TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 28 May 2021

Market Commentary

Risk markets were fairly resilient in May despite increasing concerns over inflation. The S&P 500 and the Stoxx 600 reached new all-time highs over the month while the iTraxx Crossover index closed slightly tighter after a move wider early on in the month to finish at 247bp.

There was some surprising economic data in May, in particular the US non-farm payrolls print for April. The expectation was for a number close to 1m, however the actual print came in significantly below consensus at 266k, which is one of the biggest misses to the downside we can remember. This raised numerous questions for market participants, chiefly whether the problem was on the supply or demand side, and commentators scrambled to decipher what it might mean for US growth and Treasuries. Further data showed a labour shortage, as businesses sought to recruit to meet high demand, possibly driven by the increase in unemployment benefits in the last stimulus round, with some businesses responding to the challenge by offering increased employment incentives. These headlines added further fuel to the narrative that the US economy could start to experience wage inflation. US CPI data also surprised by beating expectations; April CPI rose 0.8%, meaningfully higher than consensus expectations of 0.2%, while the core number jumped 0.9%, the biggest increase since 1982. This again stoked fears that inflation would not be transitory, feeding into concerns about a pull-back in central bank stimulus and a possible 'taper tantrum'. US Treasuries were resilient in the face of these worries, finishing the month tighter at 1.60% having reached highs of 1.69% earlier in the month.

May was quiet on the central bank front with only the Bank of England meeting and keeping policy unchanged. There was one vote from chief economist Andy Haldane to reduce the level of quantitative easing (QE) from £875bn to £825bn, but there was little support for the move and this was Haldane's penultimate meeting before he leaves the policy committee. Various officials did acknowledge, however, that strong growth could lead to rates being revised earlier than expected, leading to increased expectations of a rate rise next year. The Fed released minutes from its April meeting, which showed that some members were starting to muse about the possibility of tapering, but overall their messaging was largely unchanged with the Fed reiterating its view that inflation will be transitory.

Portfolio Commentary

The new issue market wasn't as active as is often the case for May when issuers typically tend to bring new deals ahead of the summer lull, and while there were some interesting deals, the team noted that many were being tightened aggressively from initial guidance and many have also not performed well on the break, validating their view that it is important to be selective.

Risk markets performed well in May with emerging markets and the Coco index leading the way at +0.74% and +0.56%, respectively. High yield indices lagged slightly but still generating good returns for the month (sterling HY +0.19%, European HY +0.20% and US HY +0.29%).

The fund returned 0.87% (NAV per Share) in May.

Market Outlook and Strategy

Things will be busy on the central bank front in June with the BoE, the Fed and the ECB all scheduled to meet. The market will be watching closely for any changes in tone and messaging from all three as investors weigh up when they will start to taper. The US non-farm payroll number for May is due at the start of June and will also be closely scrutinised following the big miss last time, and this could set the tone for the month if it surprises again.

Rolling Performance	29/05/2020 - 28/05/2021	31/05/2019 - 29/05/2020	31/05/2018 - 31/05/2019	31/05/2017 - 31/05/2018	31/05/2016 - 31/05/2017
NAV per share inc. dividends	24.60%	-4.12%	2.23%	6.38%	16.77%

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.

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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