Vontobel Fund – TwentyFour Asset Backed Securities

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

Summary

— European securitised products performed strongly in June with minimal spread volatility despite geopolitical tensions from the US-Iran conflict. Fund inflows remain healthy, and demand for floating-rate paper is robust. Supply was elevated, with €16bn of new asset-backed securities (ABS) supply bringing the first half year-to-date (H1 YTD) total to around €92bn, more than 20% ahead of H1 2025, complemented by €28bn in collateralised loan obligation (CLO) resets. Supply was met by significant demand, with most transactions showing a high level of oversubscriptions.

— June was an active month for the Fund. In the CLO market, the team focused on AAA bonds, adding at Euribor+1.27%, which looks attractive relative to other segments of the market. In the ABS market, the team added UK AAA CMBS at Sonia+1.35% and Australian AAA residential mortgage-backed securities (RMBS) at BBSW+108 basis points (bp) alongside mezzanine positions in UK and Australian RMBS deals. The Fund rotated out of mezzanine European consumer tranches that have materially compressed throughout the year.

— The team currently sees best value in AAA RMBS and ABS, and in AAA and BBB/BB CLOs, where risk-adjusted returns remain very attractive, and spreads continue to lag YTD tights. The technical tailwind is real, and we remain constructive on the long-term trajectory of the asset class.

Market developments

Summary: European securitised products performed strongly in June with minimal spread volatility despite geopolitical tensions from the US-Iran conflict. The Global Asset-Backed Securities (ABS) conference in Barcelona, celebrating its 30th anniversary, drew record attendance, and the message was clear: technicals are strong, Fund inflows remain healthy, and demand for floating-rate paper is robust. Supply was elevated, with €16bn of new ABS supply bringing the first half year-to-date (H1 YTD) total to around €92bn, more than 20% ahead of H1 2025, complemented by €28bn in collateralised loan obligation (CLO) resets. Secondary activity was similar to the previous month, with ABS supply mostly concentrated at AAA level, while in CLOs a pick-up in single-B and equity bids wanted in competition (BWICs) was noted.

ABS: During June, the market saw €10bn of supply, which was diversified across both asset classes and jurisdictions. The demand for technicals persisted in ABS, and spreads continued to tighten, particularly in mezzanine tranches. For example, BBB rated tranches in two European new issue consumer transactions from Italy and France both printed around 40bp tighter than initial guidance at Euribor+1.3% and 1.35%. We continue to see more value at AAA level with UK buy-to-let (BTL) new issue RMBS coming at 0.86% over Sonia, around 10bp wider than YTD tights. June also saw three commercial mortgage-backed securities (CMBS) transactions coming to market, mostly backed by logistics portfolios. AAA tranches priced with a 1.35% margin, which makes it attractive, particularly with BBB European consumer ABS coming at similar spreads.

CLO: During June, CLO technicals remained strong, supporting issuance and tightening spreads. Issuance across new issues, resets, and refinancings rose to €13.06bn in June. Of this, €5.8bn came from new-issue supply across 14 broadly syndicated loan (BSL) deals. That makes the H1 new issuance volume in Europe €31bn, marginally ahead of 2025's record pace. The US market was more active on the refinancing side with $19.8bn of Resets in June and $6.5bn of new issues. Demand was strong for investment grade (IG) tranches, while more dispersion remains at the sub-IG level with BB EU CLO printing at 5-6% over the risk-free rate. EU AAA CLO exchange-traded funds (ETFs) have seen net inflows of over a billion this month, with two new funds launched supporting the continued attractiveness of AAA CLOs.

On the loan side, the market was active in June but mostly dominated by repricings and refinancings, which are compressing spreads and making the CLO arbitrage more challenging. Although over 50% of CLO collateral is now trading above par, focus remains on cyclical sectors impacted by inflationary pressures.

Portfolio review

June was an active month for the Fund. In the CLO market, the team focused on AAA bonds, adding at Euribor+1.27%, which looks attractive relative to other segments of the market. In the ABS market, the team added UK AAA CMBS at Sonia+1.35% and Australian AAA RMBS at BBSW+108bp alongside mezzanine positions in UK and Australian RMBS deals.

Performance analysis

The Fund rotated out of mezzanine European consumer tranches that have materially compressed throughout the year.

Outlook

Despite lingering geopolitical uncertainty, the ABS market remains technically well-supported and, following the tone set at Global ABS, we expect a busy second half of the year. The European Central Bank (ECB) raised its deposit facility rate by 25bp to

2.25% in June, and a higher-for-longer rate environment continues to keep floating-rate ABS highly attractive. Institutional demand is growing, particularly from insurers positioning ahead of upcoming regulatory change, and the expanding universe of issuers and structures gives us more opportunity to find value across the credit spectrum.

RMBS and consumer ABS performance has been broadly resilient throughout the period of geopolitical stress. That said, we remain cautious about the combination of higher rates, elevated inflation and slowing growth, which we expect to increasingly pressure lower-income borrowers in the unsecured space. We continue to favour secured transactions from well-established lenders with strong track records through the cycle.

In terms of positioning, the team currently sees best value in AAA RMBS and ABS, and in AAA and BBB/BB CLOs, where risk-adjusted returns remain very attractive, and spreads continue to lag YTD tights. The technical tailwind is real, and we remain constructive on the long-term trajectory of the asset class.

Fund characteristics

Fund name	Vontobel Fund – TwentyFour Asset Backed Securities
ISIN	LU1602255561
Share class	I EUR
Benchmark	–
Inception date	27.6.2017

Historical performance (net returns, in %)

Time period	Fund	Benchmark
MTD	0.3%	–
YTD	1.7%	–
1 year	3.3%	–
3 yrs p.a.	5.2%	–
5 yrs p.a.	3.1%	–
10 yrs p.a.	–	–
ITD p.a.	2.2%	–

Time period	Fund	Benchmark
2025	3.5%	–
2024	6.7%	–
2023	8.4%	–
2022	-4.5%	–
2021	1.7%	–
2020	-0.1%	–
2019	2.0%	–
2018	-1.1%	–
2017	–	–
2016	–	–

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

— 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.
— Asset-backed securities and their underlying receivables are often intransparent. The sub-fund may also be subject to a higher credit and/or prepayment risk.
— 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.
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