TwentyFour ASSET MANAGEMENT

A BOUTIQUE OF VONTOBEL ASSET MANAGEMENT

TwentyFour Income Fund

April 2022

Vontobel

TwentyFour Income Fund

UKML acquisition

Historic defaults, a lesson from the past

Market Update & 2022 themes

Inflation & Floating Rate Bonds

Positioning & Contribution

Outlook

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TwentyFour Income Fund overview

Approach*	Aims to provide **attractive risk-adjusted returns of 6-9% per annum,** principally through **income distributions** with a minimum dividend of **6pps** per annum after fees
Concept	A **closed-ended fund** that invests in **less liquid, higher yielding** UK and European asset backed securities. **Returns are expected to increase in a rising interest rate environment** as the portfolio is **predominantly floating rate**
How	**Seeks to effectively track base rate** (Floating rate notes linked to SONIA/LIBOR), reducing interest rate risk
	Flexible mandate to seek value across the ABS market
	Uninvested cash, surplus capital and/or assets may be invested on a temporary basis in cash and/or a range of assets including money market instruments and government bonds
	Investor-friendly structure to help drive performance
	Efficient portfolio management techniques will be employed such as currency hedging, interest rate hedging and use of derivatives such as credit default swaps with the intention of **mitigating market volatility**
Consequence	**Aims to generate an attractive level of income through a flexible mandate by seeking value across the ABS market**

*This is a target only and does not represent a forecast of TFIF's profits. Past performance is not an indication of future performance. Subject to change, without notice, only the current prospectus or comparable document of the fund is legally binding. There is no guarantee that the objectives will be met.

TwentyFour Income Fund highlights

TwentyFour Income Fund		
	Dec-2021	**Mar-2022**
Fund size	£578.6 million	£718.5 million
Launch date	6 March 2013	
Gross purchase yield	8.05%	8.69%
Gross mark-to-market yield	6.90%	8.51%
Implied 12 month forward yield[1]		10.30%
Interest rate duration	0.08yrs	0.08yrs
Credit spread duration	2.70yrs	2.77yrs
1 year volatility[2]	1.16%	1.64%
Performance since launch (annualised)	92.53% (7.7%)	92.98% (7.5%)
Issuers	162	172
YTD performance	7.85%	0.15%

Past performance is not a reliable indicator of current or future performance. The yields are shown at hedged portfolio level and gross of fund expenses. (1) The implied yield in 12 months, based on the expected BOE rate hikes (2) Annualised standard deviation of monthly returns over previous 1 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.

Source: TwentyFour; 31 March 2022

TwentyFour Income Fund total return and yearly dividends

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Source: TwentyFour

31 March 2022

TwentyFour Asset Management

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Acquisition of UKML assets

- **£145m acquisition:** Completed in March 2022 and successfully integrated in the TFIF portfolio
- **TFIF acquired a mix of UK RMBS debt & equity and cash:** 3 junior tranches + 1 vertical tranche (12.1% of TFIF), 3 short term bonds (BTL and Owner Occupied RMBS) (2.6% of TFIF) and £38m of cash (5.4% of TFIF)
- **Accretive to NAV and Dividend:** Assets acquired at a discount to fair value and at a purchase yield of 13.1% for the 3 junior tranches and 6% for the vertical tranche (consist of 86% AAA, 13% IG and 1% BB)
- **Ongoing relationship with Keystone:** Exclusivity to acquire future BTL mortgage production, an asset class that has proven itself through multiple cycles and exposure to borrowers whose income is linked to inflation
- **Increased flexibility:** Further diversification, liquidity and enhanced income give Portfolio Managers flexibility to position for end of cycle and increased volatility

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European historic ABS & CLO Default rates vs Corporates

- No European leveraged loan CLO tranche originally rated 'AAA' has ever defaulted
- The default rate for CLO tranches reached a peak of 0.82% in 2016 (all CLOs were pre-2009 deals). In contrast the annual global speculative-grade corporate default rate reached near 10% at the end of 2009
- Over the past 20 years 22 European tranches out of 3,257 rated by S&P experienced a default, that equals 0.7% of the universe.
- 2.7% cumulative lifetime default rate in Sub-IG European CLOs
- Annual loss rates for European ABS peaked, in 2009, at 0.76% for all rated bonds and just 0.23% for IG-rated bonds
- Mortgage underwriting criteria improved significantly post the GFC, from already a relatively high standard
- Historic European ABS losses concentrated around CMBS and non-conforming Spanish RMBS

Past performance is not a reliable indicator of current or future performance. Default rate for "CLOs" and "Corporates" includes all Europe-rated entities. "Corporates (spec-grade)" includes only companies rated 'BB+' and below. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro
Source: TwentyFour, March 2022

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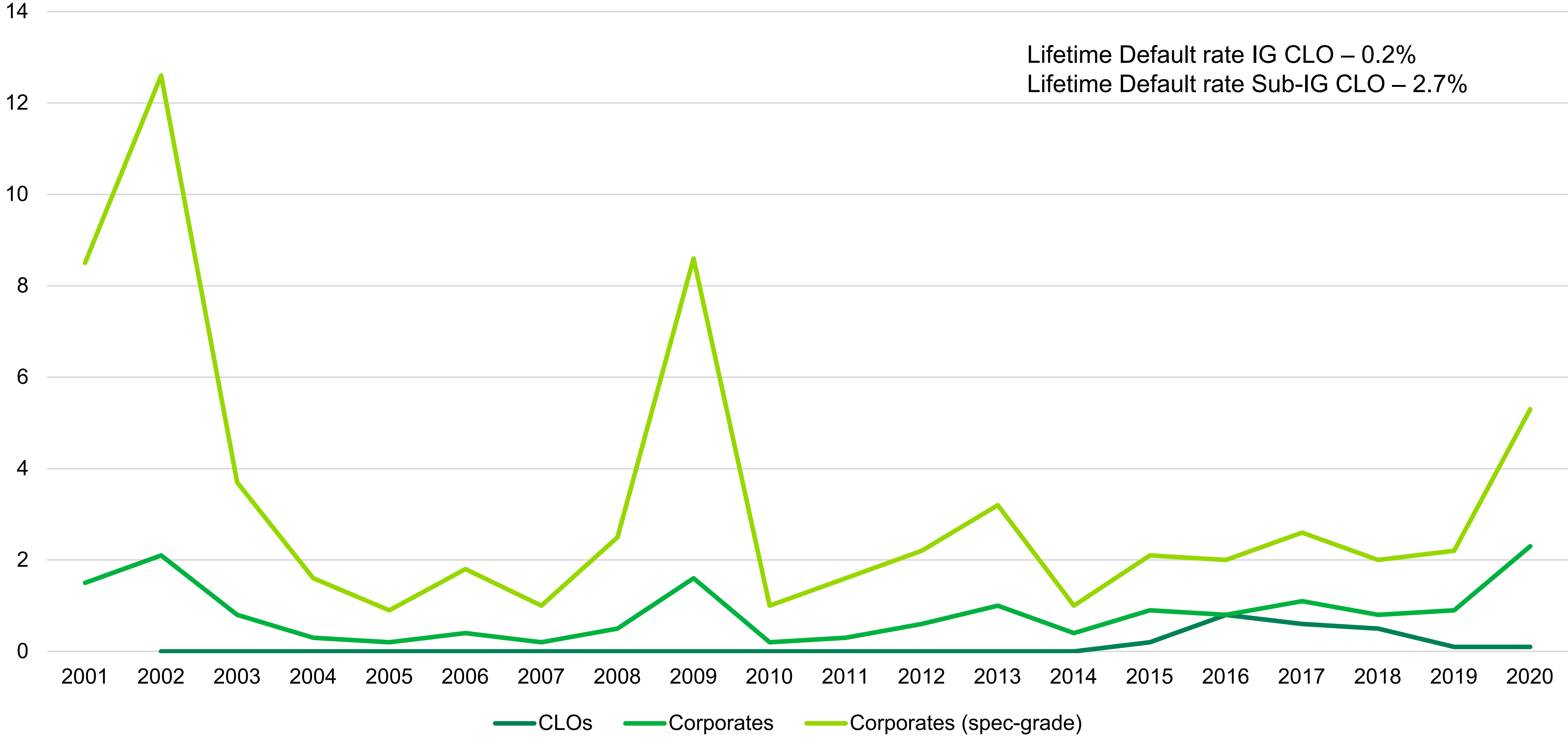
European Default rates – CLOs vs Corporates

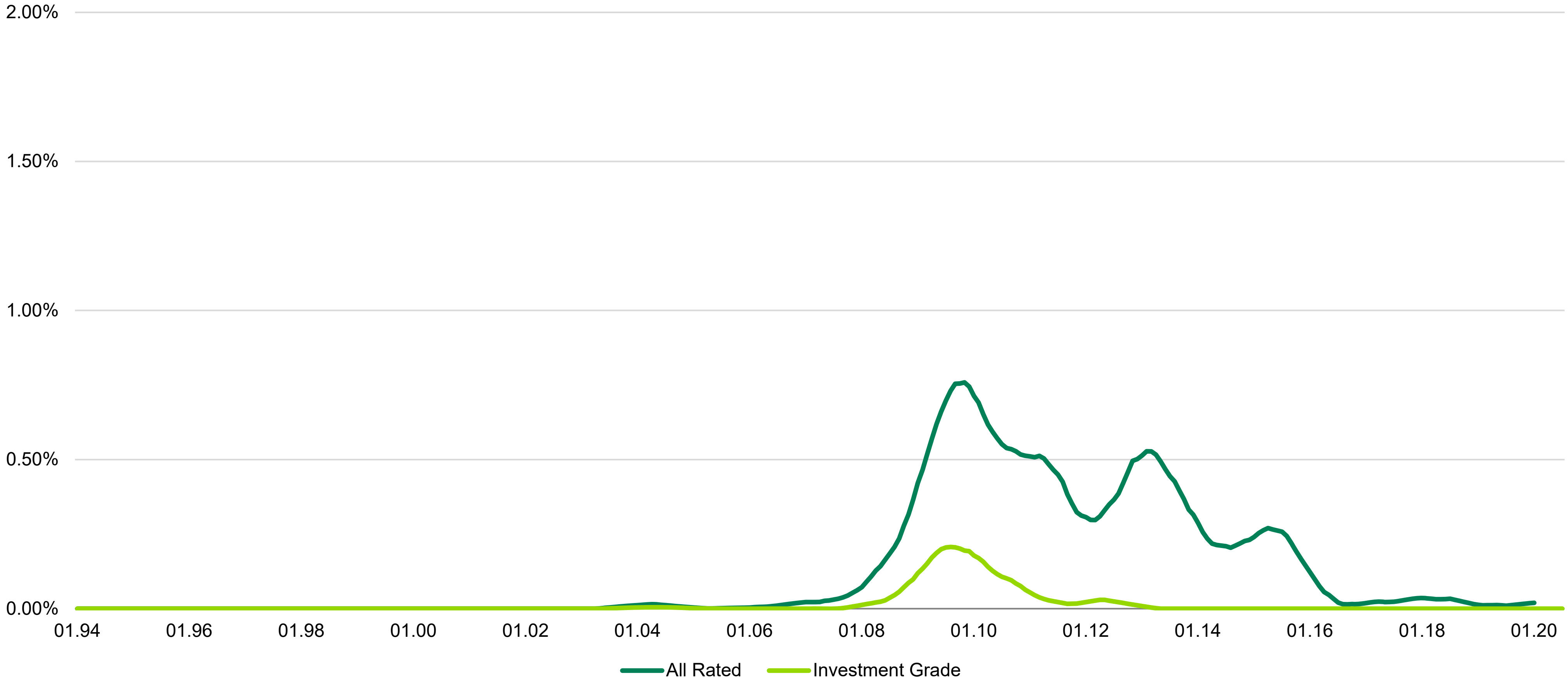
Annual European Default rates



Past performance is not a reliable indicator of current or future performance. Default rate for "CLOs" and "Corporates" includes all Europe-rated entities. "Corporates (spec-grade)" includes only companies rated 'BB+' and below. Sources: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro
Source: TwentyFour, Standard & Poor, March 2022

European ABS losses – a reminder

EMEA RMBS, ABS and CMBS – 12m rolling average loss rate



IG loss rates peaked at 0.23% during the GFC – 25 year average of 0.02% loss per annum

Past performance is not a reliable indicator of current or future performance.
Source: TwentyFour, Moody's
July 2021

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Q1 2022 macro themes

Markets remain focused on inflation and Central Bank action, but new geopolitical threats surface and bring slowing growth and recessionary fears into focus

- **Policy disconnect** between monetary policy, economic fundamentals and asset prices has begun to realign
- **Convergence expected:** which would ultimately lead to headwinds and policy volatility
- **Moderating GDP growth:** already a theme with inflation lingering above forecasts beyond 2022
- **Central Bank action inevitable:** timing and terminal rates subject to much debate and ECB moving closer
- **Geopolitical risks resurface:** the most direct consequence of Russia's invasion of Ukraine has been further commodity driven inflationary pressure
- **Growth slowdown:** global recessionary fears likely to become an increasing focus, compounded by potential for escalatory geopolitics
- **Fundamentals weaker:** economic fundamentals are at a very positive starting position to cope with uncertainty and credit standards have been robust since GFC. Consumers and businesses will be poorer but an earnings not solvency issue at this time

European ABS market outlook

- **Primary market paused:** As Russia invaded the Ukraine, risk sentiment changed quickly and issuers pulled back from the primary market. Some form of normality returned in late March and YTD issuance stands at €35bn
- **Credit spreads widened:** Most notably BB/B rated CLOs widened by 100-150bps and retraced roughly half of this in April. Primary issuance offers significant yield pick ups still as originators favor certainty.
- **Relative value with rates as a friend not foe:** We see value opportunities focussed across CLOs, CRE backed ABS and UK ABS with a continued healthy spread premium remaining to traditional credit
- **Broadening opportunity set and growing market:** a resurgence in activity in 2021 saw a post-GFC record €105bn of issuance, greater diversity and more transactions offering mezzanine bonds. We expect a 10-20% growth in issuance with a gradual return of mainstream bank RMBS.
- **Deteriorating fundamentals…but let’s put that into context:** direct support for borrowers has largely been withdrawn, but economic fundamentals are already nearing pre-COVID conditions. We expect some steady state arrear numbers
- **CLO value:** Record €39bn of new issuance and a further €61bn of re-pricings helped to maintain a technical support in the CLO market. Growth in the market has facilitated improving liquidity and the most active secondary market we’ve seen in years

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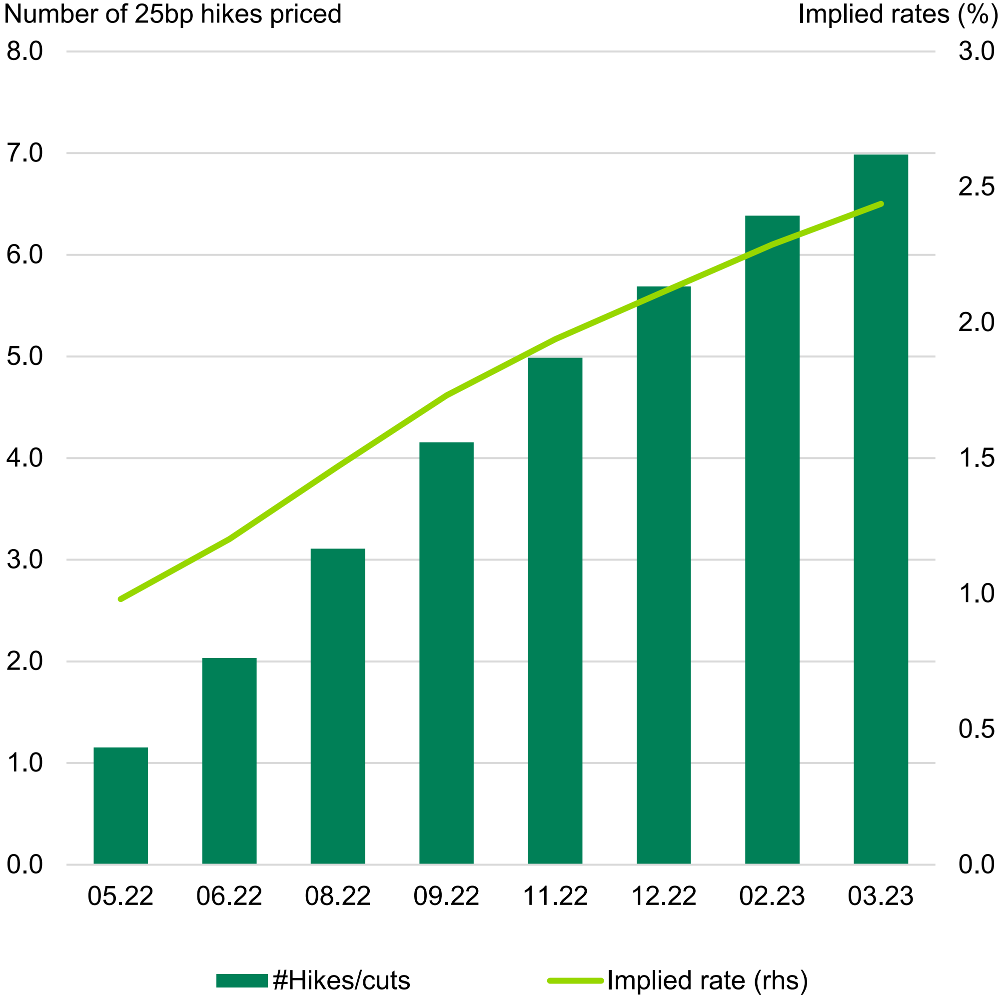
Inflation and floating rate bonds

- **Inflation and monetary policy dominated in 2021 already:** the transitory debate and monetary policy response overtook COVID-19 concerns as the year progressed
- **Supply driven inflation:** Elevated commodity prices and supply problems will likely persist for a longer period of time, there is a risk of inflation being higher than central banks project
- **UK and US CPI:** showed inflation around 8% and with a higher risk of a recession this is putting Central Banks in a difficult position
- **Rate driven volatility in 2021 but likely to persist:** Long date Government and Corporate bonds looked especially vulnerable
- **Floating rate ABS provided solid performance and much needed income:** the lack of volatility emanating from European ABS markets in 2021 not only saw positive returns but also outperformed relative to other fixed income markets
- **European ABS income expected to increase:** The BOE hiked 3 times already since December 2021 and a further 7 (25bps) rate hikes expected in the next 12 months, ECB is at a slower trajectory, 6 (10bps) hikes expected

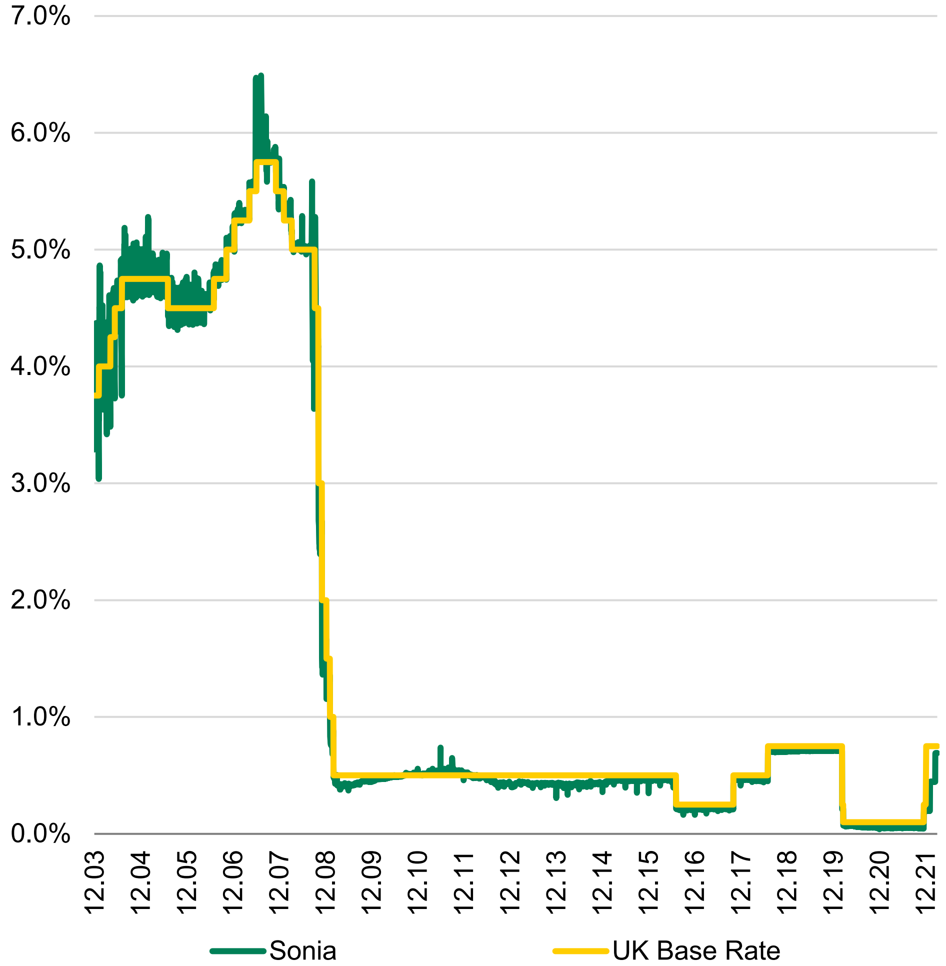
Floating rate ABS now most relevant since many years

UK rate hikes likely in coming quarters

Implied UK overnight rate & number of hikes/cuts



A BoE rate hike translates into a higher floating rate coupon



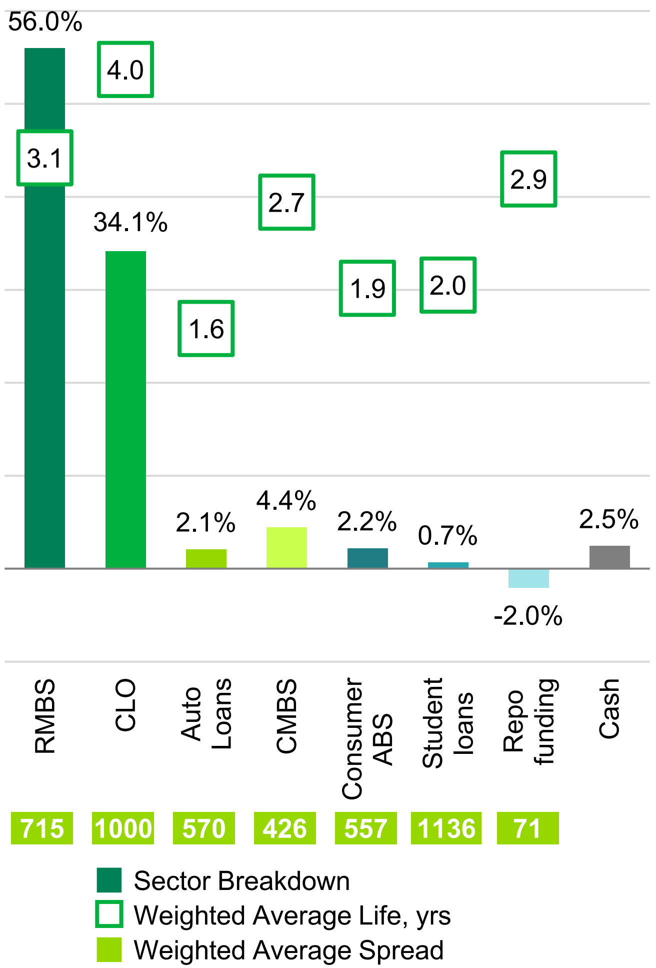
Past and forecasted performance are not reliable indicators of current or future performance. It is not possible to invest directly in an index and they will not be actively managed.

Source: Bloomberg

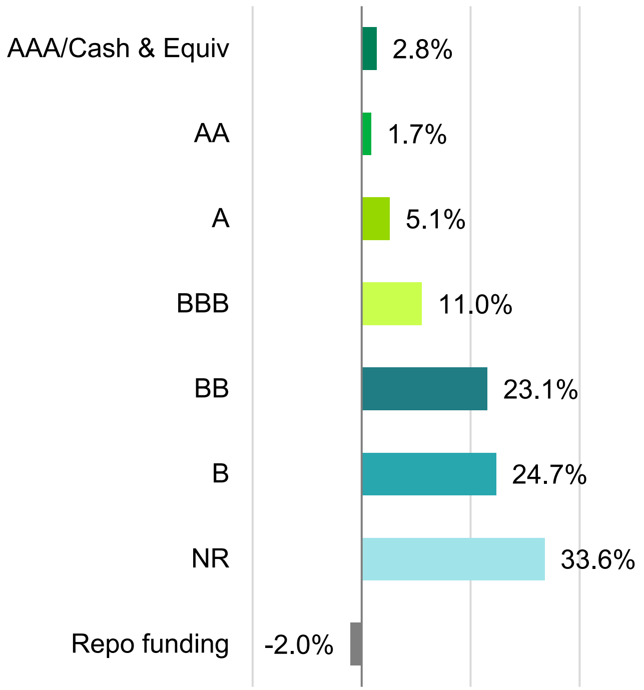
31 March 2022

TwentyFour Income Fund portfolio positioning

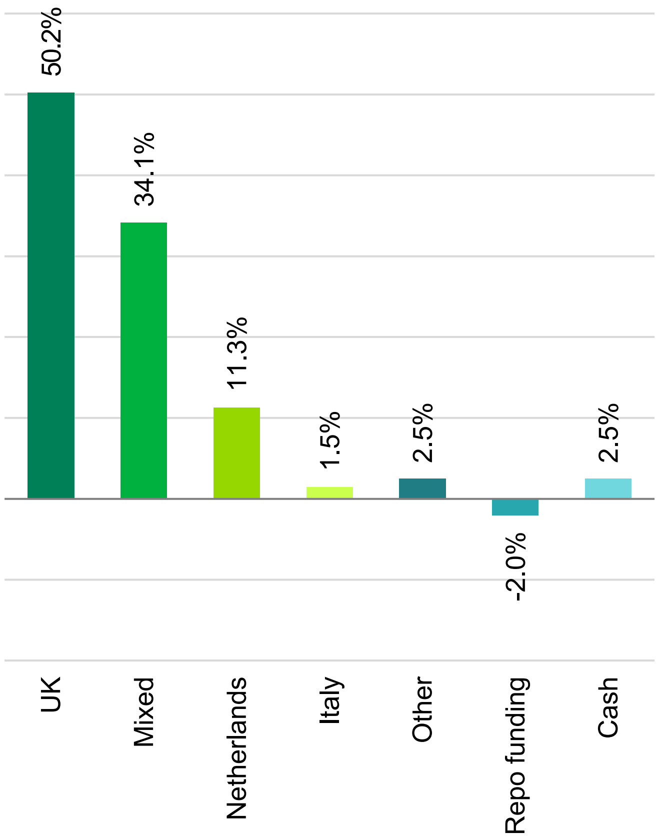
Sector breakdown



Rating breakdown



Geographic breakdown



See Important Information slides for credit rating methodology. Repo funding – max. 25% of net assets. Geographic breakdown calculated on a direct exposure basis.
Source: TwentyFour
31 March 2022

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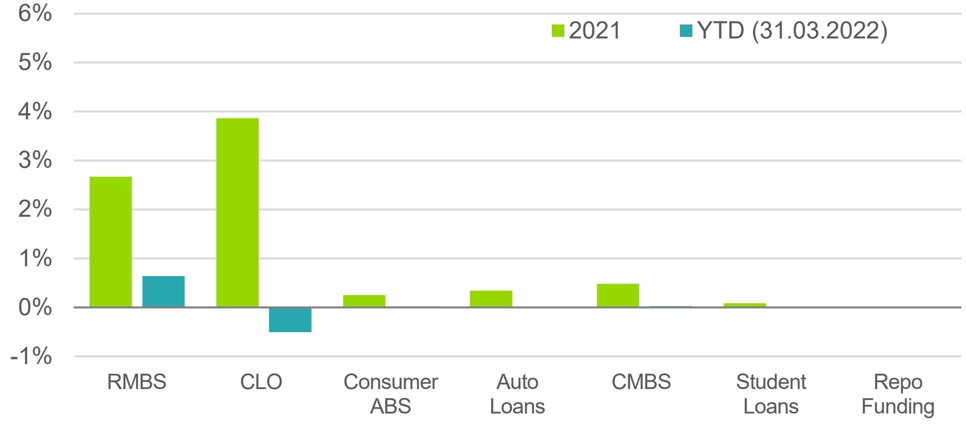
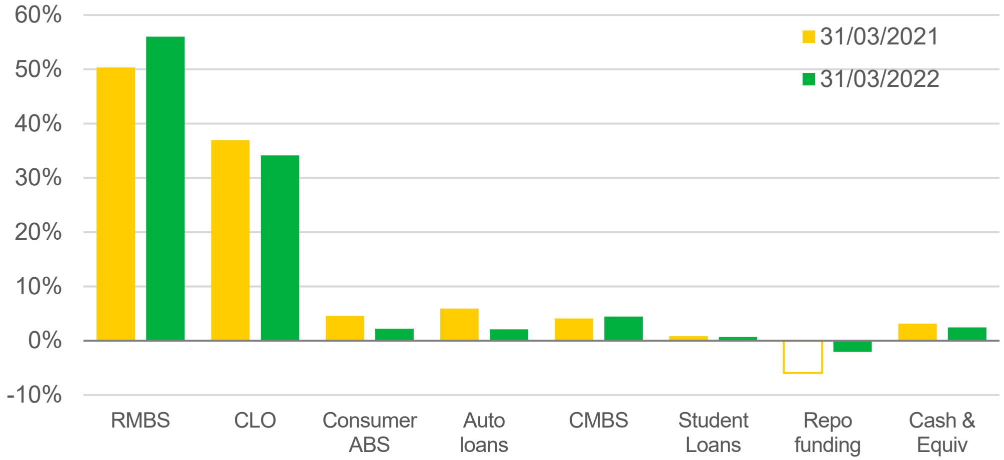
TFIF – allocation shifts and performance contribution

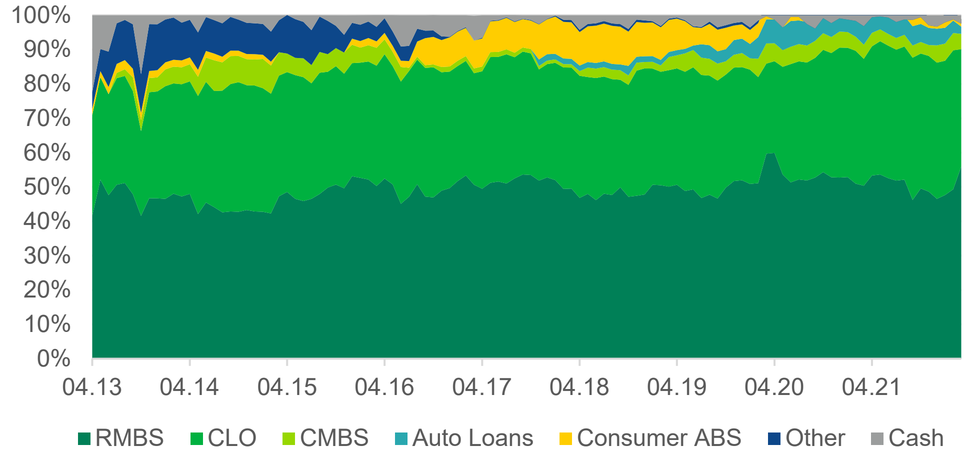
YoY and last quarter performance contribution



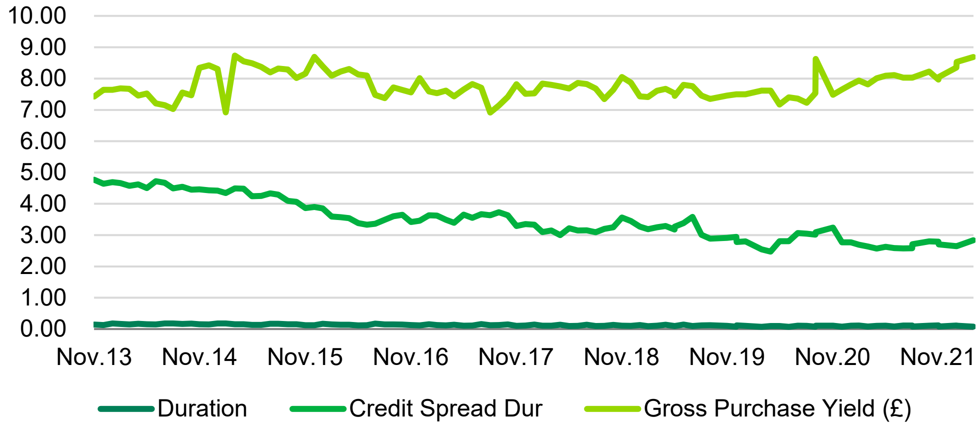
YoY % sectors



Long term sector changes



Risk metrics



Past performance is not a reliable indicator of future performance. Net contribution per sector: each individual sector's contribution to the overall performance in GBP terms of the Monument Bond Fund I Gross Acc share class performance 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, if applicable. The return of the fund may go down as well as up due to changes in exchange rates. The net return contribution per sector is calculated by adjusting the realised gross contribution per sector by portfolio fees apportioned on the basis of average sector portfolio weighting. CLO performance is correct to the best of our knowledge but may not be accurate due to reporting and classification processes within Bloomberg. Source: TwentyFour, Bloomberg; 31 January 2022

TwentyFour Income Fund performance

Cumulative performance	1 month	3 months	6 months	YTD	1 year	3 years	5 years	Since inception*
NAV per share incl. dividends	0.61%	0.15%	1.38%	0.15%	5.55%	18.42%	32.70%	92.89%

Rolling performance	03.21- 03.22	03.20- 03.21	03.19- 03.20	03.18- 03.19	03.17- 03.18
NAV per share incl. dividends	5.55%	27.54%	-12.03%	1.57%	10.33%

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Source: TwentyFour

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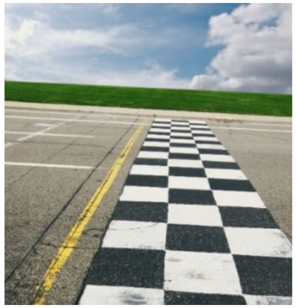
European ABS Outlook

1

Spread scarcity remains a key attraction for European ABS

2

BoE hiking cycle underway, UK ABS floating rate bonds should gain



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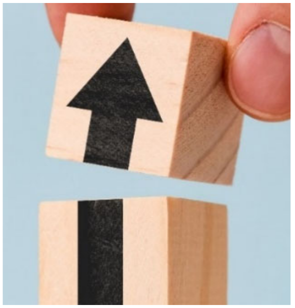
Strong macro fundamentals but slowing growth

4

Primary supply expected to grow, but technical remains firm on strong demand



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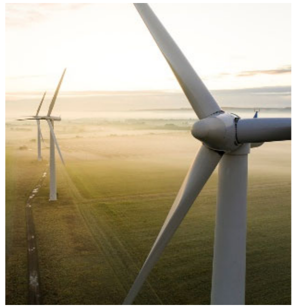
Limited direct impact from **quantitative tightening**, differentiating from US ABS markets

6

ESG & Sustainability momentum building, work remains



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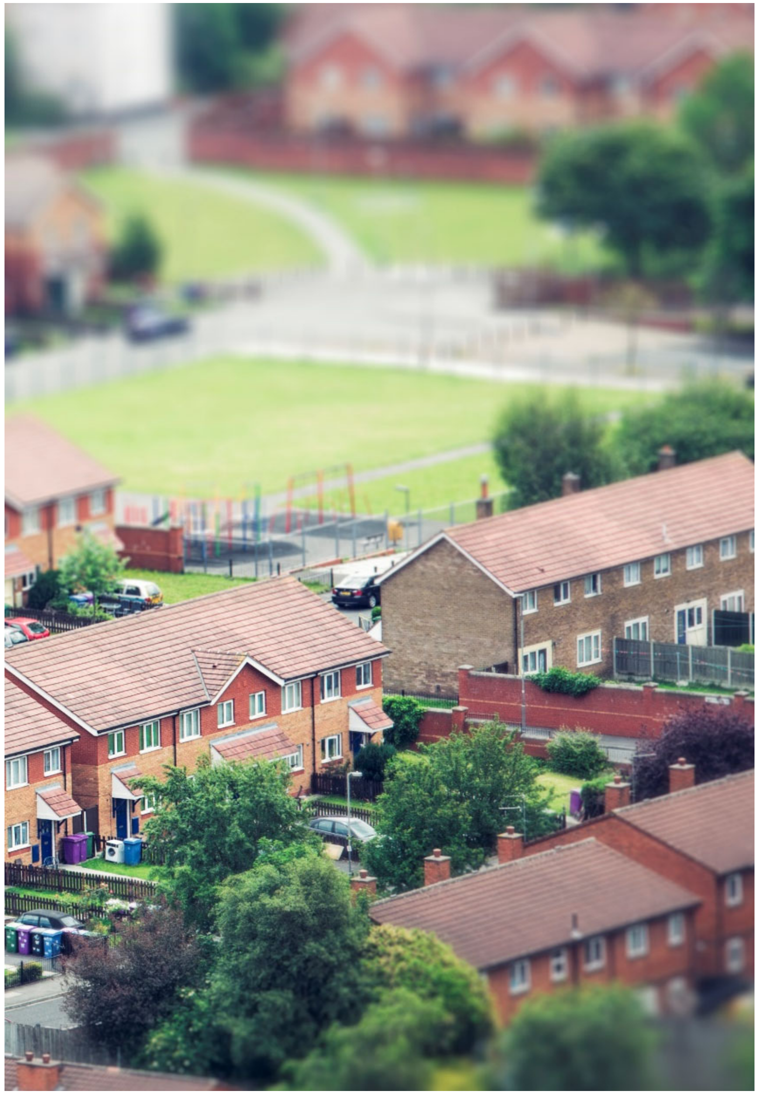
Monetary and geopolitical driven volatility will remain a threat to all markets

These views represent the opinions of TwentyFour as at March 2022, they may change and may have already been acted upon, and do not constitute investment advice or a personal recommendation. They may also not be shared by other entities within the Vontobel Group.

Questions?



TwentyFour Income Fund

Key risks

- All financial investment involves risk. The value of your investment isn't guaranteed, and its value and income will rise and fall. Investors may not get back the full amount invested.
- The issuer of ABS products may not receive the full amounts owed to them by underlying borrowers, which would affect the value of the fund. Credit and prepayment risks also vary by tranche which may affect the fund's performance
- Past performance is not a reliable indicator of future performance, and the fund may not achieve its investment objective
- 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 issuer default, and are generally considered to be more illiquid than investment grade securities

The listed risks concern the current investment strategy of the fund and not necessarily the current portfolio. Please refer to the offering documents for full list of risks.

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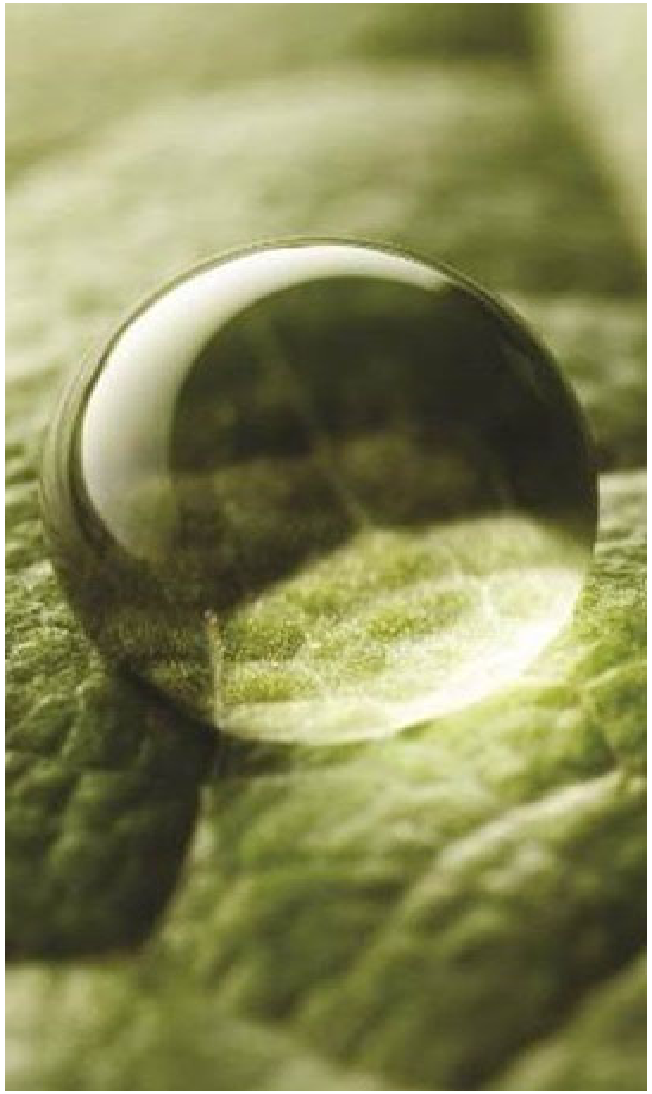

Important information

Important information

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