Vontobel

Assets Increase in Spite of Negative Interest Rates

Cash alternatives

Platforms & Services

Dear Reader,

People in Switzerland keep almost one third of their assets in the form of cash in their accounts. The Corona pandemic will probably not have a strong effect on the amount of cash in portfolios either. At the same time, more and more banks are reporting negative interest rates. The economic crisis last year and the decline of purchasing power could intensify the trend.

In effect, this means that 30 percent of assets will gradually shrink. However, there is also good news. Alternative investments can protect assets, but they have different risk/return components from cash accounts. This brings up the question of whether you would prefer to assume more risk to prevent your cash holdings from losing value. Bond funds and structured products play an important role in this.

Read this booklet to find out how you can invigorate your money and invest your assets in a profitable way.

Have fun with this exciting read.

Severin Rupp
Head of External Asset Managers Switzerland
Bank Vontobel AG

Attractive yield opportunities with cash alternatives

If you keep your money in a bank account, you hardly get anything for it anymore, and negative interest rates have actually become a permanent situation in recent years.

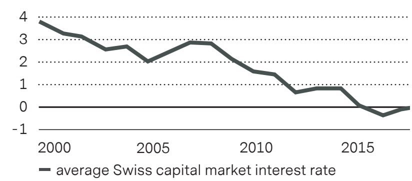
Swiss interest rates in the last decade have only moved in one direction: down. There seems to be no end in sight to this low interest phase. In 2020, the average capital market interest rate reached a negative record of minus 0.5 percent. Government bonds have not been providing yields for a long time either. Ten-year government bonds consistently fell into the native range in 2020.

Investors who keep their cash in bank accounts will have to adjust to dwindling assets. Or maybe not. Do investments exist that generate good yields and protect you from inflation? The good news is that bond funds and structured products allow investors to participate in the diffrent markets and hedge themselves against certain risks. The one thing that all investment solutions have in common is that they are designed on the basis of the investor’s risk tolerance and amount of potential yield.

The purpose of these investment solutions is to supplement direct investments in equities, currencies, or bonds, and these investment solutions often have safety buffer. These products are created quickly, enabling you to quickly react to market opportunities, which makes them a welcome alternative to dwindling assets in your account.

Interest rates on the capital market

In %



Quelle: Statista

Bond funds as an alternative to cash

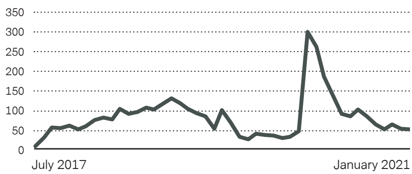
You can generate yields with corporate bonds in spite of negative interest rates: High-quality fund solutions with a short duration can offer stable returns with a low default risk.

Investment-grade bonds with a comparatively short term to maturity allow you to do this. Normally held by institutional investors, these bonds tend to have higher liquidity and less volatility than lower rated bonds.

The ***Vontobel Fund - Euro Short Term Bond*** aims to generate steady income and achieve above-average investment returns over a full economic cycle, while respecting risk diversification. In a world of negative yields - especially in the EUR area - and with an average duration of 1.2 years since launch, the fund has consistently delivered a positive return to its investors (see chart). The fund invests worldwide mainly in bonds denominated in euros with different maturities of issuers of good quality (investment grade). The fund may have limited exposure to such bonds denominated in other currencies or from issuers of lesser quality. Incidentally, the fund is also available in the hedged CHF asset class.

Euro Short Term Bond

in Bp



Quelle: Vontobel Asset Management, Bloomberg

VONTOBEL FUND - EURO SHORT TERM BOND	
Fund domicile	Luxemburg
Share class currency	EUR
Launch date	30.06.2017
Average coupon	3.2%
Average rating	BBB
ISIN	LU0278091037
Valor	2870738

Link to product

Opportunities

- Broad diversification across numerous securities
- Possible extra returns through single security analysis and active management
- Gains on invested capital possible
- Use of derivatives for hedging purposes may increase subfund'sperformance and enhance returns
- Bond investments offer interest income and capital gains opportunities on declining market yields
- Investment universe is diversified across global bond markets

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.
- Investment universe may involve investments in countries where the local capital markets may not yet qualify as recognised capital markets. Investments in foreign currencies are subject to currency fluctuations
- The subfund's investments may be subject to Sustainability Risks. Information on how sustainability risks are managed in this subfund may be obtained from Vontobel.com/SFDR

The ***Vontobel Fund – TwentyFour Sustainable Short Term Bond Income*** is suitable for investors who would like to invest in corporate bonds that fulfill specific sustainability criteria.

This bond fund aims to achieve a positive return over 3 years with a volatility of maximum 3% per annum, while respecting risk diversification.

The fund invests worldwide mainly in shorter-term investment-grade bonds and similar fixed-interest or floating-rate securities in various currencies of diverse issuers that meet specific sustainability criteria. The fund's average maturity is 3.5 years. The fund can use derivative financial instruments for hedging purposes.

VONTOBEL FUND - TWENTYFOUR SUSTAINABLE SHORT TERM BOND INCOME

Fund domicile	Luxemburg
Share class currency	CHF
Launch date	27.08.2020
Estimated yield to worst in CHF	0.66%
Average rating	BBB+
ISIN	LU2210409962
Valor	56212870

Link to product

i **Investment-grade bonds** must have at least a "BBB" rating or higher from at least two recognized rating agencies.

Opportunities

- Broad diversification across numerous securities
- Possible extra returns through single security analysis and active management
- Gains on invested capital possible
- Use of derivatives for hedging purposes may increase subfund's performance and enhance returns
- Bond investments offer interest income and capital gains opportunities on declining market yields
- Investments in bonds with non-investment grade rating may offer an above-average yield compared with investments in first-class borrowers.
- The sustainability analysis ensures that ecological, social and governance risks are transparent and increases the potential to create added financial value.

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 subfund's investments may be subject to sustainability risks. The sustainability risks that the subfund may be subject to are likely to have an immaterial impact on the value of the subfunds' investments in the medium to long term due to the mitigating nature of the subfund's ESG approach. The subfunds' 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.

Structured products with a safety buffer

There are still investments that allow you to generate reasonable yields. These include barrier reverse convertibles.

Conservatively designed ***barrier reverse convertibles*** ("BRCs") may offer an attractive investment opportunity to investors who prefer to exercise caution. The distinct safety buffer that BRCs have makes it possible to absorb potentially large price falls and limit risks.

The general rule is that the level of the barrier affects the potential yields. These yields are paid out in the form of coupons. The ***coupon*** is guaranteed and does not depend on the performance of the underlying. The utilized capital is conditionally protected by an especially large ***safety buffer*** that is determined by the barrier. You set the ***barrier*** lower if you want to invest more carefully.

In spite of the large safety buffer, the product produces a potential yield that is normally significantly above normal interest rates for cash accounts. This is shown by our selection of three BRCs with various conditions. The indicative coupon amounts to up to 3.21 percent per year at a barrier of 50 percent and with the underlyings SMI, S&P 500, and Euro Stoxx 50.

However, even BRCs have a certain amount of ***risk***. If one of the underlyings falls below the barrier, the investor bears the price risk of the underlying just as if it were a direct investment. The underlyings may be equities, commodities, currencies, or indices. The investor has the choice of whether a possible barrier breach is important if it is continuous (during the entire duration) or only important at final fixing. This affects the yield amount as well. and the investor is subject to the issuer risk.

AUTOCALLABLE BARRIER REVERSE CONVERTIBLES: SELECTION WITH VARIOUS CONDITIONS

Underlyings	SMI, S&P 500, Euro Stoxx 50	SMI, S&P 500, Euro Stoxx 50	SMI, S&P 500, Euro Stoxx 50
Tenor	12 months	12 months	24 months
Strike	100 %	100 %	100 %
Autocall level	100 %	100 %	100 %
Barrier	50 %	50 %	50 %
Barrier monitoring	at final fixing	continuous	continuous
Currency	CHF	CHF	CHF
Indicative coupon	**0.78 % p.a.**	**1.94 % p.a.**	**3.21 % p.a.**

These numbers refer to a sample price simulation dated March 23, 2021. Autocall frequency is quarterly, first time after 6 months. Coupon payment will take place quarterly. All information is indicative and may be adjusted. Only the Final Terms published on www.derinet.com together with the related notices and adjustments are legally binding.

At Vontobel, interested investors have access to a broad range of barrier reverse convertibles. If you are looking for a ***customized solution***, we can create deritrade structured products for you. You can choose from various issuers, and the product can be designed in an individual way. More information: **deritrade.com**

Disclaimer for bond funds
This marketing document was produced by one or more companies of the Vontobel Group (collectively "Vontobel") for institutional clients, for distribution in CH. 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 ("KIID"), 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").

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.

Interested parties may obtain the above-mentioned documents free of charge from Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, as fund management company resp. representative, from the paying agent in Switzerland: Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich or from the authorized distribution agencies and from the offices of the fund at 11-13 Boulevard de la Foire, L-1528 Luxembourg

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank Plc (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the key investor information documents ("KIID"). These documents may also be downloaded from our website at vontobel.com/am

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.

TwentyFour Asset Management LLP is registered in England No. OC335015, and is authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 481888. Registered Office: The Monument Building, 11 Monument Street, London, EC3R 8AF.

Bank Vontobel AG
Gotthardstrasse 43
8022 Zurich
Switzerland

vontobel.com