

APOLLO

The Strategic Case for Allocating to Asset-Backed Finance

Asset Selection, Structure and Sourcing

OCTOBER 2026

This paper makes the strategic case for allocating to Asset-Backed Finance (ABF). It builds on [What's Missing in Private Credit? Integrating Asset-Backed Finance](#), in which we described how pairing ABF with corporate credit can diversify risk drivers and broaden the opportunity set of a credit allocation. Here we cover how ABF differs from corporate credit, the dimensions that shape an allocation and the roles ABF can play.

Two Complementary Asset Classes



Executive Summary

- **Structurally Different from Corporate Credit**
Unlike corporate credit, which typically has a bullet maturity, ABF amortizes through cash flows over the life of the financing.
- **A \$20+ Trillion Market**
ABF finances homes, vehicles, equipment, infrastructure and other assets, and extends an investor's opportunity set beyond corporate credit.
- **Three Dimensions Can Influence the Allocation's Behavior**
Breadth of mandate, structure and attachment point, and sourcing approach are three dimensions that can determine an ABF allocation's risk and return profile.
- **Multiple Portfolio Roles**
An ABF allocation can serve as a diversifier away from corporate credit, an income enhancer, and a source of higher returns.

ABF Is an Essential Financing Tool for the Real Economy

The \$20+ trillion Asset-Backed Finance market is embedded throughout the real economy. Consumers and businesses rely on it to finance homes, vehicles, equipment, inventories, infrastructure, data capacity, media rights and other assets. Apollo organizes this broad opportunity set across six pillars: Consumer Finance, Residential Mortgage, Commercial Mortgage, Hard Assets, Financial Assets and Capital Solutions.

 Where You Live Financed by Mortgages	 How You Buy Financed by Credit Cards	 How You Commute Public Transport financed by Private Infrastructure Debt	 What You Drive Purchases financed with Auto Loans; Rentals available courtesy of Fleet Leases	 How You Pay for School Tuition financed using Student Loans
 Where You Exercise and Go for Services Franchises financed via Whole Business Securitizations	 How You Watch and Listen Music and media content financed by the Royalties market	 How You Travel Aircrafts financed by Aircraft Loans	 Where You Work Office Space financed by Commercial Real Estate Debt	 What You Consume Machinery used in goods production financed by Equipment Leases

The Key Differentiators of ABF

ABF is distinguished from corporate credit by several structural attributes that can create a more bounded and consistent range of outcomes:

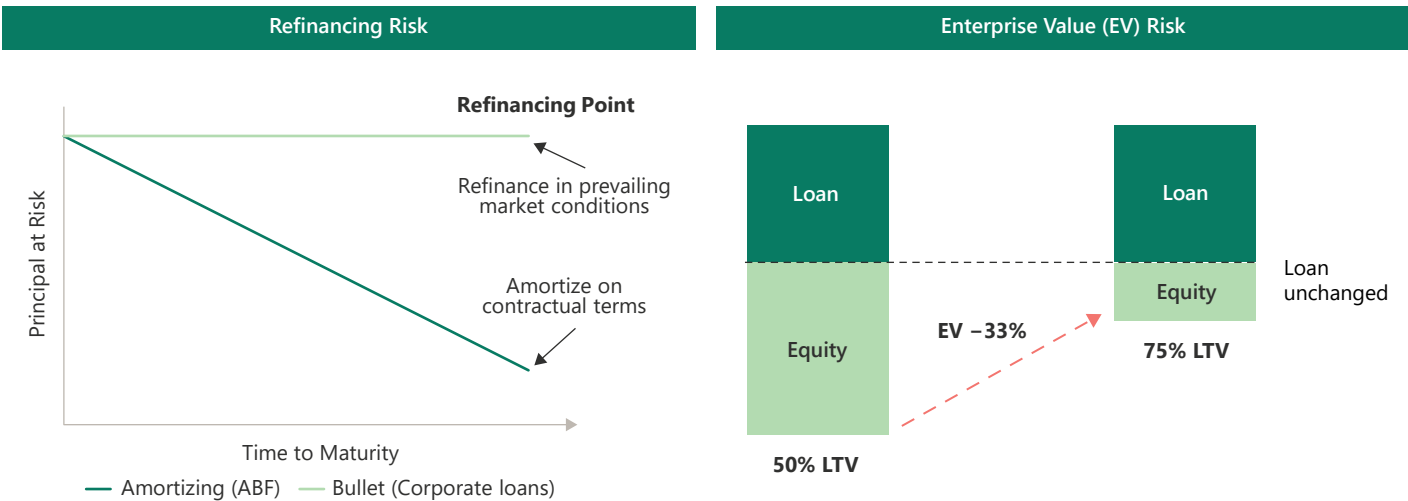
- 1. Contractual, asset-level repayment
- 2. Bankruptcy-remote special purchase vehicles (SPVs)
- 3. Diverse collateral types that respond to different economic drivers

Each of these attributes can shape how an allocation behaves in important ways. For example, ABF investments typically amortize according to contractual terms. Principal at risk declines steadily and may self-liquidate entirely, which can reduce dependence on market conditions at any single refinancing point. A corporate bullet loan, by contrast, typically has full principal at risk until maturity.

The enterprise-value distinction becomes especially important under stress. Corporate loans are ultimately supported by the value and cash-generating capacity of a single borrower. When enterprise value falls, the equity cushion beneath the loan can shrink quickly, even if the loan balance is unchanged. As the chart below illustrates, a loan made at 50% loan-to-value (LTV) rises to 75% LTV if enterprise value declines by one-third. The lender has not increased its exposure; there is simply less equity beneath the loan.

Investors typically access ABF through bankruptcy-remote SPVs that hold the underlying loans, leases or receivables. Because the assets sit in the SPV and not on the originator's balance sheet, repayment depends on the cash flows of the asset pool rather than on the originator's enterprise value. ABF investors therefore do not take direct enterprise-value risk in the way a corporate lender does.

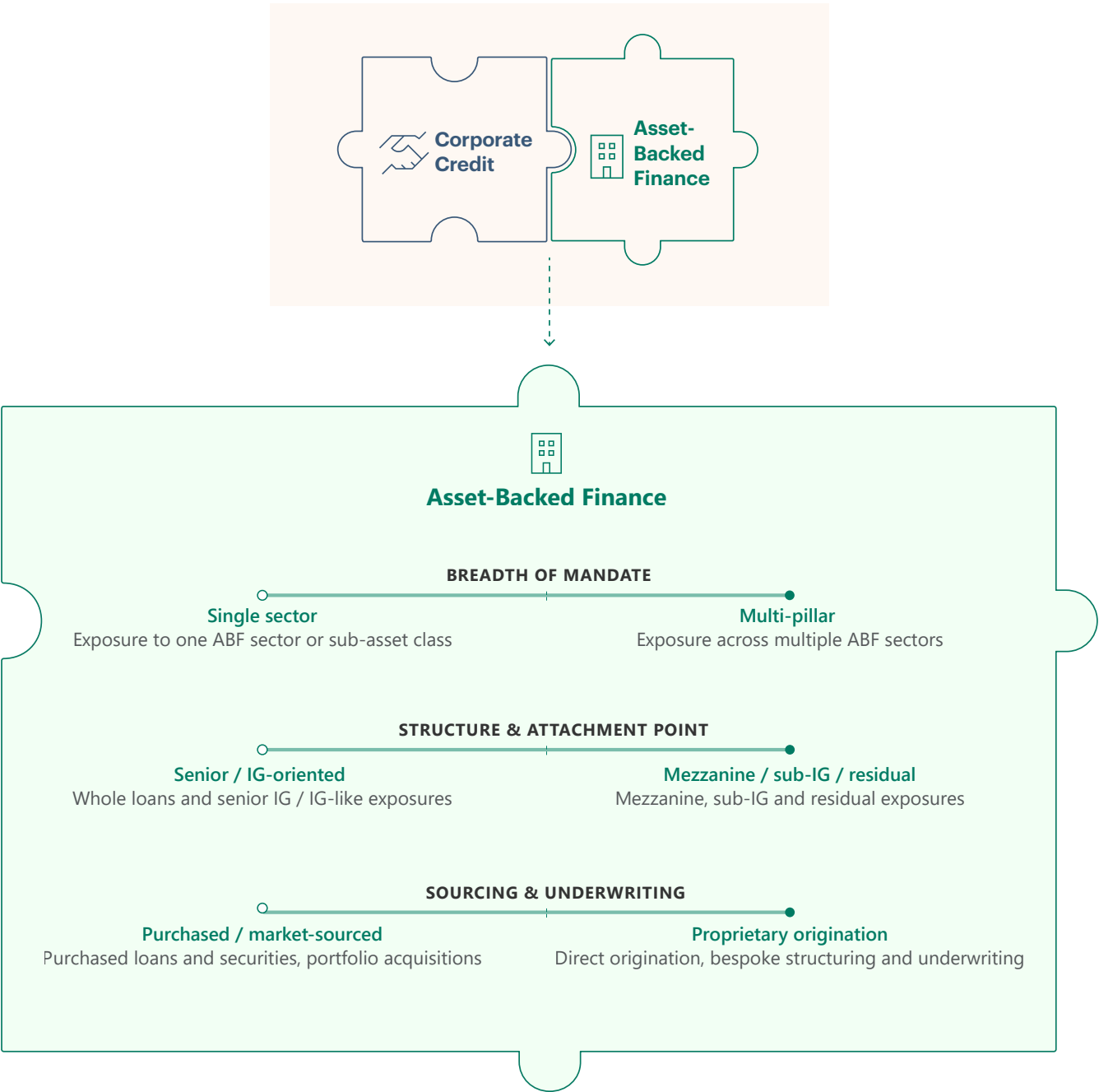
Diversifying Corporate Credit Risk



For illustrative and discussion purposes only. The enterprise-value case assumes a loan held at a constant balance against a decline in enterprise value. Source: Apollo Analysts, as of October 2026.

Three Dimensions of an ABF Allocation

ABF's Scale and Diversity Enable Bespoke Allocations to Help Investors Achieve Their Objectives



For illustrative and discussion purposes only. IG refers to investment grade.

Because the market spans a wide range of collateral, duration, credit quality and capital-structure positions, the label “ABF” alone says little about what an allocation seeks to accomplish or how it may behave. **A market this large and diverse gives investors a strategic advantage: they can choose the collateral, structure and sourcing that fit their objectives.**

While there are numerous dimensions to consider when constructing an ABF allocation, we highlight three we believe are the most consequential.

Positioned differently along these dimensions, the same market can serve different purposes: quality-enhanced income, diversification away from enterprise-value risk or higher return through structural complexity.

Managers With Broad Mandates Can Assess Relative Value Across a Growing Range of ABF Collateral Types

While some ABF sub-asset classes have existed for decades, the market continues to evolve, allowing managers with the requisite breadth and expertise to assess relative value among a growing range of collateral types.

 Consumer Finance	 Residential Mortgage	 Commercial Mortgage	 Hard Assets	 Financial Assets	 Capital Solutions
• Auto Loans • Auto Leases • Credit Cards • Student Loans • Other Unsecured Consumer • Point-of-Sale • Home Improvement • Marine/RV Loans • Device Receivables	• U.S. Non-QM • U.S. Fix & Flip • U.S. SFR • UK Buy-to-Let • U.S. Non-Agency • Prime 2nd Liens • RTL Loans • AUS Resi • Landbanking • U.S. & EUR NPLs • European Residential Loans	• Conduit CMBS • CRE CLO • C-PACE • Pooled CRE Loans • EUR CRE Debt • Multifamily CRE • CRE Financing	• Transportation & Aviation • Power & Solar • Communications • Infrastructure • Agricultural Lending • Corp. Fleet Leasing & Mngmt. • Equipment Finance • Inventory Finance • GPU Financing • Airlot Financing • Data Financing	• Music Royalties • Television Royalties • Sports & Player Transfers • Trade Finance • Structured Corporate Loans • Private Warehouse Financing	• NAV Lending • Subline SRT • Revolver SRT • Agency WH SRT

Breadth of Mandate

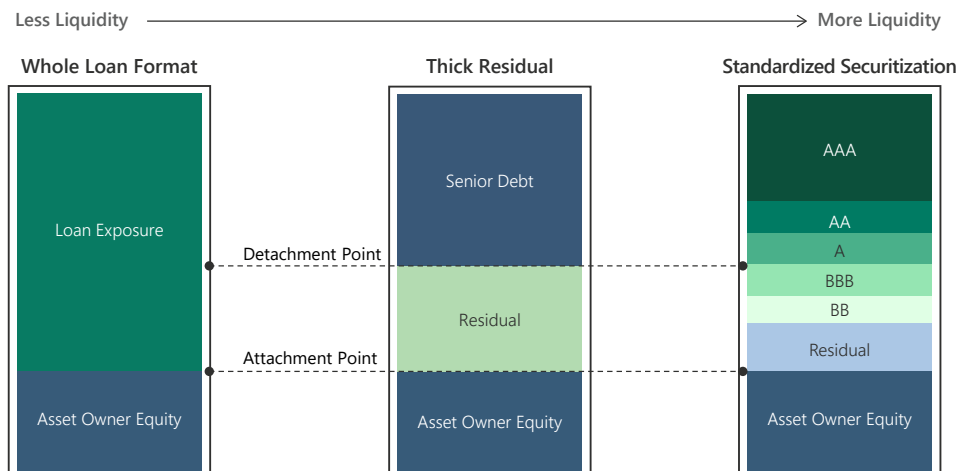
A single-sector mandate concentrates exposure in one market, such as housing, aviation or data infrastructure. Pricing, collateral fundamentals, financing terms and competition differ by sector and jurisdiction, and they do not always move together. Aviation finance spreads may tighten while auto loan structures offer better entry points, or the reverse. A multi-pillar mandate allows a manager to compare opportunities across the market and allocate capital to the segments with the strongest relative value at a given time. That flexibility supports a wider range of portfolio objectives, such as income, credit-quality enhancement or opportunistic returns.

Structure and Attachment Point

Other key dimensions include the profile of the underlying assets and the format in which they are owned. ABF assets can be held in loan format or securities format. Owning whole loans may allow investors to capture more of the economics associated with the assets and determine how to best finance those assets. Securitization can provide investors with the ability to choose more targeted capital structure exposure. Within a securitized structure, the trade-off between current return and structural protection looks different at every point in the stack.

Furthermore, capital structures vary across asset classes and even within asset classes based on the quality of the underlying collateral. As a result, two positions carrying the same rating can behave quite differently and thus play distinct roles within a portfolio.

Structures Can Be Customized for Optimal Risk/Reward



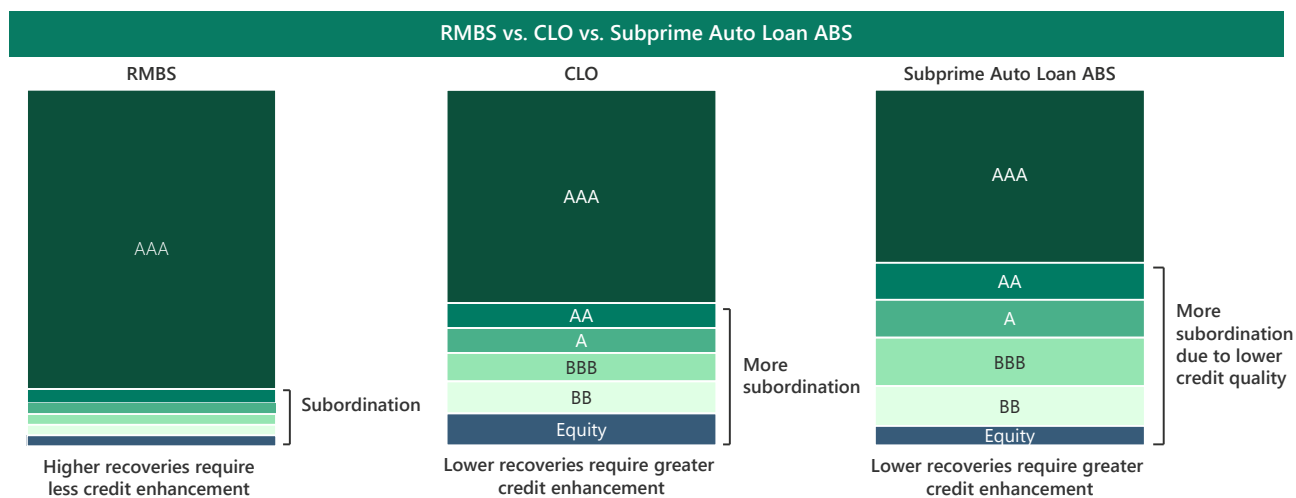
For illustrative and discussion purposes only. Stylized structures; tranche thicknesses are not to scale and vary by transaction.

Credit enhancement can differ across asset types:

The same rating can reflect materially different structural protections depending on the underlying collateral and cash-flow profile. Secured mortgages have historically benefited from higher recoveries, allowing RMBS transactions to support senior ratings with comparatively less subordination than CLOs backed by leveraged loans.

Subprime auto ABS, by contrast, reflects lower borrower credit quality and depreciating collateral and may therefore require greater subordination. As a result, similarly rated tranches across RMBS, CLOs and subprime auto ABS may differ meaningfully in their sources of credit enhancement and loss protection. For an allocator, assessing these structural differences is central to evaluating relative value rather than relying on ratings alone.

Capital Structure Comparison



Sourcing and Underwriting

How an investor accesses the market matters as much as what they buy within it. The closer the proximity to the asset's origin, the greater the excess spread. Managers that directly source and structure ABF assets can influence underwriting terms, structural protections and capital-stack position, which can create opportunities to capture premiums that may be unavailable in broadly accessible syndicated markets.

Underwriting is granular and differs by sub-asset class. Evaluating downside scenarios involves considering how different borrowers behave and how performance may diverge across sub-asset classes. These differences make manager selection central in ABF, because market breadth alone does not create diversification or excess return. Those outcomes can depend on a manager's ability to source attractive assets, underwrite heterogeneous collateral and counterparties, negotiate structural protections and compare relative value across sectors and forms of exposure.

A Spectrum of Portfolio Roles

With a market size of more than \$20 trillion, ABF has the scale to warrant a dedicated allocation in an investor's portfolio. Because it spans a range of asset types, structures, credit qualities and risk positions, the same market can serve different portfolio roles.

The more useful frame is portfolio role. Is ABF being utilized to improve the quality and breadth of income within an existing credit portfolio? To access higher returns through structural complexity? To diversify away from enterprise-value risk? Each objective implies a different allocation case: different collateral mix, different attachment points, different duration and mandate flexibility. The appropriate funding source for an ABF allocation will vary by investor and objective. A senior, investment-grade-oriented allocation may be considered alongside traditional fixed income or other income-oriented credit exposures. A more junior or residual strategy may be evaluated against opportunistic alternatives. An allocation intended primarily to diversify enterprise-value risk may be funded from an existing corporate-credit sleeve. ABF is therefore not inherently a replacement for any single asset class; its portfolio role depends on the risk, return, duration, liquidity and diversification characteristics of the specific allocation.

A broad, flexible mandate that allows the allocation to evolve as relative value changes can provide a durable opportunity to achieve the stated objectives.

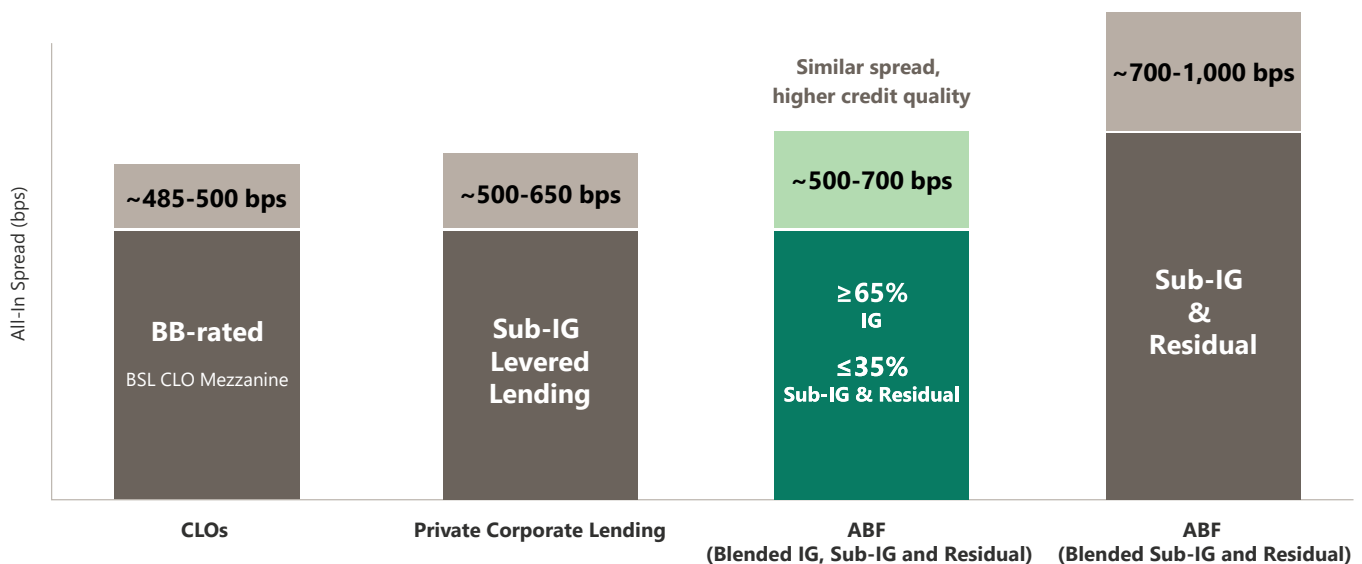
Diversification during downturns

The distinction between ABF and corporate credit also has portfolio-level implications. In a downturn, much of the corporate credit universe tends to reprice simultaneously, as earnings weakness or multiple compression affects borrowers broadly and correlations rise. ABF collateral types, by contrast, respond to different economic drivers. Consumer loan performance in a recession is not perfectly correlated with commercial real estate performance, which is not perfectly correlated with aircraft lease performance. Even performance within a sub-asset class may not be uniform. This heterogeneity creates genuine diversification within a credit allocation, not merely headline diversification by label, and is one of the primary reasons why ABF investments can offer differentiated risk and return profiles relative to other forms of credit.

Higher yield

Directly originated and structured ABF can offer spread premiums beyond those implied by the underlying collateral. These premiums may arise from proprietary origination, bespoke structuring and the ability to provide certainty of capital in less standardized markets. The result can be incremental return without a commensurate increase in risk.

Private ABF Can Offer Similar Spreads to Lower-Rated Corporate Direct Lending (DL)



For illustrative and discussion purposes only. All-in spreads shown are indicative; actual spreads vary by transaction, vintage and market conditions. Manager approaches are stylized. As of September 2026. These spread figures reflect current market conditions for CLO BB and Private corporate lending, and residual focused ABF. The spreads shown for Private ABF (Apollo) reflect an approximate range of spread level achieved in the core Apollo ABF strategies.

Adding Private ABF to a Broader Portfolio

The below objectives are not mutually exclusive. A diversified strategy may combine them and adjust the mix over time. But the distinction is useful because it can clarify what an investor is asking ABF to do within the broader portfolio.

Preserve Return Targets



Loss-adjusted credit spreads in line with corporate direct lending

Raise Credit Quality

Private ABF	65%+ IG
Corporate DL	Sub-IG

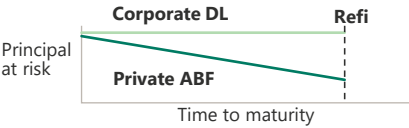
IG/IG-like vs. predominantly sub-IG

Shorten Weighted average life (WAL)

Private ABF	~3yr
Corporate DL	~5yr

Shorter weighted average life than typical corporate loans

Reduce Refinancing Risk



Principal at risk declines through amortization, in contrast to bullet corporate loans

Diversify Deal Sources & Risk Factors



Private ABF



Corporate DL

Diversification from corporate earnings, valuation multiples and private equity sponsor finance

Support the Real Economy

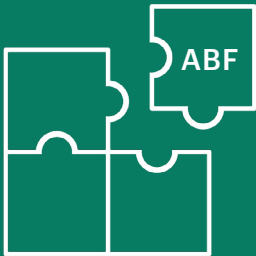


Financing real estate, industrial assets, consumers and other real-economy activity

Improve the quality and breadth of income	Seek higher returns through structural risk	Diversify away from enterprise-value risk
Blend toward senior, investment-grade or investment-grade-like exposures across multiple collateral types, seeking compensation for origination, structuring and scale of capital commitment.	Allocate more to mezzanine, sub-investment-grade or residual positions where expected spread and upside compensate for greater first-loss and performance risk.	Shift a portion of a corporate-credit allocation into ABF, which is underwritten against defined asset cash flows rather than borrower enterprise value and spans collateral types that respond to different economic drivers.
Potential role: Broaden sources of repayment and potentially improve credit quality while maintaining an attractive income target.	Potential role: Pursue a higher targeted return through capital-stack selection and asset performance.	Potential role: Reduce sensitivity to enterprise-value compression, lessen refinancing risk through amortization and diversify across collateral types.

Conclusion

The market's scale and diversity allow an ABF allocation to play several roles in a portfolio, including income enhancement, credit-quality improvement, diversification from enterprise-value risk and the potential for higher returns through structural premium. The role an allocation targets shapes how it should be built: collateral mix, capital-structure position, duration and mandate flexibility. It also shapes where the allocation is funded from, because different ABF strategies may be compared with traditional fixed income, corporate private credit or higher-returning alternatives, and no single benchmark applies to all of them. Other considerations include fund structure (evergreen versus drawdown), use of financial leverage and liquidity profile. Regardless of the objective, we believe ABF merits a dedicated place in a strategic asset allocation.



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