TwentyFour Asset Management

TwentyFour Select Monthly Income Fund

30 June 2014

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

Credit market participants took on a more pragmatic approach in June, particularly as the month progressed. The key focus at the start of the month was the eagerly awaited ECB meeting that took place on 5 June. Generally, Draghi delivered exactly what the market wished for with a cut in the refinancing rate to 0.15%; a move to negative deposit rates (-0.1%); a targeted LTRO; and an announcement of a future ABS asset purchase program (although this was short on detail and it is clear that a viable purchase mechanism is still being worked on). Market expectations had been fairly high that the ECB would be proactive this time around and hence the rate cuts and T-LTRO were reasonably priced-in. However, the rhetoric in Draghi's follow up press conference was particularly dovish and hence the spread tightening status quo was maintained. As the month wore on and we approached the half-year end, there was however a distinct change in market sentiment. With the backdrop of low rates and slowly improving fundamentals, it was no surprise to see the continued high volumes of new issuance across all sectors of fixed income. This, combined with the proximity of the half-year end reporting date for banks, ultimately led to a classic case of market indigestion. Bank trading desks were very reluctant to bid secondary paper, causing bid-offer spreads to widen sharply which contributed to a period of extremely poor liquidity in the lead up to month end.

From a purely economic view, the environment was relatively benign with US PMI (May at 56.4), ISM Manufacturing (May at 55.4), NFP (6.3%) and CPI (+0.4% MoM) all reporting in line with expectations. In the Eurozone a decline in the Q1 unemployment rate to 11.7%, a pick-up in factory orders of +3.1% and a slight improvement in April PPI (-0.2% to -0.1%) were viewed as mildly encouraging. Finally in the UK, Q1 GDP came in line with expectations at +0.8%, although May CPI surprised on the downside at -0.1% MoM compared with +0.4% in April; which led to an uptick in Gilt prices. On 12 June BoE Governor, Mark Carney, delivered his annual Mansion House speech in which he reiterated the use of forward guidance and that rates would not be raised until jobs, incomes and spending were growing at sustainable rates. He emphasised that the BoE still see the economy as being over-levered and unbalanced, both internally and externally. There are continued concerns about pay pressures and subdued unit labour cost growth, however, the market jumped on his comment that the exact timing of the first rate hike "could happen sooner than markets currently expect", and this resulted in Gilt yields increasing again. There was far less press commentary on his follow-up comment that the timing of the first rate increase is less important than the path thereafter, and the BoE expect the eventual increases to be gradual and limited - as "a highly indebted private sector is particularly sensitive to interest rates" - although the market has clearly taken this on board.

Government bond markets traded sideways during the month with the benchmark 10yr UST closing flat on the month, while the 10yr UK Gilt closed less than half a point down. The Euro High Yield Index added 0.58% for June, despite the weakness at month-end, and Sterling HY added 0.63%, while the Sterling Corporate Index was down -0.26% after being negatively impacted by the small Gilts move.

Portfolio Commentary

Despite low rates and market participants frantically searching for yield and low secondary market activity, the PMs managed to source selected opportunities which enabled the Fund to raise small amounts of new monies via tap issuance in June. A period of new issue "indigestion" in late June was therefore ironically welcomed despite its overall impact on market pricing.

The Fund held a position in ComHem which IPO'd in June and used the proceeds to buy back its expensive PIK notes. Similarly, Ardagh announced the refinancing of its PIK notes and both positions performed well, but did need replacing.

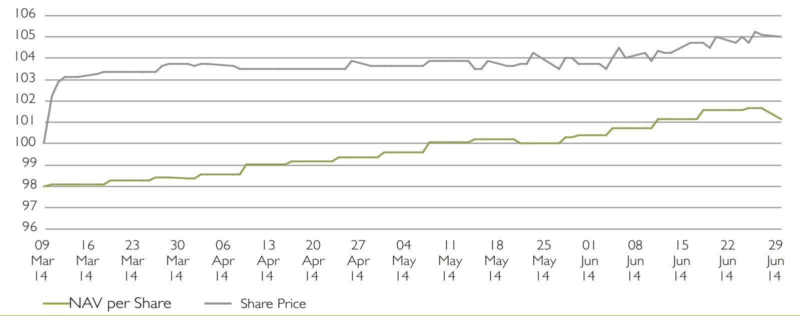
The Fund continues to focus its exposure to relative value credit spreads, whilst running interest rate derivative positions, to maintain a relatively low duration to protect the Fund from any future increase in interest rates. The Fund is well positioned to generate the expected level of income and, despite the more measured market sentiment and challenging conditions, the Fund generated 0.72% during the month. The gross portfolio yield is currently at 6.84%.

Market Outlook

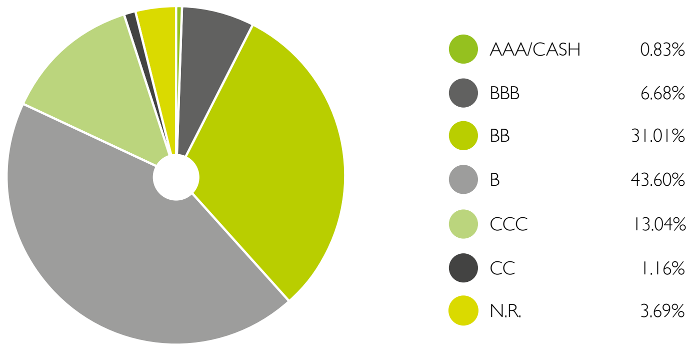
The very high levels of new issuance experienced in late June are expected to continue into July as borrowers seek to tap markets ahead of the summer lull. This should keep a lid on the market which had become quite 'frothy' in the run up to the policy changes announced by Mr. Draghi.

No material changes in positioning are expected over the summer as the portfolio has been well set up for the prevailing conditions. The Portfolio Managers however will remain open to portfolio optimisation as opportunities arise, as well as small taps to satisfy new investor demand when suitable bonds are available.

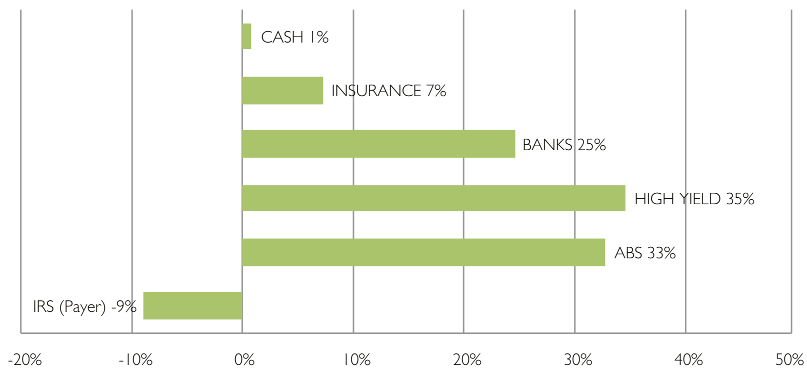
Fund Performance



Ratings Breakdown



Sector Breakdown



Top 10 Holdings

Security	Sector	% of Total
INVES 9.625 02/17/22	Banks	3.88%
NWIDE 10.250 06/29/49	Banks	2.91%
HPARK 1X E	ABS	2.73%
JUBIL 2014-12X F	ABS	2.70%
AVOCA 11X F	ABS	2.69%
SPAUL 3X F	ABS	2.63%
ABBEY 10.375 12/31/49	Banks	2.62%
ACAFP 7.500 04/29/49	Banks	2.33%
AQUIL 2006-1X E	ABS	2.31%
LLOYDS 7.625 12/29/49	Banks	2.31%

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	105.00p
Current NAV per Share	101.14p
Premium / (Discount) to NAV	3.32%
Market Capitalisation	£112.8m
Shares in Issue	111.4m
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 on fund charges and costs are included on the Fund's website at www.selectmonthlyincomefund.com

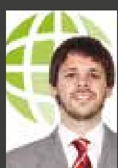
Share Codes

TIDM:	SMIF
ISIN:	GG00BJVDZ946
SEDOL:	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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