

The Return of Bond Income

The investment opportunity for DB and DC investors

Two pension challenges, a common set of needs

DB schemes

Focused on generating reliable cashflows help to meet pension obligations, with bond income playing a key role alongside LDI assets while maintaining liquidity and flexibility as funding and endgame objectives evolve.

DC schemes

Focused on delivering long-term returns and sustainable retirement income, with bond income helping to diversify growth assets, reduce volatility and sequencing risk, and adapt to members' changing needs through accumulation and retirement.

Common requirements:

Income

Diversification

Liquidity

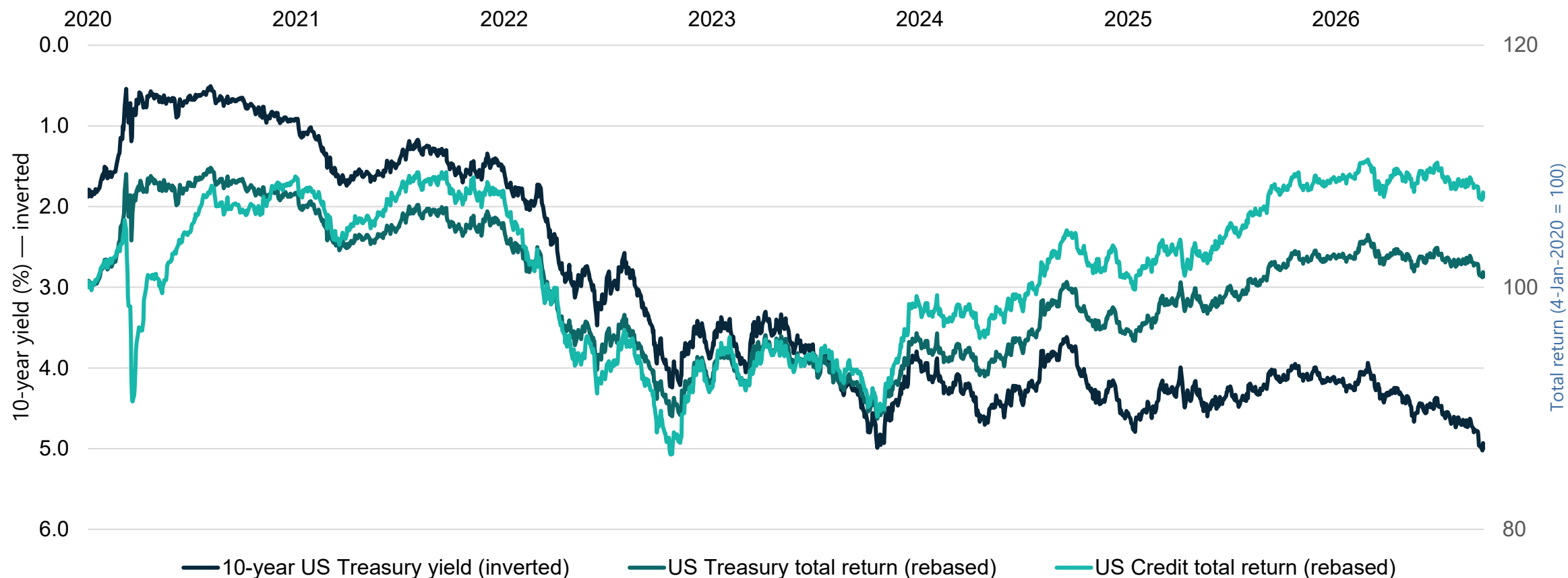
Capital
preservation

Source: L&G as of 31 August 2026

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

Income is back in fixed income

Higher yields can provide a better starting point for total returns



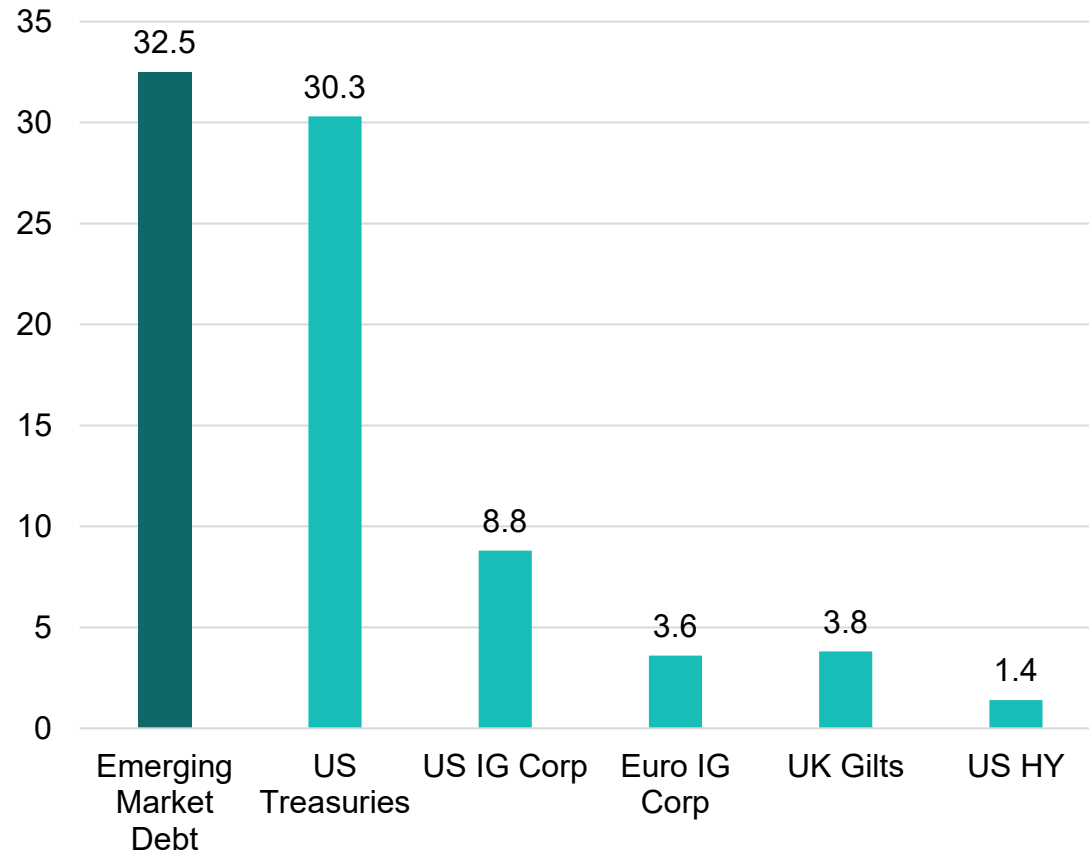
Source: L&G. Bloomberg, as at the 31 August 2026

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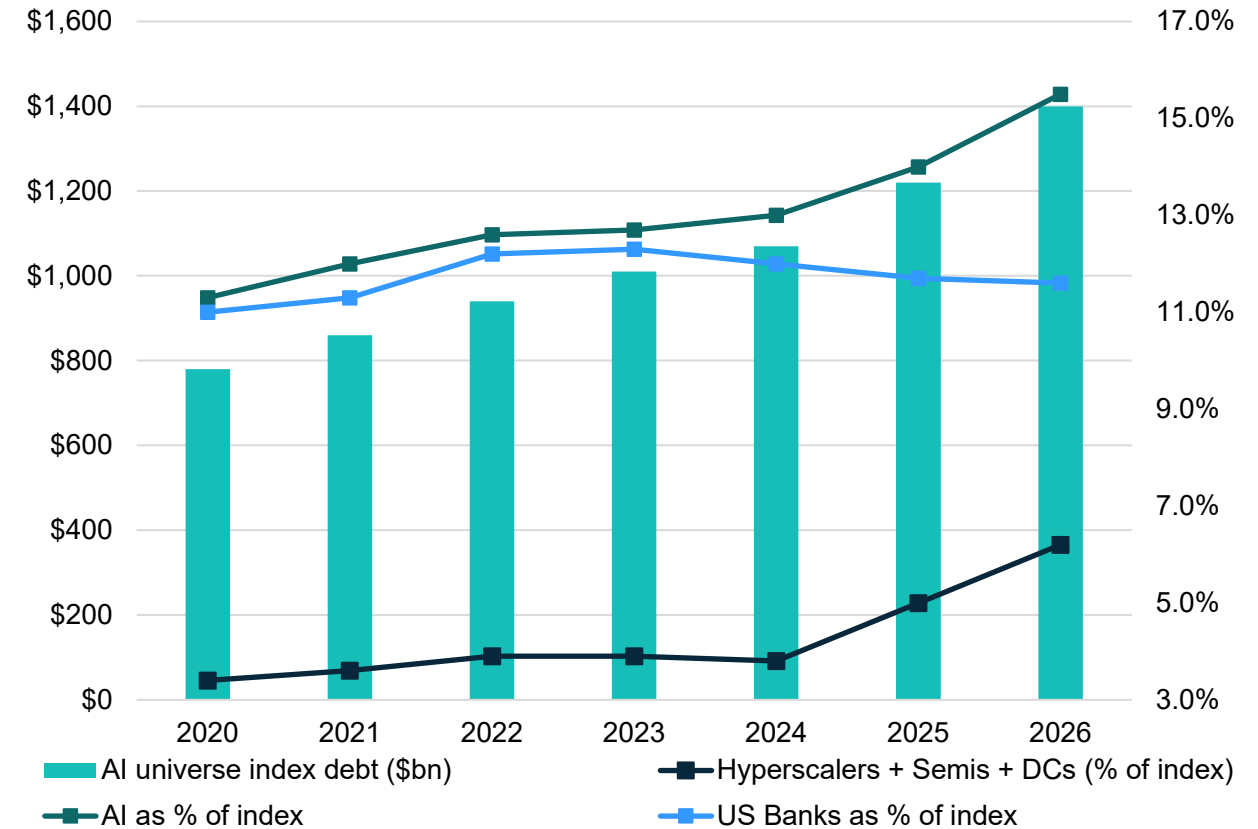
Global diversification is key amid shifting global norms

And large hyperscaler capex reshaping global credit markets

EM a large and growing asset class (US\$ trn)



15.5% of IG debt is tied to AI, making it in a sense the biggest 'sector' in US IG Credit market



Source: L&G. Bloomberg, as at the 19 February 2026

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Rising concentration risk in the AI era

We believe passive investors face increasing concentration risk. Unconstrained strategies can actively manage concentration risk and capitalise on relative value opportunities.

Top 10 issuers in the global IG bond market (2026)

Issuer	Weight
JPMorgan Chase	1.43%
Morgan Stanley	1.39%
Bank of America	1.35%
Goldman Sachs	1.11%
Wells Fargo	0.97%
HSBC Holdings	0.96%
Citigroup	0.93%
Verizon	0.84%
AT&T	0.80%
Oracle	0.78%



2030 forecast: Top 10 issuers following the rise of hyperscaler issuance

Issuer	Weight
Amazon	2.6%
Alphabet	2.2%
Meta	1.8%
JPMorgan Chase	1.5%
Microsoft	1.4%
Morgan Stanley	1.4%
Bank of America	1.4%
Goldman Sachs	1.3%
Oracle	1.2%
HSBC Holdings	1.1%

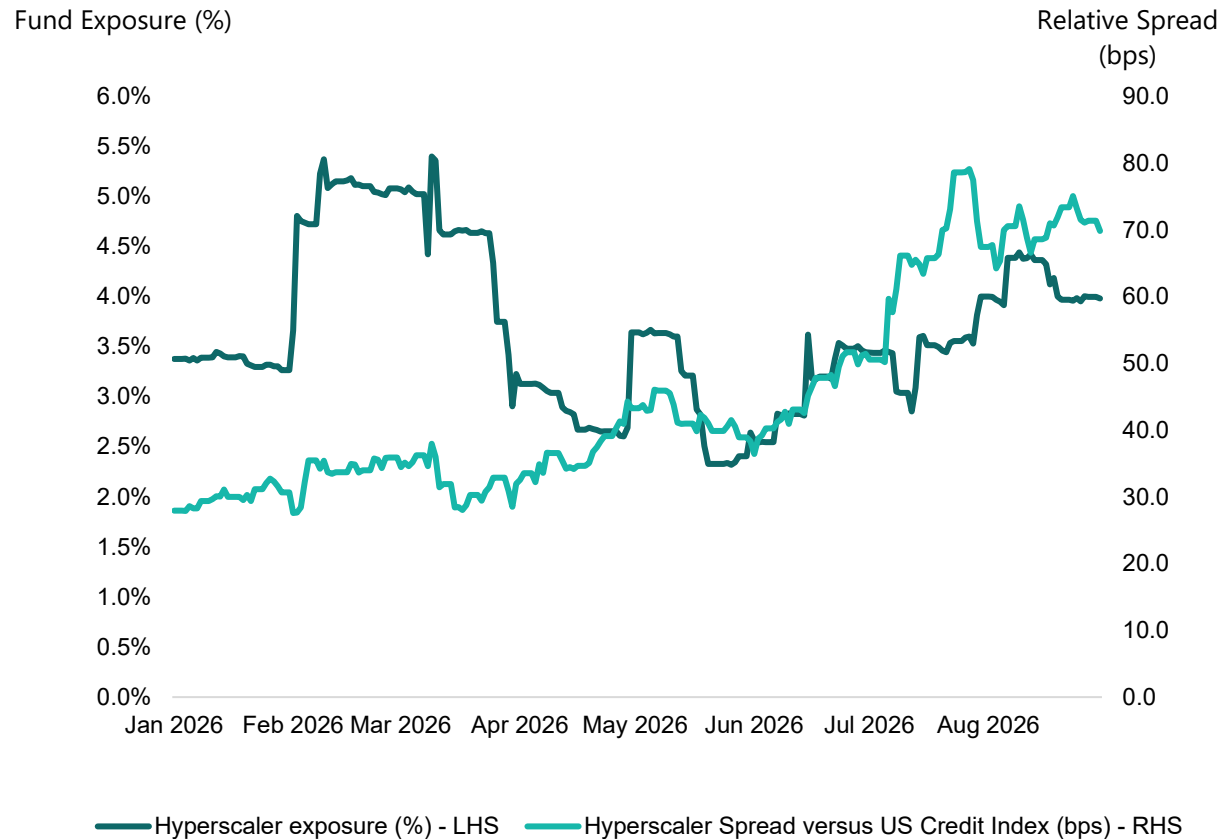
Source: L&G, Bloomberg, as of 31 August 2026.

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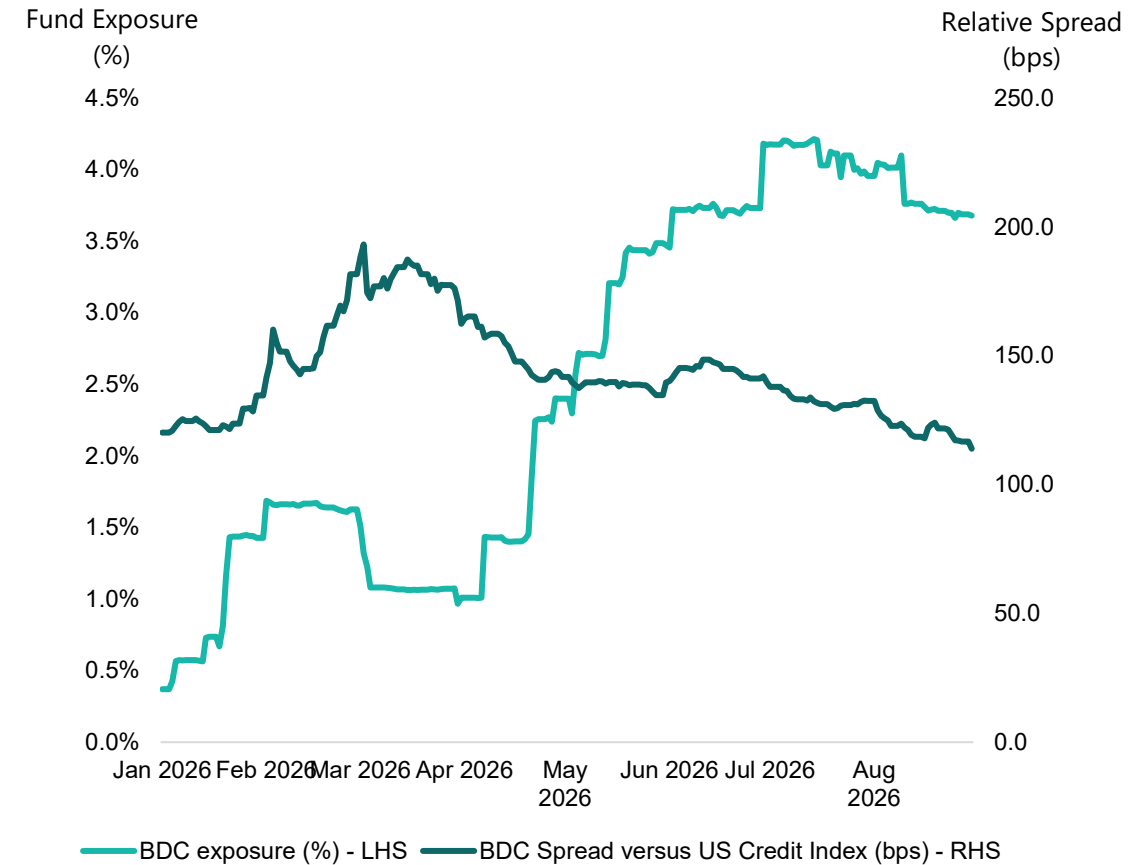
Active management matters

Particularly when broader spreads are tight

Active adjustments to hyperscaler exposure YTD



Increased exposure to US BDCs given attractive valuations

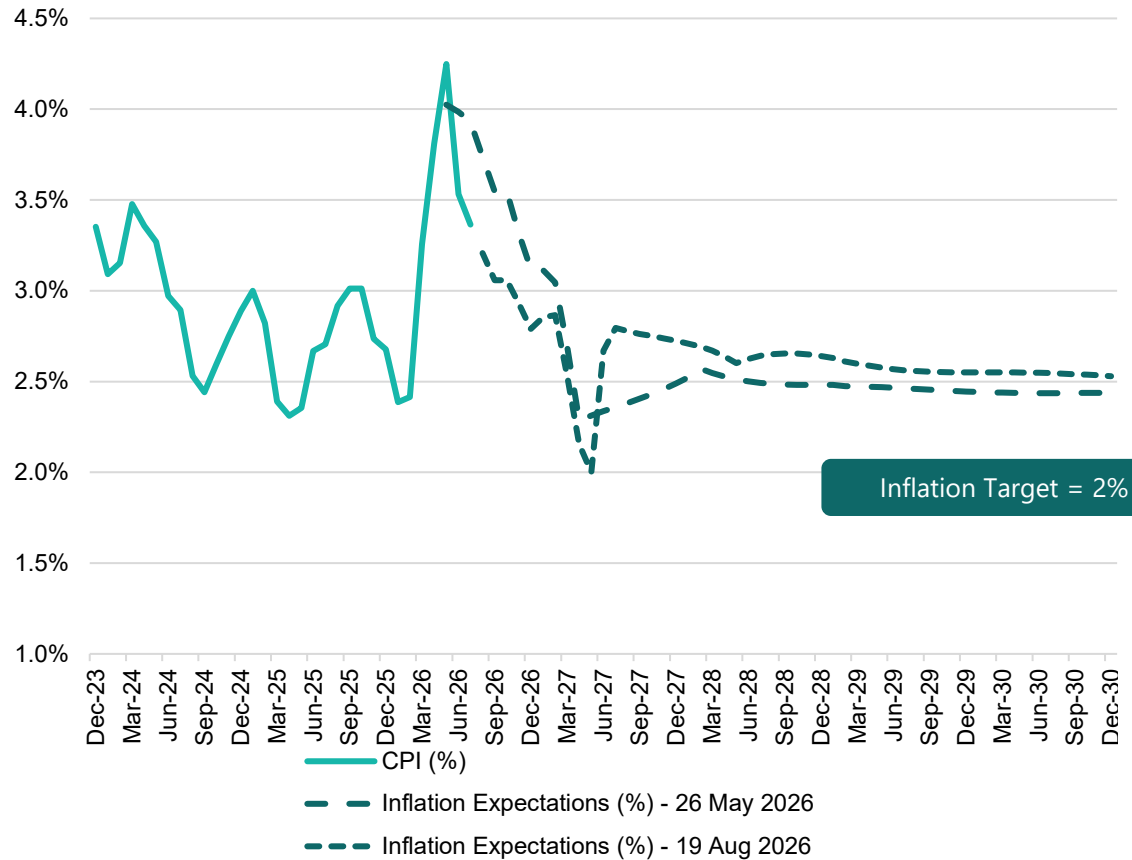


Source: L&G, Bloomberg 31 August 2026. BDC index proxy: Morgan Stanley IG BDC 5Yr Basket, US hyperscaler index proxy: Morgan Stanley Liquid Hyperscaler Basket.

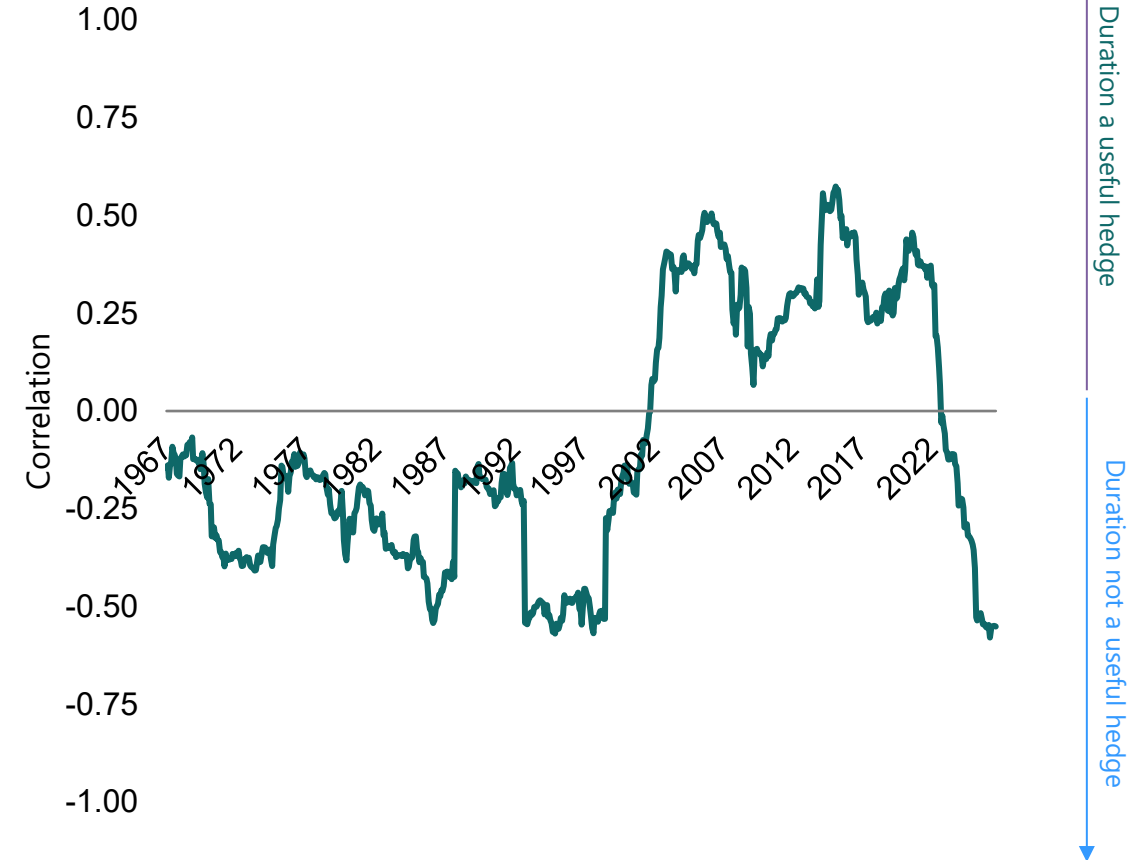
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Active Duration Management is important

Correlation dynamics are shifting amid increased inflation volatility



Five-year trailing correlation between monthly S&P 500 prices and 10-year Treasury yields



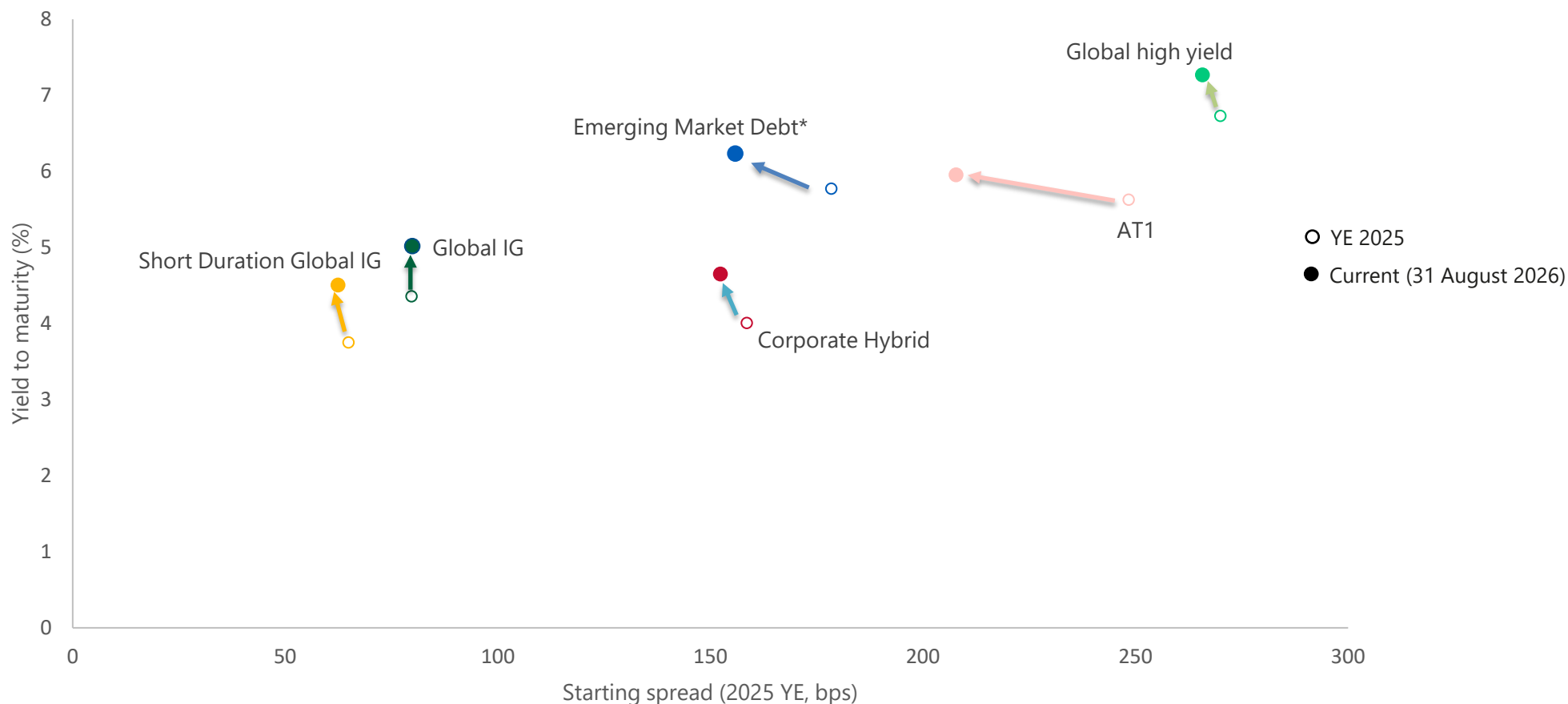
Source: CPI ranges and inflation expectations based on swap curves sourced from Bloomberg, as at 19 August 2026, and 26 May 2026.

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Targeting low duration assets with attractive yield

Current yields versus current spreads compared to start of 2026



Source: L&G as at 31 August 2026

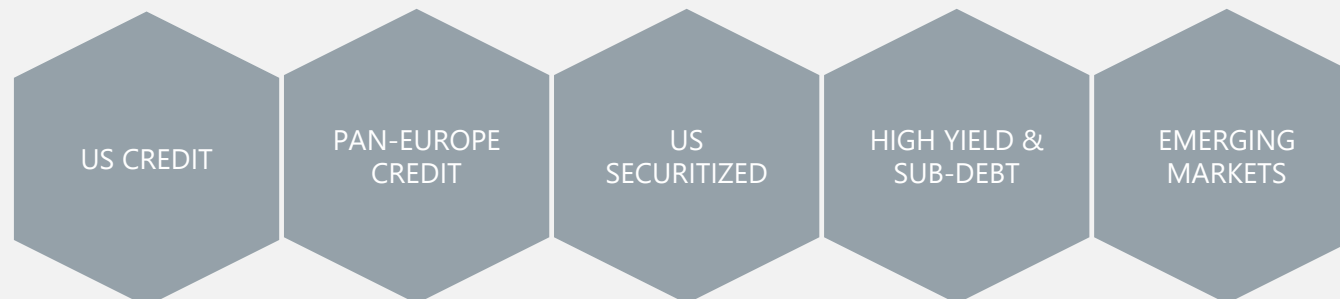
*Hard currency

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A wider opportunity set, managed with discipline

Return-seeking exposure

- Leveraging L&G's expertise in managing credit assets
- Global allocation across geographies, sector, and issuer
- Optimisation process to select higher coupon bonds



1

Seeking to minimize downside risks

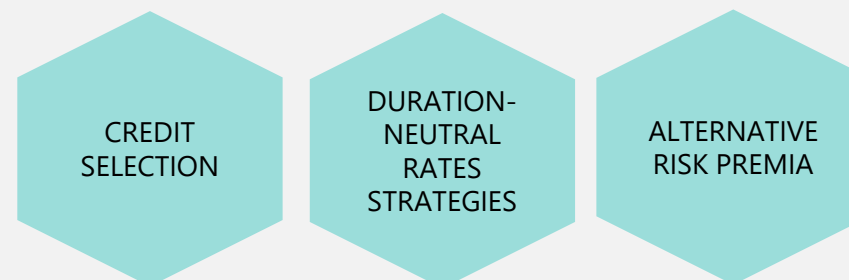
- Complete risk management toolbox
- Targeting capital preservation
- Seeking volatility reduction in down markets, whilst securing faster recoveries



2

Alpha-seeking strategies

- Income-neutral strategies
- Low cross-correlation versus core income assets
- Long-term sources of capital appreciation



3

Source: L&G as of 31 August 2026. **The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. Risk management cannot fully eliminate the risk of investment loss.**

Flexible by Design: Potential Outcomes Across Market Conditions

Change in Portfolio OAS (Bps)

		-100	-50	0	50	100	150	200	250
Parallel shifts across all Yield Curves	-150	14.7	12.8	11.2	9.0	7.9	6.8	5.4	4.0
	-100	13.5	11.7	10.1	7.9	6.7	5.6	4.3	2.8
	-50	12.4	10.6	9.0	6.8	5.6	4.5	3.2	1.8
	0	11.4	9.5	7.9	5.7	4.6	3.5	2.1	0.7
	50	10.3	8.5	6.9	4.7	3.5	2.4	1.1	-0.4
	100	9.3	7.4	5.8	3.6	2.5	1.4	0.0	-1.4
	150	8.3	6.4	4.8	2.6	1.5	0.4	-1.0	-2.4

Income

Diversification

Liquidity

Capital preservation

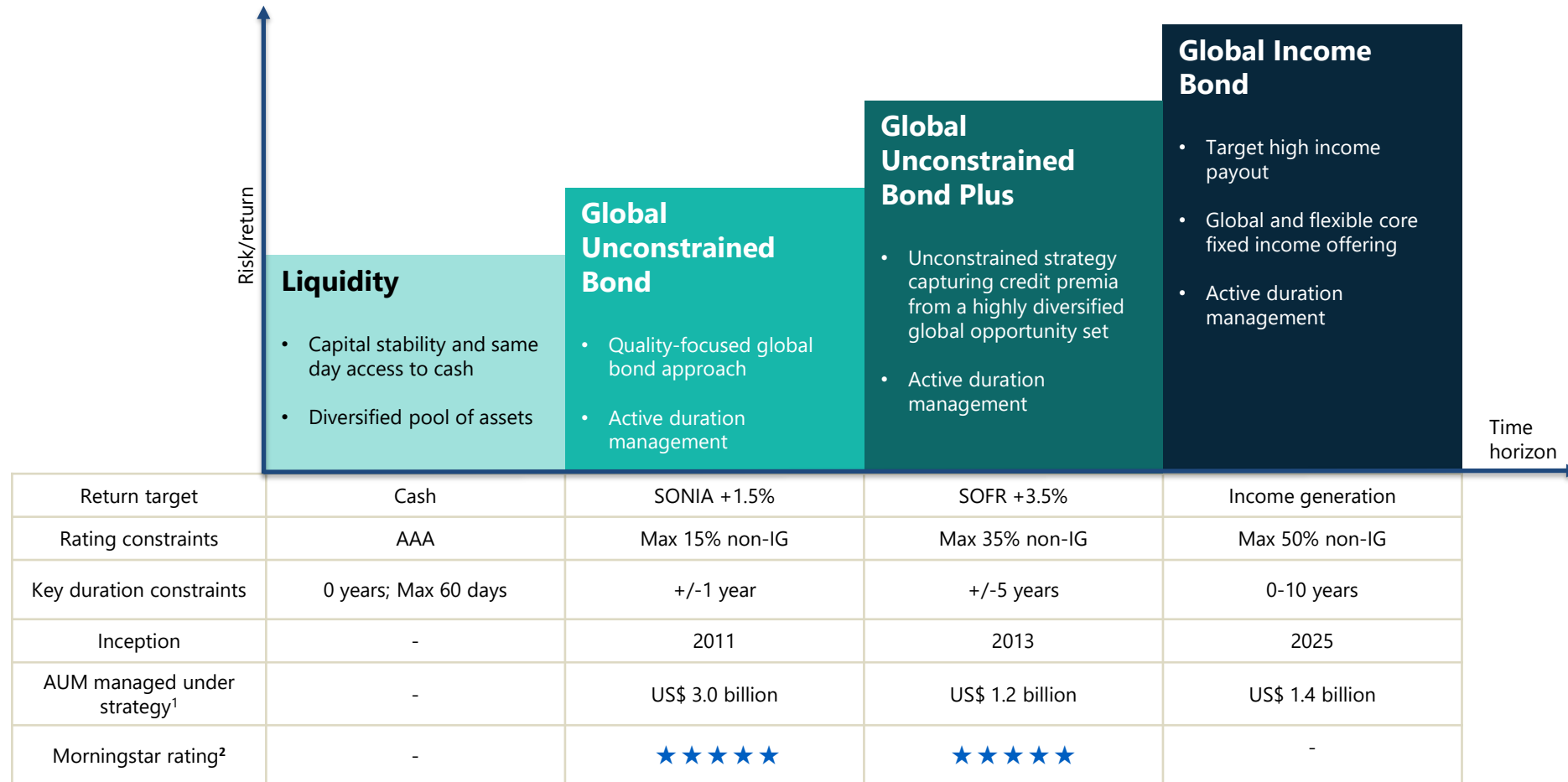
Source: L&G. Bloomberg, as at the 31 August 2026. Performance assumptions made for the Global Unconstrained Bond Plus Strategy.

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Appendix

Global strategies aim to suit investors needs

Fixed income strategies aim to offer an attractive alternative to cash



Source: L&G as at 31 August 2026. ¹ Team assets includes pooled fund assets and segregated accounts. ² Morningstar ratings based on institutional share class, as at 31 August 2026.

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