

Vontobel Fund – Global Corporate Bond

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, PT, SE, SG (Professional Investors only).

Investors in France should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Market developments

September was a difficult month for markets, as a fresh inflationary impulse and renewed energy-supply fears extended the global bond selloff. The US-Iran conflict remained the dominant driver. Early in the month, concerns intensified over energy supplies: Saudi Arabia halted operations at multiple energy sites after they were attacked, with the Houthis claiming responsibility, and in mid-September, the Saudi East-West pipeline was closed before beginning to restart. Hopes that some kind of deal might emerge around the UN General Assembly were dashed by month-end, with US President Donald Trump saying on September 26 that "They made a proposal but I rejected it," and Iran's Foreign Minister Abbas Araghchi saying on September 27 that Iran had "no reason to come back to diplomacy and engage with this administration once again." Brent ended September up +42.0% quarter-on-quarter at USD 103.53 per barrel, with investors pricing in a more protracted period of high prices. In France, uncertainty over the budget, coupled with more favorable polls for a potential far-left presidential candidate, provoked a substantial widening of French spreads. In Germany, the landslide victory of the far-right Alternative for Germany party in Saxony-Anhalt's regional elections also raised concerns for European assets.

Central banks turned decisively hawkish, with the US Federal Reserve (Fed), European Central Bank (ECB), and the Bank of Japan (BoJ) all hiking interest rates in September. The Fed delivered its first rate hike since 2023, and its dot plot signaled another rate increase by year-end. The ECB also hiked, with several hawkish elements in its statement, which warned that "inflation is set to remain well above target for an extended period." The BoJ raised its policy rate to 1.25%, its highest level since 1995. Resilient growth gave central banks room to move: the flash September PMIs showed activity accelerating, with the US composite at a five-year high and the Eurozone at a three-year high. That combination of rising inflation and strong growth proved very negative for sovereign bonds. The 10-year Treasury yield posted a seventh consecutive monthly increase in September - the first such run since 2011 – closing the third quarter at a post-2007 high of 5.28%. Fiscal concerns also resurfaced, with the 10-year French-German sovereign bond spread widening to 127 basis points (bps) by quarter-end, its highest level since 2012.

Equities held up better than bonds, supported by resilient growth and robust earnings. The S&P 500 Index, which had reached a new record in August, lost -0.45% in September. Performance was uneven elsewhere: Europe's STOXX 600, which also hit a

record in August, lost 2.49% at quarter-end, as French assets underperformed sharply.

In fixed income and credit markets, September saw a broad risk-off widening that spared almost no segment, with Europe underperforming this time. EUR-denominated investment-grade (IG) spreads widened by +12bps, as every sector gave ground, led by autos (+21bps) and real estate (+18bps), while USD IG held up far better at +4bps. Global IG widened by +6bps. Subordinated and higher-beta segments bore the brunt: EUR non-financial subordinated widened by +21bps, European bank CoCos by +26bps, EUR LT2 by +12bps, and global hybrids by +13bps. BBs sold off materially, with EUR BBs +41bps and US BBs +42bps, underscoring that the September stress was broad-based and that the European outperformance of prior months clearly reversed.

Portfolio review

We selectively participated in new issues in USD and EUR. We took part in a USD-denominated deal from a US utility that issued hybrid bonds. The company has an improving credit profile, and the investment helps us increase our exposure in the hybrid space. We initiated positions in a European healthcare company that was recently upgraded to IG, a banking name (both in EUR), and an emerging market retail company (USD). We also used the primary market to execute a switch in subordinated debt from a European bank, where we extended maturity and realized a pick-up in spread versus the bond we owned initially.

In the secondary market, we topped up our position in a highly rated bond from a US telecommunications name. We reduced risk in the portfolio by reducing our exposure to subordinated debt from companies in the European banking, insurance, and utility sectors. We also took profit on companies in the insurance and telecommunications sectors. Lastly, we executed a switch in a US financial services company, where we extended maturity and added to an existing position in a subordinated bond, realizing a significant spread pick-up compared to the senior bond we owned.

Performance analysis

For the month of September, the fund underperformed its reference index, net of fees. The contribution from credit selection was negative for the month. Our bond selection in healthcare, telecommunications, and energy contributed positively to performance, offset by a negative contribution from sectors such as banking, retail, and insurance. Within healthcare, our bond selection among long-dated US names contributed to the fund's positive credit selection. In telecommunications, our selection in US

and European long-dated bonds contributed well to the positive selection. In banking, European subordinated debt contributed most to the negative performance.

The contribution from sector allocation was positive. The positive contribution from sectors such as financial services (UW), consumer goods (OW), and insurance (OW) was partly offset by a negative contribution from sectors including technology (UW), banking (OW), and automotive (UW).

In terms of regional exposure, Europe, America, and emerging markets contributed negatively. The performance in APAC (ex-emerging markets) was broadly flat.

Outlook

Our outlook for the corporate bond market remains constructive, supported by attractive all-in yields at multi-year highs, resilient corporate fundamentals, a favorable rating trend, and continued investor demand. As spreads widen, we expect dispersion across issuers and sectors to persist, calling for greater selectivity, particularly in the primary market, which has recently shown weaker technical signals, and in areas exposed to French political and fiscal uncertainty.

Regarding the macroeconomic backdrop, economic growth is expected to remain supportive for spreads, while incoming US data points to accelerating activity. Global PMIs remain consistent with an economy still in expansion, but the inflation outlook continues to be clouded by the war in the Middle East. The impact on inflation is uneven across regions: the euro area, which is more exposed to energy imports, faces a more direct transmission channel, while the US benefits from greater domestic insulation,

though inflation there is still running above target.

Credit fundamentals remain broadly strong, as confirmed by the second-quarter 2026 reporting season in both the US and Europe, with no widespread signs of releveraging. Rating trends remain supportive, and high-yield default rates are poised to stay contained in the near term. We believe the picture is likely to be more mixed in cyclical sectors such as automotive, consumer goods, and basic industries.

Technical factors continue to provide support, with ongoing flows into corporate bonds suggesting that investors remain comfortable allocating to the asset class. The early restart of issuance points to a well-filled pipeline, and we expect the primary market to stay very active until year-end, including ongoing large AI capex-related issuance across currencies. Heavy supply could temporarily weigh on spreads, particularly in senior IG segments with substantial issuance and potential large issuance from US hyperscalers could create temporary indigestion among high-quality, lower-beta issuers, for which portfolios already carry meaningful exposure.

Regarding regional spreads, local political pressures in Europe (particularly in France) pose a risk that could keep government spreads at wider levels for as long as they persist. US spreads appear to be holding up better for the moment, helped by a more resilient macroeconomic backdrop outside of inflation. Higher yields and inflation, however, raise the risk of stagflation, making it important to monitor economic activity and employment figures, as any move into recession could trigger more pronounced spread widening.

Fund characteristics

Fund name	Vontobel Fund – Global Corporate Bond
ISIN	LU1395537134
Share class	I USD
Benchmark	ICE BofAML Global Corporate Index (USD hedged)
Inception date	9.5.2016

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	-2.4%	-2.1%	2025	7.4%	6.9%
YTD	-2.2%	-1.7%	2024	3.7%	4.0%
1 year	-1.2%	-0.9%	2023	8.8%	9.0%
3 yrs p.a.	5.7%	5.4%	2022	-15.0%	-14.0%
5 yrs p.a.	0.1%	0.5%	2021	-0.6%	-0.8%
10 yrs p.a.	2.6%	2.4%	2020	9.3%	8.2%
ITD p.a.	2.9%	2.7%	2019	13.6%	12.5%
			2018	-1.7%	-0.9%
			2017	7.6%	5.7%
			2016	–	–

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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.
- 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.
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