Vontobel Fund – Global Corporate Bond

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, 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

October was another volatile month for markets, with France at the epicenter of renewed European sovereign stress, mounting doubts around the artificial intelligence (AI) trade, and higher energy prices. After a brief stabilization, renewed political unrest pushed the 10-year (10Y) spread between French Obligations assimilables du Trésor (OAT) and German Bunds to 174 basis points (bps) on October 22, its highest since the euro crisis peak in November 2011, while the French 10Y yield reached a post-2002 high of 5.07%. The stress spilled over into Italian and Spanish spreads, European banks, and the euro, which ended the month at 1.1160 against the US dollar, its weakest against the dollar since spring 2025. The EURO STOXX Banks index had its worst month since 2023 (-11.4%). Energy added to the pressure: Houthi attacks on Saudi Arabia and disruption to shipping through the Strait of Hormuz kept supply tight, while reports that the US may resume strikes on Iran after the November 2 midterm elections lifted the risk premium. Brent crude rose +13.6% to USD 117.64 per barrel (+93.3% year to date, or YTD), and European front-month natural gas spiked +43.6% to EUR 103.94 per megawatt-hour (MWh), its highest since 2022.

As the month progressed, the AI trade displaced France and energy as the main source of volatility. Weakness in semiconductors broadened into doubts over whether the enormous AI infrastructure spending would generate adequate returns, and the pressure crystallized around late-month hyperscaler earnings, with Alphabet falling -12.64% after its results, its worst day on record. The Nasdaq lost -5.3%, its worst month since March 2025, led by Intel (-45%) and CoreWeave (-37%), while the Philadelphia semiconductor index fell

-19% from October 6 to month-end. The doubts also weighed on Korea's KOSPI (-16.2%) and Japan's Nikkei (-5.2%). Beneath the headline, however, there was rotation: the S&P 500 lost -0.9% but its equal-weighted version gained +5.0%, and the STOXX 600 returned +2.0% outside of France and the periphery, led by Germany's DAX (+2.5%).

Sovereign bonds staged a sizeable turnaround. Early in the month, high energy prices and resilient activity pushed the US 10Y yield to a post-2002 high of 5.31% and the 30-year yield to 5.67%. Deteriorating risk sentiment then restored Treasuries' safe-haven role, with the 10Y ending at 4.93% despite strong September CPI (headline +0.65%, core +0.33%). On-hold decisions from the US Federal Reserve (Fed), European Central Bank (ECB), and Bank of Japan reinforced the rally, leaving markets less convinced that the tightening previously priced would materialize. Treasuries returned +2.3% and Bunds +1.9%, their best months of 2026, though both remain negative YTD. OATs were the notable exception. In emerging markets (EM), sovereigns recovered with global yields while equities struggled: the Shanghai Composite fell -6.1%, and Brazil's Bovespa dropped -14.3% in USD terms after Lula's surprise election victory on October 25.

In fixed income and credit markets, October brought a second consecutive month of widening, with global investment grade (IG) getting wider by +10bps. EUR credit again underperformed USD's as French stress dominated: EUR IG widened +14bps, while USD IG held up better at +9bps. Subordinated and higher-beta segments again bore the brunt: European Bank CoCos widened by +30bps, Euro LT2 by +20bps, global hybrids by +16bps. Global BBs also sold off, with Euro BBs wider by +33bps and US BBs by +13bps.

Portfolio review

We selectively participated in new issues, primarily in USD. We used the primary market to increase our exposure to a BB-rated European automaker that has continued to perform well and to initiate a position in a BB-rated European services company. We also initiated a position in an Asian insurance name issuing its first USD T2 bond. We participated in a USD deal from a European bank and executed a switch by selling EUR bonds with a similar maturity from the same issuer for a pick-up in spread. Finally, we deployed cash to take part in deals from US issuers in the banking and financial services sectors.

In the secondary market, we started a position in a US basic industry name with significant scale and a good operating track record. We reduced French risk in our portfolio by exiting our position in a French bank and reducing our position in a French automaker. We took profit on companies in the basic industry, utility, and consumer goods sectors. Lastly, we executed a switch in a European utility company where we sold a junior subordinated bond with a low reset and bought a high-reset junior subordinated bond from the same company with a shorter call date for only a modest give-up in yield.

Performance analysis

For the month of October, the fund underperformed its benchmark index, net of fees. The contribution from credit selection was negative for the month. Our bond selection in energy, basic industry, and retail contributed positively to performance, offset by a negative contribution from sectors such as telecommunications, bank-

ing, and insurance. Within energy, our bond-picking in intermediate-dated US mid-stream names contributed to the positive credit selection in the fund. In basic industry, our selection in US, EM, and European intermediate bonds contributed to the positive selection. In telecommunications, long-dated US and European debt contributed most to the negative performance, while our exposure to European subordinated debt largely drove the negative selection in banking.
In terms of regional exposure, EM and APAC (ex-EM) contributed positively, while the performance in Europe and America was negative.

Outlook
Despite the recent period of heightened volatility, we remain constructive on the outlook for corporate bond markets. Our positive view is supported by solid corporate fundamentals and more attractive valuations following the repricing of spreads and yields since the end of September.
The macroeconomic environment remains challenging to some extent: several key elections around the world, persistent inflationary pressures, and the prospect of further policy rate increases by both the ECB and the Fed continue to create uncertainty. While economic growth expectations remain relatively robust in the US, the outlook for Europe is more subdued. The inflation dynamics also differ across regions: the euro area, with its greater reliance on energy imports, remains more directly exposed to energy-related inflation pressures, whereas the US benefits from a greater degree of domestic insulation. Nevertheless, US inflation also remains above target, keeping the Fed biased toward tightening and supporting the case for another rate hike at the December Federal Open Market Committee (FOMC) meeting.
From a corporate fundamentals perspective, we remain positive on both US and European credit markets, with earnings momentum continuing to be stronger in the US. Rating trends remain broadly supportive, and high-yield default rates are expected to stay relatively contained in the near term. As the third-quarter earnings season progresses, however, earnings momentum appears to be moderating, partly reflecting the high expectations that had been priced in by the market.
Against this more volatile macro backdrop, technical factors continue to provide support for credit markets, although less so than during the summer months. Some investors appear to be taking a more cautious stance before increasing allocations to credit, while corporate bond issuance has recently moderated as a result.
Looking ahead to November, we expect primary market activity to pick up again in Europe and the US, driven in part by large multi-tranche transactions from major technology issuers, before seasonal factors may to lead to a slowdown in December.
Overall, we believe the primary market may continue to offer attractive opportunities for investors: Yields remain close to multi-year highs, while credit spreads have repriced to more compelling levels, in our view. At the same time, we believe new issue concessions are among the most attractive seen in recent years across both European and US markets. We are also observing greater dispersion in secondary market valuations, potentially creating additional opportunities for active investors to identify relative value within individual credit segments.

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Fund characteristics

Fund name	Vontobel Fund – Global Corporate Bond
ISIN	LU1395537134
Share class	I USD
Benchmark	ICE BofAML Global Corporate Index (USD hedged)
Inception date	9.5.2016

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	1.5%	1.8%
YTD	-0.7%	0.0%
1 year	-0.3%	0.2%
3 yrs p.a.	6.6%	6.4%
5 yrs p.a.	0.4%	0.8%
10 yrs p.a.	2.8%	2.7%
ITD p.a.	3.0%	2.8%

Time period	Fund	Benchmark
2025	7.4%	6.9%
2024	3.7%	4.0%
2023	8.8%	9.0%
2022	-15.0%	-14.0%
2021	-0.6%	-0.8%
2020	9.3%	8.2%
2019	13.6%	12.5%
2018	-1.7%	-0.9%
2017	7.6%	5.7%
2016	–	–

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.
- Using derivatives generally creates leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty 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.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
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