

Diverse Profiles and Income Advantage Amid Growing Issuance

This report is excerpted from the *First Quarter 2026 Fixed-Income Sector Views*.

Opportunities in consumer and digital infrastructure ABS, relative value in AA-A-rated CLO tranches.

ABS credit spreads remain elevated relative to investment-grade corporate bonds, currently ranking in the 70th percentile, a reasonable entry point for the asset class. ABS issuance hit a record at \$340 billion in 2025, although paydowns and refinancing activity were significant, yielding a net issuance of only \$46 billion. CLO new issuance reached around \$200 billion, driven by strong demand across the capital structure, expanding the market size by \$88 billion. Strong demand also supported increased CLO refinancing and reset activity.

Sector Commentary

- New commercial ABS issuance has been concentrated in data center, fiber, whole business, and aircraft collateral types. Data center issuance nearly doubled in 2025 to over \$15 billion and is expected to increase meaningfully in the coming years to fund the widely expected infrastructure buildout. Data center ABS will face its first large maturity wall in 2026 on first generation issuance from the 2021-2022 time period, with approximately \$6 billion coming due. The market has become more efficient at pricing deals, with those backed by longer leases to more creditworthy hyperscale tenants pricing at lower credit spreads than deals backed by shorter leases to enterprise tenants.
- CLO credit spreads widened marginally during the quarter. CLO manager views on loan borrower health is cautiously optimistic overall, with concerns focusing on idiosyncratic credit issues. CLO overcollateralization ratios and exposure to CCC-rated collateral remain at benign levels, underscoring the sector's resilient initial conditions amid evolving macroeconomic conditions.

Investment Themes

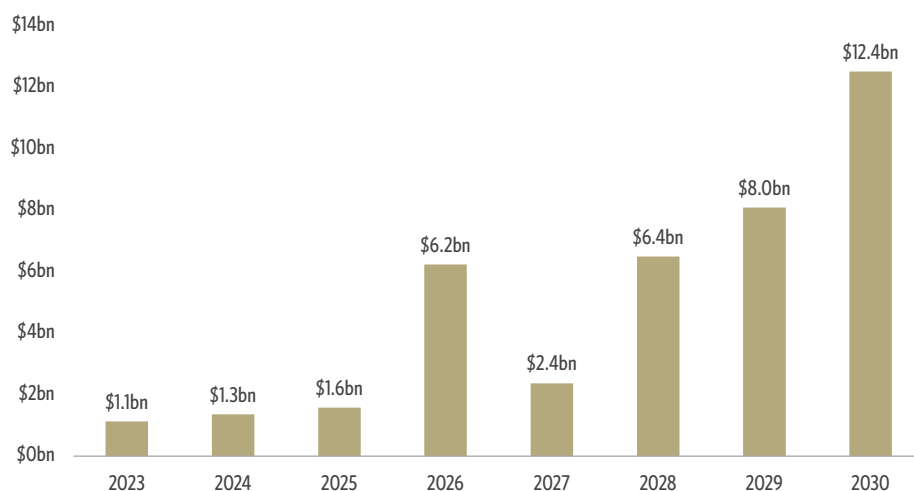
- We favor senior tranches of commercial ABS backed by stable, cash-generative collateral including franchise royalties, select fiber networks, and aircraft. In consumer ABS, subsectors such as home improvement loans offer exposure to higher quality borrowers with structural downside protection through amortization and credit enhancement. In digital infrastructure, selectivity is increasingly important as unprecedented capital expenditures drive large ABS supply and new capacity. Our focus is on supply/demand dynamics and the impact of technological advances on legacy assets.
- Attractive relative value and strong structural enhancements support our favorable view of AA and A rated CLO tranches backed by both broadly syndicated and private credit loans. We see select higher risk and reward opportunities in BB-rated and equity tranches. In the near term, somewhat muted drivers of CLO economics could dampen new supply, supporting CLO prices and spreads in the secondary market.

By Karthik Narayanan, Michael Liu, and Scott Kanouse

Data center ABS will face its first large maturity wall in 2026 on first generation issuance from the 2021-2022 time period, with approximately \$6 billion coming due.

Data Center ABS Will Face Its First Major Maturity Wall in 2026

Data center anticipated repayment dates (ARDs)



Source: Guggenheim Investments, Bloomberg, Intex, Morgan Stanley. Data as of 12.31.2025.

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One **basis point** is equal to 0.01%.

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Investing involves risk, including the possible loss of principal. In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations ("CLOs"), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate.

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