



Secular Tailwinds Support Infra CLOs but Mind the Tradeoffs

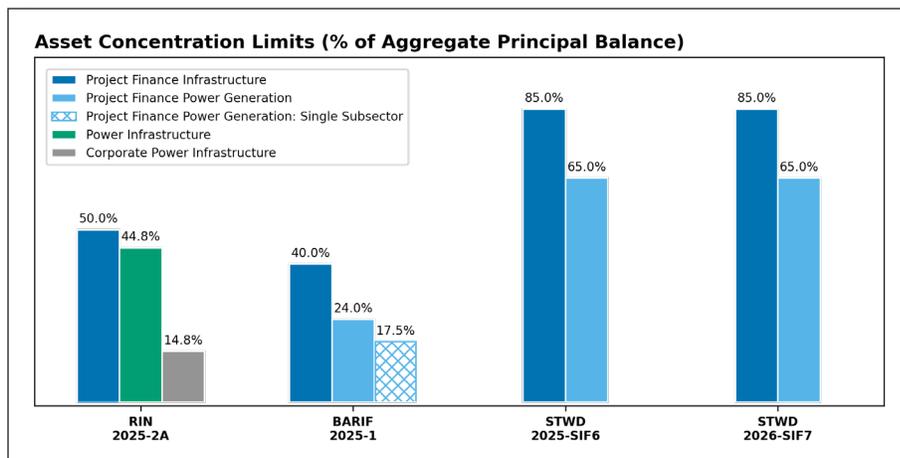
The rising issuance of infrastructure CLO deals should provide investors with another avenue to gain concentrated exposures of the kind ABS and CMBS deals increasingly have been offering in recent years. Infra CLO pools ultimately can be backed by income-generating assets such as [power plants](#), [data centers](#), [cell towers](#), and [fiber networks](#).¹ All these segments are backing ABS and/or CMBS deals as well. Anecdotally, we even see familiar ABS/CMBS sponsors, such as QTS or Vantage, popping up in marketing materials as potential partners of infra CLO sponsors. All told, securitized products investors can leverage existing sector/sponsor views, asset analysis expertise, and familiarity with CLO structure/mechanics to underwrite the flurry of new infra CLO transactions.

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Recent infra CLO deal parameters suggest that the sector concentrations can be quite high, in a product that typically emphasizes asset diversification. We see deals that can feature, for example, as much as 85% exposure to project finance infrastructure obligors (Figure 1). Other portfolios can comprise nearly 25% “power generation” chunks. Investors will need to tradeoff the elevated concentration risk with the low historical default rate of infrastructure debt (vs non-financial corporate debt exposures), and the current thematic appeal of infrastructure exposures.

Figure 1. Infrastructure CLO Concentration Parameters



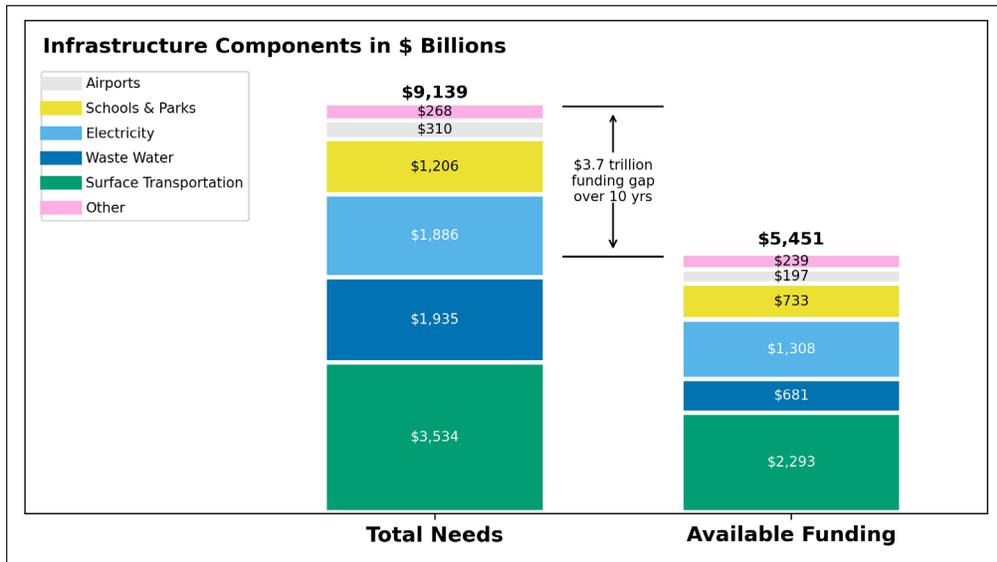
Source: Deal Documents, Presales, and Academy Securities

¹ “Tower ABS: Tenant Preferences Bode Well for Leasing Demand,” Securitized Products Special Topics, Academy Securities, October 10, 2024; “Fiber ABS: Distinct Sub-segments and Diverse Performance Drivers,” Securitized Products Special Topics, Academy Securities, December 17, 2025; “Data Centers Capex: Mixed Estimates on a Key Cashflow Driver,” Securitized Products Special Topics, Academy Securities, September 17, 2025; “Power Costs: Data Centers and Recovery Bonds Poised for More Predictability,” Securitized Products Special Topics, Academy Securities, March 10, 2025

Loose Categorizations of Infrastructure Assets

The market appetite for infrastructure investments is palpable, on both the supply and the demand sides. The infrastructure funding gap in the US could reach \$3.7 trillion in the coming years, according to some estimates (Figure 2). Infrastructure equity dry powder is over \$120 billion, based on Preqin data. Debt investors have been piling on infrastructure-related assets. Many portfolios now have mandates to allocate more to infra sectors, based on market conversations. Press reports indicate that investment firms have been ramping up their infra credit teams. All in all, infra CLOs should find a receptive market.

Figure 2. Infrastructure Funding Gap



Source: American Society of Civil Engineers and Academy Securities

We expect that the definitions of what comprises infrastructure assets to become more precise or specific. Currently we see a hodge podge of assets that are considered infra-related, or eligible for infra CLO deals. CLO sponsors, rating agencies, and market participants all allude to different, sometimes very broad universes of infrastructure assets.

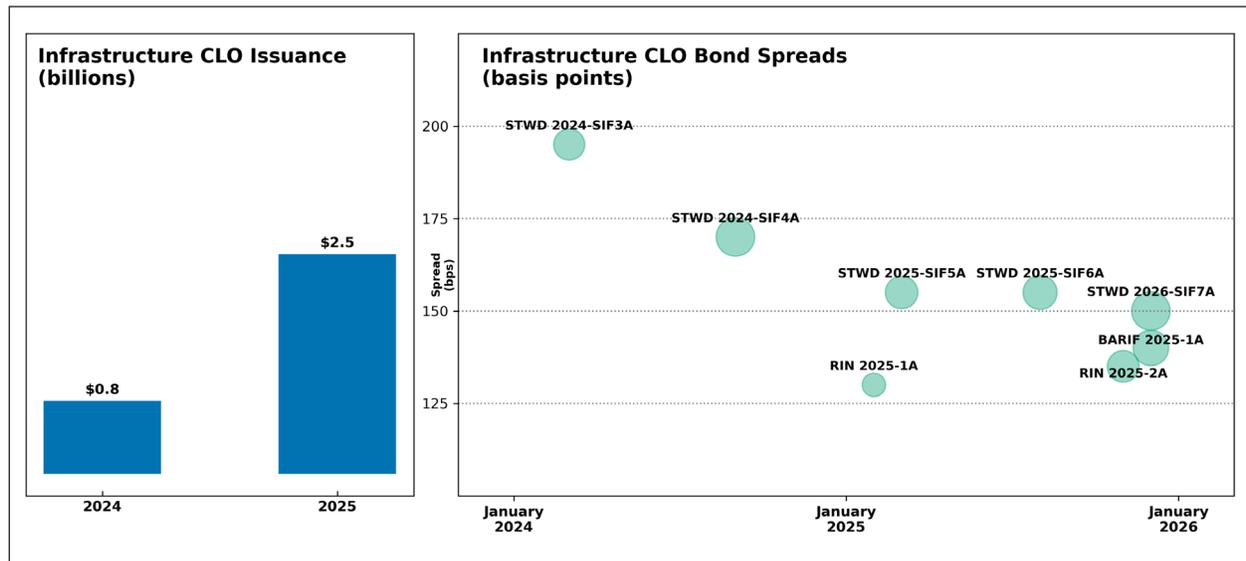
To be sure, segments such as power generation, digital infrastructure, and utilities appear in most of the categorizations we see. But on occasion facilities such as [stadiums](#), military installations, and hospitals also pop up as potentially backing infrastructure debt. Some CLO managers refer to “education infrastructure” as an infra category that can include, for example, private school conglomerates and student housing. In turn, one of the notable infrastructure defaults in recent years that a rating agency highlighted is of Provident Group - EMU Properties, which operates parking facilities at Eastern Michigan University. The coronavirus pandemic had a significant impact on parking demand in the area, driving the default.

All told, we are not suggesting non-core properties of the kind we alluded to above are not necessarily “infrastructure” assets. But the broad categorizations we come across may ultimately dilute a focus on a handful of core segments and their attendant tailwinds. Alternatively, we may see tiering and relative value building in the market as different CLO sponsors offer varying pool compositions.

New Infra CLO Sponsors Tap the Market

New infra CLO shelves should facilitate a wider range of exposures investors can choose from. The market saw at least one inaugural deal in recent months. Other managers have re-tapped the market following a hiatus (Figure 3). Baring’s \$506.8 million BARIF 2025-1 and DWS’s \$405.0 million RIN 2025-2A feature distinct deal parameters and eligibility criteria. Both also offer variations on the few Starwood’s SIF deals that preceded them in the past couple of years.

Figure 3. Infrastructure CLO Issuance and Spread Levels



Source: Bloomberg and Academy Securities

The infrastructure sector concentrations are quite different across recent deals, as Figure 1 showed. Deals can also contain varying mixes of project finance and corporate (non-project) infrastructure debt. Project finance exposures are longer-term, contracted investments. In turn, the corporate exposures are akin to typical broadly syndicated loan (BSL) CLO exposures (albeit with an infra concentration), and can provide better shorter-term liquidity.

Unlike BSL CLOs, which dilute idiosyncratic borrower risk by portfolio breadth, we see infra CLO risk more directly tied to sector-level fundamentals and regulatory/contractual frameworks. BSL CLO portfolios can have a 2% single obligor limit, and 10% sector/industry limit. But similar to BSL CLOs, in infra CLO deals investors will also see some variations in coverage test definitions/thresholds, and other structural features. For example, in STWD 2026-SIF7 the class A/B overcollateralization (OC) test trigger level is 130.85%. In BARIF 2025-1 that test trigger level is 121.58%. Overall, we expect greater focus on OC tests. Investors saw classes failing tests. Nuances in test calculations across deals become more influential, as we discussed in a previous [report](#).²

² “OC Triggers: Subtle Thresholds Come to the Fore As Collateral Distress Builds Up,” Securitized Products Special Topics, Academy Securities, April 4, 2023

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