

## Vontobel Fund – US Equity

Quarterly commentary 3Q 2024



### Key takeaways

- US equity markets delivered solid results during the quarter; however, investors began to recognize cracks in the macroeconomic landscape, which resulted in a short-term sell-off, followed by a shift back towards a risk-on mode and a broadening out of the market. The Vontobel Fund - US Equity Fund slightly underperformed the S&P 500 Index during the quarter.
- Stock selection in financials, combined with an overweight to the sector, was the largest contributor to the Fund's relative returns, followed by stock selection in health care. However, stock selection in the communication services and consumer discretionary sectors were the largest detractors from relative performance.
- Defensive sectors performed well for the first time this year, opening up opportunities that have been overlooked by momentum-oriented investors. Should a more rational environment set in, we expect high-quality companies with inherent growth potential in defensive sectors will continue to advance.
- While recent market trends suggest investors are starting to diversify beyond the Magnificent 7, a catalyst, such as negative news about companies like Nvidia or Apple, would be required for a further redistribution of capital beyond a handful of large-cap tech names.
- Interest rate policy has begun to normalize. In our view, equity investors should not be overly optimistic about

aggressive rate cuts, as those would likely be driven by weaker underlying economic conditions, specifically the unemployment rate.

- While the US presidential election has the potential to be a volatile event, markets are influenced by many variables beyond the control of any single politician or political party. Over the long term, however, policy can have a more substantial impact. The real uncertainty around the US election lies in the highly polarized and emotionally charged environment, which could lead to unrest in the US.
- We seek to invest in companies with predictable earnings growth, focusing on their business operations and the attributes that make them quality investments, while maintaining reasonably conservative valuation assumptions. From a practical risk management standpoint, we work to diversify our portfolios as much as possible without compromising the quality and predictability that we seek in our investments.

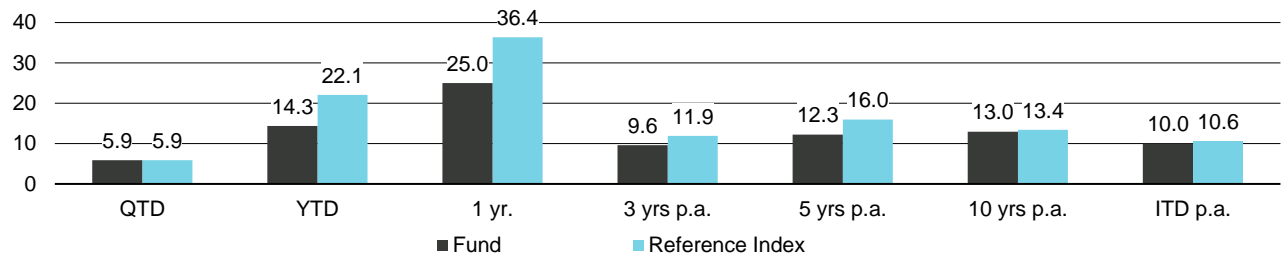
### Fund characteristics

<b>Share class</b>	Vontobel Fund – US Equity I (ISIN LU0278092605)
<b>Reference index</b>	S&P 500 - TR
<b>Currency</b>	USD
<b>Inception date</b>	16.3.2007
<b>Reporting period</b>	16.3.2007-30.9.2024

**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.

**Historical performance (net returns, in %) as of 30.9.2024 (I-Share class)**



	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fund	25.3	-15.7	18.9	16.3	30.6	-0.8	25.6	9.3	7.2	8.9
Ref. index	26.3	-18.1	28.7	18.4	31.5	-4.4	21.8	12.0	1.4	13.7

**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**

US equities started slowly as economic fears and political surprises knocked investor confidence, yet finished the quarter sharply higher after interest rate cuts and renewed hopes of an economic soft landing gave markets a boost.

Politics dealt the first shocks of the quarter in the US as Joe Biden withdrew from the presidential race and Donald Trump survived an assassination attempt. Then, weak earnings knocked investor confidence when mega caps produced lackluster results at the end of July, followed in early August by a weak jobs report, which reignited recession fears. This unease fed into concern about high valuations among tech names, which weighed on some of the market’s largest constituents.

After a run of negative news, positive indicators emerged that buoyed investor sentiment. Inflation cooled again in August to 2.5%, while data showed that US GDP growth picked up to 3% in the second quarter, increasing expectations of an economic soft landing. Increasingly dovish noises from the Federal Reserve were cemented by a 50bps interest rate cut in September, along with indications and expectations of further rate cuts before the end of the year. The S&P 500 Index finished the quarter at record levels.

**Global markets**

Performance (%) as of 30.9.2024	THIRD QUARTER	1 YEAR
MSCI All Country World Index	6.61	31.76
MSCI All Country World ex U.S. Index	8.06	25.35
MSCI EAFE (Europe, Australasia, Far East)	7.26	24.77
MSCI Europe Index	6.58	25.23
MSCI Japan Index	5.72	21.55
MSCI All Country Asia ex Japan Index	10.40	28.95
MSCI Emerging Markets Index	8.72	26.05
S&P 500 Index	5.89	36.35

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

**S&P 500 - TR**

Sector performance (%) as of 30.9.2024	THIRD QUARTER	1 YEAR
Utilities	19.37	41.82
Real Estate	17.17	35.83
Industrials	11.55	35.91
Financials	10.67	39.06
Materials	9.70	25.20
Consumer Staples	8.96	25.32
Consumer Discretionary	7.80	27.99
Health Care	6.07	21.69
Communication Services	1.68	43.16
Information Technology	1.61	52.61
Energy	-2.32	0.85

Source: FactSet, S&P  
Expressed in USD.

## Outlook

- Interest rate policy has begun to normalize. In our view, equity investors should not be overly optimistic about aggressive rate cuts, as those would likely be driven by weaker underlying economic conditions, specifically the unemployment rate. Over the long term, we expect the return to a more rational environment where stock price appreciation is in line with profit growth, which is in turn driven by economic growth.
- Despite the continued growth of the economy and the expansion of the services sector, cracks are beginning to appear. The US personal savings rate has retreated, and data suggests that the "COVID savings cushion" has been depleted. Gradually diminishing consumer spending power, a significant economic driver, may be underestimated by investors. Further, personal and corporate tax rates are more likely to increase as a result of the upcoming election. Looking beyond the US, in markets where monetary policy is tightening, such as Japan and Brazil, we seek companies with attractive fundamentals, despite changes in interest rates.
- In the third quarter, defensive sectors performed well for the first time this year, opening up opportunities that have been overlooked by momentum-oriented investors. The health care sector rose as investors are seeking undervalued areas. Should a more rational environment set in, we expect high-quality companies with inherent growth potential in defensive sectors will continue to advance.
- While recent market trends suggest investors are starting to diversify beyond the Magnificent 7, a catalyst, such as negative news about companies like Nvidia or Apple, would be required for a further redistribution of capital beyond a handful of large-cap tech names.
- While the US presidential election has the potential to be a volatile event, market trends, economic direction, and potential boosts to corporate profitability are unlikely to be significantly impacted over the short term. Markets are influenced by many variables beyond the control of any single politician or political party. Over the long term, however, policy can have a more substantial impact.
- The real uncertainty around the election lies in the highly polarized and emotionally charged environment, as strong rhetoric and fear tactics have escalated over the past few elections. This election outcome could lead to political disruption or unrest in the US. Historical data shows that even during periods of robust economic growth or positive market trends, political affiliations can cause investor behavior to become inversely correlated to economic reality.
- Managing the evolving geopolitical risk landscape is challenging as the Israel-Hamas conflict escalates and the Russia-Ukraine war remains unresolved. War or other global issues do not always directly impact asset pricing in other regions. The disconnect between a volatile global environment, marked by tragedy and human suffering, and a steadily rising US equity market is therefore not completely irrational. However, the upcoming US election could influence the trajectory of these geopolitical tensions over the next 12

months. One political party is more inclined to strongly support Ukraine in this conflict, while the other leans toward pushing for a quick resolution. The difference in approach between the two parties is less pronounced on the Middle East situation. However, in general, their views on the US's role diverge, with one party leaning more towards isolationism.

- Navigating political and regulatory risk is similar to managing economic, business, or other fundamental risks. We seek to invest in companies with predictable earnings growth, focusing on their business operations and the attributes that make them quality investments, while maintaining reasonably conservative valuation assumptions. From a practical risk management standpoint, we work to diversify our portfolios as much as possible without compromising the quality and predictability that we seek in our investments.

Sincerely,  
US Equity Portfolio Management Team  
Matthew Benkendorf, Edwin Walczak and Chul Chang, CFA

## Performance drivers<sup>1</sup>

The Vontobel Fund - US Equity slightly underperformed the S&P 500 Index during the quarter. Stock selection in financials, combined with an overweight to the sector, was the largest contributor to relative returns, followed by stock selection in health care. However, stock selection in the communication services and consumer discretionary sectors were the largest detractors from relative performance.

In the third quarter, on an individual stock basis, Intercontinental Exchange, Coca-Cola, and UnitedHealth Group were the top contributors to absolute performance, while Alphabet, Synopsys, and Amazon were the most significant detractors from absolute returns.

Intercontinental Exchange rallied as investors once again appreciated the quality characteristics of the business. Quarterly results were solid, and the headwinds the company's mortgage division had faced are no longer an issue.

Coca-Cola continued to experience strong demand as it benefited from a hot summer in the EU. The company's balanced product offering has also yielded positive results, with lower-end consumers purchasing value packs and higher-end consumers gravitating toward its premium products.

Shares of UnitedHealth Group rallied as the company delivered second quarter results that exceeded analyst expectations. The company reported solid EPS, supported by lower costs and strong growth in Optum.

On the negative side, shares of Alphabet declined as technology stocks displayed their first signs of weakness this year and investors' lofty expectations for AI started to moderate. Nevertheless, the company delivered solid second

<sup>1</sup> Please see full list of top and bottom 5 contributors at the end of this commentary.

quarter results, exceeding expectations for both revenue and EBIT growth. Alphabet’s search business performed well, while YouTube was weaker than expected, despite healthy trends in watch time and monetization of its sports.

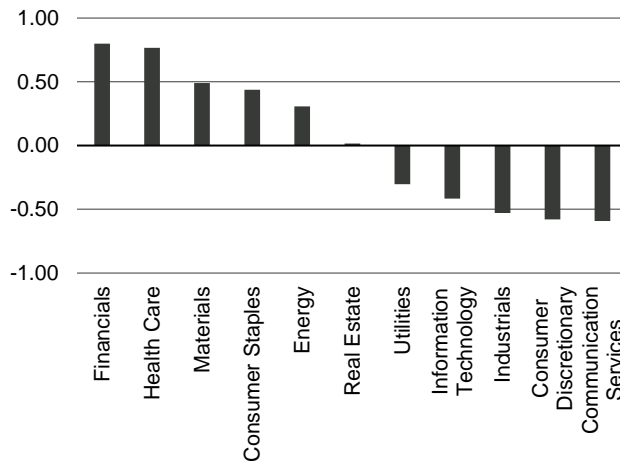
Shares of Synopsys experienced a sell-off alongside its semiconductor peers as enthusiasm for AI wavered. However, the company delivered solid second quarter results, benefiting from a strong demand environment.

Amazon declined after announcing weaker than anticipated margin guidance. However, results indicated solid trends across the business, and revenues aligned with expectations. We continue to hold Amazon, as it maintains its best-in-class position and continues to drive growth and deliver higher margins over the long term.

**Attribution**

**Sector**

Vontobel Fund – US Equity vs. S&P 500 - TR



Source: FactSet, MSCI  
 Attributions for the quarter ending 30.9.2024.  
 Based on cumulative gross performance (USD) of Vontobel Fund – US 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<sup>1</sup>**

In the consumer staples sector, we added a position in Brown-Forman Corporation, which engages in the production and distribution of alcoholic beverages. The firm offers whiskey, scotch, tequila, vodka, liquor, and wine. Its most iconic brand is Jack Daniel’s Tennessee Whiskey, which accounts for 60% of company sales. Jack Daniel’s has a loyal following due to its distinct flavor and consistent quality. The brand has a dominant market share of the premium US whiskey market both domestically and internationally. Alcohol consumption in the US has trended towards spirits and away from beer over the past decade, with whiskey and tequila

experiencing the fastest growth. We believe Brown-Forman can offer predictable and sustainable earnings growth over the next five years.

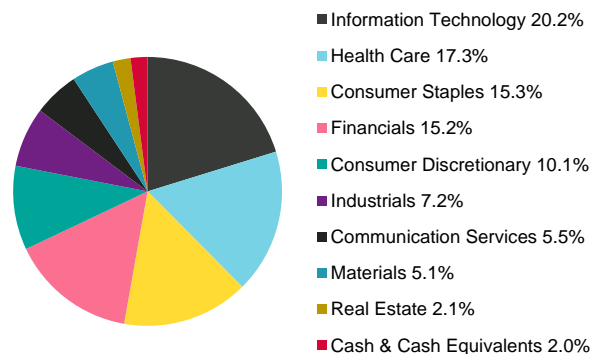
In health care, we bought IDEXX Laboratories, a high-quality company in the growing animal health industry. IDEXX engages in the development, manufacture, and distribution of products and services for the animal veterinary, livestock and poultry, dairy, and water testing markets. The primary driver of earnings is the company’s animal health diagnostics business, where IDEXX is the dominant player in the industry with a 64% market share. IDEXX is an innovator within its segment, with the strongest R&D track record and by far the largest R&D budget. Its razor-razorblade business model leads to high switching costs for IDEXX customers who are already in the IDEXX ecosystem, which gives IDEXX significant pricing power as it continues to introduce new products for vets. Pet ownership has continued to grow since as far back as the 1980s. Additionally, pet owners have demonstrated greater willingness to spend more on their pets. We believe IDEXX will see sustainable earnings growth as it continues to introduce new products and leverage significant pricing power.

We sold our position in Intuitive Surgical, which remains the dominant player in soft tissue robotic surgery. The company reported strong Q2 earnings, highlighted by a quick ramp in its next generation Da Vinci surgical platform. While we expect the company to retain its leadership position, the stock’s valuation already reflects a robust growth outlook. We reallocated the capital given more favorable opportunities elsewhere.

We exited our position in payments company Visa. The Department of Justice (DOJ) filed an antitrust lawsuit against the company, alleging anticompetitive practices in its debit business. While we do not believe the impact to the business will be thesis-changing (even if the DOJ wins the case), Visa will nonetheless remain in the US regulators’ crosshairs as the largest payment network in the country, so we exited what was already a small position relative to Mastercard, which we prefer on a fundamental basis and does not have the same regulatory overhang.

**Allocation**

**Sector**



Sector allocations are as of 30.9.2024 and based on the Vontobel Fund – US Equity.

<sup>1</sup> Purchases provided are the new purchases with positions greater than 50 basis points in the Vontobel Fund – US Equity for the period. Sales provided are all names that were fully liquidated in the Vontobel Fund – US 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<sup>1</sup>

	SECTOR	COUNTRY	% OF PORTFOLIO
Amazon.com, Inc.	Consumer Discretionary	United States	6.4
Microsoft Corporation	Information Technology	United States	5.8
Alphabet Inc.	Communication Services	United States	5.5
Coca-Cola Company	Consumer Staples	United States	4.9
Intercontinental Exchange, Inc.	Financials	United States	4.4
Mastercard Incorporated	Financials	United States	4.0
Mondelez International, Inc.	Consumer Staples	United States	3.8
RB Global, Inc.	Industrials	Canada	3.6
CME Group Inc.	Financials	United States	3.4
UnitedHealth Group Incorporated	Health Care	United States	3.4
<b>Total</b>			<b>45.2</b>

### Characteristics

	US EQUITY <sup>1</sup>	S&P 500
Market Capitalization (US\$ bn), weighted average	585.3	999.7
P/E - Forecast 12-month, weighted harmonic average	24.8	21.7
Dividend Yield (%)	1.2	1.3
5 Yr Historical EPS Growth (%)	13.3	15.3
Return on Equity, weighted average (%)	24.6	24.6

### Risk statistics (5 years)

	US EQUITY <sup>2</sup>	S&P 500
Annualized alpha	-1.8	–
Beta	0.9	1.0
Sharpe Ratio	0.6	0.8
Annualized standard deviation	16.6	18.0

### Top 5 contributors<sup>1</sup> by security (3 months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Intercontinental Exchange, Inc.	Financials	4.61	0.80
Coca-Cola Company	Consumer Staples	5.10	0.69
UnitedHealth Group Incorporated	Health Care	3.58	0.55
CRH public limited company	Materials	2.19	0.49
Mondelez International, Inc.	Consumer Staples	3.72	0.48

### Bottom 5 contributors<sup>1</sup> by security (3 Months)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Alphabet Inc.	Communication Services	6.01	-0.66
Synopsys, Inc.	Information Technology	1.84	-0.29
Amazon.com, Inc.	Consumer Discretionary	6.50	-0.28
Microsoft Corporation	Information Technology	5.92	-0.24
Adobe Inc.	Information Technology	3.46	-0.22

### Top 5 contributors<sup>1</sup> by security (1 year)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Amazon.com, Inc.	Consumer Discretionary	5.87	2.38
Microsoft Corporation	Information Technology	6.05	2.23
Intercontinental Exchange, Inc.	Financials	4.37	1.91
Boston Scientific Corporation	Health Care	2.93	1.55
Coca-Cola Company	Consumer Staples	4.48	1.49

### Bottom 5 contributors<sup>1</sup> by security (1 year)

	SECTOR	AVERAGE WEIGHT (%)	CONTRIBUTION TO RETURN (%)
Humana Inc.	Health Care	0.73	-0.60
Starbucks Corporation	Consumer Discretionary	0.41	-0.33
Comcast Corporation	Communication Services	1.02	-0.22
Becton, Dickinson and Company	Health Care	2.92	-0.22
Floor & Decor Holdings, Inc.	Consumer Discretionary	0.01	-0.04

Portfolio data as of 30.9.2024

Source: FactSet. All returns are expressed in USD.

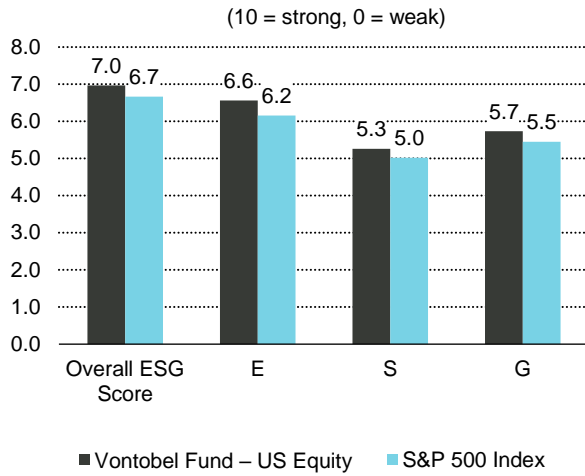
<sup>1</sup> Based on the Vontobel Fund – US Equity. Fund holdings and characteristics subject to change. The reader should not assume that an investment in the securities identified was or will be profitable. For more information on the calculation methodology or a complete list of holdings which contributed to overall performance during the period, please contact a Vontobel representative at [ClientServices@vontobel.com](mailto:ClientServices@vontobel.com).

<sup>2</sup> Based on gross performance of the Vontobel Fund – US 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.

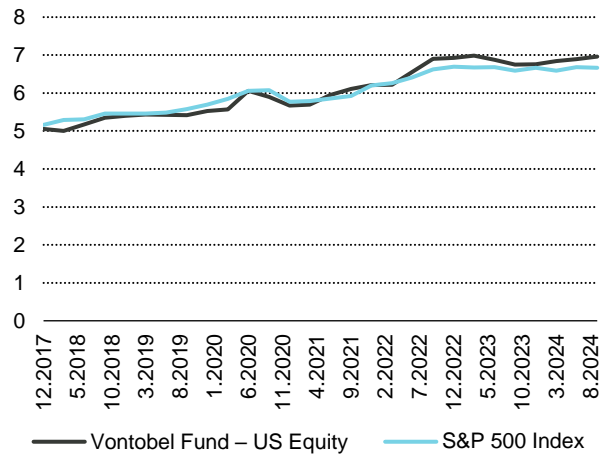
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### ESG metrics

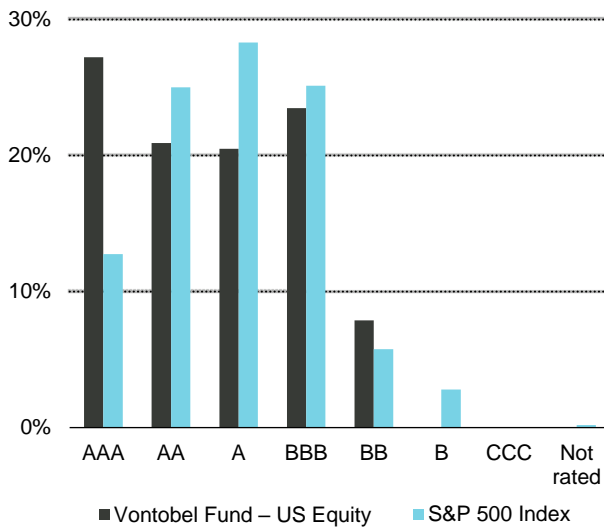
ESG (MSCI) scores<sup>1</sup>



ESG (MSCI) Scores<sup>1</sup> History

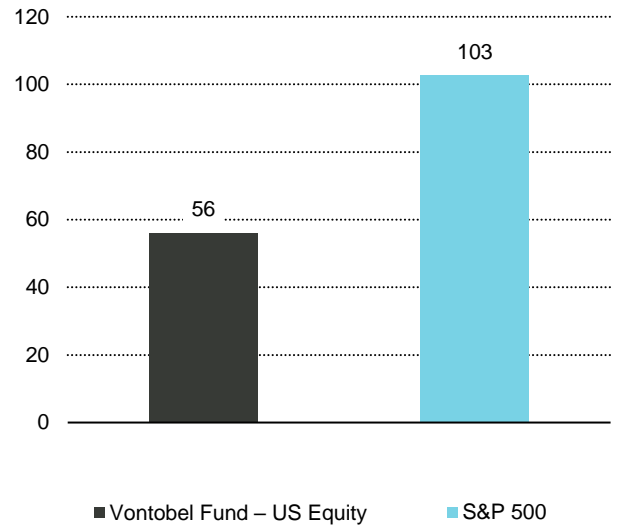


ESG (MSCI) rating distribution



Weighted average carbon intensity<sup>2</sup> (Scope 1+2)

(tons CO<sub>2</sub>e/\$1M sales)



**Past performance is not indicative of future results.** As of 30.9.2024. Based on the Vontobel Fund – US Equity.

Source: MSCI ESG Research LLC, FactSet. ESG scores calculated by MSCI ESG Research LLC.

<sup>1</sup> MSCI ESG Overall Score methodology is calculated as a simple weighted average of issuer ESG ratings, where cash is excluded.

<sup>2</sup> Based on a company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions.

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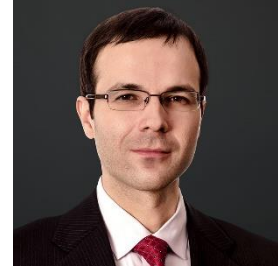
**Matthew Benkendorf**  
**CIO Quality Growth**  
**Portfolio Manager**  
 27 years in industry  
 25 years with Vontobel



**Edwin Walczak**  
**Managing Director**  
**Portfolio Manager**  
 46 years in industry  
 36 years with Vontobel



**Chul Chang, CFA**  
**Executive Director**  
**Portfolio Manager**  
 24 years in industry  
 15 years with Vontobel



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

#### Investment risks<sup>1</sup>

- 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.
- As the sub-fund focuses on companies that are domiciled and/or conduct the majority of their business in the US, it has a lower degree of risk diversification.
- 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](http://vontobel.com/sfdr).

<sup>1</sup> 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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The fund authorised for distribution in the **United Kingdom** and entered into the UK's temporary marketing permissions regime can be viewed in the FCA register under the Scheme Reference Number 466625. The fund is authorised as a UCITS scheme (or is a sub fund of a UCITS scheme) in a European Economic Area (EEA) country, and the scheme is expected to remain authorised as a UCITS while it is in the temporary marketing permissions regime. This information was approved by Vontobel Asset Management S.A., London Branch, which has its registered office at 3rd Floor, 70 Conduit Street, London W1S 2GF 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 S.A., London Branch, on request. 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