

Market Commentary

Geopolitical events and politics threatened, but failed to derail markets in April, despite President Trump's defeat in his attempt to repeal Obamacare which raised question marks over how successful his administration will be in passing some of his other keynote policies and how this may soften the overall fiscal expansion plans.

In Europe the build-up to the French Presidential election dominated market attention in April. There were a few moments of caution, as support for Far-Left candidate Jean-Luc Melenchon made a late surge, but the final contest between Marine Le Pen and Emmanuel Macron points to a comfortable win for the centralist and pro-European Macron, much to the relief of the Euro markets.

Finally, concerns obviously heightened about the increasing threat of a military solution to North Korea's testing of ballistic missiles but markets currently view this as an isolated incidence that is unlikely to escalate beyond the Korean peninsula, although the PMs will be monitoring events very closely.

As far as Central banks were concerned there was little new to note from the majors. The release of the Fed minutes, following March's hike, contained very little surprises and with the committee maintaining the existing policy of rolling principal payments of UST and agency holdings, the bellwether 10y UST yield was range-bound around the 2.3% level throughout the month (having breached 2.6% last month). In Europe the ECB began tapering, dropping monthly purchases to €60bn from €80bn, although it appears at this stage that the drop so far does not contain a pull back on corporate purchases.

In the UK the corporate purchase programme hit its target and no further purchases are being made currently.

The earnings season so far has been generally well received, particularly in the financial sector where balance sheet ratios and profitability continue to show recovery and support the credit spread tightening that has benefitted investors since the start of the year.

Portfolio Commentary

The portfolio managers were conscious of the changing polls in the run-up to the first round of French presidential vote, hence in response the PMs bought a small tail hedge in the form of an 'at-the-money' FX option to help mitigate the risk of a surprise voting outcome, which would likely weaken the Euro. However, once the outcome of the first round was announced there was a collective sigh of relief across markets and the strong underlying technical position became very evident as credit spreads tightened across all sectors.

The Fund was generally well positioned to benefit from the strong technical backdrop with spread tightening particularly prominent in those sectors favoured by the PMs (ABS and Bank capital). A total net return of 1.74% was generated in the month, with CLOs producing a total return of 1.67% and AT1s a highly attractive 3.51%.

Further Information and Literature:

TwentyFour Asset Management LLP. Telephone: 020 7015 8900 Email: sales@twentyfouram.com

TwentyFour Select Monthly Income Fund

Market Outlook and Strategy

The PMs believe that in the absence of unexpected negative news flow the market will be continued to be supported by a strong technical backdrop. However, offsetting this are tight valuations as we head towards the summer months hence, credit spreads are expected to be slightly more range-bound compared to the earlier part of the year where the tightening bias was particularly strong. Should new issue volumes pick-up enough to soften secondary market levels then the PMs will look to buy assets on the dips. Looking further ahead there is little to derail market momentum; the German election is not until the end of the year (but no real change in the status quo is expected) and the potentially destabilising Italian election is looking more likely to be a 2018 event (May 20th is the latest date it can be held). So, with the exception of a surprise macro or geopolitical event the PMs expect a period of benign credit spread movement.

Fund Managers



Gary Kirk
Partner with
29 years'
experience.



Eoin Walsh
Partner with
18 years'
experience.



Mark Holman
CEO, Portfolio
Manager
with 27 years'
experience.



Robert Arnold
Portfolio
Manager with
14 years'
experience.



Felipe Villarroel
Portfolio
Manager
with 7 years'
experience.



Pierre Beniguel
Portfolio
Manager
with 5 years'
experience.

Further Information



TwentyFour AM
John Magrath
Tel. 020 7015 8912
john.magrath@twentyfouram.com



Numis Securities
Chris Gook
Tel. 020 7260 1378
c.gook@numis.com

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

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

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