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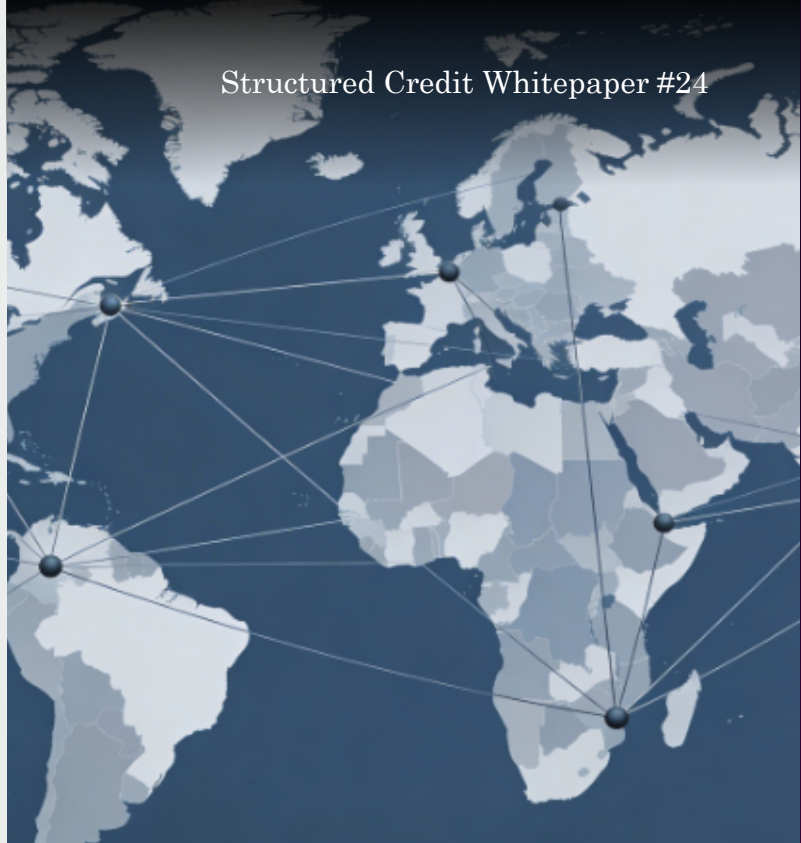
Whitepaper #24

March 2026

Structured Credit Whitepaper: Reassessing the role of structured credit

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Structured Credit Whitepaper: Reassessing the role of structured credit

Structured credit has been one of the most durable parts of the fixed income markets in the years following the global financial crisis (GFC). Despite often being seen as a specialist, opaque corner of fixed income, it is increasingly being treated by insurers and other long-term investors as a core building block in portfolio construction.



However, with macro uncertainty, regulatory divergence and technological change promising to reshape the investment landscape in 2026, how exactly should structured credit be integrated, scaled and governed in portfolios? What are the challenges and opportunities?

What emerged from our latest CIO Investment panel was a reframing of the debate: the question is no longer whether structured credit belongs in institutional portfolios, but how it can be used intelligently and sustainably.



A cautious macro backdrop

Today's investors face a macro environment that, while less volatile than recent years, remains unsettled. Central banks have begun to signal rate cuts, but panellists were wary of complacency around inflation and duration risk.

"Rate cuts have been coming through from central banks, but I'm nervous about the idea that inflation is dead. For bond investors, the risk is getting ahead of the curve on duration if inflation re-emerges," said Gareth Russell, Group CIO at Canopus.

That caution was echoed by Todd Isaac, Chief Investment & Treasury Officer at Hiscox, who questioned the prevailing 'risk-on' narrative in credit markets. "I don't think we're in a purely downward-sloping rate cut environment. There may be one or possibly two cuts in the US, but there's a lot of 'risk-on' optimism that I'm uncomfortable with. In credit, risk-on should mean diversification and being paid for risks you understand," he said.



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Inflation volatility and geopolitical risk

Liquidity factors have changed since the GFC and since central bank withdrawal, and concern remains over retail exposure to illiquid private assets.

Meanwhile, volatility has proven more persistent, while geopolitics has moved from the margins to the centre of portfolio considerations with tariffs, fiscal stress, political upheaval and trade policy shifts leading to rapid market dislocations.

"We've never seen the Fed hit its inflation target consistently over almost the last five years. Inflation volatility hasn't disappeared. On top of that, geopolitics has shifted from a tail risk to a base case. These shocks are fast, unpredictable and hence can be tricky to systematically hedge," said Arnal Patel, Senior Investment Officer at Pool Re.

"You can go to sleep, and the US president can say something that completely distorts the market," added Jeremy Deacon, Head of ABS and Leveraged Finance at Royal London Asset Management.

While this combination of macro and political uncertainty can complicate traditional portfolio construction, the panel argued that securitised products, being asset-backed and with structural protections, offer an increasingly valuable form of resilience and potential growth. The key, they said, is to be disciplined about how and where risk is taken.

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You can go to sleep, and the US president can say something that completely distorts the market

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Relative value in securitised markets

Against a backdrop of historically tight spreads across much of fixed income, structured credit stands out as one of the few areas still offering relative value and opportunity. The most significant growth opportunities, the panel argued, lie beyond traditional public securitisations.



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Asset-Backed Securities (ABS) still look cheap relative to almost everything else.

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“Corporate credit has gone from expensive to very expensive, and the big area of focus of most of my clients is private credit,” said Punil Chaubal, Insurance Investment Advisory Leader at WTW.

“We’re seeing insurers rotate away from spread duration risk and increasingly look to private credit to pick up yield that’s missing in public markets.”

Indeed, private credit and asset-backed finance are booming and increasingly competitive, with managers and fiduciary providers structuring semi-liquid and private securitisations to meet yield demand. Hybrid structured products are increasingly viewed as a core allocation for insurers’ portfolios.

Doug Charleston, Partner and Co-Head of ABS at TwentyFour, suggested that the current environment is not necessarily hostile. “Inflation may be above target, but not necessarily high enough to derail lending. From a securitised perspective, an uncomfortable stability isn’t a bad environment. It may actually support growth in our market.”

Deacon was more direct on relative valuations.

“We’re seeing contradictory signals everywhere: record equity levels, tight spreads, and geopolitical shocks that can reprice markets overnight. Asset-Backed Securities (ABS) still look cheap relative to almost everything else.”

Todd Isaac framed the opportunity in strategic terms.

“You have to stick to your strategic asset allocation and lock in yield where it makes sense,” he said.

“Securitised credit offers diversification and a different source of risk, often at a spread pickup over corporates.”

According to Charleston, investors are using out of the money hedges to deal with the potential for geopolitical driven volatility, preserving the ability to stay on course for core allocations. “Being underweight beta has proven painful for portfolio managers; the same is true of timing market volatility. It’s about compartmentalising those two things.”



Consumer resilience and ABS performance

One issue, particularly in asset-backed securities (ABS), is whether consumer weakness – or lack of confidence – will eventually undermine performance. Frequent media narratives about stretched household finances sit uneasily with the historically strong performance of many ABS sectors.

Deacon addressed this by pointing to the nature of the underlying assets. “People live to their means and have less buffer than they used to, but the assets we securitise are essentials: housing, cars and everyday credit. Performance remains strong. Delinquencies are low, and defaults are not telling a negative story.”

Charleston added that headline stress often masks segmentation within the consumer base. “A small percentage of households generate most of the negative headlines. Those borrowers are often not serviced by mainstream lenders anymore, which actually helps segmentation and risk selection.”

For insurers, selectivity is critical – and understanding of context. “The people doing reasonably well aren’t calling radio shows. Prime consumer credit is massively diversified and highly modelled. You don’t have to buy subprime exposure,” said Isaac.

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A small percentage of households generate most of the negative headlines. Those borrowers are often not serviced by mainstream lenders anymore...

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Regulatory constraints and geographic divergence

However, regulation remains the single biggest structural brake on growth in European securitised credit. Panellists argued that regulatory treatment is disconnected from the asset class's actual performance, that could lead to a competitive disadvantage for European insurers at a time when diversification is increasingly valuable.

"Why European regulation feels the need to attach risk retention and other punitive rules to securitised is a real question in my mind. We should evaluate the structures on their merit not on a perceived view of risk that affected the CDO market in the GFC," Isaac contended.

"For European portfolios, especially if they are dollar-based, regulation handicaps diversification and yield pickup. I like the asset class, but I don't like how regulators currently view it."

Charleston picked up on the theme, highlighting a "super frustrating" regulatory feedback loop that has slowed reform, European regulators taking a sceptical stance to securitised credit compared with the US.

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We are a startup on a smaller scale, so it's nice being able to find bits and pieces in esoteric areas.

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"While insurers are allocating 17% of their balance sheets in the US in securitised products, that's near zero in Europe," he said. Regulators use insurers' lack of reported interest as a justification for inaction, creating what he calls a "chicken and the egg situation," where insurers don't allocate because regulation is punitive, and regulators refuse to ease rules because insurers aren't allocating.

Meanwhile, Russell highlighted the burden placed on end-investors under European securitisation rules. "My reading of the securitisation regulation is such that there is a... due diligence requirement on the end investor," which would narrow the investable universe and limit insurer demand.

For Deacon, "the frustration is that the asset class works. Losses have been minimal, even through the financial crisis. European securitisation has never fully recovered post-GFC, and that legacy still shapes regulation."



Regulatory constraints have practical consequences for portfolio construction, according to Chaubal, and one solution is by deploying capital through less restrictive jurisdictions.

"Multi-jurisdictional groups have syndicates that are allocated to securitised assets, but they're also allocating to Bermudian portfolios, Qatari portfolios, and other regions where there are fewer restrictions," he said, adding "That will continue as more new and diverse investors come into the market."

While there was some optimism around post-2027 reforms, the overall consensus was that regulatory change will be gradual, and that in the meantime a fragmented landscape for capital charges and regulatory divergence is going to influence allocation behaviour.



Portfolio construction and governance

Beyond opportunity and regulation, much of the discussion focused on the practical realities of running structured credit portfolios through market stress.



“You’ve got to have... a subject matter expert to sort of be the voice in the organisation,” said Russell, arguing that credible internal expertise is essential if investment committees are to avoid panic selling during periods of volatility.

Deacon stressed the importance of understanding the underlying assets. His first rule for investors was simple: “understand the underlying.” In periods of dislocation, he added, the right response can be to “sit on your hands and wait.”

Liquidity design was another critical consideration. Patel explained that resilience depends on robust

portfolio construction, where liquidity buckets within a portfolio are clearly determined.

“Going further, consideration should also be given to identifying other sources of liquidity outside the portfolio that can be used to address unexpected short term liquidity needs. This allows for managing public and private exposures effectively while maintaining flexibility for unexpected liquidity needs,” he said.

Structured credit is also expanding into new asset types linked to technological and infrastructure trends. Panellists highlighted data-centre financing as a prominent example, though Deacon warned about the scale of funding required, saying that “there’s a ton of capital... that’s got to fund these things”.

Russell succinctly summed up the strategic mindset driving these allocations. “We like securitised assets, and we’re quite happy to hold them”, he said, both in investment portfolios and across balance sheets.

The panel also discussed long-term developments in technology and tokenisation, which while still in relative infancy, have strong potential to improve efficiency, transparency and risk analysis, particularly in private and semi-liquid markets.

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This allows for managing public and private exposures effectively while maintaining flexibility for unexpected liquidity needs

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Limits of AI and automation

The role of artificial intelligence in investment processes generated cautious interest rather than enthusiasm. Panellists saw potential for AI to enhance due diligence and risk analytics, but stressed that data quality and human judgment remain decisive.

“The AI debate is similar to driverless cars. The question isn’t capability, it’s comfort,” said Deacon.

Isaac was more sceptical of inflated expectations. “AI lets us do more, but it’s only as good as the data. Those with proprietary data will thrive. Innovation has been over-promised before, and I suspect it will be

again, even though it’s genuinely useful.”

Patel pointed to banks’ holding of consumer and corporate lending data as a potential source of long-term advantage. “Banks’ proprietary data will become extremely valuable in the underwriting and fundamental risk assessment over time.”

AI lets us do more, but it’s only as good as the data. Those with proprietary data will thrive.





Where is structured credit headed?

While insurers are often slow to change, there was a strong sense that structured and securitised products are becoming embedded in strategic asset allocations.



“Insurers move in a considered way through their governance process with regards to the inclusion of new asset classes to the overall portfolio, but once capital is deployed into the asset class and there is a track record of investment through a business cycle, the “new” asset class becomes part of the normal investment mix,” said Patel.

“This is a good moment for structured products both from a changing regulatory landscape perspective and relative value spread basis. In three to five years’ time, I would not be surprised to see structured and securitised products become a core part of insurance asset allocation.”

Isaac pointed out that not all insurers face the same constraints or opportunities. “Insurers aren’t homogeneous. Life, P&C and specialty writers all invest differently. The winners will be those who can move faster when the opportunity arises.”

The overall message was that structured credit is not a passive allocation – it depends on underwriting discipline, structural protections and the ability to hold tight through market volatility.

In a world of tight spreads and crowded trades, structured credit has both value and diversification benefits, qualities particularly attractive for insurers seeking yield without materially extending risk.

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This is a good moment for structured products both from a changing regulatory landscape perspective and relative value spread basis.

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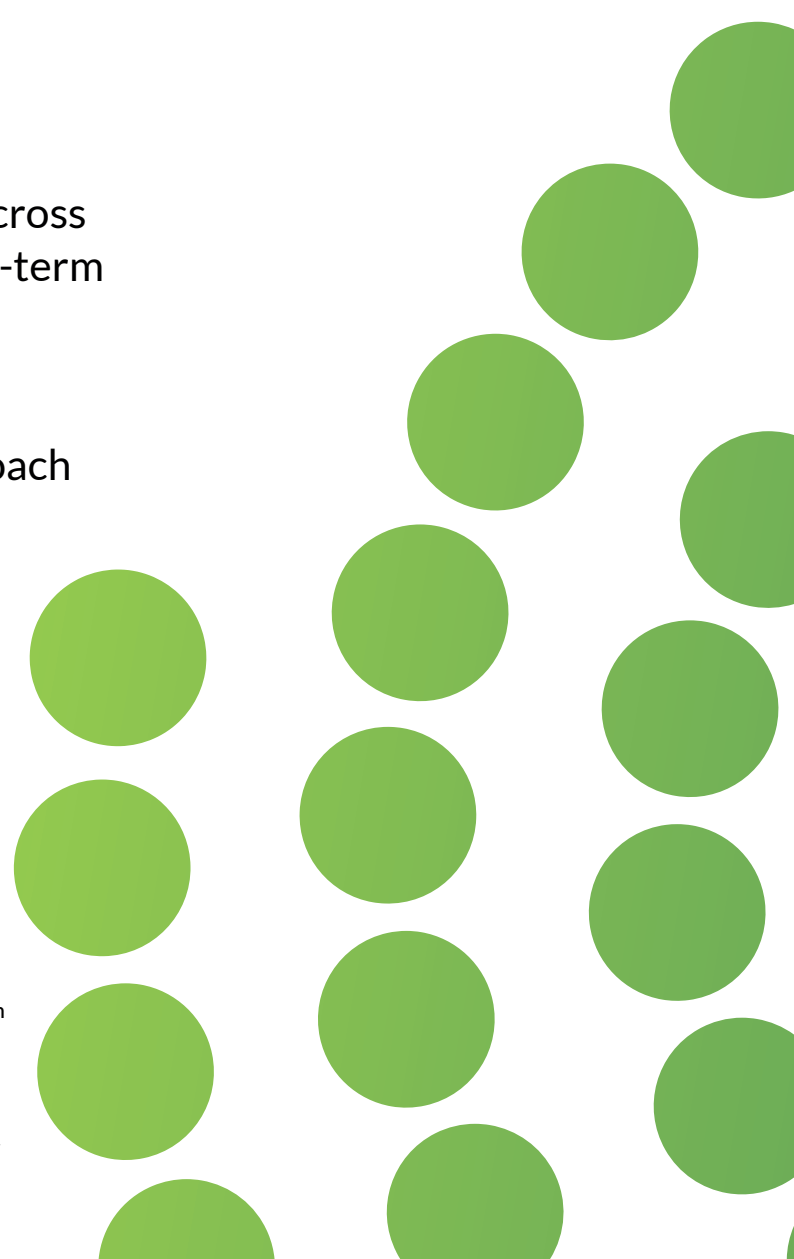
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For further information visit the TwentyFour Asset Management website.





Participants



Todd Isaac

Chief Investment & Treasury Officer, Hiscox

Todd is an investment, treasury, and accounting professional with over 30 years' experience in the Insurance industry.

He has worked in a range of markets including North America, Europe, the UK, and Bermuda and is currently the CITO of Hiscox. His experience covers investing in public and private markets, financial systems debt capital markets and has joined Hiscox from Monument Re, where he was Deputy Chief Investment Officer for Europe and oversaw portfolio construction, manager selection and Committee and Board contributions for the reinsurer's European subsidiaries.

Prior to Monument Re, Todd spent time at Blackrock, where he focused on business development for the Bermuda and UK P&C sector; Hyperion, where he served as Global Treasurer; Endurance, where he was Treasurer and VP Investments, Zurich as VP of Investments and Ernst and Young.



Gareth Russell

Group CIO, Canopus

Gareth is currently Group Chief Investment Officer at Canopus, a global speciality lines (re)insurer. Gareth leads the in-house investment team which is responsible for managing a \$5 bn largely outsourced investment infrastructure.

Gareth has over 20 years of Consultancy and Investment experience with a particular focus on asset research, portfolio construction, manager selection and operations. He is a qualified Actuary, holds an Executive MBA from Cass Business School and has a BSc in Mathematics from the University of Nottingham.



Previously, lead investment consultant on fiduciary and advisory aspects of Willis Towers Watson's investment business.



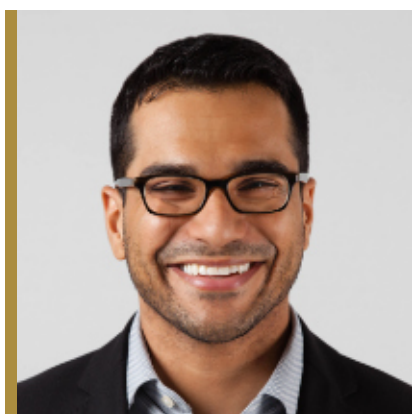
Arnal Patel

Senior Investment Officer, Pool Re

Arnal Patel is the Senior Investment Officer at Pool Reinsurance, responsible for a £7bn multi-asset investment portfolio.

He oversees external investment managers across multi-asset credit, global investment-grade credit, global equities, alternative risk premia, and venture capital, and serves on the LPAC of a UK deep-tech venture capital fund. With over 20 years of experience across the asset management, pensions and insurance sectors, Arnal's expertise spans strategic asset allocation, portfolio construction, manager selection and investment risk oversight. Prior to joining Pool Re, he was Head of Portfolio Management at Reinsurance Group of America (RGA), where he established the London-based investment function, led a team managing \$10bn across public and private markets, and played a central role in RGA's landmark \$500m funding-agreement-backed note.

Earlier in his career, Arnal held investment roles at F&C Investments, managing institutional fixed-income, structured credit and derivative strategies for pension and insurance clients. He is a CFA Charterholder, completed the Executive Leadership Programme at Saïd Business School, and holds an undergraduate degree in insurance from City University Business School.



Punil Chaubal

Insurance Investment Advisory Leader, WTW

Punil is the Insurance Investment Advisory Leader at WTW. He leads a team of over 20 dedicated insurance investment professionals advising on over \$500bn of assets globally.

His team are committed to supporting insurers consider their investment strategy, strategic asset allocation and portfolio implementation. Punil has over 13 years of experience and joined WTW in 2022, working with insurance companies globally.

Prior to joining WTW, Punil supported numerous UK and European insurers with management of investments, capital and sustainability risks. He earned a BSc in Mathematical Science from City University and an MSc in Actuarial Science from Heriot Watt University.



Jeremy Deacon

Head of ABS and Leveraged Finance, Royal London Asset Management

Jeremy is Head of Leveraged Finance and ABS. Prior to joining Royal London Asset Management, he spent 14 years at Insight Investment, most recently as Head of Liquid European Secured Finance, where he managed a team and was responsible for a range of Asset Backed portfolios of both Public and Private assets.

Prior to Insight, Jeremy worked at CQS, Rabobank, Fitch and GE in a range of Asset Backed roles. Jeremy began his career at Santander as a Specialist Underwriter.



Doug Charleston

Partner, Co-Head of ABS, TwentyFour

Doug is a partner at TwentyFour and Co-Head of ABS.

Doug is a member of the ABS portfolio management team and sits on the Asset Allocation Committee.

A CFA® Charterholder, Doug began his career at Nationwide Building Society and also worked at S&P Global Ratings and Lloyds before joining TwentyFour.





In attendance



Elizabeth Pfeuti (Moderator)

Director, Rhotic Media

Former Dow Jones staffer Elizabeth Pfeuti is a member of the Rhotic Media executive leadership team. A highly decorated journalist, Elizabeth has been in financial journalism for almost 20 years. At Dow Jones, she covered the asset management, investment banking and investor services beats for Financial News, where she also wrote on a wide range of regulatory themes.

She was previously the European Editor for CIO Magazine and boasts an exceptional contact book of buy-side and in-house institutional CIOs and asset management executives. More recently she has worked on corporate briefs for pension consultants, investment banks and asset management groups.



Lisa Stuart

Head of Insurance, Royal London Asset Management

Lisa joined Royal London Asset Management in June 2025 as Head of Insurance, responsible for business development.

She joined from Schroders where she was Client Director for 6 years, managing relationships with large insurers and pension funds.

Prior to this, she worked as UK Sales Director at BlueBay Asset Management and Consultant Relations Manager at BlueCrest Capital Management. Lisa has 18 years' experience in asset management, holds a MA from University of St Andrews and is a CFA Charterholder.



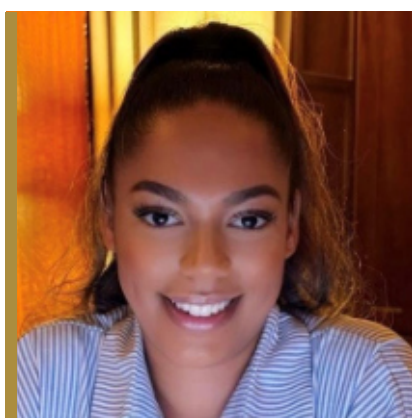


Alistair Wilson

Partner, Head of Sales, TwentyFour

Alistair is a partner at TwentyFour and Head of Sales. He is also a member of the ESG Committee.

Alistair joined TwentyFour in 2011 from Neptune Investment Management, where he led the institutional business from its inception in 2005. Alistair also spent seven years at Legal & General Investment Management as a business development manager.



Chloe Irapah

Administrator, cio investment club

Chloe joined the cio investment club in June 2025 to assist with the coordination of marketing, events, and administration of the club.

Chloe is a Marketing and Management professional with over six years of industry experience, starting in luxury fashion and progressing into roles focused on partnerships and project management.

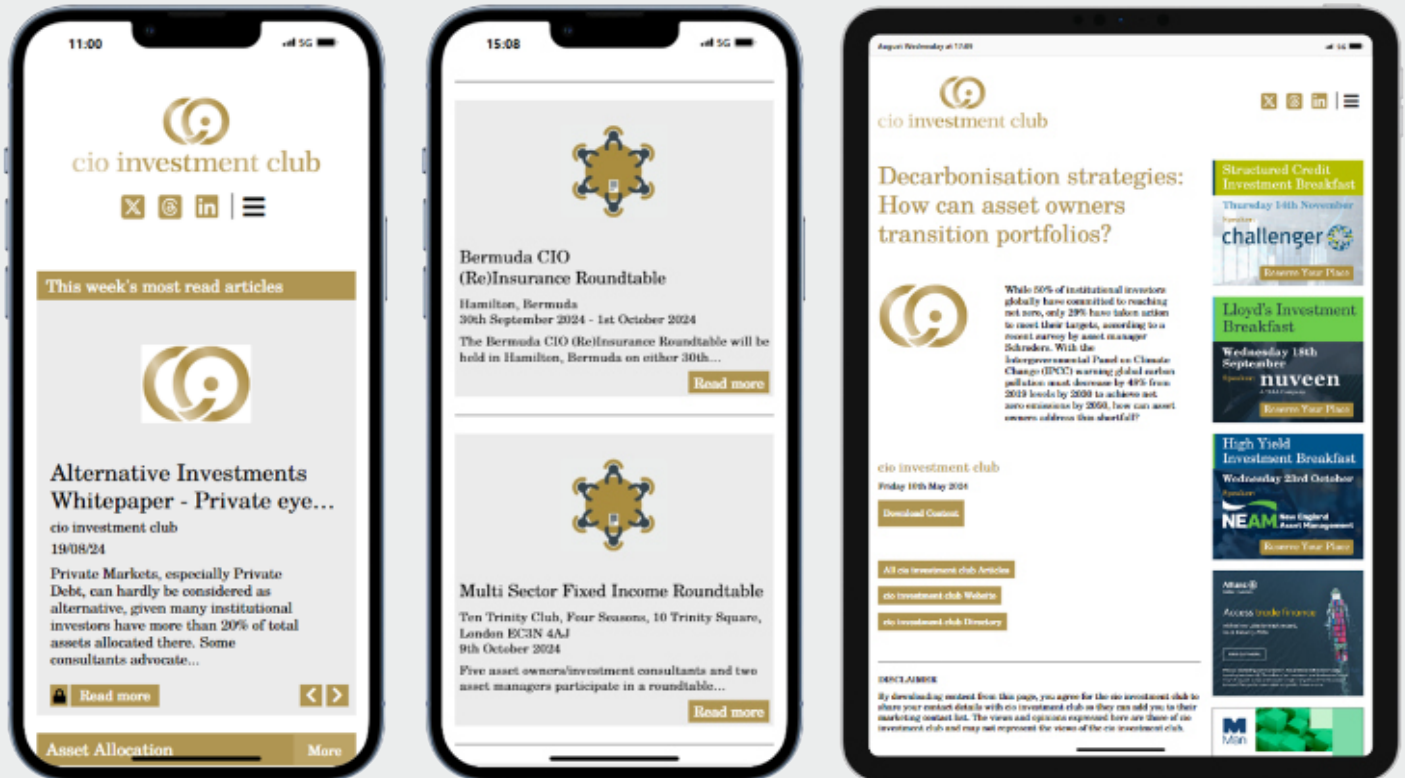
She holds a First Class Honours Bachelor's degree in Marketing and Management and is known for aligning brand vision with innovative marketing strategies and impactful partnerships.



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