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Royal London Asset Based Financing Fund

Key points

- **Access to private, high quality cashflows from an exclusive origination network.** Our team has long-standing, relationships with lenders and sponsors to help bring clients high quality private assets.
- **Working in partnership with Royal London.** Investors into our new RL Asset Based Financing Fund will be alongside Royal London, a mutually owned and trusted £181bn asset manager (as at 30 June 2025). Investor interests will be directly aligned with ours.
- **An emphasis on seeking to provide high returns for taking investment grade risk.** The Fund will have an average BBB rating and focus on private, primarily senior, secured structures.
- **A specialist, experienced team.** Led by professionals with 20+ years of structured finance and private credit expertise with through the cycle performance.

At Royal London Asset Management, we continue to focus on our strategic priority of developing our Private Asset capability. We are doing this to provide our clients with access to assets which seek to offer higher returns while minimising risk to potentially a greater extent than those available in public markets, and to give them access to diversified assets for their portfolios.

As a part of this, we have extended our capability in Asset Based Finance (ABF) with the hiring of a specialist team. ABF is the next step for the Royal London Asset Management private assets strategy following the launch of the public Asset Backed Securities (ABS) funds.

RL Asset Based Financing Fund	
Objective	Generate income from investing in short-dated, predominantly investment grade structures backed by high quality mainstream collateral.
Structure	Irish QIAIF
Royal London investment	£250m initial investment, with further capital deployment planned in years 2 and 3
Maximum fund size	£2bn
Investment objective	The Fund's investment objective is to produce a total return by investing in debt instruments which are linked to asset-based financing opportunities.
Benchmark	SONIA
Fees	60bps (management fees of 50bps + estimated 5 - 10bps expenses to give single charge)
Average rating	BBB
Weighted Average Life of assets	4 years
Non-IG permitted	Up to 30%

Source: RLAM as at October 2025.

What is Asset Based Finance (ABF)?

ABF, a subset of the private credit market, refers to a range of financial solutions where companies use their assets as collateral to secure funding. These can include tangible assets like real estate, equipment, receivables, fund finance, inventory and intangible assets such as accounts receivable and intellectual property.

Private credit-based lending (sometimes called Direct Lending) to corporates is an established market for non-bank investors and is attracting increased attention, with the estimated size of the direct lending market about $1.7trn*. However, ABF continues to fly under the radar by comparison; while it is a larger asset class, estimated to be $5.2trn globally#. It continues to grow and when approached carefully has the potential to offer good risk adjusted returns.

ABF has come to play a more important role in the lending landscape due to the funding gap caused by banks' tightening lending standards, increased capital charges and withdrawal from certain lending activities. ABF is not always competing with banks and often plays a complementary role.

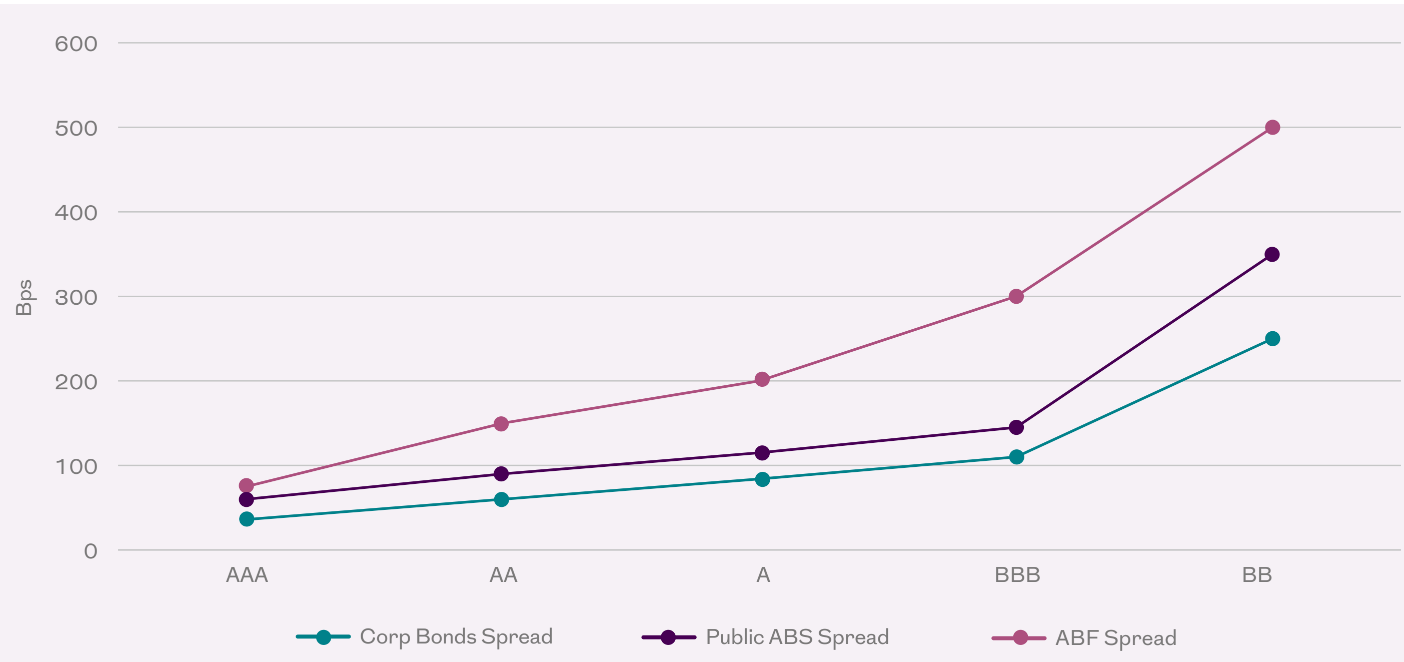
We focus on lending to organisations which are relationship led, who offer good value returns for the risks being taken, and who look to prioritise stability and security of financing partners over a more transactional approach. We believe this approach works well when put together with Royal London's mutual ownership status and values.

Our team has a proven track record of investing profitably on this basis throughout market cycles and turbulence, created by such events as the Liz Truss mini-budget, Covid and subsequent bond market rate rises.

Why consider Asset Based Financing?

ABF is bespoke, privately originated, and negotiated by the investment manager who can diversify exposures by duration, quality, and type of collateral. The attractiveness of ABF lies in its ability to extract illiquidity and complexity premia whilst potentially offering flexibility, downside mitigation, and relative higher returns versus equivalently rated corporate bonds. Over the last five years illiquidity and complexity premium has been approximately 50-150bps (depending on the rating) to the public markets.

Figure 1: ABF relative value - spread and illiquidity premia



Source: RLAM as at September 2025.
Past performance is not a guide to future performance.
*Source: Morgan Stanley as at December 2024
#Source: KKR as at December 2023

Figure 2: Different collateral types of asset based finance

Consumer finance	Credit card	Auto loans	Consumer loans
Hard assets	Aircraft leasing	Green energy	Rail cars
	Home rentals	Solar	Telecoms
Commercial finance	Leases for businesses	Accounts receivable payments	Supply chain financing
Contractual cash flows	Intellectual property	Royalties	Financial contacts
	Third-party litigation		

Source: RLAM, for illustrative purposes only.

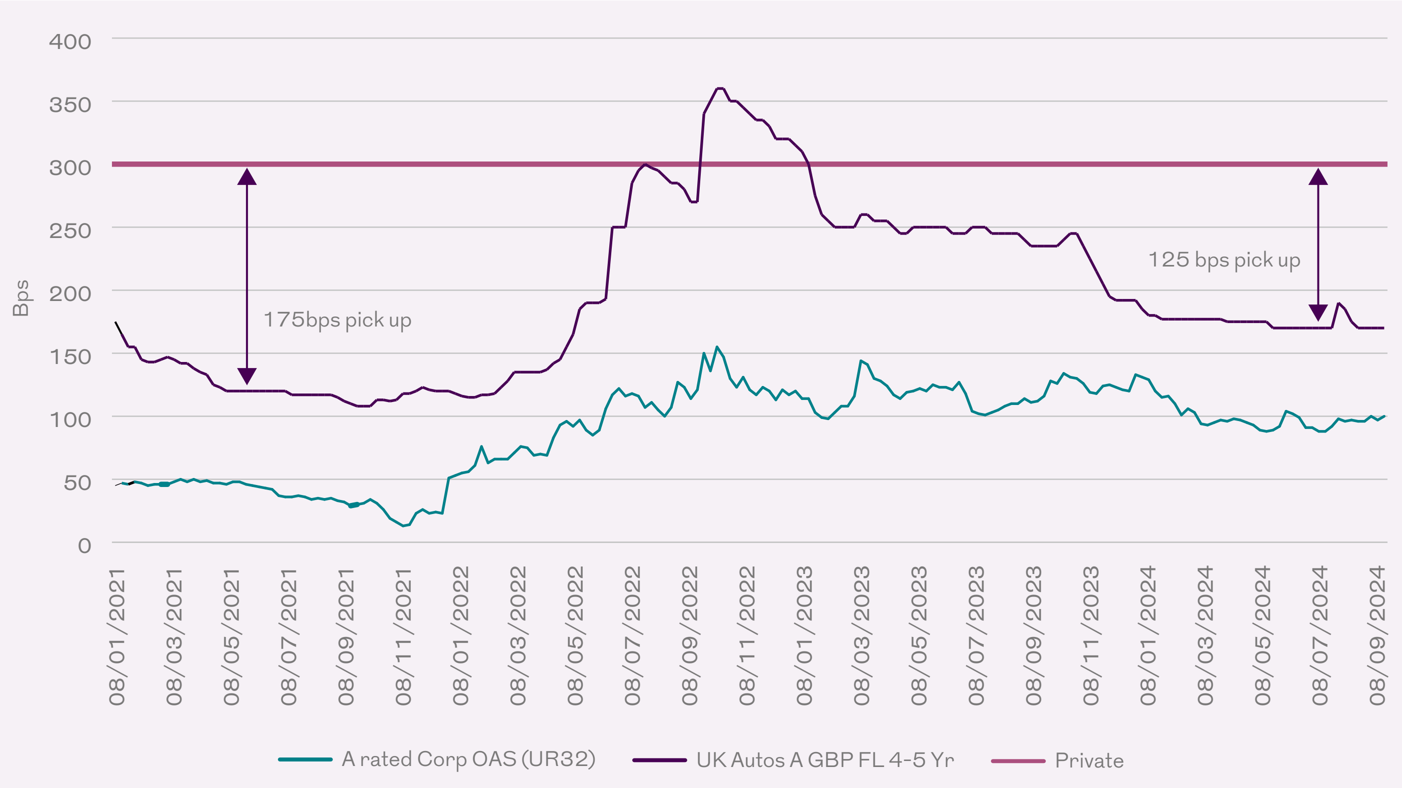
Why invest in ABF with Royal London Asset Management?

The key attributes for the Royal London Asset Management offering within ABF are:

- **Access to differentiated assets**: ABF is a pure private asset and access to deal flow is not readily available. The Royal London Asset Management team has a proven track record of delivery, established relationships with counterparties, understanding of the risk factors, ability to develop bespoke solutions, a reputation for executing on time and to plan, on-going monitoring ability and, if needed, experience in managing non-performing situations. These traits can create a high barrier to entry but we believe we are well positioned to source the right assets for our clients.
- **High level of contractual cash flow**: With an amortising profile and backed by known assets. This compares with other funding models which are predicated on non-uniformly successful business models.
- **Working alongside our proven relationships**: In private markets, we believe relationships matter. To execute successfully requiress established relationships with originators, issuers, advisors, banks, lawyers and other market participants. Our team brings these relationships to Royal London Asset Management.
- **Risk adjusted reward**: We seek to generate reliable, high income from short dated, collateralised structures – these can offer attractive absolute and relative value in the investment grade, crossover and where appropriate sub investment grade markets.
- **Structured but not complex – we focus on avoiding landmines**: We focus on traditional collateral like mortgages, auto loans, consumer loans. We actively avoid structures where complexity meets leverage, so as to maintain the risk/reward profile appropriate to our objective.

The investment philosophy of the team is predicated on the belief that value may be added to portfolios through a process of detailed and fundamental research of available assets, by deriving a true picture of the risks and returns available in the investible universe. They can then apply an ongoing, disciplined portfolio management methodology to ensure all portfolios are capturing the most appropriate available value for the known risks.

Figure 3: A rated public securities vs ABF



Source: RLAM, for illustrative purposes only.

This fundamental, value driven philosophy, and concomitant investment process, has been proven to be successful over several market cycles and in various market conditions. Fundamental mispricing in ABF markets is consistently driven by market frictions (the confluence of structural complexity, illiquidity, regulatory constraints and nuanced credit risk dynamics) that create risk and return opportunities, independent of market cycles or technical factors, on a reliable basis, which can then be captured through a disciplined application of investment capabilities.

The team have a flexible approach to portfolio construction with a focus on sourcing deals backed by high quality assets. Robust structuring and active risk management are the key pillars. ABF provides the ability to pick and choose risk return by structuring in a way which avoids a combination of high financial and operational leverage in the same deal.

The team

We have an established, specialist team, who have worked together for over 10 years, and are part of our broader, credit management team which has a history of producing outstanding risk-adjusted returns for our clients. We use our resources to follow a research driven process to fully understand all of the complexities of the assets and seek to maintain portfolios of high quality securities at the right price. As at 30 June 2025, 94% of our fixed income funds were outperforming their benchmarks over a three-year period, on an equal weighted basis.

Alok Bedekar

Lead Fund Manager

Alok Bedekar is a Fund Manager within the Private Assets Team focussing on public and private ABS. Prior to joining Royal London Asset Management, Alok gained 14 years of experience in structured credit, the most recent 7 years of which was at Insight Investment, where he was responsible for building and scaling the private credit ABS offering, through origination, execution, and ongoing portfolio management of private asset-backed credit investments. Over the last 7 years, Alok has originated and managed £1.5bn of AUM for the higher yielding strategies across pooled funds and segregated mandates.

Jeremy Deacon

Head of ABS

Jeremy Deacon is the Head of Public ABS within the Private Assets Team. Prior to joining Royal London Asset Management Jeremy spent 14 years at Insight Investment, most recently as Head of Liquid European Secured Finance, where he managed a team and was responsible for a range of Asset Backed portfolios of both Public and Private assets. Prior to Insight, Jeremy worked at CQS, Rabobank, Fitch and GE in a range of Asset Backed roles. Jeremy began his career at Santander as a Specialist Underwriter. Over the last 14 years, Jeremy has managed £24 bn of AUM across pooled funds and segregated mandates.

Investment risks

Past performance is not a guide to future performance. 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.

The fund invests in Asset Backed Securities (ABS) which may be subject to greater credit, counterparty, liquidity, and interest rate risks compared to other investments such as government or corporate bonds. This may have a negative impact on the value of investment over the long and short-term.

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.

Credit risk: Should the issuer of a fixed income security become unable to make income or capital payments, or their rating is downgraded, the value of that investment will fall. Fixed income securities that have a lower credit rating can pay a higher level of income and have an increased risk of default.

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.

Emerging Markets Risk: Investing in Emerging Markets may provide the potential for greater rewards but carries greater risk due to the possibility of high volatility, low liquidity, currency fluctuations, the adverse effect of social, political and economic instability, weak supervisory structures and accounting standards.

Exchange rate risk: Changes in currency exchange rates may affect the value of your investment.

Interest rate risk: Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates go up, the value of capital may fall, and vice versa. Inflation will also decrease the real value of capital.

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.

Contact us

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

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

Important information

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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.

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The funds are sub-funds 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 Investment Manager is Royal London Asset Management Limited. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available.

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