

Q1 2025 Asset-Based Finance Outlook

Transcript

[Music]

Edwin Wilches, CFA, Co-Head of Securitized Products: As we look into 2025, we're very excited about the asset-based finance, ABF, or private ABF sector. We continue to see tremendous growth in the sector as we continue to see non-deposit bearing institutions play a much smaller role in lending to the real economy. This has allowed private market participants, such as ourselves, to provide our clients with greater opportunities to diversify as many of these assets are not readily available in broader fixed-income markets. An ability to increase their spreads and the yields of their portfolios without taking more risk as we're able to pass along more economics to our clients as we're getting closer to the origination source. And last but not least, we're able to create assets with better downside protection. In the unexpected event that we do have a recession, these assets will be a bit more resilient as we're able to negotiate different loss mitigation triggers. We're seeing a wide range of opportunities across different asset classes including consumer, commercial, fund finance, many other subsectors such as solar, residential and other home-related sectors. Spreads remain wide, opportunity set remains large, and we continue to see a lot of client demand across the world from both large and small institutions.

[Music]

Source(s) of data (unless otherwise noted): PGIM Fixed Income, as **January 2025**.

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