Insurance Asset Management

Winter 2026

C-PACE
The benefits of this lending strategy for insurers

A green world
Sustainable investment updates from across the globe

Portfolio optimisation
Insurers and the move beyond traditional asset allocation



On cloud nine?

The insurance investment debate around data centres

SECURITISED CREDIT
The role of this asset class in investment portfolios today

AROUND THE GLOBE
Insurance developments occurring across the world

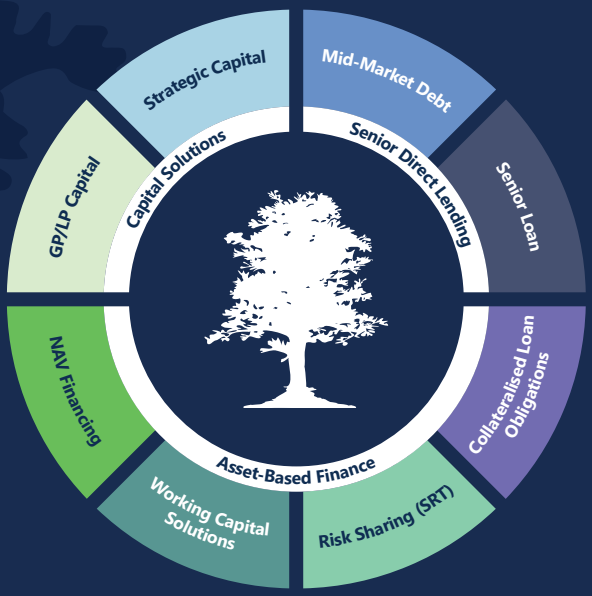
DB SUPERFUNDS
Will insurers enter this market and what could they offer?

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Pemberton Asset Management is a leading European private credit manager with deep roots in the insurance industry. Building on its historic shareholder relationship and a long track record of investing on behalf of insurers and reinsurers, more than one-third of Pemberton's capital originates from this sector. With over a decade of experience and extensive credit expertise, Pemberton delivers innovative, cycle-tested private credit solutions tailored to the specific regulatory environments and investment needs of insurers and reinsurers around the world.

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Editorial Comment



As another year draws to a close, the investment landscape continues to evolve, shaped by technological innovation, economic uncertainty and changing demands on institutional capital. Few sectors capture these developments quite as clearly as data centres, the focus of our winter edition cover feature.

Once considered a specialist niche within the property and infrastructure markets, data centres have become an increasingly important part of the global investment landscape. The rapid growth of AI, cloud computing and digital services is driving unprecedented demand for computing capacity, placing these assets firmly on the radar of institutional investors. What was once behind the scenes is now at the heart of the digital economy, creating opportunities and challenges for investors alike.

For insurers and their asset managers, it remains to be seen how much investment there will be in this area. Data centres offer exposure to essential digital infrastructure, with the potential for long-term income streams and opportunities to invest in assets supporting the economy of the future. Their growing significance also reflects the increasingly blurred boundaries between traditional real estate, infrastructure and technology investment, prompting investors to reconsider how these assets fit within existing portfolios.

However, opportunity comes with complexity. Energy security, grid capacity, water consumption, sustainability and planning constraints are all critical considerations as the sector expands. The growing demands of AI, in particular, raise questions about how quickly infrastructure can adapt and whether today's facilities will remain fit for purpose tomorrow. Investors must look beyond the headlines to understand the long-term resilience, operational demands and underlying economics of these assets.

> Data centres have become an increasingly important part of the global investment landscape

These challenges raise important questions for insurance investors, particularly around risk, valuation, portfolio diversification and the alignment of long-term investments with liabilities.

I hope you enjoy this winter edition of *Insurance Asset Management*, and thank you as always for your continued support.

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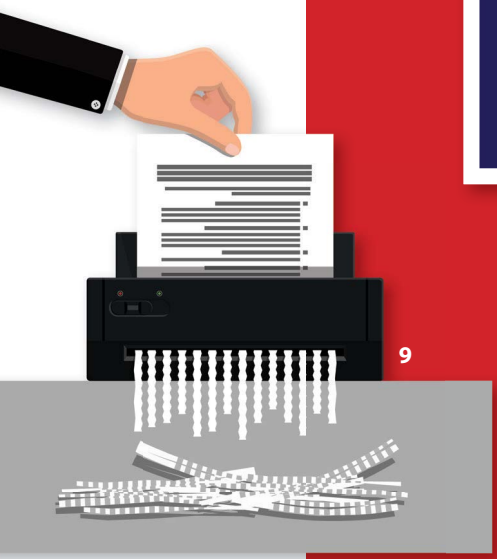
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30


18


9


46
Francesca Fabrizi
Editor in Chief
Perspective Publishing
Andrew Jackson
Managing Director,
Head of Securitised Credit
HSBC
Asset Management


58


44



38

Winter 2026

FEATURES/FOCUS FEATURE

18
On cloud nine?
Should insurers be excited about the investment opportunities surrounding data centres?

38
The missing piece?
Insurers have yet to enter the defined benefit (DB) pension superfund market, but if they did, could they improve retirement outcomes by investing in a wider range of UK assets? We examine the commercial and regulatory questions that must first be resolved

25
ReturnPlus
(in association with Aviva Investors)
From volatility to stability: Enhancing portfolio resilience in insurance investment

VIDEOS

22
Why insurers are turning to Aviva Investors' ReturnPlus
(in association with Aviva Investors)

46
Unlocking opportunities in securitised credit
(in association with HSBC Asset Management)

ROUNDTABLES

30
Insurance portfolio optimisation in a higher-rate environment
(in association with Aviva Investors)
Our panel of experts explore how insurers are moving beyond traditional asset allocation towards a more holistic approach to portfolio and balance-sheet optimisation

50
C-PACE for insurers
(in association with Nuveen)
Our panel of experts discuss the benefits on offer in the rapidly growing Commercial Property Assessed Clean Energy (C-PACE) market



News focus

UK insurers hit £22.8bn on their £100bn pledge

Written by **Adam Cadle**

The insurance and long-term savings sector is over a fifth of the way towards its commitment to invest £100bn in UK productive assets across the next decade, with latest figures confirming progress of £22.8bn since 2024, the ABI has revealed.

The update report published by the ABI shows £11.5bn was invested across 2025.

The industry is already a key investor in UK infrastructure projects, providing long-term investment capital for the benefit of communities and businesses across the nations and regions. The update report shows a number of investments made in this period, including high-quality rental and social housing for families on an average income, temporary accommodation for vulnerable residents awaiting a long-term home, education campuses and vital water infrastructure for approximately 2.5 million people across North West England.

Annuity providers' pledge to invest £100bn was made following changes to the prudential regulatory regime, now known as Solvency UK, which made it easier for the

insurance and long-term savings industry to invest in productive assets.

The top three sectors invested in over the first two years of the pledge are real estate (£9bn, including helping to build affordable and social housing and student accommodation), utilities (£5.3bn, including energy and water supply), and transport, storage and construction (£1.8bn, including in ports, buses and rail transport).

These were closely followed by accommodation and food service activities, health and administration, IT & communications.

The largest investment mechanisms were listed and private corporate bonds (£12.3bn) and mortgages/loans (£6.3bn).

Economic secretary to the Treasury, Lucy Rigby, commented: "It's very good to see that insurers are on track to deliver on their pledge to invest £100bn in UK productive assets, like energy, housing and infrastructure projects. These are tangible investments which are driving economic growth and positive change in communities across the country."

Hannah Gurga, director general of the ABI, added: "Two years into this pledge, firms have already invested almost £23bn into projects that make a real difference across the UK, from new homes and student accommodation to major water infrastructure and education facilities. This is exactly the sort of long-term investment our sector is well placed to provide. Maintaining a stable and predictable policy environment will be essential if firms are to continue investing at scale in the homes, infrastructure and businesses that support economic growth across the country."



Annuity providers are already a key source of long-term investment capital in the UK. Higher interest rates have increased the attractiveness of retail annuity products, while growing numbers of companies are transferring defined benefit pension liabilities to insurers to secure members' benefits and strengthen companies' balance sheets.

In 2024, of the total £317bn assets held by annuity providers, 63% was held in UK assets. This capital is invested productively across the country, supporting businesses, infrastructure and communities while generating the long-term returns needed to meet policyholder commitments.

News in brief

■ Chesnara is to acquire 100% of the share capital of MetLife Group's closed-book UK life insurance company, MetLife UK Limited (MLUK). MLUK manages around 18,000 customer policies with £1.7bn of AUA. MetLife's ongoing UK protection business is not included in the acquisition. Steve Murray, group CEO of Chesnara, commented: "We are pleased to announce our fourth acquisition in the last two years. The transaction adds further scale and diversification to our UK business as well as an estimated £90m of lifetime cashflows." The transaction is expected to complete during the first half of 2027, subject to customary regulatory approvals.

■ DWS Group is to introduce Deutsche Asset Management as its new global brand identity. The firm said that this new brand identity is designed to support its role as the gateway to Europe for investors globally and reinforces its German and European heritage while clearly reflecting its global growth ambitions across regions and client segments.

■ HDI Global UK & Ireland (HDI) has received approval in principle from Lloyd's to establish a new Lloyd's syndicate, marking a significant milestone in the implementation of the firm's wider Xcelerate29 strategy to drive growth globally, expand distribution opportunities and provide clients/brokers with greater access to HDI's specialist underwriting expertise.

Standard Life awards £3bn mandate to Ninety One's emerging markets equity strategies

Strategies offer potential for excess returns through a focus on bottom-up stock selection without excessive risk

Standard Life has awarded a £3bn mandate to Ninety One's emerging markets equity and Asia ex-Japan strategies.

The strategies invest across the breadth of emerging markets, seeking opportunities in companies listed or based in emerging markets, as well as businesses with significant economic exposure to them.

Their active approach provides core exposure to Asian and global emerging market equities through portfolios with balanced exposure to growth, quality, value and momentum through the cycle. With a long-term risk-adjusted alpha profile, the strategies offer the potential for excess returns through a focus on bottom-up stock selection without taking excessive risk.

Nuwan Goonetilleke, interim group chief investment officer (CIO) at Standard Life, said: "Emerging markets remain one of the most compelling sources of long-term growth in the global economy, but they are also an area where active management can add significant value. Successfully accessing those opportunities requires deep specialist expertise, extensive research capabilities and a disciplined investment approach. Ninety One stood out through the strength of its emerging markets franchise, its established investment process and its balanced approach to active stock selection, making it a strong partner for our customers' long-term savings.

"This appointment reflects our commitment to selecting high-conviction investment managers where we believe they can enhance customer outcomes, while supporting a more streamlined and resilient investment platform. By combining the expertise of specialist investment managers with our scale and oversight, we aim to deliver stronger long-term outcomes and help more people build financial security in retirement."

Ninety One founder and CEO, Hendrik du Toit, added: "Emerging markets offer attractive investment opportunities. Today's universe includes world-leading businesses and powerful growth stories at the forefront of the structural changes reshaping the global and regional landscape. Ninety One has more than three decades of experience investing across emerging markets. This is an environment that rewards deep, specialist knowledge and active stock selection."





UK insurers urge BoE's regulator to rethink stress tests as firms 'pushed to limit'

Heavy reporting demands and unrealistic scenarios cited

The UK's insurance industry is urging the PRA to rethink its live crisis simulation, citing heavy reporting demands and unrealistic scenarios in a stress test that pushed firms "to their absolute limit".

The PRA's stress test which ran over three weeks in May, subjected insurers to successive crises including a US West Coast earthquake, a Gulf of Mexico hurricane, a UK windstorm, European floods and a cyber event.

> **The accumulation of scenarios in such a short time frame was very unlikely**

"The accumulation of scenarios in such a short time frame was very unlikely," said Nafisah Hussain, director of public policy at the International Underwriting Association, a trade body for insurers and reinsurers in the London market that has fed its views back to the PRA.

Speaking to *Reuters*, Hussain warned it might be "overly burdensome" to run similar tests regularly.

"There is only so much that regulators would be able to infer from those results, from a policy perspective, at least," she said.

Insurers have told the PRA the tests put significant pressure on their internal resources, with some firms forced to bring in technical experts at short notice and cancel staff leave as it became clear what was being demanded of them exceeded expectations, industry sources said.

Restore Britain unveils plan to abolish FCA/PRA in their current form

Restore Britain has unveiled a plan to abolish the FCA and the PRA in their current form.

In a new policy paper, co-authored by Rupert Lowe and financial services expert Stephen Cooper, Restore Britain argued that successive waves of regulation since the Financial Services and Markets Act 2000 have crushed risk-taking, driven growth companies overseas, and left London's capital markets a shadow of their former selves.

Restore Britain said it would replace the current regulators with industry self-governance and common law, with the Bank of England taking sole responsibility for overseeing the banking system as it did before.

The paper traces the decline to Gordon Brown's first Budget in July 1997, which it said "penalised pension funds for investing in British companies, and the creation of a sprawling unchecked, obstructive, regulatory apparatus that now costs the financial services industry over £1.1bn a year in fees alone".



Insurers deepen private credit exposure as appetite for fund finance and infra grows

US and European insurers are deepening private credit exposure as appetite for fund finance, infrastructure and asset-based lending continues to grow, according to Moody's Ratings.

Forty-two per cent of US insurers and 36% of UK and European insurers plan to increase exposure. At year-end 2025, private credit accounted for an estimated 35% of US life insurers' investments, around 20% in the UK and 11% in Europe.

> **Fund finance is the fastest-growing private credit segment across most markets**

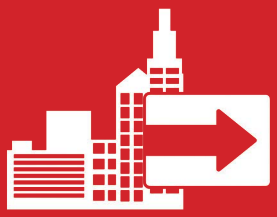
Moody's revealed that although exposure remains relatively small in asset-based finance, fund finance, direct lending and private structured credit, it is growing rapidly.

Fund finance is the fastest-growing private credit segment across most markets, while infrastructure and asset-based finance are among the most sought-after areas for future investment.

Moody's also found that AI-driven demand for data centres and associated energy infrastructure is creating significant investment opportunities, and it estimates the overall US insurance sector has around $15bn-$20bn of exposure to data centres.

Although greater allocations increase illiquidity, valuation and credit risks, Moody's does not expect these trends to materially weaken the creditworthiness of most rated insurers, given current exposure levels and generally strong asset-liability management practices.





54% of all US insurers outsourcing investment management

P&C companies made up 60% of the total insurers outsourcing

Around 54% of all US insurers reported outsourcing investment management to an unaffiliated firm in the annual statement filings at year-end 2025, slightly higher than year-end 2024, according to the National Association of Insurance Commissioners (NAIC).

While the percentage of insurers that outsourced investment management to a non-affiliate has been increasing over the last five years, it increased at a more rapid pace from 2023 to 2025.

Consistent with prior years, P&C companies were the largest insurer type that outsourced to unaffiliated investment managers at year-end 2025, at almost 60% of the total.

In addition, the percentage of life, health and title insurers that outsourced investment management also remained relatively unchanged over this same five-year period.

Small insurers, or those with less than $250m AUM, accounted for two-thirds of the total number of US insurers that outsourced investment management, the same as in prior years.



Europe/UK gain ground in global insurance outsourcing

Now account for 38% of reported outsourced insurance assets

Written by **Adam Cadle**

Europe and the UK now account for 38% of reported outsourced insurance assets, closing in on North America's 45% share, new survey data from Clearwater Analytics has revealed.

The firm's latest *Insurance Investment Outsourcing Report* stated that assets managed on behalf of European and UK insurers more than doubled between 2021 and 2025, rising from around $1trn to $2.1trn. That compares with an increase from $1.8trn to $2.4trn in North America over the same period.

The increase reflects both growth among existing participants and the addition of large managers to the survey.

Across the global survey, private assets have risen from just 5% of reported assets in 2016 to 23% in 2025, as insurers seek additional yield, diversification and specialist investment strategies.

"The use of external managers was once dominated by smaller non-life insurers. It has evolved to include insurers of all types and sizes," said Steve Doire, author of the research and strategic adviser to Clearwater Analytics.

"Some insurers outsource most of their portfolio, while others use managers to extend their asset allocation into asset classes where they lack capabilities.

"Europe and the UK now represent a much larger share of the outsourced insurance assets captured by the report. While some of that reflects growth among existing managers, the expanding number of managers reporting European insurance assets also tells us that insurance investment outsourcing is becoming an increasingly global market.

"The private markets boom is central to all this. Private credit and other less liquid assets require specialist underwriting and monitoring. Rather than trying to build all of that expertise in house, insurers are increasingly renting it from specialist managers."

The report included 96 insurance asset managers and 12 insurance investment consultants, and is in its 13th year of continuous annual publication.

Total value of pension risk transfer deals in H1 2026 hits £10.2bn

The total value of pension risk transfer deals reached £10.2bn during the first half of 2026, up from £9.8bn over the same period in 2025, according to Hymans Robertson.

Hymans Robertson's half-year update, summarising activity in the bulk annuity and longevity hedging markets, revealed that over 135 deals were transacted in the first half of 2026, with schemes below £100m continuing to make up a high proportion.

By comparison, an update for the same period last year recorded 161 transactions in H1 2025.

The consultancy said the current high levels of activity in the bulk annuity market suggested increased volumes over the remainder of the year.

According to the firm, insurer pricing remained attractive, enabling some schemes to complete transactions sooner than previously expected.

It added that strong insurer competition and recent investment from global investors had expanded capacity in the market and supported further development of insurer products and services, with a focus on the post-transaction experience and market efficiency for smaller schemes.

> **"Strong demand and very competitive pricing should see volumes increase significantly**

Hymans Robertson head of risk transfer, Lara Desay, commented: "Transaction activity has remained high in the first half of 2026, but current strong demand and very competitive pricing should see volumes increase significantly in the second half of the year."

She said that trustees continue to place greater focus on non-price considerations like member experience when choosing an insurer, and this must be a "focal point for both innovation and service delivery for insurers".





Insurers see themselves as AI leaders

Transformation gaps remain

Nearly half of global insurance executives believe their organisations are among the industry's AI leaders, yet new KPMG International research has found that confidence may be running ahead of meaningful business transformation.

The report, *Unlocking AI value in insurance*, found that 44% of respondents place themselves in the top quartile for AI transformation and none consider themselves significantly behind. Yet functional redesign remains rare: no surveyed organisation reported having fully redesigned sales and distribution or underwriting around AI, while only 3% have reached that stage in policy servicing and claims management.

The findings revealed a growing disconnect between urgency and readiness. While 77% believe failing to redesign their enterprise architecture for AI will undermine competitiveness within five years, 71% said their primary use of AI remains around content generation and routine task automation. Just 29% reported running front-to-back processes through AI agents or automation, while 68% said moving too slowly on AI transformation is a greater risk than moving too fast.

Frank Pfaffenzeller, global head of insurance, KPMG International, said: "The insurance industry understands that AI has the potential to reshape competition, customer expectations and business models. The challenge is that many organisations remain focused on efficiency gains rather than asking how AI might fundamentally change the kind of insurer they could become. The gap between activity and transformation is where the real opportunity and risk now sit."

More than nine in ten insurers (92% of respondents) said AI is helping improve productivity and reduce operating costs, compared with only 25% using it to drive growth through new products, services and AI-enabled offerings. Nearly half of AI budgets are directed towards operational and back-office efficiency, while just 5-10% goes to new products and revenue models.

Canada Life commits $10bn to Canadian infra and nation-building projects



Canada Life has committed $10bn to Canadian infrastructure and nation-building projects over the next five years.

The announcement came as the Government of Canada hosted its inaugural Canada Investment Summit in Toronto, bringing together business leaders, institutional investors and policymakers to advance economic growth and help catalyse investment across the country.

Canada Life's commitment will focus on investments that support Canada's long-term economic development, including opportunities across infrastructure, power and utilities, transportation, digital infrastructure and other assets that contribute to a stronger and more resilient Canadian economy.



UK's Standard Life to launch £2bn PRT partnership to target largest DB schemes

Initial capital commitment of £2bn expected to be drawn over five years

Written by **Adam Cadle**

The UK's Standard Life is set to launch a new pension risk transfer (PRT) partnership backed by up to £2bn of initial capital, with the goal of expanding its reach into the largest and most complex defined benefit (DB) pension schemes.

The partnership, which remains subject to regulatory approval, brings together Standard Life with CVC Capital Partners, Prudential Financial Inc. (PFI), Goldman Sachs, MS&AD and other long-term institutional investors.

The combined initial capital commitment of up to £2bn is expected to be drawn over five years, including £500m from Standard Life, with the balance provided by the consortium led by CVC and PFI.

> **The partnership will operate under the name Standard Life PRT Solutions**

Standard Life said the partnership would allow it to support a broader range of DB schemes, particularly at the upper end of the market, where it expects a significant and growing share of future de-risking activity.

The firm cited estimates that between £350bn and £550bn of UK DB scheme assets could be de-risked over the next decade.

The partnership will operate under the name Standard Life PRT Solutions and will be delivered through Standard Life's existing regulated insurance platform.

Standard Life will retain full operational control, while CVC, PGIM, PFI's asset management business, and Goldman Sachs Alternatives will provide access to private markets asset origination.

The firm argued this would improve pricing competitiveness and structuring flexibility for large and complex transactions, while also giving the partnership access to long-term capital aligned with the long-dated nature of DB liabilities.

Standard Life group CEO, Andy Briggs, said: "We are delighted to announce the expansion of our PRT business in partnership with a group of internationally recognised financial institutions, who are committing global capital into the UK PRT market.

"By bringing together our comprehensive PRT capabilities with our partners' specialist private markets capabilities and significant capital resources, coupled with a trusted and well-known brand in Standard Life, we will be able to offer trustees and sponsors for the largest pension schemes an alternative to secure the pensions of their members across the UK."

Briggs added that the deal would further accelerate Standard Life's ambition to become the UK's leading retirement savings and income business.

China urges insurers to invest in Hong Kong-listed ETFs screening defence firms

Mainland insurers to be allowed to invest through Stock Connect

China's National Financial Regulatory Administration (NFRA) is to actively support mainland insurance funds to participate in mutual access schemes between the mainland and Hong Kong financial markets.

The move will allow mainland insurance institutions to invest in ETFs in Hong Kong through Stock Connect.

"The National 15th Five-Year Plan clearly supports Hong Kong in consolidating and enhancing its status as an international financial centre, strengthening its role as a global offshore renminbi business hub, an international asset and wealth management centre, and an international risk management centre," Hong Kong Special Administrative Region (HKSAR) CEO, John Lee, said.

"Building on the mature experience of mainland insurance funds investing in Hong Kong's stock market through Stock Connect, the policy measures announced further facilitate mainland insurance companies in diversifying their asset allocation via Hong Kong, while promoting the development of the local ETF market and strengthening its ecosystem. The measures represent the strong support of our country for the development of Hong Kong's capital market and asset management industry, and are of profound significance."

Finland's Varma conducts review of gender equality on invested companies' boards

Nature and biodiversity now included

Finnish pension company, Varma, has conducted a review of gender equality on the boards of the listed companies in which it invests. The share of women on the boards, weighted by the value of investments, was around 36%.

For Finnish listed companies that Varma is invested in, approximately 40% of people on boards were women. Around 1% of the listed companies examined had boards of only one gender.

Under the EU directive (2022/2381), large listed companies are required to have the underrepresented gender on boards to be at least 40% by 2026.

The same requirement for equal representation is also included in the Corporate Governance Code of the Securities Market Association.

While the share of underrepresented genders in board positions was close to the requirement, equal representation was still not achieved in more than half of the Finnish listed companies Varma invests in. Fewer than half (49%) had a board composition that was in line with the EU directive.

Furthermore, women were still significantly underrepresented as chairs of boards, with only around one in 10 of the Finnish companies examined having a female board chair.

> **The share of women on the boards, weighted by the value of investments, was around 36%**



People on the move



EMMANUEL ARCHAMPONG
Head of Insurance Solutions, Vontobel

Vontobel has appointed Emmanuel Archampong as head of insurance solutions. In this role, he will lead the expansion of the firm's insurance advisory, origination and specialist capabilities across Europe and the Asia-Pacific region, leveraging Vontobel's broad expertise in fixed income, investment solutions and private markets, to deliver tailored investment solutions for insurers.



MARK FENLON
Operations director for bulk purchase annuities (BPA), Canada Life

Canada Life has appointed Mark Fenlon as operations director for BPA. He will drive forward Canada Life's BPA operations strategy, delivering services and propositions that underpin the business's commitment to operational excellence during the buy-in to buyout journey and the experience provided to members throughout and beyond the transfer process.



PAULINE PLUNKETT
Managing Director, Europe, Asset Management, Legal & General (L&G)

L&G has appointed Pauline Plunkett to the role of managing director, Europe, Asset Management, with overall responsibility for L&G's asset management business across Europe ex-UK. Plunkett joined L&G in 2014 to lead insurance client relationships. More recently, she undertook the role of CEO of LGIM Managers (Europe) Limited and managing director of Ireland.



DAVID RAMROOP
Senior Adviser, NLC Capital Partners

Former Just Group chief investment officer (CIO), David Ramroop, has joined NLC Capital Partners (NLC) as senior adviser. Ramroop, who spent 12 years at Just Group, will work alongside the capital formation and capital integration team at NLC Capital Partners, supporting the firm's global fundraising activities whilst also advising on investment vehicles tailored to institutional investors.



BRAHIM BEN AMMAR
Head of Middle East, Russell Investments

Russell Investments has appointed Brahim Ben Ammar as head of Middle East based in the firm's Dubai office. He brings more than 25 years of experience to the role, primarily in business development and international distribution across the Middle East and North Africa. He has held senior positions at Banco Santander International, Lombard Odier, Pictet Asset Management and Clearstream Banking Group.



RUPAL SHAH
Head of Insurance Solutions, New York Life Investment Management (NYLIM)

NYLIM has appointed Rupal Shah as head of insurance solutions. In this new role, Shah will lead NYLIM's strategy to offer its insurance-specific portfolio expertise, balance-sheet perspective and broad investment capabilities to insurers globally. Shah joins NYLIM from Silver Point Capital, where she served as managing director and global head of insurance solutions.

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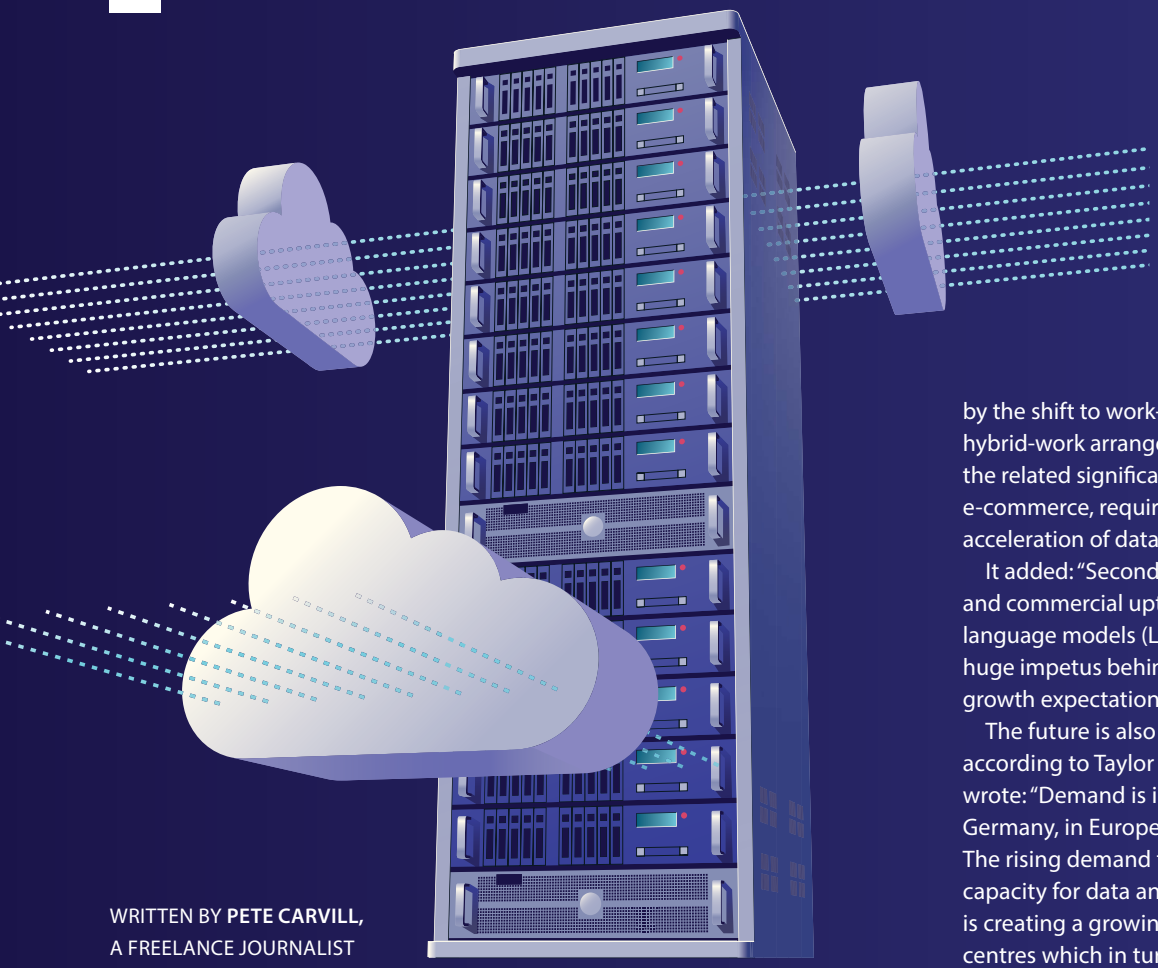
We're here to guide you every step of the way, ensuring long-term, balanced investments, from beginning to maturity.

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[1]Source: Global Infrastructure outlook, https://outlook.gihub.org

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WRITTEN BY **PETE CARVILL**,
A FREELANCE JOURNALIST

On cloud nine?

Is data centre investment too risky for insurers or are there opportunities?

It is no secret that the rise of data centres—in line with the proliferation of AI—has been a major subject not only in the world's business papers, but front and centre in discussions around government planning.

As the law firm Taylor Wessing pointed out in its recent *Real Estate, Infrastructure, & Energy: Data Centers* report, a market that was once considered "niche" has become an "established and attractive asset class" that offers investors opportunities within a "dynamic and rapidly growing market environment".

Much of this demand comes post-Covid. DWS Asset Management wrote in its *Data Centres: Asset Classes, Strategies and the AI Boom* report that this period gave "significant momentum" to the market by offering potentially outsized returns through early entry alongside a surge in demand.

"Firstly," it wrote, "demand was stoked by the shift to work-from-home and hybrid-work arrangements, alongside the related significant uptake of e-commerce, requiring a requisite acceleration of data centre capacity".

It added: "Secondly, the release and commercial uptake of AI large language models (LLMs) has added huge impetus behind DC capex and growth expectations."

The future is also looking bright, according to Taylor Wessing, which wrote: "Demand is increasing in Germany, in Europe and worldwide. The rising demand for storage capacity for data and data processing is creating a growing need for data centres which in turn creates a need for suitable real estate."

The numbers speak for themselves. Global consulting firm McKinsey wrote in its *Investing in the Rising Data Center Economy* in 2023 that the value of data centre deals rose by 40% between 2020 and 2021. And while the whole of 2021 saw 209 data centre deals, the first half of the following year saw 87, with an aggregate value of $24bn.

The source of the money over the last decade has also been instructive.

Wrote McKinsey: "From 2015 to 2018, private equity buyers accounted for 42% of the deal value. Their share increased to 65% from 2019 to 2021 and to more than 90% in the first half of 2022."

Jump forward a few years and that picture has shifted again. Silversky Group's analyst, Joseph Byrne, wrote a report, *Data Centres and AI Energy:*

Investment Opportunities and Risks, in which he said that private equity investment in this space nearly doubled between 2022/2023 and 2024, rising from $59.3bn to $115bn.

"Meanwhile," he added, "venture capital has allocated over $100bn to AI infrastructure in 2024 alone, representing an 80% increase from 2023."

How to invest in data centres

There are two types of investment opportunities when it comes to data centres. Or, at least, writes McKinsey, there are two that stand out. The first is real estate, fuelled by a demand for edge computing that can only come from smaller data centres often located in urban centres and close to the end consumer.

The other is in the technology itself.

"The components of the edge-computing tech stack (the hardware, connectivity, platforms, and software)", says McKinsey in *Investing in the Rising Data Center Economy*, "are not new. The challenge is how to deploy and architect them at the edge—how artificial-intelligence capabilities can be brought there, for example, or how to deploy and manage platforms."

The investment is also across an entire infrastructure ecosystem. A recent report from Allianz Research posited that the expansion goes far beyond the centres themselves, but also includes electricity generation, transmission networks, substations, cooling systems, fibre connectivity, and advanced semiconductors. And this technology is also changing.

Wrote Patrick Hoffmann of Allianz Research in the piece: "Gigawatt-scale AI campuses are gradually replacing the tens-of-megawatts facilities that characterised the cloud era, while liquid cooling, high-speed optical networking, GPUs, custom AI accelerators, and high-bandwidth memory are becoming essential components of next-generation infrastructure."

While the market is booming, there is little data yet on how insurance investors are accessing it—if at all. Insurers tend to be conservative investors, dipping toes only into the pond long after the market case for an investment is proven and ensuring that there is a clear path to understanding how all the myriad rules, regulations, paperwork, and red tape that could impact this sector do apply.

Right now, where the money from insurers does enter the market, says Cartwright's head of pensions investments Yona Chesner, it is as investors rather than owners.

He says: "This is a competitive market, so insurers must be sure they are paid enough for the risks. Lease terms make these medium-term loans rather than the very long-term assets insurers find hardest to source, and lenders should check how easily tenants can walk away early."

There are valid questions if such a market, growing so rapidly, has become overheated and, consequently, overvalued. This was a position echoed by DWS Asset Management in its report, which said, despite the uncertainty surrounding current demand dynamics, the need for increased capacity is expected to remain broadly strong across markets.

> Insurers must be sure they are paid enough for the risks

As to where that money could go, AIStockwire's founder, David Han, says that the best fit for insurance capital would be debt backed by a completed data centre with a long-term lease to an investment-grade tenant, the income of which could be used to help insurers meet long-term obligations. More caution would need to be applied, he adds, about capacity with no committed customer. He said insurers should not treat proposed capacity as a committed demand but should look to see who stands behind the lease. A signed lease, he concludes, only matters if the tenant—or their guarantor—can pay.

The hyperscalers

FTI Consulting's senior managing director in the corporate finance sector, Brian Bagenstose, points to hyperscalers as a target for insurance investment. These are massive cloud service providers or data centre operators that design, build, and manage ultra-large facilities capable of scaling computer, storage, and networking resources seamlessly to meet massive demand.

They are also, according to Allianz Research, the firms spearheading this expansion. According to that firm, the leading US cloud providers—Amazon, Microsoft, and Google Cloud—accounted for 63% of global cloud revenue in the second quarter of 2025. That came on the back of hyperscalers spending around $210bn on data centres in relation to AI deployment in 2024.

Moreover, hyperscaler spending has risen much faster than many would have expected. Recent estimates posit that annual global data centre investment could exceed $1trn as early as 2027 and approach $1.6trn by 2030, making AI infrastructure one of the largest investment cycles in decades.

Bagenstose adds: "Large hyperscale and AI deployments are typically supported by long-term contracts

ranging from 10 to 20 years, often with annual escalators of 2.5% to 5%. AI infrastructure is following many of the same contracting patterns established by cloud computing, providing investors with highly visible and predictable revenue streams. Combined with ongoing power constraints and the continued growth of AI workloads, these dynamics support a strong outlook for lease renewals as hyperscalers and AI operators are expected to require increasing capacity over time."

An important shift to note in the hyperscaler landscape is that while many used to build their own data centres, renting is now preferable due to the high capital expenditure and the speed at which facilities can be leased. This, in turn, promotes financial flexibility while allaying uncertainty about future computing needs and architecture. It is also notable that many AI model developers go through hyperscalers for their computing needs, subsequently borrowing their credit ratings. The firm OpenAI has a long-term deal with Microsoft, CoreWeave, and Oracle. Meanwhile, Anthropic has signed long-term deals with both Amazon and Google.

There are, however, downsides. While hyperscalers can come with ticks in the pluses column for insurance investors—favourable credit ratings, a growing market, demand for these products that is likely to expand—these are factors that only strengthen a case but do not settle it.

"Hyperscaler tenants and long-term leases make projects easier to finance," says Kroll's managing director and global head of corporate compliance and business ethics, Karis McLarty, "and pre-leasing before construction is now common. Even the largest operators, however, face grid delays and power constraints. The investment case still rests on reliable power, a suitable location, stable financing, and a facility that can keep pace with changing technology."

What really matters, says FTI Consulting's global head of data centre construction, projects, and assets, Greg Parker, are the terms and conditions that come with such projects. "These can include things such as cancellation costs and processes," he says. "Hyperscalers have the size to be able to pivot and change direction, without impacting their balance sheets, but could leave investors exposed. This is a particularly important consideration in Tier 2 markets and new geomarkets where residual values are yet to materialise."

> Institutional investors are looking for durable, predictable cash flows

The question remains as to how these hyperscaler tenants and users of data centres make the case for insurance investment. At their core, institutional investors are looking for durable, predictable cash flows. Hyperscaler tenants, long-term leases, and contracted revenues provide exactly that. And, historically, one of the biggest attractions of data centres has been their ability to combine real estate and infrastructure with the growth profile of the technology sector.

Says Bagenstose: "A long-term lease with a strong hyperscaler provides visibility into future cash flows, supports financing, and can materially reduce the perceived risk of the investment. That's particularly attractive to pension funds, insurance companies, sovereign wealth funds, and infrastructure funds that are looking for long-duration, inflation-resilient returns."

But there are other questions to ask, he adds. "It's not simply about having a hyperscaler on the lease. Investors are asking 'Who is the tenant? How strong is its credit? How long is the lease? Is the revenue truly contracted, and are there protections around power costs and operating expenses? Can the facility actually be delivered with the power, cooling, and connectivity required to serve that tenant?'"

Another thing for investors to consider, he says, should be whether they are investing in a fully leased data centre or something that is more at a development stage.

He concludes: "A facility with a creditworthy tenant, a long-term lease, and secured power is a very different investment from a speculative development that still needs to secure its tenant, power, and construction financing."

Other factors to consider

Data centres both draw from and feed into the local ecosystem, drawing on local power and water but providing an increasingly necessary service. Around Europe, there have already been issues with the drains on local electricity supply that these centres cause—according to Ember Energy, data centres in 2023 consumed 33-42% of all electricity in Amsterdam, London and Frankfurt, plus nearly 80% in Dublin.

As Allianz Commercial notes in its *Data Centers: Risk and Claims Trends* report: "While large data centres can often be built within 18-24 months, the transmission infrastructure, grid connections, and additional power generation needed to support them frequently require several years to



develop. This growing mismatch delays projects, postpones revenue generation, and extends the payback period on invested capital."

The firm also noted that labour shortages in the US construction industry were holding back development, while sites are also becoming scarcer as developers compete for locations offering reliable power, fibre connectivity, water availability, and favourable permitting conditions.

Says Bagenstose: "Operators with secured power capacity or access to substations today are increasingly commanding premium valuations, as an available megawatt today is often worth significantly more than a planned megawatt that may take five to seven years, or longer, to energise."

He adds: "Growing grid constraints, lengthy utility interconnection timelines, and increasing planning and community opposition to new developments are further limiting supply, creating substantial barriers to entry, and strengthening the competitive moat of existing assets."

But where there have been limitations, there is also opportunity.

"Securing a grid connection," says Chesner, "is now one of the main constraints on new data centres, particularly in the US, which adds value to sites that already have one. It also strengthens the case for pairing data centres with energy infrastructure, an asset class that insurers already understand and one that will be needed however AI demand develops."

Technical obsolescence is also an issue as a rapidly developing industry risks losing steam if an abundance of today's technology soon becomes old-fashioned. While the growth of AI creates substantial demand, says Kroll's head of OT security, Sameer Koranne, not every facility can capture it. This means that investors will need to look beyond scale and focus on purpose, location, and design.

Bagenstose says that there is both opportunity and risk in the technical development. Beyond the need for more servers, there are also requirements for much higher rack densities, advanced liquid cooling systems, and significantly greater power consumption. All this creates more opportunities for developers, operators, and investors who can deliver under the right conditions.

However, he adds: "We need to be careful not to extrapolate today's demand growth indefinitely or assume that every megawatt of planned capacity will ultimately be needed. There's a meaningful difference between demand announcements, actual customer commitments, and capacity that can realistically be delivered. Power constraints, construction timelines, and the concentration of investment among a relatively small number of large customers all introduce risk."

And when it comes to obsolescence, he draws a line between computing technology and the underlying data facility, saying that GPUs and server architecture will evolve but the fundamental requirements for power, cooling, connectivity, and secure, reliable facilities are likely to remain.

Other risks

The role of every insurer is to assess risk, and with data centres, these would seem to centre around leverage, refinancing, tenant concentration, and changing technology.

Swiss Re recently published what it considered the four structural drivers of risk accumulation, seeing them as increasingly large individual assets, geographic clustering, supply-chain dependencies, and shared physical and digital networks.

"These factors," it wrote, "can reinforce each other, meaning a single disruption can affect multiple policyholders, industries, and lines of business simultaneously. Some AI data-centre campuses, including their computing equipment, can cost up to $50bn to replace. Data centres also tend to cluster where power, land, water, and connectivity are readily available."

Asked by *Insurance Asset Management* what the key risks are in this area, Chesner also named a shift in government policy. While administrations in the US and UK are promising faster connections and other support, these winds may shift.

"Policy can change," he says, "and alignment with government priorities does not in itself make an investment suitable for insurers. Trustees purchasing bulk annuity insurance should ask which assets are likely to back it."

Koranne pointed to another risk factor: debt and the refinancing timetable.

He says that those two things may not withstand grid delays, slower leasing or rising delivery costs.

He added: "Lenders are already focusing more on de-risked, fully leased assets. Tenant concentration can compound that exposure, while rapid hardware obsolescence, costly cooling upgrades, and the complex ownership of equipment in colocation facilities make cash flows and recovery values harder to assess."

As to whether the insurance industry will prove to be a long-term, major investor in this area, the jury is still out. But what we know is that the road from here to there remains compelling and complex, and is far from fully travelled.



IN CONVERSATION WITH IAM:

Why insurers are turning to Aviva Investors' ReturnPlus

Todd Cutting and **Mike Leonard** discuss Aviva Investors' ReturnPlus strategy and its potential benefits for insurers. Our video explored the strategy's key features and explained how it can provide flexibility, improve return on capital, and remove interest rate risk

AVIVA INVESTORS

IAM: Todd, can you provide an overview of the firm's ReturnPlus Strategy?

Todd: So, the ReturnPlus Strategy is a short-term bond fund essentially. It was designed to deliver a return of cash plus 75 basis points, and it does that by investing in short-term and highly rated fixed income securities. By short-term we mean an average maturity of less than five years and by highly rated, we have an average credit rating that typically comes out somewhere around AA flat. Why is it distinctive from other strategies in this space? I would say firstly, it's the access to a truly global opportunity set. When we were designing the strategy, we looked at standard bond indices, and we think they proved a blunt tool when we're trying to target specific insurance balance sheet metrics. So, we designed a more bespoke investable universe. The key here is it gives us the flexibility to really allocate our unit of credit risk capital to the areas of the global fixed income markets that have the most attractive credit spread premia. I think if we look at what that means, it typically is areas like currencies, sectors and types of bonds that are often underutilised by more typical short duration credit strategies, enhanced liquidity strategies.

The second differentiator is a key one, and this is the use of derivatives to hedge out any unwanted risks and focus on isolating the credit risk. So, for example, in the strategy we'll use interest rate swaps where required to completely remove any interest rate risk and target a duration of zero. What this does is it removes that volatility, improves the return on the capital position and really what we're left with is a pure building block where we're focusing on taking a small and considered amount of credit spread risk to try and generate that return above risk free, which really is the insurance playbook. We don't want to be taking huge bets in rates to try and generate returns. They can be punitive from a capital point of view, so we're really focused on that precise credit risk management.

IAM: Mike, how would you use this strategy to build tailored solutions for insurance clients?

Mike: I think the distinctive characteristics of the ReturnPlus Fund mean that it can be applied across a wide range of uses for an insurance

balance sheet. The first use is an enhancement under a return on capital. Given its low SCR and return over risk free, it is particularly efficient on a capital balance sheet.

The second one is the efficient use of the balance sheet. It removes that interest rate risk or that duration risk where you don't want to deploy that risk. So, for example in surplus funds, it takes out all that kind of volatility. And I think the third aspect where it is useful is as a limited kind of flexible strategy. One I'm thinking about here is the deployment of private assets that ramp up period where the investor doesn't want to take short duration risk. They can invest in the return plus, get return in excess of cash, but be able then to liquidate and deploy into private assets.

IAM: And how are existing clients of yours using the strategy?

Mike: A lot of our existing clients are using this as an alternative to lower rated investment grade credit. Given the tight credit spreads currently being seen in that part of the market, it is applied across the various aspects of the balance sheet, including liability driven investments, surplus assets and with profit funds. So, it has a wide range of uses across the balance sheet. Also, because of its resilience, and removing that volatility, we're seeing it being deployed increasingly in surplus assets across all insurers and that ensures that the surplus assets remain stable in these low volatile times. That increases the resilience of the balance sheet as well for the insurer.

IAM: Todd, looking ahead, what are your objectives for the strategy, given the levels and challenges that clients are facing?

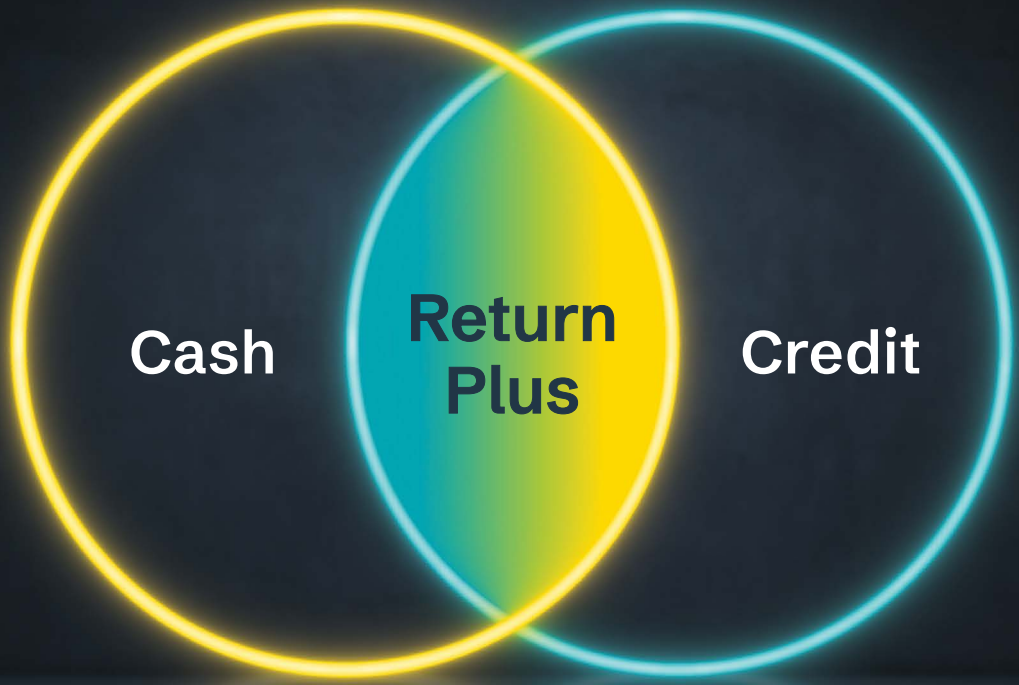
Todd: If we look at the level of investment grade credit spreads at the moment, the compression we've seen there and the flatness of the curve, I think this strategy works well for investors who are looking to remain defensive in this environment, but they don't want to sacrifice carry. We speak to clients and our investors who are reluctant to move further down the credit spread curve in the chase for returns. We see clients who are looking to probably reduce their credit beta rather than increase it. And in a lot of those cases, we see those clients maybe over allocate towards cash. Cash is a good option to do that. And maybe short-term government bonds is a way to improve that resilience. But this type of strategy that has a bit more of a global, diversified feel is a good way to achieve that similar level of resilience in this environment but do so at a higher level of carry. If we look at the spread environment, investment grade credit spreads are close to all time tights. If we look at some of the assets within our wider bespoke universe - like covered bonds, which is bank debt backed by mortgages, or sovereigns and sovereign related bonds - these are all asset classes that actually are trading at the moment materially wider than the all-time tights we saw in those markets. That tended to happen around 2018 when we had that peak Central Bank QE buying these assets. And that's when we saw the all-time tights for those asset classes. So, on a relative value point of view, I know that these asset classes are seen as safer and potentially lower yielding but if we look at the balance of risk versus return, actually we see them as more attractive than the wider investment grade credit landscape. So, what's the objective for the strategy going forward? I think it's making sure we retain that flexibility. We have a unit of credit risk that we want to be spending, and we want to make sure that we look across as many currencies and types of bonds in that low-risk fixed income space. So that unit of credit risk we're spending gives us as much carry as possible. That's crucial when we're talking about cash plus 75 basis points as every basis point helps. So, making sure we look at all markets. An area we have been looking at recently, which is potentially historically one that hasn't been widely used by insurers over recent years, would be senior high-quality ABS. So that's one we're looking to use more in this type of strategy. It's high quality so it fits the risk characteristics. We can add that to support portfolios, and we can improve the return and the diversification. We're not compromising on the credit quality.

> **"The distinctive characteristics of the ReturnPlus Fund mean that it can be applied across a wide range of uses for an insurance balance sheet**

Video

Watch the video on *https://insuranceassetmanagement.net*

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Focus: ReturnPlus



FROM VOLATILITY TO STABILITY:

ENHANCING PORTFOLIO RESILIENCE IN INSURANCE INVESTMENT

EFFICIENT CAPITAL OPTIMISATION

Aviva Investors global head of insurance, David Thomas, talks about optimising capital for insurers and how ReturnPlus seeks to support this objective

In association with

AVIVA INVESTORS

From volatility to stability: Enhancing portfolio resilience in insurance investment



AUTHOR: MIKE LEONARD,
HEAD OF INSURANCE SOLUTIONS,
AVIVA INVESTORS

Insurers have long navigated a distinctive set of investment challenges. From the prolonged low-yield environment following the Global Financial Crisis to today's volatile government yields and historically tight credit spreads, the landscape has shifted repeatedly and often abruptly over the last four years.

The hunt for yield remains a constant, but the fundamental question has changed: is that hunt still being rewarded, and what can insurers do to build portfolios resilient enough for current and future challenges?

Higher yields, higher volatility

The past few years have been characterised by a series of economic and geopolitical shocks that have reshaped markets. While government bond yields have risen significantly, so too has volatility.

The cumulative effect is that yields have returned, but so has persistent uncertainty. This has led to inflation concerns and increased volatility across both swap and government bond markets.

For insurers, higher yields are welcome in many respects. However, volatility can have a significant impact on portfolio performance and capital positions, particularly when traditional asset allocations are exposed to movements in rates and credit spreads.

The spread compression challenge

While yields have risen, the additional return available from credit has compressed sharply. Many public credit markets now sit at or near historically tight levels, reducing the margin for error available to investors.

In practice, lower reinvestment spreads are dragging down expected returns. As a result, even modest spread widening can quickly erode the income advantage of holding credit.

This presents an increasingly difficult environment for insurers seeking to generate excess returns while maintaining appropriate levels of risk and capital efficiency.

The insurer's dilemma

For liability-matching portfolios, insurers using fixed income to hedge liabilities will welcome higher government yields, as liabilities shrink when discount rates rise. However, they now face heightened duration management pressures:

- Close matching (aligning the duration of liabilities and that of assets) is essential as curve steepening and rate volatility amplify the cost of duration mismatches.
- Basis risk is back. The gap between government yields and swap rates, the "swap spread" creates friction. Liabilities are typically discounted at swap rates, not gilt yields.

For return-seeking portfolios, matching the risk-free rate is not sufficient. Insurers need excess returns to improve return on capital and optimise regulatory capital treatment. Yet tighter spreads make this increasingly difficult.

This creates a dilemma between de-risking and staying invested.

De-risking may allow insurers to capitalise on tight spreads before they widen, but it also means sacrificing carry and potential return.

Staying invested will retain income in the environment of tight spreads. But it limits the ability to take advantage of widening spreads when they return.

Neither choice is entirely comfortable, and both carry meaningful trade-offs.

The challenge extends to surplus assets. Historically, insurers have allocated surplus capital to strategies such as government bonds, liquidity funds and other high-quality short-dated instruments to minimise credit risk and capital requirements.

However, this approach can expose portfolios to significant mark-to-market

volatility when government bond yields move sharply. While insurers are long-term investors, persistent volatility can create an opportunity cost as capital is tied up absorbing fluctuations rather than being deployed more productively elsewhere.

Building resilience: a different approach

There is no single solution to today's market challenges. However, portfolios designed around resilience rather than simple yield maximisation may offer a more effective approach.

The ReturnPlus strategy aims to offer many of the characteristics insurers need to navigate this environment, helping create resilience, flexibility and a better risk-return profile than traditional approaches. Key features include:

- **No interest rate duration exposure.** The strategy is not locked into current government yields. Volatility becomes a source of opportunity, not a drag on performance.
- **Captures swap spread widening.** While the basis risk between government bonds and swaps is typically a challenge for asset-liability management, ReturnPlus seeks to turn this into an alpha opportunity.
- **High-quality, short-dated credit.** The strategy's sensitivity to spreads (delta) is materially lower than that of lower-rated alternatives. If spreads widen, the profit and loss impact is muted.
- **Attractive risk-adjusted spread.** The target return over swaps of the strategy exceeds the equivalent spread of a lower-rated bond, aiming to offer a better credit spread risk/return trade-off.
- **High breakeven spread protection.** With a breakeven spread of approximately 35 basis points, investors have a substantial cushion before spread widening erodes income.
- **Liquidity.** The strategy invests in liquid bonds, preserving the ability to reallocate if spreads widen meaningfully.
- **A low regulatory capital charge.** With no duration risk and only investing in short dated, highly rated credits the strategy also offers capital efficiency.

Collectively, these characteristics aim to help investors capture attractive sources of return without taking on many of the risks associated with longer-duration or lower-rated credit exposures.

Applications for insurers

The distinctive characteristics of the ReturnPlus strategy mean it can be deployed across multiple areas of an insurer's balance sheet. Key applications include:

- Supporting enhanced return on capital
- Supporting efficient balance sheet management
- Providing a flexible interim solution during private asset deployment or other transition periods.

The strategy's emphasis on liquidity, flexibility and capital preservation may be particularly relevant in an environment where insurers continue to balance return objectives against increasingly complex risk and capital considerations.

Conclusion

The current market environment is undeniably challenging.

Yields have returned, but so has volatility. Credit spreads remain tight, breakeven spreads are thin, and traditional approaches to both liability-matching and surplus asset management are under increasing pressure.

Yet challenges and opportunities often coexist.

A well-constructed portfolio, designed for resilience rather than simply maximising yield, can help transform today's headwinds into a source of relative strength. By focusing on capital preservation, liquidity and efficient access to credit premia, investors may be better positioned to navigate uncertainty while maintaining attractive risk-adjusted returns.

Tolerating market volatility is no longer enough. The goal is to build portfolios that are genuinely resilient, capable of withstanding shocks, capitalising on market dislocations and delivering sustainable returns through whatever comes next.

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Efficient capital optimisation



IAM editor, Adam Cadle, sits down with Aviva Investors global head of insurance, *David Thomas*, to talk about optimising capital for insurers and how ReturnPlus seeks to support this objective

AVIVA INVESTORS

Q Why is capital optimisation becoming increasingly important for institutional investors such as insurers?

A The focus on capital efficiency is not new for insurers, but it has become increasingly important in the current environment. Over the last few years, markets have moved from a prolonged period of ultra-low yields to one characterised by higher yields, increased volatility and tighter credit spreads. While higher yields have of course been welcome, the additional compensation available for taking credit risk has fallen, making it harder to generate attractive risk-adjusted returns. At the same time, insurers continue to operate within demanding regulatory and capital frameworks, where every investment decision has an impact on solvency and balance sheet efficiency. As a result, the focus has shifted beyond simply generating yield and towards maximising return on capital.

We are also seeing different parts of insurers' balance sheets facing different challenges. Liability-matching portfolios are having to contend with greater interest rate volatility and basis risk, while return-seeking portfolios are finding it harder to generate excess returns as credit spreads remain tight. Even surplus assets, which have traditionally been held in more defensive strategies, have experienced greater mark-to-market volatility than many investors expected. As a result, insurers are increasingly focused on strategies that can deliver resilient returns, strong liquidity and attractive return on capital without introducing unnecessary balance sheet volatility.

What we're seeing in practice is insurers taking a fresh look at traditional fixed income and liquidity allocations and asking whether those portfolios are working as hard as they could be. Increasingly, they are seeking more capital-efficient ways to access credit risk and improve return on capital, but without giving up liquidity, flexibility or increasing balance sheet volatility.

Q How does ReturnPlus help investors make more efficient use of their balance sheet capital?

A ReturnPlus was designed from the outset with capital efficiency in mind. Drawing on Aviva's experience as a large insurance investor, the strategy was built to address a common challenge faced by insurers: how to generate attractive returns whilst maintaining liquidity, managing balance sheet volatility and making efficient use of regulatory capital. The strategy invests predominantly in highly rated, short-dated fixed income securities and seeks to minimise exposure to interest rate and currency risk through hedging. These characteristics help keep regulatory capital requirements relatively low compared with many traditional fixed income strategies, meaning a greater proportion of the return generated is retained on a return-on-capital basis. Put simply, investors can potentially earn more from the

> "ReturnPlus was designed from the outset with capital efficiency in mind

same amount of balance sheet capital without having to move significantly further up the risk spectrum. The strategy is used across multiple parts of the Aviva balance sheet, reflecting its ability to combine return generation, liquidity and capital efficiency.

More broadly, what we're seeing in the market is insurers taking a fresh look at traditional cash, liquidity and fixed income allocations, and asking whether those portfolios are working as hard as they could be. Increasingly, they are seeking more capital-efficient ways to access credit spread opportunities and improve return on capital whilst maintaining a high degree of liquidity, flexibility and balance sheet resilience across their balance sheets.

Q In what ways can the strategy improve capital efficiency without materially increasing investment risk?

A As highlighted earlier, ReturnPlus has been purposefully designed with the aim to improve capital efficiency. It does this by focusing on high-quality credit spreads whilst minimising exposure to other fixed income risk factors. The strategy invests predominantly in highly rated securities, typically between AAA and A, and maintains a short spread duration profile. Interest rate and currency risks are comprehensively hedged, allowing the portfolio to isolate credit spread opportunities whilst avoiding many of the capital and volatility implications associated with traditional fixed income strategies.

This is important because not all sources of return are equally efficient from a balance sheet perspective. Traditional investment-grade credit portfolios typically combine credit spread and interest rate exposure. ReturnPlus is designed to isolate high-quality credit spread opportunities while minimising exposure to other fixed income risk factors. By focusing on highly rated assets and comprehensively hedging interest rate and currency risks, the strategy can help insurers achieve attractive risk-adjusted returns and potentially improve return on capital, depending on how it is deployed within the balance sheet.

The strategy also seeks to enhance returns through a diversified range of repeatable sources of alpha, including relative value credit opportunities, cross-currency basis capture, FX hedging implementation and primary issuance premia, rather than relying on taking significant duration or lower-quality credit risk. Combined with strong liquidity characteristics and a relatively high breakeven spread, the strategy aims to provide investors with greater resilience should market spreads widen, whilst preserving flexibility and helping portfolios navigate a range of market conditions.

Q How does ReturnPlus balance return generation against capital requirements?

A ReturnPlus is designed to maximise the amount of return generated from each unit of balance sheet capital employed. This means seeking attractive spread opportunities whilst carefully considering their impact on regulatory capital requirements, liquidity and overall portfolio resilience.

> "The strategy is used across multiple parts of the Aviva balance sheet, reflecting its ability to combine return generation, liquidity and capital efficiency

Portfolio construction therefore considers both the return potential of an investment and the amount of capital required to support that return. By favouring highly rated assets, minimising interest rate duration and maintaining strong liquidity, the strategy seeks to deliver attractive spread income whilst keeping capital consumption relatively low.

In today's environment, where spreads remain relatively tight and the margin for error is smaller than it has been historically, we believe it is increasingly important to focus on the quality and efficiency of returns rather than simply chasing yield. The aim is to provide investors with returns comparable to those available from high-quality credit portfolios, whilst maintaining the flexibility, resilience and capital efficiency that insurers increasingly require.

ROUNDTABLE WITH AVIVA INVESTORS

Insurance portfolio optimisation in a higher-rate environment

Our panel of experts explore how insurers are moving beyond traditional asset allocation towards a more holistic approach to portfolio and balance-sheet optimisation



Chair: There is a lot of discussion at the moment about the impact of interest rates remaining higher for longer, and how that is changing the investment dynamic for insurers and their approach to portfolio efficiency and optimisation. Understanding the specific implications for insurers is therefore more important than ever. Adam, at LV=, you have experienced the changing rate environment through your retail funds and the balance sheet. How has this affected customer funds? And how has it changed the way you are thinking about your balance sheet and investing?

Ruddle: Across our funds backing with-profits products, it is really about the expectations of our customers and financial advisers and the return profiles that they're expecting LV= to generate. Previously delivering single digits was quite respectable. Now, that extra relative return, that enhancement/risk premium isn't growing necessarily at the same speed that rates are growing. Interest rate movements are compressing some of the perceived premium that we earn. We look instead at active sources and active management to generate true alpha.

Pistarino: If we go back to 2022–2023, when the Fed was raising interest rates quite aggressively, there was a widespread expectation that rates would come down relatively quickly. Instead, they remained elevated for considerably longer than initially anticipated, with the first cuts only arriving in September 2024. At that time, the resilience of the US economy, particularly in terms of real growth, was an important factor supporting higher rates. What concerns me somewhat today is that the outlook for interest rates is increasingly influenced by persistent inflationary pressures and rising government indebtedness. That is not a particularly healthy combination. In an environment where inflationary pressures are more persistent, one consideration is how to protect the portfolio in real terms, potentially through strategies that provide some degree of inflation protection. The second consideration relates to certain strategies within structured and alternative credit that tend to have relatively low correlations with traditional financial markets. Factoring is an example. Because of the stickiness of the price discount, what can be an extremely attractive proposition in a low-interest-rate environment may become a drag to portfolio performance in an environment where interest rates are significantly higher and comparable returns can be achieved through more conventional, liquid investments.





Chair: David Thomas, Global Head of Insurance, Aviva Investors

David is responsible for shaping and expanding Aviva Investors' global insurance solutions franchise, positioning the firm as a trusted partner to insurers worldwide. He leads efforts to deliver innovative investment strategies that address the complex challenges, opportunities, and regulatory dynamics facing the insurance sector.

Sewell: The interesting aspect about a strategy like factoring or, let's say, trade receivables more broadly, is obviously it tends to be a very low-duration asset class. I think the other consideration that's already coming through in some of these remarks is that we are still in a period of interest rate volatility. In terms of managing the duration profile of the portfolio through that, with expectations changing so quickly, that's evidently been a challenge. So, something like a negligible or ultra-low-duration instrument can be quite an interesting way to think holistically and maybe a little bit more broadly about where you want to have that duration.

Pistarino: The portfolio-related question is always whether one should reduce, increase or maintain the exposure. In this environment, I find it difficult to increase the allocation to an asset whose return is effectively capped at a certain level, particularly when interest rates can move higher and increase the returns available elsewhere in the portfolio.

Chair: Which strategies have you found to



perform well in a zero-rate vs higher-rate environment?

Pistarino: There are strategies that exploit, for example, capital and regulatory differences between banks and insurance companies. So the economic driver is not simply borrowing and lending or taking credit risk in its purest form. Again, these strategies can be particularly attractive in a low-rate environment. As rates rise, however, the return generated by that capital arbitrage has to compete with a much higher return available from more conventional assets. At some point, the relative attractiveness of the strategy becomes less compelling. In a sense, the hurdle rate has moved higher across the entire economy: even relatively straightforward lending has to offer a higher return to remain attractive. On top of that, if higher rates are associated with persistent inflation, weaker growth and potentially some pressure in government bond markets, those effects eventually feed through into the real economy. That can translate into higher credit risk, which would ultimately affect any credit strategy.

Chair: Aileen, you previously worked in the P&C space and are now on the life insurance side. Has that change in perspective made a difference to how you think about a sustained higher rate environment?

Mathieson: Obviously in P&C, it's a much shorter investment duration. We would have had a three to four-year average duration. It's much longer now in the BPA world. I think what's interesting for me is where we get the returns from at the longer end. So, you've just got to be mindful of that and watch that you don't end up with too much of a barbell at the longer end. I think the challenge is that it's easy to become overweight in gilts, but then it's thinking about how you re-risk at some point on that journey and how you find opportunities that fit within a Matching Adjustment structure. That's the challenge with some of the private credit that's coming through.

Chair: So, is it liquidity, rather than rates, that differentiates the investment philosophy of a P&C insurer versus a life company?

Mathieson: Liquidity in P&C, isn't as extreme a constraint as everybody thinks from the outside. You can have lots of contingency planning facilities which mean that you can accommodate for unusual liquidity spikes, even if you have a catastrophe event. The payout patterns are getting longer in P&C, I would say. It's not that immediate cash call that usually happens. In terms of thinking about the opportunities that are out there, there is private credit at attractive relative spreads. It's just about whether can we get it to fit in with the MA requirements? And that's where the non-MA portfolio is very important as well, because I'm using that to help access credit

Sewell: I think that point about the liquidity contingency plan is very interesting as well. It's been coming up a lot when we've been talking to our clients, particularly around how much liquidity they need overall, but then breaking that down within what time frame specifically are they going to need to be given a portion of that? Therefore, what is the implication of how I allocate that across different elements of the liquidity spectrum? The key point being that not all liquidity is necessarily needed same day.

Mathieson: Yes, it's important because in P&C portfolios, they tend to be somewhat overweight cash compared to what they need to be. Portfolios could be sitting at 15- 20-25% cash, when actually you only really need about 10% if you have a robust framework and if you're quite thoughtful about where your liquidity sits. Thinking about your cashflow ladders and how your portfolio matures is really important.

Sewell: Touching upon private credit as an example, some of the conversations recently



Alastair Sewell, Senior Investment Director, Aviva Investors

Alastair is responsible for developing and executing the firm's liquidity solutions business strategy, covering money market funds through to ultra-short duration bond funds. In this role, Alastair leads the strategy's external relationships, drives new product launches, produces research and content and supports portfolio managers in achieving performance targets. Alastair joined Aviva Investors from Fitch Ratings, where he was head of fund ratings.

have been about how to fund capital calls: Am I going to fund a capital call by liquidating a portfolio market security; or am I going to fund that from cash? Funding from security sales risks price volatility at point of need; funding from overnight cash can create drag in a portfolio. We are certainly hearing people talk more about contingency planning across a range of liquidity sources for situations just like this.

Mathieson: Yes, and depending on where your balance sheet sits, there are different contingency sources available to you. For example, FHLB is a great source of low-cost liquidity, if you need it.

Hederer: From the way our balance sheet is set up and with the Matching Adjustment regime, we are fundamentally a spread investor. So, it's the spread over the risk-free rate, rather than the absolute risk-free rate, that is the key driver. We tend to be and want to be duration-matched and broadly cash-flow-matched with the liabilities. So, I think the ability to take large duration calls outright is limited because, from a capital perspective, they can be very inefficient. In terms of what the higher rates mean, it does change the relative attractiveness of some assets. One asset that was popular among annuity insurers a few years ago was equity-release mortgages. That market has shrunk significantly on the back of rates being much higher, making the product less attractive for consumers. That, plus spreads having compressed means it is a less important asset class for us. The same applies to property. Whereas property equity investments previously generated an attractive overall return relative to cash, they have now become less attractive. We are monitoring some of these assets should the relative value change. There is also the question of what you need to do to keep your origination channels open in these areas as well. Finally, there is an important question around credit spreads and what higher rates mean for the outlook on these spreads.

Chair: Investors often focus on tighter credit spreads, but all-in yields remain attractive. Is there a danger that we overlook the fact that some of the risk we traditionally associate with credit has effectively been repriced into government bond yields?



Adam Ruddle, Chief Investment Officer, LV=

Adam is responsible for the investment management, allocation and optimisation of over £14bn of AUM at LV=. His remit includes designing and setting investment strategies, the oversight of external asset managers and the structuring and implementation of financial hedging programmes for the company. Adam has been with LV= since 2008.

Donadini: Financial repression happened after the Global Financial Crisis, and it may now be happening again. Governments don't default in their own currency, and central banks are free because the political opinion is to make them free, but for how long? So, for today, I think there is a great opportunity in terms of investing in real rates, which are, from my perspective, not sustainable, without taking additional credit risk.

Pistarino: When you see, for instance, the government treasury at a 3% real rate, then part of that is credit premium.

Donadini: The only way to avoid that credit premium is to buy a linker. If you have a linker, you are basically covering that risk. I think for P&C insurance, today is a great scenario because you can actually improve your real rates quite substantially without taking too much risk and making things more complicated.

Chair: With higher rates and a broader range of liquidity solutions available, what prevents insurers from taking a more active approach to managing cash allocations?

Mathieson: I think there's a part around having the sophistication and the framework to be able to manage that, especially if you're in



a multi-balance sheet environment. It takes oversight, a comprehensive liquidity strategy, comprehensive contingency planning, and ongoing management. It's not as easy as just putting it in a fund, locking it up and leaving it. Especially if you're in a world where you also have a reasonably sized allocation to private credit, you do have to be quite active in managing the positions.

Pistarino: We think about asset allocation across three dimensions: risk, return, and liquidity. On liquidity, we use a tiering framework, with assets classified, for example, as T+5, T+90, T+365 and longer. We also operate within an overall risk appetite framework. So, when we conduct our strategic asset allocation, we are effectively trying to meet three objectives simultaneously: our return target, our risk constraints and our liquidity requirements.

Chair: Is that an absolute return target? Or are you thinking in terms of return on capital?

Pistarino: It depends on the portfolio. Ultimately, we have liabilities that need to be paid in cash, so return cannot be considered in isolation. There is also a constraint around cash generation and the amount of liquidity that the portfolio needs to provide. So, in that sense, we take a total-portfolio approach: we have a number of constraints that need to be met simultaneously. That is why the liquidity ladder I mentioned is an important part of our strategic asset allocation process.

Ruddle: We manage very similar to the way you do Corrado. Levered gilts are an interesting and popular asset class for insurers, certainly in Matching Adjustment portfolios. The collateral management around that becomes increasingly complex, and making sure that you're managing that requires liquidity. We also have to think about customer dynamic behaviour - mass lapses, or events where customers want to or need to withdraw their money at the same time. Those events will occur in different environments, some at the same time, some not, and it's about working through what liquidity you need in that kind of stress environment. Within most of our retail portfolios, I see cash as an opportunistic asset, and what I mean by that is it's there because we want to deploy quickly if a good opportunity comes along.



Corrado Pistarino, Chief Investment Officer, Foresters Friendly Society

Corrado has over 25 years' experience in investment banking, asset management and insurance. He is CIO and chair of the Climate Risk Forum at Foresters Friendly Society. Corrado holds a degree in Physics from Turin University and a Masters in Finance from London Business School.

Chair: How much does portfolio construction vary across different parts of the business, and can cash and liquidity be managed at an aggregate level rather than within individual portfolios?

Ruddle: It does differ portfolio to portfolio. In our policyholder funds, you may have a different risk appetite depending on how you communicated your investment objectives and what the expectations could be. I think with some of our legacy business, there's a bit more latitude to invest because you've got a general view on what their expectation might be. With some of the newer business, it is sold in a very defined way in terms of risk ratings and approach, and you actually have more constraint there as you try to deliver different return profiles.

Mathieson: I guess that's the point. You have to think about how, whilst those are somewhat different characteristics, they do have some element of interdependency or overlap. When it comes to liquidity you have to be really thoughtful about how you piece all the portfolios together. You can't just look at them in isolation anymore. Sometimes you observe some stresses that can impact two out of three portfolios, or a different stress might only affect one. Cash and liquidity can be managed altogether if you want to start moving to more



evolved solutions, however.

Sewell: One other consideration would be around accounting. As in how your assets are recognised on the balance sheet from an accounting perspective. Guillermo, to your example around linkers – they may be highly liquid and highly accessible and give you all the advantages you want but may not be treated as cash from a pure accounting perspective. When we think about these more evolved situations it's important to think not only about the sources of liquidity, but also the uses. Once you parameterise both sides of that equation you can start to optimise effectively. If you take the Aviva Investors Multi Sector Private Debt Fund for example, the capital call window is a 10-business day period. So, if you think you've got 10 business days to satisfy a capital call in a strategy like that, then you've actually got quite a lot of options in terms of what you'd be able to liquidate and including on a stressed basis.

Donadini: My experience is that usually your portfolios generate enough cash for attending any needs in the short term, and it also depends how complex and how sophisticated your treasury function is to do all these other alternatives to find liquidity. If you have a well-defined liquidity framework where you basically understand what your liquidity needs might be and the stress from your liabilities, then you have an understanding about how much your investment portfolio may become illiquid under those stress scenarios. Cash as a liquidity factor is too expensive, right? It's a problem.

Sewell: I agree, many investors could probably benefit from thinking more critically about how they hold their liquidity portfolio, to make sure they are getting an optimal allocation. And that does not necessarily mean simply having more cash.

Pistarino: I never understand why P&C insurers sit on so much cash?

Donadini: I think it's a lack of understanding of the opportunity of moving away from cash.

Mathieson: To be fair to P&C insurers in the past, there weren't so many solutions available around managing cash.

Sewell: It would have been a combination of money market funds for pure liquidity and short-duration credit for some extra yield. And obviously, the trouble with short-duration credit is there is a certain amount of credit risk allocation that comes with that. We think there are better approaches which take a more considered approach to generating some extra yield in liquidity portfolios. One question I wanted to ask is where does liquidity end for you? So, Guillermo, for example, you talk about linkers: would a three-year linker book be put into liquidity?





Aileen Mathieson, Interim Chief Investment Officer, Pension Insurance Corporation

Aileen joined PIC in June 2026. Prior to that she was group CIO of Aspen Insurance, based across UK, Bermuda and the US. She brings more than 30 years of experience as a finance leader in a number of industry sectors, including more than 17 years in financial services and investments.

Donadini: Of course. Because you can sell it. Liquidity is your capacity to basically sell something at a certain price. So, for government bonds, we know it's easier. For credit, the higher you're going to take risk, it's less liquid. Private credit and private equity have absolutely zero liquidity.

Sewell: Let me pose a provocative question: When you take private equity or private credit exposure, you want exposure to the asset class. So, the argument might be, why don't I buy liquid private credit now? Let's say you want to have private credit exposure, but it's going take you 18 months for capital to be called to meet your target allocation in full. In the meantime, you allocate that capital that's waiting to be called into, say, a leveraged loan fund. In theory, you could liquidate that leveraged loan fund under a T+5 settlement which you could then use to fund capital calls into your target private equity or credit exposure.

Donadini: That fund is highly likely gated right?

Under stress, it's not going to be liquid.

Pistarino: Even if it was liquid, you would probably be exposed to market movements, which means that this is not really the pure liquidity that you need to fund your capital calls.

Sewell: But the counterargument is you've achieved your market allocation much faster than you would have done otherwise. To be clear – our view is that this isn't an ideal approach, precisely because of these liquidity points you've all raised.

Mathieson: There's no such thing as liquid private credit. And that's what worries me, about some of the things that are going on in the US, particularly around ETFs etc.

Donadini: At the end of the day, our purpose is to pay when we have to pay. We cannot, by any means, be in a situation where we don't have enough liquidity to fulfil our obligations. If your liquidity framework is basically telling you that you cannot buy more than 15-20% in privates, don't do it.

Hederer: I think your liquidity risk profile is probably somewhat different from ours. Our liability profile is probably more stable.

Donadini: The interesting part is that if we look at the P&C insurers that got into trouble during the financial crisis, it was basically because of liquidity issues. None of it came from the underwriting side. It all came from the asset side of the balance sheet. So maybe for P&C, liquidity could be a little less easy to predict compared to life or pensions.

Chair: In my experience, when discussing evergreen private asset funds with CIOs, it is important to be realistic about liquidity. While these structures may offer greater operational flexibility, they should still be treated as allocations to inherently illiquid assets, particularly under stressed market conditions.

Mathieson: You would use an evergreen fund for operational ease, not because you are thinking you could make an illiquid asset liquid.

Chair: If the case for reducing excess liquidity is compelling, what prevents more insurers from doing so?

Donadini: My experience is that on the P&C side, there is less awareness about the opportunities of not having too much liquidity.

Mathieson: Fundamentally it comes down to which part of the business is trying to make profit. So, the investment portfolio is here to support and enhance the underwriting activity.

Chair: How should insurers think about defining



Guillermo Donadini, Chief Investment Officer, Lloyd's of London

Guillermo is chief investment officer (CIO) at Lloyd's, with over 35 years' experience leading global insurance and pension investments. Formerly global CIO for general insurance at AIG, he oversaw portfolios exceeding $100bn. He also serves as an independent NED at Northern LGPS and chair of the investment committee at Independent Age, and mentors young professionals internationally.





an appropriate return target for the investment portfolio? To what extent should absolute return be balanced against return on capital?

Donadini: The question I love to ask the CFO when working in P&C is tell me what do you need from investments. And the way of answering that question is tell me what is your cost of capital? Tell me what is your underwriting expected results in the long term? And then the difference should come from the investment portfolio. This is where you basically have your target return. You can then define your risk appetite, and you can make a long-term business plan.

Pistarino: If you have ample capital, capital efficiency becomes less of a constraint. You may therefore be willing to deploy some of that capital into more capital-intensive investments if they offer sufficiently attractive returns.

Ruddle: I think cost of capital does come into it. Where you have a sufficient amount of capital you should allow for that in your cost of capital calculation. There is a requirement to deliver some sort of yield, some sort of return. We think about it in terms of balance sheet stabilisation and optimisation. There's also an economic view in terms of how we would think about liquidity and some of the strategies that have been mentioned, but then there's also ensuring regulatory capital is optimised.

Hederer: I would say the objective is maximising profit subject to meeting a certain return on capital. There is a bit of a trade-off sometimes between your day-one profit and your lifetime profit. For example, by switching into private credit, you can lock in some illiquidity premium that generates a day-one profit. However, the optionality then to trade within that allocation is lower on the private asset than it is on a public asset.

Chair: As allocations to private assets continue to grow, how should insurers think about the trade-off between complexity, liquidity and return? And how does that differ between matching portfolios and surplus assets, where capital preservation, liquidity and return objectives may be different?

Ruddle: I think that complexity premium is a tough sell at times. I think the regulator needs to be comfortable that you have enough capability, capacity and bandwidth to prudently invest. I think it will depend on the appetite of your Board, your internal stakeholders, and their confidence in your ability to deliver. Some of that will be through a proven track record where you've dealt with certain complex assets historically.

Donadini: I think it depends a lot on the size of the insurer about the amount of investments in private assets. If you're an insurer with a $100bn balance sheet or more, then you can afford to have your own teams for private assets. My concern, as Adam said, is do insurers understand what it means to invest in certain private credit vehicles? I think the asset manager is key. It's also down to your relationship with the asset manager. It depends on how much capital you have.

Mathieson: I think it's also about the size of the surplus relative to either the Matching Adjustment portfolios or the restricted portfolios. The relative size is important in terms of how much you have to use that portfolio for liquidity versus using it to take more risk.

Chair: Rounding off today's discussion, one of the clearest themes that has come through is that portfolio optimisation requires insurers to balance a range of often competing objectives. Return is clearly critical, but so too are capital efficiency, liquidity, resilience and the ability to meet long-term liabilities. Whether considering cash allocations, private assets or surplus portfolios, success ultimately comes down to understanding those trade-offs and ensuring investment strategy remains aligned with the insurer's capital position, liability profile and broader business objectives.



Roman Hederer, Head of Portfolio Management, L&G

Roman is head of portfolio management in L&G's institutional retirement business, overseeing around £80bn of assets backing annuity liabilities. A member of the Investments Leadership Team, he joined L&G in 2016 and focuses on sourcing, structuring and managing assets for matching adjustment portfolios. Previously, he held senior banking roles at JPMorgan and BofA Merrill Lynch.



The missing piece?

Insurers have yet to enter the defined benefit (DB) pension superfund market, but if they did, could they improve retirement outcomes by investing in a wider range of UK assets? *David Adams* examines the commercial and regulatory questions that must first be resolved.

One of the many useful things the insurance industry does is run the bulk purchase annuity (BPA) market, offering employers an opportunity to transfer the risks and liabilities linked to defined benefit (DB) pension schemes to insurers via de-risking transactions, including full scheme buy-outs. This market is booming in the UK: bulk annuity deals worth £10.2bn were completed during the first half of 2026 alone, according to figures published by Hymans Robertson in September, with the consultancy predicting increased activity during the second half of the year. There are more than 5,000 DB schemes, managing assets collectively worth more than £1.3trn, that are likely to need some kind of endgame solution at some point within the next 10 to 20 years.

But within the next few years we may see more schemes following a different path: consolidation into a DB superfund, a larger, purpose-built scheme with its own trustees and advisers. In theory, this should be a lower cost option, but it is currently only permitted by The Pensions Regulator (TPR) if a scheme passes the "gateway tests", including a judgment that the scheme is not well enough funded to work towards a buy-out. There are also other endgame solutions available, such as M&G's insurer-backed run-on solution for well-funded DB schemes, which was launched in October 2026.

Today the superfund market is still very small. Until October 2026 the only superfund provider to have passed TPR's assessment process was Clara, which offers a superfund proposition designed to act as a sort of bridging arrangement leading to full buy-out in the longer term, and which has completed a handful of consolidation deals during the past three years. But in October, another provider, TPT Retirement Solutions, completed the regulatory assessment process. Its superfund will run schemes on through the endgame, allowing scheme members to benefit throughout their retirement from investment in more diversified, risk-bearing asset classes than would be permitted by a bulk annuity provider.

Government and regulators are now developing a full legal and regulatory framework for DB superfunds which should encourage further market growth, supported by recent and forthcoming pensions and

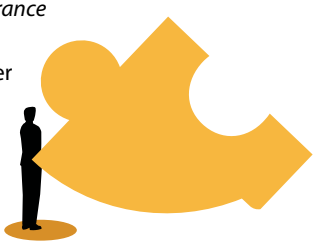
financial services legislation.

There is also now a school of thought within the insurance and pensions industries, and among some policymakers, that one way to boost growth of the superfund market and open up the potential benefits consolidation could offer to a larger number of schemes, would be to enable full participation in this market by PRA-authorised life insurers.

In September 2026, during the House of Lords debate on the Financial Services and Markets Bill, longstanding campaigner, former pensions minister and non-affiliated peer, Baroness Ros Altmann, tabled an amendment to the Bill that would enable PRA-authorised life insurers to establish, own or operate DB superfunds, directly or through another company within the same group. The amendment proposed strict legal, financial and operational separation between a superfund and an insurer's core activities.

Baroness Altmann told the Lords that insurers "are ideally placed to run large pools of pension investment, with existing in-house expertise in areas such as investment, actuarial and legal," and that their involvement in the superfunds market could "add billions of pounds-worth of productive capital into the UK economy", while "scheme members would have better upside opportunities". She suggested that the superfunds the insurers create could develop into a UK version of the Maple Eight, the eight largest pension funds in Canada, which exert significant influence in that country's financial system and economy.

Responding for the government, Lord Pitt-Watson said that insurers can already establish and operate superfunds under the existing regulatory framework (technically correct, although in practice extremely unlikely at present), so the primary effect of the amendment would be to embed regulatory and capital requirements for insurers in primary legislation, and these matters would be more appropriately overseen by regulators. Baroness Altmann asked if she might meet a pensions minister to discuss these issues in more depth and Lord Pitt-Watson agreed either to meet her himself, or to arrange a meeting with another minister. Baroness Altmann tells *Insurance Asset Management* that she has since written to the minister seeking further discussion of this subject with him or a ministerial colleague, but at the time of writing had not yet received a reply.



A different endgame solution

The amendment was rejected by the Lords, but its aims have supporters in the pensions, investment and insurance industries. They include experts working for New Capital Consensus (NCC), a thinktank backed by a coalition of organisations seeking to reform the UK investment system, to ensure capital is used productively to benefit the economy and savers.

"You could have far more risk-bearing investment," says NCC's chair and founding director, Ashok Gupta, who is also chair of Mercer UK, and a non-executive director of Sun Life Financial. "I think the point is, buy-out starts de-risking schemes 20 years too early. … [Enabling insurers to run superfunds] is beneficial for sponsors and the economy, and for members as well, because they should share in the investment returns.



> "[Insurers] are ideally placed to run large pools of pension investment, with existing in-house expertise."
>
> Baroness Ros Atmann

"If the government were to say 'Let's incentivise schemes to go into superfunds', then you could consolidate the £1.3trn currently spread across 5,000 DB schemes. A large part of that could go into 15 to 20 superfunds that would have the ability to invest long-term in real assets, particularly in the UK."

Baroness Altmann also challenges the idea that buy-out guarantees the safety of pension benefits.

"The purpose of the amendment was to try to move away from the one-track endgame we are currently on, which gives me significant concern, particularly with the volume of annuities being offshored," she says. "There is an underlying view that [BPA transactions] are 100% safe. I'm not convinced that that is a wholly correct long-term view. Ultimately, [these annuities are] underwritten by the industry, not government. If a major annuity provider folded, could the FSCS honour the full extent of commitments to its DB liabilities?

"I wanted to open up the discussion on whether the current perceptions are correct, or whether the government could recognise the value of having a broader range of solutions," she continues. "With a superfund there is an opportunity to benefit the member, for insurers to do more to boost growth, and to reduce the risk associated with more and more bulk



buy-outs, and the capacity of the global market to underwrite these things."

Richard Wellard, partner and head of alternative risk transfer solutions at Hymans Robertson, also thinks bringing more insurers into the superfund market would be beneficial.

"Insurers already possess much of the expertise and capabilities, around risk management, asset management, pricing and data that would be needed," he says. "They're used to operating large books with long term liabilities." But he wonders which will be the more common form of superfund approach: the Clara bridge to buy-out, or the TPT run-on model.

Standard Life managing director for pensions risk transfer and individual retirement, Claire Altman, thinks many insurers may see the bridge to buyout approach as "the more obvious starting point". She says insurers would monitor market demand for superfunds carefully. "Insurers will also be aware of contagion risk, and given the potential difficulty in communicating the differences between superfunds and insurance to members, will want to ensure that any superfund failure does not negatively impact perceptions of insurance," she adds.

Those insurers that are currently active in the BPA market may also be wary of the possibility that the development of superfunds might constrict the pipeline of schemes working towards buy-out.

"There is a risk of cannibalisation, as insurers already dominate DB endgames through buy-ins and buy outs," says Chris Rice, head of trustee services at pensions and insurance advisory provider Broadstone. "It is not obvious why they would invest in a model that could divert schemes away from their core insurance solutions, particularly when many are already developing products and investment strategies to support trustees pursuing run-on.

"Building a superfund proposition is also not cost-free. Insurers would need to develop governance structures, operating models, administration capability and regulatory frameworks, and the commercial return would need to justify that investment. If there were a compelling opportunity, I would have expected at least one major insurer to have shown greater appetite by now."

Regulatory confusion

But insurers will surely find it easier to participate in this market if legal and regulatory complexities or problems are addressed and resolved. Arguably, the current regulatory framework guiding the establishment of DB superfunds is the primary factor limiting development of this market at present.

"If insurers own an asset manager there's a lot of guidance, procedures and protocols that enable them to understand capital and other compliance requirements, but none of that exists for superfunds," says NCC's Gupta. "There's huge uncertainty about the implications for capital requirements, governance and so on. All of that needs to be put in place before any insurance company is likely to commit to do this."

"For me, the question is more to do with regulation than with legislation," says Jonathan Repp, a director at Mercer working within the company's risk transfer team and leading on consulting around superfunds and capital-backed funding arrangements.

"At the moment we've got two regulators, PRA and TPR, setting rules in quite different ways. That's for good reasons, given what they're looking to achieve, but it does bring some complexity. I think if insurers are … [to participate in] the superfund market, we need to have a debate about how these two regulatory regimes compare: where they need to be consistent and where they need to be different."

Repp wants to see cross-industry discussions to facilitate construction of an appropriate regulatory regime. He hopes at least some of this engagement will happen as part of the consultation around the regulations that are going to bring the Pension Schemes Act 2026 into force. TPR's Pensions Reform Roadmap suggests consultations on superfunds will take place in 2027 and 2028.

Repp also advocates removal of the gateway tests, which currently mean schemes cannot consolidate into a superfund if they could move towards a buy-out.

"I think looking further out, as the superfund market matures and as we iron out those regulatory questions and as trustees get more comfortable with the two markets, will there come a point when we no longer need the gateway tests?" he asks. "Where TPR effectively says to trustees 'You know the questions to ask, get on with it', rather than setting out specific tests that have to be met?"

Baroness Altmann also thinks that "the idea you should only consider a superfund if you can't afford buy-out is questionable".

"Schemes are in surplus now, so there's an

opportunity for doing more productive things with that money," she says. "There's room for a scheme to move into a superfund and potentially release some capital back to the scheme and members, depending on the size of the surplus, and at the same time benefitting the economy."

As work on developing and refining regulation and legislation continues, regulators are unwilling to comment at length. The PRA declined to answer some specific questions, but stated that the regulatory framework for DB superfunds currently rests with the government and with TPR. A spokesperson for TPR notes that insurance buy-out and superfunds are different options governed by different regulatory requirements and levels of protection. The spokesperson also states that: "The forthcoming legislation can help support superfunds as a credible option alongside buy-out and run-on, while ensuring members benefits remain properly protected."

It seems we will need to wait until after forthcoming consultations have been completed before either regulator is able to provide much more clarity about the likely future shape of the regulatory regime for superfunds.

Commercial considerations

Even once these regulatory questions have been resolved, Repp wonders whether this will be enough to convince many insurers to participate in the superfunds market.

"The challenge from an insurer's perspective is that adding another regulatory regime is going to bring complexity to your governance, to your risk frameworks, to your risk reporting," he says. "And I think there's going to be quite a few providers that ask, 'Is it worth it?'

"It's a super-competitive insurance market. You expect superfunds to be the cheaper solution, but some insurers have done a really good job of driving pricing down within the flexibility they've got in Solvency UK, and that has compressed some of that pricing gap you would expect to see between insurance and superfund. So I think there is a question for insurers as to how much cheaper could they make it if they had a superfund available?

"The second thing is that the superfund market is growing fast: we've seen the number of deals double in 2026 so far, and there may be more to come. But that is doubling from a very low base."

He notes that, to date, Clara has completed eight deals, worth almost £2bn. "That's fantastic for the superfund market, but if you look at 2025 alone, the bulk annuity providers did 20 times the amount of business as Clara has ever done. They wrote 375 deals, totalling close to £40bn.

"The superfunds market is growing very fast and it's a market I believe in very strongly. But it's still a very, very small part of the risk transfer market. I suspect a lot of providers will look at the flexibilities they've got in Solvency UK, look at the size of the superfund market at the moment, and decide that for now they're better spending their energy doing bulk annuities."

Broadstone's Chris Rice agrees.

"Never say never: an insurer may eventually see value in a superfund as a route to capture schemes that are unlikely to reach buyout in the foreseeable future," he says. "But I struggle to see this becoming a major strategic focus for insurers any time soon."



> "I struggle to see this becoming a major strategic focus for insurers any time soon."
>
> Broadstone, head of trustee services, Chris Rice

Schemes in surplus are most likely to consider the BPA option first, Repp suggests, but he thinks this could change, if trustees are given more scope to use scheme surpluses in different ways.

"If we start to see trustees becoming more comfortable using that surplus, to increase member benefits, or potentially returning money to the employer, then some of those surpluses will reduce in size, and that may open the door to more superfund transactions," he explains.

Standard Life sees insurer involvement in DB superfunds "as one part of a broader evolution of the DB endgame market, rather than a major change in direction for established insurers that already provide buy-in and buyout solutions," says Altman.

"Innovation is welcome, but new models ultimately must demonstrate a clear benefit for schemes and members," she says.

Wellard believes the participation of insurers would act as "a significant catalyst for the superfund market".

"It would bring more operators into the market that have the capability to operate at scale," he says. "We will see how it all plays out."



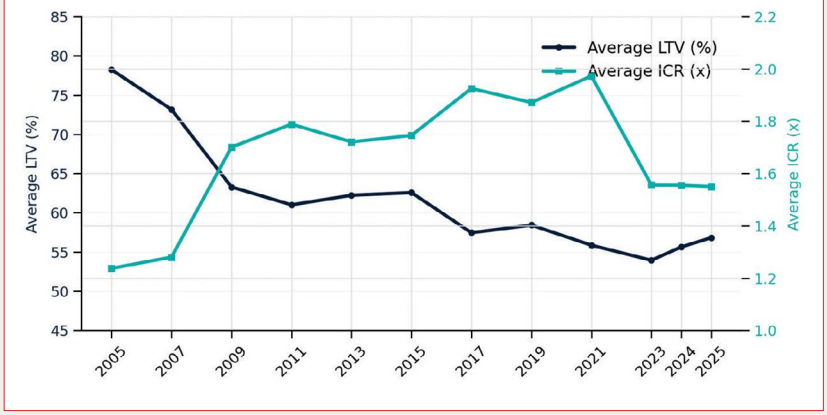
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Repriced and resilient: The opportunity in European Real Estate Debt

Author: Mohamed Ali, Director, Strategic Insight and Research, Real Estate

The global commercial real estate (CRE) market has undergone a profound transformation since mid-2022, driven by rising interest rates, macroeconomic uncertainty and evolving structural dynamics in occupational and ownership patterns. These shifts have led to a significant repricing of real estate assets, with capital values correcting by approximately 20–25% across Europe and other developed markets. While we have experienced some capital value recovery over the last eight quarters, the pace of near-term recovery is likely impacted by the conflict in the Middle East and rise in inflation and interest rates. The debt secured on CRE has become even more attractive to institutional investors seeking stable, risk-adjusted returns, portfolio diversification and risk mitigation.

Figure 8: Average LTV rates vs. interest coverage ratios



Source: Bayes UK Lending Survey. Average LTV series is shown through 2025; average ICR is approximately 1.55x in 2025.

Why real estate debt?

Tighter regulation has led to lending terms across real estate debt providing extra protections for investors. Average senior loan, loan-to-value (LTV) rates tightened from close to 80% pre-GFC to around 57% at the end of 2025, providing lenders with a significant equity cushion (Figure 8).

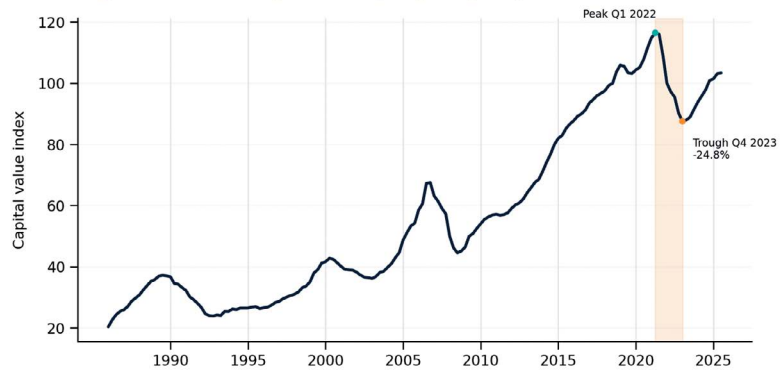
Over the same period, investors have been rewarded with increased margins relative to the period up to and including the GFC. Interest coverage ratios (ICR) have also dramatically improved during this period, although the higher interest rate environment since mid-2022 applied downward pressure on this. Average ICRs have stabilised since the start of 2024, although they may come under pressure if we have sustained and elevated interest rate environment in 2027.

Since mid-2022, commercial real estate capital values have rebased lower (Figure 10a), reflecting both cyclical and structural pressures. Prime assets across Europe have corrected by around 20–25%, with notable divergence by sector and geography. Importantly, most of the repricing appears now to have occurred, and early signs of stabilization — and even recovery — are emerging in some segments. With average LTVs at around 57%, most assets will still have plenty of equity remaining and the positive average ICR rates mean borrowers are incentivised to maintain loan commitments and hold on to their assets.

Furthermore, the asset-backed nature of real estate debt means average recovery rates remain significantly higher than the private debt market, including periods of significant shock such as the GFC, where average LTVs were higher and peak to-trough capital values declined by 36% in the office sector (Figure 11).

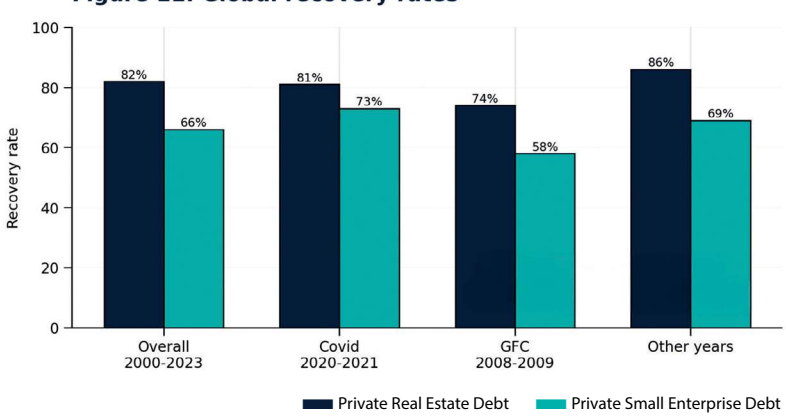
For lenders, this rebasing creates an attractive entry point today. New loans are now structured on

Figure 10a: European all-property capital value index



Source: CapValue-Index_EUROPE_All-Property, as supplied in the supporting workbook. Data shown from Q4 1986 to Q2 2026.

Figure 11: Global recovery rates



Source: GCD Bank data. Periods shown: Overall 2000-2023, Covid 2020-2021, GFC 2008-2009 and Other Years.

current, lower valuations, providing a substantial equity cushion. Any subsequent recovery in capital values should further enhance the security of these loans. New senior secured loans written today could potentially withstand market-wide capital value declines in excess of 50% — greater than any downturn since 1989 — before eroding their equity buffer. This will be particularly appealing for investors concerned about the macroeconomic outlook and seeking resilience against future shocks.

Lower volatility, similar return potential

This insulation from shocks is driven by a number of factors, including:

- The position CRE debt investors have within the capital stack, which provides a cushion to investors in the event of defaults.
- CRE debt loans provide steady income, backed by obligations built into deal structures. This consistent income offers stability to investor portfolios.
- The physical nature of real estate assets can offer risk mitigation to debt investors. Meanwhile, the shorter duration of these loans, compared to other fixed income assets, can help to mitigate the impact from inflation and interest rate changes.

This low volatility helps to maintain CRE debt's lower correlation to public fixed income, offering effective diversification for investors. Figure 13, in the full paper demonstrates the positive impact CRE debt investment can have on the volatility of a diversified investment portfolio. Allocating 10% of a portfolio to real estate debt can potentially bring the overall risk profile of a diversified portfolio down, according to our analysis.

Real estate debt returning to favour

As markets and investors continue to juggle uncertainty and volatility, the diversification offered by private markets continues to grow in significance. Amid this growth, CRE debt has emerged from a challenging period, offering compelling investment opportunities to investors new to CRE debt, and those returning to the asset class. It continues to offer important risk mitigation characteristics and a strong position in the capital stack.

To read the full paper, visit nuveen.com/insurance or reach out to Kyrylo Sukhanenko Head of Insurance, EMEA at Nuveen.

A secure environment

Insurance Asset Management rounds up some of the major pension scheme de-risking deals that have taken place over the past couple of months

Pacific Life Re has announced the successful execution of its first asset-intensive reinsurance transaction in Hong Kong. The transaction marks Pacific Life Re's entry into a new market for its savings & retirement business in Asia, building on a strong track record of successful transactions in Japan. The Hong Kong transaction involved the reinsurance of a block of whole life liabilities for a pan-Asian insurance provider. Through the transaction, Pacific Life Re's financial strength and expertise support the insurance and investment risks associated with the underlying liabilities, helping to enhance long-term policyholder security and resilience.

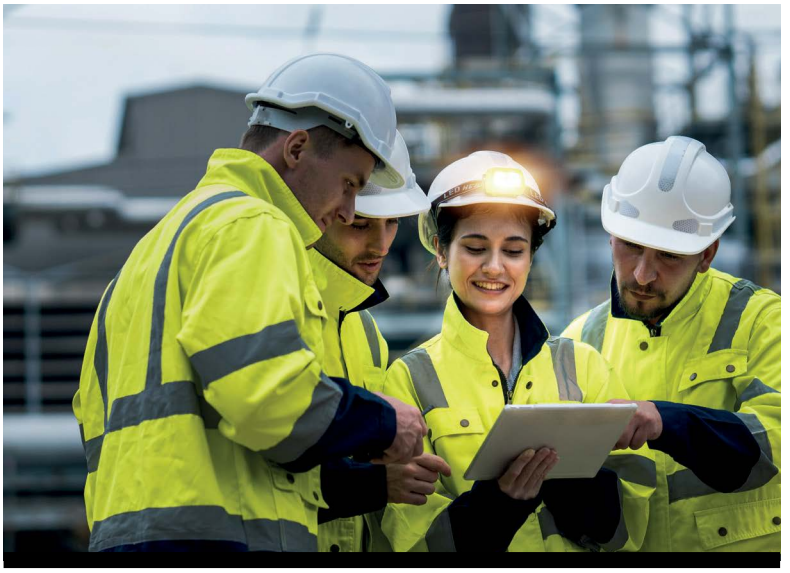


Wood Pension Plan has completed a £1.65bn buy-in with Legal and General Assurance Society (L&G), securing the benefits of all 16,400 members. The sponsor, Wood Group, is an engineering and consulting company. LCP acted as lead adviser on the transaction, while legal advice was provided to the trustee by Gowling WLG, to Wood Group by Pinsent Masons and to L&G by CMS. According to L&G, member experience played a decisive role in the selection process, citing research showing that, aside from price, insurer financial strength and member experience were trustees' main priorities.



Canada Life *has completed a £52m full-scheme buy-in transaction, securing the future benefits for 300 pensioner and 130 deferred members in the metals industry. Its sponsor is Sheffield-based alloys manufacturer Special Melted Products Ltd. XPS acted as lead broker and investment adviser to the pension scheme while Mercer acted as actuary. The trustee was advised on legal issues by Gunnercooke, and Canada Life was advised by its in-house legal team.*

The £64m **Givaudan UK Pension Plan** has completed its wind-up, with all members' benefits now fully secured with Aviva through individual insurance policies. The completion marks the end of a long-running process to secure members' benefits and bring the defined benefit (DB) scheme to an orderly close. The wind-up followed a programme of work covering benefit verification, member communications, administration transition, buyout implementation and the eventual transfer of members' benefits to individual policies with Aviva. Aon advised the trustees throughout the process, from buy-in broking through to buyout, wind-up advice and project management, working alongside Givaudan and legal advisers Travers Smith.



***The Engineering Council Pension Scheme** has completed a £9m full-scheme buyout with Just Group, securing the benefits of around 90 members. The scheme sponsor is the UK regulatory body for the engineering profession. The transaction completed in April, with Cartwright Pension Trusts acting as lead adviser to the trustees as well as scheme administrator, actuary, consultant and secretary. Dean Wetton Advisory (DWA) acted as broker, while legal advice was provided by Shoosmiths.*

The Altro Pension Scheme has completed an £85m bulk purchase annuity (BPA) transaction with M&G, securing the benefits of 740 scheme members and their dependants. The transaction was completed by Prudential Assurance Company, M&G's subsidiary, with Aon providing broking, investment and actuarial advice, and Pinsent Masons and Eversheds Sutherland providing legal advice to the trustees. Finalised in April 2026, the deal was carried out using M&G's BPA Plus arrangement, which gives members the security of a traditional BPA, alongside the potential for discretionary bonuses over time through M&G's £132bn with-profits fund. It was also the first to use Aon and Eversheds Sutherland's Pathway platform with M&G.





Video

This is an edited summary.

To watch the video in full please visit *www.insuranceasset management.net*

Unlocking opportunities in securitised credit

Perspective Publishing editor-in-chief, **Francesca Fabrizi,** sits down with *HSBC Asset Management* managing director and head of securitised credit, **Andrew Jackson,** to discuss the opportunities in securitised credit and its role in investment portfolios today

Why is securitised credit particularly attractive for investors today?

AJ: Securitised credit is all about income and about current income. If you look at the constituent parts of securitised credit in terms of that income, first of all, it's base rates and then it's credit spreads on top of that, and the interest rate environment we're in at the moment is higher for longer. As interest rates rise, so the coupons on the bonds that we own rise, and we pass that directly through to our investors.

The second piece is credit spreads that go on top of that, and securitised credit has paid wider, higher credit spreads than regular corporate bonds. But at the moment, in terms of our environment, we're about 60- 70 per cent of the way through the range of credit spreads, so we're a bit tighter than we were at the end of 2024, but corporate credit is in that 95th+ percentile - they're very tight.

So, the advantage of securitised credit today for our investors is very good compared to corporate bonds, which is what we compare ourselves to.

How can investors benefit from securitised credit allocations?

AJ: I like to frame this by looking at where we sit compared to regular corporate bonds, but also to private credit.

Securitisation takes a portfolio of loans and turns them into bonds, and those bonds are issued in different tranches with different ratings. The senior tranches benefit from what we call credit enhancement or the subordination of the junior tranches. One feature, for instance, that's attractive for a lot of investors is the credit protection that comes during a deteriorating economy - that's across the board.

If I look at it compared to that fixed income side of things, first we have a yield premium over corporate bonds. Second, because we're floating rate, we have a very low duration. So, in this environment, that's seen as attractive. We find that a lot of fixed income investors allocate to securitised credit. Very simply, if you put securitised credit into a fixed income portfolio, you can potentially reduce the volatility of that portfolio, and you can increase the income.

We're also seeing a lot of investors coming from private credit to securitised credit. The reason for this is liquidity. We are a little less liquid than regular corporate bonds, but we're much more liquid than private credit.

We also get transparency of information, which private credit investors like because, for instance, the rating that we get on our investment is public, from rating agencies you would know and understand.

The pricing of the bonds is also very transparent. You can get regular daily prices of bonds as you would for corporate credit. So, investors like that transparency of information and they like the liquidity.

What areas of securitised credit do you invest in and why?

AJ: At HSBC Asset Management we have what we call a dynamic global allocation approach - we invest everything globally. It is a developed markets product, and we move our allocation to where we see the opportunities by country and by sector.

So, our largest allocation, reflecting the largest allocation in the market, is corporate loan securitisation in collateralised loan obligations (CLOs), where we have a market weight that will typically be in the US and Europe.

Next, we invest in residential mortgages. Again, that will be global.

But we don't invest in agency mortgage-backed securities or residen-

tial mortgages that are guaranteed by US government agencies.

The key for us in residential mortgages is prime borrowers. We don't invest in subprime mortgages.

So, we like residential mortgages, just not agency or subprime.

We also invest in commercial mortgage-backed securities. These are secured on loans on offices, hotels, retail. The key here, similar to residential mortgages, is prime. So, you absolutely need to be on new build offices that are fit-for-purpose, which are full - benefiting from the back-to-work environment and avoiding that secondary real estate.

The final piece, which is light touch for us, is traditional consumer loans, these are auto loans. These are credit cards. And here it won't surprise you to know that the key is to be in the prime assets - we don't do subprime. We have an institutional quality, prime view of the market.

What differentiates your strategies from the wider market?

AJ: We have a lot of competitors in the US and in Europe. But we are global,and dynamic. We move our portfolios actively to where we see opportunities.

To give you an example, with CLOs, it's a very similar structure for the US and Europe. But today you're getting about 25 basis points (bps) more from investing in Europe. So, we've been able to shift our allocation. So that dynamic approach is key to the way we invest. We believe that helps provide lower volatility even within our low volatile asset class and hopefully enhances the returns.

Also, if you look at why securitised pays more, there's a complexity premium involved in that and the key to unlocking many of these benefits is experience - having a very broad, deep bench with lots of experience, and we bring that to the table as well.

Where have you lost money?

AJ: We have lost very little money. The team was formed in HSBC Asset Management 16 years ago and we have been running money for that period. Our high-quality strategies have had no credit losses or defaults over that period, despite market value fluctuations.

But there is another side, and that is mark-to-market movements. The bonds we invest in move every day in terms of prices, and there have been periods in that 16-year environment when clearly there's been a down period.

Oddly enough, Covid (2020) was a positive year for us. March 2020 was difficult. It was a very risk-off environment, credit spreads widened, but it came back quite nicely.

The other period when we lost money was in 2022. We lost in our lower risk strategies - about two per cent - so, not too bad. The corporate bond sector was down about 15 per cent.

You might say, if we are not taking interest rate risk, which we're not, how come that happened? What happened in 2022 was that the rise in interest rates were so rapid that there was a concern that borrowers, who are our raw material, would struggle to pay their loans back.

For European investors, how does investing in securitised credit fit within the revised Solvency II framework coming into effect in 2027?

AJ: WIt fits very well. A few years ago, Mario Draghi (former European Central Bank President) was looking at the whole securitisation framework - what he wanted to do was to encourage more securitisation, as it's a real-world advantage to speed up the flow of money through the system. He initiated a process to revisit the European securitisation laws to encourage more issuance.

They are encouraging more issuance through the European securitisation regulations and they're encouraging more demand through loosening the capital requirements for insurers and banks.

The insurance regulations under Solvency II kick in from January 2027, and it'll become cheaper and more efficient for insurance companies to invest in securitisations.

There are two parts of securitisation in the regulations. There is what they call 'simple, transparent, standardised'. The capital requirements will reduce there, making it more beneficial, but also senior tranches of non-STS will also become more attractive for insurers. So, we're seeing a growth in issuance of securitisations in Europe, and we're seeing a growth in demand, and we think that'll become much more active throughout 2027.

Source: HSBC Asset Management as at 30/09/26.

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HSBC Asset Management

Around the globe

Insurance Asset Management looks at the latest insurance developments happening around the world



Finnish pension insurer, **Varma**, returned 6.9% (€4.7bn) between January and September 2026, its latest funding update has revealed. The company noted that equity investments had yielded a particularly strong return, supported by corporate earnings growth and AI-related investments. At the end of September, the value of Varma's investments totalled €72.4bn, up from €68.3bn at the start of the year. Its equity investment return was 11.2% in Q1-Q3 2026, up from 5.8% over the same period the previous year.

Total investment returns for the US life/health industry increased 4.5% in 2025 on a pre-tax basis, according to AM Best. The return for last year was the highest since 2021, which saw pre-tax investment returns reach 5.1%, according to AM Best. The top 100 insurers saw returns of 4.51% in 2025, while the top 25 carriers recorded a slightly smaller set of returns at 4.31%. The top five carriers were unchanged from the rankings for the prior year. Prudential of America Group remained in the top spot for 2025, with a total pre-tax return of 3.6% on its $606.33bn in admitted assets.

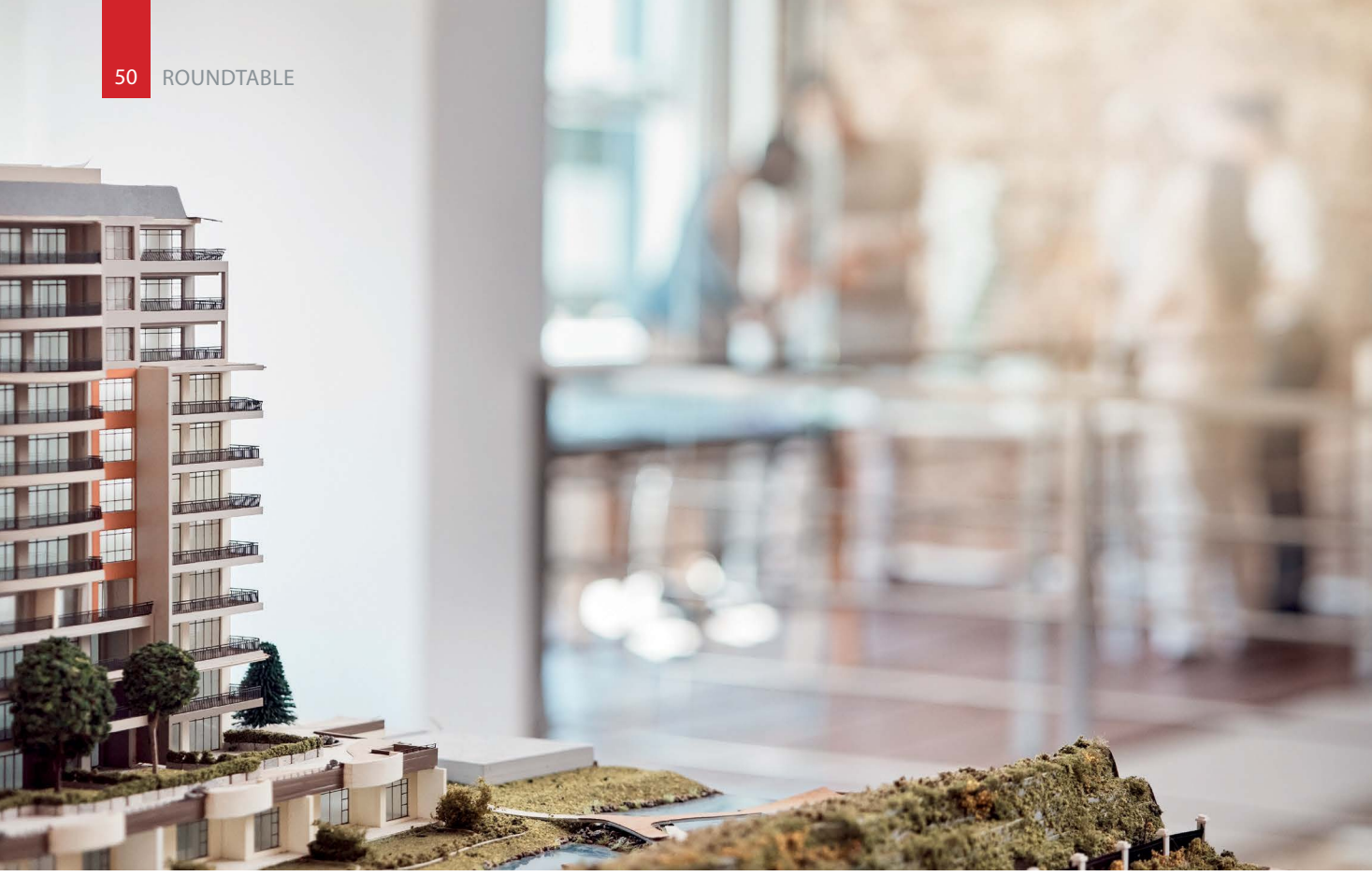


Swedish mutual insurance company, **Länsförsäkringar Fondliv**, has seen its profit before tax increase to SEK 1,387m in the first half of 2026, compared to SEK 1,230m in the first half of 2025, according to its latest financial results. The results also showed that premiums written increased to SEK 17,171m in H1 2026, compared to SEK 15,345m in H1 2025, while commission and fee income increased by SEK 37m to SEK 1,132m in the same period. Länsförsäkringar Fondliv's assets under management (AUM) also increased, from SEK 274bn in H1 2025 to SEK 326bn in H1 2026. Meanwhile, Länsförsäkringar Liv, which is closed to new business and manages traditional life insurance, saw its profit increase from SEK -562m in H1 2025 to SEK 3,272m in H1 2026. Its AUM increased by SEK 1bn to SEK 106bn.

Illiquid assets represented an estimated 19.4% of German insurers' invested assets in 2025, up from 15.8% in 2019, **Moody's Ratings** has revealed. Life insurers seeking to honour guaranteed rates of return on savings products accounted for most of the increase. Furthermore, exposure to infrastructure, private equity and alternative funds grew the fastest, with mortgages and loans accounting for the largest share of insurers' illiquid portfolios. Private credit accounted for around 9.3% of German insurers' total invested assets at YE2024, exceeding the European average of 7.5%. This reflects German insurers' participation in traditional mortgage lending and private placements.

> Total investment returns for the US life/health industry increased 4.5% in 2025 on a pre-tax basis

Insurance companies in South Korea posted 13% growth in their net profit in the first six months of the year compared to the same period in 2025, data from the Financial Supervisory Service (FSS) has revealed. The rise was on the back of increased investment returns. The combined net income of 22 life insurers and 30 non-life insurers came to 9.01trn won ($6.5bn) in the January to June period, up 1.04trn won from the same period last year. The 22 life insurers posted a combined net profit of 3.93trn won in H1 2026, up 17.7% from a year earlier, while the non-life insurance firms combined net profit spiked 9.6% on year to 5.09trn won over the cited period.



ROUNDTABLE WITH NUVEEN

C-PACE for insurers

Our panel of experts discuss the benefits on offer in the rapidly growing Commercial Property Assessed Clean Energy (C-PACE) market

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Chair: It's not often that we can introduce a differentiated asset class like Commercial Property Assessed Clean Energy (C-PACE) to the insurance community. UK is home to the largest commercial real estate market in Europe, and one of the largest in the world. According to RICS, the economic activity associated with commercial real estate directly generates around 1.7% of the total gross value added (GVA) of the UK, 1.1% of the total tax revenue, and employs about 1.8% of the total UK workforce. Despite the size, it's not the most innovative market and Nuveen is hoping to change this. Nuveen is a large global real estate investor and the potential benefit of our scale is that we can spot a promising product, structure or a financing mechanism in other parts of the world and learn how to apply it to local markets. That's exactly what we've done here with C-PACE. UK is the core, strategically important commercial real estate market for Nuveen, a TIAA company and for our insurance clients. Over the last ten years, Nuveen Green Capital (NGC) developed an innovative financing

mechanism for commercial real estate in the US and grew it into a standalone institutional asset class. It's an example of a truly successful public-private partnership. The same team has worked very hard to see if or how we can bring the US C-PACE offering to the UK market. With that context in mind, we are delighted to bring a powerful new commercial real estate financing solution to the UK - Property Linked Finance (PLF) - modelled after Commercial Property Assessed Clean Energy (C-PACE) framework in the United States.

The objective of this roundtable is to explain the history of the C-PACE market in the US, its development, growth trajectory, what the market looks like today, and then how we plan to use the success we had in the US to design a product which is suitable for the UK market. It is also an important part of our commitment to the UK Productive Finance Agenda and a key case study of us being more local here in the UK.

Schatz: Over the last two years, my team has made several visits to the UK market, working to develop a new approach based on the successful model that we have in the US, and one which NGC innovated. NGC is a leading provider of C-PACE financing, and we focus primarily on this product and have built a highly experienced team to deploy it. Over 780 individual projects have been completed so far, and over time, we have built a full-scale platform in-house from legal, marketing, originations, credit, capital markets, policy, and asset management. We have grown our originations in the US at a staggering rate and are looking to expand to new markets where C-PACE financing and similar products could achieve scale. We have nearly $6.7bn in AUM now (as of 31/10/26), and this year alone we've originated over $2.5bn in C-PACE financing. Our founders, Jessica Bailey and Alexandra Cooley, innovated this model in their work in the public sector in Connecticut. Once they structured this model and launched it in that state, they replicated the model in multiple states. C-PACE must be enabled in state policy and must be passed as an act of legislation, and so my team and I, as policy lead, have focused on proliferating this model across the US states. What the law says is that sustainability improvements serve a public benefit, and as a public benefit, they should have treatment as a special assessment that is placed on a property. This serves as a repayment pathway (a conduit to repay), enabled by the government and its powers of assessing properties (property tax), which is then remitted onto the capital provider, in this case, NGC. We provide private financing in each one of these policy-enabled states, and the property owners can repay that financing through its property tax in local jurisdictions. The C-PACE product specifically encompasses all major asset classes of commercial real estate including hotels, retail, hospitality, office and multifamily. We are now present in 39 states and the District of Columbia, and with only 11 states remaining, we are looking to see what we can do to replicate the model globally. The asset class started as a way of financing sustainability improvements through refurbishments in secondary and tertiary markets in the US. For example, think of an office building in a small town that needed new boilers and sought $200,000 in financing. We are now originating a wide range of deals that can be upwards of $200m, $300m, or even $400m individually. There is a competitive market in the US, and so while we have pioneered this model, we are not alone in this offering. The innovation of the



Chair: Kyrylo Sukhanenko, Managing Director, Head of Insurance, EMEA, Nuveen

Kyrylo is the head of Nuveen's insurance practice in EMEA and a member of Nuveen's leadership group. He leads the firm's strategic engagement with insurers across the region, overseeing coverage strategy and asset management solutions while ensuring Nuveen's full suite of products and services addresses the evolving regulatory, economic, and accounting needs of EMEA insurance clients.





assessment-based financing or property-linked financing, which is the term we use in the UK, is what gives this an additional security, in the form of a super senior lien, over other kinds of commercial debt instruments that you would see out there.

The quality of C-PACE that we look for in these programs, whether in the US or internationally, revolves around four elements. Number one, it is protected from extinguishing events. When we put this financing in place, it conveys from owner to owner in a straightforward manner because a property tax in the US is attached to the property, not to the borrower. This non-extinguishing quality also means that even during an insolvency, it does not get removed from the property's title. That gives a long-duration quality to our financing. Number two, it is non-accelerating, meaning that we can't call forward our financing for any future amounts due. The only amount due at any given time is the amount currently due or in arrears. This non-acceleration is a core aspect to get a senior lender comfortable with the C-PACE structure, which we need to do almost any transaction. Third, there is a form of priority payment, which means we have a super senior position in the capital stack. That currently due or in arrears payment is a property tax, and so in enforcement, it is made current first before all but property tax. It is this super senior priority that helps support what we believe to be a strong credit profile. But the combination of priority payment and non-acceleration is the secret sauce of this model, as it maintains our priority to only those amounts currently due or in arrears. Fourth, the financing runs with the land. It conveys readily from owner to owner. It remains with the property (unless prepaid early), so when we're underwriting a deal, we're looking at the property, not the borrower. Any successive borrower would have to assume the C-PACE assessment, and it is fully prepayable at the same time. These four key components together create a new asset class that is long duration, designed to offer enhanced security, and provides an alternative form of financing to the property owner.

When we looked outside of the US, there were two markets that we focused on as the first international launch of this product, and the UK was first on the list. What we found is that the property tax in the UK is not the same as it is in the US. You have business rates and you have council tax, but there's nothing that attaches to the property in this way that we can tap into and form a repayment mechanism like we have in the US. Therefore, we've carried out a lot of innovation in diligence to recreate the four main elements already mentioned, and after creating a valid approach, we have started our originations over the last year working with property owners in England and Wales where the law supports this model. In the US, C-PACE is formed around a public benefit that permits access to this repayment mechanism. NGC is able to track sustainable metrics for our portfolio, and when NGC looked at the UK, while we might not have the same public benefit requirements that are in US law, we have put in place our own sustainability criteria to make sure that we're still hitting the mark in terms of the sustainability that we're bringing to the market.

Raghuram: What's your control to make sure that the borrower spends money on what they said they would?

Schatz: In the US, to qualify for this financing, you must come forward from the start with an engineering report that lists out every single improvement that you're going to put on the property. It's also part of the contractor's work,



Rahul Raghuram, Investment and Capital Strategy Lead, NHBC

Rahul is investments and capital strategy lead at NHBC. Previously he worked in the investments team at Standard Life, latterly as the matching adjustment ALM manager, with wider responsibilities around hedging and overall portfolio management. Prior to this, he spent nine years in a range of actuarial and investment roles at LV=.



David Schatz, Vice President – Policy, Market Development & Strategy, Nuveen Green Capital

David is vice president of policy at Nuveen Green Capital. He will lead policy for NGC, interfacing with the firm's federal, state, and local government partners to enact C-PACE legislation and support its geographic expansion to new markets. With over a decade of legislative and regulatory strategy and policy experience in the energy and infrastructure markets, David most recently led grid modernisation policy and strategy at Pepco Holdings, the holding company for four major electric utilities in the mid-Atlantic.

and we actively review their progress as they build out the site.

Raghuram: So, you'll see a finished product, whether it realises the environmental benefits or not?

Schatz: Yes. And it's in US law that a project must tie the financing directly to the sustainability improvements on that property. That is the public-private partnership aspect. In exchange for access to the property tax repayment mechanism, the public expects that there will be sustainability improvements that are measurable.

Price: If somebody decides that those improvements don't generate benefits in the future, they can't apply regulation changes retroactively?

Schatz: They can't do that, no. I think it's important to note that for a C-PACE transaction to go through, it's quite a high bar. It's entirely voluntary as a mechanism. A property owner must raise their hand and say, 'I want a special assessment placed on my property and I want to repay the financing for these improvements'. We, as a capital provider, must underwrite it and say, 'Yes, this is a meritorious project and meets our financing criteria'. The senior lender on the property must raise their hand and say, 'Yes, this is a workable structure and it fits within our criteria for debt service on the property', and they underwrite us into the property's mix and capital stack. And then finally, the local municipality or the taxing authority that puts the assessment on the property has to say, 'Yes, this is qualified and approved for providing this financing'. Each project that we've ever done has had to go through the four wickets of the municipality, mortgage lender (if there is one), NGC, and property owner. In exchange for that high bar, we are coming in up to 35% LTV on a property. That is in some cases statutory. We may have the ability to go higher than that, but it is generally remaining at a low LTV to be both rateable and investment grade. It's a super senior lien, so offers enhanced security, and it's long dated, capable of a term of 20 to 30 years. In this way, C-PACE is unlike any other asset type for commercial real estate. From an investor perspective, it allows access to a part of the market in commercial real estate that otherwise would not be able to access because of the credit enhancement that's taking place here.

Sethu: Is this completely determined state-by-state? And to what extent is this at risk of presidential powers coming in and changing the law as we've seen?

Schatz: It is passed on a state-by-state basis. Commercial real estate is largely not regulated at the federal level. The President and Congress have no direct impact on C-PACE. On a state-by-state basis, there are some variations in the way that the mechanism works, like who collects these payments and where it shows up on the bill. But it's the exact same credit enhancement that's taking place in all states. In all states, C-PACE is considered a property tax assessment and therefore has the super senior priority. And those four qualities that I mentioned are consistent across all the states. They do vary on the level of proceeds allowable and the process of making it available locally. But the same mechanism overall is consistent.

Sethu: Are you seeing states that are more receptive to this product and others that are less receptive?

Schatz: There are some curious points among the different geographies. The District Columbia being number 3 in the total breakdown of our deals has a lot to do with a mega deal that was completed at the end of last year. This was an office-to-residential conversion and one of the largest projects in the US. It alone was $465m, creating 550 units and it takes up an entire city block. It is skewing the District of Columbia portion of deals. Florida has had multiple deals of over $200m for just the C-PACE portion. And again, we're just 35% of the cap stack, up 45%



in some cases. California has been around as a C-PACE state for a long time. So, it's represented well because it's the largest state by population, but it's also benefiting from the fact that it is one of the earliest adopting states. On average, we are in the $20m to $40m range per project and we may do 40-50 deals a year, which is a high rate of deal flow. The mid-to-upper part of the market is underserved when it comes to this part of the capital stack. It's harder for those projects to finance, and in those deals we may be displacing equity, or displacing mezzanine debt, or helping to lower the exposure of a senior who will see better project economics from C-PACE. In terms of segments, hospitality is our largest segment, and second is multifamily. Over time we've made innovations to the product and changed it, making more project types eligible for C-PACE financing. It used to be only retrofits that qualified for C-PACE, then we were able to do new construction, working within the statutes of each state. Next, we added refinancing to the eligibility list with a three-year look back on the construction. So, these innovations have opened a lot of different avenues for the product.

Sethu: Are condos what you mean by multifamily?

Schatz: Multifamily includes both build to rent and build to sell.

Ye: In terms of spread, what is that related to the senior?

Schatz: Usually, it depends on the project, but if the senior is a debt fund, typically we are coming in below the senior in terms of our rate, and so we're helping to blend down the weighted average cost of capital in a lot of deals. Debt funds are some of our best partners for this reason, but we've had over 300 senior lenders that have consented to C-PACE across the US. Some of them are household bank names, some of them are regional banks or community banks, and some of them are debt funds. For these project types in that mid-market, our rate is going to be very attractive. For many projects in that mid-to-upper tier or in segments of the market that are seen in some macro environments as a little bit more risk-on, this is a perfect product.



Moten: You mentioned the ability for borrowers to prepay. Why are they incentivised to do that?

Schatz: In new construction they typically are prepaying around the 3-4-year mark when they're getting to stabilisation because lower rates become available at stabilisation. Once the property is built and operating as planned, they are often able to attract cheaper debt from another lender.

Moten: So, it's through the refinancing process that you're getting fully taken out?

Schatz: That's right. And so, in new construction, we're seen more like a bridge. We do have some properties that are taking us forward through stabilisation and will keep us on. One of our projects in the UK opted for a 10-year term with us and they told us right up front 'I like the fact that I don't have to refinance this portion'.

Moten: Do you effectively get any call protection in there?

Chair: In the UK, you will have pre-payment protections in year one, two and three, but it will be stepping down over the years, and so you typically don't see many deals being done with any call pre-payment from year four or year five. We tend to package a lot of these loans together in the US and one way of accessing them is through a securitisation out of public or private securitisation.

Raghuram: Are you effectively taking construction risk on new builds then?

Schatz: Yes.

Raghuram: And if they just lay down tools, what happens?

Schatz: We continue to run with the land, and usually the senior lender is going to enforce



Ken Hon Lim, Deputy Head of Investments, Chaucer

Ken is the deputy head of investments at Chaucer and is a qualified actuary with extensive investment data analytics capabilities and 5+ years' experience in the insurance industry. Ken helped the formation, manager selection and execution of the investment strategy of the newly formed Ki Insurance with AUM growing from zero to c.$2bn in four years. Ken was the lead investment contact for the main capital provider, Blackstone.



well before we do. What we're relying on in the US is the property tax enforcement process as a backstop.

Raghuram: But you're hoping that the senior lender steps in?

Schatz: In every case I'm familiar with, it's the senior lender that steps in, cures us, and then they run the enforcement process as they normally would. Sometimes they'll require the borrower to have a reserve specifically for this scenario to keep us current so that the senior is not out of pocket to make us current. They can then transfer the property as they would in any enforcement process. We don't prevent a transfer in the US; it can change hands any number of times.

Chair: We have 10 years of history for this product, it's a new form of lending and it's been through different rate cycles. But you see the prepayment rates stable at around 6.5%. Concerning construction risk, delinquency rates are also consistently low.

Schatz: When we started to work in the UK, we did find that there was a purely contractual way that we can structure different existing legal frameworks to create all of those four elements that I covered earlier - non-acceleration, non-extinguishing, priority payment, and runs with the land. We refer to this as property linked finance, or PLF. The PLF legal framework involves multiple agreements that are cross-referencing one another, and they are stitched together in a way that creates C-PACE like security. At the core is a restriction on title that establishes that if you are going to transfer a property with PLF, you must make the PLF charge associated with this financing current. So, that establishes the feature of priority payment that's present in C-PACE. And similar to C-PACE, we cannot accelerate in most situations in PLF. In practice, a similar situation that I described earlier in construction would apply here. The senior lender who consents to this would probably require an interest reserve, for example, to keep us current so that in an event of an enforcement they can quickly make us current and then do what they would normally do under any other circumstances in their own enforcement. Once the PLF is made current, the senior lender can transfer the property. The restriction also says that any subsequent owner of the property would assume the financing terms that we set out from the start. With this provision, we establish that non-extinguishing and run with the land quality. All of these legal elements are connected to the actual charge on the property - the mortgage. That charge is a second charge. All of these qualities connected to the PLF charge are sketched out in an intercreditor deed of priority which the senior lender and NGC will negotiate to meet the contours of each deal. Given the importance of the intercreditor in projecting enforcement scenarios, that's where a lot of our conversations have been based - around the senior lender. I would say that in the UK, more than even the US, the senior lender is as much the customer here as the borrower, because we are coming in almost as a co-lending arrangement. We are working together with senior lenders to offer a blended cost solution, and in this early market development phase, the lenders are usually fitting us within the exact same credit box that they would if they were going to do the whole loan themselves. In this way, they treat us almost like a form of back leverage or like an A note. With the senior lender consent in place, the security is highly durable and will remain in place through successive owners and through successive senior lenders. Our terms will likely be a lot



Ying Ye, Chief Investment Officer, Allianz Insurance

Ying is chief investment officer of Allianz Insurance plc. Before moving to London in 2015, she was the chief investment manager at Allianz Investment Management in Munich, responsible initially for the investment strategies of group companies in Central & Eastern Europe and subsequently for the UK, Ireland and Australia.

shorter here in the UK. We have found multiple times in our market trips that a 20-to-30-year term like we have in the US is not going to be marketable in the UK. We are a 5-to-10-year term in the UK, and just as Kyrylo mentioned on the prepayment, it would be a step-down prepayment penalty over the early years of the term. We continue to make adjustments to ensure our market fit, and it is very likely that the product will adapt over time while proving the model of connecting financing to a property in a novel way, a first for the UK.

Sethu: For retrofit, how are you managing stranded asset risk?

Schatz: It's going to depend on the deal, but I think that for retrofits, the most relevant feature of PLF is that we have a very long notice and care period to allow the senior to step in. Given the structure, we tend to follow in the senior's wake on enforcement. It's not a risk-free product, and I think the biggest risk that we're looking to mitigate is an abandoned project. However, our intercreditor discussions are often about how enforcement will work. In a lot of cases, the senior lender will raise this scenario, and we have explored ways to enable the continuation of the project and going through with the build, while keeping our charge and restriction in place. But I think you've hit on probably one of the areas where we're risk adjusting most.

Moten: Without that backstop in the UK of tax authorities coming in to reclaim, how much is that worth because the spreads conceptually seem similar. How are you risk adjusting on that basis? Is it through an LTV?

Schatz: The spreads are similar. The UK model offers us the ability to really tailor that enforcement the ways we cannot in the US. In the States, there is this backstop of a tax sale, but it can take some time to even get started in earnest. Working with tax assessors to go through that process is a part of timing risk that is inherent in the US product. In the UK, we have a lot more control because it's our own mechanism, so we have structured in enforcement after a year, which we do have the rights to do, and the senior would have to sign off on it. We effectively have created our own backstop.



Moten: Who's the typical senior lending partner?

Schatz: Debt funds are a good partner here. We have also worked with several challenger banks that that have stepped in and want to be innovative and among the first adopters.

Raghuram: If I'm a very large commercial real estate lender in the UK, why can't I just structure this product myself and sell it to different clients?

Schatz: It's a very niche product legally and in market fit. It takes significant resourcing to build up the product and platform. It would be challenging to start out and do that. I think you would have to have a platform with the ability to raise capital to deploy it, and I don't know of many out there doing that, but they certainly could.

Chair: If you look at the size of our platform in the US, we utilise a lot of our own operational and legal resources. As a senior fund or a real-estate debt business which operates one or two strategies you may not have the same depth of operational infrastructure that we have.

Schatz: NGC is not the only lender in the US and it's not proprietary as a model. It's written into law and anyone could do it in the US.

Chair: In the UK, we want more people to come into this space anyway, so it becomes more competitive and so that the size of the market continues to grow.

Schatz: There are two projects that we're working on right now in the UK. One involves a co-living property. Co-living is a relatively new asset type in the UK and a perfect case for a product like ours. The LTV for the PLF portion is around 33%, and £17m is the actual loan



Niall Moten, Head of Investments, Convex

Niall is the head of investments at Convex. He primarily focuses on investment strategy, asset allocation and manager selection, and has a background managing global fixed income portfolios for insurance asset owners. Niall has a master's degree in mechanical engineering from the University of Bristol and is a CFA Charterholder.



Rod Price, Deputy Chief Investment Officer, Hiscox

Rod is the deputy chief investment officer at Hiscox. He joined in 2010 and has held a number of roles within the investment team, including interim CIO. Rod supports the chief investment and treasury officer across all areas of investments and all asset classes. Prior to Hiscox, Rod worked at RBS/Aberdeen Asset Management managing a number of funds.

amount. In this case, it's a new construction. It's going to be EPC-A as well, so we're meeting sustainability criteria, and it has a BREEAM 'Excellent' rating.

Lim: What factors drove the LTV for the PLF portion to be 33%? Could it have been 35% say, or 20%?

Schatz: It could have been 35%. We see most senior lenders fitting us within their existing credit box. Within their box, what they're assuming is, if anything goes wrong with this property, they are going to get fully repaid. If we're fitting within that, then the risk of us holding up a refinance or preventing the sale in a downside scenario, it's as low as what they would accept.

Sethu: Is your legal structure dependent on meeting certain impact criteria?

Schatz: In our origination we do reference at least EPC-B and BREEAM very good or above.

Sethu: Do you think there's a way, as government policy evolves in the UK, that that could be used as a further hook around enforcement?

Schatz: We initially approached the government about this structure before we pursued a contractual mechanism to do PLF. And we went about it the same way that we do C-PACE in the US. We approached the government and said, 'this is a great public-private partnership. Government can structure a new local land charge, and a local land charge in the UK has a lot of these qualities from the start. It runs with the land. It's an obligation. It can be financial in nature and connected to a property. There are so many qualities that are inherent to C-PACE that are in a local land charge. This would be a win-win, and this is a no-cost proposition for government'. But we weren't able to drive near-term action.

Ye: Maybe because of political costs?

Schatz: I think government surely saw the merits of it.

Sethu: Would it be worth when you're re-engaging, putting more emphasis on the 'S' rather than just the 'E'? For example, from the perspective of social housing.

Schatz: More people are looking at affordability over everything else.





Amir Sethu, Chief Sustainability Officer, MS Amlin

Amir is a senior insurance leader with 25+ years of end-to-end (re)insurance experience spanning underwriting origination, commercial development, distribution, capital, portfolio management and sustainability. With a Big 4 consulting foundation, he has built commercial businesses from scratch, identifying growth opportunities, aligning complex stakeholders and converting strategy into premium and P&L.

Chair: What we're also trying to replicate is the end investor track record that we had in the US. We have around 20 or so third-party investors in this asset class in the US and every single one of those is an insurance company. In the UK, due to the floating rate nature of this product and much shorter terms on average than the US, we think it may appeal to P&C portfolios. If structured correctly, it could potentially appeal to a life balance sheet as well but the tenure of the loans is much shorter than the US. Obviously, for people to be able to invest into a new asset class like this, one needs to have all the supporting operational infrastructure (third party valuations, ratings, reporting etc). We worked very hard over the last 18 months to develop all of these and feel like we are in a good place now to start introducing this asset class to 3rd party investors in the UK. The end product will likely be AA rated. We are continuing to innovate the product and make it match the market expectation and the investor expectation to land this plane. It's not every day that you have a new asset class that has the potential, as the US product does, of scaling to $7bn in AUM in 10 years. I think we'll see similar growth over the next few years in the UK.

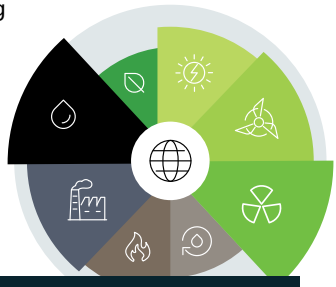
To learn more about C-PACE for insurers, please reach out to Kyrylo Sukhanenko, Head of Insurance, EMEA at Nuveen or visit nuveen.com/insurance.



A green world

Insurance Asset Management **looks at the key sustainable impact investment developments over recent months**

French state-backed reinsurer, **CCR**, will no longer make new investments in companies developing new oil and gas projects across the entire value chain, according to its new investment policy. This is the first such policy for a public reinsurer in Europe, and means CCR will no longer finance companies responsible for exacerbating climate risks worldwide. CCR has strengthened its fossil fuel policy by ending all new direct investments in companies developing new oil and gas fields (upstream), new pipelines and new liquefied natural gas (LNG) terminals (midstream) and new oil or gas-fired power plants (downstream).



More than a dozen Nordic investors and financial institutions have urged the EU not to drop its opposition to new oil and gas drilling in the Arctic. The appeal has come as the EU weighs revising its stance to prioritise energy supply, after the US-Israeli war with Iran disrupted global energy markets and sent European gas prices surging. In an open letter sent to five European commissioners, the signatories said they feared Brussels might soften its position. Nordea Asset Management, part of the Nordic lender Nordea, was among 12 financial institutions to sign.

Willis has unveiled a new version of its Climate Diagnostic model, which aims to help risk managers better understand and respond to climate-driven volatility affecting property insurance markets. The model, which is embedded in WTW's Risk IQ platform, is a climate risk technology capable of predicting the current and future impact of floods, windstorms and other material climate threats on an organisation's assets, business activities and supply chain. Willis said that as extreme weather events become more severe and frequent, insurers are responding by either increasing the cost of property insurance or withdrawing from vulnerable regions entirely.

NN Group has updated its thermal coal policy by strengthening restrictions on large thermal coal producers and companies developing new coal projects. Furthermore, it has expanded the scope of exemptions and formalised the process for assessing and granting them. "In limited cases, companies that exceed our restriction criteria may be considered for an exemption where deeper analysis shows credible transition plans and progress," it said. Since introducing the policy, NN Group has reduced its thermal coal-related investments from around €1.8bn in 2019 to approximately €300m at the end of 2025. This reduction reflects a combination of investments reaching maturity, companies reducing their thermal coal activities and selective divestments.





BlueOrchard, part of the Schroders Group, has announced a US$250m first close for its Climate Action Mobilisation Fund (BOCAMF), backed by Aviva Investors and Daido Life Insurance Company, as well as commitments from Schroders, British International Investment (BII) and FinDev Canada. Senior financing came in the form of investment grade notes and the Fund will provide senior loans to financial institutions that channel climate finance to SMEs, while also lending directly to companies. The strategy aims to combine attractive risk-adjusted returns with measurable climate impact. A key objective in designing the senior notes was to meet the regulatory requirements of life insurers, including those of UK insurers seeking matching adjustment eligible assets under Solvency UK. By embedding these requirements directly into the Fund's design, the structure creates a route for institutional investors to deploy capital within their existing regulatory frameworks.



French insurer, Macif, is to invest €1.5bn in sustainability initiatives between the end of 2025 and 2029, with particular attention being paid to the preservation of oceans, forests, and soil regeneration. This move comes after the insurer stated that it significantly exceeded its 2025 investment targets — €670m invested compared to the targeted €300m. By the end of 2025, Macif had a total of €5.9bn in sustainable investments. Furthermore, Macif continued to reduce the carbon intensity of its portfolio of private bonds and dedicated funds by the end of 2025, with a significant decrease of 20% achieved this year. While a third of this reduction is due to the actual decrease in greenhouse gas emissions from the companies in which Macif invests, the remainder is linked to its strategy of selecting more committed companies.

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Current ponderings on industry themes

ROGER URWIN
Thinking Ahead Institute co-founder

On AI emerging as the top strategic priority for asset owners

Asset owners are still at an early stage of the AI adoption curve but there is no question about the increasingly important role AI will play in the future. AI is becoming an organisational story rather than a technology story. The opportunity is immense, but so is the challenge. Asset owners are trying to shape their AI future at the very moment AI is reshaping theirs.

On Crédit Agricole Assurances making its first investment in tokenised finance

This first investment in tokenised finance marks a significant step in our innovation and diversification strategy. This transaction allows us to develop concrete expertise in tokenised market infrastructures, their uses, and the opportunities they offer institutional investors. We approach tokenisation by focusing on the robustness of the infrastructures, the quality of the underlying assets, and the ultimate efficiency for our clients. We aim to contribute to the emergence of this new ecosystem.

FLORENCE BARJOU
Crédit Agricole Assurances, head of investments

JONAS ALFREDSON
Lumera Group CEO, Jonas Alfredson

On Lumera completing data migration for Nordea Life and Pension Norway

We are proud of our partnership with Nordea Life and Pension Norway and the continued progress we make together. These achievements demonstrate how Lumera's platform and expertise can support clients through the transformation and modernisation of their core applications.

STEFAN HOOPS
DWS CEO

On DWS buying Peakside Capital Advisors

The acquisition of Peakside is an important step in strengthening our alternatives platform. Peakside will add established capabilities and a strong track record in value-add and opportunistic real estate investing in Europe. It sends a clear signal that real estate is a core part of our alternatives offering and an exciting asset class that we want to grow.

On Man Group expanding its strategic partnership with Meiji Yasuda

Man Group is an important partner for Meiji Yasuda, with extensive expertise in quantitative investment management, AI utilisation, private assets, and other areas. Through this expansion of our strategic partnership, we will further promote access to a broad range of investment strategies, the sharing of advanced knowledge, and personnel exchanges, thereby further enhancing our asset management capabilities.

HIDEKI NAGASHIMA
Meiji Yasuda president and group CEO

PETRA HIELKEMA
EIOPA chair

On EIOPA urging closer scrutiny of private equity-backed insurers

Good supervision looks first and foremost at risks, not at who an insurer's owners are. Private equity-backed undertakings are subject to the same risk-based supervisory standards as any other insurer. But where new ownership structures or business models create increased complexity or additional risks, it is our responsibility to ensure those risks are properly supervised.

MARGARET MEISTER
Symetra Financial Corporation president and CEO

On Symetra and TIAA announcing the launch of Mariner Re

Symetra's strategic relationship with TIAA, a well-regarded company, pairs our combined financial strength and insurance expertise with a strong cultural alignment and collaborative approach. Mariner Re supports our ability to grow annuity sales, enhancing our competitive positioning and enabling us to serve more customers.

ZOE ALEXANDER
Pensions UK chief policy officer

On Mansion House Accord signatories holding £11.1bn in UK private markets

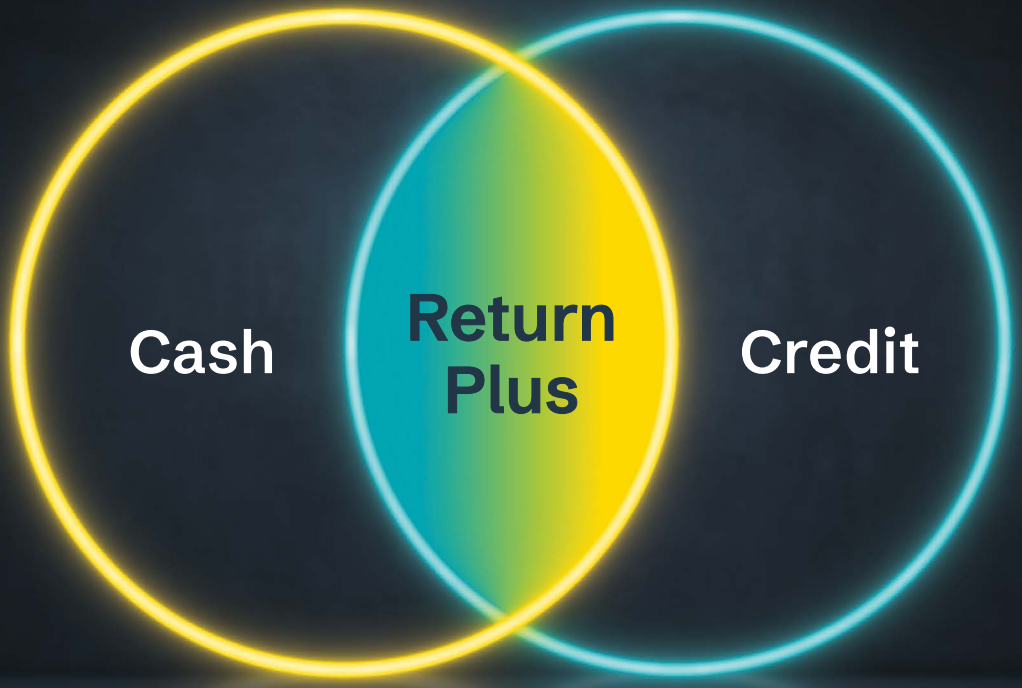
With billions already invested and deals worth a further £3bn already signed and awaiting deployment, the industry is poised to do more. Changes facilitated by the government's new value for money framework and greater co-ordination between Whitehall and public finance institutions should help create the conditions to further accelerate private market investment in future.

On entering the Irish pension risk transfer market

Ireland's DB pension market is significant, but trustees and sponsoring employers have historically had a relatively small pool of insurers to choose from. We believe Standard Life has a valuable contribution to make in this market, and we're ready to play our part in meeting growing demand for pension risk transfer solutions. By confirming full transaction readiness across both pensioner and deferred liabilities from day one, we're applying Standard Life's deep retirement expertise to deliver essential market capacity, competitive pricing, and execution certainty. We look forward to partnering closely with trustees, sponsoring employers, and corporate consultants as they map out their de-risking journeys.

NOELLE HAWKSHAW
Standard Life Ireland, international head of BPA

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