












# European Securitisations

IAPF Webinar by Amundi

29<sup>th</sup> of September 2022

# European Securitisations: Amundi Team

Dedicated analysts, portfolio managers, traders and investment specialists

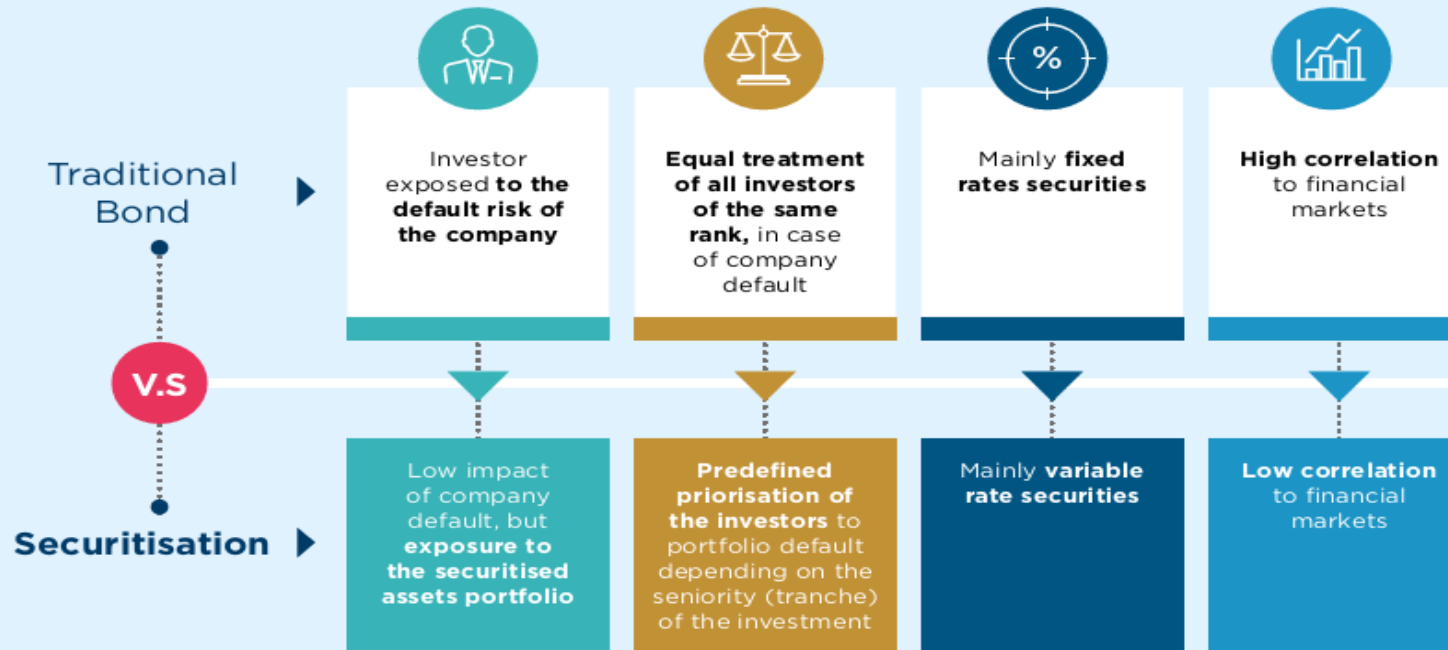
	Credit Analysts	Portfolio Managers	Fixed Income Traders
	<b>44 credit analysts</b>	<b>15 Securitisation PMs</b>	<b>10 Fixed Income Traders</b>
<p><b>Monica Defend</b> Global Head of Research</p>	 <p><b>Amadou Loum</b> Senior Securitisation Credit Analyst</p>	 <p><b>Jean-Marie Dumas</b> Head of FI Solutions</p>	 <p><b>Gael Gauthier</b> Specialist Trader Credit, ABS and CLO</p>
<p><b>Annalisa Usardi</b> Macroeconomist</p>	 <p><b>David Levy</b> Securitisation Credit Analyst</p>	 <p><b>Hubert Vannier</b> CFA, Head of Securitised Assets</p>	 <p><b>Marie Amouroux</b> Specialist Trader Credit, ABS and CLO</p>
	 <p><b>Nathalie Ribes-Knezaurek</b> CFA, Securitisation Credit Analyst</p>	 <p><b>François Morin</b> CIIA, Deputy Head of Securitised Assets</p>	<p><b>Investment Specialists</b></p> <p><b>6 Alpha Inv. Specialists</b></p>
<p><b>Severine Alloy</b> ESG Research Analyst</p>		 <p><b>Geoffrey Sauwala</b> Senior Portfolio Manager</p>	 <p><b>Caroline Rochas</b> Head of FI Investment Specialists</p>
			 <p><b>Maxence Aullen</b> FI Investment Specialist</p>

€3.3bn AUM of European Securitised Assets

# European Securitisations: General Principles 1/2

## What is securitisation?

Securitisation is the financial practice of pooling illiquid assets - such as loans to retail households - into vehicles in order to create liquid and exchangeable securities. Such securities serve as a funding tool to the real economy, like traditional bonds, but bear notable differences from the investor's perspective.



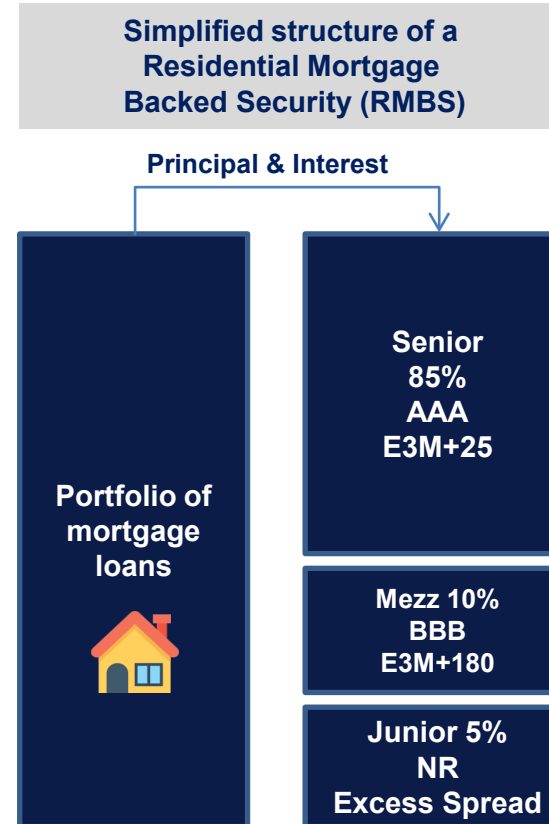
# European Securitisations: General Principles 2/2

Regulatory definition through 2 main characteristics:

1. Payments to the investors are exclusively coming from the cashflows received on a portfolio of assets
2. These payments are distributed to investors in a specific order depending on the « tranche » they hold

Main consequences:

1. Investors benefit from a liquid exposure to an otherwise illiquid and difficult to access underlying asset type linked to the real economy
2. Depending on the tranche considered, investors can decide the risk/reward profile they are willing to accept



# European Securitisations: a Diversified Market

A significant market

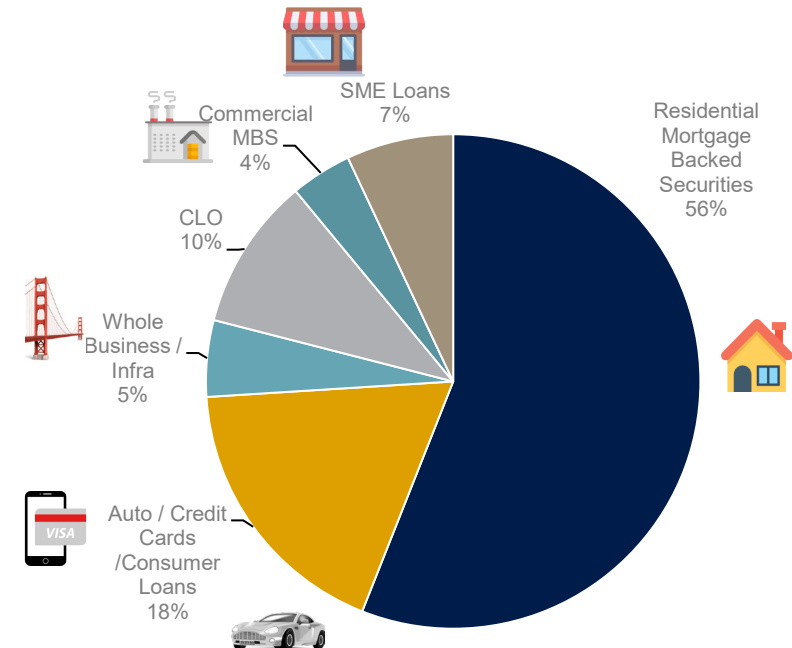
Outstanding European ABS market **€492bn**



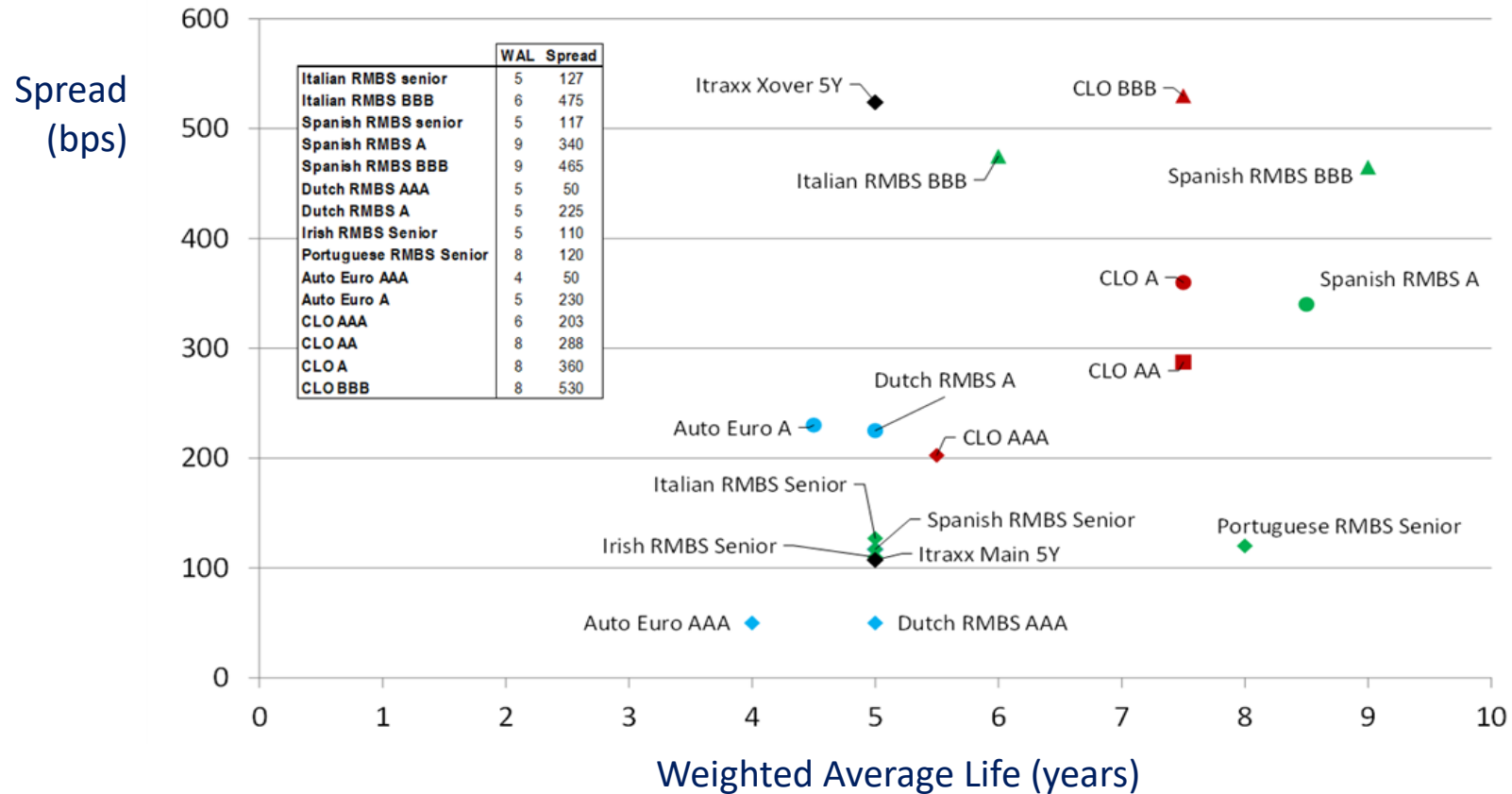
European ABS market:

- €492bn publicly placed available for purchase
- Approx. €700bn retained by issuers for repo funding
- Expected new issue placed in 2022 €90bn

RMBS is the largest asset class across Europe



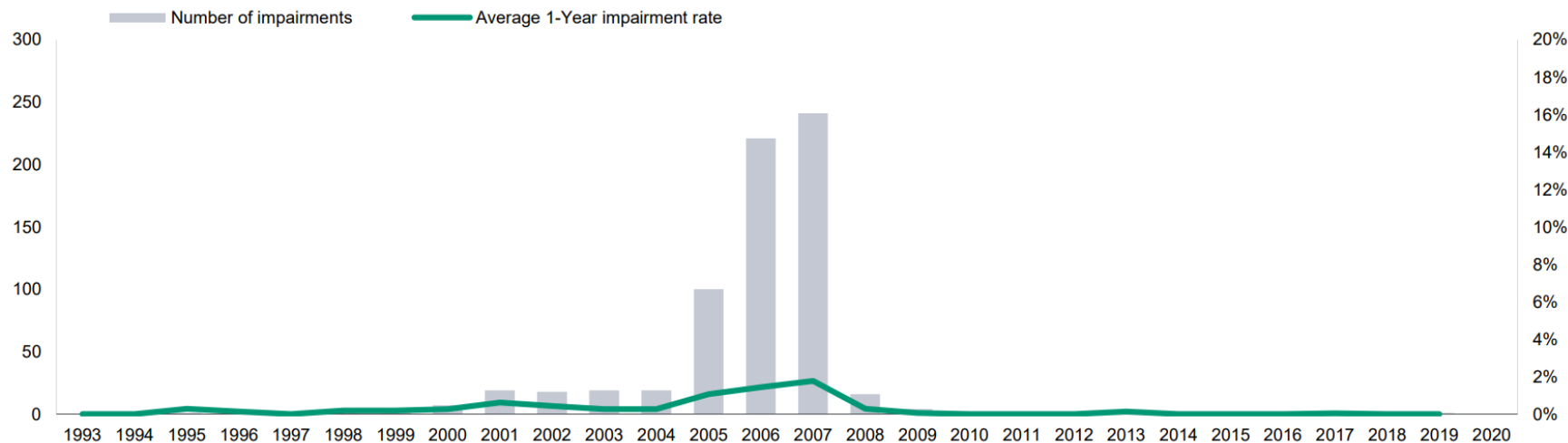
# European Securitisations Spreads



Attractive spreads for most segments, with different risk / return profiles

# European Securitisations Defaults Remain Low

## Moody's Structured finance material impairments by closing year, 1993-2020



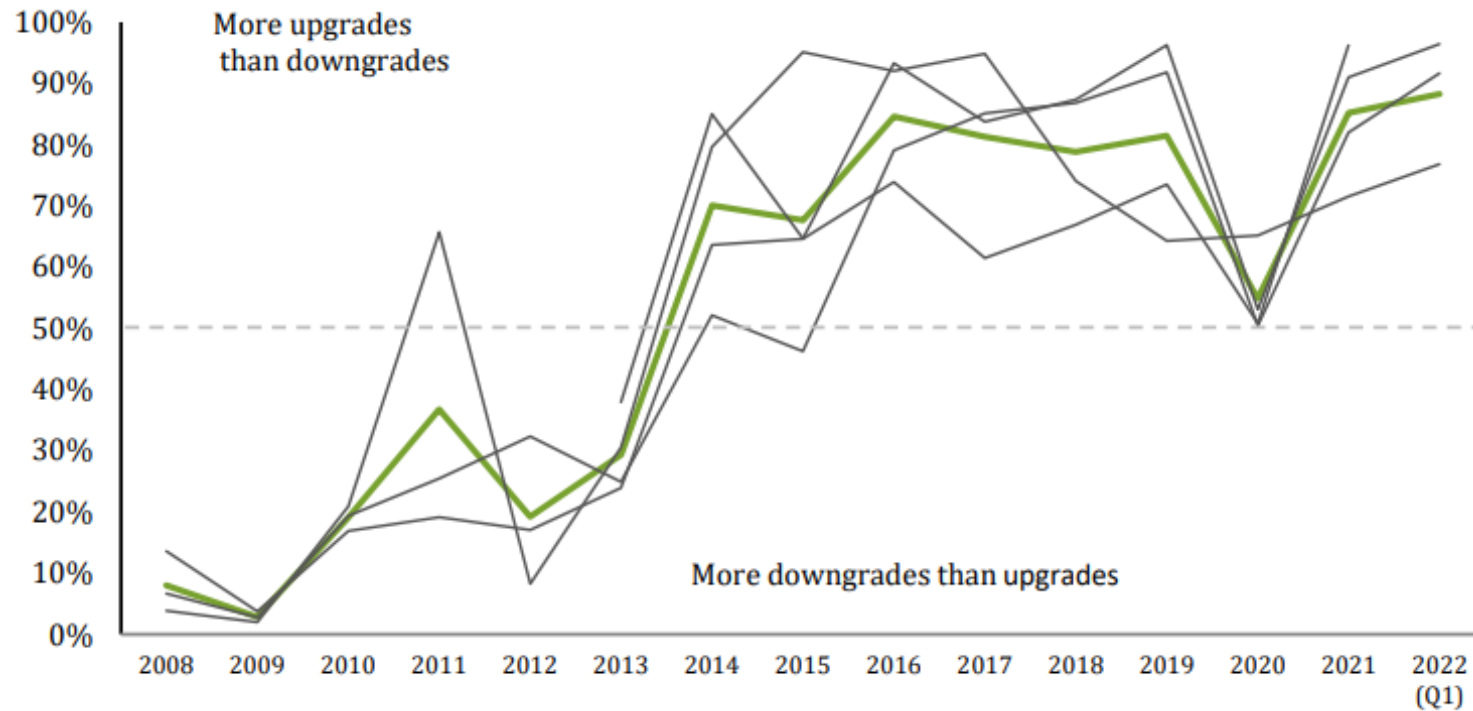
### 12-month impairment rate and cohort size for EMEA SF by sector

Sector	Impairment rate			Count		
	This year*	5-year avg.**	Hist. avg.***	This year*	5-year avg.**	Hist. avg.***
EMEA ABS	0.2%	0.0%	0.2%	625	592	644
EMEA RMBS	0.1%	0.0%	0.3%	1,892	2,046	1,632
EMEA CMBS	0.8%	0.9%	1.3%	137	167	251
EMEA CDOexCLO	0.0%	2.2%	3.8%	36	48	432
EMEA CLO	0.0%	0.1%	0.1%	2,165	1,439	795
EMEA OtherSF	0.0%	0.0%	7.5%	2	6	14
<b>EMEA SF</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.7%</b>	<b>4,857</b>	<b>4,298</b>	<b>3,474</b>

\* This year covers 2020  
 \*\* 5-year avg. covers the 60-month period from 2016 -2020  
 \*\*\* Hist. avg. covers the period 1993 -2020

# European Securitisations: Rating Upgrade Trend

Upgrades/Downgrades ratio (Upgrades as % of rating actions)



Source: AFME, <https://www.afme.eu/Portals/0/AFME%20Q2%202021%20Securitisation%20Report..pdf?ver=2021-09-01-134813-910>  
Past performance does not prejudice future performance. This also applies to historical market data.



# Low Correlation to Fixed Income Assets

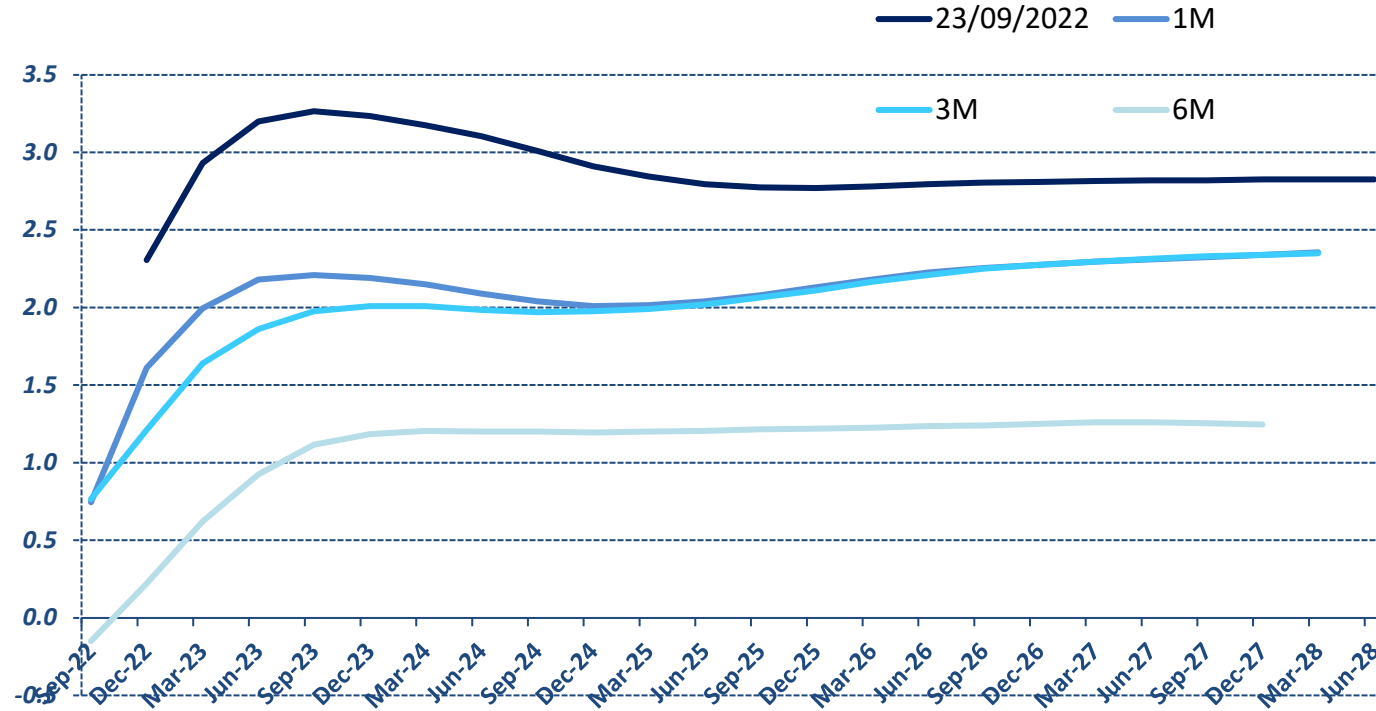
Weekly Correlation Matrix: Bloomberg ABS Index vs. iBoxx 1-3y Indices from June 2016 to June 2022

	Covered €	Sovereign	Corporate	Financials	High Yield	All ABS	AAA ABS
Covered €	1.00	0.82	0.67	0.62	0.24	0.24	0.17
Sovereign	0.82	1.00	0.52	0.49	0.24	0.18	0.13
Corporate	0.67	0.52	1.00	0.95	0.73	0.39	0.28
Financials	0.62	0.49	0.95	1.00	0.78	0.29	0.18
High Yield	0.24	0.24	0.73	0.78	1.00	0.25	0.17
All ABS	0.24	0.18	0.39	0.29	0.25	1.00	0.92
AAA ABS	0.17	0.13	0.28	0.18	0.17	0.92	1.00

Source: Bloomberg data from 30/06/2016 to 30/06/2022, iBoxx Indices : IYGD, QW1E, QW53, QW50, IBXXEHL1 and ABS Indices : H21892EU, I20541EU  
 Past performance does not predict future results. Investment return and the principal value of an investment in the Funds or other investment product may go up or down and may result in the loss of the amount originally invested. This also applies to historical market data.

# Current Market Context: Good Timing To Step In

## Recent Evolution of the EURIBOR 3M Forward Curve



# Impact of ECB Tapering

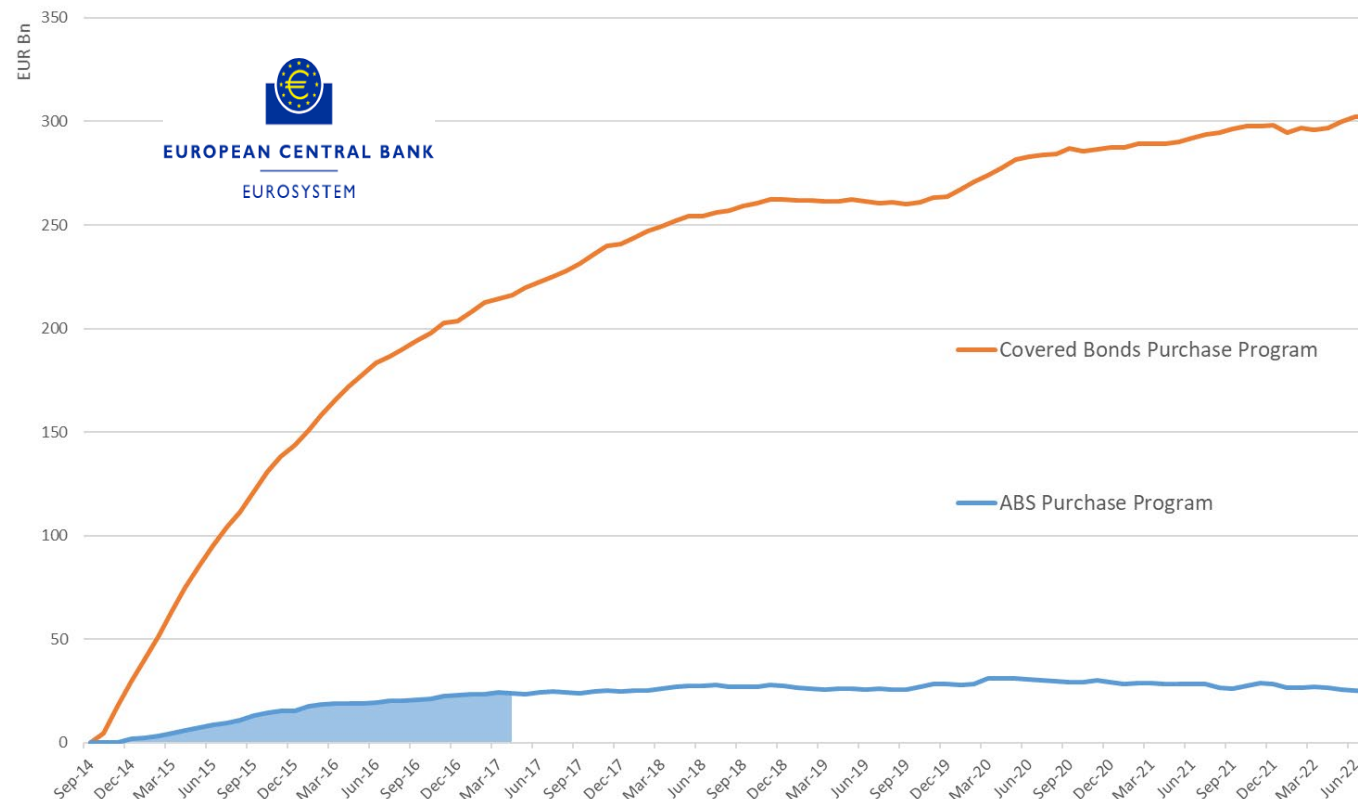
Initially, ABSPP had a positive impact on the ABS market by bringing back confidence to the investors

However, the impact on the market price as a whole was not material since only a small segment is concerned: all mezzanine tranche, as well as CMBS and CLOs are excluded

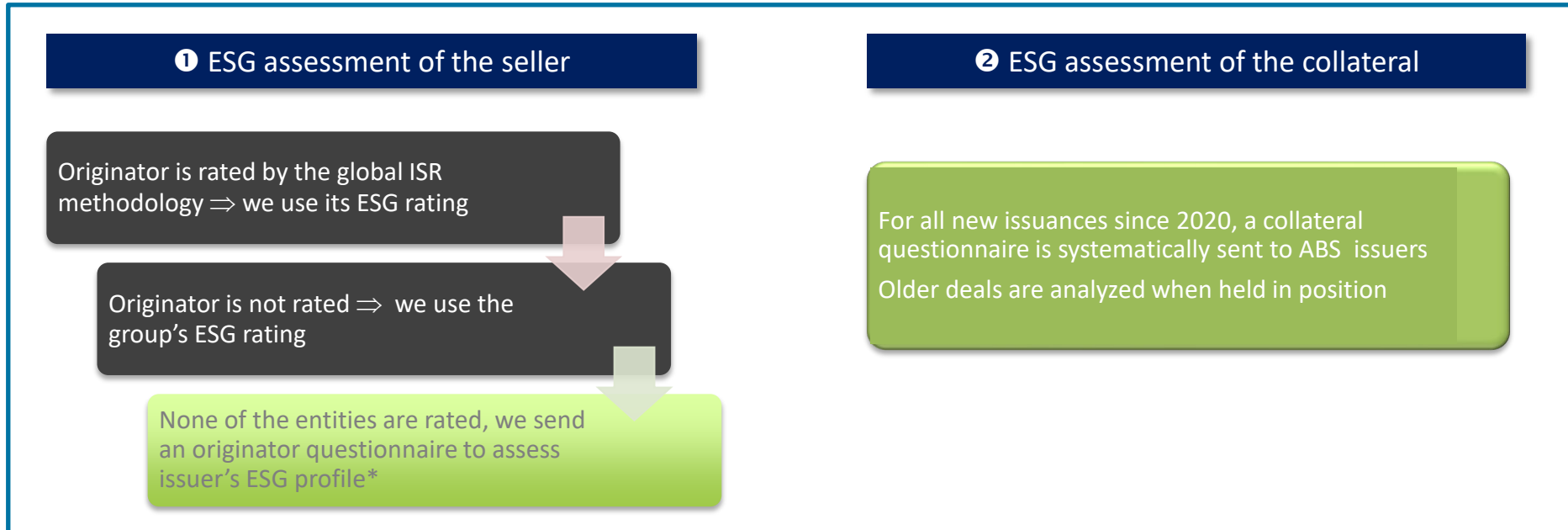
The **volume of ABSPP is very low** compared to the size of the market, or compared to the ECB purchases on other asset classes, like Covered Bonds

**We expect any reduction of the ABSPP to have a negative but it limited impact**

### Outstanding amount of ECB holdings since Q3 2014



# ESG Methodology for Securitisations: Amundi example



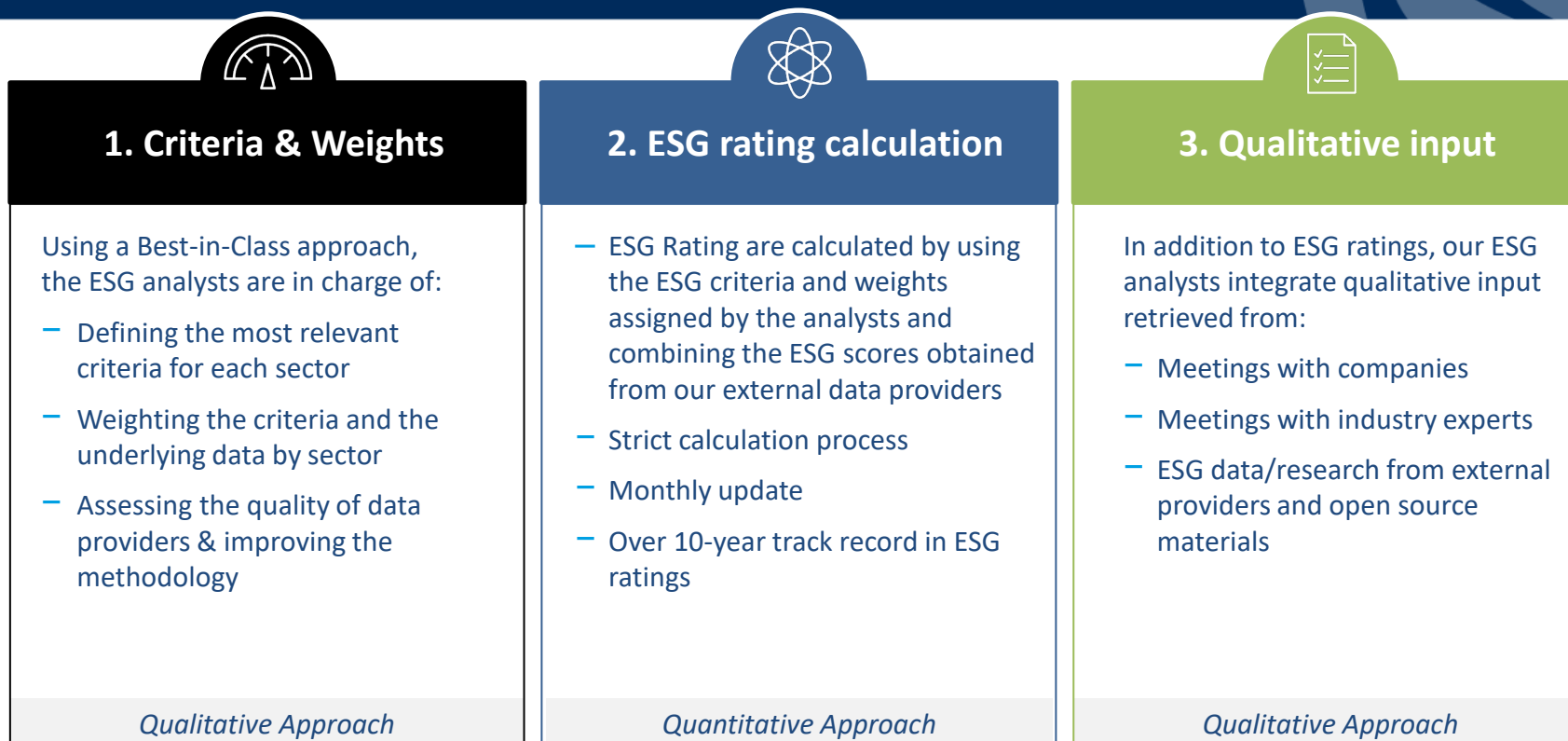
## ESG assessment of labelled securitisations

For all labelled bonds, an additional ESG analysis is performed to the above due diligences

- Quantitative analysis
- Qualitative analysis

\* For CLOs, even if the CLO manager/parent company is rated by our ESG analysts, we send an ESG questionnaire to the CLO manager to specifically address ESG in the CLO strategy

# ESG Assessment of the Seller: a proprietary analysis & rating methodology



**> 17,000 issuers ESG rated**

ESG coverage spans across all main equity & fixed income indexes





# Collateral ESG Assessment

ESG collateral analysis is typically reflecting environmental and social features:



- For **RMBS** we compare the **Energy Performance Certificates (EPC) of the properties** which are backing the underlying loans in the pool to the distribution of the EPC of properties in the country of origination



- For **Social RMBS and Consumer ABS** we will also compare the **breakdown of income** in the pool to the breakdown of income in the country of origination



- For **CMBS** we typically compare available energy certification for buildings such as **EPC** for residential developments or BREEAM or LEED for commercial properties



- For **Auto ABS** we compare the breakdown of **hybrid/alternative car motorisations** in the pool to the breakdown of those in the European Market per year of car production



- For **CLOs: Asset Managers** are analysed taking into account their overall ESG practices and how they apply them to CLOs.

# European Securitisations: Conclusion

## 1 Sound credit quality

- European securitisations experienced a very **low default rate** in asset classes linked to the real economy
- Current situation is highly favorable to most collaterals because of reduced unemployment rates

## 2 Diversification with significant yield

- European securitisations benefit from a **high credit premium**
- **Low duration** compared to other fixed income asset classes

## 3 Benefits of a delegation to a specialist Asset Manager

- **European regulation requires an extensive analysis and monitoring** of the collateral and the structure by any investor. This responsibility may be taken by an AM
- Some AM benefit from **strong and longstanding track records**
- **ESG considerations may be taken into account** in the investment process. Article 8 SFDR funds are available





# Appendices



# Amundi ABS: Portfolio Snapshot

## Key figures

- Number of holdings: 272#
- Number of issuers: 127#
- Floating Rate Notes: 91%
- Weighted Average Spread: 255bps
- Weighted Average Yield: 4,46%
- Modified Duration: 0.00
- Weighted Average Life: 3,64 years
- WA Spread Duration: 3,7
- Benchmark Issuance (>300M): 93%

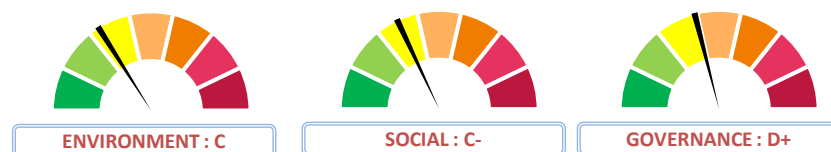
## Top 10 exposure by asset class

- Lev. Loans CLO Europe 34%
- Prime RMBS UK 7%
- Buy to Let RMBS UK 7%
- Auto ABS Spain 5%
- Cash 5%
- Prime RMBS Spain 4%
- Auto ABS Italy 3%
- Consumer ABS France 3%
- Covered Bonds Denmark 3%
- Office UK 3%

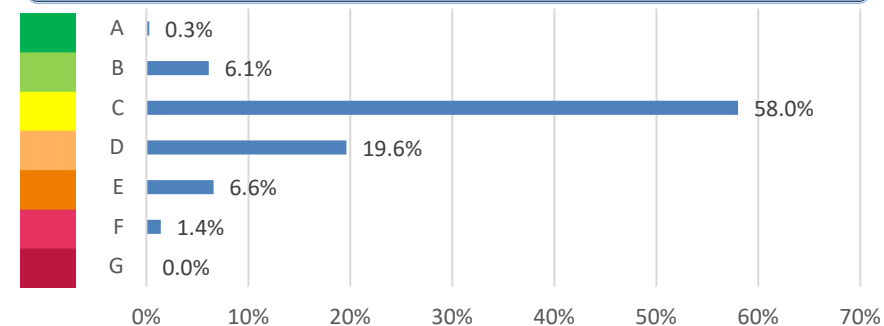
## Median Rating

- AAA 49%
- AA 13%
- A 17%
- BBB 8%
- <BBB- 11%
- Non rated N/A
- Cash 5%

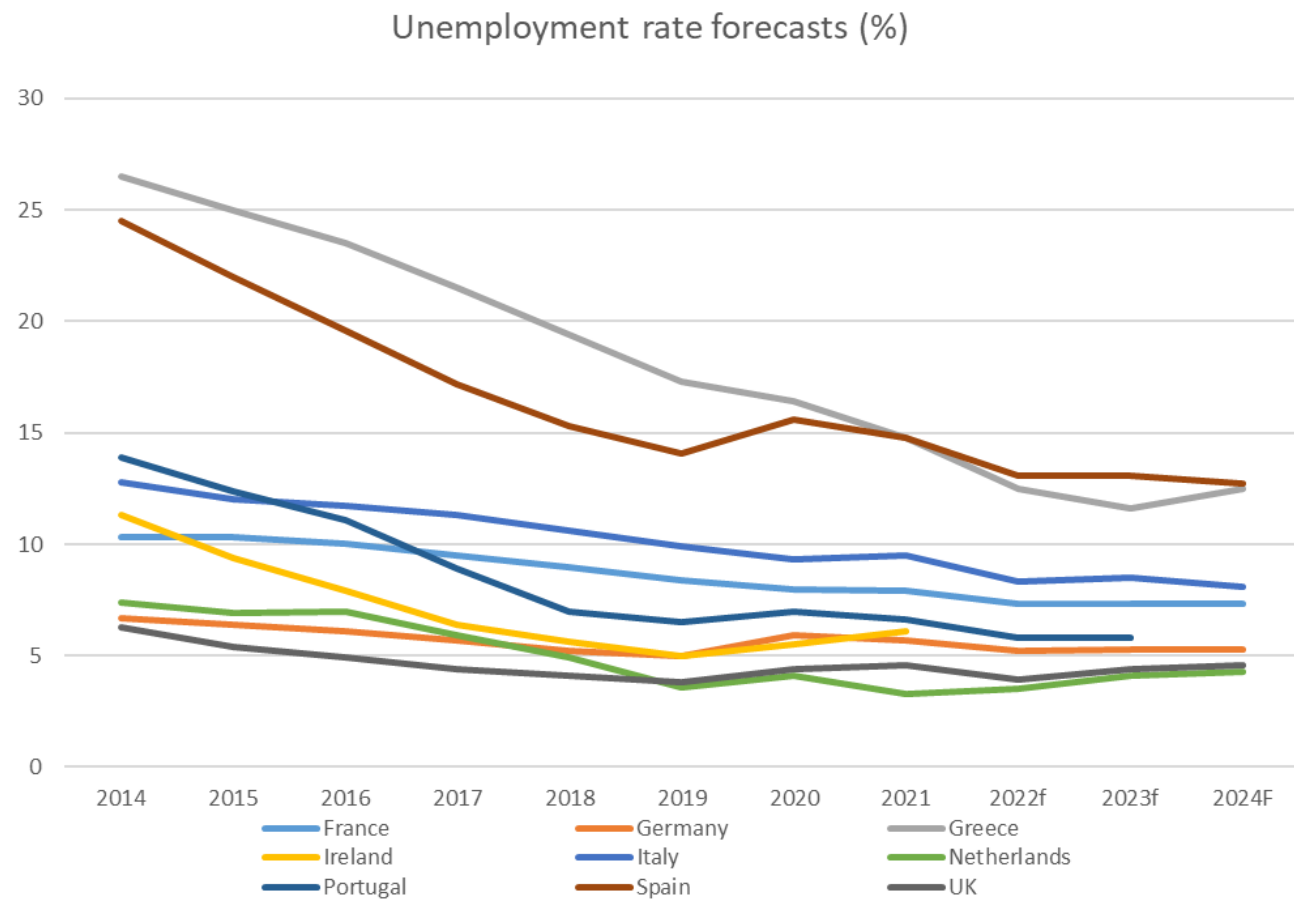
## ESG RATING : C-



## ESG Breakdown



# European Securitisations: Fundamentals



# European Securitisations Defaults During the Great Financial Crisis

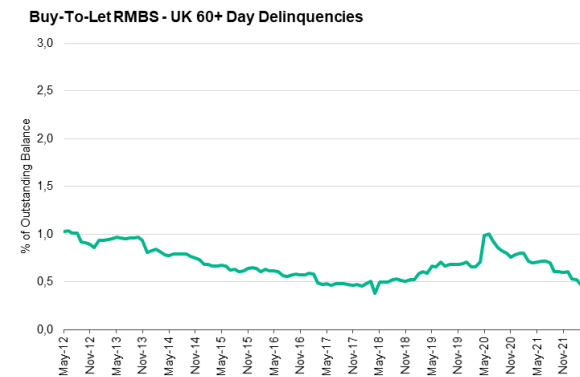
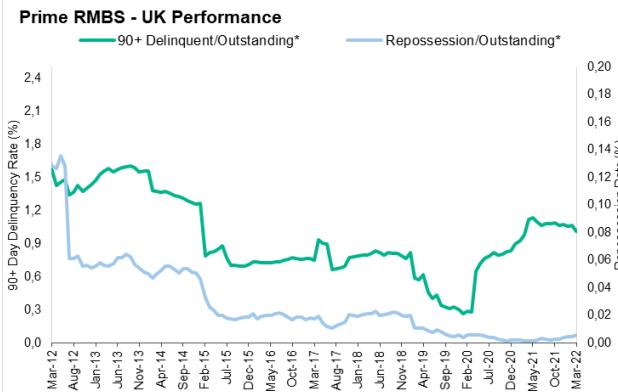
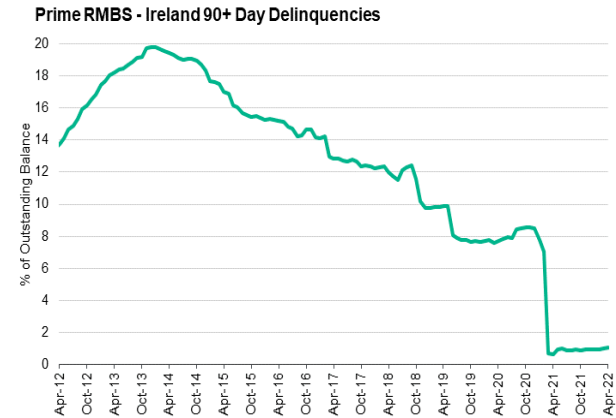
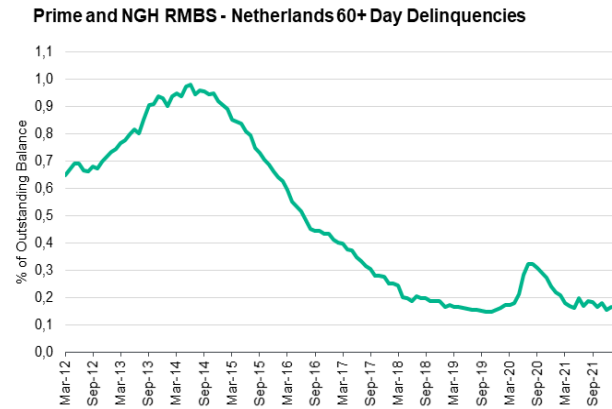
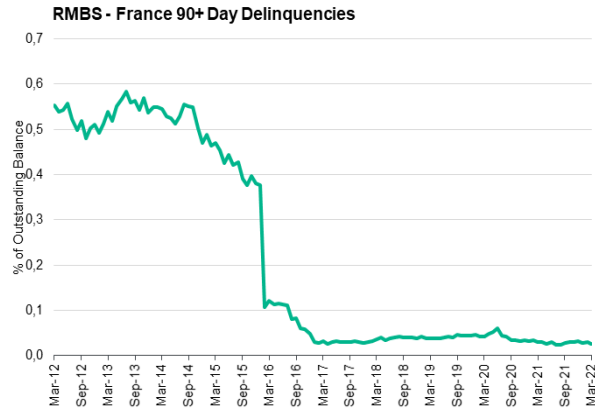
Over the Great Financial Crisis European ABS performed well, as opposed to the US ABS

Underlying Assets	Asset Class Total	2007-2014 Cumulative Default
<b>ABS</b>	<b>€170,0bn</b>	<b>0.07%</b>
Credit Cards	€33,2bn	0.00%
Other consumer ABS	€68,0bn	0.18%
Other ABS	€68,8bn	0.00%
<b>Structured Credit</b>	<b>€534,7bn</b>	<b>4.66%</b>
Synthetic Corporate	€254,4bn	2.88%
Leverage Loan CLO	€70,6bn	0.10%
SMEs	€103,0bn	0.55%
CDO of ABS	€28,9bn	41.08% (the asset class disappeared)
Other CDO	€77,8bn	6.54%
<b>CMBS</b>	<b>€163,3bn</b>	<b>10.66%</b>
<b>Corporate Securitisations</b>	<b>€47,9bn</b>	<b>0.17%</b>
<b>RMBS</b>	<b>€756,0bn</b>	<b>0.14%</b>
All consumer	€1942,2bn	0.06%
All corporate	€814,5bn	5.20%
<b>Overall Europe</b>	<b>€2756,7bn</b>	<b>1.58%</b>
<b>Overall U.S Structured Finance</b>	<b>€5814,5bn</b>	<b>19.30%</b>

Source: S&P, Seven Years On, Only 1.6% of European Structured Finance Has Defaulted, Aug. 2014  
Past performance does not prejudice future performance.

# European Securitisations: Fundamentals

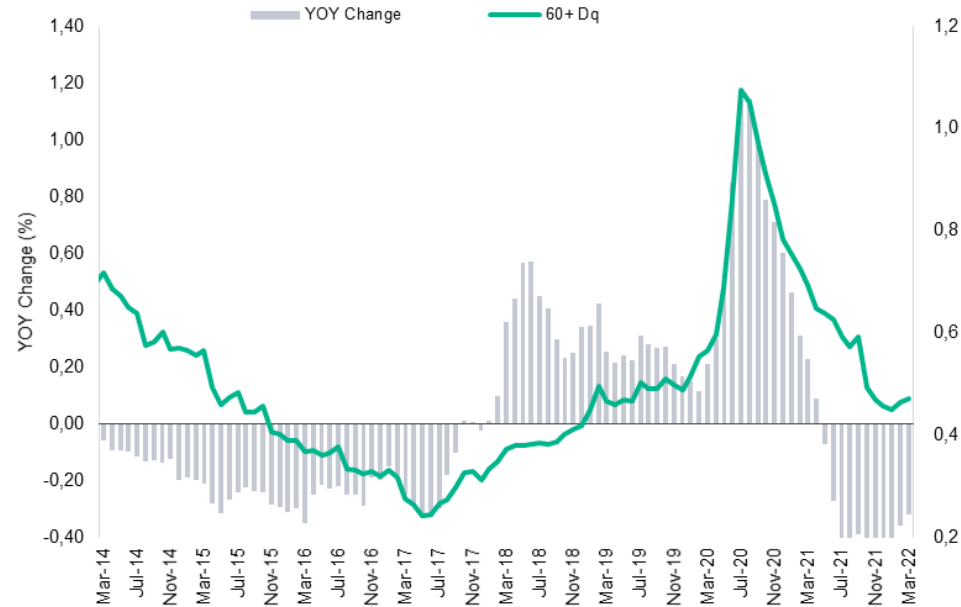
## European RMBS Arrears



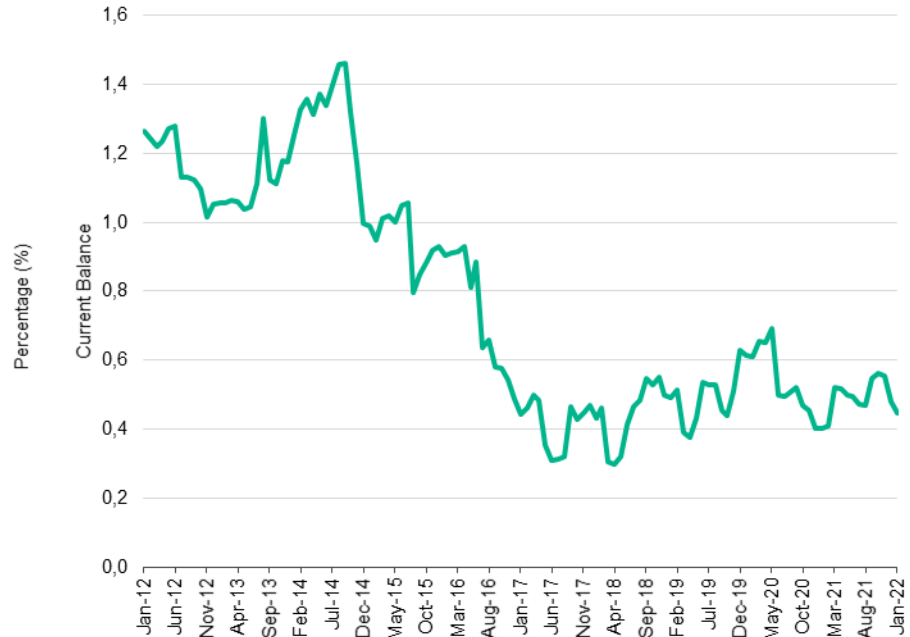
# European Securitisations: Fundamentals

## European Autos and Consumer Arrears

**Autos loan and lease ABS - Europe Performance**  
Monthly 60+ Delinquency Rate



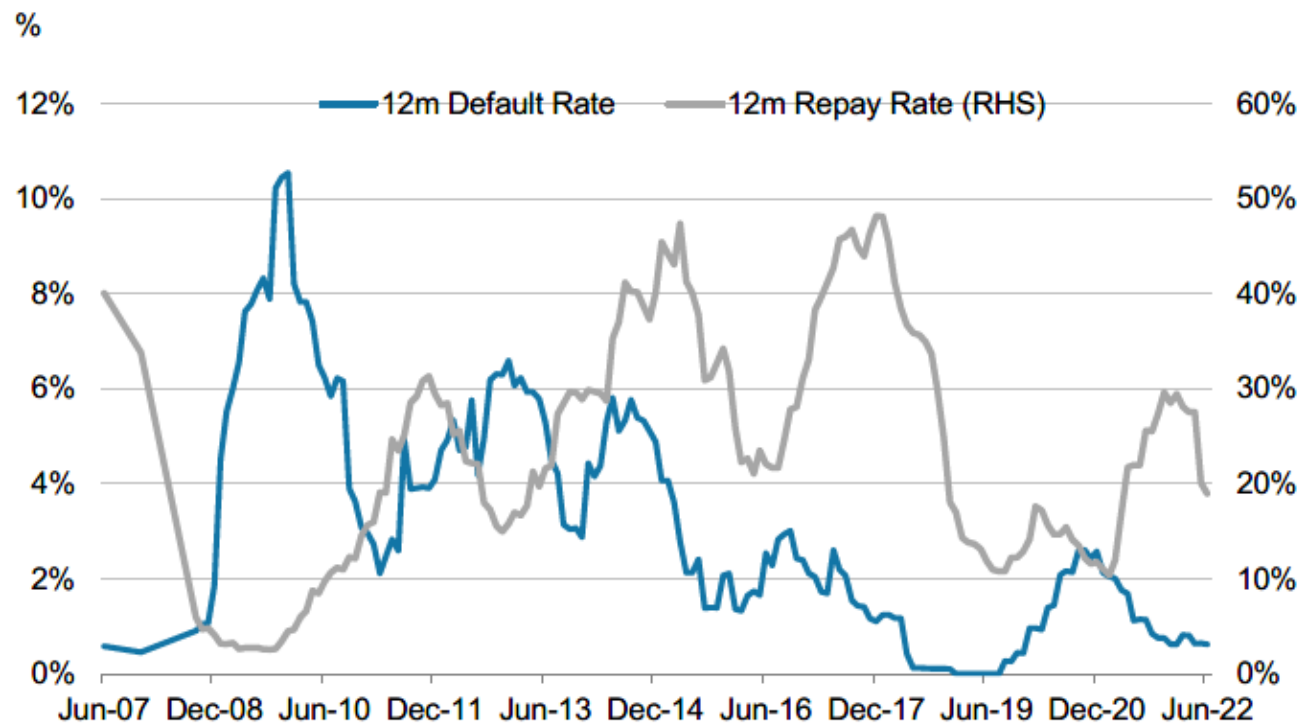
**Consumer Loan ABS - Europe 90-180 Day Delinquencies**



Source: Moody's Investors Service, periodic investor / servicer reports. Past performance does not prejudice future performance. This also applies to historical market data..

# European Securitisations: CLO Leveraged Loans

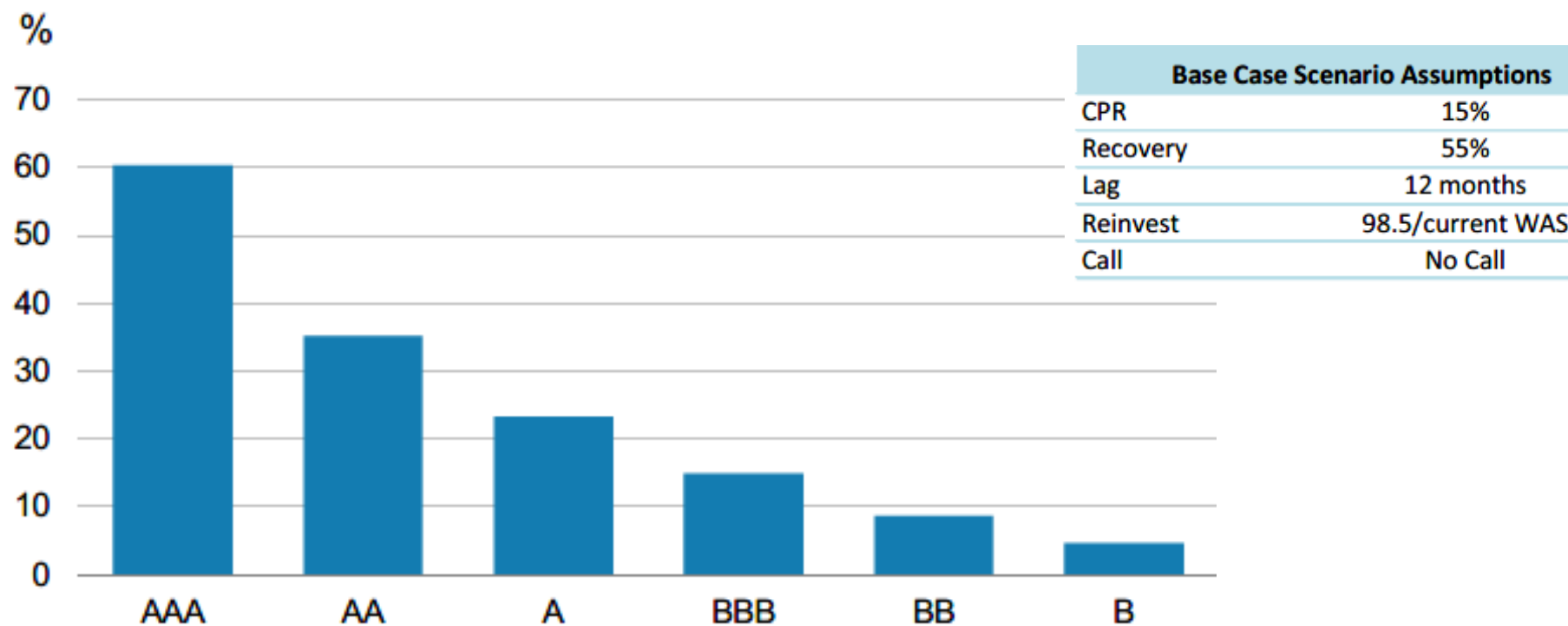
European Leveraged Loans Default Rate and Repayment Rate



Source: Source: Pitchbook LCD, Morgan Stanley Research

# European Securitisations: CLO Default Break-Even Analysis

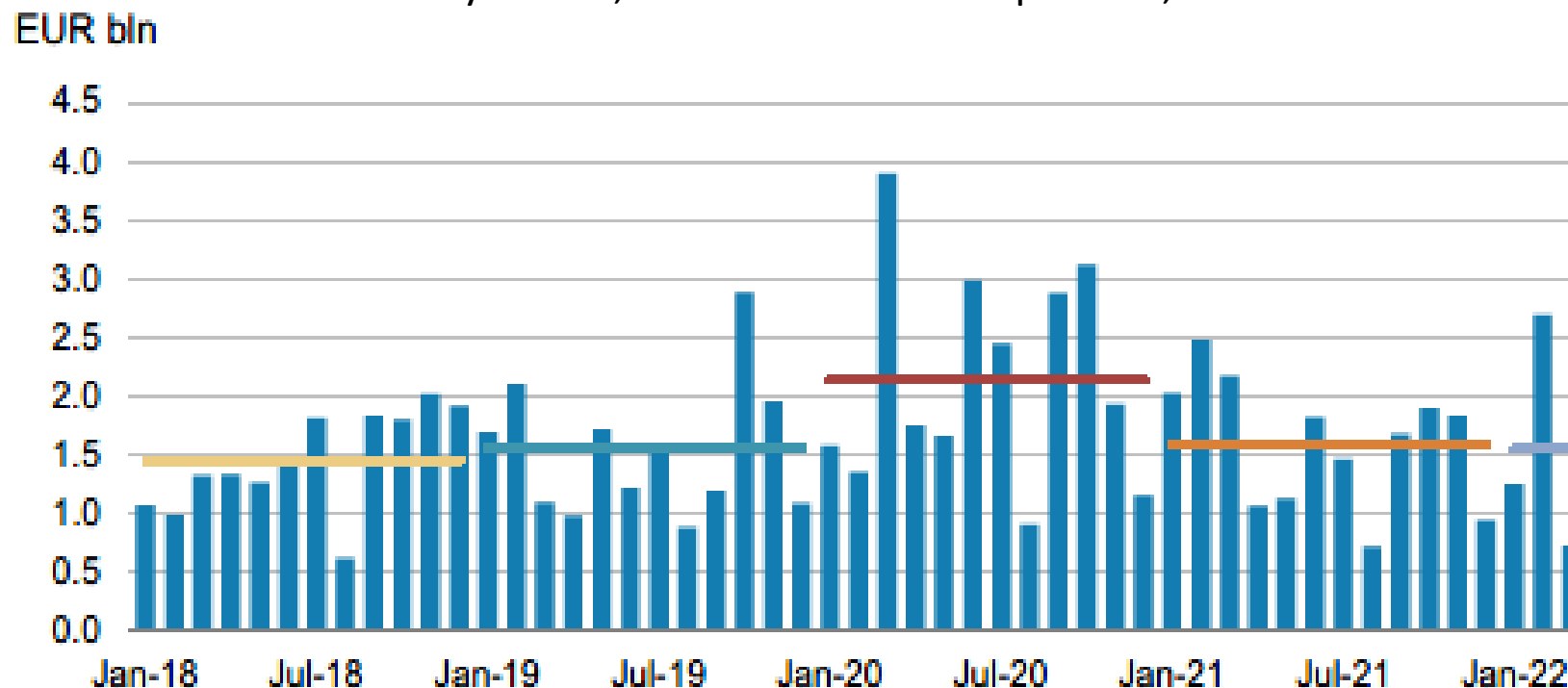
Median breakeven annual Constant Default Rates for the first principal loss on the tranche of European CLO<sup>(1)</sup>





# European Securitisations: Liquidity

Monthly BWICs, Bids Wanted In Competition, volumes





iapf   
representing pension savers