Monthly commentary / 30.8.2024

Vontobel Fund – US Equity

Summary

- The fund was up in August and outperformed the S&P 500.
- Sector-wise, financials and industrials contributed positively to relative performance over the month, whereas communications and healthcare detracted.
- The fund's largest sector overweights versus the benchmark for the month were consumer staples and healthcare, while the largest sector underweights were information technology and energy.

Market developments

In the first few days of August, a combination of factors, including weak US job data and the Bank of Japan's hike in its key interest rate, contributed to a sharp downturn in global equity markets. Japanese stocks suffered their worst one-day slump since 1987, as the yen's appreciation prompted the unwinding of carry trades speculating on low borrowing cost in the yen. Pessimism among investors was exacerbated by China's falling Purchasing Manager Indices (PMI) and ongoing weakness of Europe's economy. Later in the month, however, the release of still strong US economic and again milder US inflation data made fears of a recession dissipate. With this quick shift in investor sentiment global equities regained lost ground and returned into positive territory, where they stayed until month-end. Following the Economic Symposium in Jackson Hole – where central bankers from around the globe meet annually – the US central bank Fed gave market confidence a further boost, as Fed Chairman Jerome Powell gave his least ambiguous guidance yet, indicating that it was time to adjust monetary policy. The S&P 500 rebounded, yet its progress softened somewhat at the end of the month after Nvidia projections failed to live up to market expectations and caution around mega-cap tech stocks returned. Emerging-market equities modestly lagged the global equity benchmark – the 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 that the European Central Bank might cut its key interest rate for the second time this year in September.

Portfolio review

Purchases: none
Sales: none

Performance analysis

Top-3 contributors:
Coca Cola: The company reported better results for the second quarter of 2024 and raised its guidance to the higher end of the previous one. Particularly, Coke is seeing both higher volumes and pricing in main markets, whilst also improving margins, as it exits bottling operations and adds to faster growth/margin categories.
CME: The stock outperformed in August thanks to the first week of the month, when the equity market slumped on weak employment data and fears of a recession. CME's business model is resilient to economic fluctuations and often benefits from increased volatility.
Progressive: The stock outperformed in August, in large part due to strong results for the month of July, with both growth and the combined ratio exceeding expectations. 12% growth in personal auto policies was particularly impressive.
Top-3 detractors:
Amazon: The company showed solid trends overall. In its recently published second-quarter results, revenue growth of 11% was in line with consensus expectations and at the high end of guidance, while operating income came in 7% above consensus and 5% above the high end of guidance. However, the stock pulled back because margin guidance came in weaker than expected, which could be typical conservativeness or some fading impact of the benefits of fulfillment optimization.
Vulcan Materials: The stock performed poorly in August due to market fears of slowing aggregates pricing, which is not the case in our opinion.
Alphabet: The company lost its initial search monopoly case versus the US Department of Justice (DOJ). The judge found that Google was a monopoly in certain search markets, but 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. Moreover, we expect the legal process to take at least another couple of years, given a

subsequent remedy trial and then subsequent appeal. In addition, the stock market rotated away from technology to more value-oriented names.

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 – US Equity
ISIN	LU0278092605
Share class	I USD
Reference index	S&P 500 - TR
Inception date	16.3.2007

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	2.8%	2.4%
YTD	13.5%	19.5%
1 yr	19.7%	27.1%
3 yrs p.a.	7.1%	9.4%
5 yrs p.a.	12.2%	15.9%
10 yrs p.a.	12.7%	13.0%
ITD p.a.	10.0%	10.5%

Time period	Fund	Ref. index
2023	25.3%	26.3%
2022	-15.7%	-18.1%
2021	18.9%	28.7%
2020	16.3%	18.4%
2019	30.6%	31.5%
2018	-0.8%	-4.4%
2017	25.6%	21.8%
2016	9.3%	12.0%
2015	7.2%	1.4%
2014	8.9%	13.7%

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.
- As the sub-fund focuses on companies that are domiciled and/or conduct the majority of their business in the US, it has a lower degree of risk diversification.
- 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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Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11, info@vontobel.com
vontobel.com/am