Vontobel Fund – Emerging Markets Investment Grade

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

Market developments
June was a typical sell the news month after buying the rumor in May, though risk appetite remains elevated. Following a strong May rally (+4.4% m/m), in anticipation of a US Iran deal, global equities (MSCI World) corrected 1.5% in June, after the US and Iran signed an MoU that should eventually lead to a peace deal. Importantly, oil flows through the Hormuz Strait started to recover rapidly through June, even before the MoU was signed, and are estimated at ~8.7 mbd as of the third week of June, that's still significantly lower than the roughly 20 mbd that used to flow prewar, but roughly triple the average daily amount that went through in May. Brent oil prices declined by 20.4% in June towards the low 70s dollars per barrel. Metal commodities corrected by 7.5%, although copper outperformed dropping by just 2.6%.
A lot of the action in fixed income was driven by core rates, which were driven by two opposing narratives. On the one hand, the inflation shock has so far been less severe than feared, which combined with a sharp decline in oil prices drove core yields lower: US Treasury 10-year yields ended the month 5bps lower at 4.4%, while 10-year bund yields fell 8bps to 2.9%. In the euro area, German and French consumer prices declined by 0.3% and 0.2% in June, respectively, according to preliminary data, which brought the y/y inflation down to 2.3% (from 2.6%) and to 1.8% (from 2.4%), respectively. We've also seen signs of weaker inflation in Eastern Europe and other EMs. In Poland, y/y inflation dropped from 3.1% to 2.5% in June, while in Mexico, the bi-weekly y/y inflation fell to 3.6 (from 3.8%) during the first half of June. On the other hand, the markets have read Kevin Warsh's first meeting as the new Fed chair as hawkish and are now pricing in a higher probability of a rate hike by September or October.
EM fixed income indices performed quite well this month, comfortably outperforming global equities and global aggregate fixed income.
EM hard-currency sovereign bonds (EMBIG Div) rose 0.7% on the month led with the HY segment rising by 0.8%, while its IG counterpart rose by 0.6%. Latin America (+1.0%) and EM Europe (+0.9%) outperformed other regions, while Middle East (-0.1%) lagged.
Three South American countries topped June's performance. Bolivia (+4.0%) recovered strongly, having under-performed after the issuance of the new 2031 bond in early May. The country's protests have finally faded, and the central bank has finally devalued the boliviano by almost 40% after running a fixed (and increasingly overvalued) exchange rate since 2011. This is a positive move towards obtaining an IMF-supported program and exiting the slow-motion balance of payment crisis the country has been in for a long time now. But the country still needs to implement a large fiscal adjustment, and the political support for these needed but painful policies appears very low. Colombia (+3.6%) was the second-best performing sovereign, following the victory of right-wing candidate de la Espriella, in the runoff presidential elections. Argentina (+3.4%) was the third-best performing country, its sovereign spreads compressed after S&P upgraded the country's rating to B- (the second B- rating in addition to Fitch's unsolicited B-), and the government secured a $2bn loan from the World Bank, and another for $550m from the Internamerican Development Bank. These multilateral loans, plus a larger trade surplus (driven by higher oil prices and higher oil production), are allowing the country to repay its eurobond maturities this year without having to refinance in the markets, adding technical support to bond spreads.
Sovereign credit rating upgrades continued: apart from Argentina (upgraded to B- by S&P), and Uzbekistan was upgraded to Ba2 by Moody's reflecting sustained improvements in the country's institutional and policy framework.
The oil-related sovereign performance. Fragile, oil-importing countries performed well in June after the decline in oil prices. Sri Lanka (+3.3%), Pakistan (+2.2%), Kenya (+2.2%). While oil exporting countries underperformed. Venezuela (-6.3%) had the worst performance of the month, after an FT article reported that the total debt stock to be restructured is likely to be significantly higher than initially estimated, which would likely result in lower recovery values. HY oil exporters Gabon (-1.7%), Angola (-1.6%), Nigeria (-0.9%), and Cameroon (-0.9%), were among the worst-performers on the month, although they remain among the best-performing year-to-date, and are still today in a much better financial position than pre-war.
EM hard-currency corporate bonds (CEMBI BD) returned 0.42% in June with a positive contribution of both spread and rates. HY bonds outperformed IG, returning 0.63% versus 0.27%. Regionally, Latin America led performance (+0.78%), followed by Europe (+0.42%) and the Middle East (+0.37%). At the sector level, real estate and transport were the best-performing segments (+1.82% and +1.27%). In contrast, consumer was the weakest sector (-0.07%).
This month's CEEMEA corporate headlines were dominated by Türkiye and Moldova. In Türkiye, Vestel Elektronik announced late in June that it had applied to Turkish financial institutions for "Financial Restructuring," with the aim of aligning the repayment and maturity schedule of its consolidated loans with the cash flow generated from operations. The move followed earlier February reports that Vestel was in discussions to restructure more than $500mn of bank debt, and came alongside a parallel filing by parent Zorlu Holding under Türkiye's Financial Restructuring Framework to address part of its broader debt burden. Together, the filings underscored mounting pressure on the group given Vestel's

weak cash generation, though details on scope and terms remain limited for now. Elsewhere, Moldova's Aragvi (Trans-Oil), a leading Black Sea agri-trader, came under pressure after a Ukrainian media published a report towards the end of the month containing allegations against the founder and owner of Trans-Oil Group. The bonds sold off following the publication, and management is engaging with bondholders. The company has rejected the reporting as false and engaged international counsel to pursue legal action where appropriate. We continue to monitor developments closely.

In LATAM corporate headlines, Braskem's restructuring deepened as the company filed for precautionary injunctive relief (tutela de urgência cautelar) and opened mediation proceedings to preserve a stable negotiating environment with financial creditors, while stressing that obligations to suppliers and customers continue in the ordinary course; the process nonetheless prompted S&P to downgrade Braskem's instruments to D. In parallel, control of the company transitioned from Novonor (formerly Odebrecht) to IG4 Capital, which now holds 50.1% of voting shares alongside Petrobras (47%), under a new governance framework in which Petrobras CEO Magda Chambriard chairs the board and IG4's Helcio Tokeshi becomes CEO, tasked with reorganizing the capital structure and improving operational efficiency. Encouragingly, following the change in shareholding, the new owners appear more willing to engage with creditors, and the choice to file for a cautelar - rather than moving directly to a judicial reorganization (RJ) - signals a preference to negotiate a consensual solution first. Raízen delivered a more constructive development, filing its Extrajudicial Reorganization Plan (EJ) in the São Paulo court as part of its out-of-court restructuring and securing support from over 75% of the unsecured financial debt covered by the process - enough to meet the quorum required for court confirmation. The plan offers creditors a menu of options and features a BRL 3.5bn cash capital increase to be subscribed by Shell, partial equitization of claims, and refinancing of the remainder, with a 30-day objection period to follow. With majority creditor backing already secured, the filing charts a clearer path toward resolving the capital structure, and expected recoveries sit above current market prices - even if finalization will take some time. Paraguayan meatpacker Frigorífico Concepción (FriCon) moved into default territory after missing a payment on its Bank of America loan, though it subsequently reached a forbearance agreement with BofA. Meanwhile, FS Bioenergia surprised the market by announcing a fifth plant while its fourth is still under construction. The decision follows Amaggi's acquisition of a 40% equity stake in FS, with the new plant located in an area where Amaggi has crops, pointing to clear feedstock synergies. While the expansion should support a more sustainable business profile over the long term, in the near term it is expected to pressure the balance sheet and drive a temporary spike in leverage - raising rating-downgrade risk.

Portfolio review

The month remained very active in the primary market, with EM corporate issuance rising to $66.3bn, up from $44.7bn in May and $49.0bn in June last year, driven primarily by EEMEA and Asia. Investor appetite for EM credit remained strong, with new issues well absorbed. EM fund flows also stayed supportive, led by continued inflows into sovereign and blended strategies, while corporate inflows remained more subdued.

During the month, we mainly reduced exposure to Eastern Europe through Kazakhstan, where valuations had become relatively expensive, and redeployed capital into Asia and Latin America, where Indonesia and Mexico continue to offer attractive relative value.

We increased our overall exposure to Asia, taking advantage of opportunities in both the secondary and primary markets. We added exposure to Indian infrastructure company operating toll road concessions and indirectly owned by a public-sector entity. We also increased exposure to Indonesia, where valuations remain historically wide due to fiscal and governance concerns, with the MSCI classification review postponed to November. We participated in the inaugural issuance of Indonesia's sovereign wealth fund, which offered an attractive spread premium over the sovereign, and switched Indonesian quasi-sovereign exposure from the front end to the belly of the curve, where relative value was more compelling. We also switched along the curve in Standard Chartered AT1s, as the recently issued bond offered better relative value, and rotated exposure from a Thai bank Tier 2 bond into a Japanese insurance subsidiary Tier 2 bond.

In Europe, we reduced exposure to Kazakhstan through digital bank Kaspi and the long end of government-owned KZOKZ, where bonds had become particularly rich following the partial tender completed at the end of 2025. We also reduced Latvia after sovereign spreads tightened to around 65bps and participated in the new issue from Polish energy company Orlen, which offered a 20bps spread pick-up for only a 0.8-year curve extension.

In MENA, we participated in a new Saudi project bond backed by long-dated contracted cash flows and reduced exposure to some bond of GreenSaif, which had become expensive on the curve. We also switched part of our exposure from PIF into ADQ, as the latter continues to offer a spread premium relative to pre-conflict levels. While UAE credits remain exposed to any regional re-escalation, policy measures to reduce reliance on the Strait of Hormuz, together with strong fiscal and external buffers, continue to support the country's resilience. In addition, the end of the UAE EMBI exclusion period removes an important technical headwind, allowing spreads to better reflect underlying fundamentals.

In Latin America, we mainly increased exposure to Mexico, where valuations remain attractive despite fiscal concerns and continued contingent liabilities related to Pemex. We modestly increased sovereign exposure, switched from Fiemex into CFE as the spread differential narrowed to historically tight levels, and rotated from Cox Mexico into Valia Energía, as both traded at similar spreads despite Valia offering the stronger credit profile. We also added exposure to Essentia, Mexico's largest natural gas pipeline operator, as spreads widened back close to issuance levels. Conversely, we exited our position in Trinidad & Tobago's government-owned energy company and reduced exposure to Sitios Latinoamérica after spreads tightened to rich levels.

As a result of these adjustments, we increased exposure to the infrastructure and energy sectors while reducing technology and telecommunications. From a ratings perspective, we reduced A-rated holdings in favour of AA- and BBB-rated credits. The portfolio continues to offer attractive carry, with a yield pick-up of 73bps over the benchmark, an average spread of 154bps versus 89bps for the benchmark, and a post-hedge yield of 5.86%.

Performance analysis

The fund performed broadly in line with the benchmark, delivering a modest outperformance of 0.08% in June. The fund returned 0.43% (net, I share class in USD) versus 0.35% for the benchmark.

In terms of risk factors, around 4bps of active return came from carry, with the remainder driven by spread compression.

Peru was the main positive contributor, thanks to good bond selection. We benefited from the outperformance of Red Dorsal, Hunt Oil, and the Tier 2 bonds of BCP and Banco Internacional del Perú. The UAE was the second-largest contributor, supported by our overweight positions in ADNOC, Magellan and Aldar subordinated bonds, which outperformed following the signing of a memorandum of understanding between the US and Iran. We also benefited from the outperformance of Nutresa and the newly issued Moroccan sovereign bond.

On the negative side, our overweight exposure to Indonesia detracted from performance, particularly our positions in long-dated quasi-sovereigns including Pertamina, the newly issued Danantara bond and PLN. These underperformed amid investor concerns over fiscal deterioration and governance, compounded by the postponement of the MSCI classification review to November. At the issuer level, spread widening in the long-dated bonds of PIF and Aramco also weighed on performance.

Outlook

The US and Iran have agreed on a memorandum of understanding, although a comprehensive peace agreement has yet to be reached and the long-term framework governing transit through the Strait of Hormuz remains uncertain. Nevertheless, trade flows have recovered rapidly, roughly tripling over the first three weeks following the reopening. While further disruptions cannot be ruled out and would pose upside risks to oil prices and inflation, barring a return to full-scale conflict, we expect any market reaction to be more muted than during the recent escalation.

On inflation and the fixed income outlook, price pressures have so far remained far more contained than during the 2022 energy shock, despite similar geopolitical risks. Less expansionary fiscal policy, tighter monetary conditions, lower excess savings and softer labour markets have all contributed to a more limited inflation pass-through. With Brent oil prices down around 40% from recent highs and inflation surprising to the downside across several EM countries, including Eastern Europe, we expect this inflation episode to prove more transitory than in 2022, supporting fixed income, particularly local-currency rates.

Risk appetite remains strong and should continue to support EM fixed income over the summer. Fundamentals have remained resilient despite the geopolitical shock, with sovereign rating upgrades continuing to significantly outnumber downgrades. EM corporates also entered the period from a position of strength, with improving EBITDA growth, leverage well below US peers and stronger liquidity metrics. Technicals remain supportive, with investor positioning in EM corporates still relatively light and flows continuing to favour sovereign and blended funds over corporates. Brent prices above USD 70 per barrel also remain supportive for oil-related EM issuers.

Regarding the EM investment-grade asset class, benchmark spreads have returned to historically tight levels, in line with the broader global IG market. While tight spreads are partly supported by still attractive all-in yields, EM IG continues to benefit from diversification away from the US, resilient credit fundamentals and supportive technicals, particularly strong local demand across Asia and the GCC. On a leverage-adjusted basis, EM IG remains compelling. The asset class offers approximately 77bps of spread per turn of net leverage versus 32bps for US IG, a ratio of 2.4x that is close to the 91st percentile of its historical range.

We also expect EM corporate IG spreads to remain relatively well supported, as supply dynamics remain more favorable than in developed markets, with only a modest increase in EM IG issuance compared with the heavier supply pipeline in US investment-grade credit, driven in particular by hyperscalers.

Fund characteristics

Fund name	Vontobel Fund – Emerging Markets Investment Grade
ISIN	LU2400051400
Share class	I USD
Benchmark	J.P. Morgan EM Blended (JEMB) Hard Currency Credit 50-50 (EMBI GD/CEMBI BD) Investment Grade
Inception date	21.6.2022

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.4%	0.4%
YTD	1.1%	1.1%
1 year	6.1%	5.8%
3 yrs p.a.	7.0%	5.7%
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	6.8%	5.1%

Time period	Fund	Benchmark
2025	10.0%	9.3%
2024	4.8%	2.8%
2023	10.4%	7.4%
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

- Securities with a lower credit quality means a higher risk that an issuer may fail to meet its obligations. The investment value may fall if an issuer's credit rating is downgraded.
- Using derivatives generally creates leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- Asset-backed and mortgage-backed securities and their underlying receivables are often non-transparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
- The sub-fund also includes sustainability criteria in its investment process. This may mean that the sub-fund's performance is more positive or negative than a conventionally managed portfolio.
- Distressed securities have a high credit and liquidity risk as well as a potential restructuring and litigation risk. In the worst case, a total loss may result.
- Investments in emerging markets entail increased liquidity and operational risks as these markets tend to be underdeveloped and more exposed to political, legal, tax and foreign exchange control risks.
- 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.

defined characteristic. ESG investing may forego market opportunities available to strategies which do not utilize such criteria. There is no guarantee the criteria and techniques employed will be successful. Note: Unless otherwise stated in Fund documentation or included within the Fund's investment 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.

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.

Interested parties may obtain the above-mentioned documents free of charge from the authorized distribution agencies and from the offices of the fund at 49 Avenue J.F. Kennedy, L-1855 **Luxembourg**, the facilities agent in **Austria**: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna, the representative in **Switzerland**: Vontobel Fonds Services AG, Gotthardstrasse 43, 8022 Zurich, the paying agent in Switzerland: Bank Vontobel AG, Gotthardstrasse 43, 8022 Zurich, the European facilities agent for **Germany**: PwC Tax and Advisory, Société coopérative - GFD, 2, rue Gerhard Mercator, L-2182 Luxembourg, Email: lu_pwc.gfd.facsvs@pwc.com, gfdplatform.pwc.lu/facilities-agent/. Refer for more information on the fund to the latest prospectus, annual and semi-annual reports as well as the key (investor) information documents ("K(I)ID"). These documents may also be downloaded from our website at vontobel.com/am. A summary of investor rights (including information on representative actions for the protection of the collective interests of consumers under EU Directive 2020/1828) is available in English under: vontobel.com/vamsa-investor-information. Vontobel may decide to terminate the arrangements made for the purpose of marketing its collective investment schemes in accordance with Article 93a of Directive 2009/65/EC. **Denmark**: The KID is available in Danish. **Finland**: The KID is available in Finnish. **Italy**: Refer for more information regarding subscriptions in Italy to the Modulo di Sottoscrizione. For any further information: Vontobel Asset Management S.A., Milan Branch, Piazza degli Affari 2, 20123 Milano, telefono: 0263673444, e-mail: clientrelation.it@vontobel.com. **Netherlands**: The Fund and its sub-funds are included in the register of Netherland's Authority for the Financial Markets as mentioned in article 1:107 of the Financial Markets Supervision Act ("Wet op het financiële toezicht"). **Norway**: The KID is available in Norwegian. In **Spain**, funds authorized for distribution are recorded in the register of foreign collective investment companies maintained by the Spanish CNMV (under number 280). The KID can be obtained in Spanish from Vontobel Asset Management S.A., Sucursal en España, Paseo de la Castellana, 91, Planta 5, 28046 Madrid. **Sweden**: The KID is available in Swedish. The fund authorized for distribution in the **United Kingdom** and entered into the UK's temporary marketing permissions regime can be viewed in the FCA register under the Scheme Reference Number 466625. The fund is authorized as a UCITS scheme (or is a sub fund of a UCITS scheme) in a European Economic Area (EEA) country, and the scheme is expected to remain authorized as a UCITS while it is in the temporary marketing permissions regime. This information was approved by Vontobel Asset Management S.A., London Branch, which has its registered office at 20 Fenchurch Street, London EC3M 3BY and is authorized by the Commission de Surveillance du Secteur Financier (CSSF) and subject to limited regulation by the Financial Conduct Authority (FCA). Details about the extent of regulation by the FCA are available from Vontobel Asset Management S.A., London Branch, on request. The KIID can be obtained in English from Vontobel Asset Management S.A., London Branch, 20 Fenchurch Street, London EC3M 3BY or downloaded from our website vontobel.com/am.

This document is not the result of a financial analysis and therefore the "Directives on the Independence of Financial Research" of the Swiss Bankers Association are not applicable. Vontobel and/or its board of directors, executive management and employees may have or have had interests or positions in, or traded or acted as market maker in relevant securities. Furthermore, such entities or persons may have executed transactions for clients in these instruments or may provide or have provided corporate finance or other services to relevant companies.

Any index referred to herein is the intellectual property (including registered trademarks) of the applicable licensor. Any product based on an index is in no way sponsored, endorsed, sold or promoted by the applicable licensor and it shall not have any liability with respect thereto. Refer to am.vontobel.com/terms-of-licenses for more details.

Although Vontobel believes that the information provided in this document is based on reliable sources, it cannot assume responsibility for the quality, correctness, timeliness or completeness of the information contained in this document.

 To the maximum extent permitted by law, Vontobel will not be liable in any way for any loss or damage suffered by you through use or access to this information, or Vontobel's failure to provide this information. Our liability for negligence, breach of contract or contravention of any law as a result of our failure to provide this information or any part of it, or for any problems with this information, which cannot be lawfully excluded, is limited, at our option and to the maximum extent permitted by law, to resupplying this information or any part of it to you, or to paying for the resupply of this information or any part of it to you. Neither this document nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law. Persons who receive this document should make themselves aware of and adhere to any such restrictions. In particular, this document must not be distributed or handed over to US persons and must not be distributed in the USA.

Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11
info@vontobel.com | vontobel.com/am