

Monthly commentary / 30.1.2026

Vontobel Fund – Emerging Markets Corporate Bond

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

Investors in France should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

Market developments

January was eventful, beginning with the capture of Venezuela's President Nicolás Maduro and the implementation of US President Donald Trump's version of the Monroe Doctrine, dubbed the Donroe Doctrine. Maduro was replaced by Vice President Delcy Rodríguez, who has cooperated with the US, including releasing political prisoners and approving a new hydrocarbon law favorable to foreign investment. Trump linked his Greenland threats to failing to win the Nobel Peace Prize, weakening the US dollar. The US Dollar Index (DXY) fell 1.4% in January but rebounded slightly in early February after Trump nominated Kevin Warsh as US Federal Reserve (Fed) chair, a more hawkish choice than many had expected. US 10-year Treasury yields rose 7 basis points (bps), while German Bund yields were stable.

Global equities (MSCI World) rose 2.2% in January despite heightened volatility, with emerging-market (EM) equities (MSCI EM) gaining 8.8%, while the S&P 500 lagged peers, gaining only 1.4%. Commodities were volatile; precious metals climbed most of the month but corrected sharply after Warsh's nomination, raising doubts about the crowded debasement trade. Oil surged, with Brent futures closing above USD 70 per barrel, up 16.2% for the month. The rally was partly driven by the temporary closure of Kazakhstan's Tengiz oil field, removing nearly 1 million barrels per day (~0.9% of global output). Protests in Iran and Trump's threats of military action likely had a greater impact, as oil prices fell significantly in early February when Trump delayed an attack.

Several oil-related issuers took advantage of the favorable market conditions this month. Sovereign issuers included Ecuador, which launched a heavily oversubscribed USD 4 billion deal, and Cameroon, which issued a private placement. Angolan state oil company Sonangol debuted with a USD 500 million bond. On the corporate side, Kosmos (Ghana) called its 2026 bonds, partially tendered 2027 securities, and issued a secured 2031 note. Azule Energy (Angola) issued a record USD 1.5 billion dual-tranche bond with strong demand. Near month-end, Gran Tierra Energy (Colombia) launched a coercive exchange offer for its 2029 bonds, extending maturity to 2031.

EM fixed income indices performed well on the month:

Hard-currency sovereign bonds (EMBIG diversified) rose by

0.7%. The performance was entirely driven by high-yield (HY) bonds rallying 1.5%, while their investment-grade (IG) counterparts were down 0.1% amid the rise in US Treasury yields. Latin America led monthly gains (+1.6%), largely driven by Venezuela's defaulted bonds, which surged 29.8% after President Maduro's capture. However, current bond prices reflect a market that appears optimistic regarding the timing of a restructuring and recovery values. We believe a restructuring anytime soon would be rather improbable and future oil cash flows must be discounted at a high exit yield (we assume 12%). Argentina (+3.9%) and Ecuador (+3.7%) ranked fifth and sixth among sovereign performers. Argentina secured a USD 3 billion repo with international banks to repay part of USD 4.3 billion in Eurobond amortizations due in January. Ecuador issued USD 4 billion in Eurobonds, the first issuance since 2019 after losing market access and restructuring debt in 2020. Three-quarters of the issuance repurchased most 2030 bonds and some 2035 bonds, reducing gross financing needs for 2026–2030. Strong demand for Ecuador bonds suggests Argentina might issue an even larger amount this year, though Finance Minister Luis Caputo stated they have "no intention of going to international markets" while cheaper sources of external financing exist.

Defaulted Lebanese bonds (+25.7%) were the second-best performing sovereign bonds. Protests in Iran and a more aggressive US military stance may weaken Hezbollah's government influence, potentially accelerating reforms toward debt restructuring. Sri Lankan bonds (+7%) also performed well in January. An International Monetary Fund (IMF) mission to Colombo confirmed authorities' commitment to fiscal and debt sustainability. Although a temporary fiscal deficit increase is expected in 2026 to fund reconstruction after cyclone Ditwah's destruction last year, the IMF is likely to allow flexibility within its program.

Africa (0.0%) lagged behind other regions, but two countries where we have overweight positions ranked in the top 10. Gabonese bonds surged 9.7% after the country announced plans to negotiate a new IMF program, with an IMF staff mission scheduled this month. Gabon is also negotiating a USD 500 million World Bank loan. Foreign-exchange (FX) reserves of the CEMAC currency union, which includes Gabon, Came-

roon (+1.1%), and the Republic of Congo (+4.8%), likely recovered strongly following a Eurobond issuance by the Republic of Congo last November and a Eurobond private placement by Cameroon in January. This recovery should improve Gabon's ability to repay external debt, as reserves are pooled within the union. In Mozambique (+2.1%), TotalEnergies lifted force majeure and resumed construction of its USD 20 billion liquefied natural gas (LNG) project after nearly five years of delay due to terrorist activity and security concerns in the Cabo Delgado region.

Ethiopia's defaulted bond (-1.5%) was the worst-performing sovereign in January. The official creditor committee rejected the restructuring terms agreed upon by the ad hoc bondholders' committee and the sovereign, citing a failure to meet the comparability of treatment principle. Consequently, the committee decided to pursue legal action in English court. In the Middle East, Egypt (-1.2%) and Bahrain (-1.2%) also underperformed, likely due to US military threats against Iran. Additionally, several IG sovereigns with long-duration bonds underperformed due to higher US Treasury yields.

In January, four sovereigns were upgraded, with none downgraded. Moody's upgraded Kenya to B3, citing low short-term default risk. Kenya's FX reserves are near all-time high, supported by a lower current account deficit driven by strong tourism, remittances, and goods exports, despite worsening fiscal accounts. The country is also negotiating a new IMF program. Moody's upgraded Ecuador to Caa1 after it issued USD 4 billion in bonds. Fitch raised Bolivia to CCC amid reduced restructuring risks due to eased political constraints, new multilateral financing, and the removal of fuel subsidies. S&P upgraded Ukraine to CCC+ from selective default following the restructuring of the Ukrainian GDP warrant. The supranational Afreximbank was downgraded to HY by Fitch before the financial institution terminated their relationship with the rating agency. The downgrade followed Afreximbank's agreement to provide debt relief to Ghana, aligning with official creditors and confirming it lacks senior creditor status.

Hard-currency corporate bonds (CEMBI BD) rose 0.7% in January, driven mainly by HY bonds increasing 1.4%, while their IG counterparts were up only 0.3% due to rising US Treasury yields. Europe and Latin America led corporate performance with a 1.2% gain, while the Middle East lagged at 0.3%. Real estate was the strongest sector, up 2.1%, likely due to China's easing of the "three red lines" property policy, which sparked a rally in developer stocks and new deal announcements from Chinese property issuers.

Latin American corporates performed strongly in January, led by higher-beta names and supported by more than USD 13 billion of refinancing-driven issuance, with new deals largely absorbed. In Brazil, Braskem met coupons and is expected to engage creditors following Novonor's change of control, while CSN announced a BRL16–18 billion asset monetization plan but was downgraded to B+ (negative) on execution and refinancing risks. Colombia saw liability management at Gran Tierra and M&A-driven divergence between Frontera and Geopark. In Mexico, Braskem-Ideas advanced shareholder–bondholder negotiations and Grupo Elektra's tax settlement reduced uncertainty. Peru enabled Petroperu's restructuring via an Urgency Decree, though uncertainty remains high and Moody's downgraded the company. Chile saw tentative M&A-

related optimism in telecoms amid Telefónica-led deleveraging.

CEEMEA corporates benefited from a strong risk-on backdrop, supported by a ~17% YTD rise in Brent above USD 70 per barrel, favoring higher-beta oil & gas credits. Primary markets were active, allowing lower-rated issuers to refinance, with notable supply from Kosmos, Azule, Sonangol, and Aramco, alongside taps from select corporates. Africa saw progress on refinancing at Liquitel, while in Turkey, WeSoda bonds rallied on governance developments, prompting our exit. Saudi Arabia issuance was bank-led amid Vision 2030-driven loan growth, weighing on secondary performance, while project and corporate issuance in the UAE saw mixed outcomes. Israel saw strong primary activity with muted secondary performance, and Ukraine's MHP successfully returned to markets with a well-performing deal.

Asian credit markets were relatively quiet, with policy signals driving performance. China eased property restrictions, supporting developers, while Hong Kong property sentiment improved on reports of potential new equity capital. Indonesia faced pressure on potential MSCI downgrade risks, while India's high-yield credits remained resilient despite idiosyncratic volatility. Hilong made restructuring progress with high bondholder support.

Portfolio review

January was an excellent month for active management, with liquidity very strong in the EM corporate market and people looking to turn bonds around. The fact that many difficult themes seem to be moving in the right direction appears to be helping as well. The new issue market was extremely active, and we participated in many interesting deals across the rating spectrum. In terms of overall statistics, Portfolio spread and yield declined slightly vs. the start of the year. The portfolio currently has a spread slightly above 400bps for a BB rating. In terms of changes over the month the biggest changes happened in Brazil, where we reduced exposure to Agro and we sold Azul. We participated in the new FS BIOE issuance and slightly increased our exposure to Samarco. In Turkey, we reduced exposure on Aydemth and GDzele, and increased exposure to the Limak complex. We participated in new issues in the Middle East as well, where we thought that the new Dhafrah came at attractive levels. We did reduce our exposure to Gran Tierra Energy as bonds went up substantially as oil prices moved higher.

Performance analysis

January was a strong month in terms of performance with the fund up 120 bps vs. 74 bps for the benchmark. Almost the entire benchmark performance is explained by spreads moving tighter (73 bps) as rates contributed only 1 bps to the benchmark performance over the month.

In terms of performance contributions, the month's top performer in the fund was New World Development with the perpetual bonds up close to 50% over the month. The other strong performer comes from the other side of the globe, Telefonica Chile, whose bonds are up 25% over the month. Other strong performers include oil names that were sold off on bearish oil views, such as Gran Tierra Energy or Kosmos. Zorlu Energy and its sister electronics company Vestl also performed strongly. In terms of negative contributions, there

are almost no credits that contributed negatively to the performance at the start of the year. We did miss out on some out-performance potential by not being exposed to out-of-benchmark Venezuela or PDVSA bonds. However, events such as those at the start of the year are essentially unpredictable and we continue to believe that there is more downside than upside in Venezuelan bonds.

Outlook

We remain constructive on EM fixed income as we have a positive outlook on risk assets overall. A softer US dollar environment tends to support EM assets, particularly local-currency bonds, which benefit directly from favorable currency valuation effects and from the disinflationary impact of stronger EM currencies. This dynamic is expected to generate additional capital gains. Additionally, external debt benefits from a weaker dollar through improved investor sentiment and enhanced debt affordability.

Accommodative fiscal policies in several major economies are also likely to be supportive of EM economies and risk assets in general. In the US, President Trump is expected to prioritize affordability and aim to keep the economy as healthy as possible before the midterm elections. In Japan, fiscal stimulus is a central component of the new prime minister's agenda, while in Europe, fiscal spending will increase due to the need to boost defense. Finally, China is also likely to increase spending in order to achieve its growth targets and shift from an export-led model to a more sustainable, consumption-based growth model.

We believe that the diversification trade remains intact, even after Kevin Warsh's nomination as Fed chair. The most spec-

ulative aspect of the so-called debasement trade (fears of prolonged higher US inflation and severe dollar depreciation) may have been challenged, as seen in the correction of gold and silver prices. However, the unpredictability of US foreign and trade policies has recently worsened, leading to further erosion of trust among foreign partners and global firms. We see potential risks of further steepening in the US Treasury yield curve due to fiscal stimulus measures implemented by several developed countries. We believe this environment places EM corporate bonds in a favorable position because of their lower interest rate sensitivity. Fundamentally, EM corporates appear to be in a strong position, especially as the quality of sovereign issuers has improved significantly, if the consistent trend of sovereign credit rating upgrades is any indication.

We expect inflows into EM fixed income to continue through 2026. EM corporate bonds may find themselves in a sweet spot due to lower interest-rate exposure of the asset class, as well as a constructive backdrop for risky assets (with perhaps some concerns on duration, given the fiscal stimulus across the globe). Fundamentally, we believe EM corporates are in a strong position, especially since the quality of the sovereigns has also improved significantly (as indicated by improving credit ratings). As average credit spreads have become tighter across fixed income, we believe that more investors are likely to look at the higher spread nature of the asset class and that credit selection will become a more important driver of returns going forward. With spreads over 400bps and a BB rating and strong inflows in EM, we believe there is room for price upside.

Fund characteristics

Fund name	Vontobel Fund – Emerging Markets Corporate Bond
ISIN	LU1305089796
Share class	I USD
Reference index	J.P. Morgan CEMBI Broad Diversified
Inception date	13.11.2015

Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	1.2%	0.7%	2025	8.3%	8.7%
YTD	1.2%	0.7%	2024	10.4%	7.6%
1 year	8.6%	8.7%	2023	-3.5%	9.1%
3 yrs p.a.	3.4%	7.7%	2022	-14.7%	-12.3%
5 yrs p.a.	0.7%	2.6%	2021	4.6%	0.9%
10 yrs p.a.	6.1%	4.9%	2020	5.8%	7.1%
ITD p.a.	6.0%	4.6%	2019	15.6%	13.1%
			2018	-0.6%	-1.6%
			2017	16.2%	8.0%
			2016	22.8%	9.7%

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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- Distressed securities have a high credit and liquidity risk as well as a potential restructuring and litigation risk. In the worst case, a total loss may result.
- Securities with a lower credit quality means a higher risk that an issuer may fail to meet its obligations. The investment value may fall if an issuer's credit rating is downgraded.
- Investments in emerging markets entail increased liquidity and operational risks as these markets tend to be underdeveloped and more exposed to political, legal, tax and foreign exchange control risks.
- CoCo-Bonds may entail significant risks such as coupon cancellation risk, capital structure inversion risk, call extension risk.
- Asset-backed and mortgage-backed securities and their underlying receivables are often non-transparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
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