Vontobel Fund II – Global Small & Mid-Cap Opportunities

Marketing document for institutional investors in: AT, CH, DE, ES, FR, GB, IT, LI, LU, SE.

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

July was a challenging month for global equities with the MSCI World closing broadly flat, hiding significant divergences between sectors. While information technology, utilities, and industrials suffered, the beneficiaries were energy, given the failure to reopen the Strait of Hormuz and involvement of the Houthi to also hinder traffic into the Red Sea, and financials, as interest rates could stay high for longer. The significant rotation investors had triggered in late June by exiting artificial-intelligence (AI)-related and semiconductor stocks accelerated through July, also dragging down stocks of providers of related equipment and power infrastructure. Broader risk-off sentiment was fueled by skepticism about the returns on investment in AI, particularly as latest projects were non longer financed by free cash flow but debt issuance. While demand for AI services continues to climb, pricing dwindles. Moreover, the Artificial Analysis Intelligence Index shows that Chinese models catch up in no time, while their prices are much lower than those of top US models – the landscape for standard AI services becomes highly competitive, where lowest costs for hardware and power will dominate. The rotation, meanwhile, benefitted more defensive sectors, such as consumption-related ones, financial services, and even healthcare. Energy was the clear winner due to geopolitics and thanks to its favorable valuation.

Portfolio review

In July, we made a series of selective additions and divestments across key investment themes. Within Energy Transition, we initiated a position in California Resources, gaining exposure to domestic oil and gas production as part of a broader tilt toward more targeted energy names. As a sign of our continued conviction in the theme of critical materials and precious metals, we initiated positions in Hudbay Minerals and K92 Mining, expanding our exposure to copper and gold, whose demand fundamentals we expect to remain supportive. In turn, we exited Teck Resources and Coeur Mining, reducing our exposure to diversified base-metals and silver in favor of the more concentrated copper and gold names we added. Within Future Healthcare, we initiated positions in Technogym and Sandoz Group – the former adds exposure to the wellness and fitness-equipment space, the latter strengthens our footprint in generics and biosimilars, an area we expect to benefit from continued pressure on healthcare cost and from patent cliff dynamics. Within NextGen Consumer, we added Japanese MS&AD Insurance Group, which makes our exposure here more defensive and more focused on interest income. To fund this purchase, we sold our position in Interactive Brokers, rotating out of our exposure to capital-markets-linked fintech. Within Foundational Technologies, we exited Western Digital, trimming our exposure to hardware and storage.

Performance analysis

The fund lagged its benchmark in July, as stocks of hardware technology and industrial companies underwent a sharp correction following strong performance in the second quarter, while more defensive areas of the portfolio held up better. By themes, Foundational Technologies detracted the most, as names tied to the AI infrastructure buildout saw the steepest declines, among them Fujikura, Vertiv, and Victory Giant. NextGen Consumer, by contrast, contributed the most, supported by our exposure to defensive consumer staples. With investors rotating out of AI infrastructure into AI application plays, software names also contributed, led by Cloudflare and Snowflake.

Outlook

We deem global small- and mid-cap equities an attractive long-term opportunity. Following a prolonged period of underperformance relative to large caps, valuations have adjusted to more compelling levels, while underlying fundamentals remain robust. On average, small- and mid-cap companies continue to exhibit stronger earnings growth and more conservative balance sheets than their large-cap peers. The medium-term outlook is supported by a potentially more favorable macroeconomic backdrop, including a recovery in mergers and acquisitions (M&A) activity – where small- and mid-cap companies are often natural acquisition targets – and increasing investor demand to diversify equity exposure beyond a concentrated large-cap universe. The segment of small- and mi-cap companies is still under-researched compared to the large-cap segment, creating market inefficiencies that we strive to exploit by active management, based on our own in-depth research.

Fund characteristics

Fund name	Vontobel Fund II – Global Small & Mid-Cap Opportunities
ISIN	LU2275724420
Share class	V USD
Benchmark	MSCI All Country World Index TR net to 28.1.2026, MSCI ACWI SMID Index TR net thereafter
Inception date	7.6.2021

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-3.5%	-1.5%
YTD	8.6%	9.2%
1 year	17.2%	19.8%
3 yrs p.a.	14.3%	17.6%
5 yrs p.a.	3.4%	10.4%
10 yrs p.a.	–	–
ITD p.a.	11.7%	13.3%

Time period	Fund	Benchmark
2025	21.8%	22.3%
2024	12.6%	17.5%
2023	22.4%	22.2%
2022	-32.8%	-18.4%
2021	6.0%	18.5%
2020	48.0%	16.3%
2019	–	–
2018	–	–
2017	–	–
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.
Performance prior to 7.6.2021 corresponds to Variopartner SICAV – 3-Alpha Megatrends. Since fund inception until 28.1.2026, the fund had different characteristics and performance was achieved under circumstances that no longer apply.

Investment risks

— 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 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.
— 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 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-fund's investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-fund's 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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