Monthly commentary / 29.5.2026

Vontobel Fund – Transition Resources

Market developments

In May, global stock markets climbed to record highs, primarily driven by strong corporate earnings for the first quarter of 2026. The rally was notably concentrated in the technology sector, where massive capital spending on artificial intelligence (AI) infrastructure and strong reports by hardware giants sparked extraordinary gains. Investor sentiment was further supported by a ceasefire between the US and Iran and hopes that the crucial Strait of Hormuz would reopen. However, persistent inflation and stronger-than-expected economic data led several strategists to push expectations for a rate cut by the US central bank (Fed) well into 2027, keeping real rates elevated. The defining move in natural resources during May was the sharp retreat in energy prices, as ceasefire optimism progressively unwound the risk premium built up since late February. Brent crude suffered its worst monthly decline since the Covid-19 pandemic, falling close to 20% from its 2026 peak, as confidence in a sustainable resolution and thus the reopening of the Strait of Hormuz grew. Prices of natural gas and liquefied natural gas (LNG) followed suit, correcting sharply from conflict-driven highs. Base metal price trends were mixed: copper and aluminum softened, as the energy inflation premium receded, whereas lithium posted gains on renewed electrification momentum and lean downstream inventories. Precious metals came under meaningful pressure, caught between two headwinds: fading safe-haven status, as geopolitical risk eased, and persisting high real rates, as inflation remained elevated – a combination that historically weighs heavily on non-yielding assets.

Portfolio review

In May, portfolio activity was moderate, with one new addition: Vallourec, the world's number two player in premium seamless steel pipes, primarily used in the energy industry. As oil and gas companies increasingly invest to diversify their production away from the Middle East, Vallourec stands out as a direct beneficiary of the resulting surge in drilling and well completion activity. Beyond the short-term cycle, the company increasingly provides specialty steel pipes for Enhanced Geothermal Systems (EGS), a low-carbon energy application still underappreciated by the market. The stock kept trading at a discount to both peers and intrinsic value, offering an attractive entry point to us. Furthermore, we shifted part of our exposure to large integrated energy names over to energy services companies. The rationale mirrors Vallourec's thesis: The compelling short-term opportunity lies with picks-and-shovels providers, enabling supply diversification and reconstruction in the Middle East. Among materials, we modestly trimmed our exposure to aluminum stocks to lock in part of the gains accumulated over recent months, as the risk-return ratio became less compelling following the partial unwinding of the conflict-driven supply premium.

Performance analysis

In May, the fund delivered a broadly flat result relative to the benchmark, though it lagged global equity markets. The technology-led rally that drove broader indices higher took place largely outside our investment universe. A slightly positive allocation effect from our structural underweight in energy was largely offset by a negative selection effect within the same sector, where energy services and LNG-related names caused most of the drag. These positions sold off in tandem with the sharp decline in crude oil prices, as markets indiscriminately drove energy stocks lower. We deem this a temporary effect rather than a structural change. Hence, for us, the case for a new capital expenditure cycle focused on supply diversification and infrastructure rebuild remains intact, which is why we maintained our exposure. Gas equipment manufacturers also weighed on performance following comments by GE Vernova's CEO, who flagged that data center build-out is facing pushbacks from states, a near-term reality check on what had been one of the more consensus growth narratives in the sector. In contrast, our copper, aluminum, and silver holdings were the standout contributors, benefiting from a broadly normalizing economic environment and unwinding fears of a recession that had weighed on base and precious metals through the conflict period.

Outlook

We remain constructive on the natural resources sector and continue to expect outperformance versus the broader equity market over time. Short-term uncertainty still lies in energy markets caused by the conflict in the Middle East, despite hopes that traffic through the Strait of Hormuz may resume. Further extension of the blockade would cause major shortages, weighing on global growth and keeping inflationary pressure high. Crucially, the conflict accelerated efforts toward energy independence, which is a clear positive for the fund's mandate. Significant investment in renewables, storage, and grid infrastructure plus in turn stronger and more urgent demand for critical materials remain key drivers for the strategy. Moreover, resumed confidence in economic growth also benefits investments in power infrastructure to support data center build-out. Persistent supply constraints keep prices for copper, aluminum, and lithium elevated. Recycling and circular economy firms have also emerged as notable beneficiaries helping to reduce effects from commodity price volatility and trade disruptions. Supply chain resilience and material efficiency have moved up the strategic agenda for corporates and governments alike. We see attractive opportunities across a broad set of companies supplying these materials, enabling technologies, and essential services.

Fund characteristics

Fund name	Vontobel Fund – Transition Resources
ISIN	LU0384406327
Share class	I EUR
Benchmark	MSCI World Index to 31.8.2021, MSCI All Country World Index to 5.5.2025, S&P Global Natural Resources Net Total Return Index thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	-0.5%	-0.5%
YTD	24.1%	19.5%
1 year	62.3%	39.5%
3 yrs p.a.	19.2%	22.0%
5 yrs p.a.	9.7%	14.7%
10 yrs p.a.	7.1%	13.4%
ITD p.a.	8.3%	13.4%

Time period	Fund	Benchmark
2025	31.1%	10.8%
2024	8.3%	25.3%
2023	-8.7%	18.1%
2022	-14.2%	-13.0%
2021	10.1%	29.8%
2020	37.4%	6.3%
2019	10.4%	30.0%
2018	-24.9%	-4.1%
2017	3.2%	7.5%
2016	11.3%	10.7%

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 5.5.2025, the fund had different characteristics and performance was achieved under circumstances that no longer apply.

Investment 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.
- 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

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