TwentyFour
a boutique of Vontobel

Vontobel Fund - TwentyFour Asset Backed Securities

This Commentary is a marketing communication for professional UK investors only

Fund Commentary | 30 October 2026

Market Commentary

- **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.
- **CLOs:** 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 Commentary

October was a very active month for the Fund, as the portfolio managers (PMs) deployed inflows into a dynamic market. In the secondary market, the team focused on discounted BB CLOs at Euribor+6.5%, which offer significant call upside. In ABS, the portfolio managers used steeper credit curves to add mezzanine positions, including BB UK consumer ABS at SONIA+3.5% and BB UK RMBS at SONIA+3.2%. With an elevated cash allocation, the Fund is well positioned to act opportunistically into year-end.

Market Outlook and Strategy

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 PMs 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.

Cumulative Performance	1m	3m	6m	1y	Annualised 3y	5y	10y	Since Inception*
I EUR Acc	-0.17%	0.42%	1.36%	2.88%	4.78%	3.18%	N/A	2.15%
3 month Euribor	0.22%	0.66%	1.25%	2.29%	2.82%	2.30%	N/A	1.04%

Discrete Performance	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
I EUR Acc	2.33%	3.47%	6.70%	8.43%	-4.54%	1.73%	-0.14%	2.05%	-1.14%	N/A	N/A
3 month Euribor	1.94%	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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