

Monthly commentary / 30.9.2024

## Vontobel Fund – Global Environmental Change

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

### Market developments

In September, after a weak start into the month, global equity markets performed well, particularly cyclicals and stocks from the consumer discretionary and materials sectors. The key drivers of this were the US Federal Reserve initiating its key interest-rate cut cycle and China's government announcing quite broad stimulus programs for its economy. The latter came as a surprise to investors and triggered a catch-up rally after the People's Republic had suffered a prolonged period of neglect. In Europe, on September 17, Mario Draghi, former president of the European Central Bank, presented his report to the European Commission. It contained far-reaching proposals, including that over-regulation in ESG matters should be simplified. The report sees opportunities for sustainable growth in Europe, based on the position of the European Union (EU) as a world leader in clean technologies, albeit up to now it failed to convert its strengths into global competitiveness. One of the factors identified as harming Europe's competitiveness was a much larger regulatory flow than in other countries. The Corporate Sustainability Reporting Directive was considered a major source of regulatory burden, among many others, while the EU Taxonomy was mentioned as an example of unclear definitions and requirements. Draghi unequivocally proposed simplifying EU regulation.

### Portfolio review

In September, the number of positions declined from 60 to 59. We liquidated our position in Nidec. Some years ago, the Japanese manufacturer of electric motors expanded its offering into various adjacent businesses, including the production of e-axels modules for the automotive industry. However, cut-throat pricing in China caused margins to rapidly vanish and Nidec suffered declining sales globally. The latest endeavor was the development of liquid cooling solutions for semiconductor chips, which we believed could provide longer-term growth potential within the otherwise rather mature market. Major customer of the cooling modules seems to be data-center supplier Super Micro, but latest news imply that Super Micro may rapidly lose market share for other technical issues. If this proves to be true, Nidec's growth prospects would shrink meaningfully. Therefore, we preferred to exit the stock for the time being. We allocated the proceeds to Murata, after correction of its share price, a producer of electronic components that enable more energy-efficient operation of any kind of devices. Furthermore, we added to Regal Rexnord, after the company at its capital markets day had outlined a path to

more sustainable growth with less volatile margins. We also deployed some cash to increase our positions in American Water Works and EDP Renovaveis.

### Performance analysis

In September, the fund outperformed global equity markets. Sector-wise, the fund's lacking exposures to energy and healthcare contributed, whereas those to consumer discretionary and communication services detracted, which canceled each other out overall. The fund's large exposures to utilities, materials, and industrials contributed strongly in terms of both sector allocation and security selection. Among the impact pillars, Clean Water was a drag, whereas Clean Energy Infrastructure contributed thanks to well-performing grid-infrastructure and clean-energy operator stocks. Low Emission Transportation benefitted from the exceptional performance of Contemporary Amperex Technology. The Chinese battery manufacturer announced multiple achievements for higher capacity of its batteries and reduced prices to expand their usage in energy-storage solutions and for grid balancing. Lately, its shares rallied on further incentives to push the adoption of electric vehicles (EV) in China. The latest Cash for Clunkers program offers benefits for scrapping old vehicles and replacing them by pure-battery or plug-in EVs. This makes CATL a primary beneficiary to supply the high number of batteries needed. Besides this, a broad range of other stocks benefitted from higher global power demand, be it for electrification of transportation and heating, or the increasing number of data centers. In contrast, ASML detracted on moderated expectations.

### Outlook

The necessity, complexity, and benefits of ESG regulation and disclosure requirements have long been debated. The discussion was fueled by the publication of Draghi's report on EU competitiveness, which pointed out that the regulatory burden was magnified by a lack of guidance, overlapping requirements, inconsistencies, and unclear definitions. Instead of burdening and slowing progress, ESG regulation should increase transparency and create fair economic conditions. This way, manufacturers can evidently show their environmentally friendly products and customers can wisely choose solutions with a smaller footprint. This often goes hand in hand with less energy consumption or less embedded carbon and less total cost of ownership. A competitive and highly transparent market will mostly regulate itself. Technologically advanced

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products and processes that are highly energy-efficient, use materials optimally and are prepared for end-of-life recycling will ultimately gain market share and allow adequate margins for providers of such solutions. We are convinced that a fair

regulatory framework fostering transparency will provide long-term tailwinds for the companies in which we invest across our impact pillars.

**Fund characteristics**

<b>Fund name</b>	Vontobel Fund – Global Environmental Change
<b>ISIN</b>	LU0384405949
<b>Share class</b>	I EUR
<b>Reference index</b>	MSCI World Index TR net
<b>Inception date</b>	17.11.2008

**Historical performance (net returns, in %)**

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	2.2%	1.0%	2023	13.9%	19.6%
YTD	14.2%	17.6%	2022	-19.1%	-12.8%
1 year	21.9%	25.6%	2021	27.1%	31.1%
3 yrs p.a.	5.3%	10.5%	2020	28.0%	6.3%
5 yrs p.a.	12.7%	12.5%	2019	36.7%	30.0%
10 yrs p.a.	11.7%	11.4%	2018	-15.0%	-4.1%
ITD p.a.	12.8%	12.7%	2017	12.5%	7.5%
			2016	7.3%	10.7%
			2015	15.0%	10.4%
			2014	18.0%	19.5%

**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**

- 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.
- The portfolio has lower risk diversification as the focus lies on companies within a specific investment theme.
- 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.
- Investments in Chinese A-Shares are subject to changes in political, economic and social conditions in China as well as changes in the policies of the PRC government, laws and regulations.
- 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](http://vontobel.com/sfdr).

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