TwentyFour
ASSET MANAGEMENT

Vontobel Fund – TwentyFour Absolute Return Credit Fund

September 2019

An easy to understand, long-only, unlevered fund that targets the very best risk-adjusted returns within fixed income.

We believe TwentyFour's Absolute Return Credit Fund has redefined the concept of 'absolute return', a sector which has become associated with poor returns, high volatility, large drawdowns and bewildering complexity. We boil absolute return down to just one word: predictability.

This fund is not designed to achieve the absolute maximum total return its managers' fixed income skill set could achieve irrespective of risk, because that is unpredictable. Instead we have set a lower but attractive return target, which we believe is achievable and meets an investor's acceptable level of risk but with a fraction of peers' volatility.

Investment objective

Aims to achieve a positive absolute return in any market environment over three years, while keeping a modest level of volatility.

Why invest?

A genuinely long only, unlevered bond fund, easy to understand and designed to keep volatility low.

A minimum of two-thirds of the Fund invested in short dated investment grade bonds, which have proven through every market cycle they have provided the very best risk-adjusted returns.

Strict limits on the asset classes, maturities, ratings and names the Fund can buy in order to help lower risks, limit volatility and still provide real opportunities to add value.

Rigorous backtesting before launch in 2015 proved the Fund's strategy would have delivered consistent returns even in bad years for credit such as 2008 and 2011.

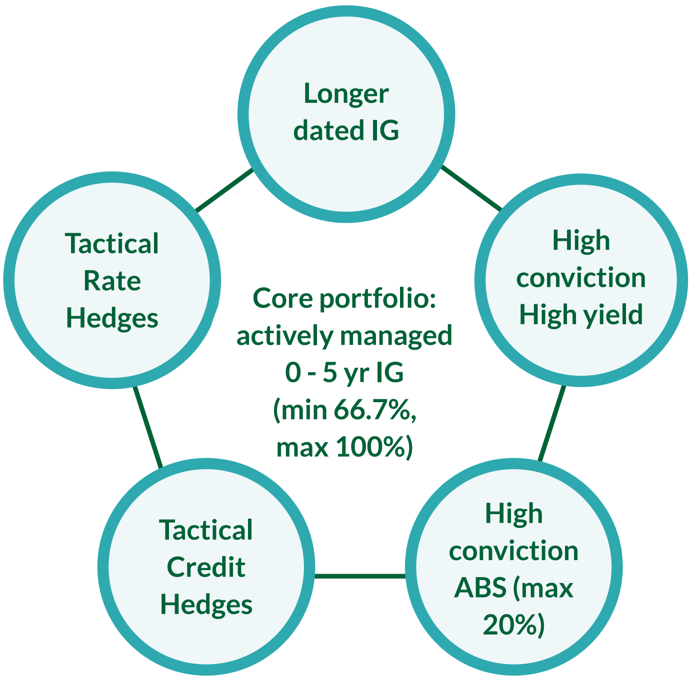
Highly focused on stock selection to help generate alpha and lower risks.

Fund characteristics

- Target returns of 250bp over Libor after fees, with volatility below 3% and limited hedging and derivative use.
- A genuinely long only, unlevered bond fund which is easy to understand and designed to keep volatility low.
- Strict limits on the asset classes, maturities, ratings and names the Fund can buy in order to help lower risks, limit volatility and still provide real opportunities to add value.
- Strong focus on stock selection seeking to generate alpha and lower risks. All bond positions have to pass a rigorous screening process to show that they have the ability to deliver good return potential with low expected volatility.

Investment universe

- A minimum of two-thirds of the Fund will be invested in investment grade bonds with a maturity of five years or lower, which our research has shown have proven through every market cycle provided the very best risk-adjusted returns within fixed income.
- Beyond this core portfolio, there are strict risk constraints – a maximum of 20% of the Fund can be invested in investment grade European ABS, 33% in government bonds, and 33% in sub-investment grade debt at any one time.
- We avoid frequent hedging as we believe it is too expensive and places unnecessary pressure on fund managers to call every market twist and turn with absolute precision. We use tactical rates and credit hedges to better control risk around infrequent extreme events.
- We have not designed the Fund to achieve the highest total return our skill set allows, irrespective of risk, because that is unpredictable. Instead we have set a lower, predictable but still attractive return target, which can be achieved by using our skill set to its maximum at an acceptable level of risk.



- Min 66.7% invested in 0-5 years Investment Grade bonds at all times.
- Max 20% Investment Grade European ABS.
- Max 33% government bonds and supranational.
- Max 33% non Investment Grade (minimum rating BB-).

Why short dated IG?

Our back-testing work showed these assets consistently generated strong returns with very low volatility and therefore we find it to be the best source of consistently high Sharpe ratios*

* Based on optimal model index analysis. Simulated past performance is not a reliable indicator of future performance and does not represent actual trading. It is not possible to invest directly into an index.

Investment team

We believe the blend of portfolio management and trading backgrounds gives TwentyFour a unique level of market insight. The team are able to draw on their experience gained through multiple market cycles and utilise the expertise of all 21 investment professionals at TwentyFour, with some starting in the fixed income markets in the mid-1980s. With no reliance on internal analysts we prefer a combination of our own analysis plus the ability to tap into a broad range of external research. Portfolio managers execute their own trades and direct interaction with sell-side counterparts helps to builds invaluable knowledge of the market's technical picture as well as our ability to maximise efficient execution. The blend of portfolio management and trading backgrounds gives TwentyFour a unique level of market insight.

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

Gordon Shannon
Portfolio Manager, industry experience since 2007.

Graeme Anderson
Chairman, Partner, Portfolio Manager, industry experience since 1986.

Jack Daley
Portfolio Assistant, industry experience since 2011.

Johnathan Owen
Portfolio Assistant, industry experience since 2018.

FUND INFORMATION: ARC

ISIN	SHARE CLASS	CURRENCY	MANAGEMENT FEE
LU1267852082	I	GBP	0.40%

Other share classes available

Scan to learn more about the fund

Why TwentyFour?

Specialist
Our team reflects the structure of today's fixed income market. From structuring and ratings specialists to trading and investment banking, we have people who know the bond markets inside out. The team is deliberately drawn from a diverse range of nationalities and cultures. This is how we look to escape the echo chamber, using diverse insights from people who are not having the same conversations and reading the same press.

Targeted
Our funds are focused on the areas of fixed income where we believe we can extract most value for our clients. The risk and tone of our portfolios is set by our asset allocation committee, while rigorous bottom-up research helps lead us to high conviction calls we are well positioned to exploit through our nimble approach.

Engaged
To us active management doesn't simply mean stockpicking or ignoring indices – it means engaging with the market at every step of the investment process to try to maximise alpha for our investors. TwentyFour's portfolio managers execute their own trades, helping to give them critical knowledge of the market's technical picture and ability to maximise efficient execution.

Transparent
We always tell our investors what we are doing, how we are doing it, and why. As active managers, we have the conviction to explain our decisions in terms our clients can understand, to help them better understand the risks and make their own investment decisions. Our portfolio managers keep a busy schedule of face-to-face meetings, calls and webinars, and our investors can read our latest thoughts on the market in our popular blog.

Risks

- Limited participation in 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.
- 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

Opportunities

- Broad diversification across numerous securities
- Investments in foreign currencies might generate currency gains
- Possible extra return s through single security analysis and active management
- Gains on invested capital possible
- Use of derivatives for hedging purposes may increase subfund's performance and enhance returns
- Bond investments offer interest income and capital gains opportunities on declining market yields
- Investment in bonds with non-investment-grade rating may offer an above-average yield compared with investments in first-class borrowers.

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