TwentyFour
a boutique of Vontobel

Fund Commentary | 28 February 2025

TwentyFour Select Monthly Income Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- A 'risk-off' tone dominated market sentiment in February, with risk assets experiencing high levels of volatility and government bonds rallying sharply. These moves stemmed from a combination of weaker-than-expected US economic data and a reaction to the increasingly likely threat of US tariffs. US economic data released during the month included a downside surprise in the Services Purchasing Managers' Index of 49.7, which was significantly lower than the 53.4 expected by the Bloomberg consensus. In addition, the University of Michigan and The Conference Board's consumer confidence surveys were both below expectations, pointing to slower consumer demand than previously anticipated. At the beginning of the month, data showing a 0.9% decline in retail sales heightened these fears. Moreover, with President Donald Trump reiterating his position that the US will impose 25% tariffs on Canada and Mexico at the beginning of March, investors scaled back their expectations of US economic growth in 2025, which increased the likelihood of earlier interest-rate cuts. The market is finely poised as it tries to determine what the true implications of impending US tariffs will be on both the US and its trading partners. At the same time, investors are trying to establish how the geopolitical landscape will unfold given the uncertainty around President Trump's comments and actions.

- Fixed income markets in Europe followed the same risk-off trend, albeit to a lesser extent, as economic data was more in line with market expectations. It also emerged that Germany's designated new government was trying to engineer off-balance-sheet funds for defence and infrastructure spending before taking office. This suggests the tide has turned for Europe's willingness to spend on defence, and translates into the possibility of higher economic growth than previously expected through government spending.

- In the financials space, European banks' full-year 2024 reporting season has thus far shown the resilience of the sector in terms of profitability, capital positions and asset quality. Despite the outlook for lower rates, the banking sector has continued to strengthen its non-interest fee income, while credit provisions remain below the average for a cycle. This has helped to facilitate a highly active primary market, with Additional Tier 1 issuance reaching €16bn equivalent in the year to date, more than double the volume seen over the same period in each of the past five years. The deluge of supply was met with strong demand for paper as investors took the opportunity to lock in attractive yields for high-quality banking names. High-yield supply, on the other hand, has underwhelmed, adding to the strong technical that built up towards the end of last year.

- The risk-off sentiment in February meant that fixed income markets performed strongly, with the US Treasury index posting a total return of +2.25%, while UK gilts (+0.82%) and German bunds (+0.66%) were also in positive territory. Despite the volatility, credit performed well again, with spread tightening at the beginning of February only partly offset by widening towards the end of the month. European and US high-yield indices returned +1.17% and +1.72%, respectively, while the Contingent Convertible bond index outperformed again with +2.00%.

Portfolio Commentary

- As earnings season picked up in February, primary issuance slowed. As a result, the portfolio managers (PMs) were more active in the secondary market, which continued to be highly liquid and facilitate attractive relative value switches. The PMs continued to replace amortising CLOs with new paper, while on the financials side, new issues were added primarily through Alternative Tier 1s (AT1s), which remain attractive relative to other pockets of fixed income.

- The Fund was well-positioned to benefit from the fixed income rally, posting a total return of +1.19% in February. The largest contributors were CLOs (+0.36%) and bank AT1s (+0.18%). The latter benefited from a strong fourth-quarter earnings season, with high profitability, capital positions and asset quality. There were no detractors from the Fund's performance over the month.

Market Outlook and Strategy

- The economic and geopolitical developments thus far in 2025, although significant and unexpected in certain cases, have not changed the macroeconomic outlook too dramatically in the PMs' views. US economic growth expectations are gradually decelerating in line with the Bloomberg consensus towards 2% in 2025, from close to 3% last year, but remains at a robust level. News around the imposition of US tariffs will continue to be a determining factor in both the level of market volatility and expectations around the future path of interest rate cuts, as will economic data in the US and Europe.

- As for spread products, given that the macroeconomic outlook has not changed too much despite all the headlines, fundamentals remain solid for companies and banks. The technical has rarely been this strong, and the PMs find it unsurprising that spreads have not moved much. They continue to believe that this will be a year of carry more than capital gains, that economies will grow closer to their potential rate of growth and that central banks will cut rates slowly but surely as there is less need to be restrictive.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
NAV per share inc. dividends	1.19%	4.30%	7.99%	16.71%	8.60%	6.93%	6.69%	6.40%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
NAV per share inc. dividends	2.81%	17.69%	17.60%	-12.92%	7.48%	5.73%	11.94%	-1.41%	14.56%	8.20%	2.81%

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

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- Success of single security analysis and active management cannot be guaranteed
- It cannot be guaranteed that the investor will recover the capital invested
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility
- Interest rates may vary, bonds suffer price declines on rising interest rates
- Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognised capital markets
- 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's investments may be subject to sustainability risks. The sustainability risks that the Fund may be subject to are likely to have an immaterial impact on the value of the Fund's investments in the medium to long term due to the mitigating nature of the Fund's ESG approach
- The Fund's performance may be positively or negatively affected by its sustainability strategy
- The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers
- Information on how environmental and social objectives are achieved and how sustainability risks are managed in this Fund may be obtained from **twentyfouram.com/sustainability**

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.

George Curtis
Portfolio Management, industry experience since 2012.

Pierre Beniguel
Portfolio Management, industry experience since 2010.

Further Information

TwentyFour
a boutique of Vontobel

TwentyFour AM
TwentyFour Sales
Tel. 020 7015 8900
sales@twentyfouram.com

Deutsche Numis

Deutsche Numis
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/view/GG00BJVDZ946/twentyfour-select-monthly-income-fund