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
- Brent crude rebounds above USD 90 on fading diplomatic progress.
- Precious metals shine despite rising yields.
- Grains record strongest month since 2021.

Market developments

Long-dated bond yields reached multi-year highs across several countries, with the 30-year US Treasury yield hitting its highest level in 20 years. Yield curves steepened and the US dollar strengthened. Consequently, the US Treasury announced buybacks of long-dated bonds, which helped push yields lower but also fueled concerns about financial repression. The move highlighted growing unease over rising borrowing costs and the challenge of containing them. US Federal Reserve (Fed) Chair Kevin Warsh's speech at the Jackson Hole symposium was more hawkish than expected as he emphasized that inflation remains well above the Fed's fixed 2% target. By month-end, investors had raised the probability of a September rate hike to 65%. Many investors now believe that Warsh's credibility could be called into question if the Fed doesn't raise rates in September. August was a strong month for risk assets. The S&P 500 Index reached another record high mid-month, supported by resilient economic data and robust earnings. The Bloomberg Commodity Total Return Index (BCOMTR) gained 7.4% in August and 32.1% year-to-date. All commodity sectors ended the month in positive territory except livestock. Grains and soft commodities were the strongest performers; precious metals also posted solid gains.

After a short selloff in early August, Brent crude prices rebounded to above USD 90 per barrel at the end of the month. Initial optimism over diplomatic progress faded quickly, and by mid-August it had become clear that no agreement was imminent. The US reinstated sanctions on Iran, the blockade of Iranian tankers continued, and military exchanges between the US and Iran resumed later in the month. Although some crude continues to flow through the Strait of Hormuz, actual volumes leaving the Middle East are becoming harder to track as transponders are switched off and ship-to-ship transfer activity increases. Still, continued flows through the strait, available pipeline capacity, and ongoing (albeit slowing) strategic petroleum reserves (SPR) releases mean the market is not tight enough to justify a rally in crude oil prices. However, global inventories are trending lower (mainly SPR and floating storage, while inventories at commercial export hubs have been rising recently). This is helping crude oil prices to edge higher, supported by stronger Chinese buying as refining activity ramps up. In contrast to crude, product markets remain exceptionally tight, with record crack spreads, deeply backwardated futures curves, and refineries operating at near-maximum utilization rates. In addition to the refinery outages in the Middle East, ongoing Ukrainian attacks on Russian refineries and the subsequent extension of Russia's diesel export ban through September are tightening product markets and supporting margins.

US natural gas prices were largely unchanged in August. Despite the month being one of the hottest on record in the US, prices received limited support. Strong renewable power generation reduced demand for gas-fired power, while liquefied natural gas (LNG) export demand was constrained by maintenance at Freeport LNG terminal. Combined with record-high natural gas production, these factors prevented prices from lifting off. In contrast, European natural gas prices rose 18% in August. Ongoing force majeure affecting Qatari LNG exports, combined with strong weather-related demand during a hot European summer, kept storage injections below normal seasonal levels. As a result, European gas inventories remained significantly below historical seasonal averages.

August was a particularly interesting month for gold and the precious metals complex. Despite rising US Treasury yields and a steepening yield curve, precious metals delivered strong performance (gold +9%, silver +15%) as investor focus shifted from monetary policy to fiscal concerns. The "debasement trade" seen throughout 2025 returned, helping gold move higher. Markets saw higher yields and a steeper curve as a sign of declining confidence in the fiscal framework. Investors increasingly sold bonds amid concerns about fiscal deterioration, expanding sovereign balance sheets, and the long-term sustainability of public debt. This environment is inherently supportive of gold, given its role as a hedge against fiscal instability and currency debasement. The US Treasury Department's intervention in longer-dated bond markets through buyback operations added to these concerns, showing how sensitive policymakers are to rising long-term borrowing costs. After the buyback, lower yields and a weaker US dollar also provided additional tailwinds for gold and the broader precious metals sector.

Industrial metals (+2%) also ended August higher, with zinc posting the strongest gain in the sector (+6.5%). Zinc continues to be supported by disappointing mine supply growth and subdued smelter output, while LME inventories remained relatively low. In contrast, Chinese inventories remain well supplied. More recently, the export arbitrage window has reopened, likely encouraging more metal to flow from China into LME warehouses. This should help ease tightness in the ex-China market and may limit further upside in zinc prices. Copper also reached new record highs in August, mainly due to continued US import demand and ongoing optimism surrounding AI-related investment. Regarding US import

demand, the US government has yet to provide clarity on potential copper import tariffs. Market participants are increasingly expecting no announcement in the near term. If so, the attractive arbitrage opportunity for shipping copper from the LME market to COMEX is likely to become less compelling for physical traders. LME copper inventories could therefore start to rebuild over the coming months, putting some downside pressure on prices.
Grains gained +13.7% in August, posting not only their strongest month of the year but also their best since April 2021. While the first half of the month was rather muted, market participants were awaiting the August World Agricultural Supply and Demand Estimates report (WASDE), in which the US Department of Agriculture (USDA) included its first crop yield estimates for the upcoming marketing year. Mid-month, the USDA cut its corn yield estimate to 180.7 bushels per acre, which was way more than expected. In addition, the Pro Farmer Crop Tour pointed to an even lower yield of 173.2 bushels per acre following its annual field visits. Corn gained +15.9% as the lower supply estimates significantly tightened the balance sheet. Soybean The yield estimates for soybeans (+8.5%) surprised slightly to the upside, but continued demand from China kept prices well supported as China is on track to meet its agricultural purchase target of around 25 million metric tons. Wheat (+17.9%) was the standout performer of August, as attacks in the Sea of Azov brought wheat exports from the Black Sea region to a halt. Exports from the world's biggest grain-producing region are down to 20% of normal seasonal levels, and worsening rhetoric suggests there is no end in sight.
Soft commodities surged +13.3%, with sugar up +21.5% on El Niño concerns, which drove an increase in long speculative positions and pushed prices to 17.81 cents per pound by the end of August. The increase in cocoa (+23.2%) was primarily supply-driven, following Ghana's production warnings linked to El Niño risk, with short covering and speculative buying adding to the move in the second half of the month. Cotton gained +13.8% on a supply-backed story, as adverse weather over the last couple of weeks led to crop stress in the US, and production concerns arose in China, tightening the supply outlook ahead of the harvest season.
Livestock posted its second negative month in a row, slipping -4.8%. Live cattle decreased -6.4% and feeder cattle -5.5%, amid efforts by the White House to bring down beef prices in the US. These included a staggered border reopening with Mexico to allow cattle imports despite the ongoing screwworm outbreak, increased beef imports from Brazil and Australia to be sold at a 25% discount, and the possibility of allowing rangers to process their own meat and bypass the highly concentrated meat-packing industry. Lean hogs recovered in the last two trading days, ending the month down only -1.4%, bringing an end to the downward trend in prices that began in March 2026.

Portfolio review

As Middle East tensions continued to go on and oil prices ground higher in August, we reduced our bull-spread positioning to participate in a potential risk reversal in oil prices. We continue to hold a directional overweight positioning in oil products, especially in gasoil and gasoline as refinery margins are at record highs. We took profits on our remaining European gas positioning and continue to hold a slight underweight in US natural gas. We added to our overweight in gold at the beginning of the month and tactically closed the underweight in silver at the same time. At the end of the month, we took profit on both of these two trades and reestablished the underweight in silver. In industrial metals, we continue to hold a slight overweight in aluminum. We remain overweight in grains, especially wheat and corn and established an overweight position in soybean oil. We also took profits from our sugar overweight as prices increased strongly and added to our bearish positioning in coffee. Additionally, we established an underweight in cattle during the month.

Performance analysis

Vontobel Fund – Commodity gained 7.87% while the BCOMTR benchmark increased 7.39%, leading to an outperformance of +0.49%. Negative performance drivers included soft commodities (-0.29%), especially cocoa (-0.17%) and coffee (-0.11%), the underweight in silver (-0.27%), and the curve positioning in natural gas (-0.27%). Positive performance drivers included the overweight in oil products such as heating oil (+0.20%), gasoline (+0.19%), and gasoil (+0.16%), the overweight in gold (+0.30%), and the overweight in corn (+0.24%) and wheat (+0.25%).

Outlook

Precious metals may remain under pressure in September as markets have started to price in a high probability of a Fed rate hike. We believe the Fed will need to follow through on its recently adopted hawkish stance and show that it is committed to bringing inflation back under control. However, we view USD 4,000 per ounce for gold as a strong support level, which may provide an attractive entry point once the Fed meeting is behind us.
No one knows how or when the conflict in the Middle East will end, and the prospects for a near-term return to stability appear to be fading. For oil markets, the key variable remains the flow of crude through the Strait of Hormuz and the Red Sea. As long as export volumes continue to flow somehow, oil prices are unlikely to rally from current levels and are instead poised to slowly creep higher as global inventories fall. We are turning more cautious on oil products. While refined product markets remain tight, refiners have a strong economic incentive, and in some cases face government pressure, to defer their usual autumn maintenance schedules and maintain high operating rates. At the same time, refined oil products are expected to receive greater priority for exports from the Middle East going forward. This could help alleviate some of the current supply tightness in the months ahead.
Expectations for a strong El Niño remain high, but its impact on crop yields is still uncertain. Cocoa, sugar, and coffee appear to be the commodities most exposed to potential weather-related disruptions. This is already reflected in both futures positioning and recent price gains, with investors paying close attention to El Niño developments. Following the latest rally, however, prices may consolidate until there is more tangible evidence of crop losses.
In grains, escalating attacks by Russia and Ukraine have increasingly targeted grain export infrastructure in addition to energy assets. As a result, a significant share of the region's wheat harvest is currently unable to reach global markets. If these disruptions persist, wheat prices are likely to move higher. Conversely, any ceasefire agreement or the establishment of a grain export corridor, similar to the one seen in 2022, could trigger a sharp price correction. Global wheat supplies remain ample, and once export routes reopen, substantial volumes could quickly return to international markets. The recent rally in grain prices may be due for a correction, especially with US harvest pressure on the horizon. However, we believe the longer-term story of a demand led market is still intact.

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
MTD	7.9%	7.4%
YTD	27.4%	32.1%
1 year	37.6%	42.8%
3 yrs p.a.	16.2%	15.1%
5 yrs p.a.	12.3%	12.2%
10 yrs p.a.	8.9%	8.1%
ITD p.a.	3.2%	2.4%

Time period	Fund	Benchmark
2025	19.6%	15.8%
2024	8.2%	5.4%
2023	-5.1%	-7.9%
2022	10.7%	16.1%
2021	35.1%	27.1%
2020	-0.5%	-3.1%
2019	9.2%	7.7%
2018	-15.0%	-11.2%
2017	2.2%	1.7%
2016	16.6%	11.8%

Past performance is not a reliable indicator of current or future performance.
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Investment risks

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Vontobel Asset Management AG
Gotthardstrasse 43, 8022 Zürich
Switzerland
T +41 58 283 71 11
info@vontobel.com | vontobel.com/am