

TwentyFour ABS Update

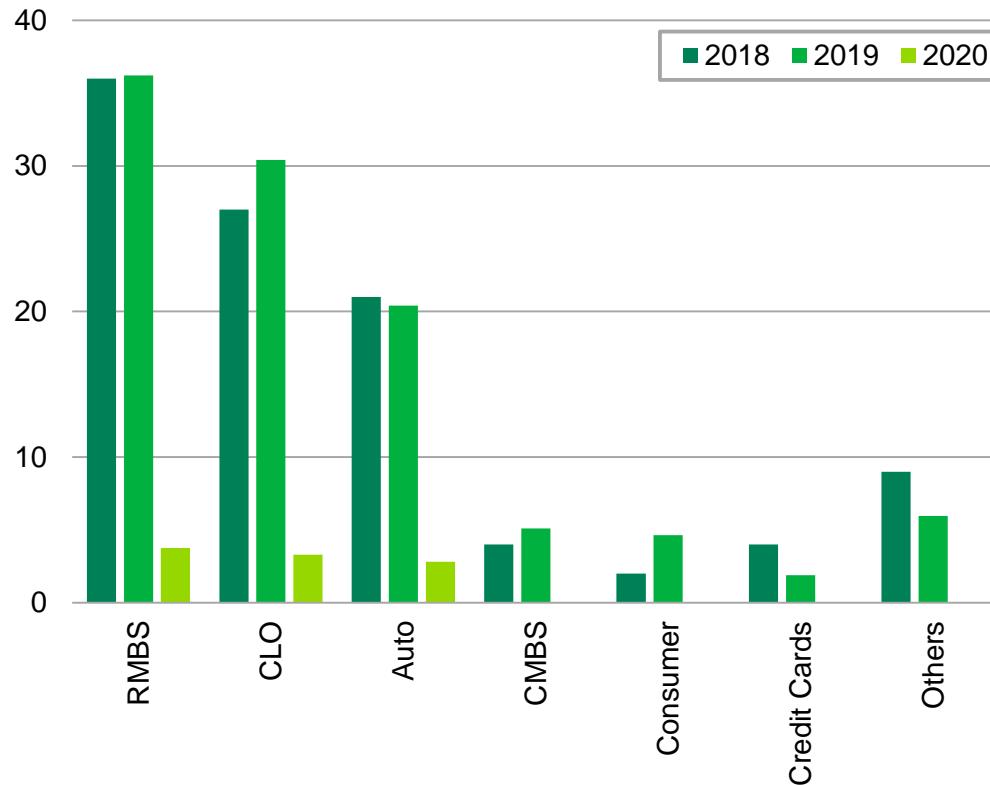
March 2020

European ABS Overview

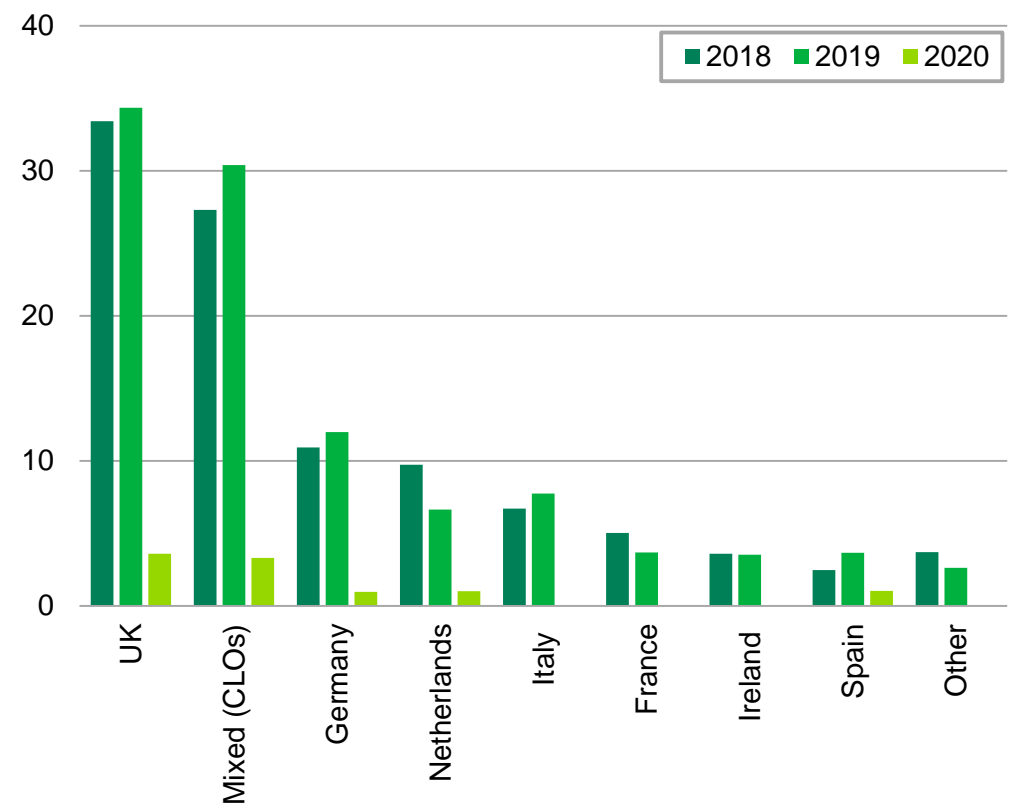
- 2020 saw positive performance through to the end of Feb, tighter spreads and stronger levels of oversubscription on new issue supply
- Currently experiencing a higher level of correlation and volatility as a result of COVID-19
- European ABS has very low levels of associated fundamental risk
 - > No significant volumes of airline, hotel, retail risk
 - > Main corporate exposure is via CLOs
 - > Majority of exposure is to consumer debts, typically secured, where performance is driven by unemployment, interest rates and risk is offset by structured loss cushions
- Our positioning is focused on taking a liquid and flexible stance via shorter maturity bonds and increased exposure to AAA bonds, desk remain comfortable with not reaching for yield at this point as a healthy premium exists across the asset class
- Despite the lack of fundamental risk and lower risk position, we have seen correlation but have experienced this before, are positioned for it, and expect to see good investment opportunities and a swift bounce back,

European ABS and CLO Primary Issuance

Gross issuance per sector (€ bn)



Gross issuance per country (€ bn)



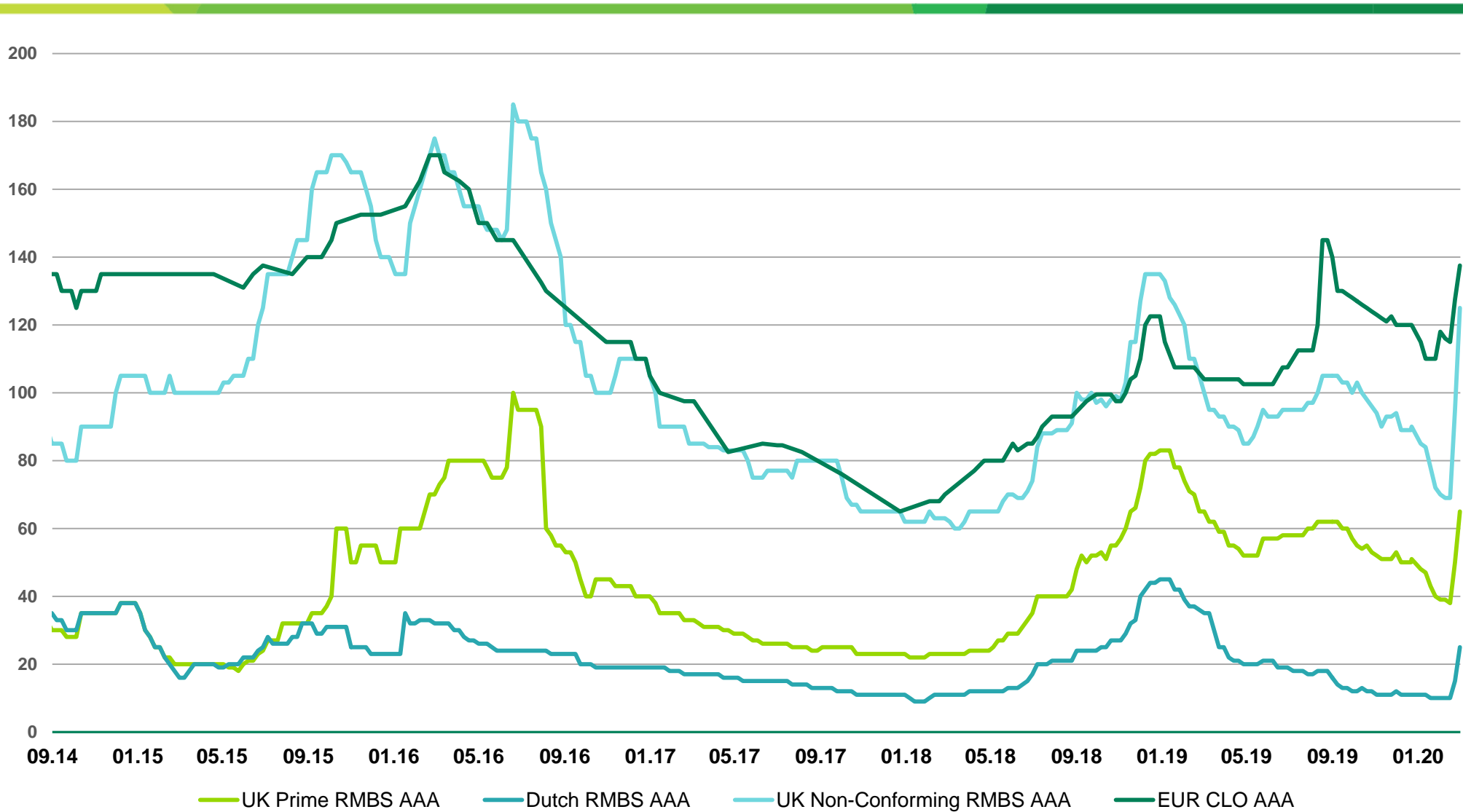
- RMBS is the largest asset class followed by CLOs
- Central bank funding has reduced RMBS issuance by banks as a funding tool

Oversubscription Levels in New Issue RMBS

	UK/ European RMBS						
	AAA	AA	A	BBB	BB	B	
6 Month Average	2.0	2.8	3.8	3.2	3.3	2.5	
Jan 18	2.5	4.2	4.4	4.2	3.8	2.0	
Feb 18	1.5	-	-	-	-	-	
Mar 18	1.8	3.5	4.8	5.9	2.8	1.1	
Apr 18	1.2	2.0	2.5	2.6	4.8	-	
May 18	1.7	2.8	3.5	2.5	-	-	
Jun 18	1.4	1.0	2.4	2.9	-	-	
Jul 18	1.2	1.5	1.6	2.4	-	-	
Aug 18	1.7	-	-	-	-	-	
Sep 18	1.7	2.8	4.3	3.4	1.2	-	
Oct 18	1.5	2.5	2.7	2.9	3.7	-	
Nov 18	1.4	1.7	3.6	3.0	5.4	2.0	
Dec 18*	-	-	-	-	-	-	
Jan 19	-	-	-	-	-	2.0	
Feb 19	3.1	-	-	-	-	-	
Mar 19	1.9	2.4	1.8	3.3	1.2	1.2	
Apr 19	1.7	1.7	2.9	3.7	1.7	-	
May 19	2.2	1.9	2.9	2.8	1.6	-	
Jun 19	1.9	3.6	2.3	3.0	-	-	
Jul 19	2.0	1.7	2.9	3.5	2.5	2.0	
Aug 19	1.8	-	-	-	-	-	
Sep 19	2.7	1.8	3.6	4.4	4.0	4.0	
Oct-19	1.6	1.4	2.0	3.5	-	2.0	
Nov-19	1.5	1.4	1.7	1.0	1.5	-	
Dec-19**	1.0	-	-	-	-	-	
Jan-20	2.8	6.5	7.1	5.4	4.4	1.5	
Feb-20	2.3	2.8	4.7	1.6	-	-	

These figures are an average of the subscription levels of the deals seen by TwentyFour and therefore are not representative of the whole market, and so mustn't be taken as definitive. *In December 2018, 6 UK/European ABS and CMBS were publicly placed but none in the RMBS space. **In December 2019, only 1 Dutch RMBS was issued.

European ABS and CLO AAA Spreads



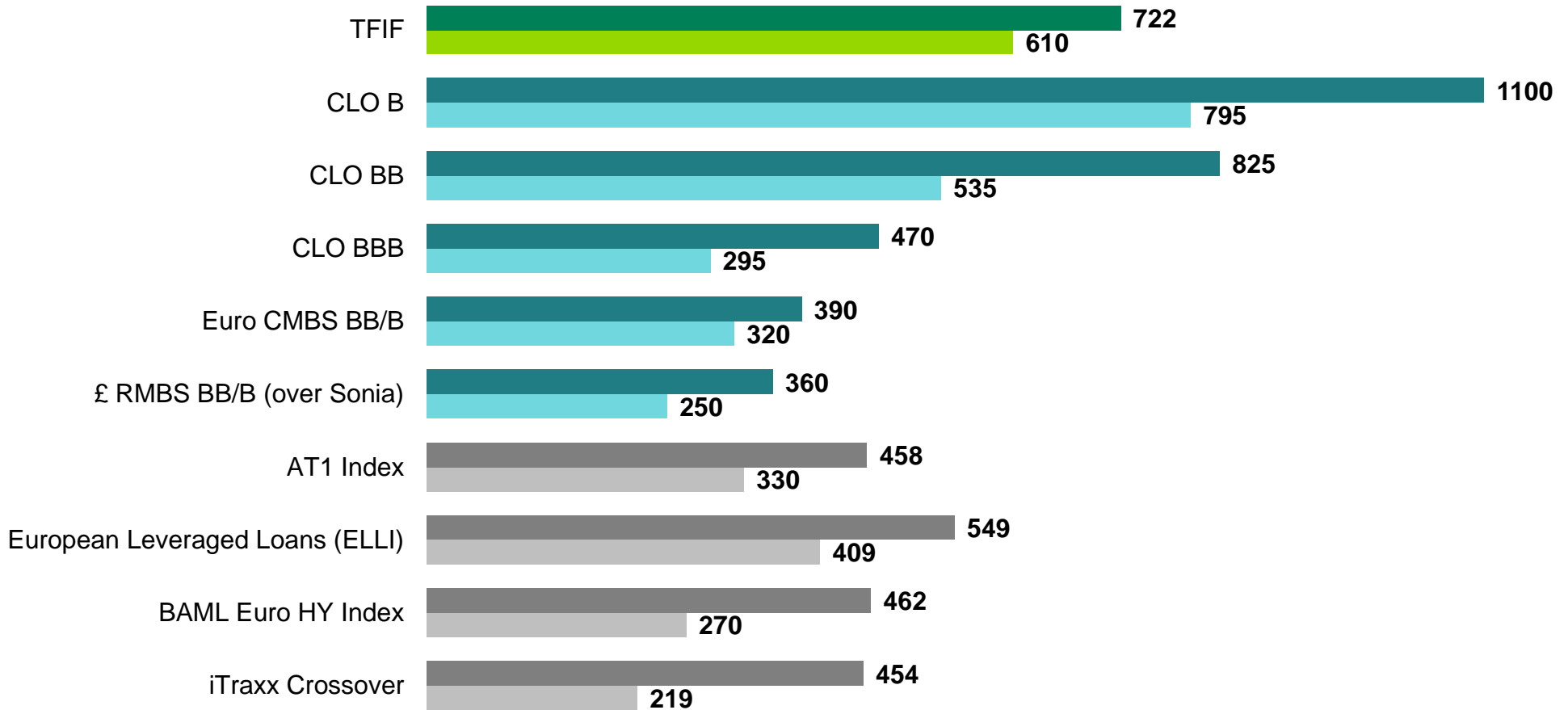
CLO spread includes the value of the floor; 3m Euribor – 47.3 bps.

Source: Morgan Stanley, Citi Velocity

6 March, 2020

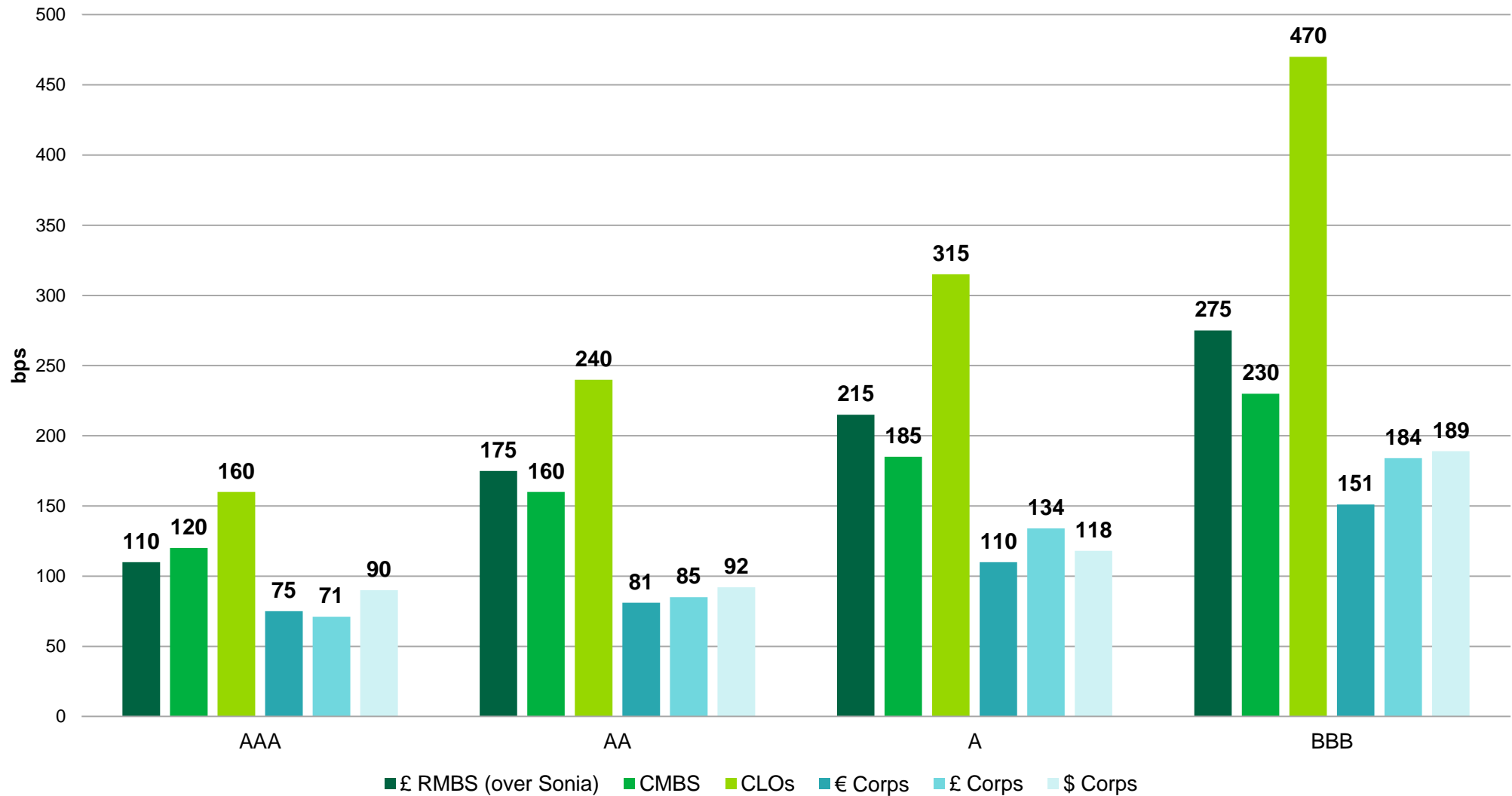
Short Term Spread Movements

Spreads Pre & Post Coronavirus Impact



Top bars 10-Mar-20
Bottom bars 21-Feb-20

ABS/Corporate Spreads By Rating And Asset Class



CLO spread includes the value of the floor; 3m Euribor – 47.3 bps.

Source: TwentyFour, Barclays, Citi Velocity, Morgan Stanley

10 March, 2020

UK Recessions vs. Current

	1989-1993	Global Financial Crisis	Current
Unemployment	10.7%	8.5% peak	3.8%
Real Income Change	N/A	-6.5% peak to trough	1.9%
Interest Rates	14.88%	5.75%	0.25%
House Price Peak to Trough*	-19.5%	-20.6%	-0.1%
House Price to Earnings Peak	5.78	8.47	8.39
Loan Default	0.77%	0.43%	0.07%
Assumed Loss Severity	25%	25%	25%
Resulting Losses	0.19%	0.11%	0.01%

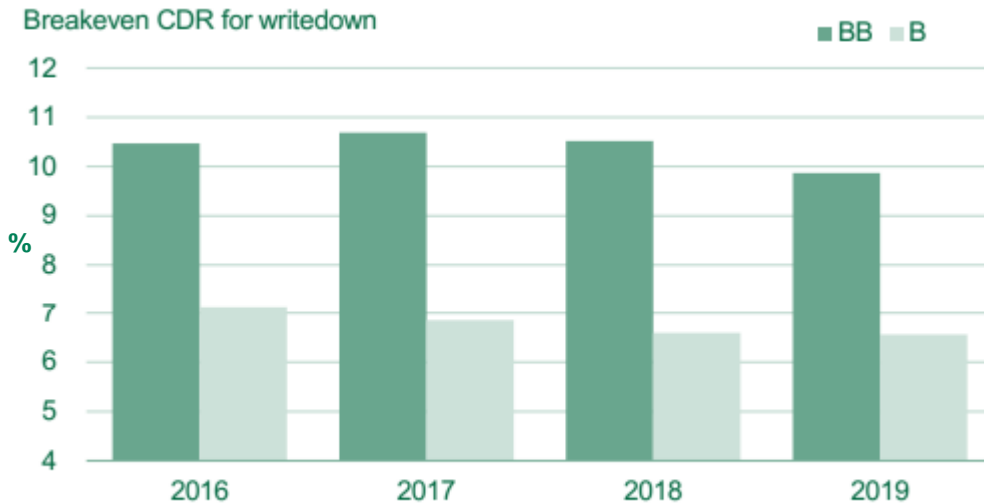
Regional differences exist, peak to trough decline in London and South East reached ~30% in 1992

*Through recessionary period.

Source: Nationwide House Price Index (quarterly data for 1989-1993, monthly thereafter), Council of Mortgage Lenders, Bloomberg, ONS March, 2020

European CLO – What Could It Take To Break Them?

- Leverage Loan Fundamentals have weakened, CLO structures are designed to absorb losses
- European deals considered stronger than US, and older vintages tend to have more protection



Source: Morgan Stanley Research, Intex



Source: Morgan Stanley Research, Intex

Monument Bond Fund Highlights

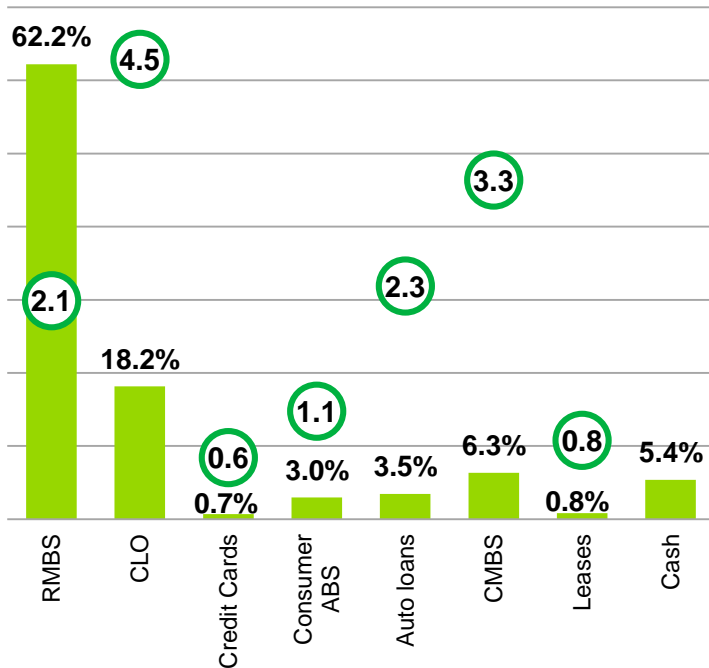
Monument Bond Fund

Fund Size	£1392.1 mn
Launch Date	10 th August 2009
Mark to Market Yield	2.45%
Interest Rate Duration	0.12yrs
Credit Spread Duration	2.38yrs
3 Year Volatility ¹	0.86%
Average Rating	AA-
Line Items	284

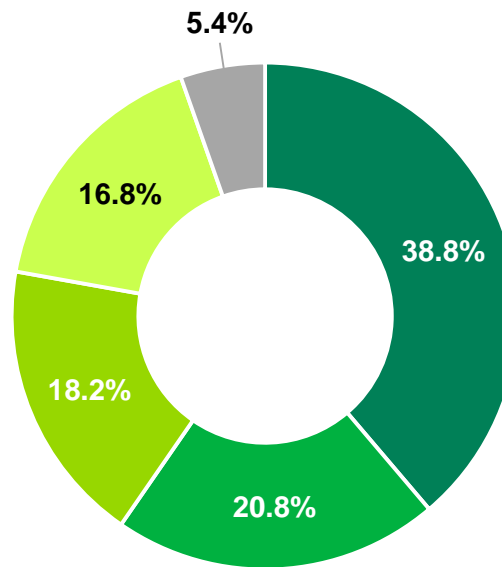
Past performance is not a reliable indicator of future performance. (1) Annualised standard deviation of monthly returns over previous 1 year period. Mark to Market Yield is calculated to the bond's expected maturity. It is the discount rate that makes the current bond price equal to the present value of all cash flows due. Yield shown is at hedged portfolio level and gross of fund expenses. Performance data does not take into account any commission or 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. See Important Information slides for average credit rating methodology.

Monument Bond Fund Portfolio Positioning

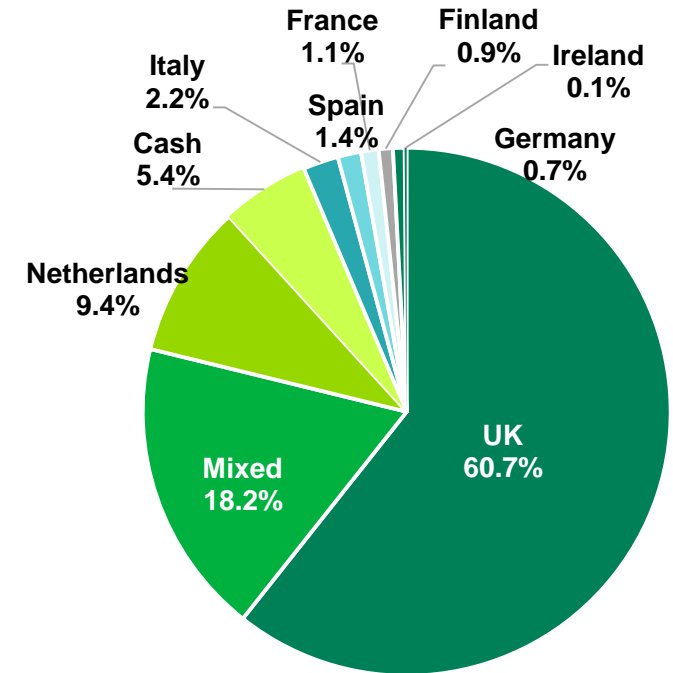
Sector Breakdown*



Rating Breakdown



Geographic Breakdown



123 357 59 115 138 179 46

- Sector Breakdown
- Weighted Average Life, yrs
- Weighted Average Spread

■ AAA ■ AA ■ A ■ BBB ■ Cash

Volatility: 0.86%, Mark to Market Yield: 2.45%

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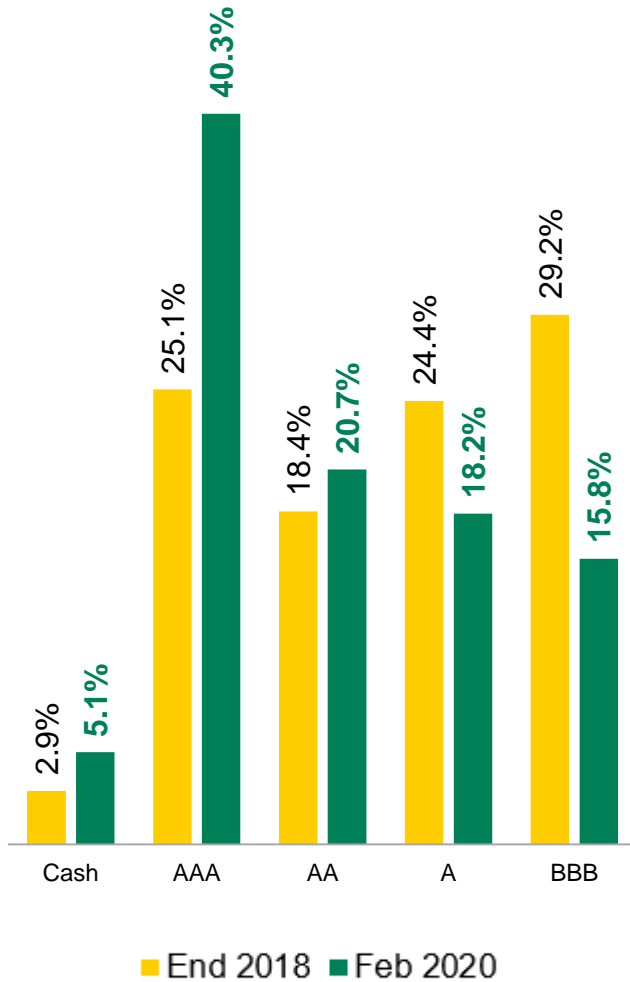
Positioned for Increased Risk

- Increased risks in 2019 covering trade, politics and deteriorating economic data meant the portfolio has increasingly been positioned for lower volatility and increased flexibility
 - > Cash increased from 2.94% to 5.07%*
 - > AAA holdings increased from 25.08% to 40.28%*
 - > Maturity profile shortened from 3.2yrs to 2.4yrs*
 - > Beta reduced – CLO exposures reduced from 25.28% to 18.02%*
- Strong fundamental performance and transparent risk profiles means this flexibility should be able to be redeployed into new investments at more attractive yields
- In particular the fund has low exposure to Italy (2.15%, 2.1yr to maturity) given relative value versus Dutch/UK consumer ABS
- Continued focus on “best-in-class”, e.g. preference for pre-2019 CLOs with more bondholder friendly structures

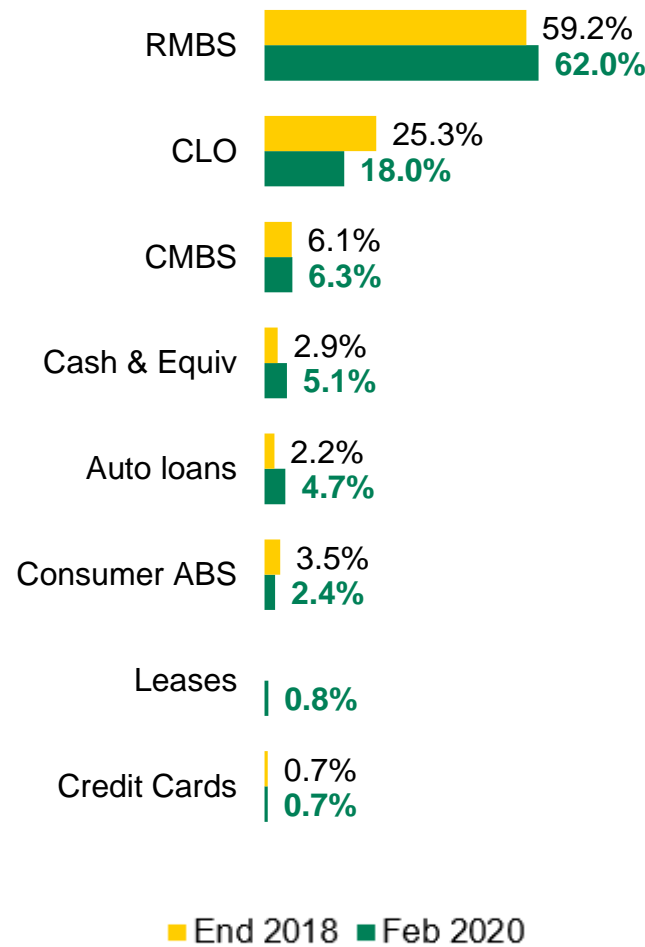
*Moves measured vs. year end 2018. See Important Information slides for credit rating methodology.

Positioned for Increased Risk

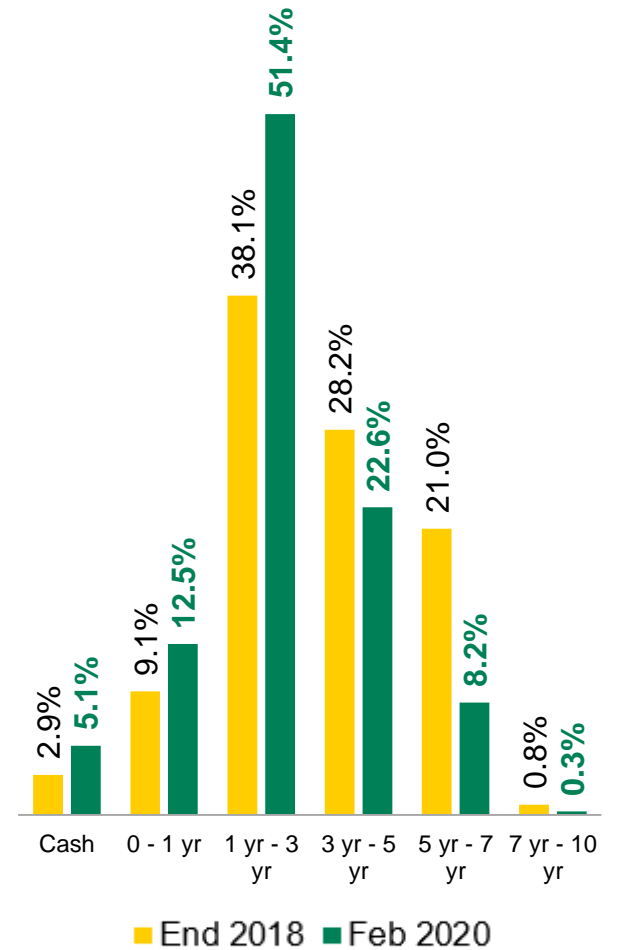
Rating Breakdown



Sector Breakdown



WAL Breakdown



End 2018 – 31 December 2018, Feb 2020 – 28 February 2020. See Important Information slides for credit rating methodology.
Source: TwentyFour, Bloomberg

TwentyFour Income Fund Highlights

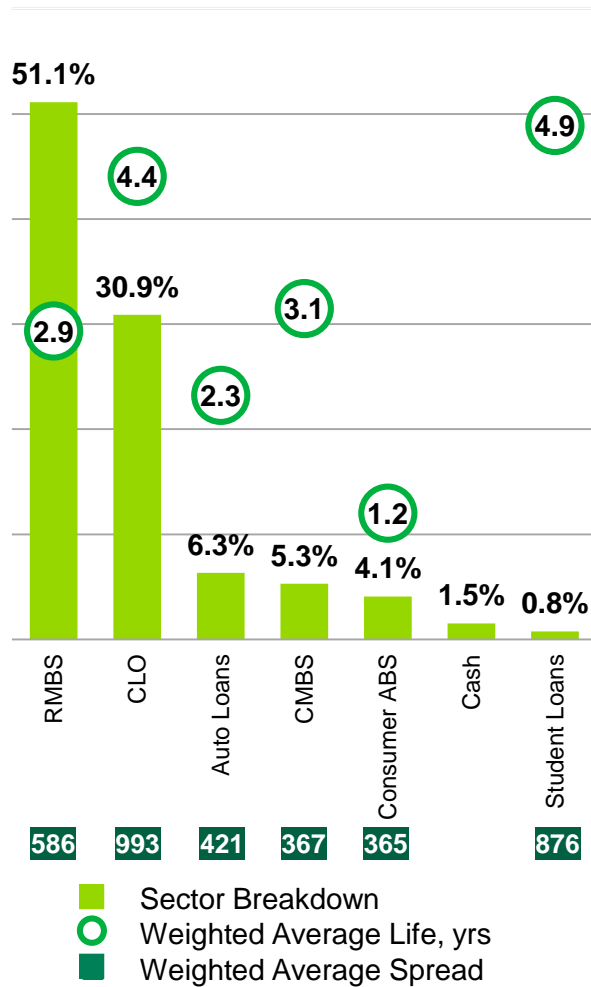
TwentyFour Income Fund

Fund Size	£555.9 million
Launch Date	6 March, 2013
Gross Purchase Yield*	7.80%
Interest Rate Duration	0.10yrs
Credit Spread Duration	2.72yrs
3 Year Volatility ¹	2.36%
Average Rating	BB-
Performance Since Launch	67.81%
2019 Performance	5.05%
2020 YTD Performance	-0.47%

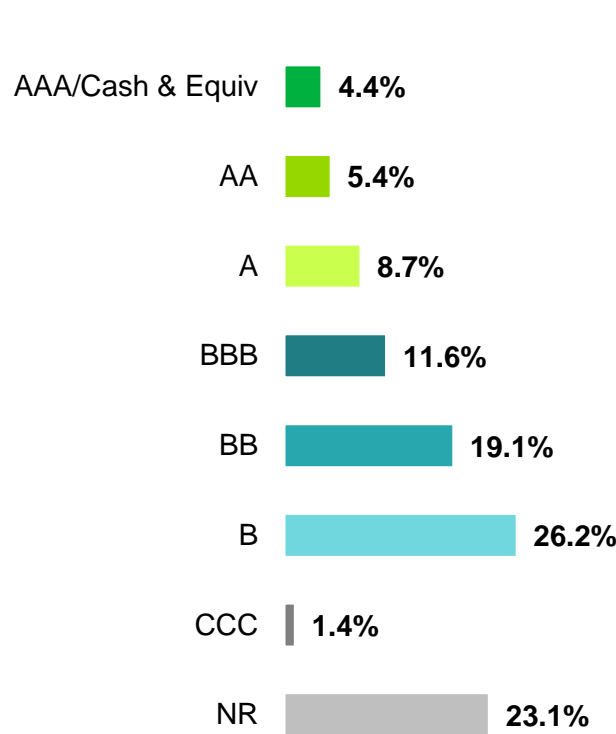
Past performance is not a reliable indicator of future performance. *The Gross Purchase Yield is shown at hedged portfolio level by calculating the return each bond earns on the price at which it was purchased, if held to maturity and gross of fund expenses. (1) Annualised standard deviation of monthly returns over previous 3 year period. Performance is presented in GBP on a NAV 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 are purchased and/or disposed. 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. See Important Information slides for average credit rating methodology. Source: TwentyFour; 9 March, 2020

TwentyFour Income Fund Portfolio Positioning

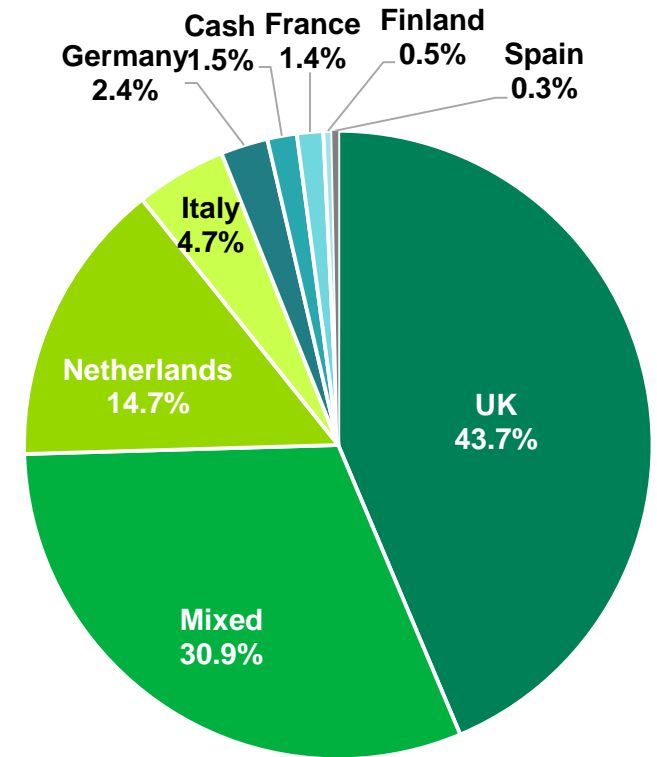
Sector Breakdown



Rating Breakdown

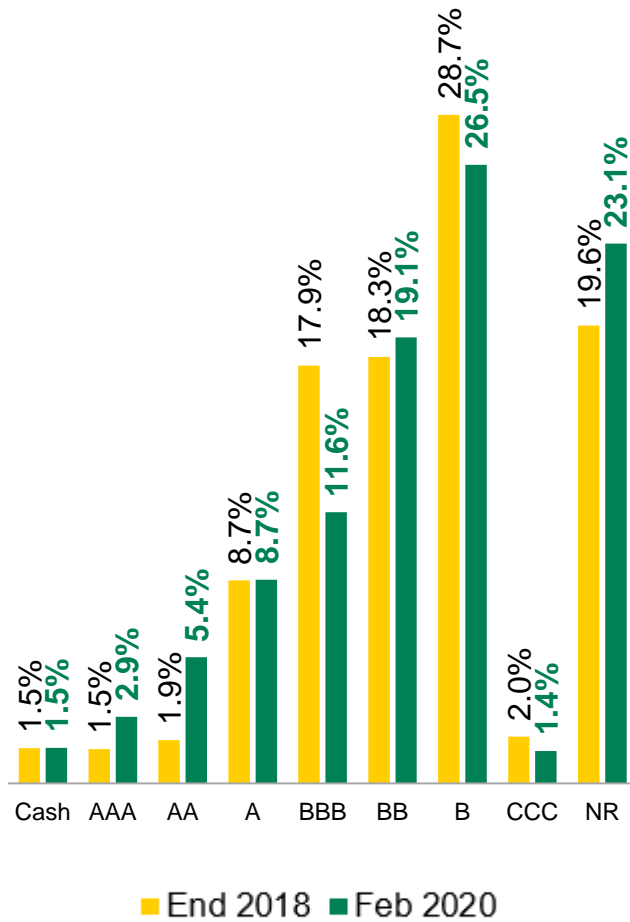


Geographic Breakdown

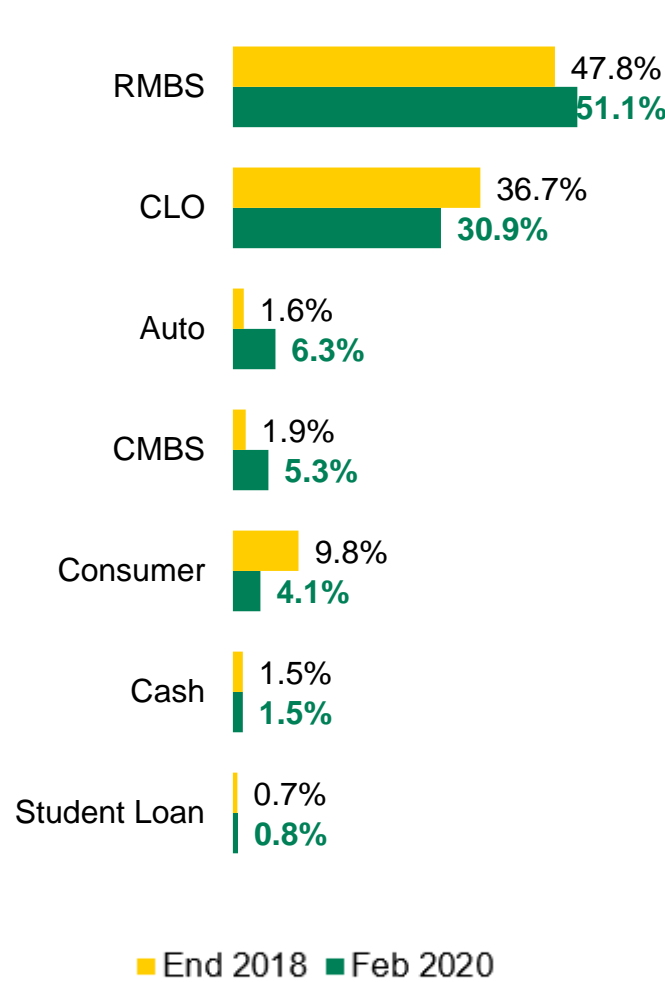


Positioned for Increased Risk

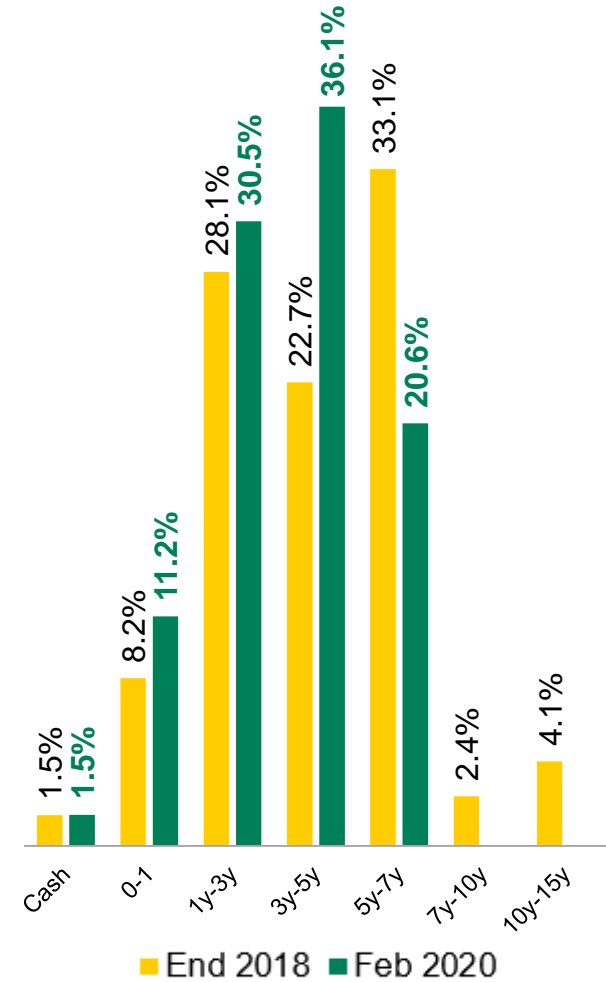
Rating Breakdown



Sector Breakdown



WAL Breakdown



End 2018 – 31 December 2018, Feb 2020 – 28 February 2020. See Important Information slides for credit rating methodology.
Source: TwentyFour, Bloomberg

European ABS 2020 Themes To Track

Focus On
Credit Strength

Spread Premium

Fundamentals
Robust

Positive Technical

Monetary / Fiscal
Stimulus

Coronavirus
Developments

Summary

- European ABS exhibited stable performance and low volatility in 2019 and into early 2020, with some retracing in recent weeks
- ABS typically weather volatility well relative to broader credit, exposure is normally less sensitive to corporate headlines or earnings risk
- Relative value - European ABS had not seen the same credit spread tightening as mainstream fixed income but has cheapened up in recent weeks
- Covid-19 contagion and persistent geopolitics remain a concern, though impact is primarily second order (i.e. unemployment rates)
- ABS expected to experience some weakness if market uncertainty remains, this should be anchored by a growing recognition of the importance of stable fundamental performance in ABS pools
- Rating changes support this view on credit quality and low probability of default
- Having built up excess liquidity and reduced risk, we believe broader credit market short term risks are to the downside
- Desk comfortable with short, liquid and flexible positioning and being patient with market developments but has capacity to exploit dislocation when deemed appropriate

Questions

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