

Vontobel Fund – TwentyFour Sustainable Short Term Bond Income

A short term bond fund that aims to provide investors with a sustainable fixed income solution without compromising overall returns.



Chris Bowie
Partner,
Portfolio Management
Industry experience since 1992.

“By ruling out ‘sin’ sectors but actively rewarding bond issuers in the top half of our ESG scoring distribution, we believe we can target the very best risk-adjusted returns in fixed income without compromising on performance.”

Investment opportunity

Vontobel Fund -TwentyFour Sustainable Short-Term Bond Income (SSTBI) applies both positive and negative ESG screening to the investment universe, a system designed to reward companies for sound ESG practices. SSTBI is an actively managed short term bond fund that aims to deliver steady returns in any market environment while keeping volatility to a minimum.

Investment objective

The Fund aims to achieve a positive total return over a 3-year period whilst maintaining an annualised volatility of no more than 3%.

Why invest?



Our ESG screening process helps to ensure investors’ capital is invested sustainably, while still benefiting from TwentyFour’s specialist and active approach to fixed income.



A negative screen rules out familiar ‘sin’ sectors, but then importantly a positive screen excludes any bond issuers we score lower than 34 out of 100.



Our research has shown that this threshold of 34 would have given the best possible risk-adjusted returns for a given low level of volatility and appropriate diversification for our existing Vontobel Fund - TwentyFour Absolute Return Credit Fund (ARC).



A minimum of two-thirds of the Fund is invested in 0-5yr investment grade bonds, which we consider the best source of risk-adjusted returns within fixed income.



We choose to limit the portfolio to around 100 positions to allow for stock selection alpha, and a strong bias towards BBB rated corporate bonds in order to target better yields.

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.

Investment Process

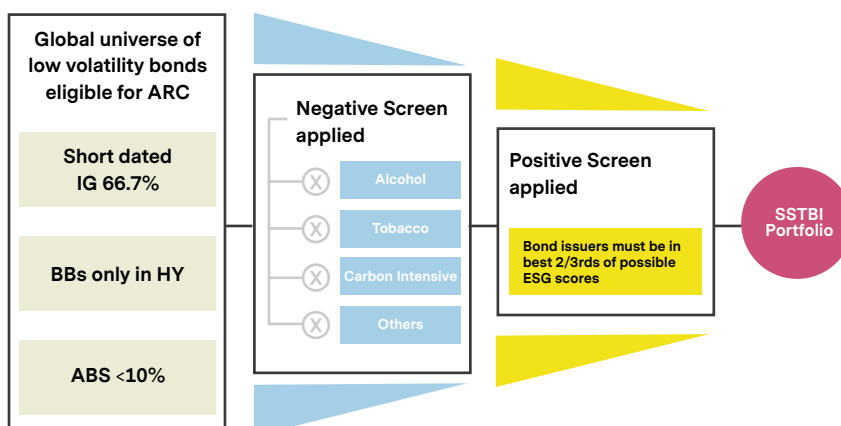
The Fund has an ESG overlay of both negative and positive screens. A positive screen is applied to any issuer who scores greater than or equal to 34 in the TwentyFour Observatory ESG system/scoring model while a negative screen helps enable the Fund to avoid companies with material production¹ in the following sectors:

- ⊗ Tobacco
- ⊗ Alcohol
- ⊗ Weapons
- ⊗ Animal Testing For Cosmetic Purposes
- ⊗ Gambling
- ⊗ Coal Intensive Industries
- ⊗ Adult Entertainment
- ⊗ UN Global Compact Violators²

Our initial modelling where we applied an ESG overlay to our existing Absolute Return Credit Fund's performance showed that the higher the ESG score (and therefore the higher the positive screen), the higher the return would have been, but also the higher the volatility. We chose a score of 34 as our modelling showed this would have given the best possible risk-adjusted returns (Sharpe Ratio), whilst keeping volatility less than 3% at all times, and having a high level of portfolio diversification.

1. We define 'material production' as meaning sources of revenue greater than 5%. We do however strongly believe in rewarding those companies who are providing solutions to ESG problems and/or are making positive strides to improve the direction of their company from an ESG perspective. Thus we have the flexibility when deciding whether a negative screen ultimately applies to take a view on the ESG 'Momentum' of a company.
2. We will not knowingly hold any issuer producing Cluster Munitions and Landmine (anti-personnel mines) in line with International Conventions.

A tailored mix of positive and negative screening



Investment team



Chris Bowie
Partner,
Portfolio Management
Industry experience since 1992.



Gordon Shannon
Partner,
Portfolio Management
Industry experience since 2007.



Graeme Anderson
Chairman,
Partner,
Portfolio Management
Industry experience since 1986.



Jack Daley
Portfolio Management
Industry experience since 2011.



Johnathan Owen
Portfolio Management
Industry experience since 2018.

Risks

- Limited participation in the potential of single securities.
- Success of single security analysis and active management cannot be guaranteed.
- It cannot be guaranteed that the investor will recover the capital invested.
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility.
- Interest rates may vary, bonds suffer price declines on rising interest rates.
- High-yield bonds (non-investment-grade bonds/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated bonds.
- 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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