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

— Geopolitical tensions, AI-related speculation and fiscal concerns drove a sharp widening in European securitised market spreads in October. Secondary activity rose significantly, with bids wanted in competition (BWIC) volumes reaching €2.6bn in asset-backed securities (ABS) and over €2bn in collateralised loan obligations (CLOs). AAA UK ABS underperformed, with UK prime residential mortgage-backed securities (RMBS) 10 basis points (bp) wider, while AAA CLO spreads were more stable.

— The portfolio managers used spread volatility to rotate into mezzanine positions, where credit curves had steepened. The team reduced exposure to AAA CLOs and AAA Australian RMBS following spread outperformance and added BBB UK consumer ABS and A-rated UK RMBS. With an elevated cash allocation, the Fund is well positioned to act opportunistically into year-end.

— European securitised markets continue to perform well, supported by significant carry in a higher-for-longer environment. We expect supply to continue into November and spreads to remain range-bound, with steeper credit curves, which should create opportunities for the Funds.

Market developments

Summary: During October, geopolitical tensions, AI-related speculation and fiscal concerns weighed on risk assets. European securitised markets were not immune, with spreads widening suddenly and sharply across all segments over the month. Primary volumes remained healthy at €19bn and, notably, secondary activity rose significantly, with BWIC volumes reaching €2.6bn in ABS and over €2bn in CLOs. In ABS, this marked the busiest period of the year, driven by one asset manager in particular selling credit broadly to fund digital infrastructure debt commitments. The additional supply weighed on spreads, most notably in AAA UK ABS, with UK prime RMBS 10bp wider on the month. AAA CLO spreads were more stable, widening by just 5bp. Whilst dealer liquidity remained strong, it understandably became more expensive as caution grew.

ABS: European ABS issuance continued in October despite more challenging market conditions, with €14bn priced across a diverse range of jurisdictions and asset classes. Spreads widened across sectors; however, AAA UK RMBS clearly underperformed, reflecting the characteristics of its buyer base. For example, Vida Bank priced the AAA tranche of its latest RMBS at SONIA+0.97%, close to 0.2% wider than comparable prints in September. Demand was stronger for European ABS, where Mercedes-Benz priced AAA bonds at Euribor+0.48%, with the deal close to two times oversubscribed. Spreads stabilised towards month-end, as market participants supported wider levels. However, given broader market dynamics, we think it unlikely that spreads will retrace to the year-to-date tights seen in September.

CLO: Global CLO primary markets remained active in October. European issuance reached €13.2bn, including €4.6bn of new issue supply, while the US market was also active, with $36bn of issuance, including $10.53bn of new issue supply. Spreads were initially stable in CLO markets, a testament to strong global demand, but as AI scepticism continued, we saw repricing, particularly in high-yield tranches. New issue AAA spreads held at around 125bp, while secondary spreads were range-bound between 1.25% and 1.30% over Euribor. The European loan index fell 2 points in October, driven mostly by declines in distressed credits, which increased dispersion across the index. As expected, this has led to greater tiering in CLO liabilities, particularly in resets, where pricing ranged from Euribor+5.1% to 6.4% at the end of the period. We expect volatility to persist into year-end and, as a result, tiering to remain and spreads to be range-bound over the medium term.

Portfolio review

The team reduced exposure to AAA CLOs at Euribor+1.3% and AAA Australian RMBS at BBSW+1.1% following spread outperformance and added BBB UK consumer ABS at SONIA+2.1% and A-rated UK RMBS at SONIA+1.8%. With an elevated cash allocation, the Fund is well positioned to act opportunistically into year-end.

Performance analysis

October was an active month for the Fund. The portfolio managers used spread volatility to rotate into mezzanine positions, where credit curves had steepened.

Outlook

Despite broader market volatility, European securitised markets continue to perform well, supported by significant carry in a higher-for-longer environment. We expect supply to continue into November, although volumes may undershoot forecasts, with some issuers preferring to delay funding plans into 2027, given market conditions.

Collateral performance has remained broadly resilient; however, the portfolio managers remain cautious on consumer sentiment and therefore favour secured collateral from established lenders. Geopolitical concerns, AI caution and fiscal gridlock look set to persist into year-end, with no clear catalyst for stability. As such,

we expect spreads to remain range-bound, with steeper credit curves, which should create opportunities for the Funds.

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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	-0.2%	–
YTD	2.3%	–
1 year	2.9%	–
3 yrs p.a.	4.8%	–
5 yrs p.a.	3.2%	–
10 yrs p.a.	–	–
ITD p.a.	2.1%	–

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	–	–

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