Vontobel



Monthly commentary / 30.9.2024

# Vontobel Fund – US Equity

**Marketing document for institutional investors in:** AT, CH, DE, ES, FI, FR, GB, IT, LI, 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.**


**Summary**

- In September, the fund was up and underperformed the S&P 500.
- Sector-wise, healthcare and energy contributed positively to relative performance, whereas information technology and industrials detracted.
- The fund's largest sector overweights against the benchmark were consumer staples and healthcare, while the largest sector underweights were information technology and communication services.


**Market developments**

Interest-rate cuts in the US and Europe and China's announced monetary-stimulus package were the main drivers of global equity performance in September. After a slow start into the month, US equities performed in line with the global benchmark, thanks in large part to the US central bank Fed's first interest-rate cut since 2020. Solid GDP data increased expectations of an economic soft landing without a recession, with US equities finishing the month at record levels. Across the Atlantic, European equities were weak, as poor economic indicators, including deteriorating manufacturing and services Purchasing Managers Indices, weighed on investor confidence. However, performance improved towards the end of the month, partly due to interest-rates cuts in the US and Europe, combined with expectations that China stimulus would have a positive impact on exporters.

**Portfolio review**

Purchases:

Brown-Forman: We believe the company with its strong brands is well positioned in fast-growing segments within alcoholic spirits and offers predictable and sustainable earnings growth over the next five years. It engages in the production and distribution of alcoholic beverages, offering whiskey, scotch, tequila, vodka, liquor, and wine. Its most important and iconic brand Jack Daniel's, involved in distilling Tennessee Whiskey for over 150 years, accounts for 60% of company sales, has a loyal following from drinkers, thanks to its distinct flavor and consistent quality. It dominates the US premium-whiskey market and is by far the most relevant US whiskey company internationally. Alcohol consumption in the US has trended towards spirits and away from beer over the past decade. Of all spirits categories, whiskey and tequila have grown the fastest. Additionally, US whiskey is one of the fastest growing categories internationally.

IDEXX Laboratories: We believe IDEXX, one of the highest-quality companies in the continuingly growing animal health industry, will see sustainable earnings growth. The firm continues to introduce new products and leverage significant pricing power. It engages in the development, manufacture, and distribution of products and services for the animal veterinary, livestock and poultry, dairy, and water-testing markets. The primary driver of earnings is the animal-health diagnostics business, for which the company is best known and a dominant player with a 64% market share. The primary driver of innovation with the strongest R&D track record and by far the largest R&D budget is in the companion-animal diagnostics business, which provides in-clinic diagnostic solutions, outside reference-lab services, and veterinary software and services. The razor and razor-blades business model brings high switching costs for customers who are already in the IDEXX ecosystem. This gives IDEXX significant pricing power as it continues to introduce new products for vets. The animal-health industry shows attractive growth. Pet ownership is on the up since as far back as the 1980s. Meanwhile, pet owners have demonstrated greater willingness to spend more and more on their pets, due to the humanization of pets by younger generations, and more available treatments.

Sales:

Visa: The US Department of Justice (DOJ) filed an antitrust lawsuit against Visa, alleging anticompetitive practices in its debit business. Even if DOJ wins the case, we do not expect a thesis-changing impact on Visa's concerned business. Nonetheless, Visa as the largest payment network in the country will remain in the US regulators' crosshairs. Therefore, we decided to exit our already small position versus Mastercard. We prefer the latter on a fundamental basis and because it does not have the same regulatory overhang.

**Performance analysis**

Top-3 contributors:

Amazon: The company showed solid trends overall. Its recently published second-quarter results with 11% revenue growth was in line with consensus expectations and at the high end of guide, while operating income came in 7% above

consensus expectations and 5% above the high end of guide.
Microsoft: There was not significant fundamental news for the firm in September, but stock performance likely reflects continued confidence in Microsoft's core franchises and ability to benefit from generative artificial intelligence (AI).
Zoetis: The company reported a strong second quarter and raised its full-year guidance. Growth in the companion-animal segment was solid across all key therapies while growth in the livestock segment increased versus weakish comparison numbers and thanks to strong pricing.
Top-3 detractors:
Adobe: The company reported pretty good results across the business and all above expectations. However, the outlook for next quarter disappointed to some extent with a few moving parts (early closing of deals, timing of the holiday events this year). Additionally, there is likely some anxiety around the lack of significant AI impacts with no major signs of a big uplift from AI quite yet. Management sees strong demand but is yet to implement measures to significantly increase monetization, as their primary goal for now is looking to usage and adoption.
RB Global: There is nothing fundamental to report since the good earnings results published in the previous month. These were better than expected, and a client win in the IAA business showcased the improvement of the operations since the acquisition. Given the counter-cyclical aspects of the company's equipment-disposal business, some market repositioning around macro-economic developments is likely.
Union Pacific: Somewhat weaker US manufacturing and purchasing managers surveys are perceived as a negative for Union Pacific, as it may imply fewer goods will be shipped on the rail.

**Outlook**

US interest-rate policy has begun to normalize. In our view, equity investors should not be overly optimistic about aggressive rate cuts, as those would likely be driven by weaker underlying economic conditions, specifically the unemployment rate.
While the US Presidential election has the potential to be a volatile event, markets are influenced by many variables beyond the control of any single politician or political party. Over the long term, however, policy can have a more substantial impact.
The evolving geopolitical landscape presents challenges for active investors. The upcoming US Presidential election could influence the trajectory of the Israel-Hamas conflict and the Russia-Ukraine war over the next 12 months. Managing geopolitical risk is like managing economic, business, or other fundamental risks. We seek to invest in companies with predictable earnings growth, focusing on their business operations and the attributes that make them quality investments, while maintaining reasonably conservative valuation assumptions.

**Fund characteristics**

| | |
|---|---|
| **Fund name** | Vontobel Fund – US Equity |
| **ISIN** | LU0278092605 |
| **Share class** | I USD |
| **Reference index** | S&P 500 - TR |
| **Inception date** | 16.3.2007 |

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

| Time period | Fund | Ref. index |
|---|---|---|
| MTD | 0.8% | 2.1% |
| YTD | 14.3% | 22.1% |
| 1 year | 25.0% | 36.4% |
| 3 yrs p.a. | 9.6% | 11.9% |
| 5 yrs p.a. | 12.3% | 16.0% |
| 10 yrs p.a. | 13.0% | 13.4% |
| ITD p.a. | 10.0% | 10.6% |

| Time period | Fund | Ref. index |
|---|---|---|
| 2023 | 25.3% | 26.3% |
| 2022 | -15.7% | -18.1% |
| 2021 | 18.9% | 28.7% |
| 2020 | 16.3% | 18.4% |
| 2019 | 30.6% | 31.5% |
| 2018 | -0.8% | -4.4% |
| 2017 | 25.6% | 21.8% |
| 2016 | 9.3% | 12.0% |
| 2015 | 7.2% | 1.4% |
| 2014 | 8.9% | 13.7% |

**Past performance is not a reliable indicator of current or future performance. Performance data does not consider any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up due to changes in the rates of exchange between currencies.**

**Investment risks**

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- As the sub-fund focuses on companies that are domiciled and/or conduct the majority of their business in the US, it has a lower degree of risk diversification.
- The sub-fund's investments may be subject to sustainability risks. The sustainability risks that the sub-fund may be subject to are likely to have an immaterial impact on the value of the sub-funds' investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-funds' performance may be positively or negatively affected by its sustainability strategy. The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers. Information on how environmental and social objectives are achieved and how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

Performance data does not consider any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up, e.g. due to changes in rates of exchange between currencies. The value of the money invested in the fund can increase or decrease and there is no guarantee that all or part of your invested capital can be redeemed.
Interested parties may obtain the above-mentioned documents free of charge from the authorized distribution agencies and from the offices of the fund at 11-13 Boulevard de la Foire, L-1528 **Luxembourg**, the facilities agent in **Austria**: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna, the representative in **Switzerland**: Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, the paying agent in Switzerland: Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich, the European facilities agent for **Germany**: PwC Société coopérative - GFD, 2, Rue Gerhard Mercator B.P. 1443, L-1014 Luxembourg, Email: lu_pwc.gfd.facsvs@pwc.com, gfdplatform.pwc.lu/facilities-agent/, the information agent in **Liechtenstein**: LLB Fund Services AG, Äulestrasse 80, FL-9490 Vaduz. Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the key (investor) information documents ("K(I)ID"). These documents may also be downloaded from our website at vontobel.com/am. A summary of investor rights is available in English under: vontobel.com/vamsa-investor-information. In **Spain**, funds authorized for distribution are recorded in the register of foreign collective investment companies maintained by the Spanish CNMV (under number 280). The KID can be obtained in Spanish from Vontobel Asset Management S.A., Sucursal en España, Paseo de la Castellana, 91, Planta 5, 28046 Madrid. **Finland**: The KID is available in Finnish. The KID is available in French. The fund is authorized to the commercialization in **France**. Refer for more information on the funds to the KID.The fund authorised for distribution in the **United Kingdom** and entered into the UK's temporary marketing permissions regime can be viewed in the FCA register under the Scheme Reference Number 466625. The fund is authorised as a UCITS scheme (or is a sub fund of a UCITS scheme) in a European Economic Area (EEA) country, and the scheme is expected to remain authorised as a UCITS while it is in the temporary marketing permissions regime. This information was approved by Vontobel Asset Management S.A., London Branch, which has its registered office at 3rd Floor, 70 Conduit Street, London W1S 2GF and is authorized by the Commission de Surveillance du Secteur Financier (CSSF) and subject to limited regulation by the Financial Conduct Authority (FCA). Details about the extent of regulation by the FCA are available from Vontobel Asset Management S.A., London Branch, on request. The KIID can be obtained in English from Vontobel Asset Management S.A., London Branch, 3rd Floor, 70 Conduit Street, London W1S 2GF or downloaded from our website vontobel.com/am. **Italy**: Refer for more information regarding subscriptions in Italy to the Modulo di Sottoscrizione. For any further information: Vontobel Asset Management S.A., Milan Branch, Piazza degli Affari 2, 20123 Milano, telefono: 0263673444, e-mail: clientrelation.it@vontobel.com. **Netherlands**: The Fund and its sub-funds are included in the register of Netherland's Authority for the Financial Markets as mentioned in article 1:107 of the Financial Markets Supervision Act ("Wet op het financiële toezicht"). **Norway**: The KID is available in Norwegian. Please note that certain sub-funds are exclusively available to qualified investors in Andorra or **Portugal**. **Sweden**: The KID is available in Swedish. The fund and its sub-funds are not available to retail investors in **Singapore**. Selected sub-funds of the fund are currently recognized as restricted schemes by the Monetary Authority of Singapore. These sub-funds may only be offered to certain prescribed persons on certain conditions as provided in the "Securities and Futures Act", Chapter 289 of Singapore. This document was approved by Vontobel Pte. Ltd., which is licensed with the Monetary Authority of Singapore as a Capital Markets Services Licensee and Exempt Financial Adviser and has its registered office at 8 Marina Boulevard, Marina Bay Financial Centre (Tower 1), Level 04-03, Singapore 018981. This advertisement has not been reviewed by the Monetary Authority of Singapore. The fund is not authorized by the Securities and Futures Commission in **Hong Kong**. It may only be offered to those investors qualifying as professional investors under the Securities and Futures Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution and if you are in doubt about any of the contents of this document, you should obtain independent professional advice. This document was approved by Vontobel (Hong Kong) Ltd., which is licensed by the Securities and Futures Commission of Hong Kong and provides services only to professional investors as defined under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and has its registered office at 1901 Gloucester Tower, The Landmark 15 Queen's Road Central, Hong Kong. This advertisement has not been reviewed by the Securities and Futures Commission.
This document is not the result of a financial analysis and therefore the "Directives on the Independence of Financial Research" of the Swiss Bankers Association are not applicable. Vontobel and/or its board of directors, executive management and employees may have or have had interests or positions in, or traded or acted as market maker in relevant securities. Furthermore, such entities or persons may have executed transactions for clients in these instruments or may provide or have provided corporate finance or other services to relevant companies.
The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
Although Vontobel believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document. Except as permitted under applicable copyright laws, none of this information may be reproduced, adapted, uploaded to a third party, linked to, framed, performed in public, distributed or transmitted in any form by any process without the specific written consent of Vontobel. To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or

access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you. Neither this document nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law. Persons who receive this document should make themselves aware of and adhere to any such restrictions. In particular, this document must not be distributed or handed over to US persons and must not be distributed in the USA.

Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11, info@vontobel.com
vontobel.com/am