Monthly commentary / 29.5.2026

Vontobel Fund – European Equity

Summary

- The performance of the Fund was positive in May 2026 and underperformed the MSCI Europe ND.
- The Information Technology and Energy sectors were positive contributors to relative performance over the month. The Industrials and Utilities sectors were the largest detractors from relative performance.
- On a country basis, United States and Greece contributed to relative performance, while the United Kingdom and Italy detracted from relative performance.
- Relative to the benchmark, the Fund's largest sector overweights for the month were Utilities and Information Technology while the largest sector underweights were Health Care and Energy.
- The fund's largest country overweights were the United Kingdom and Italy relative to the benchmark. The largest underweights were the France and Germany at the end of month.

Market developments

Global equities continued their ascent in May. Technology heavy markets in the US and Asia led gains, supported by strong earnings growth and continued AI capital expenditure, which drove tech hardware, semiconductor, and semi cap equipment names higher, with particular strength in memory. Investors' hopes for a deal between the US and Iran lifted stock markets and eased pressure on oil prices. US equities delivered strong returns, fueled by ongoing AI expansion and infrastructure buildout. US GDP growth recovered in the first quarter, although less than expected, while inflation rose to 3.8% in April. Kevin Warsh was appointed chair of the US Federal Reserve, with markets anticipating interest-rate hikes to contain inflation. European equities lagged as inflation rose to 3% in April, reflecting the impact of the Iran conflict. In response, European monetary policymakers reaffirmed their commitment to bringing inflation back to target. Meanwhile, the EU forecast a slowdown in economic growth in 2026, as first quarter GDP contraction in France heightened recession concerns. Emerging market equites outperformed, with Taiwan and Korea once again driving gains, supported by strong technology export growth. China diverged from the broader emerging market outperformance.

Portfolio review

Purchases

Infineon Technologies AG

Infineon is an undisputed global market leadership in both power semiconductors and automotive chips, placing it directly at the intersection of this decade's most powerful secular megatrends: vehicle electrification, renewable energy infrastructure (decarbonization), and the explosive power demands of AI data centers. Infineon's competitive advantage is underpinned by its unparalleled in-house manufacturing scale (including a margin-accretive shift to 300mm thin wafers) and its proprietary mastery across all three critical power materials: Silicon (Si), Silicon Carbide (SiC), and Gallium Nitride (GaN). This technological breadth allows Infineon to offer highly efficient, end-to-end "grid-to-core" power delivery systems that smaller, fabless competitors struggle to replicate. In the near-to-medium term, the thesis is supported by a strong new growth vector in AI power and a broadening cyclical recovery. Infineon is a leading provider of the power management architecture required to run highly intensive AI server racks, a segment that is expected roughly double to around €3 billion by FY27. Concurrently, the company is moving past the trough of the industrial and automotive inventory correction; channel inventories have normalized, and a massive order backlog of €25 billion indicates that an early-cycle replenishment phase is already gathering momentum, providing solid revenue visibility into FY27. Importantly, operating margins are projected to structurally expand back toward its target of a 25% through-cycle margin as fab utilization recovers, 300mm wafer scale benefits materialize, and the product mix shifts toward high-value SDV and AI content.

Linde PLC

Linde is a direct peer of Air Liquide. Compared to its peer, Linde has greater exposure to the U.S., where increasing industrial activity is supporting growth. As a result, Linde is expected to deliver higher growth, leading us to allocate more capital to it vs Air Liquide.

Lion Finance Group PLC

Lion Finance is a high-quality compounder with a strong track record of delivering ~30% ROE and >20% earnings growth over the last few years. We expect the bank to offer earnings growth at least in the high teens, while trading at a cheap valuation. The inclusion in the FTSE 100 Index should be an upcoming catalyst.

Sandvik AB
We added Sandvik to gain exposure to the shortage in copper as well as higher gold prices given its best-in-class mining solutions. Sandvik is a classic razor and blade type business with 45% of profit coming from aftermarket that is almost recurring in nature and faces higher switching costs. When you're deep in the earth in risky working conditions and already use Sandvik's products, it's unlikely you'll be backfit with a competitor's tools. Sandvik has done a good job with vertical integration.
Sales
Rheinmetall AG
The company is experiencing challenges converting its substantial backlog into realized sales.

Performance analysis
TOP3 Contributors:
Arm Holdings Plc
Arm delivered a record fourth quarter with the highest quarterly revenue in the company's history and strong profitability with gross margin of roughly 98%. Cloud AI and data center royalties, which more than doubled year-over-year due to the accelerating ramp of Arm-based server chips across major hyperscalers. Licensing revenue was a major bright spot, significantly beating expectations. Custom Silicon and the AGI CPU Arm is seeing an explosion of demand for its custom silicon initiatives, particularly the new Arm AGI CPU, which is purpose-built for agentic AI workloads. Management noted that custom silicon continues to expand across major hyperscalers, with Google pairing TPUs with custom Arm Axion CPUs, AWS scaling Graviton, Microsoft advancing Cobalt, and NVIDIA adopting the 256-core Vera Arm CPU. Management's tone was highly optimistic regarding data centers and AI, noting that the industry is facing "unprecedented compute demand". They believe that as AI moves to continuous, agentic workloads, the data center CPU Total Addressable Market (TAM) will exceed $100 billion by 2030, and Arm expects to capture a massive share of this due to its power efficiency. As such, Arm confidently reiterated its target to generate $25 billion in total revenue by FY31.
ASML Holding Nv
Investors have been pricing in an aggressive recovery cycle supported by record order backlogs and the critical role of EUV lithography in AI infrastructure. Management reported that customer indications for tool orders now extend well beyond 2027, with many clients sharing a "marked step-up" in medium-term capacity plans to address a supply-limited market. ASML is preparing to increase EUV tool capacity from over 60 units in 2026 to over 80 units in 2027, a doubling of shipping capacity compared to 2025 level.
Halma Plc
Halma has a business unit that sells optical components to an undisclosed hyperscaler, which uses these components in its data centers. The stock market rewarded optical component companies such as Halma in May, as they experienced accelerating growth rates
TOP3 Detractors:
National Grid Plc
National Grid (NG/ LN) lower as UK Gov turmoil led to spike in UK bond yields short term and weighed on utilities stocks (bond equity proxies). Co gave a upbeat trading statement and reaffirmed its 2030 capex targets.
Siemens Energy Ag
Market participants have rotated out of power companies such as Siemens Energy which benefit from power bottlenecks in data center buildouts into areas more directly correlated with hyperscalers' capex. Siemens Energy's revenues are primarily tied to utilities capex, which is more sensitive to the broader economic environment, including developments in the Middle East, compared to the relatively resilient spending of hyperscalers.
Rentokil Initial Plc
During May, Rentokil changed its CEO for North America, an area that is going through a transition.

Outlook
Given the uncertainty in today's markets, we are seeking to balance exposure between defensive companies with diverse drivers and low disruption risk, and growth driven by AI capital expenditure. We believe this positioning enables us to participate in market upside while maintaining downside protection should the market digest the outstanding risks over the near term. The largest near-term risk we see relates to higher oil prices, which could weigh on both the consumer and corporates down the road. By investing in high-quality companies that we believe exhibit strong pricing power, high margins, and diverse drivers, we seek to position our portfolios to pursue growth opportunities while aiming for greater resilience across a range of market environments.

Fund characteristics

Fund name	Vontobel Fund – European Equity
ISIN	LU0278085062
Share class	I EUR
Benchmark	MSCI Europe Index TR net
Inception date	3.4.2007

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	2.4%	3.2%
YTD	6.2%	7.5%
1 year	0.5%	16.7%
3 yrs p.a.	6.3%	14.2%
5 yrs p.a.	4.3%	10.0%
10 yrs p.a.	5.4%	8.8%
ITD p.a.	5.1%	5.4%

Time period	Fund	Benchmark
2025	0.7%	19.4%
2024	11.5%	8.6%
2023	12.2%	15.8%
2022	-19.0%	-9.5%
2021	24.3%	25.1%
2020	4.6%	-3.3%
2019	28.6%	26.1%
2018	-12.6%	-10.6%
2017	11.1%	10.2%
2016	-3.1%	2.6%

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

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
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