Monthly commentary / 30.4.2026

Vontobel Fund – Emerging Markets Investment Grade

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

Market developments

April marked a partial reversal of the sharp risk-off observed in March, as geopolitical tensions temporarily eased and EM assets staged a broad-based recovery. The Iran conflict remained unresolved, with Iran's new supreme leader reaffirming control of the Strait of Hormuz and the country's commitment to its nuclear and missile programs. However, the announcement of a 14-day US-Iran ceasefire in early April provided a decisive catalyst for risk sentiment. The reprieve proved short-lived: formal negotiations in Islamabad ended without agreement after 21 hours, Trump declared a US naval blockade of the Strait, and Iran intermittently allowed then halted passage through the month. Fresh Iranian proposals revived backchannel hopes by month-end, but no breakthrough materialized.

Brent oil prices stabilized around USD 115 per barrel by month-end, moderating from March's peak of USD 118 but gaining 14.8% on the month and now up 83.3% year-to-date. Elevated oil prices continued to create a sharp divide between energy exporters and importers across EM. The Bloomberg Commodity Index gained 3.9% on the month. Copper rose 5.6% while cotton surged 14.1%. Precious metals retreated modestly, with gold down 1.1% and silver down 1.9%.

Despite the severity of the physical energy dislocation, financial markets remained remarkably sanguine about the inflation implications. Inflation expectations rose only modestly - the US 5-year/5-year forward inflation swap rose by just 10 basis points over the month. The Federal Reserve held rates steady at its April meeting; by month-end, markets were pricing in only a 10.6% probability of a rate cut by December 2026. Among EM central banks, most maintained the status quo. The main exceptions were Brazil's BCB, which delivered a 25-basis-point cut to 14.75% and Colombia's BanRep, which delivered a second consecutive 100-basis-point hike to 11.25%.

10-year US Treasury yields rose by 5.3 basis points in April to 4.37%, extending rather than reversing March's move and representing the largest two-month selloff in US rates since late 2023. German 10-year yields rose by a more modest 3 basis points to 3.04%, while UK 10-year gilts rose 9.6 basis points to 5.01%.

The dollar's safe-haven rally of March partially unwound, with the US Dollar Index (DXY) declining by 1.7% in April. Global equities rebounded sharply, with US equities (S&P 500 Total Return) gaining 10.5% and EM equities (MSCI EM) outperforming significantly at +14.7%. In fixed-income, the recovery was broad-based across credit markets: Global HY gained 2.2%, while US IG returned just 0.5%. EM dedicated bond fund flows turned decisively positive, with inflows of approximately USD 2.5 billion in April following USD 8.0 billion of outflows in March.

EM hard-currency sovereign bonds (EMBIG Div) gained 2.9% in April, retracing essentially all of the conflict-driven spread widening seen in March, with the index spread tightening 41 basis points to 248 basis points. In contrast to March, where the move in US Treasury yields was the dominant driver of returns, April's recovery was primarily driven by spread compression. High-yield sovereigns significantly outperformed investment-grade, returning 4.1% versus 1.6%, as investors moved back down the credit spectrum - with HY spreads tightening 69 basis points to 422 basis points against just 21 basis points of tightening for IG to 94 basis points. On a regional basis, Africa led the recovery (+4.4%), followed by Latin America (+3.2%) and EM Europe (+2.9%). The Middle East returned 2.3%, a positive outcome that nonetheless lagged the broader index recovery, as the unresolved Iran conflict continued to weigh on regional sentiment.

As in March, idiosyncratic country-specific catalysts largely determined relative performance, with the top performers spread across very different credit stories rather than any single thematic driver. Venezuela's defaulted bonds were once again the best-performing in the index, surging 12.2%. The dominant catalyst was the IMF's decision to resume formal contact with Venezuelan authorities, backed by a majority of the Fund's membership in mid-April, following the US recognition of acting president Delcy Rodríguez. Investors began pricing in the prospect of multilateral re-engagement and renewed access to external financing. Ukraine (+10.9%) rebounded on improved visibility over external support, including the Pentagon's release of USD 400 million in assistance and the announcement of an expected IMF mission to Kyiv at end-May. The central bank's commitment to hold its key rate at 15% through Q2 2027 provided additional policy certainty, though inflation continued to rise and EU loan conditionality remains a risk. Mozambique (+9.9%) recovered on a surprising early repayment of approximately USD 700 million to the IMF, demonstrating stronger-than-expected liquidity, though Fitch flagged that a debt restructuring ahead of any new IMF program remains its base case. Lebanon (+8.3%) bounced on progress in IMF program negotiations and hopes for a ceasefire extension with Israel, though Hezbollah's rejection of direct talks and the resumption of IDF strikes in late April underline the fragility of the situation. Angola (+7.3%) benefited from higher oil revenues, a projected USD 3.5 billion windfall, three years of debt relief from China, and a 21st consecutive month of declining inflation. Colombia (+3.5%) delivered a positive return despite an S&P downgrade to BB- on fiscal slippage, with BanRep delivering a second consecutive 100-basis-point hike to 11.25% - the clear outlier among major EM central banks.

EM hard-currency corporate bonds (CEMBI BD) gained 1.6% in April, with the shorter duration of the asset class again proving an advantage relative to sovereigns, as it had cushioned the drawdown in March. High-yield outperformed investment-grade, returning 2.4% versus 1.1%. Regionally, Latin America led (+2.2%), followed by the Middle East (+2.0%) and Africa (+1.8%), while Asia lagged (+0.9%) due to its more defensive composition and greater sensitivity to energy import costs. At the sector level, real estate (+2.6%) rebounded after March's sharp underperformance, and commodity-linked sectors including oil & gas (+2.1%) and metals & mining (+2.0%) benefited from elevated prices.

In CEEMEA, the dominant corporate theme was the continued fallout from elevated jet fuel costs on the aviation sector. Air Baltic faced acute liquidity pressure, with Fitch cutting the rating to CCC- citing the risk of a liquidity crisis within six to twelve months absent a large equity injection. A €30 million state loan approved by the Latvian parliament provided only temporary relief, and S&P followed with a further downgrade to CCC+ with negative outlook, citing a projected capital shortfall of €120-170 million and leverage exceeding 10x. Energean, meanwhile, was instructed by the Israeli Energy Ministry to restart operations at its Karish gas field, which had been shut since the outbreak of the Iran war - a positive development for the credit after Fitch had revised its outlook to negative earlier in the month. In Türkiye, the macro backdrop remained challenging, with Fitch revising the sovereign outlook to stable from positive on the back of FX reserve depletion exceeding USD 50 billion from CBRT intervention since the start of the conflict. At the corporate level, Vestel was downgraded to Caa2 by Moody's on an unsustainable capital structure and persistently negative free cash flow, while Arcelik partially addressed its own balance sheet pressures through the sale of a 60% stake in its Hitachi home appliances joint venture for USD 205 million in cash.

In Latin America, Braskem was one of the most discussed credits in EM during April, but for positive reasons. The Iran war has fundamentally altered the petrochemical spread environment, with consensus EBITDA estimates moving above USD 2 billion - more than double pre-war levels. This transforms the credit narrative: a business that entered the conflict with leverage of approximately 15x and facing restructuring risk is now generating sufficient cash flow to justify materially higher recovery values, with bonds rallying from the low forties toward the seventies. We remain cautious about extrapolating current spread levels into a post-war environment, but the near-term trajectory is meaningfully more positive than it appeared at the start of the year. Aegea came under pressure following a delay in its 2025 results filing and the restatement of its accounts, which triggered an S&P downgrade from BB- to B+. The sell-off in Aegea's bonds was significant but, in our view, overdone given the company's leading position in a defensive regulated sector and its solid shareholder base. Ecopetrol signed an agreement on April 23 to acquire approximately 26% of Brazil's Brava Energia from a consortium of shareholders including Somah Printemps Quantum Group, Jive Group, and Yellowstone, with the transaction potentially serving as a platform for the Colombian national oil company to expand its Brazilian upstream presence. Separately, J&F Luxembourg Finance completed a successful exchange offer for the 8.500% senior notes due 2032 issued by Eldorado Internacional and Flora Produtos de Higiene e Limpeza.

Portfolio review

April saw a strong reopening of the primary market, with USD 37bn of EM corporate issuance priced, including a solid mix of high-yield and debut issuers. This was supported by a stabilising macro backdrop after the ceasefire and expectations of a Strait of Hormuz reopening. Middle Eastern issuers also returned by month-end, notably with Emirates NBD’s AT1 deal, following more than USD 12bn of private placements from the region since the start of the month. EM fixed income further benefited from renewed inflows, with new issues heavily oversubscribed. Against this backdrop, we reduced exposure to the Middle East and LatAm, where valuations looked less attractive, and redeployed capital into Europe.

In Asia, we increased exposure to Standard Chartered senior bonds, which still look attractive given their rating quality. We also participated in the new issue from Australia’s REIT and developer Goodman Group, which offered compelling valuation versus regional peers while enhancing portfolio diversification.

In the Middle East, we added a bit to Qatar Insurance Company early in the month, as its bonds had been among the largest IG underperformers outside real estate. Otherwise, we mainly reduced exposure to the region after most bonds retraced to pre-war levels, while the Iran conflict remains unresolved. We also wanted to preserve capacity to add later, anticipating heavy supply linked to growth financing and infrastructure rebuilding. For example, we sold our AT1 position in Mashreqbank, senior bonds of Bank Muscat, and exposure to PIF-owned AviLease, where valuations no longer adequately compensated for indirect exposure to a potentially weaker airline industry and possible lease renegotiations.

We increased overall exposure to Europe, mainly through new issues such as Poland 30-year USD bonds, 10-year quasi-sovereign KazMunayGas, and Banca Transilvania 6NC5 SNP. We also participated in Serbia’s new 12-year EUR issue. Serbia offers attractive carry supported by solid macro fundamentals, healthy growth prospects, prudent fiscal policy, and robust FX liquidity buffers, although EU accession uncertainty and governance concerns may limit near-term spread compression. In Hungary, we added at the beginning of the month senior bonds of OTP Bank, which had widened by more than 40bps since the start of the war. At the same time, we reduced sovereign exposure over the month after bonds outperformed on rising expectations of a victory for pro-European candidate Péter Magyar, as valuations looked increasingly asymmetric in the event of an unexpected election outcome.

In Africa, we sold our exposure to gold miner Gold Fields and added to the front-end bonds of quasi-sovereign OCP, which had underperformed the sovereign curve.

In LatAm, we reduced overall exposure as the region performed strongly. In Colombia, we sold utility Enfragen following its downgrade to full high yield after S&P downgraded the sovereign from BB to BB-. In Mexico, we switched exposure from quasi-sovereign Mexcat to Mexico sovereign bonds, as the latter outperformed and traded flat to the sovereign curve. We also reduced utilities Cometa, mining company Minsur, and quasi sovereign Aitocu, all of which had reached historically tight spreads. In Chile, we participated in the new issuance from leading retailer Cencosud. In Brazil, we increased exposure to the MF24 FPSO contracted with Petrobras, where valuations remain attractive for short-duration bonds. As a result of these adjustments, we increased exposure to sovereigns and quasi-sovereigns while reducing exposure to utilities, financials, and metals & mining. In terms of ratings, we decreased exposure to BBB-rated credits in favour of A-rated names.The portfolio continues to offer attractive carry, with an 84bps

Performance analysis

The fund outperformed the benchmark by 0.40% in April, delivering an absolute return of 1.75% (net, I share class in USD) versus 1.35% for the benchmark.

In terms of risk factors, around +6bps of active return came from carry with the remainder driven by credit spread tightening.

As highlighted previously, Middle East credit recovered over the month following the ceasefire and stabilisation of the conflict. Saudi Arabia was our main positive contributor, with spreads tightening to levels even lower than pre-war, as the country stands to benefit from higher oil prices while production remains largely unaffected, supported by spare capacity and the East-West pipeline. We benefited from our overweight positions in GreenSaif Pipeline, the long end of Aramco, PIF, and ACWA Power.The UAE was our second-largest contributor. Key positions included Abu Dhabi Crude Oil Pipeline (ADNOUH), ADNOC Murban, Mashreqbank AT1, and subordinated bonds of real estate issuer Aldar. However, many UAE bonds have not yet fully recovered to pre-war levels, particularly in sectors such as real estate. Finally, Mexico contributed positively through our overweight positions in Tiemod, Fiemex, and Mexcat, all of which outperformed the sovereign. Tiemod was supported by news that Grupo Mexico will merge its power assets with Saavi Energia Group (SAAVIE / COMENG / TIEMOD), with Grupo Mexico holding a 70% stake in the combined entity and GIP / BlackRock retaining 30%.

On the negative side, our underweight positions in Panama, Oman, and the Philippines detracted from relative performance.

Outlook

April's recovery was stronger than most observers would have anticipated at the start of the month. Average EM credit spreads retraced almost all of their conflict-driven widening — and did so against a backdrop where the Iran conflict remained unresolved, the Strait of Hormuz stayed effectively closed, and Brent oil held around USD 115 per barrel. This is a powerful validation of the key arguments we outlined last month: EM fixed income is in a fundamentally stronger position than in 2022, market access has been broadly maintained, and the asset class has demonstrated a remarkable ability to look through geopolitical uncertainty when underlying credit fundamentals remain intact.

Fund characteristics

Fund name	Vontobel Fund – Emerging Markets Investment Grade
ISIN	LU2400051400
Share class	I USD
Reference index	J.P. Morgan EM Blended (JEMB) Hard Currency Credit 50-50 (EMBI GD/CEMBI BD) Investment Grade
Inception date	21.6.2022

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	1.7%	1.3%
YTD	0.2%	0.4%
1 year	7.5%	6.8%
3 yrs p.a.	7.1%	5.3%
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	6.9%	5.2%

Time period	Fund	Ref. index
2025	10.0%	9.3%
2024	4.8%	2.8%
2023	10.4%	7.4%
2022	–	–
2021	–	–
2020	–	–
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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