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Multi-asset credit: A blend of the sweetest fixed income opportunities

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Why choose MAC?

Fixed income investors today face a complex challenge: achieving consistent outcomes while balancing liquidity, risk and adaptability. This is especially true for maturing pension schemes, where rising cash flow demands and market volatility are reshaping strategic asset allocation.

Multi-asset credit (MAC) offers a compelling solution:

- By combining a wide range of credit instruments – from high yield bonds and leveraged loans to structured credit and emerging market debt – MAC strategies provide **diversified exposure across the credit spectrum.**
- MAC strategies balance liquid and less liquid assets, giving investors flexibility to **meet cash flow needs without sacrificing return potential.**
- MAC vehicles offer **access to sophisticated credit strategies and operational efficiency** – removing the need for multiple mandates, responsibility for asset allocation and simplifying governance, reporting and oversight.

With many approaches to MAC available, the real task is choosing the type or blend of MAC that best suits your portfolio. This depends on your liquidity tolerance, return objectives and risk appetite. Some strategies prioritise broad market exposure and daily liquidity. Others focus more heavily on sub-investment grade (IG) credit and alternative assets, offering higher income and risk-adjusted returns with less liquidity.

One thing for certain is the benefits of a holistic, integrated approach, where allocations are managed within a single portfolio rather than parcelled out across sleeves. This enables managers to respond dynamically to market dislocations and optimise risk-adjusted returns. In volatile environments, this agility can make a meaningful difference.

Manager selection is also critical. Investors need to understand how to assess and monitor their MAC manager – from credit selection and asset allocation to liquidity management and ESG integration.

In this paper, we explore:

- **Section 1:** Which type of MAC meets your requirements?
- **Section 2:** What makes a good MAC manager?
- **Section 3:** Our focus on sub-IG credit and the differentiated solutions we offer

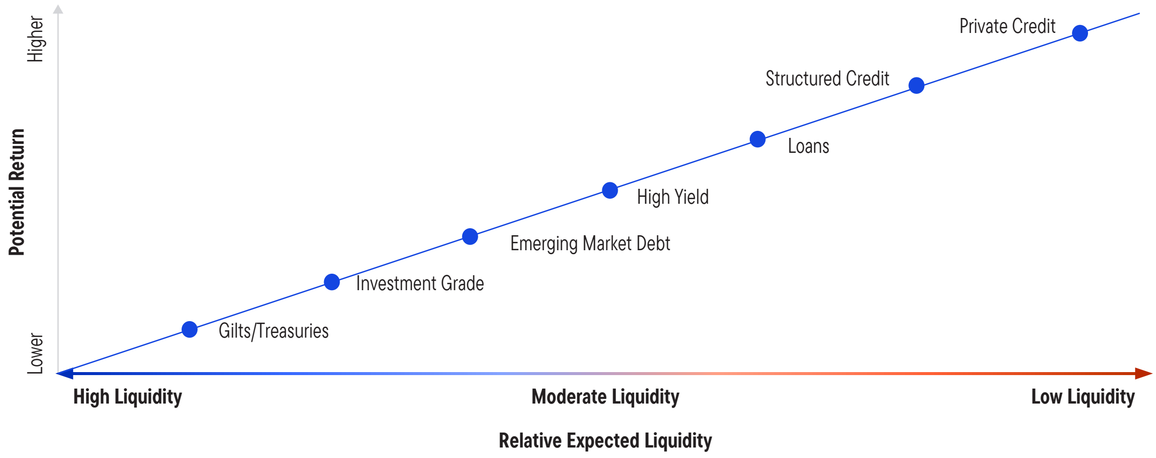
Section 1:

Which type of MAC meets your requirements?

MAC strategies vary widely in construction, liquidity and asset class exposure. More liquid, broad-market strategies may aim to capture diversified credit return premia primarily through dynamic allocation and sector rotation in more liquid asset classes such as high yield and loans.

At the other end of the spectrum, less liquid solutions, may concentrate more heavily on sub-investment grade credit or alternative exposures, seeking to add higher income and differentiated beta. The liquidity profiles of MAC strategies will vary accordingly, depending on their constituent asset classes; MAC fund liquidity can range from daily to even quarterly.

Return vs. liquidity across fixed income solutions



Source: Brandywine Global and BSP-Alcentra, as of October 2025.

Some MAC strategies follow a static split between asset classes, while others adopt a dynamic approach – shifting exposures in response to market conditions. These dynamic strategies rely on manager discretion to capture short-lived opportunities and manage risk in real time, offering greater adaptability in volatile environments.

Blending MAC strategies to meet portfolio goals

Investors can blend MAC strategies across tiers to meet specific objectives, balancing income generation, liquidity access and governance capacity.

For example, a pension scheme might combine daily and monthly dealing MAC strategies to broaden sub-investment grade exposure, diversify alpha as well as beta drivers, and manage liquidity more effectively. This blend can help meet near-term cash flow needs while also capturing longer-term return requirements. Schemes may also complement these allocations with a quarterly-dealing strategy focused on alternative credit, further enhancing diversification.

Ultimately, the right MAC solution depends on your portfolio's unique requirements – and on selecting a manager with the skill and track record to deliver consistent outcomes across market cycles.

Section 2:
What makes a good MAC manager?

Benchmarking MAC

MAC strategies offer investors access to a broad and flexible credit universe, yet evaluating such flexibility requires more sophistication than traditional fixed income as there is no standardised benchmark across the industry. Broadly, MAC strategies should be evaluated from three perspectives.

1. **Opportunity set benchmark**
   Opportunity set benchmarks should reflect the asset class universe from which the MAC manager can optimise returns, e.g., 40% loans, 40% high yield and 20% EM debt.

2. **Cash-based benchmarks**
   Cash-based benchmarks are designed to reflect long-term return targets, often expressed as a spread over cash, e.g., SONIA + 450 basis points.

3. **Peer group benchmarks**
   Peer group comparisons can also help assess consistency and identify the strengths and weaknesses of a MAC manager's approach across credit cycles. Care should be taken to select appropriate peers.

Integrated portfolio construction: Why cohesion matters

MAC managers vary widely in how they build portfolios. Some operate through a series of sleeves – parcelling out allocations to high yield, loans, EM debt and structured credit. Others manage exposures holistically, within a single, integrated portfolio.

The difference is more than operational. A unified approach allows managers to optimise across capital structures, rotate between geographies and respond to market dislocations in real time. This holistic approach also reduces the risk of unintended exposures – such as doubling up on issuers across sleeves – and enables more efficient liquidity layering.

In volatile markets, this cohesion becomes critical. It allows managers to adjust exposures quickly, manage aggregate risk more effectively, and capture fleeting relative value opportunities that may only exist for days. This dynamic asset allocation – for example, rotating between US and European credit or between fixed and floating rate instruments – can be a key source of alpha given the return dispersion across MAC asset classes, enabling the manager to optimise return and manage macro risk.

Return dispersion across asset classes creates opportunities

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
6.2 EM Sov	5.1 EU Loans	19.7 CLOs	15.6 CLOs	2.4 EU Loans	12.5 EU HY	6.6 CLOs	11.0 CLOs	-1.7 US Loans	23.7 CLOs	19.0 CLOs
5.9 EU HY	1.9 EM Sov	16.9 US HY	7.5 EU HY	-0.6 US Loans	12.2 US HY	5.9 EM Corp	5.5 EU Loans	-2.0 EU Loans	14.8 EU Loans	10.6 EU Loans
5.2 EM Corp	1.3 EM Corp	10.2 EU HY	7.2 EM Sov	-1.3 CLOs	11.1 EM Corp	5.8 EM Sov	5.2 US Loans	-4.4 CLOs	13.5 EU HY	10.1 EU HY
4.4 CLOs	1.1 EU HY	9.4 EM Sov	6.8 EM Corp	-2.5 EU HY	10.5 EM Sov	4.7 US HY	5.1 US HY	-10.4 EU HY	12.3 US HY	8.9 US Loans
2.8 EU Loans	-0.2 US Loans	9.3 US Loans	6.2 US HY	-3.4 EM Corp	8.8 CLOs	3.0 EU HY	4.0 EU HY	-12.5 US HY	12.3 US Loans	7.9 US HY
2.7 US HY	-4.1 CLOs	9.2 EM Corp	4.6 EU Loans	-3.9 US HY	6.2 US Loans	3.0 EU Loans	0.7 EM Corp	-13.2 EM Corp	8.9 EM Sov	7.3 EM Corp
2.3 US Loans	-4.7 US HY	6.3 EU Loans	2.8 US Loans	-7.1 EM Sov	5.6 EU Loans	1.6 US Loans	-4.8 EM Sov	-26.1 EM Sov	8.1 EM Corp	7.2 EM Sov

Source: eVestment Alliance, as of January 2025. Indexes used for each asset class is as follows: US Loans: S&P UBS LLI, EU Leveraged Loan: S&P UBS WELLI ex USD, CLO (BB): JP Morgan CLO BB, EU High Yield: ICE BofA EU High Yield, US High Yield: ICE BofA US High Yield, EM Corp = JPM CEMBI Broad Diversified Hedged (GBP), EM Sov = JPM EMBI+ (H GBP).

Past performance is no guarantee of future results.

For investors, a manager's ability to construct a cohesive portfolio – one that reflects a unified view of credit markets and risk – is central to delivering consistent outcomes.

Credit selection and loss mitigation: Where alpha is earned

Credit selection and loss avoidance are equally important for performance and explain why a core focus on risk-adjusted returns is critical. The strongest managers combine deep credit research with disciplined underwriting, robust credit monitoring and specialist expertise in the event of any necessary restructuring. This requires well-resourced research and investment platforms and infrastructure – including special situations teams, real-time monitoring and robust governance frameworks.

ESG integration: A strategic priority

For many institutional investors, ESG integration is increasingly seen as a strategic priority. In MAC, where disclosure varies and issuers span public and private markets, ESG should be thoughtfully embedded in the investment process – not bolted on.

A robust ESG framework typically includes:

- **Pre-investment screening:** ESG factors are assessed both qualitatively and quantitatively, using proprietary tools, third-party data, sector-specific materiality guides and exclusion policies.
- **Portfolio construction:** Integration of ESG analysis to inform position sizing and portfolio weightings. Climate metrics may be tracked over time, with external data providers used to supplement corporate disclosures.
- **Ongoing engagement:** Managers may engage with borrowers – including directly with management – on governance, sustainability and disclosure practices with the aim of improving transparency and promoting long-term value creation.

ESG integration should be visible in the portfolio – not just the policy. Investors should expect transparency around ESG scores, climate exposure and stewardship activity, and assess whether ESG risks are being managed alongside financial ones.

This integration is not just about risk avoidance – it's about identifying companies and issuers with stronger long-term fundamentals, better access to capital, and more resilient business models.

Section 3:
Our focus on sub-IG credit and the differentiated solutions we offer

Why sub-IG credit drives MAC portfolio outcomes

In this section, we explore how our two specialist managers – **Brandywine Global** and **BSP-Alcentra** – approach sub-IG MAC, and how their differentiated styles can be used in combination to meet a range of investor needs.

Two distinct approaches to sub-IG MAC

Feature	Brandywine Global MAC	BSP-Alcentra Global Multi-Credit Solution
Credit Selection	Global HY, EM, structured credit (ABS/CMBS), loans*	EU and US loans and HY, structured credit (CLOs), special situations
Liquidity	Typically daily/weekly dealing	Monthly dealing
Target Return	Mid-single digit p.a.	High single digit p.a.
Benchmark	Blended opportunity set index	SONIA +450bps/blended opportunity set index
ESG Integration	Proprietary scoring, engagement	Exclusions, scoring, stewardship, engagement
Vehicle Availability	Separately managed account	Separately managed account, SICAV-SIF

*Based on client liquidity requirements, Brandywine can adjust loan exposure flexibly, from minimal to a more meaningful allocation.

These distinctions are not just stylistic – they reflect different philosophies and portfolio construction approaches, each with its own strengths.

Brandywine Global: Liquid, diversified sub-IG exposure

Brandywine Global's Multi-Asset Credit (MAC) strategy offers attractive yield enhancement with low duration risk through a liquid, flexible and diversified approach to primarily sub-investment grade global credit markets. It dynamically allocates across high yield, loans, structured credit (ABS/CMBS) and emerging markets to capture relative value opportunities and enhance risk-adjusted returns. The strategy provides liquid exposure across sectors and regions, leveraging rigorous credit and business analysis to identify securities with compelling valuations and favourable risk profiles.

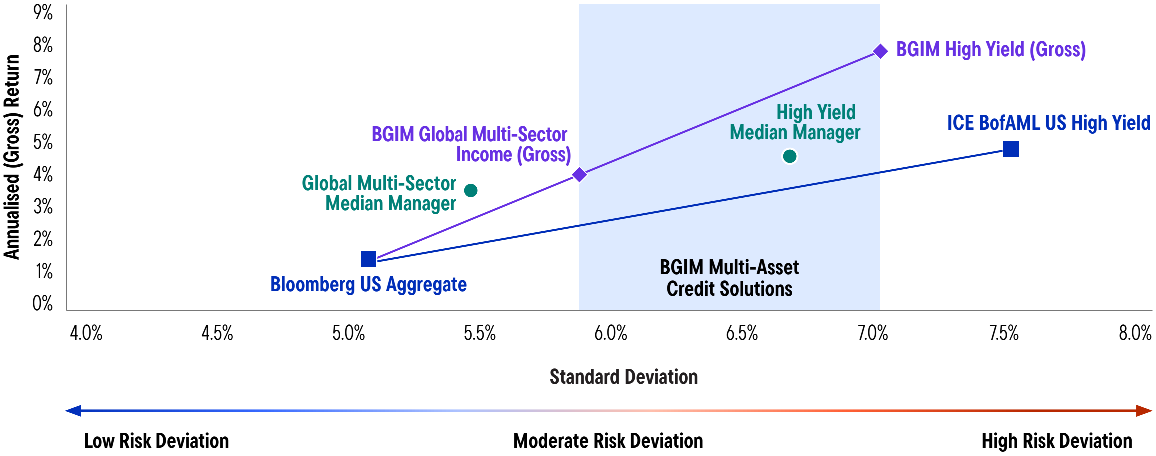
Brandywine Global MAC's key differentiators
Brandywine Global's MAC strategy is built to be nimble, unconstrained and genuinely multi-asset. It combines:

- **Inclusive portfolio construction:** Managing portfolios holistically, not in sleeves, enhancing flexibility, responsiveness to market conditions and overall portfolio cohesion
- **Flexibility with liquidity-aware positioning:** Designed for nimble sector rotation, aiming to preserve flexibility by avoiding traditional private markets and structurally high loan allocations
- **A disciplined value approach:** Seeking to identify valuation anomalies, margin-of-safety and catalysts for price mean reversion
- **Active, high conviction:** Taking meaningful positions in markets and securities that offer attractive value
- **Peer-leading performance:** Consistently ranking above median in the eVestment Global Multi-Sector and High Yield universes (used as a proxy for MAC strategy peer group analysis)

Brandywine Global credit suite comparison

Risk vs. Return (%)

Since High Yield Composite Inception (30/9/2025)



Data is obtained from eVestment Alliance, LLC ("EA"), as of 9/30/2025, and is believed to be accurate and reliable.

Past performance is no guarantee of future results.

These characteristics not only distinguish Brandywine Global's MAC strategy from its peers – they also shape how it can be used within a broader portfolio.

Brandywine Global MAC's role in portfolio construction

Brandywine Global's MAC strategy is a flexible, multi-role credit allocation. Its wide mandate accesses a broader universe than typical credit strategies, allowing it to exploit inefficiencies across credit cycles while managing duration and liquidity risk more effectively than single-sector strategies. It can serve as:

- **An alpha diversifier**, through security selection and sector rotation
- **A tactical allocation**, responsive to market shifts
- **A complement to core or sector-specific exposures**

MAC's ability to reduce interest-rate sensitivity, manage drawdowns and deliver strong risk-adjusted returns makes it a resilient, adaptable allocation – built to capture value across market regimes and complement fixed income strategies.

BSP-Alcentra Global Multi-Credit Solution (GCMS): One-stop sub-IG exposure with alternative alpha

BSP-Alcentra's GCMS strategy is designed to deliver a one-stop solution for income needs. The strategy is unconstrained by asset class or static allocations, allowing the team to dynamically adjust exposures in response to market conditions and to capture relative value.

Managed holistically, the strategy offers investors a single access point to loans, high yield bonds, structured credit (CLOs) and special situations – with a focus on income generation, tactical flexibility and downside protection. The strategy is available through a monthly-dealing fund, with capacity for bespoke managed accounts.

GMCS's key differentiators

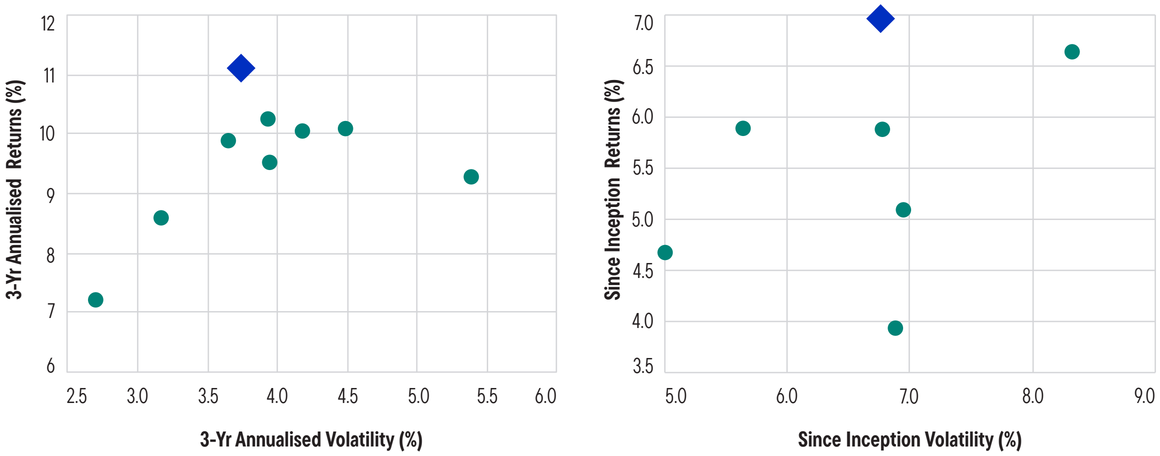
BSP-Alcentra's GMCS strategy stands out for its depth, discipline and flexibility, anchored by a robust, repeatable process. It combines:

- **Access to yield-enhancing alternatives**, including structured credit CLOs and special situations, enhancing return potential at attractive economics
- **Top decile performance since inception**, +10-year track record with peer-leading performance across credit cycles, ranking in top decile within eVestment MAC and Global Multi-Sector universes
- **Fully integrated portfolio management**, with no static splits
- **Robust ESG integration**, including proprietary scoring, exclusions and stewardship aligned with UN PRI and TCFD frameworks
- **Monthly liquidity**, with SMA capacity for tailored implementation
- **Industry recognition for excellence,** awarded *Multi Asset/Sector Credit Manager of the Year* at the 2025 Professional Pensions Investment Awards

Strong performance vs. peers

Multi-Credit Fund Ranks in the Top Decile for Performance Across 1Y, 3Y, 5Y and Since Inception

Past performance does not predict future returns. Returns may increase or decrease as a result of currency fluctuations.



Sources: BSP-Alcentra, eVestment. Performance is gross of fees, USD, as of August 2025.

GMCS's role in portfolio construction

BSP-Alcentra's GMCS strategy can serve multiple roles within a broader portfolio. Its integrated structure and sub-IG focus make it a versatile solution for schemes seeking:

- **Income generation**, through exposure to higher-yielding credit sectors
- **Implicit inflation linkage**, through allocation to (floating rate) loans
- **Diversification**, across geographies, instruments and credit styles
- **Downside protection**, through active credit selection and tactical allocation
- **Complementarity**, alongside core credit or LDI allocations, where GMCS can act as an alpha satellite or strategic diversifier

Its ability to adapt to market conditions, manage risk and deliver consistent returns makes GMCS a valuable building block for investors navigating today's complex credit environment.

Conclusion:

Making MAC work for your portfolio

Multi-asset credit is becoming a strategic solution for investors seeking income, diversification and flexibility within their credit portfolios. MAC offers a way to meet rising cash flow demands, diversify credit exposures and respond dynamically to market volatility – all within a single, scalable allocation.

Brandywine Global and BSP-Alcentra exemplify these qualities through differentiated approaches to sub-investment grade MAC. While each strategy offers distinct strengths in isolation, they can also be used in combination to layer liquidity, diversify alpha sources and improve overall portfolio resilience.

IMPORTANT INFORMATION

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