Monthly commentary / 30.06.2020
Vontobel Asset Management

Vontobel Fund - Global Equity

Approved for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, PT, SE, SG (Professional Investors only)

Summary

- The performance of the fund was positive in June but underperformed the MSCI ACWI Index.
- The Information Technology and Consumer Staples sectors were positive contributors to relative performance over the month. The Health Care and Financials sectors detracted from relative performance.
- On a country basis, Canada and the United States contributed to relative performance, while India and Japan detracted from performance.
- The fund was overweight consumer discretionary and consumer staples relative to the benchmark. The fund had zero exposure to energy, real estate and utilities at the end of June.
- The fund's largest country overweights were the Netherlands and India relative to the benchmark. The largest underweights were the United States and the United Kingdom at the end of June.

Market developments

Global equity markets continued their recovery in June as ongoing stimulus measures further fuelled returns. Shares shook off concerns of a renewal of tensions with the US as economic indicators improved. European equities strengthened slightly from May, as unlocking measures across the continent prompted hopes of a summer season economic boost. Having led the way in previous months, the US lagged as a spike in COVID-19 infections in southern states delayed re-opening in Florida and Texas, while investors also worried that the US response to China's imposition of a new security law in Hong Kong could provoke retaliation.

Portfolio review

Purchases

ADR NETEASE INC SPONSORED ADR ADR EACH REPR 25 COM STK USD0.0001 / NETEASE INC COMSTK

Netease has run the two most successful and longest running video games in the Chinese market, which still continue to grow even after over almost 15 years in operations. Over the last couple of years, management has successfully made the transition to mobile gaming with its strong development team and solid base of IP. There has been a significant investment over the last two years to further bolster its game design capabilities which is now starting to pay off with a growing pipeline of new titles. Additionally the company has continued to increase its presence overseas especially in Japan and also runs games for Activision Blizzard and Microsoft in China. Netease is one of only a handful of Chinese US-listed ADRs to pay out a consistent dividend in addition to regular share buybacks. The sale of its ecommerce business enables the company to refocus on the core video game business.

HOYA CORP NPV

HOYA's operations break down into four main businesses: electro-optics (semiconductor and LCD photomask/blanks, optical lenses and glass substrates for hard disk drives); imaging (cameras and lens modules); health care (eyeglasses and contact lenses); and life care (endoscopes). The market positions that Hoya has are very attractive with # 1 market shares in semiconductor mask blanks, hard disk drive (HDD) substrates, and LCD photomasks, which comprise 47% of EBIT. It is also the leading contact lens retailer in Japan , #2 in in manufacturing eyeglass lenses, and # no 2 globally in endoscopes.HOYA is seeing accelerating growth in extreme ultraviolet (EUV) mask blanks which in turn is driven by node transition in logic semiconductors and increased layers of EUV. The company is also seeing accelerating growth in HDD substrates as their customers shift from aluminium to glass substrates. The Life Sciences division is expected to continue growing steadily at a mid-single digit rate. HOYA management is returns-focused, with an ROE target of 18%, which we believe they are currently exceeding.

Sales

WAL-MART DE MEX COM NPV

We reallocated capital to better opportunities.

Performance analysis
The performance of the fund was positive in June but lagged the MSCI ACWI Index.

TOP3 Contributors:

TENCENT HLDGS LIMITED COMMON STOCK

From a fundamental standpoint, there is nothing company-specific to report. Tencent Holdings is a major Internet platform in China with a strong presence in online gaming, instant messaging, and is one of the country's largest web portals. The company has been successful in providing popular services to attract new users and creating a network effect to maintain existing users. There is growing expectation that the company will be able to successfully monetize its OTT application, WeChat, through advertising revenue. Online gaming is the largest contributor to revenue, but Tencent also generates sales through fee-based social networks, advertising and e-commerce. The gaming revenues benefit from operating the dominant social networking platform by directing traffic to the gaming platform. This has translated into strong sales, as well as earnings growth.

MICROSOFT CORP COM

From a fundamental standpoint, there is nothing company-specific to report.Once defined by its reliance on a PC-centric world, Microsoft has successfully transformed into more of a cloud first company. The company has built Azure into a leading public cloud provider, with natural strengths in hybrid cloud and ability to sell to enterprises. In addition, the shift to cloud computing is driving growth in its traditional franchises, as the company is shifting to more of a SaaS (software as a service) model. Under CEO Satya Nadella, we believe MSFT has become a much more open technology company that is now able to go after larger, addressable markets. In our view, MSFT offers an attractive combination of durable franchises and strong earnings growth.

AMAZON COM INC COM

From a fundamental standpoint, there is nothing company-specific to report. Amazon is the leading player in ecommerce in North America, and has leading positions in several markets in Europe, as well as India and Japan. Amazon was able to do this by offering very competitive pricing, free shipping for Prime members, and convenience. Amazon also has the leading position globally in Cloud services with AWS.

TOP3 Detractors:

ROSS STORES INC COM

From a fundamental standpoint, there is nothing company-specific to report. Ross Stores Inc. is a US based off-price retailer which operates two separate store brands: Ross Dress for Less and dd's Discounts. The company sells apparel, accessories, footwear, and home goods through its retail locations at deep discounts. Ross is able to guarantee these deep discounts through their merchandising team's expertise in acquiring either over produced or cancelled goods directly from vendors. As of August 2019, Ross operated 1,772 stores and retained a long term goal of operating 3,000 stores, giving them roughly a 14 year runway for store count growth at their current real estate expansion rate (90.3 new stores per year on average). In the off-price market, Ross controls roughly 24% of the market share, yet in the broader apparel retail market Ross only possesses ~3.1% of total revenues, highlighting the white-space that off-price retail has in the apparel retail market, especially as the decline of department stores continues. Ross's stores have one of the lowest average household income customers among the off-price retailer market ($64k average HH income) and their stores play heavily into the “treasure hunt” retailing concept. The treasure hunt concept, paired with lower average HH income leads to a high frequency of customer visits with the average customer visiting their stores 3-4 times a month.

MEDTRONIC PLC COMMON STOCK STOCK

MDT’s June underperformance likely reflected concerns over a second wave of COVID19. We view a potential second wave impact as more limited given more regional impacts, and continue to see MDT’s business mix as defensible longer-term given the medically necessary nature of its portfolio. Medtronic is a global medical device manufacturer that has leadership positions in the pacemaker, defibrillator, orthopedic, diabetes management and other medical markets. Its business is categorized into three main groups: Cardiac and Vascular, Restorative Therapies, and Diabetes. Medtronic is well positioned to grow within the medical device industry, because demand for its mainstay acute and critical care products is not easily crimped by recession, health care reform or cost-cutting pressures.

BOSTON SCIENTIFIC CORP COM

From a fundamental standpoint, there is nothing company-specific to report. We believe Boston Scientific offers attractive exposure to faster growing categories and products in the medical device space. Its cardiovascular business combines leading positions in more established categories, plus major innovation such as Watchman (prevents clots from atrial fibrillation). The MedSurg business is a durable grower that benefits from underlying demand growth, fragmented markets, and emerging market penetration. The business already enjoys solid topline growth and margin expansion, and should benefit from increased flexibility around capital allocation.

Outlook

Earnings estimates have been beaten down for 2020, while 2021 earnings should still be below 2019 levels. The market rebound might indicate that either investors are looking through to 2022, or more likely are responding to short-term news around COVID-19 and stimulus measures. In the case of a severe second wave, the market recovery could prove fleeting. In that case, we believe high quality stocks that have secular growth behind them should do well. And active managers can use volatility as an opportunity to take advantage of the swings in the market.

Performance (in %)

Net returns			Rolling 12-month net returns			
USD	Fund	Index	Start date	End date	Fund	Index
MTD	2.6	3.2	01.07.2019	30.06.2020	6.3	2.1
YTD	-2.2	-6.3	01.07.2018	28.06.2019	9.9	5.7
2019	27.6	26.6	01.07.2017	29.06.2018	10.8	10.7
3 years p.a.	9.0	6.1	01.07.2016	30.06.2017	18.9	18.8
5 years p.a.	10.1	6.5	01.07.2015	30.06.2016	5.1	-3.7
10 years p.a.	11.9	9.1	Index: MSCI All Country World TR net			
Since launch p.a.	8.0	5.0				
Launch Date		19.06.2008	Share class: I ISIN: LU0278093595			

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 due to changes in the rates of exchange between currencies.

Disclaimer

This marketing document was produced for institutional clients, for distribution in AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, PT, SE, SG (Professional Investors only).

This document is for information purposes only and does not constitute an offer, solicitation or recommendation to buy or sell shares of the fund/fund units or any investment instruments, to effect any transactions or to conclude any legal act of any kind whatsoever. Subscriptions of shares of the fund should in any event be made solely on the basis of the fund's current sales prospectus (the “Sales Prospectus”), the Key Investor Information Document (“KIID”), its articles of incorporation and the most recent annual and semi-annual report of the fund and after seeking the advice of an independent finance, legal, accounting and tax specialist. This document is directed only at recipients who are institutional clients such as eligible counterparties or professional clients as defined by the Markets in Financial Instruments Directive 2014/65/EC (“MiFID”) or similar regulations in other jurisdictions.

In particular, we wish to draw your attention to the following risks: Investment universe may involve investments in countries where the local stock exchanges may not yet qualify as recognized stock exchanges.

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 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.

Interested parties may obtain the above-mentioned documents free of charge from the authorized distribution agencies and from the offices of the fund at 11-13 Boulevard de la Foire, L-1528 Luxembourg, the paying agent in Austria Erste Bank der oesterreichischen Sparkassen AG, Graben 21, A-1010 Vienna, the representative in Switzerland: Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, the paying agent in Switzerland: Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich, the paying agent in Germany: B. Metzler seel. Sohn & Co. KGaA, Grosse Gallusstrasse 18, 60311 Frankfurt/Main, the paying agent in Liechtenstein: Liechtensteinische Landesbank AG, Städtle 44, FL-9490 Vaduz. Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the key investor information documents (“KIID”). These documents may also be downloaded from our website at vontobel.com/am.In Spain, funds authorized for distribution are recorded in the register of foreign collective investment companies maintained by the Spanish CNMV (under number 280). The KIID can be obtained in Spanish from Vontobel Asset Management S.A., Spain Branch, Paseo de la Castellana, 95, Planta 18, E-28046 Madrid or electronically from atencionalcliente@vontobel.es. The KIID is available in Finnish. The KIID is available in French. The fund is authorized to the commercialization in France since 01-AUG-06. Refer for more information on the funds to the Document d’Information Clé pour l’Investisseur (DICI). The funds authorized for distribution in the United Kingdom can be viewed in the FCA register under the Scheme Reference Number 466625. This information was approved by Vontobel Asset Management SA, London Branch, which has its registered office at Third Floor, 22 Sackville Street, London W1S 3DN and is authorized by the Commission de Surveillance du Secteur Financier (CSSF) and subject to limited regulation by the Financial Conduct Authority (FCA). Details about the extent of regulation by the FCA are available from Vontobel Asset Management SA, London

Branch, on request. The KIID can be obtained in English from Vontobel Asset Management SA, London Branch, Third Floor, 22 Sackville Street, London W1S 3DN or downloaded from our website vontobel.com/am. Refer for more information regarding subscriptions in Italy to the Modulo di Sottoscrizione. For any further information: Vontobel Asset Management S.A., Milan Branch, Piazza degli Affari 3, 20123 Milano, telefono: 0263673444, e-mail clientrelation@vontobel.it. The Fund and its subfunds are included in the register of Netherland's Authority for the Financial Markets as mentioned in article 1:107 of the Financial Markets Supervision Act ("Wet op het financiële toezicht"). The KIID is available in Norwegian. Please note that certain subfunds are exclusively available to qualified investors in Andorra or Portugal. The KIID is available in Swedish. The fund and its subfunds are not available to retail investors in Singapore. Selected subfunds of the fund are currently recognized as restricted schemes by the Monetary Authority of Singapore. These subfunds may only be offered to certain prescribed persons on certain conditions as provided in the "Securities and Futures Act", Chapter 289 of Singapore. The fund is not authorized by the Securities and Futures Commission of Hong Kong. It may only be offered to those investors qualifying as professional investors under the Securities and Futures Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution and if you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This information was approved by Vontobel Asset Management Asia Pacific Ltd., which has its registered office at 1901 Gloucester Tower, The Landmark 15 Queen's Road Central, Hong Kong.
This document is not the result of a financial analysis and therefore the "Directives on the Independence of Financial Research" of the Swiss Bankers Association are not applicable. Vontobel Asset Management AG, its affiliates and/or its board of directors, executive management and employees may have or have had interests or positions in, or traded or acted as market maker in relevant securities. Furthermore, such entities or persons may have executed transactions for clients in these instruments or may provide or have provided corporate finance or other services to relevant companies.
The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.
Although Vontobel Asset Management AG ("Vontobel") believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document. Except as permitted under applicable copyright laws, none of this information may be reproduced, adapted, uploaded to a third party, linked to, framed, performed in public, distributed or transmitted in any form by any process without the specific written consent of Vontobel. To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you. Neither this document nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law. Persons who receive this document should make themselves aware of and adhere to any such restrictions. In particular, this document must not be distributed or handed over to US persons and must not be distributed in the USA.

Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11, info@vontobel.com

vontobel.com/am