Vontobel Fund – Global Corporate Bond

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, 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

July was a month of competing forces for global markets, with re-escalation between the US and Iran driving oil sharply higher and leaving Brent crude the best-performing major asset, up +23.6%. US President Donald Trump declared June's memorandum of understanding with Iran "over," and as both sides resumed strikes, Brent climbed from USD 71 per barrel at the start of the month to just over USD 100 per barrel on July 23 amid renewed Strait of Hormuz disruption, before retreating to USD 90 per barrel into month-end as signs of a pause emerged. Geopolitical risks around Iran and Russia-Ukraine, along with El Niño concerns, also lifted agricultural prices, with wheat and corn up +10.1% and +6.8%, respectively.

The reflationary backdrop weighed on global bonds even as major central banks held rates steady. The US Federal Reserve's (Fed) decision to leave rates unchanged offered little clarity from Chair Kevin Warsh on the reaction function, driving sharp Treasury curve steepening: the 30-year yield reached a post-2007 high of 5.27%, while the 10-year yield rose +27 basis points (bps) to 4.74%, helped only partly by a soft June core CPI print (0.0%, month over month). The US dollar lost ground against every G10 currency. The European Central Bank (ECB) also held rates steady, but struck a notably more hawkish tone, signaling that a September hike was probable amid inflationary risks from higher energy prices. Supported by a solid Eurozone Q2 GDP print (+0.4%), that guidance pushed the 10-year Bund up +35bps to a post-2011 high of 3.20%, an even larger move than in the US. The Bank of England's steadier, more dovish tone still saw gilts rise +29bps, with Governor Andrew Bailey stressing the Bank was not "edging towards a hike." In Japan, apparent FX intervention on July 30 (seemingly US-coordinated) drove a yen rebound after it hit its weakest level against the dollar since 1986, making it the best-performing G7 currency (+3.3%). Japanese Government Bonds outperformed (10Y +12bps to 2.81%) as the Bank of Japan signaled an autumn hike.

Equities were dominated by a sharp reassessment of the AI trade, as valuation, Chinese competition, capex intensity, and supply concerns hit the sector. The Philadelphia Semiconductor index slumped -20.6%, its worst month since 2008, and Korea's KOSPI fell -22.2% despite a +17.9% rebound on July 30, though both remain up over +50% year to date. A late-month recovery followed "Magnificent 7" earnings, with Microsoft posting its best day since 2008 and a record USD 450 billion market-cap gain. Breadth was more balanced than headlines suggested: the equal-weighted S&P 500 Index hit a record on July 28, while it closed essentially flat (-0.1%) versus the Nasdaq (-3.2%). European equities held up better on the solid Eurozone Q2 GDP print, with the STOXX 600 up +1.3% (+12.4% YTD) and the FTSE 100 up +3.6%. Asia lagged, with the Nikkei down -8.1% and Shanghai Composite down -5.9%.

In fixed income and credit markets, July was a month of divergence, with EUR investment grade (IG) the clear outperformer. EUR IG tightened -1bp (BBB: -1bp) as European spreads ground tighter across most sectors, while USD IG widened +3bps (BBB: +4bps), dragged by rate-sensitive, longer-duration names as the curve steepened; US media (+12bps), technology & electronics (+12bps), and telecoms (+9bps) led the widening in US/global IG. Subordinated segments were more resilient: European Bank CoCos tightened -6bps and Euro LT2 -4bps, while global hybrids were broadly flat (+1bp). BBs were mixed, with US BBs +9bps wider, while Euro BBs tightened -7bps, underscoring the continued European outperformance across the credit spectrum.

Portfolio review

We selectively participated in new issues across several sectors in USD and EUR. In the financial services sector, we participated in deals from two US companies, both of which issued subordinated paper. In one case, we used the new issue market to execute a switch in the same name where we extended maturity and realized a significant pick-up in spread versus the bond we owned. We also added to our exposure to a US bank that issued subordinated bonds. Lastly, we initiated positions in a European retail company in EUR, a US telecommunications company, and a US utility company.

In the secondary market, we started a position in a BB-rated European capital goods company, increasing our exposure to the BB category. We topped up our position in a US energy name, adding a long-dated USD-denominated bond. We also added exposure to a US automotive company we favor and reported solid 2Q26 results. We took profit on European companies in the basic industry, telecommunications, and real estate sectors. Lastly, we executed a cross-currency switch in a US banking name in which we shortened duration and realized a spread pick-up compared to the EUR bond we sold.

Performance analysis

For the month of July, the fund slightly underperformed its reference index, net of fees. The contribution from credit selection was positive for the month. Our bond selection in banking, basic industry, and insurance contributed the most to the positive performance, partly offset by a negative contribution from sectors such

as telecommunications, healthcare, and media. Within banking, our bond picking in European subordinated debt contributed to the positive credit selection in the fund. In basic industry, our selection in US chemical names contributed well to the positive selection. In telecommunications, long-dated US and European bonds contributed most to the negative performance, while our exposure to long-dated health insurance and health facilities companies drove the negative selection in healthcare.
The contribution from sector allocation was positive. The positive contribution from sectors such as technology (UW), capital goods (UW), and healthcare (UW) was offset by a negative contribution from sectors including telecommunications (OW), retail (UW), and media (UW).
In terms of regional exposure, Europe, America, and emerging markets (EM) contributed positively. The performance in APAC (ex-EM) was flat.

Outlook

Our outlook for the corporate bond market remains positive: Strong company earnings, a favorable rating trend, and ongoing solid demand for corporate bonds, at multi-year high yields, are the main reasons.
In more detail, we assume the economic growth is expected to remain supportive, with European growth likely to rebound over the second half of 2026, while incoming data for the US economy is fueling an acceleration of economic growth. Global PMIs remain consistent with an economy still in expansion, but the inflation outlook continues to be blurred by the war in the Middle East. The impact of inflation is uneven across regions: the Euro area is more exposed to energy imports and faces a more direct inflation impact, which is one reason markets have priced a more hawkish ECB path into 2026, while the US benefits from greater domestic insulation.
Credit fundamentals remain generally stronger than expected, confirmed by the ongoing Q2 2026 earnings season that started mid-July. While strong results from the major US banks were widely expected, the non-financial sectors (even excluding the “Magnificent 7”) are reporting better than expected results. Sectors with a more mixed picture remain consumer goods, automotive, or basic industry. However, the rating trends remain positive and high-yield (HY) default rates are expected to remain low.
In this context, technical factors continue to provide support: Ongoing flows into corporate bonds are suggesting investors are comfortable allocating to the asset class. Primary markets are expected to remain busy, and investors need to be prepared to see ongoing large AI capex-related bond issuance in different currencies.
Credit spreads widened in July, and some areas of the market start to look compelling again. In addition, dispersion across sectors has increased over the summer. That said, all-in yields remain attractive relative to historical levels, which may help to generate income for investors despite the ongoing rates volatility.

Fund characteristics

Fund name	Vontobel Fund – Global Corporate Bond
ISIN	LU1395537134
Share class	I USD
Benchmark	ICE BofAML Global Corporate Index (USD hedged)
Inception date	9.5.2016

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-1.3%	-1.3%
YTD	-0.1%	0.1%
1 year	2.8%	2.9%
3 yrs p.a.	5.5%	5.3%
5 yrs p.a.	0.3%	0.6%
10 yrs p.a.	2.8%	2.6%
ITD p.a.	3.1%	2.9%

Time period	Fund	Benchmark
2025	7.4%	6.9%
2024	3.7%	4.0%
2023	8.8%	9.0%
2022	-15.0%	-14.0%
2021	-0.6%	-0.8%
2020	9.3%	8.2%
2019	13.6%	12.5%
2018	-1.7%	-0.9%
2017	7.6%	5.7%
2016	–	–

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.

Investment risks

— Securities with a lower credit quality means a higher risk that an issuer may fail to meet its obligations. The investment value may fall if an issuer's credit rating is downgraded.
— 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.
— Asset-backed and mortgage-backed securities, and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
— CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
— 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.

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