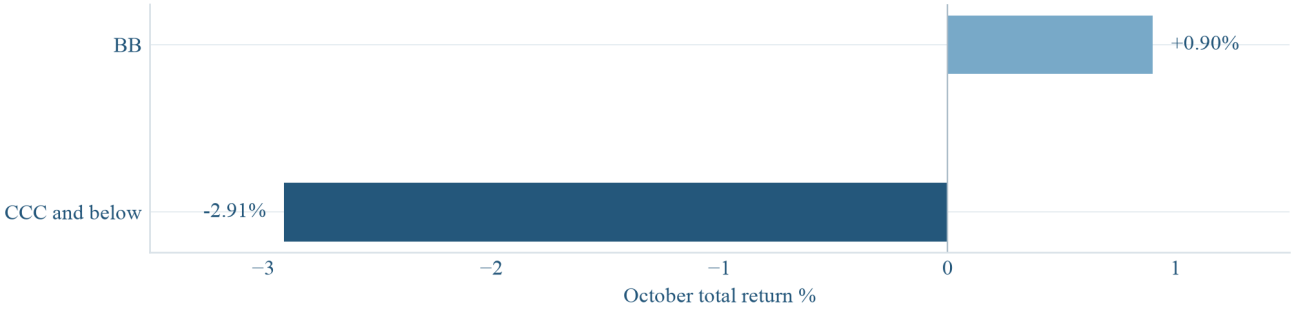
The case for active high yield

AI financing and potential fallen angels | 13 November 2026

An attractive market yield does not make every bond attractive. Investors still need to choose the cash flows, balance sheets and terms they want to own. AI financing makes that choice more important.

The market average hides different outcomes



Source: SiM October commentary. ICE rating segment returns, October 2026.

October shows the gap between stronger and weaker credits. Active managers can avoid poorly compensated risks or buy when forced selling creates value. That flexibility does not guarantee outperformance.

AI debt needs more than a growth forecast

A business with cash flow is different from a project waiting for power and tenants. Some AI financing relies on guarantees that start only after completion. Investors need to check what protects them if delivery is late.

Credit risk	What to establish before buying
Completion and power	Funding through delays, grid access and remaining costs.
Tenant and guarantee	Who pays, when protection starts and termination rights.
Refinancing and recovery	Debt maturity versus cash flow; collateral value if demand weakens.
Concentration	Shared tenants and counterparties across issuers.

Source: ZeroHedge, 12 November 2026, reporting Goldman Sachs. Terms differ by deal.

Three decisions an active manager can make

- **Issuer.** Avoid borrowers whose debt service relies on rapid AI growth.
- **Bond.** Select the maturity, seniority and protections.
- **Price.** Wait, or buy selected fallen angels after forced selling.

Oracle could represent around 6% of US high yield

If Oracle fell into high yield and the assumed debt qualified in full, it could represent around 6% of the expanded US high yield universe. That would be a significant single issuer exposure. The downgrade and the resulting weight remain a scenario.



Calculation: $94.2bn ÷ ($1,400bn + $94.2bn) = 6.3%. Based on the earlier Candoris scenario: FTSE Oracle market value, September 2026; rounded US HY market size, March 2026. Assumes full eligibility and unchanged values. Actual index weights depend on prices, eligibility and caps.

Why the distinction matters

- One downgrade does not automatically put every bond into every index.
- Trackers generally reflect eligible entrants within their replication approach and limits. Active managers can select bonds, underweight or stay out.
- A downgrade can create value as well as risk. Cash flow, terms and price should determine the position.

SiM as a practical example

SiM reports no direct data center or neocloud exposure. The team sees many such deals as construction financing. As lenders, it wants dependable cash flow to support a fixed return.



Source: SiM portfolio, 31 October 2026. Selected indirect supplier holdings total 4.08%; not total AI exposure.

Wesco, Ciena and TTM Technologies supply infrastructure and components. SiM's credit cases rest on existing cash generation and debt servicing capacity. Prices can still react to AI spending and sentiment.

What to ask your high yield manager

Which holdings can service debt if AI investment slows? Which guarantees survive a delay? What price and position size would make a fallen angel attractive?

Sources: SiM reports and PM comments; FTSE Russell; ICE methodology; Candoris scenario analysis, 5 November 2026. Marketing communication. Capital is at risk. No rating action is forecast. Views and holdings may change.