

A CASH-PLUS ALTERNATIVE: WHY CHARITIES AND ENDOWMENTS COULD CONSIDER HIGH-QUALITY SECURITISED ASSETS

What are Securitised Assets?

Securitised assets are essentially debt secured primarily by pools of cashflows that represent contractual obligations to pay (e.g. mortgages, car loans, credit card loans). As cashflows from each of these underlying loans are paid down, this results in the repayment of interest and principal to a securitised investor, with the cash-flow generating assets serving as collateral.

A potential cash-plus alternative

Charities and endowments face a delicate balancing act in seeking to preserve capital, generate reliable income, maintain sufficient liquidity for grants and ensure investments reflect mission and values. With cash returns having declined, many clients are reassessing whether traditional cash-heavy allocations can work harder without materially increasing risk.

High-quality securitised assets provide a defensive income opportunity that can sit between cash and traditional credit. Floating rate coupons result in low interest rate sensitivity, while strong structural protections and high collateral quality help preserve capital through different market environments.

Enhanced yield...

Securitised assets have historically provided higher credit spreads than equivalently-rated corporate bonds, often at shorter duration and higher average credit quality (AA+)¹ – supporting a cash-plus income objective with limited rate risk. Investors typically need to scale down the credit spectrum to receive a similar credit spread and yield.

Key takeaways

- High-quality securitised assets offer a compelling cash-plus solution, combining strong credit quality and stable cashflows with low exposure to interest rate volatility.
- For charities holding significant cash, reallocating a portion into securitised could meaningfully enhance income potential and diversification while retaining capital stability and liquidity.
- Active management is critical for investing in securitised. It requires deep analysis of collateral, structures and cashflows. Experienced managers may help to identify relative value, mitigate risks, and deliver consistent excess returns over cash through varied market conditions.

Figure 1: Relative value favours high-quality securitised assets

	JHI IG Securitised	IG Corporates	BBB Corporates
Credit Spread (bps) ¹	137	80	93
Total Yield (GBP)(%) ²	5.5	5	5.1
Spread Duration (years)	3.6	4.7	4.5
Interest Rate Duration (years) ³	0.2	4.6	4.3
Average credit rating	AA+	A-	BBB

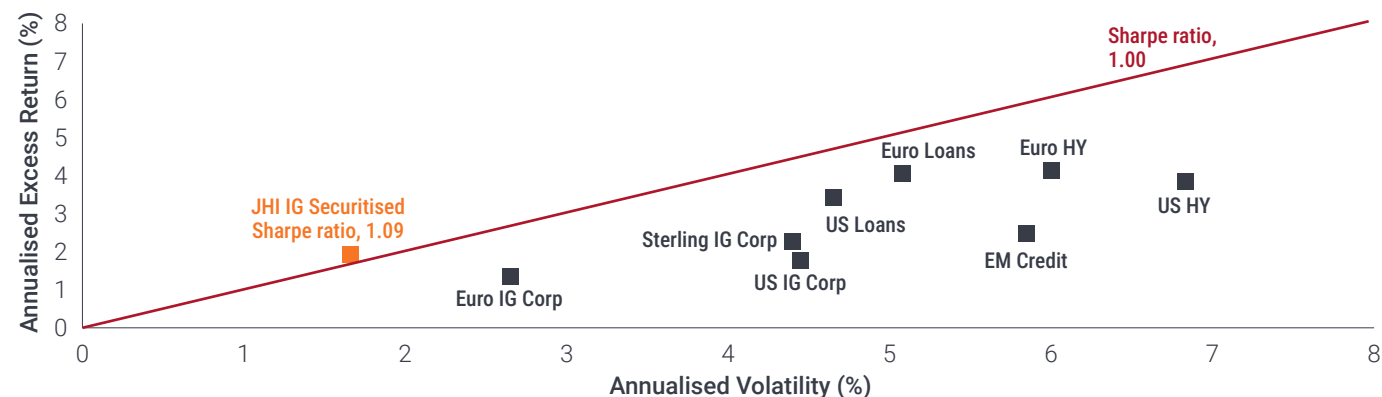
Source: Janus Henderson Investors, Bloomberg, ICE BofA Euro Corporate Index, ICE BofA BBB Euro Corporate Index, as at 31 March 2026.

Notes: JHI Securitised represents Janus Henderson IG Securitised representative account since no reference index exists for high grade securitised that captures the full universe. ¹For IG Securitised, based on discount margin, for corporate credit, based on Swap OAS. ²Total yield is calculated as credit spread plus the GBP swap rate corresponding to weighted average life. ³Credit indices based on effective duration. Yields may vary and are not guaranteed. The above are the team's views and should not be construed as advice and may not reflect other opinions in the organisation. Representative account data is based on the representative account in the composite and may vary from other accounts in the strategy, due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style. This is for illustrative purposes and is not a guarantee of the future performance of the Janus Henderson IG Securitised rep. account. **Past performance does not predict future returns.** ¹Janus Henderson IG Securitised representative account, as at 31 March 2026.

...delivered with low volatility

Returns are driven by carry (income) and capital appreciation (price changes). Floating rate coupons reset monthly or quarterly, keeping duration low and helping to stabilise performance even when rates move sharply. Over time, securitised has delivered strong risk-adjusted returns (reflected in a higher Sharpe ratio²) versus most major fixed income sectors, supporting its role as a capital-preserving and income-enhancing component of a cash allocation.

Figure 2: High-grade securitised risk return profile vs other fixed income (31/03/12 – 31/03/26)



Source: ICE BofA, Credit Suisse, Janus Henderson Investors, as at 31 March 2026. Performance from 31 March 2012.

Notes: JHI Securitised: Janus Henderson IG Securitised representative account, gross of fees in GBP. Representative account data is based on the representative account in the composite and may vary from other accounts in the strategy, due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style. Sharpe Ratios are calculated by dividing Excess Returns by Volatility. IG: investment grade; HY: high yield; EM: emerging market. Indices used: ICE BofA Euro Corporate Index, ICE BofA Sterling Corporate Index, ICE BofA US Corporate Index, Credit Suisse Leveraged Loan Index, Credit Suisse Western European Leveraged Loan Index, ICE BofA US Emerging Markets Liquid Corporate Plus Index, ICE BofA European Currency Non-Financial High Yield 2% Constrained, ICE BofA US High Yield Index. Index returns are hedged to GBP. For a full list of index descriptions please get in contact with your Janus Henderson Investors contact. **Past performance does not predict future returns.**

Diversification

Securitised assets bring genuine diversification to portfolios by providing exposure to a range of asset types and structures, within which there are different consumer-driven and 'real economy' risks that impact underlying collateral quality. This differs from the traditional balance sheet and management risks associated with corporate bonds and equities, while the collateral pools help to reduce idiosyncratic risk.³

Each collateral pool is different, no one deal is the same within a sector and collateral can vary by sector but also by jurisdiction. For example, when looking at residential mortgage-backed securities markets globally, different countries have different housing markets with different lending standards.

Taken together, this means that returns are typically less connected to other asset classes, affording genuine diversification as shown in the low correlations below.

Figure 3: Securitised has a low correlation to equities and fixed income

	Global Equities	Gilts	Global IG	Global HY	Securitised
Global Equities	100%				
Gilts	29%	100%			
Global IG	56%	64%	100%		
Global HY	70%	27%	81%	100%	
Securitised	39%	5%	48%	64%	100%

Source: Bloomberg, ICE indices, MSCI, Janus Henderson Investors analysis, as at 31 December 2025. 10 Year correlation calculations based on [daily, weekly, monthly] GBP returns. Where base currency returns are non-GBP, correlations are calculated using GBP hedged returns.

Indices: Global equities: MSCI World Net Total Return GBP Index; Gilts: ICE BofA UK Gilt Index; Global Investment Grade: ICE BofA Global Corporate Index; Global High Yield: ICE BofA Global High Yield Index. **Past performance does not predict future returns.**

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²The Sharpe ratio measures the performance of an investment compared to a risk-free asset after adjusting for its risk. A ratio higher than 1 indicates that an investment is providing a good risk-adjusted return, meaning the excess return earned above the risk-free rate is greater than the volatility (risk) assumed.

³Idiosyncratic risk is the unique, company-specific hazard inherent to an individual investment or asset that does not affect the broader market.

Assets structured to generate steady cashflows

Securitised assets are amortising and return principal progressively, paying steady cashflows. For charities and endowments, this can support budgeting, grant planning and liquidity management. Securitised assets de-lever over time as principal is repaid, increasing credit enhancement⁴ and helping to protect cashflows as transactions season. Auto ABS (backed by car loans), in particular, is valued for steady prepayment patterns and predictable behaviour from borrowers. The securitised market provides transparent pricing and reliable execution, enabling charities to move between securitised and cash as funding needs evolve.

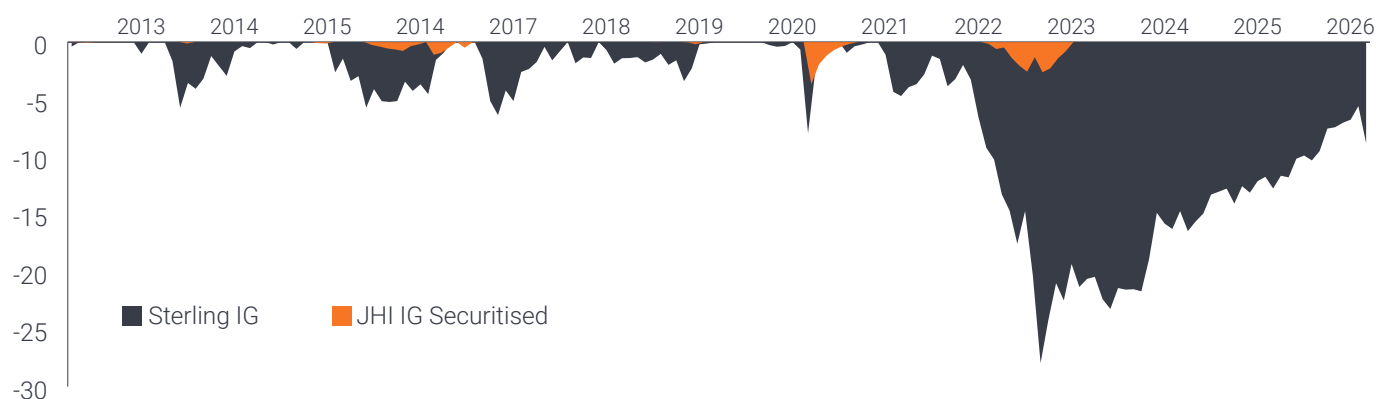
Resilience and downside protection

Securitised assets can often offer resilience during volatile periods. This is driven by high quality structures – the largest portion of the market is senior ranked and secured. Securitised structures have in-built downside protection delivered by structural features designed to absorb losses before investors in senior bonds are affected. The combination of high collateral quality, floating rate coupons and amortisation supports portfolio resilience through different market conditions.

For charity and endowment investors, this resilience is particularly valuable; charities have spending obligations regardless of market conditions, and large drawdowns can directly restrict grant making and service provision. Donation and income streams can also be unpredictable, meaning portfolios that experience smoother return paths help support long-term compounding, financial resilience and the sustainability of endowments.

To demonstrate this resilience, Figure 4 compares the length and depth of drawdowns for securitised assets against investment grade (IG) corporate bonds. The orange or black bars mark the drawdown point from the previous high watermark. When these bars disappear (reach zero), it marks when the asset class has retraced returns to that high watermark. Securitised assets showed minimal drawdowns during the 2018 rate event and a swift recovery post-COVID, against a slightly more prolonged recovery of IG credit. During 2022, the drawdown of securitised assets was shallow and recovered quickly, partly due to its floating rate nature, unlike the more severe and lasting impact on IG, which has more interest rate duration.

Figure 4: Shallower and shorter drawdowns relative to IG credit



Source: Janus Henderson Investors, Bloomberg, as at 31 March 2026.

Note: JHI Securitised: Janus Henderson IG Securitised representative account, gross of fees in GBP. Sterling IG Index: ICE BofA Sterling Corporate Index, returns hedged to GBP. Representative account data is based on the representative account in the composite and may vary from other accounts in the strategy, due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style. Drawdown based on monthly returns from 31 March 2012 to 31 March 2026. **Past performance does not predict future returns.** This is for illustrative purposes and is not a guarantee of the future performance of the Janus Henderson IG Securitised rep. account.

Liquidity holds up during market volatility

The 2022 Liability-Driven Investment (LDI) crisis⁵ underscored this, when about €13 billion of European securitised assets⁶ traded over a short time horizon. The real liquidity test, however, is the ability to raise funds efficiently without excessive costs. At the peak of the LDI crisis in October 2022, the average liquidity cost – the difference between the bid and offer on a specific bond (or bid-ask spread) – of CLOs, the highest beta part of the investment grade securitised market, did spike. However, this occurred alongside a comparatively modest decline of around 5% in average cash prices for AAA CLOs, compared to around 20% in European investment grade corporate credit⁷. So whilst both bid-ask spreads and prices felt the impact of absorbing these volumes, markets remained functional with rational pricing observed and market conditions quickly normalised after this.

⁴Credit enhancement is used in securitisation to improve the credit quality and ratings of the debt tranches.

⁵This crisis affected UK defined benefit pension schemes, which had to quickly sell assets to meet margin calls after the government 'mini-budget' announcement caused a sharp increase in gilt yields.

⁶Source: Janus Henderson Investors estimates and Bids Wanted In Competition volumes between 30 September 2022 and 21 October 2022.

⁷Source: Bloomberg, as at 31 October 2022. Euro IG = ICE BofA Euro Corporate Index.

ESG alignment to mission and values

For charities and endowments, investments must not only deliver financial resilience but also reflect the organisation's mission, values and social purpose. Within securitised markets, ESG integration provides a clear way to ensure that capital is deployed responsibly and in support of those aims. Given that third-party ESG coverage can be limited in parts of the securitised market, we have developed our own proprietary frameworks that combine loan level data and counterparty characteristics to assess ESG risk. This supports mission alignment by enhancing transparency on underlying exposures, which are monitored to ensure they are suited to an organisation's ethical or sustainable priorities.

Engagement also plays a critical role. We work with issuers, arrangers and industry bodies such as AFME (Association for Financial Markets in Europe) and ELFA (European Leveraged Finance Association) to improve disclosure standards, strengthen carbon accounting practices and encourage greater transparency. For example, we have successfully encouraged several auto ABS issuers to adopt enhanced emissions reporting, which is now more regularly provided in primary transaction marketing materials. This supports both better investment decisions and the sector's broader progress towards sustainability. Other key engagement themes are shown in the example below.

Cybersecurity thematic research and engagement

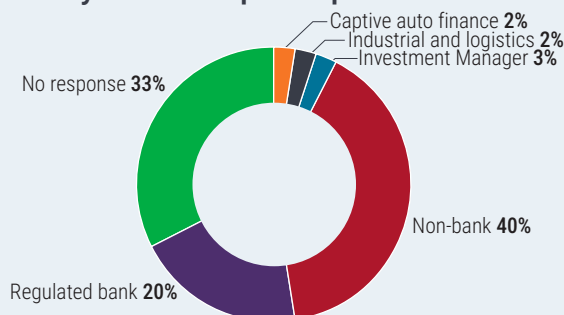
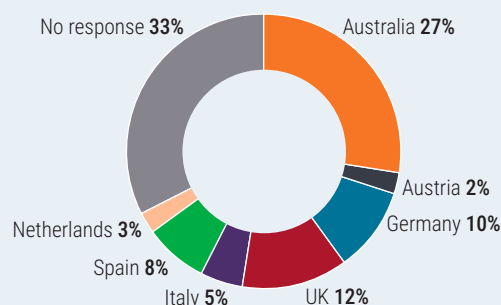
Reason for Engagement & Approach

- ▶ In recent years cybersecurity threats and severe data breaches have become prevalent, accompanied with an increase in the **cost of such breaches**. Phishing and stolen credentials are the most common attack methods, across all sectors.
- ▶ Our approach to engagement is two pronged:
 - 1. External attack surface (EAS) assessment**
Objective assessment provided by **Security Scorecard (SS)** a third-party provider to identify weaknesses for us to engage on.
 - 2. Cyber Security Governance assessment**
Proprietary **InfoSec Survey** developed with JHI IT Security Team. Aim to understand management of the areas that we believe are most important.
- ▶ Understanding the complex and quickly changing landscape of information security infrastructure (especially in the face of AI) requires experts. We enlisted the help of our **internal IT security experts** to assess our companies and build the **InfoSec Survey**.

Project Status

- We started this project in 2025. Over the past 12 months we have reached out to 40 companies across securitised sectors. By agreeing to take part we expect them to provide us with the questionnaire completed to the best of their ability and engage in a two-way dialogue on the outcome.
- Responses have been generally positive, with the majority of issuers completing the questionnaire. One company highlighted that there may be challenges associated with compliance approval which understand. Many companies flagged that we are the first investor to ask about cyber security.

Summary of sector participants



Source: Janus Henderson Investors, as at 30 April 2026.

Note: References made to individual securities do not constitute a recommendation to buy, sell or hold any security, investment strategy or market sector, and should not be assumed to be profitable. Janus Henderson Investors, its affiliated advisor, or its employees, may have a position in the securities mentioned.

For charities and endowments, this approach ensures that securitised allocations are not only financially robust but also consistent with organisational purpose, allowing reserves to work harder without compromising values.

Active management has historically enhanced

Securitised is a specialist market requiring significant expertise. Effective implementation involves:

- detailed deal-level structural and collateral analysis
- loan-level data assessment and ongoing stress testing
- understanding regional and sector-specific dynamics

This active approach has historically produced strong, consistent excess returns over cash, reflected in attractive Sharpe ratios over long periods (Figure 5).

Figure 5: Historically strong excess returns versus cash

Return Based Characteristics	3 Years	5 Years	Since Inception
Cash excess return (%)	2.39	1.25	1.90
Volatility (%)	0.69	1.50	1.71
Sharpe Ratio (x)	3.29	0.81	1.09

Source: Janus Henderson Investors, as at 31 March 2026.

Note: Since inception: 31 March 2012. The Cash Benchmark used is Sterling Overnight Index Average (SONIA). Representative account data is based on the representative account in the composite and may vary from other accounts in the strategy, due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style. **Past performance does not predict future returns.** This is for illustrative purposes and is not a guarantee of the future performance of the Janus Henderson IG Securitised rep. account.

Embracing flexibility to access a defensive income opportunity

For charities and endowments seeking to balance spending needs with capital preservation and to grow assets in line with inflation, high-quality high-quality securitised assets offers a compelling alternative to cash. With low interest rate sensitivity, reliable liquidity and strong structural protections, securitised offers a cash-plus return profile without materially increasing risk. Its strong credit quality and low exposure to interest rate volatility provides stable cashflows across different market environments. At the same time, the transparent and actively-traded securitised market allows organisations to raise or deploy capital efficiently as funding priorities evolve. By providing exposure to real economy and consumer collateral, securitised can enhance diversification and help moderate overall portfolio volatility. Together, these characteristics position securitised as a flexible and resilient tool for long-term stewards of charitable capital.

Meet the team



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