TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 31 March 2021

Market Commentary

Volatility in risk-off markets was the focus in March. The US Congress passed President Biden's $1.9trn stimulus bill, which led to improving growth expectations and worries over inflation, causing Treasury yields to move higher. The benchmark 10-year US treasury reached its highest level in over a year as it passed through 1.7% to finish the month at 1.74%, having started March over 30bp lower. The FOMC meeting in the middle of the month was closely watched but did little to put a cap on yields. Despite increasing their GDP projections, inflation expectations and decreasing the unemployment rate forecast, the Fed maintained their dovish language, stating that the recovery was uncertain and uneven and that the rise in inflation would be transitory. The dot plots were also updated, but the median dot still showed rates on hold until the end of 2023.

Staying with the US, there was good news from Biden as he increased his vaccine pledge, stating the US would seek to administer 200mm vaccines in his first 100 days, up from his previous commitment of 100mm. Progress on vaccinations has allowed more states to relax restrictions, with some lifting them altogether. Economic data continues to improve robustly; for example the February NFP number was a strong beat at 376k versus consensus expectations of 200k. Likewise, a significant revision in January's number added further fuel to increasing growth expectations.

In contrast to the US, Europe's vaccine rollout faced another stumbling block as most of the Eurozone suspended use of the Oxford-AstraZeneca vaccine over concerns of blood clots. Additionally, several countries in Europe announced further lockdown measures or extensions to restrictions as cases continued to increase in the region and tensions between Europe and the UK rose, as Europe threatened to block vaccine exports to the UK. The relationship remains fraught, but the UK's vaccine rollout continues to go well, allowing the relaxation of some restrictions.

European rates were under pressure, in sympathy with the move in US Treasuries. The market was initially disappointed that the ECB didn't use more of the Pandemic Emergency Purchase Programme (PEPP) to stabilise yields. However, following the ECB meeting, President Lagarde confirmed the governing council had discussed increasing purchases under the PEPP and confirmed they would be more active in the months ahead.

In the UK, the Chancellor of the Exchequer delivered the UK Budget for the year ahead, which included an extension to the furlough programme. Also, the Bank of England voted unanimously to keep monetary policy unchanged, in line with expectations.

Portfolio Commentary

The primary market was active in March with some compelling deals for the team. For instance, Burford came with a new deal at very attractive levels; there was significant demand for the bond and it has subsequently performed very well in the secondary market.

Elsewhere, the portfolio managers looked to take profits on bonds that had rallied significantly and rotated into more interesting opportunities and focused on pro-cyclical names as the recovery gains momentum.

In risk-on markets, the Coco index outperformed, posting a return of +0.60%, closely followed by European high yield at +0.53%. US and Sterling high yield lagged but were still up on the month at +0.16% and +0.22%, respectively. The big underperformer was EM which finished the month down -0.80%.

The fund returned 0.62% for the month.

Market Outlook and Strategy

The team will keep an eye on vaccine rollouts to see if the recovery remains on track and any increase in tensions between Europe and the UK over exports of the vaccine and potential blocks. Also, it will be essential to watch for any increase in Covid-19 cases as some countries loosen restrictions and others may be forced to enforce additional lockdowns. The PM team also expect to pay close attention to the Fed and ECB meetings in April to assess any change in rhetoric or sentiment from either board, particularly the US jobs and inflation data, which are the key drivers of market sentiment at the current time. The forthcoming earnings season is also likely to be a key factor in market sentiment, and the PM team is looking forward to a pick-up in new issue activity to help create some new investment opportunities & relative value switches to optimise the portfolio.

Rolling Performance	31/03/2020 - 31/03/2021	29/03/2019 - 31/03/2020	29/03/2018 - 29/03/2019	31/03/2017 - 29/03/2018	31/03/2016 - 31/03/2017
NAV per share inc. dividends	36.85%	-13.55%	0.76%	10.15%	16.92%

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.

Fund Managers

Gary Kirk
Partner, Portfolio Management, industry experience since 1988.

Eoin Walsh
Partner, Portfolio Management, industry experience since 1997.

Mark Holman
CEO, Partner Portfolio Management, industry experience since 1989.

David Norris
Head of US Credit, Portfolio Management, industry experience since 1988.

Felipe Villarroel
Partner, Portfolio Management, industry experience since 2007.

Pierre Beniguel
Portfolio Management, industry experience since 2010.

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.

Further Information

Further Information and Literature: TwentyFour Asset Management LLP

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