

Vontobel Fund - TwentyFour Asset Backed Securities

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 30 June 2026

Market Commentary

- **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. Supply was met by significant demand, with most transactions showing a high level of oversubscriptions. Consumer ABS and residential mortgage-backed securities (RMBS) spreads have largely retraced to YTD tightens, except for some senior UK paper like buy-to-let (BTL) RMBS, as demand was skewed towards European assets. CLO spreads are back to February levels but remain 20–40 basis points (bp) wide of January tightens at BBB and BB levels. 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 BTL New issue RMBS coming at 0.86% over Sonia, around 10bp wider than YTD tightens. 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.
- **CLOs:** 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 Commentary

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. This was done by rotating out of mezzanine European consumer tranches that have materially compressed throughout the year.

Market Outlook and Strategy

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, the managers remain cautious about the combination of higher rates, elevated inflation and slowing growth, which they expect to increasingly pressure lower-income borrowers in the unsecured space. The team continues 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 tightens. The technical tailwind is real, and we remain constructive on the long-term trajectory of the asset class.

Cumulative Performance	1m	3m	6m	1y	Annualised				10y	Since Inception*
					3y	5y				
I EUR Acc	0.26%	1.29%	1.68%	3.32%	5.22%	3.11%			N.A.	2.16%
3 month Euribor	0.19%	0.56%	1.07%	2.11%	2.97%	2.08%			N.A.	0.98%

Discrete Performance	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
I EUR Acc	1.68%	3.47%	6.70%	8.43%	-4.54%	1.73%	-0.14%	2.05%	-1.14%	N.A	N.A
3 month Euribor	1.07%	2.20%	3.65%	3.49%	0.34%	-0.55%	-0.42%	-0.36%	-0.32%	N.A	N.A

Past performance is not a reliable indicator of future performance. The performance figures shown are on a mid-to-mid basis inclusive of net reinvested income and net of all fund expenses. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. *Inception date 27/06/2017. Euribor used as a proxy for cash as a performance reference for illustration purposes only, there is no specific return objective or benchmark for the fund.

Key risks

- Limited participation in the potential of single securities
- Investments in foreign currencies are subject to currency fluctuations
- Success of single security analysis and active management cannot be guaranteed
- It cannot be guaranteed that the investor will recover the capital invested
- Derivatives entail risks relating to liquidity, leverage and credit fluctuations, illiquidity and volatility
- Interest rates may vary, bonds suffer price declines on rising interest rates
- The structure of ABS/MBS and the pools backing them might not be transparent which exposes the sub-fund to additional credit and prepayment risks (extension or contraction risks) depending on which tranche of ABS/MBS is purchased by the sub-fund
- 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

Important information

Further information on fund charges and costs are included on our website at www.twentyfouram.com

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