WELLINGTON MANAGEMENT

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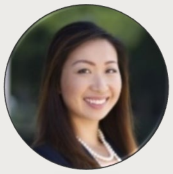

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Taking the “mystery” out of multi-asset credit investing

IN A SENSE, THE MULTI-ASSET CREDIT (MAC) UNIVERSE IS A STUDY IN CONTRASTS — full of opportunity, yet shrouded in mystery for some investors. For example, what exactly is a multi-asset credit allocation intended to accomplish for clients? What are the universally recognized measures for success when managing a strategy that can invest across such a wide array of public and potentially private credit sectors (e.g., high-yield corporate bonds, emerging markets debt, floating-rate loans, securitized credit, direct lending, asset-based finance, etc.)? How do clients identify sources of value-add (i.e., manager skill)? And perhaps the most confounding question of all – how does one even measure “success” across such a heterogeneous opportunity set, populated by a slew of often-dissimilar approaches that may have sharply divergent approaches to asset allocation, portfolio composition, average credit quality, and overall investment philosophy?

The need for clarity has become more important as credit markets have grown more complex. Investors today are navigating elevated starting yields, tight index-level spreads, greater dispersion across sectors and issuers, continued scrutiny of private credit liquidity, and a market environment in which leadership can rotate quickly. In this setting, we believe the most effective MAC strategies are not static collections of credit sectors, but dynamic portfolio construction tools that can adjust risk and rotate capital as opportunities evolve.

For retail and institutional investors alike, evaluating and comparing strategies that reside within this domain can be a daunting exercise. With these challenges in mind, we have built what we consider to be a robust framework for defining and measuring success in the MAC universe. It is designed to help determine if a MAC solution is indeed adding value as intended by the portfolio manager and expected by the client, while avoiding misleading apples-to-oranges comparisons among strategies.

For the purposes of this paper, we define MAC as a flexible credit approach that invests across multiple higher-yielding credit sectors, such as high-yield bonds, floating-rate loans, emerging markets debt, securitized credit, and, in some cases, private or semi-liquid credit, with the objective of generating income and total return while dynamically adjusting sector exposures as market conditions evolve.

Identify the need: What role can a MAC allocation play for clients?

While investors often approach multi-asset credit from different starting points, many are ultimately trying to solve a similar set of challenges: where to source attractive

About the authors

Raina Dunkelberger and **Sam Rowley** work closely with the investment team to help ensure the integrity of our investment approaches by overseeing and communicating portfolio strategy positioning, performance, and risk exposures.

income, what to do about persistently elevated equity valuations, how to capitalize on periodic dislocations and attractive relative-value opportunities, and how to navigate an increasingly complex credit landscape.

These considerations have become especially relevant as investors reassess the role of fixed income following a material rate reset in 2022, reconsider the value proposition of illiquid credit, and look for return sources that are less dependent on broad equity market performance. Given the dynamism of MAC, we believe a dedicated allocation can provide diverse utility for an asset owner:

- **Income Potential**: Potential to generate attractive income and total returns, particularly relative to traditional core fixed income allocations for investors seeking to get more from their fixed income exposure. Consistent, diversified income can help stabilize returns as market cycles become more volatile.
- **Diversification and Downside Mitigation**: Access to a broader investment universe, including often underrepresented sectors, such as securitized credit, emerging market corporates, and convertible bonds, in traditional fixed income allocations. Can serve as a middle ground for investors seeking to reduce equity risk while maintaining meaningful participation in economic growth and income generation without moving all the way down the risk spectrum into core fixed income.
- **Greater Capital Efficiency**: Consolidates disparate credit-sector and satellite allocations into a single, actively managed solution with broader opportunity-set exposure. Simplifies implementation and oversight while enabling dynamic sector rotation, quicker and more efficient asset reallocation, and the ability to capitalize on relative-value opportunities (**Figure 1**) and credit market dislocations as they emerge.
- **Complement to Private Credit Exposure**: Can serve as a liquid complement, or alternative, to private credit allocations. Provides exposure to many of the same underlying credit risk factors while offering daily liquidity, greater transparency, and flexibility as market conditions evolve, particularly as the incremental return premium of private credit compresses.

Viewed collectively, these benefits highlight why many investors increasingly see multi-asset credit not as a standalone asset class, but as a flexible portfolio solution capable of serving multiple strategic objectives simultaneously.

Figure 1: Calendar Year Performance Dispersion

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD '26
6.2	3.8	17.1	15.2	1.8	14.6	22.8	5.4	0.2	14.8	10.6	19.3	0.7
6.2	1.8	16.2	8.9	1.3	14.5	7.6	5.3	-1.1	13.4	9.4	13.8	0.4
5.5	1.5	11.1	8.3	1.1	14.3	7.5	4.2	-4.3	13.1	9.0	13.2	0.3
4.7	1.3	10.8	8.0	1.0	13.8	7.1	3.0	-9.2	13.0	8.6	8.6	0.3
4.2	1.0	9.9	7.9	1.0	13.5	7.1	2.4	-10.9	12.7	8.3	8.6	-0.5
4.1	1.0	9.9	7.5	-0.8	13.1	6.5	-0.3	-11.2	10.5	8.2	8.6	-0.6
2.5	1.0	9.6	6.0	-1.5	12.6	4.5	-0.7	-11.3	10.3	7.7	8.5	-0.6
2.5	0.9	5.2	4.3	-1.9	8.3	4.4	-0.9	-11.7	9.8	7.0	7.8	-0.6
2.1	-0.4	3.5	4.3	-2.1	8.2	3.9	-1.0	-11.8	7.2	5.0	7.6	-1.2
1.9	-2.0	2.0	3.5	-3.0	6.4	3.1	-1.1	-14.2	5.5	5.0	6.0	-1.2
0.7	-4.5	1.7	2.5	-5.3	5.5	2.8	-4.5	-16.0	5.3	1.2	5.9	-1.3
-5.7	-14.9	1.6	1.6	-6.2	4.5	2.7	-8.8	-24.7	5.1	-2.4	5.9	-2.2

Global high yield · US high yield · European high yield · Bank loans · EM sovereigns · EM corporates
CLOs · MBS · CMBS · Convertibles · Asset backed securities · EM local

As of 31 March 2026 | Please refer to the Additional Important Disclosure page for additional information regarding third party indexes being shown. PAST INDEX OR THIRD PARTY PERFORMANCE DOES NOT PREDICT FUTURE RETURNS.

The Expanding Opportunity Set

Historically, most multi-asset credit strategies focused primarily on public credit sectors. Today, however, the rapid growth of private credit and semi-liquid investment structures is expanding the opportunity set available to many MAC investors. While these assets may offer attractive income potential and access to differentiated sources of return, they can also introduce new considerations related to liquidity, valuation, and benchmarking.

From our perspective, the key question is not whether a credit opportunity is public or private, but whether it improves the portfolio's overall risk-adjusted return profile and supports the strategy objectives - including liquidity objectives. While private credit can introduce additional considerations for a strategy underwriting process related to liquidity, valuation, and implementation, the same core principles that guide multi-asset credit investing—diversification, thoughtful risk-taking, relative value assessment, and disciplined security selection—remain highly relevant when evaluating private-market opportunities.

For investors who have already deployed meaningful private credit exposure, liquid MAC can also serve a different role: providing daily transparency, mark-to-market discipline, and the ability to redeploy quickly when public-market dislocations create attractive entry points. In that sense, MAC can serve to complement private credit not by replicating it, but by enhancing through flexibility.

Not all MAC is created equal

Investors should also recognize that not all MAC approaches are built in the same way. Some strategies began as dedicated high-yield or floating-rate loan portfolios and later added adjacent credit sectors, while others rely more heavily on private or semi-liquid credit to generate income. Others are designed from inception as dynamic sector-rotation strategies, with portfolio construction driven by cross-sector relative value, credit-cycle assessment, and active risk management. This distinction matters because the sources of value-add can differ materially across managers.

Given the breadth of approaches under the multi-asset credit umbrella, investors should look beyond the label and focus on how returns are expected to be generated. how much flexibility the portfolio retains, and what trade-offs are being introduced. The criteria (**Figure 2**) below are intended to highlight key differences across public-only MAC, public/semi-liquid hybrids, and private credit, particularly around liquidity, transparency, agility, yield potential, and access to differentiated sourcing.

Figure 2: Comparing public, hybrid, and private credit approaches

Criteria	Public-Only MAC	Public/Semi-Liquid MAC	Private Credit
Daily liquidity	🟢	🟡	🔴
Ability to capture relative value	🟢	🟢	🟡
Diversification across sectors	🟢	🟢	🟡
Yield potential	🟡	🟢	🟢
Portfolio agility	🟢	🟡	🔴
Transparency	🟢	🟡	🔴
Cycle agility	🟢	🟡	🔴
Differentiated Sourcing	🟡	🟢	🟢
Complexity	🟢	🟡	🔴

In our view, the strongest approaches are those that use the flexibility of the asset class to actively reallocate risk across sectors in response to changing valuations, fundamentals, and market conditions, rather than relying on static allocations or concentrated sources of income. Relative to outright private credit and semi-liquid credit, public MAC excels in liquidity, transparency, and flexibility.

Defining success: Three drivers of value-add

Our approach to MAC investing targets a global, broad, predominantly public credit universe. At its foundation is our belief that investors can benefit from diversifying across multiple higher-yielding credit sectors, rather than relying on any single sector in isolation. Historically, even a static allocation of multiple public credit markets has delivered more attractive risk-adjusted outcomes than standalone sector exposures. Our objective is to build on this diversification benefit through active management.

Our approach relies on three distinct drivers of value-add (**Figure 3**), which we think will resonate with many MAC strategy buyers and provide a common language for articulating the primary levers of total-return generation. Together, these three drivers provide a practical framework for defining and pursuing success in this broad, dynamic investment universe:

1. **Credit cycle calls**: We adjust credit exposures based on our own forecasts for economic growth, monetary policy, and corporate leverage/defaults, alongside a view of what is already priced into credit spreads. This is a critical element of any MAC portfolio that seeks to produce asymmetric upside/downside capture relative to global high yield bonds or equities.

Blended Benchmark Alternatives

We have seen some MAC category peers with a more up-in-credit-quality portfolio bias use a blended evaluation benchmark consisting of allocations to high-yield bonds, investment-grade credit, and emerging markets debt, which may be appropriate in some cases.

We have also observed some high-yield-oriented managers choose a static 50/50 blended index of high-yield bonds and floating-rate loans.

For broader public-market MAC strategies, we often see merit in an equal-weighted blend of high-yield bonds, floating-rate loans, and emerging market debt for three reasons:

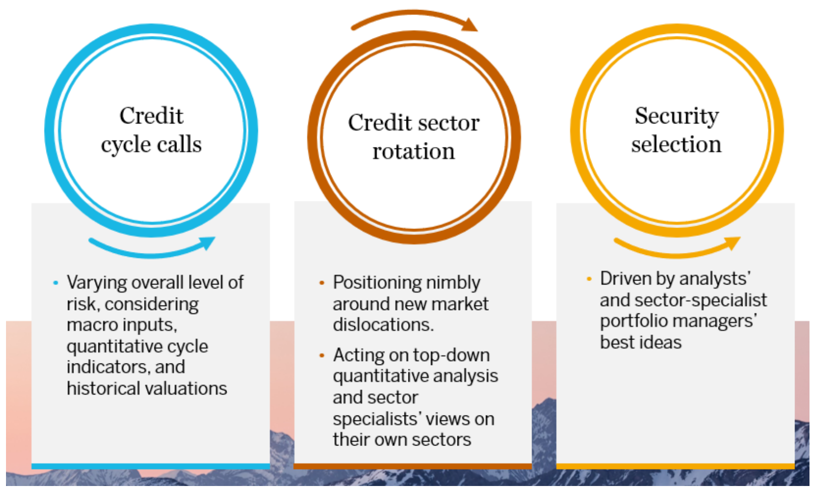
1) The high-yield/ floating-rate loan blend does not include emerging markets debt, which we believe can provide valuable portfolio diversification benefits.
2) At modestly above three years, the high-yield / floating-rate loan / emerging markets debt blend has nearly two additional years of average duration.
3) Emerging market debt, including sovereign, local and corporate bonds, has become a meaningful component of the global higher-yielding credit universe. Including EMD recognizes that attractive opportunities are not confined to developed markets and better reflects the broader opportunity set available to a truly global multi-asset credit manager.

That said, the appropriate evaluation benchmark should ultimately reflect the role of the MAC allocation is intended to play in the client's portfolio.

2. **Credit sector rotation**: We actively and dynamically shift underlying credit-sector allocations based on our changing assessment of where forward-looking relative return potential looks most attractive. The ability to remain nimble in response to changing market conditions is key.
3. **Security selection**: We aim to capitalize on perceived security-level inefficiencies by drawing on Wellington's extensive global research platform. In addition to collaborating with sector specialist fixed income portfolio managers and credit analysts, we routinely incorporate insights from our global team of equity research analysts. These perspectives on company fundamentals, industry dynamics, and management teams provide an additional layer of conviction in our credit underwriting.

We believe credit cycle calls and sector rotation are particularly important in today's environment. When spreads remain historically tight within select sectors but dispersion remains elevated across subsectors and issuers, security selection alone may not be enough. The ability to actively determine how much credit risk to own, where to own it, and when to rotate away from crowded or fully valued sectors can be a critical source of downside management and long-term alpha.

Figure 3: Three distinct drivers of value-add



Source: Wellington Management. For illustrative purposes only.

Measuring success: Evaluation benchmarks

For many investment strategies, a generally accepted market benchmark provides a useful reference point against which the performance and features of any strategy within the respective universe can be measured. Additionally, a centrally-recognized benchmark can allow for more seamless apples-to-apples comparisons across a large universe of similar peers. Neither consideration is simple in the MAC universe.

To a degree, measuring a MAC solution against a benchmark is contradictory, as we believe one of the benefits of these strategies lies in portfolio construction that is not anchored to a standardized index. This gives MAC strategies flexibility to dynamically rotate assets among underlying credit sectors. However, the disparate nature of the strategy universe creates the unwanted side effect of making it difficult to find a universally representative and investable benchmark that can act as a proxy for the breadth of potential investments and properly measure the performance value-add a MAC manager can generate. The growth and increasing prevalence of private credit and public-private hybrid credit solutions across the MAC universe has made the benchmarking challenge even more complex.

About the whitepaper

This July 2026 edition updates our original 2021 white paper, Taking the Mystery Out of Multi-Asset Credit. The publication has been revised to incorporate our latest perspectives on multi-asset credit investing and updated exhibits where appropriate, while maintaining the foundational concepts and investment approach described in the original paper

Given the distinct nature of the universe, one of the most frequent questions we receive from clients and consultants is whether to use a benchmark to gauge success in MAC. Our answer is yes, but importantly, only if it is the right kind of reference or evaluation benchmark. Based on the three levers of value-add we use to define success, we believe a MAC evaluation benchmark should meet the following criteria:

1. **Reflect the potent benefit of simple diversification.**
2. **Provide a reasonable point of reference for credit exposures.**
3. **Be truly investable and reflective of the strategy's broad opportunity set.**
4. **Be relatively easy to track over time.**

Finding benchmarks that meet all four of these criteria in a space as heterogeneous as the MAC universe often requires turning to customized index blends. Specifically, we see merit in using a blended evaluation benchmark that captures a MAC solution's entire investment universe and high-level risk characteristics (e.g., duration, spread duration). For example, many of our clients have used a blended credit index consisting of equally-weighted allocations to high-yield bonds, floating-rate loans, and emerging markets sovereign debt to evaluate the performance of our MAC solution.

We strongly believe this type of blend better reflects a MAC strategy's diverse universe than do single-sector indices (e.g., global high yield) or diversified high-quality indices (e.g., the Bloomberg U.S. Aggregate), without adding undue complexity. This blend also incorporates the inherent benefit of naïve, simple diversification and maintains a sufficiently long effective duration (roughly three and a quarter years), which is consistent with the structural role we believe duration should play in a MAC solution.

While we view this blended evaluation or reference benchmark framework as superior to other benchmark options available to clients, it is not perfect. For instance, it may exhibit more spread duration than is optimal from a credit-risk standpoint. It also contains significantly more emerging markets debt than we would otherwise consider neutral and leaves out certain sectors that lack investable indices (e.g., securitized credit). However, we believe this blend can serve as an objective reference point for measuring a MAC solution's success over time. It also provides clients with a useful guidepost that is not peer-relative, thus reducing the burden of relying on apples-to-oranges comparisons among MAC strategies.

Creating the mosaic: Beyond benchmarks

Of course, all benchmarks have their limitations. While a blended benchmark that fits the criteria we have laid out can be an effective tool for measuring success, it should be just one of a whole "mosaic" of indicators used to track the many ways that a MAC solution is expected to deliver value for clients. Our mosaic also includes:

- Upside/downside capture metrics relative to high yield and equity indices.
- Greater risk-adjusted total returns over time compared to single-sector credit indices or an equal-weighted blend of high-yield bonds, floating-rate loans, and emerging markets sovereign debt.
- Ability to attribute value-add across the primary drivers of return generation, including credit risk positioning, sector allocation decisions, and security selection, to evaluate the effectiveness of investment decisions.
- A sufficient liquidity profile and price transparency that doesn't mask underlying credit stress inherent to infrequently marked portfolios.

With enough insight and understanding of the importance of maintaining a broader evaluation mosaic, clients are often pleasantly surprised to learn that measuring success in MAC investing can be less mysterious than they first thought.

PRINCIPAL RISKS

Asset/Mortgage-Backed Securities Risk – Mortgage-related and asset-backed securities are subject to prepayment risk, which is the possibility that the principal of the loans underlying the securities may prepay differently than anticipated at purchase. Because of prepayment risk, the duration of mortgage-related and asset-backed securities may be difficult to predict.

Bank Loan Risk – Bank loans involve risks, including the risk of nonpayment of principal and interest by the borrower. In the event of a default, bank loans contain the risk that any loan collateral may be impaired and that the investor may obtain less than the full value for the collateral sold. An investment in bank loans may also be in the form of an assignment or a participation of all or a portion of a loan from a third party. A participation may involve counterparty exposure to the original bank.

Commingled Fund Risk – Investments in funds or other pooled vehicles generally will indirectly incur a portion of that fund's operating expenses and/or fees and will inherit a proportion of the fund's investment risks. Funds may have different liquidity profiles based on their dealing terms, and the types of instruments in the fund. In the event a fund holds illiquid instruments, it is possible that a full redemption from the fund could result in taking custody of illiquid instruments that could not be sold in the market.

Credit Derivatives Risk – Credit derivatives transfer price, spread and/or default risks from one party to another and are subject to additional risks including liquidity, loss of value, and counterparty risk. Payments under credit derivatives are generally triggered by credit events such as bankruptcy, default, restructuring, failure to pay, or acceleration. The market for credit derivatives may be illiquid, and there are considerable risks that it may be difficult to either buy or sell the instruments as needed or at reasonable prices. The value and risks of a credit derivative instrument depends largely the underlying credit asset. These risks may include price, spread, default, and counterparty.

Credit Risk – The value of a fixed income security may decline due to an increased risk that the issuer or guarantor of that security may fail to pay interest or principal when due, as a result of adverse changes to the issuer's or guarantor's financial status and/or business. In general, lower-rated securities carry a greater degree of credit risk than higher-rated securities.

Currency Risk – Active investments in currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Active currency risk may be taken in an absolute, or a benchmark relative basis. Currency markets can be volatile, and may fluctuate over short periods of time.

Derivatives Risk – Derivatives can be volatile and involve various degrees of risk. The value of derivative instruments may be affected by changes in overall market movements, the business or financial condition of specific companies, index volatility, changes in interest rates, or factors affecting a particular industry or region. Derivative instruments may provide more market exposure than the money paid or deposited when the transaction is entered into. As a result, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose a portfolio to the possibility of a loss exceeding the original amount invested. Derivatives may also be imperfectly correlated with the underlying securities or indices it represents, and may be subject to additional liquidity and counterparty risk. Examples include futures, options and swaps.

Emerging Markets Risk – Investments in emerging and frontier countries may present risks such as changes in currency exchange rates; less liquid markets and less available information; less government supervision of exchanges, brokers, and issuers; increased social, economic, and political uncertainty; and greater price volatility. These risks are likely greater relative to developed markets.

Fixed Income Securities Risk – Fixed income security market values are subject to many factors, including economic conditions, government regulations, market sentiment, and local and international political events. In addition, the market value of fixed income securities will fluctuate in response to changes in interest rates, and the creditworthiness of the issuer.

Interest Rate Risk – Generally, the value of fixed income securities will change inversely with changes in interest rates, all else equal. The risk that changes in active interest rates will adversely affect fixed income investments will be greater for longer-term fixed income securities than for shorter-term fixed income securities.

Leverage Risk – Use of leverage increases portfolio exposure and may result in a higher degree of risk, including (i) greater volatility, (ii) greater losses from investments than would otherwise have been the case had leverage not been used to make the investments, (iii) margin calls that may force premature liquidations of investment positions.

Liquidity Risk – Investments with low liquidity may experience market value volatility because they are thinly traded (such as small cap and private equity or private placement bonds). Since there is no guarantee that these securities could be sold at fair value, sales may occur at a discount. In the event of a full liquidation, these securities may need to be held after liquidation date.

Non-Investment Grade Risk – Lower rated securities have a greater risk of default in payments of interest and/or principal than the risk of default for investment grade securities. The secondary market for lower rated securities is typically less liquid than the market for investment grade securities, frequently with more volatile prices and larger spreads between bid and asked price in trading.