

Monthly commentary / 31.12.2025

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

Bond markets in the US, the euro area, and Japan showed differing patterns of movement in December 2025. In the reporting period, US economic data painted a mixed picture. On the one hand, both initial jobless claims and the US ISM services index came in better than expected. On the other hand, ADP employment data weakened. Overall, the US yield curve steepened, with 10-year Treasury yields edging slightly higher while two-year yields declined modestly. As widely anticipated, the US Federal Reserve (Fed) cut its policy rate by 25 basis points (bps) to 3.75%, with two committee members voting against the cut and one member favoring a larger 50-bps reduction. Fed Chair Jerome Powell commented on this by saying that “disagreement is what one would expect at this point,” given that there appear to be significant downside risks in the labor market, while the overshooting of inflation is largely driven by tariffs. Nevertheless, market participants initially interpreted the move as a “hawkish cut,” even though Powell highlighted potential downside risks to employment and suggested that official labor market figures may have been overstated, with the possibility that job losses rather than gains had occurred in recent months. This interpretation was likely driven by the fact that the Fed’s projections, as reflected in the so-called dot plot, were left unchanged across the forecast horizon. Ultimately, however, Powell’s announcement of earlier and more substantial Treasury bill purchases led to a decline in yields at the short end of the curve. Movements in German government bonds were somewhat less pronounced, as both short- and long-term yields moved higher, resulting in only a marginal increase in curve steepness. The decoupling of the short end of the European yield curve from its US counterpart was driven by comments from European Central Bank (ECB) Executive Board member Isabel Schnabel. As expected, the ECB left its policy rates unchanged in December, and President Christine Lagarde reiterated that the Governing Council was comfortable with the current monetary policy stance. However, it was remarks made by Schnabel 10 days earlier that moved euro area yields. She noted that interest rates were “unlikely to change in the near future,” while at the same time expressing satisfaction with market expectations that the next move would be a hike. This led to a repricing of the European yield curve, with 10-year Bund yields rising by around 7bps before stabilizing.

While the market has largely ruled out further rate cuts, in our view there remains a marginal risk of one final cut should growth disappoint or inflation continue to fall, potentially supported by increased Chinese exports to Europe.

In contrast to these two markets, the Japanese government bond curve flattened in December, after Bank of Japan Governor Kazuo Ueda suggested earlier in the month that a rate hike could come sooner than previously expected. This marked a shift from earlier market expectations of a hike in January, and as a result, a December increase was almost fully priced in ahead of time. Consequently, two-year JGB yields rose above 1% for the first time since 2008, while demand for 30-year government bonds remained robust.

In December 2025, the Swiss economy showed slight improvement, according to the KOF, with cautiously positive signals particularly from the manufacturing sector. At the same time, consumer demand and foreign demand remained subdued, pointing to only moderate growth momentum. Inflation stayed very low: the Swiss consumer price index was unchanged month on month, and the annual inflation rate stood at just +0.1%, driven by higher rents and service prices, while energy and imported goods exerted a dampening effect. Overall, this confirmed an environment of stable prices and a slowly improving economic outlook toward year-end.

Portfolio review

At the end of December, the fund’s assets stood at around CHF 123 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 continue to maintain a slight underweight in bonds with maturities of over 15 years, as we consider their risk/return profile unattractive. As of the end of December, the fund’s cash position was 2.76% (previous month: 1.27%). Duration stood at 4.46 years (4.53), slightly below that of the benchmark at 4.48 years (4.51). The breakdown by rating category was as follows: AAA 18.38% (18.70%), AA 17.85 (18.77%), A 36.08% (35.70%), BBB 23.54% (24.21%), and BB 1.39% (1.35%). The average rating of the bonds held in the fund was a solid A+, identical to that of the benchmark.

Performance analysis

The fund (I share class) generated a negative total return in December but outperformed slightly the benchmark gross and net. The portfolio's term structure positioning contribution was slightly negative, especially on the five- to seven-year bucket, due to increased rates at that rate segment. Risk premiums in the foreign segment tightened overall in the reporting month further, thus the higher credit exposure in the portfolio compared with the benchmark contributed positively to relative performance and compensated for the negative contribution from rates.

Outlook

Global growth remains broadly stable, albeit accompanied by uncertainty. In the US, economic activity appears robust with a slight tendency toward acceleration, while the labor market is largely balanced: few new jobs are being created, but layoffs also remain limited. However, the still mildly restrictive interest-rate environment, geopolitical tensions and potential supply-chain disruptions represent downside risks. In the euro area, US trade policy restrictions continue to weigh on growth, while rising fiscal stimulus through higher investment in defense and infrastructure is likely to provide increasing support

to economic activity. In Switzerland, growth is currently subdued, although the recent reduction in US tariffs has slightly improved the outlook for export-oriented sectors and the growth forecasts for 2026.

On the inflation front, temporary price increases for goods in the US are likely as a result of tariffs, but we believe these should be contained by easing consumer demand. On the supply side, despite possible geopolitical tensions, we do not expect pronounced shortages of raw materials. In the euro area, goods prices may continue to exert a mildly disinflationary effect in the short term due to US trade policy. For Switzerland, we expect inflation to remain at the lower end of the Swiss National Bank's target range.

Against this backdrop, the monetary policy outlooks remain differentiated. In the US, we believe the Fed is unlikely to cut rates in January due to ongoing political pressure, regardless of labor market developments. In Europe, we also do not expect further rate cuts in the coming months. In Japan, we anticipate additional rate hikes in the second half of 2026, while in Switzerland interest rates are expected to remain unchanged over the course of the year.

Fund characteristics

Fund name	Vontobel Fund – Swiss Franc Bond Foreign
ISIN	LU0278084768
Share class	I CHF
Reference index	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	Ref. index	Time period	Fund	Ref. index
MTD	-0.6%	-0.6%	2024	4.7%	4.4%
YTD	0.7%	0.4%	2023	5.1%	4.6%
1 year	0.7%	0.4%	2022	-9.7%	-9.3%
3 yrs p.a.	3.5%	3.1%	2021	-1.3%	-1.4%
5 yrs p.a.	-0.2%	-0.4%	2020	0.0%	0.4%
10 yrs p.a.	0.1%	0.0%	2019	2.3%	1.6%
ITD p.a.	1.7%	1.8%	2018	-1.2%	0.1%
			2017	-0.2%	-0.2%
			2016	1.4%	0.5%
			2015	0.5%	1.9%

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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