

Monthly commentary / 30.8.2024

Vontobel Fund – Global Environmental Change

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

Market developments

August proved to be a volatile month for investors. It started with a sharp sell-off in global equity markets. With weaker-than-expected manufacturing activity and a slight rise in the unemployment rate in the US, concerns about a potential recession there grew. The Bank of Japan raised its key interest rate, commenting that the neutral rate for an economy in balance would be much higher. The move disrupted carry-trade positions that had speculated on low borrowing cost in the Japanese yen. However, the shock dissipated quickly and so did recession fears thanks to cooling inflation data and reassuring words by the US central bank at the annual Jackson Hole economic policy symposium for central bankers, policy-makers, academics, and economists from around the globe. As a result, global equity markets rebounded. With bond investors anticipating the Fed to ease its monetary policy soon, the yield curve is set to normalize. This usually speaks in favor of stocks and the financing of capital-intensive projects.

Portfolio review

At end-August, the fund held 60 positions, unchanged versus end-July. Besides some marginal portfolio adjustments, we reduced our position in Applied Materials, whose business we expect to tend weaker near term. In contrast, we deployed some cash and inflows to increase our position in Taiwanese testing-equipment manufacturer Chroma after a correction in its share price. We also added to nVent, whose share price, in our view, over-reacted to the softer outlook for data-center growth. In the meantime, the company offers its enclosures, electrical fastenings, and thermal management solutions to a considerably enlarged customer base, which makes its business much more resilient. We also added to our position in Vestas, even though earnings forecasts by analysts are still negative. A more benign environment for project financing is likely to re-accelerate wind-power projects. Given the well-consolidated industry, new contracts should contain inflation clauses and adequate risk transfers to avoid losses caused by cost overruns outside the control of Vestas. Whether this will come true remains to be seen, but the current price of the Vestas share still reflects continuously depressed margins.

Performance analysis

In August, the fund underperformed global equities. Mega-cap tech stocks recovered swiftly from the correction, whereas most other equities lagged. In terms of sector allocation, the

fund's inherent underweights in health care, consumer staples, and financials, which all performed well, detracted, whereas the fund's overweight in utilities contributed positively, as this sector benefited from expectations of lower key interest rates in the US. Stock-selection-wise, the biggest detractors were names within the information-technology sector, mainly those active in semiconductors and related equipment, and names within the industrials sector. Name-wise, AMAT, in which we still hold a large position, detracted the most, as its share price corrected. Universal Display also detracted. Although the company presented solid results for the second quarter, it had to extend the timeline for the commercialization of its light-emitting diodes (LED) for blue light into 2025. This thwarted the enthusiasm that had spread among investors in previous months and prompted them to take profits. Among the contributors was Tetra Tech, which posted excellent results and revised its guidance upwards. The firm active in water and environmental consulting and engineering is well positioned to benefit from long-term tailwinds. It thus offers potential for organic and earnings growth. In addition, its management highlighted that the strong balance sheet will support targeted acquisitions. Ecolab was also a contributor. Its share price recovered well from the drop that unfavorable results reported in July had prompted. Investors apparently regained confidence in the company's longer-term growth drivers, while cost-reduction programs should support profitability.

Outlook

Investors still speculate on the extent to which central banks will lower their key interest rates this year, especially the US one. However, more important from our standpoint is that lower rates combined with a normalized yield curve provide better visibility for project financing – and confidence is key when investing in renewables projects, building up efficient public-transport systems, renovating existing buildings, or developing lean manufacturing plants and energy-efficient industrial applications. What all these undertakings have in common are high upfront investments before the benefits of lower operating costs will pay back over many years. Given current uncertainty about a lingering US recession and fears of stubborn inflation with high interest rates, countless projects were put on hold, or are being executed at much slower pace than initially planned. First signs of falling interest rates will provide better financing conditions. Lower capital costs translate into much shorter pay-back periods and thus re-accelerate long-term projects, whose return profiles usually are stable. Our

fund is well positioned to benefit in an economic environment inspiring confidence that high upfront investments in the above-mentioned areas will bear juicy fruit in the long run.

Fund characteristics

Fund name	Vontobel Fund – Global Environmental Change
ISIN	LU0384405949
Share class	I EUR
Reference index	MSCI World Index TR net
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	-0.9%	0.3%	2023	13.9%	19.6%
YTD	11.7%	16.5%	2022	-19.1%	-12.8%
1 yr	13.8%	22.0%	2021	27.1%	31.1%
3 yrs p.a.	2.9%	9.2%	2020	28.0%	6.3%
5 yrs p.a.	12.9%	13.0%	2019	36.7%	30.0%
10 yrs p.a.	11.5%	11.5%	2018	-15.0%	-4.1%
ITD p.a.	12.7%	12.7%	2017	12.5%	7.5%
			2016	7.3%	10.7%
			2015	15.0%	10.4%
			2014	18.0%	19.5%

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 due to changes in the rates of exchange between currencies.

Investment risks

- 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 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.
- 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 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.

Important legal information

This marketing document was produced by one or more companies of the Vontobel Group (collectively "Vontobel") 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 ("K(I)ID"), 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, or as "qualified investors" as defined by Switzerland's Collective Investment Schemes Act ("CISA").

Neither the fund, nor the Management Company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of an assessment of ESG research and the correct execution of the ESG strategy. As investors may have different views regarding what constitutes sustainable in-

vesting or a sustainable investment, the fund may invest in issuers that do not reflect the beliefs and values of any specific investor.

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. 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 facilities agent in **Austria**: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 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 European facilities agent for **Germany**: PwC Société coopérative - GFD, 2, Rue Gerhard Mercator B.P. 1443, L-1014 Luxembourg, Email: lu_pwc.gfd.facsvs@pwc.com, gfdplatform.pwc.lu/facilities-agent/, the information agent in **Liechtenstein**: LLB Fund Services AG, Äulestrasse 80, 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 ("K(I)ID"). These documents may also be downloaded from our website at vontobel.com/am. A summary of investor rights is available in English under: vontobel.com/vamsa-investor-information. 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 KID can be obtained in Spanish from Vontobel Asset Management S.A., Sucursal en España, Paseo de la Castellana, 91, Planta 5, 28046 Madrid. **Finland**: The KID is available in Finnish. The KID is available in French. The fund is authorized to the commercialization in **France**. Refer for more information on the funds to the KID. 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. The KIID can be obtained in English from Vontobel Asset Management S.A., London Branch, 3rd Floor, 70 Conduit Street, London W1S 2GF or downloaded from our website vontobel.com/am. **Italy**: 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 2, 20123 Milano, telefono: 0263673444, e-mail: clientrelation.it@vontobel.com. **Netherlands**: The Fund and its sub-funds 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"). **Norway**: The KID is available in Norwegian. Please note that certain sub-funds are exclusively available to qualified investors in Andorra or **Portugal**. **Sweden**: The KID is available in Swedish. The fund and its sub-funds are not available to retail investors in **Singapore**. Selected sub-funds of the fund are currently recognized as restricted schemes by the Monetary Authority of Singapore. These sub-funds may only be offered to certain prescribed persons on certain conditions as provided in the "Securities and Futures Act", Chapter 289 of Singapore. This document was approved by Vontobel Pte. Ltd., which is licensed with the Monetary Authority of Singapore as a Capital Markets Services Licensee and Exempt Financial Adviser and has its registered office at 8 Marina Boulevard, Marina Bay Financial Centre (Tower 1), Level 04-03, Singapore 018981. This advertisement has not been reviewed by the Monetary Authority of Singapore. The fund is not authorized by the Securities and Futures Commission in **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 doubt about any of the contents of this document, you should obtain independent professional advice. This document was approved by Vontobel (Hong Kong) Ltd., which is licensed by the Securities and Futures Commission of Hong Kong and provides services only to professional investors as defined under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and has its registered office at 1901 Gloucester Tower, The Landmark 15 Queen's Road Central, Hong Kong. This advertisement has not been reviewed by the Securities and Futures Commission.

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 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 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