Vontobel Fund – Commodity

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

Summary

— Oil and European gas prices surged on escalating Middle East supply risks.
— Precious metals sold off amid higher yields, a stronger US dollar, and risk-off liquidation flows.
— Grains extended losses as harvests progressed and bearish balance sheet revisions weighed on prices.

Market developments

October was a volatile month for global markets, driven by geopolitical tensions, renewed inflation concerns, and a deterioration in sentiment around the artificial intelligence (AI) trade. Equities were mixed: the STOXX 600 gained 2.0% while the S&P 500 slipped 0.9%, but the Nasdaq bore the brunt of the sell-off, falling 6.6%, its worst month since March 2025, as a string of disappointing AI-related earnings rattled investor confidence. On the rates side, 10-year US Treasury yields spiked to a 24-year high of 5.34% intra-month, amplified by a hotter-than-expected September CPI print (+0.6% MoM, +3.7% YoY). Yields ultimately reversed sharply, with sovereign bonds posting their best monthly return of 2026 (+2.3%) as tech-driven risk-off flows supported safe-haven demand. The US Federal Reserve (Fed) held rates unchanged in a 10-2 vote on October 29, with Chair Kevin Warsh leaving the door open to a December hike. The European Central Bank (ECB) also left rates unchanged, while President Christine Lagarde's announcement that she would depart in February added to policy uncertainty. French sovereign stress added to European jitters, with yield spreads between French government bonds (OATs) and German Bunds nearing their 2011 peak and French 10-year yields topping 5% for the first time since 2002. Against this backdrop, the BCOMTR Index ended the month broadly flat at -0.08%, masking substantial differences across sectors. Energy led with +7.6%, as Brent crude surged 19.3% on renewed fears of US-Iran escalation and Houthi shipping disruptions, reaching a six-month high near USD 117. European natural gas crossed EUR 100 per megawatt-hour for the first time since 2022. Precious metals (-9.0%) and grains (-9.1%) lagged, pressured by the stronger dollar, elevated real yields, and forced liquidation by leveraged investors meeting margin calls elsewhere.

Crude oil prices rallied sharply in October, with Brent crude gaining 19.3% and WTI rising 15.2%. Tehran demonstrated both its willingness and ability to intensify attacks, increasing the frequency of strikes to the highest level since March. In addition, vessels involved in ship-to-ship transfers in the Gulf of Oman were increasingly targeted. Despite the uptick in attacks, disruption to oil flows has remained relatively limited. Volumes moving through the Strait of Hormuz have declined only marginally, suggesting that the nearly 20% monthly rise in crude prices reflected a growing geopolitical risk premium. Markets are increasingly pricing in the possibility that the US could adopt a more aggressive stance toward Iran following the midterm elections. Several developments point in that direction. The US has begun withdrawing non-essential personnel from parts of the Middle East, while Russia has reportedly removed some workers from Iranian nuclear facilities. By October, both the conflict and restrictions on transit through the Strait of Hormuz had entered its eighth month. Although oil continues to flow through the waterway, supply buffers are significantly smaller than at the beginning of the crisis. As a result, crude prices increasingly reflect concerns about future supply disruptions rather than current physical shortages. Interestingly, refined products failed to keep pace with the rally in crude. Gasoline rose just 2.5%, while heating oil and gasoil gained 3.1% and 2.5%, respectively. The main reason is that several European countries, following pressure from the US, announced releases from strategic diesel reserves, helping to alleviate near-term supply concerns. Germany committed to releasing 15 million barrels, while France announced a further 10 million barrels. These measures have helped ease fears of an immediate product shortage.

US natural gas prices fell 9.3% in October as forecasts for an unusually warm start to winter reduced expectations for US heating demand. In contrast, European gas prices surged 45%, driven by mounting supply concerns. Qatar extended force majeure declarations on liquefied natural gas (LNG) exports into December, prompting the market to price in fewer additional LNG deliveries for the remainder of the winter. Unlike crude oil flows through the Strait of Hormuz, which have largely recovered, LNG exports from the Middle East remain severely constrained at just 20-25% of pre-war levels. This has left the European gas market particularly sensitive to supply disruptions. Prices received an additional boost when weather forecasts shifted toward colder temperatures in the first half of November, raising concerns about stronger winter demand and tighter supply balances.

Precious metals saw heavy losses across the sector in October 2026, with gold down -6.9%, silver -18.6%, platinum -16.5%, and palladium -18.5%. Spot prices closed the month at levels last seen a year ago. Three related factors drove the sell-off, overriding the sector's traditional safe-haven appeal. First, a deepening rout in technology stocks forced leveraged investors to liquidate gold positions to meet margin calls elsewhere. Second, surging oil prices stoked inflation fears and raised expectations of further Fed tightening in December, weighing on precious metals. Third, gold attracted little demand as a geopolitical hedge: despite the ongoing Middle East conflict, liquidity needs and inflation concerns outweighed safe-haven demand, with central bank purchases providing only modest support. Gold ETF holdings, which had grown

every week since mid-July to reach a multi-year high of 101.6 million ounces on October 21, saw large losses in the final week of the month. These outflows, in addition to the intensifying tech sell-off, strong CPI prints, and rising Treasury yields, propelled gold below the psychologically important USD 4,000 per ounce mark. Physical demand from Asia offered only partial support: Indian asset managers restricted new gold ETF subscriptions amid a historic slide in the rupee, while Chinese household buying picked up as prices fell. However, this was insufficient to offset the scale of Western institutional outflows.

Industrial metals came under pressure in October as the technology sector sell-off weighed on sentiment. Tin led the declines, falling 9.5%, reflecting its high sensitivity to the tech sector due to its extensive use in soldering. Copper and aluminum also weakened, losing 2.1% and 2.9%, respectively, while lead and zinc were broadly unchanged. For copper, uncertainty surrounding potential US tariffs continued to weigh on bullish sentiment. As President Donald Trump approached the midpoint of his second term without announcing new copper tariffs, traders became increasingly cautious. The COMEX-LME premium, which had previously driven a significant reshuffling of global inventories, narrowed noticeably, while LME copper inventories began to rebuild, easing concerns about immediate supply tightness.

Grains (-9.1%) extended their sharp September decline into October, with all six front-month contracts finishing the month in negative territory as a bearish World Agricultural Supply and Demand Estimates (WASDE) report released on October 9 and accelerating harvest progress weighed on the sector. Corn (-10.6%) led the initial sell-off as the US Department of Agriculture (USDA) raised the projected US yield estimate to 181.2 bushels per acre (bpa), well above September's 178.5 bpa and markets expectations. That lifted US ending stocks to 1.849 billion bushels as the USDA also raised its estimate of beginning stocks for the marketing year. In addition, the US corn harvest passed 60%, while speculative selling accelerated the downward trend. Kansas wheat (-12.1%) and Chicago wheat (-10.7%) were the month's worst performers despite an unchanged global production estimate. The prospect of Russia-Ukraine peace talks led to an unwinding of the geopolitical premium built into prices since August, despite lower Russian exports and a 32% year-over-year decline in Ukrainian grain exports. Soybeans (-5.8%) benefited from a robust Chinese buying spree following the Trump-Xi summit, with US soybean export sales jumping to their highest level since 2023 in the week ending October 22, though rapid US harvest progress and accelerating Brazilian planting capped the upside. Soybean meal (-8.5%) fell as money managers unwound long positions after prices broke below key technical levels, while soybean oil (-3.4%) failed to benefit from the rally in crude oil.

Soft commodities (+1.4%) continued their choppy path and recovered partially in October as El Niño supply disruptions increasingly dominated the fundamental narrative. Sugar (+4.0%) was the strongest performer, closing at 19.36 cents per pound after briefly surging to a 20-month high of over 21 cents per pound mid-month. Prices then retreated as the Brazilian real weakened after the somewhat unexpected election results. El Niño-related excess rainfall reduced crushing days in Brazil's Center-South, with mills crushing 18% less sugarcane in October's first half than a year earlier. India also halted the use of sugar for ethanol production, effective November, in an effort to curb domestic prices. Cocoa (+1.6%) recovered modestly after September's sharp sell-off, though StoneX revised its 2026-27 outlook to a 64,000-ton deficit, projecting world production to fall 9.6% to 4.74 million tons due to El Niño disruptions. Cotton (-0.9%) showed tentative signs of stabilizing after September's -15.7% decline. Coffee (-1.2%) experienced a choppy path again as beans from Brazil’s crop slowly arrived in bags pending for grading, while certified inventories continued to decline.

Livestock (-4.9%) came under pressure again in September, with lean hogs (-15.2%) driving the complex lower as wholesale pork prices fell 28% despite a decline of just 1% in US production year over year, pointing to a severe contraction in demand . Live cattle (-0.8%) and feeder cattle (+1.3%) held up better. September cattle placements came in at 91.7% of the prior year’s level, the lowest on record, while the screwworm outbreak continued to spread, reaching Arizona for the first time. However, the USDA continued to open borders and pursue cattle imports from Mexico.

Portfolio review

We maintained a relative neutral position in crude oil as tensions in the Middle East continued and oil prices continued to grind higher in October. We continue to hold a directional overweight positioning in oil products, especially in gasoil, gasoline and heating oil, as refinery margins are at record highs. We retain a small position in European gas but have started taking profits and continue to hold an underweight in US natural gas. We further reduced our overweight in gold as rising yields weigh on prices. We also remain underweight in silver and platinum group metals, which leaves us underweight in previous metals overall. In industrial metals, we established an underweight in aluminum and reduced our overweight in copper. We further reduced our position in grains, especially corn and soybean meal, while we increased our soybean oil position again. We established a slight overweight in cocoa and closed out our underweight position in coffee. Additionally, we continue to hold a slight overweight in cattle and established a slight underweight in lean hogs.

Performance analysis

Vontobel Fund – Commodity gained 1.10% while the BCOMTR benchmark decreased -0.08%, leading to an outperformance of +1.19% in October. Negative performance drivers included the overweight in gold (-0.13%) and sugar (-0.20%), the underweight in coffee (-0.25%) and the curve positioning in crude oil (-0.39%). Positive performance drivers included the overweight in oil products such as heating oil (+0.24%), gasoline (+0.19%), and gasoil (+0.16%), the underweight in US natural gas and the off-benchmark position in European gas (combined +0.64%), the underweight in silver (0.34%) and palladium (+0.24%), and the underweight in agriculture, especially soybean meal (+0.28%) and lean hogs (+0.20%).

Outlook

One of the key questions for commodity markets, and oil in particular, is whether the US and Israel will escalate military action against Iran after the midterm elections. If they do, we believe the market's attention would likely immediately shift to the scale of Iran's retaliation. Tehran has already signaled that a broader response across the Middle East remains a possibility.

For precious metals, de-escalation could provide much-needed support. We believe easing geopolitical tensions would likely push energy prices and bond yields lower, installing an important pillar of support for gold. Physical demand has been soft for months, leaving investment flows as the main driver. Gold ETFs saw strong inflows between July and mid-October, but that trend has

recently reversed. If ETF outflows accelerate, the market may discover that gold's new floor lies well below the widely discussed USD 4,000 per ounce level.

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Fund characteristics

Fund name	Vontobel Fund – Commodity
ISIN	LU0415415800
Share class	I USD
Benchmark	Bloomberg Commodity Index TR
Inception date	7.1.2009

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	1.1%	-0.1%
YTD	29.6%	32.8%
1 year	34.0%	36.6%
3 yrs p.a.	18.4%	15.5%
5 yrs p.a.	11.4%	10.7%
10 yrs p.a.	8.9%	7.9%
ITD p.a.	3.2%	2.4%

Time period	Fund	Benchmark
2025	19.6%	15.8%
2024	8.2%	5.4%
2023	-5.1%	-7.9%
2022	10.7%	16.1%
2021	35.1%	27.1%
2020	-0.5%	-3.1%
2019	9.2%	7.7%
2018	-15.0%	-11.2%
2017	2.2%	1.7%
2016	16.6%	11.8%

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