TwentyFour
a boutique of Vontobel

Vontobel Fund - TwentyFour Sustainable Strategic Income Fund

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 30 September 2025

Market Commentary

- US Treasury volatility levels were elevated again in September, as influential economic data points and the Federal Reserve's (Fed) updated 'dot plots' and economic projections led investors to reprice the probability of near-term interest rate cuts. The US labour report, released at the beginning of the month, showed that August's non-farm payroll number came in well below expectations. There were further downward revisions to the previous two months of data, while the unemployment rate ticked up on an unrounded basis. Together with geopolitical headlines, this contributed to two-year and 10-year Treasury yields falling by 11 basis points (bp) and 15bp, respectively, in the first week of September. The move was partly cancelled out later in the month, thanks to the Fed's policymaking meeting. This presented investors with fresh dot-plot projections that showed a slower pace of rate cuts over the next two years relative to market expectations and economic projections that pointed towards higher growth and inflation.
- The fact that inflation remains well above the Fed's 2% target continued to provide upward pressure on Treasury yields. A stronger-than-anticipated August Consumer Price Index (CPI) print of +0.4% month on month, together with an in-line core Personal Consumption Expenditures (PCE) number of +0.2%, has fuelled the narrative that the economy is still running hot, particularly given the tariff backdrop. This was reflected in the upward revision to second-quarter GDP at the end of the month.
- The European Central Bank (ECB) and Bank of England (BoE) held their base rates at 2% and 4%, respectively, and offered a more hawkish tone in their meetings, which helped German bunds and UK gilts to enjoy a more stable month. This was reflected in credit spreads, as European high yield and financials continued to grind tighter, seemingly unfazed by the uptick in supply. The contingent convertible bond (CoCo) index reached its tightest-ever spread level of +230bp at the end of the month, largely as a result of the strong technical backdrop, which persists. An absence of negative news allowed equities to continue their positive trajectory in both the US and Europe.

Portfolio Commentary

- The team made several changes to the portfolio's asset allocation in September, with the main theme of reducing interest rate duration by replacing rates with credit. This was achieved by bringing down the Fund's allocation to 10-year US Treasuries and 10-year German bunds as well as by fully unwinding the short-dated Treasury bills position and replacing this with high-quality, short-dated credit across different sectors.
- The portfolio changes were implemented as the probability of a recession across developed markets has decreased, as evidenced by upward revisions to economic growth projections. This means that the latest rally in rates makes Treasuries appear less attractive while the economic backdrop for high-quality credit improves. Carry remains the primary source of return for fixed income investors.
- The Fund was well positioned to benefit from the latest rally in rates and credit, posting a positive total return in September. Bank Additional Tier 1s (AT1s) were the biggest contributor to Fund performance, as European banks continued to post impressive financials, with resilient asset quality, elevated net interest margins and low levels of non-performing loans. The government bond bucket, largely through 10-year US Treasuries, was the second-biggest contributor, benefiting from the latest rally as investors priced in more near-term rate cuts amid a weakening labour market. There were no detractors in September.

Market Outlook and Strategy

- The pace and scale of the Fed's interest rate cuts in the medium term remain uncertain. Investors continue to consider the state of the labour market and rate of inflation as key factors driving the Fed's decision-making in both the short and medium term, with economic data releases being closely followed. Despite this, credit fundamentals continue to outperform expectations, fuelling the strong technical that persists throughout both corporates and financials.
- With credit spreads well below their medium-term averages, they are likely to gravitate wider in the coming months, and thus our general preference for shorter maturities and higher credit quality remains. At this stage of the cycle, with yields still elevated, we feel that we can build a fixed income portfolio at an attractive level of carry without reaching for too much duration or credit risk.

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	5y	10y	Since Inception*
Class G Acc	0.80%	2.27%	4.76%	6.43%	N/A	N/A	N/A	7.94%
ICE BoAML Global Broad Market	0.84%	1.28%	2.71%	2.42%	N/A	N/A	N/A	3.49%

Discrete Performance	YTD	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Class G Acc	5.93%	8.92%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ICE BoAML Global Broad Market	4.21%	2.02%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Past performance is not a reliable indicator of future performance. The performance figures shown are in GBP on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. *Inception date 26/01/2023. ICE Global Broad Market Index has been chosen as a proxy for the fixed income market overall and is used as reference index for illustration purposes only, there is no fund benchmark. Please see Important Information slides for further information on the index.

Key risks

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- Success of single security analysis and active management cannot be guaranteed
- It cannot be guaranteed that the investor will recover the capital invested
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility
- Interest rates may vary, bonds suffer price declines on rising interest rates
- Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognised capital markets
- Money market investments are associated with risks of a money market, such as interest rate fluctuations, inflation risk and economic instability
- 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 information

The Fund considers environmental, social and governance (ESG) factors in the investment process, utilising an integrated approach.

Information on the integration approach may be obtained from https://www.twentyfouram.com/responsible-investment-policy

Further information on fund charges, costs and other important information pertaining to the fund can be found in English and free of charge on the fund pages of our website and/or in the relevant offering documents available at www.twentyfouram.com/document-library

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ICE BofAML Global Broad Market Index - tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities.

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