TwentyFour
a boutique of Vontobel

Fund Commentary | 30 May 2025

Vontobel Fund - TwentyFour Strategic Income Fund

This Commentary is a marketing communication for professional UK investors only

Market Commentary

- May was a strong month for risk assets as resilient economic data and positive news around tariffs prompted investors to price out the likelihood of a global economic downturn. In equities, this unwound most of the market moves seen in the immediate aftermath of US President Donald Trump's 'Liberation Day' announcements in early April. The S&P 500 Index posted its biggest gain in over a year (+6.3% over the month), while credit spreads also tightened materially.

- However, government bond performance, particularly US Treasuries, suffered as fears about the US fiscal position mounted. This was compounded when Moody's Ratings stripped the US of its last AAA rating, citing increased credit risk due to years of high budget deficits and little prospect of improvement. As expected, US Treasury yields trended higher in the days following Moody's announcement, with the 30-year yield reaching an intraday peak of 5.15%, while risk assets were largely unaffected. The main drivers of US Treasuries in the coming months will likely be the opposing forces of a potentially higher fiscal deficit and an economy that is decelerating more quickly than expected at the beginning of this year due to tariffs. The added complication is that the latter might cause inflation to accelerate, at least in the short term, which means that volatility in rates is likely to continue.

- Positive developments on tariffs throughout the month also resulted in heightened primary market activity, with issuers deciding to launch deals at a time when volatility was subdued and a 'risk-on' sentiment dominated. Following in a similar vein to previous months, deals were typically many times oversubscribed, with investors looking to deploy spare cash amid continued strong inflows across high yield and investment grade corporates as well as financials. European banks enjoyed another solid quarterly reporting season, with executives confirming improved metrics and bullish full-year targets despite the macroeconomic uncertainty.

Portfolio Commentary

- The portfolio managers (PMs) made several changes during the month as they responded quickly to the shifting macroeconomic landscape. The team reduced the Fund's Additional Tier 1 (AT1) exposure, taking advantage of the significant spread tightening that had taken place across subordinated bank debt. To offset this, the PMs increased the allocation to higher-quality European high yield and US and European investment grade debt.

- The Fund was well positioned to navigate the market uncertainty, posting a positive total return in May. The risk-on sentiment, which was driven by the positive tariff developments, meant that corporate bonds performed strongly, with collateralised loan obligations and bank AT1s the biggest contributors to the Fund's performance. Government bonds, through both German Bunds and US Treasuries, were the only negative contributors, as growing fears about the US fiscal position led to a mid-month sell-off in the latter.

Market Outlook and Strategy

- Market sentiment improved significantly in May given the positive tariff developments. This will likely continue to be at the forefront of investors' minds in the coming months, especially as the tariff reprieves for Europe and China come to an end later in the summer. Fixed income performance in the near term will continue to be dictated by a combination of economic data and central bank rhetoric. Investors will keep a close eye on how US economic growth trends for the remainder of the second quarter and into the third quarter. Provided that trade deals are eventually negotiated and tariffs end up in the region of 10-12%, it looks like economies could be moving towards a scenario that might have similarities with the one expected at the beginning of this year. This is one where strong corporate and consumer fundamentals keep default rates in check in the context of a global economy that is only slowly decelerating, led by the US.

					Annualised			
Cumulative Performance	1m	3m	6m	1y	3y	5y	10y	Since Inception*
Class G Acc	0.95%	0.10%	2.06%	7.75%	5.38%	3.84%	N/A	3.90%
ICE BoAML Global Broad Market	-0.44%	-0.02%	0.66%	5.36%	1.26%	-0.97%	N/A	1.04%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class G Acc	2.21%	9.20%	10.04%	-12.61%	2.30%	7.71%	9.59%	-2.36%	8.99%	5.90%	N/A
ICE BoAML Global Broad Market	1.86%	2.02%	5.67%	-13.46%	-1.73%	5.30%	6.49%	0.02%	1.97%	3.64%	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. 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 30/11/2015. ICE Global Broad Market Index has been chosen as a proxy for the fixed income market overall and is used as reference index for illustration purposes only, there is no fund benchmark. Please see Important Information slides for further information on the index.

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

Further Information and Literature:
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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