

Monthly commentary / 31.3.2026

Vontobel Fund – mtX Asian Leaders (ex Japan)

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

- Asian equities recorded a loss of -13.7% in March, significantly underperforming developed markets equities.
- The mtX Asian Leaders (AL) fund returned -14.6% (gross of fees) during March.
- The AL fund has outperformed the benchmark by +3.1% (gross of fees) during the first quarter of the year.

Market developments

Asian equities struggled significantly in the initial phase of the conflict, with the MSCI AC Asia ex Japan Index dropping -13.7% in March amid escalating geopolitical tensions and mixed economic signals. The Iran-Israel conflict acted as the primary external shock, disproportionately affecting Asian assets and exacerbating existing vulnerabilities. Asian equities underperformed developed markets early on, lagging the MSCI World Index by -5.3 percentage points and the S&P 500 by -8.7 percentage points. However, performance became more aligned over the course of the month, as the S&P 500, which declined -5.0%, retained its safe-haven status during global uncertainty. This performance pattern underscored Asia's sensitivity to geopolitical shocks and risk-off sentiment, even as some investors began to identify potential long-term opportunities. However, investors still regard the long-term structural drivers as intact, provided the conflict does not persist for an extended period.

At the country level, Korea was the worst performer at -23.5%, followed by Indonesia (-11.8%) and Taiwan (-11.3%). Malaysia showed relative resilience with only a -2.1% decline. South Korea's equity market suffered the steepest decline, driven by geopolitical risks and weakness in the technology sector. Memory-chip makers, including Samsung Electronics and SK Hynix, experienced a sharp correction after Google announced an AI memory innovation that raised concerns about reduced demand for flash memory. Although high-bandwidth memory producers like Samsung and SK Hynix recovered some losses by month-end, the initial shock weighed heavily on the market.

All sectors posted negative returns in March 2026. Utilities was the best performer with a -4.6% decline, while materials suffered the steepest loss at -14.8%. Consumer discretionary (-10.5%) and real estate (-13.2%) were particularly weak.

Portfolio review

Over the course of the month, the AL fund returned -14.6% (gross of fees), underperforming the benchmark return by -0.8%. Stock selection as well as country and sector allocation had a negative impact on performance. The portfolio had negative stock selection within financials, materials, and consumer discretionary. Sector allocation had a negative impact

overall, with the portfolio particularly affected by its underweight to consumer staples and energy as well as its overweight to materials.

From a country perspective, stock selection in South Korea and China were among the largest detractors to performance for the month, while stock selection in Taiwan was the largest contributor. In addition, country allocation had a slightly negative impact overall, with the portfolio particularly affected by its underweight to Singapore.

At the end of February, our portfolio comprised of 41 companies (42 holdings, with two holdings for Samsung Electronics). During the month, we sold our remaining position in Fuyao Glass (Consumer Discretionary, China) and initiated a new position in Naura Technology (Information Technology, China).

Some of the salient points for performance in March are summarized below.

Performance analysis

Financials: Concerns over war-driven inflation, foreign investor outflows, and geopolitical uncertainties weighed heavily on rate-sensitive stocks like Bajaj Finance and Bandhan Bank. Bandhan Bank, in particular, faced losses amid speculation about potential promoter stake sales. Reports on March 13 suggested that Bandhan Financial Services was exploring exit options for long-term investors, which led to the stock hitting the lower circuit on March 17, dropping 7.5%. Although the bank issued clarifications denying these reports, investor sentiment remained subdued throughout the month.

Materials: Hansol Chemical and Western Mining experienced declines due to fears of supply chain disruptions stemming from geopolitical tensions in the Middle East. Additionally, Hansol Chemical was impacted by rising raw material costs, while Western Mining faced pressure from falling copper prices.

Consumer Discretionary: Despite reporting strong financial results and gaining market share in overseas markets, Kia's stock price was negatively affected by concerns over potential supply chain disruptions and cost inflation linked to the closure of the Strait of Hormuz

Outlook

The long-term outlook for Asian equities remains compelling, supported by robust fundamentals, projected earnings growth of +40.4% in 2026, and attractive valuations trading at a significant discount to developed markets. Regional fiscal measures and improving geopolitical stability could further stabilize markets and create selective opportunities for investors. In the near term, however, volatility is expected due to geopolitical tensions, energy price shocks, and tighter financial conditions. Historical patterns suggest that supply-driven oil price surges may lead to market corrections, with Asian equities likely to face continued pressure in Q2. While risks persist, the structural investment case for Asian equities remains intact for long-term investors.

Fundamentals

The fundamental backdrop for Asian equities remains broadly supportive, driven by strong earnings expectations and structural tailwinds. Consensus forecasts project earnings growth of approximately +40.4% in 2026 (compared to +16% for MSCI DM and +18% for U.S. equities), supported by technology investment cycles, policy stimulus, and improving governance in key markets. However, higher risk premiums and rising interest rates are compressing valuation multiples for Asian equities relative to DM and U.S. benchmarks.

The strong pre-conflict momentum of Asian equities was evident in robust earnings growth in Q4 2025. Excluding the drag from China internet giants like Alibaba, JD.com, and Baidu, Asian earnings surged +31% YoY, led by Korea (+71% YoY) and Taiwan (+35% YoY). Overall, topline growth in Asian (excluding Alibaba, JD.com, and Baidu) tracked a healthy +7% YoY. Within Asian EM, Korea posted the strongest growth in net income, with significant contributions from the Information Technology, Industrials, and Financials sectors. Taiwan also recorded strong net income growth.

While Q1 2026 forecasts appear promising, downward earnings revisions often lag energy shocks by 2–3 quarters, with historical oil supply shocks showing significant regional and sectoral impacts. Governments are implementing price caps and subsidies to shield growth and corporate margins in the near term, but prolonged disruptions could strain fiscal resources and hurt demand, particularly among weaker consumers. North Asia is managing oil shortages effectively through strategic reserves, advanced supply management, diplomatic agreements for Iranian vessel passage and Russian oil access and plans to ramp up coal-fired power plants and revitalize nuclear power plants. Southeast Asia shows mixed resilience, with Thailand implementing a fuel crisis plan and subsidizing diesel at \$32 million daily, while Vietnam seeks supply support from Japan and South Korea. South Asia remains the most vulnerable, with Bangladesh facing imminent oil shortages, India raising LPG and jet fuel prices while activating emergency measures, and households stockpiling electric cooktops amid cooking gas concerns.

Higher energy prices are expected to support incomes in energy-producing and exporting economies, but the demand lift is likely to be outweighed in the near term by the drag on energy-consuming regions in Asia. Approximately 28% of the MSCI EM benchmark have a negative beta to oil prices, including Consumer Staples, Consumer Discretionary, Real Estate, Communication Services, Utilities, and Healthcare.

These sectors are particularly vulnerable to higher input costs,

reduced disposable incomes, tighter household budgets, rising fuel costs, and inflation-driven deferrals of non-essential spending. If earnings growth for these six sectors were to contract to zero in 2026, the overall EM earnings growth forecast would decline from +35.1% to approximately +30.7%.

The technology sector remains the largest contributor to Asian earnings growth, benefiting from strong initial demand and sufficient reserves of critical inputs such as helium and bromine. Companies in Korea and Taiwan, for example, are estimated to have 4–6 months of buffer reserves for these materials. However, prolonged geopolitical uncertainty and tighter financial conditions could disrupt supply chains and weaken global demand, putting 2026 EPS estimates at risk. A slowdown in global economic activity could also dampen demand for technology products and AI data centers, which are key growth drivers for Korean and Taiwanese tech giants.

Valuation

Valuations for Asian equities remain attractive on both an absolute and relative basis. Asian equities currently trade at approximately 11.8x forward earnings, compared to 20.0x for developed markets and 21.8x for U.S. equities, representing a valuation discount of roughly 30–40% versus major developed market benchmarks. On a historical basis, Asian valuations are now moderately below the long-term average of 12.2x. Price-to-book metrics further support the relative valuation case, with Asian equities trading at approximately 2.2x book value compared to 3.9x for developed markets. This valuation backdrop indicates that risk-driven corrections during Q2 could present tactical entry opportunities for long-term investors, though sustained macro shocks could delay further multiple expansion.

Macroeconomic Outlook

The macroeconomic environment for Asian markets remains broadly constructive, though near-term uncertainty has risen due to geopolitical risks and energy price volatility. Policymakers in several Asian economies are implementing fiscal measures, such as subsidies and tax adjustments, to mitigate the impact of higher oil prices and stabilize domestic demand. In Asia, macro conditions remain closely tied to global technology demand and export dynamics. Strong semiconductor investment cycles and resilient trade activity are bolstering growth prospects in markets such as Korea and Taiwan

Risks

Key downside risks include geopolitical tensions, energy price volatility, U.S. dollar strength, and global growth risks. Persistently high oil prices could pressure corporate margins and household purchasing power, particularly in energy-importing economies. While governments are currently absorbing part of the shock, sustained price increases may eventually be passed on to consumers, leading to earnings downgrades with a lag of 2–3 quarters.

Currency dynamics also pose risks, as a stronger U.S. dollar and tighter global financial conditions could disrupt capital flows and weigh on performance. Additionally, following the strong Q1 rally, previously crowded markets may be vulnerable to sharper corrections if global risk sentiment deteriorates.

Flows

EM capital flows have shown mixed trends amid geopolitical tensions. Year-to-date, EM equity funds have attracted USD 77.5 billion in inflows, though recent weeks have seen a slowdown. ETFs turned positive with +USD 1.1 billion in inflows,

while non-ETFs experienced outflows of -USD 1.7 billion in the same period.

Regionally, Asia ex-Japan saw modest inflows. Market-level trends indicate selling pressure in Korea, Taiwan, and India, while some ASEAN markets attracted inflows. February data

highlighted strong subscriptions in China (+USD 6.2 billion). A stabilization in geopolitical risks could renew strategic allocations, though uncertainty may continue to drive episodic volatility.

Fund characteristics

Fund name	Vontobel Fund – mtx Asian Leaders (ex Japan)
ISIN	LU0384410279
Share class	I USD
Reference index	MSCI All Country Asia (ex Japan) TRN to 5.5.2025, MSCI AC Asia ex Japan Index 10/40 TRN USD thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	-14.3%	-13.7%	2025	33.2%	31.3%
YTD	0.2%	-1.9%	2024	10.3%	12.0%
1 year	32.8%	26.6%	2023	5.6%	6.0%
3 yrs p.a.	13.2%	13.6%	2022	-24.2%	-19.7%
5 yrs p.a.	1.8%	2.6%	2021	-4.2%	-4.7%
10 yrs p.a.	9.2%	8.1%	2020	26.4%	25.0%
ITD p.a.	10.8%	9.6%	2019	18.8%	18.7%
			2018	-16.4%	-14.8%
			2017	55.6%	41.7%
			2016	5.5%	5.4%

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