

## Performance (in %)

	Q3/13	YTD	1 y. p.a.
<b>B USD</b>	6.0	-4.5	1.5
<b>I USD</b>	6.2	-3.9	2.3
<b>Index</b>	5.8	-4.4	1.0

Benchmark: MSCI Emerging Market TR net (USD)

Source: Bank Vontobel AG. Past performance is not a guide to current or future performance. The performance data do not take account of the commissions and costs incurred on issue and redemption. The return of the fund can be a result of currency fluctuations rise or fall.

## Market developments

Emerging-market equities recovered strongly in the third quarter after a weak performance during the first half of the year. Fears that the US Federal Reserve (Fed) might start to taper liquidity injections led to a strong sell off, which was pronounced in countries which run a current-account

deficit and are therefore dependent on external financing. While markets were mixed in July and August, they started a strong recovery in September. Investor sentiment towards emerging markets is very poor and most investors are strongly underweight in emerging-market equities.

## Portfolio review

At the end of September, there were 44 holdings in the portfolio. The largest positions were Samsung Electronics, Taiwan Semiconductor, HCL Technologies and CNOOC. The portfolio held 1% in cash. There were three new positions added during the second quarter of 2013, and ten divestments.

The new positions were Kia Motors, Samsonite and Largan Precision. Kia is a Korean car manufacturer that has top quartile return on invested capital (ROIC). The company has valuation upside and a strong balance sheet with positive cash-flow. Samsonite is a leading consumer brand in

emerging markets and has a strong return profile which we expect to continue to improve. It is one of the cheapest-branded consumer names globally. Largan Precision is a camera-lens manufacturer which is a top quartile return on invested capital (ROIC) company in the technology space which will benefit from the trend of better-quality cameras and lenses in smartphones.

Amongst others we sold China Mobile, Banco Bradesco and Garanti Bank to focus on names with strong return profiles, good risk-reward ratios and a high potential for share-price appreciation.

## Performance analysis

The Vontobel Fund – Sustainable Emerging Markets Leaders returned 6.0% in the third quarter of 2013, outperforming the MSCI Emerging Market Index which returned 5.8% (in US-dollar terms). The relative outperformance was, to a large extent, driven by sector allocation (+62 basis points), although stock-selection also made a slight positive contribution.

Top contributors were the Indian information technology (IT) service company HCL Technologies, China's PICC

Property and Casualty Insurance, the Chinese train-component maker Zhuzhou CSR, the Chinese oil and gas company CNOOC and the Chinese auto manufacturer Brilliance Auto.

On the other hand, both our Taiwanese technology holdings – TPK and AAC Technologies – as well as Turkey's Halk Bankasi and Polish food retailer Eurocash were the biggest negative contributors.

## Outlook

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The market has already priced in a lot of negative news and fails to acknowledge the improvement in many emerging-market financials compared with the situation in the run-up to the Asian financial crises. In general, the level of sovereign debt denominated in US-dollars is low and foreign-currency reserves have improved. The three large Asian markets of China, South Korea and Taiwan – which account for 46% of the benchmark weight and 65% of the fund – all run current-account surpluses and have very high levels of foreign-currency reserves. South Korea, for instance, has managed to become very competitive and innovative within the space of ten years, as the example of Samsung highlights. Taiwan, for its part, has become a key supplier for the global IT industry and at the same time benefits from improved relationships with China.

China is going through a transformation process to reposition its economy from an export-led one towards a

consumer-driven one. Investors should keep in mind that drivers such as higher productivity, improved education and health systems, a growing middle class and changing consumer habits in developing nations remain in place despite occasional letups. If China manages the transitions successfully, productivity levels, together with returns on capital, will improve which should lead to a re-rating of the stock markets.

Countries such as India or Indonesia face some temporary headwinds due to large current-account deficits which were caused by a combination of “excessive” consumption, insufficient investments into the domestic infrastructure and poor policies. However, if the right measures are taken, the potential of both countries is still relatively large. In the short term, domestic consumption has to slow down so the current-account deficit can narrow again. Both countries have competent central bankers in place.

## Fund information

Share Class	Currency	ISIN	Inception Date
B	USD	LU0571085413	15/07/2011
I	USD	LU0571085686	15/07/2011

### Important legal information

This document is for information purposes only and does not constitute an offer to subscribe for shares of the Fund. Subscriptions of the Vontobel Fund, an investment fund under Luxembourg law (SICAV), should in any event be made solely on the basis of the current offering prospectus, the Key Investor Information Document (KIID), the articles of incorporation and the most recent annual or semi-annual report (for Italy also the "Modulo di Sottoscrizione") and after seeking the advice of an independent finance, legal, accounting and tax specialist. Interested parties may obtain the above-mentioned documents, as well as the list of changes in portfolio during the year and the list of benchmarks free of charge from 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 paying agent in Austria Erste Bank der oesterreichischen Sparkassen AG, Graben 21, A-1010 Wien, the paying agent in Germany: B. Metzler seel. Sohn & Co. KGaA, Grosse Gallusstrasse 18, 60311 Frankfurt/Main, from the authorized distribution agencies and from the offices of the fund at 69, route d'Esch, L-1470 Luxembourg. They may also download these documents from our website at [funds.vontobel.com](http://funds.vontobel.com). The Fund and its subfunds are included in the register of Netherland's Authority for the Financial Markets as mentioned in article 1:107 of the Financial Markets Supervision Act (Wet op het financiële toezicht). 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 funds authorized for distribution in the United Kingdom can be viewed in the FCA register under the Scheme Reference Number 466623. Past performance is not a reliable indicator of current or future performance. Performance data take no account of the commissions and costs charged when units are issued and redeemed. The return of the Fund may go down as well as up due to changes in rates of exchange between currencies.

An investment in a sub-fund of the Vontobel Fund carries various risks which are explained in the sales prospectus. In particular, we wish to draw your attention to the following risks:

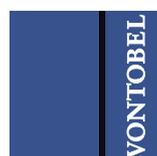
Investments in the securities of emerging market countries may exhibit considerable price volatility and – in addition to the unpredictable social, political and economic environment – may also be subject to general operating and regulatory conditions that differ from the standards commonly found in industrialised countries. The currencies of emerging market countries may exhibit wider fluctuations.

Investments in riskier, higher yielding bonds are generally considered to be more speculative in nature. These bonds carry a higher credit risk and their prices are more volatile than bonds with superior credit ratings. There is also a greater risk of losing the original investment and the associated income payments.

Commodity investments can be very volatile and are prone to sudden swings over the long run. Governments may at times intervene directly in certain commodity markets. These interventions can cause significant swings in the prices of different commodities.

Investments in derivatives are often exposed to the risks associated with the underlying markets or financial instruments, as well as issuer risks. Derivatives tend to carry more risk than direct investments.

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