

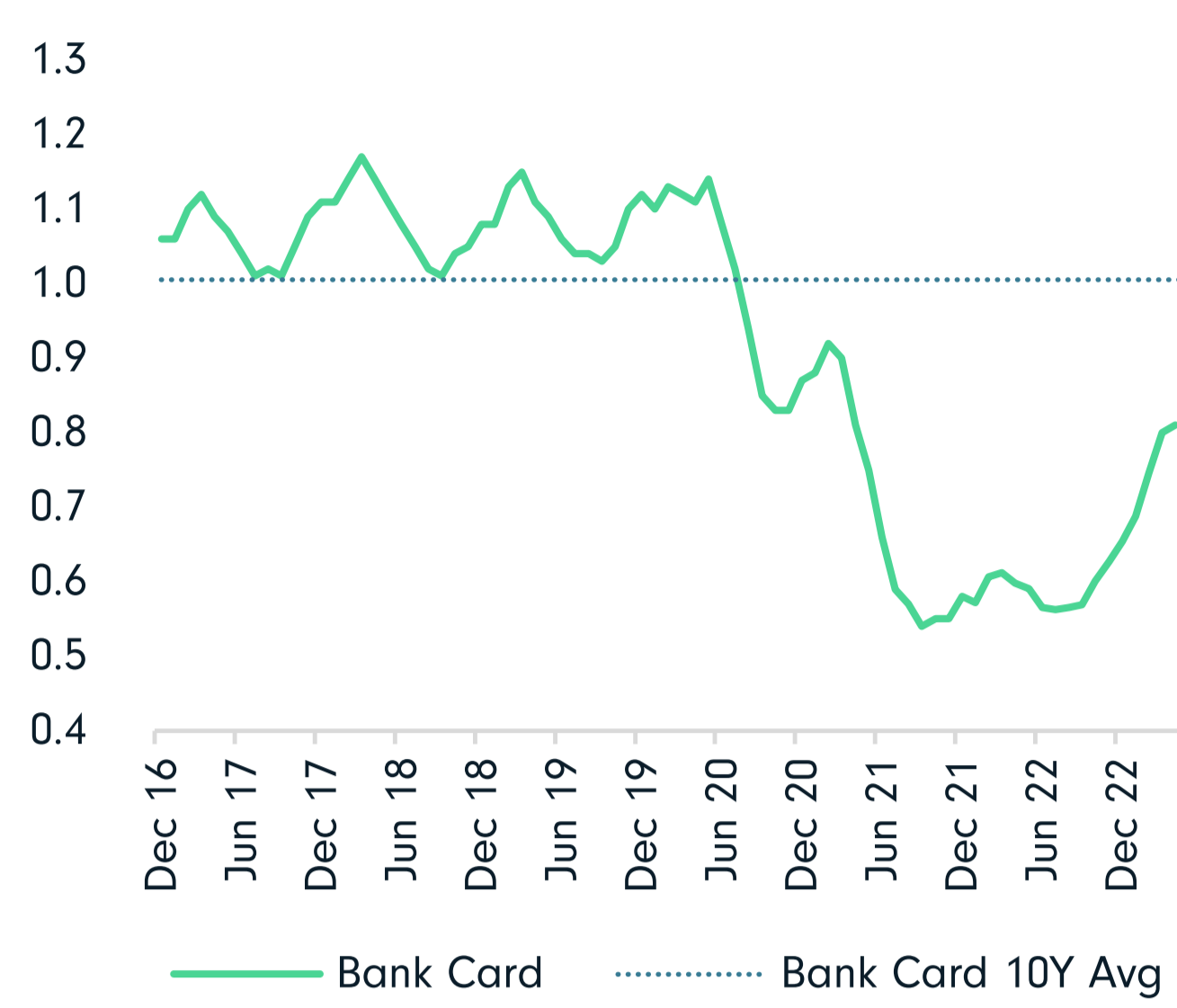
Securitization in Focus

April 2023

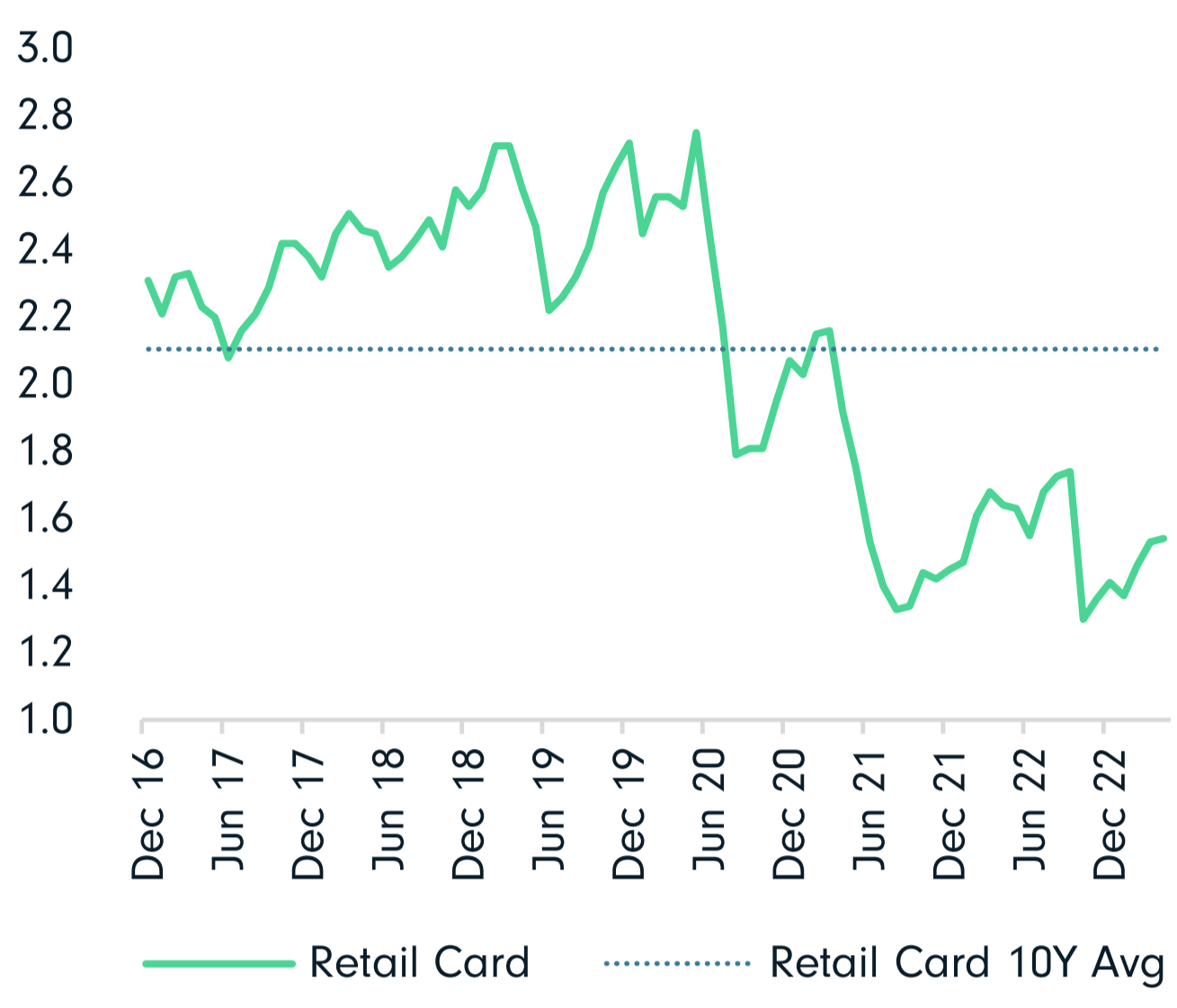
Asset-Backed Securities (ABS)

The consumer continues to show resiliency, and while 60+ day delinquencies have risen over the past couple of months, they look to be stabilizing and remain well below the historic 10-year average.

Bank Credit Card 60+ Delinquencies (%)



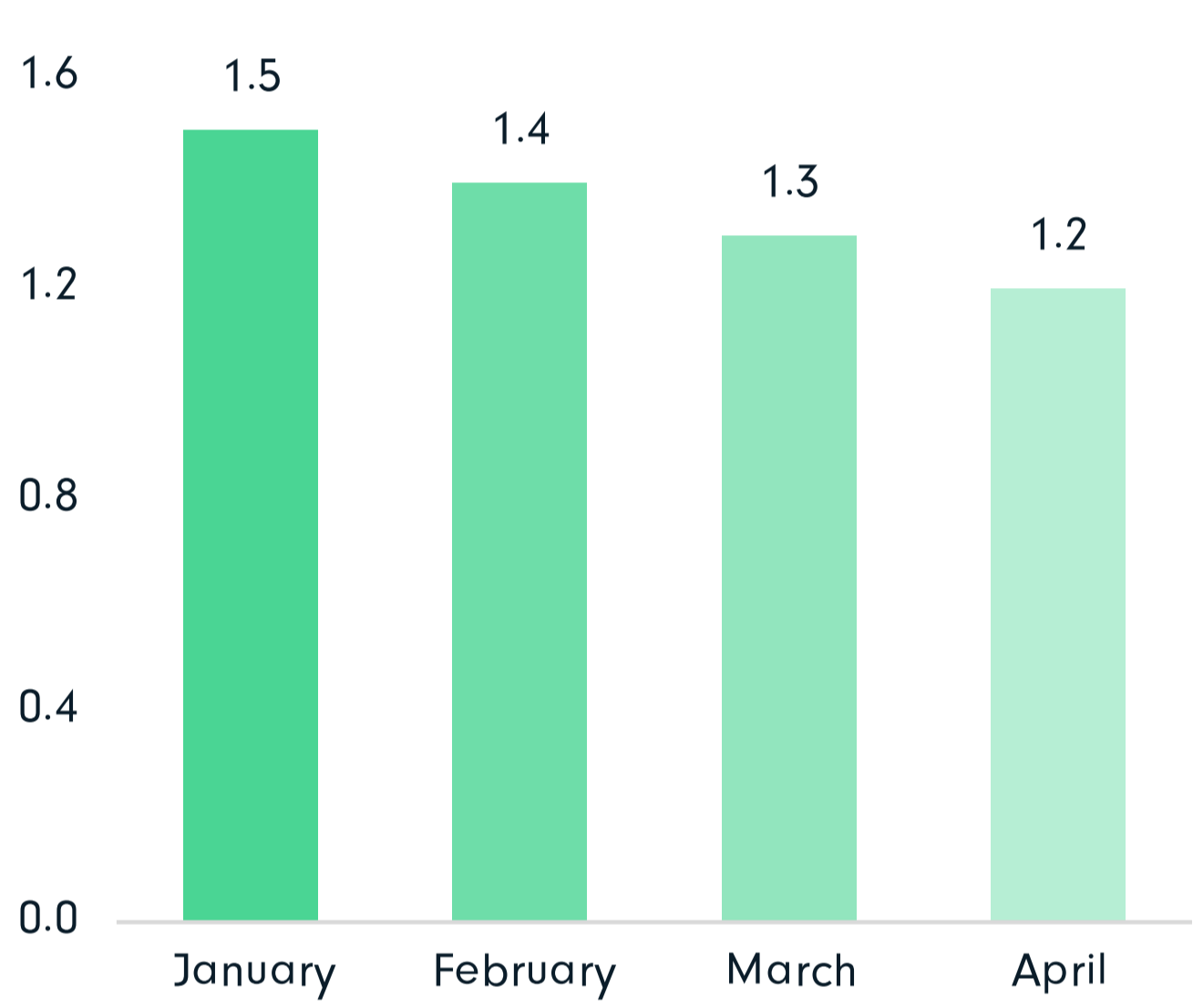
Retail Card 60+ Delinquencies (%)



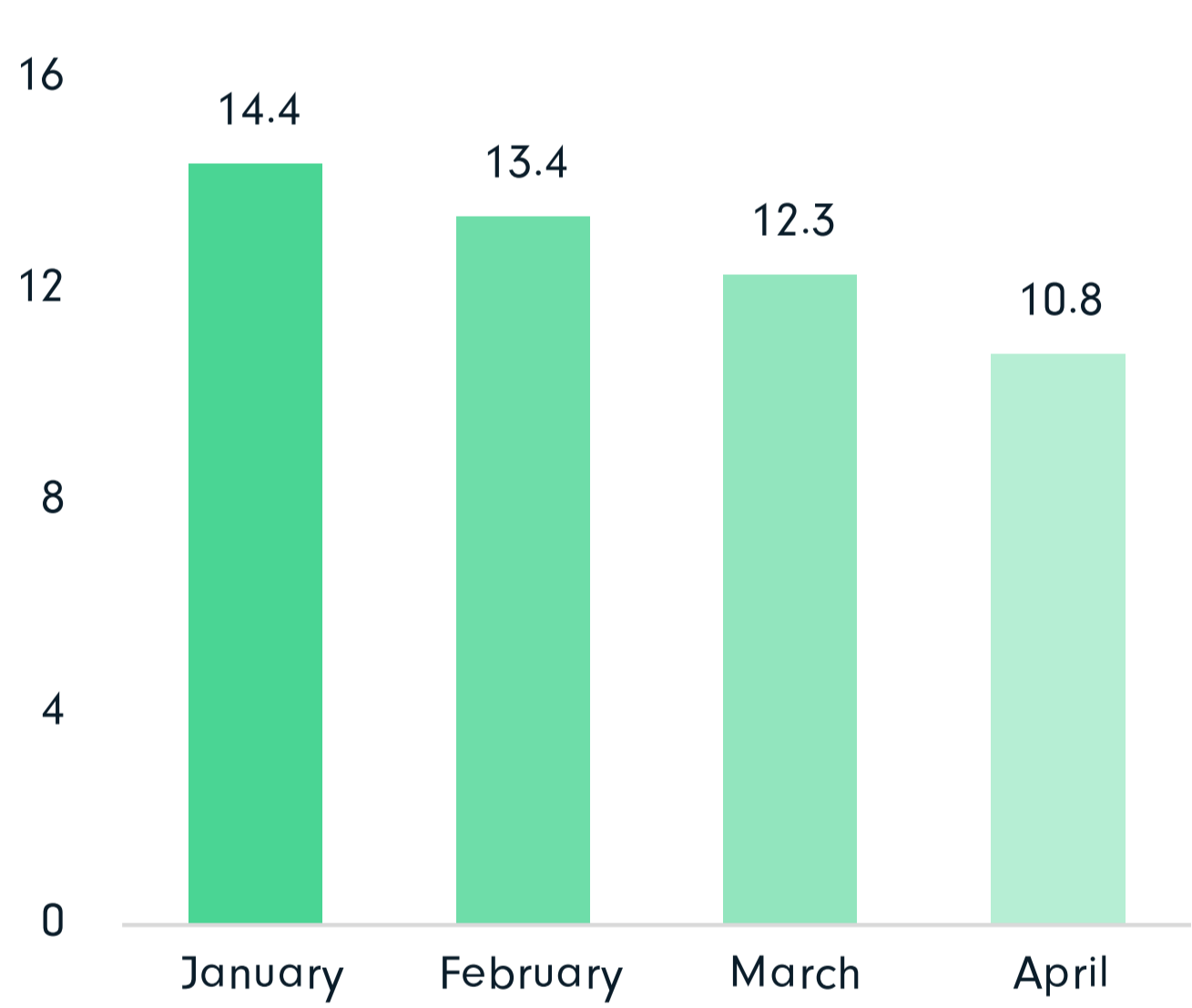
The Tax Man Cometh

30+ day delinquencies in prime and non-prime autos dropped, reflecting the tax return impact of Q1 and April. 90+ day delinquencies follow a similar pattern: Prime holding steady at 0.1% all four months and non-prime down from 1.8% in January to 1.4% in April.

Prime Auto 30+ Day Delinquencies (%)



Non-Prime Auto 30+ Day Delinquencies (%)



Prepayment Rates

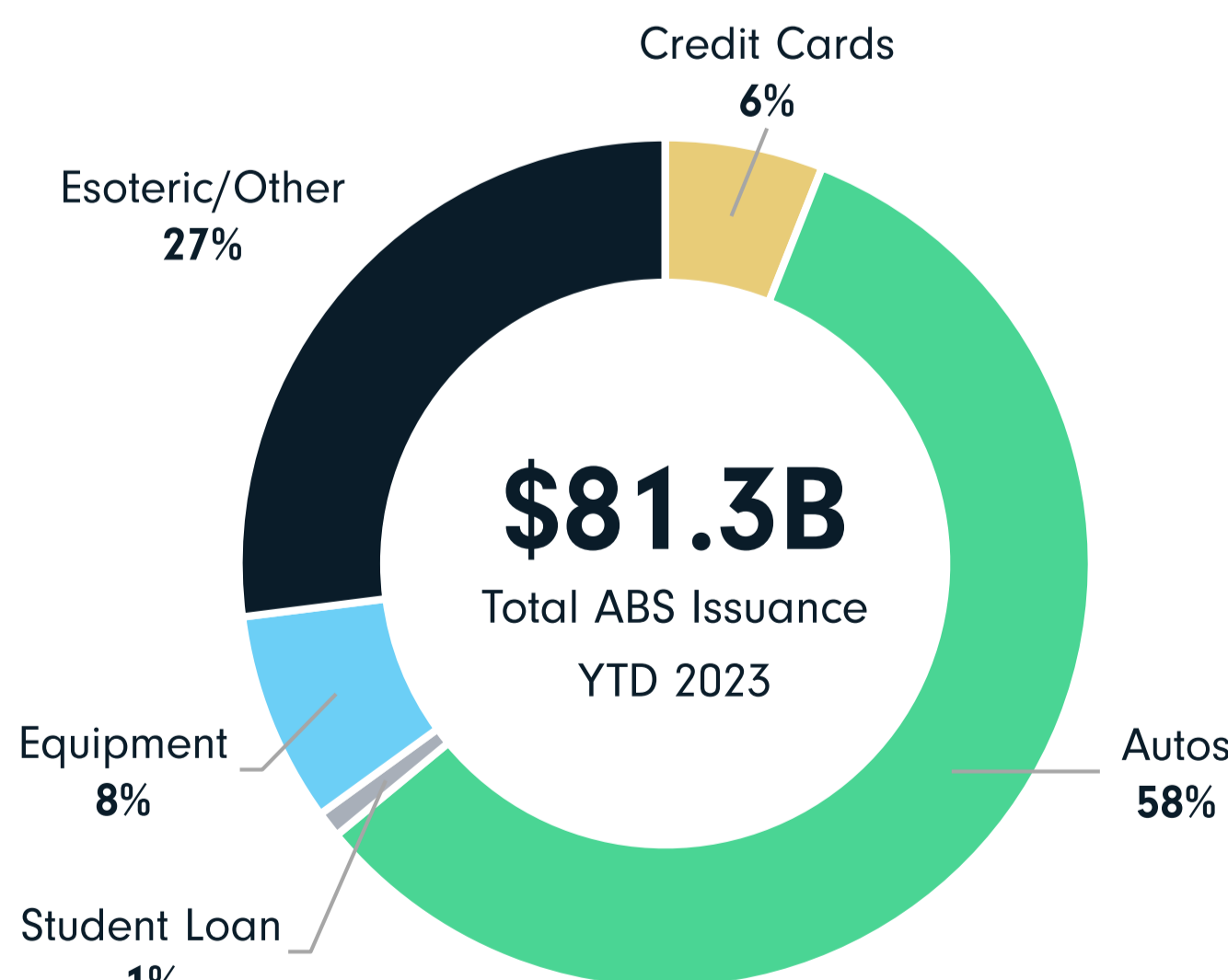
Prepayment rates increased in April but remain below last year's levels.



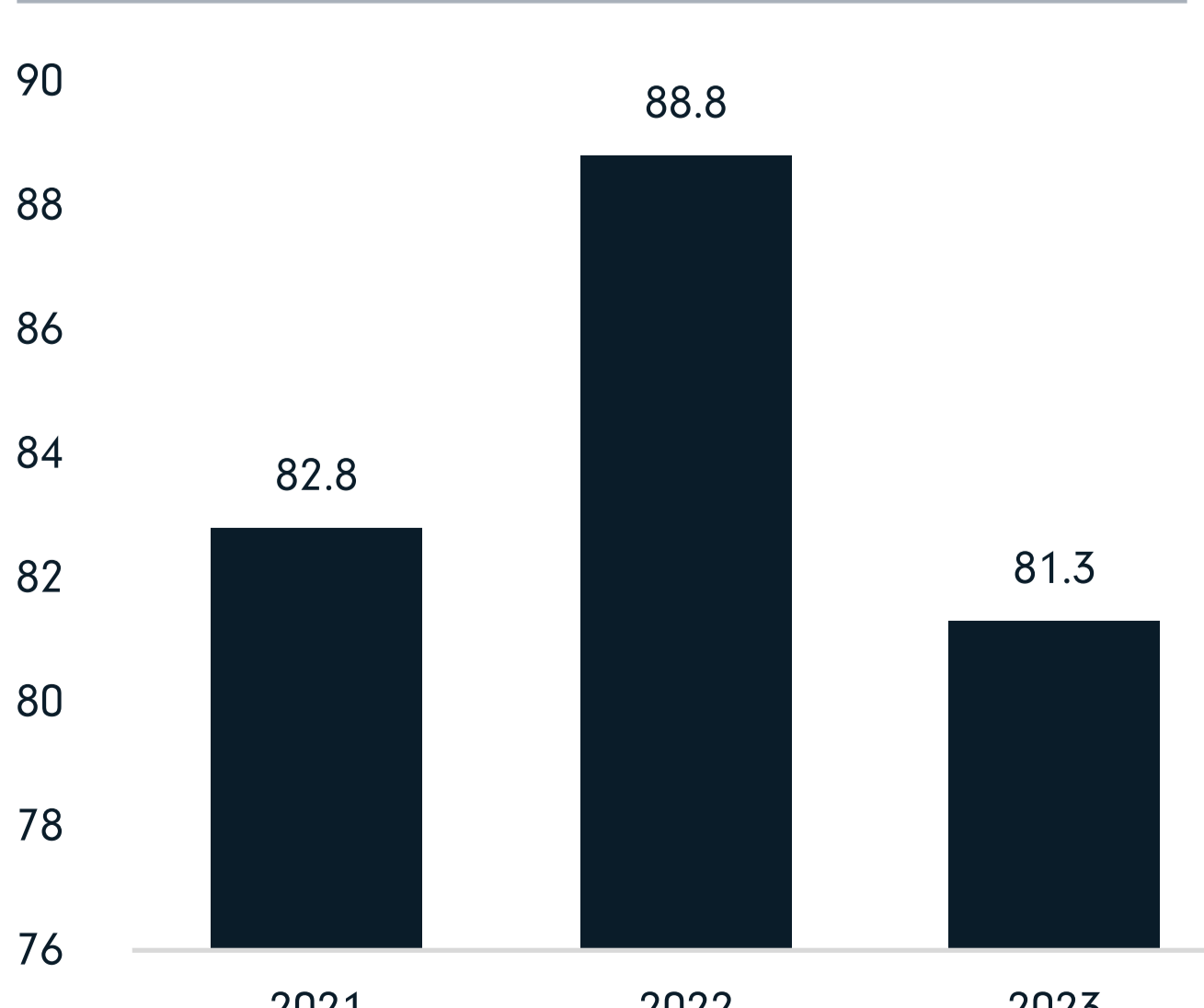
Issuance

Issuers in the ABS market continue to deliver, bringing an additional \$22.1B in April, with autos continuing to dominate more than half of total issuance for the month.

- Returning from a two-month hiatus, credit card issuance jumped to \$3.1B and accounted for 14% of issuance in April.
- Esoteric ABS accounted for 19% of issuance in April, a significant drop from March's 46.7% (a rare Stranded Cost Utility Issuance from TX and LA pushed March higher).



ABS Issuance, YTD through April (\$B)



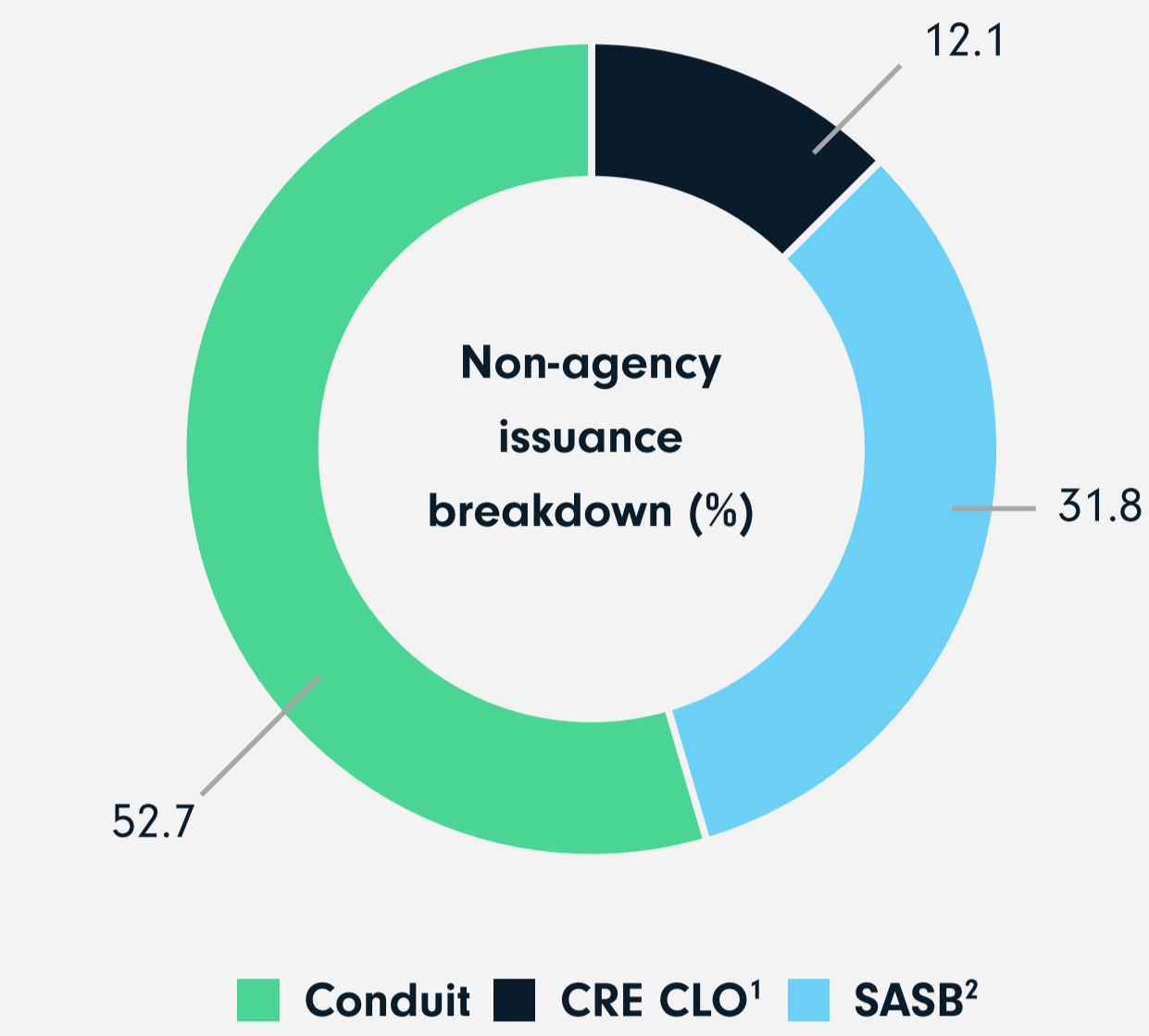
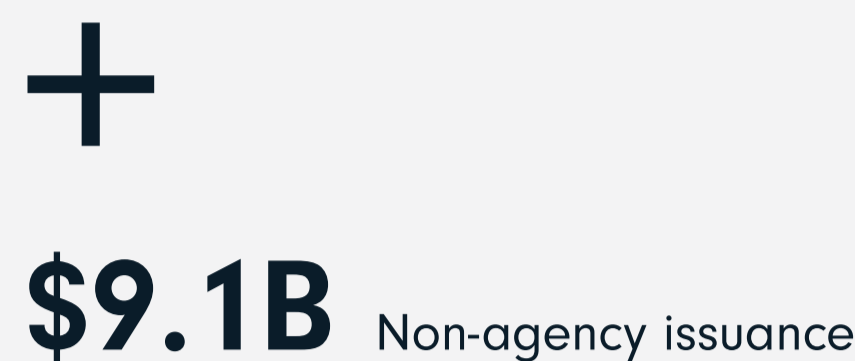
Sources: JPMorgan, Deutsche Bank, Citi.

¹Commercial Real Estate Collateralized Loan Obligations (CRE CLO).
²Single Asset Single Borrower (SASB).

The views expressed are those of Diamond Hill as of May 2023 and are subject to change without notice. These opinions are not intended to be a forecast of future results, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal. Past performance is not a guarantee of future results.

Commercial Mortgage-Backed Securities (CMBS)

CMBS issuance continues its anemic pace, reflecting the headline risks and concerns.



Delinquency Rates (%)

Sector	30+ day delinquencies	Special servicing
SASB	↑0.1 MoM	↑0.4 MoM
CRE CLOs	↓0.4 MoM	↓0.2 MoM
Conduits	0.0 MoM	↓0.1 MoM

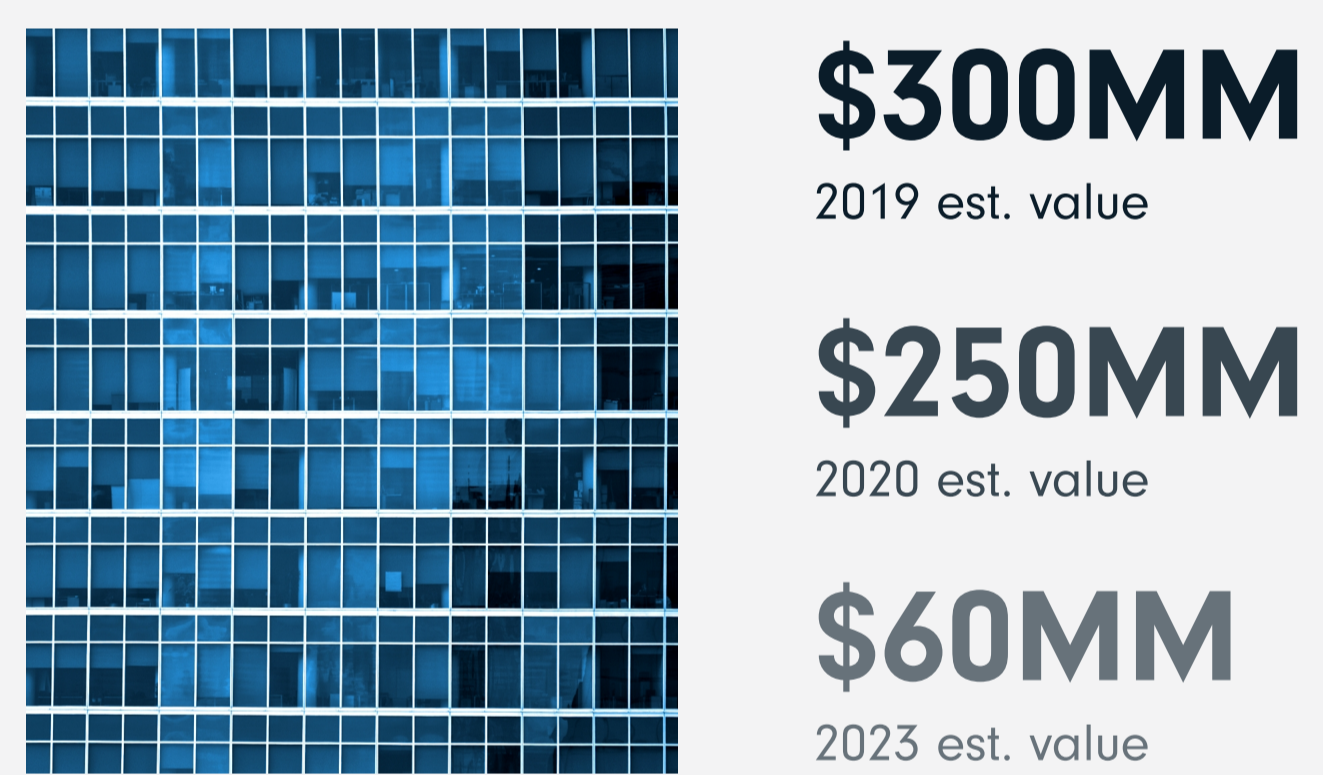
Office	April	YoY
SASB	↑0.4 MoM	↑1.7
CRE CLO	↓0.4 MoM	↑4.4
Conduits	0.0 MoM	↑0.6

Agency CMBS

The FDIC will begin the process of selling its Freddie K and Fannie GeMS positions, roughly \$14.4B from the takeover of SVB and Signature Bank. Expectations are that lists should be in the \$200-300MM range, facilitating an orderly liquidation over a prolonged period.

In the News – Pain in the Market

350 California Street
San Francisco, CA



Residential Mortgage-Backed Securities (RMBS)

Banking Sector Update

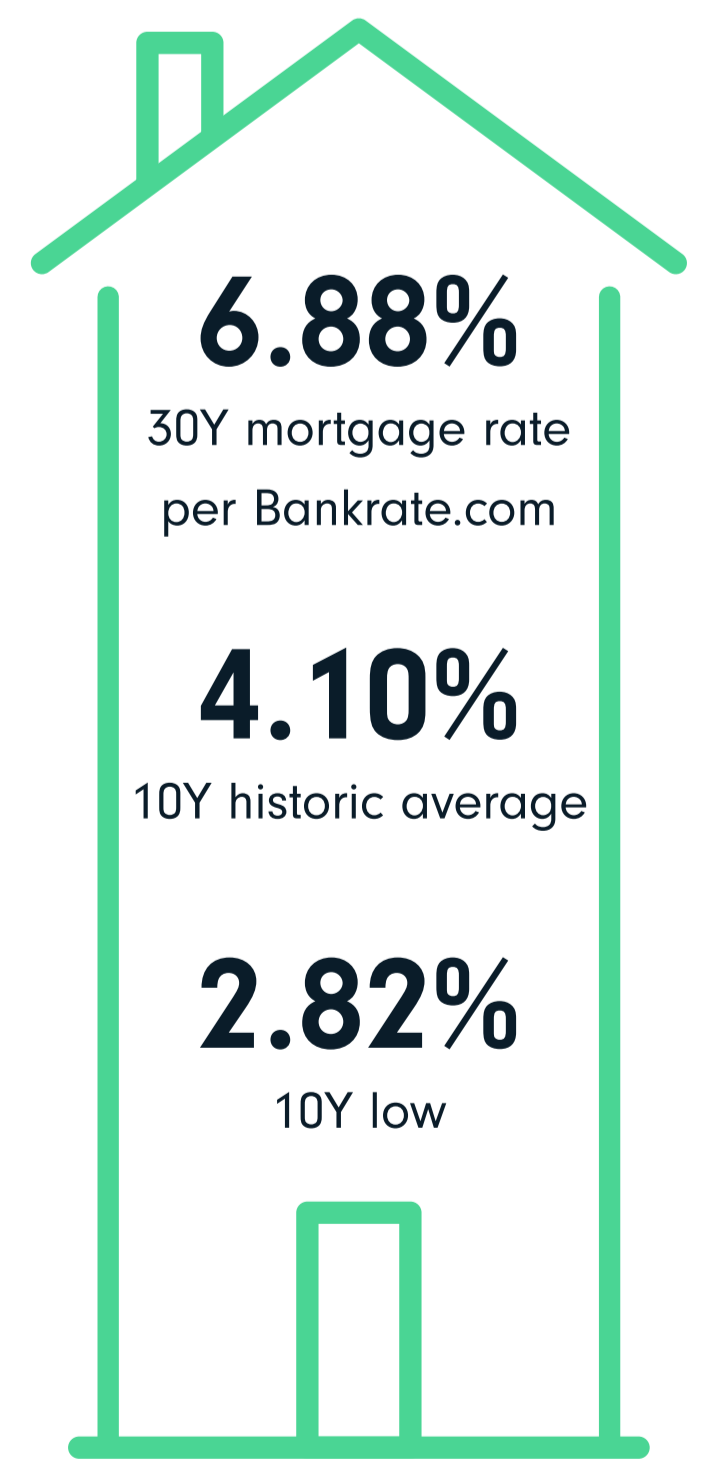
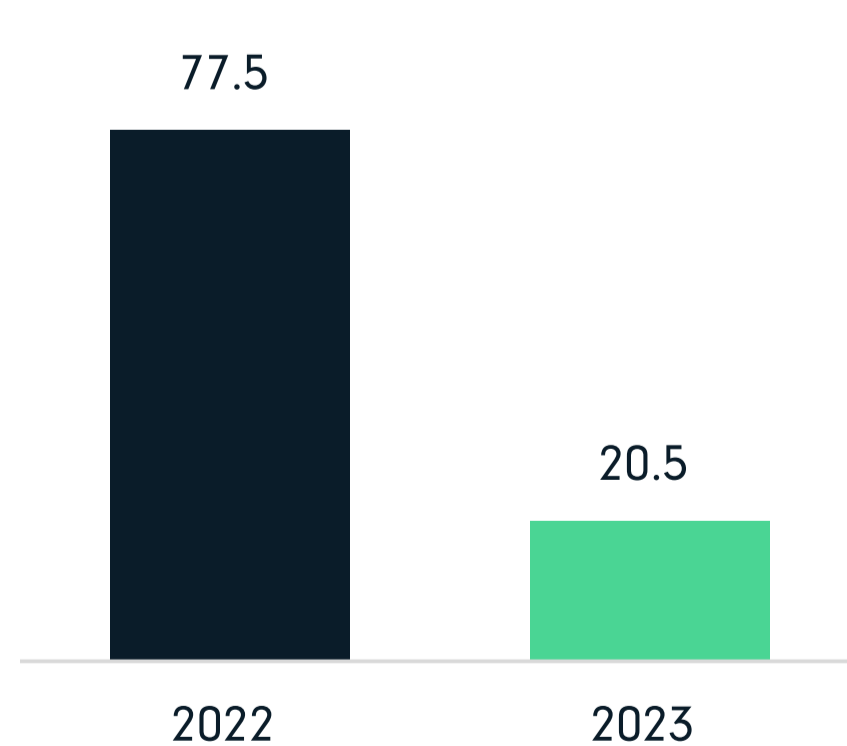
The FDIC began the orderly liquidation (via BlackRock Financial Markets Advisory) of its agency RMBS holdings acquired via Silicon Valley Bank and Signature Bank with minimal disruptions and at a measured pace, starting with two lists each having a total size of \$200-300MM of face value, with expectations of ramping up to roughly \$1.5B to \$2.0B per week. BlackRock also announced that going forward, winning bids will have the option to upsize their purchase at the winning price.

The FDIC's non-agency RMBS sales of former SVB and Signature Bank holdings are complete. The entire process was completed during the final two weeks of the month, with most bonds remaining on dealer balance sheets.

Mortgage Rates

Higher mortgage rates are weighing on non-agency RMBS issuance, which is well behind 2022's pace.

Non-Agency RMBS Issuance YTD through April (\$B)

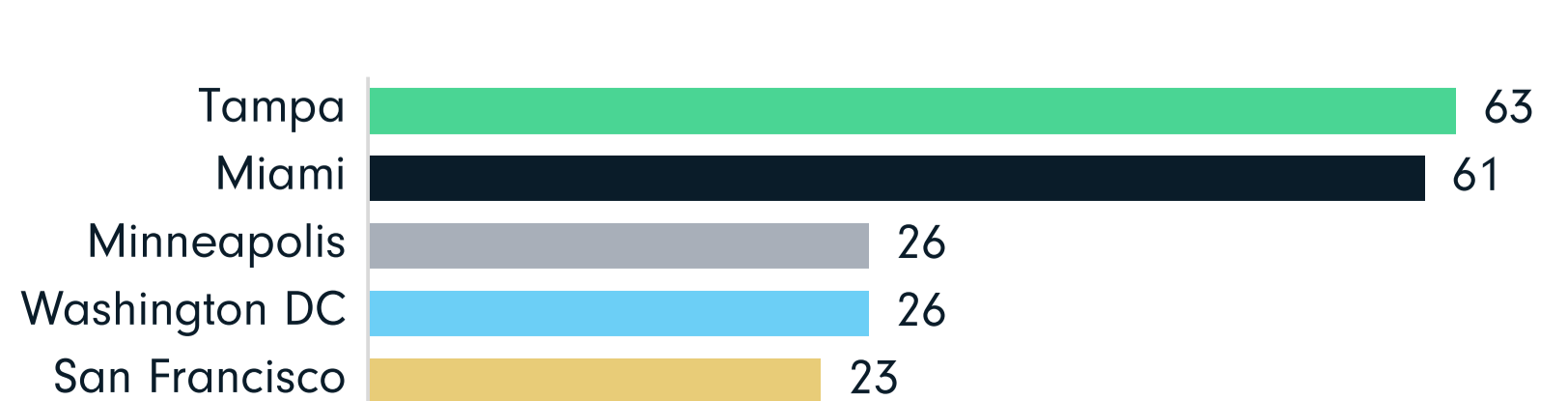


Home Prices

	US National	20-City Composite
12-month change (%)	+2%	0%
% change since 2019	+39%	+36%
% change from peak	-3%	-5%

Leaders and Laggards

Home price increase since 2019 (%)



Sources: JPMorgan, Deutsche Bank, Citi.

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