TwentyFour
a boutique of Vontobel

Fund Commentary | 31 March 2025

TwentyFour Select Monthly Income Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- The 'risk-off' tone that developed in February carried through into March as US President Donald Trump continued to drive forward his tariff agenda. Trump began the month by announcing the imposition of a 25% tariff on all aluminium and steel exports to the US, which prompted reciprocal measures from trading partners. This included Canada, which imposed counter-tariffs of 25% on over $20bn of US goods. By the end of the month, the US had imposed 25% tariffs on all automotive imports ahead of 2 April, when Trump is expected to apply further sweeping tariffs on US imports. Investor scepticism around the impact of such tariffs on US GDP increased, with economic growth forecasts revised as business confidence declined amid uncertainty about policy and the wider macroeconomic backdrop. The effects are also expected to be compounded by accelerating inflation, prompting economists' fears of stagflation in the US.

- To compound the market volatility, Germany unexpectedly announced plans for one of the largest fiscal regimes in history as leaders of the Social Democrats and Christian Democrats said they were set to approve three material changes to the country's debt limits. These included €500bn for infrastructure investment, an exemption from the 'debt brake' for defence spending above 1% of GDP and a rise in the net borrowing cap for federal states from 0% to 0.35% of GDP. The announcement resulted in a sharp move wider in German bund yields as investors expect it to lead to an increase in the supply of bunds in both the near and medium term. At the same time, they expect it to promote economic growth, thereby reducing the need for the European Central Bank to cut rates at the pace the market had previously anticipated. As a result, bunds underperformed US Treasuries in March.

- Spreads across high-yield indices widened noticeably over the month as investors grew wary of the impact of impending tariffs on corporate profitability. Spread decompression was also seen among investment grade corporates, with US corporate spreads widening more than their European counterparts. Primary markets were mostly quiet, before they sparked into life towards the end of March as issuers attempted to launch deals ahead of the US tariff announcements on 2 April. Despite the weaker credit environment, the majority of deals were met with strong investor demand, pricing at levels markedly tighter than initial indications, thanks to books that were many times oversubscribed.

Portfolio Commentary

- The portfolio managers (PMs) executed several changes within the portfolio during the month, responding quickly to the shifting macroeconomic landscape. The team reduced exposure to US high yield and investment grade corporates, favouring their European counterparts due to the uncertainty about US economic growth and what this will mean for domestic corporate profitability.

- The Fund posted a negative total return in March as elevated volatility impacted both corporate and government bond performance. The least negative contributor was European high yield as European corporates were seen to be less affected by the tariff headlines. The biggest detractor from the Fund's performance was collateralised loan obligations (CLOs), which suffered from a weakening technical due to the combination of heavy supply and market volatility.

Market Outlook and Strategy

- Market sentiment will continue to be driven by President Trump's tariff agenda, with 2 April a key date in investors' diaries as he is expected to give details of upcoming US import tariffs. Both the timing and severity of these measures will be important in determining the extent to which they will affect economic growth and, consequently, risk appetite among market participants. Forecasts of US economic growth could continue to be downgraded, while US inflation concerns are likely to mount in line with an acceleration of Trump's policy plans. Economic data will also continue to influence the market's expectation of the future path of interest rates, which has fluctuated significantly lately. The technical among corporate bonds has weakened marginally as a result of the elevated volatility, although we continue to believe that carry will be the main driver of returns for the remainder of the year.

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	Annualised 5y	Annualised 10y	Annualised Since Inception*
NAV per share inc. dividends	-1.18%	1.59%	4.97%	12.95%	8.20%	11.81%	6.48%	6.24%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
NAV per share inc. dividends	1.59%	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

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.

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Further Information

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Further information on fund charges and costs are included on our website at www.twentyfouram.com/view/GG00BJVDZ946/twentyfour-select-monthly-income-fund