Vontobel Fund – Swiss Franc Bond Foreign

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

The month began with a significantly stronger-than-expected US labor market report. In May, non-farm payrolls increased by 172,000, well above the consensus expectation of 85,000. The unemployment rate remained unchanged at 4.3%, in line with market forecasts. Overall, the data confirmed that the US labor market remains resilient, despite signs of a gradual slowdown in other parts of the economy. In particular, the financial situation of households continued to deteriorate, as declining real disposable incomes and a historically low savings rate raised concerns, given that private consumption accounts for more than two-thirds of US GDP. The key topic for fixed income markets, however, was the leadership transition at the US Federal Reserve (Fed). Although the Fed left policy rates unchanged at its June 17 meeting, investors increasingly focused on the potential implications of a Fed led by Kevin Warsh. Compared with Jerome Powell's gradual and data-dependent approach, Warsh is widely regarded as being more inflation-focused and more willing to act pre-emptively. His preference for a faster reduction of the Fed's balance sheet, together with his greater emphasis on underlying inflation measures such as the Trimmed Mean PCE inflation rate, prompted market participants to reassess the future path of monetary policy. As a result, interest-rate expectations shifted significantly. At the beginning of the year, investors had expected the federal funds rate to decline to around 3.00–3.25%. By the end of June, however, markets were pricing a terminal policy rate closer to 4.00%. Ahead of the June FOMC meeting, approximately one additional rate hike had been priced in. Following the meeting, and amid expectations of a more restrictive monetary policy regime, market pricing increased to around one and a half additional rate hikes. At the same time, geopolitical developments helped ease inflation concerns. News of a preliminary peace agreement and a memorandum of understanding between the US and Iran, coupled with the reopening of the Strait of Hormuz, pushed Brent crude oil prices back to around USD 70–72 per barrel, reversing much of the conflict-driven price increase seen previously. Against this backdrop, the US Treasury yield curve flattened during June, driven primarily by movements at the short end. The 17-basis-point increase in short-term yields reflected higher expectations for the future policy rate under Kevin Warsh's leadership. Meanwhile, declining long-term yields indicated that investors continued to believe that a more restrictive monetary policy stance would ultimately contain inflation and limit long-term price pressures. European fixed income markets were primarily driven by the European Central Bank's (ECB) June policy meeting and rapidly changing expectations regarding the future monetary policy path. On June 11, the ECB raised its deposit facility rate from 2.00% to 2.50%, in line with market expectations. Prior to the meeting, investors had priced in approximately three additional rate hikes. However, the ECB's post-meeting communication, combined with weaker-than-expected inflation data, led to a substantial reassessment of the outlook. By month-end, markets were pricing in only one further rate hike. Euro area headline inflation declined by 0.4 percentage points in June to 2.8% year-on-year, coming in 0.2 percentage points below the Bloomberg consensus forecast. Core inflation also eased, falling by 0.2 percentage points to 2.4%, undershooting expectations by 0.1 percentage points. In this environment, European government bonds benefited from declining inflation expectations, particularly in the intermediate maturity segment. The most pronounced adjustments occurred at the short end of the yield curve, where expectations for a prolonged tightening cycle largely disappeared. The Bank of Japan continued its gradual policy normalization in June, raising its policy rate from 0.75% to 1.00% on June 16. The decision reflected the central bank's growing confidence that inflation has become more sustainable and that the era of ultra-accommodative monetary policy is gradually coming to an end. At the same time, Japanese policymakers emphasized that further normalization would remain gradual and data dependent. Unlike in the US and Europe, where market discussions focused primarily on inflation risks and the terminal policy rate, Japanese markets were more concerned with the pace of monetary policy normalization and the extent to which rising wages and resilient domestic inflation would justify further rate increases. The Bank of Japan's rate hike resulted in a moderate increase in Japanese government bond yields, while market volatility remained considerably lower than in the US or Europe. Investors continue to expect a cautious policy approach, reflecting Japan's still-fragile economic growth and its long history of exceptionally low interest rates.

Portfolio review

At the end of June, the fund's assets stood at around CHF 129 million. Overall, we remained more heavily invested in corporate bonds than the benchmark. In our view, we sold some expensive bonds and selectively added positions from primary and secondary markets. We maintain a slight underweight to neutral levels in bonds with maturities of over 15 years, as we consider their risk/return profile unattractive. As of the end of June, the fund's cash position was 0.44% (previous month: 1.62%). The breakdown by rating category was as follows: AAA 10.27% (16.62%), AA 20.98 (17.61%), A 42.03% (38.28%), BBB 25.04% (26.64%), and BB 1.23% (1.23%). The average rating of the bonds held in the fund was a solid A and that of the benchmark is AA-.

Performance analysis
The fund (I share class) generated a positive total return in June and outperformed the benchmark. Interest rate positioning made a modest positive contribution to relative performance, as the yield curve declined and the portfolio maintained a longer duration than the benchmark. Credit positioning once again contributed positively through higher carry. Active management in both the primary and secondary markets also added value. The prevailing market environment continued to offer attractive relative value opportunities in the secondary market, allowing the portfolio to benefit from active credit selection, which made a positive contribution to relative performance.

Outlook
The conflict with Iran has somewhat clouded the positive baseline scenario for the global economy that we had expected for 2026. Higher oil prices have weighed on growth by increasing energy costs, adding to inflationary pressures, and reducing real wage growth, which could dampen US household consumption. Nevertheless, we believe the global economy remains resilient enough to absorb these headwinds. Several factors could help offset the weaker outlook. Following the US Supreme Court's ruling, we believe US tariffs have likely reached their peak, with the first tariff refunds already beginning to flow through. Additional fiscal support is also expected. In Germany, much of the announced fiscal stimulus has yet to be implemented, while Japan's "Sanaenomics" program is still in its early stages. At the same time, the US labor market is showing initial signs of renewed strength. The combination of US President Donald Trump's “One Big Beautiful Bill Act,” lower tariffs, and the continued positive impact of AI-driven investment should provide further support to global economic growth. Looking ahead to the upcoming US midterm elections, we also expect Trump to have an incentive to adopt a more pragmatic policy approach. Finally, the agreement between the US and Iran is likely to alleviate one of the main drivers of recent inflation: the surge in energy prices. As a result, we expect central banks to adopt a less aggressive tightening path than some market participants currently anticipate.

Fund characteristics

Fund name	Vontobel Fund – Swiss Franc Bond Foreign
ISIN	LU0278084768
Share class	I CHF
Benchmark	SBI® Foreign Rating AAA Total Return to 5.5.2025, SBI® Foreign Rating AAA-BBB Total Return thereafter
Inception date	12.6.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.6%	0.6%
YTD	0.9%	0.7%
1 year	1.1%	0.8%
3 yrs p.a.	3.0%	2.9%
5 yrs p.a.	0.0%	-0.1%
10 yrs p.a.	-0.1%	-0.2%
ITD p.a.	1.7%	1.7%

Time period	Fund	Benchmark
2025	0.7%	0.4%
2024	4.7%	4.4%
2023	5.1%	4.6%
2022	-9.7%	-9.3%
2021	-1.3%	-1.4%
2020	0.0%	0.4%
2019	2.3%	1.6%
2018	-1.2%	0.1%
2017	-0.2%	-0.2%
2016	1.4%	0.5%

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

- 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.
- 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.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk
- 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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