

Quarterly commentary / 31.12.2025

## Vontobel Fund – European Equity Income Plus

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, GB, IT, LI, 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.

### Market developments

European equities ended 2025 on a strong note, supported by easing financial conditions, resilient macro data, and a constructive earnings backdrop. After a positive October and a flat November, markets gained momentum toward year-end as investor confidence improved and volatility declined. Cyclical and value-oriented sectors led the rally. Financials outperformed, benefiting from strong balance sheets, resilient net interest margins, and capital return plans. Utilities also performed well, combining defensive appeal with stable earnings. Industrials were supported by robust orders, infrastructure spending, and investments in automation, electrification, and AI-enabled production. Technology and semiconductor-linked industrials remained supported, though valuations became more differentiated toward year-end. Defensive sectors outside Utilities mostly lagged. Consumer staples underperformed amid rotation into cyclicals, healthcare showed mixed results, and consumer discretionary faced cost pressures and uneven demand. Earnings were generally constructive, with stable demand and disciplined cost management. Margins proved more resilient than expected, supporting earnings expectations into 2026.

Central banks remained a key market anchor as well. The U.S. Federal Reserve cut rates by 25 bps in both October and December to 3.50%–3.75%, while the ECB kept rates unchanged in Q4 after earlier cuts in first half of the year, reflecting progress on inflation and resilient growth. Stable rate expectations underpinned valuations and risk appetite. Fiscal policy remained supportive, with ongoing euro-area investment initiatives reinforcing medium-term growth prospects. Overall, euro-area macro conditions were mixed but resilient, with stabilizing manufacturing and steady labor markets. European equities benefited from improved sentiment, attractive relative valuations, and continued portfolio inflows.

### Portfolio review

Quality Dividend: In the fourth quarter, no major changes were made to the stock portfolio following the third quarter, though minor tactical adjustments were implemented at the weighting level. While Financials are already the largest sector in the MSCI EMU, the portfolio currently maintains an even higher representation of this sector, as many names exhibit strong quality characteristics and high dividend yields—both

of which align perfectly with our selection process. The largest portfolio overweight relative to the benchmark was in Utilities, which delivered strong performance in the current quarter. Financials and Utilities were both top-performing sectors during the quarter.

Enhanced Income: The covered call strategy was implemented as planned during the fourth quarter. Similar to end of last quarter, we started the fourth quarter with a somewhat more conservative approach, temporarily reducing the writing ratio by an average of around 10% from the 50% target. This adjustment reflected increased dispersion among individual stocks and the expected Q3 earnings season, as we aimed to mitigate the risk of limited upside potential following positive earnings surprises of individual stocks. After the earnings season was almost concluded, we gradually increased the coverage ratio stepwise toward the target level. This stepwise approach allowed us to capture the positive momentum in December while minimizing opportunity costs resulting from this strategy in rising markets. By the end of the quarter, the coverage ratio was nearly back at target, ensuring that income requirements were met.

### Performance analysis

The Vontobel Fund – European Equity Income Plus Fund benefited from friendly market environment and delivered strong performance, not only in absolute returns but also outperforming the underlying benchmark MSCI EMU Net Total Return Index in a period of rising markets.

The main driver of outperformance in the quarter was the Quality Dividend Equity portfolio, which delivered strong returns, primarily due to overweights in Financials, Utilities, and Consumer Discretionary. The top positive contributors on single lines included Inditex, whose shares surged following strong November sales; DHL Group, which also reported earnings well ahead of expectations and announced a €600 million share buyback; and Banco Bilbao, which continued its strong performance throughout 2025. Portfolio detractors in Q4 included Ferrari and Wolters Kluwer, which, despite maintaining strong quality characteristics, faced market pressure and extended their losses. However, strong stock selection more than offset the few underperformers. The Covered Call strategy generated only minor opportunity costs in this period of rising markets mainly in October. In November, it

contributed positively to overall performance. In December, with positive market momentum, costs remained limited due to a cautious approach and temporarily reduced coverage ratios. The Dynamic Participation strategy, which included protective measures against certain risk events, contributed slightly negatively in Q4 as some anticipated volatility did not materialize. Currently, the portfolio carries no additional protection beyond the standard Enhanced Income strategy.

#### Outlook

Looking ahead to 2026, we continue to see a broadly positive environment for European equity markets, supported by improving sentiment, multiple expansion, and a further strengthening of the business climate. Recent inflation data reinforce our view that the European Central Bank can at least maintain current interest rate levels, with no immediate need to adopt a more hawkish stance. In addition, we expect the U.S. Federal Reserve to continue easing its monetary policy next year, which should provide further support to global financial markets, including Europe. While European equity valuations are no longer cheap following the strong performance in 2025 and are now above their long-term averages, they remain attractive relative to most other asset classes, such as corporate bonds. Moreover, European equities continue to trade at a substantial discount compared to the U.S. market. Investor

positioning remains relatively light, leaving room for further inflows. A potential peace agreement in the Ukraine conflict, along with increased spending initiatives on infrastructure and defense, could act as powerful catalysts for European markets. A resilient labor market and rising productivity—driven in part by companies benefiting from artificial intelligence adoption—provide additional structural support for growth in 2026. Despite this constructive outlook, a degree of caution remains warranted due to persistent uncertainty factors, particularly potential shifts in the geopolitical landscape. Furthermore, our proprietary business cycle model, Wave, has recently turned slightly contractionary, signaling a possible deterioration in the global economic environment. This development represents a key risk to monitor should the trend continue. In this context, quality companies that underperformed in 2025 could benefit from a more selective market environment, potentially leading to sector and style rotation. Provided that economic conditions remain intact, the banking sector could continue to perform well, supported by a steep yield curve, strong balance sheets, and anticipated share buyback programs. Overall, while risks remain, the European equity market enters 2026 with supportive fundamentals, relative valuation appeal, and several potential upside catalysts, making it a compelling component of a diversified investment strategy.

#### Fund characteristics

<b>Fund name</b>	Vontobel Fund – European Equity Income Plus
<b>ISIN</b>	LU2967766705
<b>Share class</b>	I EUR
<b>Reference index</b>	MSCI EMU Net Total Return EUR Index
<b>Inception date</b>	25.3.2025

According to the EU's Markets in Financial Instruments Directive (MiFID) and its implementation in national law, performance information may only be shown to clients if it covers a period of at least 12 months.

#### Investment risks

- Limited participation in the potential of single securities.
- Success of single security analysis and active management cannot be guaranteed.
- It cannot be guaranteed that the investor will recover the capital invested.
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility.
- Price fluctuations of investments due to market, industry and issuer linked changes are possible.
- Investments in mid and small cap companies may be less liquid than investments in large cap companies.
- With the use of a covered call options strategy the participation in the potential positive price development of the underlyings is limited.
- There is no guarantee that all sustainability criteria will always be met for every investment. Negative impact on sub-fund's performance possible due to pursuing sustainable economic activity rather than a conventional investment policy.
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