

What is asset-backed finance?

Asset-backed finance is a specialized form of private credit with a fundamentally different risk and return profile than traditional corporate lending.

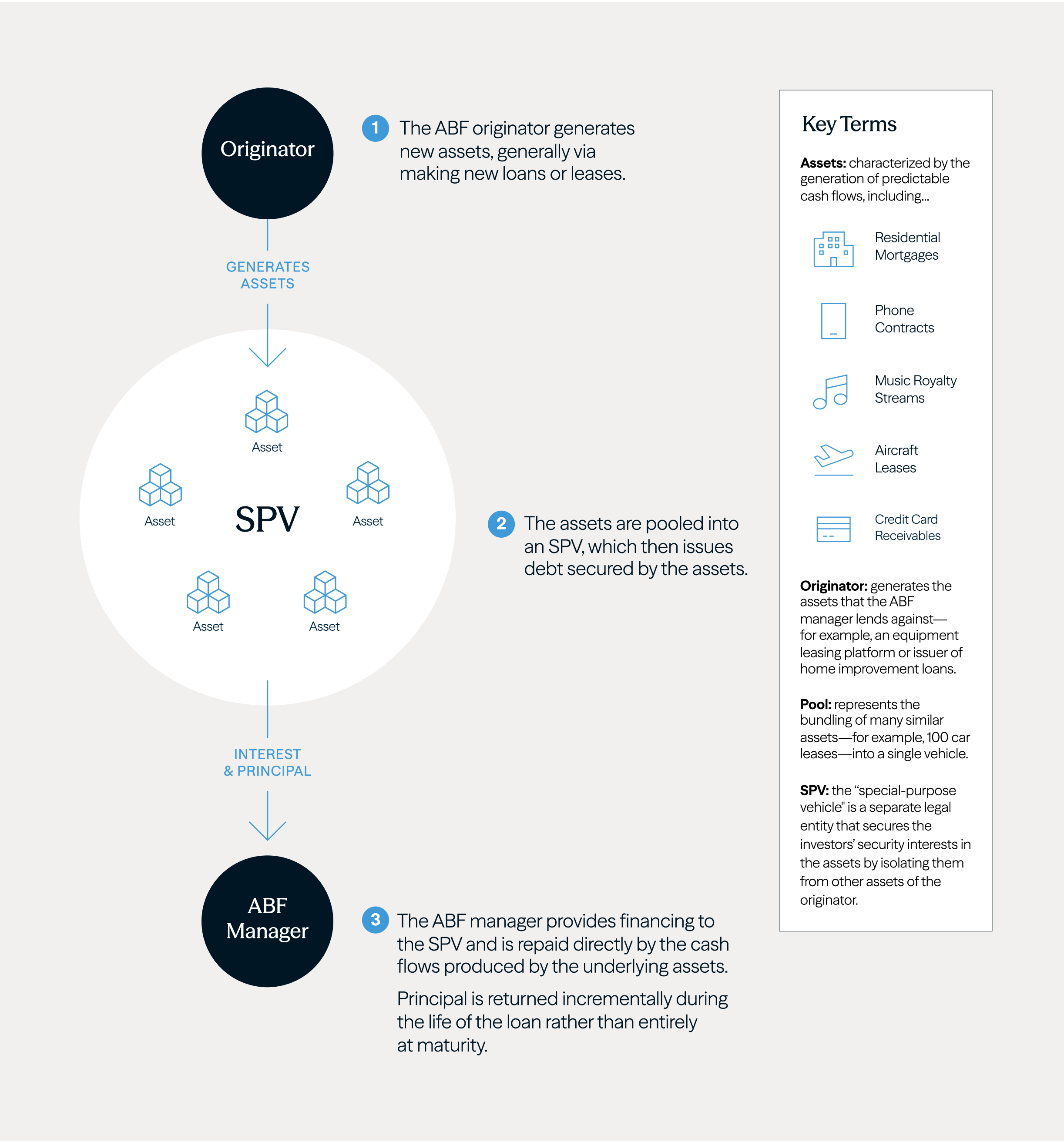
Definition

ABF (Asset-backed Finance):
Debt repaid by the contractual cash flows from a pool of assets contained within a standalone legal entity.

Corporate Credit:
Debt repaid by—and reliant on the health of—a single company.

In Practice

- 1. The ABF originator generates assets. In this context, assets are characterized by producing predictable cash flows, so generating assets could take the form of making new loans or leases.
- 2. The assets are pooled into an SPV, which then issues debt secured by the assets.
- 3. The ABF manager provides financing to the SPV and is repaid directly by the cash flows produced by the underlying assets. Principal is returned incrementally during the life of the loan rather than entirely at maturity.



Successfully accessing ABF isn't easy, requiring specialized underwriting and structuring expertise. The reward is a less congested asset class than traditional corporate credit, underpinned by a diverse range of cashflow-generating assets.

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