TwentyFour
a boutique of Vontobel

Fund Commentary | 31 January 2025

MI TwentyFour Investment Funds - Monument Bond Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- **Summary:** The start of the year has been active in both asset-backed security (ABS) and collateralised loan obligation (CLO) markets. In January, the European market welcomed €8.1bn of ABS and €5.6bn of CLO issuance. Secondary market activity picked up with primary issuance. There was a strong focus on bilateral activity, as market participants made net additions of paper across sectors and left dealers with a light inventory. Spreads in the European ABS market were well supported by strong demand and showed little correlation to the softness in broader markets towards the end of the month. Across markets, the majority of bid-wanted-in-competition activity was investment grade, with tranches 5-10 basis points (bps) tighter in ABS. In the CLO market, the largest degree of spread tightening was in B and BB rated CLOs, where technical allocation was particularly supportive of spreads, ending 100bps tighter over the month.

- **ABS:** The ABS market was active and diverse in January, with €8.1bn of supply across sectors. The residential mortgage-backed security sector was the most active, with four deals coming to market. In the UK, there were two UK prime transactions, from Santander and Nottingham Building Society (as a debut issuer), which were well covered and printed at a spread of 0.53-0.55% over SONIA. The Nottingham deal printed with only 2bps of premium for the first-time issuer, while 23 investors participated in the transaction, which was fewer than for more established platforms. Outside of the UK, Volkswagen and BMW printed close to €2bn of automotive ABS, with the books 1.5 times subscribed at initial guidance while the pricing was well supported at around 0.48% over Euribor. Generally, the softness observed in AAAs at the end of last year seems to have reduced, as investors have deployed new capital. Commercial mortgage-backed security activity had a presence in January, with a granular transaction from Finance Ireland printing at the end of the month. The transaction saw coverage of 10 times on mezzanine notes, allowing the AAAs to land 15bps inside of the guidance at 1% over Euribor. It was clear from the participation numbers that investors appreciate the structural protection and strong performance of the shelf.

- **CLOs:** Although slow to start, the CLO market had an impressive month, as investors deployed fresh capital and amortisations. In Europe, of the €5.6bn issued, €3.1bn was new. The US CLO market was particularly active, with $39bn of issuance, including $31bn of refinancing. Globally, spreads were on a tightening bias across CLOs, supported by international demand. AAAs tightened by 5bps from the end of last year, with January deals seeing Euribor plus 125bps as the new clearing level in Europe. US CLOs followed a similar pattern, with AAAs printed at a spread of 112bps. The CLO strength was also witnessed in the loan market, with the European leveraged loan index rallying 0.4 points. Despite a significant tightening of CLO liabilities, a record level of repricing in the loan market during January has meant that the CLO equity arbitrage remains challenging.

Portfolio Commentary

- January was a busy month for the Fund, as the portfolio managers (PMs) deployed steady inflows. In the CLO market, the PMs added AA bonds, where spreads looked attractive against other investment grade tranches at 1.7-1.9% over Euribor.

- Outside of CLOs, the PMs focused on rotation in senior European ABS, selling 1-2-year paper at 0.4% over Euribor, and extending into new issues at a spread closer to 0.5%. The team has continued to allocate to Australian ABS, where spreads looked attractive on a currency-adjusted basis. The Fund's positioning remains relatively liquid and flexible because of ongoing geopolitical risk.

- The Fund returned 0.66% for the month (I Gross Acc Shares), with three-year volatility at 2.73%.

Market Outlook and Strategy

- The European securitised market outperformed during a month of macroeconomic volatility, supported by strong flows and attractive yields against alternative sectors. Consumers continue to display resilience and collateral performance is strong. However, inflationary sentiment from the UK Budget and proposed policy of the new US administration will likely point to more stringent conditions for consumers, and thus we continue to prefer established lenders with a strong track record.

- We expect strong demand to continue in the European ABS market, including new money from the US and Asia, which should continue to drive momentum in spreads. The strongest demand is apparent for investment-grade mezzanine bonds. Thus, we see the greatest value in senior tranches, where supply remains elevated, and in the high-yield market, which looks attractive versus high-yield corporate bonds. We expect issuance to remain active throughout the year, as lenders look to secure funding, and refinancing activity picks up in the CLO market, following the US trend.

- We remain cautious of ongoing geopolitical risks and trade tensions following the policy of President Donald Trump, hence the PMs are choosing to retain flexible positioning.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
I Gross Acc Shares	0.66%	1.70%	3.22%	7.33%	5.17%	3.48%	2.85%	3.62%
SONIA	0.40%	1.20%	2.47%	5.16%	3.89%	2.36%	1.41%	1.07%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
I Gross Acc Shares	0.66%	7.88%	10.20%	-2.63%	1.91%	0.47%	3.07%	-0.01%	5.30%	4.46%	-1.89%
SONIA	0.40%	5.20%	4.71%	1.41%	0.05%	0.19%	0.71%	0.56%	0.25%	0.36%	0.46%

Past performance is not a reliable indicator of future performance. The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed. 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. *Inception date 10/08/2009. SONIA used as a proxy for cash as a performance reference for illustration purposes only, there is no specific return objective or benchmark for the fund.

Key Risks

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- Success of single security analysis and active management cannot be guaranteed
- It cannot be guaranteed that the investor will recover the capital invested
- The structure of ABS/MBS and the pools backing them might not be transparent which exposes the Fund to additional credit and prepayment risks (extension or contraction risks) depending on which tranche of ABS/MBS is purchased by the Fund
- The Fund has the ability to use derivatives, including but not limited to FX forwards, for hedging and EPM purposes only. This may magnify gains or losses
- The Fund's investments may be subject to sustainability risks. The sustainability risks that the Fund may be subject to are likely to have an immaterial impact on the value of the Fund's investments in the medium to long term due to the mitigating nature of the Fund's ESG approach
- The Fund's performance may be positively or negatively affected by its sustainability strategy.
- The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers
- Information on how environmental and social objectives are achieved and how sustainability risks are managed in this Fund may be obtained from **www.twentyfouram.com/responsible-investment**

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Further information on fund charges, costs and other important information pertaining to the fund can be found in English and free of charge on the fund pages of our website and/or in the relevant offering documents available at www.twentyfouram.com/document-library and/or www.fundrock.com/mi-funds/twentyfour-asset-management/

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If you invest indirectly through a third party provider you are advised to consult them directly as charges, performance and terms and conditions may differ materially. In making any investment into the Fund, investors should rely on the Prospectus and Key Investor Information Document (KIID) provided by the Authorised Corporate Director (ACD) of MI TwentyFour Investment Funds, and not the summary set out in this document. The Prospectus and KIID are also available from Apex Fundrock Ltd ("Apex"), Hamilton Centre, Rodney Way, Chelmsford, Essex, CM1 3BY. For definitions of the investment terminology used within this document please see glossary at: https://twentyfouram.com/glossary. TwentyFour Asset Management LLP is able to assist those institutional clients who require it with meeting their Solvency II (including its UK onboarding and onshoring legislation) obligations. In particular, TwentyFour Asset Management LLP will make all reasonable endeavours to comply with the Solvency II Regulations 2015 Article 256.

Past performance is not a reliable indicator of current or future performance. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up, e.g. due to changes in rates of exchange between currencies. The value of the money invested in the fund can increase or decrease and there is no guarantee that all or part of your invested capital can be redeemed. Neither the fund, nor TwentyFour Asset Management LLP nor Apex make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of an assessment of ESG research and the correct execution of the ESG strategy. As investors may have different views regarding what constitutes sustainable investing or a sustainable investment, the funds may invest in issuers that do not reflect the beliefs and values of any specific investor. Please contact the Compliance Department at compliance@twentyfouram.com for more information.