

# Vontobel Fund - TwentyFour Sustainable Short Term Bond Income

This Commentary is a marketing communication for professional UK investors only

## Market Commentary

- Market volatility spiked as US President Donald Trump's tariff announcements at the beginning of April led to a significant sell-off in risk assets. The worse-than-anticipated tariff levels resulted in sharp downward moves in equity markets and higher beta credit. With high tariff rates predicted to have a negative impact on global economic growth and reaccelerate inflation, investors became increasingly concerned about the US economy falling into stagflation, which resulted in choppy price action among sovereign bonds. Following President Trump's announcement, risk assets saw their worst two-day run since the COVID-19 shock in 2020, with the S&P 500 Index down by 4.8% and 6.0% on the Thursday and Friday following the announcement, respectively, while European and Asian stock market indices also slid. There was a material widening in higher beta credit – European high yield and Contingent Convertible spreads widened by 45 basis points (bps) in the first week of April, while US high yield spreads widened by 90bps.
- As the month progressed, President Trump softened his stance on tariffs, announcing a 90-day pause on the reciprocal rates he had planned to impose on all countries except China. He also declared that the tariff on Chinese goods would be increased to 125%, prompting concerns about a trade war if an agreement could not be reached. Treasuries underperformed in the second week of April as the 30-year yield posted its largest weekly increase since 1987. Several reasons for this price action were cited, most notably the unwinding of 'basis trades'. Credit spreads tightened given the more positive tone around tariffs and US equities recovered some ground throughout the remainder of the month.
- Primary markets were inactive for much of April given the elevated levels of volatility. However, new issues towards the end of April were well digested by the market while even new deals in the high yield space were many times oversubscribed. Spread moves were negatively skewed towards the US given the heightened volatility in the country, but ended the month only marginally wider following the tariff reprieve.

## Portfolio Commentary

- Government bonds led returns for the month, given high spread volatility across many credit sectors.
- Lower beta credit positions, such as senior non-financials, senior banks and secured bonds, performed well.
- The portfolio retains a defensive position, with a lower credit beta than normal, low spread duration and 15% in government bonds.

## 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 later in April.
- 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, and good returns are expected over the next few years, with strong breakevens helping to provide downside protection against capital losses in uncertain times.

Cumulative Performance	1m	3m	6m	1y	Annualised			Since Inception*
					3y	5y	10y	
Class G	0.67%	1.35%	3.00%	6.49%	4.08%	2.70%	N/A	2.19%
SONIA + 250	0.57%	1.71%	3.58%	7.61%	6.86%	5.16%	N/A	5.04%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SONIA + 250	2.34%	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](https://www.vontobel.com/SFDR)

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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](https://www.twentyfouram.com/document-library)**

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It is not possible to invest directly in an index and they will not be actively managed.

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