

Monthly commentary / 30.1.2026

Vontobel Fund – mtX Asian Leaders (ex Japan)

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

- Asia ex Japan equities enjoyed a strong start to the year with a return of +7.9% in January.
- The mtX Asian Leaders ex Japan (AL) fund returned +9.0% (gross of fees) during January.

Market developments

Asia ex Japan (AxJ) equities started the year where they left off in 2025 with a strong outperformance of both developed market and US equities. There were several tailwinds for AxJ equities during the month, including the weak US Dollar and a renewed optimism in the AI capital expenditure trade. Elsewhere the announcement of the incoming Fed chair, Kevin Warsh, prompted a mixed reaction regarding expectations of his approach. In general, most market participants seem to believe that he will try to deliver an easier rates policy than his soon to be predecessor. While geopolitics featured high on the news flow, particularly with the removal of President Maduro in Venezuela and President Trump's ambitions to acquire Greenland, this did not have much impact on the performance of AxJ markets.

Within the MSCI AxJ index, nine sectors finished the month in positive territory. The biggest winners for the month were information technology/IT, industrials and real estate, while energy and consumer staples were the only two sectors to finish the month in the red. From a country perspective, South Korea was the biggest winner for the month driven by the strong earnings and outlook delivered from the main memory supplies. India and Indonesia were among the worst performers for the month, the latter seeing strong outflows following reports that Indonesia may be downgraded to a frontier market by MSCI.

Portfolio review

Over the course of the month the strategy returned +9.0% (gross of fees), outperforming the benchmark return by +1.1%. Stock selection was the main driver of this outperformance for the month, particularly materials, financials and consumer discretionary. On the negative side, the portfolio had negative stock selection within IT and real estate. Sector allocation was also positive for the month, with the portfolio particularly benefitting from its zero exposure to consumer staples. From a country perspective, stock selection in China and South Korea were among the largest contributors to performance for the month, while stock selection in Taiwan was the largest detractor.

At the end of January, our portfolio comprised of 41 companies (42 holdings, with two holdings for Samsung Electronics). During the month, we added positions in Galaxy Entertainment Group (consumer discretionary, China) and SK Hynix

(IT, South Korea) while selling out of our position in Yadea Group Holdings (consumer discretionary, China).

Some of the salient points for performance in January are summarized below.

Performance analysis

IT: Samsung Electronics and TSMC were the top two contributors to performance during the month. In the case of Samsung, the company delivered a strong set of results during the month. Earnings are benefiting from the strong rise in the conventional memory price while the company also appears to be making good progress on the high bandwidth memory front. In addition, company management unexpectedly announced a bonus dividend, which was a positive surprise for the market. Materials: China Jushi was a strong contributor to performance during the month, returning over +25%. The company has benefitted from the strong rise in the price for glass fiber, with inventories expected to decline due to the supply discipline of manufacturers.

Financials: Kiwoom Securities started off life in the portfolio in a strong fashion, returning over +50% for the month. The stock has benefitted from the strong performance of the South Korean stock market, which was the clear winner in terms of performance during January. The South Korean government is now turning its 'value-up' focus to the country's small cap index, which partly explains Kiwoom's strong performance during the month as the small cap index has a high participation rate from retail traders.

Outlook

Asia ex Japan (AxJ) equities enjoyed a stellar 2025, buoyed by a depreciating US Dollar (USD), the arrival of China on to the global AI stage and improving corporate governance from AxJ corporates. Despite this solid outperformance of AxJ equities over their developed market and US counterparts, there are good reasons to believe the momentum can continue into 2026 including continued pressure on the USD, less expected dilution of future earnings and relative valuations that remain appealing. In addition, we believe that AxJ equities could benefit from investors seeking greater diversification in their equity portfolio, particularly at current levels where emerging market (EM) equity allocations are well below their long-term average.

Operations

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EM corporates are estimated to have posted solid earnings growth of +15% in 2025, which is significantly higher than the estimated +11% earnings growth in the developed world. From a country perspective, South Korea (+31%), Thailand (+19%) and Taiwan (+16%) are among the strongest in terms of expected earnings growth for 2025. China and India, the two largest countries in the index by market cap, are estimated to have generated lacklustre earnings growth in 2025 of -2% and +9% respectively.

Looking ahead into 2026, earnings growth is expected to remain solid for EM corporates with projections of +18%. This continues to compare favourably with both the US (+15%) and developed markets (+13%). EM Asia continues to stand out as attractive, with South Korea tipped to be the big winner in 2026 with an expectation of +51% EPS growth, driven by the large memory suppliers.

Profitability margins, such as return on invested capital, held up well for the average company in the MSCI EM index during 2025 (c.+7%) and are effectively in line with expectations for developed market corporates, albeit lower than US corporates (c.+11%).

Momentum

During the past three months, analyst earnings expectations for EM corporates increased for 2026 by +1.1%. This contrasts with the developed world where earnings expectations were revised upwards by +1.3%, led by Japan (+2.3%) and the US (+1.4%).

Within EM Asia, South Korea (+1.5%) and Taiwan (+1.4%) were the standouts when it comes to the largest positive revisions during the past three months.

Valuation

Despite the significant outperformance of EM equities over developed market equities during 2025, EM equities continue to look very attractive on a relative basis. EM equities are trading on a multiple of 13.3x for 2026 earnings. In comparison, developed market equities are trading at 19.9x for 2026 earnings. Relative valuation is even more attractive when compared to US equities, which are trading at even higher multiple levels (22.3x).

On a Shiller P/E basis (the cyclically adjusted price to earnings ratio that adjusts ten years of earnings for inflation), AxJ equities continue to trade at a significant discount to developed market equities. We believe this is a powerful signal that long term investors should consider.

Within EM Asia, South Korea (9.6x) continues to stand out as relatively attractive while India continues to look expensive trading at 22.7x for 2026 earnings.

Growth

Real gross domestic product (GDP) expectations for EM economies remain strong with the International Monetary Fund (IMF) estimating that EM and developing economies

will grow by +4.0% in 2026. In comparison, expected real GDP growth for 2026 in the developed world is +1.6%. The strongest growth in real GDP expectations for 2026 comes from EM Asia with economies such as India (+6.2%) and China (+4.2%) expected to grow the fastest.

Risk

Are we at risk of an AI bubble burst? Markets have become increasingly concerned about the potential of an AI bubble, particularly given the increasing use of debt to finance investments and the circularity of deals within the AI ecosystem. A bursting of an AI-induced bubble would of course be a significant negative for global equity markets, including tech-heavy EM markets such as Taiwan and South Korea.

Can we finally forget about tariffs in 2026? There is a consensus view that the issue of tariffs was settled during 2025.

While this may be the case, there is a risk that the Trump administration continues to use tariffs as a bargaining chip with its main trading partners, threatening existing agreements.

Inflation and direction of the USD: The Federal Reserve (Fed) is expected to gradually reduce interest rates during 2026.

The appointment of a new Fed Chair by President Trump also adds weight to this view that rates are set to come down more during the year ahead. However, inflation has been stubborn and there is a risk that the Fed has limited room to cut much further. This type of scenario could add support to the USD and provide a headwind for EM equities.

Recession in the US: While the macro data suggests the US economy remains resilient, albeit with a weakening job market, a significant deterioration in the data that shows the US economy is in danger of falling into a recession would be a big concern for global equities.

Geopolitics: From the continuing conflict in Ukraine to the ousting of President Maduro in Venezuela, the global geopolitical situation can be described as volatile. Increased geopolitical tensions could prove to be a negative for EM equities.

Are China's stimulus plans enough? Chinese stimulus measures continue to be an issue to watch given the sluggish macro data.

Flows

There was approx. +\$31bn of flows into EM equities during 2025 according to estimates from JP Morgan. While the vast majority of these flows went into ETFs, an uptick of flows into non-ETFs was noted towards the end of the year, which is consistent with JP Morgan's view that 2026 could be a good one for flows into active strategies.

We believe there is potentially a long runway ahead for flows into EM equities given that the average global investor's allocation to EM equity continues to be significantly underweight, with recent analysis from JP Morgan estimating this is 1.5% lower than the 10-year average EM allocation .

Fund characteristics

Fund name	Vontobel Fund – mtX Asian Leaders (ex Japan)
ISIN	LU0384410279
Share class	I USD
Reference index	MSCI All Country Asia (ex Japan) TRN to 5.5.2025, MSCI AC Asia ex Japan Index 10/40 TRN USD thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	9.3%	7.9%	2025	33.2%	31.3%
YTD	9.3%	7.9%	2024	10.3%	12.0%
1 year	45.8%	41.2%	2023	5.6%	6.0%
3 yrs p.a.	15.1%	15.8%	2022	-24.2%	-19.7%
5 yrs p.a.	3.4%	4.3%	2021	-4.2%	-4.7%
10 yrs p.a.	11.3%	10.2%	2020	26.4%	25.0%
ITD p.a.	11.5%	10.3%	2019	18.8%	18.7%
			2018	-16.4%	-14.8%
			2017	55.6%	41.7%
			2016	5.5%	5.4%

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

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- 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.
- Investments in Chinese A-Shares are subject to changes in political, economic and social conditions in China as well as changes in the policies of the PRC government, laws and regulations.
- 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.
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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