

Fund Commentary | 31 January 2024

MI TwentyFour Investment Funds - Dynamic Bond Fund

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Market Commentary

January was a busy month for markets in terms of issuance and news flow. While government bond yields initially moved higher, reversing the strong rally at the end of 2023, these moves reverted again at the end of the month with the US 10-year Treasury yield just three basis points (bps) higher, at 3.91%. In risk assets, the S&P and Euro Stoxx were up 1.6% and 2.8% respectively, while the iTraxx Crossover moved 17bps wider from 311 to 328bps.

At the beginning of the month, the US job market showed that it was still in a very healthy condition, with 216k added to payrolls (versus 173k expected) and the unemployment number coming in lower than expected at 3.7%. Meanwhile, headline inflation came in at 3.4% year-on-year (YoY), versus 3.2% expected, with core inflation at 3.9%, versus 3.8% expected. The main driver was shelter, which was up by 0.46% month-on-month (MoM). The strong data was combined with comments from Federal Open Market Committee (FOMC) members to result in higher bond yields – Federal Reserve Bank of Atlanta President, Raphael Bostic, said he saw the first cut “in the third quarter this year”, while fellow FOMC member Christopher Waller said any cuts would be done “methodically and carefully”. The 10-year US Treasury yield saw a high of 4.17% in January.

The European Central Bank (ECB) also attempted to temper the markets moves from the end of 2023, with President Lagarde stating at the ECB press conference that it was “premature to discuss rate cuts”. Meanwhile, in the UK, the January Consumer Price Index (CPI) print saw a rebound in headline CPI, coming in at 4% YoY (versus 3.8% expected). Gilts sharply sold off, with the 10-year gilt yield climbing back above 4%.

Government rates did, however, move lower towards the end of January. This was driven first by the announcement that the US Treasury was lowering its borrowing estimate for Q1 from \$816bn to \$760bn, a larger decline in supply than expected by the market, and then from the news that New York Community Bancorp had posted a surprise loss that saw shares fall by 38% and led to some market fears again about the US regional banking sector.

The first month of 2024 saw a huge amount of issuance across the board, with Europe breaking its previous record of €293bn, with €351bn for the month of January. Meanwhile, in the US, there was \$176bn of issuance in investment grade alone, another January record. Credit overall performed well in the face of the large issuance, with book coverage strong.

Increased geopolitical tension was seen in the month as the US and the UK carried out strikes against Houthi rebels in Yemen following attacks on commercial ships in the Red Sea, which sparked some volatility in oil prices. Meanwhile, in US politics, Donald Trump won the first two primaries in the race for the Republican nomination and so seemingly only the courts can stand in the way of him being the Republican candidate for the 2024 presidential race.

Portfolio Commentary

The team maintained elevated liquidity, with 25% in US Treasuries. However, the team switched 2% in short-dated bills into 10-year paper as yields increased in the middle of the month. The portfolio managers added selectively in attractive new issues which offered premiums to the secondary markets, ensuring the quality of the portfolio was retained.

In government rates, Treasuries and Bunds indices returned -0.18% and -0.46% respectively, with gilts underperforming, returning -2.4% for the month. In credit, European and US high yield indices were up by 0.83% and 0.02% respectively, while UK high yield and contingent convertibles (CoCos) were up by 1.61% and 1.04%.

The Fund performed positively in January with returns of 1.35%. For sector contributions, CLOs were the biggest contributor with 0.59%, followed by insurance and AT1s both at 0.23%, with the lowest contributor being ABS at 0.02%, followed by banks at 0.05%.

Market Outlook and Strategy

Markets will continue to assess when the first interest rate cut is expected from the major central banks, with inflation and labour data continuing to be important metrics. Full year earnings results will soon come into full flow, which could also see some more issuance shortly afterwards.

The PMs will continue to look at suitable new issues and continue to look for opportunities to conduct relative value switches throughout the portfolio.

Cumulative Performance	1m	3m	6m	1y	Annualised				Since Inception*
					3y	5y	10y		
Class I Acc (Gross)	1.35%	9.65%	7.71%	7.06%	-0.60%	2.46%	3.51%	5.00%	
ICE BoAML Global Broad Market	-0.29%	6.70%	3.31%	3.01%	-3.39%	-0.08%	1.36%	2.16%	

Discrete Performance	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Class I Acc (Gross)	1.35%	9.60%	-13.26%	2.13%	6.55%	9.43%	-2.42%	8.89%	5.44%	3.61%	6.81%
ICE BoAML Global Broad Market	-0.29%	5.67%	-13.46%	-1.73%	5.30%	6.49%	0.02%	1.97%	3.64%	1.37%	8.07%

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. 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 26/04/2010.

Key Risks

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- 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
- Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognised capital markets
- Money market investments are associated with risks of a money market, such as interest rate fluctuations, inflation risk and economic instability
- 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 Funds' investments in the medium to long term due to the mitigating nature of the Fund's ESG approach
- The 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 Fund may be obtained from twentyfouram.com/sustainability

Fund Managers



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Portfolio Management, industry experience since 2012.



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



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



Felipe Villarroel
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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 and/or www.fundrock.com/mi-funds/twentyfour-asset-management/

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