Vontobel Fund – Credit Opportunities

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

Market developments

October was another volatile month for markets, with France at the epicenter of renewed European sovereign stress, mounting doubts around the artificial intelligence (AI) trade, and higher energy prices. After a brief stabilization, renewed political unrest pushed the 10-year (10Y) spread between French Obligations assimilables du Trésor (OAT) and German Bunds to 174 basis points (bps) on October 22, its highest since the euro crisis peak in November 2011, while the French 10Y yield reached a post-2002 high of 5.07%. The stress spilled over into Italian and Spanish spreads, European banks, and the euro, which ended the month at 1.1160 against the US dollar, its weakest against the dollar since spring 2025. The EURO STOXX Banks index had its worst month since 2023 (-11.4%). Energy added to the pressure: Houthi attacks on Saudi Arabia and disruption to shipping through the Strait of Hormuz kept supply tight, while reports that the US may resume strikes on Iran after the November 3 midterm elections lifted the risk premium. Brent crude rose +13.6% to USD 117.64 per barrel (+93.3% year to date, or YTD), and European front-month natural gas spiked +43.6% to EUR 103.94 per megawatt-hour (MWh), its highest since 2022.

As the month progressed, the AI trade displaced France and energy as the main source of volatility. Weakness in semiconductors broadened into doubts over whether the enormous AI infrastructure spending would generate adequate returns, and the pressure crystallized around late-month hyperscaler earnings. Nasdaq lost -5.3%, its worst month since March 2025. The doubts also weighed on Korea's KOSPI (-16.2%) and Japan's Nikkei (-5.2%). Beneath the headline, however, there was rotation: the S&P 500 lost -0.9% but its equal-weighted version gained +5.0%, and the STOXX 600 returned +2.0% outside of France and the periphery, led by Germany's DAX (+2.5%).

Sovereign bonds staged a sizeable turnaround. Early in the month, high energy prices and resilient activity pushed the US 10Y yield to a post-2002 high of 5.31% and the 30-year yield to 5.67%. Deteriorating risk sentiment then restored Treasuries' safe-haven role, with the 10Y ending at 4.93% despite strong September CPI (headline +0.65%, core +0.33%). On-hold decisions from the US Federal Reserve (Fed), European Central Bank (ECB), and Bank of Japan reinforced the rally, leaving markets less convinced that the tightening previously priced would materialize. Treasuries returned +2.3% and Bunds +1.9%, their best months of 2026, though both remain negative YTD. OATs were the notable exception. In emerging markets (EM), sovereigns recovered with global yields while equities struggled: the Shanghai Composite fell -6.1%, and Brazil's Bovespa dropped -14.3% in USD terms after Lula's surprise election victory on October 25.

In fixed income and credit markets, October brought a second consecutive month of widening, with global investment grade (IG) getting wider by +10bps. EUR credit again underperformed USD's as French stress dominated: EUR IG widened +14bps, while USD IG held up better at +9bps. Subordinated and higher-beta segments again bore the brunt: European Bank CoCos widened by +30bps, Euro LT2 by +20bps, global hybrids by +16bps. Global BBs also sold off, with Euro BBs wider by +33bps and US BBs by +13bps.

Portfolio review

The portfolio remains overall highly barbelled, with an overweight in financials and synthetics, and an underweight in EM sovereigns relative to the long-term asset allocation of the strategy. In October, we gradually increased exposure to selected high-yield (HY) opportunities, particularly in Europe, where the asset class has meaningfully underperformed its US counterpart. This has created an expanding opportunity set, allowing us to selectively deploy capital into higher-convexity opportunities where we believe spreads more than compensate for the underlying credit risk.

We remained active in financial subordinated debt, selectively increasing our exposure to banks and insurers following the sector's underperformance. We continue to view the fundamental backdrop for financials favourably, supported by strong capital positions, resilient profitability, and attractive carry.

Within HY, we focused on credits that were disproportionately impacted by recent market volatility. We believe the current environment continues to provide attractive relative-value opportunities across sectors and capital structures, allowing us to rotate capital into securities with a potentially more compelling risk-reward profile.

Within EM, we remain selective and somewhat sidelined at present, as we currently find more compelling opportunities across parts of the developed market credit universe.

Micro-arbitrage remains an important driver of turnover. We continue to screen for relative-value opportunities within issuer complexes, looking for securities that trade wide versus comparable bonds from the same issuer across currencies, maturities, seniority, or instrument type. Overall, we believe the portfolio remains positioned to harvest carry and take advantage of further market dislocations.

Performance analysis

The Vontobel Fund - Credit Opportunities E delivered a return of -0.59% in October, below the ICE BofA Global High Yield Index (HW00 Index), which returned -0.08%. The main detractor was spread widening in developed market credit, which cost around 1.2%, particularly in Europe, where political stress in France

weighed on French issuers, to which the fund has an exposure of around 14%, while technology, real estate, and autos were among the weakest sectors. EM credit also detracted, by around 0.5%. These negative spread effects were partly offset by lower government bond yields and carry, which together contributed around 1.5%. Relative to the global HY market, the underperformance mainly reflects the fund's larger allocation to Europe, as US HY, which makes up the larger share of the index, held up considerably better during the month.

Outlook

We remain constructive on fixed income over the medium term, while acknowledging that near-term volatility is likely to persist. In October, government bond yields fell from their early-month highs as central banks kept rates on hold, while credit spreads widened further. As a result, all-in yields on credit remain attractive to us. A more stable rate outlook could support the asset class, although persistent inflation and high energy prices mean that rate volatility is likely to remain elevated.

In credit, a second consecutive month of spread widening has improved valuations, particularly in Europe and in subordinated and higher-beta segments, which have underperformed meaningfully. Combined with high all-in yields, we believe this may create more attractive entry points and a growing opportunity set for active security selection, especially where carry, convexity, and relative value combine to offer asymmetric risk-adjusted returns.

We expect dispersion to remain elevated. Political stress in France, high energy prices, and growing doubts over the returns on AI-related investment is likely to continue to create differentiation between issuers, sectors, and regions. We therefore do not view this as an environment for broad beta exposure. Instead, we continue to focus on carry, roll-down issuer selection and relative-value opportunities.

Overall, while short-term volatility may remain elevated, we believe the current environment is becoming increasingly supportive for fixed income. We believe the fund is positioned to benefit from high all-in yields, improved convexity, and carry, while using periods of market stress to add risk selectively, as we did in European HY and financial subordinated debt in October.

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Fund characteristics

Fund name	Vontobel Fund – Credit Opportunities
ISIN	LU1242417589
Share class	E USD
Benchmark	–
Inception date	30.6.2015

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-0.6%	–
YTD	2.1%	–
1 year	3.3%	–
3 yrs p.a.	14.9%	–
5 yrs p.a.	9.1%	–
10 yrs p.a.	9.5%	–
ITD p.a.	8.8%	–

Time period	Fund	Benchmark
2025	13.8%	–
2024	20.2%	–
2023	24.4%	–
2022	-10.6%	–
2021	9.5%	–
2020	16.0%	–
2019	20.1%	–
2018	0.1%	–
2017	4.3%	–
2016	4.4%	–

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.
- The overall strategy may be volatile and the risk of a substantial loss cannot be ruled out. Active currency and volatility trading may be very speculative. The leverage achieved for investment purposes in the Sub-Fund through the use of derivative financial instruments is calculated using the notional approach. The sum of notionals leverage achieved over the course of the year is expected to be around 500% or less of the net assets of the Sub-Fund. However, the actual sum of notionals leverage achieved on average may be above or below this value.
- 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 creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- Distressed securities have a higher credit and liquidity risk as well as uncertainty in any potential bankruptcy proceedings.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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