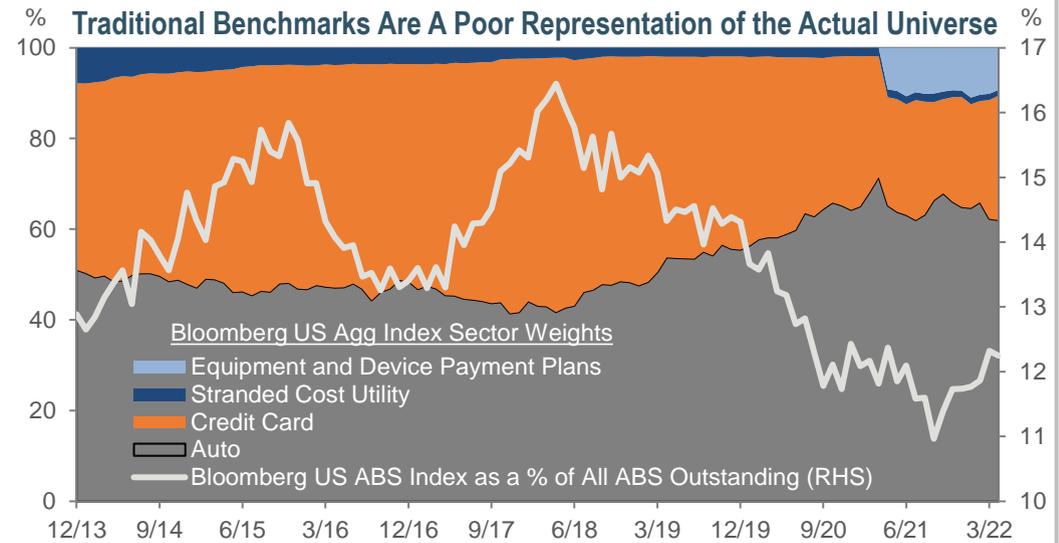
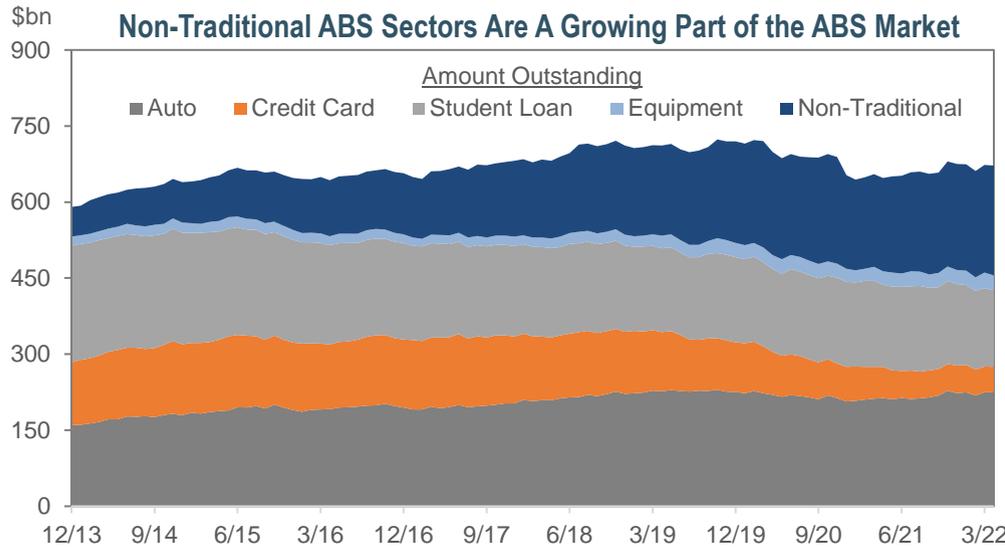


## Evolution of the Asset-Backed Securities (ABS) Market



- The ABS market began in the 1980s with the introduction of prime automobile, credit card, equipment lease, and consumer loan securitizations. The market quickly grew from \$1 billion of issuance in 1985 to over \$40 billion of issuance in 1990. The early composition of the ABS universe is reminiscent of the ABS sectors currently in the Bloomberg Aggregate Index (Agg). The collateral types included in the Agg were traditionally limited to autos, credit cards, and stranded cost utilities, although motorcycles, equipment, and device payment plans were added in recent years.
- Today, the ABS market totals almost \$700 billion— a small slice of the overall fixed income market but comparable to the size of the short-duration investment-grade corporate market when you include the roughly \$800 billion of CLOs outstanding. Non-traditional subsectors, such as franchise royalties, single-family rentals, triple-net-leases, data centers, collateralized loan obligations (CLOs), aircraft and railcar leases, and music royalties, were a large contributor to the sector’s growth but are not included in many market indices. As a result, less than 15% of the ABS market is index-eligible due to index inclusion rules excluding specific sectors (in addition to excluding floating-rate bonds, 144a securities without registration rights, securities without at least one rating from the 3 major rating agencies, and small issues/tranche sizes).
- At IR+M, we believe the ABS sector offers investors the opportunity to add incremental value across fixed income portfolios. Given the expansion of available collateral types, managers can create even more diversified allocations to ABS subsectors. We believe bottom-up security selectors can find attractively priced securities, especially in the front-end, across both traditional and non-traditional sectors, and index- and non-index-eligible bonds.

Source: Copyright 2022 Morgan Stanley (left hand chart) and Bloomberg as of 5/16/22. Auto includes prime, subprime and other. The short-duration investment-grade corporate market is the Bloomberg 1-5 Year Corporate Index. The views contained in this report are those of Income Research & Management (“IR+M”) and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M’s views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. Investing in securities involves risk of loss that clients should be prepared to bear. More specifically, investing in the bond market is subject to certain risks including but not limited to market, interest rate, credit, call or prepayment, extension, issuer, and inflation risk. It should not be assumed that the yields or any other data presented exist today or will in the future. It should not be assumed that recommendations made will be profitable in the future. Actual results may vary. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research & Management. “Bloomberg®” and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited (“BISL”), the administrator of the index (collectively, “Bloomberg”) and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to any IR+M product.