TwentyFour ASSET MANAGEMENT

Fund Commentary | 30 November 2022

TwentyFour Select Monthly Income Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

November was a strong month for markets due to US inflation coming in below consensus, some dovish rhetoric from the Fed and positive news on Europe's energy situation. As a result, the S&P returned 5.4% for the month and the Eurostoxx 50 returned 9.6%. In fixed income, the 10-year US Treasury came in from 4.09% to 3.61% and the Crossover index rallied by 96bp to 459bp.

Sentiment in risk assets shifted early in the month after US Consumer Price Index (CPI) inflation data for October came in below expectations, with the headline year-on-year figure at 7.7% (7.9% expected) and the month-on-month number at 0.4% (0.6% expected). Core inflation was also below consensus with the lowest month-on-month print since September 2021. Treasuries immediately rallied and risk assets followed.

Treasuries continued their rally as the Fed's FOMC minutes showed that in reference to rate hikes, "a substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate". The Fed chair, Jerome Powell, reiterated that tone later in the month, saying "colleagues and I do not want to overtighten". This led the market to fully price in a 50bp hike for the December meeting, after the fourth consecutive 75bp hike in November. However, Powell did also pay attention to the still very tight labour market as non-farm payrolls (NFPs) showed another 261k jobs were added to the US economy. As a result, he underlined that the Fed's forecasted dot plots may need to be revised upwards from those made in September, and policy will need to stay restrictive for a long time. Nevertheless, the market it seems prioritised the dovish sentiment.

November's Eurozone inflation data also came in soft with the year-on-year figure at 10.0% (10.4% expected), down from October's 10.6%. Rhetoric from European Central Bank officials remains mixed between doves and hawks on future rate hikes and quantitative tightening, however a 50bp hike is being priced in for December and then it seems data will lead the way. In the UK, the Bank of England hiked by 75bp in November as expected to a base rate of 3%. Rishi Sunak's premiership kept markets calm after the previous month's volatility and Gilts, along with Bunds, followed the UST yield move downwards.

Protests in China over COVID restrictions led to some volatility later in the month, though it is thought this the government will relax its 'zero-COVID' approach, which could push up commodity prices but also help ease disruption to global supply chains.

Meanwhile, midterm elections produced divided government in the US, with the Republicans taking the House of Representatives and the Democrats holding the Senate, a result broadly well received the market.

Portfolio Commentary

New issuance increased in November with the better market conditions, mainly driven by high quality financial names, however there was also some high yield issuance towards the end of the month. The team continued to conduct relative value switches as market levels moved.

Risk-off markets rallied across the board, with US Treasuries and Bunds returning 2.81% and 2.20% respectively and Gilts returning 3.00%. In risk markets, US and European high yield posted 1.87% and 3.72% respectively, while UK high yield and CoCos returned 3.84% and 4.17% respectively.

Bank AT1s were the portfolio's top performer for the month, contributing 1.15%, followed by CLOs and insurance. In a strong month across sectors, European high yield (0.42%) outperformed US high yield (0.04%), while bank non-AT1 bonds added 0.41% and emerging markets 0.19%.

Market Outlook and Strategy

We The Fed, the ECB and the BoE are all expected to hike by 50bp at their December meetings, however the Fed's 'dot plot' forecasts and wider central bank forward guidance will be closely followed going into 2023. The team will also continue to closely follow inflation indicators as well as all labour market releases, and monitor the European energy situation, where recent news has been more positive.

The team will participate in attractive new issues and bottom-up relative value switches, and the managers will ensure credit quality is robust going into 2023

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	Annualised 5yr	Annualised 10y	Annualised Since Inception*
NAV per share inc. dividends	4.07%	-1.79%	-6.40%	-12.98%	-0.05%	1.68%	N/A	3.75%

Discrete Performance	YTD	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
NAV per share inc. dividends	-13.64%	7.48%	5.73%	11.94%	-1.41%	14.56%	8.20%	2.81%	N/A	N/A	N/A

Past performance is not a reliable indicator of future performance. The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. *Inception date: 10/03/2014.

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