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

August saw a significant rise in long-term government bond yields across major economies. The 30-year US Treasury yield reached its highest level since 2007, while comparable yields in Germany and Japan also climbed to multi-year highs. Strong economic data, persistent inflation concerns, and renewed focus on fiscal deficits all contributed to the upward pressure on bond yields.

Economic indicators came in resilient throughout the month, supporting expectations of solid global growth. Business activity surveys in both the Eurozone and the US improved, suggesting continued economic momentum despite tighter monetary policy.

Toward month-end, bond markets staged a modest recovery. A key driver was the US Treasury's surprise announcement that it would expand buyback operations for longer-dated government bonds. While the move helped ease pressure on yields, it also raised concerns about increased government intervention in financial markets. Against this backdrop, gold prices rose almost 10% during the month, while the US dollar weakened slightly.

Another important development was US Federal Reserve (Fed) Chair Kevin Warsh's speech at the Jackson Hole symposium. Warsh struck a more hawkish tone than expected, stressing that the Fed's 2% inflation target remains "a firm, fixed target." Although recent inflation data had improved, he argued that underlying inflation trends are still too elevated. As a result, investors increased their expectations that the Fed may raise interest rates again, with markets pricing a roughly 65% probability for a September hike by month-end.

Despite rising bond yields, equities delivered positive returns. Supported by resilient economic data and strong corporate earnings, the S&P 500 Index gained 2.7% and reached a record high. European equities also advanced, with the STOXX 600 finishing 0.5% higher. Technology stocks continued to outperform, leading gains on both sides of the Atlantic.

In fixed Income and credit markets, August was again a month of divergence: EUR investment-grade (IG) spreads were broadly stable after initial tightening, followed by a widening spread toward month-end. In USD IG, spreads widened in August on the back of the huge supply.

Portfolio review

The portfolio continues to be highly barbelled, with a higher allocation to short-dated risk instruments. August was seasonally quieter, with lower market activity for much of the month, but primary markets reopened toward month-end. We used this to selectively deploy cash into new issues where we believed valuations looked attractive. Technicals within fixed income markets are strong, and we believe it is likely that our micro-arbitrage positions (where we select securities that trade wide of the remainder of the issuer complex) will continue to drive our turnover.

Performance analysis

The Vontobel Fund – Global Active I was up 0.03% in August, outperforming its benchmark by 0.03% amid selection in credit.

Outlook

While all-in yields are still the dominating driver for fixed income technical, we still 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. Trading the ebbs and flows of the market both at an aggregate risk level and in terms of our sub-asset class allocations feels to us 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	0.0%	0.0%
YTD	0.3%	-0.9%
1 year	1.9%	-0.1%
3 yrs p.a.	6.0%	2.3%
5 yrs p.a.	-1.6%	-1.5%
10 yrs p.a.	0.4%	-0.2%
ITD p.a.	1.1%	0.5%

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.
— 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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