

Monthly commentary / 30.1.2026

## Vontobel Fund – Sustainable Emerging Markets Local Currency Bond

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

### Market developments

January was eventful, beginning with the capture of Venezuela's President Nicolás Maduro and the implementation of US President Donald Trump's version of the Monroe Doctrine, dubbed the Donroe Doctrine. Maduro was replaced by Vice President Delcy Rodríguez, who has cooperated with the US, including releasing political prisoners and approving a new hydrocarbon law favorable to foreign investment. Trump linked his Greenland threats to failing to win the Nobel Peace Prize, weakening the US dollar. The US Dollar Index (DXY) fell 1.4% in January but rebounded slightly in early February after Trump nominated Kevin Warsh as US Federal Reserve (Fed) chair, a more hawkish choice than many had expected. US 10-year Treasury yields rose 7 basis points (bps), while German Bund yields were stable.

Global equities (MSCI World) rose 2.2% in January despite heightened volatility, with emerging-market (EM) equities (MSCI EM) gaining 8.8%, while the S&P 500 lagged peers, gaining only 1.4%. Commodities were volatile; precious metals climbed most of the month but corrected sharply after Warsh's nomination, raising doubts about the crowded de-basement trade. Oil surged, with Brent futures closing above USD 70 per barrel, up 16.2% for the month. The rally was partly driven by the temporary closure of Kazakhstan's Tengiz oil field, removing nearly 1 million barrels per day (~0.9% of global output). Protests in Iran and Trump's threats of military action likely had a greater impact, as oil prices fell significantly in early February when Trump delayed an attack.

In the Russian-Ukrainian war, a peace deal remains elusive despite ongoing US-brokered trilateral talks in Abu Dhabi.

EM fixed income indices performed well on the month:

Hard-currency sovereign bonds (EMBIG diversified) rose 0.7%. The performance was entirely driven by high-yield (HY) bonds rallying 1.5%, thanks to Venezuela, Lebanon, Gabon, and to a lesser degree Sri Lanka, while their investment-grade (IG) counterparts were down 0.1% amid the rise in US Treasury yields. Four sovereigns were upgraded (Kenya, Bolivia, Ecuador, Ukraine), with none downgraded.

Hard-currency corporate bonds (CEMBI BD) rose 0.7%, boosted mainly by HY bonds increasing 1.4%, while their IG counterparts were up just 0.3%.

Local-currency bonds (GBI-EM) rose 2.18% in January amid a 1.4% gain in EM foreign exchange (FX), which mirrored a

1.42% decline in the DXY. Consistent carry continued to contribute with 0.46% per month in January, and EM rates duration contributed 0.3%. High yielders generally performed well in January, which buoyed the performance of Latin America to a stellar 5.5% while Asia had a slightly negative performance of 0.2%.

Brazil (+7.1%) led among liquid countries, with a 4.4% FX return and a 44bps decline in benchmark bond yields. Brazilian assets benefited from several positive developments: politically, Flavio Bolsonaro's rising poll numbers suggest he may have a chance to beat President Lula in the November elections; on the monetary policy side, the central bank held rates steady, as expected, and confirmed that monetary easing is about to start, which resulted in lower bond yields; and trade-wise, the European Union and Mercosur finally signed a free trade deal after 25 years of negotiations. However, it's not final yet. The European Parliament passed a resolution to seek an opinion from the European Court of Justice, and the deal has yet to be ratified. In the meantime, farmer protests in a few European countries have continued. A tentative rapprochement between Trump and Lula, possibly involving a rare earths agreement, also boosted Brazilian assets.

Most Latin American countries also showed positive performances. In Chile, the CLP continued to strengthen, catching up with copper prices, which had been rallying over the last few months. In Colombia, the COP appreciated after a larger-than-expected 100bps rate hike. The Colombian central bank's strong response to the nearly 24% minimum wage increase on January 1 likely helped compress yields by 33bps, as it lowered medium-term inflation expectations. Additionally, in early February, the confirmation that the left-wing coalition's presidential candidate would be unable to participate in the left-wing primaries was viewed positively by the market.

In Asia, most currencies declined, with low-yielding currencies, especially funding currencies like the Japanese yen and Korean won, suffering in an environment that favored high-carry strategies. This led to rumors of a possible coordinated FX intervention by the Bank of Japan and the US Treasury, though no such intervention occurred. The Indian rupee was the weakest liquid currency (-2.3%) but began recovering in early February after the US and India reached a trade agreement that lowered US tariffs from 50% to 18%. The Thai baht

also weakened at the end of the month and into early February, due to a correction in gold prices, as Thailand is a major gold trading hub.

#### Portfolio review

The fund's assets increased by 6.25% in December, driven by a combination of once again positive market performance and solid inflows.

The main actions included: increasing exposure to Poland, CZK, COP (and moving on the curve), EBRD in TRY, TWD, and MNT. We also actively kept the Indian exposure level by investing part of the inflows. We slightly reduced further in IDR, THB, and CLP. We also tweaked our Argentina position reducing local paper to the profit of USD-denominated paper. By country split and measured at the issuer level, Latin America remains by far the largest exposure (31.9%), followed by Central & Eastern Europe (20.3%), Asia (10.3%), and Africa (8.9%). Currency positioning in frontier markets was at 11.8% of the portfolio. Cash holdings were around 3.3%, and Supranational bonds were at a high 25.0%.

#### Performance analysis

After an exceptional 2025, January continued with similar vigor. The institutional share class I continued its winning streak, gaining +2.18% in US dollars, matching the GBI-EM Global Diversified Index (+2.18%).

Like last year, a sizable part of the performance can be attributed to US dollar weakness, but not only. The JPM absolute performance was distributed as follows: EM FX (vs USD) performed very positively (+1.42%) combined with bond prices again rising (+0.30%). The monthly coupon return (+0.46%) continues to provide a healthy cushion.

From a relative standpoint, particularly in terms of our rates policies (including spreads), the fund outperformed. While INR supranational spreads to government bonds widened substantially, this was offset by our light exposure to THB rates, cautious positioning in Indonesia, and a number of smaller, positive-performing positions. Argentina continued to contribute, though at a more muted pace compared to the last quarter of 2025.

In the FX space, excess returns were less uniform. We saw positive contributions to excess return from the BRL, EGP, NGN and to a lesser extent from PLN and RON. However, in a context where the USD's decline led to gains across most FX, we lost on lightly weighted currencies such as the renminbi, the Malaysian ringgit, and the MXN.

As mentioned last month, the Turkish lira is somewhat unique: the managed depreciation means any overweight position will cost in FX, but this is compensated by strong rate returns.

However, unlike in December, duration did not perform well, leading to a slightly disappointing excess return in Turkey.

A positive contribution to excess returns was seen primarily in CEE (+11bps), and Frontiers (+23bps). In CEE, all of our positions, except for a neutral stance in Poland, performed well: Czechia, Hungary, and especially Romania all added nicely. The flipside was in Asia, where our generally light exposure to low-yielders – primarily Malaysia and China – resulted in negative contributions to excess return. The same is true for our India policy, though for different reasons, as explained earlier. Our positions in Indonesia and Thailand performed positively, but not enough to offset the underperformance in other parts of Asia.

Frontiers benefited from generally favorable market conditions. With the exception of Turkey, all positions performed. While most additions were muted, Nigeria stood out by adding more than 10bps.

Latam had a neutral impact: while most policies were positive, they were offset by the strong uptick of the MXN.

#### Outlook

We remain constructive on EM fixed income, as we have a positive outlook on risk assets overall. A softer US dollar environment supports EM assets, particularly local-currency bonds, which directly benefit from favorable currency valuation effects and the disinflationary impact of stronger EM currencies. This dynamic is expected to generate additional capital gains. Additionally, external debt benefits from a weaker dollar, leading to improved investor sentiment and enhanced debt affordability.

Accommodative fiscal policies in several major economies are also likely to be supportive of EM economies and risk assets in general. In the US, President Trump is expected to prioritize affordability and aim to keep the economy as healthy as possible ahead of the midterm elections. In Japan, fiscal stimulus is a central component of the new prime minister's agenda, while in Europe, fiscal spending will increase to bolster defense. Finally, China is expected to increase spending to meet its growth targets and shift from an export-led model to a more sustainable, consumption-based growth model. Despite the nomination of Kevin Warsh as new Fed chair, we believe that the diversification trade remains intact. The most speculative aspect of the so-called debasement trade (fears of prolonged higher US inflation and severe dollar depreciation) may have been challenged, as evidenced by the correction in gold and silver prices. However, the unpredictability of US foreign and trade policies has worsened recently, leading to further erosion of trust among foreign partners and global firms.

We see potential risks of further steepening in the US Treasury yield curve due to fiscal stimulus measures in several developed countries. This environment places EM corporate bonds in a favorable position because of their lower interest rate sensitivity. A similar trend is seen in local currency. Fundamentally, EM in general remains in a strong position, especially as the quality of sovereign issuers has improved significantly, evidenced by a consistent trend of sovereign credit rating upgrades.

We expect inflows into EM fixed income to continue through 2026. This asset class has experienced three consecutive years of outflows from 2022 to 2024, suggesting that global asset allocators remain underweight in EM fixed income. Combined with the positive outlook described above, this may lead to ongoing inflows.

It is not only the demand for EM bonds that is expected to rise; supply is likely to decrease as well, particularly from sovereign issuers. External financing needs are expected to decline overall due to a series of proactive liability management exercises over the past 12 months, which have reduced short-term amortizations. Additionally, lower fiscal deficits among most HY countries, many of which have been implementing multi-year austerity measures under IMF guidance, contribute to this trend. This strong technical backdrop is likely to support spreads, even though they are already tight relative to historical levels.

We see little reason to change our positive view on local currency from last month. Factors such as slower US growth expectations, narrower interest-rate differentials (with the Fed cutting rates more than other central banks), reduced confidence in US institutions, and the disinflationary effects of global tariffs suggest a dollar on the backfoot. We believe these factors will outweigh the ongoing AI boom. Current EM inflation dynamics appear more favorable than

those in the US. Combined with healthy external accounts, leading to FX reserve accumulation, and favorable budgetary dynamics in most EM countries, this could support EM FX. Overall, we believe the current financial and macroeconomic environment is favorable enough that even a neutral or slightly stronger dollar would not invalidate our positive outlook.

#### Fund characteristics

<b>Fund name</b>	Vontobel Fund – Sustainable Emerging Markets Local Currency Bond
<b>ISIN</b>	LU0563307981
<b>Share class</b>	I USD
<b>Reference index</b>	J.P. Morgan GBI-EM Global Diversified Composite USD
<b>Inception date</b>	25.1.2011

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

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	2.2%	2.2%	2025	20.4%	19.3%
YTD	2.2%	2.2%	2024	-3.5%	-2.4%
1 year	20.5%	19.4%	2023	14.3%	12.7%
3 yrs p.a.	9.0%	8.7%	2022	-7.8%	-11.7%
5 yrs p.a.	3.1%	1.8%	2021	-8.2%	-8.7%
10 yrs p.a.	4.7%	4.1%	2020	8.3%	2.7%
ITD p.a.	1.7%	1.6%	2019	9.5%	13.5%
			2018	-7.6%	-6.2%
			2017	12.9%	15.2%
			2016	11.3%	9.9%

#### 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.

Since fund inception until 28.2.2018, the fund had different characteristics and performance was achieved under circumstances that no longer apply.

#### 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 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.
- Distressed securities have a higher credit and liquidity risk as well as uncertainty in any potential bankruptcy proceedings.
- Investments in securities with a lower credit quality means there is an increased risk that an issuer may fail to meet its obligations. The value of this investment may fall if an issuer's credit rating is downgraded.
- 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. 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

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