

Monthly commentary / 31.3.2026

## Vontobel Fund – TwentyFour Strategic Income Fund

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

**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

- March was defined by the conflict between US-Israel and Iran, which resulted in a sharp increase in volatility and weighed on macroeconomic sentiment. Oil prices surged and remained volatile, which ignited fears of a potential stagflationary environment. Geopolitical tensions compounded the existing nervousness around artificial intelligence and private credit, while monetary policy expectations underwent a hawkish repricing.
- The Fund's negative total return reflected small declines across all asset classes amid the challenging geopolitical environment and heightened volatility. Bank Additional Tier 1s (AT1s) were the largest detractor and the government rates bucket also generated a negative return. The most significant change to the Fund's asset allocation was the decision to trim risk further to address the asymmetry of potential outcomes of the conflict.
- Markets will continue to pay close attention to how the conflict in the Middle East develops, while investors will keep a close eye on how the surge in energy prices, if maintained, comes through in inflation and growth data. Active management of portfolios remains vital to adapt to the evolving geopolitical backdrop, and to deliver attractive risk-adjusted returns in the medium term.

### Market developments

March was defined by the conflict between US-Israel and Iran, which resulted in a sharp increase in volatility and weighed on macroeconomic sentiment. The effective closure of the Strait of Hormuz disrupted global trade flows, with commodity markets bearing the brunt of the impact. Oil prices surged by about 50% and remained volatile throughout the month, which ignited fears of a potential stagflationary environment. Markets were volatile as investors attempted to gauge the likely duration of the conflict and responded swiftly to any signs of de-escalation or renewed tensions.

Geopolitical tensions compounded the existing nervousness around artificial intelligence and private credit. Credit spreads widened given the 'risk-off' sentiment as investors showed a preference for higher-quality assets due to the uncertainty. Primary issuance was very limited in the high yield space in particular, although the small number of deals that emerged were well digested. Electronic Arts tested investors' appetite as it brought its \$18bn financing package to the market, which marked the largest leveraged buyout deal in history and generated strong demand. Private credit continued to draw negative headlines as a surge in redemption requests, predominantly from retail investors, forced several business development companies to halt withdrawals.

Monetary policy expectations underwent a hawkish repricing as investors assessed the challenging mix of growth and inflation outlooks. The US February payrolls report was much weaker than expected (-92,000 versus the +55,000 predicted) and the US unemployment rate increased to 4.4%. Mean-

while, core personal consumption expenditures (PCE) inflation remained sticky at 3.1%, which was the highest level in two years. The Federal Reserve held rates steady at 3.5-3.75% as Chairman Jerome Powell acknowledged that the energy shock had clouded the policy path.

### Portfolio review

The most significant change to the Fund's asset allocation was the decision to trim risk further to address the asymmetry of potential outcomes of the conflict. This was achieved by reducing beta and in turn increasing the allocation to government bonds through five-year German bunds and five-year US Treasuries. The portfolio managers also elected to buy protection to hedge credit exposure to mitigate the impact of a potential further deterioration in the geopolitical environment.

### Performance analysis

The Fund generated a negative total return in March, which reflected small declines across all asset classes amid the challenging geopolitical environment and heightened volatility. Bank Additional Tier 1s (AT1s) were the largest detractor as subordinated paper was impacted by the risk-off sentiment, and reversed some of the prior months' outperformance. The government rates bucket generated a negative return, with investors pricing out expectations of interest rate cuts as central banks signalled the need to see further progress in keeping inflation under control before they ease monetary policy. The weakness in sentiment was evident in index performance, as the contingent convertible (CoCo) index reversed the gains made in January and March and was down 1.2% in

the year to date. The European high yield index was down 1.7% in the year to date.

#### Outlook

Markets will continue to pay close attention to how the conflict in the Middle East develops over the next few weeks, as investors prepare for a longer duration than initially expected. The continued closure of the Strait of Hormuz will place energy markets at the forefront as investors recalibrate the outlook in the event of a prolonged spike in energy prices. Investors will keep a close eye on how the surge in energy prices, if maintained through April, comes through in inflation

and growth data, and continue to reprice the likelihood of hawkish policy paths. Meanwhile, sentiment is likely to remain highly volatile in response to evolving commentary from both sides of the conflict.

Active management of portfolios remains vital to adapt to the evolving geopolitical backdrop, and to deliver attractive risk-adjusted returns in the medium term. Given the asymmetry of potential outcomes, with risks skewed towards the downside, portfolio positioning reflects a reduction in beta, and continues to favour high-quality, higher-rated assets while maintaining a disciplined approach to duration risk.

#### Fund characteristics

|                        |  |
|------------------------|--|
| <b>Fund name</b>       | Vontobel Fund – TwentyFour Strategic Income Fund |
| <b>ISIN</b>            | LU1322871390                                     |
| <b>Share class</b>     | I GBP  |
| <b>Reference index</b> | –  |
| <b>Inception date</b>  | 30.11.2015                                       |

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

| Time period | Fund  | Ref. index | Time period | Fund   | Ref. index |
|-------------|-------|------------|-------------|--------|------------|
| MTD         | -2.3% | –          | 2025        | 7.2%   | –          |
| YTD         | -0.9% | –          | 2024        | 9.0%   | –          |
| 1 year      | 5.0%  | –          | 2023        | 9.9%   | –          |
| 3 yrs p.a.  | 8.2%  | –          | 2022        | -12.7% | –          |
| 5 yrs p.a.  | 2.4%  | –          | 2021        | 2.1%   | –          |
| 10 yrs p.a. | 4.2%  | –          | 2020        | 7.5%   | –          |
| ITD p.a.    | 3.8%  | –          | 2019        | 9.4%   | –          |
|             |       |            | 2018        | -2.5%  | –          |
|             |       |            | 2017        | 8.8%   | –          |
|             |       |            | 2016        | 5.6%   | –          |

#### Past performance is not a reliable indicator of current or future performance.

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- Securities with a lower credit quality means a higher risk that an issuer may fail to meet its obligations. The investment value may fall if an issuer's credit rating is downgraded.
- 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](https://vontobel.com/sfdr).

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