

Vontobel Fund – Commodity

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

Summary

- - Crude oil surged amid the collapse of the US-Iran ceasefire.
- - Gold suffered from rising yields and strong US dollar.
- - Grains and softs rallied on geopolitical risks and adverse weather fears.

Market developments

The third quarter of 2026 was defined by a renewed focus on inflation, driven by renewed geopolitical tensions, rising energy prices, and continued resilient economic growth. The breakdown of the US-Iran ceasefire, the respective memorandum of understanding, and disruptions to shipping through the Strait of Hormuz triggered a sharp rise in oil prices, with Brent crude exceeding USD 100 per barrel by September, reinforcing concerns over supply-driven inflation. As inflation remained stubbornly elevated, bond markets came under significant pressure. Government bond yields rose sharply across developed markets, with the US 10-year Treasury yield reaching its highest level since 2007 and the 30-year yield at its highest level since 2002. Strong economic data, firm labor markets, and higher energy costs reinforced expectations that interest rates would remain higher for longer. Central banks maintained a hawkish stance throughout the quarter. While the US Federal Reserve initially remained on hold, persistent inflation and economic resilience led to a 25 basis-point (bps) rate hike in September, with markets continuing to price in the possibility of further tightening. Despite higher yields, equity markets proved relatively resilient, supported by solid earnings and economic growth. Commodities were among the strongest-performing asset classes, benefiting from the reflationary backdrop. Energy led gains, while grains, soft commodities, and industrial metals also delivered positive returns. Overall, the quarter highlighted the return of inflation as a key market driver, supporting commodity markets while creating a challenging environment for fixed income investors.

Crude oil prices (Brent + 43.7%) moved sharply higher over the quarter, supported by lower visible inventories, stronger Chinese demand, and persistent geopolitical risk premiums. The collapse of negotiations between the US and Iran, renewed sanctions, military confrontations, and repeated attacks on energy infrastructure and shipping routes increased concerns over supply disruptions, particularly around the strategically important Strait of Hormuz. However, the most severe supply constraints emerged in refined products rather than crude itself. Refinery outages in the Middle East and Russia, combined with Ukrainian attacks on Russian refining infrastructure and export restrictions, created exceptionally tight diesel and gasoline markets. By quarter-end, diesel prices had risen to historically elevated levels, with refining margins remaining near record highs as roughly 5.5 million barrels per day of refining capacity remained offline. While oil flows through the

Strait of Hormuz gradually improved during the quarter, uncertainty surrounding US-Iran relations continued to underpin risk premiums. Periodic diplomatic discussions helped cap further price gains, but limited progress toward a lasting agreement kept markets cautious. Looking ahead, refined products remain the most vulnerable segment of the energy complex. Ongoing geopolitical risks, constrained refinery capacity, and the possibility of policy measures such as restrictions on US diesel exports suggest that supply conditions are likely to remain tight and energy markets sensitive to further disruptions. Diesels prices rose 75.2% and Gasoline prices + 37.2% over the quarter.

Natural gas markets experienced a sharp divergence during the third quarter, with European prices rising significantly (+66.6%) while US prices eased -14.4% until the end of September. The key driver was the deterioration in Middle Eastern supply conditions following the collapse of the US-Iran ceasefire, which disrupted LNG flows through the Strait of Hormuz and reduced LNG availability for Europe. European gas markets came under sustained pressure as force majeure on Qatari LNG exports, combined with lower-than-normal LNG arrivals, limited the pace of storage injections. Hot summer weather further supported demand, leaving European inventories well below historical seasonal averages for much of the quarter. These concerns pushed European TTF prices to multi-year highs in September before easing toward quarter-end as some LNG cargoes successfully transited the Strait of Hormuz and expectations for a relatively mild winter improved sentiment. In contrast, the supply picture for US natural gas is quite comfortable. Record domestic production, strong storage injections, and temporary constraints on LNG export demand offset weather-related increases in consumption. While localized infrastructure disruptions briefly triggered price spikes during September, these proved short-lived as operational issues were resolved quickly.

Precious metals delivered mixed performance during the third quarter as investors balanced rising bond yields and a stronger US dollar against growing concerns about fiscal sustainability and long-term currency debasement. Gold (+2.2%) proved relatively resilient, supported by continued central bank purchases, steady ETF inflows, and ongoing demand for portfolio hedges amid an increasingly uncertain macroeconomic backdrop. A key theme throughout the quarter was the shift in investor focus from monetary policy toward fiscal concerns. Rising government borrowing requirements, expanding public debt burdens, and policy

measures aimed at containing long-term borrowing costs reinforced the appeal of gold as a store of value. These factors helped offset the traditional headwinds from higher real yields and tighter monetary policy expectations. While precious metals benefited from the return of the "debasement trade" during parts of the quarter, performance weakened toward quarter-end as bond yields surged, the US dollar strengthened, and expectations for further rate hikes increased. Softer physical demand from key markets such as China and India also weighed on sentiment. Silver (-0.1%) and palladium (-1.2%) underperformed gold, reflecting their greater sensitivity to cyclical and industrial demand dynamics.

Industrial metals delivered positive performance overall during the third quarter, supported by resilient demand and ongoing supply constraints, although gains moderated toward quarter-end as rising bond yields and a stronger US dollar weighed on sentiment. Copper (+4.3%) remained the focal point of the complex, reaching record highs during the quarter. Prices were supported by tight visible inventories, particularly early in the quarter, as well as strong US import demand linked to uncertainty surrounding potential copper tariffs. Continued enthusiasm for AI-related infrastructure investment also contributed to a constructive demand outlook. However, by September, concerns emerged that the absence of clarity on US trade measures could reduce the incentive for physical traders to continue redirecting copper into the US market, potentially allowing inventories to rebuild, and easing some of the tightness that had underpinned prices. Elsewhere, zinc (+8.4%) was among the strongest performers, benefiting from disappointing mine supply growth, constrained smelter output, and relatively low inventories outside China. Aluminum (+3.0%) also advanced, although abundant Chinese exports limited upside despite broader market support.

Grains delivered strong gains over the third quarter despite a sharp correction in September, posting even their best month in August since the outbreak of the Russia/Ukraine war in 2021. The dominant theme was the tightening of global wheat and corn balances amid escalating disruptions to Black Sea exports. Attacks on shipping infrastructure and grain export routes in the region raised concerns over the availability of supplies from one of the world's most important grain-producing areas. These developments, combined with adverse weather conditions in parts of the United States and lower-than-expected crop yield estimates, drove substantial rallies across grain markets during the summer months. Corn (+14.1%) prices benefited from repeated downward revisions to US yield expectations, while wheat emerged as the strongest performer for much of the quarter as Black Sea export flows slowed significantly. Soybeans (+13.1%) were supported by steady Chinese demand, with purchases remaining consistent as China continued to meet agricultural import commitments. Sentiment shifted in September following more constructive supply data from the US Department of Agriculture and signs that geopolitical tensions affecting grain exports may stabilize. Higher global wheat production estimates and larger-than-expected US grain inventories prompted a broad market correction, particularly in wheat and corn. Despite the late-quarter pullback, grain markets remain sensitive to developments in the Black Sea region, weather-related production risks, and Chinese import demand. Tight supply buffers in several key crops suggest that volatility is likely to remain elevated heading into the new upcoming growing season.

Soft commodities delivered strong gains during the third quarter,

supported by weather-related supply risks fears around El Niño, tight inventories, and growing concerns over crop production in key exporting regions. Coffee (+4.2%) and cocoa (+3.8%) saw a solid price increase. Coffee prices surged as adverse weather disrupted Brazil's harvest and exchange inventories fell to historically low levels, highlighting tight supply conditions. Cocoa also moved sharply higher as concerns over West African production intensified, with expectations for lower output from major producers reinforcing fears of a tighter global balance. Sugar (+19.2%) increased strongly on supply-driven dynamics. El Niño-related weather risks raised concerns about crop yields, while adverse growing conditions in key producing regions in India and Thailand supported prices and attracted speculative buying during August. High gasoline and diesel prices also diverted a lot of raw sugar into ethanol production, tightening the export market further. The sector retraced part of its gains in September as some supply fears eased. Higher coffee deliveries from Brazil provided relief to inventories, while cocoa corrected as exchange stocks remained comfortable. Cotton (+2.2%) was additionally pressured by uncertainty surrounding Chinese demand.

Livestock was the only sector that was broadly weaker during the third quarter as policy efforts to lower US beef prices weighed on cattle markets. Measures including the phased reopening of Mexican cattle imports and increased beef imports from other producing countries pressured live and feeder cattle prices during the summer months. Sentiment improved in September, however, as tight domestic cattle supplies and renewed New World screw-worm detections in the US and Mexico highlighted ongoing supply-side risks. These factors helped cattle prices recover part of their earlier losses. Feeder cattle declined -4.7%, while live cattle declined -7.5% over the quarter. Lean hogs (-8.2%) followed a more mixed path. Strong export demand provided support early in the quarter, but weaker domestic pork consumption and softer wholesale prices weighed on the market later, leaving prices under pressure overall.

Portfolio review

Throughout the quarter, portfolio positioning reflected a constructive view on commodity markets while actively managing geopolitical and macroeconomic risks. In energy, we gradually reduced directional crude oil exposure as Middle East tensions drove prices higher, while maintaining an overweight position in refined products, particularly gasoil and gasoline, where exceptionally strong refinery margins continued to support fundamentals. In natural gas, we took profits on European positions during the summer before selectively rebuilding exposure following the September pullback. We also moved from a neutral stance to a modest underweight in US natural gas, reflecting ample domestic supply conditions. Within precious metals, we maintained a modest overweight in gold for most of the quarter, supported by fiscal and macroeconomic uncertainty, while expressing relative caution through underweight positions in silver and platinum-group metals. Exposure was actively adjusted as rising yields increased pressure on the sector. In industrial metals, we remained constructive on copper, which was our preferred overweight position by quarter-end. In agriculture, we maintained an overweight in grains, particularly wheat and corn, before taking profits following the strong rally. We also reduced exposure to sugar after substantial gains and maintained a bearish stance on coffee. In livestock, an initial underweight in cattle was later reversed as tight supply conditions re-emerged and supported prices.

Performance analysis

In the third quarter of the year, the Vontobel Fund – Commodity gained 16.72% while the BCOMTR benchmark increased 16.19%, leading to an outperformance of +0.54%. Negative performance drivers included the curve positioning in crude oil (-2.42%) as well as the underweight in soybean meal (-0.20%), cocoa (-0.13%), coffee (-0.18%), and the tactical positioning in silver (-0.22%). Positive performance drivers included the overweight in oil products such as heating oil (+0.52%), gasoline (+0.82%), and gasoil (+0.71%), the positioning in natural gas (+0.95%), and the overweight in grains, especially corn (+0.57%) and wheat (+0.44%).

Outlook

At the beginning of October, reports emerged that the US administration was planning to deploy another aircraft carrier and additional troops to the Middle East. After weeks of stalemate, there is clearly a risk that tensions could escalate again. In our view, the deployment is primarily intended as a show of strength to signal to

Iran that it should return to the negotiating table sooner rather than later. It also suggests that the administration is not concerned about the potential political implications ahead of the mid-term elections. That said, we believe the risk of escalation also extends to the Iranian side. While the US blockade preventing Iranian oil from reaching global markets appears to be effective, a significant share of oil exports from other Gulf countries passes through the Strait of Hormuz. This could give Iran an incentive to escalate tensions, based on the following logic: "If we can't get our oil through, nobody should."

We believe precious metals are likely to remain range-bound in the coming weeks. We continue to believe that the USD 4,000 per ounce level should hold as a floor, supported by solid central bank demand, ongoing ETF buying, and a recovery in physical demand at those price levels. However, a move above USD 4,500 per ounce would likely require a clear catalyst, in our view. One such catalyst could be a US-Iran deal, which could trigger a substantial decline in yields and a corresponding repricing of rate-hike expectations.

Fund characteristics

Fund name	Vontobel Fund – Commodity
ISIN	LU0415415800
Share class	I USD
Benchmark	Bloomberg Commodity Index TR
Inception date	7.1.2009

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	0.6%	0.6%	2025	19.6%	15.8%
YTD	28.2%	32.9%	2024	8.2%	5.4%
1 year	34.2%	40.6%	2023	-5.1%	-7.9%
3 yrs p.a.	16.8%	15.6%	2022	10.7%	16.1%
5 yrs p.a.	11.8%	11.3%	2021	35.1%	27.1%
10 yrs p.a.	8.6%	7.9%	2020	-0.5%	-3.1%
ITD p.a.	3.2%	2.5%	2019	9.2%	7.7%
			2018	-15.0%	-11.2%
			2017	2.2%	1.7%
			2016	16.6%	11.8%

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