

# TwentyFour Select Monthly Income Fund

Monthly Commentary | 30 June 2021

## Market Commentary

Risk markets maintained their solid footing in June despite the Delta variant of COVID-19 increasing in many areas. Although cases in some geographies increased, hospitalizations and deaths remained low as the vaccines seem to be working. The S&P 500 and the Stoxx 600 both finished the month higher whilst the iTraxx Xover index closed nearly 15bps tighter.

The Fed meeting was the focus of the month as the market looked for any signal of tapering ahead. Fed Chair Jerome Powell stated during the press conference that the “talking about talking” about tapering had happened, and the dot plots were revised and showed a slight shift with the median dot in 2023 now pricing in two rate hikes (vs zero hikes in the last update). US Treasuries reacted to the news by selling off, with the bellwether 10-year closing the day around 8bps wider at 1.507%, but they finished the month off the wides at 1.469%.

Staying with the US, one of the key data releases was the Consumer Price Index for May, which showed a 5% increase in the rate of inflation year-on-year and +0.6% on the month; both were above expectations (+4.7% and +0.5% expected). Moreover, the YoY increase increased at the highest pace since August 2008. Despite this, markets took the jump in their stride, and US Treasuries rallied after the data release, signalling there may be some technical factors at play in the Treasury market.

The ECB and the BoE also met for their monetary policy meetings, but there was little change from either. The G7 also convened in Cornwall in the UK early in the month, where climate change and trade talks were in focus.

## Portfolio Commentary

The portfolio managers increased their allocation to CLOs as the sector continues to look very attractive, and the team expect some interesting new

deals. Elsewhere, the team looked to optimize the AT1 bucket by reducing short-call bonds and rotating into other AT1s that offer better value.

The new issue market remained active with some interesting opportunities, but the team remained selective on credits and disciplined on pricing as some deals are being tightened close to, or through, fair value and are not performing well in the secondary market.

It was a good month for risk-on assets with US high yield leading the charge, finishing June up +1.37%, with the other high yield indices lagging slightly (Sterling high yield +0.72% and European high yield +0.58%). The coco and emerging market indices also performed well, finishing the month up +0.97% and +0.92%, respectively.

The fund returned +0.75% for the month (NAV per Share total return), with the financial assets the best performers on a total return basis (insurance sector, followed by the banking sector).

## Market Outlook and Strategy

The portfolio managers will pay close attention to the Fed and ECB meetings in July and look for any change in rhetoric or signals of potential tapering. In addition, Q2 earnings will begin, and the team will scrutinize these closely, in particular for any comments on inflation.

Whilst the primary market may be quieter than in previous months, the team will continue to look for interesting opportunities. The portfolio managers will also continue to search for attractive relative value switches to optimize the portfolio, particularly in the financials space.

Rolling Performance	30/06/2020 - 30/06/2021	28/06/2019 - 30/06/2020	29/06/2018 - 28/06/2019	30/06/2017 - 29/06/2018	30/06/2016 - 30/06/2017
NAV per share inc. dividends	20.46%	-2.09%	4.83%	5.28%	19.56%

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

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Further information on fund charges and costs are included on our website at [www.twentyfouram.com](http://www.twentyfouram.com)

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