

MI TwentyFour Investment Funds - Asset Backed Opportunities Fund

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 29 May 2026

Market Commentary

- **Summary:** May was another strong month for European securitised products, supported by solid technicals, or technical data. Despite inflationary concerns and ongoing political uncertainty, collateral performance continues to demonstrate resilience, further underpinning the asset class. Issuance accelerated, with €19bn of new asset-backed securities (ABS) supply, complemented by €3.3bn of collateralised loan obligation (CLO) refinancings and resets. Secondary activity also picked up across both ABS and CLO markets, again concentrated in investment grade (IG) tranches, with AA ABS, for example, trading inside 90 basis points (bp). Spreads in the UK residential mortgage-backed securities (RMBS) secondary market were somewhat stagnant, while primary spreads tightened, creating pockets of relative value. There was also an uptick in secondary activity in CLO equity, where longer-dated profiles performed well. Generally, spreads are back at the year-to-date tightness in the ABS market, although high yield (HY) CLOs sit 50bp wide of this.
- **ABS:** ABS markets saw a healthy level of issuance in May, as issuers looked to secure funding ahead of the annual Global ABS conference in Barcelona. The €19bn of issuance was diversified across both asset classes and jurisdictions. We continue to see significant oversubscription across transactions, allowing spread curves to compress. For example, Pepper priced a AA tranche at just 11bp wide of the AAA, at SONIA + 1.0%, following strong investor demand. We continue to see value in the Australian ABS market, particularly higher up the capital structure, where BBSW+100bp offers a significant pick-up relative to comparable transactions in the UK or EU. Although June will include the Global ABS conference, we expect healthy supply on either side of this and expect supportive demand technicals to persist.
- **CLOs:** During May, a recovering loan market supported a healthy month of issuance for the CLO market. Over the month, €5.7bn of new issuance and €3.3bn of resets and refinancings were recorded. The US market was relatively more active, with \$11.7bn of new issuance and \$33bn of refinancings and resets. We expect European refinancings of

older CLOs to pick up. Demand remained strong through May, particularly for IG tranches, where average spreads moved inside 300bp for the first time since January. The European loan market continued to rally, ending May up 1.4 points at 96.1, and a reduction in the amount of distressed loans. Risks remain in the credit market, and a focus on prudent management will be key to CLO performance, especially for deals that are beyond their reinvestment periods.

Portfolio Commentary

May was a relatively active month for the Fund. In the CLO market, the focus remained on BB and AAA tranches, adding at Euribor + 5.2% and 1.26%, respectively. In the ABS market, the team continued to favour secured collateral and added BB UK auto loans at Euribor + 2.7%, the team also sold mezzanine bonds of a 2021 UK CMBS deal. The Fund remains in a flexible position given ongoing geopolitical risk.

Market Outlook and Strategy

In May, European securitised products were supported by strong income and a tightening bias across most of the market. Demand for the asset class continues to outpace supply, and we expect this dynamic to persist into the summer.

The ongoing conflict in the Middle East has anchored expectations of higher inflation and rates from here, while also weighing on global growth expectations. While lower rate volatility and higher carry should support ABS and CLO bondholders, the changing macroeconomic environment may resurface performance concerns for consumers. Although we do not expect a significant deterioration in securitised asset pools, we will continue to prioritise established issuers with a proven track record.

In IG, we continue to see value in AAA and BBB CLOs, along with segments of the ABS market such as AAA Australian RMBS, but the team also likes shorter date Auto transactions. In high yield ABS, we think that BB rated CLOs currently offer the best relative value. Despite mixed, albeit broadly constructive, headlines from the Middle East, we remain liquid across the Funds given the expectation of persistent volatility. Looking ahead, even with the annual conference taking place mid-month, we expect strong issuance as issuers seek to secure funding ahead of the summer.

Cumulative Performance	1m	3m	6m	1y	Annualised			
					3y	5y	10y	Since Inception*
I Gross Income Shares	1.05%	1.90%	3.08%	7.00%	10.89%	7.12%	N/A	6.09%
SONIA + 400bps	0.66%	1.97%	3.94%	8.23%	8.98%	7.65%	N/A	6.21%

Discrete Performance	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
I Gross Income Shares	2.36%	7.83%	12.96%	17.15%	-5.65%	5.99%	2.55%	5.19%	2.19%	N/A	N/A
SONIA + 400bps	3.25%	8.56%	9.50%	8.99%	5.54%	4.14%	4.29%	4.82%	4.66%	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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