

Monthly commentary / 31.3.2026

## 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

- Markets were dominated by the war in the Middle East during March, which suppressed returns for risk assets. Moves within the securitised market were most prominent in the collateralised loan obligation (CLO) segment, given its higher beta. There was €16bn of new asset-backed security (ABS) issuance, complemented by €2bn of CLO refinancing and resets, although there was a notable slowdown in the last two weeks of the month.
- March was an active month for the Fund, as the portfolio managers leveraged a dynamic secondary market to fund small redemptions. In the CLO market, the team reduced AAA holdings across Europe and the US, where spreads were insulated, at Euribor +1.3% and SOFR +1.28%, respectively. In the ABS market, the portfolio managers reduced Australian AAA bonds at BBSW +0.9%.
- The war in the Middle East has swiftly changed rate and global growth expectations for at least the medium term. The changing macroeconomic environment will resurface performance concerns for consumers. Given the expectation of persistent volatility, the portfolio managers retain the flexibility to deploy cash once they see more certainty around a timeline for a resolution in the Middle East.

### Market developments

**Summary:** Markets were dominated by the war in the Middle East during March, which suppressed returns for risk assets over the month. Moves within the securitised market were most prominent in the collateralised loan obligation (CLO) segment, given its higher beta. Issuance remained healthy, with a greater focus on asset-backed securities (ABS), which reflected the tightening arbitrage in CLO issuance. There was €16bn of new ABS issuance, complemented by €2bn of CLO refinancing and resets, although there was a notable slowdown in the last two weeks of the month. Secondary ABS activity picked up, although it was concentrated in AAA bonds, where senior spreads moved by 3-5 basis points (bp). CLO secondary activity was also focused on AAAs. However, supply was limited in Europe, particularly in mezzanine tranches, which led to a mismatch between buyers and sellers. In the US, CLOs continued to experience a higher degree of two-way trading, especially in AAAs.

**ABS:** ABS markets saw a healthy level of issuance in March, given the backdrop. The €16bn of issuance was diverse across asset classes and geographies. There was an uptick in UK specialist residential mortgage-backed security (RMBS) activity, where value was most attractive in AAA and BBB bonds at 0.9% and 1.8% over SONIA, respectively. This was around 15bp and 25bp wider, respectively, than issuance earlier in the year. Repricing was more limited in the consumer space, where oversubscription remained in the high single digits. For example, BBB bonds in Santander's latest Italian consumer deal priced at Euribor +1.6% in March, unchanged from a similar transaction in February. It was six times over-

subscribed, which was evidence of support for the level. Issuance is expected to pick up after the Easter holiday break, with supportive demand technicals likely to persist.

**CLOs:** Activity in the CLO market was subdued during March, particularly in Europe. The sell-off in the loan market, combined with liability repricing, led to a decline in issuance. During the month, €5bn of new issuance and €2bn of resets and refinancing were recorded. The US market was relatively more active, with \$14bn of new issuance and \$11bn of refinancing and resets. Sector focus remained on artificial intelligence disruption within the loan market. The war in the Middle East also renewed concerns around cyclical sectors, given inflation shocks and weaker growth. In short, dispersion in the European loan market has persisted and is likely to continue, negatively impacting CLO valuations. Despite this, CLO spreads remained relatively resilient following the significant widening in February. AAA CLOs traded at around 1.3% over Euribor for longer-dated deals, while BBs were at spreads of 6.0-6.5%, with a wide range depending on the quality of the deal. Given ongoing geopolitical uncertainty, volatility is expected to continue into April, which should create attractive entry points. The European loan index fell by 0.7 points in March.

### Portfolio review

March was an active month for the Fund, as the portfolio managers leveraged a dynamic secondary market to fund small redemptions. In the CLO market, the team reduced AAA holdings across Europe and the US, where spreads were insulated, at Euribor +1.3% and SOFR +1.28%, respectively. In

the ABS market, the portfolio managers reduced Australian AAA bonds at BBSW +0.9%.

#### Performance analysis

The team increased cash positions to remain in a flexible position given ongoing geopolitical risk.

#### Outlook

In March, European securitised products were supported by strong income. CLO markets carried over February's loan market weakness, which weighed on asset pricing, although healthy demand meant spreads were well supported. The ABS technical has persisted, where credit curves remain flat, particularly in the European auto and consumer segments. The war in the Middle East has swiftly changed rate and global growth expectations for at least the medium term. The low-rate volatility of securitised products supported the sector during March, and ABS and CLO bondholders will benefit

from rate hikes given the floating coupon. The changing macroeconomic environment will resurface performance concerns for consumers, especially where labour markets are on a weakening trajectory and if inflation accelerates. Although securitised asset pools are not expected to deteriorate significantly, the portfolio managers will continue to prioritise established issuers with a proven track record. While a restart of the primary market is expected, the CLO market is likely to be slower to restart as the higher cost of funding makes the creation of new CLOs challenging.

Liquidity positions have been increased across the funds. Given the expectation of persistent volatility, the portfolio managers retain the flexibility to deploy cash once they see more certainty around a timeline for a resolution in the Middle East.

#### Fund characteristics

|                        |  |
|------------------------|--|
| <b>Fund name</b>       | Vontobel Fund – TwentyFour Asset Backed Securities |
| <b>ISIN</b>            | LU1602255561                                       |
| <b>Share class</b>     | I EUR  |
| <b>Reference index</b> | –  |
| <b>Inception date</b>  | 27.6.2017  |

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

| Time period | Fund  | Ref. index | Time period | Fund  | Ref. index |
|-------------|-------|------------|-------------|-------|------------|
| MTD         | -0.1% | –          | 2025        | 3.5%  | –          |
| YTD         | 0.4%  | –          | 2024        | 6.7%  | –          |
| 1 year      | 2.9%  | –          | 2023        | 8.4%  | –          |
| 3 yrs p.a.  | 5.5%  | –          | 2022        | -4.5% | –          |
| 5 yrs p.a.  | 3.0%  | –          | 2021        | 1.7%  | –          |
| 10 yrs p.a. | –     | –          | 2020        | -0.1% | –          |
| ITD p.a.    | 2.1%  | –          | 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.
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