Monthly commentary / 30.4.2026

Vontobel Fund – Sustainable Emerging Markets Debt

Marketing document for institutional investors in: AT, CH, DE, ES, FI, FR, IT, LI, LU, NO, SE.

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

April marked a partial reversal of the sharp risk-off observed in March, as geopolitical tensions temporarily eased and emerging-market (EM) assets staged a broad-based recovery. The Iran conflict remained unresolved, with the country's new supreme leader reaffirming control of the Strait of Hormuz and the country's commitment to its nuclear and missile programs. However, the announcement of a 14-day US-Iran ceasefire in early April provided a decisive catalyst for risk sentiment. The reprieve was short-lived: formal negotiations in Islamabad ended without agreement after 21 hours, US President Donald Trump declared a US naval blockade of the Strait, and Iran intermittently allowed, then halted, passage throughout the month. Fresh Iranian proposals revived back-channel hopes by month-end, but no breakthrough materialized.

Brent oil prices stabilized around USD 115 per barrel by month-end, moderating from March's peak of USD 118 but gaining 14.8% on the month and now up 83.3% year-to-date. Elevated oil prices continued to create a sharp divide between energy exporters and importers across emerging market (EM). The Bloomberg Commodity Index gained 3.9% on the month. Copper rose 5.6% while cotton surged 14.1%. Precious metals retreated modestly, with gold down 1.1% and silver down 1.9%.

Despite the severity of the physical energy dislocation, financial markets remained remarkably sanguine about the inflation implications. Inflation expectations rose only modestly – the US 5-year/5-year forward inflation swap rose by just 10 basis points (bps) over the month to 2.44%. The US Federal Reserve (Fed) held rates steady at its April meeting; by month-end, markets were pricing in only a 10.6% probability of a rate cut by December 2026. Among EM central banks, most maintained the status quo. The main exceptions were Brazil's BCB, which delivered a 25bps cut to 14.75%.

10-year US Treasury yields rose by 5.3bps in April to 4.37%, extending rather than reversing March's move and representing the largest two-month selloff in US rates since late 2023. German 10-year yields rose by a more modest 3bps to 3.04%, while UK 10-year gilts rose 9.6bps to 5.01%.

The dollar's safe-haven rally of March partially unwound, with the US Dollar Index (DXY) declining by 1.7% in April. Global equities rebounded sharply, with US equities (S&P 500 Total Return) gaining 10.5% and EM equities (MSCI EM Total Return) outperforming significantly at +14.7%. In fixed income, the recovery was broad-based across credit markets: Global high yield (HY) gained 2.2%, while US investment grade (IG) returned just 0.5%. EM dedicated bond fund flows turned decisively positive, with inflows of approximately USD 2.5 billion in April following USD 8.0 billion of outflows in March.

EM hard-currency sovereign bonds (EMBIG Div) gained 2.9% in April, retracing essentially all of the conflict-driven spread widening seen in March, with the index spread tightening 41bps to 248bps. In contrast to March, where the move in US Treasury yields was the dominant driver of returns, April's recovery was primarily driven by spread compression. HY sovereigns significantly outperformed IG, returning 4.1% versus 1.6%, as investors moved back down the credit spectrum, with HY spreads tightening 69bps to 422bps against just 21bps of tightening for IG to 94bps. On a regional basis, Africa led the recovery (+4.4%), followed by Latin America (+3.2%) and EM Europe (+2.9%). The Middle East returned 2.3%, a positive outcome that nonetheless lagged the broader index recovery, as the unresolved Iran conflict continued to weigh on regional sentiment.

As in March, idiosyncratic country-specific catalysts largely determined relative performance, with the top performers spread across very different credit stories rather than any single thematic driver. Venezuela's defaulted bonds were once again the best-performing in the index, surging 12.2%. The dominant catalyst was the International Monetary Fund's (IMF) decision to resume formal contact with Venezuelan authorities, backed by a majority of the Fund's membership in mid-April, following the US recognition of acting president Delcy Rodríguez. Investors began pricing in the prospect of multilateral re-engagement and renewed access to external financing. Ukraine (+10.9%) rebounded on improved visibility over external support, including the Pentagon's release of USD 400 million in assistance and the announcement of an expected IMF mission to Kyiv at end-May. The central bank's commitment to hold its key rate at 15% through Q2 2027 provided additional policy certainty, though inflation continued to rise and EU loan conditionality remains a risk. Mozambique (+9.9%) recovered on a surprising early repayment of approximately USD 700 million to the IMF, demonstrating stronger-than-expected liquidity, though Fitch flagged that a debt restructuring ahead of any new IMF program remains its base case. Lebanon (+8.3%) bounced on progress in IMF program negotiations and hopes for a ceasefire extension with Israel, though Hezbollah's rejection of direct talks and the resumption of IDF strikes in late April underline the fragility of the situation. Angola (+7.3%) benefited from higher oil revenues, a projected USD 3.5 billion windfall, three years of debt relief from China, and a 21st consecutive month of declining inflation. Colombia (+3.5%) delivered a positive return despite an S&P downgrade to BB- on fiscal slippage, with BanRep delivering a second consecutive 100bps hike to 11.25% - the clear outlier among major EM central banks.

Portfolio review

We moved the portfolio’s average credit rating back to BBB-, which is the same as for the benchmark. To improve the credit quality, we mainly shifted from BBB- to A- and AA-rated issuers. In regional terms, we reduced exposure to Latin America, while increasing exposure to the Middle East. We increased exposure to financials in the Emirate of Abu Dhabi. In Latin America, we reduced exposure to Brazil, Colombia, and Mexico. In Eastern Europe, we bought sovereign bonds in Latvia, Poland, Romania, and Ukraine. We reduced exposure to Hungary, while moving from long sovereign to short quasi-sovereign bonds. In Africa, we reduced exposure to Benin, Ghana, and Kenya, while adding exposure to Morocco. The average yield-to-maturity of the portfolio decreased over the month of April, due to the strong compression of credit spreads in April, despite higher core rates. The average modified duration of the portfolio remained stable.

Performance analysis

The fund marginally underperformed its benchmark by 0.03% in April (net, I share class). The portfolio profited from an overweight position in Colombia, where another liability management exercise by the government supported bond prices. The overweight position in Ivory Coast contributed positively as well. The portfolio also profited from its selection of supranational bonds. Some of the large detractors to relative performance versus the benchmark originated in countries where sovereign bonds are not investable due to the sustainability-related exclusion framework: Bahrain, Egypt, and Oman contributed negatively to relative performance. The underweight position in Panama was a drag as well.

Outlook

April's recovery was stronger than most observers would have anticipated at the start of the month. Average EM credit spreads retraced almost all of their conflict-driven widening and did so against a backdrop where the Iran conflict remained unresolved, the Strait of Hormuz stayed effectively closed, and Brent oil held around USD 115 per barrel. This is a powerful validation of the key arguments we outlined last month: EM fixed income is in a fundamentally stronger position than in 2022, market access has been broadly maintained, and the asset class has demonstrated a remarkable ability to look through geopolitical uncertainty when underlying credit fundamentals remain intact.

The geopolitical backdrop remains the dominant variable. The failure of the Islamabad negotiations and the declaration of a US naval blockade suggest that a quick resolution is unlikely. However, we continue to believe that both sides face meaningful constraints on further escalation. For the Trump administration, the political cost of a sustained oil price shock ahead of the November midterm elections remains a powerful incentive to seek a negotiated exit. Iran, meanwhile, has demonstrated through its back-channel proposals that it retains an interest in a diplomatic solution, and the protocol being developed with Oman on safe maritime passage through the Strait is an encouraging sign that pragmatic solutions remain on the table. A de-escalation scenario, even a partial one, would likely trigger a sharp and broad-based rally in EM assets. The asset class appears well positioned to capture that upside, in our view, given the strength of its recovery even in the absence of resolution.

The inflation outlook is the key risk variable to monitor heading into May. The pass-through of elevated oil prices into headline CPI is unavoidable in the near term, and the March data released at end-April confirmed that this process is already underway. The US PCE deflator rose to 3.5% year-on-year with the monthly reading accelerating to 0.7%. Perhaps more concerning, the University of Michigan's final April consumer sentiment index fell to 49.8, the lowest reading on record in data going back to 1978, with one-year inflation expectations rising to 4.7%. While consumers are becoming increasingly alarmed about near-term price pressures, long-term inflation expectations remain remarkably anchored. The US 5-year/5-year forward inflation swap rose by just 10bps over the month. We do not believe this is the beginning of an unsustainably inflationary episode. The critical difference from 2022 is that global monetary policy has remained tight for several years, and the conditions that amplified that shock, such as excess liquidity, strong post-pandemic demand recovery, and supply bottlenecks, are simply not present today. That said, if headline PCE prints continue to surprise to the upside and consumer expectations drift further higher, the Fed's ability to maintain its patient stance will come under increasing pressure. This risk is compounded by the Fed leadership transition: Powell's likely final meeting has passed, and Kevin Warsh's nomination is advancing through the Senate, introducing genuine uncertainty into the Fed reaction function at a critical juncture.

The scheduled Trump-Xi summit in Beijing on May 14-15 represents a further potential positive catalyst. While substantive breakthroughs on contested issues appear unlikely, even a modest de-escalation in US-China trade tensions would be meaningful for EM risk sentiment.

The divergence between winners and losers is widening, and we expect this dispersion to persist and deepen. The bifurcation between energy exporters and oil-importing economies is becoming more entrenched with each passing month of elevated Brent prices. Within the latter group, low-rated sovereigns with limited FX reserves and large external financing needs face an increasingly challenging fundamental backdrop. This widening dispersion creates clear opportunities for active management. We believe countries combining oil export benefits with reform momentum or IMF re-engagement catalysts are well positioned to outperform, while oil importers with weak reserve buffers and no near-term IMF program face the most significant headwinds.

Fund characteristics

Fund name	Vontobel Fund – Sustainable Emerging Markets Debt
ISIN	LU2145396086
Share class	I USD
Reference index	J.P. Morgan ESG EMBI Global Diversified Index
Inception date	30.9.2020

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	2.5%	2.5%
YTD	1.2%	0.7%
1 year	13.3%	11.5%
3 yrs p.a.	9.9%	9.0%
5 yrs p.a.	2.4%	1.6%
10 yrs p.a.	–	–
ITD p.a.	3.9%	1.8%

Time period	Fund	Ref. index
2025	14.1%	13.3%
2024	6.4%	5.7%
2023	11.0%	10.3%
2022	-20.0%	-18.9%
2021	3.7%	-2.3%
2020	–	–
2019	–	–
2018	–	–
2017	–	–
2016	–	–

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

- 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.
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