

**TwentyFour Select Monthly Income Fund** is managed by TwentyFour Asset Management LLP and is a non-cellular company limited by shares incorporated in Guernsey and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission. Its shares are traded on the Main Market of the London Stock Exchange.

## Market Commentary

Despite many concerns that credit spreads have tightened too far too soon there was little evidence of the 'sell in May and go away' activity predicted by many market observers. Tensions in the Ukraine were largely ignored as a bit of a side-show and investors continued to chase yield as Central Bank intervention and economic macro support looked set to continue. During the latter part of the month the market focused attention on the European elections and how these may possibly effect the announcements at the all-important ECB meeting on 5th June. Across the EU results were seen as a triumph for the previously considered peripheral parties with more extreme views. This 'vote of protest' was viewed as a wake-up call for the political elite in Brussels, but with markets mainly focussed on the European disinflation story and the upcoming ECB meeting they were able to shrug this news off as largely irrelevant. Predicting the action of the ECB has been notoriously difficult but consensus for the Governing Council meeting on 5th June has been building for a number of weeks with expectations of further stimulus growing significantly. Whether this is setting the market up for disappointment remains to be seen but Draghi has been particularly candid over recent weeks that he remains very concerned about the monetary policy transmission mechanism, which, in his opinion, is still broken. A reduction in both the refi-rate and the depo-rate have been priced into the market and the introduction of a contingent-LTRO would not shock market participants and has been gaining traction recently. Such actions, along with potential future QE programs, would only serve to drive credit spreads tighter and hence the ongoing positive market momentum for credit is understandable.

On the economic front, the US unemployment rate declined to 6.3% (beating the 6.6% consensus) but Janet Yellen continued her dovish path by inferring the headline number was misleading and that a large section of the consumer economy was still in need of support. In the Eurozone a slight improvement in PPI (-1.7% to -1.6%) did little to raise sentiment while a fall in March German factory orders (-2.8%) and a sharp decline in March French industrial production (-0.8%) increased speculation that this time round both politicians and the ECB have to be proactive and not rely on rhetoric alone. As a result, Government bond rates rallied on both sides of the Atlantic and the expectation of continued CB support saw German Bund Index up 0.85%, Gilt Index up 0.95% and European HY index up 0.73%. Although credit has performed positively in every month so far in 2014, the performance of Government bonds in the 'developed world' is perhaps the biggest surprise in all markets year to date.

## Portfolio Commentary

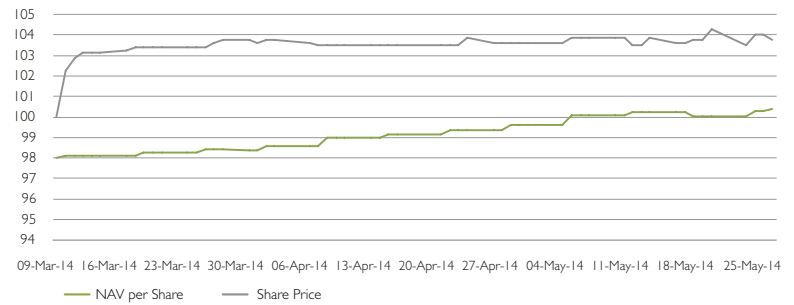
By early May the portfolio was fully invested which resulted in a gross portfolio purchase yield of 7.20%. The average maturity of the bonds crept higher to 3.73 years while interest rate duration was managed down to 2. By sector there was little change in the make up, with ABS still contributing the major portion at 34%, followed by high yield corporates at 30% and banks at 26%.

Once again corporate actions affected the portfolio with Com Hem announcing an IPO and subsequent early call of its PIK notes. The refinancing trend of higher quality PIK notes seems to be set to continue which should benefit the portfolio from a capital gains and risk perspective, but does provide the PMs with additional reinvestments to make. There was also one small tap issue of £1mm at the end of the month which added to the cash balance.

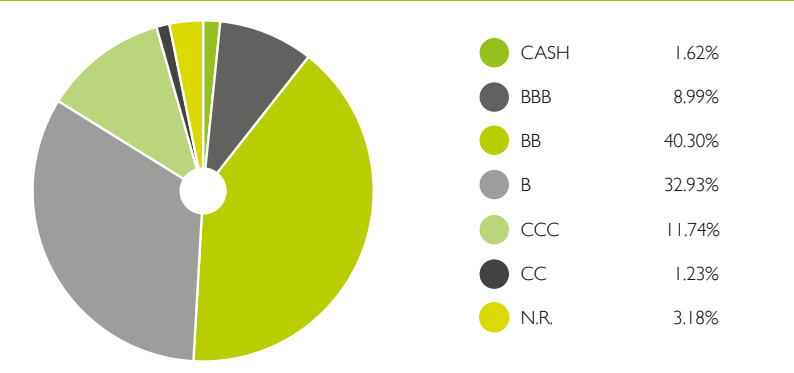
Right at the end of the month the ECB and the Bank of England produced their discussion paper on the topic of intervention in the ABS market. Whilst at a consultation stage only, it is likely to fuel further discussion at the upcoming European ABS Conference in Barcelona. The PMs feel confident that some sort of Central Bank led buying activity is likely to occur at some stage during 2014 and that this is going to become a far greater theme in the coming months.

Overall the portfolio was nicely exposed to the continuing trend of credit spread tightening with all sectors including ABS performing well. In aggregate the NAV grew by 1.78% in May.

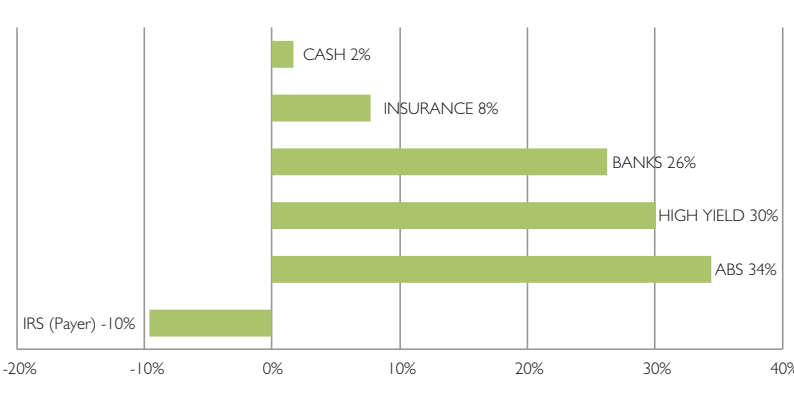
## Fund Performance



## Ratings Breakdown



## Sector Breakdown



## Top 10 Holdings

Security	Sector	% of Total
INVES 9.625 02/17/22	Banks	4.04%
NWIDE 10.25 06/29/49	Banks	3.14%
JUBIL 2014-12X F	ABS	3.09%
HPARK 1X E	ABS	3.07%
SPAUL 3X F	ABS	3.00%
ABBEY 10.375 12/31/49	Banks	2.70%
LVFRSC 6.5 05/22/43	Insurance	2.60%
AQUIL 2006-1X E	ABS	2.53%
ACAFP 7.5 04/29/49	Banks	2.50%
LLOYDS 7.625 12/29/49	Banks	2.47%

Past performance is not an indication of future performance  
Source: TwentyFour Asset Management, save as indicated

## Fund Objective

The Fund aims to generate attractive risk-adjusted returns, principally through income distributions, by investing in a diversified portfolio of fixed income credit products.

## Investment Approach

The Fund will invest in a diversified portfolio of fixed income credit products including; asset backed securities, bank capital, corporate loans, high yield bonds and leveraged loans. Uninvested cash or surplus capital or assets may be invested on a temporary basis in cash and/or a range of assets including money market instruments and government bonds.

This is only a summary; details of the Fund's investment policy, including investment restrictions, are set out in the Prospectus.

The Fund currently conducts its affairs so that the shares issued by it can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because the Fund would qualify as an investment trust if the Fund was based in the UK.

## Fund Facts

Type of Fund	Closed-ended investment fund
Listing and Trading	UKLA Official List; LSE Main Market
Launch Date	13 March 2014
Launch Price	100p
Current Price per Share	103.75p
Current NAV per Share	100.41p
Premium / (Discount) to NAV	3.32%
Market Capitalisation	£107.6m
Shares in Issue	103.7m
Dividend	Monthly
Dealing	Daily during LSE opening hours
NAV Calculation	As of each Wednesday and each month end
Currency	£ denominated
ISA and SIPP Eligible	Yes

## Technical Information

Investment Manager	TwentyFour Asset Management LLP
Board of Directors	Fully Independent
Administrator / Custodian	Northern Trust
Broker	Numis Securities
Auditor	PricewaterhouseCoopers
Management Fee	0.75% of lower of market cap or NAV
Estimated Ongoing Charge Ratio*	Estimated to be 1.20%

\*Further information of fund charges and costs are included on the Fund's website at [www.selectmonthlyincomefund.com](http://www.selectmonthlyincomefund.com)

## Share Codes

<b>TIDM:</b>	SMIF
<b>ISIN:</b>	GG00BJVDZ946
<b>SEDOL:</b>	BJVDZ94

## Fund Managers



**Gary Kirk**  
Partner with 26 years' of credit market experience; previously Head of Proprietary Credit trading at Wachovia.



**Eoin Walsh**  
Partner with 16 years' credit market experience; previously senior portfolio manager at Citi Alternative.



**Felipe Villarroel**  
Portfolio Manager; 3 years' experience. Previously Asset Allocation and Strategy Analyst at Celfin Capital in Chile.



**Pierre Beniguel**  
Portfolio Manager with 4 years' experience. Previously part of the loan trading group at Portigon Financial Services AG.

## Further Information



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