PGIM

THE CASE FOR GLOBAL SECURITISED CREDIT

July 2026

AUTHORS

EDWIN WILCHES, CFA
Co-Head of Securitised Products

GABRIEL RIVERA
Co-Head of Securitised Products

KAUSTUB SAMANT
Head of Securitised Products Research

DHEERAJ SHARMA, CFA
Securitised Products Research, Europe

LOREN SAGESER
Portfolio Specialist, Securitised Products

- The revival of the European securitised sector is reinvigorating the portfolio benefits of the global securitised credit market.[1] The combination of outstanding securitised assets issued in the EU, the UK, Australia, and the U.S. comprise a global opportunity set of more than €4.7 trillion.[2]
- Securitised assets offer consistent value compared to credit sectors within the aggregate fixed income indices. When viewed from a global perspective, the expansive opportunity set further enhances the relative value opportunities across multiple, liquid asset classes and a greater ability to diversify investments.
- For European investors adhering to the EU's securitised regulations, the inclusion of U.S. assets in a global securitised strategy more than doubles the investable universe from €667 billion to nearly €1.3 trillion.[3]
- The global opportunity set continues expanding: Australia's securitised market recently set a post-crisis issuance record; EU-compliant RMBS issuance from the U.S. has also reached record levels; and issuance from the EU is slowly thawing.[4]
- The following provides greater detail on the size and composition of the global securitised market, the rationale for investing in a global strategy, and how clients are using a global securitised approach.

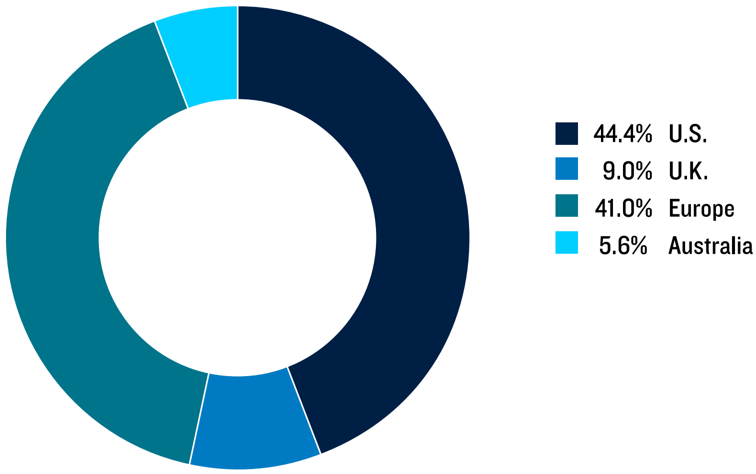
[1] PGIM, December 2024 Reviving European Securitisation: Translating Ambition into Reality.
[2] The remaining amounts in this paper are denominated in EURO for consistency purposes.
[3] BAML Research, September 2025
[4] Eurofi, April 2025, Views: The Eurofi Magazine.

GLOBAL COMPOSITION AND SIZE— A GROWING OPPORTUNITY SET

From a geographic perspective, the €5.5 trillion opportunity set for a global securitised strategy is represented by four regions—the EU, the U.S., the UK, and Australia—with the EU and U.S. markets comprising the largest markets (Figure 1). The following section examines nuances within the specific regions, particularly as it pertains to growth prospects for the global opportunity set.

Figure 1: The €5.5 trillion global securitised opportunity set provides exposure to four distinct market regions: the UK, the EU, the U.S., and Australia.

For European investors, exposure to the U.S. market nearly doubles the investable base to about €1.3 trillion with sizable diversification benefits, yield enhancement, and potential for greater liquidity.



Source: Bank of America Merrill Lynch, JP Morgan and Morgan Stanley, May 2025

The EU implemented its current securitised regulatory framework in response to the 2008-2009 financial crisis. For European domiciled investors, the framework results in an investable securitised universe of about €1.3 trillion that consists of assets distributed under the region's risk-retention framework as well as compliant issues from the U.S., UK, and Australia.[5]

Figure 2 provides a breakdown of the total global securitised market and the universe available to EU domiciled investors under the region's regulatory framework. The tables also show how a global opportunity set provides the potential for European investors to diversify across securitised asset classes. For example, **across the full global opportunity set, exposure to the U.S. market nearly doubles the investable base to about €5 trillion with sizable contributions in ABS, CLOs, and RMBS supply (more RMBS detail below).**

[5] For size reference, the global high yield corporate bond market has an outstanding market value of nearly £2.2 trillion.

Figure 2: A Breakdown of the £1.1 trillion EU-Compliant Universe.

UK securitised retained versus distributed (£bn)			
	Retained	Distributed	Total
ABS	26	31	57
CLO	–	–	–
CMBS	5	18	22
RMBS	42	75	117
Total	72	123	196

U.S. securitisation EU/UK regulation compliant (£bn)			
	Retained	Distributed	Total
ABS	412	81	493
CLO	611	271	883
CMBS	485	57	542
RMBS	339	113	452
Total	1,846	524	2,370

EU securitised retained versus distributed (£bn)			
	Retained	Distributed	Total
ABS	185	80	264
CLO	13	241	254
CMBS	0	6	6
RMBS	345	43	388
Total	543	370	913

Australian securitised retained versus distributed (£bn)			
	Retained	Distributed	Total
ABS	1	16	16
CLO	–	–	–
CMBS	0	1	1
RMBS	1	58	60
Total	2	75	77

Source: Bank of America Merrill Lynch, JP Morgan and Morgan Stanley, May 2025

The expected evolution in the EU regulatory landscape could prompt an estimated €294 billion in additional European securitised issuance per year.

While Europe's securitised framework was intended to address some of the causes of the global financial crisis, the framework over-corrected as it failed to recognize other meaningful worldwide regulation that focused on enforcing sound lending practices. This led to the unintended effect of shrinking the European market in the intervening years and starving Europe's real economy from this important source of capital. This contributed to the European economy's over-reliance on bank financing to fund growth—a topic that was raised in the myriad reports on potential ways to boost the region's economic performance.[6]

With a comprehensive regulatory review underway—and one which PGIM is contributing to—the European market appears poised for growth. Indeed, **the expected evolution in the regulatory landscape could prompt an estimated €294 billion in additional European securitised issuance per year.**[7]

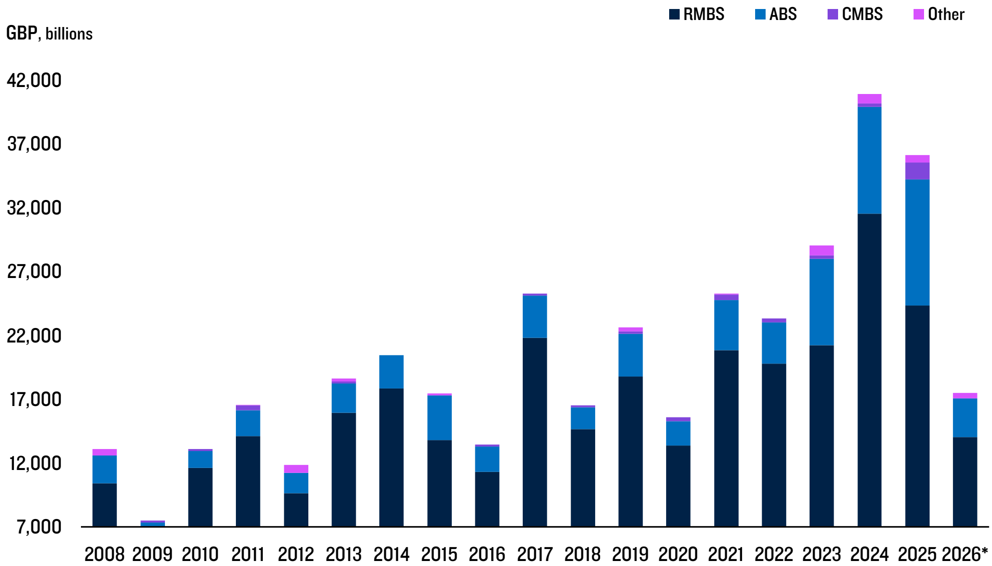
At the same time, European investors are increasingly able to access a broader global issuance base that meets the region's regulatory standards, creating the potential to diversify exposures and capture attractive risk-adjusted opportunities beyond the domestic market. For example, 2025 **was the first year that the majority of U.S. non-agency RMBS issuance complied with EU regulations, supporting an opportunity set of nearly €88 billion for EU investors in a global securitised strategy**. This trend may be reinforced if the regulatory framework in Europe and the UK continues to evolve in a more market-friendly direction.

Outside of Europe, Australia's growing securitised market has played a key role in the expansion of the global sector as well (Figure 3). After years of tepid growth, issuance in this market reached an all-time high in 2024, driven mainly by supply of RMBS alongside a rising share of auto ABS issuance.

[6] Draghi, Mario. "The Future of European Competitiveness – A Competitiveness Strategy for Europe," 9 September 2024, and Noyer, Christian (Committee Chairman), "Developing European capital markets to finance the future," 25 April 2024
[7] Op. cit. Views: The Eurofi Magazine

2025 was the first year that the majority of U.S. RMBS issuance complied with EU regulations, supporting an opportunity set of nearly €88 billion for EU investors in a global securitised strategy.

Figure 3: The consistent growth in the Australian ABS market included a recent peak in issuance of more than £40 billion (£ in millions).



Source: J.P. Morgan, May 2026

Regulatory Reforms in the EU and the UK

The UK is moving towards a more proportionate, outcomes-based securitisation framework, with simpler due diligence, more flexible treatment of non-UK risk retention and asset-class-specific transparency standards designed to preserve investor protection while improving market access.

EU reform remains more incremental, with recent proposals improving the framework but still leaving investors with prescriptive due-diligence and transparency requirements that may limit practical access to global securitised assets.

The key policy challenge is investor access, as diversified global portfolios can help European investors achieve scale, improve portfolio construction and ultimately support the revival of domestic securitisation markets.

THE CASE FOR GLOBAL

For many investors, the case to allocate to a global securitised strategy likely starts with the rationale to invest in securitised assets more broadly. We address this broader concept through the following points:

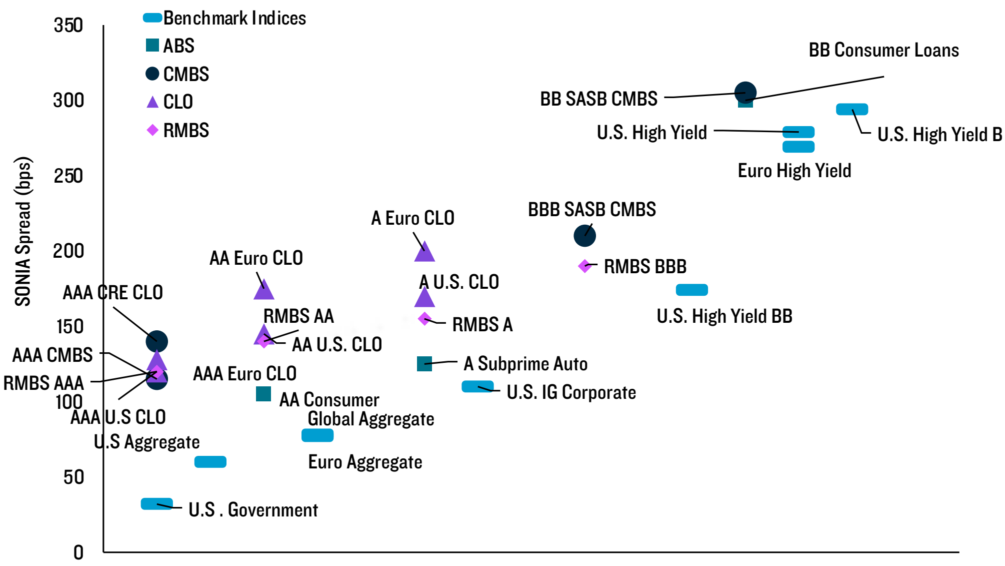
- Relative value vs. “core” fixed income
- Expanded opportunities to capitalise on structural valuation inefficiencies
- A broader universe of investments
- Greater diversification levels
- More efficient portfolio construction, and
- Creation of additional sources of liquidity (i.e. during periods like the gilt crisis).

Our relative value point focuses on Figure 4. While one can compare individual asset classes—e.g., the spread pickup on Euro AA CLOs is about 50 bps relative to U.S.

IG corporates with an average credit rating of A-/BBB—a more general observation also stands out. Indeed, as represented by the dark blue icons, **the securitised assets in Figure 4 generally trend higher—i.e., higher on the Y-axis measuring SONIA spreads—than the U.S., Euro, and Global Aggregate indices as well as single sector indices, such as European high yield**.

Cheaper valuations are driven by technical factors, including elevated supply, lack of passive investors, and regulatory frictions—not from greater credit risk.

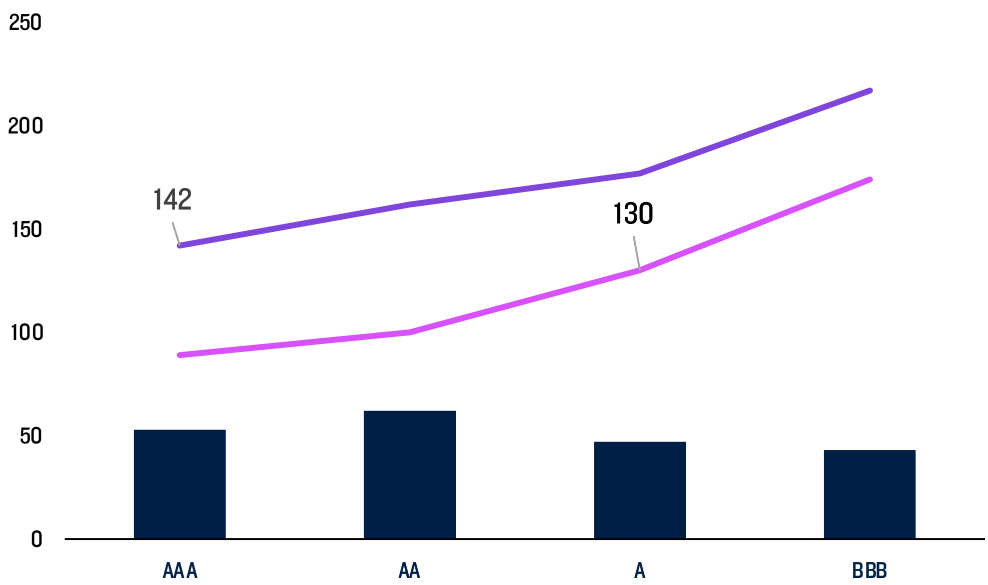
Figure 4: Securitised credit generally offers notable spread pickups vs. aggregate indices and traditional spread sectors of similar credit quality.



Source: PGIM, Bloomberg, JPMorgan, May 2026. Past performance is not a guarantee or a reliable indicator of future results.

The rationale for a global securitised allocation includes expanded opportunities that take advantage of valuation inefficiencies across markets. For example, Figure 5 shows that EU investors can earn higher spreads in AAA US RMBS securities relative to single A-rated UK buy to let securities.

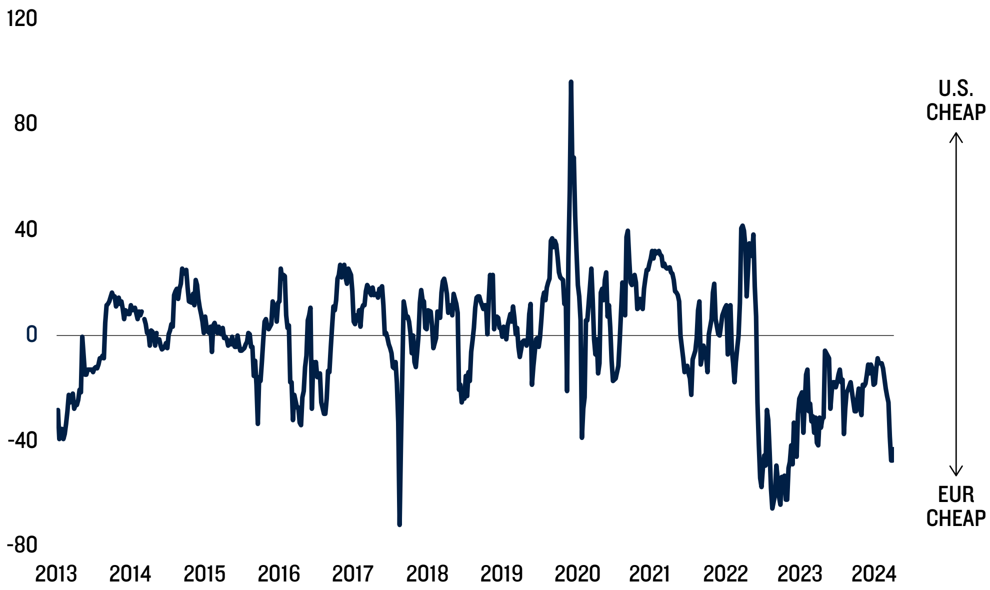
Figure 5: US Non-QM RMBS spreads (relative to SONIA) versus UK Buy-to-Let spreads



Source: PGIM Estimates, June 2026.

Our final point on the rationale for a global securitised allocation pertains to the paths available for tactical asset positioning across regions. As Figure 6 illustrates, the spread basis between US AAA CLOs and EU AAA CLOs has changed over time, providing tactical relative value opportunities for investors who can follow a flexible, global approach and can identify and source these global opportunities. In addition, US CLO markets may offer greater levels of liquidity with lower bid-asks, providing greater flexibility to re-allocate or meet liquidity needs during volatile markets.

Figure 6: US vs Euro AAA CLO Basis (in USD terms)



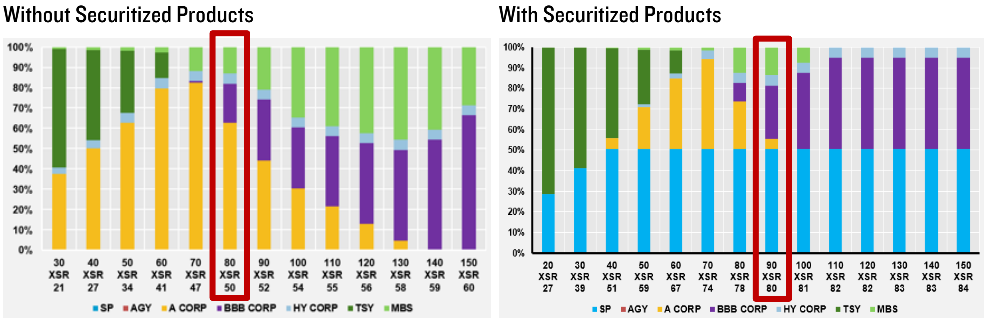
Source: JP Morgan Markets, May 2025

INCORPORATING GLOBAL SECURITISED CREDIT INTO CLIENT PORTFOLIOS

Our discussion of clients' use of global securitised credit begins with quantitatively depicting diversification benefits and the foundational role that these investments play in portfolio construction. The example in Figure 7 shows two model portfolios; one composed of securitised products and the other without securitised, using a mean-variance optimizer to construct efficient frontiers. The left panel highlights a portfolio with a tracking error of 80 bps and an expected excess return of 50 bps with nearly two-thirds of the holdings consisting of investment grade corporate bonds.

The right panel highlights a portfolio with the same volatility and 78 bps of expected excess return, or 28 bps more than the left panel, highlighting the power of including securitised as it results in a higher level of return for each unit of risk. The portfolio's compelling risk-reward trade-off derives from its 50% composition of highly-rated securitised products. As a result, the exposure to corporate instruments declines, further providing real diversification to the portfolio.

Figure 7: The portfolio effects from adding securitised credit to a multi-sector portfolio.



Source: PGIM Fixed Income, December 2024
Modelled results are hypothetical, based on historical data and mean-variance optimization assumptions, shown for illustrative purposes only. They do not represent actual investment performance and are not indicative of future results. No representation is being made that any account will achieve profits or losses similar to those shown. Actual results may differ materially.

With the context of the potential portfolio benefits in mind, potential uses of global securitised assets vary based on a client's specific objectives. However, we can make a handful of general observations, starting with a continuation of the example shown in Figure 7.

1. **Alternative to public/liquid corporate credit:** The credit exposure in securitised products serves as a diversifier, as it is focused on the contracted cash-flow generation from the collateral pool – whether it consists of mortgage, leases, consumer auto loans or other collateral types – rather than the fortunes of an individual corporation. Therefore, the credit exposure can be more tailored to client preferences.
2. **Pension role:** We believe that allocating to high-quality securitised products may reduce effects of credit-migration risk and enhance long-term, risk-adjusted returns within a pension plan. Securitised assets can be optimal diversifiers within specific portfolios, and have a unique role in cash-flow matching as ABS naturally amortize over their life.
3. **Complement to, or alternative from, private credit:** Investors with existing exposure to corporate-based private credit, such as direct lending or investment grade private corporate debt, may find securitised credit to be an attractive complement which provides similar income generation with lower exposure to idiosyncratic or industry-specific corporate credit risks.

Global securitised credit offers investors access to a growing and increasingly diverse opportunity set across the EU, U.S., UK, and Australia, expanding the investable universe and enhancing portfolio flexibility. By combining attractive relative value, structural inefficiencies, and differentiated liquidity across regions and sectors, a global approach can improve diversification and create more efficient portfolio construction than traditional fixed income allocations alone. As regulatory conditions evolve and issuance broadens, global securitised strategies are becoming an increasingly compelling tool for investors seeking stronger risk-adjusted returns and more resilient portfolio outcomes.

留意事項

PGIM ジャパン株式会社
金融商品取引業者 関東財務局長（金商）第 392 号
加入協会：一般社団法人資産運用業協会、日本証券業協会、一般社団法人第二種金融商品取引業協会
PGIMJP131134
5781014_PGIM-20260727