TwentyFour
a boutique of Vontobel

Fund Commentary | 31 March 2025

Vontobel Fund - TwentyFour Sustainable Short Term Bond Income

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

- Asset-backed securities led returns for the month, while senior non-financials also performed better than other credit sectors.
- Higher beta positions have started to see modest spread widening in the face of earnings and equity volatility, together with proposed tariffs from the US.
- The portfolio retains a defensive position, with a lower credit beta than normal, a low spread duration and 15% in government bonds.

Market Outlook and Strategy

- Germany's recently announced infrastructure and defence spending package is expected to provide a large fiscal boost over the next 10 years. The spending is likely to increase the country's debt-to-GDP ratio to the low 70% in the next decade, which should be positive for economic growth, although it will take many quarters to start bearing fruit.
- US tariff threats have weighed on spreads and investors need the details to determine what the market impact will be. For now, a defensive stance in the portfolio is warranted.
- Credit spreads reached the tightest levels since the global financial crisis, but have now started to widen. While the team does not have default concerns on any portfolio holdings, the risk of further spread widening is the base case. Thus, the portfolio retains lower credit spread duration and beta than the historical average for mark-to-market reasons.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
Class G	0.06%	1.34%	2.19%	5.71%	3.59%	2.83%	N/A	2.09%
SONIA + 250	0.59%	1.75%	3.65%	7.68%	6.75%	5.08%	N/A	5.01%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class G	1.34%	5.77%	6.52%	-4.21%	0.24%	N/A	N/A	N/A	N/A	N/A	N/A
SONIA + 250	1.75%	7.87%	7.36%	3.97%	2.59%	N/A	N/A	N/A	N/A	N/A	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 22/01/2020. SONIA used as a proxy for cash as a performance reference for illustration purposes only, there is no specific return objective or benchmark for the fund.

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 Sub-Fund's investments may be subject to sustainability risks. The sustainability risks that the Sub-Fund may be subject to are likely to have an immaterial impact on the value of the Sub-Funds' investments in the medium to long term due to the mitigating nature of the Sub-Fund's ESG approach
- The Sub-Funds' 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 Sub-Fund may be obtained from Vontobel.com/SFDR

Fund Managers

Chris Bowie
Partner, Portfolio Management, industry experience since 1992.

Gordon Shannon
Partner, Portfolio Management, industry experience since 2007.

Jack Daley
Portfolio Management, industry experience since 2011.

Johnathan Owen
Portfolio Management, industry experience since 2018.

Giorgio Serafino
Portfolio Management, industry experience since 2024.

Further Information and Literature:
TwentyFour Asset Management LLP

T. 020 7015 8900
E. sales@twentyfouram.com
W. twentyfouram.com

The Fund considers environmental, social and governance (ESG) factors in the investment process, utilising an integrated approach.
Information on the integration approach may be obtained from **https://www.twentyfouram.com/responsible-investment-policy**

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