

# Vontobel Fund - TwentyFour Sustainable Strategic Income Fund

This Commentary is a marketing communication for professional UK investors only

## 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, they 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%.

## 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.

## 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 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](http://Vontobel.com/SFDR)

## Fund Managers

---



**Charlene Malik**  
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**  
Partner, Portfolio Management,  
industry experience since 2007.



**George Curtis**  
Portfolio Management, industry  
experience since 2012.



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



**Pierre Beniguel**  
Portfolio Management, industry  
experience since 2010.



**Dillon Lancaster**  
Portfolio Management,  
industry experience since 2017.

Further Information and Literature:  
TwentyFour Asset Management LLP

T. 020 7015 8900  
E. [sales@twentyfouram.com](mailto:sales@twentyfouram.com)  
W. [twentyfouram.com](http://twentyfouram.com)

This marketing document was produced by TwentyFour Asset Management LLP ("TwentyFour"), a company of the Vontobel Group (collectively "Vontobel"), for institutional clients, for distribution in the UK. TwentyFour acts as delegated portfolio manager of the Sub-Fund discussed.

This document is for information purposes only and does not constitute an offer, solicitation or recommendation to buy or sell shares of the fund/fund units or any investment instruments, to effect any transactions or to conclude any legal act of any kind whatsoever. Subscriptions of shares of the fund should in any event be made solely on the basis of the fund's current sales prospectus (the "Sales Prospectus"), the Key Investor Information Document ("KIID"), its articles of incorporation and the most recent annual and semi-annual report of the fund and after seeking the advice of an independent finance, legal, accounting and tax specialist. This document is directed only at recipients who are institutional clients, such as eligible counterparties or professional clients as defined by the Markets in Financial Instruments Directive 2014/65/EC ("MiFID") or similar regulations in other jurisdictions, or as qualified investors as defined by Switzerland's Collective Investment Schemes Act ("CISA").

Neither the fund, nor the Management Company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of an assessment of ESG research and the correct execution of the ESG strategy. As investors may have different views regarding what constitutes sustainable investing or a sustainable investment, the fund may invest in issuers that do not reflect the beliefs and values of any specific investor.

Interested parties may obtain the above-mentioned documents free of charge from the authorized distribution agencies and from the offices of the fund at 11-13 Boulevard de la Foire, L-1528 Luxembourg. Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the Key Investor Information Document ("KIID"). These documents may also be downloaded from our website at [vontobel.com/am](http://vontobel.com/am). A summary of investors rights is available in English under the following link: [www.vontobel.com/vamsa-investor-information](http://www.vontobel.com/vamsa-investor-information). The fund authorised for distribution in the United Kingdom and entered into the UK's temporary marketing permissions regime can be viewed in the FCA register under the Scheme Reference Number 466625. The fund is authorised as a UCITS scheme (or is a sub fund of a UCITS scheme) in a European Economic Area (EEA) country, and the scheme is expected to remain authorised as a UCITS while it is in the temporary marketing permissions regime. This information was approved by Vontobel Asset Management SA, London Branch, which has its registered office at 3rd Floor, 70 Conduit Street, London W1S 2GF and is authorized by the Commission de Surveillance du Secteur Financier (CSSF) and subject to limited regulation by the Financial Conduct Authority (FCA). Details about the extent of regulation by the FCA are available from Vontobel Asset Management SA, London Branch, on request. The KIID can be obtained in English from Vontobel Asset Management SA, London Branch, 3rd Floor, 70 Conduit Street, London W1S 2GF or downloaded from our website [vontobel.com/am](http://vontobel.com/am).

Vontobel and/or its board of directors, executive management and employees may have or have had interests or positions in, or traded or acted as market maker in relevant securities. Furthermore, such entities or persons may have executed transactions for clients in these instruments or may provide or have provided corporate finance or other services to relevant companies.

Except as permitted under applicable copyright laws, none of this information may be reproduced, adapted, uploaded to a third party, linked to, framed, performed in public, distributed or transmitted in any form by any process without the specific written consent of Vontobel. To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you. Neither this document nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law. Persons who receive this document should make themselves aware of and adhere to any such restrictions. In particular, this document must not be distributed or handed over to US persons and must not be distributed in the USA.

TwentyFour Asset Management LLP is registered in England No. OC335015, and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 481888. Registered Office: The Monument Building, 11 Monument Street, London, EC3R 8AF. Calls may be recorded for training and monitoring purposes. Copyright TwentyFour Asset Management LLP, 2024 (all rights reserved).