Vontobel

Monthly commentary / 31.08.2020
Vontobel Asset Management

Vontobel Fund - Global Equity

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

Summary

- The performance of the fund was positive in August and underperformed the MSCI ACWI Index.
- The Financials and Utilities sectors were positive contributors to relative performance over the month. The Consumer Staples and Consumer Discretionary sectors detracted from relative performance.
- On a country basis, the United States and Ireland contributed to relative performance, while then Netherlands and Canada detracted from performance.
- The fund was overweight consumer discretionary and consumer staples relative to the benchmark. The fund had zero exposure to energy, real estate and utilities at the end of August.
- The fund's largest country overweights were the Netherlands and France relative to the benchmark. The largest underweights were Japan and the United Kingdom at the end of August.

Market developments

Global equities continued their ascent in August as investors shook off concerns about a new spike in Covid-19 infections. US equity performance was underpinned by the Federal Reserve's pledge to tolerate higher levels of inflation, cementing expectations that interest rates would remain at, or close to, zero for a protracted period. Information technology and consumer discretionary sectors drove gains over the month. In Europe, an increase in COVID-19 infections over the summer led to the reimplementation of restrictions in the UK, France and Germany. European equities rebounded from July's underperformance but lagged US markets. In mid-August, Russia became the first country to approve a vaccine, while later in the month China began inoculating workers against the virus. Positive steps towards controlling the virus longer term, as well as lower fatality rates, gave emerging market equity shares a moderate boost.

Portfolio review

Purchases

N/A

SALES

Adidas AG - We reallocated capital to better opportunities.

Performance analysis

TOP3 Contributors:

MASTERCARD INC CL A

Volume growth has turned positive in recent months despite COVID and certain parts of businesses are proving to be resilient and effective. Mastercard is a dominant card payment network second only to Visa. Mastercard continues to benefit from strong secular tailwinds (cash-to-card conversion), and enjoys durable competitive moats as an indispensable component of the payment ecosystem. We believe the company can meet its goal of becoming a one-stop shop for all types of payments.

MICROSOFT CORP COM

From a fundamental standpoint, there is nothing company-specific to report. Once defined by its reliance on a PC-centric world, Microsoft has successfully transformed into more of a cloud first company. The company has built Azure into a leading public cloud provider, with natural strengths in hybrid cloud and ability to sell to enterprises. In addition, the shift to cloud computing is driving growth in its traditional franchises, as the company is shifting to more of a SaaS (software as a service) model. Under CEO Satya Nadella, we believe MSFT has become a much more open technology company that is now able to go after larger, addressable markets. In our view, MSFT offers an attractive combination of durable franchises and strong earnings growth.

ADR ALIBABA GROUP HOLDING LTD SPON ADS EACH REP 8 ORD SHS ADS

From a fundamental standpoint, there is nothing company-specific to report. Alibaba is the leading e-commerce platform operator in China with a dominant market share in terms of overall gross merchandise volume (GMV). It is multiples larger in GMV than the second biggest player in China, JD.com. Alibaba's key advantage versus competitors is that it has the largest number of vendors, which in turn attracts a massive pool of buyers. Other markets like Japan and the U.S. have shown that it is difficult to displace a player who has a significant supplier/merchant advantage. This allows buyers to have access to the widest base of vendors and available inventory at the most competitive prices in almost any category. Further, by segmenting the market to lower-priced merchants (Taobao) and more established/ trustworthy merchants in Tmall, it can cater to a wider base of consumers. There is also the tailwind from e-commerce penetration in China still being in relatively early stages. Operating as a platform business, Alibaba has maintained a higher ROE than its global peers.

TOP3 Detractors:

BECTON DICKINSON & CO COM

From a fundamental standpoint, there is nothing company-specific to report. Becton Dickinson (BD) is a medical technology company that serves healthcare institutions, life science researchers, clinical laboratories, industry and the general public. BD manufactures and sells a broad range of medical supplies, devices, laboratory equipment and diagnostic products, with leading positions in the areas of medication management and delivery. In addition, the core business enjoys a solid and steady demand growth profile. We also expect the recent CR Bard acquisition to drive significant synergies as well as boost the company's overall growth profile.

ALIMENTATION COUCH CLASS'B'S/VTG COM NPV

From a fundamental standpoint, there is nothing company-specific to report. Alimentation Couche-Tard is a Canada-based international gas station and convenience store operator with over 12,000 locations (Couche Tard, Circle K, Ingo and Topaz brands). Alimentation Couche-Tard has a strong record of management execution and has the balance sheet capacity to continue growing its footprint and revenues in North America and Europe, further consolidating a fragmented market.

HEINEKEN NV EUR1.60

Heineken reported results that were below expectations because of covid and its effects on bars and restaurants. Heineken is one of the largest global brewers. Its namesake brand is arguably the only true global beer brand. The company has a number of other international and strong local brands as well. It now generates more than 50% of revenue and over 60% of operating profit from the Emerging markets, with a diversified country exposure. It has strong positions in many developing markets, including Mexico, Nigeria, India, Thailand, Indonesia, Malaysia, and Vietnam. The exposure to developing markets should grow as they are the faster part of Heineken's portfolio. In addition to topline growth, the company is focused on increasing margins, both through cost saves and helped by a global shift towards more premium products, which is where Heineken over-indexes versus peers. We believe the company could grow earnings low double digits over the foreseeable future.

Outlook

The events of this year caught most investors off guard. We expect volatility to remain high due to economic uncertainty and the fiscal and monetary stimulus that continues to drive equity markets. We don’t believe it is possible to time the markets. Through our quality growth approach, we seek to identify businesses that will benefit from long-term secular growth drivers and that have the resilience to withstand a downturn. Our aim is a portfolio of attractively valued companies with the strength to outperform and compound returns for investors over the long term.

Performance (in %)

Net returns			Rolling 12-month net returns			
USD	Fund	Index	Start date	End date	Fund	Index
MTD	5.8	6.1	01.09.2019	31.08.2020	19.5	16.5
YTD	11.0	4.7	01.09.2018	30.08.2019	7.1	-0.3
2019	27.6	26.6	01.09.2017	31.08.2018	12.3	11.4
3 years p.a.	12.8	9.0	01.09.2016	31.08.2017	18.0	17.1
5 years p.a.	13.4	10.2	01.09.2015	31.08.2016	10.7	7.2
10 years p.a.	12.9	9.9	Index: MSCI All Country World TR net			
Since launch p.a.	9.0	5.9				
Launch Date		19.06.2008	Share class: I ISIN: LU0278093595			

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 due to changes in the rates of exchange between currencies.

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