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AI Disruption Puts Software Exposure in Focus

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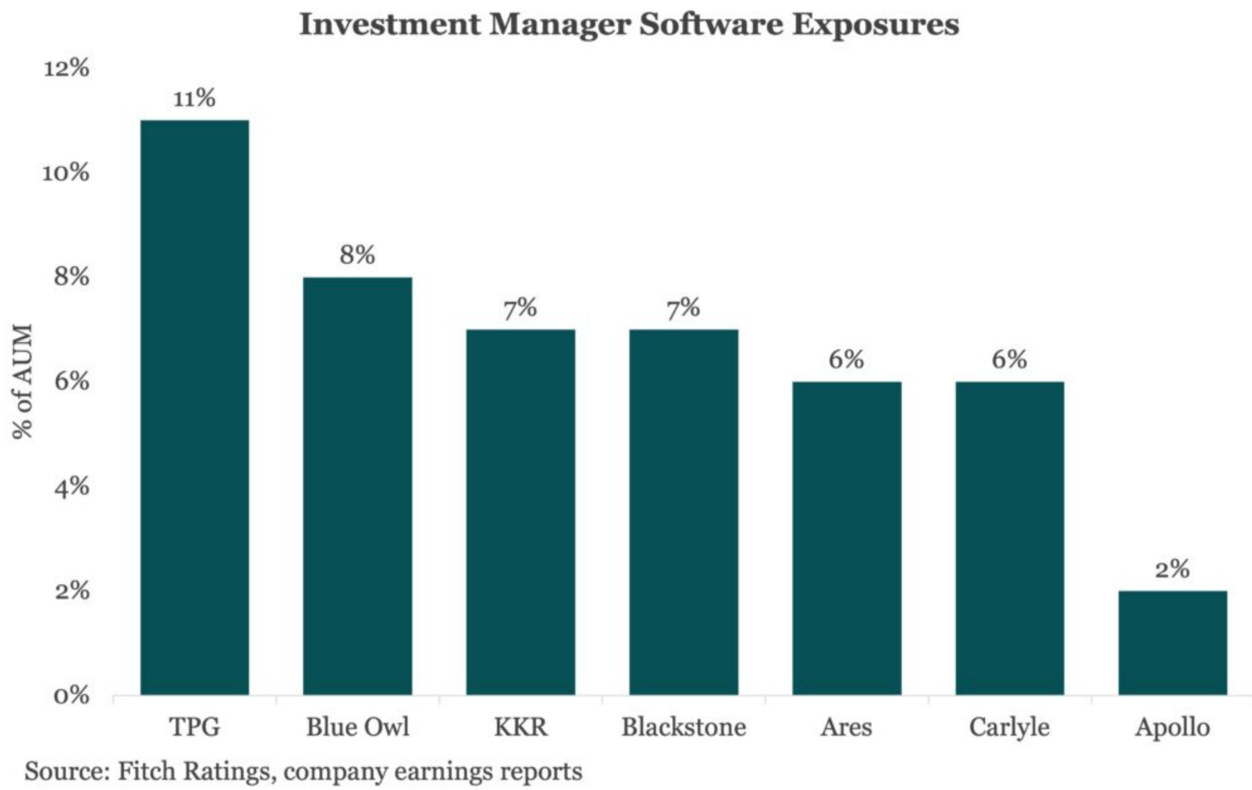

AI Disruption Puts Alt-Investment Manager Software Exposures in Focus

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Sharp declines in major software company valuations amid rising investor concerns about AI-driven disruption have raised questions about lenders’ and asset managers’ sector exposure. While direct lenders, including business development companies (BDCs), typically have sizable software exposures, Fitch-rated alternative investment managers (alt IMs) are generally more diversified, with software representing roughly 2% to 11% of assets under management (AUM) as of Dec. 31, 2025.

Most alt IM software exposure sits in credit portfolios with substantial equity cushions. Average loan-to-value ratios (LTV) were under 40% at origination. Alt IMs also report strong cash yields on software loans and minimal exposure to annual recurring revenue (ARR)-based lending. Therefore, Fitch views refinancing risk as the key concern, as opposed to near-term defaults. Weaker valuations and negative sentiment could pressure takeouts, with remaining maturities generally in the three- to four-year range.