

Monthly commentary / 31.3.2026

## Vontobel Fund – Emerging Markets Corporate Bond

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

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### Market developments

March marked the first month of the Iran war, which resulted in a broad-based market selloff.

The blockade of the Strait of Hormuz triggered a sharp spike in oil prices that fundamentally changed the outlook for the global economy and asset prices. The market reaction has been significant but relatively contained, considering that this is the largest disruption to global oil supply in history (approximately 13-15% after considering oil rerouting via pipelines). The magnitude of the disruption is poised to be reduced in April, with the release of 400 million barrels from global stockpiles agreed by the International Energy Agency and its members but given its daily pace of about 3.3 million barrels, it's not enough to compensate for the supply shortage. Brent oil prices rose to a peak of USD 118 per barrel at the end of March but declined to USD 101 per barrel on April 1 as US President Donald Trump communicated his intention to withdraw from Iran during the next two to three weeks even if the Strait of Hormuz remains effectively closed. European gas prices rose by 59% on the month to its highest level since January 2025, yet well short of the levels seen in 2022.

10-year US Treasury yields rose by 38 basis points (bps) in March to 4.3%, the highest level since July 2025 and the largest one-month jump since December 2024. German 10-year yields rose by a similar 36bps to 3% while UK 10-year gilts sold off even more with yields rising 68bps to 4.9%. By the end of March, the market was only pricing in a 14% probability of a rate cut by the US Federal Reserve by December. Chair Jerome Powell said they believe their "policy is in a good place for us to wait and see". Meanwhile, markets are pricing in almost three hikes by the European Central Bank (ECB) by year-end. The effects of higher oil prices on European inflation would likely be larger given the continent's dependence on energy imports, but three hikes appear exaggerated to us despite the relatively more hawkish statements by ECB officials. Preliminary March inflation data for the Eurozone showed consumer prices rising by 1.2% month on month, which resulted in annual inflation accelerating to 2.5%, up from 1.9% in February.

The dollar's safe haven properties, which had failed to materialize on Liberation Day, reasserted themselves in March, with the US Dollar Index (DXY) rising by 2.4%. Global equities

(MSCI World) dropped by 6.6%, with emerging-market (EM) equities (MSCI EM) down by 13.3%. EM hard-currency bond indices were relatively resilient.

EM hard-currency sovereign bonds (EMBIG Div) dropped 3.3% in March. Of this decline, 1.9% was explained by the rise of US Treasury yields, while 1.4% was explained by spread widening. High-yield (HY) issuers underperformed due to the spread widening with HY sovereigns dropping by 3.6% while investment-grade (IG) sovereigns dropped by 2.9%. Despite being in the eye of the storm, Middle East sovereigns performed slightly better than EM Europe, dropping 3.9% vs 4%. This highlights a key difference of this war-related risk off event when compared to 2022. Most Gulf countries are very high-quality issuers with plenty of buffers to cope with the disruption of their oil supplies, despite their large oil dependency. Latin America was the best-performing region of the month with bonds dropping by 2.4% on average. The region is not only far away but is also home to a number of energy-exporting countries such as Brazil, Colombia, Ecuador, Argentina (net exporter since 2024), Trinidad, Suriname, and Venezuela.

Oil and gas exporting countries outside the Gulf were among the best-performing sovereigns in March. Venezuela's defaulted bonds (+7.6%) were once again the best-performing. Other oil exporters such as Gabon (+2.1%), Angola (-0.3%), Papua New Guinea (-0.5%), Colombia (-1.2%), Trinidad and Tobago (-1.2%), and Cameroon (-1.3%) were also in the top 10. In Venezuela's case, we think that the debt restructuring is likely too far off for bondholders to reap any of these benefits though. Gabon officially requested an IMF program, which also help the credit. The Maldives (0%) was the third-best performing, as its only benchmark bond matures on April 8, and the country now counts with sufficient FX reserves to repay the bond. Colombia also benefitted from a better-than-expected performance of the traditional right-wing party, Centro Democrático, in the primary presidential elections. The party has been rising in the polls against the far-right candidate Abelerdo De La Espriella, and opinion polls indicate that her candidate, Paloma Valencia, would have a good chance at defeating the far-left candidate from the governing coalition, Iván Cepeda, in a runoff election. Lebanon's defaulted bonds (-19%) were the worst-performing.

Israel's decision to invade Southern Lebanon and bomb Hezbollah across the country is likely to result in a significant postponement of economic reforms and debt restructuring and likely result in lower recovery values amid reconstruction needs. Senegal (-11.6%) was the second-worst performer, giving back the gains of the previous month despite the country managing to repay its amortizations timeline in March. Investors have become less sanguine regarding Senegal's ability to obtain an International Monetary Fund (IMF) program without restructuring external debt first. Low-rated oil importers such as Sri Lanka (-8.1%), Zambia (-6.7%), Kenya (-6.5%), and Egypt (-5.8%), were all among the worst 10 performers on the month. Ukraine (-11.2%) was the third-worst performing sovereign. Ukraine (-11.2%) was the third-worst performing sovereign of the month. Hungary's Viktor Orban (who's heading for elections on April 12 and may lose his PM position according to the latest polls) has blocked the EU's disbursement of the first tranche of the agreed EUR 90 billion loan. Moreover, Ukraine failed to meet its end-March structural benchmarks required to obtain the first tranche of its new IMF program approved in February, which included a number of tax reforms to be passed by the parliament. Finally, Mozambique (-10.5%) was the fourth worst-performing sovereign in March, despite being a gas exporter that should benefit from the war in Iran. The latest IMF assessment classified Mozambique's public debt as unsustainable under the current fiscal policy path, a large public wage cut and currency devaluation are needed, but the government is quite unpopular and therefore reluctant to implement these measures. Moreover, the Mozal aluminum smelter, which is important for the country's exports and employment, shut down indefinitely amid failure to reach a new long-term electricity price agreement. Hard-currency corporate (CEMBI BD) bonds dropped 1.8% in March. Their performance was significantly better than its sovereign counterpart (EMBIG Div) due to its much shorter duration. 1.3% of the index decline was due to higher US Treasury yields, and only 0.6% was explained by higher spreads. IG bonds fared slightly worse dropping by 1.9% while HY bonds fell 1.7%. On a regional basis, Middle East and Europe were the worst performing dropping by 2.6% in both cases, while Asia and Africa outperformed with a -1.5% return. On a sectoral basis, diversified companies (-1.3%), financials (-1.4%), and oil & gas (-1.4%), posted the best performances, while real estate (-4.4%) and transportation (-3.5%) posted the worst results on the month. The real estate decline was influenced by the decline in the Middle East and particularly UAE's real estate sector, which has been severely affected, and transportation due to airline disruptions in the region as well as margin compression at a global level due to much higher fuel prices.

In the Middle East, market dynamics were largely dominated by the escalation of the Iran conflict. Dubai real estate came under significant pressure, with bonds correcting sharply on concerns around demand, project delays, and potential cancellations. However, underlying fundamentals remain relatively solid, with issuers such as Binghatti maintaining strong liquidity profiles and good pre-sales visibility. In parallel, authorities acted proactively, with the UAE announcing a substantial financial resilience package to support the banking system and broader market stability. In energy, the surge in oil prices supported upstream credits, although operational

disruptions also emerged, with companies such as Energean suspending production in Israel due to security concerns. Türkiye, corporates continued to face a challenging backdrop, with weak operating performance across several sectors (notably consumer and electronics) and ongoing currency and inflation pressures. At the same time, selected credits showed resilience, including Orlen, whose diversified business model and conservative leverage underpin its investment-grade rating. In Africa, the rating upgrade of Liquid Telecom reflected improving refinancing visibility, while elsewhere the sector continued to benefit from stronger commodity dynamics. In EM Europe, airlines came under pressure as higher fuel costs weighed on margins, with Air Baltic facing liquidity constraints and entering restructuring discussions, highlighting the vulnerability of the sector in the current environment.

In Latin America, credit trends remained mixed. The energy sector was a key beneficiary of higher oil prices, supporting performance across upstream names and driving continued corporate activity, including M&A developments in Colombia. In Brazil, CSN announced a USD 1.2 billion secured lending with potential to increase to USD 1.4 billion to refinance short term debt. The new syndicated loan will be collateralized by the cement subsidiary and the steel assets in Europe. Policy support for the petrochemical sector and improving crack spreads provided a tailwind for credits such as Braskem. However, weaker credits continued to face liquidity challenges, as illustrated by Frigorifico Concepcion's downgrade amid ongoing cash burn and constrained market access.

#### Portfolio review

We were actively adjusting positions, with multiple relative value trades as prices shifted sharply amid reversals in sentiment following evolving rhetoric on the state of the conflict. Overall, we reduced our exposure to Türkiye, especially as corporate names proved more resilient than the sovereign. As a result, it made sense to us to trim some corporate exposure, including sales of Zorlu Energy and ACG, among others. We also took CDS protection in Türkiye at the start of the conflict, which we removed toward the end of the month as spreads had widened significantly and it became increasingly clear that the US was seeking an exit from the conflict. We also reduced exposure to subordinated financials in the Middle East, as they did not correct much given the generally strong credit quality of these names. However, in the event of a prolonged conflict, we would expect further correction, while a resolution could lead to renewed issuance from those names. We participated in some of the new issues that came to market, such as Sasol or Salmon Group, and added exposure to oil-importing sovereigns that had corrected significantly, including Romania and Pakistan. Separately, we reduced exposure to certain oil-related names that had rallied strongly, like Kosmos, and reallocated into names that had not rallied or had even corrected. We found Gran Tierra Energy interesting again and purchased a block of Constellation (COSHSA). We also sought opportunities in higher-beta names that had corrected but should remain largely unaffected by the conflict in the Middle East, such as Indonesian power producer Minejasa Capital and West China Cement. We believe the fund is well positioned heading into April. The fund's overall yield is now nearly 1% higher than a month ago, at around 8.5%, with an average BB rating and a duration of approximately 4.3.

**Performance analysis**

In March, the fund had a negative total return of 1.74%, outperforming the benchmark by 9bps. A number of factors have contributed to the small relative positive relative performance over the month. First of all, we had a small underweight in overall rates exposure. We also hedged our Türkiye overweight using CDS, mitigating the impact of the correction. We believed the market was too bearish on oil for the future, in which is why we went into an overweight position for oil-related names. Finally, some of the idiosyncratic names moved up, further contributing to the outperformance. On the negative side, our exposure to real estate in the Middle East contributed negatively, as did our overweight in Türkiye. In terms of individual contribution to the performance, Middle East real estate developer Binghatti had the most negative contribution of around 10bps. On the positive side, Kosmos Energy had another excellent month. Braskem and Raizen also stand out as positive contributors.

**Outlook**

We believe EM fixed income represents an interesting investment opportunity in the current uncertain environment. EM corporates have demonstrated the characteristics of a lower-risk asset class within the broader EM fixed income universe,

due to their lower interest-rate sensitivity and broad diversification. We believe that maintaining shorter duration makes sense given the uncertain outlook. Apart from duration, diversification away from the US is poised to remain an important consideration for many investors once the conflict ends, and we therefore expect flows into the asset class to resume strongly. Additionally, we believe higher oil prices should be a net positive for many EM countries, particularly when excluding Asia. While most investors may favor sovereigns over corporates, we believe that corporates currently offer an attractive pickup relative to many sovereigns, especially in the HY space, and even more so when adjusting valuations for shorter duration. Corporates have not yet experienced the same level of inflows as sovereigns, whether in hard or local currency. When combined with generally resilient fundamentals and the opportunity for active credit selection, we believe EM corporates deserve a place in a well-diversified portfolio. Finally, within corporates, we believe there is ample opportunity for diversification. Oil producers stand out (although many are approaching call prices, which may limit price upside) but other industries could also prove resilient in the face of conflict. In particular, we believe some of the infrastructure bonds and telecom companies could be resilient as well.

**Fund characteristics**

|                        |   |
|------------------------|---|
| <b>Fund name</b>       | Vontobel Fund – Emerging Markets Corporate Bond |
| <b>ISIN</b>            | LU1305089796                                    |
| <b>Share class</b>     | I USD   |
| <b>Reference index</b> | J.P. Morgan CEMBI Broad Diversified             |
| <b>Inception date</b>  | 13.11.2015                                      |

**Historical performance (net returns, in %)**

| <b>Time period</b> | <b>Fund</b> | <b>Ref. index</b> | <b>Time period</b> | <b>Fund</b> | <b>Ref. index</b> |
|--------------------|-------------|-------------------|--------------------|-------------|-------------------|
| MTD                | -1.7%       | -1.8%             | 2025               | 8.3%        | 8.7%              |
| YTD                | -0.1%       | -0.2%             | 2024               | 10.4%       | 7.6%              |
| 1 year             | 5.8%        | 5.9%              | 2023               | -3.5%       | 9.1%              |
| 3 yrs p.a.         | 5.3%        | 7.6%              | 2022               | -14.7%      | -12.3%            |
| 5 yrs p.a.         | 0.0%        | 2.6%              | 2021               | 4.6%        | 0.9%              |
| 10 yrs p.a.        | 5.1%        | 4.4%              | 2020               | 5.8%        | 7.1%              |
| ITD p.a.           | 5.7%        | 4.4%              | 2019               | 15.6%       | 13.1%             |
|                    |             |                   | 2018               | -0.6%       | -1.6%             |
|                    |             |                   | 2017               | 16.2%       | 8.0%              |
|                    |             |                   | 2016               | 22.8%       | 9.7%              |

**Past performance is not a reliable indicator of current or future performance.**

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**Investment risks**

- 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.
- 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](https://vontobel.com/sfdr).

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Vontobel Asset Management AG  
Gotthardstrasse 43, 8022 Zürich  
Switzerland  
T +41 58 283 71 11  
[info@vontobel.com](mailto:info@vontobel.com) | [vontobel.com/am](http://vontobel.com/am)

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