Monthly commentary / 30.8.2024

Vontobel Fund – Global Equity

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.

Summary

- The performance of the fund was positive in August 2024 and outperformed the MSCI ACWI ND.
- The Financials and Energy sectors were positive contributors to relative performance over the month. The Communication Services and Materials sectors were the largest detractors from relative performance.
- On a country basis, Ireland and Japan contributed to relative performance, while the United States and Brazil detracted from relative performance.
- Relative to the benchmark, the Fund's largest sector overweights for the month were Health Care and Consumer Staples while the largest sector underweights were Energy and Communication Services.
- The Fund's largest country overweights were the United Kingdom and France relative to the benchmark. The largest underweights were the United States and Japan at the end of month.

Market developments

A combination of factors including weak US jobs data and an interest rate hike in Japan contributed to a sharp global downturn in the first few days of August. Japanese stocks suffered their worst one-day slump since 1987 as the yen's rise prompted the unwinding of carry trades. Pessimism was exacerbated by falling China PMIs and ongoing weakness in Europe. However, the mood quickly shifted as hopes of a soft economic landing returned, and global equities regained lost ground to end the month in positive territory. The Federal Reserve gave market confidence a further boost as Chair Jerome Powell gave his least ambiguous guidance yet, indicating at the annual meeting in Jackson Hole that it was time to adjust monetary policy. The S&P 500 rebounded, yet progress softened somewhat at the end of the month after Nvidia projections failed to live up to market expectations and caution around megacap tech stocks returned. Emerging market equities modestly lagged the global equity benchmark (MSCI All Country World Index) over concerns about economic progress in China and high valuations in India. European equities also modestly lagged the global equity benchmark in euro terms, although expectations converged around the European Central Bank's second interest rate cut coming in September.

Portfolio review

Purchases

N/A

Sales

N/A

Performance analysis

TOP3 Contributors:

Coca Cola Co

Coca Cola reported better 2Q23 results and raised guidance to the higher end of the prior guide. In particular Coke is seeing both volume and pricing in main markets, whilst also improving margins as it exits bottling operations and adds to faster growth / margin categories.

London Stock Exchange Group

LSE outperformed in August, in part on its strong H1 results report: the company reported a sightly higher than consensus growth in ASV (annual subscription value) and good cost discipline.

CME Group Inc

CME outperformed in August. The outperformance came from the first week of the month, when the market fell on weak employment data and fears of a recession. CME's business model is resilient to economic fluctuations and often benefits from increased volatility.

TOP3 Detractors:

Amazon Com Inc

AMZN showed solid trends overall with recent Q2 results with revenue growth of +11% was in line with consensus and at the high end of guide while operating income came in 7% above consensus and 5% above high end of guide. However, the stock pulled back given margin guidance came in weaker than expected which could be typical conservativeness or some fading impact of the benefits of fulfillment optimization.

Alphabet Inc Cap Stk Cl C

Alphabet lost its initial search monopoly case vs. the US DOJ. The judge found that Google was a monopoly in certain search markets although also acknowledged that Google has long been the best search engine, suggesting this dominant position was by merit. However, the company's exclusive distribution agreements were found to be illegal maintenance of monopoly. We believe this points to potential remedies being on the manageable side, particularly as Google would have the financial flexibility to reduce its current level of distribution payments to offset potential modest share loss. In addition, we expect the legal process to take at least another couple years, given a subsequent remedy trial and then subsequent appeal. In addition, the stock market rotated away from technology to more value-oriented names.

Vulcan Materials Co

Vulcan performed poorly in August due to market fears about aggregates pricing slowing, which we do not believe is correct.

Outlook

We continue to invest with our disciplined approach, rather than speculate on the latest fad, as we do not know when a downturn will hit. We expect we will be in a prolonged period of volatility, and the tougher environment is not behind us. We believe our consistent approach focused on resilient companies with a high degree of predictability in earnings growth will enable us to keep pace and successfully complete the marathon that is long-term investing.

Fund characteristics

Fund name	Vontobel Fund – Global Equity
ISIN	LU0278093595
Share class	I USD
Reference index	MSCI All Country World Index TR net
Inception date	19.6.2008

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	3.1%	2.5%
YTD	11.4%	16.0%
1 yr	16.8%	23.4%
3 yrs p.a.	1.7%	5.8%
5 yrs p.a.	9.0%	12.1%
10 yrs p.a.	9.3%	8.8%
ITD p.a.	8.4%	7.1%

Time period	Fund	Ref. index
2023	19.9%	22.2%
2022	-21.2%	-18.4%
2021	13.5%	18.5%
2020	19.3%	16.3%
2019	27.6%	26.6%
2018	-5.0%	-9.4%
2017	28.9%	24.0%
2016	4.5%	7.9%
2015	4.5%	-2.4%
2014	6.8%	4.2%

Past performance is not a reliable indicator of current or future performance. Performance data does not consider 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.

Investment risks

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- 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-funds’ investments in the medium to long term due to the mitigating nature of the sub-fund’s ESG approach. The sub-funds' 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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