Vontobel Fund – Swiss Franc Bond Foreign

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

At the beginning of the month, the release of the US employment report once again caused a surprise. Unlike the previous month, however, the number of newly created jobs disappointed, coming in at 57,000 compared with the market consensus of 113,000. In addition, the figures for the previous months were revised downwards by a further 74,000. Although the unemployment rate fell to 4.2%, this was partly attributable to a decline in labor force participation. Against this backdrop, the decrease in the unemployment rate should therefore be viewed with some skepticism. The US consumer price data released in the middle of the month also came in below expectations. Headline inflation fell by 0.4% month-on-month in June (expected: -0.1%), while core inflation remained unchanged (consensus forecast: +0.2%) and increased by 2.6% year-on-year. As a result, market participants revised the probability of a US Federal Reserve (Fed) rate hike in July from around 33% at the end of June to 16% immediately following the release of the inflation data, after having reached a peak of around 45%. Also attracting considerable attention in the middle of the month were comments by Japanese Finance Minister Satsuki Katayama, who suggested that the government would encourage pension funds, including the GPIF, to increase their investments in Japanese financial assets. Her remarks triggered a broad reversal of the recent “Sell Japan” strategy: Japanese government bonds (JGBs), equities, and the yen all rallied significantly. A rise in oil prices, temporarily pushing crude back above USD 100 per barrel, combined with hawkish comments from several Fed governors, brought the decline in yields in both the US and Japan to an end. After the European Central Bank (ECB) had tightened monetary policy in the previous month and President Christine Lagarde subsequently indicated that there was no need for an “aggressive” response to the energy shock, the ECB Governing Council left interest rates unchanged at its July meeting, as widely expected. Future monetary policy decisions would continue to depend on the data and be taken on a meeting-by-meeting basis, according to Lagarde. However, her comments at the press conference underscored the likelihood that interest rates would be raised at the next monetary policy meeting in September, provided that the situation in the Middle East does not stabilize. The Fed also left its policy rate unchanged at 3.50% to 3.75% at the end of the month, at its second meeting under the new chair, Kevin Warsh. What came as a surprise, however, was the fact that three of the 12 members of the Federal Open Market Committee (FOMC) voted in favor of a rate hike. These three dissenters were evidently convinced that, given that inflation had remained above the 2% target for more than five years, an immediate rate increase was necessary. Warsh left market participants with a contradictory impression at the press conference. Although he repeatedly emphasized that the Fed would achieve its inflation target, he refrained from making concrete statements about the future course of monetary policy. He justified the decision to forgo forward guidance by arguing that it would help avoid market distortions. Instead, he said he placed greater emphasis on “unfiltered” market signals. His comments expressing doubts as to whether PCE inflation would remain the Fed’s medium-term inflation target caused even greater unease among market participants. The market reaction, however, was unambiguous: yields rose sharply during the press conference, reflecting doubts about the Fed’s determination to combat inflation. In the aftermath, the market continued to price in a rate hike as necessary to restore the credibility of the US central bank. Overall, 10-year US Treasury yields rose by 27 basis points (bps) over the course of the month to 4.73% at the end of July, while the yield curve between the two- and 10-year maturities steepened by 15bps. Over the same period, 10-year Japanese government bond yields increased by just over 12bps to 2.81%. The sharpest increase was seen in 10-year German government bond yields, which rose by almost 35bpss during the reporting period to 3.21%.

Portfolio review

At the end of July, the fund’s assets stood at around CHF 127 million. Overall, we remained more heavily invested in corporate bonds than the benchmark. In our view, we sold some expensive bonds and selectively added positions from primary and secondary markets. We maintain a slight underweight to neutral levels in bonds with maturities of over 15 years, as we consider their risk/return profile unattractive. As of the end of July, the fund’s cash position was 0.44% (previous month: 0.44%). The breakdown by rating category was as follows: AAA 8.79% (10.27%), AA 20.29 (20.98%), A 43.31% (42.03%), BBB 25.28% (25.04%), and BB 1.18% (1.23%). The average rating of the bonds held in the fund was a solid A and the benchmark’s is AA-.

Performance analysis

The fund (I share class) generated a negative total return in June and outperformed the benchmark. Interest rate positioning made a slightly negative contribution to relative performance, as the yield curve increased and the portfolio maintained a longer duration than the benchmark. Credit positioning once again contributed positively through higher carry. Active management in both the primary and secondary markets also added value. The prevailing market environment continued to offer attractive relative value opportunities in the secondary market, allowing the portfolio to benefit from active credit selection, which made a positive contribution to relative performance.

Outlook

Global economic growth remains subdued overall, although there are initial signs of a recovery, particularly in the manufacturing sector. Continued support is likely to come from fiscal measures in the US, Germany, and Japan, as well as from ongoing AI-driven investment. At the same time, economic risks remain elevated, partly due to continued trade policy and geopolitical uncertainty. The war in Iran has placed an additional burden on the growth environment. Higher oil and energy prices are increasing production costs and inflationary pressures while simultaneously reducing real incomes. Overall, however, the drag on global growth is likely to remain manageable. Despite the higher inflation rate, we see only a moderate risk of a second inflationary wave similar to that experienced in 2021/22. Apart from energy prices and isolated supply chain disruptions, broader price pressures have so far remained contained. Nevertheless, the phase of global monetary easing is likely to have come to an end for the time being, particularly as labor markets have also stabilized. Some central banks may resume raising interest rates, but we do not expect a pronounced global tightening cycle. Overall, we believe the global economy is likely to prove resilient despite the existing headwinds. Fiscal stimulus and the AI investment boom are providing support, while being counterbalanced by elevated inflation risks and a more cautious monetary policy stance.

Fund characteristics

Fund name	Vontobel Fund – Swiss Franc Bond Foreign
ISIN	LU0278084768
Share class	I CHF
Benchmark	SBI® Foreign Rating AAA Total Return to 5.5.2025, SBI® Foreign Rating AAA-BBB Total Return thereafter
Inception date	12.6.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-0.7%	-0.8%
YTD	0.1%	0.0%
1 year	0.0%	-0.2%
3 yrs p.a.	2.7%	2.5%
5 yrs p.a.	-0.2%	-0.4%
10 yrs p.a.	-0.2%	-0.2%
ITD p.a.	1.7%	1.7%

Time period	Fund	Benchmark
2025	0.7%	0.4%
2024	4.7%	4.4%
2023	5.1%	4.6%
2022	-9.7%	-9.3%
2021	-1.3%	-1.4%
2020	0.0%	0.4%
2019	2.3%	1.6%
2018	-1.2%	0.1%
2017	-0.2%	-0.2%
2016	1.4%	0.5%

Past performance is not a reliable indicator of current or future performance.
Performance data does not take into account 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.

Investment 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.
- 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.
- 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-fund's investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-fund's 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.

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