June 2026

Insurance Themes: Navigating the AI Capex Boom

AI-related debt is now over 15% of the U.S. investment grade bond universe and responsible for multiple $10+ billion private placements, and that's not even taking into account associated sectors such as power generation. Here's where we see potential—and pitfalls—for insurance allocations.

Rawls Morrow, CAIA, CFA, CPA
Head of Insurance Portfolio Management

Owen Joiner, CFA
Co-Head of Portfolio Construction

Investment Management

Key themes for 2H 2026:

- **Navigating the AI credit glut:** A staggering amount of AI capex debt is coming to market across public corporate bonds, private credit, and securitized products. For insurance investors, novel structures demand careful security selection as well as a holistic view of overall portfolio concentration risk given the size and breadth of funding.
- **Tracking the regulator's next move:** With new CLO capital charges in place, many insurers are wondering what's next on the NAIC's agenda. Our bet is ABS in the near term, with RNFs a longer-term challenge.
- **Taking the Fed's temperature:** It was easier to discount rising inflation when it was due to exogenous shocks like the Iran war. But a reacceleration in the labor market means Warsh must walk a fine line to appease both the hawks on the FOMC and doves in the White House.

Digesting data center debt

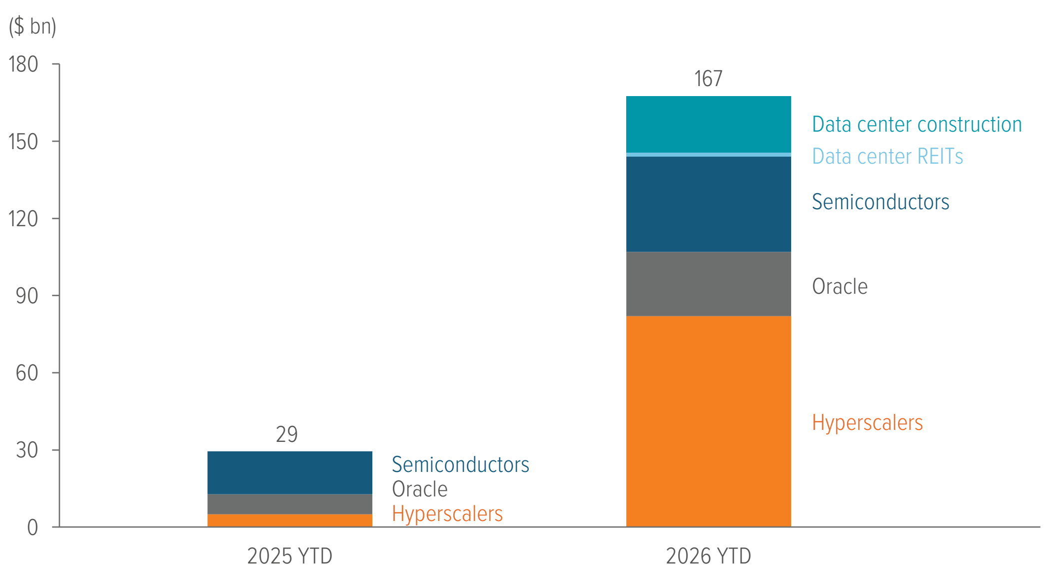
Both public and private IG markets are awash in AI capex debt.

One of the most persistent discussions in markets over the past few years has been whether U.S. equity markets are too concentrated. At present, AI-related companies represent around 49% of the S&P 500, and significant non-index AI names have either recently IPOed (SpaceX) or have filed for IPO (Anthropic; OpenAI).[1]

Mega-deals from AI hyperscalers in late 2025 brought that theme to the fore in debt markets, too (Exhibit 1). AI-related issuance is already over 15% of the investment grade (IG) bond market, and forecasts for total AI-related debt issuance in 2026 top out at over half a trillion dollars.[2]

The story is much the same in the investment grade private placement market, which is seeing a raft of mega-placements from non-bank originators (Exhibit 2).

Exhibit 1: AI-related names are hitting the IG bond market hard in 2026...



As of 06/15/26. Source: Bloomberg.

[1] As of 05/31/26. Source: Voya IM.
[2] As of 06/15/26. Source: JP Morgan, Morgan Stanley.

A holistic approach is necessary to mitigate concentration risk across mandates.

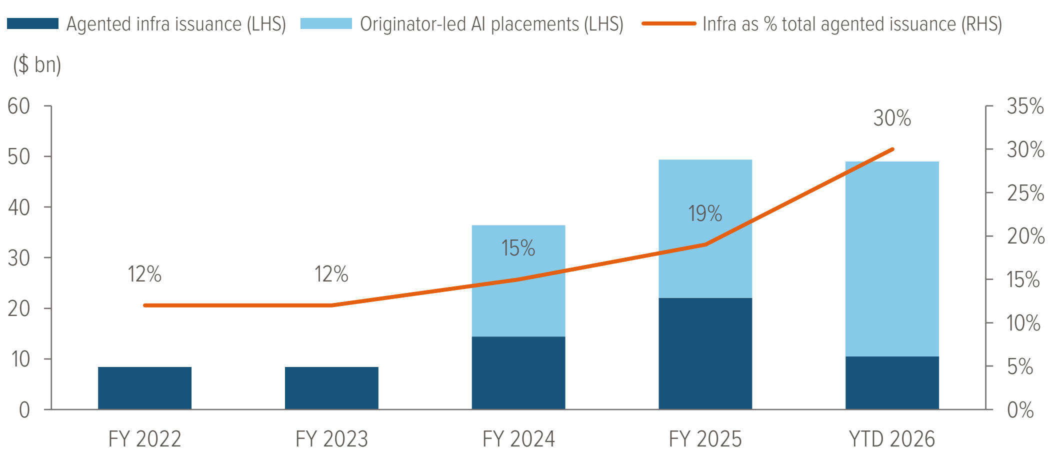
The sheer size of the funding need for the AI buildout, estimated at $5.5 trillion, means that issuers will need to tap every channel to mitigate costs of capital and investor fatigue in capital markets.[3]

The first, and obvious, impact of the AI debt-a-palooza is an increasing need for insurers to look at portfolios holistically to mitigate the risk of over-exposure to any one name. At this point an insurer could theoretically hold an equity stake in Meta while also owning Meta bonds, its data center private placement, and its GPU financing—exposure that could be unknowingly spread out across four different investment teams or mandates.

The second impact is the necessity of evaluating the fine print of a deluge of seemingly similar transactions across multiple debt markets with an eye towards mitigating downside risk and maximizing relative value.

Structures are novel and heterogenous in nature, so security selection is key to avoid embedded risks like extension and lease termination, especially for cutting edge technology that could face obsolescence risk in the future. Where should insurance investors allocate their AI debt dollars?

Exhibit 2: ...And digital infrastructure mega-deals are now regular features of the IG private market



As of 6/15/26. Source: BofA, Voya Investment Management. "Agented" issuance represents investment bank-led infrastructure placements, not all of which are AI or data center related. "Originator-led" issuance includes both Reg D and Rule 144A placements executed primarily by non-bank originators, such as the Beignet Investor (Meta) placement in 2025. Agented data is only to end 1Q 2026; originator-led data is to 06/15/26.

A barbell strategy of shorter-dated deals balanced with longer-duration hyperscaler debt seems to offer the best relative value.

Across the broad (and continually broadening) opportunity set to invest in AI and hyperscalers, we believe superior relative value is offered in well-structured private placements, followed by investment grade corporate bonds (Exhibit 3).

Pairing these exposures enables a barbell approach, with shorter deals that are insulated from obsolescence risk balancing longer duration exposure to hyperscalers that have diversified businesses and cash flow sources away from AI.

While it is nearly impossible to get away from equity-market holdings in big tech companies, increasing concentration risk means the traditional large cap equity index exposures should be reevaluated to maintain diversification discipline.

[3] Specifically, capex booms in a particular sector can be associated with significant spread widening for that sector in the IG credit market. For more, see our Fixed Income Perspectives: How AI Spending Is Creating a More Selective Market.

Exhibit 3: A brief guide to relative value in AI-related debt

	Deal type	Market	Spread	Quality	Tenor	Merits	Considerations
Love	Construction term lending	Private	250	A-BBB	1-5 years	Short term lending avoids obsolescence risk, while strong structural enhancements protect downside.	Construction presents execution risk, making working experienced sponsors and general contractors imperative.
Love	GPU financing	Private	150-550	A-BB	1-5 years	Ability to earn attractive returns for investors seeking short duration.	Rapid depreciation and technology obsolescence makes collateral value highly volatile.
Love	Project Finance	Private	500-1000	BB-B	1-5 years	Tailored structures, emphasizing robust covenants with provisions for specific remedies in the event of default. Ability to benefit from the AI boom without direct exposure.	Offtaker agreements with technology companies pose more risk than those with utilities or other load serving entities. Careful analysis of offtake agreements is key to avoiding taking AI risk.

	Deal type	Market	Spread	Quality	Tenor	Merits	Considerations
Like	IG data center project bond	Public	150-275	BBB	10-20 years	With the right structure, tight lease terms, and amortization profile inside the terms of the lease, can provide an attractive spread pickup to hyperscaler debt.	Hyperscaler issuer concentration risk should be carefully monitored across asset classes.
Like	IG hyperscaler bond	Public	50-225	AAA-BBB	1-40 years	Diversified businesses provide other cash flow sources to support capital expenditures and protect downside.	Near-term issuance needs to fund capital expenditure will continue to weigh on spreads.

	Deal Type	Market	Spread	Quality	Tenor	Merits	Considerations
Leave	Data center ABS	Public	130-250	A-BB	5 years	With the right tenant credit, lease terms including termination options, SLA termination clauses, location, and construction year, data center ABS can provide attractive spread for the rating.	Higher embedded leverage and ARD structure increases refinancing risk while higher concentration in colocation increase rent roll risk.
Leave	Data center CMBS	Public	115-375	AAA-BBB	5-10 years	For CMBS investors looking for duration, data centers can provide high quality exposure at the top of the stack with longer duration profiles provided the structure is attractive.	Similar ARD risk exists in CMBS and creates extension and refinancing risk. Replacement use for data centers begs question whether assets are truly CRE risk.
Leave	High yield bonds	Public	200-400	BB-B	3-8 years	Broad array of structures with varying levels of offtake support increase opportunity for security selection. Potential for upgrades as projects are completed.	Tougher for insurance companies to play public HY, particularly when spreads are tight. Opportunistically look for better entry point into the right deal structure.

As of 06/18/26. Source: Voya IM.

Longer-duration AI debt: Choose carefully, stick with quality

Data centers are an uncomfortable hybrid of commercial real estate and infrastructure.

Most of the longer-dated AI-related private placements have been to fund data center projects. How you look at the risks associated with building out data centers comes down to whether you think they behave like true commercial real estate—or not.

This has been one of the most hotly-debated subjects on our desk. Ultimately we have come down to the belief that they fall somewhere uncomfortably in between commercial real estate and infrastructure. For one, their cost per square foot is wildly, incandescently higher than that of any other form of commercial real estate—which has caused our commercial mortgage loan team to steer clear of them.

And then there is the reuse question. If overall demand drops off for these hyperscale data centers, what tenant moves in there? Increasingly, these data centers are being sited in the middle of nowhere because of community pushback—nobody wants them in their backyard. That type of isolated location can make it difficult for the building to be modified for a different type of tenant.

It's hard not to see a hint of the late-1990s telecom boom, and this has influenced our thinking in a few ways.

The first is that we are wary of both refinancing risk and leasing risk. On the investment grade private placement side, that means we are looking for amortizing deals from strong sponsors that fully repay before any lease renewal happens.

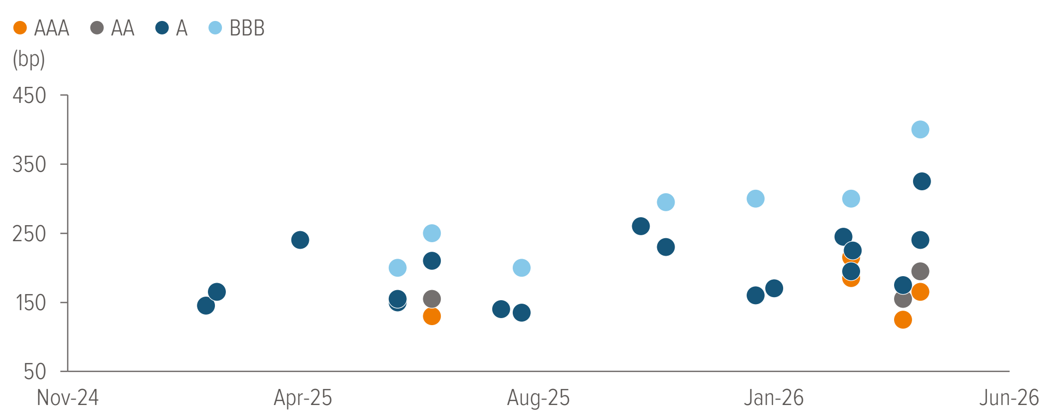
For the lease term covered by the placement, we are looking for a high-quality, investment-grade tenant who is unable to cancel or otherwise get out of their lease contract before the placement repays.

CMBS data center structures frequently put too much risk on the investor.

This has kept us out of the data center CMBS market, despite some attractive spreads on AAA tranches. The amount of leverage in CMBS plus extension risk on deals with anticipated repayment dates (ARDs) has not provided the comfort we need to invest.

We note especially that post-ARD coupon step-ups meant to encourage the borrower to refinance do not usually flow through to the CMBS holders, who bear all of the extension risk and none of the reward. We are still fans of traditional CMBS, but the mishmash of structures we've seen so far from data center CMBS have not been encouraging (Exhibit 4).

Exhibit 4: Data center CMBS' disparate pricing indicates their inconsistent structures



As of 06/18/26. Source: Bloomberg; Voya IM.

We are avoiding medium or long duration below investment grade data center debt.

Shorter-dated debt: More diverse options, and a little more appetite for risk

Short-dated GPU placements can provide mitigation from obsolescence risk.

There are interesting shorter-term private placements coming to market related to the AI boom. The obvious one is GPU financing, given that GPUs are over 50% of data center construction cost. We have participated in a couple GPU financing deals that were guaranteed by investment-grade sponsors.

The guarantee is important—GPUs share the same risks as data centers if there is a setback in the AI growth story. Plus, we haven't been through a full upgrade cycle for AI data center GPUs yet, so their depreciation schedule remains educated guesswork.

Well-structured below IG construction finance is also attractive.

Short-dated private debt is the only place where we're looking at below investment grade transactions—specifically in construction finance. There have been interesting offerings at attractive spreads for both data center and power generation construction finance.

The deals we like are ones with an experienced developer where all major permits are in place, leases or offtake agreements are contracted, and the project is broadly de-risked.

These construction loans tend to be refinanced into lower-spread, longer-term placements as the data center or generation plant is close to becoming operational, providing a natural exit point.

CLO-sure, at last

After years in the making, we finally have some clarity on the path forward for CLOs and we will likely have new ratings-based capital charges by end of year (Exhibit 5). We have already fielded a number of questions on the desk about how these new charges impact both our balance sheet and our clients', and the answer is: Honestly? Not much.

It's a good day for fans of the A tranche, like us.

Exhibit 5: The proposed new CLO capital charges vs. the old ones

Tranche credit rating (NAIC category)	Current RBC factor (in effect through 2025)	Proposed RBC factor (target 2026 adoption – pending NAIC approval)		Change vs. current	
		Thickness > 4%	Thickness ≤4%		
AAA (NAIC 1.A)	0.158%	0.036%		-0.122% (-77% lower)	
AA (NAIC 1.C)	0.419%	0.048%		-0.371% (-89% lower)	
A (NAIC 1.F)	0.816%	0.168%		-0.648% (-81% lower)	
BBB– (NAIC 2.C)	2.168%	3.281%	15.048%	1.113% (51% higher)	12.880% (594% higher)
BB (NAIC 3.B)	4.537%	25.156%	36.923%	20.619% (454% higher)	32.386% (714% higher)
B (NAIC 4.B)	9.535%	42.308%	54.075%	32.773% (344% higher)	44.54% (467% higher)
CCC (NAIC 5.B)	23.798%	66.346%	78.113%	42.548% (179% higher)	54.315% (228% higher)

As of 06/15/26. Source: Adapted from NAIC's Life RBC Working Group proposals (American Academy of Actuaries modeling). Current factors reflect existing bond-based RBC charges for CLO tranches by rating (post-2021 Life RBC C-1 bond factor update). Proposed 2026 factors were exposed in Spring 2026 and incorporate a new tranche thickness adjustment for BBB– (Baa3) and lower-rated CLO tranches (i.e. thin "mezzanine" positions ≤4% of deal size incur much higher capital charges). Effective timing: The NAIC targets year-end 2026 for implementation of the new factors (requiring adoption by mid-2026), although a possible delay to year-end 2027 has been acknowledged if final approval slips past mid-2026.

Our central tendency has been that the single-A CLO tranche offers us the best balance of spread and risk mitigation. We have broadly resisted the siren call of the spready BBB tranches that are popular with some of the more aggressive insurers, and as such have only a modest exposure on our balance sheet.

Overall, once the new charges are implemented, Voya's capital should ultimately improve.

RNFs are an unlikely next stop for the NAIC. Our money's on ABS.

The other big question is what the NAIC focuses on next. We've heard rumblings that rated note feeders (RNFs) will be up for closer scrutiny, but let's keep in mind that the NAIC's CLO modelling process took 3-4 years for what are very standardized securities with long track records and copious publicly available leveraged loan data.

We don't think it's practical—or even possible—for the regulator to analyze the heterogeneous, highly bespoke RNF universe in the same way.

We think that the NAIC's recent bump of capital charges for RNF residual tranches will be its only move regarding RNFs for the near future, and that any non-public securitization work from the NAIC is likely to be a much longer-term project.

It's much more likely that the NAIC will model out other types of public securitized credit with long track records and more homogeneous asset pools, such as the major ABS categories.

Higher for even longer

The federal government's debt is now roughly equal to—and growing faster than—the U.S. economy. Yale's Budget Lab estimates that Congressional spending decisions since 2015 have added almost a percentage point to Treasury rates.

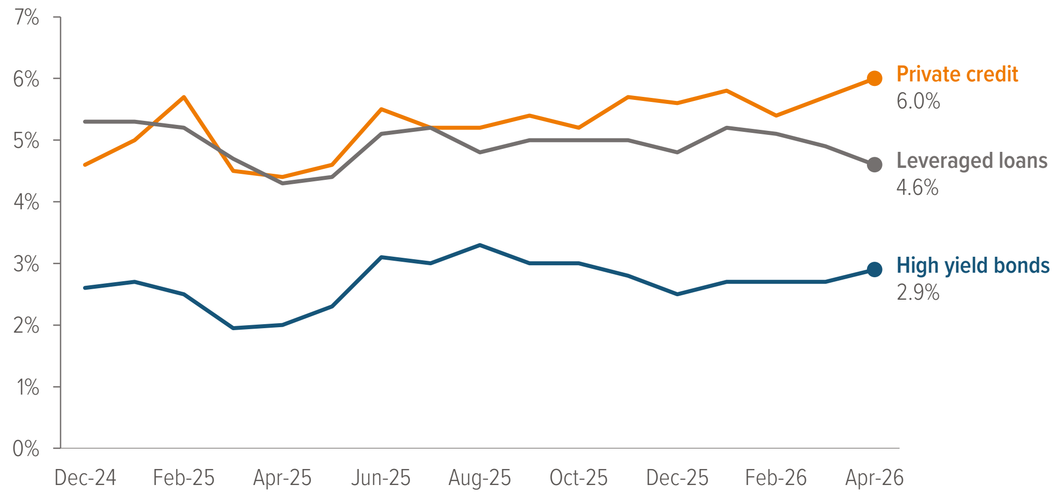
Borrowing costs are likely to stay high. That's great for fixed income investors...

U.S. inflation is running hot, driven by high oil prices due to the Iran war. AI has added another inflation impulse as demand for semiconductors and other components for the AI buildout exceed supply. Higher inflation and a reaccelerating labor market has shifted the market pricing of the next move from the FOMC to be a hike versus a cut. The Fed confirmed this shift in position with a more hawkish tone at its June meeting, with half of the members expecting to hike rates later this year.

We've talked before about real yields being the highest in almost 20 years, and that doesn't look like it's going to change soon. It's still a good time to be a fixed income investor, but it's less of a good time to be among certain classes of fixed income borrower.

Exhibit 6: Speculative-grade private credit defaults are trending upwards

Trailing twelve month defaults for below investment grade debt (%)



As of 06/01/26. Source: Fitch Ratings.

...but not so good for certain stressed borrowers.

The effect of these higher rates have not been felt yet by many below investment grade borrowers who took out cheap five-year debt in 2021 and early 2022 on ambitious growth plans. For some of those borrowers, those growth plans have not come to pass, and the loans are now coming due. These borrowers may struggle to pay current market interest rates.

This is unlikely to be an “all at once” thing, as extensions and amendments come into play—but high yield private credit defaults decoupling from leveraged loans and rising to 6% hints at a trend of increasing weakness among older-vintage loans (Exhibit 6).

There are other ways to achieve spread than going down in rating, and we remain fans of duration, illiquidity, and complexity.

We welcome the opportunity to discuss these or any other insurance investing topics with you.

A note about risk

The principal risks are generally those attributable to bond investing. All investments in bonds are subject to market risks as well as issuer, credit, prepayment, extension, and other risks. The value of an investment is not guaranteed and will fluctuate. Market risk is the risk that securities may decline in value due to factors affecting the securities markets or particular industries. Bonds have fixed principal and return if held to maturity but may fluctuate in the interim. Generally, when interest rates rise, bond prices fall. Bonds with longer maturities tend to be more sensitive to changes in interest rates. Issuer risk is the risk that the value of a security may decline for reasons specific to the issuer, such as changes in its financial condition. High yield securities, or “junk bonds,” are rated lower than investment grade bonds because there is a greater possibility that the issuer may be unable to make interest and principal payments on those securities. Foreign investing does pose special risks, including currency fluctuation, economic and political risks not found in investments that are solely domestic. Emerging market securities may be especially volatile. Investments in mortgage-related securities involve exposure to prepayment and extension risks greater than investments in other fixed income securities. The strategy may use derivatives, such as options and futures, which can be illiquid, may disproportionately increase losses, and could have a potentially large impact on performance. Investments in commercial mortgages involve significant risks, which include certain consequences that may result from, among other factors, borrower defaults, fluctuations in interest rates, declines in real estate values, declines in local rental or occupancy rates, changing conditions in the mortgage market, and other exogenous economic variables. All security transactions involve substantial risk of loss. The strategy will invest in illiquid securities and derivatives and may employ a variety of investment techniques, such as using leverage and concentrating primarily in commercial mortgage sectors, each of which involves special investment and risk considerations. Other risks include, but are not limited to: credit risks; credit default swaps; currency; interest in loans; liquidity; other investment companies’ risks; price volatility risks; inability to sell securities risks; U.S. government securities and obligations; sovereign debt; and securities lending risks.

IM5630701 • 062326 • 2026-06-6310650

Investment Management