Vontobel Fund – Transition Resources

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, 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

In June, global equity markets consolidated after two exceptionally strong months, with notable momentum unwinding in the technology sector. This weighed on major indices before they partially recovered toward month-end. The group of leaders was narrow, with AI-related names remaining at the heart of optimistic expectations. However, the economic backdrop deteriorated. A strong corporate earnings cycle contrasted with weakening consumption. Inflation stayed sticky, prompting the European Central Bank (ECB) to hike interest rates for the first time since 2023. The Federal Reserve held firm under its new Chair, Kevin Warsh, hence markets began to price in the possibility of a rate increase before year-end.

Natural resources across the board suffered from a strengthening US dollar, compounded by the strong rotation they saw when the US and Iran signed a Memorandum of Understanding to reopen the Strait of Hormuz and restore regional stability. Due to their now lower war-related risk premium, oil, aluminum, and nitrogen fertilizers – whose prices had preciously skyrocketed due to the conflict – sold off markedly, while a “peace scenario” was elusive for cyclical commodities. Copper, which should benefit from a normalization of global economic growth, failed to rebound amid uncertainty about how quickly demand would recover and how sustainable the peace deal would be.

Portfolio review

At the end of June, the number of portfolio positions was 52, after two divestments and one new addition. We sold Suzano, as our thesis of a recovery of the pulp market failed to materialize. Continued capacity additions from China and Indonesia kept the market structurally oversupplied, pushing selling prices toward industry cash costs across the board. Since we saw no credible catalyst for improvement in the medium term, we concluded that the risk/reward risk no longer justified holding the position. We also divested GCL Technology, as the non-abating glut of polysilicon in China’s solar industry, the still uncertain competitive and regulatory environment, and the lack of a near-term catalyst voided our investment proposition. By contrast, we initiated a position in Fugro, provider of offshore geophysical and geotechnical data services, because we expect new offshore development activity to accelerate with oil and gas companies responding to the supply diversification imperative the Iran conflict triggered. Through this dynamic demand for Fugro's survey and site investigation capabilities may pick up significantly.

Performance analysis

In June, the fund underperformed its reference index and lagged the broader global equity markets. Our sector allocation had a roughly neutral effect, leaving our stock selection as the major detractor, led by the names within materials. Within energy, services names detracted, but this negative effect was more than offset by the fund’s structural underweight in both integrated majors and exploration and production (E&P) companies, whose stock prices fell sharply as the reopening of the Strait of Hormuz triggered an aggressive rotation of investments out of war-related energy names that are heavily represented in the benchmark. Within materials, aluminum-related companies detracted the most, hit by the dual impact of US dollar strength and the conflict-related supply risk premium. Copper – expected to be the strongest beneficiary among commodities in a peace scenario – disappointed on the upside, as US dollar strength proved a more powerful force than the narrative of a reopened Strait of Hormuz, leaving prices largely range-bound. Lithium-related names also suffered, weighed down by a sentiment-driven rotation out of battery materials stocks and the announcement of regulatory approval for the reopening of a key lithium mine operated by CATL.

Outlook

We remain constructive on the natural resources sector and continue to expect outperformance versus the broader equity market over time. Short-term risk still lies in energy markets. Even if the Strait of Hormuz is officially open to ships again, the current ceasefire between the US and Iran is fragile. Crucially, the conflict accelerated efforts toward energy independence. Significant investment in renewables, storage, and grid infrastructure plus in turn urgent demand for critical materials remain key drivers for the strategy. Moreover, resumed confidence in economic growth benefits investments in power infrastructure for data center build-out. As supply constraints of commodities needed for electrification persist, their prices stay elevated. Recycling and circular economy names benefit as a shield against commodity price volatility and trade disruptions. At the same time, supply chain resilience and material efficiency moved up in the strategic agendas of companies and governments. We see attractive opportunities across a broad set of companies providing the mentioned materials, enabling technologies, and essential services.

Fund characteristics

Fund name	Vontobel Fund – Transition Resources
ISIN	LU0384406327
Share class	I EUR
Benchmark	MSCI World Index to 31.8.2021, MSCI All Country World Index to 5.5.2025, S&P Global Natural Resources Net Total Return Index thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-7.5%	-5.9%
YTD	14.8%	12.4%
1 year	45.2%	31.1%
3 yrs p.a.	15.2%	18.2%
5 yrs p.a.	6.3%	12.3%
10 yrs p.a.	6.3%	12.8%
ITD p.a.	7.7%	13.0%

Time period	Fund	Benchmark
2025	31.1%	10.8%
2024	8.3%	25.3%
2023	-8.7%	18.1%
2022	-14.2%	-13.0%
2021	10.1%	29.8%
2020	37.4%	6.3%
2019	10.4%	30.0%
2018	-24.9%	-4.1%
2017	3.2%	7.5%
2016	11.3%	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.
Since fund inception until 5.5.2025, the fund had different characteristics and performance was achieved under circumstances that no longer apply.

Investment risks

— 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 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.
— 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.

criteria and factors are considered as part of the overall investment process.

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