

SFA Market Snapshot

June 1, 2023



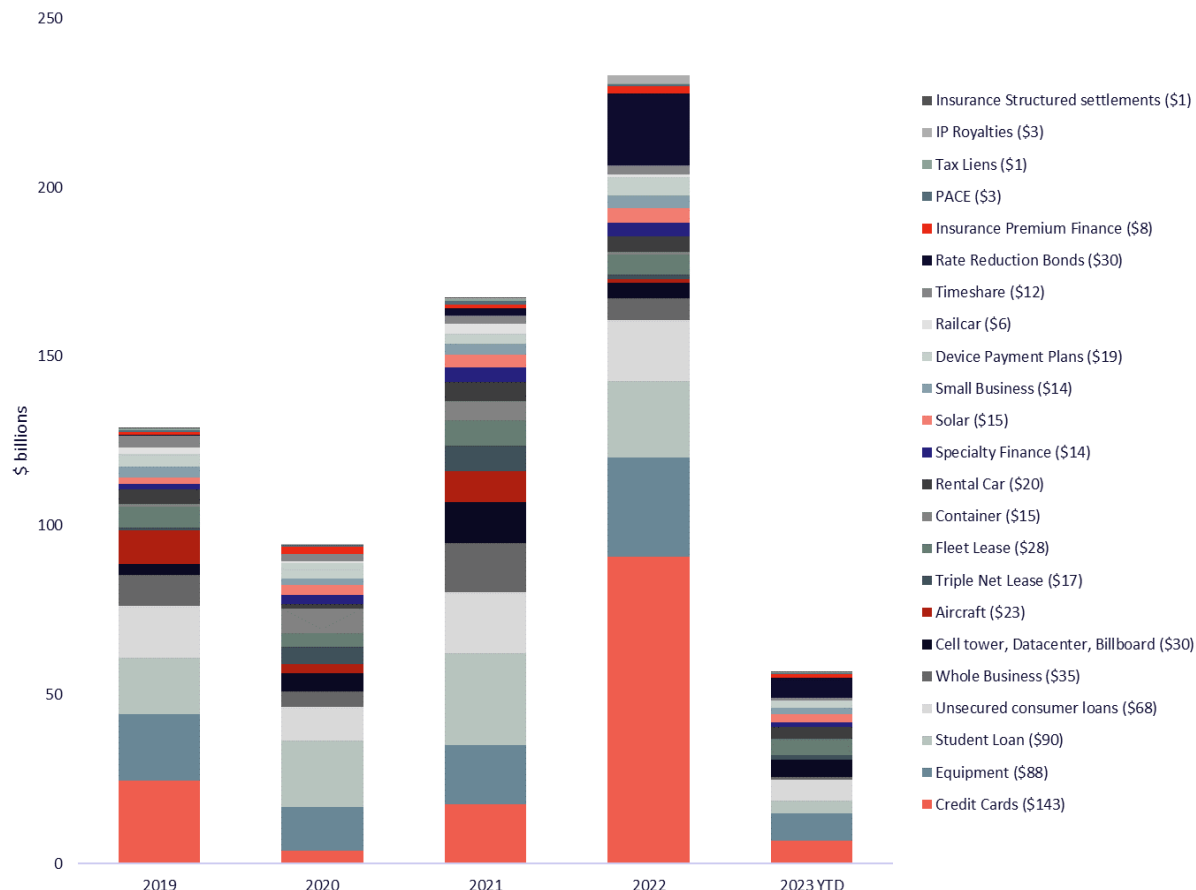
ABS Brings Funding to Wide Variety of Consumers and Businesses

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The ABS market provided \$115 billion of funding to consumers and businesses so far in 2023. Since 2019, this subsector of the broader securitization market-- ABS, RMBS, CMBS, and CLO-- has provided \$1.2 trillion of funding through the private markets. The top asset classes, comprising 75% of ABS supply, are bonds backed by auto loans and leases (42%), credit cards (12%), student loans (7.7%), equipment loans and leases (7.5%), and unsecured consumer loans (5.8%). The remaining 25% is backed by a myriad of financing instruments-- from the future cash flow of [music royalties](#), [PACE](#) loans for green building renovations, loans to small businesses, and [aircraft](#) and [container](#) leases. Despite these differences, ABS transactions all share certain characteristics – they are backed by financing instruments that represent contractual obligations to pay, thereby creating the cash flows necessary for securitization.

ABS Market Has Provided \$1.2 Tn of Funding Through the Private Market to Consumers and Business since 2019 (Excludes all MBS and CLOs)



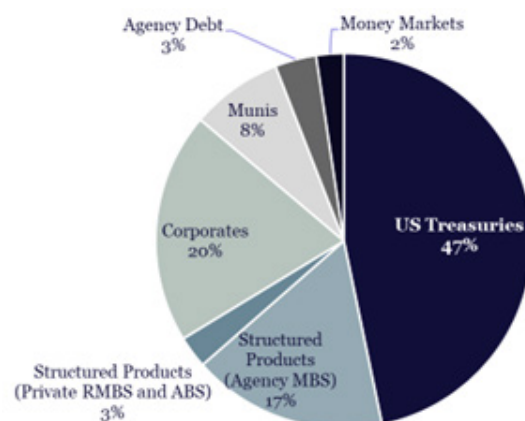
Below we look at transaction details of some recent ABS deals. We show risk spread, or the difference between the ABS's yield and a benchmark interest rate of a similar duration, at issuance. The spread reflects different risk factors including credit risk (the perceived ability of ABS to repay its investors and is the largest component of the spread), term premium (longer term investors require more compensation than short term investors because their risk exposure is longer), and liquidity premium (a function of the size of the specific deal and ABS asset class as well as the health of the overall capital markets). Esoteric ABS, generally speaking, have a yield advantage to investors (i.e., wider spreads) over traditional, and more liquid, ABS such as securitizations backed by credit card or auto loans. This yield advantage may be due to a smaller market size or a lack of familiarity with the asset class. During periods of benign economic times, esoteric asset classes offer investors an opportunity to pick up yield and to further diversify their portfolios. During heightened economic uncertainty, however, esoteric ABS spread levels may widen further and stay wider longer, as investors become more risk-averse and channel investments to higher-rated and more liquid asset classes. (i.e., wider spreads) over traditional, and more liquid, ABS such as securitizations backed by credit card or auto loans. This yield advantage may be due to a smaller market size or a lack of familiarity with the asset class. During periods of benign economic times, esoteric asset classes offer investors an opportunity to pick up yield and to further diversify their portfolios. During heightened economic uncertainty, however, esoteric ABS spread levels may widen further and stay wider longer, as investors become more risk-averse and channel investments to higher-rated and more liquid asset classes.

Sample Details of ABS Transactions

Source of cashflows	Highest Rating	When Issued	Total Size of Transaction (\$mm)	Risk Spread Premium of Highest Rated Tranche at Issuance (bp)	Weighted Average Life (yrs)
Auto Loans	AAA	May 2023	1,482	84	2.5
Credit Card Loans	AAA	May 2023	1,200	72	3
Device Payment Plans	AAA	Apr 2023	932	75	2
Mid-Ticket Construction, Transportation, and Industrial Equipment Loans and Leases	AAA	May 2023	791	140	2.4
Unsecured Consumer Loans	AAA	May 2023	825	200	5.5
Fiber to Home Network Contracts	A	May 2023	454	225	5
Loans to Finance Home Solar Installments	A	May 2023	294	300	7
Lease Contracts at Datacenters	A	Apr 2023	596	300	3

Source: SFA Market Compilation

YE 2022 Fixed Income Market Outstanding



Source: SFA Market Compilation