TwentyFour

Select Monthly Income Fund

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Market Commentary

February was a challenging month for markets due to a continued hawkish shift from central banks and the full scale invasion of Ukraine by Russia. The S&P was down by 3.1% for the month, and the EuroStoxx 50 finished down by 6.0%, while in fixed income, risk free yields tightened abruptly at the end of the month as a flight to quality began, reversing the tightening experienced earlier in the month. Meanwhile, credit spreads widened sharply, continuing their poor start to the year.

The month began with the Bank of England surprising the market by only narrowly voting against a 50bp hike. The Monetary Policy Committee's concerns of entrenched inflation due to wage pressures led the market to price in a UK bank rate of 2% by the end of the year, up from 1.5% at the beginning of the month.

Meanwhile, after the ECB's February meeting, it was clear that a hike was on the table for 2022, something considered extremely unlikely at its previous December meeting. As a result, European government bond yields moved sharply higher, particularly in the periphery. In the US, the short end of the Treasury curve shifted up further after a strong Nonfarm Payroll release and another inflation beat of 7.5% year-on-year as the market began to price in 7 hikes from the Fed for 2022.

The US and the West became increasingly concerned as Russia amassed more soldiers on the Ukrainian border as the month progressed. Putin and senior Russian officials repeated that there was to be no invasion. While the market saw the chance of a Russian incursion in the East of Ukraine, the news that Putin launched a full-scale invasion targeting Kyiv and other major cities shocked the market. The West responded with far-reaching sanctions encompassing almost everything except energy. The effect of sanctions threw Russian markets into disarray as the rouble plummeted and stock trading froze. Further afield, markets fell as investors attempted to clarify the quickly evolving situation and the impacts it may have.

Portfolio Commentary

New issuance became extremely subdued as risk sentiment fell. As a result, the team conducted relative value switches and added selectively to specific names that they believed oversold due to the the rise in additional volatility.

It was a very weak month for risk assets. Emerging markets, European high yield and CoCos performed most poorly with the indices returning -3.88%, -3.23% and -3.62%, respectively. Meanwhile, UK and US high yield returned -2.06% and -0.90%. Despite a late rally, risk-off assets also had negative returns across the board, as the market priced in more hikes from the central banks. European government bonds performed most poorly, returning -1.83%, whilst US Treasuries and UK Gilts returned -0.76% and -1.45%, respectively.

Against, that backdrop the Fund returned -2.30% during February.

Market Outlook and Strategy

The market will monitor the Russia and Ukraine crisis very closely to see how long it is likely to last, the breadth of any additional potential sanctions the West may impose and their possible effect on the broader global economy. Elsewhere, the Fed, ECB and Bank of England all meet in March in three key meetings where we should gain a greater idea on the possible paths of the central banks during 2022.

The portfolio managers will closely watch the current geopolitical tensions to clarify their possible implications. The team will still avoid interest rate duration as the recent crisis has only added to the already high inflationary pressures. The team will continue to conduct relative value switches to improve the portfolio and selectively add to names that have excessively sold off amid the volatility. However, any potential investments will possess neither direct or indirect material exposure to the current crisis in Ukraine.

Rolling Performance	26/02/2021 - 28/02/2022	28/02/2020 - 26/02/2021	28/02/2019 - 28/02/2020	28/02/2018 - 28/02/2019	28/02/2017 - 28/02/2018
NAV per share inc. dividends	1.50%	7.54%	10.27%	-0.56%	11.74%

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