

Vontobel Fund (CH) II
Annual Report 2012/2013

UMBRELLA FUND UNDER SWISS LAW OF THE TYPE
« OTHER FUNDS FOR TRADITIONAL INVESTMENTS »

**Audited annual report as at February 28, 2013
for the period from January 1, 2012 to February 28, 2013**

In case of difference between the German version and the translation, the German version shall prevail.

This document is not an offer to purchase or subscribe to units but is for informational purposes only. Units of an investment fund under Swiss law may only be subscribed on the basis of the current prospectus, including the fund contract, the current annual and semi-annual reports and the Key Investor Information Document. An investment in this fund entails risks which are described in the prospectus. All documents may be obtained free of charge at Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich as fund management company, at Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich as paying agent or via funds.vontobel.com. We also recommend that you contact your personnel account manager or another advisor before making any investments.

Vontobel Fund (CH) II

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Organisation

Fund management company

Until June 30, 2012

Pictet Funds S.A.
route des Acacias 60
CH-1227 Carouge - Geneva
Tel. +41 58 323 30 00

From July 1, 2012

Vontobel Fonds Services AG
Gotthardstrasse 43
CH-8022 Zurich
Tel. +41 58 283 53 50, Fax +41 58 283 74 66

Board of Directors

From July 1, 2012

Dominic Gaillard	Senior Vice President, Bank Vontobel AG, Chairman
Christoph Ledergerber	Senior Vice President, Bank Vontobel AG
Dr. Martin Taufer	Senior Vice President, Bank Vontobel AG

Executive Board

From July 1, 2012

Diego Gadiant	Executive Director, Vontobel Fonds Services AG, Chairman
Patrick Thalmann	Executive Director, Vontobel Fonds Services AG (to 30.09.2012)
Roland Franz	Executive Director, Vontobel Fonds Services AG (to 30.09.2012)
Daniel Spitzer	Executive Director, Vontobel Fonds Services AG (from 01.10.2012)
Steven Wicki	Executive Director, Vontobel Fonds Services AG (from 01.10.2012)
Lobsang Changten	Director, Vontobel Fonds Services AG (from 01.10.2012)

Custodian bank

Until June 30, 2012

Pictet & Cie, Banquiers
route des Acacias 60
CH-1227 Carouge - Geneva
Tel. +41 58 323 23 23

From July 1, 2012

RBC Investor Services Bank S.A.
Esch-sur-Alzette, Zurich branch
(name until 27.07.2012: RBC Dexia Investor Services Bank S.A.
Esch-sur-Alzette, Zurich branch)
Badenerstrasse 567
P.O. Box 101
CH-8066 Zurich

Asset management company

Bank Vontobel AG
Gotthardstrasse 43
CH-8022 Zurich

External auditor

Until June 30, 2012

PricewaterhouseCoopers S.A.
avenue Giuseppe Motta 50
CH-1202 Geneva

From July 1, 2012

Ernst & Young AG
Maagplatz 1
CH-8010 Zurich

Organisation

Paying agent

From July 1, 2012

Bank Vontobel AG

Gotthardstrasse 43

CH-8022 Zurich

Tel. +41 58 283 71 11, Fax +41 58 283 76 50

RBC Investor Services Bank S.A.

Esch-sur-Alzette, Zurich branch

(name until 27.07.2012: RBC Dexia Investor Services Bank S.A.

Esch-sur-Alzette, Zurich branch)

Badenerstrasse 567

P.O. Box 101

CH-8066 Zurich

Basic data

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small

	31.12.2010	31.12.2011	28.02.2013
Total net fund assets in CHF millions	228.74	152.62	194.51
Outstanding "EA" class units	1'150'738.560	1'014'785.890	985'690.744
Net asset value per unit in CHF "EA" class	198.77	150.39	197.33
Distribution per unit in CHF "EA" class	1.45	-	1.20
TER for "EA" class ¹⁾			0.86%
PTR ²⁾			9.54%
High since launch "EA" class			258.67
Low since launch of "EA" class			106.68
Launch date of "EA" class	15.12.2005		
Securities number of "EA" class	2'356'802		
ISIN Code of "EA" class	CH0023568022		

¹⁾ TER (Total Expense Ratio) = Total expenses x 100/ average net asset value.

²⁾ PTR (Portfolio Turnover Rate) = Turnover rate of the fund's portfolio.
It is considered an indicator of the significance of the transaction costs incurred by the fund when buying and selling securities.

Performance

in CHF	Launch date	2010	2011	2012	2013 01.01.2013 to 30.04.2013	from launch to 30.04.2013*
Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small "EA" class	15.12.2005	20.15%	-23.77%	18.96%	10.81%	55.81%
SPI Extra		20.06%	-19.12%	13.89%	10.98%	49.62%

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 the issue or redemption of units.

* Performance was calculated as at 30.04.2013 in accordance with the SFA performance guidelines of 16.05.2008.

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small

A Sub-Fund of Vontobel Fund (CH) II, an Umbrella Fund under Swiss law of the type « other funds for traditional investments »

Change in "EA" class	01.01.11 - 31.12.11	01.01.12 - 28.02.13
Units outstanding at the beginning of the period	1'150'738.558	1'014'785.887
Number of units issued	92'633.194	99'575.925
Number of units redeemed	228'585.865	128'671.068
Units outstanding at the end of the period	1'014'785.887	985'690.744
Net asset value per unit in CHF	150.39	197.33
Statement of Assets (in CHF)	31.12.2011	28.02.2013
Assets		
Cash at banks		
– at sight	295'220.27	7'093'937.50
– on time	-	-
Securities		
– Equities	152'241'437.50	189'452'810.40
Other assets	195'612.50	223'851.44
Total fund assets	152'732'270.27	196'770'599.34
./. Loans taken out	-	-
./. Other liabilities	-113'869.28	-2'260'507.16
Total net fund assets	152'618'400.99	194'510'092.18
Statement of changes in net assets		
Net fund assets at beginning of reporting period	228'737'884.76	152'618'400.99
Distributions	-1'404'837.65	-
Balance of units issued/units redeemed	-26'207'882.97	-4'218'748.20
Total net income	-48'506'763.15	46'110'439.39
Net asset value at end of reporting period	152'618'400.99	194'510'092.18

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small

A Sub-Fund of Vontobel Fund (CH) II, an Umbrella Fund under Swiss law of the type « other funds for traditional investments »

Statement of income (in CHF)	01.01.11 - 31.12.11	01.01.12 - 28.02.13
Income		
Income on cash at banks	-	-
Income on securities		
– Equities	2'255'108.14	1'984'116.82
Accrued income - paid in on units subscribed	77'194.47	175'109.30
Total income	2'332'302.61	2'159'226.12
Expense		
Interest paid	-	9'937.13
Auditing expense	11'904.24	23'156.49
Fees as per regulations paid to the fund management company for:		
– Asset management and distribution ¹⁾	1'466'339.78	1'456'091.05
– Service fee ²⁾	-	111'714.82
Custodian fees as per regulations ³⁾	53'646.59	23'017.02
Other expenses	5'529.96	11'446.44
Accrued income paid out on units redeemed	-20'892.45	20'445.59
Total expenses	1'516'528.12	1'655'808.54
Net income/loss (-)	815'774.49	503'417.58
Realised capital gain and loss	659'438.39	-5'581'495.19
Payments from the capital contributions principle	-	258'425.00
Realised income	1'475'212.88	-4'819'652.61
Non-realised capital gain and loss	-49'981'976.03	50'930'092.00
Total net income	-48'506'763.15	46'110'439.39
Utilisation of net income (in CHF)	01.01.11 - 31.12.11	01.01.12 - 28.02.13
"EA" class		
Net income for financial year	815'774.49	503'417.58
Profit carried forward from previous year	51'740.07	867'514.56
Profit available for distribution	867'514.56	1'370'932.14
Profit intended for distribution to investors	-	-1'182'828.89
Profit carried forward	867'514.56	188'103.25

Effective fees:

1) Currently, 0.70% of the fund's net asset value in the case of the "EA" class (the administration fee paid to the fund management company prior to the acquisition on June 30, 2012, was 0.035% and the investment advisory fee paid to the fund management company was 0.785%. From July 1, 2012, to January 17, 2013, the fee for asset management and distribution was 0.75%). Reimbursements and trailer fees were paid out of the management fee in accordance with Section 4 of the SFA guideline "Transparency with regard to management fees" dated June 7, 2005.

2) 0.10% of the fund's net asset value from July 1, 2012.

3) 0.03% of the fund's net asset value until June 30, 2012.

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small

A Sub-Fund of Vontobel Fund (CH) II, an Umbrella Fund under Swiss law of the type « other funds for traditional investments »

Stock of Funds Assets

as at 28.02.2013

Securities	Stock 01.01.2012	Purchase ¹⁾	Sale ¹⁾	Stock 28.02.2013	Market value in CHF	% of total fund assets ²⁾
Securities						
Shares						
Securities listed on an official exchange						
Austria						
Austriamicrosystems I	84'000	-	46'000	38'000	4'392'800.00	2.23
Total - Austria					4'392'800.00	2.23
Switzerland						
Allreal Holding N	26'000	19'000	-	45'000	6'205'500.00	3.15
Allreal Holding N Rights (Maturity: 14.05.2012)		26'000	26'000			0.00
Aryzta N	100'000	25'000	7'000	118'000	6'354'300.00	3.23
Ascom Holding N	385'000	87'849	235'000	237'849	2'449'844.70	1.25
Autoneum Holding N	20'000	-	20'000			0.00
Baloise Holding N	58'000	-	11'600	46'400	3'902'240.00	1.98
Bank Sarasin N -B	35'000	-	35'000			0.00
Banque Cantonale Vaudoise N	12'750	2'600	2'350	13'000	6'942'000.00	3.53
Barry Callebaut N	4'500	1'400	4'400	1'500	1'372'500.00	0.70
Belimo Holding N	800	1'500	-	2'300	4'600'000.00	2.34
Bucher Industries N	7'000	2'000	-	9'000	1'848'600.00	0.94
Burchhardt Compression Holding N		4'000	-	4'000	1'358'000.00	0.69
Calida Holding N	80'000	20'000	-	100'000	2'805'000.00	1.43
Clariant N	320'000	230'000	50'000	500'000	7'135'000.00	3.63
Daetwyler Holding I	30'000	7'000	4'000	33'000	3'255'450.00	1.65
Emmi N	16'000	-	16'000			0.00
EMS-Chemie Holding N	9'000	-	1'000	8'000	2'114'000.00	1.07
Flughafen Zürich N	13'500	2'900	-	16'400	7'105'300.00	3.61
Forbo Holding N		1'214	-	1'214	746'610.00	0.38
Galenica N	11'000	1'770	3'770	9'000	4'864'500.00	2.47
Geberit N	60'000	-	60'000			0.00
Georg Fischer N	13'000	2'000	6'000	9'000	3'829'500.00	1.95
Helvetia Holding N	7'000	8'500	-	15'500	5'866'750.00	2.98
Implenia N		40'000	-	40'000	2'106'000.00	1.07
Kaba Holding N	4'000	9'000	-	13'000	5'294'250.00	2.69
Kuehne & Nagel International N	63'000	11'000	3'000	71'000	7'653'800.00	3.89
Kuoni Reisen Holding N	8'500	10'000	2'500	16'000	4'640'000.00	2.36
Lindt & Spruengli N	20	-	-	20	799'900.00	0.41
Lindt & Spruengli PS	3'800	450	250	4'000	13'536'000.00	6.88
Logitech International N	520'000	-	520'000			0.00
Lonza Group N		20'000	20'000			0.00
Meyer Burger Technology N	192'500	80'000	62'500	210'000	1'705'200.00	0.87
Nobel Biocare Holding N	140'000	-	140'000			0.00
OC Oerlikon N	650'000	-	430'000	220'000	2'530'000.00	1.29
Panalpina Welttransport (Holding) N	25'000	3'150	28'150			0.00
Partners Group Holding N	24'000	14'500	14'563	23'937	5'184'754.20	2.63
Rieter Holding N	9'000	21'000	-	30'000	5'091'000.00	2.59
Schindler Holding PS	33'000	64'000	-	97'000	14'084'400.00	7.16
Schweizerische National-Versicherungs-Gesellschaft AG		60'000	-	60'000	2'685'000.00	1.36

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small

A Sub-Fund of Vontobel Fund (CH) II, an Umbrella Fund under Swiss law of the type « other funds for traditional investments »

Stock of Funds Assets

as at 28.02.2013

Securities	Stock 01.01.2012	Purchase ¹⁾	Sale ¹⁾	Stock 28.02.2013	Market value in CHF	% of total fund assets ²⁾
Shares (Continued)						
Securities listed on an official exchange						
Switzerland (Continued)						
Sika I	3'100	600	-	3'700	8'606'200.00	4.37
Sonova Holding N	54'000	26'000	-	80'000	8'976'000.00	4.56
Straumann Holding N	30'000	-	30'000			0.00
Sulzer N	47'000	6'000	2'000	51'000	8'369'100.00	4.25
Swatch Group N	100'000	23'000	55'000	68'000	6'477'000.00	3.29
Swiss Life Holding N	31'000	7'000	3'400	34'600	5'321'480.00	2.70
Swiss Prime Site N	50'000	3'400	29'400	24'000	1'806'000.00	0.92
Swiss Prime Site N Rights (Maturity: 03.12.2012)		34'000	34'000			0.00
Tamedia AG N	11'600	11'700	7'815	15'485	1'670'831.50	0.85
Tecan Group N	13'500	39'500	18'000	35'000	2'889'250.00	1.47
Temenos Group N		85'000	-	85'000	1'806'250.00	0.92
Valora Holding N	7'000	-	7'000			0.00
Vontobel Holding N		33'000	-	33'000	1'072'500.00	0.55
Zehnder Group I	7'000	-	7'000			0.00
Total - Switzerland					185'060'010.40	94.05
Total - Shares listed on an official exchange					189'452'810.40	96.28
Total - Securities listed on an official exchange					189'452'810.40	96.28
Total - Securities					189'452'810.40	96.28
Cash at banks at sight					7'093'937.50	3.61
Cash at banks on time					0.00	0.00
Other assets					223'851.44	0.11
Total fund assets					196'770'599.34	100.00
Other liabilities					-2'260'507.16	-1.15
Total net fund assets					194'510'092.18	98.85

¹⁾ Includes purchases, sales and corporate actions.

²⁾ Any discrepancies in the totals are a result of rounding differences.

Annual distribution 2012/2013

The Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small completed its seventh financial year on February 28, 2013. The distribution of income was made as at value date May 30, 2013 to all investors holding shares in Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small on May 24, 2013 (Ex-date May 27, 2013).

The distribution was paid out to all unitholders as at May 30, 2013, as follows:

Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small "EA" class	
Gross amount per unit	CHF 1.20
Less 35% federal withholding tax	CHF 0.42
Net amount per unit	CHF 0.78

Other information

Basis for the valuation and calculation of the net asset value

1. The net asset value of each Sub-Fund and the proportion of the assets attributable to the individual classes are calculated at market value at the end of the relevant financial year and for each day on which units are issued and redeemed, in the unit of account of the relevant Sub-Fund. A Sub-Fund's net asset value will not be calculated on days when the stock exchanges or markets in that Sub-Fund's main investment countries are closed (e.g. bank or stock exchange holidays).
2. Investments traded on a stock exchange or another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market value is available shall be valued at the price which would probably be obtained in a diligent sale at the time of the valuation. In such cases, the fund management company will use appropriate valuation models and principles recognised in practice to determine the market value.
3. Open-ended collective investment schemes are valued at their redemption price/net asset value. If they are regularly traded on a stock exchange or another regulated market open to the public, the fund management company can value such funds in accordance with (2) above.
4. The value of money market instruments that are not traded on a stock exchange or another regulated market open to the public is determined as follows: the valuation price of such investments is successively adjusted in line with the redemption price, taking the net purchase price as the basis and holding the investment yield calculated from it constant. If there are significant changes in market conditions, the valuation basis for the individual investments will be adjusted in line with the new market yields. If there is no current market price in such instances, the calculations are as a rule based on the valuation of money market instruments with the same characteristics (quality and domicile of the issuer, issuing currency, term to maturity).
5. Bank deposits are valued on the basis of the amount due plus accrued interest. If there are significant changes in market conditions or the credit rating, the valuation basis for time deposits will be adjusted in line with the new conditions.
6. The net asset value of a unit in a class of a Sub-Fund is calculated from the proportion of the market value of the Sub-Fund assets attributable to the unit class in question, less any liabilities of the Sub-Fund attributable to the unit class in question, divided by the number of units in the relevant class in circulation. It is rounded to 1/100 of the unit of account or, if different, the reference currency.

Events of special economic or legal importance

1. Amendments to the fund contract

In a letter to investors dated 23.03.2012, investors were notified of the following changes:

"Pictet Funds SA, as current fund management company, and Pictet & Cie, as current custodian bank, intend to change the fund management company and the custodian bank of the contractual Umbrella Fund ETHOS 2.

These changes are being made as part of the phased transfer of the Sub-Fund ETHOS 2 - Equities CH Mid & Small to the Umbrella Fund Vontobel Fund (CH).

As soon as the change of fund management company and custodian bank has been approved by FINMA, Vontobel Fonds Services AG will replace Pictet Funds SA as fund management company, while RBC Dexia Investor Services Bank SA, Zurich branch, will replace Pictet & Cie as custodian bank. Vontobel Fonds Services AG and RBC Dexia Investor Services Bank SA, Zurich branch, will assume the rights and obligations in connection with the duties of fund management company and custodian bank, respectively, for the Fund ETHOS 2.

Pictet Funds SA, as fund management company, and Pictet & Cie, as custodian bank, have given their consent to the change of fund management company and custodian bank.

The change of fund management company and custodian bank entails changes to the fund contract for the Fund ETHOS 2. These changes are mainly formal in nature and concern the standardisation of the legal framework of the Umbrella Fund ETHOS 2 and the Umbrella Fund Vontobel Fund (CH):

- The Umbrella Fund "Ethos 2" is being renamed "Vontobel Fund (CH) II".
- The Sub-Fund "- Equities CH Mid & Small" is being renamed "- Ethos Equities CH Mid & Small".
- The E class is being renamed "EA" class.
- Vontobel Fonds Services AG and RBC Dexia Investor Services Bank S.A, Zurich branch, are replacing Pictet Funds S.A. and Pictet & Cie as fund management company and custodian bank respectively.
- Ernst & Young AG is replacing PricewaterhouseCoopers as the fund's auditor.
- The list of exemptions in relation to investment funds for qualified investors is being restricted with regard to the duty to publish issue and redemption prices and the duty to choose the media of publication. Notices previously sent by registered letter in accordance with the provisions of the fund contract are now published in the media specified in the fact sheet.
- There is no provision for the possibility of making withdrawals in kind. Payments in kind are still possible provided that the assets are liquid and can be readily valued, and the interests of the remaining investors are unaffected.

Other information

- Investors in the "EA" class are qualified pursuant to Art. 10 (3) and (4) CISA and consent to their identity being disclosed to Ethos Services SA.
- In the issue of units, there is provision for the issue of fractions of units.
- The exercise of membership and creditors' rights is being set out in concrete terms. The fund management company exercises the membership and creditors' rights associated with the investments of the managed Sub-Funds independently and exclusively in the interests of the investors. Information is being provided in this regard. Membership and creditors' rights may be delegated in the case of routine transactions. In relation to other events with a lasting impact on the investors' rights, the fund management company exercises the voting rights itself or issues explicit instructions. In the case of the Sub-Fund Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small, membership rights (voting rights) are actively exercised. Ethos Services SA and the enterprises it controls advise and support the fund management company by means of voting recommendations and other administrative services.

Fees and ancillary costs are being amended accordingly for the Vontobel Fund (CH). An annual fee of no more than 1% was previously paid in respect of asset management, administration and distribution, a custodian bank fee of at least 0.025% per annum and a fee of no more than 0.05% for the payment of liquidation proceeds."

As explained in greater detail in the letter to investors, specific fees were included in the fund contract and fact sheet, whereby the effectively applied rates of issue, redemption and conversion fees are shown in the fact sheet. The effectively applied rates of management fee and service fee are shown in the annual report

In the letter to investors, reference was also made to the following changes:

- Any costs arising in connection with payments in kind are not charged to the fund's assets.
- Furthermore, other fees and ancillary costs listed in Section 20 of the fund contract may be charged.
- In the case of each unit class, the net income of the Sub-Funds is distributed to investors within four months at the latest. There is no automatic reinvestment. Up to 30% (previously 20%) of the net income of each unit class may be carried forward to new account. If the net income including income brought forward from previous financial years amounts to less than 1% (previously CHF 1) per unit, no distribution is required.
- In accordance with Art. 73 (4) CISO, the fund contract is being adjusted in respect of investments with affiliated target funds. Collective investment schemes that are directly or indirectly managed by the fund management company itself or that are managed by a company with which it is affiliated through joint management or control or through material direct or indirect holding (previously: of more than 10% of the capital or votes) are now considered affiliated target funds.
- The analysis process described in Appendix I (6) with respect to valuation on the basis of environmental and social criteria for the purpose of selecting investments is being redrafted and set out in greater detail.

- The risk control explained in Appendix I (7) is being deleted.
- The German version of the fund contract, rather than the French version, is now authoritative.
- Subscription and redemption requests received by the custodian bank by 3.45 p.m. (previously 12 p.m.) at the latest can now be processed on the next working day (valuation day). Further details on the issue and redemption of units are now given in the fact sheet."

These changes were authorised by the Swiss Financial Market Supervisory Authority FINMA on June 7, 2012.

Other changes made as part of the phased transfer of the Sub-Fund ETHOS 2 - Equities CH Mid & Small to the Umbrella Fund Vontobel Fund (CH) were announced in the relevant media of publication on September 7, 2012:

1. "The aforementioned umbrella fund under Swiss law of the type "other funds for traditional investments", which was previously only open to qualified investors as defined in Art 10 (3) and (4) CISA, is now open to public investors too. In this connection, the fund contract is being supplemented by the prospectus and replaces the previously valid fact sheet. Appendix I is now incorporated into Section 8 of the fund contract.
2. The custodian bank, RBC Dexia Investor Services Bank S.A., Zurich branch, has been renamed RBC Investor Services Bank S.A.
3. The following new unit classes are being created: A, IA and E. The A class is aimed at public investors and is a distributing class. The IA class is aimed exclusively at Qualified Investors in accordance with the prospectus and is a distributing class. The E class is aimed at Qualified Investors in accordance with the prospectus and is an accumulating class.
4. The Sub-Fund - Ethos Equities CH Mid & Small is being renamed - Ethos Equities Swiss Mid & Small (hereinafter: "Ethos Equities Swiss Mid & Small").
5. The investment universe in Section 8 of the fund contract was expanded to include all types of domestic and foreign collective investment schemes and structured products.
6. The investment policy in Section 8 of the fund contract is now as follows for the Sub-Fund - Ethos Equities Swiss Mid & Small.
 - (a) Taking into account the sustainability criteria described in the prospectus, the fund management company invests at least two-thirds of the assets of the sub-fund (after deducting liquid assets) in:
 - aa) Equity securities and book-entry securities (equities, profit-sharing certificates, cooperative shares, participation certificates and similar) from small and mid-cap companies whose registered office or principal business activity is in Switzerland and which make a contribution to sustainable business;
 - ab) Derivatives (including warrants) on the above assets;
 - ac) structured products such as certificates from issuers worldwide on the above assets that are denominated in a freely convertible currency;

Other information

ad) Units of other collective investment schemes not structured as funds of funds which invest their assets in the above assets.

When investing in structured products pursuant to Section 8 (3ac) above and other collective investment schemes pursuant to Section 8 (3ad) above, the fund management company shall ensure that at least two-thirds of the Sub-Fund's assets are invested on a consolidated basis in assets pursuant to Section 8 (3aa) above.

(b) Subject to Section 8 (3c), the fund management company may invest in no more than two-thirds of the assets of the sub-fund (after deducting liquid assets) in:

ba) Equity securities and book-entry securities (equities, profit-sharing certificates, cooperative shares, participation certificates and similar) from companies that do not satisfy the requirements listed in Section 8 (3aa) regarding size, registered office or sustainable business;

bd) Short-term liquid assets such as sight and time deposits and money market instruments of foreign and domestic issuers that are denominated in a freely convertible currency;

bg) Derivatives (including warrants) on the above assets;

bh) units of other collective investment schemes not structured as funds of funds.

(c) In addition, the fund management company must comply with the following investment restrictions relating to the assets of the sub-fund:

ca) investments in open-ended and closed-ended collective investment schemes may total no more than 10%.

7. Securities lending and securities repurchase agreements are now described in detail. However, it remains the case that no securities lending or securities repurchase agreements are undertaken for the Sub-Fund Ethos Equities Swiss Mid & Small.
8. The commitment approach II is now described in Section 12 in addition to the commitment approach I. However, the commitment approach I continues to be applied for the Sub-Fund - Ethos Equities Swiss Mid & Small. In accordance with the investment policy of the Sub-Fund - Ethos Equities Swiss Mid & Small, derivatives may now be employed in principle. According to the prospectus, however, there is currently no provision for the use of derivatives in the case of this Sub-Fund.
9. In relation to borrowing, the statement that securities lending and securities repurchase agreements are not deemed to constitute the lending within the meaning of Section 13 of the fund contract is added for clarification purposes. The fund management company may now in addition borrow up to 25% (previously: 10%) of the assets of a Sub-Fund on a temporary basis. In the case of the Sub-Fund - Ethos Equities Swiss Mid & Small, borrowing continues to be limited to a maximum of 10% of the assets of a Sub-Fund. In principle, up to 25% of the net assets of any Sub-Fund may now be pledged. Excluded from this is the Sub-Fund - Ethos Equities Swiss Mid & Small.

10. The risk distribution has changed as follows:

- Including derivatives, the fund management company may now invest a maximum of 20% (previously 10%) of the total assets of a Sub-Fund in securities and money market instruments of the same issuer. The total value of the securities and money market instruments of the issuers in which more than 10% (previously 5%) of the entire Sub-Fund is invested may not exceed 60% (previously 40%) of the Sub-Fund in question.

The corresponding limit for securities and money market instruments from the same issuer for indexed Sub-Funds is being deleted without replacement.

- The fund management company may invest a maximum of 5% of the total assets of a Sub-Fund in OTC transactions with the same counterparty. Where the counterparty is a bank whose registered office is in Switzerland or in a member state of the European Union or in another country in which the bank is subject to supervision that is equivalent to that in Switzerland, this limit is increased to 20% (previously 10%) of the total assets of the Sub-Fund in question.

- The maximum limit for a single issuer in the case of indexed Sub-Funds is also being deleted without replacement.

- The 20% (previously 10%) limit mentioned in Section 15 (3) is raised to 35% if the securities or money market instruments are issued or guaranteed by a state or a public body from the OECD or by international organisations of a public nature to which Switzerland or a member state of the European Union belong. The aforementioned securities or money market instruments are not taken into consideration in the calculation of the 60% (previously 40%) limit pursuant to Section 15 (3). However, the individual limits described in Section 15 (3) and (5) may not be accumulated with this limit of 35%.

- The list of issuers and guarantors contained in the fact sheet pursuant to Section 15 (12) and (13) has been extended and included in the fund contract.

11. The issue, redemption and conversion fees for the Sub-Fund - Ethos Equities Swiss Mid & Small may now be levied not only in favour of the fund management company, custodian bank and/or distributors in Switzerland and abroad but also in favour of the fund's assets.

The maximum rates of issue, redemption and conversion commission are listed in the fund contract.

12. A semi-annual report will now also be produced following the opening of the fund to public investors.

13. The financial year of the Umbrella Fund is changing from 'January 1 to December 31' to 'March 1 to the last day of February'. The 2012 financial year is accordingly extended by two months.

14. In relation to the accumulating unit class, the statement that the net income of the accumulating unit classes is reinvested in the corresponding Sub-Fund is being added for clarification purposes.

Other information

15. The Sub-Funds can also now exist for a specific period of time. The Sub-Fund - Ethos Equities Swiss Mid & Small continues to exist for an indefinite period of time. The Sub-Funds with an indefinite duration may now be terminated by the fund management company or the custodian bank subject to one month's notice. Sub-Funds with specific durations are liquidated upon maturity. When there is good cause, however, individual Sub-Funds may be liquidated prematurely at the request of the fund management company and the custodian bank by order of the supervisory authority."

Approval was granted by the Swiss Financial Market Supervisory Authority FINMA on February 1, 2013 with effect from February 4, 2013.

2. Significant issues with regard to the interpretation of legislation and the fund contract

None

3. Change of fund management company and custodian bank

Fund management company
Until June 30, 2012
Pictet Funds S.A.
route des Acacias 60
CH-1227 Carouge - Geneva
Tel. +41 58 323 30 00

From July 1, 2012
Vontobel Fonds Services AG
Gotthardstrasse 43
CH-8022 Zurich
Tel. +41 58 283 53 50, Fax +41 58 283 74 66

Custodian bank
Until June 30, 2012
Pictet & Cie, Banquiers
route des Acacias 60
CH-1227 Carouge - Geneva
Tel. +41 58 323 23 23

From July 1, 2012
RBC Investor Services Bank S.A.
Esch-sur-Alzette, Zurich branch
(name until 27.07.2012: RBC Dexia Investor Services Bank S.A.
Esch-sur-Alzette, Zurich branch)
Badenerstrasse 567
P.O. Box 101
CH-8066 Zurich

4. Changes to the Executive Board of the fund management company

Roland Franz, Executive Director, Vontobel Fonds Services AG and Patrick Thalmann, Executive Director, Vontobel Fonds Services AG have retired from management with effect from 30.09.2012. In turn, the new members of the Executive Board stated below were appointed as at October 1, 2012.

Daniel Spitzer, Executive Director, Vontobel Fonds Services AG
Steven Wicki, Executive Director, Vontobel Fonds Services AG
Lobsang Changten, Director, Vontobel Fonds Services AG

5. Legal disputes

None

Management fees of target funds

As at 28.02.2013, the maximum rate for the management fees of target funds in which the assets of Vontobel Fund (CH) II - Ethos Equities Swiss Mid & Small are invested was 0.00% (max. with respect to fund contract 2.5%)

Soft commissions

The fund management company has not concluded any agreements in respect of soft commissions.

Off-balance-sheet transactions

As at the balance sheet date, there were no off-balance-sheet transactions.

Securities lending

As at the balance sheet date, no securities had been lent.

Loans

As at the balance sheet date, no loans had been drawn upon.

Securities repurchase agreements

As at the balance sheet date, no securities repurchase agreements had been entered into.

Short report of the statutory auditor on the financial statements

As the statutory auditor, we have audited the attached annual financial statements of the investment fund

Vontobel Fund (CH) II with the Sub-Fund:
Ethos Equities Swiss Mid & Small

comprising the statement of assets and the income statement, information on the appropriation of income and the disclosure of costs as well as other information provided pursuant to Art. 89 (1b-h) of the Swiss Collective Investment Schemes Act (CISA) for the financial year ending February 28, 2013, covering the period from January 1, 2012, to February 28, 2013. The financial statements for the year ended December 31, 2011 (prior period) were audited by a different firm of auditors.

Responsibility of the Board of Directors of the fund management company

The Board of Directors of the fund management company is responsible for preparing the annual financial statements in accordance with the Swiss Collective Investment Schemes Act, the accompanying regulations and the fund contract and prospectus. This responsibility includes the design, implementation and maintenance of an internal control system with respect to the preparation of annual financial statements which are free of material misstatement, whether due to infringements or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Statutory auditor's responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement in the annual report, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system insofar as it is relevant to the preparation of the annual financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the internal control system. An audit also involves evaluating the appropriateness of the accounting methods used and the plausibility of the estimates made as well as evaluating the overall presentation of the annual report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the annual report for the financial year ended February 28, 2013 complies with the Swiss Collective Investment Scheme Act, the corresponding ordinances and the fund contract and prospectus.

Reporting to comply with further statutory provisions

We confirm that we have fulfilled the statutory requirements with respect to accreditation under the Audit Supervision Act (ASA) and Art. 127 CISA and as regards independence (Art. 11 ASA), and that there are no issues that may conflict with our independence.

Zurich, June 26, 2013

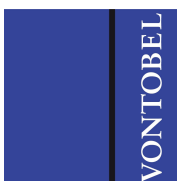
Ernst & Young AG

Christian Soguel
Licensed audit expert

Marc Luchsinger
Licensed audit expert
(Senior auditor)

Vontobel Fonds Services AG
Gotthardstrasse 43
CH-8022 Zurich
German/English tel. hotline
French tel. hotline
Italian tel. hotline
Fax D/E/F/I

+41 (0)58 283 53 50
+41 (0)58 283 55 05
+41 (0)58 283 53 33
+41 (0)58 283 74 66



Private Banking
Investment Banking
Asset Management

Performance creates trust