BlackRock

# Demystifying Securitised Assets

**The global securitised assets market has evolved significantly in recent years, expanding well beyond its traditional investor base of institutional and highly sophisticated participants.**

Historically, access to securitised assets has been limited. However, the increased availability of securitised asset only pooled vehicles is opening the door to a broader range of investors.

As accessibility improves, so too does investor interest. More market participants are seeking to understand the role securitised assets can play in enhancing yield, diversifying risk, and improving portfolio resilience—particularly in a world of evolving interest rate dynamics and credit cycles.

Once considered a niche or specialist allocation, global securitised assets are increasingly viewed as a core component of the modern fixed income toolkit.

Today, the global securitised market stands at over $4 trillion in size[1], encompassing a wide array of instruments across geographies and underlying collateral types. In this context, securitised assets are no longer just an alternative—they are becoming a strategic allocation for investors seeking differentiated sources of income and risk-adjusted returns.

**Source:** [1] US, EMEA & Australia outstanding issuance (excluding US Agency MBS), June 2025. Although US Agency MBS is the largest part of the global securitised universe (c.$10 trillion) it is differentiated versus other securitised assets as its explicitly/implicitly guaranteed by government agencies meaning its primary risk is interest rate risk.

# What are securitised assets?

Securitised assets represent fixed income instruments whose principal and interest payments are backed by an underlying pool of loans—such as residential and commercial mortgages, auto loans, credit card receivables, or corporate debt.

Securitised assets span several key sectors including:

**Residential Mortgage-Backed Securities (RMBS)**
Backed by pools of home loans, providing exposure to the housing market.

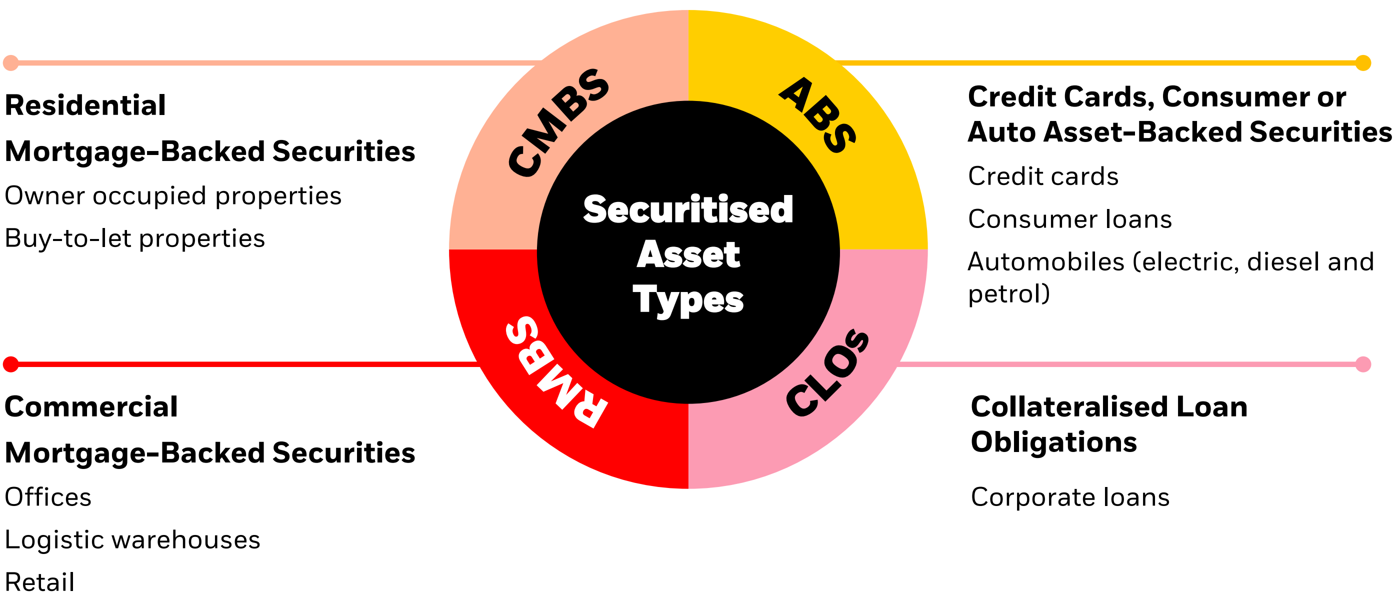
**Commercial Mortgage-Backed Securities (CMBS)**
Linked to loans on commercial properties such as offices, retail centres, or warehouses.

**Asset-Backed Securities (ABS)**
Based on consumer loans like auto finance, credit card debt, or consumer loans.

**Collateralised Loan Obligations (CLOs)**
Comprised of diversified corporate loans, often including leveraged loans.

**Figure 1**

**Securitised Asset Types**




**Source**: BlackRock, October 2025

These securitised asset types are available across multiple geographies with key markets including the US, EMEA, and Australia.

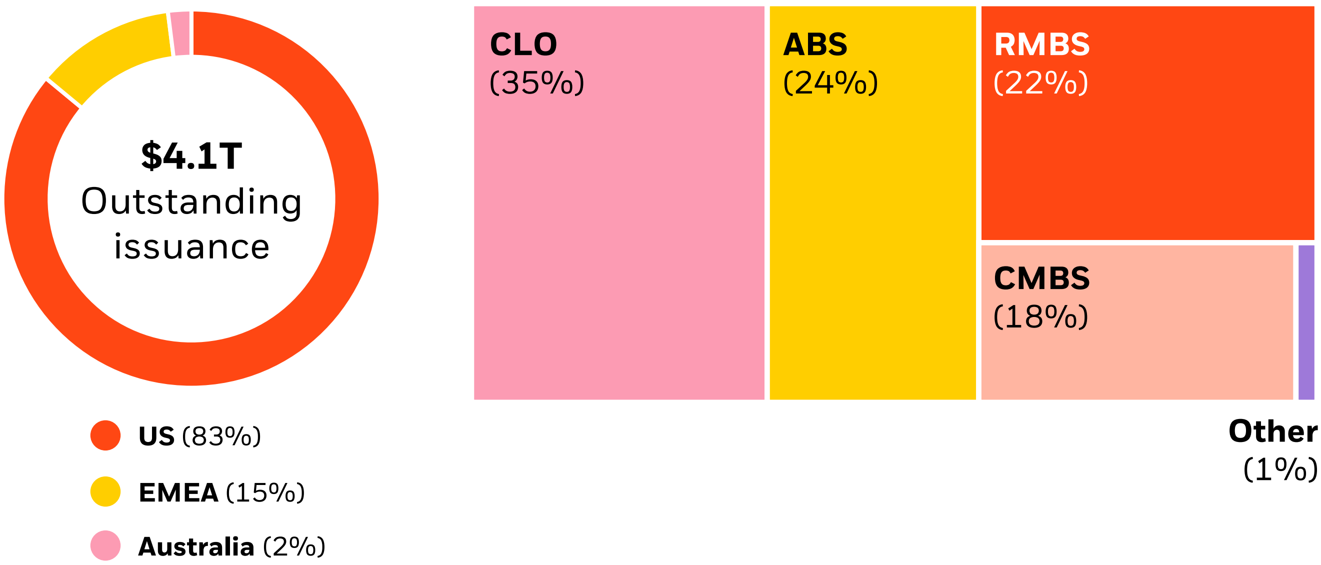
The US makes up a significant proportion  (c. $3.5 trillion) of the global universe partly driven by the large relative size and depth of their consumer credit and mortgage market.

However, the amount that can be accessed by EU or UK clients can vary significantly due to strict regional regulatory demands.

For example, UK and European Securitisation Regulations mean that only a fraction of this US issuance  can be invested by those based in these regions.

**Figure 2**

**Global Securitised Asset outstanding issuance universe (Region and Sector)**




**Source:** JP Morgan, June 2025

# How are securitised assets created?

The main issuers of securitised assets are financial institutions (both banks and non-banks) which use securitisation as a funding and de-risking tool.

When these originators lend to consumers and businesses, it typically involves large amounts of money and takes varying amounts of time to be repaid. By pooling these loans and selling them to investors, the banks receive new money to lend to new borrowers.

**Figure 3**

**Securitisation process:** The creation of securitised assets follows a structured and regulated process:

**Origination and Pooling**

- Financial institutions issue loans (mortgages, auto finance, corporate credit).
- Loans are bundled into a diversified pool for scale and consistency.

Sale of asset

Cash (Allows originator to issue more loans)

**Transfer to special purpose vehicle (SPV)**

- The loan pool is sold to a special purpose vehicle (SPV), a separate legal entity that isolates the assets from the lender's balance sheet.

Tranching creates securities with different risk and return profiles.

**Tranching**

- The SPV structures the securities into tranches with various risk and return profiles linked to the same underlying loan pool. These tranches are often assigned ratings by one of the key rating agencies such as S&P, Moody's or Fitch.

Different tranches appeal to different investor types, based on risk and return requirements

**Distribution**

- Securities are sold to investors, who receive payments as borrowers repay their loans.
- This process enables lenders to recycle capital and manage risk, while providing investors with the opportunity to invest in differentiated and tailored exposures to income-generating assets aligned with their risk appetite.

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**Source:** BlackRock, October 2025

# Subordination: managing risk

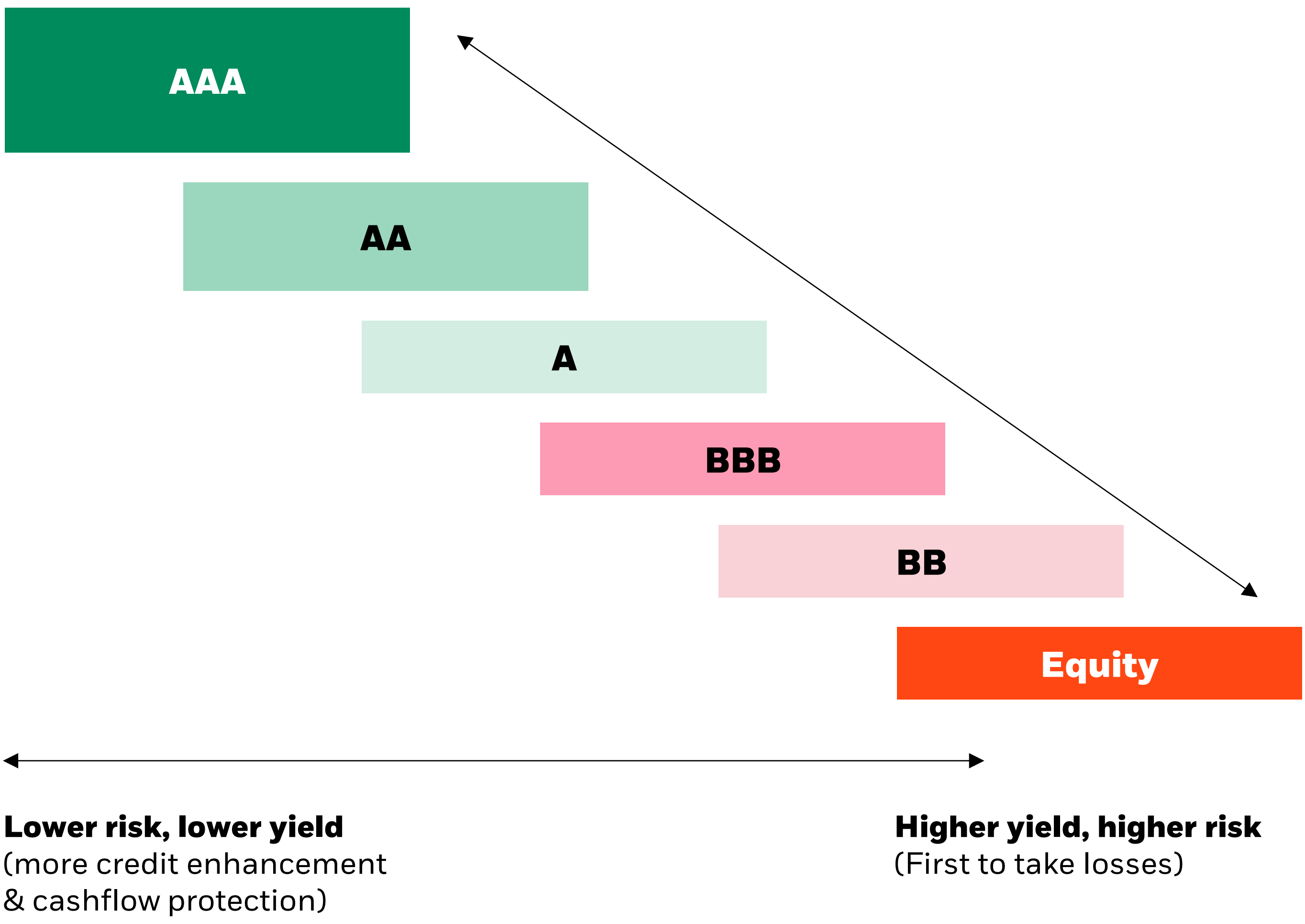
Subordination is a key feature in securitised assets. When a pool of financial assets is securitised, it is divided into tranches, each with its own risk and payment priority.

Senior tranches (typically AAA/AA rated) are paid first from the cash flows from the underlying loan pool, while junior tranches receive payments only after senior investors are paid in full. This “waterfall” structure shields senior investors from losses, as junior tranches act as a buffer.

Senior tranches often receive higher credit ratings and pay lower spreads, while junior tranches offer higher returns to compensate for relatively higher risk.

**Figure 4**

**Waterfall structure**



# Post-2008: a stronger, safer market

The 2008 Global Financial Crisis is often associated with securitised assets, but it's important to distinguish the specific segment that triggered the turmoil.

The crisis was largely driven by the collapse of the US housing market and the proliferation of subprime mortgages which contained home loans to borrowers with weak credit profiles. These subprime loans were bundled into RMBS and collateralised debt obligations (CDOs), many of which received credit ratings that were not subsequently deemed to reflect their true risk. As defaults surged, these securities rapidly lost value.

Crucially, it was the failure in underwriting and packaging of these particular loans — not the securitisation framework itself—that lay at the heart of the crisis.

Since then, the industry has undergone major reforms including:

- **Tighter lending criteria**: Stricter rules around borrower affordability, including verified income, employment, and credit history.
- **Risk retention "skin in the game":** Originators must retain a portion of the issuance on their own books which discourages poor lending practices.
- **Improved transparency:** Enhanced disclosure and reporting standards give investors better visibility into the underlying assets.
- **Stronger and simpler structures:** Credit enhancements have been strengthened; complex structures like resecuritisations (where securitised assets were used as collateral to create a new securitised product) are banned or restricted.
- **Better ratings practices:** Rating agencies have improved methodologies and oversight.

As a result, today's securitised market is more resilient, transparent, and one of the most highly regulated financial industries with lower leverage, higher credit quality, and improving investor confidence.

**Figure 5**

### Securitised assets have demonstrated strong historical performance through several economic cycles

| | 10-year cumulative impairment rates (%) | | | | |
|---|---|---|---|---|---|
| **Original Rating** | **EMEA ABS<br>EMEA RMBS<br>EMEA CMBS** | **US ABS<br>US RMBS** | **US CMBS** | **US CLOs** | **Euro CLOs** |
| **AAA** | 0.0% | 0.0% | 0.1% | 0.0% | 0.0% |
| **AA** | 0.0% | 0.0% | 0.5% | 0.0% | 0.0% |
| **A** | 0.0% | 0.0% | 2.7% | 0.1% | 0.0% |
| **BBB** | 0.3% | 0.1% | 9.2% | 1.3% | 0.0% |

**Source:** Moody's, RMBS, CMBS and ABS data based on 10-year cumulative impairment rates by original rating 2009-2024. CLO data based on 10-year cumulative impairment rates by original rating 1993-2024

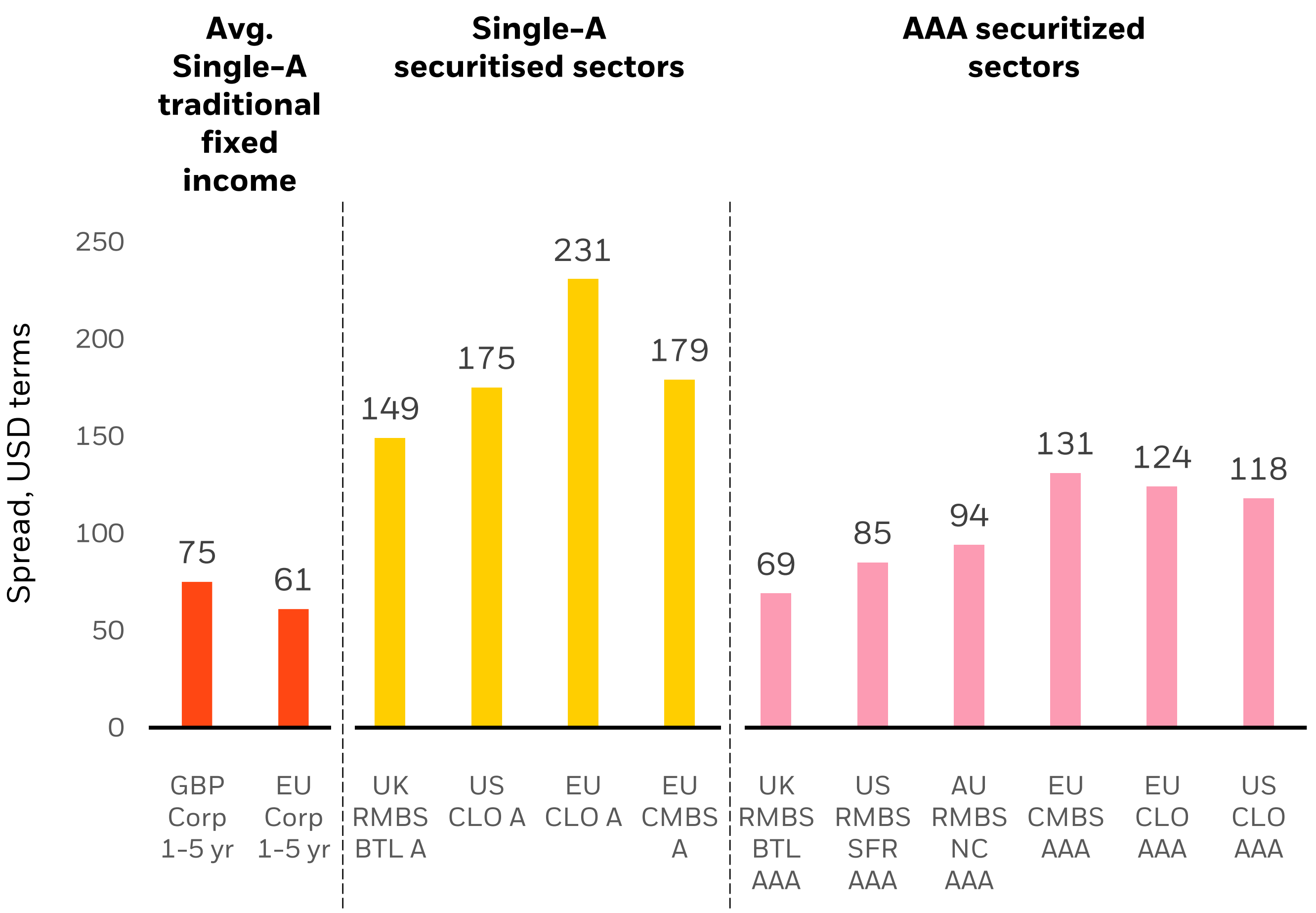
# The opportunity in securitised assets

Securitised assets represent a dynamic and increasingly essential segment of the fixed income universe, offering investors a powerful combination of income generation, portfolio diversification, and structural resilience.

- **Attractive yield premium:** Typically provide a spread pick-up over comparable rated corporate credit, enabling investors to enhance portfolio yield or upgrade overall portfolio credit quality.
- **Low sensitivity to interest rates**: Most pay floating rate coupons, resetting quarterly with risk-free rates, providing a natural hedge against interest rate volatility.
- **Diversification:** Performance is driven by the underlying consumer or secured collateral—rather than the financial health of a single corporate issuer—offering the potential for uncorrelated returns relative to traditional credit markets.
- **Strong performance:** Historical data highlights consistently low default rates across multiple economic cycles, underscoring the structural strength and risk-adjusted appeal of the asset class.

**Figure 6**

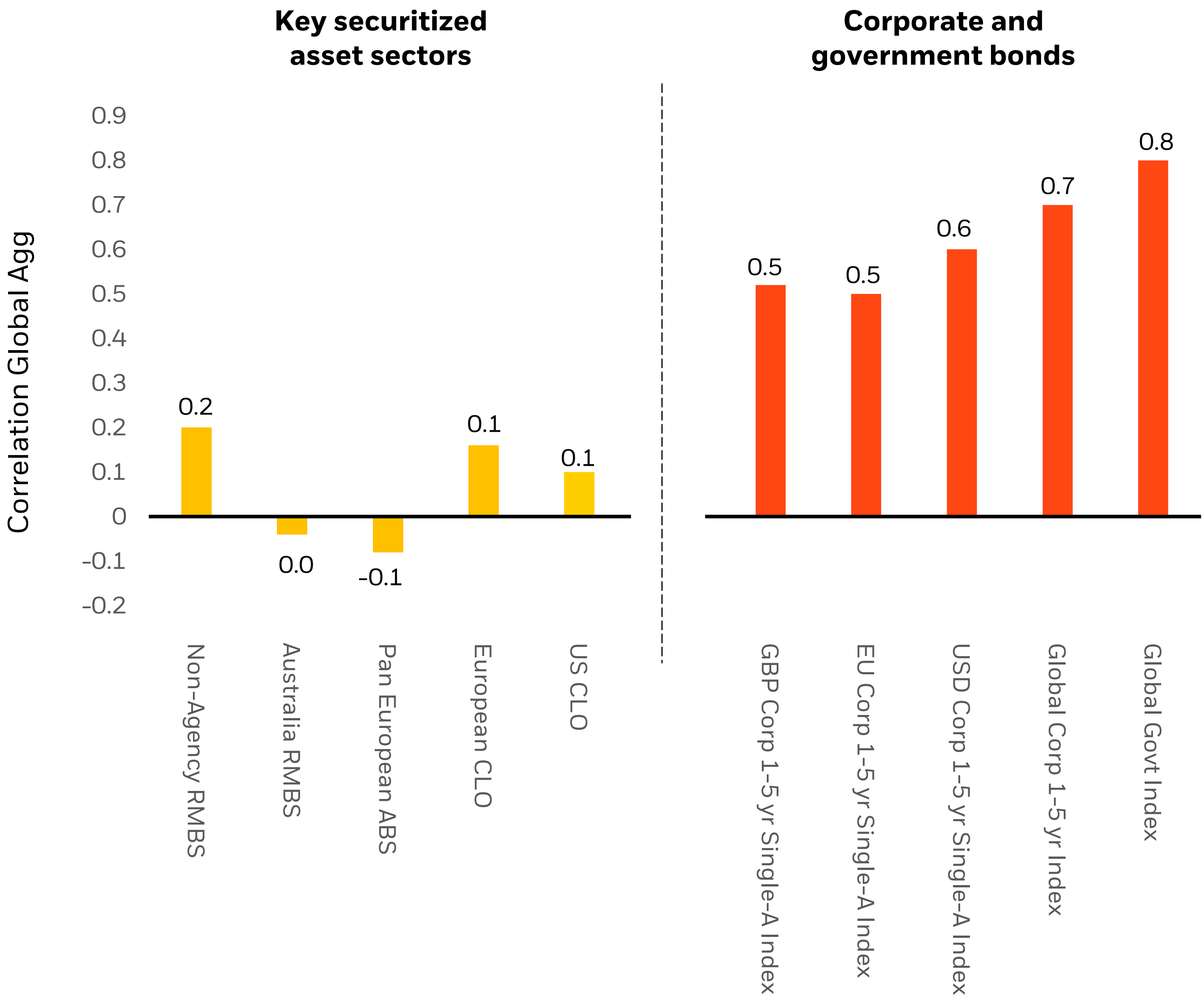
**Yield pick-up versus traditional fixed income assets**




**Source:** Blackrock, Bloomberg, JP Morgan, Morgan Stanley, Citibank, October 2025. Corp Credit spreads represent ASW spreads on ICE BofA GBP single-A index and ICE BofA EUR single-A index. This chart uses abbreviations for clarity: BTL = Buy-to-let, NC = Non-conforming, SFR = Single Family Rentals

**Figure 7**

**Diversified exposure: low correlation to traditional fixed income**




For investors, securitised assets offer attractive yields and meaningful diversification benefits relative to traditional fixed income, making them a strategic component in resilient, income-generating portfolios.

In the current market environment, securitised assets are also increasingly attractive as they address investors' growing demand for high-quality income within fixed income portfolios. With investment-grade credit already heavily owned, many investors are seeking diversification while avoiding the long end of the curve and maintaining a lighter duration profile amid macroeconomic uncertainty. This aligns well with securitised assets, which typically offer floating rates and relatively short maturities.

**Source:** Bloomberg. BlackRock, October 2025. Correlations are to the Barclays Global Aggregate Index

# Why BlackRock for securitised assets?

BlackRock is one of the world's largest and most experienced investors in securitised markets, managing over $150 billion in assets with a track record spanning more than 30 years.

Key differentiators include:

| | |
|---|---|
| **Global team with extensive sourcing capabilities** | 40 dedicated securitised specialists across public and private markets strategically located near the assets they underwrite (US, UK and Australia). In a competitive environment, sourcing is critical for differentiated performance. With an average of 25 years' experience, our sector leaders aim to ensure BlackRock is among the first to access the most attractive opportunities. |
| **Proven investment process and enhanced insights** | Long-established and rigorously tested investment process customised for the unique requirements of each asset class. Originators and syndicates widely acknowledge BlackRock as an industry benchmark, reflecting the firm's exceptional analytical expertise. Our team leverage BlackRock's $1.2trn Global Fixed Income platform and BII[2] to enhance asset class view and position decisions. |
| **Customised solutions with an experienced track record** | Decades of experience designing and managing securitised portfolios for clients with diverse objectives while ensuring compliance with regulatory requirements. We offer multiple vehicle types to access securitised assets including segregated mandates, mutual funds and ETFs. |

**Source:** [2] BlackRock Investment Institute

# Conclusion

Securitised assets provide a flexible and resilient way to meet long-term financial objectives. With the potential for enhanced yield, diversification, and reduced sensitivity to interest rate moves, they are increasingly attractive in today's market environment.

BlackRock's expertise, global reach, and range of capabilities make it a leading choice for investors seeking exposure to this asset class.

**Source:** [2] BlackRock Investment Institute

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