TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 30 November 2020

Market Commentary

November was an extremely strong month for risk assets as markets were buoyed by positive vaccine news and a degree of closure surrounding the US election. The S&P 500 closed up 10.75%, the EuroStoxx 50 was up 18.06% and the iTraxx Xover index rallied in 104bp from to 265bp, a level last seen in February.

The US election was the key focus in the early part of the month as the huge number of postal votes delayed clarity over the final result and led to a disputed contest. President Trump threatened legal action in a number of states, refusing to accept defeat despite the overwhelming evidence of a win for Democrat Joe Biden. While still refusing to concede, President Trump did finally state that he would leave the White House if the electoral college votes for Biden. Treasuries were volatile in the aftermath of the November 3 vote, with 10-year yields in a 20bp range, though they did close the month off the wides at 0.84%, close to where they started November. Control of the US Senate remains undecided as the two Georgia seats go to run-off January 5. The Republicans currently have 50 seats in the Senate vs. the Democrats' 48, with Vice President-elect Kamala Harris holding the casting vote in the event of a tie. Overall, the market took the news as a positive, viewing a Democrat presidency and a Republican Senate as the most favourable outcome.

Market sentiment was given a big boost after COVID-19 vaccine contenders came out with very strong efficacy results, suggesting light at the end of the tunnel for the economy and a lifting of both lockdowns and restrictions in H1 2021. Pfizer was the first with its Phase 3 study showing the vaccine was more than 90% effective, followed by both Moderna and Astrazeneca giving rise to a collective sigh of relief in markets. Governments around the world began planning for mass rollouts with some saying they could start before Christmas, though plugging the gap in the economy and healthcare systems remains the priority.

The UK and Europe continued their trade deal negotiations, passing through another soft deadline, with the end of the transition period drawing ever closer. At the end of the month, EU chief negotiator Michael Barnier arrived in the UK for face-to-face talks with UK officials to avoid a 'no deal' Brexit at the end of the year. At the close of November, the market was optimistic a deal would get done in the final hour.

While the UK and Europe struggle to agree a trade deal, Asian-Pacific countries agreed the largest free trade agreement in the world. Fifteen countries signed the deal covering a market of 2.2 billion people (nearly 30% of the world's population) with a combined GDP of around 30% of global GDP. The deal is expected to be ratified within the next two years.

Elsewhere there were no surprises from the Fed, which kept things unchanged. Jerome Powell stressed the need for more stimulus from the government at his press conference but discussions between politicians are ongoing. The BoE voted unanimously to increase its asset purchases by £150bn, more than the consensus expectation of £100bn, and kept rates unchanged. There was no ECB meeting in November.

Portfolio Commentary

The primary market was more subdued than is often the case in November before the Thanksgiving holiday (which is typically seen as a soft cut-off for new issuance), as many issuers had frontloaded their requirements. However, there were still a few deals and the team participated selectively where fundamentals were strong and there was good value. In the secondary market, the portfolio managers continued to look for attractive relative value switches.

It was a very strong month for risk assets as the positive vaccine news led to a risk rally. The CoCo index led the move, up 4.81%, closely followed by the high yield indices (Euro HY +4.33%, Sterling HY +4.08% and US HY +4.00%). EM lagged the move slightly but was still positive, finishing November up 2.88%. The Fund was well positioned for the risk rally and returned 4.90% for the month.

Market Outlook and Strategy

The team expect the market to continue its grind tighter in December with supportive technicals remaining and the US election out of the way, along with optimistic rhetoric from the UK-EU bilateral talks.

The portfolio managers will be watching Brexit trade negotiations closely as the transition period is due to end on December 31. Central bank meetings will also be important, in particular the ECB on December 10 as President Christine Lagarde has hinted heavily at further action.

New issuance is expected to slow down further as we head into the holiday season, but the team will continue to look for relative value switches to improve the yield and quality of the portfolio.

Rolling Performance	29/11/2019 - 30/11/2020	30/11/2018 - 29/11/2019	30/11/2017 - 30/11/2018	30/11/2016 - 30/11/2017	30/11/2015 - 30/11/2016
NAV per share inc. dividends	5.76%	9.48%	-0.59%	16.48%	4.27%

The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and, with the exception of share price performance figures, net of all fund expenses. Past performance is not a reliable indicator of future performance. Performance data does not take into account any commissions and costs charged when shares of the portfolio are purchased and disposed of.

Fund Managers

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Partner, Portfolio Management, industry experience since 1988.

Eoin Walsh
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Pierre Beniguel
Portfolio Management, industry experience since 2010.

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.**
- Past performance is not a reliable indicator of future performance, and the Fund may not achieve its investment objective.
- Fixed income carries two main risks, interest rate risk and credit risk: (1) Where long term interest rates rise, there is a corresponding decline in the market value of bonds and vice versa; (2) Credit risk refers to the possibility that the issuer of the bond will not be able to repay the principal and make interest payments.
- 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 Fund can invest in structured credit products or asset-backed securities (ABS). The issuer of such products may not receive the full amounts owed to them by underlying borrowers, which would affect the performance of the Fund. Credit and prepayment risks also vary by tranche which may affect the Fund's performance.
- The Fund has the ability to use derivatives, including but not limited to FX forwards, for hedging only (EPM). This may magnify gains or losses.
- Investments in emerging markets may be affected by political developments, currency fluctuations, illiquidity and volatility.

Further Information

Further Information and Literature: TwentyFour Asset Management LLP

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Further information on fund charges and costs are included on our website at www.twentyfouram.com