

Monthly commentary / 27.2.2026

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

February was more of a consolidation month after January's strong start. Credit markets remained orderly, but risk appetite paused temporarily as investors digested a couple of negative headline-driven news, most notably a repricing in parts of the technology and software sub-segment given AI disruption concerns, and a late-month rise in geopolitical tension as US-Iran talks failed to produce a breakthrough. Importantly at this stage, this is more a sentiment impact rather than a deterioration in fundamentals. The incoming macroeconomic data continues to point to resilience.

Indeed, US activity indicators suggested a still-constructive environment with pockets of re-acceleration. The ISM manufacturing index moved back into expansion in January, driven by a clear improvement in new orders and production, an encouraging signal after an extended period of contraction. Services activity also remained in expansion, consistent with an economy that is cooling only gradually rather than rolling over. Inflation data stayed supportive overall: core CPI was softer than many feared on the surface, even if some components that map into PCE were firmer. In parallel, GDP data suggested growth has moderated from last year's pace, but not in a way that changes the broader "soft-landing with upside risk" narrative, particularly given ongoing investment spending tied to technology and AI-related capex, which continues to underpin productivity and inflation optimism.

Separately, trade policy delivered another important market input. The US Supreme Court struck down US President Donald Trump's authority to impose tariffs under IEEPA, prompting an initial rebound in risk sentiment. Collection of those tariffs stops immediately, but the Court did not specify whether or when refunds must be paid, leaving that question to lower courts and potentially a prolonged timeframe. The Trump administration moved quickly to announce a replacement of 10% global tariff under Section 122, effective within days but just usable for up to 150 days before requiring reauthorization. This is also viewed as an encouraging development, with Morgan Stanley economists saying that the new framework could imply a 2–3ppt decline in overall tariff rates to roughly ~11%.

At the US Federal Reserve (Fed), the messaging stayed cautious but constructive. The minutes reinforced three themes:

(1) the economy is still expanding at a "solid" pace, (2) the labor market looks broadly stable in a low-hire/low-fire regime, and (3) the path back to 2% inflation may be somewhat uneven however keeping the Committee patient. Taken together, this keeps the door open to further cuts in the year with the baseline for the funds rate target to touch as low as 3% with further weakness in the jobs market potentially pushing the Fed to even get a bit lower than that and move a bit faster. Importantly, the Fed's framing still suggests that policy is not "locked"; rather, the timing of further easing remains the key question, not the direction.

In Europe, the tone has also improved at the margin. February's PMI picture pointed to continued expansion at the aggregate level, with the most notable positive surprise coming from manufacturing, particularly in Germany, where the improvement looked more broad-based across components. This matters for two reasons. First, it strengthens the case that Europe's industrial cycle is gradually turning, supported by domestic demand and a slowly improving order backdrop. Second, it aligns with a broader "Europe re-rating" narrative that has started to re-emerge among investors: a combination of reform momentum, a more credible fiscal impulse (especially in Germany), and incremental progress on long-discussed integration projects (capital markets, savings and investment union, and related initiatives). Even if implementation will take time, and even if politics will remain noisy, markets have become more willing to price that Europe is not standing still.

Ahead of the Euro area February flash HICP in early March, the latest national prints still point to a benign disinflation trend, albeit with noise across components. Consensus is centered around headline HICP 1.7% YoY and core 2.1% YoY. Germany and France were broadly softer than expected on headline (helped by food/energy dynamics), while Spain and Belgium were firmer, with part of the upside linked to volatile travel-related services (airfares). Overall, the mix remains consistent with gradually easing underlying services inflation, while headline is being nudged by energy/base effects and some goods volatility, a backdrop that keeps the inflation picture constructive into the March policy discussion.

Separately from the near-term data, Fabio Balboni, an economist at HSBC, also highlighted a renewed wave of optimism

around Europe's medium-term direction. He noted that recent discussions among EU leaders and finance ministers point to a pragmatic push to accelerate competitiveness and integration initiatives, potentially via a "two-speed Europe" approach, alongside renewed momentum on the Savings & Investment Union, a potential "28th regime" to ease firms' access to finance, and renewed debate around common deposit insurance.

Balboni also stated that Germany's policy stance is becoming more supportive, with stronger willingness to spend and re-militarize reinforcing the perception of a more credible fiscal impulse. Finally, he argued that the discussion around joint EU issuance is unlikely to disappear even as NextGenerationEU winds down, with future programs potentially extending the supply pipeline. We believe the broader takeaway for markets is that Europe's reform momentum should be picking up and, importantly, that systemic fragmentation risks continue to look lower than in past cycles.

In February, credit spreads finished the month on the weaker side with the EU investment grade (IG) index ER00 closing at 81 basis points (bps) or 8bps wider. The worst underperformers in senior industrial structures were essentially cyclical industrials at +8 to 13bps wider, with technology names finishing the month at +17bps given the disruption mentioned previously. Senior banking was mixed at +10bps with non-cyclical and utility like segments performing the best at just +4 to 6bps weaker (real estate, utilities, transportation...). For subordinated instruments, Tier 2s financials did quite well considering at c. +10bps while corporate hybrids finished the month at +13bps. The worst in the month were AT1s, which closed the month at +15bps. Finally, industrials BBs outperformed many IG sectors in February (+ 8bps) with the overall total return performance having been supported by positive government yields.

Portfolio review

In February, we streamlined the portfolio through selective reductions in a range of positions that had become more fully valued, and recycled risk into a few higher-conviction opportunities.

On the reinvestment side, we rotated within technology, switching out of a tight-trading US data-center issuer into a higher-spread well established UK software credit that is building out its EUR curve and screens better value versus similarly rated peers, supported by a highly recurring revenue base. We also added exposure to a European satellite operator through its new EUR senior unsecured dual-tranche offering, supported by the recent equity injection and a strategically important asset base, including LEO capabilities; the

new bonds performed well in secondary. To fund this, we exited a tighter-trading satellite hybrid, preferring the improved value and structural positioning in the senior segment.

Performance analysis

The Vontobel Fund – Euro Corporate Bond (I Share Class) outperformed its benchmark in February. Performance drivers were mixed: security selection detracted, but this was offset by positive allocation effects, while the curve contribution was also supportive.

In terms of selection, the main detractors were higher-beta positions within banking, insurance, and utilities. This was partly offset by positive selection in automotives, consumer goods, and basic industry.

In terms of allocation, our underweights in autos, consumer goods, and healthcare contributed positively, partly offset by our overweight in insurance.

The curve effect was positive, helped by lower government yields and the fund's slightly longer duration stance.

Outlook

At the time of writing, notwithstanding the recent escalations in Iran, credit spreads are holding up quite well but could widen in the short term. The situation could induce short-lived credit spread weakness, but we believe it is unlikely to change the supportive macro and technical framework underpinning them (the framework was highlighted in our last monthly report and is repeated below).

According to UBS credit research, "oil shocks have widened IG spreads by a median of 15 to 20bps with the market typically recovering in less than one month." We are monitoring the situation diligently and stand ready to hedge our relative subordinated buckets and exposures in the event geopolitical volatility persists and intensifies as otherwise we remain comfortable with our overall exposure. The supportive framework remains unchanged given the absence of any major re-leveraging, the German fiscal expansion and defense spending in the European area, which we believe should leave the potential for growth to pick up intact in 2026. Additionally, there is an abundance of cash or cash like assets around still ready to step in, with the current situation likely providing a good tactical opportunity to add IG and subordinated exposures. Finally, the latest headlines seem encouraging, with Beijing officials now trying to ensure that vessels continue to move in a free and unharmed way through the Strait of Hormuz. Our barbell exposure favors a relative overweight in subordinated exposures, such as corporate hybrids and AT1s mixed with senior banking, real estate, and non-cyclical industrials bonds, with a preference for the belly of the curve – 6 to 10 years.

Fund characteristics

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

Historical performance (net returns, in %)

| Time period | Fund | Ref. index |
|-------------|------|------------|
| MTD | 0.6% | 0.5% |
| YTD | 1.4% | 1.3% |
| 1 year | 3.4% | 3.4% |
| 3 yrs p.a. | 5.7% | 5.6% |
| 5 yrs p.a. | 0.3% | 0.4% |
| 10 yrs p.a. | 1.9% | 1.5% |
| ITD p.a. | 3.2% | 3.0% |

| Time period | Fund | Ref. index |
|-------------|--------|------------|
| 2025 | 3.2% | 3.1% |
| 2024 | 5.2% | 4.8% |
| 2023 | 8.5% | 8.2% |
| 2022 | -15.2% | -14.0% |
| 2021 | -0.6% | -0.9% |
| 2020 | 3.9% | 2.8% |
| 2019 | 8.8% | 6.6% |
| 2018 | -2.9% | -1.3% |
| 2017 | 4.1% | 2.6% |
| 2016 | 4.4% | 4.8% |

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

- 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.
- Asset-backed and mortgage-backed securities, and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
- Using derivatives generally creates leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
- 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.

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