Monthly commentary / 30.9.2024

Vontobel Fund – Multi Asset Solution

Marketing document for institutional investors in: AT, CH, DE, ES, IT, LU.

Market developments

September was a positive month for all global markets, bolstered by more accommodating central banks and strong stimulus measures from the PBoC aimed at sustaining the economy.

The FED meeting was one of the most anticipated events of the month: for the first time since 2020, the American Central Bank cut interest rates by 50 basis points. As a result, the new Fed Funds range is now set at 4.75%-5.00%. Projections show the US economy maintaining annual growth of 2.0%, while unemployment is expected to rise slightly (due to more people entering the job market), with inflation forecast to improve compared to the June estimates. Expectations for the Fed Funds suggest further rate cuts by the end of the year, though rates are likely to remain slightly higher than current levels. In Europe, the ECB lowered the deposit rate by 25 basis points, bringing it to 3.50%. The ECB reported that it will continue to rely on data and will adopt a meeting-by-meeting approach. Inflation projections for 2025 and 2026 remain unchanged at 2.2% and 1.9%, respectively, with the ECB still expecting inflation to hit its 2% target by the second half of 2025. The outlook for core inflation has been revised upward slightly for this year and the next due to stronger-than-expected price pressures in the services sector. Toward the end of the month, China unveiled its largest-ever package to date aimed at supporting the stock market, boosting domestic consumption, and reviving the real estate sector. This included reducing financing costs by a total of $5.3 trillion in mortgages and lowering down payment requirements for second home purchases to a record low. In the wake of China's massive stimulus, stock markets continued to post positive performances throughout the month, with emerging markets outperforming both Europe and the US. Asian markets saw double-digit gains (HSI Index +18.32% and CSI300 Index +21.8% in the local currency). On a factor level, dividend and momentum outperformed other factors. In the government bond market, rates fell globally, especially following the inflation data from Europe and the US. In the US, Treasury yields continued the trend from July, showing a marked decline, especially in the short end of the curve (2Y UST -27bps, 10Y UST -12bps), with a similar, more pronounced movement in Europe (2Y DBR -32bps, 10Y DBR -17bps). In the corporate sector, both the IG and HY spreads showed positive performance, with corporate credit spreads remaining extremely tight in both Europe and the US. In this context, the U.S. dollar weakened, closing the month at 1.11 against the Euro. Commodities, including oil, also posted positive performances, with significant upward movements in the second half of the month driven by tensions in the Middle East and Chinese stimulus measures. Finally, the price of gold reached new highs, approaching record levels of $2,600 per ounce.

Portfolio review

In September, a few changes were made to the portfolio allocation. The weight of the equity sector was reduced and stood at 30.0% by the end of the month, divided between individual stocks (Safety and Dividend strategies) and some futures on the MSCI World Index. Over the course of the month, positions in call options on the S&P 500 Index and futures on the Russell 2000 Index were closed. Meanwhile, the bond component of individual securities accounted for 68.0% of the portfolio, split between corporate bonds (35.2%) and government bonds (32.8%). In the government bond sector, futures positions were closed in favor of global government bonds (US, France, Spain, Italy). Furthermore, positions in the Vontobel Fund – Green Bond and Vontobel Fund – Sustainable Emerging Markets Debt were maintained. The bond portfolio has a duration of 5.1 years (an increase from last month), a yield to maturity of 3.9%, and an average rating of A-. In terms of currency exposure, the US dollar exposure was reduced to 22.8%, while the position in Japanese yen was maintained at 2.2%. Finally, positions in commodity futures and the gold ETF were kept in the portfolio, each with a weight of 1.5%.

Performance analysis

In September, the Vontobel Fund - Multi Asset Solution achieved a positive performance, supported by both the equity and bond sectors. Within the equity portfolio, the Dividend factor contributed positively, whereas the Safety factor had a negative impact overall. In terms of sectors, the largest contributions came from Industrials, Financials, and Consumer Discretionary. There was also a positive contribution from the MSCI World Index future. As far as the bond portfolio is concerned, it made a positive contribution thanks to its exposure to the corporate segment and the downward movement in government interest rates. In addition, a positive contribution was noted from both the Vontobel Fund – Green Bond and the Vontobel Fund – Sustainable Emerging Markets Debt. Regarding commodities, both the commodity futures and the gold ETF provided a positive contribution.

Outlook

Currently, investors have two main concerns: the risk of a recession and geopolitical risks.

The most likely scenario for the second half of 2024 continues to be one of a gradual economic slowdown (soft landing) with more accommodating central banks, but as reflected in recent data, the market has not completely ruled out a “hard landing” scenario, especially in light of recent macroeconomic data from the US. The soft landing scenario envisages a market capable of addressing the ongoing slowdown, thanks to the recovery of disposable income following the fall in inflation. Additionally, the Fed implemented a significant rate cut in September; this decision signals the American Central Bank’s confidence that inflation is under control. The market now anticipates approximately two additional rate cuts by the end of the year, though the scale of these cuts will depend on upcoming economic data. In Europe, we also expect two more rate cuts from the ECB and at least two in the UK. The market narrative continues to shift very quickly and is closely tied to the economic data we are monitoring carefully, both in the US and across Europe. According to our proprietary models for analyzing the economic cycle, a more pronounced contraction is underway in developed markets, while emerging markets are currently showing greater resilience, with a lower probability of contraction over the next month compared to developed markets. Although one of the main problems for investors is guessing how many rate cuts will happen, the best strategy will be to continue active management, focusing on asset allocation and flexibility. The question now is not whether rates will fall, but by how much. In our opinion, it is better to remain invested, focusing on defensive and high-quality names. In light of this, we prefer dynamic allocation with a quality bias. Our stance is neutral with regard to equity and positive with regard to the corporate (Investment Grade) and government bond markets for the coming months. This context is favorable for fixed income, as government bonds should be well-supported, while credit spreads could move sideways in the absence of a surge in defaults or an economic recession. This is why we're focusing on high-quality credit. Based on current yield levels and inflation below 3%, it's time to refocus on the negative correlation between stocks and bonds. In fact, following the latest employment data, we believe the market has priced in too many rate cuts in America, but this is an initial sign that duration could once again play a beneficial role within portfolios.

Fund characteristics

Fund name	Vontobel Fund – Multi Asset Solution
ISIN	LU1564308895
Share class	I EUR
Reference index	–
Inception date	23.2.2017

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	1.2%	–
YTD	6.3%	–
1 year	12.5%	–
3 yrs p.a.	0.7%	–
5 yrs p.a.	2.4%	–
10 yrs p.a.	–	–
ITD p.a.	2.5%	–

Time period	Fund	Ref. index
2023	6.7%	–
2022	-10.8%	–
2021	3.6%	–
2020	5.8%	–
2019	10.6%	–
2018	-4.5%	–
2017	–	–
2016	–	–
2015	–	–
2014	–	–

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 creates significant 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.
- 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.
- 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.
- 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.

have different views regarding what constitutes sustainable investing or a sustainable investment, the fund may invest in issuers that do not reflect the beliefs and values of any specific investor.

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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/. 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. **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.

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