TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 26 February 2021

Market Commentary

February was an eventful month for markets with government bonds at the forefront of the volatility. US Treasuries were the main mover as expectations of a strengthening economy grew, inflation expectations increased and better-than-expected economic data spurred fears of the Fed withdrawing stimulus sooner than expected.

The bellwether 10-year UST traded in a 46bp range over the month, finishing just off its wides at 1.41%, but touching an uncomfortable intraday high of 1.60% in the latter part of the month; levels not seen since the COVID-driven volatility in early 2020. The moves were felt across most of the curve with the 30-year yield also reaching a one-year high and the 5s-30s curve hitting its steepest level in over six years. The sheer momentum of the move led to fears of a classic bear steepening and correlations broke down with risk assets selling off in the last week of the month as investors temporarily retreated to cash. Other sovereign bonds followed suit; the Australian 10-year bond yield soared 78bp over February and the Spanish 10-year traded in a 32bp range before finishing the month 5bp off the wides at 42bp. Fed speakers tried to steady the ship, with chair Jerome Powell reiterating the board's stance that they were in no rush to pull back on stimulus given excess capacity in the labour market. Adding to the debate and market concerns, the US House of Representatives passed President Biden's $1.9tr stimulus package. The bill, which includes a third round of direct stimulus checks for individuals, now has to make its way through the Senate.

In Italy, the recent political turmoil came to an end as the much-respected technocrat and former ECB president Mario Draghi took the helm as prime minister and was able to form a government with cross-party support, including a majority from the anti-establishment Five Star Movement. The new government won confidence votes in both the senate and the lower house of parliament. BTPs reacted positively with the 10-year yield reaching a tight of 46bp and the spread to Bunds falling beneath 100bp for the first time since 2016, before the contagion of the broader rates volatility took hold.

The vaccine rollout continued with the UK and the US delivering well on their targets, and the US approved Johnson & Johnson's one-dose vaccine to its list. Cases continued to fall broadly as restrictions remained in place for much of Europe.

Lastly, central bank activity was light with just the Bank of England's monetary policy committee meeting for the first time in 2021, leaving policy unchanged, while the Fed and ECB released minutes from their January meetings. The Fed minutes showed that the board is not currently concerned about inflation, a sentiment Powell reiterated in various speeches in February.

Portfolio Commentary

While the primary market wasn't as busy as the record supply levels seen in January, there were still some interesting deals in which the team participated. For example, Asda came with the biggest sterling high yield deal of all time. The deal was heavily oversubscribed and the bonds have performed well, trading above reoffer, which shows current strong appetite for high yield deals from investors.

The portfolio managers continued to take profits on bonds that had rallied significantly, allowing them to rotate into more interesting opportunities.

Despite the broader market volatility, credit markets were mostly up on the month with the Coco index and European high yield leading the way, both at +0.59%, closely followed by the US and sterling high yield markets (+0.35% and +0.51%, respectively). Emerging markets underperformed, finishing the month down 0.68%.

The Fund returned 0.91% for the month.

Market Outlook and Strategy

The team will keep a close eye on economic data and central bank comments as the inflation and tapering debate remains at the forefront. Similarly, the managers will see how the US stimulus bill does in the Senate as discussions kick off in March. In the UK the Chancellor, Rishi Sunak, will announce his budget on March 3; investors will be paying close attention to any new stimulus measures or extensions of existing ones.

The team will continue to look for interesting opportunities in the credit markets and for relative value switches to optimise the portfolio.

Rolling Performance	28/02/2020 - 26/02/2021	28/02/2019 - 28/02/2020	28/02/2018 - 28/02/2019	28/02/2017 - 28/02/2018	29/02/2016 - 28/02/2017
NAV per share inc. dividends	6.65%	10.27%	-0.56%	11.74%	19.49%

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