

Monthly commentary / 29.5.2026

Vontobel Fund – mtX Asian Leaders (ex Japan)

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, PT, SE, SG (Professional Investors only).

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Summary

- Asian equity markets posted another strong month, with the MSCI AC Asia ex Japan Index rising 11.2%, again significantly outperforming developed markets equities.
- The mtX Asian Leaders (AL) fund returned +9.9 (gross of fees) during May 2026.
- The AL fund has outperformed the benchmark by +3.7% (gross of fees) during the first five months of the year.

Market developments

Asian markets delivered strong performance in May, with MSCI AC Asia ex Japan Index rising 11.1%, supported by a recovery after mid-month volatility driven by higher US yields. The rally was led by North Asia, where Korea (+35.0%) and Taiwan (+16.3%) surged on robust earnings and upward revisions, with IT (+28.8%) the clear standout sector as AI-driven momentum resumed.

In contrast, China (-3.0%) lagged, as persistent weakness in domestic consumption and regulatory-driven liquidity concerns in Hong Kong outweighed resilient tech earnings and ongoing AI investment commitments. The Trump–Xi meeting proved largely uneventful from a market perspective, offering little in terms of catalysts or policy breakthroughs.

Elsewhere, Indonesia (-12.3%) and energy (-8.4%) underperformed, while ASEAN markets remained broadly flat amid limited AI exposure and tighter monetary conditions. Overall, market leadership remained narrow and growth-driven, with momentum and growth styles outperforming and macro headwinds from rising US yields and commodity price volatility contributing to regional dispersion.

Portfolio review

Over the course of the month, the strategy returned +9.9% (gross of fees), underperforming the benchmark return by -1.3%. Stock selection was the primary driver of underperformance during the month, particularly within the information technology and financials sectors. On the positive side, stock selection in materials added value. Sector allocation contributed positively overall, supported by an overweight position in information technology and underweights in consumer staples and health care. Country allocation, however, detracted from performance, mainly due to overweight positions in Hong Kong and China. In addition, stock selection had a negative impact, primarily driven by Taiwanese holdings.

At the end of May, our portfolio comprised of 41 companies (42 holdings, with two holdings for Samsung Electronics). During the month, we did not add any new positions to the portfolio, nor did we fully exit any holdings.

Performance analysis

Asian hardware and semiconductor holdings delivered strong performance in May, led by Korean memory names. SK Hynix (+78.4%) and Samsung Electronics (+40.6%) surged on continued AI-driven demand for HBM and DRAM. In Taiwan, Wiwynn (+17.6%) benefited from robust AI server demand, while Elite Material (+13.7%) and Accton (+7.6%) posted more moderate gains. Faratronic (+41.9%) also contributed strongly, whereas Alchip (+7.8%) lagged despite its AI ASIC exposure. On the negative side, the portfolio did not participate in the sharp re-rating of several key peers, most notably UMC (+88.7%) and MediaTek (+66.7%), which were among the strongest performers in the universe. Hon Hai (+32.9%) and Delta Electronics (+14.0%) also outperformed a number of held names, representing a significant opportunity cost. This underparticipation explains the negative stock selection effect within the information technology sector.

In May 2026, Asian bank and insurance stocks saw divergent performance in USD terms, with Kiwoom Securities (-9.8%) and Ping An Insurance (-5.1%) underperforming due to brokerage sector headwinds and weak China financial sentiment, respectively, while DBS posted a modest gain of +8.9%. Fubon Financial (+21.9%) and Samsung Life (+45.6%) were standout outperformers, driven by their proxy status to Taiwan's tech market and the Korean tech/AI rally respectively, with Samsung Life further boosted by a Q1 earnings beat that nearly doubled consensus estimates.

Outlook

The long-term outlook for Asian equities remains compelling, supported by robust fundamentals, projected earnings growth of +40.4% in 2026, and attractive valuations trading at a significant discount to developed markets. Regional fiscal measures and improving geopolitical stability could further stabilize markets and create selective opportunities for investors. In the near term, however, volatility is expected due to geopolitical tensions, energy price shocks, and tighter financial conditions. Historical patterns suggest that supply-driven

oil price surges may lead to market corrections, with Asian equities likely to face continued pressure in Q2. While risks persist, the structural investment case for Asian equities remains intact for long-term investors.

Fundamentals

The fundamental backdrop for Asian equities remains broadly supportive, driven by strong earnings expectations and structural tailwinds. Consensus forecasts project earnings growth of approximately +40.4% in 2026 (compared to +16% for MSCI DM and +18% for U.S. equities), supported by technology investment cycles, policy stimulus, and improving governance in key markets. However, higher risk premiums and rising interest rates are compressing valuation multiples for Asian equities relative to DM and U.S. benchmarks.

The strong pre-conflict momentum of Asian equities was evident in robust earnings growth in Q4 2025. Excluding the drag from China internet giants like Alibaba, JD.com, and Baidu, Asian earnings surged +31% YoY, led by Korea (+71% YoY) and Taiwan (+35% YoY). Overall, topline growth in Asian (excluding Alibaba, JD.com, and Baidu) tracked a healthy +7% YoY. Within Asian EM, Korea posted the strongest growth in net income, with significant contributions from the Information Technology, Industrials, and Financials sectors. Taiwan also recorded strong net income growth.

While Q1 2026 forecasts appear promising, downward earnings revisions often lag energy shocks by 2–3 quarters, with historical oil supply shocks showing significant regional and sectoral impacts. Governments are implementing price caps and subsidies to shield growth and corporate margins in the near term, but prolonged disruptions could strain fiscal resources and hurt demand, particularly among weaker consumers. North Asia is managing oil shortages effectively through strategic reserves, advanced supply management, diplomatic agreements for Iranian vessel passage and Russian oil access and plans to ramp up coal-fired power plants and revitalize nuclear power plants. Southeast Asia shows mixed resilience, with Thailand implementing a fuel crisis plan and subsidizing diesel at \$32 million daily, while Vietnam seeks supply support from Japan and South Korea. South Asia remains the most vulnerable, with Bangladesh facing imminent oil shortages, India raising LPG and jet fuel prices while activating emergency measures, and households stockpiling electric cooktops amid cooking gas concerns.

Higher energy prices are expected to support incomes in energy-producing and exporting economies, but the demand lift is likely to be outweighed in the near term by the drag on energy-consuming regions in Asia. Approximately 28% of the MSCI EM benchmark have a negative beta to oil prices, including Consumer Staples, Consumer Discretionary, Real Estate, Communication Services, Utilities, and Healthcare.

These sectors are particularly vulnerable to higher input costs, reduced disposable incomes, tighter household budgets, rising fuel costs, and inflation-driven deferrals of non-essential spending. If earnings growth for these six sectors were to contract to zero in 2026, the overall EM earnings growth forecast would decline from +35.1% to approximately +30.7%.

The technology sector remains the largest contributor to Asian earnings growth, benefiting from strong initial demand and sufficient reserves of critical inputs such as helium and bromine. Companies in Korea and Taiwan, for example, are esti-

mated to have 4–6 months of buffer reserves for these materials. However, prolonged geopolitical uncertainty and tighter financial conditions could disrupt supply chains and weaken global demand, putting 2026 EPS estimates at risk. A slowdown in global economic activity could also dampen demand for technology products and AI data centers, which are key growth drivers for Korean and Taiwanese tech giants.

Valuation

Valuations for Asian equities remain attractive on both an absolute and relative basis. Asian equities currently trade at approximately 11.8x forward earnings, compared to 20.0x for developed markets and 21.8x for U.S. equities, representing a valuation discount of roughly 30–40% versus major developed market benchmarks. On a historical basis, Asian valuations are now moderately below the long-term average of 12.2x. Price-to-book metrics further support the relative valuation case, with Asian equities trading at approximately 2.2x book value compared to 3.9x for developed markets. This valuation backdrop indicates that risk-driven corrections during Q2 could present tactical entry opportunities for long-term investors, though sustained macro shocks could delay further multiple expansion.

Macroeconomic Outlook

The macroeconomic environment for Asian markets remains broadly constructive, though near-term uncertainty has risen due to geopolitical risks and energy price volatility. Policymakers in several Asian economies are implementing fiscal measures, such as subsidies and tax adjustments, to mitigate the impact of higher oil prices and stabilize domestic demand. In Asia, macro conditions remain closely tied to global technology demand and export dynamics. Strong semiconductor investment cycles and resilient trade activity are bolstering growth prospects in markets such as Korea and Taiwan.

Risks

Key downside risks include geopolitical tensions, energy price volatility, U.S. dollar strength, and global growth risks. Persistently high oil prices could pressure corporate margins and household purchasing power, particularly in energy-importing economies. While governments are currently absorbing part of the shock, sustained price increases may eventually be passed on to consumers, leading to earnings downgrades with a lag of 2–3 quarters.

Currency dynamics also pose risks, as a stronger U.S. dollar and tighter global financial conditions could disrupt capital flows and weigh on performance. Additionally, following the strong Q1 rally, previously crowded markets may be vulnerable to sharper corrections if global risk sentiment deteriorates.

Flows

EM capital flows have shown mixed trends amid geopolitical tensions. Year-to-date, EM equity funds have attracted USD 77.5 billion in inflows, though recent weeks have seen a slowdown. ETFs turned positive with +USD 1.1 billion in inflows, while non-ETFs experienced outflows of -USD 1.7 billion in the same period.

Regionally, Asia ex-Japan saw modest inflows. Market-level trends indicate selling pressure in Korea, Taiwan, and India, while some ASEAN markets attracted inflows. February data highlighted strong subscriptions in China (+USD 6.2 billion). A stabilization in geopolitical risks could renew strategic allocations, though uncertainty may continue to drive episodic volatility.

Fund characteristics

Fund name	Vontobel Fund – mtX Asian Leaders (ex Japan)
ISIN	LU0384410279
Share class	I USD
Benchmark	MSCI All Country Asia (ex Japan) TRN to 5.5.2025, MSCI AC Asia ex Japan Index 10/40 TRN USD thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	9.8%	11.2%	2025	33.2%	31.3%
YTD	30.1%	26.5%	2024	10.3%	12.0%
1 year	63.3%	53.9%	2023	5.6%	6.0%
3 yrs p.a.	26.2%	25.2%	2022	-24.2%	-19.7%
5 yrs p.a.	7.0%	7.2%	2021	-4.2%	-4.7%
10 yrs p.a.	12.0%	11.1%	2020	26.4%	25.0%
ITD p.a.	12.4%	11.1%	2019	18.8%	18.7%
			2018	-16.4%	-14.8%
			2017	55.6%	41.7%
			2016	5.5%	5.4%

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