TwentyFour
a boutique of Vontobel

Fund Commentary | 30 May 2025

TwentyFour Corporate Bond Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- May was a strong month for risk assets as resilient economic data and positive news around tariffs prompted investors to price out the likelihood of a global economic downturn. In equities, this unwound most of the market moves seen in the immediate aftermath of US President Donald Trump's 'Liberation Day' announcements in early April. The S&P 500 Index posted its biggest gain in over a year (+6.3% over the month), while credit spreads also tightened materially.
- However, government bond performance, particularly US Treasuries, suffered as fears about the US fiscal position mounted. This was compounded when Moody's Ratings stripped the US of its last AAA rating, citing increased credit risk due to years of high budget deficits and little prospect of improvement. As expected, US Treasury yields trended higher in the days following Moody's announcement, with the 30-year yield reaching an intraday peak of 5.15%, while risk assets were largely unaffected. The main drivers of US Treasuries in the coming months will likely be the opposing forces of a potentially higher fiscal deficit and an economy that is decelerating more quickly than expected at the beginning of this year due to tariffs. The added complication is that the latter might cause inflation to accelerate, at least in the short term, which means that volatility in rates is likely to continue.
- Positive developments on tariffs throughout the month also resulted in heightened primary market activity, with issuers deciding to launch deals at a time when volatility was subdued and a 'risk-on' sentiment dominated. Following in a similar vein to previous months, deals were typically many times oversubscribed, with investors looking to deploy spare cash amid continued strong inflows across high yield and investment grade corporates as well as financials. European banks enjoyed another solid quarterly reporting season, with executives confirming improved metrics and bullish full-year targets despite the macroeconomic uncertainty.

Portfolio Commentary

- Returns were essentially flat for the month, with the rise in rate yields offset to some extent by tighter credit spreads.
- Higher beta credit positions such as Alternative Tier 1s, corporate hybrids and other subordinated financials had the best returns.
- The portfolio's defensive stance was maintained.

Market Outlook and Strategy

- US tariffs have clearly weighed on spreads and other risk assets. With little clarity on what the final outcome will be for each country, uncertainty remains high and therefore the required return profile on risk assets for the managers to get involved remain higher, despite spread tightening in May.
- As such, the portfolio remains defensively positioned, with a lower-than-average beta, lower-than-average credit spread duration and higher-than-average government bond weighting.
- All-in credit yields remain attractive in an historical context in our view, and positive returns are expected over the next few years, with strong breakevens helping to provide downside protection against capital losses in uncertain times.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
GBP I Accumulation	-0.02%	0.05%	1.27%	5.88%	2.11%	0.10%	2.31%	2.25%
iBoxx GBP Corporate Bond Index	-0.08%	0.06%	1.27%	4.72%	1.42%	-0.66%	2.10%	1.99%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GBP I Accumulation	1.88%	4.91%	9.09%	-17.70%	-1.55%	7.56%	9.73%	-2.26%	7.21%	8.48%	N/A
iBoxx GBP Corporate Bond Index	1.73%	2.18%	9.70%	-18.37%	-3.19%	8.63%	11.03%	-2.20%	5.01%	11.83%	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, if applicable. 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 15/01/2015. The benchmark of the Fund is the IA £ Corporate Bond Sector however the secondary reference benchmark against which performance of the Fund may be compared is the iBoxx GBP Corporate Bond Index.

Key Risks

- Limited participation in the potential of single securities
- 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
- High-yield bonds (non-investment-grade bonds/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated bonds
- 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 www.twentyfouram.com/responsible-investment

Further Information and Literature:
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Further information on fund charges, costs and other important information pertaining to the fund can be found in English and free of charge on the fund pages of our website and/or in the relevant offering documents available at www.twentyfouram.com/document-library