Vontobel Fund – Global Equity

Quarterly commentary 2Q 2024

Key Takeaways

– AI exuberance continued to be a major driver of global equity returns, while concerns about high interest rates and political volatility impacted sentiment. The Vontobel Fund – Global Equity generated positive results during the quarter but underperformed the MSCI All Country World Index.

– Stock selection in consumer staples combined with an overweight to the sector was the largest detractor from relative performance. Stock selection in information technology, specifically not owning top performers Nvidia and Apple, and an underweight to the sector also detracted from relative returns. On the positive side, stock selection in industrials and communication services were the largest contributors to relative performance.

– US equity markets have continued to be highly reactive to the Federal Reserve's interest rate policy. Stickier-than-expected inflation has pushed out the timing of rate cuts, although consensus still expects one reduction by the end of the year. In our view, markets are too sensitive to short term interest rate expectations and too aggressive on the long-term trajectory for interest rates, which has driven up asset prices. Since we cannot predict interest rate cycles, we focus on businesses that have the hallmarks of quality growth, such as high and consistent profitability, durable business models, and strong structural growth potential.

– In the enthusiasm for AI, there are many potential risks. Our approach is to assess where AI may have potential negative impacts on businesses and cautiously look for opportunities where AI can be a driver of profitable growth. We believe that AI can change business and industry dynamics in many exciting ways, but too much speculation leads to a lack of risk awareness. We seek visible, lower-risk routes to profitable opportunities while avoiding the threat of permanent capital loss.

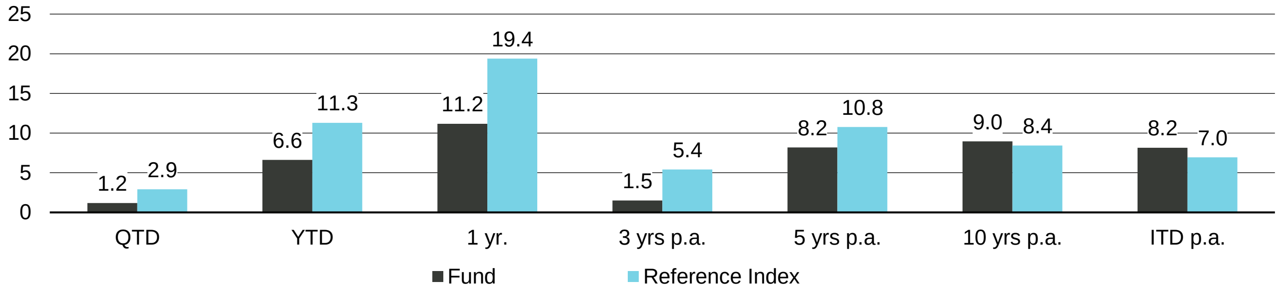
– This important election year has already delivered surprises and heightened policy uncertainty in France, India, and Mexico. However, we believe that surprise outcomes are unlikely to be as negatively impactful in the longer term as markets think. In emerging markets as in developed markets, including the US, the stability of a country's institutions is more important than individual leader changes, although there could be near-term volatility and investors should be wary of taking excessive risk.

– Despite lower valuations, emerging markets have continued to lag the US year to date. While broad EM performance does depend on the path for US interest rates and dollar strength, select quality EM companies are showing relative outperformance, and could improve further with beneficial US dollar and interest rate movements.

Fund characteristics

Share class	Vontobel Fund – Global Equity I (ISIN LU0278093595)
Reference index	MSCI World Index to 31.12.2010, MSCI ACWI thereafter
Currency	USD
Inception date	19.6.2008
Reporting Period	19.6.2008-30.6.2024

Historical performance (net returns, in %) as of 28.6.2024 (I-Share class)



	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	19.9	-21.2	13.5	19.3	27.6	-5.0	28.9	4.5	4.5	6.8
Ref. index	22.2	-18.4	18.5	16.3	26.6	-9.4	24.0	7.9	-2.4	4.2

Past performance is not a reliable indicator of current or future performance. Performance data does not consider 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. Performance and characteristics for other share classes will differ from the information discussed herein.

Market Review

After a rocky start over concerns about persistently high interest rates, global equities delivered positive returns for the second quarter amid expectations of a soft economic landing and strong performance from AI-related stocks.

Another quarter passed without an interest rate cut from the Federal Reserve as Chair Jerome Powell highlighted the need for more favorable data points on inflation. The Fed is currently expected to make one interest rate cut this year and three in 2025, effectively pushing back its loosening cycle. Leading tech companies reported solid numbers that drove equity performance, with Nvidia briefly pushing its market cap beyond Apple and Microsoft.

The European Central Bank made its first interest rate cut in five years, despite comments from President Christine Lagarde that inflation would remain above the 2% target well into 2025. Sluggish growth across European economies raised expectations for further cuts to come. In early June, poor results for mainstream political parties in European elections triggered a snap parliamentary election in France and concerns about a victory for the country's far right. Political uncertainty also weighed on the UK after Prime Minister Rishi Sunak called a general election for July 4, contributing to a decline in stocks in the latter stages of the quarter.

Elections also created volatility in emerging markets. Indian Prime Minister Narendra Modi failed to secure an absolute majority for the BJP in national elections, forcing the creation of a power-sharing coalition. Nonetheless, data showed that India achieved GDP growth of 8.2% in the fiscal year that ended in March, exceeding government forecasts of 7.6%.

China unveiled measures to deal with its property crisis, easing lending rules and encouraging local governments to buy unsold homes; however, prices continued to decline as measures took time to take effect. Other economic indicators remained mixed. While retail sales beat expectations in May, there was renewed weakness in industrial data as the manufacturing PMI in May fell.

In Latin America, there were concerns over increased government spending in Brazil and political intervention in companies like Petrobras. Figures showed the primary budget deficit was higher than expected in May, with deteriorating confidence leading to a sell-off in the Brazilian real. In Mexico, Claudia Sheinbaum's landslide win in the presidential election led to a sharp plunge in the country's stocks as investors worried that her supermajority may give her powers to rewrite parts of the constitution and enact programs that could undermine business in Mexico. In contrast, Sheinbaum's credentials as a climate scientist did raise hopes of spending on clean energy projects that could boost the country's attractiveness to companies expanding away from China.

Global Markets Performance (%) as of 30.6.2024	SECOND QUARTER	1 YR
MSCI All Country World Index	2.87	19.38
MSCI All Country World ex U.S. Index	0.96	11.62
MSCI EAFE (Europe, Australasia, Far East)	-0.42	11.54
MSCI Europe Index	0.55	11.68
MSCI Japan Index	-4.27	13.15
MSCI All Country Asia ex Japan Index	7.20	12.89
MSCI Emerging Markets Index	5.00	12.55
S&P 500 Index	4.28	24.56

Source: FactSet, MSCI, S&P
Expressed in USD.

MSCI All Country World Index TR net Sector Performance (%) as of 30.6.2024	SECOND QUARTER	1 YR
Information Technology	11.37	37.75
Communication Services	8.11	32.16
Utilities	3.54	6.36
Health Care	0.33	10.70
Financials	0.14	22.12
Consumer Staples	-0.18	1.30
Energy	-0.80	16.61
Consumer Discretionary	-1.49	8.97
Industrials	-1.78	15.00
Real Estate	-3.05	3.12
Materials	-3.15	6.14

Source: FactSet, MSCI, S&P
Expressed in USD.

Outlook

- US equity markets have continued to be highly reactive to the Federal Reserve's interest rate policy. Stickier-than-expected inflation has pushed out the timing of rate cuts, although consensus still expects one reduction by the end of the year. In our view, markets are too sensitive to short term interest rate expectations and too aggressive on the long-term trajectory for interest rates, which has driven up asset prices.

- Since we cannot predict interest rate cycles, we focus on businesses that have the hallmarks of quality growth, such as high and consistent profitability, durable business models, and strong structural growth potential. Nonetheless, we do own some companies that will benefit from lower rates on the margin, as well as others that can benefit from increased interest rate volatility.

- If higher rates persist into 2025, unprofitable companies may suffer. This can create challenges for private equity firms that have not yet exited portfolio companies via capital markets, as well as private credit funds that have lent to many of those companies. Increased pressure raises the risk of defaults, which may cause broader economic issues and unforeseen negative consequences.

- In the exuberance surrounding AI, it is difficult for investors to determine where risks lie. Some investors misunderstand AI and the pace at which it will evolve. Further risks include capital expenditures in hyperscale capacity chips in anticipation of revenues that may not materialize. Our approach is to assess where AI may have potential negative impacts on businesses and cautiously look for opportunities where AI can be a driver of profitable growth. We believe that AI can change business and industry dynamics in many exciting ways, but too much speculation leads to a lack of risk awareness. We seek visible, lower-risk routes to profitable opportunities while avoiding the threat of permanent capital loss.

- In our view, Microsoft and Adobe have clear and concrete ways of monetizing AI by using it to enhance their core businesses. In contrast, we currently do not own Nvidia as it is difficult to determine the predictability of future revenues due to uncertainty surrounding the durability and sustainability of its technology.

- Capital equipment stocks, such as semiconductors, are extremely cyclical. We are currently in the stronger part of the cycle, which should benefit companies like TSMC. We believe TSMC is a world-leading foundry, yet it has previously underperformed during the weaker part of the cycle. Since we cannot know how long any part of the cycle will last, our approach has been to consistently hold profitable and resilient companies like TSMC at varying weights over time.

- The US presidential election will mean increased market volatility, particularly as the election nears. While there is clear polarization in the two electoral bases, we do not see large differences between the two candidates in terms of domestic economic policy. We expect slightly less regulation under a Trump administration; however, the Republican Party is not as business friendly as it has been in the past.

- Many US policies, such as the Inflation Reduction Act, are codified in law with funds already distributed. It is unlikely that either party will want to roll back investments in semiconductor manufacturing for national security reasons and broader infrastructure investments will be positive for economic growth. We expect future policy to focus on limiting public spending rather than cutting taxes.

- This important election year has already delivered surprises and heightened policy uncertainty in France, India, and Mexico. However, we believe that surprise outcomes are unlikely to be as negatively impactful in the longer term as markets think. In emerging markets as in developed markets, including the US, the stability of a country's institutions is more important than individual leadership changes, although there could be near-term volatility and investors should be wary of taking excessive risk.

- Emerging markets have appeared to be a better opportunity from a valuation standpoint for some time. However, the US has continued to outperform year to date due to growth in technology and AI. If interest rates remain higher and the US dollar stronger, there will be continued headwinds for the broad region. Notwithstanding, there are positive signs as select emerging markets businesses are beginning to show their relative outperformance. Exposure to emerging markets in our global portfolio has shifted as the opportunity set has changed. Our holdings include strong companies growing at sustainable rates.

Sincerely,
Global Equity Portfolio Management Team
Matthew Benkendorf and Ramiz Chelat, CFA

Performance Drivers[1]

The Vontobel Fund - Global Equity generated positive results yet underperformed the MSCI All Country World Index during the second quarter. Stock selection in consumer staples combined with an overweight to the sector was the largest detractor from relative performance. Stock selection in information technology, specifically not owning top performers Nvidia and Apple, and an underweight to the sector also detracted from relative returns. On the positive side, stock selection in industrials and communication services were the largest contributors to relative performance.

In the second quarter, on an individual stock basis, Taiwan Semiconductor Manufacturing Company (TSMC), Alphabet, and HDFC Bank were the top contributors to absolute performance. Walmart de Mexico, Mastercard and CME Group were the most significant detractors from absolute returns.

TSMC, the world-leading semiconductor foundry, delivered first quarter results and second quarter guidance that slightly exceeded expectations. The company continues to benefit from AI-related demand and raised its expectations on data center AI revenue contribution. TSMC guided to low-to-mid-20% growth for full-year 2024, despite macro uncertainty, supported by its broad customer base and tech leadership in N2 and N5 chips.

[1] Please see full list of top and bottom 5 contributors at the end of this commentary.

Alphabet rallied after delivering earnings that exceeded analyst expectations. The company benefited from strength in its search and YouTube businesses and continues to focus on reengineering its cost base. It also announced its first dividend.

Shares of leading Indian financials bank HDFC rallied with the rest of the sector as valuations in Indian banks improved. Sentiment towards HDFC picked up as investors believe that its business challenges are now behind it. Margins are stabilizing and the bank looks increasingly attractive relative to peers that face regulatory issues. Additionally, expectations that HDFC could become a larger weight in global benchmarks also drove the name higher, given the potential for $3-3.5 billion of inflows from passive funds alone.

On the negative side, shares in retailer Walmart de Mexico pulled back despite solid first quarter results. The company delivered results that exceeded expectations, with high-single-digit revenues and improving margin expansion. However, share price volatility was driven by increased risk at the country level, with investor sentiment weakening as the market digested the impact and potential policy implications of Mexico's recent election surprise.

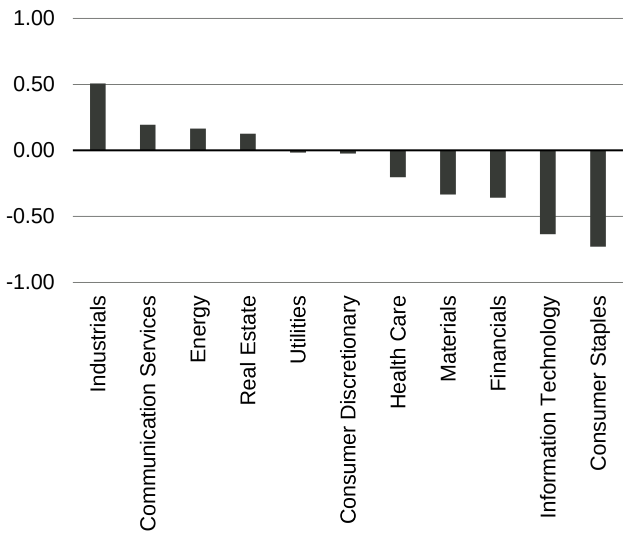
US payments and card services group Mastercard declined despite delivering solid first quarter results, which were in-line with or slightly above consensus. The results were overshadowed by the company lowering its revenue guidance from the high end of low-double-digits to the low end of low-double-digits because of a larger FX headwind.

Chicago-based derivatives exchange operator, CME Group, also reported strong quarterly results which were overshadowed by its full-year expense guidance. CME Group delivered earnings that beat consensus, driven by better revenue and lower operating expenses and taxes. In our view, the company continues to benefit from elevated market volatility, which in turn supports higher futures volumes.

Attribution

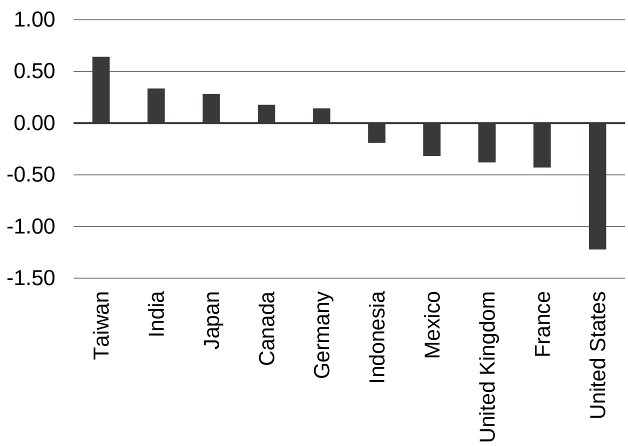
Sector

Vontobel Fund – Global Equity vs. MSCI All Country World Index TR net



Country

Vontobel Fund – Global Equity vs. MSCI All Country World Index TR net



Source: FactSet, MSCI
Attributions for the quarter ending 30.6.2024.
Based on cumulative gross performance (USD) of Vontobel Fund – Global Equity. The gross rates of return are presented before the deduction of investment management fees, other investment-related fees, and after the deduction of foreign withholding taxes, brokerage commissions and transaction costs. An investor's actual return will be reduced by investment advisory fees. Country attribution based on top 5 / bottom 5 countries by total effect. **Past performance is not indicative of future results.**
Total Effect: The net effect of the allocation and selection effects. A single-period sector or country's geometric total effect is calculated by multiplying the product of one plus the allocation effect (AE/100 + 1) by one plus the selection effect (SE/100 + 1) and subtracting one from the result before multiplying by 100.

Portfolio Changes[1]

In industrials, we bought Experian, a leading UK-listed credit bureau. The credit bureau industry is effectively an oligopoly, with high barriers to entry. Experian earns high returns on capital and has high free cash flow conversion. In addition, the company is benefiting from several growth drivers, including its direct-to-consumer business.

Also in industrials, we bought France's Schneider Electric, a specialist in uninterruptible power supply and low-to-medium-voltage products. We believe Schneider Electric will benefit from structural growth themes, as well as a strong company strategy. Schneider's products are key to enabling increased electrification throughout the world. Another key growth market is data centers, which account for roughly 20% of company sales, and are growing rapidly thanks to increased demand for AI, as well as the technology's increased power requirements compared with regular chips. We are also drawn to Schneider's software business, which is growing recurring revenues at double-digit rates, as well as its presence in emerging markets like India. We expect the company will continue to produce strong returns on capital and double-digit earnings growth.

In financials, we bought Indonesia's PT Bank Rakyat Indonesia as its valuation is depressed and the normalization in performance that we expect to start in the second half of 2024 is not yet reflected in the share price. We view recent challenges of higher credit costs and slight asset quality deterioration to be temporary. Bank Rakyat is one of the largest banks in Indonesia, with a solid deposit base and conservative lending approach. Further, it is renewing its already-strong microfinance franchise. The bank has a deeply entrenched network of over 5,000 branches and sub-branches in rural Indonesia, which should help drive growth in low-teens over a prolonged period.

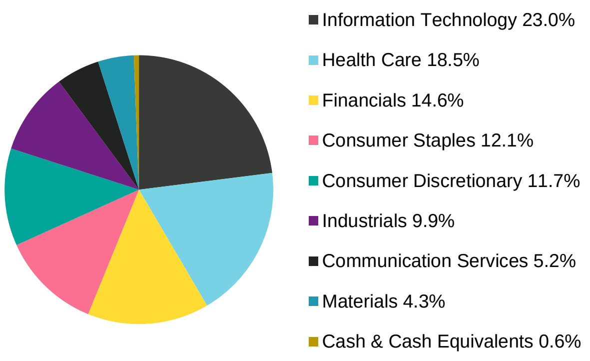
Also in financials, we bought Hong Kong's AIA Group, a leading Asian life insurer. We believe that the company has the best salesforce among life insurers in Asia, skilled at selling higher-margin protection products. In addition, the company is very well managed and should benefit from rising insurance penetration in Asia.

We sold US financials company Visa to reallocate capital to better opportunities. While we believe that Visa is a high-quality business, we have consolidated our payment processing exposure into Mastercard given its higher growth profile. We believe that Mastercard has better incremental growth opportunities and innovation into new revenue streams, combined with slightly lower risk due to its debit/credit mix.

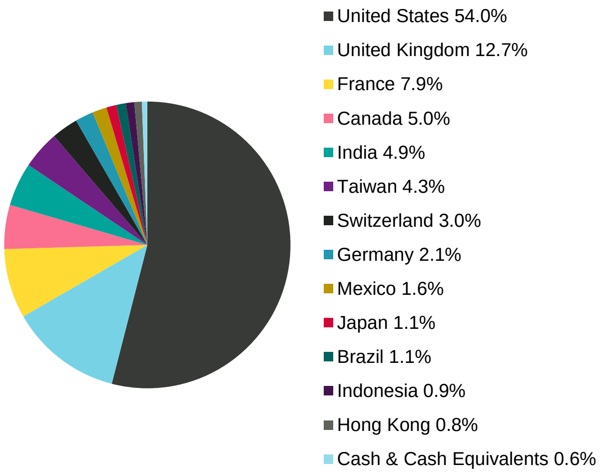
In consumer discretionary, we sold Yum China, the operator of KFC, Pizza Hut, and Taco Bell in China, to relocate capital to better opportunities.

Allocation

Sector



Country



Sector and country allocations are as of 30.6.2024 and based on the Vontobel Fund – Global Equity.
[1] Purchases provided are the new purchases with positions greater than 50 basis points in the Vontobel Fund – Global Equity for the period. Sells provided are all names that were fully liquidated in the Vontobel Fund – Global Equity for the period. The holdings may not represent all of the securities purchased, sold, or recommended for advisory clients.

Portfolio Data

Top 10 Holdings[1]

	SECTOR	COUNTRY	% OF PORTFOLIO
Microsoft Corporation	Information Technology	United States	6.7
Amazon.com, Inc.	Consumer Discretionary	United States	6.0
Alphabet Inc.	Communication Services	United States	5.2
Coca-Cola Company	Consumer Staples	United States	5.1
Taiwan Semiconductor Manufacturing Company Limited	Information Technology	Taiwan	4.3
RELX PLC	Industrials	United Kingdom	4.1
UnitedHealth Group Incorporated	Health Care	United States	3.7
London Stock Exchange Group plc	Financials	United Kingdom	3.4
Mastercard Incorporated	Financials	United States	3.3
Constellation Software Inc.	Information Technology	Canada	3.2
Total			**45.0**

Characteristics

	GLOBAL EQUITY[1]	MSCI ACWI
Market Capitalization (US$ bn), weighted average	619.3	667.5
P/E - Forecast 12-month, weighted harmonic average	24.4	17.6
Dividend Yield (%)	1.3	1.9
5 Yr Historical EPS Growth (%)	13.0	15.0
Return on Equity, weighted average (%)	22.3	19.6

Risk Statistics (5 Year)

	GLOBAL EQUITY[2]	MSCI ACWI
Annualized Alpha	-1.8	–
Beta	0.9	1.0
Sharpe Ratio	0.4	0.5
Annualized Standard Deviation	16.9	17.4

Top 5 Contributors[1] by Security (3 Months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Taiwan Semiconductor Manufacturing Company Limited	Information Technology	3.81	0.95
Alphabet Inc.	Communication Services	4.38	0.79
HDFC Bank Ltd.	Financials	3.09	0.53
Amazon.com, Inc.	Consumer Discretionary	5.62	0.41
Microsoft Corporation	Information Technology	6.45	0.38

Bottom 5 Contributors[1] by Security (3 Months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Wal-Mart de Mexico, S.A.B. de C.V.	Consumer Staples	1.88	-0.33
Mastercard Incorporated	Financials	3.47	-0.31
CME Group Inc.	Financials	3.24	-0.28
Abbott Laboratories	Health Care	3.06	-0.27
Flutter Entertainment Plc	Consumer Discretionary	2.71	-0.22

Top 5 Contributors[1] by Security (1 yr)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Amazon.com, Inc.	Consumer Discretionary	4.83	2.10
Microsoft Corporation	Information Technology	6.09	1.93
Taiwan Semiconductor Manufacturing Company Limited	Information Technology	2.88	1.92
RELX PLC	Industrials	4.47	1.74
Alphabet Inc.	Communication Services	2.86	1.36

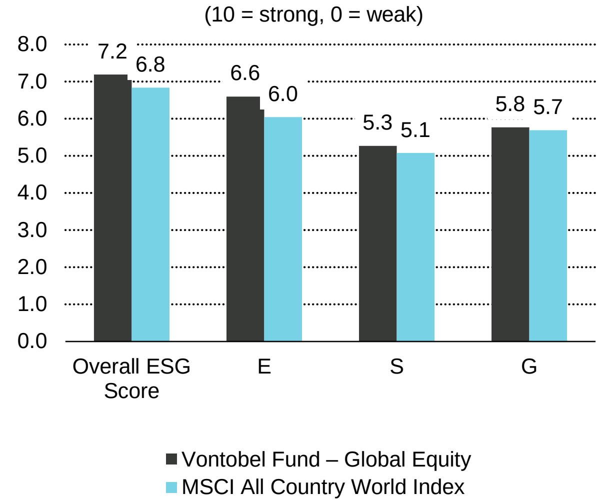
Bottom 5 Contributors[1] by Security (1 yr)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Rentokil Initial plc	Industrials	1.14	-1.16
Nestle S.A.	Consumer Staples	3.70	-0.64
Yum China Holdings, Inc.	Consumer Discretionary	0.98	-0.55
Heineken N.V.	Consumer Staples	0.61	-0.37
Becton, Dickinson and Company	Health Care	2.23	-0.34

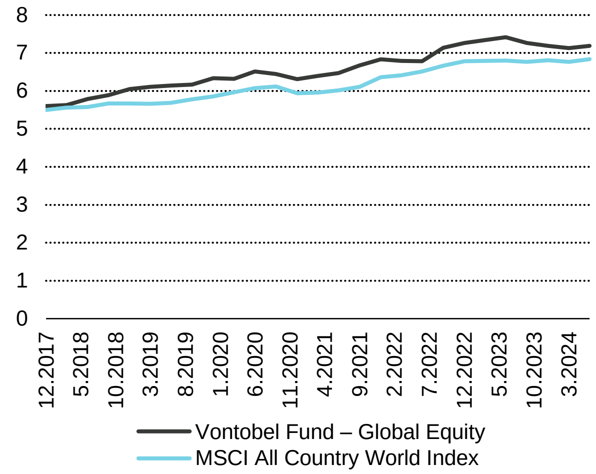
Portfolio data as of 30.6.2024
Source: FactSet. All returns are expressed in USD.
[1] Based on the Vontobel Fund – Global Equity. Fund holdings and characteristics subject to change. The reader should not assume that an investment in the securities identified was or will be profitable. For more information on the calculation methodology or a complete list of holdings which contributed to overall performance during the period, please contact a Vontobel representative at ClientServices@vontobel.com.
[2] Based on gross performance of the Vontobel Fund – Global Equity. The fund's gross rates of return are presented before the deduction of investment management fees, other investment-related fees, and after the deduction of foreign withholding taxes, brokerage commissions and transaction costs. An investor's actual return will be reduced by investment advisory fees.
Past performance is not indicative of future results.

ESG Metrics

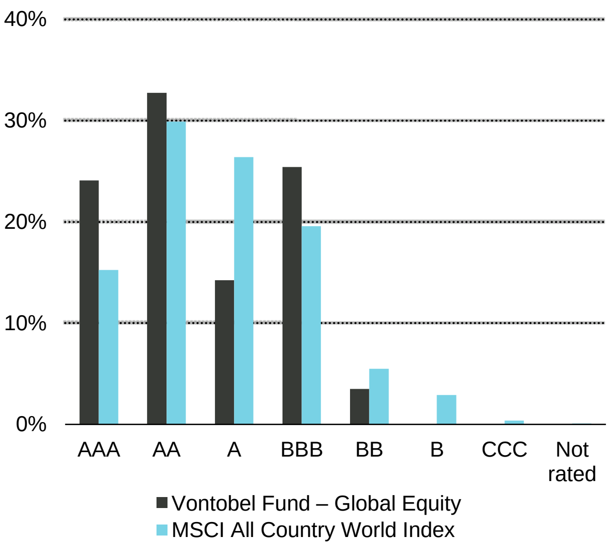
ESG (MSCI) Scores[1]



ESG (MSCI) Scores[1] History

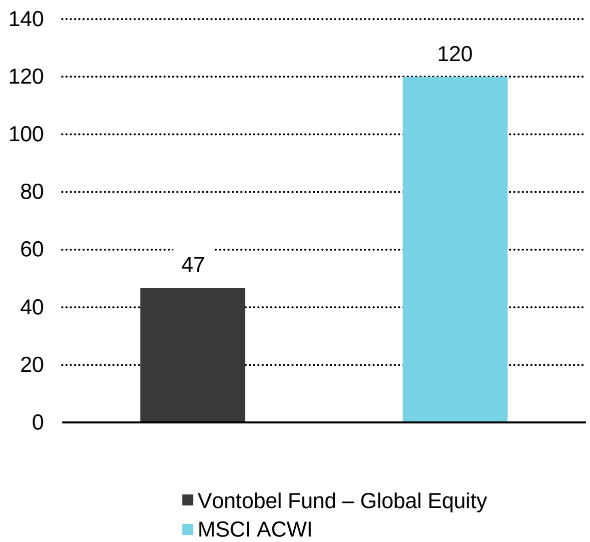


ESG (MSCI) Rating Distribution



Weighted Average Carbon Intensity[2] (Scope 1+2)

(tons CO2e/$1M sales)



Past performance is not indicative of future results. As of 30.6.2024. Based on the Vontobel Fund – Global Equity.
Source: MSCI ESG Research LLC, FactSet. ESG scores calculated by MSCI ESG Research LLC.
[1] MSCI ESG Overall Score methodology is calculated as a simple weighted average of issuer ESG ratings, where cash is excluded.
[2] Based on a company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions.

Matthew Benkendorf
CIO Quality Growth
Portfolio Manager
27 years in industry
25 years with Vontobel

Ramiz Chelat, CFA
Managing Director
Portfolio Manager
27 years in industry
17 years with Vontobel

Igor Krutov
Managing Director
Director of Research
30 years in industry
22 years with Vontobel

Investment risks[1]

- 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.
- 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-funds' investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-funds' 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.

[1] The listed risks concern the current investment strategy of the fund and not necessarily the current Portfolio. Subject to change, without notice, only the current prospectus or comparable document of the fund is legally binding.

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