Vontobel Fund – Global Environmental Change

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

Market developments

In June, global equity markets paused after two exceptionally strong months. Momentum in technology stocks lost steam, before regaining strength towards month-end. Only a few companies posted strong results, with AI-related ones still underpinning the bullish narrative. However, the macroeconomic backdrop remained lackluster. Inflation stayed stubbornly elevated, prompting the European Central Bank (ECB) to raise interest rates for the first time since 2023, while the US Federal Reserve, under its new Chair Kevin Warsh, kept rates unchanged for the time being. Investor sentiment remained lukewarm in between companies' resilient earnings cycle and consumers' increasingly stretched finances. Strikingly hot, by contrast, was the weather in Europe, where a severe heatwave shattered historical temperature records, which caused hundreds of deaths. Temperature extremes severely strained healthcare systems, forced suspension of outdoor work during peak hours, and buckled rail tracks, disrupting transportation, such as Eurostar services and several metro systems. France and Switzerland curtailed their nuclear power generation, as too warm river water could no longer cool the plants sufficiently. In agriculture, current drought conditions are expected to reduce harvests this year. In France, populist voices called for a nationwide push to expand air-conditioning adoption. Digital advertising for cooling units multiplied, and imports of cooling equipment surged to meet immediate demand. Historically, Europe saw weak per-capita demand for heating, ventilation, and air-conditioning (HVAC), reflecting its traditionally temperate climate. In 2024, HVAC demand in the majority of European Union (EU) member countries was well below the global average of roughly 14 units per thousand inhabitants.

Portfolio review

By the end of June, we held 65 portfolio positions, down from 66 a month ago. We sold Intertek prior to an official take-over bid from EQT, as we deemed a friendly one uncertain. We also exited North American railway operator Union Pacific, given its attempt to acquire Norfolk Southern may cause a year of operational and management distraction. By contrast, we continued building on its competitor Canadian Pacific Kansas City, which we expect to achieve further efficiency gains in the near term. Moreover, we initiated a position in Carrier Global, a leading provider of residential HVAC solutions – Europe's most recent heatwave highlighted how poorly many homes, workplaces, and schools are equipped for extreme temperatures. In our view, Carrier Global now, after the strategic integration of Viessmann Climate Solutions and with its focus on intelligent, energy-efficient cooling technologies, is well positioned to benefit from the structural growth in capital expenditure on climate adaptation, both in Europe and globally. Among other portfolio adjustments, we took profits in the AI-related stocks Marvell, Murata, and nVent. We used the proceeds to increase our position in Broadcom, whose stock lagged its peers, and to expand our positions in Autodesk, East Japan Railway, and JX Advanced Metals.

Performance analysis

In June, the fund outperformed global equity markets amid concerns about higher interest rates and hopes for a reopening of the Strait of Hormuz. Our sector allocation contributed positively, as communication services and energy, to which the fund inherently has no exposure, corrected sharply, while industrials and utilities, to which the fund has higher allocations, performed well. Our stock selection contributed positively too, especially within IT and materials, albeit partly offset by negative contributions within industrials. By name, semiconductor companies Marvell, Murata, and Applied Materials contributed the most, supported by the ongoing rapid build-out of artificial intelligence (AI) and semiconductor manufacturing infrastructure. By contrast, Delta and Chroma, though supported by similar structural drivers, detracted the most, suffering from profit-taking among investors after strong gains in previous months. Broadcom detracted too, even though the company reported solid results. While profit growth may appear limited in the near term, given supply chain constraints, from a medium-term perspective we deemed the weakness an opportunity, which is why we increased our position.

Outlook

Against the backdrop of increasingly frequent and severe heatwaves – and potential amplifying effects of a global Super El Niño – the discussion around cooling deployment has shifted from one of seasonal comfort to an urgent necessity for people's health and the economy. Unprecedented temperatures prompted consumers to immediately buy low-cost cooling units. The resulting synchronized surge in electricity demand significantly strained power grids and generation capacity. However, sustainable expansion of cooling capacity requires a balanced approach, including stricter energy-efficiency standards for air-conditioning equipment plus investments in building retrofits that improve insulation, shading, and efficient ventilation technologies. The transition of cooling from a discretionary luxury to an essential health requirement offers a compelling investment opportunity within climate adaptation. Carrier Global, our recent addition to the portfolio, belongs to the providers of solutions for such resilient building technologies.

Fund characteristics

Fund name	Vontobel Fund – Global Environmental Change
ISIN	LU0384405949
Share class	I EUR
Benchmark	MSCI World Index TR net
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	4.8%	1.3%
YTD	29.5%	12.7%
1 year	40.6%	24.6%
3 yrs p.a.	15.0%	17.4%
5 yrs p.a.	10.1%	12.3%
10 yrs p.a.	12.9%	12.8%
ITD p.a.	13.3%	13.0%

Time period	Fund	Benchmark
2025	5.6%	6.8%
2024	12.3%	26.6%
2023	13.9%	19.6%
2022	-19.1%	-12.8%
2021	27.1%	31.1%
2020	28.0%	6.3%
2019	36.7%	30.0%
2018	-15.0%	-4.1%
2017	12.5%	7.5%
2016	7.3%	10.7%

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

— 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-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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