

Vontobel Fund – mtX Emerging Markets Leaders ex China

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE.

Investors in France should note that, relative to the expectations of the *Autorité des Marchés Financiers*, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Summary

- Emerging market equities rebounded in August, with the MSCI Emerging Markets ex China Index up 4.7%, while the MSCI World Index gained 3.0%.
- The mtX Emerging Markets Leaders (EMLX) fund returned 3.0% (gross of fees) in August 2026.
- The EML fund has underperformed the benchmark by -1.7% (gross of fees) during the month.

Market developments

Emerging market equities rebounded in August, with the MSCI Emerging Markets ex China Index rising 4.7%, outperforming both the S&P 500 (+3.0%) and broader developed markets (+3.0%). The recovery was driven primarily by a sharp rebound in North Asian technology markets following July's AI-related correction. Investor confidence returned as concerns over AI monetization eased, supported by continued hyperscaler capex, strong second-quarter earnings, and robust guidance from leading technology companies. Nvidia's 70% year-on-year revenue outlook reinforced the long-term AI infrastructure story, benefiting semiconductor and memory-related stocks across the region.

At the regional level, Turkey was the strongest performer, rising 8.0%, while South Africa and South Korea gained 7.1% and 7.0% respectively. In contrast, the Philippines fell by 7.4% alongside the Latin America countries Peru (-5.2%) and Colombia (-4.1%). From a sector perspective, Materials (+15.0%), Industrials (+7.2%), and Health Care (+6.4%) led performance. Precious metal producers benefited from a strong rally in gold prices, while technology stocks recovered as AI-related earnings and capital spending remained robust. Conversely, Utilities (-2.5%) and Communication Services (-0.6%) underperformed. South African mining companies were among the strongest performers globally, supported by rising precious metal prices, while healthcare stocks drove gains in China.

The sharpest recovery occurred in South Korea and Taiwan, where July's positioning-driven sell-off largely reversed. In Korea, volatility declined significantly as the unwind of leveraged positions appeared complete. Strong earnings, shareholder return announcements from Samsung and SK Hynix, and a 5.3% appreciation of the Korean won supported sentiment. Taiwan also benefited from renewed enthusiasm for AI supply-chain beneficiaries, attracting USD 9.1bn of foreign inflows during the month following substantial outflows in June and July. Strong earnings momentum and a recovery in AI hardware stocks helped offset continued weakness in consumer-oriented sectors, reflecting ongoing challenges for domestic demand.

Overall, August marked a return to risk appetite across emerging markets, driven by renewed confidence in the AI investment cycle, stronger technology earnings, and supportive currency dynamics. While global rates remain a key watchpoint, improving

sentiment and resilient earnings continue to underpin the asset class.

Portfolio review

The mtX Emerging Markets Leaders strategy underperformed its benchmark by 1.7% in August. From a country allocation perspective, both allocation as well as selection were source to underperformance. South Korea was the largest detractor, followed by Brazil and India. By contrast, selection in Mexico, South Africa, and Vietnam added value, supported by the rally in precious metals. Asset allocation at the country level also weighed on overall performance. The main negative contributors came from the portfolio's overweight position in Brazil, underweight in Taiwan as well as overweight in Peru, while the absence of exposure to the strong performing Australian market provided additional drag on performance. Positive allocation in the portfolio's underweight in India and overweight in South Africa and not owning holdings in a weak Thai market were unable to offset the overall negative allocation effects, partly offset by the portfolio's overweight allocation to Brazil, which proved to be the largest allocation-related headwind.

From a sector perspective, stock selection detracted from relative performance, while asset allocation provided a modest positive contribution. The largest headwind came from Financials, with Industrials and Utilities also weighing on returns. These negatives were partly offset by strong contributions from Materials and Communication Services. At the stock level, Gold Fields and Naver were among the strongest contributors, while Itaú Unibanco and Credicorp were the largest detractors during the month.

At month-end, the portfolio comprised 42 companies across 44 holdings, reflecting dual share-class positions in Localiza and Samsung Electronics. During the month, we initiated two new positions in Information Technology and one position in Financials, while exiting one position in Health Care. New investments included Chroma (Information Technology, Taiwan) and Delta Electronics (Information Technology, Taiwan), both of which provide attractive exposure to structural technology and AI-driven growth trends, as well as Sinopac Financial (Financials, Taiwan). We fully exited our position in Rede D'Or (Health Care, Brazil).

Performance analysis

August was characterised by a reversal of the broad AI-related sell-off seen in July, with Asian AI infrastructure stocks recovering strongly towards month-end, alongside earnings catalysts and supportive macro and sector tailwinds.

The strongest contributors were Gold Fields (+41.3%), Alchip Technologies (+35.7%), and Wiwynn Corp (+34.1%). Gold Fields rallied to its highest level in seven weeks, supported by surging gold prices, strong guidance and a significant earnings beat. Wiwynn advanced on strong operating momentum and extended its gains following Nvidia's bullish revenue outlook, which reinforced confidence in sustained AI infrastructure investment. Alchip Technologies recovered strongly as earnings momentum improved following a weak first quarter, with the stock further benefiting from the broader rebound across AI-related semiconductor names.

On the downside, Companhia de Saneamento Básico do Estado de São Paulo (SABESP) (-10.5%), Itaú Unibanco (-9.6%), and Bajaj Finance (-7.2%) were the largest detractors. Both SABESP and Bajaj Finance were hit by company-specific developments. SABESP declined following its earnings release that delivered a revenue beat but disappointed on profitability. Investors focused on margin pressure and the additional complexity arising from the proposed share merger with EMAE. At the same time, higher interest rates and growing political uncertainty ahead of Brazil's elections further weighed on sentiment. Bajaj Finance came under pressure after the Reserve Bank of India proposed new regulations for revolving credit products, while concerns over additional rate hikes also weighed on the stock. Itaú Unibanco detracted from performance as the shares de-rated following its earnings release.

Overall, August performance was shaped by a combination of strong company-specific stock moves and a recovery in AI-related technology names. While the portfolio benefited from the late-month rebound in Asian semiconductor and AI infrastructure stocks, gains were partially offset by regulatory developments in India, political uncertainty in Brazil, and ongoing concerns surrounding global trade policy risks.

Outlook

The outlook for emerging market equities remains constructive, supported by resilient economic growth, strong earnings momentum and attractive relative valuations. Consensus expects EM earnings to grow by roughly 35% in 2026, well ahead of developed markets, reinforcing the region's long-standing growth advantage.

Fundamentals remain supportive, particularly in North Asia, where profitability continues to improve. Technology, especially semiconductors and AI-related supply chains, remains the key earnings driver, with Korea, Taiwan and China expected to lead

growth. While earnings remain concentrated in a relatively narrow set of sectors, the overall outlook for corporate profits remains robust.

Valuations continue to be appealing on a relative basis. The MSCI EM Index trades at roughly 13.5x forward earnings, representing a significant discount to both developed and US equities. Although higher inflation and tighter financial conditions may limit scope for near-term multiple expansion, high-quality companies with strong profitability characteristics continue to offer attractive opportunities.

The macroeconomic backdrop is broadly supportive. EM economies are expected to grow around 4% in 2026, comfortably ahead of developed markets. While inflation remains elevated and central banks have become somewhat more cautious, the environment is best characterized as one of resilient growth rather than stagflation. Oil prices have stabilized following the geopolitical volatility seen earlier in the year, reducing the likelihood of extreme downside outcomes.

The main risks to the outlook stem from a potential slowdown in AI-related capital expenditure, renewed energy market disruptions, tighter-than-expected US monetary policy, and weaker global growth. Nevertheless, given the combination of superior earnings growth, improving profitability and attractive valuations, we remain constructive on the medium-term outlook for emerging market equities. The AI capex cycle remains the single most important swing factor for EM equities heading into Q3, with Korea and Taiwan acutely exposed to any deceleration in hyperscaler spending. The base case is still constructive: the top four US hyperscalers have collectively guided to as much as \$725 billion in capex for 2026, with future data center lease commitments now exceeding \$850 billion industry-wide, and Micron's latest results suggest the AI demand cycle has further to run. Yet the risk of a capex pause is non-trivial. Hyperscaler spending appears to be outpacing internal cash generation, increasing reliance on external financing and raising sensitivity to any tightening in credit conditions or deterioration in AI monetization timelines. The transmission channel is direct: a sustained slowdown in hyperscaler capex would weaken HBM and advanced memory demand faster than anticipated, potentially leaving Samsung and SK Hynix with excess capacity at a moment when both are expanding capex at the fastest pace since the dot-com era.

Trade policy also represents a growing source of uncertainty. New tariff measures, including proposals that could raise tariffs on certain countries such as Brazil to as much as 25%, have the potential to disrupt global trade flows and weigh on export-oriented EM markets.

Finally, earnings risks remain relevant, as historical patterns indicate that downward revisions tend to lag energy shocks by approximately two to three quarters, suggesting potential pressure on estimates later in the year.

Fund characteristics

Fund name	Vontobel Fund – mtX Emerging Markets Leaders ex China
ISIN	LU2601939379
Share class	I USD
Benchmark	MSCI Emerging Markets Index ex China TR Net 10/40
Inception date	20.9.2023

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	2.8%	5.0%	2025	37.2%	33.6%
YTD	36.2%	35.6%	2024	3.4%	2.3%
1 year	56.2%	57.2%	2023	–	–
3 yrs p.a.	–	–	2022	–	–
5 yrs p.a.	–	–	2021	–	–
10 yrs p.a.	–	–	2020	–	–
ITD p.a.	29.2%	27.4%	2019	–	–
			2018	–	–
			2017	–	–
			2016	–	–

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Investment risks

- 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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