Vontobel Fund – European Equity Income Plus

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, SE.

Investors in France should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Market developments

The second quarter of 2026 was the strongest quarter for European equities in six years, with the MSCI EMU gaining an impressive 13.6%. The rally was primarily driven by growing optimism for a diplomatic resolution to the U.S.–Iran conflict, which had unsettled markets at the end of the first quarter. The announcement of a ceasefire on April 8, followed by the launch of formal peace negotiations, significantly improved investor sentiment. At the same time, the continued AI-driven investment cycle supported global equity markets, with semiconductor, data center, and digital infrastructure companies remaining among the strongest performers. Oil markets mirrored the geopolitical tensions. Brent crude rose to around USD 110 per barrel at the end of April before retreating to around USD 74 following the ceasefire and expectations that the Strait of Hormuz would reopen. While higher energy prices temporarily pushed euro-area inflation higher, investors increasingly viewed the shock as transitory. Nevertheless, the renewed pickup in inflation prompted the European Central Bank to begin removing monetary accommodation with a widely expected 25 bp rate hike on June 11, leading markets to reassess the outlook for interest rates.

In summary, the second quarter marked a sharp recovery from the geopolitical-driven market weakness seen at the end of the previous quarter. Although negotiations between the U.S. and Iran were still at an early stage and geopolitical uncertainty remained, investors increasingly shifted their focus back to resilient corporate earnings, improving economic activity, and long-term structural growth themes.

Portfolio review

Quality Dividend: During the second quarter, we made selective adjustments to the equity portfolio to react on both, changes to our quantitative screening model and to reflect improving market conditions, which increasingly favored cyclical and momentum stocks. As a result, we reduced our overweight in the Utilities sector by selling E.ON, which no longer met our Quality Dividend criteria due to a lower quality score. We also exited Ferrovial, as it no longer fulfilled our screening requirements. As replacements, positions in the Technology and Industrials sectors were initiated, namely SAP and Schneider Electric. Both combine attractive quality characteristics with strong structural growth prospects. As both companies also represent significant weights in the benchmark, these changes modestly reduced the portfolio's tracking error. Finally, the overweight in the Energy sector war trimmed during the quarter in response to the decline in oil prices.

Enhanced Income and Dynamic Participation: The covered call strategy was implemented as planned during the second quarter. Given the strong equity market rally, we maintained a relatively low coverage ratio in order to limit opportunity costs while continuing to generate additional income through option premiums. During the earnings season, we partially shifted the strategy from single-stock covered calls to index call options, reducing the risk of foregone upside resulting from large single-day price moves following Q1 corporate earnings releases. Following the initial market recovery, we complemented the covered call strategy by purchasing index put options while continuing to write index calls (collar strategy) With U.S.–Iran tensions still elevated and the Strait of Hormuz remaining closed at the time, this positioning provided downside protection against a potential reversal in market sentiment. As geopolitical tensions subsequently eased and markets continued to advance, this protection has not been materialized.

Performance analysis

Whereas the Fund delivered solid absolute performance in the second quarter, it underperformed its benchmark in an environment of strongly rising equity markets. The primary driver of the relative underperformance was the Quality Dividend Equity Portfolio, whose more defensive positioning lagged the benchmark during the market rally. The Fund's underweight allocation to the Information Technology sector was the main detractor from relative performance, as the sector benefited from an exceptionally strong AI-Tech-driven rally. In addition, while our overweight position in Energy was among the strongest contributors in the first quarter, it underperformed in Q2 as declining oil prices weighed on the sector.

At the stock level, several high-quality holdings underperformed in the market's recovery-driven environment, including Deutsche Telekom, Ahold Delhaize, and Münchener Rück. On the positive side, our overweight positions in Siemens, UniCredit, DHL, and ASM International made a meaningful positive contribution relative to the benchmark.

Within the Income Strategy, the covered call writing strategy on both single stocks and index options resulted in opportunity costs as equity markets advanced strongly, although it continued to generate attractive option premium income for the portfolio. Thanks to a below-average coverage ratio, we were able to limit the drag from option writing during the quarter.

Outlook

The third quarter of 2026 begins with a more constructive backdrop than investors faced only a few months ago. Although the

conflict between the United States, Israel and Iran remains unresolved, financial markets have increasingly shifted their attention back to economic fundamentals. Oil prices have declined significantly from their earlier highs, suggesting that investors assign a lower probability to further major supply disruptions. Combined with a resilient global economy and broadly supportive economic indicators, this provides a favorable environment for equity markets. Nevertheless, geopolitical developments remain an important risk factor that will continue to be monitored closely.
The upcoming half-year earnings season will now become the key focus for investors. More important than the reported results themselves will be management guidance for the remainder of the year, particularly given the strong market performance and increasingly demanding valuations across several sectors.
One central question remains the sustainability of the AI-investment boom. Much of the expected future growth is already reflected in current share prices, meaning that companies will increasingly need to demonstrate that their substantial investments are translating into profitable growth. Investor enthusiasm remains exceptionally strong, illustrated by the successful IPO of SpaceX and the highly anticipated IPO of Anthropic later this year. As long as investors continue to believe in the AI growth story and market momentum remains supportive, our fund positioning needs to reflect this trend, even though current valuation multiples have become increasingly difficult to justify. History has shown that strong momentum cycles can persist for longer than fundamentals alone would suggest. At the same time, we will closely monitor market sentiment and earnings developments for signs that investor enthusiasm is beginning to fade, as this could warrant a more defensive positioning within the portfolio.
Overall, we enter the third quarter with cautious optimism. Strong economic fundamentals, easing energy prices and continued earnings growth remain supportive for risk assets, while the upcoming reporting season will provide important insights into whether current market expectations remain justified.

Fund characteristics

Fund name	Vontobel Fund – European Equity Income Plus
ISIN	LU2967766705
Share class	I EUR
Benchmark	MSCI EMU Net Total Return EUR Index
Inception date	25.3.2025

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	2.4%	4.2%
YTD	9.2%	12.5%
1 year	19.0%	23.3%
3 yrs p.a.	–	–
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	14.8%	19.0%

Time period	Fund	Benchmark
2025	–	–
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.

Investment risks

— Limited participation in the potential of single securities.
— Success of single security analysis and active management cannot be guaranteed.
— It cannot be guaranteed that the investor will recover the capital invested.
— Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility.
— Price fluctuations of investments due to market, industry and issuer linked changes are possible.
— Investments in mid and small cap companies may be less liquid than investments in large cap companies.
— With the use of a covered call options strategy the participation in the potential positive price development of the underlyings is limited.
— There is no guarantee that all sustainability criteria will always be met for every investment. Negative impact on subfund's performance possible due to pursuing sustainable economic activity rather than a conventional investment policy.
— The sub-fund’s investments may be subject to sustainability risks. The sustainability risks that the sub-fund may be subject to are likely to have an immaterial impact on the value of the sub-fund’s investments in the medium to long term due to the mitigating nature of the sub-fund’s ESG approach. The sub-fund’s performance may be positively or negatively affected by its sustainability strategy. The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers. Information on how environmental and social objectives are achieved and how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

objective, information herein does not imply that the Fund has an ESG-aligned investment objective, but rather describes how ESG criteria and factors are considered as part of the overall investment process.

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