Quarterly commentary / 31.3.2026

Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2

Marketing document for institutional investors in: AT, CH, DE, ES, FR, GB, IT, LI, LU.

Market developments

The first quarter was characterized by a shift in the global macroeconomic environment, moving from a supportive backdrop in January and February to a geopolitical-driven risk-off regime in March. Early in the quarter, markets benefited from resilient global growth, moderating US inflation, and a decline in core rates. US 10-year Treasury yields initially rose modestly in January but declined significantly in February, falling by 30 basis points (bps) to 3.9%, which supported duration-sensitive assets. During this period, markets briefly priced in a more dovish path by the US Federal Reserve, expecting up to three rate cuts in 2026. However, this dynamic reversed abruptly in March following the outbreak of war with Iran and the blockade of the Strait of Hormuz. The resulting oil shock triggered a sharp repricing of inflation and interest-rate expectations, with US 10-year yields rising by 38bps to 4.3%, Bund yields increasing by 36bps, and UK gilt yields rising by 68bps. By the end of the quarter, markets were pricing almost no Fed easing, while expectations for tightening by the European Central Bank increased significantly, in our view excessively. The US dollar, which had weakened in January, strengthened markedly in March, regaining its safe-haven role, while global equities sold off sharply, with MSCI World down 6.6% and emerging-market (EM) equities declining 13.3% during the month.

Commodities were a key driver of market performance throughout the quarter, particularly energy. Oil prices rose steadily in January and February, supported by supply disruptions and geopolitical tensions, before surging sharply in March as the Iran conflict escalated and disrupted global supply through the Strait of Hormuz. Brent crude peaked at USD 118 per barrel before retracing to around USD 100 per barrel into early April, despite coordinated releases from strategic reserves, which only partially offset the scale of the supply shock. European gas prices also increased significantly, rising by 59% in March, reflecting renewed energy security concerns. Precious metals and industrial commodities performed strongly earlier in the quarter but experienced increased volatility as monetary policy expectations and geopolitical risks shifted.

EM sovereign credit delivered positive performance in the first two months before correcting in March, ultimately demonstrating relative resilience in the face of significant global shocks. Performance in January and February was supported by falling US Treasury yields and constructive risk sentiment, while March losses were driven by higher global rates and spread widening. The EMBIG Diversified index gained 0.7% in January and 1.4% in February, before declining 3.3% in March, with roughly two-thirds of the decline attributable to higher US Treasury yields and the remainder to spread widening. Regional performance diverged, with Latin America outperforming over the quarter, supported by its commodity exposure and relative insulation from geopolitical risks, while Africa lagged due to tighter liquidity conditions and idiosyncratic challenges. Despite being at the center of the conflict, Middle Eastern sovereigns showed relative resilience, reflecting strong balance sheets and buffers among Gulf issuers.

At the country level, performance was driven by a combination of geopolitical developments and idiosyncratic factors. Venezuela was a notable outperformer, with defaulted bonds rallying strongly following political developments and improved relations with the US, although current valuations appear optimistic given the uncertainty around debt restructuring timelines. Argentina and Ecuador also performed well, supported by improved market access and liability management operations, including Ecuador's return to international markets with a USD 4 billion issuance. In contrast, countries facing restructuring uncertainty or external vulnerabilities underperformed, particularly during the March sell-off. Senegal experienced significant volatility, rebounding strongly in February before reversing gains in March amid uncertainty around International Monetary Fund engagement. Similarly, Lebanon and Ukraine underperformed due to escalating geopolitical risks and delays in reform progress. Lower-rated oil importers, including Sri Lanka, Egypt, and Kenya, were among the weakest performers in March, reflecting their vulnerability to higher energy prices.

EM corporate credit outperformed sovereigns over the quarter, benefiting from shorter duration and more contained spread movements. The CEMBI Broad Diversified Index posted gains in January and February before declining in March, with the overall drawdown driven primarily by higher US Treasury yields rather than significant spread widening. Sector performance was mixed, with oil and gas, industrials, and financials outperforming, supported by higher energy prices and relatively solid fundamentals. In contrast, real estate and transportation sectors underperformed, particularly in March, as higher interest rates and rising fuel costs weighed on valuations. Regionally, Africa and CEEMEA benefited from strong commodity dynamics and active primary markets, while

Latin America faced some idiosyncratic pressures, particularly in Brazil, where stress in certain corporates weighed on performance. Asia remained relatively stable, supported by policy easing in China’s property sector.

Portfolio review

During Q1, we actively managed the portfolio to capture value and navigate market volatility. We participated in several tender offers at attractive levels, including Aracen, Fondo Mivivienda, and CPI Property Group.

We also took advantage of market dislocations to selectively add exposure. We increased our positioning in Binghatti following a sharp sell-off during the Iran-related volatility, and in QatarEnergy 2026 bonds, which were temporarily impacted but continue to offer a strong credit profile. We also added Icaalt 2027 within this framework.

At the same time, we significantly reduced our exposure to Raizen amid ongoing restructuring discussions, while recognizing potential recovery upside supported by shareholder involvement.

As of the end of Q1, we maintained our average rating of BBB- and the portfolio offers a yield to maturity of 6.25%.

Performance analysis

The fund’s I (USD) share class delivered a -0.46% return in Q1, with NAV declining from 113.04 to 112.52. Performance was relatively well balanced overall but negatively impacted by developments around Raizen.

Raizen was the main detractor following a sharp deterioration in its credit profile. The company reported significant losses, driven by asset impairments and weaker operating performance in its ethanol and biofuel segment due to adverse weather conditions. Combined with elevated leverage, this led to multiple rating downgrades and culminated in an out-of-court restructuring filing in March, supported by key shareholders including Shell and Cosan. The situation triggered a material repricing of the bonds, with markets increasingly factoring in restructuring risk.

On the positive side, GeoPark benefited from higher oil prices as well as ongoing M&A activity around Frontera Energy, where competing bids for its assets supported sentiment across the sector. Banque Ouest Africaine de Développement and Empresa also contributed positively. Dubai real estate holdings were impacted by the Iran conflict.

Outlook

We believe EM fixed income represents an interesting investment opportunity in the current uncertain environment. EM corporates have demonstrated the characteristics of a lower-risk asset class within the broader EM fixed income universe, due to their lower interest-rate sensitivity and broad diversification. We believe that maintaining shorter duration makes sense given the uncertain outlook. Apart from duration, diversification away from the US is poised to remain an important consideration for many investors once the conflict ends, and we therefore expect flows into the asset class to resume strongly. Additionally, we believe higher oil prices should be a net positive for many EM countries, particularly when excluding Asia. While most investors may favor sovereigns over corporates, we believe that corporates currently offer an attractive pickup relative to many sovereigns, especially in the HY space, and even more so when adjusting valuations for shorter duration. Corporates have not yet experienced the same level of inflows as sovereigns, whether in hard or local currency. When combined with generally resilient fundamentals and the opportunity for active credit selection, we believe EM corporates deserve a place in a well-diversified portfolio. Finally, within corporates, we believe there is ample opportunity for diversification. Oil producers stand out (although many are approaching call prices, which may limit price upside) but other industries could also prove resilient in the face of conflict. In particular, we believe some of the infrastructure bonds and telecom companies could be resilient as well.

Fund characteristics

Fund name	Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2
ISIN	LU2581745853
Share class	I USD
Reference index	–
Inception date	14.5.2024

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	-0.4%	–
YTD	-0.5%	–
1 year	4.7%	–
3 yrs p.a.	–	–
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	6.5%	–

Time period	Fund	Ref. index
2025	7.4%	–
2024	–	–
2023	–	–
2022	–	–
2021	–	–
2020	–	–
2019	–	–
2018	–	–
2017	–	–
2016	–	–

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.

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