TwentyFour ASSET MANAGEMENT

TwentyFour Select Monthly Income Fund

Monthly Commentary | 30 September 2021

Market Commentary

September was a weak month for risk-on assets generally, with the S&P closing down -4.76% and the EuroStoxx50 finishing -3.53%, as inflation and tapering weighed heavily on sentiment. Meanwhile, in Asia, new and onerous regulatory oversight and the potential failure of Evergrande added to investor angst.

Fears of market contagion grew from China's Evergrande, as the company edged closer to default and the market grew concerned about the fallout from a messy default of one of China's largest property developers and the form of any potential intervention from authorities. The situation remained ongoing as China enters Golden Week at the start of October.

As was largely expected, the FOMC kept policy unchanged, but did signal that tapering could begin very soon "if progress continues broadly as expected". Consensus now seems to be for the Fed's to announce tapering at its next meeting in November. The dot plots were updated to show that two more Fed members now expect a first rate hike in 2022, leaving the FOMC split down the middle. The median forecast now sits at 0.25% (previously 0.125%). The Committee also increased its inflation forecast, with Core PCE expected to finish 2021 at 3.7%, an increase on the previous forecast of 3.0%. All of this led to some relatively large moves in US Treasuries; the bellwether 10-year yield started September at 1.31% before widening by around 23bps to a high of 1.54%, before closing out the month slightly off the wides at 1.49%.

Meanwhile, the Bank of England's (BoE) Monetary Policy Committee kept policy unchanged but made some hawkish comments regarding the trajectory and quantity of future interest rate rises. Like the Fed, the BoE increased its inflation forecasts for Q4 to "slightly above 4%" from 4%. The UK has witnessed several inflationary pressures during the month with gas prices, fuel shortages and supply chain disruptions all in evidence. Accordingly, the August CPI print came in at 3.2% versus a consensus of 2.9%. The August figures followed a July reading of 2.0% and represented the largest monthly jump since records began. The yield on the 10-year gilt rose steadily over the month to finish at 1.02%, an increase of over 30bps.

Elsewhere, Germany went to the polls and the centre-left Social Democrats came out on top but only by a small margin so the main parties began coalition talks. Also, negotiations were underway to avoid the US debt ceiling deadline in mid-October.

Portfolio Commentary

The portfolio managers sought to take advantage of some of the opportunities available amid the market volatility and topped up some of the favourite positions in the secondary market.

The primary market was active, albeit not to the level the PMs expected, as the market weakness likely led to the postponement of some deals. As a result, the team selectively participated where they saw good value but remained disciplined on pricing.

September was a tough month for risk-on; EM was the main underperformer due to Evergrande contagion, and declined by -1.06%. The Coco index posted a negative return of -0.34%, whilst the high yield indices remained essentially unchanged (Sterling +0.05%, Euro -0.09% and US +0.03%).

Accordingly, during the month the fund returned 0.13%.

Market Outlook and Strategy

As the Fed and BoE do not have any scheduled meetings, we expect minimal central bank activity. Still, the team will keep a close eye on economic data and any "Fed speak" to establish if the FOMC remains on track to announce tapering at its November meeting.

The PMs will monitor the Evergrande situation and look for any contamination to other Chinese and emerging market corporates. In addition, the team will pay close attention to Q3 earnings, which will kick off this month and look closely at how companies are facing supply chain disruptions, labour shortages and increasing costs.

The team will selectively participate in the primary market, where they see attractive opportunities and will look to optimise the portfolio with relative value switches in the secondary market.

Rolling Performance	30/09/2020 - 30/09/2021	30/09/2019 - 30/09/2020	28/09/2018 - 30/09/2019	29/09/2017 - 28/09/2018	30/09/2016 - 29/09/2017
NAV per share inc. dividends	14.94%	2.53%	5.16%	3.47%	15.41%

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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