

# TwentyFour

## Select Monthly Income Fund

This Commentary is a marketing communication for professional UK investors only

### Fund Commentary | 30 September 2025

#### Market Commentary

- US Treasury volatility levels were elevated again in September, as influential economic data points and the Federal Reserve's (Fed) updated 'dot plots' and economic projections led investors to reprice the probability of near-term interest rate cuts. The US labour report, released at the beginning of the month, showed that August's non-farm payroll number came in well below expectations. There were further downward revisions to the previous two months of data, while the unemployment rate ticked up on an unrounded basis. Together with geopolitical headlines, this contributed to two-year and 10-year Treasury yields falling by 11 basis points (bp) and 15bp, respectively, in the first week of September. The move was partly cancelled out later in the month, thanks to the Fed's policymaking meeting. This presented investors with fresh dot-plot projections that showed a slower pace of rate cuts over the next two years relative to market expectations and economic projections that pointed towards higher growth and inflation.
- The fact that inflation remains well above the Fed's 2% target continued to provide upward pressure on Treasury yields. A stronger-than-anticipated August Consumer Price Index (CPI) print of +0.4% month on month, together with an in-line core Personal Consumption Expenditures (PCE) number of +0.2%, has fuelled the narrative that the economy is still running hot, particularly given the tariff backdrop. This was reflected in the upward revision to second-quarter GDP at the end of the month.
- The European Central Bank (ECB) and Bank of England (BoE) held their base rates at 2% and 4%, respectively, and offered a more hawkish tone in their meetings, which helped German bunds and UK gilts to enjoy a more stable month. This was reflected in credit spreads, as European high yield and financials continued to grind tighter, seemingly unfazed by the uptick in supply. The contingent convertible bond (CoCo) index reached its tightest-ever spread level of +230bp at the end of the month, largely as a result of the strong technical backdrop, which persists. An absence of negative news allowed equities to continue their positive trajectory in both the US and Europe.

#### Portfolio Commentary

- The team focused on changes within buckets, namely switching allocations from non-Additional Tier 1 (AT1) banks to AT1s and non-collateralised loan obligation (CLO) asset-backed securities to CLOs. This came as the probability of a recession across developed markets has decreased, as evidenced by upward revisions to economic growth projections, meaning the economic backdrop for credit continues to improve. Carry remains the primary source of return for fixed income investors.
- The Fund was well positioned to benefit from the latest rally in credit, posting a positive total return in September. Bank AT1s were the biggest contributor to Fund performance, as European banks continued to post impressive financials, with resilient asset quality, elevated net interest margins and low levels of non-performing loans. CLOs were the second-biggest contributor, benefiting from the higher rate environment while also profiting from the strong technical that persists across the asset class. There were no detractors in September.

#### Market Outlook and Strategy

- The pace and scale of the Fed's interest rate cuts in the medium term remain uncertain. Investors continue to consider the state of the labour market and rate of inflation as key factors driving the Fed's decision-making in both the short and medium term, with economic data releases being closely followed. Despite this, credit fundamentals continue to outperform expectations, fuelling the strong technical that persists throughout both corporates and financials.
- With credit spreads well below their medium-term averages, they are likely to gravitate wider in the coming months, and thus our general preference for shorter maturities and higher credit quality remains. At this stage of the cycle, with yields still elevated, we feel that we can build a fixed income portfolio at an attractive level of carry without reaching for too much duration or credit risk.

Cumulative Performance	1m	3m	6m	1y	Annualised				Since Inception*
					3y	5y	10y		
NAV per share inc. dividends	1.06%	3.31%	6.94%	12.26%	17.33%	8.52%	7.32%	6.58%	

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
NAV per share inc. dividends	8.64%	17.69%	17.60%	-12.92%	7.48%	5.73%	11.94%	-1.41%	14.56%	8.20%	2.81%

**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: 10/03/2014.

## 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
- 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'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 Fund's investments in the medium to long term due to the mitigating nature of the Fund's ESG approach
- The Fund's 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](https://twentyfouram.com/sustainability)

## Further Information



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## Important information

Further information on fund charges and costs are included on our website at [www.twentyfouram.com/view/GG00BJVDZ946/twentyfour-select-monthly-income-fund](https://www.twentyfouram.com/view/GG00BJVDZ946/twentyfour-select-monthly-income-fund)

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