



# ABS delivers performance through volatile market environments: what next?

For Professional Investors Only | Marketing Communication

Securitised Credit team

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“Our view is unchanged – ABS provides an attractive investment proposition today and will perform well in both benign environments or when volatility persists.”

The year-to-date has been another lesson for investors in navigating volatility, with uncertainties around the paths of growth and inflation set to continue. However, as we discussed at the start of the year, asset-backed securities (ABS) have properties that can provide solutions in volatile as well as benign market environments.

## Recap from our previous report

- In January we highlighted the benefit of investing in ABS in volatile environments; as with the various bouts of volatility over the past few years, our ABS funds exhibited strong performance through the tariff-led volatility this year, particularly versus Corporate IG.
- The drawdown in April on the High Grade and IG ABS funds was -0.12% and -0.52% respectively, versus -1.59% drawdown in European IG Corporates<sup>1</sup>.

As we pass the mid-year point, we find it an interesting time to reflect on our views from the start of 2025 and recap how markets and our strategies have performed during the year so far.

Chart 1: Strong performance through periods of volatility

Strategy	Average rating	2022 drawdown	2025 drawdown
High Grade ABS	AAA	-1.75%	-0.12%
Investment Grade ABS	AA-	-4.40%	-0.52%
Corporate IG	A-	-16.17%	-1.59%
Corporate HY	BB-	-15.93%	-3.76%

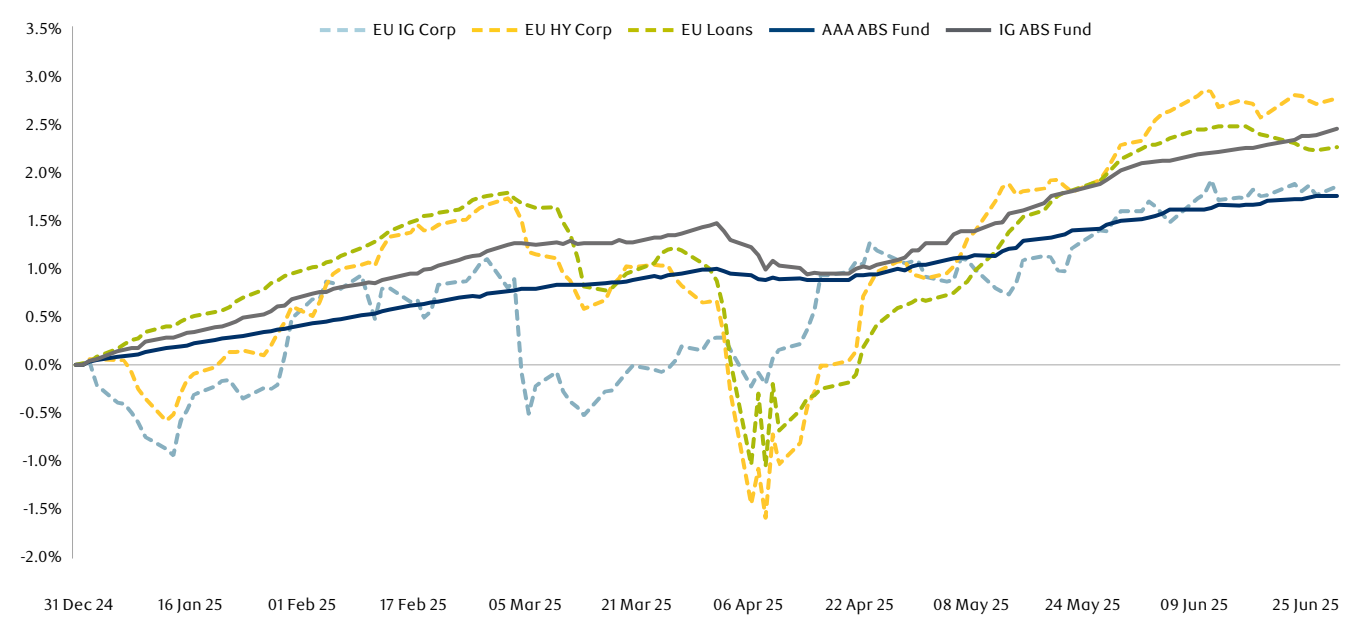
Source: Bloomberg, as at 30 June 2025. ER00 Index for Corporate IG, LP01TREU Index for Corporate HY. Performance is shown in EUR, gross of fees. **Past performance is not indicative of future returns.** Returns may increase or decrease due to currency fluctuations. Please refer to the disclaimer for important information on gross performance. Calculated using daily gross data.

<sup>1</sup> Bloomberg, as at April 2025. Refers to BlueBay High Grade Short Duration Asset Backed Credit Fund and BlueBay Investment Grade Asset Backed Credit Fund.

Coming into this year we were concerned by building macro risks alongside tight credit spreads across most fixed income sectors. We took the view that ABS could provide an attractive solution for investors in two scenarios for the year ahead: both benign and volatile environments. Our previous thoughts are set out in a piece we published in January: [Positioning portfolios for 2025: ABS is a solution in volatile and benign markets](#), and our view is unchanged – ABS provides an attractive investment proposition today and will perform well in both benign environments or when volatility persists.

Clearly since writing this thought piece, we’ve experienced another bout of volatility in equity and credit markets, predominantly driven by policy uncertainty and tariffs in the US. Securitised credit has once again proved its resilience against this backdrop, with our strategies delivering attractive performance and minimising drawdowns. This is through attractive asset class characteristics and active portfolio management to reduce risk in advance of volatility and capture attractive total returns when weakness persists. This performance isn’t a one off: we have demonstrated this through multiple periods of volatility.

**Chart 2: Our ABS funds exhibited strong performance and lower drawdowns through the tariff-led volatility this year, versus credit asset indices**



Source: RBC GAM, Bloomberg, as at 30 June 2025. Performance is shown in EUR, gross of fees. **Past performance is not indicative of future returns.** Returns may increase or decrease due to currency fluctuations. Please refer to the disclaimer for important information on gross performance. AAA ABS Fund = BlueBay High Grade Short Duration Asset Backed Credit Fund; IG ABS Fund = BlueBay Investment Grade Asset Backed Credit Fund.

Part of the strong performance is driven by the benefits of investing in the asset class – securitised credit consistently offers attractive characteristics. Depending on the macroeconomic backdrop and prevailing market risks, the characteristic that proves most valuable can shift.

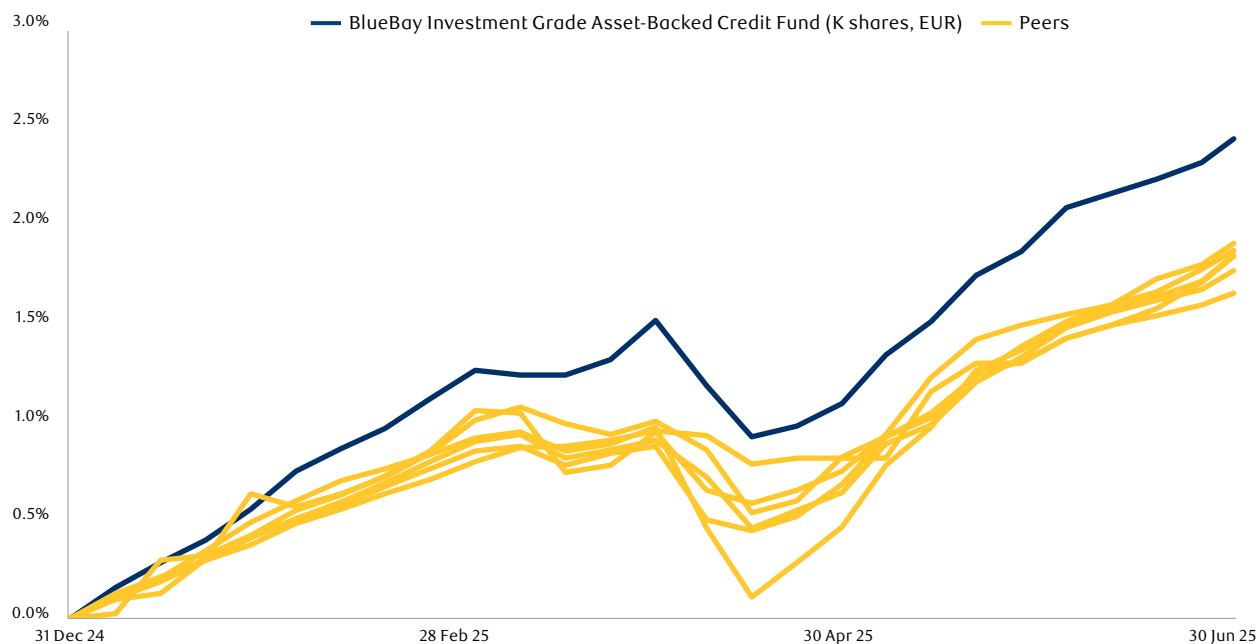
Credit benefits	High credit quality – protection from idiosyncratic default risk
	Asset class naturally de-levers – results in high frequency of upgrades which boosts total return and naturally de-risks investments
Portfolio benefits	Low correlation to other asset classes – improves broader portfolio risk characteristics
	Floating rate – protection against rates volatility
Attractive risk-adjusted returns	Short spread duration – downside protection in uncertain markets
	Attractive spreads – on an absolute and relative basis

Source: RBC GAM.

Given the current backdrop and increased level of uncertainty, we believe the most integral benefits of the asset class are the credit benefits; with high levels of protection from idiosyncratic defaults and the natural deleveraging benefits of the asset class which results in a high level of upgrades (also very beneficial in a benign market environment). At the same time as receiving these crucial benefits of the asset class, investors are also compensated with wider spreads.

In addition to the benefits of the asset class, we see value in allocating to active strategies within securitised credit that can dynamically shift between the different sectors of the market depending on relative value and macro risks.

**Chart 3: IG Asset-Backed Credit strategy versus peers year-to-date**



Source: Bloomberg, as at 30 June 2025. The returns of all funds shown above are EUR net of fees and annualised since inception. **Past performance is not indicative of future results.** BlueBay custom peer group includes peers deemed to apply a similar investment strategy. Please refer to the disclaimer for important information regarding past net performance.

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