

BEST'S REVIEW® ISSUES & ANSWERS:

Asset Management

Interviewed Inside:



Elizabeth Henderson
AAM



Orhan Sarayli
Barings

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Staying the Course

Elizabeth Henderson, Head of Fixed Income at AAM, said that the integration between research and trading allows the company to pair strong credit conviction with efficient execution. Following are excerpts from an interview.



What should insurance investors know right now?

Fundamentals and headlines are telling two different stories. Volatility has increased meaningfully this year, driven largely by geopolitical developments and energy markets, but most corporate balance sheets remain healthy. Defaults are low, leverage is generally stable, and companies are still funding capital spending internally rather than relying heavily on debt markets. For insurance portfolios, that creates an environment where selectivity matters—there are still attractive opportunities to enhance yield without compromising credit quality, provided investors stay disciplined and forward-looking.

How was AAM positioned heading into the recent volatility?

Heading into the first-quarter volatility, our portfolios were positioned with a focus on managing inflation sensitivity and avoiding areas where valuations offered little margin for error. We entered the period underweight longer-duration financials, which tend to be more vulnerable when rate volatility rises and inflation risk resurfaces. At the same time, we emphasized structured sectors such as [commercial mortgage-backed securities] and [asset-backed securities] in the short end of the curve, where valuations were more attractive and cash flows are less exposed to inflation-driven repricing. We also maintained an overweight to taxable municipal bonds in the intermediate to longer parts of the curve, where we see strong credit quality and lower economic- and inflation-related sensitivity relative to other long-duration spread sectors like corporate bonds.

How does your team manage energy exposure in insurance portfolios?

We approach energy exposure with a combination of fundamental analysis and trading discipline. On the research side, our energy analyst, Pat McGeever, has close to 30 years of experience. Pat assesses break-even economics, hedging practices, asset quality, and liquidity-under-stress scenarios. On the trading side, our firm's size and relationships with Wall Street allow us to buy and sell bonds freely in the secondary market without affecting market prices. For insurance portfolios, that active approach helps avoid situations

Elizabeth Henderson

Head of Fixed Income
AAM



“At AAM, opportunism means being ready to deploy capital when dislocations emerge—whether through new issue concessions, spread widening in fundamentally sound issuers, or structural opportunities in sectors like structured credit.”

Scan or click to watch an interview with Elizabeth Henderson.

where a seemingly stable issuer becomes a problem credit due to unforeseen commodity or geopolitical development.

What should insurance investors remain focused on through the remainder of 2026?

Volatility can feel uncomfortable, but for long-term insurance investors, it often creates opportunity—particularly through reinvestment yields. Rather than focusing on predicting the direction of rates, we frame the environment around what it means for income over time. The environment calls for balance—recognizing that corporate fundamentals remain supportive, while also acknowledging that risks are becoming more concentrated. Energy, private credit, and refinancing dynamics warrant close attention. For insurers, success in this environment isn't just about returns but about maintaining capital flexibility and avoiding avoidable downgrades. We believe long-term outcomes are driven by disciplined credit work, active risk management, and a clear understanding of how investment decisions intersect with regulatory capital over time.

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Infrastructure Debt Edge

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Institutional investors have been steadily increasing their allocations to infrastructure debt in recent years, drawn by its combination of long-duration cash flows, contractual structures, and diversification benefits relative to traditional fixed income. Orhan Sarayli, Head of Barings North America Infrastructure Group, spoke with *Best's Review* to explore how infrastructure debt is being used within insurer portfolios. Following are excerpts from the interview.

How does infrastructure debt fit into an insurer's asset allocation?

Infrastructure debt offers several benefits to an insurance strategy. First and foremost, it has demonstrated strong performance from a loss perspective. From a risk perspective, its capital protection and strong risk-return attributes can add meaningful value to an insurer's portfolio. Additionally, it provides diversification benefits and typically consists of long-lived assets, which can be accretive in extending a portfolio's duration profile.

Is this intended as a long-term core allocation or more of an opportunistic sleeve?

Infrastructure debt can be both, depending on how an insurer wants to participate. The asset class has matured and broadened in its offering set, allowing insurers to engage in multiple ways to meet their objectives. It can function as a strong core component within a long-term portfolio. At the same time, the growth of higher-yield strategies and more opportunistic approaches—including collateralized loan obligations—has expanded the range of potential entry points. As a result, infrastructure debt can serve as either a core allocation or an opportunistic strategy, depending on an insurer's needs.

How resilient are these assets through economic cycles?

Resilience is one of the key strengths of infrastructure debt. Over the period we've managed our portfolio—including the global financial crisis, the pandemic—the asset class has demonstrated strong performance. Over time, infrastructure debt has also compared favorably to other asset classes in terms of default rates and loss statistics.

Orhan Sarayli

Head of North America Infrastructure Group
Barings



“The defensive nature and essentiality of these assets contribute to that strong performance, making them an ideal portfolio component.”

Scan or click to watch an interview with Orhan Sarayli.

Are returns driven more by liquidity or structural complexity?

It's a combination of both—and more. Infrastructure debt is less liquid than many other asset classes, allowing investors to capture an illiquidity premium, which we actively seek across borrowers. There are also structural premiums, as these assets tend to be highly contracted. As a result, careful evaluation of how those contracts perform under stress is critical. Additionally, operational considerations—such as labor dynamics—add complexity. While this requires deeper analysis, we believe the added effort is worthwhile. In many cases, a rated infrastructure asset can outperform a comparable corporate asset. When pricing is similar, investors may effectively capture a premium and more benefits from the structural and liquidity characteristics.

