

Monthly commentary / 31.3.2026

## Vontobel Fund – mtX Emerging Markets Leaders ex China

Marketing document for institutional investors in: AT, CH, DE, DK, ES, FI, FR, GB, IT, LU, NL, NO, SE.

### Summary

- Emerging markets equities ex China recorded a loss of -14.9% in March, significantly underperforming developed markets equities.
- The mtX Emerging Markets Leaders ex China (EMLX) fund returned -14.8% (gross of fees) during March.
- The EMLX fund has outperformed the benchmark by +3.1% (gross of fees) during the first quarter of the year.

### Market developments

Emerging markets ex China (EM) equities struggled significantly in the initial phase of the conflict, with the MSCI Emerging Markets ex China Index dropping -14.9% in March amid escalating geopolitical tensions and mixed economic signals. The Iran-Israel conflict acted as the primary external shock, disproportionately affecting EM assets and exacerbating existing vulnerabilities. EM equities underperformed developed markets early on, lagging the MSCI World Index by -8.4 percentage points and the S&P 500 by -9.8 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 EM'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. Among MSCI EM country indices, Colombia (+8.5%) and Saudi Arabia (+7.2%) were the top performers, benefiting from higher oil prices. In contrast, South Korea (-20.6%), Indonesia (-13.2%), and South Africa (-12.3%) were among the worst performers, reflecting heightened sensitivity to geopolitical risks and economic uncertainty.

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.

At the sector level, energy (+1.7%) and utilities (-5.5%) were the most resilient within MSCI EM ex China, while growth-oriented and cyclical sectors such as consumer discretionary (-20.7%), information technology (-19.2%) and real estate (-20.1%) struggled, reflecting the risk-off sentiment that dominated EM markets throughout the month.

### Portfolio review

Over the course of the month, the EMLX fund returned -14.8% (gross of fees), outperforming the benchmark return by +0.1%. Stock selection was the main driver of this outperformance for the month, particularly in the energy and information technology sectors. On the negative side, the portfolio had negative stock selection within financials and materials. Sector allocation had a slightly negative impact overall, with the portfolio particularly affected by its underweight to consumer staples as well as its overweight to real estate. From a country perspective, stock selection in Brazil, Argentina and Taiwan were among the largest contributors to performance for the month, while stock selection in South Korea, India, and UAE were the largest detractors. In addition, country allocation had a slightly negative impact overall, with the portfolio particularly affected by its underweight to Saudi Arabia.

At the end of March, our portfolio comprised 39 companies (41 holdings, with two holdings each for Localiza and Samsung Electronics). Over the past month, the fund neither initiated any new positions nor exited any existing holdings. Some of the salient points for performance in March are summarized below.

### Performance analysis

The energy sector was a bright spot for the portfolio in March, with both Vista Energy (Mexico) and PRIO (Brazil) benefiting from the oil price rally driven by the Iran war.

Vista Energy surged +27.1% in USD terms, supported by favorable conditions for Argentina's thriving shale industry.

Vista's CEO Miguel Galuccio highlighted that higher oil prices could accelerate capital expenditure in the region, where production is already on the rise.

PRIO gained +15.0% in USD terms, driven by the oil price surge. The company announced that its first producing well at the Wahoo field in Brazil's Campos Basin had reached a stabilized output of 12,000 barrels of oil per day, with plans to ramp up production to 40,000 bpd by the end of April.

The information technology sector faced challenges in March, with Samsung Electronics, TSMC, and SK Hynix declining over 12% in USD terms due to concerns about memory chip

demand following Google's AI memory innovation announcement Samsung Electronics (-12.2%) announced plans to invest 110 trillion won (\$73.3 billion) in chip capacity expansion and forecasted a 396% profit jump for 2026. The company also canceled 73.4 million treasury shares worth 5.35 trillion won, while South Korea's chip exports hit a record \$32.8 billion in March. TSMC (-12.1%) reported 30% sales growth in January and February, though slightly below expectations. The company secured capacity bookings through 2028 due to surging AI chip demand and received approval to deploy 3-nanometer technology at its second Japanese facility. SK Hynix (-12.0%) announced plans for a U.S. IPO in late 2026, aiming to raise up to \$14 billion to fund new facilities in South Korea and the U.S.

### Outlook

The long-term outlook for EM equities remains compelling, supported by robust fundamentals, projected earnings growth of +35.1% in 2026, and attractive valuations trading at a significant discount to developed markets. Regional fiscal measures and a potential ceasefire in the Iran conflict 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 EM equities likely to face continued pressure in Q2. While risks persist, the structural investment case for EM equities remains intact for long-term investors.

### Fundamentals

The fundamental backdrop for MSCI EM equities remains broadly supportive, driven by strong earnings expectations and structural tailwinds. Consensus forecasts project MSCI EM earnings growth of approximately 35.1% 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 EM equities relative to DM and U.S. benchmarks.

The strong pre-conflict momentum of EM equities was evident in robust earnings growth in Q4 2025. EM earnings surged +31% YoY, led by Korea (+71% YoY) and Taiwan (+35% YoY). Latin America also delivered healthy gains, with Brazil (+34% YoY) and Mexico (+44% YoY) contributing strongly. Overall, topline growth in EM tracked a healthy +10% YoY. Within 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 Latin America benefited from robust performances in Brazil and Mexico.

Consensus forecasts for Q1 2026 indicate stellar net income growth of over +40% for MSCI EM. South Korea is expected to lead with +117% YoY growth, followed by Taiwan (+32% YoY). In Latin America, Brazil (+17% YoY) and Mexico (+6% YoY) are projected to deliver moderate growth, while in EMEA, Saudi Arabia (+6% YoY) and the UAE (+5% YoY) are expected to post single-digit gains. However, it is important to note that only 54% of MSCI EM constituents (by count) have consensus earnings forecasts for Q1 2026, leaving room for potential revisions.

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. Global and EM growth are expected to slow as higher energy costs and weaker demand weigh on exports. 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 (e.g., Latin America), but the demand lift is likely to be outweighed in the near term by the drag on energy-consuming regions (e.g., Asia and EMEA). Approximately 28% of the MSCI EM benchmark has 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 EM 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 EM equities remain attractive on both an absolute and relative basis. The MSCI EM index currently trades at approximately 13.5x 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. Regionally, CEEMEA markets trade at approximately 11.2x forward P/E, and Latin America at around 11.6x, compared to 14.1x for EM Asia. On a historical basis, EM valuations are only moderately above long-term averages, with the aggregate EM forward multiple of 13.5x compared to a long-term average near 11.7x.

Price-to-book metrics further support the relative valuation case, with EM equities trading at approximately 2.4x 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 emerging markets remains broadly constructive, though near-term uncertainty has risen due to geopolitical risks and energy price volatility. Policymakers in several EM economies are implementing fiscal measures, such as subsidies and tax adjustments, to mitigate the impact of higher oil prices and stabilize domestic demand. Growth expectations vary across regions. In Latin America, economic momentum is supported by commodity exposure and easing policy expectations. For instance, GDP growth forecasts for Mexico have been revised slightly higher to around 1.7% for 2026, reflecting improving domestic demand and positive carryover effects from stronger activity in late 2025. In Brazil, disinflation trends and the anticipated start of a monetary easing cycle are expected to support growth, although political uncertainty ahead of elections may temper the pace of recovery.

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. At an aggregate level, EM sector composition provides some resilience to energy shocks, with approximately 28% of the MSCI EM index consisting of sectors with negative earnings sensitivity to oil prices. Even in a severe scenario assuming zero growth in these sectors, EM earnings growth for 2026 would decline only moderately from 35.1% to approximately 30.7%.

#### 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 EM performance. Additionally, following the strong Q1 rally, previously crowded markets may be vulnerable to sharper corrections if global risk sentiment deteriorates.

#### Flows

Emerging market 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, while GEM, Latin America, and EMEA experienced outflows. Market-level trends indicate selling pressure in Korea, Taiwan, and India, while Brazil and some ASEAN markets attracted inflows. February data highlighted strong subscriptions in Mexico (+USD 1.5 billion). A stabilization in geopolitical risks could renew strategic allocations, though uncertainty may continue to drive episodic volatility.

#### Fund characteristics

<b>Fund name</b>	Vontobel Fund – mtx Emerging Markets Leaders ex China
<b>ISIN</b>	LU2601939379
<b>Share class</b>	I USD
<b>Reference index</b>	MSCI Emerging Markets Index ex China TR Net 10/40
<b>Inception date</b>	20.9.2023

#### Historical performance (net returns, in %)

Time period	Fund	Ref. index	Time period	Fund	Ref. index
MTD	-14.6%	-14.9%	2025	37.2%	33.6%
YTD	5.6%	2.4%	2024	3.4%	2.3%
1 year	43.1%	35.5%	2023	–	–
3 yrs p.a.	–	–	2022	–	–
5 yrs p.a.	–	–	2021	–	–
10 yrs p.a.	–	–	2020	–	–
ITD p.a.	21.9%	18.6%	2019	–	–
			2018	–	–
			2017	–	–
			2016	–	–

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

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#### Investment risks

- 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.
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