

TwentyFour Income Fund

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 30 September 2025

Market Commentary

- **Summary:** Securitised products, alongside broader credit markets, delivered strong performance throughout September. As anticipated, both primary and secondary market activity intensified during the month. In the asset-backed securities (ABS) market, issuance was geographically diverse, across European and Australian markets, while the collateralised loan obligation (CLO) market was predominantly characterised by refinancing activity. Despite ongoing geopolitical developments and mixed macroeconomic indicators, securitised spreads remained insulated. The European ABS market recorded €14 billion in new issuance, complemented by €12 billion in CLO issuance, bringing year-to-date new issue volumes to €119 billion – a post-global financial crisis record. Reflecting the uptick in primary issuance, there was a noticeable increase in bid-wanted-in-competition activity, as market participants sought to rotate out of shorter paper into new issue opportunities. Secondary volumes were substantial, with close to €1 billion traded in ABS and €1.6 billion in CLOs. Trading activity was concentrated at the senior level, where spreads tightened by approximately 2-3 basis points (bp) over September. In the second half of the month, selling in high yield consumer ABS picked up, especially in the higher coupon 2023 vintage. Macroeconomic data remained mixed, and collateral performance continued to diverge across issuers.
- **ABS:** September was a notably active month for the ABS primary markets, with €14 billion in new issuance across Europe and A\$13.3 billion in the Australian market. European issuance was concentrated in peripheral consumer transactions, with seven deals successfully placed. Investor demand remained supportive of spreads, although signs of resistance began to emerge in certain segments towards the end of the month, with issuers testing the limits of oversubscription. The Spanish consumer ABS market was particularly dynamic, featuring a range of transactions from both repeat, benchmark issuers and debut lenders. Among the debut issuers, El Corte Inglés priced at a justified new issue premium, with AAA and BBB tranches pricing at 0.87% and 1.70% over Euribor – approximately 15bp and 25bp, respectively, wider than comparable tranches from established lenders issued in the prior week. In the residential mortgage-backed security (RMBS) segment, there was a resurgence of pre-global financial crisis collateral-backed transactions, with AAA tranches pricing around Euribor + 1.10%. The portfolio managers anticipate that issuance volumes will remain robust, with carry expected to be the primary driver of performance in the near term.
- **CLO:** In September, global CLO markets saw a substantial wave of supply, largely driven by refinancing activity. In the European CLO market, €12 billion of new issuance was recorded, including €5.5 billion from refinancing and resets. Similarly, the US market absorbed \$41 billion in supply, with \$30 billion attributed to refinancing and resets. Despite the elevated supply in Europe, spreads continued to tighten over the month. New issue AAAs priced at 1.29% and BBB tranches traded in a range of 2.8-3.2%

over Euribor. AAA CLOs continued to offer attractive relative value compared to investment grade corporates and mezzanine ABS. Across the capital stack, demand from offshore accounts has been strong, with European CLOs presenting compelling relative value versus their US counterparts, which has helped to support spreads. However, there has been some resistance at the BB level, where many investors have been reluctant to accept spreads inside Euribor +5%. Secondary markets have been active, particularly in the equity segment, where idiosyncratic credit stories and a significant pick-up in loan repricing have driven trading volumes.

Portfolio Commentary

- September was an active month for the Fund. In the CLO market, the portfolio management team continued to allocate to equity positions in the secondary market, with expected returns of 14-16%, in favour of new single-B rated CLOs, along with BB positions at spreads of 5.2-5.5% over Euribor. They sold various BB and B rated CLOs that had run their course. During the month, the portfolio managers successfully acquired junior bonds in a Dutch buy-to-let RMBS transaction that was publicly placed, providing strong income and diversification benefits for the Fund.
- The Fund's gearing remains flat, at just under 1%, giving the portfolio managers plenty of flexibility into year end. The team expects more CLO refinancings in the coming months, although they also see a very healthy and growing pipeline of supply in CLOs, as well as significant risk transfer (SRT) and private RMBS opportunities.

Market Outlook and Strategy

As expected, September was an active month for European ABS and CLO issuance, which, on balance, was well absorbed by market participants. The portfolio managers are constructive on European and UK fundamentals and view consumers and corporates as generally well positioned. However, they are cautious about vulnerable borrowers and newer lenders, where collateral could underperform as economic data weakens, particularly the slow degradation of the labour market. The team sees the best value in AAA bank-issued ABS and generally in CLOs, and also notes a growing opportunity set in the privately placed high yield ABS market. The technical remains healthy across securitised products, although the portfolio managers expect some segments, such as UK mezzanine RMBS, to experience a degree of fatigue in the coming weeks. A number of supportive factors remain over the coming months, including proposed regulatory changes for banks and insurance. However, given mixed geopolitical and macroeconomic data points, and caution about imported volatility, the portfolio managers 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 we believe should provide protection from mark-to-market volatility.

Cumulative Performance	1m	3m	6m	1y	Annualised				Since Inception*
					3y	5y	10y		
NAV per share inc. dividends	0.91%	2.85%	5.90%	12.02%	16.30%	9.40%	7.25%	8.15%	

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
NAV per share inc. dividends	8.18%	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



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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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