TwentyFour
a boutique of Vontobel

MI TwentyFour Investment Funds - Asset Backed Opportunities Fund

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 28 November 2025

Market Commentary

- **Summary:** Despite an unsettled start, November proved to be a positive month for credit markets, as talks surrounding a Ukraine peace agreement and the balanced reception of the UK Budget supported sentiment. The European asset-backed security (ABS) market recorded €12bn of new issuance, complimented by €9bn of collateralised loan obligation (CLO) refinancing. This brought the year-to-date new issuance total to €153bn – a post-Global Financial Crisis record and net market size growth of €72bn. Secondary supply was moderately higher month on month, as investors looked at rotations into primary ABS transactions. Generally, demand for mezzanine tranches continued to outpace supply, which facilitated a secondary tightening of 10 basis points (bp) during the month. In the CLO market, supply was more limited, and despite a tightening bias across tranches, tiering has become more prominent between platforms, as the loan market has continued to price in elevated idiosyncratic events.
- **ABS:** Although volumes were seasonably lower in November, there was a healthy and notably diverse level of issuance in ABS markets during the month. A number of Spanish re-performing mortgage transactions were printed during the month, with pricing evidencing a clear tiering of collateral quality, of up to 15bp on the senior tranche, although healthy coverage signalled support for the segment. At the tighter end, a large transaction backed by Santander mortgages printed at Euribor +95bp. In line with most of this year, issuance volumes backed by automotive and consumer collateral were significant, although they remained well digested by market participants. Notably, there was the first public placement of mezzanine tranches from the CaixaBank consumer platform. This was well received by investors, with the single-B tranche pricing at Euribor +4.65%, 50bp inside of initial guidance. Sparse issuance is anticipated into the end of this year and a busy start to 2026 is expected.
- **CLO:** November was a dynamic month for CLO markets. The pace of supply across global CLO markets continued, especially resets from Europe. In the European CLO market, €12bn of new issuance was recorded, including €8.5bn of refinancing and resets. European CLO issuance so far in 2025 has reached a record high of €117bn, including €62bn of refinancings and resets, topping the previous record set in 2021. Similarly, US markets absorbed $42bn of supply, with $22bn attributed to refinancing and resets. Spread momentum was positive in the market, particularly for European BB bonds, which allowed new issue spreads to rally by 20bp to Euribor +5.3% by the end of the month. Primary spreads for AAAs were firm at 130bps, and there appears to be space for a rally given expected regulatory changes. The theme of bifurcation has continued in the loan market, where although median equity net asset values (NAVs) have improved in Europe, the share of credit trading below 80%, for example, has been stable, highlighting the tail risk that exists. Leveraged loans ended the month up 0.4 points in Europe.

Portfolio Commentary

- November was a relatively active month for the Fund. In the CLO market, the portfolio management team continued to add BBs at spreads of 5.9% over Euribor, which looked attractive on an historical basis. Outside of the CLO market, the team was active in mezzanine residential mortgage-backed securities (RMBS) across Europe, adding UK BBB rated bonds at SONIA +1.8%, for example. With ongoing fiscal uncertainties and a growing opportunity set, the portfolio managers (PMs) favour liquidity and high-quality income from secured assets.

Market Outlook and Strategy

As the end of the year approaches, new issue supply is expected to pause, leaving the supply-demand technical in place. The PMs are positive about UK and European consumers and large corporates. However, they remain cautious about smaller or newer lenders and those that focus on lower-income borrowers, as collateral could underperform amid weakening economic data and continuing fiscal pressures. The PMs expect a very busy start to 2026 as lenders increase the use of securitisation for funding and capital purposes. In investment grade, the team continues to see the best value in AAA and BBB CLOs. In the high yield market, pockets of value remain in the BB CLO market, but credit curves have compressed, particularly in the consumer ABS market. With no obvious catalyst for volatility into the end of the year, given that the UK Budget is now in the rear-view mirror, healthy carry should support securitised products into 2026.

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	5y	10y	Since Inception*
I Gross Income Shares	0.61%	1.44%	3.81%	7.91%	12.89%	7.47%	N/A	6.08%
SONIA + 400bps	0.66%	2.01%	4.12%	8.64%	9.00%	7.26%	N/A	6.11%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
I Gross Income Shares	7.08%	12.96%	17.15%	-5.65%	5.99%	2.55%	5.19%	2.19%	N/A	N/A	N/A
SONIA + 400bps	7.84%	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

Important information

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-llp/

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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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