



Vontobel Fund – TwentyFour Absolute Return Credit Fund

Monthly Commentary | 29 January 2021

Market Commentary

It was an eventful start to 2021 with riots in response to a change of president in the US, political uncertainty in Italy and the emergence of new COVID-19 variants resulting in a number of additional lockdown restrictions across many countries. It was no surprise therefore that risk markets took a pause from the strong rally experienced in the latter half of 2020 to take stock, despite the vaccine rollout giving hope that the peak in the pandemic would soon be behind us. Equity indices largely finished the month lower with the S&P 500 down -1.11% and the EuroStoxx 50 down -2.00%. The iTraxx Xover index was wider on the month, closing at 269bp, nearly 27bp wider.

US politics was at the forefront this month as Joe Biden was inaugurated as the 46th President of the United States and the two Senate run-off votes in Georgia both surprisingly went to the Democrats, handing them control of both houses. In response Trump supporters carried out a number of violent protests and shocked the world by storming Capitol Hill, ultimately leading to President Trump's second impeachment for inciting violence. Unsurprisingly Biden pledged to increase the fiscal stimulus package, with \$2tr being mentioned as a minimum amount required. Concerns over heavy US Treasury issuance, commentators mentioning the potential stoking of inflation and active Fed speak led to choppy trading in USTs, with the bellwether 10-year bond trading in a 23bp range over the month (0.914%-1.147%), finishing the month slightly off the highs at 1.067%. There was also a bear steepening as the 2s-10s curve reached its highest level since 2017.

In Italy, political tensions were on the rise again as a junior partner in Italy's ruling coalition left the alliance, resulting in Prime Minister Giuseppe Conte resigning his position, albeit from a tactical standpoint, in the hope that President Mattarella would ask him to form a new coalition government. Italian BTPs were relatively resilient in the face of this news, but yields did spike following loose comments from the ECB president, Christine Lagarde, who suggested that the Pandemic Emergency Purchase Programme (PEPP) – of which Italy is a key beneficiary – might not need to be used in full. The benchmark 10-year BTP reached a low of 0.529% early on in the month before widening out to 0.75% on the comments from Lagarde. They finished off the month at 0.642%.

Staying with the central banks, the Fed meeting was less eventful with no changes from the board and little in the way of change of rhetoric. Fed chair Jerome Powell attempted to reassure any market participants concerned about early Fed tapering by saying: "the whole focus on exit is premature".

On to COVID-19 and while most of Europe and the UK remain under restrictions the vaccine rollout is underway in many countries, though delays in the EU approval and ordering process have hampered deliveries across the region. To the astonishment of almost everyone this resulted in Article 16 of the Northern Ireland Protocol being triggered and export controls imposed on the Northern Ireland border; a huge diplomatic row was averted when the EU immediately reversed its decision and apologised for the error.

Portfolio Commentary

The sell-off in rates assets globally made January a very tough month for higher duration credit; the iBoxx GBP corporate bond index was down -1.07%, while Gilts were down -1.67%, US Treasuries -1.10%, with notable yield curve steepening adding to losses in long dated assets. Against this, the Fund managed to produce a positive return after fees, albeit a small one of +0.05%.

The strong focus on breakeven yields in the portfolio has continued to mean a preference for very short dated but attractively yielding bonds and sectors, and this allowed enough yield or carry to compensate for capital losses in broader fixed income.

In terms of attribution, the fixed rate secured bond sector and the floating rate ABS sector both outperformed significantly, returning +0.37% and +0.31% respectively. Non-financial hybrids returned +0.17%, while senior non-financials were +0.05% and government bonds +0.03%.

Market Outlook and Strategy

The issues of 2020 have taken us to the point where sovereign yields have collapsed globally, and with some sub-sectors of non-financial IG credit looking tight in spread terms, the continual challenge of maximising income while protecting capital remains ever present.

We believe credit will significantly outperform equities for a number of years, firstly because this has been the case in both of the other significant distress periods this century, but secondly because rewards to shareholders from dividends and buybacks are likely to be significantly curtailed. These are discretionary payments, after all, while coupons in the sorts of bonds we hold in the Fund are not.

Given the tighter nature of non-financial spreads in IG, we are focusing slightly more on financials where the yield advantage is considerable (even within short dated IG), and also favour hybrids within non-financials, but we are keeping spread duration very low to protect capital while generating that yield.

Ultimately this means we think markets are likely to exhibit brief periods of volatility in 2021, but nothing like what we saw in March 2020. However, the valuations in some parts of financial credit remain attractive enough that in our view investors are being well compensated for future risks, and that is also the case in selective hybrid non-financials. By focusing on short dated IG, and keeping positions restricted to our best ideas only (that is why we limit portfolio line items to a maximum of around 100 bonds), we believe some of the highest risk-adjusted returns in all of fixed income can continue to be generated by this Fund.

Rolling Performance	31/01/2020 - 29/01/2021	31/01/2019 - 31/01/2020	31/01/2018 - 31/01/2019	31/01/2017 - 31/01/2018	29/01/2016 - 31/01/2017
Class G	2.05%	4.42%	0.15%	4.83%	5.69%

The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Past performance is not a reliable indicator of future performance. Performance data does not take into account any commissions and costs charged when shares of the portfolio are issued and redeemed. *Inception date 28/08/2015.

The Team



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



Diana Chiu
Portfolio Management, industry experience since 2009.



Gordon Shannon
Partner, Portfolio Management, industry experience since 2007.



Graeme Anderson
Chairman, Portfolio Management, industry experience since 1986.



Jack Daley
Portfolio Management, industry experience since 2011.



Johnathan Owen
Portfolio Management, industry experience since 2018.

Key Risks

- **All financial investment involves risk. The value of your investment isn't guaranteed, and its value and income will rise and fall. Investors may not get back the full amount invested.**
- Past performance is not a reliable indicator of future performance, and the Fund may not achieve its investment objective.
- Fixed income carries two main risks, interest rate risk and credit risk: (1) Where long term interest rates rise, there is a corresponding decline in the market value of bonds and vice versa; (2) Credit risk refers to the possibility that the issuer of the bond will not be able to repay the principal and make interest payments.
- Typically, sub-investment grade securities will have a higher risk of issuer default, and are generally considered to be more illiquid than investment grade securities.
- The Fund can invest in structured credit products or asset-backed securities (ABS). The issuer of such products may not receive the full amounts owed to them by underlying borrowers, which would affect the value of the Fund. Credit and prepayment risks also vary by tranche which may affect the Fund's performance.
- The Fund has the ability to use derivatives, including but not limited to FX forwards, for hedging purposes only (EPM). This may magnify gains or losses.

Further Information and Literature: TwentyFour Asset Management LLP

T. 020 7015 8900 E. sales@twentyfouram.com W. www.twentyfouram.com

Further information on fund charges and costs are included on our website at www.twentyfouram.com

This marketing document was produced for professional investors, for distribution in UK and has been prepared and approved by TwentyFour Asset Management LLP ("TwentyFour"), a company of the Vontobel Group, and Vontobel Asset Management AG (together referred to as "Vontobel"), whereas TwentyFour acts as manager of the securities and/or strategies discussed, for information purposes only.

TwentyFour Asset Management LLP is able to assist those institutional clients who require it with meeting their Solvency II (including its UK onboarding and onshoring legislation) obligations. In particular, TwentyFour Asset Management LLP will make all reasonable endeavours to comply with the Solvency II Regulations 2015 Article 256. Please contact the Compliance Department at compliance@twentyfouram.com for more information.

TwentyFour Asset Management LLP is a Limited Liability Partnership incorporated in England under Partnership No. OC335015 with its registered office at 8th Floor, The Monument Building, 11 Monument Street, London EC3R 8AF and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 481888

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" including its UK onboarding and onshoring legislation) or similar regulations in other jurisdictions.

In particular, we wish to draw your attention to the following risks: Investments in derivatives are often exposed to the risks associated with the underlying markets or financial instruments, as well as issuer risks. Derivatives tend to carry more risk than direct investments. Investments in riskier, higher-yielding bonds are generally considered to be more speculative in nature. These bonds carry a higher credit risk and their prices are more volatile than bonds with superior credit ratings. There is also a greater risk of losing the original investment and the associated income payments. Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognized capital markets. The structure of ABS/MBS and the pools backing them might be intransparent which exposes the subfund to additional credit and prepayment risks (extension or contraction risks) depending on which tranche of ABS/MBS is purchased by the subfund. Money market investments are associated with risks of a money market, such as interest rate fluctuations, inflation risk and economic instability. Investments in the securities of emerging-market countries may exhibit considerable price volatility and - in addition to the unpredictable social, political and economic environment - may also be subject to general operating and regulatory conditions that differ from the standards commonly found in industrialized countries. The currencies of emerging-market countries may exhibit wider fluctuations.

Past performance is not a reliable indicator of current or future performance. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up due to changes in rates of exchange between currencies. The value of the money invested in the fund can increase or decrease and there is no guarantee that all or part of your invested capital can be redeemed.

For definitions of the investment terminology used within this document please see glossary at: <https://twentyfouram.com/glossary>

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 documents ("KIID"). These documents may also be downloaded from our website at vontobel.com/am. The funds 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 Third Floor, 22 Sackville Street, London W1S 3DN 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, Third Floor, 22 Sackville Street, London W1S 3DN or downloaded from our website vontobel.com/am. This document is not the result of a financial analysis and therefore the "Directives on the Independence of Financial Research" of the Swiss Bankers Association are not applicable. Vontobel Asset Management AG, its affiliates 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. Although Vontobel Asset Management AG ("Vontobel") believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document. 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.