TwentyFour
a boutique of Vontobel

TwentyFour Income Fund

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 29 August 2025

Market Commentary

- **Summary:** During August, with a seasonal lull in secondary and primary activity, the demand technical intensified, particularly in asset-backed security (ABS) markets. The narrative from macroeconomic and geopolitical headlines was mixed, but had little impact on securitised spreads. Although ABS issuance was muted, collateralised loan obligations (CLOs) remained active throughout August, with year-to-date issuance across products reaching €98.3bn. In the absence of significant primary supply, investors were active in lifting secondary offers and facilitating tightening across credit curves. UK AAA residential mortgage-backed securities (RMBS) tightened by 3-5 basis points (bp) over the month and BBB consumer paper tightened 10bp to 1.4% over Euribor. In the CLO market, secondary activity was concentrated in AAAs, with shorter bonds at 0.9% over Euribor, likely pricing in upcoming refinancings.
- **ABS:** August was quiet for ABS primary markets, with just €6.5bn of supply, which was concentrated in the last week of the month. As already mentioned, the demand technical continued to support spread performance in ABS markets. Bank11 issued a full capital structure German automotive loan transaction, with BBBs at 1.4% over Euribor (the tranche was nine times oversubscribed), the tightest level in the year to date. Momentum in the commercial mortgage-backed security (CMBS) market continued, with a €1bn transaction backed by UK holiday parks. The large transaction saw AAAs at 1.35% over SONIA. The pipeline for September looks significant. However, given strong flows into the market, spreads are expected to remain firm.
- **CLO:** During August, global CLO markets welcomed modest supply, driven by reset activity. In the European CLO market, new issuance totalled €4.7bn (including €4bn of refinancing/reset), with an active pipeline into September. The same was seen in the US, where markets absorbed $50bn of supply (including $32bn of refinancing/reset). In Europe, spreads remained firm during the month, with AAAs and BBBs at 1.3% and 3.2% over Euribor, respectively. Participation from overseas accounts in European CLOs continued to increase, as relative value remained strong. Given spread momentum, reset activity is expected to continue, accelerating reinvestment deadlines for investors. At spreads around 130bp, AAA primary CLOs looked attractive versus both investment grade corporate bonds and European mezzanine ABS. The European leveraged loan index was relatively flat, falling 0.3 points to 97.4, while loan issuance was muted.

Portfolio Commentary

- August was a relatively quiet month for the Fund.
- In the CLO market, the portfolio management team continued to allocate to equity positions in favour of new single-B rated CLOs, along with BB rated positions at spreads of 5.5% over Euribor. During the month, the team sold an underperforming Dutch office CMBS position, where increasing occupancy created uncertainty around future refinancing. A private mezzanine RMBS facility was fully repaid, and the Fund's gearing was further reduced to below 1%, which left the portfolio with a high level of liquidity.
- The portfolio managers expect more CLO refinancings in the coming months. They also see a very healthy upcoming pipeline of supply in CLOs, single risk transfer and private RMBS opportunities.

Market Outlook and Strategy

September will be an active month for ABS and CLO issuance. The portfolio managers are constructive on European and UK fundamentals and view consumers and corporates as generally well positioned. However, the team is cautious about vulnerable borrowers and newer lenders, where collateral could underperform as economic data weakens, particularly the slow degradation of the labour market. The portfolio managers see the best value in AAA bank-issued ABS and CLOs, with the summer pipeline likely to create attractive opportunities. Away from AAAs, BBB and BB rated CLOs continue to stand out in terms of relative value versus corporate bonds. The technical remains healthy across securitised products and is likely to intensify, given proposed regulatory changes to capital charges for banks and insurance investors. With mixed geopolitical and macroeconomic data points, the team continues to favour established lenders with strong collateral performance and expects spreads to remain tight in the medium term. However, they are cautious about unexpected and imported volatility, and therefore favour liquid and flexible positioning. While the risks are skewed to the downside and spread upside is more limited, the high carry provided by ABS and CLOs should continue to be the main driver of returns and provide protection from mark-to-market volatility.

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	Annualised 5y	Annualised 10y	Annualised Since Inception*
NAV per share inc. dividends	0.96%	3.35%	4.67%	11.84%	13.24%	9.79%	7.03%	8.13%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
NAV per share inc. dividends	7.20%	16.92%	20.40%	-8.84%	7.85%	5.97%	5.04%	2.39%	13.51%	4.28%	-0.12%

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: 06/03/2013.

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
- 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'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/responsible-investment

Further Information

TwentyFour AM
TwentyFour Sales
Tel. 020 7015 8900
sales@twentyfouram.com

Deutsche Numis
Sam Murphy
Tel. 0207 260 1232
s.murphy@numis.com

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 on the fund pages of our website and/or in the Prospectus and the Key Information Document (KID) which are available at www.twentyfouram.com/view/GG00B90J5Z95/twentyfour-income-fund

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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. The Fund is not managed in reference to any benchmark index.

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Further Information and Literature: TwentyFour Asset Management LLP
T. +44 (0)20 701 8900 E. sales@twentyfouram.com W. twentyfouram.com

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