Quarterly commentary / 31.3.2026

Vontobel Fund – Green Bond

Marketing document for institutional investors in: AT, CH, DE, ES, FR, GB, IT, LI, LU, NL, PT, SE, SG (Professional Investors only).

Market developments

The first quarter of 2026 was packed with tension and volatility, with investors forced to keep up with a steady stream of fast-moving developments. January opened with dramatic headlines as US forces captured Venezuela's President Nicolás Maduro and his wife to face charges that included narco-terrorism. Soon thereafter, US President Donald Trump ramped up his rhetoric about the need for the US to control Greenland for national security reasons, demanding that Denmark hand it over. The dispute culminated in Trump threatening a 10% punitive tariff on goods from European countries opposing the move. That threat was later walked back amid a "framework" for a potential future deal, though details were scarce.

The Trump administration also became more forceful in its public pressure on the US Federal Reserve and Chair Jerome Powell, with subpoenas linked to the latter's congressional hearing related to renovations at the Fed, leading to investor concern about Fed independence and erosion of trust in US institutions. Rumors began circulating that Kevin Warsh would be nominated as the next Fed chair, a prospect that markets interpreted as potentially less supportive of aggressive rate cuts. Precious metals quickly reversed some of their gains, and speculative trading across global metals markets, especially in China, added further volatility. The White House ultimately formally nominated Warsh to succeed Powell.

All the while, tensions in and with Iran were rising in the background. Unrest gripped Iran amid protests against the government's failure to manage a currency crisis that caused a surge in inflation, which was then met with a violent crackdown. Trump also ramped up his rhetoric toward Iran by the end of January.

February provided no respite for markets. Early in the month, markets were rattled by an "AI scare trade," as investors reassessed the long-term implications of advances in artificial intelligence (AI). The sell-off began in software companies but quickly spread to adjacent sectors amid mounting concerns that AI could disrupt existing business models across a wide swath of the economy. Mid-month, politics stepped into the limelight again. The US Supreme Court struck down Trump's tariff framework, and within days, the administration announced new global tariffs, first 10%, then 15%, to be applied broadly across trading partners.

Diplomatic negotiations over Tehran's nuclear program dragged on through February, with military threats from Washington raising concerns about the prospect of war. Energy markets began reacting well before open conflict erupted, with oil prices climbing as traders priced in the risk of supply disruptions in the Middle East. By late February, after months of mounting tension over Iran's nu-clear program, the US and Israel launched strikes on Iranian targets, triggering a wider regional confrontation as Iran retaliated against targets in Gulf countries. Iran also attacked shipping and energy infrastructure and effectively shut down traffic through the Strait of Hormuz, one of the world's most important energy chokepoints. Roughly 20% of global oil shipments normally pass through the Strait, meaning even temporary disruptions quickly reverberate across global energy markets. Brent crude surged from roughly USD 70 earlier in the quarter to above USD 100 per barrel as shipping traffic collapsed and tankers were forced to halt transit through the Persian Gulf.

By early March, the conflict escalated into what the Inter-national Energy Agency described as the largest oil supply disruption in history, forcing governments to release strategic petroleum reserves in an attempt to stabilize prices. The US and Iran escalated rhetoric around the closure of the Strait of Hormuz, and attacks and tensions were ongoing at the end March.

In January, the Fed paused rate cuts for the first time since July 2025 after three consecutive reductions. Policymakers signaled no urgency to ease further and emphasized a data-dependent approach despite political pressure. But investors were faced with a reversal in rate expectations as the war in Iran raised questions about economic growth, as high oil prices pushed inflation risks back to the forefront. The Fed remained on hold at its March meeting. We believe the general direction still points toward rate cuts, but that the timing has been pushed back.

Elsewhere, heavy AI-driven capital expenditure by tech hyperscalers is increasing investment-grade bond issuance, and although demand remains strong, the larger supply pipeline could gradually push credit spreads wider, especially if liquidity or risk sentiment weakens.

We also observed a more challenging backdrop for credit since the start of the war, driven by higher oil prices, rising uncertainty, and changing rate expectations. In addition, parts of the private credit market are exhibiting stress (through tighter lending terms, weaker liquidity, or isolated credit events) that may be worth keeping an eye on.

The US yield curve got flatter, as yields on 2-year Treasuries

increased by 32 basis points (bps) while 30-year Treasury yields rose by 8bps. This movement resulted in a flatter US Treasury curve, with a 24bps decrease in the spread.
The Japanese and German yield curves also experienced upward shifts across all maturities. Yields on 2-year to 30-year Japanese Government Bonds (JGBs) increased by 18bps to 46bps, while German Bund yields rose by up to 49bps.

Portfolio review
In the first quarter, we did not change the overall positioning of the fund.
We still maintained an average implied temperature rise (ITR) well below 1.5 degrees Celsius for the corporate portion of the fund, which represents more than 81% of the overall portfolio. Consistent with the fund's objective to maximize avoided CO2 emissions, we continue to favor green bonds within the utility and energy sectors, where we have identified the most impactful projects.

Performance analysis
In the first quarter of 2026, the Vontobel Fund – Green Bond reported an absolute return of -1.18%, underperforming its benchmark during the period. The primary factor contributing to this underperformance was the fund's overweight position in credit exposure, as widening risk premiums on corporate bonds reflected heightened geopolitical uncertainty. Additionally, the fund's overweight duration exposure in the mid-range of the yield curve further detracted from relative performance, as rising energy prices fueled inflation concerns, driving yields higher.

Outlook
We currently believe that there will be enough of a de-escalation for the Strait of Hormuz to reopen even if the conflict isn’t resolved and we maintain a positive macroeconomic outlook. But the current situation highlights a set of emerging risks to that base case. We’re also observing that many companies emphasize their minimal direct exposure to the Middle East, but we find that misses the point. The global economy is interconnected, and one clear example is energy: oil and gas. Even without direct exposure to the region, there is still indirect exposure through energy markets. On top of that, an economic crisis in the Gulf may not necessarily impact global growth, but it could negatively affect capital markets. We believe this second-order effect shouldn’t be underestimated.
The war also complicates matters for central banks. Many had been easing or pausing rate cuts, but surging energy prices now cloud the path ahead. Fed Chair Powell acknowledged that higher energy costs will push overall inflation higher and that nobody knows the economic impact of the war. The challenge is even more acute for the European Central Bank, considering Europe’s energy dependence. Rising oil prices increase economic uncertainty and inflation risks.

Fund characteristics

Fund name	Vontobel Fund – Green Bond
ISIN	LU0278087357
Share class	I EUR
Reference index	Bloomberg MSCI Global Green Bond Index (EUR hedged)
Inception date	3.5.2007

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	-3.0%	-2.6%
YTD	-1.2%	-0.8%
1 year	1.5%	1.7%
3 yrs p.a.	2.0%	2.7%
5 yrs p.a.	-2.8%	-2.2%
10 yrs p.a.	-0.1%	-0.1%
ITD p.a.	2.5%	2.6%

Time period	Fund	Ref. index
2025	1.7%	2.0%
2024	1.5%	2.1%
2023	6.3%	7.1%
2022	-19.4%	-19.0%
2021	-3.2%	-3.0%
2020	6.0%	5.1%
2019	8.0%	6.9%
2018	0.4%	0.9%
2017	1.5%	0.2%
2016	2.6%	3.3%

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.

Since fund inception until 9.3.2021, the fund had different characteristics and performance was achieved under circumstances that no longer apply.

Investment risks

- Asset-backed and mortgage-backed securities, and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
- 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.

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