Janus Henderson
INVESTORS

2026

AUSTRALIAN INSURANCE REPORT



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2026 AUSTRALIAN INSURANCE REPORT: FOREWORD



Matt Gaden
Senior Managing Director, Head of Australia

I'm pleased to introduce the 2026 edition of the Janus Henderson Australian Insurance Report.

This year's report captures the perspectives of senior investment decision-makers across Australia's insurance sector at a time when the operating environment continues to demand discipline and adaptability. Insurers continue to navigate a complex mix of inflation dynamics, interest rate conditions, geopolitical uncertainty, market volatility and regulatory scrutiny, while seeking resilient return outcomes for the portfolios they manage.

The findings reflect an industry that remains cautious, but increasingly deliberate in how it identifies and acts on opportunity. Strategic asset allocation reviews are becoming more frequent as insurers reassess portfolio settings against a shifting macroeconomic and market backdrop. While most respondents continue to operate within or below their risk budgets, the industry's mindset is not one of inertia. Rather, insurers are focused on using risk thoughtfully and deploying capital efficiently, positioning portfolios to withstand uncertainty while participating in areas of genuine return potential.

Private credit is now firmly embedded in portfolios and has become one of the defining investment themes of this year's report. With the majority of respondents currently invested in private credit, the conversation has moved beyond whether to allocate, and toward how to do so with appropriate governance, transparency and diversification. Global and Australian direct lending remain important areas of exposure, but the opportunity set is broadening, with asset-backed lending emerging as a differentiated way to access private credit premia. Increased regulatory attention is also reinforcing stronger monitoring, particularly around valuation and portfolio oversight.

Artificial intelligence is another theme moving quickly from discussion to practical application. Almost two-thirds of insurers are now engaging with AI, and around one in four are actively incorporating AI into investment processes. For now, its primary role is operational: improving administrative efficiency and supporting workflow productivity however, the longer-term opportunity is broader. As governance frameworks and organisational capability mature, AI has the potential to support more sophisticated areas of the investment process, including manager due diligence and portfolio analysis.

Together, these trends point to a forward-looking sector that is increasingly focused on quality of implementation: how portfolios are governed, how exposures are monitored, how partners are selected and how new tools and asset classes are integrated into existing frameworks. The industry is not simply responding to change, it is building the capability to manage through it.

At Janus Henderson, we are proud to partner with our insurance clients as they navigate this environment. Our long-standing and specialist insurance investment capabilities are supported by $170.7 billion in insurance-related global assets managed on behalf of clients, $15.5 billion managed by our Australian-based investment teams, and more than 350 investment professionals across equities, fixed income, multi-asset and alternatives.* We remain committed to supporting insurers with tailored investment solutions and differentiated insights.

We sincerely thank all the firms and professionals who contributed to this year's research. Your perspectives help build a clearer understanding of the opportunities and challenges facing Australian insurers. I hope the findings support your thinking as you shape investment strategies, and we look forward to continuing our partnership in the years ahead.

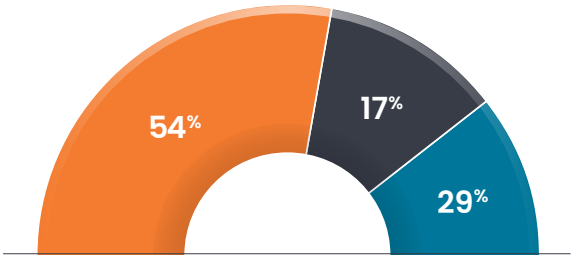
Regards,

Matt Gaden

*As at 31 Dec 2025.

EXECUTIVE SUMMARY

Key figures:



General	**54%**
Health	**17%**
Life	**29%**

The average assets under management of responding insurers

$5b+

1 in 4

insurers have adopted AI into their processes

84%

of insurers are currently invested in private credit

Strategic asset allocation

1 Strategic asset allocation reviews are becoming more frequent as insurers respond to inflation dynamics, interest rate conditions and broader market risks. Interest rate and credit risks remain the key factors shaping portfolio strategy decisions.

2 Most insurers are operating within or below their risk budgets, reflecting ongoing caution in the current investment environment. Although two-thirds of respondents do not intend to change their risk profile, a small proportion are anticipating risk increases over the next 12 months.

Opportunities

3 Geopolitical dislocations, fixed income return enhancement and private markets are emerging as key opportunity areas, while most insurers maintain broadly unchanged global allocation preferences despite geopolitical uncertainty.

4 Private credit is now firmly embedded in insurer portfolios, with regulatory scrutiny prompting stronger monitoring and governance practices rather than broad de-risking. AI adoption is also accelerating across insurer investment teams, driven primarily by operational efficiency gains, while larger insurers lead broader implementation across investment processes.

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JANUS HENDERSON INSURANCE CAPABILITIES

Janus Henderson Investors has significant experience in managing insurance-related investments and offers expertise across all major asset classes, with investment teams situated around the world.

350+



investment professionals providing solutions across equities, fixed income, multi-asset, and alternatives.

$15.5bn



of insurance-related assets managed by our Australian-based investment teams.

$170.7bn



of insurance-related global assets managed on our clients' behalf.

16th



largest manager globally of insurance related assets.*

*Source: 2026 Clearwater Insurance Investment Outsourcing Report. As at 31 Dec 2025.

OUR APPROACH

We understand that managing assets for insurance companies requires a deep understanding of the unique position in which each insurance company finds itself; it demands a bespoke approach to both the investment solution and the client servicing model.

One approach does not fit all.

We believe the development of an optimal investment strategy involves an understanding of:



The investment opportunity set:

Including an understanding of investment beliefs, disclosures on the investment strategy, ESG considerations and the broader diversification needs.



The nature of the liabilities:

Including the duration, convexity, liquidity requirements and any embedded policyholder guarantees and options.



The capital considerations:

Including the capital budget allocated to the investment strategy, the return required on this allocated capital, the acceptable amount of capital and profit volatility from the investment strategy.



Navigating the trade-offs:

Each asset class and potential investment solution within it has its own set of characteristics. Successfully balancing the trade-off between these characteristics is vital to finding an appropriate investment solution.

Industry profile

Respondents represented a broad cross-section of the Australian insurance sector, encompassing general, life and health insurers, as well as consultants and government-related insurance organisations. The survey captured perspectives from senior investment decision-makers on the key trends, challenges and opportunities shaping insurer investment portfolios in 2026.



INSURANCE CATEGORY

Which of the following insurance products does your firm offer?



General Insurance	**29%**
Life	**23%**
Health	**11%**
Other (includes government insurance, workers compensation and consultants)	**43%**

Multiple responses permitted.

Please specify your function



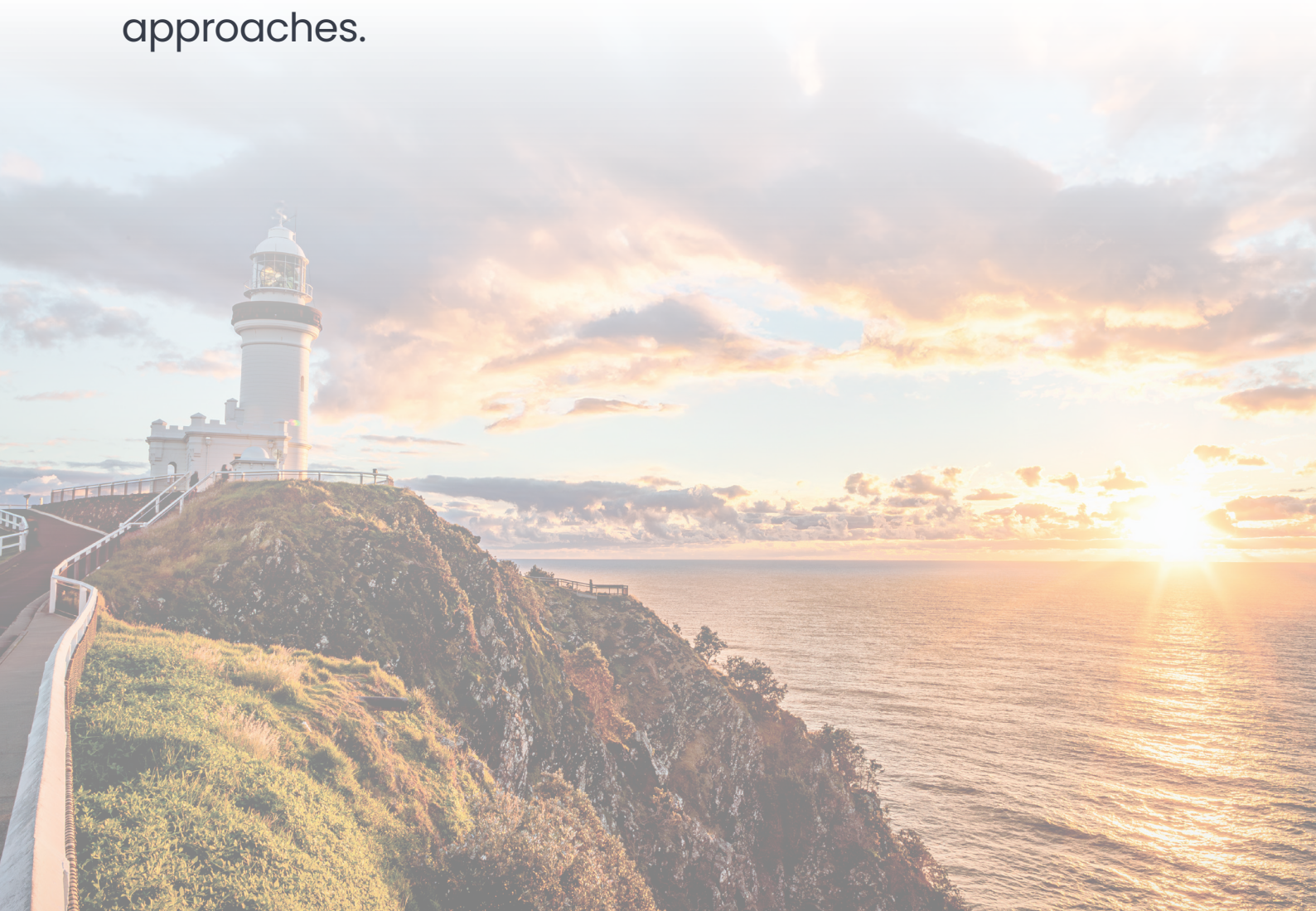
Investment Management	**66%**
Consultant	**23%**
Senior Executive	**11%**

> This year's report reflects a broad cross-section of the Australian insurance industry, with representation from general, life and health insurers, as well as consultants and government-related entities.
>
> Portfolio managers and investment directors make up nearly two-thirds of respondents, reflecting the senior decision-making focus of this report."

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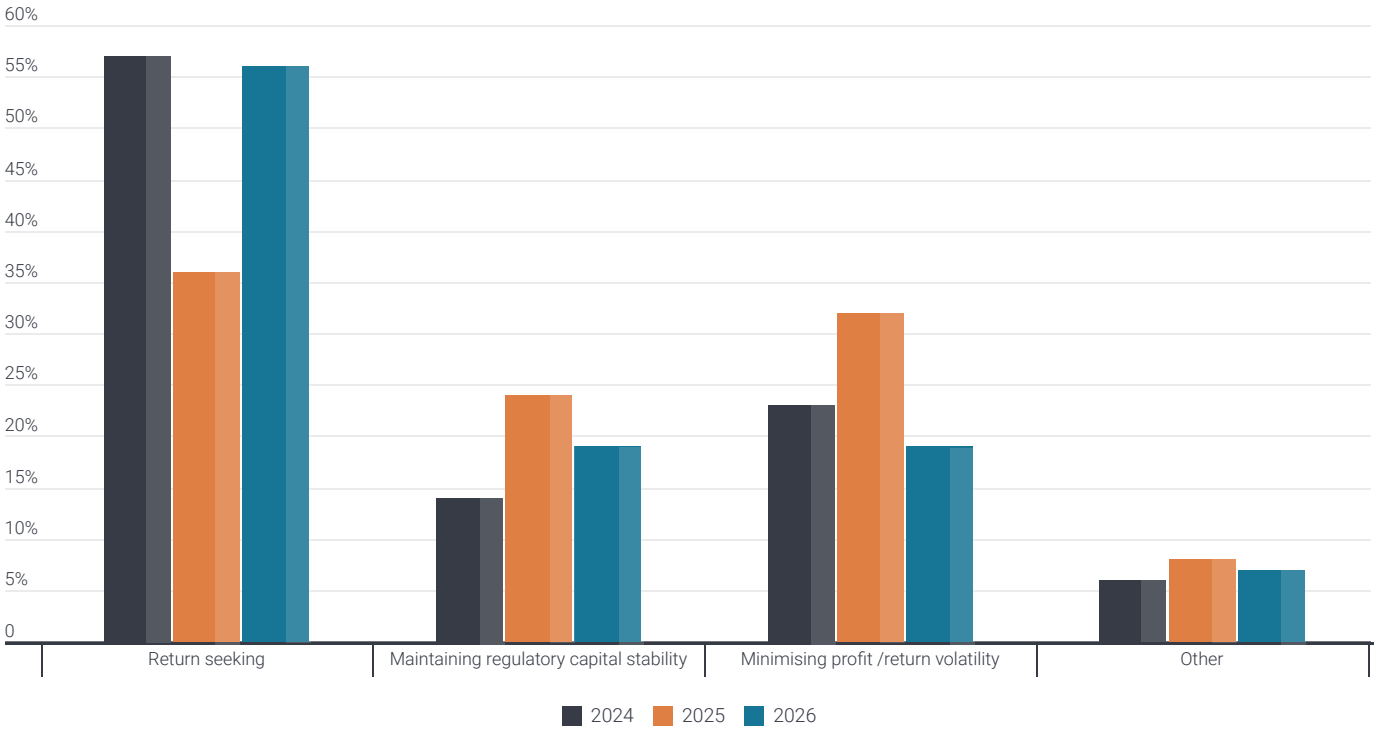
Investment management approach and objectives

In 2026, insurers remain primarily focused on generating returns, with return seeking continuing to outweigh capital preservation and volatility management as the key investment objective for the year ahead. This reflects a rebound in return-seeking behaviour following a more cautious approach in 2025. Liability-aware investing also continues to shape fixed income strategies, with larger insurers more likely to adopt liability-matched approaches.



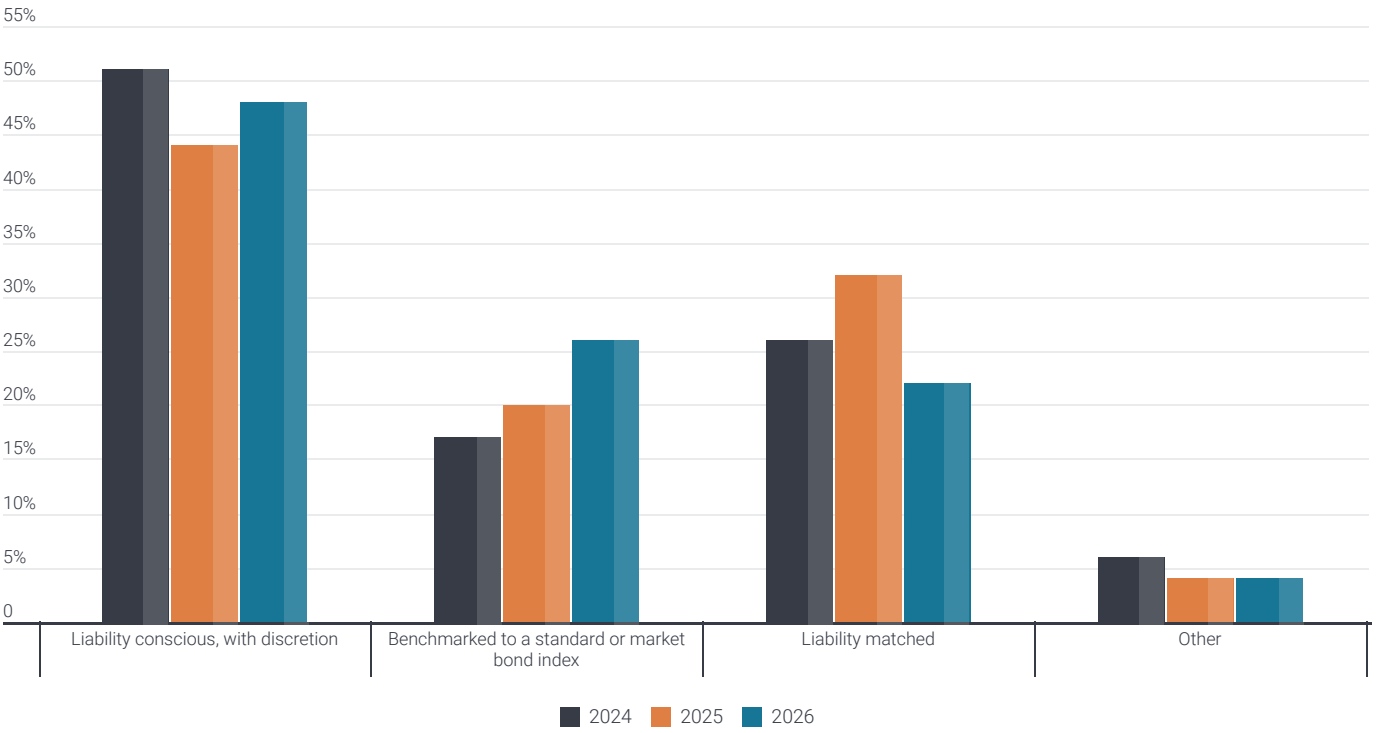
KEY INVESTMENT OBJECTIVE

Key considerations for investment strategy over the next 12 months



APPROACH TO AUSTRALIAN FIXED INTEREST

How would you characterise your Australian fixed interest approach?

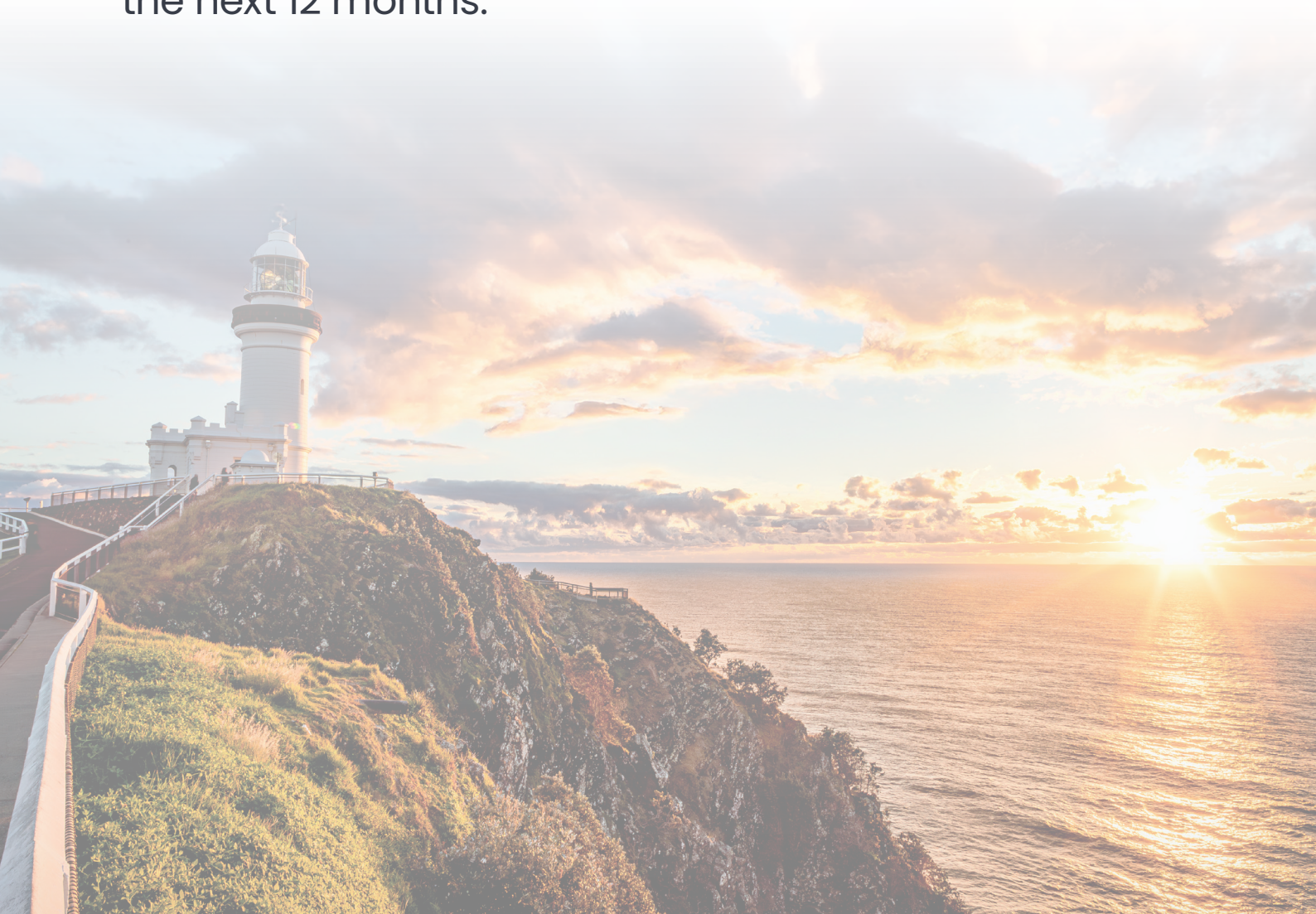


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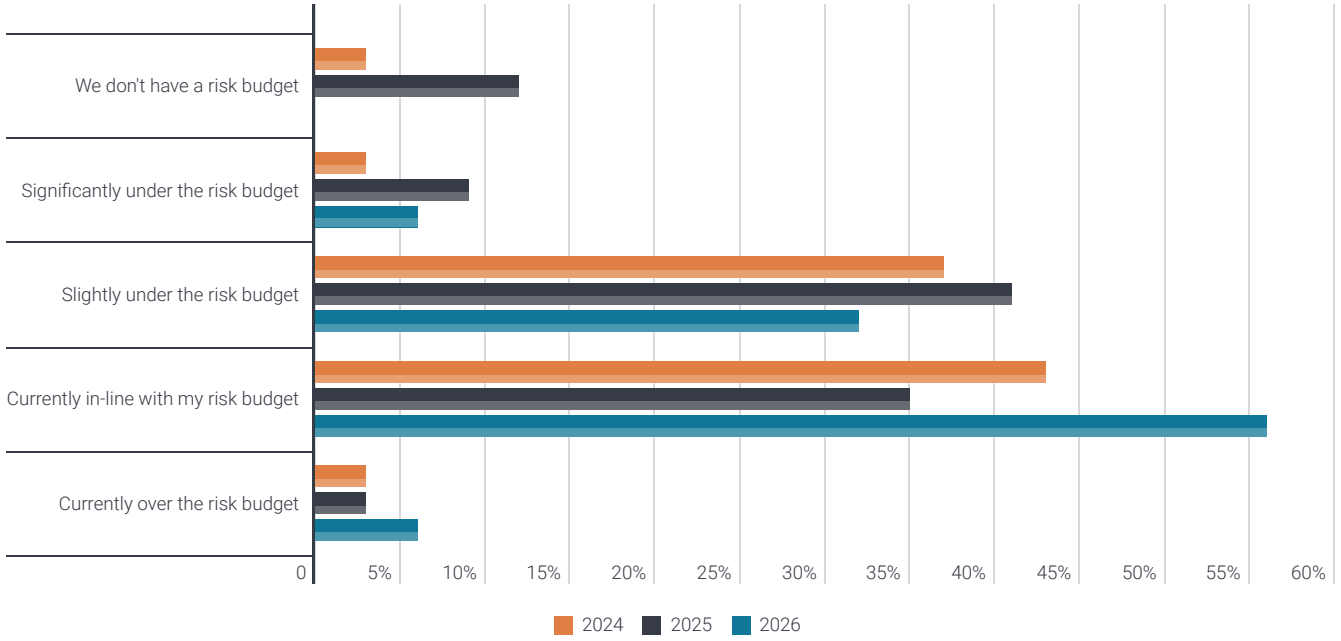
Risk position

In 2026, the vast majority of insurers (94%) continue to operate within or below their risk budgets, reflecting a measured approach to portfolio construction despite an increasingly return-oriented environment. While insurers overall appear to have added risk over the past 12 months, this has generally been achieved within existing risk budget frameworks. Although two-thirds of respondents do not intend to change their risk profile further, a small proportion anticipate increasing risk over the next 12 months.



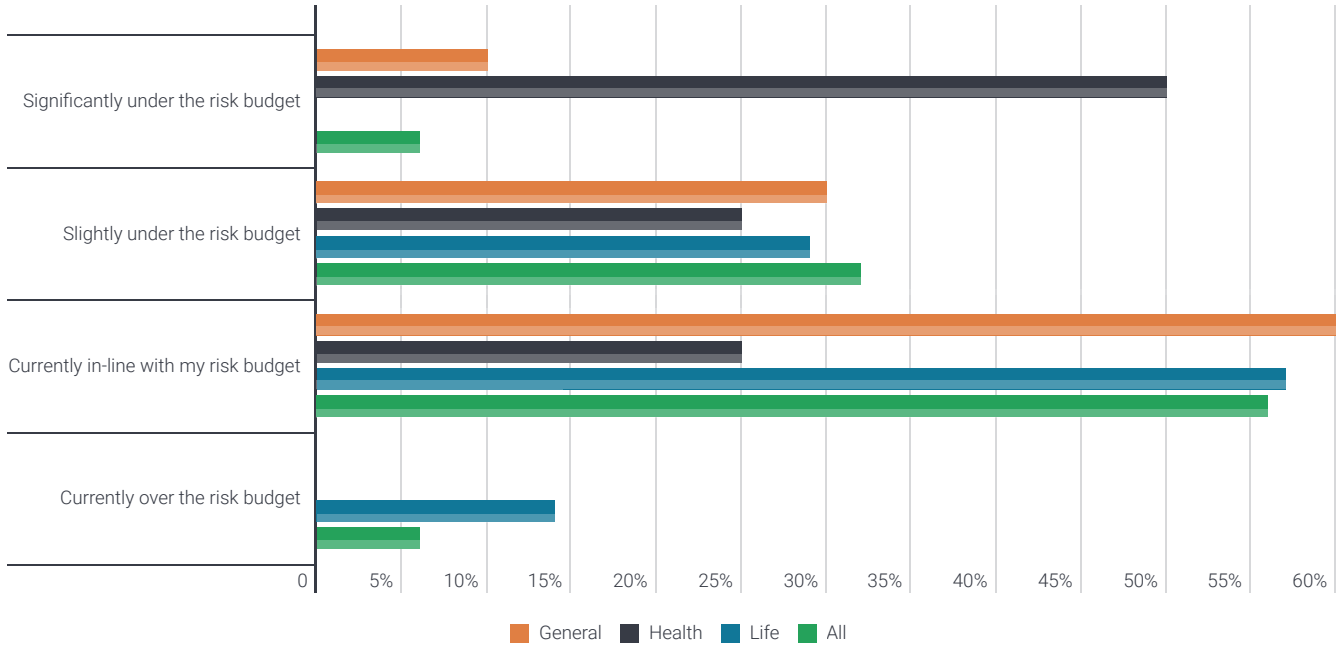
CURRENT POSITION RELATIVE TO RISK BUDGET

How are you currently positioned within your risk budget?



CURRENT POSITION RELATIVE TO RISK BUDGET

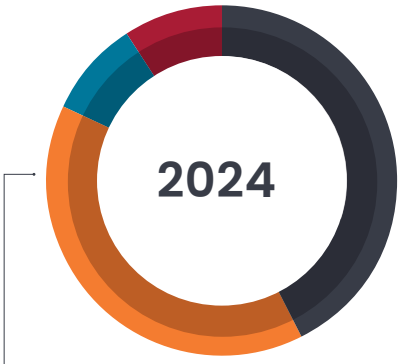
How are you currently positioned within your risk budget - by insurance category



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ANTICIPATED CHANGE TO RISK PROFILE OVER THE NEXT 12 MONTHS

Over the next 12 months, how do you expect to adjust your investment portfolio risk profile?



Increase	43%
No change / monitoring closely	40%
Decrease	9%
Other	9%



Increase	47%
No change/ monitoring closely	47%
Decrease	6%
Other	0%



Increase	29%
No change/ monitoring closely	65%
Decrease	0%
Other	6%

> The majority of insurers continue to adopt a cautious stance, with around two-thirds indicating no planned change to portfolio risk over the next 12 months. This is consistent with the broader finding that most insurers remain positioned within or below their risk budgets."

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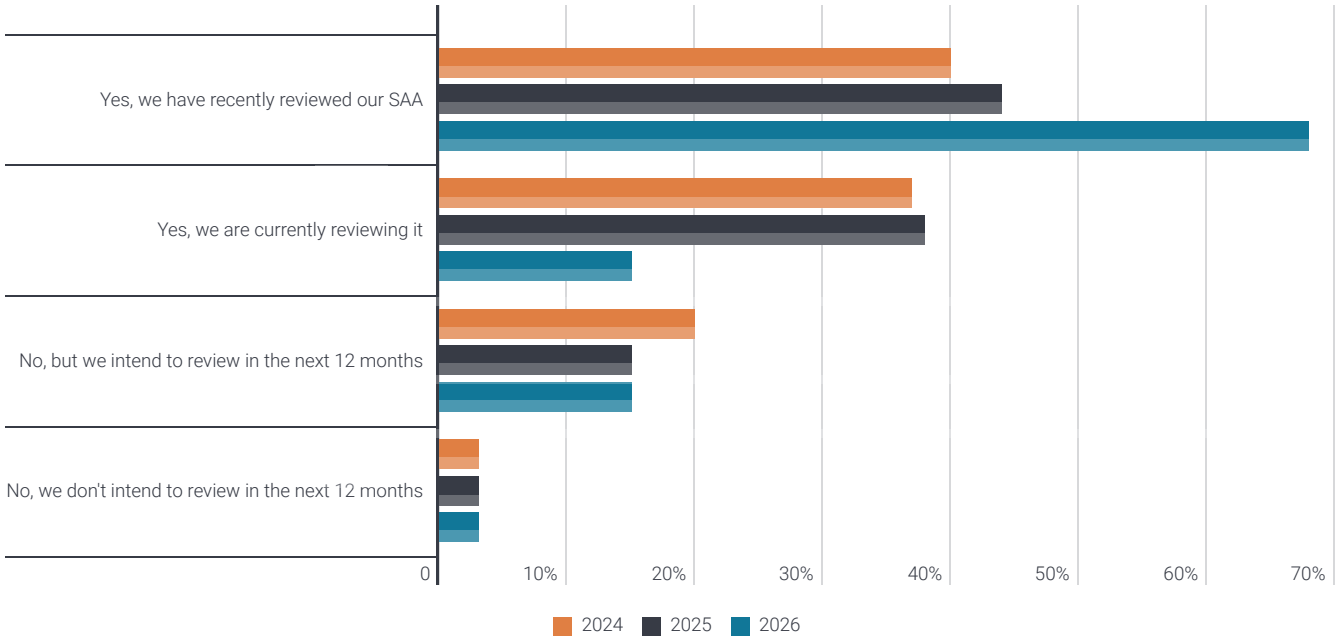
Strategic asset allocation

Strategic asset allocation reviews are becoming more frequent as insurers respond to inflation dynamics, interest rate conditions and broader market risks. Interest rate and credit risks remain the key factors shaping portfolio strategy decisions.



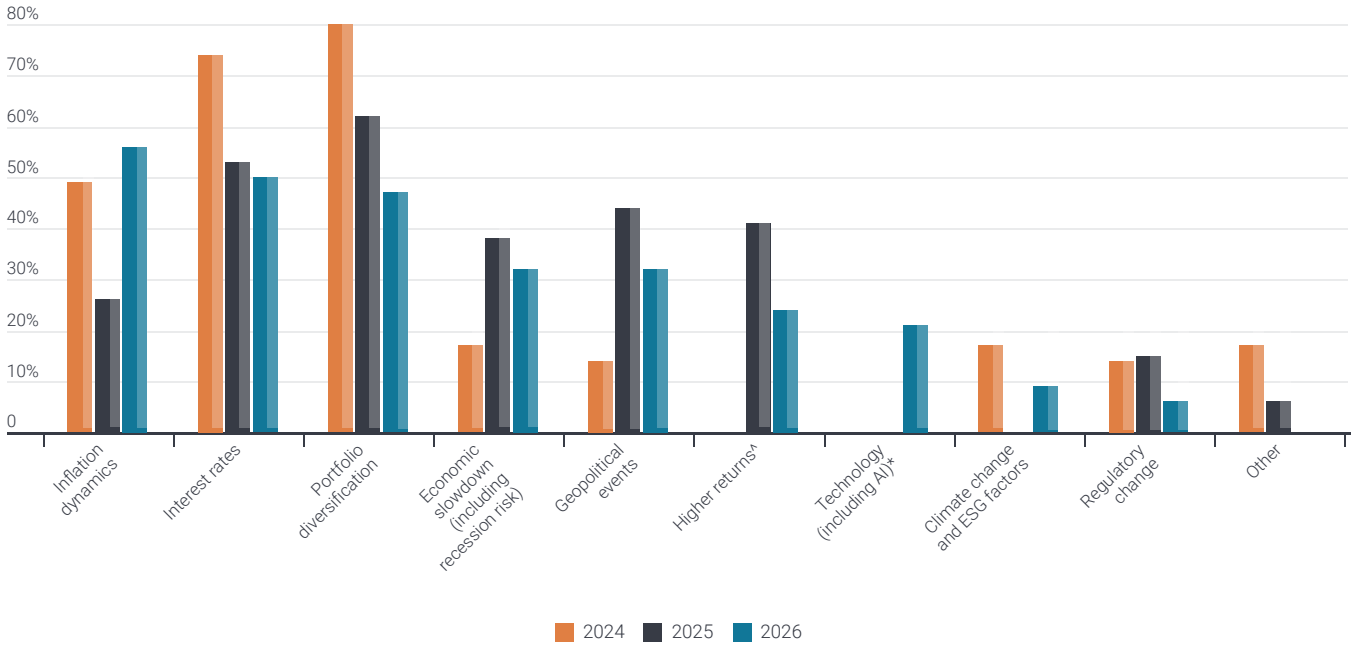
STRATEGIC ASSET ALLOCATION REVIEW

In light of the current environment, have you made any significant changes to your strategic asset allocation in the past 12 months?



KEY CONSIDERATIONS IN REVIEWING INVESTMENT STRATEGY

What are/will be the key considerations in your investment strategy review process?



Multiple responses permitted.
*Option added in 2026. ^Option added in 2025.
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IMPACT ASSESSMENT FOR MARKET RISKS OVER THE NEXT 12 MONTHS

How important do you think the below market risks will be to your firm's investment strategy over the next 12 months?

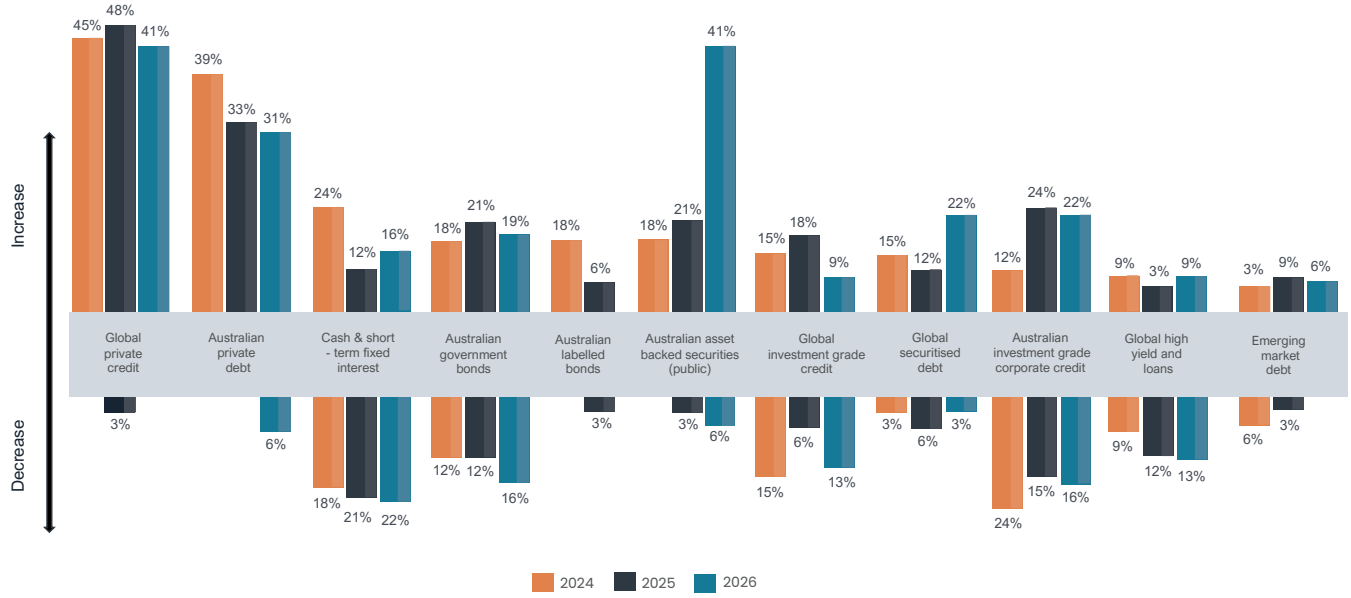
	Liquidity risk	Geopolitical risk	Interest rate risk	Credit spread risk	Default risk	Equity market risk	Unlisted asset repricing	Financial system risk	Regulatory risk	Recession risk	Currency risk
Extremely important	6%	6%	25%	28%	13%	0%	0%	6%	0%	0%	0%
Very important	34%	47%	50%	47%	31%	38%	22%	16%	16%	38%	13%
Important	38%	34%	22%	19%	41%	25%	47%	34%	44%	47%	31%
Somewhat important	19%	9%	3%	3%	13%	25%	25%	38%	34%	16%	38%
Not important at all	3%	3%	0%	3%	3%	13%	6%	6%	6%	0%	19%

> "Interest rate and credit spread risks remain the primary drivers of insurer investment strategy, ahead of factors such as equity market volatility and geopolitical developments. This reflects the structural nature of insurer portfolios, where asset allocation is closely aligned to liability profiles and capital considerations. At the same time, the range of risks identified highlights the increasingly complex environment in which insurers are operating, and as a result, many firms are reviewing their strategic asset allocation more frequently to ensure portfolios remain aligned with evolving market conditions."

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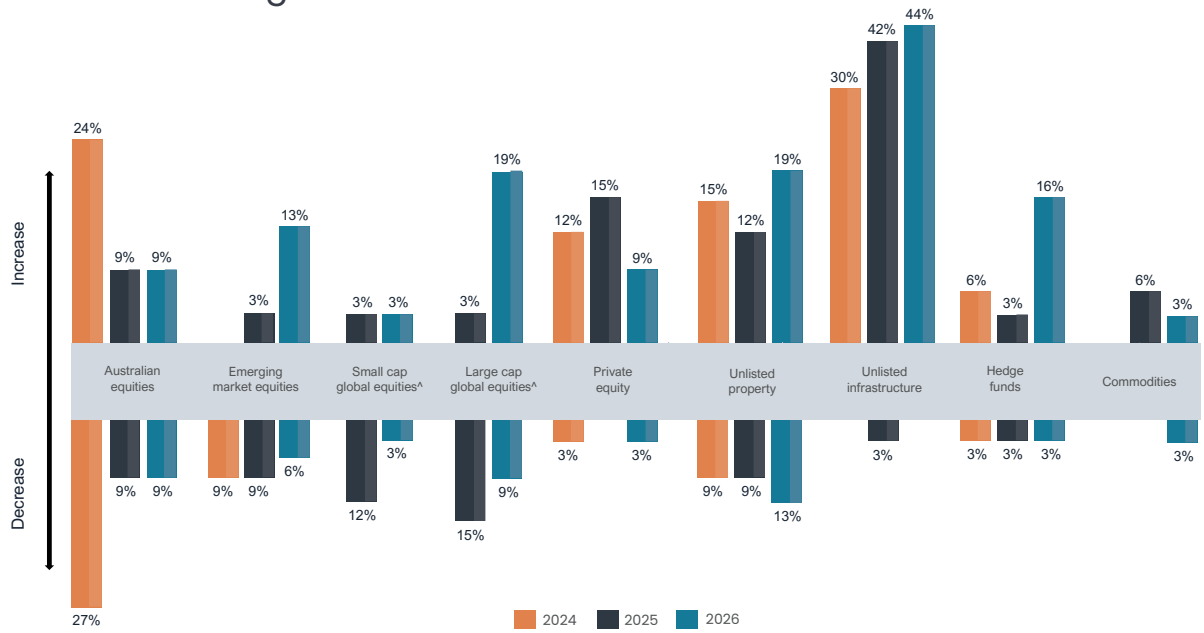
ANTICIPATED CHANGE TO ASSET ALLOCATION – FIXED INTEREST

Over the next 12 months, how do you expect your allocation to the following asset classes will change?



ANTICIPATED CHANGE TO ASSET ALLOCATION – RISK ASSETS & ALTERNATIVES

Over the next 12 months, how do you expect your allocation to the following asset classes will change?



^Option added in 2025.

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SECURITISED CREDIT AND CLOs: RESILIENCE, INCOME AND DIVERSIFICATION IN UNCERTAIN MARKETS



Greg Clarke
Director,
Insurance Solutions

Looking through geopolitical noise

Securitised credit markets have navigated a volatile start to the year with resilience. Despite geopolitical uncertainty, shifting rate expectations and pockets of idiosyncratic stress, spread moves have generally been orderly, supported by strong investor demand, disciplined issuance and robust collateral performance.

That resilience reflects the defining features of the asset class: diversification, structural protection, floating-rate income and active risk management. Unlike broader credit markets, securitised assets are typically driven less by geopolitical headlines and more by the performance of underlying consumer, housing, corporate loan and real asset cashflows. This has helped dampen volatility and limit drawdowns relative to broader risk markets.

Software exposure: Manageable, not systemic

Recent weakness in parts of the software market highlights the importance of diversification and manager selection. In the US, it is estimated that around 12-15% of the investable collateralised loan obligation (CLO) universe has some form of software exposure.

This is manageable rather than systemic. CLO managers are not indiscriminately exposed to a single theme; exposures vary meaningfully by mandate, credit philosophy and portfolio construction. Active engagement with managers has highlighted clear frameworks around what they own, why they own it and how they seek to manage downside risk.

Data centres: Structural demand from AI supercycle, defensive cashflows

Data centres are also emerging as a distinctive opportunity within securitised markets. Demand is supported by structural drivers such as cloud adoption, AI workloads and enterprise digitisation, rather than short-cycle economic growth. For securitised investors, these assets typically offer long contractual leases, high-quality tenants and visible cashflows that can extend beyond the tenor of the bonds themselves.

Risk profiles also differ from traditional real estate. Tenants often bear key costs such as energy, equipment and fit-out, while lease structures can provide strong protections. In Europe, issuance remains relatively scarce and skewed towards higher-quality sponsors and assets, creating potential relative value for investors seeking defensive income.



Resilient collateral pools

On the consumer side, much of the rates-related stress from 2022-2023 has now worked through. Higher rates, inflation and house price adjustments prompted originators to tighten underwriting standards and reduce riskier lending. That discipline is evident in the quality and performance of more recently originated collateral pools. While renewed inflation pressure remains a risk, consumer lending is starting from a stronger position than in the previous cycle.

Floating rate structures and duration protection

A further advantage is the floating-rate, shorter-duration nature of much of the securitised universe. Spread durations are commonly three to five years, which can reduce sensitivity to the duration-driven losses seen elsewhere in fixed income when rates rise or remain volatile.

In an environment where the path of rates remains uncertain and inflation risks persist, floating-rate exposure can provide a resilient income profile. Returns are more closely linked to spread dynamics and collateral performance than to outright interest rate volatility.

This carry advantage is particularly relevant while public credit spreads remain tight. Higher reference rates pass through over time via daily compounding, supporting income generation without requiring investors to take materially more duration risk.

Volatility that is easier to stomach

A key distinction between securitised credit and the leveraged loan market is the nature of volatility. Individual loans can move several points in a short period, but diversified CLO portfolios can absorb idiosyncratic loan moves without materially changing the credit quality of investment-grade tranches. As a result, the price impact on senior CLO tranches is often far less severe.

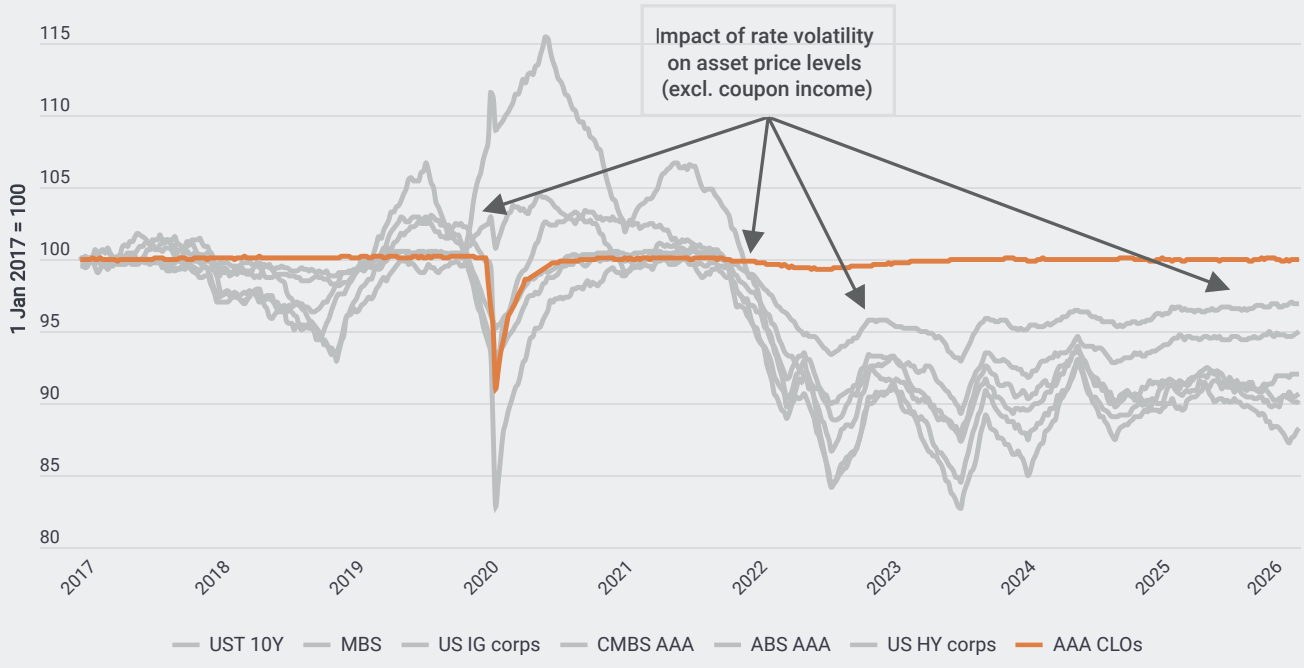
Recent market volatility has reinforced that securitised investments can be less volatile than sometimes assumed. This stability is not solely a function of structure. Active management also matters, through disciplined credit selection, ongoing surveillance of collateral, proactive trading and early action on emerging risks.

Securitised credit: A resilient role within portfolios

Taken together, recent market dynamics reinforce the case for securitised credit as a resilient and adaptable allocation in uncertain times. Orderly repricing, robust collateral performance, floating-rate income and structural protections highlight an asset class driven more by fundamentals than headline risk.

For investors seeking income, diversification and defensiveness within fixed income portfolios, securitised credit continues to stand out. For Australian insurers specifically, the combination of capital efficiency, spread premium and portfolio diversification makes the asset class worthy of closer consideration.

Cross-asset price history for select fixed income sectors



Why it matters for Australian insurers

For Australian insurers, global securitised credit can also play a useful role under LAGIC. Senior tranches of Residential Mortgage-Backed Securities, Asset-Backed Securities and CLOs may offer attractive risk-adjusted income, diversification away from corporate balance sheets and, in some cases, capital-efficient exposure relative to similarly rated alternatives.

The attraction is threefold:

- **Capital efficiency:** senior tranches can support attractive risk-adjusted returns and improve portfolio-level capital efficiency.
- **Yield premium:** senior securitised credit can offer spread pickup versus similarly rated public credit, particularly where corporate spreads are tight.
- **Diversification:** exposure to consumer, housing and real asset cashflows can reduce reliance on corporate credit and improve portfolio resilience.

> “For Australian insurers, securitised credit is not just a yield opportunity; it can be a way to build income, diversification and capital efficiency into portfolios while reducing reliance on traditional corporate balance sheet risk. In uncertain markets, that combination can provide a more resilient foundation for long-term investment outcomes.”

Greg Clarke
Director, Insurance Solutions



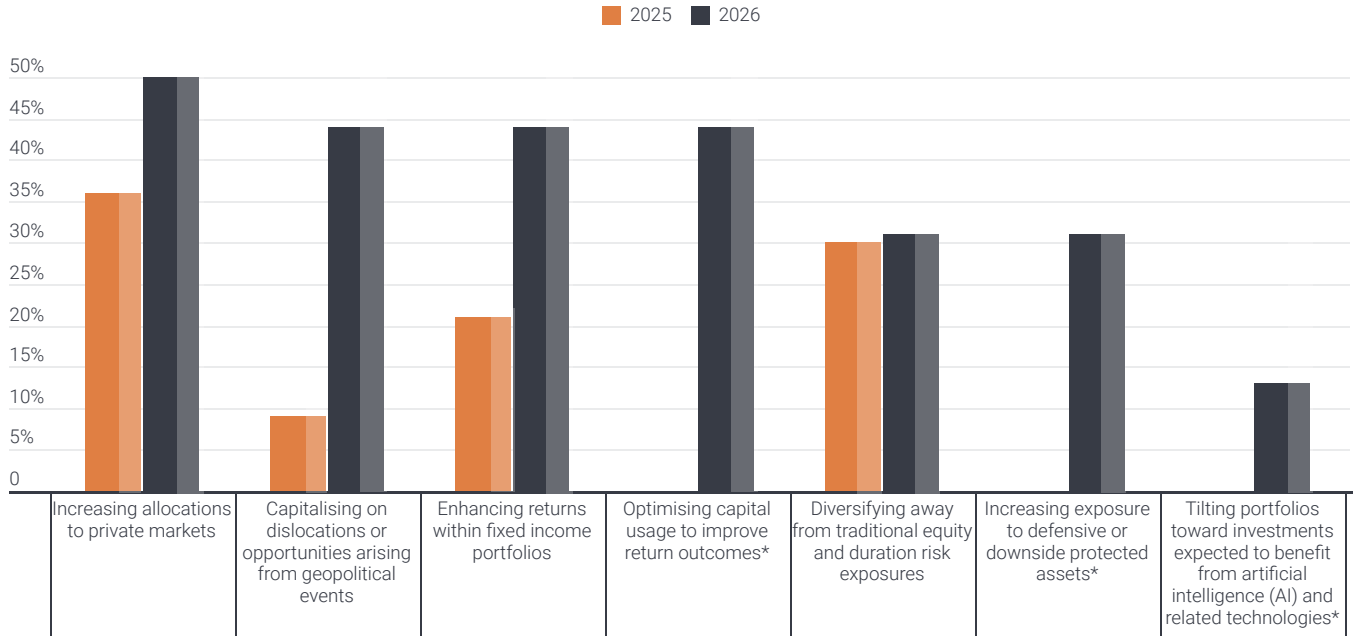
Opportunities and challenges

Geopolitical dislocations, fixed income return enhancement and private markets are emerging as key opportunity areas, while most insurers maintain broadly unchanged global allocation preferences despite geopolitical uncertainty.

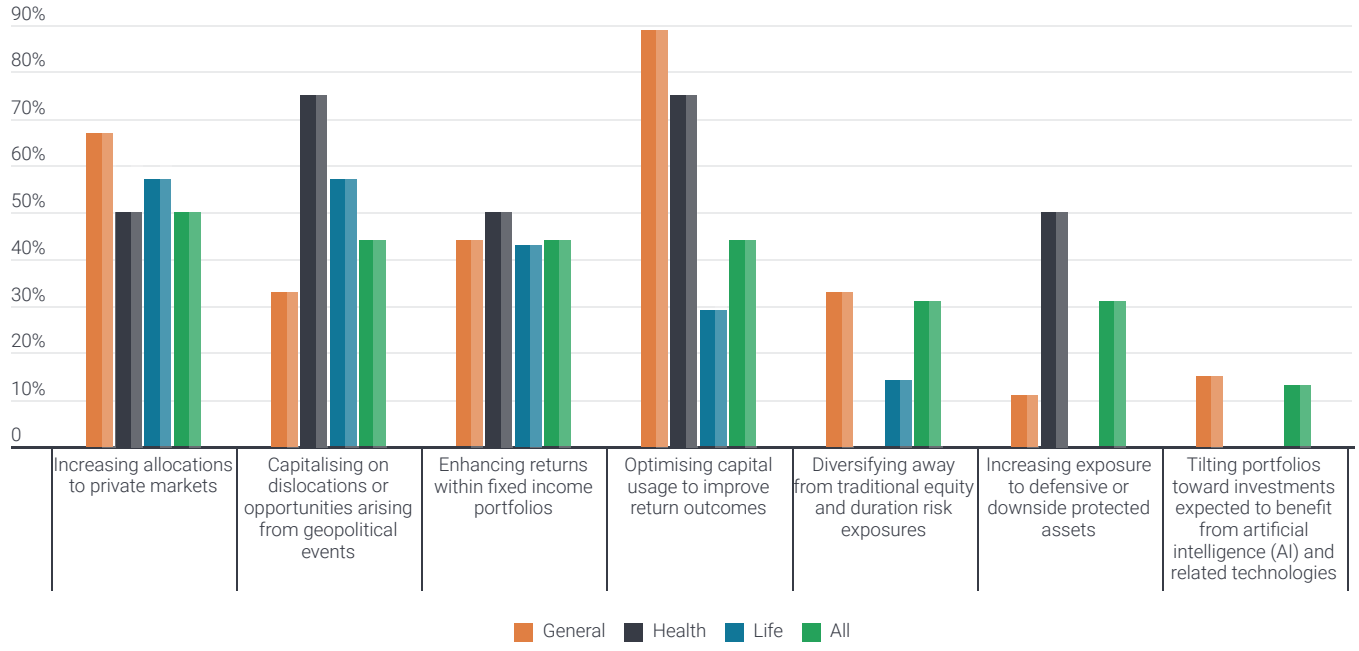


KEY INVESTMENT OPPORTUNITIES IN THE NEXT 12 MONTHS

What do you see as the key investment opportunities over the next 12 months?



What do you see as the key investment opportunities over the next 12 months - by insurance category

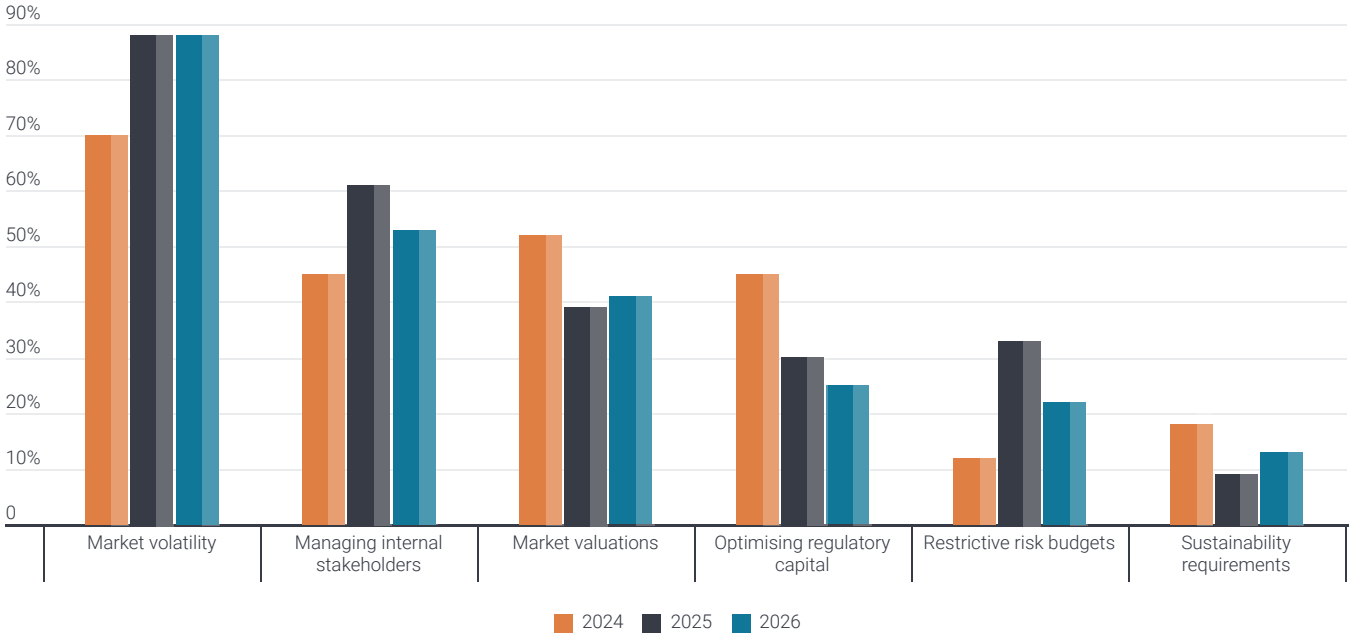


Multiple responses permitted.
*Option added in 2026.

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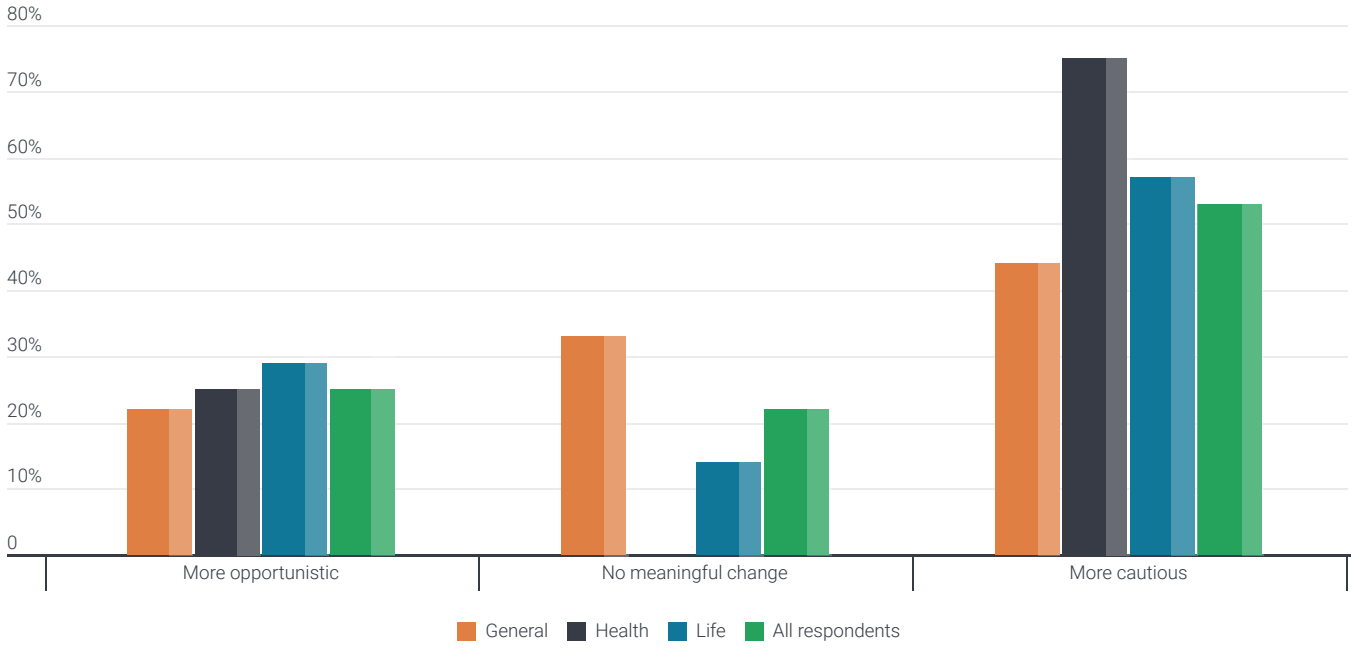
ANTICIPATED BUSINESS CHALLENGES

What do you see as the key challenges for managing insurance investment portfolios in the next 12 months?



INVESTMENT SENTIMENT

Compared to 12 months ago, has your firm's overall investment mindset become more cautious or more opportunistic?



Multiple responses permitted.

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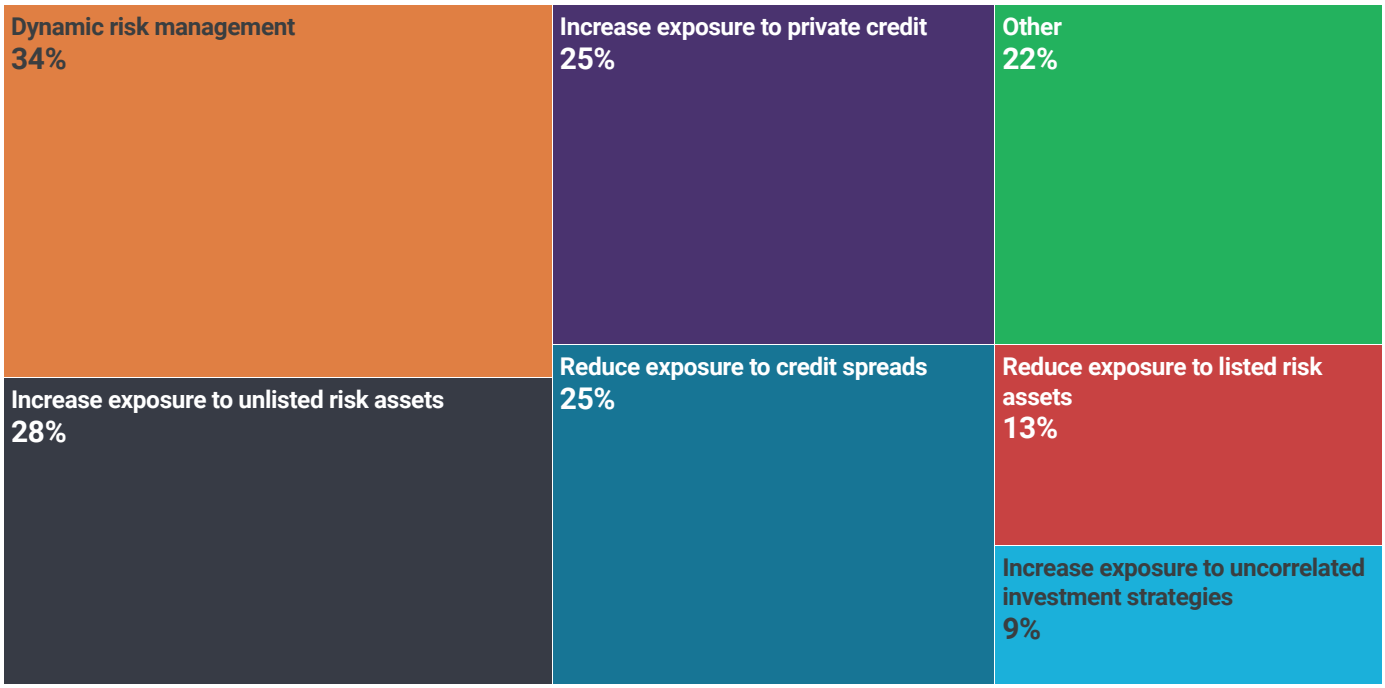
RESPONSE TO GEOPOLITICAL ENVIRONMENT

What actions do you intend to take in response to the geopolitical environment over the next 12 months?

2025



2026



Multiple responses permitted.

Responses for other include increase duration and credit exposure, no change and no specific action but looking for opportunities.

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Spotlight on AI

Adoption, Application, and the Path to Investment-Decision Use

How Australian insurers are deploying artificial intelligence today and where the next phase of value lies.

This spotlight focuses on one of the most fast-moving findings of the survey: the accelerating role of artificial intelligence (AI) within insurer investment teams. The data reveals that AI is moving rapidly from exploration to implementation, but maturity, use cases and ambition are not evenly distributed across the market. We draw out three themes with important implications for insurance investment managers.

1 **Adoption is accelerating, but maturity is concentrated at the top.**

AI engagement has moved decisively beyond exploration. One in four insurers now actively incorporate AI in investment processes, and active users plus pilots account for more than seven in ten respondents. Implementation scale remains strongly correlated with organisational size.

2 **Operational efficiency is the dominant use case.**

90% of insurers using AI apply it to administrative and operational efficiency, while only 15% use it in investment strategy development and 5% in security selection. AI today is a productivity multiplier, not yet an alpha-generation engine.

3 **The forward opportunity sits at the intersection of scale and governance.**

The biggest opportunity for insurers is to extend AI from the back office into the investment process – but doing so requires governance frameworks proportionate to use case, alongside investment in talent and infrastructure that smaller insurers will need support to build.

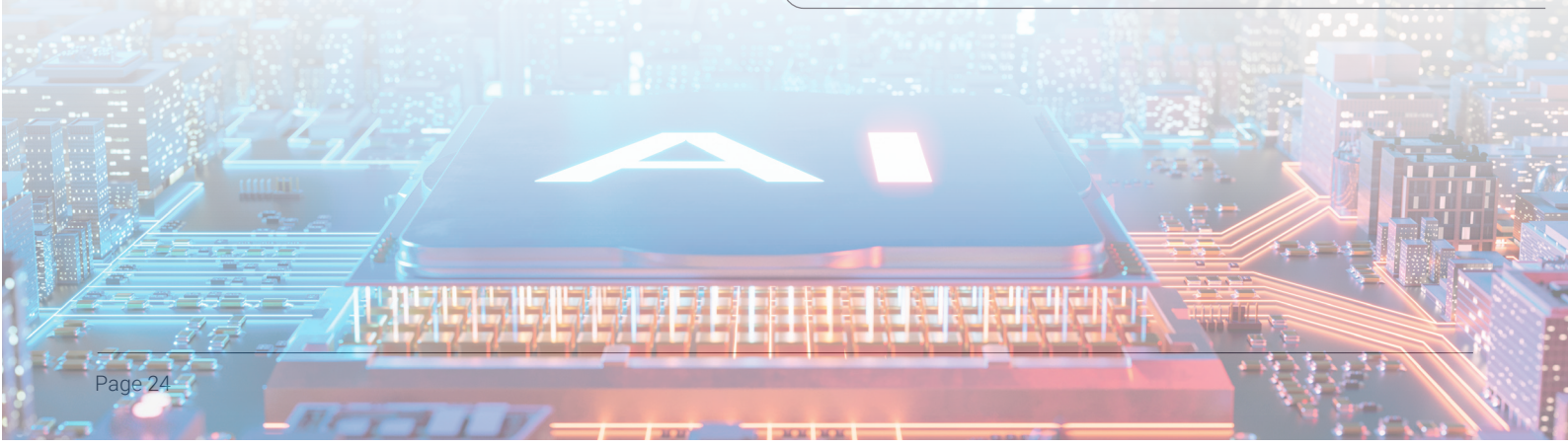
Survey AI snapshot

- 78% of insurers are engaging with AI either through current use or pilot programmes.
- 26% of insurers now actively incorporate AI, up from 3% in 2024.
- 90% of AI users deploy it for administrative and operational efficiency.

Larger insurers lead AI implementation and breadth of use; smaller insurers remain earlier in the adoption curve.

> "Adoption does not happen linearly by entrenched players. It happens slowly, then all at once, and stalwarts are disrupted to a point they can no longer ignore change."

Nick Cherney
Head of Innovation, Janus Henderson Investors



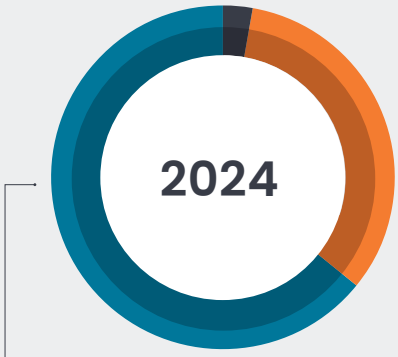
Theme 1:
AI adoption has accelerated, but maturity is concentrated at the top

Insurers are moving beyond exploration toward implementation and pilot programs, but adoption maturity and deployment scale remain strongly linked to organisational size.

The pace of change over the past two survey cycles is striking. The proportion of insurers incorporating AI into their investment processes has increased sharply, rising from 3% in 2024 to 26% in 2026. Over the same period, the share running AI trials or pilot programmes grew from 33% to 52%, meaning that 78% of respondents are now actively engaging with AI across their investment workflows.

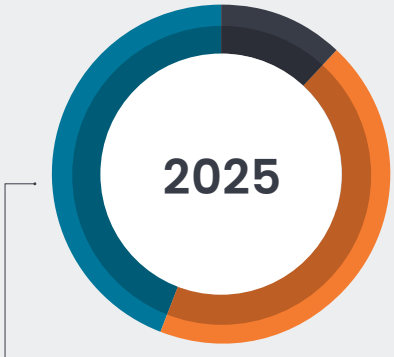
The relationship between insurer size and AI maturity is also pronounced. Larger insurers are leading AI implementation and pilot activity, while smaller firms remain earlier in the adoption curve. Implementation capability is strongly linked to organisational scale and resources and larger firms are applying AI more broadly across investment activities.

Does your firm incorporate artificial intelligence into your investment processes?

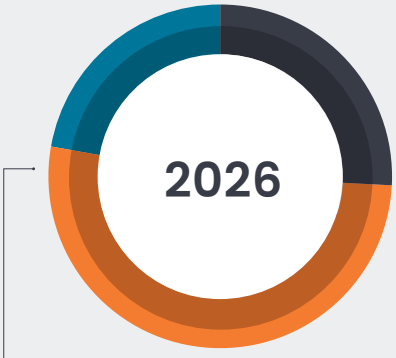


Yes, currently incorporate	3%
Looking to pilot in the future (or currently underway)	33%
Not currently considering but will monitor for the future	64%

> "AI is no longer an emerging conversation for Australian insurers – it is a current operating reality for the majority."



Yes, currently incorporate	12%
Looking to pilot in the future (or currently underway)	44%
Not currently considering but will monitor for the future	44%



Yes, currently incorporate	26%
Looking to pilot in the future (or currently underway)	52%
Not currently considering but will monitor for the future	22%

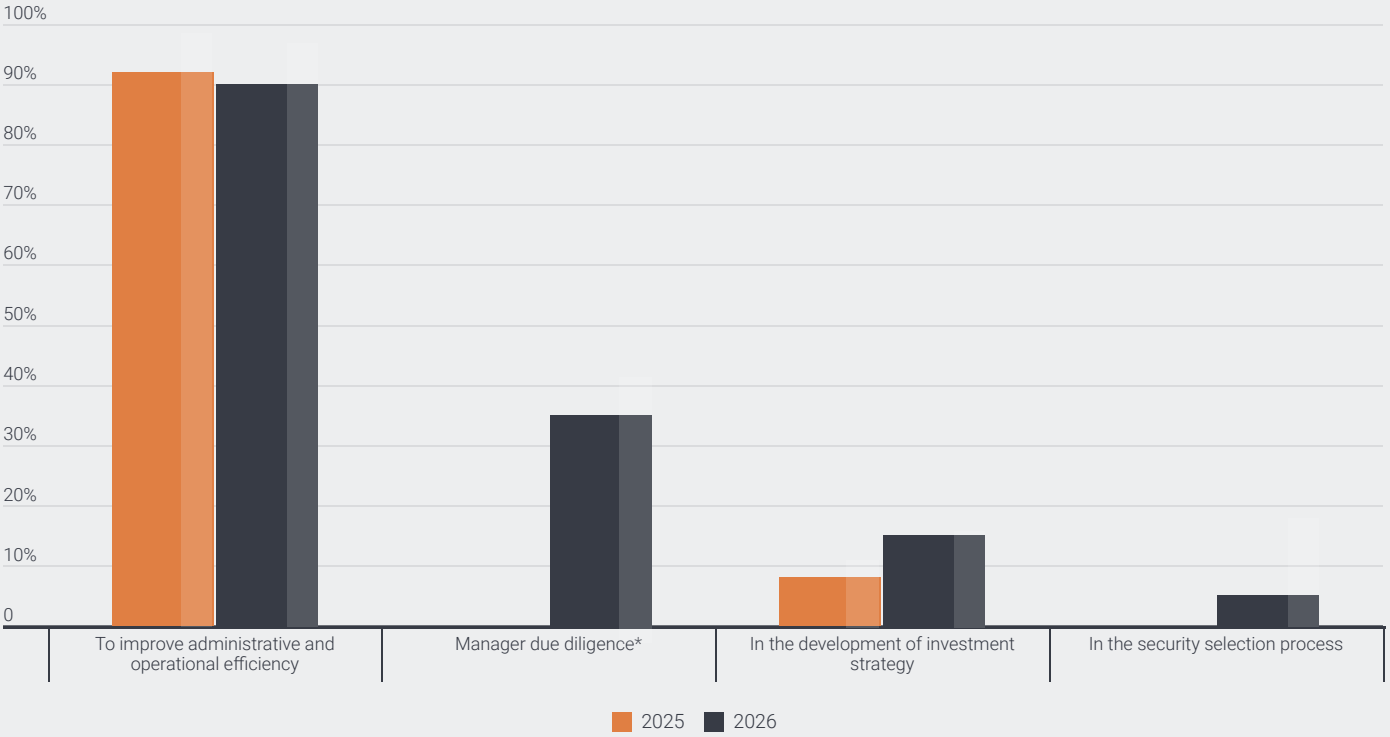
Theme 2:
Operational efficiency dominates, investment decision-making remains a future frontier

AI is being used predominantly to improve workflow efficiency and productivity. Use cases remain more operational than investment-decision focused.

Among the insurers that have incorporated AI, 90% apply it to administrative and operational efficiency, making this by far the dominant use case. A further 35% are using AI to support manager due diligence – a new use case that emerged strongly in the 2026 findings. In contrast, only 15% use AI in the development of investment strategy and just 5% in the security selection process.

Artificial intelligence utilisation

If your firm currently (or has previously) incorporates AI, how is it/was it being utilised?



- **AI is currently a productivity dividend, not an alpha engine.** Investment teams do not expect current AI deployments to materially shift investment outcomes; the immediate benefit is operating leverage, faster cycle times and reduced manual workload.
- **Manager due diligence is the bridge use case.** The emergence of manager due diligence as the second-most common application (35%) signals AI's first meaningful migration toward investment work. This is an area where insurers should expect, and engage with, fund managers on how AI is being used in their own selection, monitoring and reporting workflows.
- **Investment strategy and security-selection use cases will likely be the next frontier.** With only 15% and 5% of AI-using insurers active in these areas respectively, there is significant headroom for adoption, but expansion will need to be paced with governance, model-risk and disclosure capabilities that satisfy heightened regulatory expectations.

Multiple responses permitted.
*Option added in 2026.
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Theme 3:

Insurers are balancing innovation opportunities with operational risk considerations. Whilst adoption momentum continues to strengthen across all insurer categories, the next 12 to 24 months will likely separate firms that scale AI from those that remain in pilot mode.

1 **AI as a portfolio theme remains secondary.**

Only a small minority of insurers identify AI-related investments as a key portfolio opportunity, indicating that most attention is focused on using AI within investment processes rather than allocating to AI-exposed assets.

2 **Scale remains a binding constraint.**

Larger insurers are better positioned to invest in data infrastructure, talent, and model oversight, while smaller insurers may need to rely more heavily on partnerships with managers and service providers.

3 **Governance will be critical.**

As AI moves closer to investment decision-making, insurers will need to apply the same discipline they already use in other complex areas (such as private credit and risk management) covering oversight, accountability, explainability, and operational risk.

Implications for insurers:

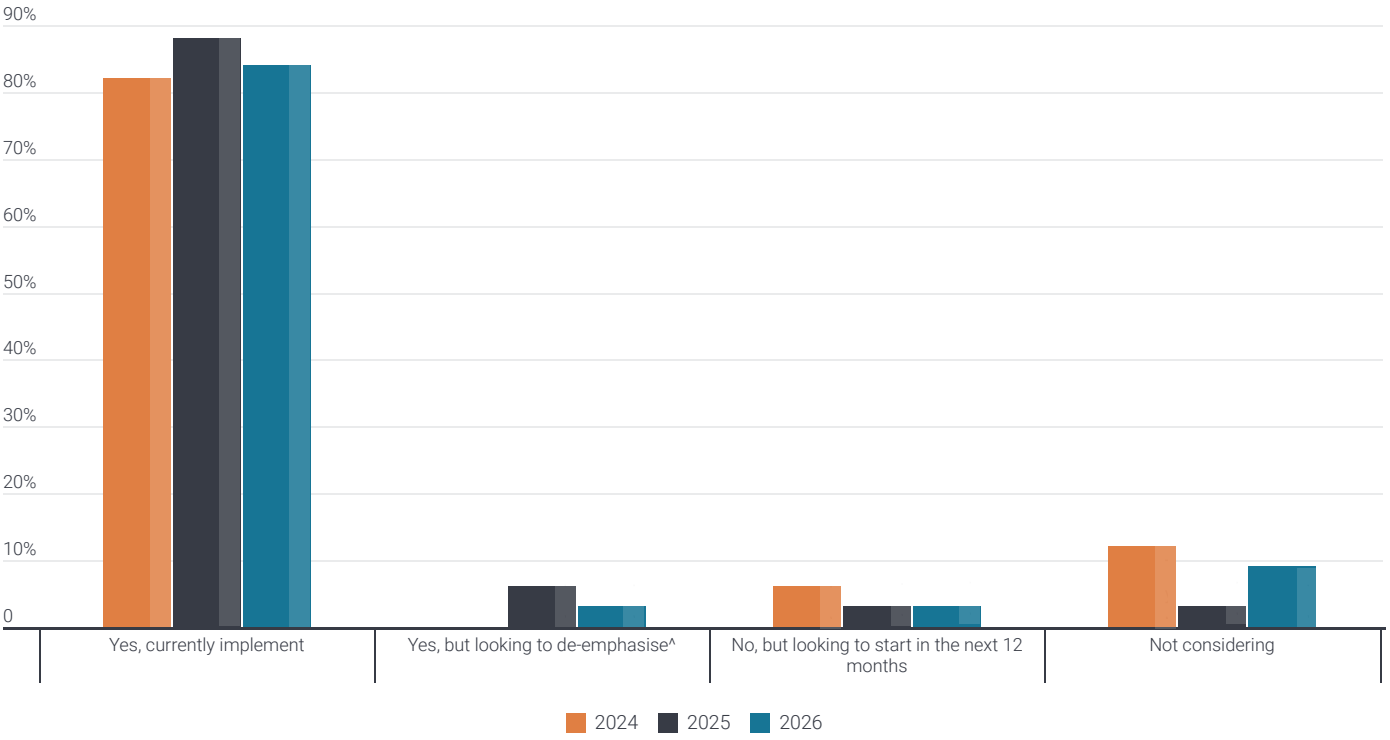
The long-term value of AI will be realised not through rapid experimentation alone, but through disciplined scaling, proportionate governance, and clear alignment with investment objectives.

These three themes produce a clear set of strategic considerations for insurance investment teams in 2026 and beyond:

- **Treat the next 12 months as the scale window.** The shift from 36% engagement in 2024 to 78% in 2026 indicates the market is now collectively moving from experimentation to deployment. Firms without an articulated AI roadmap risk falling behind the cohort that converts pilot programs into production.
- **Lead with operational use cases, then expand deliberately.** Operational efficiency is the natural entry point, but the next wave of value sits in manager due diligence, investment strategy support and selectively in security selection, where current adoption is materially lower.
- **Build governance ahead of deployment, not after.**
  As AI moves closer to investment decision-making, oversight standards must rise in parallel. Insurers can draw on their existing governance disciplines around valuation, liquidity and supervisory engagement to inform AI frameworks.
- **Use partnerships to address the maturity gap.**
  With implementation strongly correlated to organisational size, smaller insurers will benefit from partnering with fund managers, technology providers and consultants – particularly in areas such as manager due diligence, portfolio stress testing and thought leadership, which insurers consistently identify as areas where managers can add value beyond core investment management.
- **Differentiate between AI as a capability and AI as a thematic.**
  Most insurer attention is on adopting AI within investment workflows; only 13% currently see AI as a portfolio tilt opportunity. The two conversations will increasingly need to be connected for institutional investment teams.

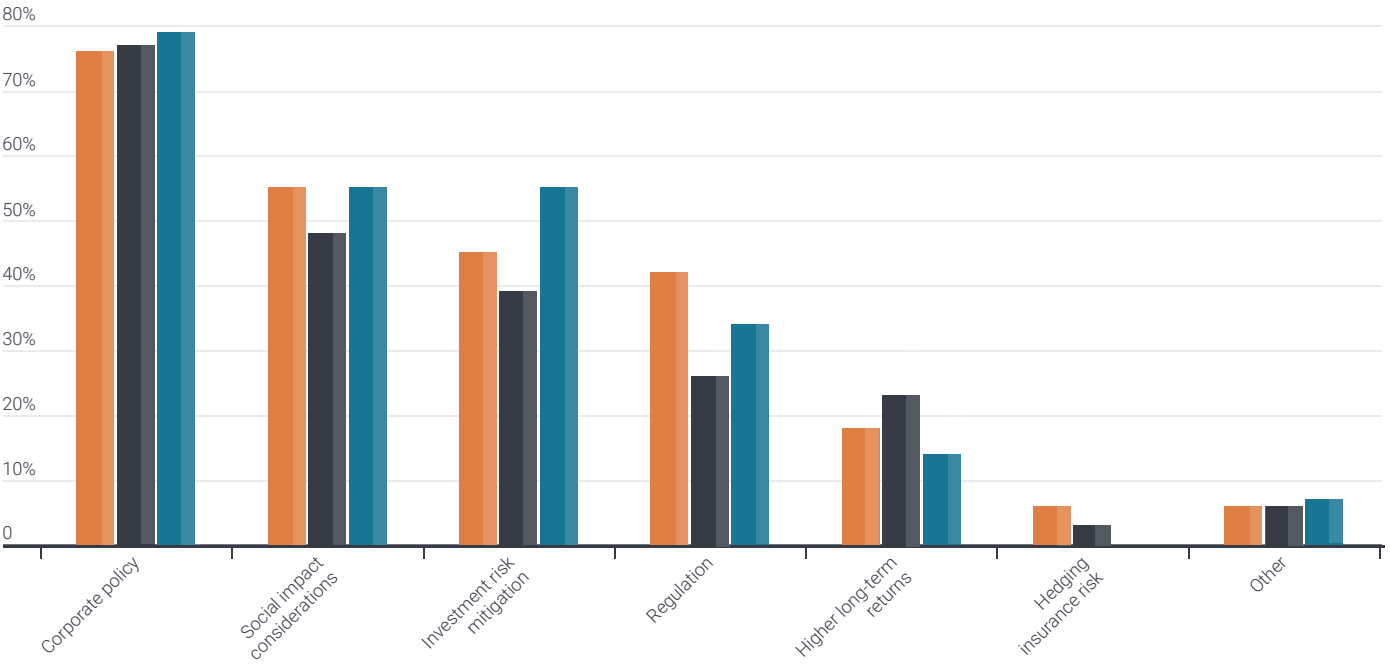
ESG IMPLEMENTATION IN PORTFOLIOS

Do you currently incorporate ESG considerations into your investment portfolios?



DRIVERS OF ESG IMPLEMENTATION

What are the key drivers for incorporating ESG factors into your investment portfolios?



Multiple responses permitted.
^Option added in 2025.

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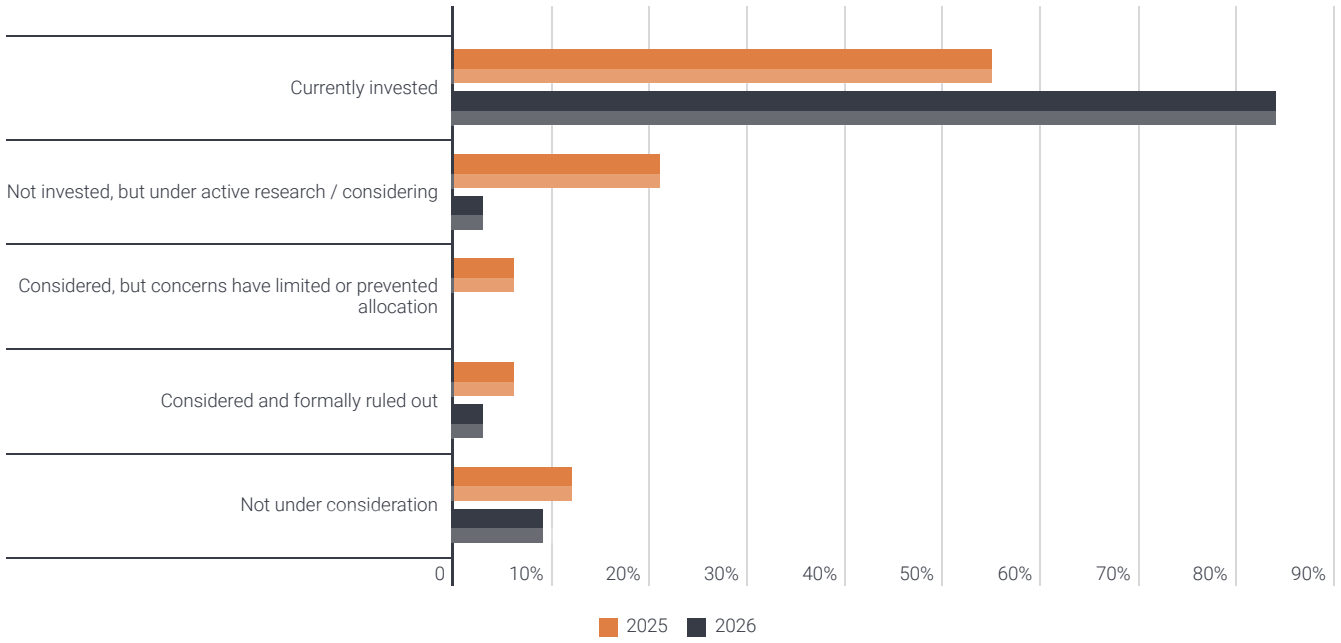
Private credit

Private credit is now firmly embedded in insurer portfolios, with regulatory scrutiny prompting stronger monitoring and governance practices rather than broad de-risking. Valuation and liquidity oversight remain the key areas of concern.



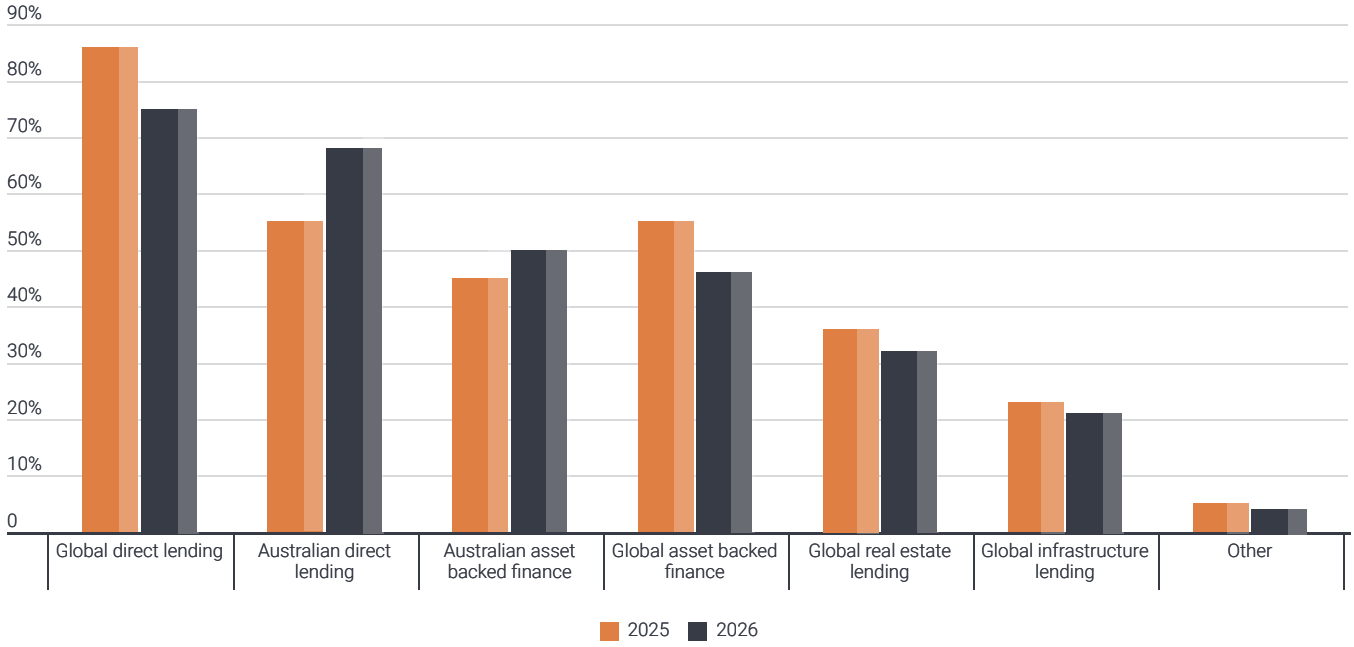
PRIVATE CREDIT EXPOSURE

What best describes your firm's current position regarding private credit exposure?



PRIVATE CREDIT ALLOCATION

Where do you currently (or intend to) have private credit exposure in your investment portfolio?

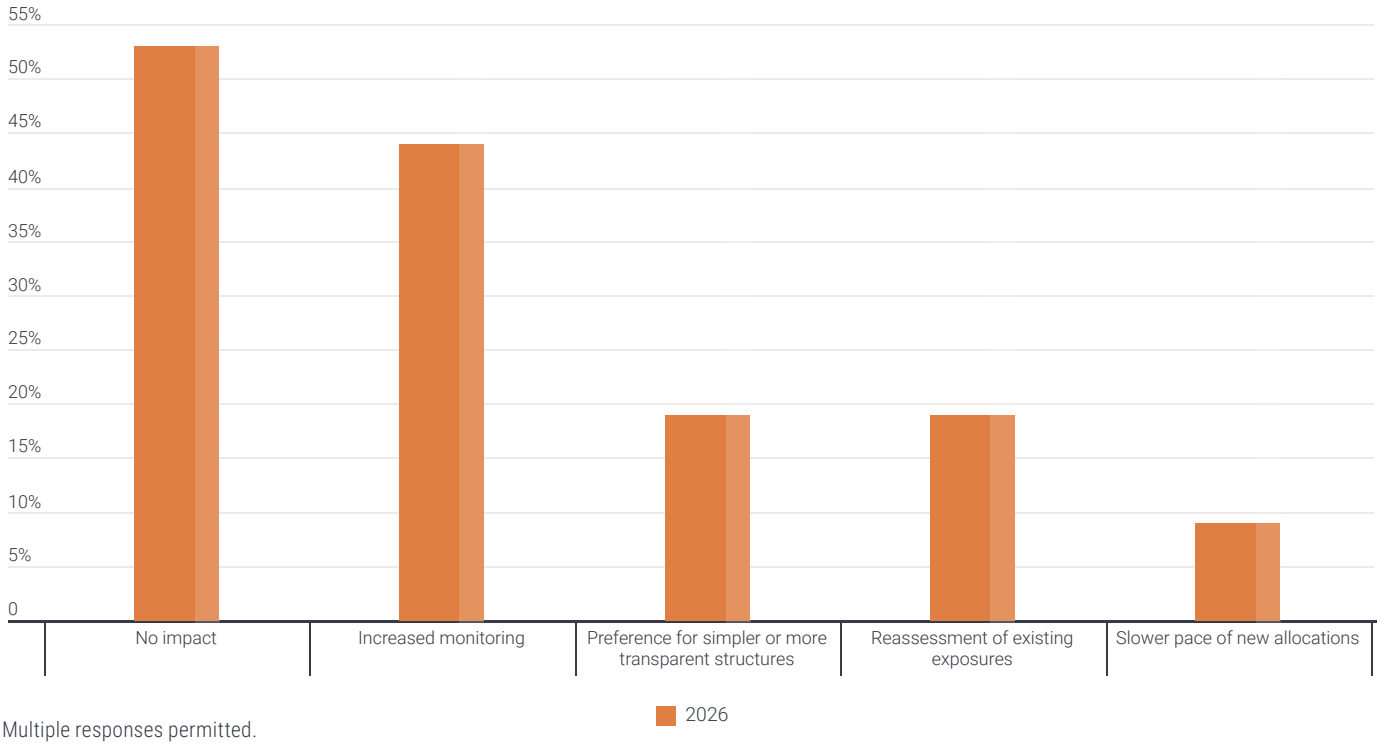


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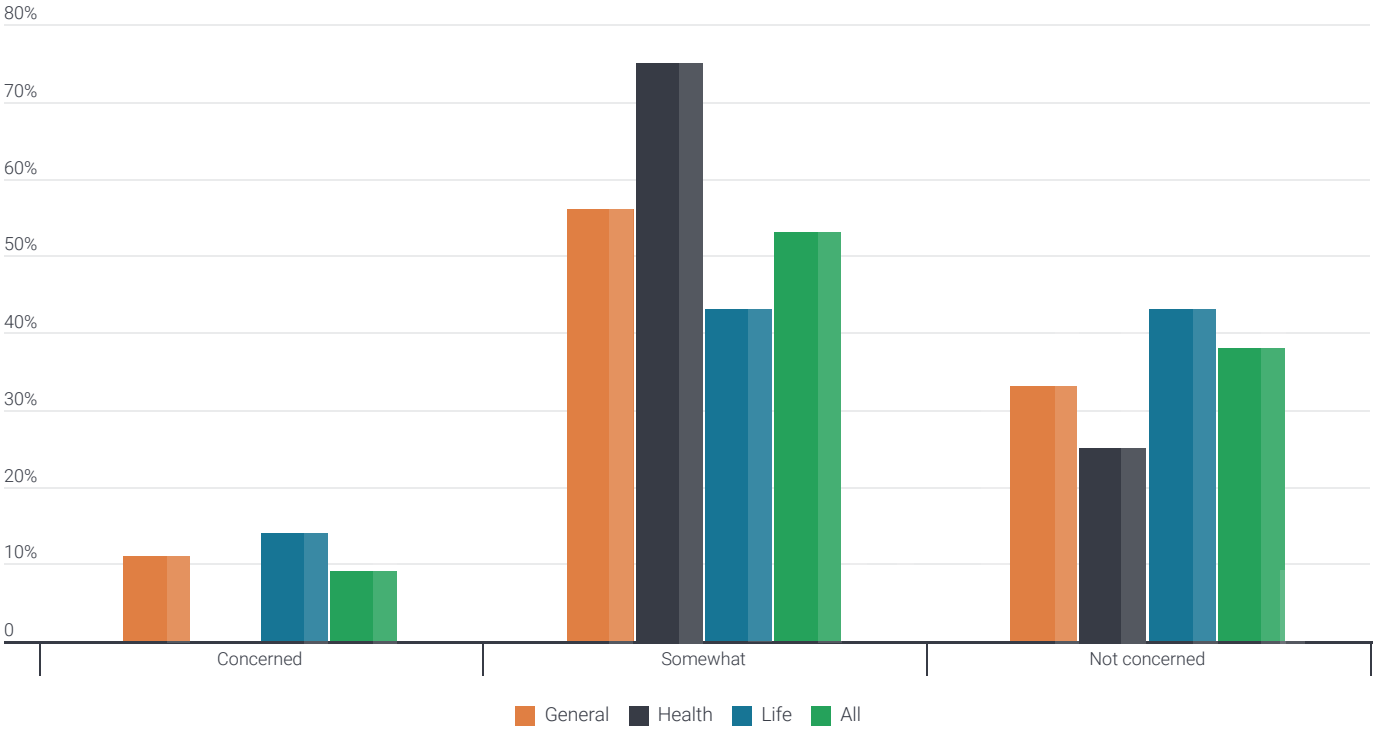
PRIVATE CREDIT ALLOCATION

How has an increase in regulatory oversight (ASIC/APRA) influenced your organisation's approach to private credit allocations?



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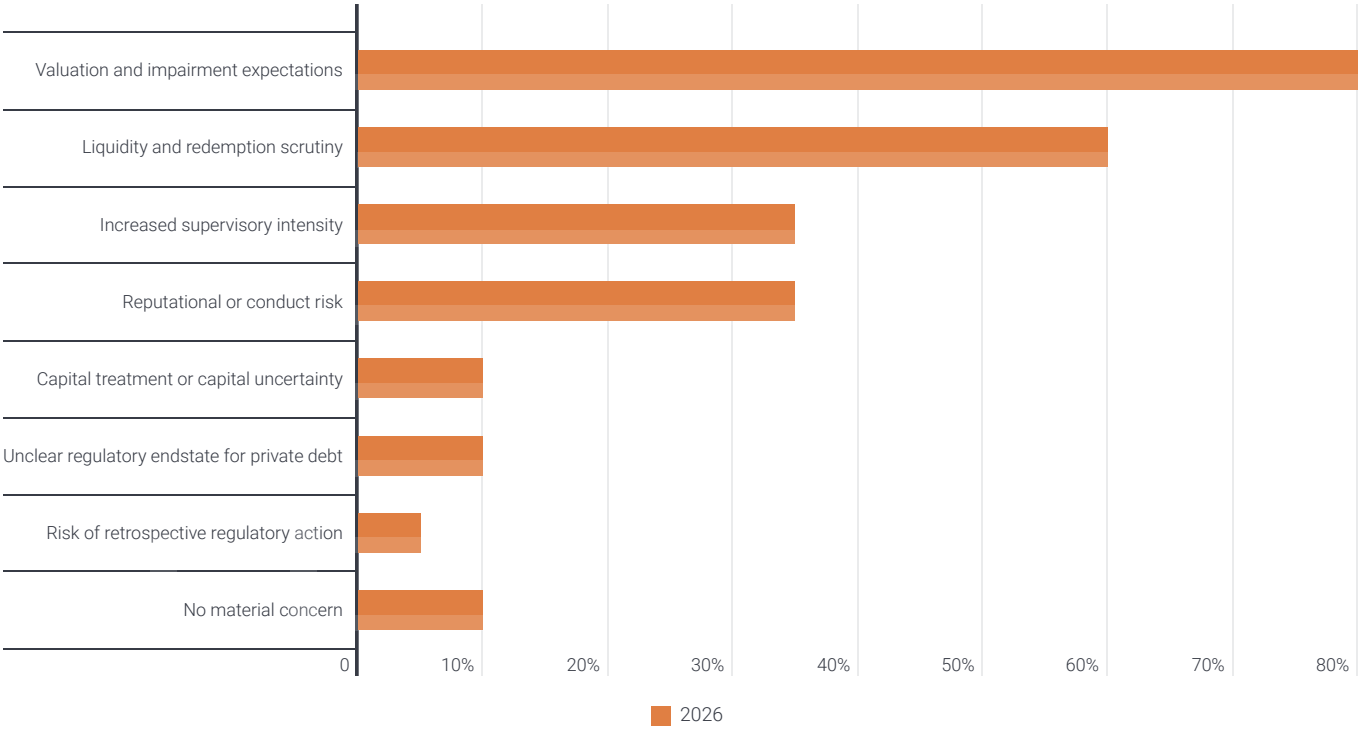
In light of recent media coverage, regulatory commentary and market developments in private credit, how concerned is your organisation about exposure to private credit assets?



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PRIVATE CREDIT ALLOCATION

Which aspects of regulatory treatment are driving your organisation's level of concern?



> "Private credit is now firmly established within portfolios, with a significant majority of firms maintaining exposure to the asset class. In response to increased regulatory attention, insurers are generally not reducing allocations but are instead strengthening internal oversight frameworks, indicating a more mature approach to private credit, where the focus is on managing operational and regulatory risks rather than reassessing the role of the asset class itself."

Multiple responses permitted.

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ASSET-BACKED FINANCE: A GROWING OPPORTUNITY FOR INSURER PORTFOLIOS



Brendan Carroll
Senior Partner and Co-Founder at Victory Park Capital

Asset-backed finance (ABF) is now considered as a core segment of the private credit landscape. Once considered niche, ABF is now a key private credit allocation for its potential to deliver stable income, downside mitigation in a volatile market and a greater level of diversification relative to direct lending. The asset-backed finance market is estimated at US$5.5 trillion, with private credit estimated to account for only US$2.0 trillion of that share, underscoring the significant potential growth opportunity ahead.*

At its simplest, ABF involves providing loans that are backed by tangible assets or contractual cash flows. These assets may include receivables, consumer loans, equipment, inventory, real estate, royalties, small business loans and transportation assets. Rather than relying primarily on the enterprise value of a borrower, ABF focuses on the value, eligibility and performance of the underlying collateral.

Traditional direct lending typically relies on projected cash flows and often involves private equity sponsors. ABF, by contrast, is based on specific pools of assets and the real-time value and performance of those assets. Credit availability is driven by asset performance, not simply by broader market conditions or sponsor activity. This can make ABF a differentiated source of private credit exposure within an insurer's investment portfolio.

Why ABF is gaining traction

Several factors are driving the growth of ABF. As capital becomes more selective, many growth-stage companies are turning to private credit as an alternative to equity or traditional bank financing. Commercial banks are pulling back from lending to small and mid-sized businesses, constrained by regulatory pressure and balance sheet risk. This has created a growing pool of creditworthy borrowers seeking non-bank financing.

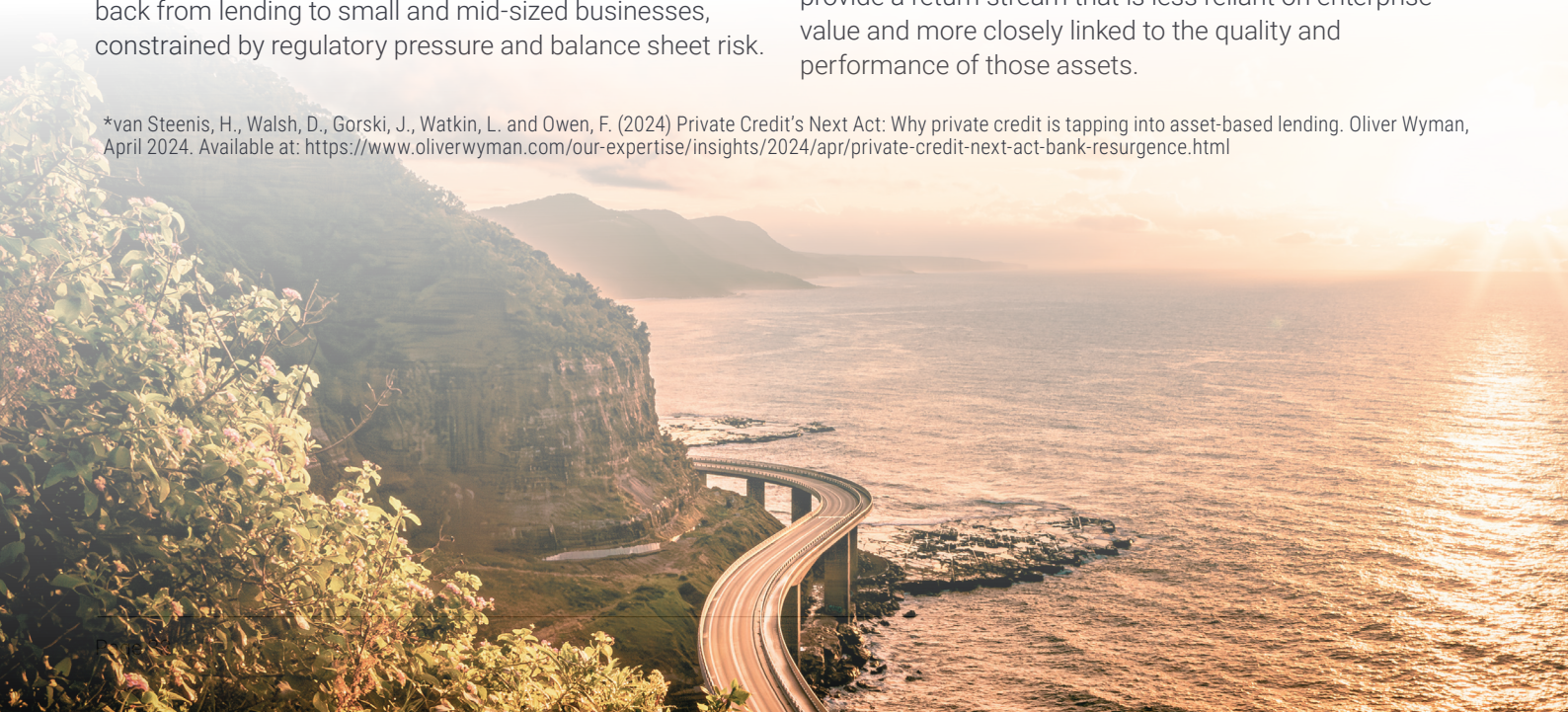
ABF is well positioned to help fill this gap. Asset-backed loans are typically senior secured and backed by tangible assets such as receivables, equipment or real estate. Compared with traditional direct lending, these loans can offer shorter durations, tighter structuring and greater lender control, with the aim of providing built-in risk mitigation during periods of stress.

ABF transactions typically feature loan durations of two to four years, compared with the six to ten years common in direct lending. This shorter timeframe helps mitigate long-term macroeconomic risk and allows for more efficient capital recycling.

ABF considerations for insurers

For insurers, ABF may play a practical role as a complement to traditional fixed income and other private credit allocations. Its appeal lies not only in its income potential, but also in the way that income is generated. Because ABF is tied to collateral performance, it can provide a return stream that is less reliant on enterprise value and more closely linked to the quality and performance of those assets.

*van Steenis, H., Walsh, D., Gorski, J., Watkin, L. and Owen, F. (2024) Private Credit's Next Act: Why private credit is tapping into asset-based lending. Oliver Wyman, April 2024. Available at: https://www.oliverwyman.com/our-expertise/insights/2024/apr/private-credit-next-act-bank-resurgence.html



This can help diversify private credit exposure. ABF activity is linked to borrowers' ability to originate or manage specific collateral, rather than mergers and acquisitions activity or sponsor dynamics. As a result, ABF can provide a different profile across market cycles and may help broaden the sources of return within an insurer's portfolio.

The structural protections embedded in ABF are also relevant for insurers. Transactions may incorporate first-loss equity subordination to align borrower incentives and provide an initial buffer; dynamic borrowing bases to ensure only eligible, performing collateral counts toward loan limits; strict covenants and reporting requirements for monitoring and intervention; first-priority liens and cash control mechanisms; delayed-draw features that fund capital based on collateral performance; and rights of first refusal or sole lender status to enhance lender control and optionality.

These features are designed to support defensive underwriting and active collateral management throughout the life of the loan.

Manager selection matters

Despite its potential advantages, ABF is not a simple strategy. The recent surge in interest has attracted new capital to the space, but not all investors are prepared for its challenges. A growing number of generalist investors have entered the market, drawn by attractive yields and perceived downside protection, without necessarily having the expertise, infrastructure or discipline needed to manage the strategy's complexities.

This phenomenon, often described as "ABF tourism", poses risks. The core issue is a mismatch between ambition and capability. In their rush to capitalise on performance trends, many newcomers may bypass the crucial process of building the institutional capabilities needed to source, structure and manage asset-backed transactions effectively.

Collateralised lending may appear straightforward, but the underlying assets often bring their own challenges. Lending against specialised assets requires knowledge of the asset class, borrower behaviour patterns, legal structuring nuances and servicing logistics. Weak covenants, misjudged asset volatility or overly aggressive advance rates can materially affect an investment's risk-return profile, particularly when markets tighten.

Why Victory Park Capital

Victory Park Capital, or VPC, has invested over 15 years in developing cycle-tested expertise, specialised underwriting processes and a platform purpose-built for asset-backed credit. Founded in 2007, VPC has managed capital through periods of market dislocation and borrower stress, refining its approach to deal structuring, collateral management and capital preservation across market cycles.

VPC's infrastructure is tailored for the intricacies of asset-backed financing. The firm has a 50-plus person team spanning investment, risk, operations, legal and investor relations, including a dedicated 20-plus person group focused on risk management and operations. This institutional framework allows VPC to apply discipline across sourcing, structuring, servicing and compliance capabilities.



Risk management is central to VPC's approach. The firm employs a high-touch model that includes real-time data monitoring, ongoing borrower dialogue and active covenant enforcement. Its proprietary Data Analytics and Risk Technology System, DARTS, enables granular tracking of asset- and deal-level exposures, facilitating scenario analysis and stress testing. Regular facility audits, key performance indicator tracking, covenant verification and swift escalation of non-compliance are part of VPC's daily operations.

VPC also emphasises disciplined deal structuring. Transactions are calibrated for downside mitigation, with lending based on collateral value and liquidation analysis rather than enterprise value. Structures may include dynamic borrowing bases, comprehensive covenant packages, blocked accounts, first-priority liens, delayed-draw notes and borrower first-loss equity contributions. Rights of first refusal provisions can help control refinancing and sourcing.

The firm's sourcing capabilities are another differentiator. With relationships across venture capital, private equity, investment banks and portfolio company management teams, VPC's offering is based on deep relationships across teams. As of June 2026, approximately 87% of ABF deals within its asset-backed opportunistic credit strategy were sourced directly or through proprietary channels. This access often allows VPC to act as sole lender, helping enhance pricing power, control rights and structural integrity in each transaction.

A practical role in insurer portfolios

For Australian insurers, capital efficiency under the LAGIC framework is an important consideration when assessing private credit allocations. Whilst unrated or longer-dated ABF exposures can attract higher capital charges under LAGIC, ABF may be attractive due to its senior secured nature, asset backed, typically shorter duration and structural protections supporting a more resilient credit profile than less secured or more equity-like exposures. While capital treatment will depend on the specific structure, rating, duration and look-through characteristics of each investment, well-structured ABF may help insurers access diversified income while maintaining a disciplined approach to regulatory capital usage. This makes transparency, manager selection and portfolio-level capital modelling critical when determining ABF's role within an insurer's broader investment strategy.

The complexity of ABF means experience matters, and success is less about chasing yield and more about execution. For insurers, selecting a manager with specialist expertise, robust infrastructure and disciplined risk management is critical.

Victory Park Capital's approach pairs flexibility for borrowers with discipline for investors. The team's ability to enter new sectors, fund investments through delayed drawdowns tied to collateral performance, and scale commitments as portfolio companies grow helps mitigate blind-pool risk and gives investors clearer visibility into how capital is deployed. VPC offers a range of structures that can support insurers' capital and liquidity objectives. In a market attracting newcomers, VPC has been a resident, not a tourist, in ABF for more than 15 years.



2026 AUSTRALIAN INSURANCE REPORT: **IN SUMMARY**

Disciplined risk, deliberate opportunity

The 2026 Australian Insurance Report reveals a market that is more disciplined, more diversified and more deliberate than in recent years. Insurer investment teams are repositioning portfolios for a longer cycle of structural change - anchored by lingering inflation, ongoing geopolitical change, private market maturity and accelerating AI adoption.

What we're seeing

- **Risk discipline has tightened - but appetite is quietly building.**
  A clear majority of insurers now sit within or below their risk budgets, creating capacity to add exposure selectively as conditions permit. A meaningful cohort is already positioned to lean into opportunity where it emerges.
- **Private credit has moved from opportunity to mainstream allocation.**
  With 84% of insurers now invested, the conversation has shifted decisively from whether to allocate to how to allocate well. Direct lending remains foundational, while asset-backed lending is emerging as a differentiated way to access private credit.
- **AI has moved from interest to action**.
  63% of insurers are actively engaging with AI, and around one in four have integrated it into their investment processes, a step-change from 3% in 2024. Adoption is dominated by operational efficiency use cases (90%), with more selective, early-stage uptake in investment strategy support (15%) and security selection (5%).
- **Mindset is more cautious, but not retreating.**
  Most insurers report a more cautious outlook, yet a meaningful minority remain opportunistic, signalling discipline rather than de risking. Vigilance around downside remains a defining feature of insurer investment thinking, consistent with the sector's long-standing focus on capital preservation and solvency.
- **Macro and geopolitical sensitivity are now structurally embedded.**
  Inflation has overtaken interest rates as the dominant strategy consideration, largely driven by ongoing geopolitical volatility and supply chain disruption. Strategic asset allocation reviews are becoming more frequent as insurers reassess portfolio settings against a shifting macroeconomic backdrop.



Why it matters

- **Discipline is creating deployment optionality.**
  With risk budgets re centred, insurers are better positioned to add risk selectively into dislocations, rather than being forced to react. This is the payoff of a sector that has spent recent cycles building resilience.
- **Private credit scrutiny will rise alongside allocation size.**
  As exposures grow, valuation transparency, liquidity terms and manager selection become differentiated risks, particularly where allocations are concentrated. Governance capacity, regulatory engagement and portfolio oversight will need to scale in step with allocations.
- **AI is shifting from operational tool to competitive advantage.**
  Insurers progressing from pilot to embedded use are likely to capture efficiency and insight benefits first, particularly as governance frameworks mature and enable expansion into higher-value use cases such as manager due diligence and portfolio analysis.
- **Regulation and governance are re-shaping how portfolios are implemented.**
  Heightened supervisory attention - particularly around private markets, valuation and liquidity - is reinforcing disciplined implementation and elevating governance to a strategic capability rather than an operational obligation.

What to watch next

- **Will discipline hold under stress?**
  The next test will be whether in line risk positioning is maintained, or extended into risk taking, if credit or equity dislocations emerge. The distinction will be critical: a continuation of disciplined deployment would reinforce the sector's shift toward deliberate risk-taking, rather than reactive repositioning.
- **Private credit through a full cycle.**
  As private credit exposure deepens, watch for shifts in default experience, refinancing dynamics and asset backed vs direct lending performance, particularly as investors seek diversification, capital efficiency and stronger downside protection within their private credit portfolios.
- **From AI pilots to embedded use**.
  The pace at which pilot programs convert into scaled, operational deployments will likely separate early movers from laggards over the next 12 months. The next phase of AI will be defined by its extension into investment processes - particularly manager due diligence and portfolio analysis - that enable adoption without compromising oversight.



Continue the conversation

As the insurance sector moves through a period of structural change, the path forward will depend on disciplined implementation as much as identifying opportunity. At Janus Henderson, we are committed to partnering with insurers to bring together insight-led thinking, investment expertise and innovation. From evolving risk appetites and private credit maturity to AI adoption and governance, we believe progress is best made through partnership, supporting resilient decision-making and long-term outcomes.



ABOUT US

Janus Henderson's mission is to help clients define and achieve superior financial outcomes through differentiated insights, disciplined investments, and world-class service.

We are ever mindful that our thinking and investments help shape the futures of over 75 million people*. Our diverse client base and robust balance sheet allow us to offer financial strength and stability to help investors achieve their objectives.

The human connection matters in all that we do. Teams across Janus Henderson come together every day to deliver outcomes for our clients – and their clients – that make a difference. We are proud of this responsibility as we fulfill our purpose of "Investing in a brighter future together."

* Figure reflects the estimated number of individuals as of year-end 2025 where either their current assets or future benefits are invested in Janus Henderson investment products, and is based on JHG's AUM market share by country, the size of the investing population by country, and average account sizes, using industry and government data and internal estimates.

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