TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 30 July 2021

Market Commentary

It was a relatively muted and mixed performance from risk assets this month as concerns over the Delta variant weighed on market sentiment. The EuroStoxxx 50 was up only +0.62%, the S&P 500 was up +2.7%, whilst the iTraxx Xover index widened by c.4bps.

COVID-19 cases ticked up in some geographies as the spread of the Delta variant increased. However, hospitalisations and deaths remained low, so many countries continued with their planned easing of restrictions. The signs of reopening were evident in the US CPI inflation print for June, with the monthly number up +0.9% versus the expected +0.5%, taking the Year-on-Year reading to +5.4% (vs 4.9% consensus); both numbers are the most robust prints since 2008. Hotel rooms, airline fares and rents played a role but used car prices, which saw an increase of 10.5% in June, yet again were among the most significant contributors.

Staying with the US, the FOMC met for the last time before the summer break (to return in September) but made no changes to policy as was largely expected. In the conference after the meeting, Chairman Powell stated that progress had been made to their goals but indicated further improvement was needed, gave no signal of when tapering might begin but hinted conversations regarding the issue had begun.

US Treasuries were unfazed by any inflation and tapering concerns, and yields continued to grind tighter. The 10-year Treasury tightened nearly 25bps over the month to finish at 1.22% as technical factors outweighed other considerations, and concerns over the Delta variant increased demand for risk-off assets.

Earnings season kicked off in July, with most companies generally reporting strong numbers. In addition, various company managers commented on the increased cost of supplies, pressure on supply chains and indicated firms might pass price increases on to end customers, adding further fuel to the inflation debate.

Portfolio Commentary

The team remained disciplined and trading activity was subdued, as the markets continued to grind tighter and new opportunities remained scarce. The PMs added McLaren, which came to the market with a new issue that well received. Likewise, they added a number of secondary positions, such as TELSAT, a Canadian telco company, along with a number of CLOs.

Risk-off outperformed risk-on in July, but both posted positive returns. In credit, EM underperformed and was up only +0.12%, whilst the Coco index and high yield indices all posted better gains (Coco +0.42%, European high yield +0.41%, Sterling high yield +0.42% and US high yield +0.36%).

The Fund was well positioned and returned 0.42%, with EM and US HY both detracting from performance, with CLOs being the biggest contributors to performance, followed by the subordinated bank sector.

Market Outlook and Strategy

Looking ahead, a big date for the diaries is the Jackson Hole Symposium at the end of August. The event will be watched closely for any comments from Fed members, particularly chairman Powell, to indicate when tapering might begin in the US. However, before that, the Non-Farm Payrolls and CPI numbers, being reported in early August, could set the scene for a difficult period for the Fed, if both come in above expectations.

Elsewhere, earnings season continues with many European and UK banks set to report. The team will examine these closely and keep a close eye on the number of COVID-19 cases, the spread of the Delta variant and hospitalisations as restrictions continue to ease.

Rolling Performance	31/07/2020 - 30/07/2021	31/07/2019 - 31/07/2020	31/07/2018 - 31/07/2019	31/07/2017 - 31/07/2018	29/07/2016 - 31/07/2017
NAV per share inc. dividends	18.20%	-0.41%	4.62%	4.48%	17.96%

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