Vontobel Fund – Global Corporate Bond

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, 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.

Market developments

Geopolitics remained the dominant market theme in June and for the entire second quarter, driven by developments in the US-Iran conflict and their impact on oil prices. After a sharp rise in Q1, Brent crude recorded its largest quarterly decline during the month as markets welcomed the signing of an interim US-Iran agreement. The breakthrough came in mid-June when both sides signed the memorandum of understanding, prompting a sharp decline in oil prices. Brent ended June at USD 72.92 per barrel, still up 19.8% year-to-date. Falling oil prices eased stagflation concerns and supported both equities and bonds globally. The S&P 500 Index gained 15.2% on a total return basis, marking its best quarter since the post-pandemic rebound in Q2 2020. Technology stocks led the advance, particularly semiconductors. Easing inflation fears also helped sovereign bonds recover, particularly in Europe where Euro sovereigns were up +1.9% in total return terms, and US Treasuries were up +0.4% in total return terms.

In addition to macroeconomic headlines, resilient global economic data supported a hawkish shift from major central banks. In the US, labor market reports exceeded expectations, with the strongest average payroll growth in two years. The US Federal Reserve (Fed) also adopted a more hawkish tone under new Chair Kevin Warsh, prompting markets to shift from pricing in modest rate cuts to expecting rate hikes by year-end. Some of the interesting takeaways from the June Fed meeting were that the forward guidance was dropped entirely and the announcement of the creation of five task forces to study various aspects of monetary policy. Elsewhere, the European Central Bank (ECB) delivered its first rate increase since 2023, raising rates by 25 basis points (bps) and signalling ongoing inflation concerns. The Bank of Japan also raised rates by 25bps, though the yen continued to weaken against the US dollar.

Regarding credit markets, June was more about modest spread weakness than a broader risk-off move, with carry helping offset the drag from wider spreads and higher yields. The performance showed a clear quality skew, as AAs (+5bps) widened more than single-As (+1bps) and BBBs (+1bps) for the US market. Subordinated and higher-beta segments partially caught up in performance, as European Bank CoCos tightened by 11bps and EUR financial subordinated debt performed broadly flat. Global hybrids tightened by only 1bps.

Portfolio review

In June, we selectively participated in new deals across several sectors, mostly denominated in EUR, where we saw better value than in the USD market. Our activity included two switches, one in the automotive sector and one in telecommunications. In automotive, we used the new issue market to execute a switch in a European automaker in which we extended duration slightly and realized a pick-up in spread versus the bond we sold. In the second case, we executed a switch in a European telecommunications company where we shortened duration while achieving a spread pick-up compared to the bond we owned. We also started positions in a European transportation company we expect to benefit from lower energy prices and in a European banking company that issued a subordinated bond. Lastly, we took part in an inaugural deal from a European retail issuer, increasing our exposure to BB-rated companies.

In the secondary market, we topped up our position in a US utility, adding a short-dated EUR-denominated bond. We extended duration in a US healthcare name where we saw value in the long end of the credit curve. Lastly, we exited positions in a European real estate company we became more cautious due to macroeconomic challenges and sold some of our European food retail credits, where bonds appeared to screen too tight.

Performance analysis

For the month of June, the fund outperformed its benchmark index, net of fees. The contribution from credit selection was positive for the month. Our bond selection in banking, retail, and insurance contributed the most to the positive performance, partly offset by a negative contribution from sectors such as telecommunications, basic industry, and automotive. Within banking, our bondpicking in European subordinated debt contributed to the positive credit selection in the fund. In retail, our selection in European, emerging market (EM), and high-BB rated names contributed well to the positive selection. In telecommunications, long-dated US and European bonds contributed most to the negative performance, while our exposure to US chemical companies drove the negative selection in basic industry.

The contribution from sector allocation was broadly flat. The positive contribution from sectors such as technology (UW), capital goods (UW), and banking (OW) was offset by a negative contribution from sectors including telecommunications (OW), retail (UW), and media (UW).

In terms of regional exposure, Europe, America, and EM contributed positively. The performance in APAC (ex-EM) was flat.

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Outlook

The outlook for economic growth is expected to remain supportive, with growth in Europe likely to rebound over the second half of 2026, while incoming data for the US economy is fueling an acceleration of economic growth momentum. While global PMIs remain consistent with an economy still in expansion, the inflation outlook has been blurred by the war in the Middle East. The impact of inflation is uneven across regions: the Euro area is more exposed to energy imports and faces a more direct inflation impact, which is one reason markets have priced in a more hawkish ECB path into 2026, while the US benefits from greater domestic insulation.

Credit fundamentals remain generally stronger than expected, confirmed recently by the Q1 2026 results. The technology sector is doing particularly well on solid AI demand, and supportive management guidance. We do not view AI as a bubble given the strong cash-flow generation of the large hyperscalers, but sustained capex and financing needs could gradually weigh on credit quality and spreads, raising rating-migration risk for some issuers over time. Sectors that are under more pressure are cyclical sectors, such as chemicals or basic industry, but also the consumer goods sector, where margin pressure is evident. However, the rating trends remain positive and high-yield default rates are expected to remain low.

In this context, technical factors continue to provide major support. After the initial deterioration during the first phase of the Iran escalation, flows have stabilized and investment-grade (IG) inflows remain in positive territory, suggesting investors are comfortable allocating to corporate bonds as an asset class. Primary markets look healthy, as high issuance is met with strong demand, even for AI-driven issuance programs. Following a busy month of June, we expect a slowdown in issuance activities for the summer months, as reporting season will start by mid-July, with US banks the first to report.

Spreads continue to screen tight at first glance versus the broader global context. That said, all-in yields remain compelling to us relative to historical levels and to other asset classes. While IG valuations are not what we would consider “cheap,” the carry from high all-in yields remains very compelling to us, and we believe higher-beta segments still offer attractive entry points for tactical positions.

Fund characteristics

Fund name	Vontobel Fund – Global Corporate Bond
ISIN	LU1395537134
Share class	I USD
Benchmark	ICE BofAML Global Corporate Index (USD hedged)
Inception date	9.5.2016

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.4%	0.3%
YTD	1.2%	1.4%
1 year	4.8%	4.5%
3 yrs p.a.	6.2%	6.0%
5 yrs p.a.	0.8%	1.1%
10 yrs p.a.	3.2%	3.0%
ITD p.a.	3.3%	3.1%

Time period	Fund	Benchmark
2025	7.4%	6.9%
2024	3.7%	4.0%
2023	8.8%	9.0%
2022	-15.0%	-14.0%
2021	-0.6%	-0.8%
2020	9.3%	8.2%
2019	13.6%	12.5%
2018	-1.7%	-0.9%
2017	7.6%	5.7%
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.

Investment risks

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