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
— - Weakest month for crude oil since Covid
— - Precious metals suffering from rate repricing and stronger US-Dollar
— - El Niño risk on the forefront

Market developments
June 2026 was dominated by the gradual unwinding of the inflationary oil shock following the Hormuz peace agreement, growing concerns about a global central bank tightening cycle, and a divergence between resilient Western labour markets and a slowing Chinese domestic economy. Investors reassessed Fed expectations, shifting towards a rate hike in the fall after the surprisingly hawkish tone struck by Kevin Warsh during his first FOMC press conference. In the same month, the ECB also raised rates, marking its first hike in nearly three years. Similarly, the Bank of Japan increased its policy rate by 25 basis points to 1.00%, the highest level since 1995. The Bloomberg Commodity Total Return Index recorded its weakest month (-8.54%) since June 2022, with almost all sectors declining, including energy, precious metals, base metals, and grains, while only softs and livestock managed to end the month in positive territory.
June marked the weakest month for crude oil since the Covid period, with Brent declining by 18% and WTI by 17%. Prices fell sharply mid-month as peace negotiations between the United States and Iran intensified. On June 15, both countries announced an interim agreement to de-escalate tensions and reopen the Strait of Hormuz. However, traffic through the Strait had already begun to recover earlier in the month, with a notable acceleration by mid-June. The U.S. lifted its blockade on Iranian vessels, enabling Iran to significantly ramp up exports. In addition, the U.S. Treasury introduced a broad 60-day sanctions waiver on Iranian oil sales. As a result, a substantial volume of crude oil entered the global market within a short period. Meanwhile, the US maintained elevated crude export levels. European and Asian refiners had largely secured their oil purchases for July and August in advance, leading to a growing number of unsold tankers and increasing floating storage. On the demand side, Chinese imports continuing to underperform as refiners are running at reduced capacity and domestic inventories have been used. It is also due to demand why sentiment around the longer-term oil outlook has turned increasingly bearish. Many market participants view weaker Chinese demand as structural, potentially resulting in an oversupplied market by 2027. We take a more nuanced view on this medium-term outlook. In our assessment, China will gradually ramp up their imports and refinery runs over the coming months. Moreover, global demand appears to have been deferred rather than permanently lost and is likely to recover gradually. Furthermore, a number of countries still need to rebuild both strategic and commercial inventories. Overall, we remain neutral on oil. However, we favor relatively higher exposure to longer-dated contracts over the front end of the curve and are waiting for a more attractive entry point to increase long positions.
US natural gas (Henry Hub, -3.6%) traded weaker over June, particularly in the first half of the month. This occurred despite elevated cooling demand driven by warmer weather, as production remained strong and LNG exports were temporarily constrained due to maintenance. As a result, US gas storage is on a good track to refill so solid levels ahead of winter. The situation in Europe presents a stark contrast. By the end of June, European gas inventories were only 49% full, significantly below the five-year average of around 64%. This implies that Europe will need to attract additional spot LNG cargoes in the coming months to adequately refill storage ahead of the winter season. Following an initial decline in European gas prices—alongside oil—after the Hormuz memorandum of understanding was announced, prices rebounded towards the end of June. We continue to see value in TTF as an off-benchmark position, supported by relatively low inventory levels and a persistently warm weather outlook in Europe over the coming weeks, which is likely to sustain cooling demand. At the same time, LNG traffic through the Strait of Hormuz, which had started to recover in mid-June, slowed again towards month-end after an attack on a cargo vessel renewed security concerns.
Precious metals extended the 5-months long drawdown that began at the end of January. Gold declined by a further 12%, while silver saw a particularly sharp correction, falling 22% in June. The primary driver behind this move was a significant repricing of interest rate expectations. Following the surprisingly hawkish tone at Kevin Warsh's first FOMC meeting, markets began to factor in a rate hike as early as September. With Warsh signaling a reduced emphasis on forward guidance, investors have largely relied on hawkish commentary from various FOMC members as their main directional cue. Rate-sensitive precious metals ETF flows responded accordingly, with continued outflows adding downward pressure on prices. This was further compounded by a strengthening US dollar (DXY +2.3%). Somewhat counterintuitively, declining oil prices and easing inflation expectations failed to support precious metals. This may, in part, be explained by the more limited pass-through to end-consumer fuel prices: gasoline prices declined less sharply than crude oil and remained just below USD 4 per gallon in the US. As a result, inflation may not ease as quickly as anticipated, given that consumer spending is more directly influenced by refined product prices such as gaso-

line and diesel rather than crude oil itself. Other precious and industrial-linked metals also came under pressure, with palladium declining by 12% and platinum by 20% over the course of the month.

Industrial metals also saw significant weakness in June (-7.9%), with aluminum underperforming notably (-16.1%). The decline was driven by a broad liquidation of previously elevated long positions, triggered by a combination of factors including rate repricing, a stronger US dollar, weakness in the tech sector, softer Chinese data, easing tensions in the Middle East, and a faster-than-expected ramp-up in aluminum smelting capacity. At the same time, greater attention shifted to inventories, which showed that Chinese stock levels were seasonally elevated Copper proved more resilient, declining by only -3.1%. Tariff risks have once again moved into focus as the June 30 deadline (set last year for the Trump administration to review the copper market) approaches, with a decision pending on whether to impose tariffs on copper imports. This dynamic has been drawing copper into the US since early 2025, tightening supply in ex-US markets and providing support to prices thus far.

Grains came under broad pressure in June, declining by 6.3% and marking the first negative month for the sector this year. The easing of fertilizer prices, driven by a reduction in Middle Eastern-related supply concern, removed a key pillar of bullish sentiment, bringing grain prices back to pre-conflict levels. Soybean oil, which had been the best-performing commodity in the sector year-to-date (still up 40.8%), turned into the weakest performer in June, falling by 11.1% as the decline in crude oil weighed heavily on biofuel-linked markets. Soybean meal (-9.3%) and soybeans (-5.1%) also moved lower, while corn (-8.6%) and wheat (-5.4%) posted notable losses. Wheat prices came down together with the whole complex despite several bullish news: the US Department of Agriculture (USDA) lowered its domestic wheat stock estimates early in the month, reflecting reduced plantings and yield pressures from drought conditions. While at the same time, Australia's 2026/27 wheat crop is projected to decline by 26% year-on-year due to dry weather conditions associated with the confirmed onset of El Niño.

Soft commodities were one of only two sectors to finish June in positive territory, gaining 6.8%. Cocoa was the standout performer, surging by 26.7% to reach its highest level since January. The rally was driven by a combination of supply-side concerns. First, U.S. port-certified stocks dropped by more than 50% in a single session early in the month. Second, the confirmation of El Niño and the associated risk of a "super El Niño," which typically disrupts West African production added upward pressure. Third, early crop assessments for Ivory Coast's upcoming season pointed to a potential decline in output. Coffee also posted strong gains, rising by 13.4% over the month. This was supported by declining exchange inventories, which have now fallen to their lowest level since March 2024. In addition, excessive rainfall in Brazil disrupts harvest, providing an additional boost to prices towards the end of June. Sugar recorded more moderate gains of 1.9%, recovering from mid-month weakness. The recovery was supported by robust ethanol demand and a weaker-than-expected monsoon season in parts of Asia, both of which are linked to the ongoing El Niño conditions.

Livestock proved resilient ending June up 0.9%. The cattle complex continued to firm, with feeder cattle rising 4.6% and live cattle gaining 1.4%. The official detection of screwworms in the US with 27 confirmed cases by month-end, highlighted the rapid spread and control challenges of the disease. While the USDA confirmed ongoing herd deterioration, investor positioning remains relatively long, making fund managers cautious about adding further exposure.

Portfolio review

We reduced our positioning in crude oil (Brent) and gasoil at the front of the curve throughout June, when oil prices experienced losses due to de-escalation in the middle east war. The current overweight is resulting from positioning further out the curve. We reduced our overweight gold, even though we're still longer-term convinced but seeing hawkish FED speeches to tame down inflation fears as a short-term risk for gold. We established an underweight in silver, to compensate the overweight gold. We closed the underweight in industrial metals, especially in copper but reduced our overweight in aluminum. We established an overweight in grains in light of the recent setback. We express it currently via corn and wheat, while we took profits on our soybean oil overweight. We entered an overweight position in sugar as we see it supported among the continued high demand for ethanal and the occurrence of El Niño.

Performance analysis

Vontobel Fund – Commodity lost 9.10% while the BCOMTR benchmark lost 8.54% leading to an underperformance of -0.56%. Negative drivers was the energy space and the overweight in gasoline (-0.27%), which was still outperforming crude oil but was dragged down (-6%) by the overall crude oil selloff. Meanwhile, the bearish positioning on the futures curve in crude oil added 0.49% to relative performance. The overweight in aluminum was a drag on performance as well (-0.34%) After the Strait of Hormuz was reopened the extended long positioning in aluminum got flushed out and dragged prices down. The overweight in gold was not favorable (-0.43%). Positive drivers were the underweight in silver, platinum and palladium which added 0.30%. Bearish positioning in soybean meal and soybeans also was beneficial.

Outlook

For precious metals, the key focus will be how demand evolves, as Chinese interest appears to be returning at current lower price levels. Regarding Western ETF outflows. which need to halt for gold prices to stabilize, Fed communication (or the lack thereof) will be critical to watch. It remains unclear whether the hawkish tone from several FOMC members is primarily aimed at anchoring inflation expectations or signals a genuine likelihood of further rate hikes this year. As of end-June, the probability of a July hike had reached around 40%. If a rate hike materializes over the summer, gold is likely to face significant downward pressure.

For crude oil, the bearish narrative—even extending out to 2027—remains firmly in control. In our view, three factors could introduce some upside risk in the coming months:

1. A recovery in Chinese imports toward pre-war levels;
1. Increased hesitancy among tanker operators to transit the Strait of Hormuz;
2. A meaningful restocking of commercial and strategic reserves.

In the agricultural complex, attention will focus on the impact of a likely Super El Niño in the coming months, particularly on production and export dynamics. El Niño is expected to weaken the Indian monsoon, cause severe droughts across much of Asia, and bring heavier rainfall to Brazil, potentially delaying harvests. However, whether these effects translate into a meaningful reduction in global supply will only become clear at a later stage.

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	-9.1%	-8.5%
YTD	9.8%	14.4%
1 year	20.3%	25.5%
3 yrs p.a.	13.2%	11.7%
5 yrs p.a.	8.9%	9.4%
10 yrs p.a.	6.7%	5.8%
ITD p.a.	2.3%	1.6%

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.
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 creates significant leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- The sub-fund's investments may be subject to sustainability risks. Information on how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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