Monthly commentary / 27.2.2026

Vontobel Fund – Emerging Markets Corporate Bond

Market developments

Emerging-market (EM) assets performed well in February, supported by favorable global macroeconomic conditions and a rotation away from artificial intelligence (AI) and US assets toward international markets. However, the rally faced challenges in March following the outbreak of with Iran.

In February, global core rates declined, with US 10-year yields falling 30 basis points (bps) to 3.9%. UK 10-year gilt yields similarly dropped to 4.2%, and 10-year Bund yields fell 20bps to 2.6%. This reflected better-than-expected US inflation data and a likely flight to safety ahead of the anticipated attack on Iran. In the US, January consumer prices rose 0.2% month-over-month, down from 0.3% the previous month and below the expected 0.3%, reducing annual inflation to 2.4% from 2.7% in December. US nonfarm payrolls exceeded expectations with 130,000 jobs added in January, double the forecast, but February saw a surprising decline of 92,000 jobs and a net two-month revision of -69,000. The consensus forecast for US GDP growth in 2026 rose from 2.1% in January to 2.4% in February and 2.5% in early March.

The US Dollar Index rose 0.6% in February amid positive US data and expectations, yet commodities continued to rally for a second consecutive month. Brent oil prices increased 2.5% ahead of US and Israeli attacks on Iran, while gold and copper rose 7.9% and 1.4%, respectively. EM currencies also gained 0.6% despite dollar strength. The market priced in an additional rate cut by the US Federal Reserve (Fed) in February, totaling three expected cuts in 2026, but this was more than fully reversed in early March following the onset of a longer and more intense war against Iran than the market had expected. The Fed is now expected to pause until at least July or September.

In February, the US Supreme Court ruled against President Donald Trump's "reciprocal tariffs." On February 24, the US administration issued a new executive order imposing a 10% global tariff for 150 days, potentially rising to 15%. Notably, countries with large current account surpluses with the US, previously facing higher tariffs, will see significant tariff reductions, though these may be temporary. This change is expected to benefit countries such as China, Vietnam, India, Sri Lanka, Pakistan, and Brazil.

In March, market trends were disrupted during the first week following the outbreak of war with Iran. Brent oil prices surged nearly 20% to around USD 90 per barrel. European equities (Euro Stoxx 50) lost all their year-to-date gains, falling 5.8% in four days. EM equities declined 6.7% but remained positive year-to-date. US 10-year yields rose 23bps in the first four days of the month, reversing most of February's bond rally, as higher oil prices are expected to have meaningful inflationary effects.

EM fixed income indices performed well in February despite widening credit spreads and a strong dollar. The EMBIG Diversified gained 1.4% despite a 14bps spread widening, driven by lower US Treasury yields boosting the longest-duration EM fixed income index. The CEMBI BD also did well, rising by 0.9% on the month. And the local-currency GBI-EM rose by 1.3%, notable given the strong dollar.

Hard-currency sovereign bonds (EMBIG Div) rose 1.4%, matching the Bloomberg Global Aggregate Index – LEGATRUH. The investment-grade (IG) component gained 1.9%, supported by lower US Treasury yields, while the high-yield (HY) component increased 0.9% despite HY spreads widening by 20bps. The index showed resilience in early March, declining 0.7% in the first four days, slightly better than the Global Aggregate's 0.8% drop. Latin America and EM Europe led monthly gains at 1.5% each, while Africa lagged at 1.1%, impacted more by HY spread widening.

Senegal (+8.4%) was the best-performing sovereign in February but the weakest over the past six months (-13.3%). These distressed bonds rebounded strongly after the country confirmed it had sufficient funds to cover the amortization of its 2028 eurobond due this month. Additionally, regional debt issuances were heavily oversubscribed in February, indicating Senegal may continue to muddle through without an International Monetary Fund (IMF) program, possibly through 2026. While engagement with the IMF continues, we now believe a program is unlikely without debt restructuring. The situation remains fluid but restructuring or default seems unlikely before 2027.

Venezuela's defaulted bonds rose another 4.8%, supported by higher oil prices and positive cooperation with the US administration. Bolivia (+2.9%) also performed well, as its new government eliminated fuel subsidies and formalized the parallel exchange rate through an official central bank reference

rate. Exchange rate unification is expected in the coming months, together with an IMF program and a likely return to the eurobond market to address upcoming debt maturities.
IG sovereigns with long-dated curves performed well, supported by the US Treasury rally: Panama (+3.5%), Poland (+2.3%), Chile (+2.3%), and Uruguay (+2.3%).
Low-rated sovereigns (B- and CCC) underperformed last month as some investors likely reduced risk ahead of the anticipated attack on Iran, which ultimately occurred.
Argentina (-1.9%) was the weakest sovereign last month despite positive developments, including labor reform approval, some currency appreciation, and steady FX reserve purchases by the central bank. Economy Minister Luis Caputo stated they are not yet keen to return to the eurobond markets, opting instead to refinance through domestic issuance and syndicated loans from international banks. Ethiopia also fell 1.9% as bilateral partners deemed the eurobond restructuring deal with bondholders as incompatible with the Common Framework's equivalent treatment policy. The creditor committee chose to sue in English court rather than renegotiate, believing Ethiopia has sufficient capacity to repay its defaulted eurobond.
Gabon (-1.6%) declined after a strong January following the announcement of a potential IMF program, though no formal request has been made. The IMF mission was in the country at the time of writing but has not issued a formal statement yet. Liquidity in the CEMAC currency union remains tight, with member states pressuring Gabon to adjust public finances through an IMF program. Mozambique (-1.3%) also fell after a negative IMF statement urging urgent fiscal adjustment.
Kenya dropped (-0.8%) due to stalled IMF program negotiations, expected to continue during the IMF Spring Meetings. Pakistan underperformed (-0.6%) amid ongoing conflict with the Taliban government in Afghanistan.
Hard-currency corporate bonds (CEMBI BD rose 0.9%, with equal gains in (IG) and HY components. Africa led regional performance (+1.5%), followed by EM Europe (+1.3%), while Latin America lagged (+0.6%). Sector-wise, oil & gas was strongest (+1.5%), driven by a 19% rally in Brent oil prices in the first two months of the year (pre-Iran attacks). Industrials (+1.3%), TMT (+1.0%), and utilities (+1.0%) also performed well, while consumer goods remained flat (0.0%). Ghana (+12.6%) and Trinidad and Tobago (+2.6%) stood out, reflecting their oil and gas exposure. Ukraine (+5.5%), Egypt (+3.3%), and Morocco (+2.2%) were also top performers. Brazil (-1.1%) was the only country with a negative total return, due to ongoing corporate distress cases and tight domestic liquidity.
In Latam, the primary issuance remained limited in February, with only around USD 600 million printed across the region. Spreads widened modestly, with Brazilian corporates underperforming. The main driver was Raizen (RAIZBZ), whose bonds sold off sharply after Cosan announced plans to redeem its 2030 and 2031 bonds, raising concerns around potential cross-default implications. The situation escalated with multiple rating downgrades to the CCC area. While shareholders (Shell and Cosan's controlling shareholder Rubens Ometto) announced a BRL 4 billion equity injection, the amount appears insufficient to fully stabilize the balance sheet, leaving markets increasingly pricing a potential restructuring scenario. Stress in Raizen also weighed on weaker Brazilian credits reliant on domestic liquidity, including Companhia Siderurgica Nacional, which is still finalizing a USD 1.3 billion refinancing. Elsewhere, Frontera Energy (FECCN) bonds performed strongly amid ongoing M&A interest in its Colombian E&P assets. Following Geopark's initial bid, Parex Resources submitted a competing USD 500 million all-cash proposal, while Geopark strengthened its position after receiving a USD 100 million investment from the Gilinski family investment vehicle, Colden.
Activity across CEEMEA was dominated by refinancing transactions, liability management exercises, and strong primary market demand. In Africa, energy issuers remained active: Kosmos Energy announced the sale of its Equatorial Guinea stake for up to USD 219 million to strengthen liquidity, while Tullow Oil reached an agreement with creditors to refinance its USD 1.3 billion 2026 maturity and extend its debt profile to 2028. IHS Holdings announced the sale of its LatAm assets and a proposed acquisition by MTN Group, a transaction viewed as credit positive. In Ukraine, MHP tapped its recently issued 2029 bond for an additional USD 100 million. Primary markets remained robust in the Middle East and Türkiye, with several well-received deals including Binghatti (USD 500 million sukuk), Omiyat (USD 600 million sukuk), and TPAO (USD 1 billion sukuk), all heavily oversubscribed. Turkish banks also accessed the AT1 market, with Akbank issuing a USD 600 million transaction. Meanwhile, Sasol reported weak earnings reflecting pressure from lower petrochemical spreads and currency strength, keeping deleveraging prospects limited in the near term.

Portfolio review
February was a constructive month for active management, with markets increasingly driven by geopolitical developments. Rising tensions in the Middle East led us to proactively adjust the portfolio ahead of the escalation into open conflict, including reducing exposure to the region by trimming positions such as Qatar Insurance Company and lowering Turkey exposure given its sensitivity to regional developments.
Energy markets were a key driver, with oil prices rallying above USD 70 per barrel in the second half of February amid growing concerns around the Iranian crisis. We increased exposure to oil-related issuers as quite a few tapped the market, and we believed that the market is too bearish on oil with tensions in the Middle East rising. At the same time we took some profit in Kosmos Energy after bonds rallied significantly. following the asset sales to Panoro Energy. In Brazil, ongoing volatility across corporates such as Ambipar, Braskem and Raizen created dislocations in the market. We added exposure to some companies that we believe are well managed but still suffered from the reset in risk premia.
Primary market activity slowed in February following a record January, although we participated selectively in new issues. We took part in the Black Sea Trade and Development Bank (BSTDB) transaction, a regional multilateral development bank benefiting from Preferred Creditor Status, and also participated in the tap of Sonangol, the Angolan national oil company. From a portfolio perspective, spreads increased slightly compared to the previous month, with the portfolio currently offering a spread slightly above 460bps for an average BB rating, maintaining an attractive risk-return profile especially if one takes into account the lower duration in EM Corporates.

Performance analysis

February was a challenging month in terms of relative performance with the fund up 48bps vs. 90bps for the benchmark. The reason for the underperformance is related to the sell off in Raizen bonds with the position in Raizen more or less explaining the underperformance vs. the benchmark. Away from Raizen the other negative and positive contributors were relatively minor and more or less cancelled out. On the negative side, we saw spillovers, for example in the newly issued FSBio or steel producer CSN. On the positive side, we find Kosmos Energy as a significant positive contributor together with Argentine CGG.

Outlook

The war against Iran has significantly increased market uncertainty, as the duration and magnitude of the shock to the global economy are proving to be greater than initially estimated. The Strait of Hormuz is effectively closed, as insurers refuse to cover the risk for vessels that typically transport around 20% of global oil and LNG supplies. This has caused Brent oil prices to rise by more than 25% in one week, surpassing USD 100 per barrel at the time of writhing. While the US has proposed escorting vessels and is currently developing a plan to provide insurance through the Development Finance Corporation (DFC), this initiative is not yet operational. President Trump and other officials have stated that the conflict will likely continue for four to five weeks or until their four objectives are achieved: destroying Iran’s missile capabilities, its navy, its ability to develop nuclear weapons, and its capacity to finance terrorism abroad.

Although this is a 2022-style shock, characterized by simultaneous risk-off sentiment and inflationary pressures, which would negatively impact both equities and bonds. We believe that EM corporates are an attractive and overlooked place to allocate for the situation. First of all, EM corporates are the least volatile part of the EM fixed income asset classes (and therefore of the EM asset class, including EM equities). This lower volatility vs sovereigns is partially explained by the lower duration which is an important benefit when inflation may rise substantially if oil prices stay higher for longer than anticipated. Importantly, diversity in issuers is extensive. and commodity exporters and in particular oil and gas companies constitute a significant part of the index

In terms of portfolio positioning, we are well positioned for the recent developments. We have been reducing risk while the market was exuberant while keeping in overweight in oil related credits. We are currently underweight in the Middle East and Asia and overweight in Latin America. We are cautiously adding small amounts of risk in selective market segments that corrected significantly while simultaneously reducing risk in others and incorporating some portfolio hedges.

Fund characteristics

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

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	0.5%	0.9%
YTD	1.7%	1.7%
1 year	6.8%	8.0%
3 yrs p.a.	4.6%	8.6%
5 yrs p.a.	0.5%	2.8%
10 yrs p.a.	5.9%	4.9%
ITD p.a.	6.0%	4.7%

Time period	Fund	Ref. index
2025	8.3%	8.7%
2024	10.4%	7.6%
2023	-3.5%	9.1%
2022	-14.7%	-12.3%
2021	4.6%	0.9%
2020	5.8%	7.1%
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.

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

- 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.
- 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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