Vontobel Fund – Credit Opportunities

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, IE, IT, LU, NL, NO, SE, SG (Professional Investors only).

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 remains highly barbelled, with an above-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. Activity was focused on securities offering attractive value on a cross-currency basis, while we also took partial profits on some relative-value trades. Our main risk allocations remain in European financials and CDS indices, given the steeper roll-down profile versus cash, although positioning in these areas remains selective. We also added selectively to real estate exposure (in names where we like the credit story and see adequate compensation). Our hedging strategy remains consistent, with a focus on optimizing efficiency in our credit options book. Technicals in fixed-income markets remain supportive, and we expect micro-arbitrage positions — securities trading wide of the rest of an issuer complex — to continue to drive turnover. Overall, risk at both sub-asset class and fund level remains cautious.

Performance analysis

The Vontobel Fund - Credit Opportunities E delivered a positive return of 1.01%. The performance is higher versus the ICE BofA Global High Yield Index, which was up 0.42%.

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 – Credit Opportunities
ISIN	LU1242417589
Share class	E USD
Benchmark	–
Inception date	30.6.2015

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	1.0%	–
YTD	4.4%	–
1 year	10.7%	–
3 yrs p.a.	16.8%	–
5 yrs p.a.	9.8%	–
10 yrs p.a.	10.1%	–
ITD p.a.	9.3%	–

Time period	Fund	Benchmark
2025	13.8%	–
2024	20.2%	–
2023	24.4%	–
2022	-10.6%	–
2021	9.5%	–
2020	16.0%	–
2019	20.1%	–
2018	0.1%	–
2017	4.3%	–
2016	4.4%	–

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

- 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.
- 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 500% 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.
- 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 creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- Distressed securities have a higher credit and liquidity risk as well as uncertainty in any potential bankruptcy proceedings.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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