

Fund Commentary | 30 June 2025

MI TwentyFour Investment Funds - Asset Backed Opportunities Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- Summary:** European structured finance performed strongly in June and there was minimal spread volatility, despite heightened geopolitical tensions due to conflict in the Middle East. The cautiously optimistic tone at the Global ABS 2025 conference supported a healthy primary market. Secondary market volumes were moderately higher than May, although they remained muted against the first quarter of this year and concentrated at the AAA level. In the asset-backed security (ABS) market, supply was concentrated in senior paper, as investors looked to rotate into primary transactions. UK prime residential mortgage-backed security (RMBS) spreads tightened by 2-3 basis points (bps) to 0.43% over SONIA for shorter profiles. Secondary market activity in the collateralised loan obligation (CLO) market, which also centred on AAAs, ended the month 2-5bps tighter, supported by dealer and investor balance sheets. The credit curve steepened in the CLO market due to a supply technical, but spreads remained rangebound, with BBs clearing at 5.50-5.75% over Euribor.
- ABS:** During June, the market saw €14.3bn of supply, which was concentrated in UK RMBS and auto transactions. The demand technical persisted in ABS and spreads continued to tighten, particularly in mezzanine tranches and AAA tranches of STS (simple, transparent and standardised) transactions. For example, in the UK RMBS market, a repeat UK buy-to-let (BTL) transaction saw BBB spreads at 1.7% over SONIA, in line with the tightest levels in the year to date. Debut issuers continued to be welcomed into the UK RMBS market, as banks are looking to refinance Term Funding Scheme for Small and Medium-Sized Enterprises (TFSME) funding. During June, Newcastle Building Society printed a debut £650m transaction, with AAAs at SONIA +50bps, following a healthy subscription level of two times after several rounds of tightening. It is worth flagging impressive supply from auto markets across jurisdictions, with record issuance in the sector. Collateral performance remained strong in secured (generally bank assets) collateral, and investor demand reflected this, with peripheral senior paper printing at 0.63% over Euribor, almost 10bps inside of initial guidance. We expect a healthy level of supply into the summer, from both, repeat and debut issuers.
- CLO:** During June, global CLO markets welcomed significant supply. In the European CLO market, there was €8.5bn of new issuance (including €3.3bn of refinancings), and the pipeline looks particularly active into the summer months, supported by strong investor demand, particularly in AAAs and equity. The US market saw \$34bn of issuance in June (including \$11bn of new issuance). During the month, spreads were rangebound, as persistent demand from investors faced a growing pipeline of transactions.

Additionally, as investors expect idiosyncratic events in the credit market to continue, they look to be demanding a larger premium for resets, particularly where the collateral manager has not cleaned up portfolios. Generally, AAA spreads were flat on the month at 135bps in Europe, while BBs showed resistance at 560bps over Euribor towards the end of the month. The European loan market saw a significant level of refinancings, and while the average price dropped by 0.3 points over June, maturity profiles continued to be extended at lower spreads.

Portfolio Commentary

- June was a relatively busy month for the Fund, as the portfolio managers deployed amortisations into an active primary market.
- In the CLO market, the team added shorter, BB rated bonds at spreads of 5.7%. In the ABS market, the team continued to like secured assets from established lenders, adding BB rated German auto loans at 3.2% over Euribor.
- The Fund maintained a strong liquidity focus, adding UK prime RMBS at 0.5% over SONIA. The Fund's positioning remains relatively liquid because of ongoing trade and geopolitical risk.

Market Outlook and Strategy

Given the strong technical in the ABS market, and following the tone set during the Global ABS 2025 conference, the high level of primary supply is expected to persist well into the summer months. The portfolio managers are constructive on European and UK fundamentals and view consumers and corporates as generally well positioned. However, the team is selective on collateral and cautious where new lenders or vulnerable borrowers are present in case of economic slowdown. Currently, the team sees best value in AAA bank-issued RMBS and ABS, three-year BBB and BB RMBS and BBB and BB European CLOs, and selectively in longer-dated CLO equity from top quartile managers. The CLO pipeline should create attractive investment opportunities into the summer, particularly as CLOs are increasingly refinanced early. There is optimism for the growth of the securitisation market in Europe in the coming years, as proposed changes to capital charges could help to encourage new participants. While risk sentiment in global markets has improved due to a ceasefire between Iran and Israel and ongoing tariff negotiations, the portfolio managers remain cautious about adding beta. This is because they expect volatility in all financial markets to stay elevated for a longer period and therefore continue to favour flexibility and liquidity.

| Cumulative Performance | 1m | 3m | 6m | 1y | Annualised | | | | Since Inception* |
|------------------------|-------|-------|-------|-------|------------|-------|-----|-------|------------------|
| | | | | | 3y | 5y | 10y | | |
| I Gross Income Shares | 0.89% | 1.99% | 4.07% | 9.02% | 12.09% | 8.34% | N/A | 6.03% | |
| SONIA + 400bps | 0.68% | 2.09% | 4.27% | 9.07% | 8.68% | 6.90% | N/A | 5.99% | |

| Discrete Performance | YTD | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------------|-------|--------|--------|--------|-------|-------|-------|-------|------|------|------|
| | | | | | | | | | | | |
| I Gross Income Shares | 4.07% | 12.96% | 17.15% | -5.65% | 5.99% | 2.55% | 5.19% | 2.19% | N/A | N/A | N/A |
| SONIA + 400bps | 4.27% | 9.50% | 8.99% | 5.54% | 4.14% | 4.29% | 4.82% | 4.66% | N/A | N/A | N/A |

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 11 April 2017. The Fund aims to target a net total return of SONIA +400-600 basis points per annum.

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 twentyfouram.com/sustainability

Further Information and Literature: TwentyFour Asset Management LLP

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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 in the relevant offering documents available at www.twentyfouram.com/document-library and/or at www.fundrock.com/mi-funds/twentyfour-asset-management/

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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.

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