Monthly commentary / 27.2.2026

Vontobel Fund – mtx Asian Leaders (ex Japan)

Summary
- Asia ex Japan equities recorded a gain of 5.4% in February, significantly outperforming developed markets equities.
- The mtx Asian Leaders ex Japan (AL) fund returned +7.2% (gross of fees) during Feburary.
- The AL fund has outperformed the benchmark by +3.2% (gross of fees) during the first two months of the year.

Market developments
Asia ex Japan (AxJ) equities rose 5.4% in February, continuing to support EM's (+5.4%) outperformance relative to DM (+0.6%). AI impact continues to be a dominant market driver through multiple different channels. In Feb, political and geopolitical developments also played a large role. On the AI front, the rapid rise in agentic/coding/multi-modal capability is showing up both in a selloff in software names (on obsolescence risks) and further gains in select hardware names (on rising demand from AI capex). The dramatic software vs. hardware split also played out in Asia, most notably with Korea memory names rallying (Korea IT +28%) and India IT services tumbling (India IT -18%). On the (geo)political front, elections (in Japan and Thailand) proved material catalysts, and the unwind of IEEPA tariffs and late-month US strike on Iran are still playing out in markets. Outside of the gains in Tech, Korea (+22.6%) also rose on renewed optimism about governance reforms with the passage of the third revision of the Commercial Code.
Higher commodity prices boosted materials, the second-best performing sector in the region. The software drag on India (+1.1%) was not offset enough by the India-US trade deal. Driven by idiosyncratic regulatory headlines and software obsolescence concerns, China's internet stocks recorded their largest monthly losses in two years, making China (-5.8%) the worst-performing market and communication services and consumer discretionary the two worst-performing sectors in the region. Hong Kong (+2.7%) outperformed China, supported by improved macro indicators (retail, housing, exports) and stronger government fiscal conditions. ASEAN (+3.5%) delivered mixed performance, with Thailand's gains offset by Indonesia's (-1.4%) ongoing volatility post MSCI announcements in January.

Portfolio review
Over the course of the month, the strategy delivered a return of +7.2% (gross of fees), outperforming the benchmark by +1.8%. Stock selection was the primary driver of this outperformance, with notable contributions from the information technology, materials, and consumer discretionary sectors. On the downside, negative stock selection within the industrials and financials sectors detracted from performance. Sector allocation had a slightly negative impact overall, with the portfolio particularly affected by its overweight position in consumer discretionary. From a geographic perspective, stock selection in China, Taiwan, and India were among the largest contributors to performance during the month. However, the portfolio's overweight position in China resulted in the largest negative allocation effect.
At the end of February, our portfolio comprised of 40 companies (41 holdings, with two holdings for Samsung Electronics). During the month, we sold our position in Embassy Office Parks REIT (India, real estate).
Some of the salient points for performance in February are summarized below.

Performance analysis
Materials: Chinese fiberglass manufacturer China Jushi delivered outstanding performance during the period. Investors responded positively to China's anti-involution policy measures, which are anticipated to strengthen supply discipline and further limit capacity growth. Coupled with increasing demand for fiberglass, this dynamic is expected to outpace supply growth, reduce inventories, and drive prices higher.
Consumer discretionary: In February 2026, Kia shares rose significantly due to optimism around its robotics manufacturing integration. Additionally, Hyundai Motor Group, the parent company of Kia, announced a 9 trillion won investment in AI, robotics, and hydrogen infrastructure, boosting market confidence in Kia's growth potential.
Information technology: Samsung Electronics surged 36% (in USD) in February 2026, driven by advancements in its AI memory chip business and strong momentum in Korean tech stocks. The company announced the mass production of its HBM4 memory chips, with shipments to Nvidia expected soon. Reports also indicated that Samsung was negotiating a 30% price premium for its HBM4 chips, priced at around $700 per unit. Additionally, Samsung's President and Chip Division CTO, Jaihyuk Song, stated that the company had reclaimed its leadership in the memory industry with its HBM4 technology, further boosting investor confidence.

Outlook
Asia ex Japan (AxJ) equities enjoyed a stellar 2025, buoyed by a depreciating US Dollar (USD), the arrival of China on to

the global AI stage and improving corporate governance from AxJ corporates. Despite this solid outperformance of AxJ equities over their developed market and US counterparts, there are good reasons to believe the momentum can continue into 2026 including continued pressure on the USD, less expected dilution of future earnings and relative valuations that remain appealing. In addition, we believe that AxJ equities could benefit from investors seeking greater diversification in their equity portfolio, particularly at current levels where emerging market (EM) equity allocations are well below their long-term average.

Operations

EM corporates are estimated to have posted solid earnings growth of +15% in 2025, which is significantly higher than the estimated +11% earnings growth in the developed world. From a country perspective, South Korea (+31%), Thailand (+19%) and Taiwan (+16%) are among the strongest in terms of expected earnings growth for 2025. China and India, the two largest countries in the index by market cap, are estimated to have generated lacklustre earnings growth in 2025 of -2% and +9% respectively.

Looking ahead into 2026, earnings growth is expected to remain solid for EM corporates with projections of +18%. This continues to compare favourably with both the US (+15%) and developed markets (+13%). EM Asia continues to stand out as attractive, with South Korea tipped to be the big winner in 2026 with an expectation of +51% EPS growth, driven by the large memory suppliers.

Profitability margins, such as return on invested capital, held up well for the average company in the MSCI EM index during 2025 (c.+7%) and are effectively in line with expectations for developed market corporates, albeit lower than US corporates (c.+11%).

Momentum

During the past three months, analyst earnings expectations for EM corporates increased for 2026 by +1.1%. This contrasts with the developed world where earnings expectations were revised upwards by +1.3%, led by Japan (+2.3%) and the US (+1.4%).

Within EM Asia, South Korea (+1.5%) and Taiwan (+1.4%) were the standouts when it comes to the largest positive revisions during the past three months.

Valuation

Despite the significant outperformance of EM equities over developed market equities during 2025, EM equities continue to look very attractive on a relative basis. EM equities are trading on a multiple of 13.3x for 2026 earnings. In comparison, developed market equities are trading at 19.9x for 2026 earnings. Relative valuation is even more attractive when compared to US equities, which are trading at even higher multiple levels (22.3x).

On a Shiller P/E basis (the cyclically adjusted price to earnings ratio that adjusts ten years of earnings for inflation), AxJ equities continue to trade at a significant discount to developed market equities. We believe this is a powerful signal that long term investors should consider.

Within EM Asia, South Korea (9.6x) continues to stand out as relatively attractive while India continues to look expensive trading at 22.7x for 2026 earnings.

Growth

Real gross domestic product (GDP) expectations for EM economies remain strong with the International Monetary Fund (IMF) estimating that EM and developing economies will grow by +4.0% in 2026. In comparison, expected real GDP growth for 2026 in the developed world is +1.6%.

The strongest growth in real GDP expectations for 2026 comes from EM Asia with economies such as India (+6.2%) and China (+4.2%) expected to grow the fastest.

Risk

Are we at risk of an AI bubble burst? Markets have become increasingly concerned about the potential of an AI bubble, particularly given the increasing use of debt to finance investments and the circularity of deals within the AI ecosystem. A bursting of an AI-induced bubble would of course be a significant negative for global equity markets, including tech-heavy EM markets such as Taiwan and South Korea.

Can we finally forget about tariffs in 2026? There is a consensus view that the issue of tariffs was settled during 2025. While this may be the case, there is a risk that the Trump administration continues to use tariffs as a bargaining chip with its main trading partners, threatening existing agreements.

Inflation and direction of the USD: The Federal Reserve (Fed) is expected to gradually reduce interest rates during 2026. The appointment of a new Fed Chair by President Trump also adds weight to this view that rates are set to come down more during the year ahead. However, inflation has been stubborn and there is a risk that the Fed has limited room to cut much further. This type of scenario could add support to the USD and provide a headwind for EM equities.

Recession in the US: While the macro data suggests the US economy remains resilient, albeit with a weakening job market, a significant deterioration in the data that shows the US economy is in danger of falling into a recession would be a big concern for global equities.

Geopolitics: From the continuing conflict in Ukraine to the ousting of President Maduro in Venezuela, the global geopolitical situation can be described as volatile. Increased geopolitical tensions could prove to be a negative for EM equities.

Are China's stimulus plans enough? Chinese stimulus measures continue to be an issue to watch given the sluggish macro data.

Flows

There was approx. +$31bn of flows into EM equities during 2025 according to estimates from JP Morgan. While the vast majority of these flows went into ETFs, an uptick of flows into non-ETFs was noted towards the end of the year, which is consistent with JP Morgan's view that 2026 could a good one for flows into active strategies.

We believe there is potentially a long runway ahead for flows into EM equities given that the average global investor's allocation to EM equity continues to be significantly underweight, with recent analysis from JP Morgan estimating this is 1.5% lower than the 10-year average EM allocation .

Fund characteristics

Fund name	Vontobel Fund – mtx Asian Leaders (ex Japan)
ISIN	LU0384410279
Share class	I USD
Reference index	MSCI All Country Asia (ex Japan) TRN to 5.5.2025, MSCI AC Asia ex Japan Index 10/40 TRN USD thereafter
Inception date	17.11.2008

Historical performance (net returns, in %)

Time period	Fund	Ref. index
MTD	7.1%	5.4%
YTD	17.0%	13.7%
1 year	54.2%	46.8%
3 yrs p.a.	20.3%	20.7%
5 yrs p.a.	4.5%	5.2%
10 yrs p.a.	12.1%	10.9%
ITD p.a.	11.9%	10.6%

Time period	Fund	Ref. index
2025	33.2%	31.3%
2024	10.3%	12.0%
2023	5.6%	6.0%
2022	-24.2%	-19.7%
2021	-4.2%	-4.7%
2020	26.4%	25.0%
2019	18.8%	18.7%
2018	-16.4%	-14.8%
2017	55.6%	41.7%
2016	5.5%	5.4%

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

- A company's stock price may be adversely affected by changes in the company, its industry or economic environment and prices can change quickly. Equities typically involve higher risks than bonds and money market instruments.
- Using derivatives generally creates leverage and entails valuation risks and operational risks. Leverage magnifies gains but also losses. Over-the-counter derivatives involve corresponding counterparty risks.
- Investments in Chinese A-Shares are subject to changes in political, economic and social conditions in China as well as changes in the policies of the PRC government, laws and regulations.
- 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.
- The sub-fund also includes sustainability criteria in its investment process. This may mean that the sub-fund's performance is more positive or negative than a conventionally managed portfolio.
- The sub-fund’s investments may be subject to sustainability risks. The sustainability risks that the sub-fund may be subject to are likely to have an immaterial impact on the value of the sub-fund’s investments in the medium to long term due to the mitigating nature of the sub-fund’s ESG approach. The sub-fund’s performance may be positively or negatively affected by its sustainability strategy. The ability to meet social or environmental objectives might be affected by incomplete or inaccurate data from third-party providers. Information on how environmental and social objectives are achieved and how sustainability risks are managed in this sub-fund may be obtained from vontobel.com/sfdr.

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