

Monthly commentary / 29.5.2026

Vontobel Fund – Euro Corporate Bond

Marketing document for institutional investors in: AT, CH, DE, 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.

Market developments

In May, the Middle East remained the main market driver, but unlike in April, the news flow ultimately turned constructive, fueling a strong rally across risk assets. Hopes for a US-Iran deal gathered momentum, sending Brent crude down -19.3% on the month (its largest monthly decline since March 2020) as stagflation fears eased. That backdrop supported equities, with the S&P 500 Index up +5.3% in total return terms, reaching a record. Enthusiasm around artificial intelligence (AI) returned with force: the Philadelphia semiconductor index surged +22.2% (+81.5% year to date); while elsewhere, the STOXX 600 rose +3.2% and Japan's Nikkei gained +11.9%. The month began on strong footing, as an Axios report on May 6 suggested the US and Iran were close to a one-page memorandum to end the war and frame nuclear negotiations, pulling Brent from USD114.44 per barrel to about USD 100 per barrel within a few days. Strong US data reinforced the tone, with April payrolls surprising at +115,000. But sentiment soured mid-month, as US President Donald Trump rejected Iran's proposal, calling it "Totally Unacceptable!" on May 10. He also warned the ceasefire was on "massive life support." With the Strait of Hormuz still blocked, oil recovered, and a firm US core CPI print on May 12 revived inflation concerns. The 6-month Brent future closed at USD 92.76 per barrel on May 18, its highest level since the conflict began. That pushed sovereign yields to multi-year highs, with several records on May 19: the 30-year Treasury at a post-2007 high of 5.18%, the 10-year Bund at a post-2011 high of 3.19%, and Japan's 10-year at a post-1997 high of 2.78%. In the UK, the 10-year gilt touched a post-2008 high of 5.17% on May 15 amid political turbulence around Prime Minister Keir Starmer, before rallying as fiscal-rule fears subsided. Gilts ultimately fell -20 basis points (bps) to 4.81%. Renewed optimism late in the month, including a reported 60-day memorandum of understanding to extend the ceasefire, drove oil lower, with Brent closing at USD 92.05 per barrel. The S&P 500 ended in positive territory seven sessions running, while the 10-year Treasury fell for seven consecutive sessions for the first time in more than a year. Euro sovereigns gained +1.1% and gilts +2.0%, while Treasuries edged up +0.1% as investors brought forward hike expectations by the US Federal Reserve (Fed). Gold fell for a third month, down -1.7% to USD 4,540

per ounce.

In fixed income and credit markets, May extended the tightening trend as receding stagflation fears supported spreads across the board. EUR investment grade (IG) tightened by -3bps, subordinated and higher-beta segments tightened by between 4 and 10bps. European bank CoCos tightened -4bps, EUR financial subordinated in general tightened -5bps, while corporate hybrids tightened by -10bps.

Portfolio review

In May, we were active in the primary market, which offered a broad range of interesting opportunities. For example, we participated in a highly rated 19-year Reverse Yankee issue that aligned with our curve positioning and offered a new issue premium that, in our view, more than compensated for the additional risk.

Within the AT1 segment, we rotated between positions by taking profit in strong performers and reinvesting in selected new issues offering attractive concessions. While new issue premiums in AT1 have become less generous given the strong market environment and tighter back-end spreads, we believe the segment continues to offer selective opportunities, although it remains an area we are monitoring closely.

In the T2 space, we participated in several new issues while taking profit in existing holdings, keeping the overall risk allocation broadly unchanged. We also added a new and relatively rare issuer in the services sector and exited an Italian media issuer that had been held in the portfolio for some time, reflecting our ongoing focus on maintaining a disciplined number of issuers in the fund.

Finally, we hedged part of our long-end duration exposure, bringing overall portfolio duration even closer to the benchmark.

Performance analysis

The Vontobel Fund – Euro Corporate Bond outperformed its benchmark in May. Strong security selection and positive sector allocation more than offset a modest negative contribution from curve positioning.

From a security selection perspective, most higher-beta exposures (including AT1s, corporate hybrids, T2 instruments, and BB-rated issuers) performed well and contributed positively. In

contrast, some recently issued bonds, such as Teleperformance, Arcadis, and Swiss Life, underperformed the broader market.

On the allocation side, our overweight positions in the transportation and insurance sectors were the strongest contributors to performance. Conversely, our underweight exposures to consumer goods, automotive, and banking detracted from relative returns.

Outlook

Global PMIs remain consistent with an economy that continues to expand, although the inflation outlook has become more uncertain due to the ongoing conflict with Iran. While diplomatic efforts appear to be moving in a constructive direction, the risk of renewed escalation remains and could lead to further volatility in energy markets. At the same time, we believe any inflationary impact from higher oil prices is likely to be less persistent than during the 2022–2023 energy shock, particularly if shipping through the Strait of Hormuz normalizes.

The euro area remains more exposed to higher energy prices than the US, which helps explain why markets have recently priced in a more hawkish path by the European Central Bank (ECB) into 2026. We believe investors remain concerned about a repeat of the previous hiking cycle. However, central banks are operating in a different environment today, with policy rates already at restrictive levels and inflation expectations generally well anchored. As a result, we expect policymakers to remain pragmatic and see a lower risk of a prolonged inflationary spiral than markets currently fear.

Credit fundamentals remain a key anchor and are generally stronger than expected. Q1 2026 results came in solid on both sides of the Atlantic, with US technology doing particularly well on strong AI demand, and guidance has been more

supportive than markets had priced in. The main medium-term pressure point remains the scale of AI-related investment, concentrated in the US. We do not view AI as a bubble given the strong cash-flow generation of large players, but sustained capex and financing needs could gradually weigh on credit quality and spreads, raising rating-migration risk for some high-quality issuers over time. The European universe, more weighted toward financials, utilities, and industrials, carries less of this capex exposure, a relative fundamental positive for EUR IG.

In this context, technicals continue to be a major support. After the initial deterioration during the first phase of the Iran escalation, flows have stabilized and IG inflows remain in positive territory, suggesting investors are still comfortable allocating to the asset class. Primary markets appear healthy, as high issuance is met with strong demand, even for AI-driven issuance programs. Overall, technical support looks stronger than a month ago, and we believe they are likely to continue to cushion spread volatility, especially if headline risks start to fade.

Spreads continue to feel very tight versus the broader global context. That said, all-in yields remain compelling to us in a historical context and relative to other asset classes, offering what we consider good value across the board. This is another sign that markets are increasingly conditioned to fast-moving geopolitical headlines and "temporary risk-off" phases, and the recent widening again proved a good opportunity to add credit risk, with "buy-the-dip" behavior clearly still present. We feel comfortable with our current exposure to non-cyclical sectors as well as banking and insurance, while remaining overall underweight the cyclical industrial sectors that screen tight.

Fund characteristics

Fund name	Vontobel Fund – Euro Corporate Bond
ISIN	LU0278087860
Share class	I EUR
Benchmark	ICE BofAML A-BBB Euro Corporate Index
Inception date	13.7.2007

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	0.9%	0.9%	2025	3.2%	3.1%
YTD	0.6%	0.9%	2024	5.2%	4.8%
1 year	2.5%	2.4%	2023	8.5%	8.2%
3 yrs p.a.	5.0%	4.8%	2022	-15.2%	-14.0%
5 yrs p.a.	0.1%	0.3%	2021	-0.6%	-0.9%
10 yrs p.a.	1.5%	1.3%	2020	3.9%	2.8%
ITD p.a.	3.1%	2.9%	2019	8.8%	6.6%
			2018	-2.9%	-1.3%
			2017	4.1%	2.6%
			2016	4.4%	4.8%

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