

A black and white photograph of two people climbing a rock wall. The person on the left is higher up, and the person on the right is lower down, reaching up. The wall is covered in climbing holds. The image is partially obscured by a teal bar at the bottom and a hatched pattern on the left side.

Inflation – Transitory or sustainable?

Digital Investing

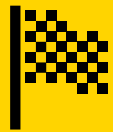
November 2021

What to do in times of higher inflation?



Starting point

- Over the course of the year, inflation has made itself felt in various places
- In the meantime, a broader increase in prices can be observed
- Drivers include: Rise in commodity prices, supply shortages, higher savings rate, tight labor market and imbalance between supply and demand



Goals

- Adjusted ECB strategy now sees a symmetric medium-term inflation target of 2%
- Increased portfolio diversification with the help of low-inflation markets focusing on different sectors and companies
- Companies with strong brands and pricing power that generate significant sales as market leaders in certain sectors



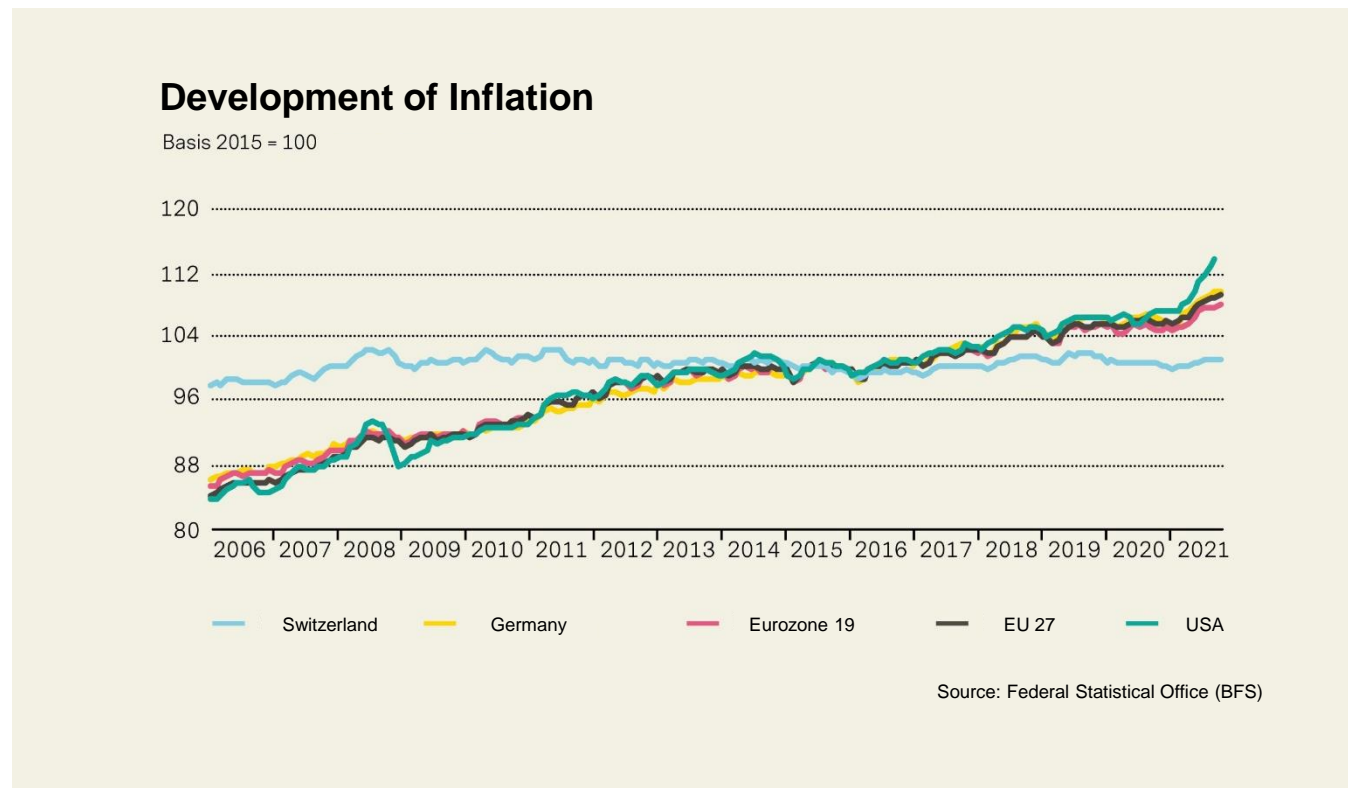
Solution?

- Vontobel Inflation Influenced Index replaces the search for companies that could counter inflation
- The Index is dynamic and adapted according to the price level and specified scenarios

Regional differences in the development of inflation

November 2021

Development of inflation rates during the last years



- Over the course of the year, inflation has moved from a regional to a global scale
- This, as price pressures from commodities and supply chain disruptions have intensified
- In the US, inflation initially started to rise and nominal annual inflation is now 5.4%
- By comparison, the rate in Europe is 4.5% and in Japan 0.2%

Transitory or sustainable?

Where inflation comes from - and what continues to drive it

INFLATION

- Inflation refers to the increase in the price level in an economy over a certain period of time. Drivers for the recent inflation are in particular:
 - Rise in commodity prices
 - Supply bottlenecks
 - Higher savings rates
 - Tight labor market
 - Imbalance between supply and demand

TRANSITORY INFLATION?

- Inflation to ease again based on long-term trends, according to US government estimates
- The inflation drivers operating from January to May are likely to have been temporary in nature
- But are the price increases really temporary? There are signs that inflation could be around for longer

LENDING

- In contrast to the phase after the financial crisis, the global banking system has a solid capital base and is ready to extend credit
- This could also lead to a prolonged period of elevated inflation

INCREASED DEMAND

- Global demand for goods and services has recovered very quickly following the pandemic
- This, in part, because of the global progress of Covid 19 vaccinations as well as extensive government pandemic aid
- Central banks' reluctance to raise interest rates further boosts demand

STAGNATING SUPPLY

- On the supply side, production capacity has not yet recovered to pre-pandemic levels
- Manufacturing costs are rising due to the increase in raw material prices
- Disruption of supply chains further exacerbates the situation

SUPPLY BOTTLENECKS

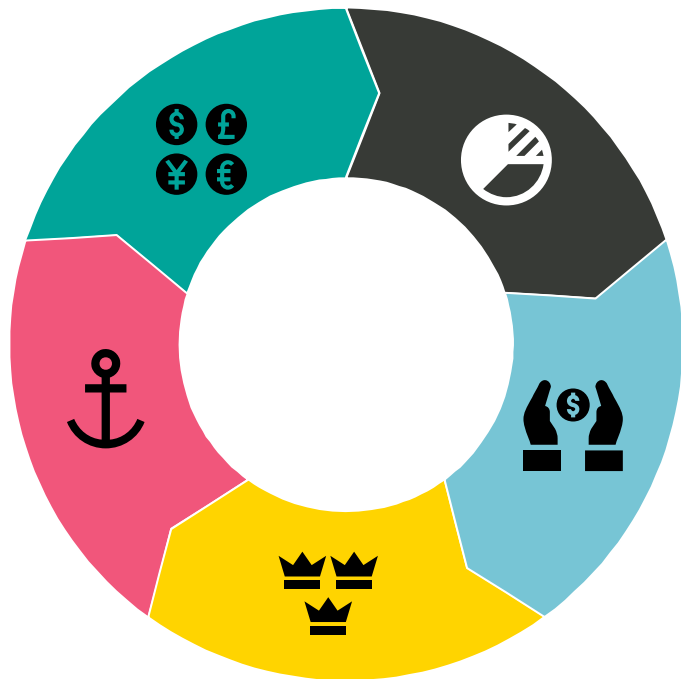
- Rapid rise in commodity prices and supply shortages of key products such as electronic chips
- Shows how difficult it is to get global supply chains back on track if not all economies recover at the same pace



What should investors do in an environment of higher inflation?

How can portfolios be "protected" against inflation?

November 2021



- Protection from regional inflation: Reduce the equity allocation of affected regions.
- Add stocks that are relatively resistant against inflation

- Resilient sectors: Certain sectors such as commodities or energy can benefit from rising inflation. Exposure to such equities can be increased

- Strong brands: Companies with a strong brand and high market share can pass on rising costs to consumers through price increases

- Defensive industries: Companies that offer products and services that consumers cannot abstain from, even in difficult times.

- Global companies: If higher inflation only occurs regionally, global companies can usually better withstand inflation

Index Concept

Vontobel Inflation Influenced Index



UNIVERSE

LISTING IN ONE OF THE FOLLOWING COUNTRIES:

Belgium, Denmark, France, Finland, Germany, Hong Kong, Ireland, Italy, Japan, Netherlands, Norway, Portugal, Singapore, Sweden, Spain, Switzerland, United States, United Kingdom, Australia, Canada, New Zealand, Austria, China, Indonesia, Brazil, Malaysia, Mexico, South Africa, Thailand, Turkey, Philippines, Czech Republic, Greece, Hungary, Poland, Israel, Russia, Republic of Korea, Bulgaria, Croatia, Estonia



LIQUIDITY & EXCLUSION

- Securities must have sufficient liquidity
- Exclusion criterion: Index components may not contain or grant any reimbursements or other pecuniary advantages, otherwise these will be credited to the index



SELECTION

LOW INFLATION

Allocation to companies with pricing power

REGIONAL INFLATION

Allocation reduced in countries affected by inflation

GLOBAL INFLATION

Reduction of equities - integration of commodities (ETFs)



REBALANCING

The index composition is reviewed on an ongoing basis.

The index is calculated as a performance index. Dividend payments, other distributions and other forms of income are taken into account less country-specific taxes, fees and other levies ("net return").

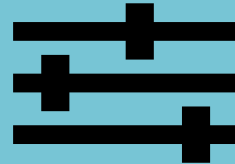
Vontobel Inflation Influenced Index

Dynamic strategy based on the inflation scenario



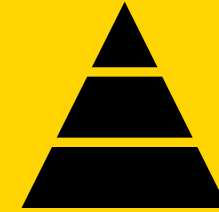
LOW INFLATION (BASE SCENARIO)

- With low inflation, the selection focuses on equities
- Global companies are analyzed for their market share and pricing power
- The index allocation is based on these findings
- In the base scenario, the following country allocation is made:
 - USA 60%
 - Eurozone 15%
 - Japan 15%
 - Switzerland 10%



REGIONAL INFLATION (MEDIUM INFLATION SCENARIO)

- If there are signs of medium to high inflation, the allocation of the index is rearranged
- If there are signs of higher inflation in one of the countries, the allocation to that country is reduced by 20%
- The 20% is then reallocated to countries with a low inflation environment



GLOBAL INFLATION (HIGH INFLATION SCENARIO)

- If more than one country is found to have higher inflation, the allocation is reduced by 20% based on the pricing power of the companies.
- The 20% are used to form a commodity portfolio (ETFs)

Note: There is no guarantee that the index approach described herein will deliver better results based on scenarios than a pure equity, commodity or other investment without the shifts in the index described herein.

Product Details

Vontobel Inflation Influenced Index

Strategic Certificate







On the Vontobel Inflation Influenced Index

Product Details

In subscription until
3. December 2021



SVSP	Tracker-Certificate (1300)
Underlying	Vontobel Inflation Influenced Index
Initial Fixing / Payment Date	06. December 2021 / 13. December 2021
Maturity	Open End
Index fee	1.25 % p.a.
Issuer	Vontobel Financial Products Ltd., DIFC Dubai
Guarantor	Vontobel Holding AG, Zurich (Moody's A2)

	 CHF	 USD
Currency	CHF	USD
Valor / Symbol	114512597 / PIFUSV	114512596 / PIFLUV
Issue Price	CHF 101.50 (incl. CHF 1.50 issue premium)	USD 101.50 (incl. USD 1.50 issue premium)
Reference currency	USD	USD
	Product page 	Product page 
	Termsheet 	Termsheet 

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