# Vontobel Fund – TwentyFour Strategic Income Fund

**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).

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**Summary**

— October brought a further rise in oil prices as hopes of a resolution to the US-Iran conflict faded, with markets now bracing for a possible escalation in hostilities after the midterm elections. Following September hikes, the US Federal Reserve and European Central Bank paused, and government bonds rallied, while risk assets face a challenging backdrop.

— The Fund was well positioned to navigate the ongoing market volatility and generated a positive return for the month of October, while floating rate and high yield assets faced pressure, with the latter's performance dampened by risk-off sentiment and idiosyncratic stress in lower rated names.

— We continue to favour higher quality credit and are seeing relative value opportunities emerge following the recent spread widening. A resolution in the Middle East would be a key driver for falling inflation expectations and a rally in government bonds.

**Market developments**

October brought a further rise in oil prices as hopes of a resolution to the US-Iran conflict faded ahead of the US midterm elections. Brent rose by 13.6% over the month and peaked at $118 per barrel – the highest level since late August. The spike in prices came after an attack on a tanker in the Strait of Hormuz and renewed threats to Saudi energy infrastructure, which heightened fears of further supply disruption. Markets are now bracing for a possible escalation in hostilities after the midterm elections on November 3.

Following hikes in September, central banks paused in October. The US Federal Reserve (Fed) kept its target range at 3.75% to 4.0% at its October 28 meeting, and the European Central Bank (ECB) left its deposit rate at 2.5% the following day. However, ECB President Christine Lagarde said the Governing Council had debated a hike, keeping a December move on the table. Lagarde also announced she would step down early, in February 2027, setting up a leadership contest at a critical time for eurozone monetary policy. Over the month as a whole, government bonds rallied, with 10-year US Treasury yields falling around 35 basis points (bp), from 5.29% to 4.94%.

Risk assets had a more challenging month, as concerns over artificial intelligence (AI) investment weighed on US tech, with the Nasdaq down 5.3% and the S&P 500 falling 0.9%. In credit, the rates rally supported Investment Grade (IG) total returns, while High Yield (HY) came under pressure from idiosyncratic stress. Within HY, the lowest rated bonds bore the brunt of this stress, with the CCC and lower index returning -7.0% against -1.0% for the broader European HY index.

**Portfolio review**

With yields rallying following the Fed and ECB pauses, government bonds were the biggest contributors to Fund performance this month and were supported by IG corporates and US HY. Meanwhile, collateralised loan obligations (CLOs) and European HY were the main detractors, as floating rate assets saw some selling pressure and HY bonds faced risk-off sentiment and idiosyncratic stress in lower rated names. These themes were reflected in index performance, as CoCos and Euro Investment Grade indices returned +0.1% and +0.8% respectively, with Euro IG supported by lower government bond yields.

Portfolio managers remained active in both the primary and secondary markets, executing attractive relative value switches within buckets. The team maintained a defensive positioning focused on higher quality credit, electing to modestly increase government bond exposure while trimming our CLO allocation. We also reduced our, already very low, exposure to AI and the hyperscalers given the continued market uncertainty.

**Performance analysis**

The Fund was well positioned to navigate the ongoing market volatility and generated a positive return for the month of October.

**Outlook**

Performance dispersion has picked up in credit, and we remain extremely selective. High starting yields mean the probability that European HY will deliver positive returns over the next 12 months looks strong. We expect the market will be especially sensitive to issuers that miss their earnings estimates and further spread widening in weaker names cannot be ruled out in the short term. We continue to favour higher quality credit and are seeing relative value opportunities emerge following the recent spread widening.

Oil remains the most important driver of inflation expectations and government bond yields. A resolution in the Middle East that brought Brent back towards $80 per barrel would likely trigger a rally across government bond curves and ease rate hike expectations.

We remain cautious on the hyperscalers and AI data centre build-outs. Sentiment towards the sector soured in October as Q3 results showed spending continuing to outpace cash generation, with Amazon holding its 2026 capex forecast at $220bn and reporting negative free cash flow for a second consecutive quarter. We take comfort in macro and corporate fundamentals, which remain resilient across the US, Europe and the UK, and starting

yields on short-dated IG credit are around the 90th percentile and fund flows have been robust.

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**Fund characteristics**

| | |
|---|---|
| **Fund name** | Vontobel Fund – TwentyFour Strategic Income Fund |
| **ISIN** | LU1322871390 |
| **Share class** | I GBP |
| **Benchmark** | – |
| **Inception date** | 30.11.2015 |

**Historical performance (net returns, in %)**

| Time period | Fund | Benchmark |
|---|---|---|
| MTD | 0.6% | – |
| YTD | 0.4% | – |
| 1 year | 1.2% | – |
| 3 yrs p.a. | 8.3% | – |
| 5 yrs p.a. | 2.4% | – |
| 10 yrs p.a. | 3.8% | – |
| ITD p.a. | 3.7% | – |

| Time period | Fund | Benchmark |
|---|---|---|
| 2025 | 7.2% | – |
| 2024 | 9.0% | – |
| 2023 | 9.9% | – |
| 2022 | -12.7% | – |
| 2021 | 2.1% | – |
| 2020 | 7.5% | – |
| 2019 | 9.4% | – |
| 2018 | -2.5% | – |
| 2017 | 8.8% | – |
| 2016 | 5.6% | – |

**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.
- Asset-backed securities and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment 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.
- CoCo-Bonds are associated with significant risks, including the risk of coupon payments being cancelled, capital structure inversion risk, and the risk of a CoCo-Bond's maturity being extended.
- 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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