Monthly commentary / 29.5.2026

Vontobel Fund – mtx Emerging Markets Leaders ex China

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

Summary

- Emerging markets ex China posted another strong month, with the MSCI EM ex China Index rising 13.5%, again significantly outperforming developed markets equities.
- The mtx Emerging Markets Leaders ex China (EMLX) fund returned +11.2% (gross of fees) during May 2026.
- The EML fund has outperformed the benchmark by +2.8% (gross of fees) during the first five months of the year.

Market developments

Emerging markets ex China delivered strong performance in May, with MSCI EM ex China rising +13.5%, supported by a recovery in Asian equities after mid-month volatility driven by higher US yields. The rally was led by North Asia, where Korea (+35.0%) and Taiwan (+16.3%) surged on robust earnings and upward revisions, with IT (+28.8%) the clear standout sector as AI-driven momentum resumed.

Elsewhere, Brazil (-9.1%) and energy (-7.7%) underperformed, while ASEAN markets remained broadly flat amid limited AI exposure and tighter monetary conditions. Overall, market leadership remained narrow and growth-driven, with momentum and growth styles outperforming and macro headwinds from rising US yields and commodity price volatility contributing to regional dispersion.

Portfolio review

Over the course of the month, the strategy returned +11.2% (gross of fees), underperforming the benchmark return by -2.2%. Stock selection was the primary driver of underperformance during the month, particularly within the information technology, consumer discretionary, and utilities sectors. On the positive side, stock selection in energy added value. Sector allocation contributed positively overall, supported by underweights in financials, consumer staples, and communication services. Country allocation, however, detracted from performance, mainly due to overweight positions in South Africa and Brazil. In addition, stock selection had a strong negative impact, primarily driven by Taiwanese holdings.

At the end of May, our portfolio comprised 54 companies (56 holdings, with two holdings each for Localiza and Samsung Electronics). During the month, no new positions were initiated, and no existing holdings were exited.

Performance analysis

Asian hardware and semiconductor holdings delivered strong performance in May, led by Korean memory names. SK Hynix (+78.4%) and Samsung Electronics (+40.6%) surged on continued AI-driven demand for HBM and DRAM. In Taiwan, Wiwynn (+17.6%) benefited from robust AI server demand, while Elite Material (+13.7%) and Accton (+7.6%) posted more moderate gains. Faratronic (+41.9%) also contributed strongly, whereas Alchip (+7.8%) lagged despite its AI ASIC exposure. On the negative side, the portfolio did not participate in the sharp re-rating of several key peers, most notably UMC (+88.7%) and MediaTek (+66.7%), which were among the strongest performers in the universe. Hon Hai (+32.9%) and Delta Electronics (+14.0%) also outperformed a number of held names, representing a significant opportunity cost. This underparticipation explains the negative stock selection effect within the information technology sector.

The portfolio's utilities holdings were a drag on performance in May, with SABESP (-16.9%) and Power Grid of India (-8.7%) both declining in USD terms. Both stocks were pressured by the broader headwind facing rate-sensitive infrastructure names, as rising long-term yields weighed on valuations. Brazilian 10-year yields climbed from 14.06% to 14.12% over the month, touching an intra-month high of 14.50% in mid-May, amplifying the sell-off in SABESP. In India, the 10-year yield similarly edged higher, peaking at 7.13% before partially retracing, keeping pressure on Power Grid throughout much of the month. In addition, the Brazilian stock market was pressured by changing expectations for the upcoming presidential elections in October 2026.

Outlook

The long-term outlook for EM equities remains compelling, supported by robust fundamentals, projected earnings growth of +35.1% in 2026, and attractive valuations trading at a significant discount to developed markets. Regional fiscal measures and a potential ceasefire in the Iran conflict could further stabilize markets and create selective opportunities for investors. In the near term, however, volatility is expected due to geopolitical tensions, energy price shocks, and tighter financial conditions. Historical patterns suggest that supply-driven oil price surges may lead to market corrections, with EM equities likely to face continued pressure in Q2. While risks persist, the structural investment case for EM equities remains intact for long-term investors.

Fundamentals

The fundamental backdrop for MSCI EM equities remains broadly supportive, driven by strong earnings expectations and structural tailwinds. Consensus forecasts project MSCI EM earnings growth of approximately 35.1% in 2026 (compared to +16% for MSCI DM and +18% for U.S. equities), supported by technology investment cycles, policy stimulus, and improving governance in key markets. However, higher risk premiums and rising interest rates are compressing valuation multiples for EM equities relative to DM and U.S. benchmarks.

The strong pre-conflict momentum of EM equities was evident in robust earnings growth in Q4 2025. Excluding the drag from China internet giants like Alibaba, JD.com, and Baidu, EM earnings surged +31% YoY, led by Korea (+71% YoY) and Taiwan (+35% YoY). Latin America also delivered healthy gains, with Brazil (+34% YoY) and Mexico (+44% YoY) contributing strongly. Overall, topline growth in EM (excluding Alibaba, JD.com, and Baidu) tracked a healthy +10% YoY. Within EM, Korea posted the strongest growth in net income, with significant contributions from the Information Technology, Industrials, and Financials sectors. Taiwan also recorded strong net income growth, while Latin America benefited from robust performances in Brazil and Mexico.

Consensus forecasts for Q1 2026 indicate stellar net income growth of over +40% for MSCI EM. South Korea is expected to lead with +117% YoY growth, followed by Taiwan (+32% YoY) and China (+30% YoY). In Latin America, Brazil (+17% YoY) and Mexico (+6% YoY) are projected to deliver moderate growth, while in EMEA, Saudi Arabia (+6% YoY) and the UAE (+5% YoY) are expected to post single-digit gains. However, it is important to note that only 54% of MSCI EM constituents (by count) have consensus earnings forecasts for Q1 2026, leaving room for potential revisions.

While Q1 2026 forecasts appear promising, downward earnings revisions often lag energy shocks by 2–3 quarters, with historical oil supply shocks showing significant regional and sectoral impacts. Governments are implementing price caps and subsidies to shield growth and corporate margins in the near term, but prolonged disruptions could strain fiscal resources and hurt demand, particularly among weaker consumers. Global and EM growth are expected to slow as higher energy costs and weaker demand weigh on exports. North Asia is managing oil shortages effectively through strategic reserves, advanced supply management, diplomatic agreements for Iranian vessel passage and Russian oil access, and plans to ramp up coal-fired power plants and revitalize nuclear power plants. Southeast Asia shows mixed resilience, with Thailand implementing a fuel crisis plan and subsidizing diesel at $32 million daily, while Vietnam seeks supply support from Japan and South Korea. South Asia remains the most vulnerable, with Bangladesh facing imminent oil shortages, India raising LPG and jet fuel prices while activating emergency measures, and households stockpiling electric cooktops amid cooking gas concerns.

Higher energy prices are expected to support incomes in energy-producing and exporting economies (e.g., Latin America), but the demand lift is likely to be outweighed in the near term by the drag on energy-consuming regions (e.g., Asia and EMEA). Approximately 28% of the MSCI EM benchmark has a negative beta to oil prices, including Consumer Staples, Consumer Discretionary, Real Estate, Communication Services, Utilities, and Healthcare. These sectors are particularly vulnerable to higher input costs, reduced disposable incomes, tighter household budgets, rising fuel costs, and inflation-driven deferrals of non-essential spending. If earnings growth for these six sectors were to contract to zero in 2026, the overall EM earnings growth forecast would decline from +35.1% to approximately +30.7%.

The technology sector remains the largest contributor to EM earnings growth, benefiting from strong initial demand and sufficient reserves of critical inputs such as helium and bromine. Companies in Korea and Taiwan, for example, are estimated to have 4–6 months of buffer reserves for these materials. However, prolonged geopolitical uncertainty and tighter financial conditions could disrupt supply chains and weaken global demand, putting 2026 EPS estimates at risk. A slowdown in global economic activity could also dampen demand for technology products and AI data centers, which are key growth drivers for Korean and Taiwanese tech giants.

Valuation

Valuations for EM equities remain attractive on both an absolute and relative basis. The MSCI EM index currently trades at approximately 13.5x forward earnings, compared to 20.0x for developed markets and 21.8x for U.S. equities, representing a valuation discount of roughly 30–40% versus major developed market benchmarks. Regionally, CEEMEA markets trade at approximately 11.2x forward P/E, and Latin America at around 11.6x, compared to 14.1x for EM Asia. On a historical basis, EM valuations are only moderately above long-term averages, with the aggregate EM forward multiple of 13.5x compared to a long-term average near 11.7x.

Price-to-book metrics further support the relative valuation case, with EM equities trading at approximately 2.4x book value compared to 3.9x for developed markets. This valuation backdrop indicates that risk-driven corrections during Q2 could present tactical entry opportunities for long-term investors, though sustained macro shocks could delay further multiple expansion.

Macroeconomic Outlook

The macroeconomic environment for emerging markets remains broadly constructive, though near-term uncertainty has risen due to geopolitical risks and energy price volatility. Policymakers in several EM economies are implementing fiscal measures, such as subsidies and tax adjustments, to mitigate the impact of higher oil prices and stabilize domestic demand. Growth expectations vary across regions. In Latin America, economic momentum is supported by commodity exposure and easing policy expectations. For instance, GDP growth forecasts for Mexico have been revised slightly higher to around 1.7% for 2026, reflecting improving domestic demand and positive carryover effects from stronger activity in late 2025. In Brazil, disinflation trends and the anticipated start of a monetary easing cycle are expected to support growth, although political uncertainty ahead of elections may temper the pace of recovery.

In Asia, macro conditions remain closely tied to global technology demand and export dynamics. Strong semiconductor investment cycles and resilient trade activity are bolstering growth prospects in markets such as Korea and Taiwan. At an aggregate level, EM sector composition provides some resilience to energy shocks, with approximately 28% of the MSCI

EM index consisting of sectors with negative earnings sensitivity to oil prices. Even in a severe scenario assuming zero growth in these sectors, EM earnings growth for 2026 would decline only moderately from 35.1% to approximately 30.7%.
Risks
Key downside risks include geopolitical tensions, energy price volatility, U.S. dollar strength, and global growth risks. Persistently high oil prices could pressure corporate margins and household purchasing power, particularly in energy-importing economies. While governments are currently absorbing part of the shock, sustained price increases may eventually be passed on to consumers, leading to earnings downgrades with a lag of 2–3 quarters.
Currency dynamics also pose risks, as a stronger U.S. dollar and tighter global financial conditions could disrupt capital flows and weigh on EM performance. Additionally, following the strong Q1 rally, previously crowded markets may be vulnerable to sharper corrections if global risk sentiment deteriorates.

Flows
Emerging market capital flows have shown mixed trends amid geopolitical tensions. Year-to-date, EM equity funds have attracted USD 77.5 billion in inflows, though recent weeks have seen a slowdown. ETFs turned positive with +USD 1.1 billion in inflows, while non-ETFs experienced outflows of -USD 1.7 billion in the same period.
Regionally, Asia ex-Japan saw modest inflows, while GEM, Latin America, and EMEA experienced outflows. Market-level trends indicate selling pressure in Korea, Taiwan, and India, while Brazil and some ASEAN markets attracted inflows. February data highlighted strong subscriptions in China (+USD 6.2 billion) and Mexico (+USD 1.5 billion). A stabilization in geopolitical risks could renew strategic allocations, though uncertainty may continue to drive episodic volatility.
·
[Insert Outlook Comment here]

Fund characteristics

Fund name	Vontobel Fund – mtx Emerging Markets Leaders ex China
ISIN	LU2601939379
Share class	I USD
Benchmark	MSCI Emerging Markets Index ex China TR Net 10/40
Inception date	20.9.2023

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	11.2%	13.4%
YTD	39.9%	37.1%
1 year	74.9%	70.2%
3 yrs p.a.	–	–
5 yrs p.a.	–	–
10 yrs p.a.	–	–
ITD p.a.	33.7%	30.9%

Time period	Fund	Benchmark
2025	37.2%	33.6%
2024	3.4%	2.3%
2023	–	–
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.

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.
- 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.

Important legal information

Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11
info@vontobel.com | vontobel.com/am