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
— - Oil markets reversed as geopolitical risk premiums faded.
— - Higher yields and a stronger US dollar pressured metals.
— - El Niño emerged as the key agricultural risk.

Market developments
The second quarter of 2026 was dominated by the evolution of the US-Iran conflict and its eventual de-escalation. Markets transitioned from pricing a severe energy supply shock to discounting a rapid normalization of oil flows following the reopening of the Strait of Hormuz and the return of Iranian exports. The Bloomberg Commodity Total Return Index recorded a strong start to the quarter before giving back a meaningful portion of its gains in June, which marked its weakest monthly performance since 2022 at -8.5%. That led to a quarterly decrease of -8.1%. The macroeconomic backdrop also shifted materially. Strong US corporate earnings and resilient equity markets initially supported risk sentiment, with the S&P 500 Index reaching new all-time highs. However, inflation concerns re-emerged in May, driving 30-year US Treasury yields briefly above 5.1%, their highest level since 2007. By quarter-end, investors were increasingly focused on the prospect of renewed monetary tightening after hawkish signals from the US Federal Reserve (Fed), while both the European Central Bank (ECB) and Bank of Japan also raised interest rates. Rising real yields and a stronger US dollar became important headwinds for commodity markets, particularly precious and industrial metals.
Oil markets experienced one of the most dramatic reversals in recent years. In April, tightening inventories and the continued disruption of traffic through the Strait of Hormuz pushed Brent crude from lows near USD 87 per barrel back above USD 110 by month-end. The arrival of the last pre-conflict oil cargoes in Europe and increasing inventory draws in both the US and Europe highlighted the physical impact of the disruption. Sentiment shifted in May and June as well. Progress toward a US-Iran memorandum of understanding and the subsequent interim agreement led to a gradual reopening of the Strait of Hormuz and a sharp increase in Iranian exports following temporary sanctions relief. Combined with elevated US exports and weak Chinese refinery demand, the return of supply triggered an aggressive sell-off. Brent declined -13.1% in May and a further -18.1% in June, marking its weakest monthly performance since the Covid period. While the geopolitical risk premium has largely disappeared, we believe the market may now be underestimating medium-term support factors. Inventory rebuilding, a recovery in Chinese imports, and continued security risks in the Gulf region could provide support to prices going forward.
Natural gas markets showed significant regional divergence throughout the quarter. US natural gas prices declined -9.6% in April amid mild weather, strong production, and liquefied natural gas (LNG) maintenance outages before recovering +8.1% in May as lower prices encouraged supply restraint. However, prices weakened again in June as production remained robust and storage levels continued to build. In contrast, the European gas market became increasingly constructive. By the end of June, European inventories were only 49% full versus a five-year average of approximately 64%, implying a substantial refill requirement ahead of winter. Periodic disruptions to LNG traffic through the Strait of Hormuz further highlighted Europe's ongoing dependency on imported gas supplies.
Precious metals struggled throughout the quarter despite elevated geopolitical uncertainty. Gold declined modestly in April and May before suffering a sharp -12.1% correction in June. Silver performed even worse, falling -21.6% during the month as markets aggressively repriced interest-rate expectations. Higher inflation readings, rising real yields, a stronger US dollar, and persistent ETF outflows all weighed on investor demand. The market increasingly traded precious metals as interest-rate-sensitive assets rather than traditional safe havens. Platinum and palladium also corrected sharply during the quarter as speculative positioning normalized. Despite near-term challenges, we remain constructive on gold over the medium term. Central bank diversification remains an important structural tailwind, while any stabilization in yields or moderation in hawkish monetary policy expectations could support a recovery in investor demand.
Industrial metals performed strongly during the first half of the quarter before reversing those gains in June. Copper gained +5.5% in April and another +6.8% in May, trading close to record highs as mine disruptions, tight inventories, and expectations linked to electrification, power infrastructure, and AI-related investment supported sentiment. Aluminum also performed strongly as approximately 9% of global supply was affected by Middle Eastern disruptions. June marked a turning point. Rising yields, a stronger US dollar, weaker Chinese economic indicators, and profit-taking from crowded long positions drove broad-based weakness across the sector. Aluminum declined more than 16% during the month, while copper proved comparatively resilient, losing just -3.0%.
Grain markets delivered mixed performance over the quarter. Higher oil prices, strong biofuel demand and rising fertilizer costs supported prices in April and parts of May. Soybean oil remained one of the fundamentally best supported agricultural commodities,

benefiting from robust renewable fuel demand and strong crushing activity ending the quarter flat – after gaining another +19.0% from the beginning of the quarter until mid-April. The broad picture also changed in June as oil prices collapsed and fertilizer markets normalized. The grains sector declined -6.3% during the month, with corn falling -8.6%, soybean oil declining -11.1%, and wheat losing -5.4%. Despite this correction, weather remains an important source of uncertainty. The official arrival of El Niño raises the risk of weaker monsoon conditions in Asia, droughts across several grain-producing regions and lower Australian wheat production during the 2026/27 season.

Soft commodities were among the best-performing sectors during the quarter. While performance was mixed in April and May, weather-related risks intensified significantly in June following confirmation of El Niño conditions. Cocoa was the standout performer, surging +26.7% in June and reaching its highest level since January. Overall, cocoa increased +47.0% in the second quarter of the year. The rally was driven by falling inventories, concerns regarding West African production and growing fears surrounding a potential Super El Niño. Coffee also rallied significantly, gaining +13.4% in June as exchange inventories fell to their lowest level since March 2024 and excessive rainfall disrupted the Brazilian harvest. Sugar recovered into quarter-end, supported by strong ethanol demand and growing concerns over weather conditions in Asia.

Livestock remained one of the most resilient parts of the commodity complex throughout the quarter. Live cattle gained +4.4% in April, and a further +1.4% in June, while feeder cattle rose +1.9% and +4.6%, respectively. The sector continued to benefit from tight herd supplies, robust seasonal demand and growing concerns regarding the spread of screwworm cases toward and eventually into the US. While investor positioning remains extended, supply fundamentals continue to provide a supportive backdrop.

Portfolio review

Throughout the quarter, portfolio positioning evolved alongside changing market conditions. We entered Q2 with overweight positions in crude oil, oil products, gold and aluminum while maintaining underweights in selected industrial metals. As geopolitical risks gradually subsided and oil markets moved from shortage fears to expectations of normalization, we reduced discretionary oil exposures and shifted exposure toward longer-dated contracts further along the curve. Within metals, we reduced our gold overweight as rising yields became a growing headwind, while increasing exposure to industrial metals, particularly copper. Later in the quarter, we reduced exposure to aluminum and established an underweight in silver while maintaining a strategic constructive stance on gold. In agriculture, we realized profits in soybean oil and moved toward selective overweights in corn, wheat and sugar following the broad June correction and increasing El Niño-related risks.

Performance analysis

In the second quarter, Vontobel Fund – Commodity was down -9.1%, while the BCOMTR benchmark declining -8.1%, leading to an underperformance of -1.0%. Positive performance drivers were the curve positioning in crude oil (+0.32%) and oil products such as gasoil (+0.39%) and heating oil (+0.28%), as well as the underweight in silver (+0.19%) and soybeans (+0.21%). On the negative side of the relative performance was the tactical positioning in copper (-0.53%), the underweight in zinc (-0.23%) as well as cocoa (-0.14%) as well as the overweight in gold (-0.61%).

Outlook

For precious metals, the key question will be how demand evolves, as Chinese interest appears to be returning at current lower price levels. Regarding Western ETF outflows, which need to come to a halt for gold prices to stabilize, Fed communication (or the lack thereof) will be critical to watch. It remains unclear whether the hawkish tone from several FOMC members is primarily intended to anchor inflation expectations or whether it signals a genuine likelihood of further rate hikes this year. As of the end of June, the probability of a July hike had reached around 40%. If a rate hike materializes over the summer, we believe gold is likely to face significant downward pressure.

For crude oil, the bearish narrative – even extending out to 2027 – remains firmly in control. In our view, three factors could introduce some upside risk in the coming months:

1. A recovery in Chinese imports toward pre-war levels;

1. Increased hesitancy among tanker operators to transit the Strait of Hormuz;

2. A meaningful restocking of commercial and strategic reserves.

In the agricultural complex, attention will focus on the impact of a likely Super El Niño in the coming months, particularly on production and export dynamics. El Niño is expected to weaken the Indian monsoon, cause severe droughts across much of Asia, and bring heavier rainfall to Brazil, potentially delaying harvests. However, whether these effects translate into a meaningful reduction in global supply will only become clear at a later stage.

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	-9.1%	-8.5%
YTD	9.8%	14.4%
1 year	20.3%	25.5%
3 yrs p.a.	13.2%	11.7%
5 yrs p.a.	8.9%	9.4%
10 yrs p.a.	6.7%	5.8%
ITD p.a.	2.3%	1.6%

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.
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

- 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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