TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 29 January 2021

Market Commentary

It was an eventful start to 2021 with riots in response to a change of president in the US, political uncertainty in Italy and the emergence of new COVID-19 variants resulting in a number of additional lockdown restrictions across many countries. It was no surprise therefore that risk markets took a pause from the strong rally experienced in the latter half of 2020 to take stock, despite the vaccine rollout giving hope that the peak in the pandemic would soon be behind us. Equity indices largely finished the month lower with the S&P 500 down -1.11% and the EuroStoxx 50 down -2.00%. The iTraxx Xover index was wider on the month, closing at 269bp, nearly 27bp wider.

US politics was at the forefront this month as Joe Biden was inaugurated as the 46th President of the United States and the two Senate run-off votes in Georgia both surprisingly went to the Democrats, handing them control of both houses. In response Trump supporters carried out a number of violent protests and shocked the world by storming Capitol Hill, ultimately leading to President Trump's second impeachment for inciting violence. Unsurprisingly Biden pledged to increase the fiscal stimulus package, with $2tr being mentioned as a minimum amount required. Concerns over heavy US Treasury issuance, commentators mentioning the potential stoking of inflation and active Fed speak led to choppy trading in USTs, with the bellwether 10-year bond trading in a 23bp range over the month (0.914%-1.147%), finishing the month slightly off the highs at 1.067%. There was also a bear steepening as the 2s-10s curve reached its highest level since 2017.

In Italy, political tensions were on the rise again as a junior partner in Italy's ruling coalition left the alliance, resulting in Prime Minister Guiseppe Conte resigning his position, albeit from a tactical standpoint, in the hope that President Mattarella would ask him to form a new coalition government. Italian BTPs were relatively resilient in the face of this news, but yields did spike following loose comments from the ECB president, Christine Lagarde, who suggested that the Pandemic Emergency Purchase Programme (PEPP) – of which Italy is a key beneficiary – might not need to be used in full. The benchmark 10-year BTP reached a low of 0.529% early on in the month before widening out to 0.75% on the comments from Lagarde. They finished off the wides at 0.642%.

Staying with the central banks, the Fed meeting was less eventful with no changes from the board and little in the way of change of rhetoric. Fed chair Jerome Powell attempted to reassure any market participants concerned about early Fed tapering by saying: "the whole focus on exit is premature".

On to COVID-19 and whilst most of Europe and the UK remain under restrictions, the vaccine rollout is underway in many countries, however delays in the EU approval and ordering process have hampered deliveries across the region. To the astonishment of almost everyone this resulted in Article 16 of the Northern Ireland Protocol being triggered and export controls imposed on the Northern Ireland border; a huge diplomatic row was averted when the EU immediately reversed its decision and apologised for the error.

Portfolio Commentary

January was a busy month for the primary markets, with US high yield having its busiest January on record and the third most active month ever with $51.58bn of supply, of which around $12.8bn was CCC rated. The European market was also active with companies looking to issue before they entered blackout periods. The team participated selectively, focusing on deals with attractive pricing and more pro-cyclical names.

The team took the recent tender of shares as an opportunity to optimize the portfolio. They sold the least attractive assets, from a purchase yield point of view, and the bonds that had rallied significantly and were no longer a compelling investment. The PMs were able to improve the yield of the portfolio whilst maintaining the rating.

Credit markets outperformed risk-off markets in January with GBP high yield leading the way, finishing +0.84% as the key Brexit blocker was removed at the end of the December. Other high yield markets lagged this move but were still up on the month (EUR HY +0.42% and USD HY +0.38%). The Coco index was also up 0.14% but EM was down on the month at -0.34%. The Fund returned 1.52% for the month.

Market Outlook and Strategy

Looking ahead, the portfolio managers expect the primary pipeline to remain strong and they will continue to participate while maintaining a selective and disciplined approach. They will also keep a close eye on Q4 and FY20 earnings releases to see how companies have fared through the most recent lockdowns.

The team will monitor developments on the COVID-19 front such as any delays to vaccine rollouts, new strains and restrictions being lifted.

The managers will continue to look for interesting opportunities in the credit markets and will look to take a slightly more pro-cyclical approach, albeit in a cautious manner.

Rolling Performance	31/01/2020 - 29/01/2021	31/01/2019 - 31/01/2020	31/01/2018 - 31/01/2019	31/01/2017 - 31/01/2018	29/01/2016 - 31/01/2017
NAV per share inc. dividends	5.03%	12.74%	-1.50%	13.84%	13.04%

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

Gary Kirk
Partner, Portfolio Management, industry experience since 1988.

Eoin Walsh
Partner, Portfolio Management, industry experience since 1997.

Mark Holman
CEO, Partner Portfolio Management, industry experience since 1989.

David Norris
Head of US Credit, Portfolio Management, industry experience since 1988.

Felipe Villarroel
Partner, Portfolio Management, industry experience since 2007.

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

T. 020 7015 8900 E. sales@twentyfouram.com W. www.twentyfouram.com

TwentyFour AM
John Magrath
Tel. 020 7015 8912
john.magrath@twentyfouram.com

Numis Securities
Chris Gook
Tel. 020 7260 1378
c.gook@numis.com

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