share capital account £	Retained earnings £	Total £
<b>Balances at 1 April 2020</b>		530,491,915	(55,122,059)	475,369,856
Issue of shares	12	3,506,390	-	3,506,390
Share issue costs	12	(40,323)	-	(40,323)
Dividend paid		-	(17,217,304)	(17,217,304)
Income equalisation on new issues	4	(12,661)	12,661	-
Total comprehensive gain for the period		-	88,608,147	88,608,147
<b>Balances at 30 September 2020 (Unaudited)</b>		<b>533,945,321</b>	<b>16,281,445</b>	<b>550,226,766</b>

  

		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	12	93,123,125	-	93,123,125
Redemption of shares	12	(20,050,326)	-	(20,050,326)
Share issue costs	12	(1,485,986)	-	(1,485,986)
Dividend 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>

The notes on pages 20 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 2020 to 30 September 2020

	Note	For the period from 01.04.20 to 30.09.20 £ (Unaudited)	For the period from 01.04.19 to 30.09.19 £ (Unaudited)
<b>Cash flows from operating activities</b>			
Total comprehensive income for the period		88,608,147	1,786,446
Adjustments for:			
Net (gains)/losses on investments	8	(79,316,762)	3,597,275
Amortisation adjustment under effective interest rate method	8	(3,318,968)	(3,125,386)
Unrealised losses/(gains) on forward currency contracts	7	18,846,166	(2,949,428)
Exchange losses on cash and cash equivalents		74,930	2,384
Decrease/(increase) in other receivables		60,574	(689,440)
Increase in other payables		131,415	10,363,430
Purchase of investments		(97,728,834)	(289,292,567)
Sale of investments		92,127,083	222,024,295
Net cash generated from/(used in) operating activities		19,483,751	(58,282,991)
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Redeemable Shares		3,506,390	96,579,725
Redemption of Ordinary Redeemable Shares		-	(20,050,326)
Share issue costs		(40,323)	(1,565,478)
Dividend paid		(17,217,304)	(16,680,713)
Increase in amounts payable under repurchase agreements		14,419,361	-
Net cash inflow from financing activities		668,124	58,283,208
<b>Increase in cash and cash equivalents</b>		20,151,875	217
Cash and cash equivalents at beginning of the period		1,409,267	36,505,984
Exchange losses on cash and cash equivalents		(74,930)	(2,384)
<b>Cash and cash equivalents at end of the period</b>		21,486,212	36,503,817

The notes on pages 20 to 33 form an integral part of these Financial Statements.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the period from 1 April 2020 to 30 September 2020

### 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 to 5.

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 2020 to 30 September 2020 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 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) and which received an unqualified auditor’s report.

#### b) Presentation of Information

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 following standards, interpretations and amendments, which have not been applied in these Unaudited Condensed Interim Financial Statements, were in issue but not yet effective:

- IFRS 17 Insurance Contracts (Effective 1 January 2023)

The Directors anticipate that the adoption of IFRS 17, effective in a future period, will not have a material impact on the financial statements of 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 508,083,661 (30 September 2019: 503,096,552) and a net gain of £88,608,147 (30 September 2019: net gain of £1,786,446).

### 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 £12,661 (30 September 2019: £531,442).

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

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

The net asset value of each Share of £1.08 (31 March 2020: £0.94) is determined by dividing the net assets of the Company attributed to the Shares of £550,226,766 (31 March 2020: £475,369,856) by the number of Shares in issue at 31 March 2020 of 508,514,809 (31 March 2020: 504,714,809).

### 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 (2019: £1,200).

### 7. Net Foreign Currency Losses

	For the period from 01.04.20 to 30.09.20	For the period from 01.04.19 to 30.09.19
	£	£
	(Unaudited)	(Unaudited)
Movement on unrealised (loss)/gain on forward currency contracts	(18,846,166)	2,949,428
Realised gain/(loss) on foreign currency contracts	12,630,371	(10,703,842)
Unrealised foreign currency gain on receivables/payables	-	84,289
Unrealised foreign currency exchange loss on interest receivable	(115,669)	(25,230)
	<u>(6,331,464)</u>	<u>(7,695,355)</u>

### 8. Investments

	For the period from 01.04.20 to 30.09.20	For the year from 01.04.19 to 31.03.20
	£	£
	(Unaudited)	(Audited)
<b>Financial assets at fair value through profit or loss:</b>		
<b>Unlisted Investments:</b>		
Opening book cost	580,142,186	494,729,337
Purchases at cost	97,728,834	432,039,494
Proceeds on sale/principal repayment	(92,127,083)	(363,056,372)
Amortisation adjustment under effective interest rate method	3,318,968	4,951,929
Realised gains on sale/principal repayment	8,142,811	16,068,714
Realised losses on sale/principal repayment	(15,246,370)	(4,590,916)
Closing book cost	<u>581,959,346</u>	<u>580,142,186</u>
Unrealised gains on investments	16,193,637	2,399,458
Unrealised losses on investments	<u>(28,601,762)</u>	<u>(101,227,904)</u>
<b>Fair value</b>	<u><u>569,551,221</u></u>	<u><u>481,313,740</u></u>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 8. Investments (continued)

	For the period from 01.04.20 to 30.09.20	For the period from 01.04.19 to 30.09.19
	£	£
	(Unaudited)	(Unaudited)
Realised gains on sale/principal repayment	8,142,811	15,867,355
Realised losses on sales/principal repayment	(15,246,370)	(15,831,970)
Movement in unrealised gains	13,794,179	(3,110,033)
Movement in unrealised losses	72,626,142	(522,627)
<b>Net gains/(losses) on financial assets at fair value through profit or loss</b>	<b>79,316,762</b>	<b>(3,597,275)</b>

The Company does not experience any seasonality or cyclicity in its investing activities.

### 9. Other Receivables

	As at 30.09.20	As at 31.03.20
	£	£
	(Unaudited)	(Audited)
Coupon interest receivable	3,571,019	3,667,455
Prepaid expenses	106,205	70,343
	<b>3,677,224</b>	<b>3,737,798</b>

### 10. Other Payables

	As at 30.09.20	As at 31.03.20
	£	£
	(Unaudited)	(Audited)
Portfolio management fees payable	770,610	699,688
Custody fees payable	4,410	5,628
Administration and secretarial fees payable	128,829	66,848
Audit fees payable	31,300	66,000
AIFM management fees payable	45,730	43,524
Depositary fees payable	9,659	6,250
General expenses payable	80,044	51,229
	<b>1,070,582</b>	<b>939,167</b>

### 11. Amounts payable under repurchase agreements

Following the publication of the latest prospectus on 12 April 2019, the Company, as part of its investment strategy, is now authorised to enter into repurchase agreements. A repurchase agreement (Repo) is a short-term loan where both parties agree to the sale and future repurchase of assets within a specified contract period. Repurchase agreements may be entered into in respect of securities owned by the Company which are sold to and repurchased from counterparties on contractually agreed dates and the cash generated from this arrangement can be used to purchase new securities, effectively creating leverage. The Company still benefits from any income received, attributable to the security.



# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 11. Amounts payable under repurchase agreements (continued)

Finance costs on repurchase agreements, netted off against interest income in the Statement of Comprehensive Income, amounted to £158,875. As at 30 September 2020, finance cost liabilities on open repurchase agreements amounted to £81,984.

At the end of the period, the Company had 9 securities on repo, which consisted of 7 investment grade RMBS and 2 investment grade auto loans. The total exposure was -6.83% of the Company's NAV. The contracts were across two repo counterparties, and were all rolling agreements with a maturity between 3 and 6 months.

### 12. Share Capital

#### Authorised Share Capital

Unlimited number of Ordinary Redeemable Shares at no par value.

#### Issued Share Capital

	As at 30.09.20	As at 31.03.20
	£	£
<b>Ordinary Redeemable Shares</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Share Capital at the beginning of the period/year	530,491,915	459,436,544
Issued Share Capital	3,506,390	93,123,125
Redeemed Share Capital	-	(20,050,326)
Share issue costs	(40,323)	(1,485,986)
Income equalisation on new issues	(12,661)	(531,442)
Total Share Capital at the end of the period/year	533,945,321	530,491,915

	As at 30.09.20	As at 31.03.20
	Shares	Shares
<b>Ordinary Redeemable Shares</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Shares at the beginning of the period/year	504,714,809	441,814,151
Issue of Shares	3,800,000	81,250,000
Redemption of Shares	-	(18,349,342)
Total Shares in issue at the end of the period/year	508,514,809	504,714,809

	As at 30.09.20	As at 31.03.19
	£	£
<b>Treasury Shares</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
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	43,083,300	43,083,300

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 12. Share Capital (continued)

	As at 30.09.20 Shares (Unaudited)	As at 31.03.20 Shares (Audited)
<b>Treasury Shares</b>		
Treasury Shares at the beginning of the period/year	39,000,000	39,000,000
Total Shares at the end of the period/year	39,000,000	39,000,000

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 2020, one share class has been issued, being the Ordinary Redeemable Shares of the Company.

The Ordinary Redeemable Shares carry the following rights:

- the Ordinary Redeemable Shares carry the right to receive all income of the Company attributable to the Ordinary Redeemable Shares.
- 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.
- 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, a realisation opportunity took place where 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 NAV 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 2020 to 30 September 2020

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

	Assets at fair value through profit and loss £	Amortised cost £	Total £
30 September 2020 (Unaudited)			

#### Financial Assets as per Statement of Financial Position

Financial assets at fair value through profit or loss:

- Investments	569,551,221	-	569,551,221
- Derivative assets: Forward currency contracts	82,402	-	82,402
Other receivables (excluding prepayments)	-	3,571,019	3,571,019
Cash and cash equivalents	-	21,486,212	21,486,212
	<u>569,633,623</u>	<u>25,057,231</u>	<u>594,690,854</u>

	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
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#### Financial Liabilities as per Statement of Financial Position

Financial liabilities at fair value through profit or loss:

- Derivative liabilities: Forward currency contracts	5,904,406	-	5,904,406
Amounts payable under repurchase agreements	-	37,595,305	37,595,305
Other payables	-	1,070,582	1,070,582
	<u>5,904,406</u>	<u>38,665,887</u>	<u>44,570,293</u>

	Assets at fair value through profit and loss £	Amortised cost £	Total £
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31 March 2020 (Audited)

#### Financial Assets as per Statement of Financial Position

Financial assets at fair value through profit or loss:

- Investments	481,313,740	-	481,313,740
- Derivative assets: Forward currency contracts	14,398,192	-	14,398,192
Other receivables (excluding prepayments)	-	3,667,455	3,667,455
Cash and cash equivalents	-	1,409,267	1,409,267
	<u>495,711,932</u>	<u>5,076,722</u>	<u>500,788,654</u>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 13. 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	1,374,030	-	1,374,030
Amounts due to brokers	-	23,175,944	23,175,944
Other payables	-	939,167	939,167
	<u>1,374,030</u>	<u>24,115,111</u>	<u>25,489,141</u>

### 14. 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. During the year ended 31 March 2020, due to the additional work carried out in respect of the share issues completed on 12 May 2019, this was exceeded. Each Director received a further £5,000 each in relation to additional, exceptional work carried out on the issue of new shares.

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 2020, Directors fees of £73,750 (30 September 2019: £73,750) were charged to the Company, of which £Nil (31 March 2020: £Nil) remained payable at the end of the period.

#### b) Shares Held by Related Parties

As at 30 September 2020, Directors of the Company held the following shares beneficially:

	Number of Shares 30.09.20	Number of Shares 31.03.20
Trevor Ash	58,734	58,734
Ian Burns	29,242	29,242
Richard Burwood	22,476	22,476
Joanne Fintzen	17,476	17,476

As at 30 September 2020, the Portfolio Manager held Nil Shares (31 March 2020: Nil Shares) and partners and employees of the Portfolio Manager held 3,076,407 Shares (31 March 2020: 2,753,384 Shares), which is 0.60% (31 March 2020: 0.55%) of the Issued Share Capital.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 14. 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 NAV, 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 £1,925,622 (30 September 2020: £2,147,375) of which £770,610 (31 March 2020: £699,688) 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 £5,260 (30 September 2019: £140,970) in commission.

### 15. 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 NAV 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 2020, AIFM fees of £92,066 (30 September 2019: £101,059) were charged to the Company, of which £45,730 (31 March 2020: £43,524) 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 NAV 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 £130,275 (30 September 2020: £142,362) of which £128,829 (31 March 2020: £66,848) 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 £35,854, (30 September 2019: £39,581) of which £9,659 (31 March 2020: £6,250) 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 £25,675 (30 September 2019: £28,632) of which £4,410 (31 March 2020: £5,628) 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 2020 to 30 September 2020

### 16. 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 2020.

### 17. 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 2020 and 31 March 2020.

	Level 1 £	Level 2 £	Level 3 £	Total £
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Assets</b>				
Financial assets at fair value				
through profit or loss:				
Asset Backed Securities:				
Auto Loans	-	36,166,184	-	36,166,184
Buy-to-Let RMBS	-	41,494,494	13,020,000	54,514,494
CLO	-	192,085,140	-	192,085,140
CMBS	-	27,260,164	-	27,260,164
Consumer ABS	-	17,244,785	-	17,244,785
Non-Conforming RMBS	-	83,664,155	32,636,850	116,301,005
Prime RMBS	-	67,419,658	54,012,181	121,431,839
Student Loans	-	4,547,610	-	4,547,610
Forward currency contracts	-	82,402	-	82,402
<b>Total assets as at 30 September 2020</b>	<b>-</b>	<b>469,964,592</b>	<b>99,669,031</b>	<b>569,633,623</b>
<b>Liabilities</b>				
Financial liabilities at fair value				
through profit or loss:				
Forward currency contracts	-	5,904,406	-	5,904,406
<b>Total liabilities as at 30 September 2020</b>	<b>-</b>	<b>5,904,406</b>	<b>-</b>	<b>5,904,406</b>

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 17. 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:				
Auto Loans	-	32,285,510	-	32,285,510
Buy-to-Let RMBS	-	40,427,053	13,230,000	53,657,053
CLO	-	120,859,988	-	120,859,988
CMBS	-	26,893,521	-	26,893,521
Consumer ABS	-	22,929,793	-	22,929,793
Non-Conforming RMBS	-	75,825,971	32,636,250	108,462,221
Prime RMBS	-	58,006,237	53,821,054	111,827,291
Student Loans	-	4,398,363	-	4,398,363
Forward currency contracts	-	14,398,192	-	14,398,192
<b>Total assets as at 31 March 2020</b>	<b>-</b>	<b>396,024,628</b>	<b>99,687,304</b>	<b>495,711,932</b>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Forward currency contracts	-	1,374,030	-	1,374,030
<b>Total liabilities as at 31 March 2020</b>	<b>-</b>	<b>1,374,030</b>	<b>-</b>	<b>1,374,030</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 Levels 1, 2 and 3 during the period.

# TwentyFour Income Fund Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued

for the period from 1 April 2020 to 30 September 2020

### 17. Fair Value Measurement (continued)

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.

The following tables present the movement in Level 3 instruments for the period and year ended 30 September 2020 and 31 March 2020 by class of financial instrument.

	Opening balance	Net (sales)/ purchases	Net realised (loss)/gain for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 30 September 2020	Net unrealised (loss)/gain for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 30 September 2020	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Buy-to-Let RMBS	13,230,000	-	(4,895,908)	4,685,908	-	-	13,020,000
Non-Conforming RMBS	32,636,250	(171,401)	672,198	(500,197)	-	-	32,636,850
Prime RMBS	53,821,054	2,029,903	(6,684,586)	4,845,810	-	-	54,012,181
<b>Total at 30 September 2020</b>	<b>99,687,304</b>	<b>1,858,502</b>	<b>(10,908,296)</b>	<b>9,031,521</b>	<b>-</b>	<b>-</b>	<b>99,669,031</b>

	Opening balance	Net (sales)/ purchases	Net realised gain/(loss) for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2020	Net unrealised loss for the year included in the Statement of Comprehensive Income for Level 3 Investments held at 31 March 2020	Transfer into Level 3	Transfer out Level 3	Closing balance
	£	£	£	£	£	£	£
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Buy-to-Let RMBS	4,274,394	-	(174,921)	(665,079)	14,070,000	(4,274,394)	13,230,000
CLO	22,634,620	(5,449,568)	370,380	(75,297)	-	(17,480,135)	-
Consumer ABS	23,069,273	(16,895,241)	2,111,559	(1,418,094)	-	(6,867,497)	-
Non-Conforming RMBS	5,738,296	26,232,265	30,555	81,957	5,000,000	(4,446,823)	32,636,250
Prime RMBS	4,964,961	35,943,410	817,003	(3,929,204)	20,989,827	(4,964,943)	53,821,054
<b>Total at 31 March 2020</b>	<b>60,681,544</b>	<b>39,830,866</b>	<b>3,154,576</b>	<b>(6,005,717)</b>	<b>40,059,827</b>	<b>(38,033,792)</b>	<b>99,687,304</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 2020 and 31 March 2020 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 2020 to 30 September 2020

#### 17. Fair Value Measurement (continued)

	Level 1 £ (Unaudited)	Level 2 £ (Unaudited)	Level 3 £ (Unaudited)	Total £ (Unaudited)
<b>Assets</b>				
Cash and cash equivalents	21,486,212	-	-	21,486,212
Other receivables	-	3,571,019	-	3,571,019
<b>Total assets as at 30 September 2020</b>	<b>21,486,212</b>	<b>3,571,019</b>	<b>-</b>	<b>25,057,231</b>
<b>Liabilities</b>				
Other payables	-	1,070,582	-	1,070,582
<b>Total liabilities as at 30 September 2020</b>	<b>-</b>	<b>1,070,582</b>	<b>-</b>	<b>1,070,582</b>
	Level 1 £ (Audited)	Level 2 £ (Audited)	Level 3 £ (Audited)	Total £ (Audited)
<b>Assets</b>				
Cash and cash equivalents	1,409,267	-	-	1,409,267
Other receivables	-	3,667,455	-	3,667,455
<b>Total assets as at 31 March 2020</b>	<b>1,409,267</b>	<b>3,667,455</b>	<b>-</b>	<b>5,076,722</b>
<b>Liabilities</b>				
Other payables	-	939,167	-	939,167
<b>Total liabilities as at 31 March 2020</b>	<b>-</b>	<b>939,167</b>	<b>-</b>	<b>939,167</b>

#### 18. 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 9.

Revenue earned is reported separately on the face of the Unaudited 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 2020 to 30 September 2020

### 19. 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 pay any dividends at all.

Dividends paid 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 Company, being a Guernsey regulated entity, is able to pay dividends out of capital. Nonetheless, the Board carefully considers any dividend payments made to ensure the Company's capital is maintained in the longer term. Careful consideration is also given to ensuring sufficient cash is available to meet the Company's liabilities as they fall due.

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 2020:

Period to	Dividend rate per Share (£)	Net dividend payable		Ex-dividend date	Record Date	Pay date
		Dividend	(£)			
30 June 2020	0.0150	7,627,722		16 July 2020	17 July 2020	31 July 2020
30 September 2020	0.0150	7,627,722		15 October 2020	16 October 2020	29 October 2020

### 20. Ultimate Controlling Party

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

### 21. Significant Events during the Period

Throughout the period, the COVID-19 outbreak adversely impacted global commercial activities. The fluidity of the situation precludes any prediction, however it is foreseen that the pandemic will continue to have an adverse impact on the global economic and market conditions. The Directors continue to monitor the situation and its impact on the Company.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS Continued**

for the period from 1 April 2020 to 30 September 2020

**22. Subsequent Events**

These Financial Statements were approved for issuance by the Board on 30 November 2020. Subsequent events have been evaluated until this date.

As at 30 November 2020, the published NAV per Ordinary Share for the Company was 109.52p. This represents a rise of 1.22% (NAV as at 30 September 2020: 108.20p).

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