TwentyFour

Select Monthly Income Fund

This Factsheet is for professional UK investors only/not for public viewing or distribution

Market Commentary

Conditions in January made for a difficult opening month for markets, as the Fed's hawkish pivot became apparent and tensions flared between Russia and Ukraine. As a result, the S&P finished posted negative returns of -5.3%, while the EuroStoxx 50 fell by -2.9% despite some recovery month-end. Meanwhile, in credit, the Itraxx Xover index finished the month 44bps wider at 286bps.

At the beginning of the month, the release of the Fed minutes showed a growing consensus among Fed presidents that decisive action is required to deal with the threat of inflation, including references to quantitative tightening later this year. Moreover, following the minutes, many FOMC members intimated support for four rate hikes this year – a level of hawkishness that surprised the market to the upside and reinforced the fact that a hiking cycle was imminent. This concern increased after a US inflation print of 7% YOY and a continuing tightening of the Labour market, with the Unemployment rate coming in at 3.9%.

In geopolitical news, the tensions on the Russia/Ukraine border intensified as Russia increased their troops in the area leading to a war of words between NATO and Russia and a threat of sanctions on Russia if they were to invade. The elevated tension placed market participants on high alert due to fears of adding to the inflationary pressures already at the forefront of market concerns.

The Fed had its first meeting of the year in late January, and whilst the official statement seemed relatively neutral, Powell's press conference was more hawkish. The Fed Chair reflected that every meeting this year could be live and described inflation as *prolonged* rather than *transitory*. As a result, the market began to price in five hikes for 2022, with a clear preference emerging for higher rates and possible quantitative tightening led to a steep sell-off in stocks, especially in the Nasdaq, due to stretched valuations and a reduction in market liquidity. This weak sentiment also began to seep into credit markets towards the end of the month.

There was also some volatility in Italy during January as the Presidential election occurred. Prime minister Mario Draghi put his name forward for president, leading to fears of a snap election and the restoration of political disruption after a relatively calm period in Italian politics. Eventually, the Italian electorate re-elected Sergio Mattarella as president, and Draghi remained as Prime Minister avoiding any uncertainty.

Portfolio Commentary

Primary issuance began the month strongly. However, weak market sentiment suppressed high yield demand. The team continued to conduct relative value switches to improve the portfolio and selectively add CLOs, where the team sees good value due to them being floating rate and the current low default rates in high yield credit.

It was a weak month for risk-off assets, as inflation concerns saw negative returns across the spectrum. UK Gilts were the poorest performing, returning -4.03%, whilst US Treasuries and European Governments also sold off (returning -1.89% and -1.07% respectively). In risk-on markets, there were also negative returns across the board. Again, US high yield and emerging markets led the way, posting -2.75% and -2.25% for the month, respectively. Meanwhile, the COCO, European, and Sterling high yield indices returned -1.79%, -1.53% and -1.36%, respectively.

Against that backdrop, the fund returned -0.98% (NAV per Share total return).

Market Outlook and Strategy

The market expects a 25bps hike from the Bank of England at the start of February and will be attentive to forward guidance from the MPC, which has been lacking recently. Likewise, whilst there is no action expected from the ECB at this month's meeting, we will look to whether Lagarde talks down any rate hikes for this year – with the market currently pricing in two 10bps hikes. The team will also closely monitor labour and inflation data, along with FOMC member comments, before the Fed meeting in March.

The team will attempt to take advantage of any volatility we see over the coming months to improve the portfolio. We expect a steady new issue supply which should offer some good new issue premium, and the team will participate in attractive deals.

Rolling Performance	31/01/2022 - 31/01/2021	31/01/2020 - 31/01/2021	31/01/2019 - 31/01/2010	31/01/2018 - 31/01/2019	31/01/2017 - 31/012018
NAV per share inc. dividends	4.84%	4.95%	12.74%	-1.50%	13.84%

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.

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.

Fund Managers

Charlene Malik
Portfolio Management, industry experience since 2012.

David Norris
Head of US Credit, industry experience since 1988.

Eoin Walsh
Partner, Portfolio Management, industry experience since 1997.

Felipe Villarroel
Partner, Portfolio Management, industry experience since 2007.

Gary Kirk
Partner, Portfolio Management, industry experience since 1988.

George Curtis
Portfolio Management, industry experience since 2012.

Mark Holman
CEO, Partner Portfolio Management, industry experience since 1989.

Pierre Beniguel
Portfolio Management, industry experience since 2010.

Further Information

TwentyFour ASSET MANAGEMENT

TwentyFour AM
John Magrath
Tel. 020 7015 8912
john.magrath@twentyfouram.com

Numis

Numis Securities
Sam Murphy
Tel. 0207 260 1232
s.murphy@numis.com

Further Information and Literature:
TwentyFour Asset Management LLP

T. 020 7015 8900
E. sales@twentyfouram.com
W. twentyfouram.com

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