Monthly commentary / 31.3.2026

Vontobel Fund – Euro Corporate Bond

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

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

As spring began to brighten the weather, financial markets moved in the opposite direction, delivering a distinctly unseasonal chill in March. Most asset classes declined, with the notable exceptions of the US dollar, which appreciated by around 2% versus the euro, and oil, which surged by 63%. European equities were particularly weak, with the STOXX 50 falling 9%, its largest monthly decline since the initial Covid lockdowns in March 2020. At the same time, 10-year US Treasury yields rose sharply by 38 basis points (bps), marking their biggest monthly increase since late 2024, while gold recorded its steepest monthly drop (-12%) since 2008. Credit markets followed suit, with spreads widening across both investment grade (IG) (EUR IG +13bps) and high yield (HY) (EUR HY +63bps), accompanied by increased dispersion.

Geopolitical tensions stemming from the conflict involving Iran were a key driver of market dynamics. The associated surge in energy prices pushed headline inflation higher, although resilient underlying demand has so far prevented a broader recessionary environment. The key risk remains that a prolonged conflict could transform the current inflation shock into a growth shock. Our base case assumes a contained scenario in which the US avoids deeper military involvement, Iran does not agree to US demands, and shipping through the Strait of Hormuz resumes slowly. Under this scenario, oil prices are expected to gradually normalize, albeit at a higher level of around USD 80 per barrel.

Central banks broadly met expectations by keeping policy rates unchanged. Both the European Central Bank (ECB) and the US Federal Reserve (Fed) signaled a cautious, wait-and-see approach, while the Bank of England struck a somewhat more hawkish tone. ECB President Christine Lagarde emphasized that the central bank is "well positioned" to manage the energy shock, a view reinforced by Executive Board member Isabel Schnabel, who stressed there is no urgency to adjust policy. Similarly, Fed Chair Jerome Powell noted that while longer-term inflation expectations remain anchored, the Fed is closely monitoring developments and sees current policy settings as appropriate for now.

As a result of the Iran war and higher oil prices, futures markets priced out rate cuts in both the US and UK and even began to price in rate hikes. At one point, there were three hikes priced until year-end for the ECB. Given the weaker macroeconomic outlook, we consider this to be too hawkish.

Indeed, the impact of the conflict is increasingly visible in economic data. Eurozone inflation rose sharply to 2.5% year-on-year in March (from 1.9%), driven primarily by energy, while core inflation moderated slightly to 2.3%. In the US, the University of Michigan survey pointed to rising inflation expectations alongside a deteriorating growth outlook. More broadly, PMI indicators softened across multiple regions, and Eurozone consumer confidence fell more than expected to its lowest level in years.

EUR IG credit spreads have been relatively resilient. The fund flow picture has been benign, too, and most funds have built cash balances and did not have to sell into market weakness so far. At the same time, higher all-in yields attracted yield-sensitive buyers such as insurance companies. On average, EUR IG spreads widened by 13bps over the month. Performance dispersion was notable, with real estate and cyclical sectors underperforming (widening by 30bps and 22bps, respectively), while defensive sectors such as utilities and telecoms were more resilient (widening by 11bps and 7bps). Subordinated segments lagged, with financial subordinated debt and corporate hybrids widening by 18bps and 14bps, respectively, and AT1 instruments underperforming more significantly with a 42bps widening.

Portfolio review

In March, we took steps to de-risk the portfolio by increasing our cash position to 5% and reducing exposure to subordinated financials, including a decrease in AT1 holdings. In addition, we implemented hedges via iTraxx SubFin. We slightly reduced overall duration, while positioning for a potential shift from inflation concerns towards recession risks, an environment in which we believe rates are more likely to provide a hedge. In this context, we added Bund futures.

We maintained a defensive sector bias, with an overweight to non-cyclical sectors such as telecoms and utilities and remain comfortable with our allocation to corporate hybrids. In Europe, we observe that the intrinsic beta of high-quality hybrids is declining as the investor base continues to broaden. As a result, attractive opportunities in this segment are becoming more limited, and we aim to deploy capital selectively during periods of market weakness.

We also added longer-duration bonds in high-quality issuers to position for a potential decline in oil prices and yields, while providing downside protection in a scenario of rising recession risks and possible rate cuts. At the same time, we initiated positions in short-dated callable hybrids from solid issuers to enhance portfolio carry.
Primary market activity was more subdued than typically observed at this time of year, particularly in the second half of the month. Against this backdrop, we participated selectively in three new issues.

Performance analysis
The Vontobel Fund – Euro Corporate Bond (I Share Class) underperformed its benchmark in March. Both allocation and selection detracted from performance this month and the curve effect was slightly negative on the back of higher government yields.
From a selection perspective, performance was primarily dragged by higher-beta and more cyclical exposures across banking, insurance, real estate, and transportation. This was partly offset by positive contributions from lower-beta, predominantly non-cyclical senior unsecured bonds with short-to-medium duration.
From an allocation standpoint, our positioning in insurance and transportation, as well as a small overweight in real estate, weighed on performance. These effects were partially mitigated by allocations to consumer goods, financials, healthcare, and utilities.
The hedges implemented during the month did not fully offset market moves, with timing in CDS proving challenging amid volatile headlines and rapidly shifting risk sentiment. While we continue to expect rates to provide a hedge going forward, the simultaneous sell-off in government bonds alongside equities and other asset classes in March limited their effectiveness as a diversifier.

Outlook
Headlines around the conflict with Iran remain highly fluid at the time of writing, with the Strait of Hormuz still closed. The potential economic impact will largely depend on the duration of the disruption, particularly through higher energy prices and the risk of growth destruction. In this environment, we believe trading on daily headlines resembles a coin toss, and we therefore maintain a cautious stance. A more constructive outlook would require visible progress on diplomatic efforts—potentially led by China and Pakistan—following their recently proposed five-point plan, which includes an immediate ceasefire and the reopening of the Strait. While China's initial response was relatively muted, rising energy costs and concerns around global stability appear to be prompting a more active role in supporting de-escalation.
Corporate fundamentals across our investment universe remain solid. Unless energy prices rise materially and persistently, we do not expect a meaningful deterioration that would translate into significantly wider credit spreads.
From a technical perspective, fund flow momentum softened somewhat in March but did not signal a breakdown in demand for the asset class. As long as the situation does not materially deteriorate, we do not anticipate fund flows becoming a significant headwind.
Against this backdrop, we maintain an elevated cash buffer and continue to hedge part of our higher-beta exposure. At the same time, we remain ready to selectively remove hedges and deploy capital into bonds that have repriced to capture attractive carry. The primary market pipeline remains active and we believe it is poised to provide opportunities to add exposure at more compelling levels.

Fund characteristics

Fund name	Vontobel Fund – Euro Corporate Bond
ISIN	LU0278087860
Share class	I EUR
Reference index	ICE BofAML A-BBB Euro Corporate Index
Inception date	13.7.2007

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	-2.6%	-2.3%
YTD	-1.3%	-1.0%
1 year	2.0%	2.0%
3 yrs p.a.	4.6%	4.5%
5 yrs p.a.	-0.3%	-0.1%
10 yrs p.a.	1.4%	1.1%
ITD p.a.	3.1%	2.8%

Time period	Fund	Ref. index
2025	3.2%	3.1%
2024	5.2%	4.8%
2023	8.5%	8.2%
2022	-15.2%	-14.0%
2021	-0.6%	-0.9%
2020	3.9%	2.8%
2019	8.8%	6.6%
2018	-2.9%	-1.3%
2017	4.1%	2.6%
2016	4.4%	4.8%

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.
- 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.

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. **Finland**: The KID is available in Finnish. The KID is available in French. The fund is authorized to the commercialization in **France**. Refer for more information on the funds to the KID. **Ireland:** It is the responsibility of any person in possession of this document and any related materials to inform himself of and to observe all applicable laws and regulations of the countries of his nationality, residence, ordinary residence, or domicile. If you are in any doubt about the contents of this document, you should consult your own legal, financial and/or tax advisors. This Fund shall only be marketed to professional investors in Ireland and shall not be marketed to retail investors. Neither the Fund nor the investment has been authorized by the Central Bank of Ireland. If a prospective investor is not interested in making an investment, this document should be promptly returned. This document does not, and shall not be deemed to, constitute an invitation to the public in Ireland to subscribe shares in the Fund. No person receiving a copy of this document may treat it as constituting an invitation to them to subscribe shares in the Fund or a solicitation to anyone other than the addressee. The offer for subscribe shares in the Fund shall not be made by any person in Ireland otherwise than in conformity with the provisions of the Financial Instruments Directive 2014/65/EC ("MiFID") and in accordance with any codes, guidance or requirements imposed by the Central Bank of Ireland thereunder. **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 subfunds 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. Please note that certain sub-funds are exclusively available to qualified investors in Andorra or **Portugal**. 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 and its sub-funds are not available to retail investors in **Singapore**. Selected sub-funds of the fund are currently recognized as restricted schemes by the Monetary Authority of Singapore. These sub-funds may only be offered to certain prescribed persons on certain conditions as provided in the "Securities and Futures Act", Chapter 289 of Singapore. This document was approved by Vontobel Pte. Ltd., which is licensed with the Monetary Authority of Singapore as a Capital Markets Services Licensee and Exempt Financial Adviser and has its registered office at 8 Marina Boulevard, Marina Bay Financial Centre (Tower 1), Level 04-03, Singapore 018981. This advertisement has not been reviewed by the Monetary Authority of Singapore. The fund is not authorized by the Securities and Futures Commission in **Hong Kong**. It may only be offered to those investors qualifying as professional investors under the Securities and Futures Ordinance. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution and if you are in doubt about any of the contents of this document, you should obtain independent professional advice. This document was approved by Vontobel (Hong Kong) Ltd., which is licensed by the Securities and Futures Commission of Hong Kong and provides services only to professional investors as defined under the Securities and Futures Ordinance (Cap. 571) of Hong Kong and has its registered office at 1901 Gloucester Tower, The Landmark 15 Queen's Road Central, Hong Kong. This advertisement has not been reviewed by the Securities and Futures Commission. 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 3rd Floor, 70 Conduit Street, London W1S 2GF 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, 3rd Floor, 70 Conduit Street, London W1S 2GF 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. Except as permitted under applicable copyright laws, none of this information may be reproduced, adapted, uploaded to a third party, linked to, framed, performed in public, distributed or transmitted in any form by any process without the specific written consent of Vontobel. 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