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**FOR IMMEDIATE RELEASE**

**20 July 2020**

**M&G Investment Management Limited**

**Update to Statement regarding approach made to UK Mortgages Limited on behalf of M&G Specialty Finance Fund (£) SCSp**

This RNS replaces RNS number 4678T issued at 08:08 to include a link to the ticker of UK Mortgages Limited, UKML.

M&G Investment Management Limited ("**MAGIM**"), on behalf of one of its managed funds, M&G Specialty Finance Fund (£) SCSp ("**the Fund**"), today announces that it has made several approaches to the Board of UK Mortgages Limited ("**UKML**" or the "**Company**") with a view to making a recommended cash offer for UKML, all of which have been rejected.

M&G Specialty Finance Fund (£) SCSp is a closed-ended fund that allows institutional private credit clients to gain investment exposure to pools of mortgages and consumer credit.

The most recent approach was made on 15 July 2020, and proposed a cash offer at 67 pence per UKML share. This values the existing issued share capital of UKML at approximately £183 million and represents:

- a 21% premium to the UKML closing share price of 55.5 pence as of 17 July 2020;
- a 29% premium over the 1 month volume weighted average price (VWAP) of 52 pence per share; and
- a 36% premium over the 3 month VWAP of 49.4 pence per share (in each case, over the relevant period ending 17 July 2020) (the "**Proposal**").

Under the Proposal, UKML shareholders are also entitled to receive and retain the 0.375p/share dividend for the fourth quarter of the Company's financial year ended 30 June 2020 (the "**Fourth Interim Dividend**").

The UKML Board has rejected all proposals to date and declined to enter into discussions which might allow it to proceed to a firm offer. MAGIM still hopes to engage with the UKML Board with the goal of securing a recommended transaction that it believes is highly attractive and in the best interests of all UKML shareholders. Therefore, MAGIM is today publishing details of the Proposal it has made to the Board, so that it can begin a dialogue with shareholders, now they all have access to this information.

**Rationale**

MAGIM believes that the underlying assets held by UKML are complementary to those held by the Fund and will enable it to further build on its track record in acquiring and managing very similar assets in a private setting and is supported by the long-term capital of the Fund it manages.

MAGIM acknowledges UKML's distinctive strengths, particularly its asset mix of both buy-to-let and owner occupied mortgages, as well as the forward flow agreements. However, UKML has reached a critical juncture in its development. It has consistently struggled to deliver the returns and dividend levels targeted at its initial public offering in 2015, as further evidenced by the significant dividend reduction to 0.375p/share for the third and fourth quarters of the Company's financial year ended 30 June 2020, which missed the Company's reduced minimum dividend target of 1.125p/share per quarter announced in June 2019.

Despite the recent delayed refinancing of Oat Hill No.1, the Company clearly continues to experience significant headwinds as evidenced by the materially higher realised funding cost and asset quality concerns, particularly as a result of the government's payment holiday scheme and subsequent extension. The volatility in the residential mortgage backed security markets and the deteriorating macroeconomic impact on asset quality are expected to continue to put pressure on the Company's long-term performance. MAGIM also believes that the impact of widening credit spreads and the weakening performance of UKML's underlying assets is not reflected in the Company's reported monthly NAV, given the accounting basis on which it is calculated, which makes it an inaccurate representation of the Company's true value.

MAGIM's all-cash offer also provides the opportunity for UKML shareholders to exit their investment despite the illiquidity of the UKML shares, should they wish to.

MAGIM strongly believes that, given the continued uncertain outlook for the underlying assets in which UKML is invested, the sustained low level of returns of the Company and its structure as a listed investment company, UKML is unlikely to achieve an equivalent valuation for its shareholders and that an all cash offer at this level would provide UKML shareholders with an immediate cash exit at an attractive premium. In MAGIM's view, UKML's recent announcement of a capital release from the refinancing, albeit at a lower level than previously anticipated, and a plan to buyback shares does not alter this outlook for shareholders.

#### **Pre-conditions to a potential firm offer**

The announcement of any formal offer for UKML under the Takeover Code would be conditional on, amongst other things, satisfactory completion of diligence and the unanimous and unqualified recommendation by the UKML Board of Directors.

#### **Reservations**

MAGIM reserves the right to waive any or all of the pre-conditions set out above, in whole or in part.

MAGIM further reserves the right to announce an offer at a price below 67 pence per UKML share in the event that:

- a) the Board of UKML agrees and recommends an offer at the reduced price;
- b) a third party announces a firm intention to make an offer for UKML;
- c) UKML announces, declares or pays a dividend or any other distribution or return of capital to its shareholders (other than the Fourth Interim Dividend) after this announcement (in which case MAGIM reserves the right to reduce the offer price by an amount up to the amount of such dividend, distribution or return of capital); or
- d) UKML announces a whitewash transaction pursuant to the Takeover Code.

In accordance with Rule 2.6(a) of the Takeover Code, MAGIM is required, by not later than 5.00 p.m. on 17 August 2020, either to announce a firm intention to make an offer for UKML in accordance with Rule 2.7 of the Takeover Code or announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Takeover Code applies. This deadline can be extended with the consent of the Panel in accordance with Rule 2.6(c) of the Takeover Code.

There can be no certainty that that an offer will be made for UKML under the Takeover Code, even if the pre-conditions are satisfied or waived. A further announcement will be made as appropriate.

#### **About M&G Specialty Finance Fund (£) SCSp**

M&G Specialty Finance Fund (£) SCSp ("SFF") is managed by M&G Investment Management Limited (MAGIM). SFF was launched in early 2018 to allow institutional private credit clients to gain investment exposure to pools of mortgages and consumer credit.

#### **Information on MAGIM**

M&G Investment Management Limited (MAGIM) is a leading asset manager which is part of M&G Group. As at 31 March 2020, M&G Group manages £250.6 billion of assets across equities, fixed income, multi asset, cash, private debt, infrastructure and real estate. MAGIM's experience of managing fixed income risk over many cycles, coupled with a disciplined investment process, has allowed it to turn these opportunities into a track record of consistently strong performance for its clients. M&G Investment Management Limited and M&G Group are fully owned subsidiaries of M&G plc, the international savings and investment business, which has £323.3 billion under management and administration as at 31 March 2020.

### **Sources and Bases**

Unless otherwise stated, financial and other information concerning MAGIM and UKML has been extracted from published sources or (in the case of information concerning MAGIM) from MAGIM's internal sources. The value attributed to UKML's issued share capital is based on an assumed number of ordinary UKML shares in issue of 273,065,390, as publicly disclosed. All prices for UKML shares have been derived from the Daily Official List of the London Stock Exchange and represent the closing price on the relevant date. Information in relation to 1 month and 3 month VWAPs has been sourced from Bloomberg.

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### **Important notices relating to financial adviser**

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The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

### **Publication on a website**

A copy of this announcement will be made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, at [www.sfoffer.uk](http://www.sfoffer.uk). The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

### **Disclosure requirements of the Takeover Code**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom

Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Takeover Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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