



One Year In: Disciplined Growth in Asset Based Finance

Alok Bedekar – Head of Asset Based Finance



The first year of the Royal London Asset Based Financing Fund has focused on establishing a diversified portfolio of senior secured, investment grade asset based finance exposures. We are encouraged by the early progress and the capacity for future growth. As the strategy enters its next phase, our emphasis remains on disciplined origination, robust risk management and attractive income generation.

The fund seeks to provide differentiated credit exposure through tangible collateral, contractual cash flows and structural protections, without moving down the credit-quality spectrum. We reflect on the progress made during the first year and the foundations being laid for measured, long-term growth.

One year on from launch, how would you assess the fund's progress?

The first year has been about building the foundations of a differentiated strategy. Rather than prioritising rapid asset growth, we have focused on opportunities that meet our investment philosophy: senior secured lending, backed by tangible collateral and contractual cash flows, and structured to deliver investment grade exposure.

The fund launched immediately before the seasonally quieter year-end period, and investments in our market can take up to six months to originate, underwrite and execute. Against that backdrop, completing seven investments, with a further three in the pipeline, represents an encouraging first-year milestone.

We have secured investments that meet our target risk and return parameters, and we are pleased with how the portfolio has performed since launch. The early experience supports our conviction that asset based finance can provide attractive and diversified income. Just as importantly, we have maintained our discipline over structure, collateral quality and underwriting standards rather than compromising those standards to deploy capital more quickly.

A significant milestone has been generating attractive early returns while keeping the fund unlevered and maintaining its intended risk profile. The portfolio is deliberately ex-US and focuses primarily on the UK and Europe, alongside allocations to Canada and Australia. This approach gives investors access to well-understood, traditional collateral across a differentiated set of markets.

“

The portfolio is deliberately ex-US and focuses primarily on the UK and Europe, alongside allocations to Canada and Australia. This approach gives investors access to well-understood, traditional collateral across a differentiated set of markets.

”

What does the fund offer investors that differs from traditional corporate credit?

Unlike traditional corporate lending, repayment is supported by underlying collateral and contractual cash flows rather than relying primarily on a company's future earnings or refinancing capacity. We believe that the fund therefore offers a differentiated source of credit beta, driven by diversified pools of real-economy assets rather than conventional corporate balance sheet risk. This can support a more resilient return profile, attractive income and meaningful diversification alongside traditional fixed income exposures.

The first 12 months provide encouraging evidence that the fund can serve as a strategic allocation rather than a tactical trade. Its short-duration, floating-rate assets limit interest-rate sensitivity, while granular underlying exposures diversify the sources of credit risk within a broader portfolio. This can make the fund a useful complement to traditional corporate credit within a long-term fixed income allocation.

“

The portfolio is constructed to deliver investment grade exposure through seniority, collateral coverage, granular underlying assets and transaction-level protections, while its short duration can be valuable in periods of uncertainty.

”

Importantly, this differentiated credit beta is not achieved by moving down the credit-quality spectrum. The portfolio is constructed to deliver investment grade exposure through seniority, collateral coverage, granular underlying assets and transaction-level protections, while its short duration can be valuable in periods of uncertainty.

What has enabled the fund to source attractive opportunities?

Our opportunity set is fragmented and relationship-driven. Access requires engagement with a broad range of counterparties, including smaller originators whose assets may be overlooked by larger pools of capital. A smaller originator is not necessarily a higher-risk originator; in our view, risk depends on asset quality, operating capability, alignment and transaction structure. Our investment process is designed to assess each of those factors carefully.

The fragmented nature of the market also supports future growth by providing a deep and diverse universe of potential investments, primarily across the UK and Europe, with selective opportunities in Canada and Australia. Our ability to source and execute transactions rests on long-standing relationships and sustained engagement in these markets.

We are particularly attracted to opportunities involving non-sponsor-owned businesses where continuity, stability and long-term partnership matter alongside price. We aim to support businesses and originators through economic cycles, building relationships based on trust, flexibility and consistency. Many of the fund's first-year investments arose from partnerships developed over a number of years.

Recent market events have reinforced the value of stable capital. Bank financing can change quickly as conditions evolve, creating uncertainty for smaller originators and borrowers. We seek to be a consistent, long-term capital partner while remaining disciplined about the risks we accept.



What have been the key principles guiding portfolio construction during the fund's first year?

Portfolio construction is guided by three principles. First, we focus on well-understood collateral to which we have direct recourse. Second, we require material 'skin in the game' from our partners through a meaningful first-loss position, ensuring that those underwriting the assets remain responsible for the risks they write. Third, we undertake robust in-life monitoring throughout the investment, recognising that asset based finance is not a fire-and-forget strategy.

There has been a growing tendency in parts of the market to place considerable reliance on modelled performance. Transactions can appear compelling in a spreadsheet but behave differently in practice, particularly when operating conditions change. We therefore do not rely on model outcomes alone but complement them with informed judgement about the people, capabilities and operating practices behind the assets. We focus on identifiable contractual cash flows, undertake detailed due diligence on both assets and counterparties, meet management teams in person — including through onsite diligence — and assess operating capability before committing capital.



Asset based finance is not a fire-and-forget strategy. A meaningful part of the return is protected — and, in some circumstances, created — through active monitoring, early identification of adverse trends and timely intervention.



Asset based finance is not a fire-and-forget strategy. A meaningful part of the return is protected — and, in some circumstances, created — through active monitoring, early identification of adverse trends and timely intervention. We receive regular portfolio data, maintain frequent dialogue with the businesses and originators we partner with, and continuously test actual performance against our original underwriting assumptions.

Together with seniority, collateral coverage and transaction-level protections, this ongoing oversight is central to constructing and maintaining the fund's investment grade risk profile.

What are the ambitions for the fund over the next few years?

Our ambition is to scale the strategy meaningfully while preserving the investment discipline and investment grade profile established during the first year.

Our approach rests on three core capabilities: sourcing opportunities, building long-term relationships and actively monitoring investments throughout their lifecycle. These principles align closely with Royal London Asset Management's broader culture and values. Investing alongside our external clients provides meaningful alignment, while our focus on enduring partnerships can help us originate opportunities that may not be available through more transactional channels.

A significant part of our role is deciding which opportunities not to pursue. In private credit, protecting returns depends as much on avoiding landmines as it does on selecting attractive investments. We therefore place considerable emphasis on a disciplined and repeatable investment process.

If an investor asked you what the first year of the Royal London Asset Based Financing Fund has demonstrated, what would your answer be?

The first year has provided encouraging evidence that the strategy can generate attractive income from senior secured, investment grade assets without relying on fund-level leverage or conventional corporate credit risk. We recognise that 12 months is still a relatively short period in the life of a credit strategy, but the early experience supports our conviction in the opportunity set and in the importance of disciplined sourcing, structuring and monitoring.

An increased allocation from our parent gives us a clear path to grow the strategy from its current size. We believe the breadth of the opportunity set should allow us to scale while maintaining the same standards of underwriting, structuring and ongoing oversight.

Because the US represents the largest part of the global asset based finance market, broad market allocations can naturally result in substantial US exposure. Our strategy provides a deliberately ex-US allocation, offering diversified and differentiated access to opportunities primarily in the UK and Europe, alongside selective investments in Canada and Australia.

For us, the first year has not been about moving down the credit-quality spectrum in pursuit of return to make a splash. It has been about establishing a vehicle that can deliver attractive income from high-quality assets, while laying the groundwork to continue this in future years.

For more information on the fund's portfolio data and performance please visit our Fund Centre:

[Royal London Asset Based Financing Fund](#)

Investment risks

Investment risk: The value of investments and any income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested.

Derivative risk: Derivatives are highly sensitive to changes in the value of the underlying asset which can increase both Fund losses and gains. The impact to the Fund can be greater where they are used in an extensive or complex manner, where the Fund could lose significantly more than the amount invested in derivatives.

Exchange rate risk: Investing in assets denominated in a currency other than the base currency of the Fund means the value of the investment can be affected by changes in exchange rates.

Liquidity risk: In difficult market conditions the value of certain fund investments may be difficult to value and harder to sell, or sell at a fair price, resulting in unpredictable falls in the value of your holding.

Counterparty risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Leverage risk: The Fund employs leverage with the aim of increasing the Fund's returns or yield, however it also increases costs and its risk to capital. In adverse market conditions the Fund's losses can be magnified significantly.

Concentration risk: The price of Funds that invest in a reduced number of holdings, sectors, or geographical areas may be more heavily affected by events that influence the stock market and therefore more volatile.

Liquidity and dealing risk: The fund invests indirectly in assets that may at times be difficult to value, harder to sell, or sell at a fair price. This means that there may be occasions when you experience a delay in being able to deal in the fund, or receive less than may otherwise be expected when selling your investment.

Unrated bonds: Unrated bonds are not rated by a credit rating agency. RLAM ascribes internal ratings for these bonds which will vary for each asset.

Sub-investment grade investment risk: Lower rated investment grade securities may have large uncertainties or major risk exposures to adverse conditions. The market value of securities in lower rated investment grade categories is more volatile than that of higher quality securities, and the markets in which these securities are traded are less liquid than those in which higher rated securities are traded.

Derivatives risk for efficient portfolio management:

Derivatives may be used by these Funds for the purpose of efficient portfolio management. This restricts the use of derivatives to the reduction of risk and the reduction of cost. Such transactions must be economically appropriate and the exposure fully covered.

Overseas markets risk: Funds investing in overseas securities are exposed to, and can hold, currencies other than Sterling. As a result, overseas investments may be affected by the rise and fall in exchange rates.



Contact us

For more information about our range of products and services, please contact us.

Royal London Asset Management
80 Fenchurch Street,
London EC3M 4BY

For advisers and wealth managers
bdsupport@rlam.com

For institutional client queries
institutional@rlam.com

For further information, please visit www.rlam.com

We are happy to provide this document in braille, large print and audio.

Important information

For professional investors only, not suitable for retail clients.

This marketing communication is a financial promotion and is not investment advice. The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice.

Notice for UK Investors:

The Fund is recognised in the UK under the Overseas Fund Regime (OFR) but is not a UK authorised fund and is not authorised by the Financial Conduct Authority (FCA). It is therefore not subject to the same regulatory oversight as UK authorised Funds and is not required to adhere to the UK sustainable investment labelling disclosure requirements. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. Investors are strongly encouraged to seek independent financial advice before making any investment decisions.

The Fund is a sub-fund of Royal London Asset Management Investment Funds ICAV, an Irish collective asset-management vehicle authorised by the Central Bank of Ireland pursuant to the Irish Collective Asset-management Vehicles Act 2015 and the AIFM Regulations and has been established as an umbrella fund with segregated liability between Funds. It is not a recognised scheme under the Financial Services and Markets Act 2000. The Management Company is FundRock Management Company SA, Registered office: Airport Center Building, 5, Heienhaff L-1736 Senningerberg, Luxembourg and is authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF). The Investment Manager is Royal London Asset Management Limited.

For more information on the Fund or the risks of investing, please refer to the Prospectus available via the relevant Fund Information page on www.rlam.com. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

Issued in October 2026 by Royal London Asset Management Limited, 80 Fenchurch Street, London, EC3M 4BY.

Authorised and regulated by the Financial Conduct Authority, firm reference number 141665. A subsidiary of The Royal London Mutual Insurance Society Limited.

Ref: BLG2610006

©2026 Royal London Asset Management. All rights reserved.