

Quarterly commentary / 31.3.2026

Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2026

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

Market developments

The first quarter (Q1) of 2026 was characterized by a sharp shift in the global macroeconomic environment, moving from a supportive backdrop in January and February to risk-off regime driven by geopolitics in March. Early in the quarter, markets benefited from resilient global economic growth and moderating US inflation with core inflation (which excludes food and energy prices) declining. In January, yields of 10-year US Treasuries rose modestly, before they significantly declined by 30 basis points (bps) to 3.9% in February, supporting duration-sensitive assets. During this period, markets briefly priced in a more dovish path by the US Federal Reserve (Fed), expecting up to three interest rate cuts in 2026. In March, however, this dynamic reversed abruptly, following the outbreak of war by the US and Israel against Iran and the blockade of the Strait of Hormuz. The resulting oil shock triggered a sharp repricing of inflation and interest rate expectations, with 10-year government bond yields rising by 38 bps to 4.3% in the US, by 36bps in Germany, and by 68bps in the UK. By the end of the quarter, markets were pricing in almost no Fed easing, while expectations for European Central Bank (ECB) tightening increased significantly, in our view excessively. The US dollar, which had weakened in January, strengthened markedly in March, regaining its safe-haven role, while global equities sold off sharply, with MSCI World down 6.6% and emerging market (EM) equities declining 13.3% during the month. Commodities were a key driver of market performance throughout the quarter, particularly energy. Oil prices rose steadily in January and February, supported by supply disruptions and geopolitical tensions, before surging sharply in March, as the conflict with Iran escalated and disrupted global supply through the Strait of Hormuz. Brent crude peaked at USD 118 per barrel (bbl) before retracing to around USD 100/bbl into early April, despite coordinated releases from strategic reserves, which only partially offset the scale of the supply shock. European gas prices also increased significantly, rising by 59% in March, reflecting renewed energy security concerns. Precious metals and industrial commodities performed strongly earlier in the quarter but experienced increased volatility, as monetary policy expectations and geopolitical risks shifted.

EM sovereign bonds delivered positive performance in the first two months before correcting in March, ultimately demonstrating relative resilience in the face of significant global shocks. Performance in January and February was supported

by falling US Treasury yields and constructive risk sentiment, while March losses were driven by higher global interest rates and spread widening. The EMBIG Diversified index gained 0.7% in January and 1.4% in February, before falling by -3.3% in March, with roughly two-thirds of the decline attributable to higher US Treasury yields and the remainder to spread widening. Regional performance diverged, with Latin America outperforming over the quarter, supported by its commodity exposure and relative insulation from geopolitical risks, while Africa lagged due to tighter liquidity conditions and idiosyncratic challenges. Despite being at the center of the conflict, Middle Eastern sovereign bonds showed relative resilience, reflecting strong balance sheets and buffers among Gulf issuers.

At the country level, performance was driven by a combination of geopolitical developments and idiosyncratic factors. Venezuela was a notable outperformer, with defaulted bonds rallying strongly following political developments and improved relations with the US, although current valuations appear optimistic, given the uncertainty around debt restructuring timelines. Argentina and Ecuador also performed well, supported by improved market access and liability management operations, including Ecuador's return to international markets with a USD 4 billion issuance. In contrast, countries facing restructuring uncertainty or external vulnerabilities underperformed, particularly during the March sell-off. Senegal experienced significant volatility, rebounding strongly in February, before reversing gains in March amid uncertainty around International Monetary Fund (IMF) engagement. Similarly, Lebanon and Ukraine underperformed, due to escalating geopolitical risks and delays in reform progress. Lower-rated oil importers, including Sri Lanka, Egypt, and Kenya, were among the weakest performers in March, reflecting their vulnerability to higher energy prices.

EM corporate bonds outperformed sovereign bonds over the quarter, benefiting from shorter duration and more contained spread movements. The CEMBI Broad Diversified index posted gains in January and February, before declining in March, with the overall drawdown driven primarily by higher US Treasury yields rather than significant spread widening. Sector performance was mixed, with oil and gas, industrials, and financials outperforming, supported by higher energy prices and relatively solid fundamentals. In contrast, real estate and transportation sectors underperformed, particularly in March, as higher interest rates and rising fuel costs weighed

on valuations. Regionally, Central and Eastern Europe, the Middle East, and Africa (CEEMEA) benefited from strong commodity dynamics and active primary markets, while Latin America faced some idiosyncratic pressures, particularly in Brazil, where stress in certain corporates weighed on performance. Asia remained relatively stable, supported by policy easing in China's property sector.

Portfolio review

During Q1, we continued to manage the portfolio with a strong focus on the fund's approaching maturity in October 2026. Against this backdrop, several issuers proactively refinanced their debt and launched tender offers at attractive levels, providing opportunities to crystallize value. We notably participated in transactions such as Arabian Centres and the Republic of Georgia.

At the same time, we took a more cautious stance on portfolio risk. In January and early February, we reduced exposure to high-yield bonds maturing beyond the fund's termination, particularly as valuations were attractive. By this repositioning we aimed to mitigate potential risks associated with the fund's liquidation phase. We selectively redeployed proceeds into instruments maturing ahead of the fund's termination, ensuring alignment with the fund's time horizon, while maintaining an attractive yield pickup over US Treasuries. In parallel, we plan to gradually increase the exposure to US Treasuries to enhance liquidity and ensure flexibility, as we approach the final phase of the fund.

As of the end of Q1, the portfolio's average rating remained BBB- and its yield to maturity was 5.33%.

Performance analysis

The fund's I (USD) share class returned 0.66% in Q1, with the net asset value (NAV) increasing from 107.90 to 108.61. Performance was relatively well-balanced. Top contributors included Sasol, which benefited from higher oil prices, and

Adani Transmission, whereas Binghamti was the main detractor, reflecting the impact of the Middle East conflict and rising concerns on the Dubai real estate sector.

Outlook

In uncertain times like now, we deem EM fixed income a good investment. The sub-asset class of EM corporate bonds is characterized by lower risk, due to their lower interest rate sensitivity and broadly diversified universe. Given the uncertain outlook in general, we believe shorter duration makes sense. Apart from the duration, diversification away from the US will remain an important consideration for many investors when the Iran conflict ends, which is why we expect flows into the asset class to resume strongly. On top of the diversification argument, higher oil prices should be a net positive for emerging economies, particularly those outside Asia. Most investors will likely consider sovereign over corporate bonds. In our view, however, corporate bonds offer an attractive pickup over many sovereign bonds at this point, especially in the high-yield space, and even more so when valuations are adjusted for the shorter duration. Certainly, corporate bonds have not yet seen inflows as strong as those into sovereign bonds, be it hard currency or local currency. If we add the generally resilient fundamentals to the picture and the opportunity for active credit selection, then we think EM corporate bonds have a place in a robust portfolio. Finally, the corporate bond universe offers ample opportunities to diversify. Currently, corporate bonds from oil producers stand out, although many of them are nearing call prices, hence offer limited upside. In our opinion, corporate bonds from industries like infrastructure and telecommunications may also prove resilient in the face of conflict.

Fund characteristics

Fund name	Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2026
ISIN	LU2365110571
Share class	I USD
Reference index	–
Inception date	9.11.2021

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	-0.3%	–	2025	7.2%	–
YTD	0.7%	–	2024	9.7%	–
1 year	5.5%	–	2023	7.9%	–
3 yrs p.a.	8.0%	–	2022	-14.1%	–
5 yrs p.a.	–	–	2021	–	–
10 yrs p.a.	–	–	2020	–	–
ITD p.a.	1.9%	–	2019	–	–
			2018	–	–
			2017	–	–
			2016	–	–

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.

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- 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.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from 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 | vontobel.com/am