

TwentyFour Sustainable Enhanced Income ABS Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- Summary:** The tone in credit markets continued to soften during March. In the European securitised market, collateralised loan obligations (CLOs) traced wider market moves, while technical allocation to the asset-backed security (ABS) market supported spreads. Primary activity in the ABS market fell somewhat but remained healthy with €11bn of issuance, and the CLO market remained active with €12bn of issuance. Secondary markets were more active, in both bid-wanted-in-competition (BWIC) and bilateral activity. BWIC ABS volumes reached €750m while they amounted to €1.8bn for European CLOs. Mezzanine ABS continued to outperform due to the strength of investor demand, while senior ABS performance was flat on the month. Investor participation in both primary and secondary markets was strong.
- ABS:** During March, €11bn was issued across ABS sectors, with a significant uptick in placement of European automotive and consumer transactions, all from established platforms. Coverage across tranches remained strong, in line with previous months. However, as this facilitated a tightening of the curve, AAA subscription increased. Final coverage across AAAs reached 2-3 times, which facilitated 5-10 basis points (bps) of tightening in the tranche. While there has been a lull in European residential mortgage-backed securities (RMBS) for the year, Credit Agricole printed an €800m transaction in the last week of the month at a final spread of 0.59% over Euribor, which left 1-2bps on the table. We continued to welcome issuance from the commercial mortgage-backed security market, where a dual-sponsor mixed UK deal was placed. The AAAs in the deal priced at the wide end of initial talk of 1.5% over SONIA, as investors showed sensitivity to collateral quality in the sector.
- CLO:** March witnessed a level of 'indigestion' in the CLO market, which was an issue that was highlighted last month. The European CLO market saw €12bn of supply, which included €5bn of new issues with a focus on resets. The situation was amplified in the US, where €14bn was issued, of which just €2.5bn was new. Wider market moves, along with significant CLO supply, contributed to the softening that occurred as the month progressed, which ramped up quickly. In Europe, AAA spreads moved 5-7bps to 126bps and BB spreads by as much as 100bps to 575bps. The move was more pronounced in the US and for CLO refinancings. The selling in the CLO market mostly came from US investors – which had been the largest buyers in January and February – as US risk sentiment turned. European loan markets moved in tandem and experienced a significant sell-off, ending almost 1 point lower at 97.6, which represented an opportunity for CLO managers ramping pools and equity returns.

Portfolio Commentary

- March was a busy month for the Fund, as the portfolio managers (PMs) deployed steady inflows. In the CLO market, as spreads moved wider, the PMs deployed amortisations into BB CLOs in the primary market at spreads of 5.7% over Euribor. In the European ABS market, the team continued to allocate to mezzanine UK RMBS, including AA bonds at a spread of 3.5% over SONIA. In addition, the team continued to allocate to Australian ABS, where collateral performance remained strong and the stack, particularly AAA automotive bonds, looked attractive on a currency-adjusted basis. The Fund's positioning remains relatively liquid because of ongoing trade and geopolitical risk.

Market Outlook and Strategy

- The European securitised market decoupled during March, as CLOs, which are traditionally more highly correlated to the high-yield markets, were softened by wider credit moves and heavy supply. Ongoing strong demand for ABS products supported spreads in the market, despite the escalation in geopolitical risks and trade tensions.
- We expect supply from the European ABS market to intensify. However, this is expected to be matched by positive flows from international accounts and drive momentum in spreads. While consumers continue to display resilience and collateral performance is strong, inflationary sentiment from the UK Budget and trade policy of the new US administration will likely point to more stringent conditions for consumers. Thus, we continue to prefer established lenders with a strong track record.
- The PMs have for a long time favoured liquidity and flexibility. If US tariffs result in market volatility, then they believe this could present an opportunity to add bonds at significantly wider spreads. The CLO market has traditionally shown the highest correlation to credit markets. It is also the market with the most global buyer base and where the most opportunities are likely to present themselves.

Cumulative Performance	1m	3m	6m	1y	Annualised				Since Inception*
					3y	5y	10y		
Class A GBP	0.14%	1.69%	4.00%	9.53%	8.63%	N/A	N/A	6.64%	
SONIA	0.38%	1.13%	2.36%	5.02%	4.12%	N/A	N/A	2.69%	

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class A GBP	1.69%	11.53%	14.27%	-2.11%	3.59%	N/A	N/A	N/A	N/A	N/A	N/A
SONIA	1.13%	5.20%	4.71%	1.41%	0.05%	N/A	N/A	N/A	N/A	N/A	N/A

Based on the A Inc GBP share class from inception on 20 August 2020 before switching to A Acc GBP share class following its inception on 2 November 2020. Switch in reporting share class was made for ease of reporting. 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 20/08/2020. 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
- Typically, sub-investment grade securities will have a higher risk of default, and are generally considered to be more illiquid than investment grade securities
- 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

Fund Managers



Aza Teeuwen
Partner, Portfolio
Management, industry
experience since 2007.



Douglas Charleston
Partner, Portfolio
Management, industry
experience since 2006.



Elena Rinaldi
Portfolio Management,
industry experience
since 2014.



John Lawler
Portfolio Management,
industry experience
since 1987.



Pauline Quirin
Portfolio Management,
industry experience
since 2017.

Further Information and Literature: TwentyFour Asset Management LLP

T. 020 7015 8900
E. sales@twentyfouram.com
W. www.twentyfouram.com

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

THIS COMMENTARY IS FOR QUALIFIED/PROFESSIONAL INVESTORS (AS DEFINED IN THE SALES PROSPETUS) FOR INFORMATION PURPOSES ONLY, NOT FOR ONWARDS DISTRIBUTION. The information contained in this marketing document is intended to be of general interest only and should not be considered as an offer, investment recommendation or solicitation to deal in the shares of any securities or financial instruments. Subscriptions for shares in the Fund may only be made on the basis of the latest Sales Prospectus and in the case of UK investors, the Prospectus Supplement for the Fund which provides additional information as well as the risks of investing, and not the summary set out above. For definitions of the investment terminology used within this document please see glossary at: www.twentyfouram.com/glossary.

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.

The average credit quality (ACQ) is provided to indicate the average credit rating of the portfolio's underlying investments' rating and may change over time. The portfolio itself has not been rated by an independent rating agency and is provided for informational purposes only.

TwentyFour 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 will make all reasonable endeavours to comply with the Solvency II Regulations 2015 Article 256. Neither the fund nor TwentyFour Asset Management LLP 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.

The Fund's Alternative Investment Manager ("AIFM") is Waystone Management Company (IE) Limited, which is authorised in Ireland and regulated by the Central Bank of Ireland.

TwentyFour Asset Management LLP is a Limited Liability Partnership incorporated in England under Partnership No. OC335015 with its registered office at 8th Floor, The Monument Building, 11 Monument Street, London, EC3R 8AF and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 481888. Calls may be recorded for training and monitoring purposes. Copyright TwentyFour Asset Management LLP, 2025 (all rights reserved).