

Monthly commentary / 30.1.2026

Vontobel Fund – Emerging Markets Debt

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

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Market developments

January was eventful, beginning with the capture of Venezuela's President Nicolás Maduro and the implementation of US President Donald Trump's version of the Monroe Doctrine, dubbed the Donroe Doctrine. Maduro was replaced by Vice President Delcy Rodríguez, who has cooperated with the US, including releasing political prisoners and approving a new hydrocarbon law favorable to foreign investment. Trump linked his Greenland threats to failing to win the Nobel Peace Prize, weakening the US dollar. The US Dollar Index (DXY) fell 1.4% in January but rebounded slightly in early February after Trump nominated Kevin Warsh as US Federal Reserve (Fed) chair, a more hawkish choice than many had expected. US 10-year Treasury yields rose 7 basis points (bps), while German Bund yields were stable.

Global equities (MSCI World) rose 2.2% in January despite heightened volatility, with emerging-market (EM) equities (MSCI EM) gaining 8.8%, while the S&P 500 lagged peers, gaining only 1.4%. Commodities were volatile; precious metals climbed most of the month but corrected sharply after Warsh's nomination, raising doubts about the crowded de-basement trade. Oil surged, with Brent futures closing above USD 70 per barrel, up 16.2% for the month. The rally was partly driven by the temporary closure of Kazakhstan's Tengiz oil field, removing nearly 1 million barrels per day (~0.9% of global output). Protests in Iran and Trump's threats of military action likely had a greater impact, as oil prices fell significantly in early February when Trump delayed an attack.

Several oil-related issuers took advantage of the favorable market conditions this month. Sovereign issuers included Ecuador, which launched a heavily oversubscribed USD 4 billion deal, and Cameroon, which issued a private placement. Angolan state oil company Sonangol debuted with a USD 500 million bond. On the corporate side, Kosmos (Ghana) called its 2026 bonds, partially tendered 2027 securities, and issued a secured 2031 note. Azul Energy (Angola) issued a record USD 1.5 billion dual-tranche bond with strong demand. Near month-end, Gran Tierra Energy (Colombia) launched a coercive exchange offer for its 2029 bonds, extending maturity to 2031.

In the Russian-Ukrainian war, a peace deal remains elusive even amid ongoing US-brokered trilateral talks in Abu Dhabi.

Despite the conflict, Ukrainian poultry producer MHP issued a new bond that was oversubscribed and performed well in the secondary market, rising three points by month-end.

EM fixed income indices performed well on the month: Hard-currency sovereign bonds (EMBIG diversified) rose by 0.7%. The performance was entirely driven by high-yield (HY) bonds rallying 1.5%, while their investment-grade (IG) counterparts were down 0.1% amid the rise in US Treasury yields. Latin America led monthly gains (+1.6%), largely driven by Venezuela's defaulted bonds, which surged 29.8% after President Maduro's capture. However, current bond prices reflect a market that appears optimistic regarding the timing of a restructuring and recovery values. We believe a restructuring anytime soon would be rather improbable and future oil cash flows must be discounted at a high exit yield (we assume 12%). Argentina (+3.9%) and Ecuador (+3.7%) ranked fifth and sixth among sovereign performers. Argentina secured a USD 3 billion repo with international banks to repay part of USD 4.3 billion in Eurobond amortizations due in January. Ecuador issued USD 4 billion in Eurobonds, the first issuance since 2019 after losing market access and restructuring debt in 2020. Three-quarters of the issuance repurchased most 2030 bonds and some 2035 bonds, reducing gross financing needs for 2026–2030. Strong demand for Ecuador bonds suggests Argentina might issue an even larger amount this year, though Finance Minister Luis Caputo stated they have "no intention of going to international markets" while cheaper sources of external financing exist.

Defaulted Lebanese bonds (+25.7%) were the second-best performing sovereign bonds. Protests in Iran and a more aggressive US military stance may weaken Hezbollah's government influence, potentially accelerating reforms toward debt restructuring. Sri Lankan bonds (+7%) also performed well in January. An International Monetary Fund (IMF) mission to Colombo confirmed authorities' commitment to fiscal and debt sustainability. Although a temporary fiscal deficit increase is expected in 2026 to fund reconstruction after cyclone Ditwah's destruction last year, the IMF is likely to allow flexibility within its program.

Africa (0.0%) lagged behind other regions, but two countries where we have overweight positions ranked in the top 10. Gabonese bonds surged 9.7% after the country announced

plans to negotiate a new IMF program, with an IMF staff mission scheduled this month. Gabon is also negotiating a USD 500 million World Bank loan. Foreign-exchange (FX) reserves of the CEMAC currency union, which includes Gabon, Cameroon (+1.1%), and the Republic of Congo (+4.8%), likely recovered strongly following a Eurobond issuance by the Republic of Congo last November and a Eurobond private placement by Cameroon in January. This recovery should improve Gabon's ability to repay external debt, as reserves are pooled within the union. In Mozambique (+2.1%), TotalEnergies lifted force majeure and resumed construction of its USD 20 billion liquefied natural gas (LNG) project after nearly five years of delay due to terrorist activity and security concerns in the Cabo Delgado region.

Ethiopia's defaulted bond (-1.5%) was the worst-performing sovereign in January. The official creditor committee rejected the restructuring terms agreed upon by the ad hoc bondholders' committee and the sovereign, citing a failure to meet the comparability of treatment principle. Consequently, the committee decided to pursue legal action in English court. In the Middle East, Egypt (-1.2%) and Bahrain (-1.2%) also underperformed, likely due to US military threats against Iran. Additionally, several IG sovereigns with long-duration bonds underperformed due to higher US Treasury yields.

In January, four sovereigns were upgraded, with none downgraded. Moody's upgraded Kenya to B3, citing low short-term default risk. Kenya's FX reserves are near all-time high, supported by a lower current account deficit driven by strong tourism, remittances, and goods exports, despite worsening fiscal accounts. The country is also negotiating a new IMF program. Moody's upgraded Ecuador to Caa1 after it issued USD 4 billion in bonds. Fitch raised Bolivia to CCC amid reduced restructuring risks due to eased political constraints, new multi-lateral financing, and the removal of fuel subsidies. S&P upgraded Ukraine to CCC+ from selective default following the restructuring of the Ukrainian GDP warrant.

The supranational Afreximbank was downgraded to HY by Fitch before the financial institution terminated their relationship with the rating agency. The downgrade followed Afreximbank's agreement to provide debt relief to Ghana, aligning with official creditors and confirming it lacks senior creditor status.

Portfolio review

The average credit risk of the portfolio decreased slightly but remained at BB+, which is now the same rating as the benchmark. From a regional perspective, we increased our overweight position in Africa and reduced our underweight position in the Middle East, while further increasing our underweight in Latin America and Asia and slightly reducing our overweight in Europe. In Africa, we tactically added bonds in Ghana, Zambia, Senegal, and Benin, while partially taking profits in Cameroon following strong performance. In the Middle East, we added exposure to Lebanon in early January, anticipating that more aggressive US foreign policies in the region and positive contagion from Venezuela will boost valuations. On the IG side, we increased quasi-sovereign exposure in the UAE and sovereign bonds in Kuwait. In Europe, we reduced corporate and quasi-sovereign exposure in Kazakhstan, decreased our overweight in Bulgaria, shifted from neutral to underweight in Romania after strong performance, and sold our

holdings in Kyrgyzstan. In Asia, we exited our position in Pakistan. In Latin America, we tendered Ecuador's 2030 bonds while tactically adding the 2035 bonds, expecting further curve steepening following successful issuance and liability management. Regarding curve trades, we switched to longer bonds in Saudi Arabia, Pemex, and South Africa as curves steepened, while going shorter in Angola and Colombia. We also switched from Ukraine A (conventional) bonds to C bonds (new defensive bonds with stronger indenture).

Performance analysis

The fund outperformed its benchmark by 0.53% in January (net, I share class). Both the country allocation and security selection were positive contributors, while our slight duration overweight detracted marginally from performance. Our allocations in Africa were the largest contributors, particularly our overweight position in Gabon, where spreads tightened significantly after the country informed investors of its intention to pursue an IMF program. Our overweight positions in the Republic of Congo and Cameroon also contributed significantly, as did our bond selection in Ivory Coast (predominantly euro-denominated) and Ghana (Kosmos Energy). Our underweight positions in Egypt and Bahrain were positive contributors as well, as these two countries experienced some spread widening due to US threats to Iran. In Latin America, the fund gained relative performance thanks to our overweight positions in Colombia, Argentina, and Brazil, as well as our bond selection in these three countries. Additionally, our overweight position and corporate bond selection in Turkey were positive contributors. On the negative side, the two main detractors from relative performance were our underweights in Venezuela, where we remain uninvested, and Lebanon.

Outlook

We remain constructive on EM fixed income as we have a positive outlook on risk assets overall. A softer US dollar environment tends to support EM assets, particularly local-currency bonds, which benefit directly from favorable currency valuation effects and from the disinflationary impact of stronger EM currencies. This dynamic is expected to generate additional capital gains. Additionally, external debt benefits from a weaker dollar through improved investor sentiment and enhanced debt affordability.

Accommodative fiscal policies in several major economies are also likely to be supportive of EM economies and risk assets in general. In the US, President Trump is expected to prioritize affordability and aim to keep the economy as healthy as possible before the midterm elections. In Japan, fiscal stimulus is a central component of the new prime minister's agenda, while in Europe, fiscal spending will increase due to the need to boost defense. Finally, China is also likely to increase spending in order to achieve its growth targets and shift from an export-led model to a more sustainable, consumption-based growth model.

We believe that the diversification trade remains intact, even after Kevin Warsh's nomination as Fed chair. The most speculative aspect of the so-called debasement trade (fears of prolonged higher US inflation and severe dollar depreciation) may have been challenged, as seen in the correction of gold and silver prices. However, the unpredictability of US foreign and trade policies has recently worsened, leading to further erosion of trust among foreign partners and global firms.

We see potential risks of further steepening in the US Treasury yield curve due to fiscal stimulus measures implemented by several developed countries. We believe this environment places EM corporate bonds in a favorable position because of their lower interest rate sensitivity. Fundamentally, EM corporates appear to be in a strong position, especially as the quality of sovereign issuers has improved significantly, if the consistent trend of sovereign credit rating upgrades is any indication.

We expect inflows into EM fixed income to continue through 2026. This asset class experienced three consecutive years of outflows from 2022 to 2024, suggesting that global asset allocators remain underweight in EM fixed income. Combined with the positive outlook described above, this should lead to

ongoing inflows, in our view. Moreover, it is not only additional demand for EM bonds that is expected to increase; supply is likely to be lower as well, particularly from sovereign issuers. External financing needs are expected to decline on aggregate due to a series of proactive liability management exercises conducted over the past 12 months, which have reduced short-term amortizations. Additionally, lower fiscal deficits among most HY countries, many of which have been implementing multi-year austerity measures under the guidance of IMF programs, contribute to this trend. We believe this strong technical backdrop is likely to support spreads, despite the fact that they are already tight relative to historical levels.

Fund characteristics

Fund name	Vontobel Fund – Emerging Markets Debt
ISIN	LU0926439729
Share class	I USD
Reference index	J.P. Morgan EMBI Global Diversified Index
Inception date	15.5.2013

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	1.2%	0.7%	2025	14.9%	14.3%
YTD	1.2%	0.7%	2024	13.8%	6.5%
1 year	14.5%	13.4%	2023	14.3%	11.1%
3 yrs p.a.	12.8%	9.7%	2022	-19.9%	-17.8%
5 yrs p.a.	4.2%	2.1%	2021	1.0%	-1.8%
10 yrs p.a.	6.0%	4.5%	2020	1.4%	5.3%
ITD p.a.	4.6%	3.7%	2019	14.8%	15.0%
			2018	-6.5%	-4.3%
			2017	17.0%	10.3%
			2016	12.7%	10.2%

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

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- 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.
- 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 creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.

- 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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