

# Asset-Based Lending Provides Diversification to Private Credit

Higher interest rates and increased regulatory pressures have challenged traditional lenders, creating opportunities in private asset-based specialty finance markets.

## DEFINING THE ASSET CLASS

Asset-Based Lending, Asset-Backed Finance and Specialty Finance are interchangeable terms that all refer to lending that occurs outside traditional corporate and commercial real estate markets and is secured by financial or hard assets.

It includes three focus areas:

### CONSUMER-RELATED

Unsecured consumer loans,  
credit card receivables,  
auto loans, student loans

### NON-CONSUMER-RELATED

Aviation finance, equipment  
finance, data infrastructure,  
small business loans, intellectual  
and insurance related

### MORTGAGES

U.S. residential mortgages  
European mortgages  
Home improvement

## POTENTIAL PORTFOLIO BENEFITS



### INCOME GENERATION

Focused on assets that seek to generate durable cash flows providing attractive illiquidity and complexity premia to other forms of performing credit



### DIVERSIFICATION

Complements corporate-focused private credit exposure, allowing for a less correlated return stream



### UNIQUE INCOME PROFILE

Self-liquidating assets can generate strong cash flows to pivot to strong risk-adjusted returns across asset-based finance



### STRUCTURAL PROTECTIONS

Loans are often backed by hard and financial assets that benefit from contractual cash flows

As of 30 June 2024. The views expressed are those of PIMCO. There can be no assurance that the trends discussed will continue.

**CONSIDER THREE KEY FACTORS DRIVING TODAY’S GROWTH IN ASSET-BASED FINANCE:**

1. Target rich opportunity set with existing scale at \$20 trillion and limited supply of capital to invest in a flexible manner.
2. Alternative lenders can fill the liquidity gaps given secular bank retrenchment meets more recent bank pressure.
3. Allocators are underinvested in diversifying forms of private credit like asset-based lending.

**PIMCO offers an opportunity for investors to participate in this growing market through PIMCO’s expansive asset-based lending platform.**

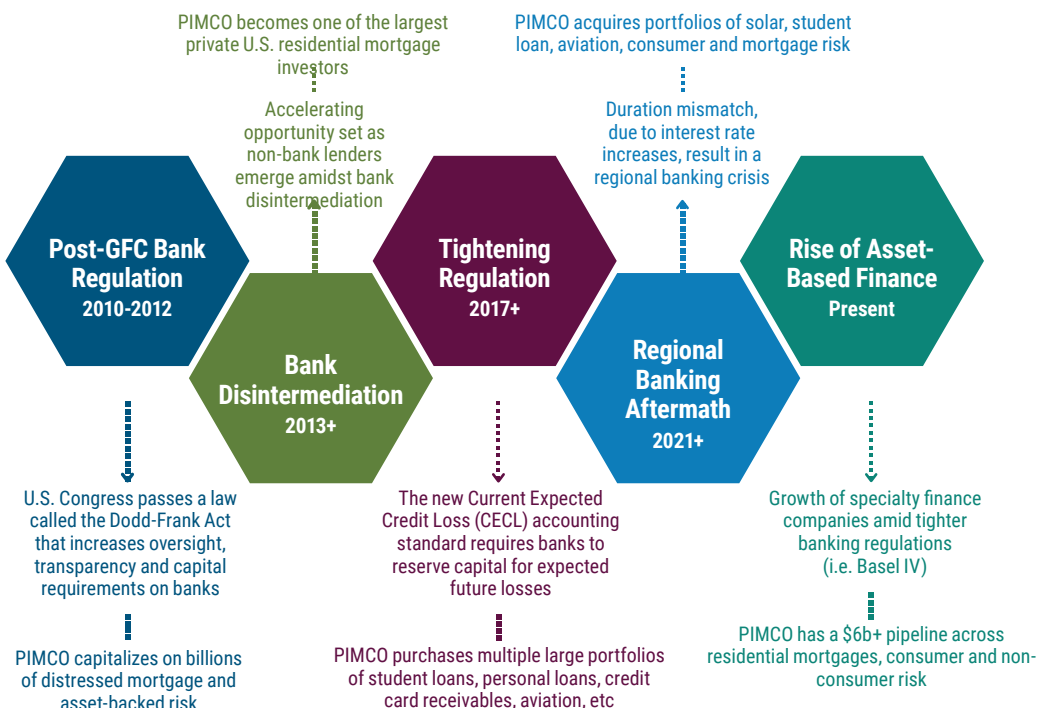
**PIMCO’S EDGE**

<b>SIZE &amp; SCALE</b>	PIMCO is one of the largest investors across structured credit and private specialty finance.
<b>DIVERSE SOURCING</b>	PIMCO can help provide a stable source of capital for originators and acts as a one-stop-shop for banks and originators looking to offload risk.
<b>DEEP DATA &amp; ANALYTICS</b>	PIMCO’s underwriting is enhanced by deep data sets and highly sophisticated analytics that enhances our ability to weigh relative value.
<b>FINANCING</b>	As one of the largest lenders and borrowers globally, PIMCO can drive better terms and access to non-mark-to-market financing.

**PARTNER WITH A LEADER IN DIVERSIFIED LENDING**

As one of the world’s largest private lending investors, PIMCO has deployed \$165bn+ across asset-backed lending, including \$147bn into private residential loans and \$19bn in private specialty finance (as of 31 Dec 2023).\*

PIMCO has been at the forefront of asset-based lending markets with decades of experience investing in public and private opportunities. Partnering with PIMCO enables investors to diversify their private credit portfolios by accessing the firm’s offerings.



As of 30 June 2024. SOURCE: PIMCO. **For illustrative purposes only.** The views and expectations expressed are those of PIMCO.

\* Represents all specialty finance investments in PIMCO private funds and an aggregate of private fund-of-one separately managed accounts. Specialty finance assets include loans and other cash flowing assets across three main verticals: Consumer-related, Non-Consumer-related (excluding traditional real estate and corporate-related assets), and Portfolio Solutions; also includes equity investments in companies directly involved in servicing or originating these assets.

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