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

— - Crude oil surged amid the collapse of the US-Iran ceasefire.
— - European gas soared as LNG disruptions tightened supply.
— - Grains and softs rallied on geopolitical risks and adverse weather alongside solid demand.

Market developments

Markets faced renewed geopolitical turmoil in July as the collapse of the US-Iran ceasefire and the closure of the Strait of Hormuz revived inflation concerns, sending WTI crude 22.2% higher. The surge propelled the broader Bloomberg Commodity Index up 7.2%, while industrial metals and agricultural markets also gained as investors reassessed global supply risks. The resulting reflationary backdrop pushed bond yields higher and kept both the US Federal Reserve (Fed) and the European Central Bank (ECB) on hold. At the Fed, though, a rather hawkish 9-3 vote showed growing divisions over the future direction of monetary policy. In equities, the AI trade lost some momentum as a selloff in semiconductor and megacap technology stocks pushed the Nasdaq 100 into correction territory. European equities were relatively resilient, while emerging markets underperformed amid an unwinding of positions in Asian technology stocks. The month concluded with a rally in the Japanese yen following coordinated intervention by US and Japanese authorities.

Crude oil experienced a dramatic reversal, with Brent surging +17.6% to USD 90.12 per barrel and WTI gaining +22.2% to USD 84.67 per barrel, the strongest monthly performance for both benchmarks since the conflict began. The rally was driven by the complete breakdown of the June ceasefire. US President Donald Trump declared the interim agreement "over" on July 10, while the US Treasury revoked the Iranian oil sanctions waiver. On July 14, the US reimposed a naval blockade of Iranian ports and launched 13 consecutive nights of airstrikes targeting Iran's maritime and military infrastructure. As hostilities resumed, shipping flows through the Strait of Hormuz slumped. One new factor, absent in the first phase of the conflict, was the opening of another front by the Houthis, who struck two Saudi oil tankers in the Red Sea. These attacks widened the supply disruption and fueled fears that the conflict could become both longer and more widespread. Refined products outperformed crude, with gasoil surging +39.4% and heating oil gaining +30%, as refinery activity fell to its lowest seasonal level since the Covid-19 pandemic. Supply conditions tightened even more as Ukraine stepped up attacks on Russian oil refineries and tankers, leading to production cuts. The Caspian Pipeline Consortium oil terminal had to halt loadings and discussed a complete suspension of operations as attacks intensified throughout July.

Natural gas prices diverged between US and European markets in July following the collapse of the US-Iran ceasefire. US natural gas (Henry Hub) fell -14%, as robust domestic production and faster storage injections outweighed the impact of warmer-than-usual weather. In contrast, European TTF prices surged +36% as the renewed blockade of the Strait of Hormuz severely curtailed LNG flows to Europe, which fell 22–33% below the 30-day average. In addition, QatarEnergy extended its force majeure on LNG deliveries to European customers through the end of September. European gas storage ended July at just 57% full, versus a five-year seasonal norm of approximately 72%, leaving the continent critically exposed as it heads into the winter refilling season.

Precious metals were relatively range-bound in July, with gold broadly unchanged (+0.2%), while silver underperformed (-3.6%) and platinum-group metals posted gains (platinum +5.9%, palladium +5.8%). Gold remained resilient despite higher US Treasury yields and elevated inflation fears stemming from renewed US-Iran tensions. The July FOMC meeting provided an important catalyst, as the Fed's communication raised investor uncertainty around the future monetary policy framework and its commitment to containing inflation. This supported dip-buying around USD 4,000 per ounce, a level that increasingly appears to be an important near-term price floor. At the same time, continued central bank purchases and resilient physical demand from China helped offset subdued investment demand in Western markets. Assets under management in physically backed gold ETFs stabilized in July and remain the most important high-frequency indicator for bullion demand. Looking ahead, the September FOMC meeting is expected to be the next key catalyst for precious metals, as markets reassess the Fed's policy path and its implications for real yields and investor positioning.

Industrial metals rebounded in July, gaining +3.3% and recovering part of June's decline. The improvement was broad-based, though driven by two distinct dynamics. Early on, copper and aluminum advanced as traders scaled back expectations for rate hikes following comments from Fed Chair Kevin Warsh that suggested price pressures were easing. This helped relieve some of the pressure that had weighed on the complex throughout June. Nickel led the gains (+5.6%), followed by copper (+3.4%) and aluminum (+3.3%), with zinc (+2.7%) and lead (-0.4%) lagging. Aluminum's recovery was tempered by conflicting supply signals: China's aluminum exports reached a monthly record in June as domestic smelters sought to redirect output amid war-clouded Gulf supply routes. Copper was supported by a drawdown in Shanghai exchange inventories, which fell 20% in the week ending July 17 and a further 13% the following week, tightening the visible supply picture.

Grains rebounded in July, with the Bloomberg Commodity Grains Subindex gaining +6.6%, fully reversing June's broad-based decline. The Bloomberg Agriculture Spot Index even reached its highest level since July 2023 during the month. The sector was driven by a combination of geopolitical and weather-related supply shocks. Ukraine escalated its attacks in the Sea of Azov, targeting more than 200 ships en route to the Black Sea and striking export shipping infrastructure. Russia's grain lobby warned that export corridor disruptions could result in a wheat shortfall of 30–35 million tons, equivalent to roughly 15% of global trade, providing the main bullish impulse throughout the month. Wheat was the standout performer (+8.5%), reaching a two-year high in Chicago and Paris. Scorching heat in North Dakota threatened spring wheat yields just as geopolitical risk premiums were building. The July World Agriculture Supply and Demand Estimates report (WASDE) added further pressure, cutting US corn ending stocks for 2026/27 by 170 million bushels to 1,790 million and reducing the stocks-to-use ratio to 11.0% from 12.1%. Soybean meal (+6.0%) and corn (+5.8%) also advanced, while soybeans (+3.8%) and soybean oil (+2.4%) lagged. Late-month rainfall forecasts for the US Corn Belt and improving soybean crop condition ratings tempered some of the weather premium. However, China returned to the US soybean market in July, with purchases signaling it’s fulfilling the agricultural component of the trade agreement, which resulted in a firmer outlook for soybeans.

Soft commodities gained +5.4% in July, extending their positive run from June. Coffee led the sector, jumping +12%, driven by a historic single-session surge of up to 16% on July 6, its largest daily gain in 26 years. Heavy rainfall across Brazil's key growing regions delayed what is expected to be a record harvest and raised concerns over bean quality. Prices remained elevated through month-end, supported by persistently tight exchange inventories and further harvest disruptions caused by a cold front in late July. Cocoa rose +6.3%, reaching USD 6,000 per ton for the first time since January, as StoneX lowered its 2026/27 global surplus estimate to just 25,000 tons from its previous forecast of 149,000 tons, citing El Niño-related disruptions to West African crops and an expected 11% decline in Ivory Coast output to 1.8 million tons. Cotton gained +6.5%, without specific news, while sugar was the sole decliner, falling -1.1%.

Livestock declined -3% in July, as a reversal in the cattle complex outweighed a recovery in lean hogs. Live cattle fell -4.6% and feeder cattle dropped -6.1%. At one point, live cattle futures recorded 15 consecutive sessions of declines, weighed down by weakness in the cash market and fund liquidation of historical long positions. The US Department of Agriculture (USDA) announced a phased resumption of Mexican cattle imports from August onwards, despite continued cases of the New World screwworm. The reopening of the border is part of an effort by the US to counter record-high domestic beef prices. Lean hogs bucked the trend, ending the month flat with +0.4%. Prices rose by low double digits through July 24, supported by strong weekly pork export sales, before softening toward month-end amid disappointing cut-out prices.

Portfolio review

As the US-Iran ceasefire collapsed, we shifted our crude oil positioning closer to the benchmark, mostly with a bull-spread positioning, to mitigate the relative risk. We continue to hold a directional overweight positioning in oil products, especially in gasoil and gasoline. We took profits on our European gas overweight positioning and closed our underweight in US natural gas. We continue to hold a small overweight in gold and hedge it with an underweight in silver. In industrial metals, we continue to hold an overweight in copper and a slight overweight in aluminum. We remain overweight in grains, especially wheat and soybeans and took profits from the corn overweight. We also took profits from our sugar overweight but remain constructive longer-term and established a bearish positioning in coffee.

Performance analysis

Vontobel Fund – Commodity gained 7.53% while the BCOMTR benchmark increased 7.54%, leading to a flat relative performance of -0.01%. Negative performance drivers included soft commodities (-0.32%), especially coffee (-0.16%) and cocoa (-0.09%), the overweight in soybeans (-0.10%), and the contract selection in crude oil (-1.89%). Positive performance drivers included the off-benchmark positioning in European gas and the underweight in US natural gas (+1.28%), the overweight in gasoil (+0.31%) and gasoline (+0.31%), as well as the overweight in corn (+0.20%) and wheat (+0.17%).

Outlook

Over the next month, we believe commodities are likely to be supported by a stronger macroeconomic backdrop. A stronger-than-expected US manufacturing reading (ISM at 55.6, the highest since May 2022) points to improving industrial demand, while a softer US dollar, supported by coordinated US-Japan intervention and easing inflation expectations from lower oil prices, is poised to provide a modest tailwind for commodity prices. That said, performance is likely to remain highly differentiated, with supply-side developments, rather than demand, driving the biggest price moves over the coming month.

In our view, energy is likely to remain the most dynamic segment. Crude oil has repriced lower following progress in US-Iran diplomatic talks and signs that negotiations around the Strait of Hormuz are advancing (again), reducing the geopolitical risk premium. The durability of this détente will determine whether prices stabilize or recover, with risks skewed to the upside if negotiations falter, commercial and strategic reserve buying accelerates at lower prices, or regional tensions resurface. In our view, the more compelling story lies in refined products. Diesel and gasoline markets are tightening as Russia, which accounts for roughly 9% of global diesel exports, has extended its export ban following renewed attacks on domestic refineries. At the same time, US oil inventories continue to decline amid record exports and constrained global refining capacity. Strategic petroleum reserves are also near multi-decade lows and will eventually need to be replenished, while China has yet to return meaningfully to the oil market. In Europe, gas storage sits at the lower end of the five-year average, leaving prices vulnerable should winter prove colder than expected.

Metals continue to offer selective opportunities. While China's second-quarter growth disappointed, further policy stimulus to achieve its ~5% growth target should support industrial metal demand later this year. Gold also remains structurally well supported as central banks continue to add to their reserves and the absence of near-term rate hikes reduces pressure on the non-yielding asset, although further gains will depend on renewed investment flows.

In agriculture, weather risks are moving back into focus, with an 81% probability of a Super El Niño developing between October and December. This raises the risk of weaker crop yields, particularly for sugar, cocoa, wheat, and corn, and could prompt producing countries to impose export restrictions, adding further upside risk to agricultural prices.

Fund characteristics

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

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	7.5%	7.5%
YTD	18.1%	23.0%
1 year	30.8%	35.5%
3 yrs p.a.	12.9%	12.1%
5 yrs p.a.	10.2%	10.6%
10 yrs p.a.	7.9%	7.2%
ITD p.a.	2.7%	2.0%

Time period	Fund	Benchmark
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%

Past performance is not a reliable indicator of current or future performance.
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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.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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