Vontobel

Vontobel Fund – TwentyFour Sustainable Strategic Income Fund

Marketing document for institutional investors in: AT, CH, DE, DK, FR, GB, LU.

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.

Summary

— Markets in June remained defined by developments in the Middle East, as the signing of a Memorandum of Understanding (MoU) between the US and Iran allowed the reopening of the Strait of Hormuz. Inflation remained sticky, as core personal consumption expenditures (PCE) were up 3.4% year-on-year (YoY) in the US and 2.4% YoY in the Eurozone, reinforcing the hawkish central bank policy shift. The European Central Bank (ECB) delivered its first rate hike since 2023, while the Bank of England (BoE) held rates unchanged at 3.75%.

— The Fund was in a strong position to deal with the geopolitical and macroeconomic uncertainty and generated solid returns for the month of June. Bank Additional Tier 1s (AT1s) were once again the biggest contributor to Fund performance, along with the Government bucket, which benefited from a more dovish repricing of central bank policy expectations, with the fall in oil prices allaying fears of persistent inflation. There were no detractors to Fund performance over the period.

— We continue to favour higher quality credit and a neutral duration exposure, and maintain the liquidity to take advantage of periods any periods of volatility, should they arise.

Market developments

Markets in June remained defined by developments in the Middle East, as the signing of a Memorandum of Understanding (MoU) between the US and Iran allowed the reopening of the Strait of Hormuz, leading to oil supply recover towards nine million barrels per day. Despite bouts of renewed tensions, the market saw this as a significant de-escalation, and oil prices fell sharply over the course of the month, with Brent Crude reaching around $73 per barrel by month end versus the peak of $118 per barrel in April. Inflation remained sticky, as core personal consumption expenditures (PCE) were up 3.4% year-on-year (YoY) in the US and 2.4% YoY in the Eurozone, reinforcing the hawkish central bank policy shift. New Fed chair Kevin Warsh's debut Federal Open Market Committee (FOMC) meeting held rates steady at 3.5%-3.75%, but struck a hawkish tone as he reiterated the 2% inflation target and reinforced the Fed's commitment to price stability. The European Central Bank (ECB) delivered its first rate hike since 2023, while the Bank of England (BoE) held rates unchanged at 3.75%.

Risk assets had a strong month on the back of the fall in oil prices. The S&P 500 reached new highs, driven by continued momentum in artificial intelligence (AI). Meanwhile, the initial product offering (IPO) of Elon Musk's SpaceX marked the largest listing in financial history with a debut valuation of around $1.8tr. Spreads were volatile but remained tight versus historical levels, while yields were largely stable for investment grade (IG) and high yield (HY) credit.

Portfolio review

There were no major changes on the asset allocation front as the team considers the portfolio well-positioned to navigate the ongoing market uncertainty and to take advantage of the strong technical tailwind in fixed income markets. The team continues to prefer higher quality credit, with Bank AT1s looking more attractive than Tier 2, while remaining selective in high yield given spread compression.

Performance analysis

The Fund was in a strong position to deal with the geopolitical and macroeconomic uncertainty and generated solid returns for the month of June. Bank Additional Tier 1s (AT1s) were once again the biggest contributor to Fund performance, along with the Government bucket, which benefited from a more dovish repricing of central bank policy expectations, with the fall in oil prices allaying fears of persistent inflation. There were no detractors to Fund performance over the period.

Outlook

The relief in oil prices on the back of the MoU and reopening of the Strait of Hormuz has tempered immediate fears of a stagflationary environment. While the market will continue to pay close attention to any further developments in the conflict, we expect performance to be buoyed by the improving sentiment and growth outlook.

Fixed income markets demonstrated a high level of resilience through the conflict in the Middle East, supported by strong technical demand and robust fundamentals. Based on these factors, in conjunction with elevated all-in yields, we expect fixed income markets to continue to deliver healthy returns.

Fund characteristics

Fund name	Vontobel Fund – TwentyFour Sustainable Strategic Income Fund
ISIN	LU2549760598
Share class	I GBP
Benchmark	–
Inception date	26.1.2023

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.9%	–
YTD	2.4%	–
1 year	6.2%	–
3 yrs p.a.	8.9%	–
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	7.2%	–

Time period	Fund	Benchmark
2025	7.4%	–
2024	8.8%	–
2023	–	–
2022	–	–
2021	–	–
2020	–	–
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.

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