

Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2

Marketing document for institutional investors in: AT, CH, DE, ES, FR, GB, IT, LI, LU.

Market developments

The third quarter of 2026 was dominated by the escalation of the conflict between the US and Iran and its growing impact on global energy markets, inflation expectations, and fixed-income performance. Supply disruptions in both the Strait of Hormuz and the Red Sea led to heightened volatility in oil markets, with Brent crude temporarily rising above USD 100 per barrel in July and September. Although some export flows through the strait gradually resumed under naval protection, trade routes remained disrupted throughout the quarter, increasing transportation costs and reinforcing concerns that inflationary pressures could persist longer than previously anticipated. Against this backdrop, global government bond markets experienced significant volatility. Long-end yields moved sharply higher as investors reassessed the inflation outlook and the willingness of central banks to maintain restrictive monetary policy. The US Federal Reserve kept rates unchanged in July before delivering a widely expected 25 basis-point (bps) hike in September, while the European Central Bank also raised rates by 25bps during the quarter. Market participants increasingly priced in a more hawkish policy path than central bank guidance suggested, leading to a pronounced rise in core bond yields. US 10-year Treasury yields increased from approximately 4.4% at the start of the quarter to 5.3% by the end of September, while German Bund yields rose from around 2.9% to 3.6%. Inflation data came in generally more benign than market pricing implied. US headline inflation moderated from 4.2% in May to 3.4% by August, while core inflation gradually declined to 2.4%. Similar trends were observed across many developed and emerging markets (EM). However, the renewed surge in energy prices, combined with resilient economic activity and stronger-than-expected US labor market data, shifted investor focus toward future inflation risks rather than improving backward-looking inflation prints. Risk assets delivered a mixed performance over the quarter. Global equities were relatively resilient despite rising rates and geopolitical tensions, supported by strong corporate earnings and continued investor demand for risk assets during August. However, sentiment deteriorated toward quarter-end as yields rose sharply and geopolitical uncertainty intensified. Gold performed strongly during most of the quarter, benefiting from inflation concerns and rising geopolitical risks, although it partially retraced gains in September as expectations for tighter monetary policy increased. EM fixed-income markets faced a challenging environment. Rising US Treasury yields were the primary headwind for hard-currency debt throughout the quarter. EM hard-currency sovereign bonds, as measured by the EMBIG Diversified Index, generated negative returns over the period, with rate moves accounting for the majority of losses. Investment-grade sovereigns generally underperformed due to their longer duration

exposure, while high-yield performance was more heavily influenced by country-specific developments. Performance dispersion across sovereign issuers remained significant. Oil-exporting countries generally benefited from higher hydrocarbon prices, particularly during July. Several African sovereigns delivered strong returns through much of the quarter, supported by improving market access and investor demand for higher-yielding credits. Venezuela and Lebanon outperformed at various stages of the quarter due to developments related to potential restructuring and investment initiatives, while Senegal recovered following the announcement of its external debt restructuring framework. In contrast, Argentina, Ecuador, and Ukraine were among the weakest performers as investors became increasingly concerned about political uncertainty, fiscal developments, and ongoing geopolitical risks. EM hard-currency corporate bonds were relatively resilient despite higher global rates. Credit spreads remained broadly stable for most of the quarter, supported by solid corporate fundamentals and continued investor demand for yield. High-yield (HY) corporates generally outperformed investment-grade (IG) issuers due to their lower duration exposure. Regional performance was strongest in Africa and parts of CEEMEA, while Latin America and lower-rated Turkish issuers faced headwinds from restructuring developments and company-specific challenges. Corporate credit markets continued to be characterized by significant issuer differentiation. In Latin America, restructuring situations remained a central theme, particularly among Brazilian issuers such as Braskem, CSN, and Ambipar. In CEEMEA, investors remained focused on the impact of the Middle East conflict, while selective stress emerged among Turkish corporates, most notably within the Zorlu group. At the same time, stronger issuers across sectors continued to access capital markets successfully and maintain healthy liquidity positions despite the more challenging global environment. Overall, the third quarter was defined by the interaction between geopolitical tensions, higher energy prices, and a hawkish repricing of global interest rates. While economic activity remained relatively resilient and inflation continued to moderate, markets increasingly focused on the risk that persistent supply-side inflation pressures could keep monetary policy restrictive for longer, resulting in a difficult quarter for global fixed-income assets and especially for duration-sensitive segments of the market.

Portfolio review

We continued to manage the portfolio with a focus on the fund's maturity horizon. We participated in several tender offers at what we considered attractive levels, including the Dominican Republic, Honduras, and Prosus, as issuers proactively managed their upcoming maturities. We reinvested the proceeds into short-dated

bonds maturing ahead of the fund's maturity date, favoring issuers with attractive spread. On the corporate side, we added Banco Inbursa, a well-capitalized Mexican bank, and India Clean Energy Holdings, part of the ReNew group. We also selectively added HY names with solid near-term liquidity, including Fosun International and Dar Al Arkan.

As of the end of third quarter, we maintained our average rating of BBB- and the portfolio offers a yield to maturity of 6.92%.

Performance analysis

The fund's I (USD) share class returned 0.91% in the third quarter, with the net asset value (NAV) increasing from 114.38 to 115.42. Performance was well-balanced. Top contributors included Alpha Star and JSW, whereas Petroleos Mexicanos and the Black Sea Trade & Development Bank were the main detractors.

Outlook

While September resulted in significant negative returns across EM fixed income, it is important to stress that these negative returns were driven mostly by developed-market interest-rate volatility. After the move higher in yields, EM has, in our view, become more attractive, as we believe that the widening of spreads cannot be explained by a deterioration in the underlying fundamentals of the asset class. Indeed, EM has so far demonstrated resilience despite a combination of geopolitical shocks, higher oil prices, and tighter global financial conditions. At the sovereign level, this resilience reflects the significant strengthening of policy frameworks and external buffers since the 2022-2024 crises. Many EM countries have rebuilt FX reserves, reduced external vulnerabilities, and improved fiscal positions, while inflation remains relatively well anchored across most markets. The continued pace of sovereign rating upgrades also indicates an improvement in credit fundamentals. Importantly, the current oil shock has so far generated significantly less financial stress than previous episodes, with even vulnerable oil importers showing greater resilience thanks to stronger reserves and improved external balances. The same resilience has so far been visible at the corporate level. EM corporates have entered the current environment with relatively strong balance sheets, adequate liquidity, and declining net leverage, while earnings momentum has remained supportive. Rating upgrades continue to outnumber downgrades, and default rates have normalized towards historical levels. We believe technicals

also remain supportive, with investor positioning in EM corporates relatively light and net supply currently expected to be only slightly positive in 2026. Importantly, EM corporate fundamentals are not dependent on a single growth theme. Earnings are supported by a broad range of sectors, including commodities, industrials, infrastructure, domestic consumption, financials, and energy. This diversification of underlying economic drivers may be particularly relevant as US corporate credit becomes increasingly exposed to the AI investment cycle. Hyperscaler- and AI-related bonds account for roughly 40% of US HY net issuance in 2026, while US IG portfolios face rising AI concentration through higher duration-times-spread exposure resulting from longer-duration issuance. AI-related credit exposure is also spreading beyond the traditional public bond market into data centers, utilities, equipment suppliers, private credit, bank financing, and insurance. Nvidia's efforts to develop insurance structures against losses on loans secured by its graphics processing units illustrate how AI-related risks may migrate across different parts of the financial system. From a valuation perspective, while EM corporate spreads have tightened, we continue to see selective relative-value opportunities compared with similarly rated US corporates, particularly once the growing AI-related premium in US credit is considered. In US HY, AI-related bonds currently trade at around 295bps versus roughly 164bps for comparable non-AI bonds, indicating the significant valuation premium associated with AI-related credit. EM corporates also exhibit substantial dispersion across countries, sectors, issuers, and individual bonds. As a result, index-level spreads may not fully reflect the opportunity set, creating scope for active credit selection and relative-value strategies. The asset class also has relatively short duration, which may reduce its sensitivity to movements in US Treasury yields while providing what we consider attractive carry. Combined with improving fundamentals, supportive technicals, relatively short duration, current valuations, and significant credit dispersion, this creates what we believe is a compelling environment for active management. Rather than relying solely on beta or broad spread compression, EM corporate investors may seek to identify relative-value opportunities across countries, sectors, and issuers, while the asset class may provide a degree of diversification relative to an increasingly concentrated and longer-duration US corporate credit market and the broader US AI-driven credit cycle.

Fund characteristics

Fund name	Vontobel Fund II – Fixed Maturity Emerging Markets Bond 2
ISIN	LU2581745853
Share class	I USD
Benchmark	–
Inception date	14.5.2024

Historical performance (net returns, in %)

Time period	Fund	Benchmark	Time period	Fund	Benchmark
MTD	0.1%	–	2025	7.4%	–
YTD	2.1%	–	2024	–	–
1 year	3.2%	–	2023	–	–
3 yrs p.a.	–	–	2022	–	–
5 yrs p.a.	–	–	2021	–	–
10 yrs p.a.	–	–	2020	–	–
ITD p.a.	6.2%	–	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.

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