

TwentyFour Select Monthly Income Fund

Monthly Commentary | 31 August 2021

Market Commentary

Markets remained steady in August, with the S&P up 3.09% on the month and the EuroStoxx 50 +2.10. Meanwhile, in credit, the iTraxx Xover index tightened over 8bps.

The most significant event of the month was the Jackson Hole Summit at the end of August and the much-anticipated speech from Fed Chair Jerome Powell. Powell deviated little from the rhetoric of his recent FOMC statement and gave no further direction on the timing of a potential tapering of Fed purchases. However, he specifically stated that the FOMC would like to see how the labour market develops over the coming months. This sentiment followed robust nonfarm payrolls (NFP) earlier in the month, with the July NFP print at 943k (vs consensus of 870k) and the unemployment rate falling from 5.9% to 5.4%, again beating consensus estimates of 5.7%. The US CPI prints also showed inflation keeping steady at the high levels of 0.5% MoM and 5.4% YoY, but Chair Powell maintained that inflation would prove transitory. The US 10-yr Treasury traded in a c.19bps range over August, closing the month slightly wider at 1.31%.

In the UK, the BoE met early in the month and made no policy changes. However, the Monetary Policy Committee did signal they were considering when to implement tighter policy in the future. UK 2Q GDP came in below expectations at 4.8% vs 5% as labour shortages, and the spread of the COVID-19 Delta variant impacted growth.

Elsewhere, the US Senate passed a \$1 trillion infrastructure bill with a final vote of 69 vs 30, giving President Biden a bipartisan win before he came under pressure over his withdrawal of troops from Afghanistan. Also, earnings season continued in Europe and the UK and companies generally.

Portfolio Commentary

The portfolio managers kept allocations essentially unchanged over the quiet summer month. August is typically a quiet month for primary however, there were still a few deals for the team consider. Many deals were heavily oversubscribed, signalling the presence of a significant amount of cash on

the sidelines. In addition, the team participated selectively in some deals due to mixed performance in the secondary market, and some deals tightened considerably from initial guidance.

Risk-on assets were up on the month in August, led by Emerging Markets which posted a return of +0.82%. Other sectors were not far behind, with US high yield and Sterling high yield both at +0.55% and Cocos at +0.50%. Euro high yield lagged slightly but still positive at +0.34%.

Over the month, the fund returned 0.73%, with fund's positions in CLOs and AT1s contributing most at 0.20% and 0.15%. All the fund's sectors contributed positively to performance in August.

Market Outlook and Strategy

The team will keep a close eye on economic data from the US, especially inflation and jobs prints, as they look for a signal of when the Fed may announce a start to tapering. Labour market data, in particular, will be important following Fed Chair Powell's comments at Jackson Hole. It is increasingly unlikely that the Fed will announce a start of tapering at the September Fed meeting. Accordingly, with no FOMC meeting in October, the market will closely scrutinise economic data before a potential announcement or change in Fed rhetoric in November.

Elsewhere, participants will closely watch the German elections on September 27th, with Angela Merkel's CDU lagging in some polls. The CDU's poor polling increases the chances of the first 'left-of-centre' German coalition government over 16-years, raising concerns about higher spending and taxes in the most important Eurozone economy.

The team expect primary market activity to pick up post the summer lull. Overall, the PMs view the backdrop as remaining supportive for credit spreads, but various factors could increase market volatility over Q4. Hence the portfolio management team intends to maintain their selective stance and participate where there they see clear relative value opportunities.

Rolling Performance	28/08/2020 - 31/08/2021	30/08/2019 - 28/08/2020	31/08/2018 - 30/08/2019	31/08/2017 - 31/08/2018	31/08/2016 - 31/08/2017
NAV per share inc. dividends	16.33%	2.04%	4.65%	3.52%	15.37%

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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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

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

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