



LGIM launches two US securitised funds for UK DB investors

New actively managed funds investing across US investment grade securitised credit

London, 12 September 2024 – Legal & General Investment Management (“LGIM”) has today announced the launch of two new strategies offering professional UK Defined Benefit (DB) pension schemes a range of options for investing in US asset-backed securities (ABS). The proposition is also available to all UK institutional investors and expected to be offered to international investors in due course. The L&G US Securitised Fund and the L&G US Securitised Plus Fund are actively managed portfolios investing across US investment grade securitised credit opportunities.

Securitised credit refers to bonds backed by the cashflows from a dedicated pool of financial assets. This could include corporate loans secured by company assets, or bonds backed by specific assets like property, cars, trains and machinery. Both strategies have been constructed to help schemes build a diverse, and more stable liquidity pool. The L&G US Securitised Fund is focused on a short-duration, high-quality blend of securities with the highest liquidity, seeking to outperform the Secured Overnight Financing Rate benchmark. The L&G US Securitised Plus Fund is low duration, with a broader credit risk exposure to generate a higher expected return, which will aim to outperform the Bloomberg US Agg ABS Index.

These strategies look to offer a broad pool of liquidity with varied return drivers, yet are diversified across several asset types. US securitised credit is designed to offer that diverse source of liquidity and schemes could potentially look to draw upon in the event of unknown cashflow requirements, in a range of different market environments.

Mark Johnson, Head of UK, Institutional and Wholesale for the L&G Asset Management Division: “Higher funding levels and the potential to target member benefit uplifts via surplus extraction has meant that many schemes are seeking to balance the ongoing need for funding level stability with a desire to invest for growth in a diversified way over the medium to long term. We believe that allocating to US securitised credit could form part of an enhanced liquidity solution, perhaps as a component of a collateral waterfall allocation, supporting an LDI portfolio. It also has the potential to help clients who are looking to target income levels and long-term growth in excess of traditional fixed income assets.”

The funds will offer a number of key potential benefits of securitised credit to investors, including liquidity, diversification and income generation. The large US securitised market boasts higher traded volumes and a more diverse investor base than its UK and European counterparts. US securitised credit also seeks to offer diversification from traditional corporate credit risk across several ABS asset classes, while also seeking to offer geographic diversification for UK DB schemes predominantly invested in the domestic market.

Michael Russell, portfolio manager of the L&G US Securitised funds: “With the launch of our US securitised funds, we are delighted to be enabling UK schemes to seek to access the liquidity and diversification of the world’s largest market for securitised credit. Our view is that it can richly complement existing strategies targeting yield generation and long-term growth in excess of those historically offered by traditional fixed income assets.”

Michael Russell and the team based in Chicago will be responsible for managing the new portfolios. They will be supported by the research and trading teams who possess a wealth of US Securitised credit experience, having managed securitised strategies for over fifteen years.

Both funds have Article 8 SFDR classification and benefit from LGIM's proprietary ESG approach*, which combines ESG scoring of each portfolio holding; engagement with originators to improve disclosure and ESG standards; and ongoing reviews of each asset as part of the active portfolio construction process. In this way, the funds have been designed to support the sustainability objectives of DB pension schemes while also seeking to improve the sustainability profiles of the underlying investments.

-ENDS-

Notes to editors

About Legal & General plc

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor, with £1.1 trillion in total assets under management (as at FY23) of which c40% (circa £0.5 trillion) is international.

We have a highly synergistic business model, which continues to drive strong returns. We are a leading international player in Institutional Retirement, in Retail Savings and Protection, and in both public and private markets through our Asset Management division. Across the Group, we are committed to responsible investing and dedicated to serving the long-term savings and investment needs of customers and society.

As at 7 June 2024, we estimate the Group's Solvency II coverage ratio to be 224%.

As at 11 June 2024, Legal & General has a market capitalisation of £14.6 billion.

About our Asset Management Division

L&G's Asset Management division is one of Europe's largest and a major global investor across public and private markets, with £1.1 trillion in assets under management¹

The division combines deep expertise in asset management and origination with global distribution capabilities to deliver positive outcomes for our clients, which include individual savers, pension scheme members and global institutions, investing alongside L&G's own balance sheet. As a global investor, we are present where our clients need us – from Hong Kong and Singapore, to major European financial hubs, to Chicago – operating under the Legal & General and LGIM brands.

We provide investment solutions across the full spectrum of asset classes, ranging from index-tracking and active funds to liquidity and liability-based risk management strategies. Through our private markets platform, we utilise our rich heritage and extensive network of partners to offer access to a wide range of purposeful alternative investment opportunities, including specialist real estate, clean energy, infrastructure, venture capital, unlisted equities and private credit.

Our division is underpinned by our enduring commitment to responsible investment, dedicated to creating long-term, sustainable value for our clients and partners.

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¹Legal & General internal data as at 30 June 2024. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong (2018-2019 only) and LGIM Singapore from July 2023. Excludes assets managed by associates (Pemberton, NTR, BTR). The AUM includes the value of securities and derivatives positions and may not total due to rounding.