

Monthly commentary / 31.12.2025

## Vontobel Fund – Global High Yield Bond

Marketing document for institutional investors in: AT, CH, DE, ES, FR, GB, IT, LI, LU, SE, SG (Professional Investors only).

### Market developments

We would first like to wish our clients and readers a happy and healthy New Year and thank you for your continued confidence in our Global High Yield Bond Strategy. In the final month of the year, markets were dominated by a renewed focus on interest rates, as investors reassessed the endgame for central bank easing after a year marked by tariff shocks, geopolitical flare-ups, and policy uncertainty. In the US, the key macro theme remained the gradual deterioration in the labor market that had been building since late summer. The US Federal Reserve (Fed) delivered its third consecutive cut of 2025, bringing total easing since September to 75 basis points (bps). This supported risk sentiment broadly, even as concerns persisted around inflation expectations and policy credibility amid repeated political pressure on the Fed. In Europe, the tone was materially different. December saw a fresh sovereign sell-off as markets started to price in a more hawkish medium-term path for the European Central Bank (ECB). Comments from Isabel Schnabel on Bloomberg TV suggested she was “comfortable” with expectations that the next ECB could be a hike. In addition, ECB’s December forecast for growth and core inflation were revised higher, fueling a sharp repricing at the long end. Bund yields briefly moved above their previous March peak (set during the German fiscal stimulus shock), before closing the year around 2.85%. This rate move reinforced the view that Europe’s disinflation narrative has become less linear, especially against a backdrop of heightened fiscal uncertainty in several countries. Across risk assets, December was less about broad directional trends and more about cross-asset divergence driven by policy expectations. US assets continued to benefit from the combination of easier Fed policy and still-resilient growth, while Europe’s rate backup created a more challenging backdrop for duration-sensitive segments. Foreign-exchange dynamics also remained a key feature late in the year, as the weaker US dollar trend of 2025 stayed in place and continued to reshape relative performance across regions in US dollar terms.

### Regional Markets

US high-yield (HY) bond yields hovered near multi-year lows as investors absorbed a dovish Fed outcome. Meanwhile, US HY spreads tightened to a three-month low in December, supported by resilient macroeconomic data that signaled better-than-expected growth. These tighter spreads fueled a total return of 0.7% (in USD) for US HY in December. The US HY

bond index ended the month with a yield of 6.62%, a decrease of -8bps from the previous month. This change was mainly driven by overall credit spreads, which tightened by -11bps, to finish the month at an OAS of 281bps. Spread changes by ratings bucket were similar, as Triple Cs tightened by -9bps, followed by Double Bs (-7bps), and then Single Bs (-4bps). The primary market remained active in December before heading into the holidays with USD 23.5 billion, which was below the year-to-date monthly average of USD 28.3 billion. The European HY market returned +0.4% for the month, underperforming the US HY market. The monthly performance was driven by overall spread compression of 17bps to end the month at 270bps. In terms of spread changes by ratings bucket, Triple Cs widened by (+20bps). In turn, Single Bs tightened the most (-31bps), followed by Double Bs (-15bps). Sterling HY returned +0.8% (in GBP) for the month and OAS spreads tightened by -5bps to 420bps. Emerging-market (EM) HY generated a positive total return for the month of November of +0.9% (in USD). OAS spreads tightened by -10bps during the month, to end at 357bps.

### Portfolio review

There was less trading in the portfolio due to seasonality and thinner trading liquidity overall. We added some energy names whose prices had come down amid concerns about lower future oil prices. We also added an investment-grade (IG) name on weakness at attractive spreads. Finally, we purchased an AT1 at a compelling entry price. With spreads near multi-year lows, we continue to be more selective and on the lookout for idiosyncratic opportunities that exhibit strong free cash flow characteristics.

### Performance analysis

In December, the fund generated a positive total return of +30bps (in EUR) and underperformed the benchmark after fees. The monthly performance was negatively impacted by slight underperformance of a few positions within EU chemicals, EM refining, and US telecom. We remain comfortable with these situations and believe that despite current weak fundamentals, there exists still decent upside potential overall. The fund’s performance was also negatively impacted by credit hedges, which we believe are prudent to maintain at current tight spread levels. On the positive side, performance benefitted from outperformance of higher-yielding credits that rebounded from lower levels. For the calendar year 2025, the fund generated a positive total return of 4.3% (in EUR).

**Outlook**

Our 2026 global HY outlook remains positive, supported by solid and resilient fundamentals within regional economies as well as individual credit issuers. Technicals also remain healthy given the higher quality issuer mix and overall interest-rate environment, which is poised to remain stable, and even lower in the key US market, as inflation remains controlled, allowing the Fed to ease rates and support economic

growth. We expect the primary markets in global HY to remain strong for both refinancings and AI-related growth, while demand for absolute yield remains robust. As such, we believe that valuations, as measured in credit spreads, are likely to continue to hover near current tights. These dynamics are poised to provide a healthy environment for the prudent HY investor to earn attractive carry driven returns, in our view.

**Fund characteristics**

<b>Fund name</b>	Vontobel Fund – Global High Yield Bond
<b>ISIN</b>	LU0571066975
<b>Share class</b>	I EUR
<b>Reference index</b>	Customized ICE BofAML High Yield Index (EUR hedged)
<b>Inception date</b>	11.6.2012

**Historical performance (net returns, in %)**

<b>Time period</b>	<b>Fund</b>	<b>Ref. index</b>	<b>Time period</b>	<b>Fund</b>	<b>Ref. index</b>
MTD	0.3%	0.5%	2024	6.8%	7.2%
YTD	4.3%	5.8%	2023	10.5%	11.4%
1 year	4.3%	5.8%	2022	-12.4%	-12.7%
3 yrs p.a.	7.2%	8.1%	2021	4.9%	3.6%
5 yrs p.a.	2.5%	2.7%	2020	2.2%	3.2%
10 yrs p.a.	3.1%	4.0%	2019	10.2%	11.1%
ITD p.a.	3.8%	4.4%	2018	-6.1%	-4.3%
			2017	5.0%	5.5%
			2016	8.2%	12.3%
			2015	-3.0%	-2.6%

**Past performance is not a reliable indicator of current or future performance.**

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**Investment risks**

- Securities with a lower credit quality means a higher risk that an issuer may fail to meet its obligations. The investment value may fall if an issuer's credit rating is downgraded.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
- Using derivatives generally creates leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- Asset-backed and mortgage-backed securities, and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from [vontobel.com/sfdr](http://vontobel.com/sfdr).

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