Vontobel

Quarterly commentary / 31.3.2026

Vontobel Fund – Commodity

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, LU, NL, NO, PT, SE, SG (Professional Investors only).

Summary

- Commodities gained 23.3% in the first quarter of the year.
- The energy sector recorded its best performance in March since 1986 on escalations in the Middle East.
- Precious metals rally paused after a strong rally last year.

Market developments

Risk assets and commodities advanced in the first quarter, supported initially by resilient global economic data and a risk-on environment, before a sharp shift toward inflation concerns and supply-side stress late in the period. US equities reached record highs in January but declined in March, while the US dollar weakened further after gaining due to inflation fears and safe haven aspects. After the somewhat surprising operation of the US in Venezuela in January, geopolitical risks peaked with the start of “Gulf War 4” on February 28.

Macro sentiment deteriorated into quarter-end as rising commodity prices fueled inflation concerns. Equities (S&P 500 Index -4.6%) and bonds (Bloomberg Global Aggregate -1.1%) entered negative territory since the beginning of the year, reflecting fears that supply constraints could halt central bank easing and weigh on growth. Trade policy and geopolitical tensions, including new US tariffs and escalating US–Iran conflict, added to uncertainty. Commodities delivered strong performance, with the Bloomberg Commodity Total Return Index rising in January and February before surging in March, marking its strongest monthly gain since 2009. The rally was led by the energy complex, which recorded its strongest performance since the mid-1980s, driven by tightening supply and rising geopolitical risk. Precious metals and grains contributed positively earlier in the quarter, while softs and natural gas lagged.

Energy markets rebounded sharply in the first quarter, driven predominantly by escalating geopolitical tensions and mounting supply disruptions. Petroleum commodities snapped a five-month decline in January, recording their strongest monthly gain since mid-2023, with oil prices rising 14% as geopolitical risk premia intensified. Developments in Venezuela and Iran shaped early market dynamics. While the US naval blockade on Venezuelan exports introduced near-term supply constraints, its medium-term implications were viewed as bearish given the potential for increased Western investment. In contrast, rising instability in Iran, coupled with escalating US military posturing, added a significant risk premium to oil prices, pushing crude toward USD 70 per barrel. The rally extended into February, with Brent crude gaining over 6% during the month and approximately 22% year-to-date. The geopolitical backdrop deteriorated further as the US deployed substantial military forces in the region, raising the likelihood of direct confrontation. Oil flows through the Strait of Hormuz became increasingly constrained, with market participants adopting a cautious stance amid heightened uncertainty and reports of disrupted shipping activity. At the same time, temporary supply outages, including damage to the CPC pipeline and US weather-related production disruptions, prevented the widely anticipated inventory build, reinforcing the tightness in physical markets. Despite OPEC’s announcement of incremental production increases, the market remained in pronounced backwardation, reflecting persistent supply concerns. By March, the situation had escalated into a broader energy crisis, with the Strait of Hormuz effectively constrained rather than formally closed. Supply disruptions intensified progressively, evolving from logistical bottlenecks into a material supply shock. Approximately 10 million barrels per day of crude production were shut in, alongside a reduction of roughly 5 million barrels per day in refinery runs, extending beyond the Middle East into Asia. As a result, oil prices, particularly refined products, continued to trend higher, while remaining highly sensitive to geopolitical headlines. Efforts to mitigate the supply shortfall, including strategic petroleum reserve releases, rerouting via alternative pipelines, and the release of sanctioned floating storage, provided only partial and temporary relief. Structural bottlenecks, limited spare capacity, and logistical constraints prevented a full offset of disrupted flows. The impact was most pronounced in Asia, where rising fuel prices prompted demand curtailment measures, raising the risk of broader economic spillovers. The quarter underscored the critical role of the Strait of Hormuz in global energy markets. With supply security increasingly at risk, oil prices remained driven by geopolitical developments, highlighting the fragility of the current market balance.

Natural gas prices were primarily driven by shifting weather expectations and regional supply dynamics. In January, prices surged sharply, with the March 2026 contract rising 40%, as a severe US winter storm disrupted production through freeze-offs while simultaneously boosting heating demand. Concerns over a potential second cold wave briefly supported sentiment but faded toward month-end as forecasts turned milder. In

February, prices reversed course, falling 32% as the anticipated cold shock failed to materialize and inventories remained comfortable amid a mild end to winter. By March, US natural gas prices remained largely unchanged despite a sharp surge in European gas markets. Limited US price response reflected fully utilized LNG export capacity, while gains in longer-dated contracts pointed to emerging concerns over future winter supply risks.
Precious metals experienced exceptional volatility in the first quarter, marked by a historic surge followed by a sharp correction. January saw record-breaking gains, with gold reaching USD 5,585 and silver USD 120, driven by a weaker US dollar, fiscal concerns, geopolitical tensions, and strong safe-haven demand. The rally, particularly in silver, was amplified by speculative activity in China, culminating in a rapid and disorderly sell-off at month-end. This correction was triggered by policy interventions in China, a stronger US dollar following the nomination of a new Fed chair, and widespread deleveraging as crowded positions unwound. February brought a period of consolidation followed by renewed gains, supported by returning Asian demand, rising geopolitical risks, and continued concerns over US fiscal stability. Investment flows remained constructive, with ETF inflows and ongoing central bank purchases, particularly from China, underpinning gold prices. In March, however, precious metals came under significant pressure, recording their steepest decline since the Global Financial Crisis. The escalation of the Iran conflict triggered broad deleveraging and a flight to cash, while rising inflation concerns and expectations of a more hawkish Federal Reserve weighed further on prices. Gold behaved more as a liquidity source than a safe haven, while silver and platinum group metals underperformed due to their industrial exposure.
Industrial metals delivered a mixed performance, with momentum shifting between demand-sensitive and supply-driven segments. January started strongly, with the sector rising around 5%, supported by a risk-on environment, a weaker US dollar, and strength in precious metals. Copper reached record highs near USD 13,550 despite elevated inventories and subdued Chinese demand, as high prices weighed on consumption. Momentum eased toward month-end as precious metals corrected. February was largely range-bound. Copper gained around 1%, while lead declined roughly 3%, with most metals trading within narrow ranges. The Chinese New Year marked the start of a seasonally weaker demand phase, with inventories typically building into mid-April, keeping markets focused on the outlook for demand recovery. March reinforced the divergence. Supply-driven metals such as aluminum outperformed, supported by ongoing Middle East disruptions constraining production and logistics. In contrast, copper remained under pressure amid growth concerns, recession risks, and rising inventories. Overall, the sector remains balanced between supply tightness and demand uncertainty.
Grains experienced a volatile, event-driven quarter, shaped by policy, weather, and geopolitical factors. The year began positively, with the sector up around 1.4%, led by soybean oil, which surged approximately 10% on higher crude oil prices and supportive renewable fuel expectations. Additional support came from ethanol blending and renewable volume obligations. Soybeans rose following Chinese purchases, while wheat gained on short covering amid colder US weather. Momentum strengthened in February as policy signals and geopolitical developments triggered a broad-based rally. Calls for increased Chinese purchases supported gains across the complex, while soybeans, soybean meal, and soybean oil advanced. Wheat also rose, supported by short covering, slowing Russian exports, and adverse weather, alongside stronger biofuel policy support from the US Environmental Protection Agency. March saw heightened volatility amid escalating Middle East tensions. Energy tightness and shipping disruptions supported soybean oil, which remained the standout performer. The closure of the Strait of Hormuz also pushed fertilizer prices higher, raising input costs for nitrogen-intensive crops. Soybeans and soybean meal were broadly unchanged, reflecting a more cautious demand outlook. Overall, the quarter highlighted the sector's sensitivity to policy and global supply shocks.
Soft commodities were characterized by a sharp initial decline followed by a recovery in March. January was weak, with the sector falling 7.2% as all components declined. Cocoa was the main laggard, dropping 30% on disappointing grinding data, while coffee also weakened despite slightly lower inventories. The downturn continued in February, with the sector down a further 9.3%, led by a 32% decline in cocoa following lower Ghana farmgate prices. Arabica coffee also fell on favorable Brazilian crop conditions. The last month of the quarter marked a reversal, with the sector rising 9.3% as sentiment improved. Cocoa rebounded 14.3% after finding a bottom, while sugar gained on ethanol-driven supply shifts and short covering. Coffee and cotton also advanced. Despite the recovery, year-to-date performance remains significantly negative, particularly for cocoa.
Livestock markets remained resilient, supported by strong cattle fundamentals. January rose 2.5%, driven by tight supply conditions and a semi-annual inventory report indicating a herd at a 75-year low, reinforcing a bullish outlook. February was broadly flat amid limited new developments. In March, the sector gained another 1.8%, with cattle continuing to lead despite equity market headwinds. Feeder cattle rose 5.6% and live cattle gained 5.9%, while lean hogs declined 4.8%, highlighting some divergence within the sector.

Portfolio review

In the energy sector, we entered March with a strong allocation in longer-dated contracts. We acted quickly on the view that this conflict would not be short-lived and started to unwind these carry trades across the whole energy complex and to overweight brent and gasoil over the course of the first week of March. We started to take profit on the beneficial long position in gasoil in the last few days of March. We hold a bearish positioning on US natural gas over the quarter. We remained overweight in gold in light of ongoing geopolitical tensions and its role as a safe-haven asset but have slightly reduced the magnitude during the end of the quarter. We stick to our underweight in industrial metals, especially in zinc and copper. At the same time, we established an overweight in aluminum as the Middle East crisis unfolded. We entered the year with an underweight in grains but closed it in March, especially in wheat and corn as the fertilizer crisis and higher energy prices increase input costs despite a global well-supplied market. We took profits in our coffee underweight position and established an overweight in sugar. We closed our overweight in cattle and our off-benchmark position in EU Carbon Allowances.

Performance analysis

Vontobel Fund – Commodity was up 20.76%, while the BCOMTR benchmark was up 24.41%, leading to an underperformance of -3.65% in the first quarter of the year. Positive performance drivers included the overweight in gasoil (+1.49%), soybean oil (+0.70%) and gold (+0.65%) as well as the underweight in coffee (+0.20%). On the negative side, the contract selection in crude oil (-2.86%) particularly in the first week of March as well as the selection in natural gas (-0.64%) and the underweight in wheat (-0.64%), and the off-benchmark position in EU Carbon Allowances (-0.79%) weighed on relative performance.

Outlook

The duration of disruptions in the Strait of Hormuz remains the single most critical factor for the oil market. Energy prices are likely to face continued upward pressure until transit through this key chokepoint is reliably restored. As highlighted previously, the key question is not when hostilities end, but when oil and other goods can once again flow freely through the Strait of Hormuz. While we believe eventual demand destruction will cap the upside, that point has not yet been reached.
In precious metals, rising bond yields present a headwind, and at the same time the sharp price acceleration in gold and silver in January may have outpaced fundamentals and justified a stronger correction. While gold remains sensitive to inflation concerns for now, it is likely to attract more buying once it becomes clearer that we are not entering a rate-hiking cycle over the next 12 months.
A detailed forecast for the second quarter of 2026 will be provided in the upcoming Quarterly Commodity Outlook.

Fund characteristics

Fund name	Vontobel Fund – Commodity
ISIN	LU0415415800
Share class	I USD
Reference index	Bloomberg Commodity Index TR
Inception date	7.1.2009

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	10.0%	11.5%
YTD	20.8%	24.4%
1 year	31.0%	32.3%
3 yrs p.a.	14.7%	13.9%
5 yrs p.a.	14.5%	14.0%
10 yrs p.a.	9.0%	8.0%
ITD p.a.	2.9%	2.1%

Time period	Fund	Ref. index
2025	19.6%	15.8%
2024	8.2%	5.4%
2023	-5.1%	-7.9%
2022	10.7%	16.1%
2021	35.1%	27.1%
2020	-0.5%	-3.1%
2019	9.2%	7.7%
2018	-15.0%	-11.2%
2017	2.2%	1.7%
2016	16.6%	11.8%

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Investment risks

- Using derivatives creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
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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