

Fixed income is back

March 21, 2024



The next big buzzword might surprise you...

FIXED INCOME

Fixed income is back

We believe the next fixed income golden age is upon us

Yields remain near their recent highs



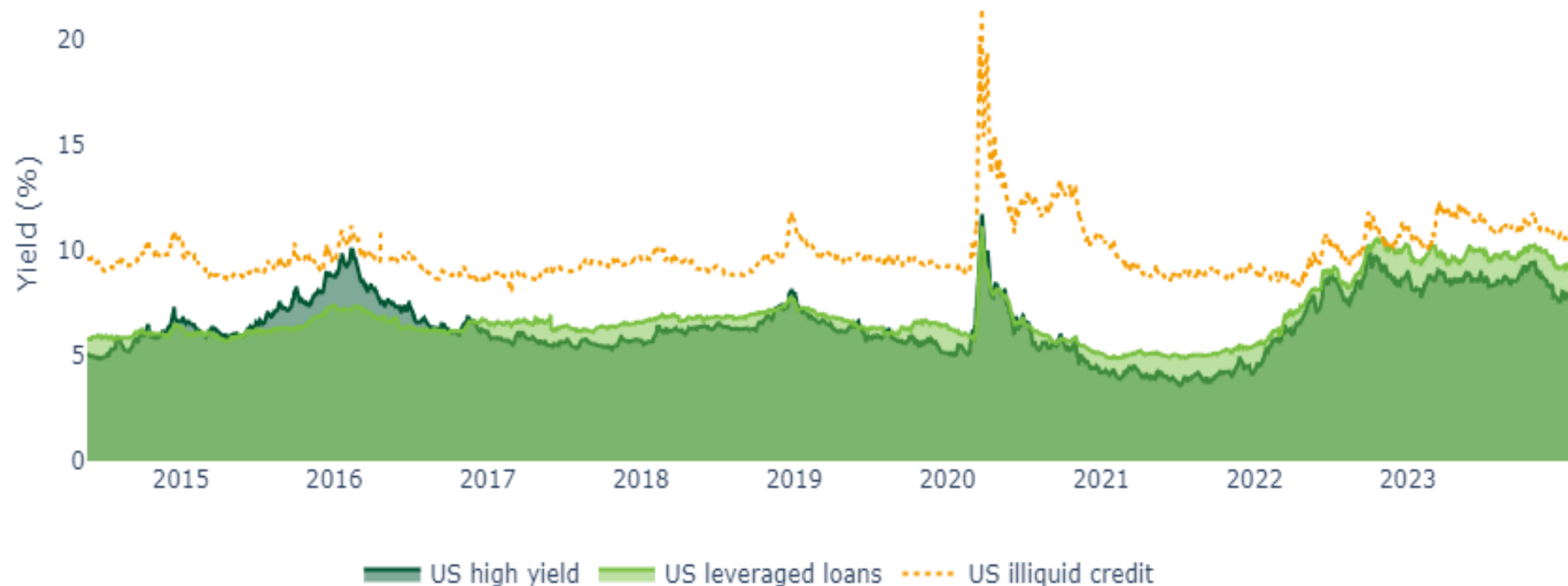
- Fixed income offers near-term opportunity

- Fixed income's long-term traditional role has returned

Left chart Source: Bloomberg, Insight. Bloomberg US Aggregate Bond index. February 2024. Right chart - Source: Bloomberg, Insight, January 2024. MBS = Bloomberg US Mortgage Backed Securities (MBS) Index, Investment grade = Bloomberg US corporate bond index, ABS = Bloomberg US Agg ABS Index, Emerging market hard currency = Bloomberg Emerging Markets Hard Currency Aggregate Index, High yield = Bloomberg US Corporate High Yield Bond Index, S&P 500 = S&P 500 Total Return Index. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.** Investment examples are provided for informational purposes only and should not be relied upon as a complete listing of the strategy's past investment decisions. Asset allocation weightings are subject to change without notice, represent Insight's present opinions only, may not represent current or future decisions and should not be construed as investment recommendations. Opinions expressed herein are as of the date of this presentation, and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes.

Private markets are no longer the only game in town

CUSIPs offer simplicity and yield



Source: Bloomberg, Credit Suisse, MarketVector, Insight, March 2024. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.**

The complexity premium still offers opportunity

Esoteric structured credit is booming

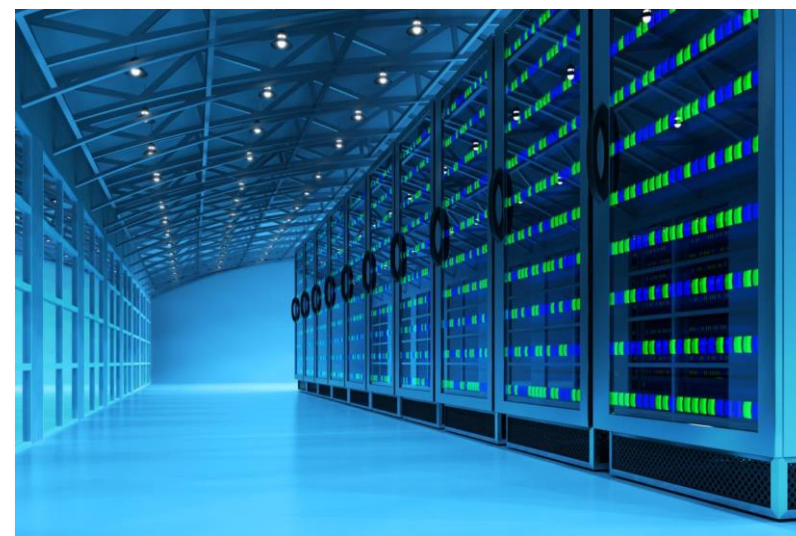
- +200bp to 300bps complexity premium vs corporate bonds
- \$400bn market up from \$180bn in 2020¹
- Complements traditional ABS
- Public or private with IG ratings

Deal 1: A- Datacenter deal

- Driven by rise of hybrid work, data security. Turbo-charged by AI, Chat GPT, machine learning etc
- We expect continued M&A and privatization will bring more ABS issuance from tier 1 providers
- Collateral: 34 operating multi-tenant data centers located in 15 markets. Aggregate appraised value of ~\$3.17bn.
- Diverse tenant mix by both industry and geography with 10,213 contracts across 1,757 unique customers.
- No tenant represents more than 4.6% and top 5 accounts for only 13%.

Deal: COLO 2023-1 A2 (February 2023)

Structure:	Public ABS
Collateral:	Digital Infrastructure – Data Center
WAL:	5 years
Spread:	1 + 288 bps
Rating:	A-



¹ Finsight, proxied by tailing 5-year issuance, March 2024. Insight Investment, as of March 2024. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.** Investment examples are provided for informational purposes only and should not be relied upon as a complete listing of the strategy's past investment decisions. Asset allocation weightings are subject to change without notice, represent Insight's present opinions only, may not represent current or future decisions and should not be construed as investment recommendations.

The complexity premium remains attractive

Esoteric structured credit is booming

- +200bp to 300bps complexity premium vs corporate bonds
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Deal 2: BBB Timeshare

- Diversified pool
- Strong borrower credit
- Borrower base tends to be stable and responsible with majority having families and owning their primary residences
- Strong value to customer given lower cost than hotel alternative
- Well created BBB class with 22% of hard enhance ~5-7% of excess spread versus ~16% current rates.
- Traditionally quality deal sponsors buy out defaulted loans to manage sales inventory

“An investment manager should not be trying to mimic the benchmark. A manager that does so, either inadvertently or purposefully, is often called a ‘closet benchmarker’”



Deal: SRFC 2023-2 C (July 2023)

Structure:	Public ABS
Collateral:	Timeshare
WAL:	3.7 years
Spread:	I + 295 bps
Rating:	BBB



¹ Finsight, proxied by tailing 5-year issuance, March 2024. Insight Investment, as of March 2024. **Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.** Investment examples are provided for informational purposes only and should not be relied upon as a complete listing of the strategy's past investment decisions. Asset allocation weightings are subject to change without notice, represent Insight's present opinions only, may not represent current or future decisions and should not be construed as investment recommendations.

Thank you

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