Monthly commentary / 27.2.2026

# Vontobel Fund – mtx Emerging Markets Leaders

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

**Summary**

- Emerging markets equities recorded a gain of +5.2% in February, significantly outperforming developed markets equities.
- The mtx Emerging Markets Leaders (EML) fund returned +7.5% (gross of fees) during February.
- The EML fund has outperformed the benchmark by +3.3% (gross of fees) during the first two months of the year.

**Market developments**

Emerging markets (EM) equities gained +5.4% in February, outperforming US (-1.0%) and developed market equities (+0.6%) for the third consecutive month. By month-end, MSCI EM's YTD gain reached +14.7%, its best start since 2012. Information Technology led gains, driven by optimism around a multi-year AI-driven memory upcycle. Korea also benefited from governance reforms, including a key revision to the Commercial Act. Materials rose on higher commodity prices, with precious metals climbing amid geopolitical tensions and lower Fed rate expectations. The US Supreme Court struck down IEEPA tariffs, prompting a 10% global surcharge from the Trump administration, creating uncertainty for US trade policy. The USD rose modestly (+0.6%), supporting the view that EM equities can rally on strong fundamentals.

Over the past month, South Korea (+22.3%), Thailand (+19.8%), and Taiwan (+12.3%) delivered the strongest returns among emerging markets, clearly outperforming the rest of the group. At the bottom of the ranking, India (+0.9%), Poland (+1.2%), and the UAE (+3.4%) recorded the weakest one-month performance. In February 2026, the best-performing sectors in emerging markets were IT (+15.4%), materials (+7.5%), and industrials (+6.9%), significantly outperforming the broader sector set. Moderate gains were recorded in utilities (+5.1%), energy (+3.3%), and real estate (+3.1%), indicating positive but more contained momentum. The weakest sectors were communication services (-9.3%), consumer discretionary (-2.7%), and financials (1.6%), which lagged the overall sector performance.

**Portfolio review**

Over the course of the month, the strategy returned +7.5% (gross of fees), outperforming the benchmark return by +2.3%. Stock selection was the main driver of this outperformance for the month, particularly IT and materials. On the negative side, the portfolio had negative stock selection within industrials. Sector allocation was also slightly positive for the month, with the portfolio particularly benefiting from its underweight to communication services. From a country perspective, stock selection in China, Taiwan, and India were among the largest contributors to performance for the month, while stock selection in Hong Kong was the largest detractor.

At the end of February, our portfolio comprised of 52 companies (54 holdings, with two holdings each for Localiza and Samsung Electronics). Over the past month, we neither initiated any new positions nor exited any existing holdings.

Some of the salient points for performance in February are summarized below.

**Performance analysis**

Materials: Chinese fiberglass manufacturer China Jushi delivered outstanding performance during the period. Investors responded positively to China’s anti-involution policy measures, which are anticipated to strengthen supply discipline and further limit capacity growth. Coupled with increasing demand for fiberglass, this dynamic is expected to outpace supply growth, reduce inventories, and drive prices higher.

Information Technology: Samsung Electronics surged +36% (in USD) in February 2026, driven by advancements in its AI memory chip business and strong momentum in Korean tech stocks. The company announced the mass production of its HBM4 memory chips, with shipments to Nvidia expected soon. Reports also indicated that Samsung was negotiating a 30% price premium for its HBM4 chips, priced at around $700 per unit. Additionally, Samsung’s President and Chip Division CTO, Jaihyuk Song, stated that the company had reclaimed its leadership in the memory industry with its HBM4 technology, further boosting investor confidence. Elite Material's strong stock performance can be attributed to several factors. The company benefits from broad exposure to AI server content growth, driven by Nvidia GPUs and custom ASIC chips from hyperscalers, supported by robust 2026 capex guidance. Additionally, reports of price increases for Copper Clad Laminates (CCL), which are in short supply along with other supply chain components, further bolstered investor sentiment. Growing expectations for increased Low-Earth Orbit (LEO) satellite launches by Starlink and Amazon added to the positive outlook for the stock.

**Outlook**

Emerging market (EM) equities enjoyed a stellar 2025, buoyed by a depreciating US Dollar (USD), the arrival of

China on to the global AI stage and improving corporate governance from EM corporates. Despite this solid outperformance of EM equities over their developed market and US counterparts, there are good reasons to believe the momentum can continue into 2026 including continued pressure on the USD, less expected dilution of future earnings and relative valuations that remain appealing. In addition, we believe that EM equities could benefit from investors seeking greater diversification in their equity portfolio, particularly at current levels where EM equity allocations are well below their long-term average.

Operations

EM corporates are estimated to have posted solid earnings growth of +15% in 2025, which is significantly higher than the estimated +11% earnings growth in the developed world.

From a country perspective, South Africa (+34%), South Korea (+31%) and Thailand (+19%) are among the strongest in terms of expected earnings growth for 2025. China and India, the two largest countries in the index by market cap, are estimated to have generated lacklustre earnings growth in 2025 of -2% and +9% respectively.

Looking ahead into 2026, earnings growth is expected to remain solid for EM corporates with projections of +18%. This continues to compare favourably with both the US (+15%) and developed markets (+13%). EM Asia continues to stand out as attractive, with South Korea tipped to be the big winner in 2026 with an expectation of +51% EPS growth, driven by the large memory suppliers. Earnings growth expectations in the key Latin America (LatAm) markets of Brazil and Mexico are expected to normalise in 2026 after a higher base in 2025, at -2% and +11% respectively.

Profitability margins, such as return on invested capital, held up well for the average company in the MSCI EM index during 2025 (c.+7%) and are effectively in line with expectations for developed market corporates, albeit lower than US corporates (c.+11%).

Momentum

During the past three months, analyst earnings expectations for EM corporates increased for 2026 by +1.1%. This contrasts with the developed world where earnings expectations were revised upwards by +1.3%, led by Japan (+2.3%) and the US (+1.4%).

Within EM, South Korea (+1.5%) and Taiwan (+1.4%) were the standouts when it comes to the largest positive revisions during the past three months.

Valuation

Despite the significant outperformance of EM equities over developed market equities during 2025, EM equities continue to look very attractive on a relative basis. EM equities are trading on a multiple of 13.3x for 2026 earnings. In comparison, developed market equities are trading at 19.9x for 2026 earnings. Relative valuation is even more attractive when compared to US equities, which are trading at even higher multiple levels (22.3x).

On a Shiller P/E basis (the cyclically adjusted price to earnings ratio that adjusts ten years of earnings for inflation), EM equities continue to trade at a significant discount to developed market equities. We believe this is a powerful signal that long term investors should consider.

From a regional perspective, LatAm continues to screen as very good value with markets such as Brazil trading at 9.4x for 2026 earnings. Within EM Asia, South Korea (9.6x) continues to stand out as relatively attractive while India continues to look expensive trading at 22.7x for 2026 earnings.

Growth

Real gross domestic product (GDP) expectations for EM economies remain strong with the International Monetary Fund (IMF) estimating that EM and developing economies will grow by +4.0% in 2026. In comparison, expected real GDP growth for 2026 in the developed world is +1.6%.

The strongest growth in real GDP expectations for 2026 comes from EM Asia with economies such as India (+6.2%) and China (+4.2%) expected to grow the fastest.

Elsewhere within EM, we note strong real GDP growth expectations in the Middle East for 2026 with economies such as Saudi Arabia expected to grow by +4%. LatAm economies are predicted to experience subdued growth in 2026, with Brazil expected to grow by just +1.9% in real terms while Mexico's economy is expected to expand even slower at +1.5%.

Risk

Are we at risk of an AI bubble burst? Markets have become increasingly concerned about the potential of an AI bubble, particularly given the increasing use of debt to finance investments and the circularity of deals within the AI ecosystem. A bursting of an AI-induced bubble would of course be a significant negative for global equity markets, including tech-heavy EM markets such as Taiwan and South Korea.

Can we finally forget about tariffs in 2026? There is a consensus view that the issue of tariffs was settled during 2025. While this may be the case, there is a risk that the Trump administration continues to use tariffs as a bargaining chip with its main trading partners, threatening existing agreements.

Inflation and direction of the USD: The Federal Reserve (Fed) is expected to gradually reduce interest rates during 2026. The appointment of a new Fed Chair by President Trump also adds weight to this view that rates are set to come down more during the year ahead. However, inflation has been stubborn and there is a risk that the Fed has limited room to cut much further. This type of scenario could add support to the USD and provide a headwind for EM equities.

Recession in the US: While the macro data suggests the US economy remains resilient, albeit with a weakening job market, a significant deterioration in the data that shows the US economy is in danger of falling into a recession would be a big concern for global equities.

Geopolitics: From the continuing conflict in Ukraine to the ousting of President Maduro in Venezuela, the global geopolitical situation can be described as volatile. Increased geopolitical tensions could prove to be a negative for EM equities.

Are China's stimulus plans enough? Chinese stimulus measures continue to be an issue to watch given the sluggish macro data.

Flows

There was approx. +$31bn of flows into EM equities during 2025 according to estimates from JP Morgan. While the vast majority of these flows went into ETFs, an uptick of flows into non-ETFs was noted towards the end of the year, which is consistent with JP Morgan's view that 2026 could a good one for flows into active strategies.

We believe there is potentially a long runway ahead for flows into EM equities given that the average global investor's allocation to EM equity continues to be significantly underweight, with recent analysis from JP Morgan estimating this is 1.5% lower than the 10-year average EM allocation.

**Fund characteristics**

| | |
|---|---|
| **Fund name** | Vontobel Fund – mtx Emerging Markets Leaders |
| **ISIN** | LU0571085686 |
| **Share class** | I USD |
| **Reference index** | MSCI Emerging Markets TRN to 5.5.2025, MSCI EM Index 10/40 USD TRN thereafter |
| **Inception date** | 15.7.2011 |

**Historical performance (net returns, in %)**

| Time period | Fund | Ref. index |
|---|---|---|
| MTD | 7.4% | 5.2% |
| YTD | 18.1% | 14.3% |
| 1 year | 56.9% | 48.8% |
| 3 yrs p.a. | 20.9% | 21.2% |
| 5 yrs p.a. | 4.3% | 6.1% |
| 10 yrs p.a. | 11.4% | 10.6% |
| ITD p.a. | 6.9% | 4.8% |

| Time period | Fund | Ref. index |
|---|---|---|
| 2025 | 35.7% | 33.1% |
| 2024 | 7.8% | 7.5% |
| 2023 | 6.5% | 9.8% |
| 2022 | -26.0% | -20.1% |
| 2021 | -6.3% | -2.5% |
| 2020 | 20.6% | 18.3% |
| 2019 | 23.1% | 18.8% |
| 2018 | -15.3% | -14.8% |
| 2017 | 49.1% | 37.3% |
| 2016 | 9.6% | 11.2% |

**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.

**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.
- Investments in Chinese A-Shares are subject to changes in political, economic and social conditions in China as well as changes in the policies of the PRC government, laws and regulations.
- 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 also includes sustainability criteria in its investment process. This may mean that the sub-fund's performance is more positive or negative than a conventionally managed portfolio.
- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- The sub-fund's investments may be subject to sustainability risks. The sustainability risks that the sub-fund may be subject to are likely to have an immaterial impact on the value of the sub-fund's investments in the medium to long term due to the mitigating nature of the sub-fund's ESG approach. The sub-fund's performance may be positively or negatively affected by its sustainability strategy. The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers. Information on how environmental and social objectives are achieved and how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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