

**TwentyFour Income Fund Limited** is managed by TwentyFour Asset Management LLP and is a non-cellular company limited by shares incorporated in Guernsey and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission. Its shares are traded on the Main Market of the London Stock Exchange.

## Market Commentary

February began with a significant amount of negative headlines driving a risk-off environment across the majority of fixed income markets and pushing credit spreads wider. This was partially focussed on Emerging Markets but exacerbated by a potential default, which was ultimately avoided, of a Chinese Wealth Management trust which was only \$500m in size but part of a \$3tr market of similar products. Later in the month the deterioration of the political standoff in the Ukraine into open conflict between protesters and the military, and the resulting standoff between Russia and the West, continued to distract attention and drive equity market volatility.

The fixed income markets stabilised during the month however and liquidity improved as evidenced by the significant demand attracted to new issues in the Financials and High Yield markets. This was supported by improving corporate performance and fundamentals in developed markets. Unemployment data in the UK backed up to 7.2% from 7.1% in January, however given the strong improvement since the introduction of forward guidance last year; the Monetary Policy Committee decided to introduce a wider range of indicators of economic performance; this focussed on capacity and productivity that would guide the Bank on potential rate moves. However in the Q&A following the statement, the Governor further commented that the Bank did not see the rate environment normalising during the period they were currently forecasting for and that rate rises would be gradual when they were introduced.

The UK mortgage and housing markets continued their resurgence, with price rises broad-based across the country (although many areas aside from London and the South East still remain somewhat below their previous highs), and liquidity improving with loan advances up on the month. After month end, the latest data from the Bank of England on Funding for Lending was released showing that as the Bank has ended the mortgage element of the scheme, participants sought to maximise their drawings while it was still open. In total £18.8bn was drawn, the largest amount in any quarter; with Barclays (£6bn), Nationwide (£6bn) and Lloyds (£4.2bn) accounting for most of that.

In contrast the story across Europe still lags the UK. Unemployment edged up in Holland (+0.1%) and Italy (+0.3%) but fell marginally in Spain (down 1,900). Housing in the Netherlands edged up 0.4% on the month, and although it dropped in Spain, the volume of transactions increased.

Vintage CLO paper suffered a degree of widening during the month after the Vivarte default, with several deals holders of reasonable amounts of paper. Bond prices moved down 0.5-1pt, but deals that hit triggers through their exposure to the credit moved to trap cash and cover the write-down as expected.

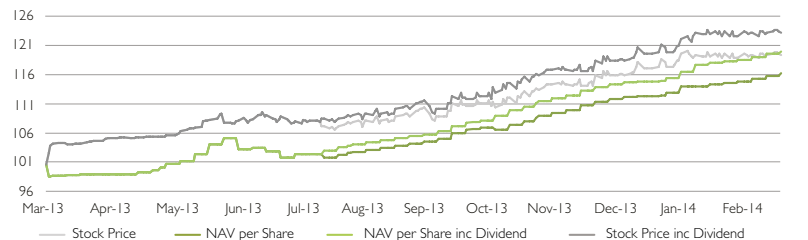
During the month the Fund sold some UK Non-conforming mortgage paper that launched prior to the credit crunch and that are now trading at a price higher than where they were issued in 2004. The team also sold some Spanish SME bonds and a pan-European CLO, both of which no longer represented value, having tightened significantly since purchase.

The NAV per share increased by 1.44% in February. The proportion of the fund represented by investment grade assets (including cash) is 51.3% and the gross portfolio yield at month end closed at 7.69%.

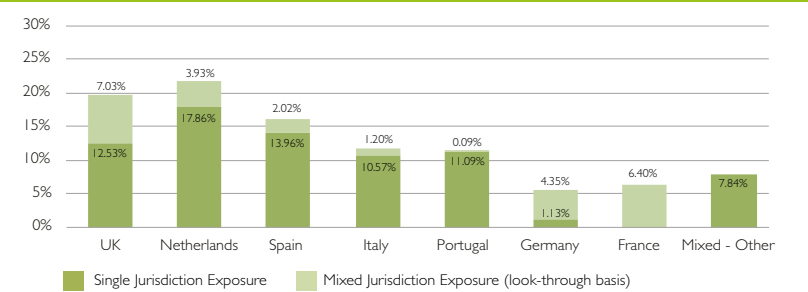
## Market Outlook

The fund did not import any volatility from the recent Emerging Market weakness and in the majority of positions the fundamental performance has been stable or improving, giving investors confidence to increasingly allocate resources to mezzanine ABS. Supply in the market continues to be limited largely to the secondary market, with the sole exception being CLO new issues. As bank funding costs continue to remain low it is unlikely that there will be significant supply of new paper being structured for this market and so the technical support of demand outweighing supply is expected to continue forcing spreads to tighten.

## Fund Performance

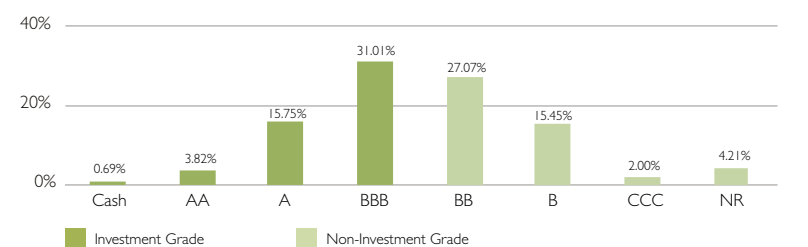


## Geographical Breakdown (Issuer)



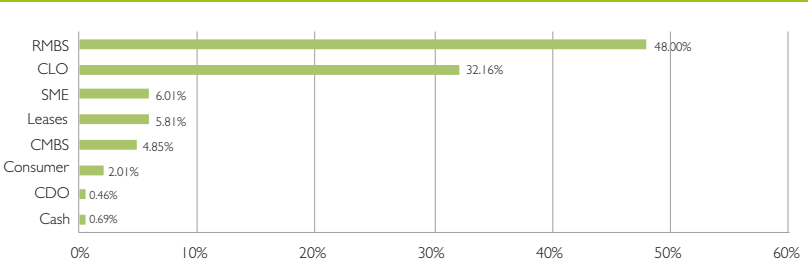
Excluding Cash

## Rating Breakdown



Source: Moody's, S&P and Fitch

## Sector Breakdown



## Top 10 Holdings

Security	Sector	WAL	% of Total
ESAIL 07-NL2	Non-Conforming RMBS	11.88	4.85%
LUSI 5	Peripheral RMBS	6.68	4.67%
WHINSTONE	Prime RMBS	7.39	4.67%
LEMES 06-1	CMBS	2.48	4.04%
LUSI 4	Peripheral RMBS	6.45	3.86%
ITALF 07-1	Leases	2.40	3.46%
BANKP I	Peripheral SME	6.47	3.21%
MERCT I-X	Lev loan CLO	4.14	3.13%
EMACP 07-NL4	Prime RMBS	12.61	2.68%
DOLPH 10-3	Prime RMBS	1.31	2.36%

Past performance is not an indication of future performance  
Source: TwentyFour Asset Management, save as indicated

## Fund Objective

The Fund aims to generate attractive risk adjusted returns principally through income distributions.

## Investment Approach

The Fund will invest in a diversified portfolio of UK and European Asset Backed Securities. Uninvested cash or surplus capital or assets may be invested on a temporary basis in cash and/or a range of assets including money market instruments and government bonds. Efficient portfolio management techniques will be employed such as currency hedging, interest rate hedging and the use of derivatives such as credit default swaps to mitigate market volatility.

In the event that investors elect to realise all or part of their shareholdings in the Fund pursuant to the realisation election on the 3rd anniversary of the admission of the Fund's shares to the London Stock Exchange, the Fund will split its portfolio into two pools and realise the assets comprised in the realisation pool on a timely basis in accordance with an orderly realisation programme with the aim of making progressive returns of cash to the relevant investors as soon as practicable.

**This is only a summary; details of the Fund's investment policy, including investment restrictions, are set out in the Prospectus.**

## Fund Facts

Type of Fund	Closed-ended investment fund
Listing and Trading	UKLA Official List; LSE Main Market
Launch Date	6 March 2013
Launch Price	100p per Ordinary Share
Current Price per Share	118.75p
Current Price per Share (inc Dividend)	122.50p
Current NAV per Share	115.60p
Current NAV per Share (inc Dividend)	119.35p
Premium / (Discount) to NAV	2.73%
Market Capitalisation	£317.0m
Shares in Issue	266.9m
Dividend	Quarterly from 1 July 2013
Dealing	Daily during LSE opening hours
NAV Calculation	As of the last business day of each week and each month
Currency	£ denominated
ISA and SIPP Eligible	Yes
Realisation Election	On or before 6 March 2016

## Technical Information

Investment Manager	TwentyFour Asset Management LLP
Board of Directors	Fully Independent
Administrator / Custodian	Northern Trust
Broker	Numis Securities
Auditor	PricewaterhouseCoopers
Management Fee	0.75% of lower of market cap or NAV
Estimated Ongoing Charge Ratio*	0.99%*

\*As at 30/09/2013. Further information on fund charges and costs are included on the Fund's website at [www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)

## Share Codes

<b>TIDM:</b>	TFIF
<b>SEDOL:</b>	B90J5Z9
<b>ISIN:</b>	GG00B90J5Z95

## Lead Fund Managers



**Rob Ford**  
Partner with 27 years' of Fixed Income experience; previously Head of European ABS trading at Barclays Capital.



**Ben Hayward**  
Partner with 16 years' structured finance experience; previously senior fund manager to four portfolios at Citi Alternative.



**Aza Teeuwen**  
Portfolio Manager with 7 years' structured finance experience; previously buy-side analyst for IMC asset management.



**Douglas Charleston**  
Portfolio Manager with 7 years' experience. Previous roles include a structurer at Lloyds and ratings analyst at S&P.

## Further Information



**TwentyFour AM**  
**John Magrath**  
Tel. 020 7015 8912  
[john.magrath@twentyfouram.com](mailto:john.magrath@twentyfouram.com)



**Numis Securities**  
**Chris Gook**  
Tel. 020 7260 1378  
[c.gook@numis.com](mailto:c.gook@numis.com)

FOR FINANCIAL ADVISERS AND INSTITUTIONAL/PROFESSIONAL INVESTORS ONLY. NO OTHER PERSONS SHOULD RELY ON THE INFORMATION CONTAINED WITHIN THIS DOCUMENT. Please note the views, opinions and forecasts expressed in this document are based on TwentyFour's research, analysis and house views at the time of publication. No recommendations to buy or sell investments are implied. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Tax assumptions may change if the law changes and the value of tax relief will depend upon individual circumstances. In making any investment in TwentyFour Income Fund, investors should rely solely on the Prospectus and not the summary set out in this document. The Prospectus is available at [www.twentyfourincomefund.com](http://www.twentyfourincomefund.com)

TwentyFour Asset Management LLP is a Limited Liability Partnership incorporated in England under Partnership No. OC335015 with its registered office at 24 Cornhill, London EC3V 3ND and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No.481888.