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Vontobel Fund – TwentyFour Absolute Return Credit Fund

(part of TwentyFour's Short Term Bond Strategy)

Webinar update

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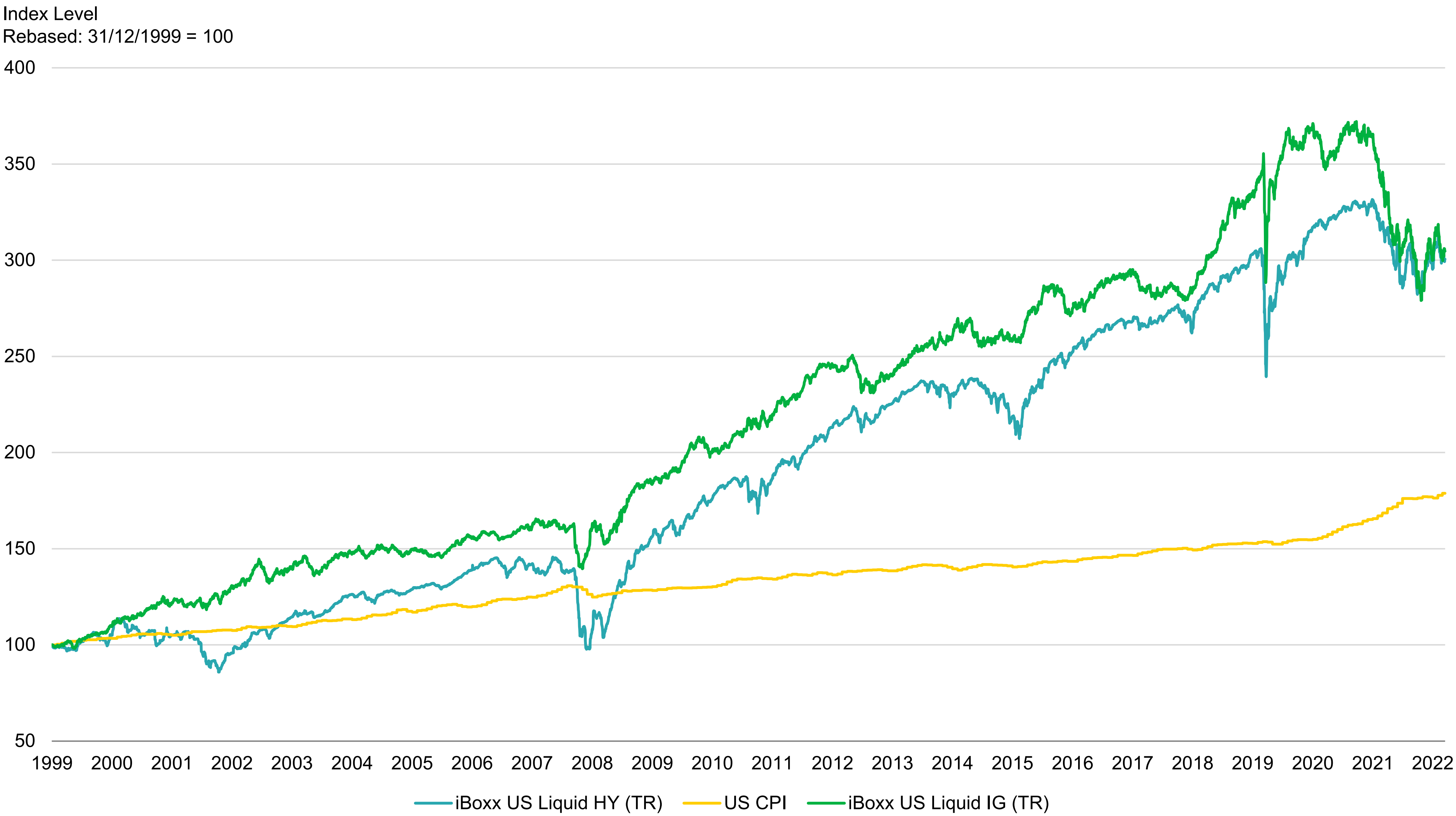
March 2023

Why I believe short dated IG is the "best game in town for 2023"

2022 was the worst year for bonds in living memory

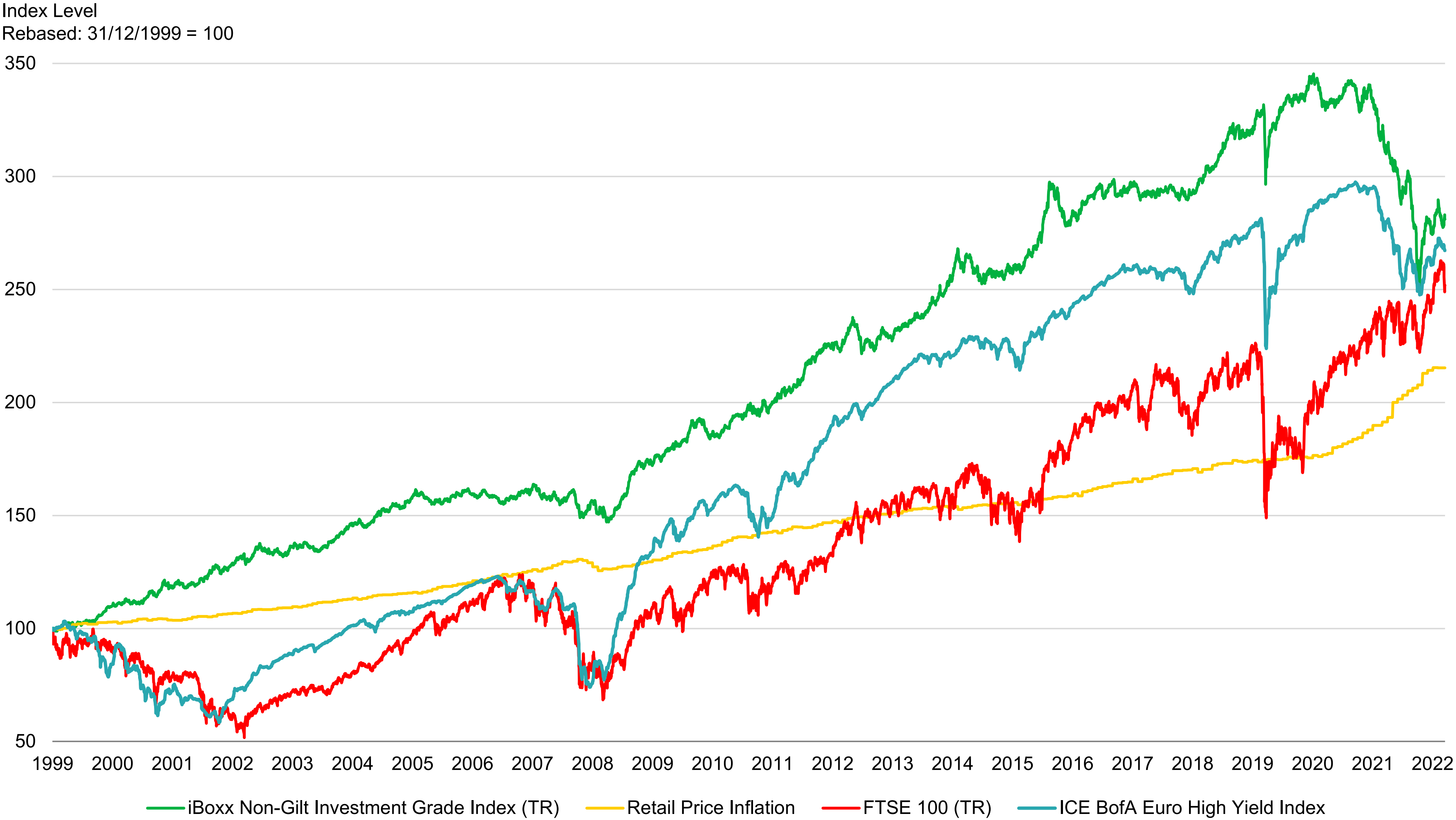
IG had twice the losses of HY, burning through the entire century's outperformance



Past performance is not a reliable indicator of current or future performance. 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. It is not possible to invest directly into an index and they will not be actively managed.

Source: TwentyFour, Bloomberg, iBoxx, ICE indices; 14 March 2023

Asset returns this century, UK/Europe



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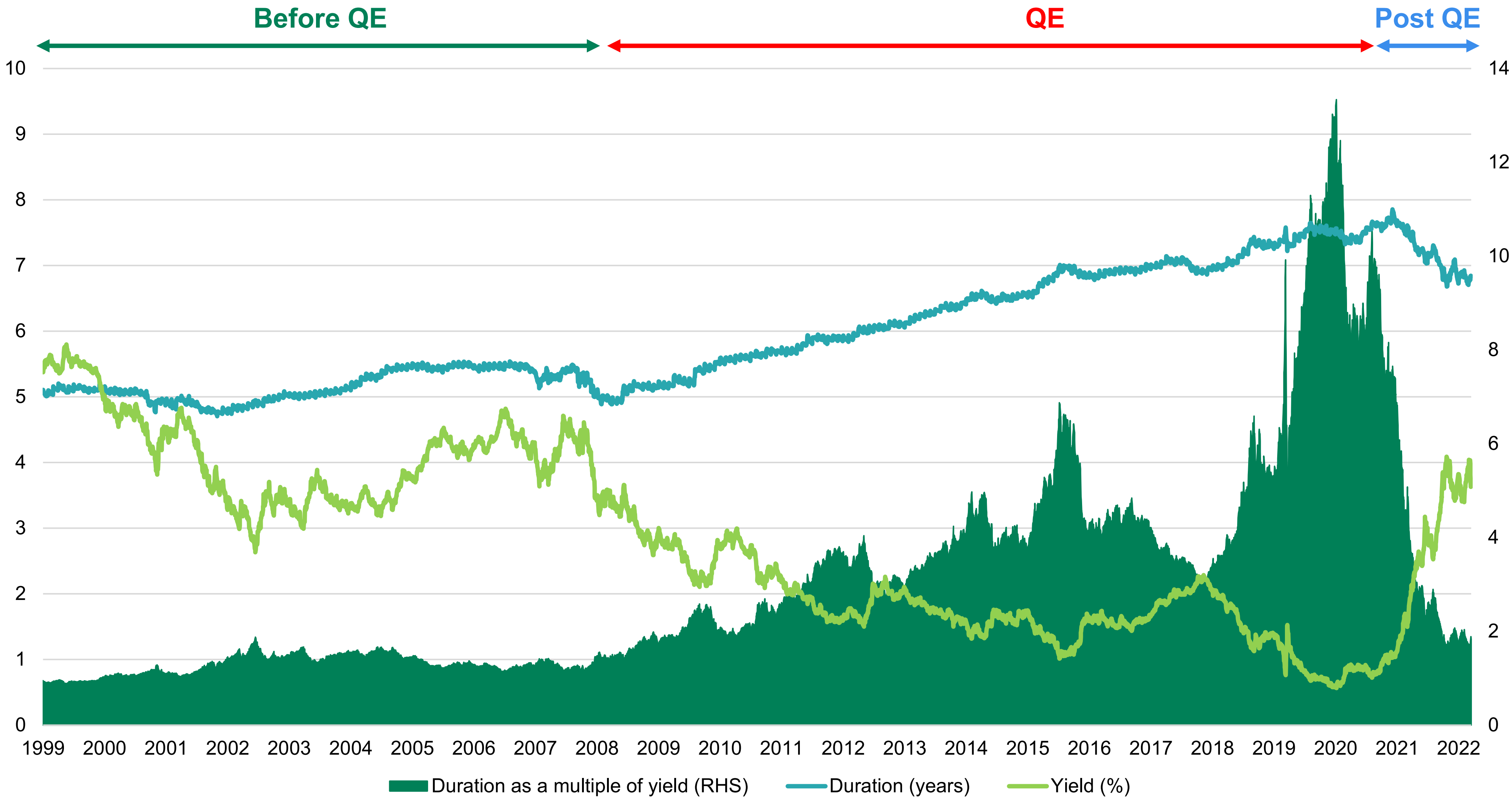
Source: TwentyFour, Bloomberg, iBoxx, ICE indices; 14 March 2023

The yield rise in 2022 reversed all 13 years of Q.E.

(where Q.E. had previously distorted the risk/reward relationship of the bond market)

Ratio of Duration (risk) vs. Yield (reward)



Past performance is not a reliable indicator of current or future performance. 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. Underlying data BAML Global Broad Market Index. It is not possible to invest directly into an index and they will not be actively managed.
Source: TwentyFour, ICE indices; 14 March 2023

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The terminal rate debate has not finished yet…

Inflation remains more than transitory, despite US bank crisis

	US	Germany	UK
CPI	6.00% ↓	8.70% ↑	10.10% ↓
Core CPI	5.50% ↓	5.70% ↑	5.80% ↓
PPI	6.00% ↓	17.80% ↓	13.50% ↓
Unemployment	3.60% ↑	5.70% ↑	3.70% ↔
Hikes so far	3 x 25bp, 2 x 50bp, 4 x 75bp	3 x 50bp, 2 x 75bp	5 x 25bp, 4 x 50bp, 1 x 75bp
Hikes expected by end 2023	+1 -> -2	+2 to +3	+2
Official Rate	4.75%	3.00%	4.00%
Terminal rate market expectation	5.01% (Jun 23)	3.65% (Oct 23)	4.46% (Sep 23)
Mandate	Output + Inflation	Inflation	Inflation
Risk of policy error?	Lowest	Highest	Medium
Deposit Rate (3m LIBOR/SONIA)	4.86%	2.96%	4.26%

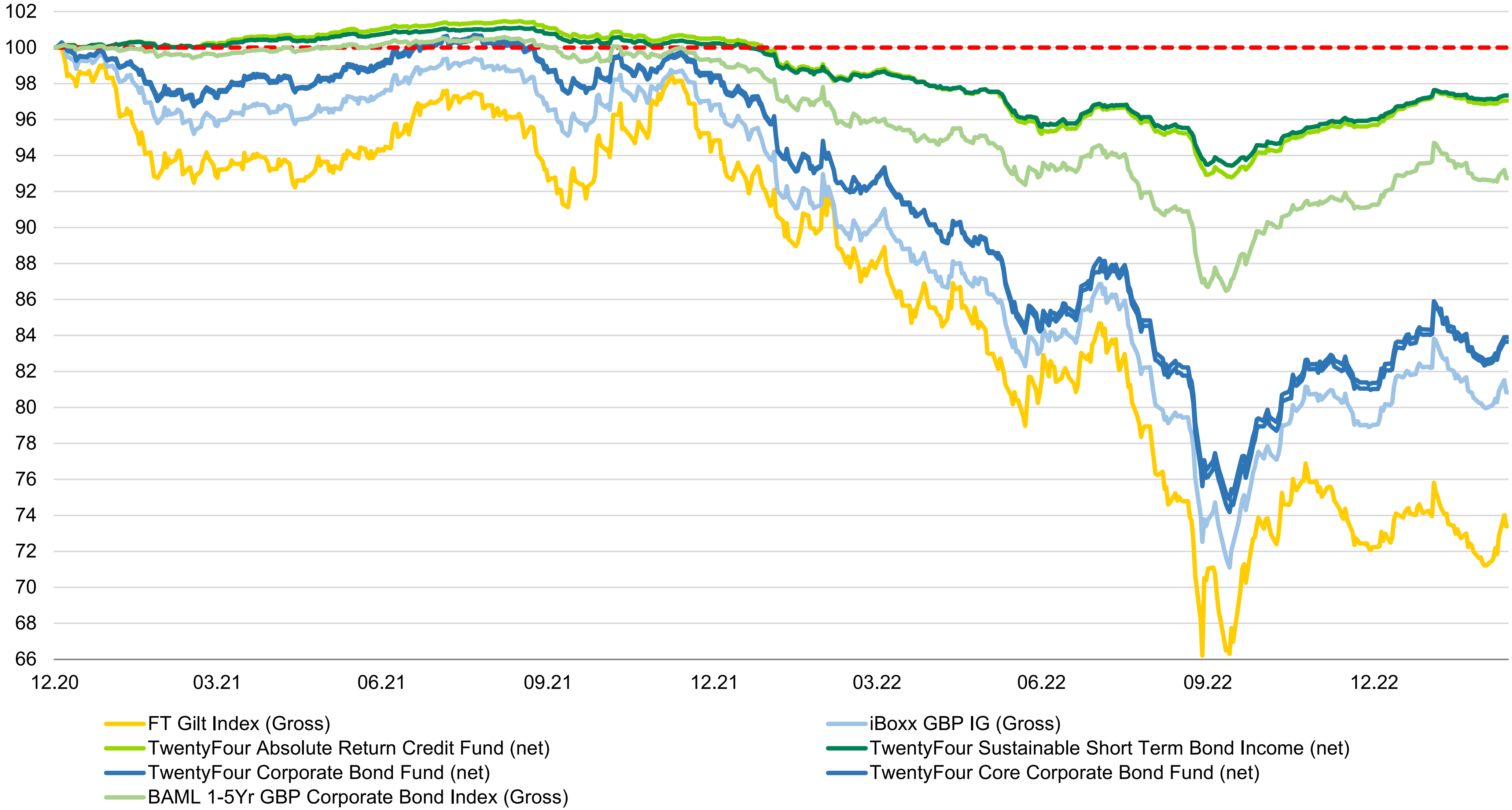
Central banks have to walk a dangerous tightrope – hike rates to retain inflation credibility and generate a recession? Or prioritise growth – but at what cost?

These views represent the opinions of TwentyFour as at March 2023, they may change and may have already been acted upon, they may also not be shared by other entities within the Vontobel Group.
Source: TwentyFour, Bloomberg. Data as at 15 March 2023

Nowhere in FI escaped losses last year, but short dated protected better

(Worst month for gilts since index created was August at -7.64%, September was -8.04%)

Rebased 100 = 01/01/2021



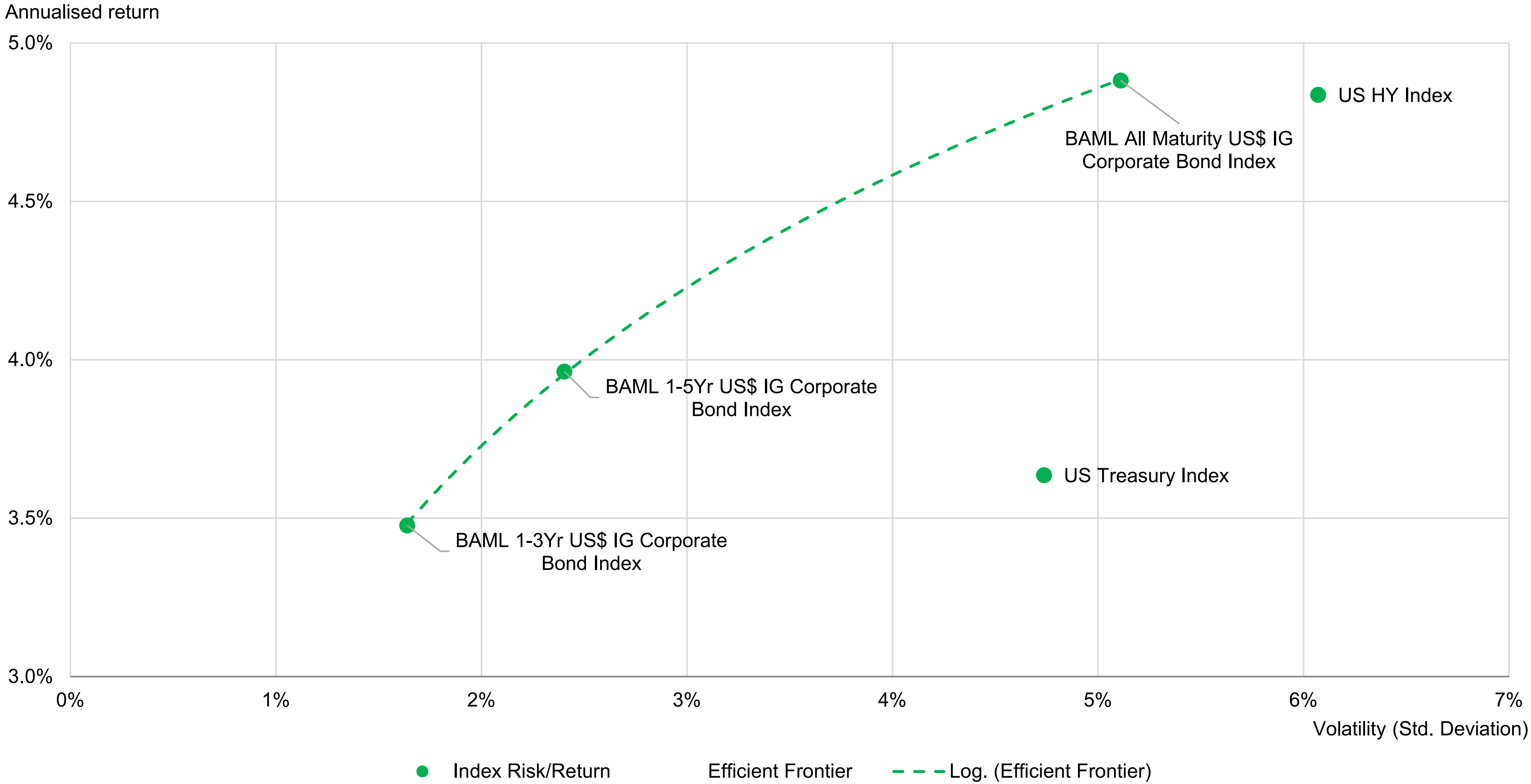
Past performance is not a reliable indicator of current or future performance. Performance figures for the funds are on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. 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 get back the amount originally invested. It is not possible to invest directly into an index and they will not be actively managed. Data source: TwentyFour, Bloomberg, ICE Indices; 14 March 2023

So where do we think the best opportunities in Fixed Income are now?

IG is where risk-adjusted returns are maximised

Short dated especially so

Long term risk-adjusted returns for US$ Fixed Income
31/12/99 to 22/02/23



Past performance is not a reliable indicator of future performance. It is not possible to invest directly into an index and they will not be actively managed.
Source: TwentyFour, Bloomberg, iBoxx, ICE Indices
Data as at 22 February 2023

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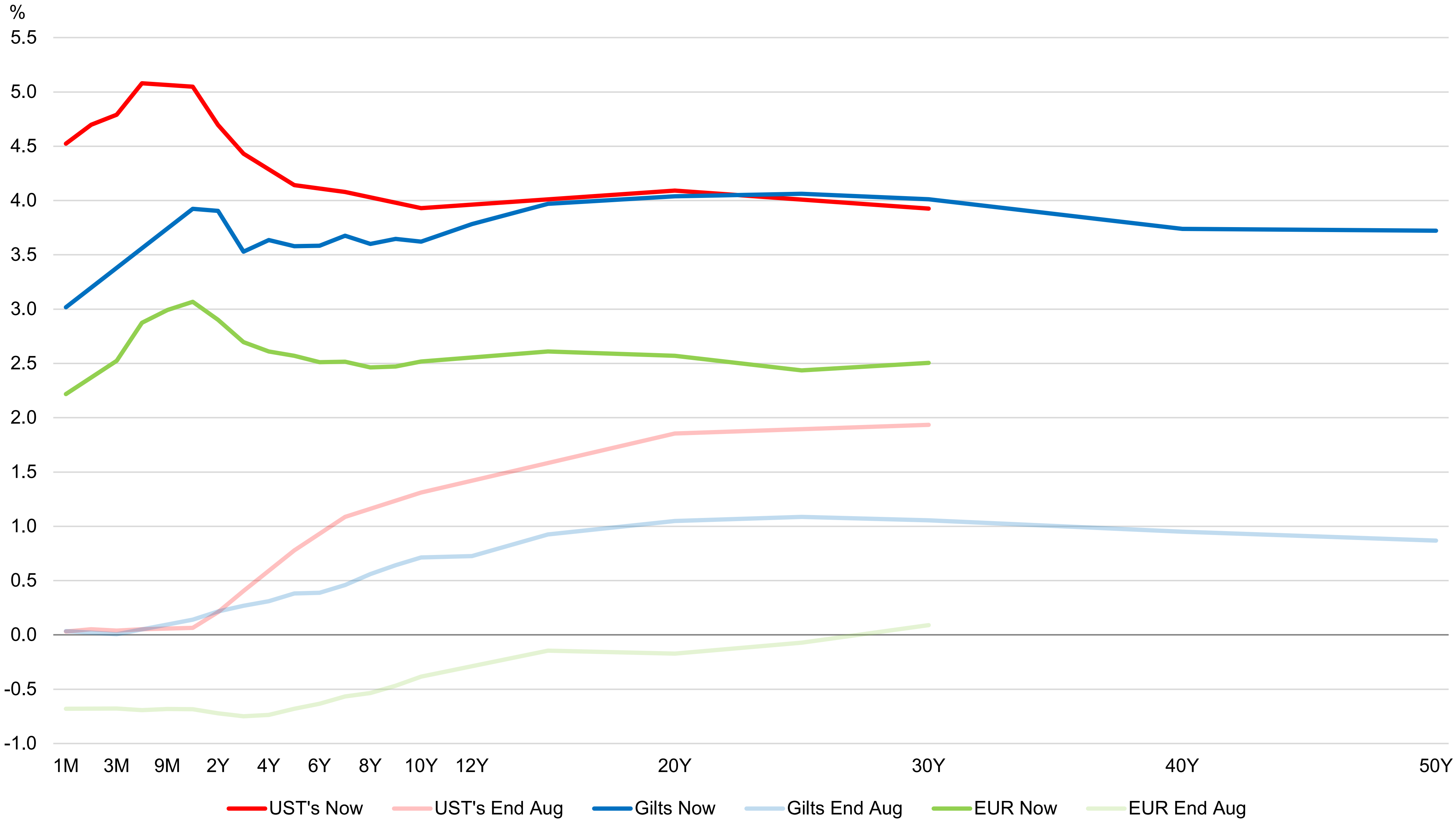
So where on the curve are the best opportunities right now?

Beyond 5yrs of maturity there is no additional yield!



Past performance is not a reliable indicator of future performance.
Source: TwentyFour, Bloomberg
Data as at 31 August 2021 & 28 February 2023

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Meaning credit yields between short and long dated IG are the same…

Are capital risks the same?

ICE/BAML IG Global Indices

	1-3Yr	1-5Yr	All Maturity
Yield to worst (US$)	5.5%	5.5%	5.5%
Duration	1.79	2.57	6.74
Yield ÷ Duration (breakeven)	+307bp	+214bp	+81bp
Identical yield?	✓	✓	✓
Protection against losses?	✓✓	✓	✗

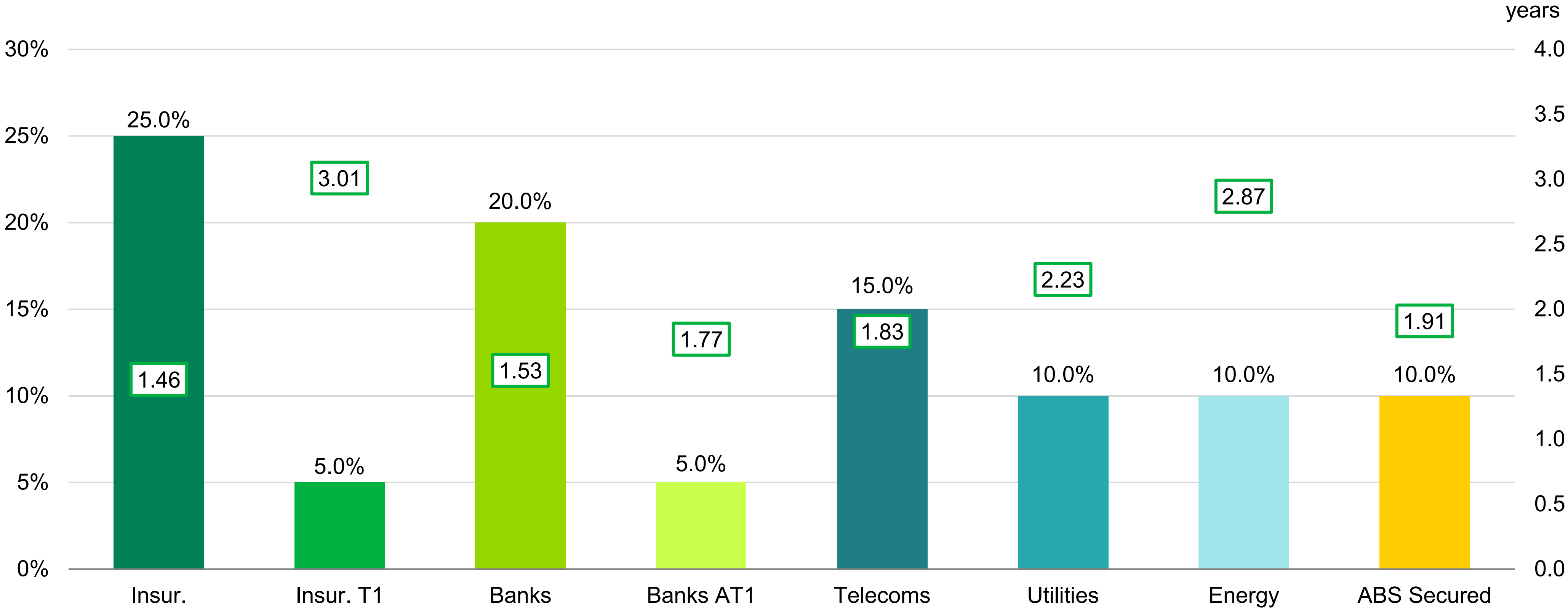
Objective: Try to maximise your breakeven (protection against losses) by staying at the front end of the curve, where you can get paid exactly the same yield, but have a fraction of the capital risks

It is not possible to invest directly into an index and they will not be actively managed. Yields shown is Yield to Worst which is a measure of the lowest possible yield that can be achieved on a bond with an early retirement provision that fully operates within its contract without defaulting.
Source: TwentyFour, ICE Indices; Data as at 23 February 2023

Focusing on specific index sectors allows you to improve the yield

BAML 1-5Yr Sector Yields/Durations

Sector breakdown



	Insur.	Insur. T1	Banks	Banks AT1	Telecoms	Utilities	Energy	ABS Secured
Yield $ (%)	6.83	12.60	6.16	9.00	7.36	6.83	7.08	7.03

USD yield 7.22%, IR duration 1.89yrs

Index sector breakdowns have been amended for illustrative purposes only and don't reflect current breakdowns. Modelled performance is subject to inherent limitations, please see the Important Information slides for further details. It is not possible to invest directly into an index and they will not be actively managed.
Source: TwentyFour; ICE Indices; Data as at 23 February 2023

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Risk vs. Reward including focussed index sectors example

ICE/BAML IG Corporate Indices

	Focussed Example	1-3Yr	1-5Yr	All Maturity
Yield to worst	7.22%	5.5%	5.5%	5.5%
Duration	1.89	1.79	2.57	6.74
Yield ÷ Duration (breakeven)	+382bp	+307bp	+214bp	+81bp
Identical yield?	higher	✓	✓	✓
Protection against losses?	✓✓✓	✓✓	✓	✗

Conclusion: You can improve on the relationship between risk and reward by being selective

Index sector breakdowns have been amended for illustrative purposes only and don't reflect current breakdowns. Performance has been modelled based on certain assumptions. Modelled performance is subject to inherent limitations, please see the Important Information slides for further details. It is not possible to invest directly into an index and they will not be actively managed.
Source: TwentyFour, ICE Indices; Data as at 23 February 2023

Summary – why we think short dated IG is the "best game in town in 2023"

- 2022 was the worst year for bonds in living memory
- Risks still remain to all asset classes, as we move from:
  - > Global inflation as a narrative…
  - > To higher terminal rates, global recession fears, and now a possible banking crisis in the US…
- Short dated IG consistently produces some of the best risk-adjusted returns in Fixed Income
- Right now, the yield on short dated credit is *exactly the same* as long-dated credit
  - > But capital risks are far lower in the short dated – so why take longer-dated risk?
- By actively investing in short dated IG, you can:
  - > Improve the yield
  - > Keep duration even lower

You can park capital in short dated IG for the remainder of 2023, clipping a very attractive yield of ~6% whilst other assets potentially reset to a challenging recession environment

Past performance are not reliable indicators of actual current or future performance. Yields shown is Yield to Maturity which is the total return anticipated on a bond if the bond is held until the end of its lifetime. Yield to Maturity is considered a long-term bond yield, but is expressed as an annual rate. The views expressed represent the opinions of TwentyFour as at March 2023, they may change and may have already been acted upon, they may also not be shared by other entities within the Vontobel Group.

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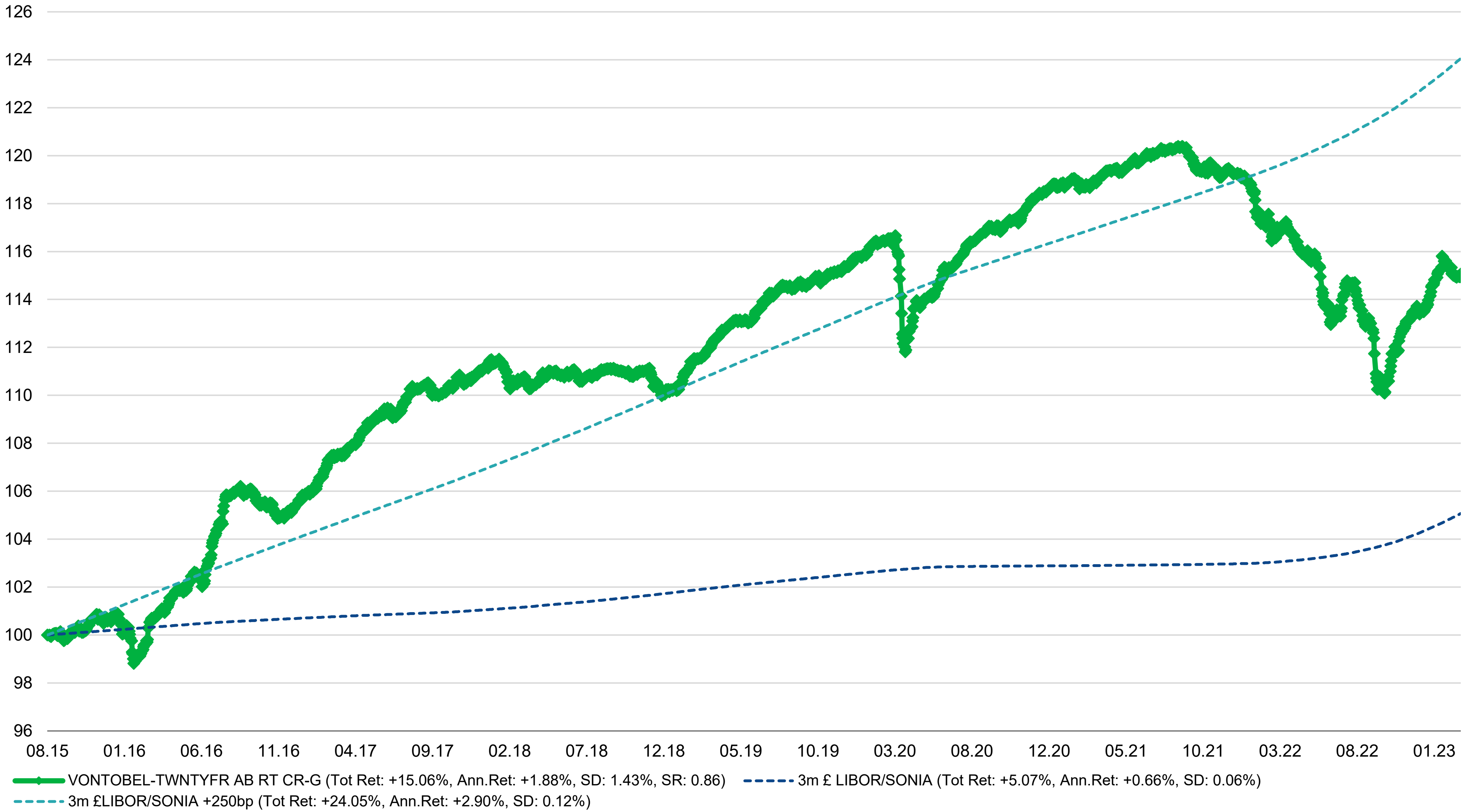
Vontobel Fund – TwentyFour Absolute Return Credit Fund positioning and performance

Vontobel Fund – TwentyFour Absolute Return Credit Fund overview

Approach	We aim to provide a return of **Cash +250bp after fees** along with **volatility of less than 3%**
Concept	An actively managed, genuinely **long only, unlevered** bond fund, **easy to understand** and designed to **keep volatility low**
How	Core design focuses the **main part** of the fund in those assets we know have **historically generated the very best Sharpe ratios**, balancing **attractive returns with very low volatility**
	Active management of **asset allocation** to help further **dampen volatility** and **protect capital**
	Highly focused on **security selection** to generate alpha and lower risks. All bonds have to pass a **rigorous screening process** to show that they deliver **good return potential with low volatility**
	Not a black box. Uses our investment process to its fullest within a **low volatility context,** maximising **return per unit of risk**
	Risk reduction through a broad armoury of **hedging tools**
Outcome	***We believe this has the potential to deliver good returns with low volatility and low drawdowns***

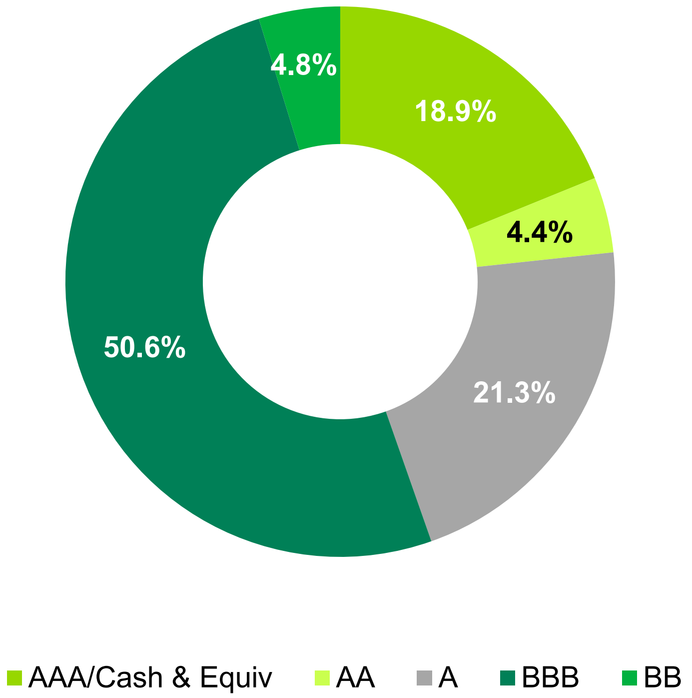
The solution: good returns with low volatility = potential for very high Sharpe ratio



Past performance is not a reliable indicator of current or future performance. The performance figures shown are of the G GBP share class performance which was launched on 28 August 2015. Performance figures are shown 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, if applicable. The return of the fund may go down as well as up due to changes in exchange rates. It is not possible to invest directly into an index and it will not be actively managed. 3m GBP LIBOR used up to 31 December 2021, SONIA used thereafter following 3m GBP LIBOR's cessation. Source: TwentyFour, Bloomberg; 14 March 2023

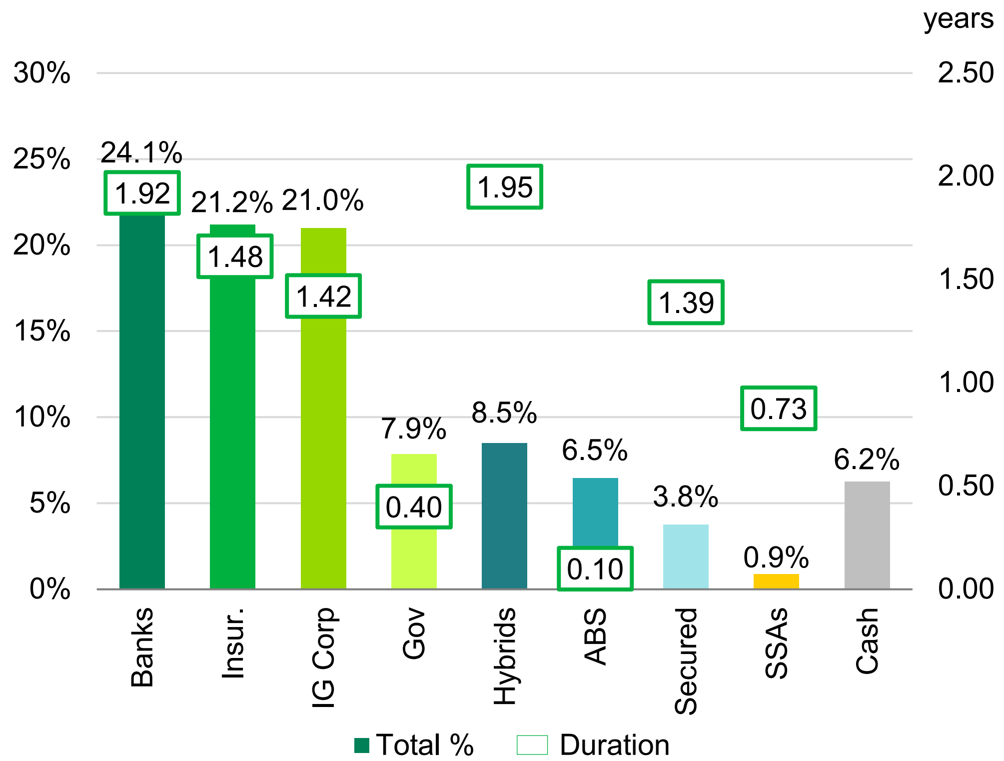
Vontobel Fund – TwentyFour Absolute Return Credit Fund portfolio positioning

Rating breakdown



50.6% in BBBs, **4.8%** in BBs

Sector breakdown



Yield £ (%)	7.85	6.64	5.09	4.19	7.42	6.87	5.75	4.40

Diversified sector exposure, **94%** in core, **6%** non-core

GBP yield 6.01%, IR duration 1.42yrs, credit spread duration 1.45yrs, average rating A-

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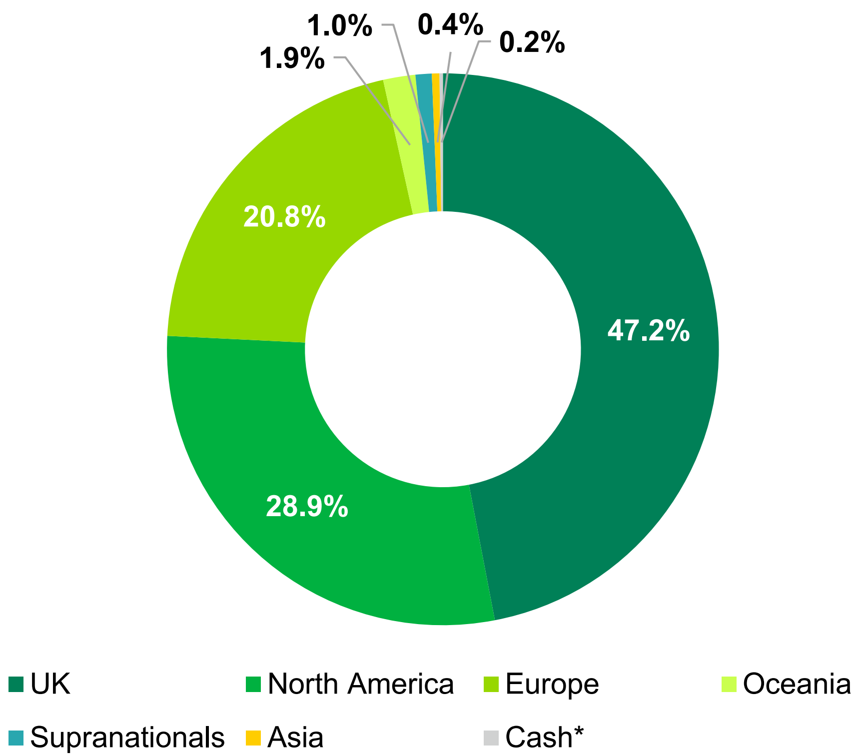
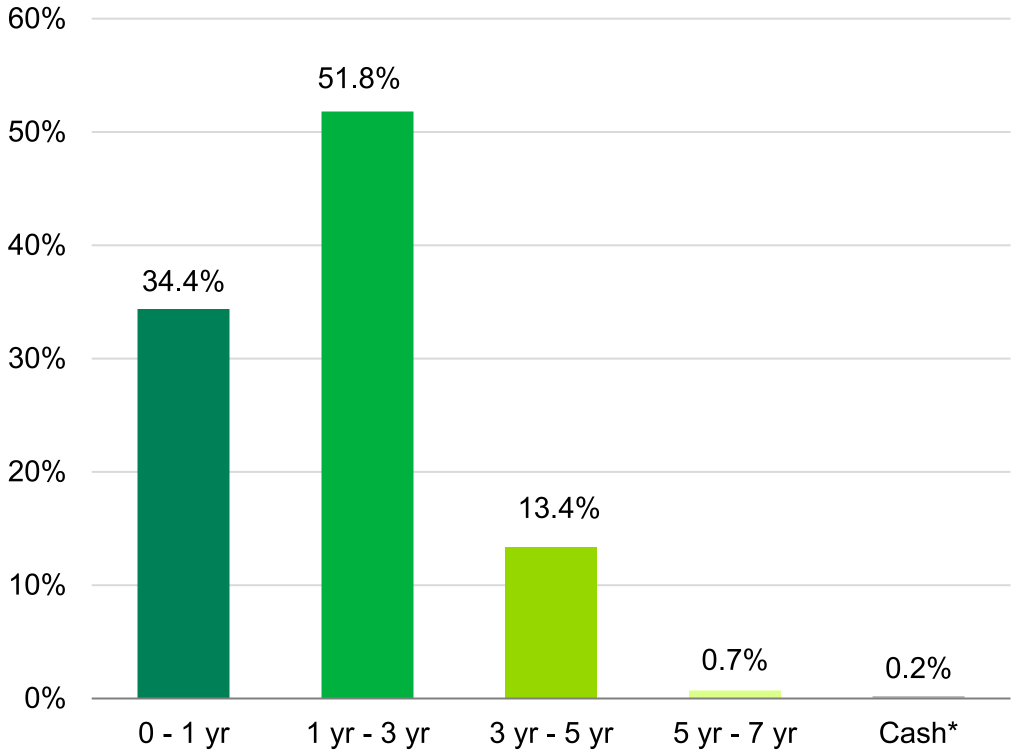
Vontobel Fund – TwentyFour Absolute Return Credit Fund portfolio positioning

Geographic breakdown



Maturity breakdown



We believe the UK offers the most attractive yield opportunities

Focused on the short end of yield curve

Portfolio allocations and characteristics are subject to change. Geography for ABS is calculated on a direct exposure basis. Figures may not add up to 100% due to FX moves.
* Excluding FX MTM balance of -0.39%
Source: TwentyFour, 28 February 2023

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Focus on managing downside risk – 'Break-even yield'

Bond	Maturity / call	Rating	Gross redemption yield*	Modified Duration	Break-even spread Δ	Break-even yield Δ
COVBS 6.875%	18/09/2024	BB+/BBB-	9.80%	1.52yrs	+416bps	+6.45%
CDTFIN 0.625%	22/09/2024	BBB+	3.88%	1.68yrs	+77bps	+2.31%
CNALN 5.25%	10/04/2025	BB+	8.19%	2.05yrs	+146bps	+4.00%
NNGRNV 4.625%	08/04/2024	BBB-	5.26%	1.19yrs	+231ps	+4.40%
DLR 4.25%	17/01/2025	BBB	6.02%	1.88yrs	+122bps	+3.20%

We find that short dated bonds with good yields and low durations can help provide the best possible mitigation against rising yields whilst still providing good income

The companies identified above do not represent all securities held and should not be seen as investment advice or a personal recommendation to hold the same or similar. The positions detailed above are as at the date below and may or may not represent a position held at any other point. Yields shown are gross of expenses. The performance data is on a mid-to-mid basis inclusive of net reinvested income and net of all expenses. Performance data does not take into account any commissions and costs charged when issued and redeemed, if applicable. The return of the securities may go down as well as up due to changes in exchange rates. See Important Information slides for further information on TwentyFour's credit rating methodology. Source: Observatory, TwentyFour; 31 December 2022

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Banking sector risk

European Banks are completely different risks to small US community banks

Capital:

1. Higher quantity, 14% CET1 average in Europe
2. Higher quality
3. Loss absorbing instruments
4. Dodd Frank – less risky businesses
5. MDA's – coupons take priority over equity

	CET1 ratio (%)
Coventry Building Society	29.9
Nationwide Building Society	24.1
Credit Agricole	11.3
NatWest (ex RBS)	14.3
Virgin Money	14.7
Barclays	13.8
BNP	12.2
Investec	12.4

Small, poorly run tech-focussed US community banks are not in the same ballpark as Basel III

These views represent the opinions of TwentyFour as at March 2023, they may change, may have already been acted upon and may not be shared by other members of the Vontobel Group. Building societies are mutual institutions that can hold banking licenses and therefore we have referred to the above entities collectively as banks. The banks detailed above were the highest 8 by weighting held as at 31 December 2022 and may or may not represent a position held at any other point. Those identified do not represent all of those held in the funds and should not be seen as investment advice or a personal recommendation to hold the same or similar. No assumption should be made as to the profitability or performance of any bank identified or security associated with them. CET1 Ratio is a measurement which compares a bank's capital against its risk-weighted assets to determine its ability to withstand financial distress; CET1 figures based on latest respective reporting data release up to December 2022. Source: TwentyFour, Bloomberg

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Vontobel Fund – TwentyFour Absolute Return Credit Fund portfolio highlights

Vontobel Fund – TwentyFour Absolute Return Credit Fund	
Portfolio size	£3,065 million
Yield to worst	6.01% GBP
Interest rate duration	1.42yrs
Average spread	+215bp vs. sovereign bonds
Average rating	A-

Dominant themes

- Preference for core over non-core assets
- Highest break-evens to provide yield and protection
- Diversification

Yield shown is at hedged portfolio level and gross of expenses. Performance data is 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, if applicable. The return of the fund may go down as well as up due to changes in exchange rates. See Important Information slides for further information on TwentyFour's credit rating and average credit rating methodology.
Source: TwentyFour, Bloomberg; 15 March 2023

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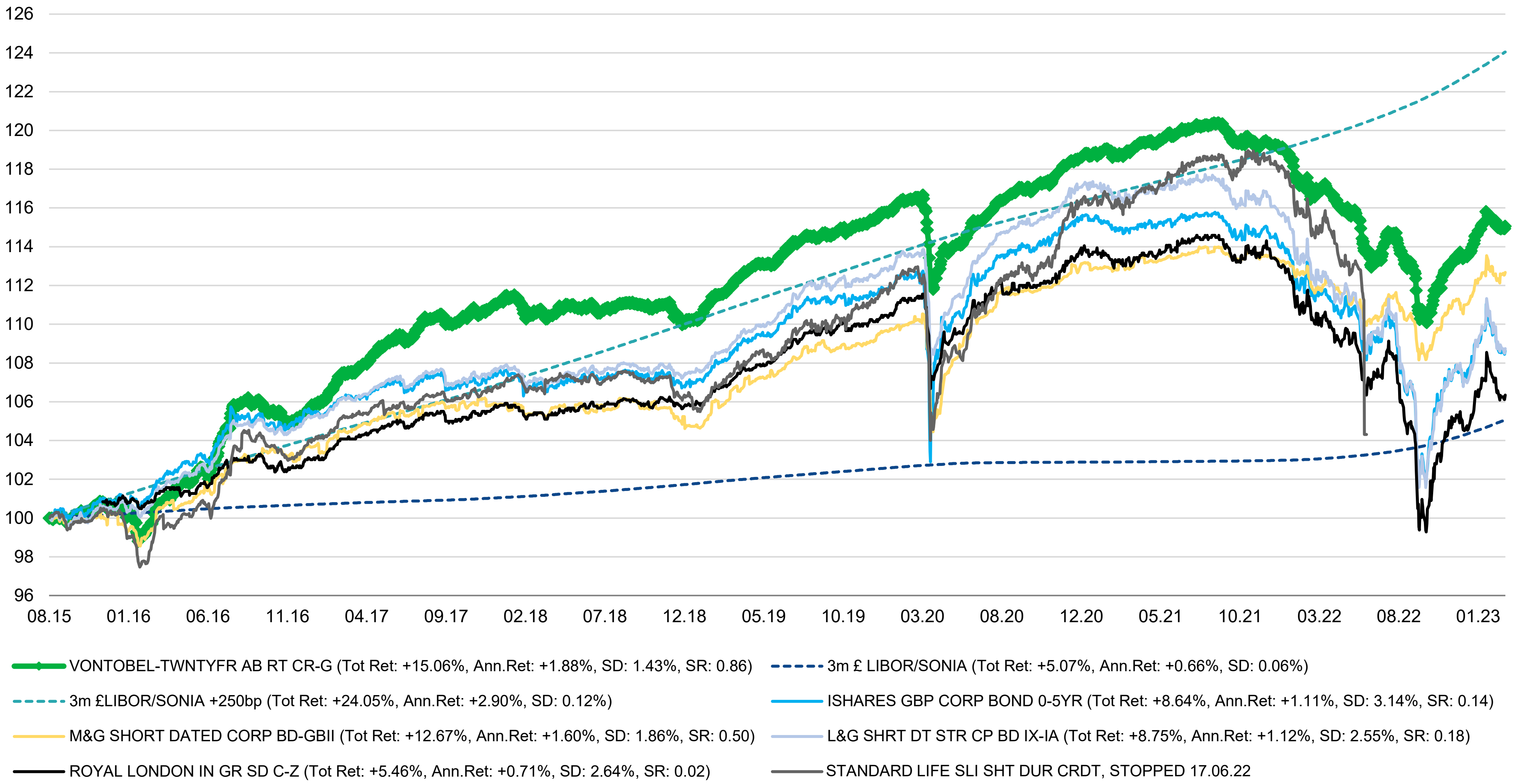
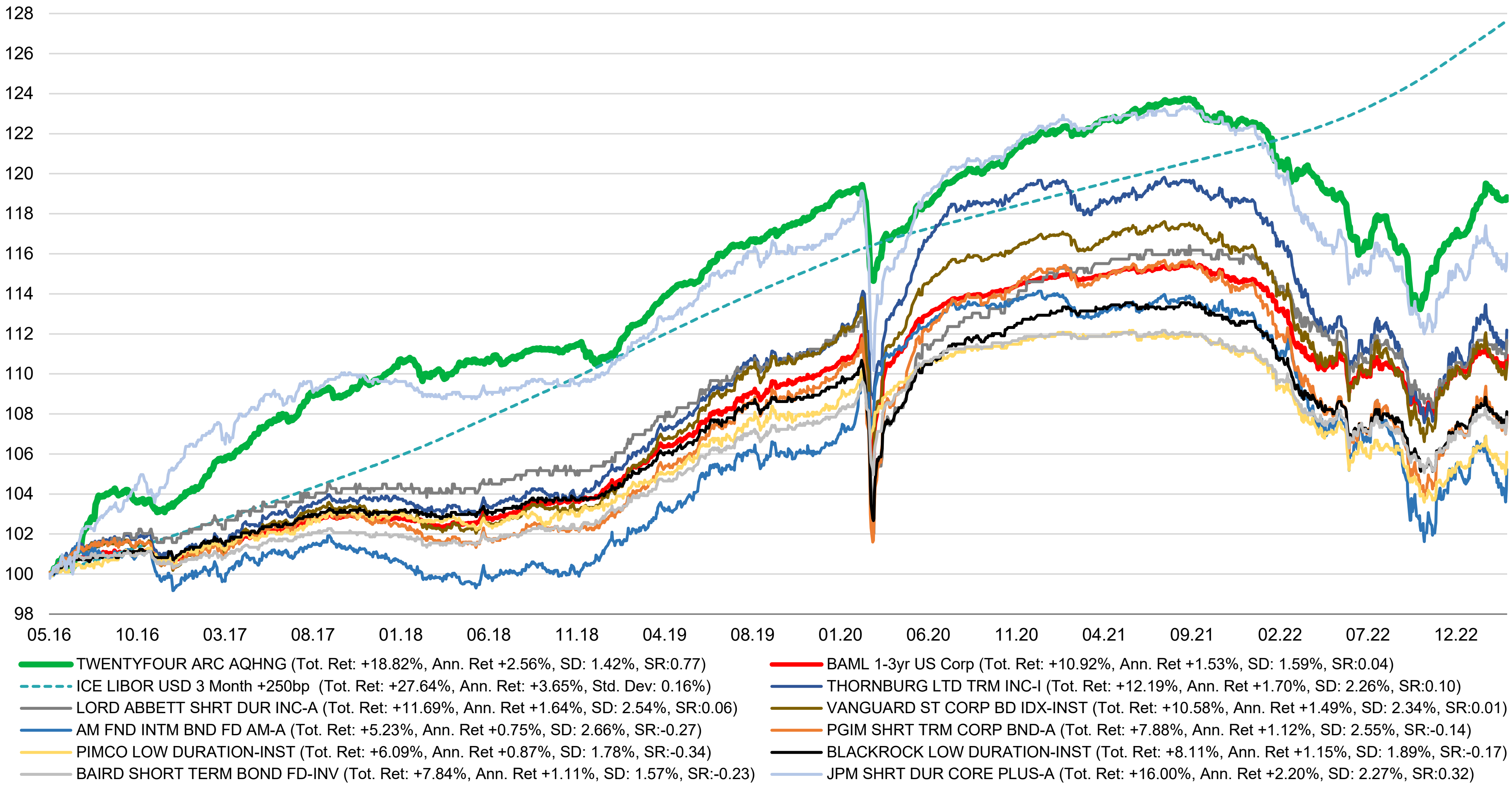
Vontobel Fund – TwentyFour Absolute Return Credit Fund performance since inception vs. short-dated peers (GBP)



Peer group chosen internally based on funds with broadly similar investment objectives regarding performance (LIBOR/SONIA +250bp after fees) and/or volatility (less than 3%). The information for comparison purposes only and each fund shown will have its own investment objectives, risks, expenses, liquidity, and tax features.

Past performance is not a reliable indicator of current or future performance. Performance for the G GBP share class on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses since inception of G GBP share class on 28 August 2015. 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 due to changes in exchange rates. It is not possible to invest directly into an index and they will not be actively managed. 3m LIBOR used up to 31 December 2021, SONIA used thereafter following GBP LIBOR's cessation. Source: TwentyFour, Bloomberg, ICE Indices; 14 March 2023

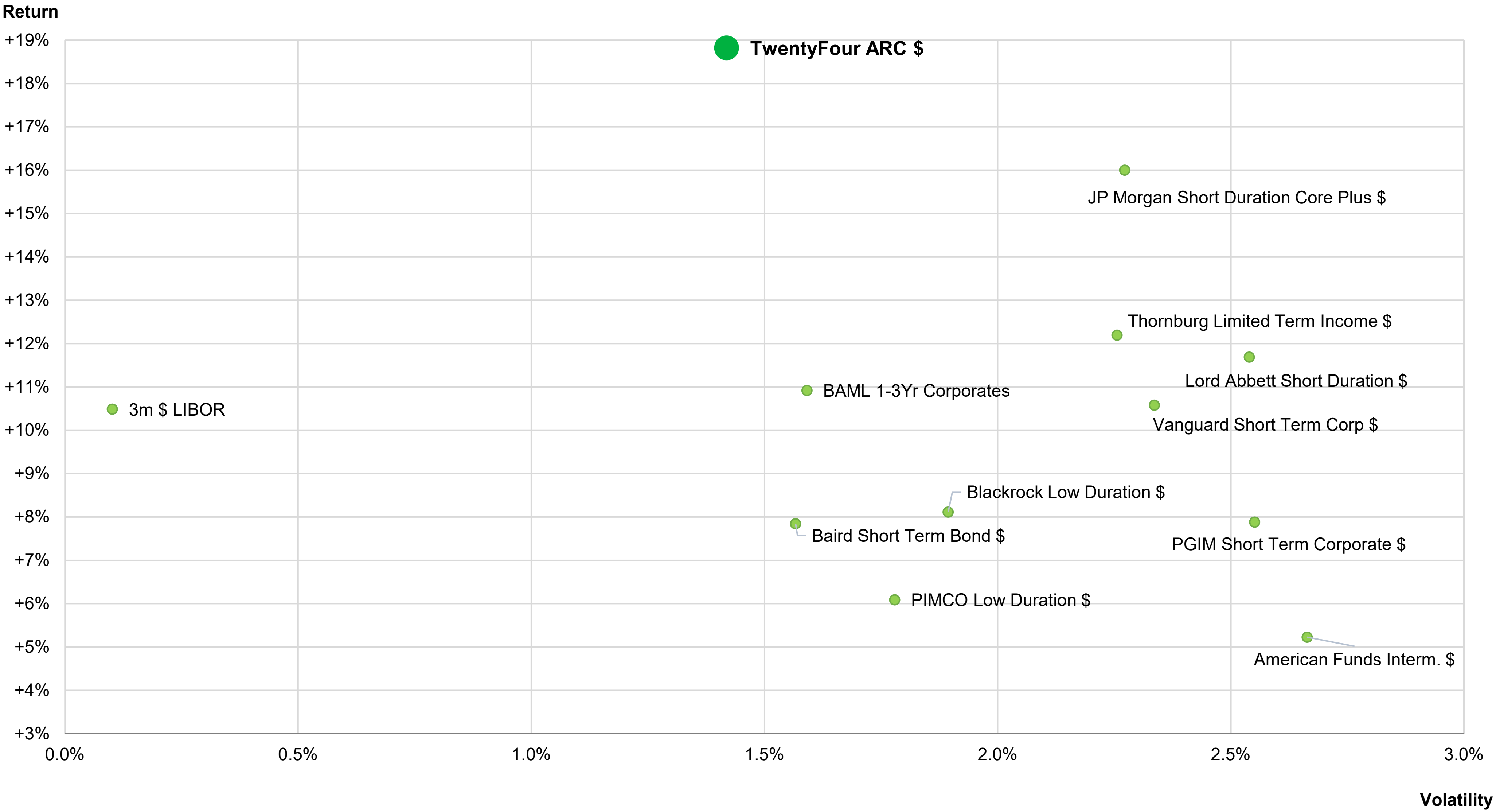
Vontobel Fund – TwentyFour Absolute Return Credit Fund performance since inception vs. Morningstar Short Term Bond Sector (USD)



Morningstar Short Term Bond Sector consists of funds invest in short-dated bonds denominated in or hedged into U.S. dollars. The aggregate maturity for each fund does not tend to exceed three years. Funds chosen for comparison were the largest by AUM in the sector as of March 2022. The information is for comparison purposes only and each fund shown will have its own investment objectives, risks, expenses, liquidity, and tax features.

Past performance is not a reliable indicator of current or future performance. Performance for the AQHNG USD share class on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses since inception of AQHNG USD share class on 31 May 2016. 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 due to changes in exchange rates. It is not possible to invest directly into an index and they will not be actively managed. 3m USD LIBOR is used as a proxy for cash as a performance reference for illustration purposes only, there is no specific return objective or benchmark for the fund. Source: TwentyFour, ICE Indices, Bloomberg; 14 March 2023

Vontobel Fund – TwentyFour Absolute Return Credit Fund and peers: Return vs. volatility (USD)



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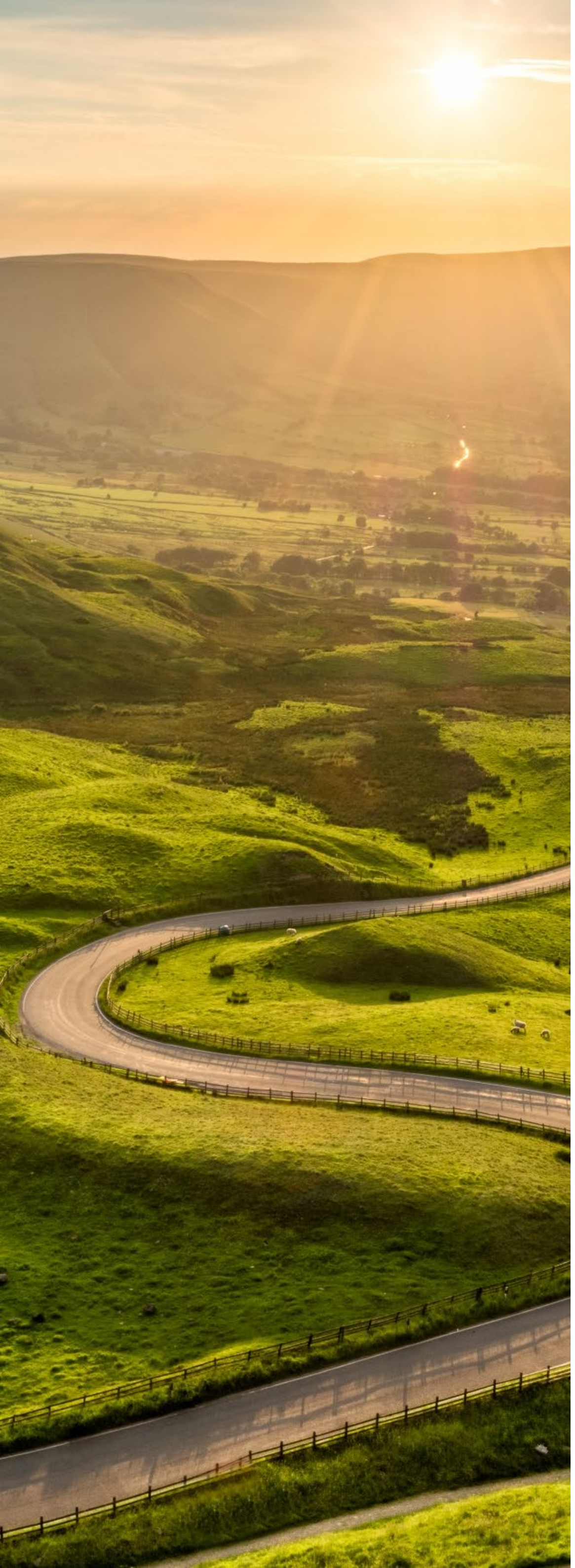

Summary

- 2023 is going to remain a tough year for economies and markets
- Terminal rates have not been reached yet
- Inflation is not falling as fast as some would like
- European banks and insurers remain a positive source of risk-adjusted returns
- The yield to duration relationship right now is incredibly attractive in short-dated IG
  > In fact, "The best game in town" in our view

Yield of 5.85%* plus roll-down gains of +36bp =
6%+ estimated 12m return

Forecasted performance is not reliable indicator of actual future performance. *Yield to Maturity. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. Yield figure shown at hedged portfolio level and gross of expenses. The return of the fund may go down as well as up due to changes in exchange rates. There is no guarantee that investment objectives or targets will be achieved. The views expressed represent the opinions of TwentyFour as at March 2023, they may change and may have already been acted upon, they may also not be shared by other entities within the Vontobel Group.

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Vontobel Fund – TwentyFour Absolute Return Credit Fund performance (GBP)

					Annualised			
	1 month	3 months	6 months	1 year	3 years	5 years	10 years	Since inception*
G GBP share class	-0.28%	1.62%	1.43%	-1.98%	-0.39%	0.77%	N/A	1.87%
Cash +250bps	0.47%	1.47%	2.54%	4.22%	3.17%	3.18%	N/A	3.08%

	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
G GBP share class	1.23%	-4.80%	0.52%	2.47%	5.02%	-0.83%	5.25%	4.99%	N/A	N/A	N/A
Cash +250bps	0.98%	3.63%	2.58%	2.81%	3.25%	3.06%	2.75%	2.93%	N/A	N/A	N/A

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Vontobel Fund – TwentyFour Absolute Return Credit Fund

Key risks

- Limited participation in the potential of single securities
- 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
- High-yield bonds (non-investment-grade bonds/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated bonds
- 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

The risks outlined concern the current investment strategy of the fund and not necessarily the current portfolio. Please see the offering documents for the full list.

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Important information

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The Vontobel Fund is an open-ended investment company with variable capital (Société d'Investissement à Capital Variable) incorporated on 4 October 1991 that falls within the scope of application of Part I of the Luxembourg Law of 17 December 2010 on undertakings for collective investment (an undertaking for collective investments in transferable securities, "UCITS"). The Board of Directors has appointed Vontobel Asset Management S.A. as the Management Company of the Fund (the "Management Company") and delegated to it the activities relating to the investment management, central administration and distribution of the Fund. For the Vontobel Fund – TwentyFour Absolute Return Credit Fund, which operate as a sub-fund, the Management Company has further delegated investment management to TwentyFour Asset Management LLP.

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TwentyFour
a boutique of Vontobel

Important information

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3 month US Dollar LIBOR interest rate - the average interest rate at which a selection of banks in London are prepared to lend to one another in American dollars with a maturity of 3 months.

Sterling Overnight Interbank Average rate (SONIA) - the effective overnight interest rate paid by banks for unsecured transactions in British sterling – these are loans that are not backed by collateral. It is the overnight funding charge for trades that occur in off-market hours and represents the amount of overnight business in the marketplace.

ICE BofA US Corporate Index - tracks the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have an investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $250 million.

ICE BofA 1-3 Year US Corporate Index - a subset of the ICE BofA US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publicly issued in the US domestic market. This subset includes all securities with a remaining term to maturity of less than 3 years.

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