Vontobel Fund – Global Active Bond

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.

Market developments

Geopolitics remained the dominant market theme in June and for the entire second quarter, driven by developments in the US-Iran conflict and their impact on oil prices. After a sharp rise in Q1, Brent crude recorded its largest quarterly decline during the month as markets welcomed the signing of an interim US-Iran agreement. The breakthrough came in mid-June when both sides signed the memorandum of understanding, prompting a sharp decline in oil prices. Brent ended June at USD 72.92 per barrel, still up 19.8% year-to-date. Falling oil prices eased stagflation concerns and supported both equities and bonds globally. The S&P 500 Index gained 15.2% on a total return basis, marking its best quarter since the post-pandemic rebound in Q2 2020. Technology stocks led the advance, particularly semiconductors. Easing inflation fears also helped sovereign bonds recover, particularly in Europe where Euro sovereigns were up +1.9% in total return terms, and US Treasuries were up +0.4% in total return terms.

In addition to macroeconomic headlines, resilient global economic data supported a hawkish shift from major central banks. In the US, labor market reports exceeded expectations, with the strongest average payroll growth in two years. The US Federal Reserve (Fed) also adopted a more hawkish tone under new Chair Kevin Warsh, prompting markets to shift from pricing in modest rate cuts to expecting rate hikes by year-end. Some of the interesting takeaways from the June Fed meeting were that the forward guidance was dropped entirely and the announcement of the creation of five task forces to study various aspects of monetary policy. Elsewhere, the European Central Bank delivered its first rate increase since 2023, raising rates by 25 basis points (bps) and signalling ongoing inflation concerns. The Bank of Japan also raised rates by 25bps, though the yen continued to weaken against the US dollar.

Regarding credit markets, June was more about modest spread weakness than a broader risk-off move, with carry helping offset the drag from wider spreads and higher yields. The performance showed a clear quality skew, as AAs (+5bps) widened more than single-As (+1bps) and BBBs (+1bps) for the US market. Subordinated and higher-beta segments partially caught up in performance, as European Bank CoCos tightened by 11bps and EUR financial subordinated debt performed broadly flat. Global hybrids tightened by only 1bps.

Portfolio review

The portfolio continues to be highly barbelled, with a higher-than-average allocation to cash and short-dated risk instruments. We actively managed overall risk, reducing beta into market rallies while selectively adding exposure during periods of weakness. We believe technicals within fixed-income markets are strong, and that our micro-arbitrage positions (where we select securities that trade wide of the remainder of the issuer complex) are likely to continue to drive our turnover. Our primary risk allocations continue to be into European financials and the CDS Index, given the steeper roll-down profile versus cash. But even within those broad universes, we tend to see a higher degree of dispersion in our portfolio allocations. This means that the aggregate level of risk at a sub-asset class level as well as at a fund level is probably best described as cautious.

Performance analysis

The Vontobel Fund – Global Active I was up 0.67% in June, outperforming its benchmark by 0.43% coming from selection in credit.

Outlook

While all-in yields are still the dominating driver for fixed income technicals, we believe that dispersion will likely go higher, given the overall rather tight valuations and market complacency. The fund seeks to extract value from these appearing pockets of volatility while not attempting to “time” the drawdowns. In our view, trading the ebbs and flows of the market, both at an aggregate risk level and in terms of our sub-asset class allocations, feels like the best return-for-risk approach for these markets.

Fund characteristics

Fund name	Vontobel Fund – Global Active Bond
ISIN	LU1112751067
Share class	I EUR
Benchmark	Bloomberg Global Aggregate Index (EUR Hedged)
Inception date	3.10.2014

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.7%	0.2%
YTD	1.4%	0.3%
1 year	4.4%	1.1%
3 yrs p.a.	6.7%	2.5%
5 yrs p.a.	-1.1%	-1.1%
10 yrs p.a.	0.8%	-0.1%
ITD p.a.	1.2%	0.6%

Time period	Fund	Benchmark
2025	5.7%	2.7%
2024	6.6%	1.7%
2023	7.0%	4.7%
2022	-22.2%	-13.3%
2021	-1.2%	-2.2%
2020	4.0%	4.2%
2019	8.1%	5.1%
2018	0.7%	-1.0%
2017	0.5%	1.1%
2016	1.5%	2.4%

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

— 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.
— 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.
— Distressed securities have a higher credit and liquidity risk as well as uncertainty in any potential bankruptcy proceedings.
— The sub-fund entails a higher degree of liquidity risk, because lower trading volumes on capital markets can lead to a situation where securities cannot be sold at all or can only be sold at less favorable terms.
— CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
— Using derivatives creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
— The overall strategy may be volatile and the risk of a substantial loss cannot be ruled out. Active currency and volatility trading may be very speculative. The leverage achieved for investment purposes in the Sub-Fund through the use of derivative financial instruments is calculated using the notional approach. The sum of notionals leverage achieved over the course of the year is expected to be around 700% or less of the net assets of the Sub-Fund. However, the actual sum of notionals leverage achieved on average may be above or below this value.
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Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11
info@vontobel.com | vontobel.com/am

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