US Asset-Based Finance: Assessing the Market Opportunity, Portfolio Fit and Investment Considerations



aranca

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ABF Market Opportunity and Investment Priorities

Growth and yield premiums; Discipline drives returns

1

A large market, but a narrower investable opportunity

Broader US ABF market encompasses over USD 20tn of underlying assets and contractual cash flows that can support ABF. However, excluding assets already securitized or held by insurers and private funds, the estimated long-term opportunity for private credit providers narrows to ~USD 6-8tn.

2

Structural financing demand supports growth

Insurer demand, non-bank lending and asset-heavy capex are driving growth; ABF AUM at leading firms rose 38% in five quarters. Easier US bank capital rules could slow the shift.

3

Yield premiums compensate for complexity

Private ABF offers an estimated 240 bps premium over public ABS, compared with approx. 70 bps for direct lending. This additional return reflects the complexity of the underlying assets and requires robust underwriting and ongoing risk oversight.

4

Collateral quality drives credit outcomes

Within US Auto, the prime consumer credit is holding up with losses of 0.71% vs 10.54% for non-prime auto. However, risks across other US ABS segments warrant closer monitoring, particularly rising credit-card delinquencies, slower mortgage repayments and refinancing pressures in commercial real estate (CRE).

5

Asset diversification creates differentiated risk exposure

Consumer, mortgage, CRE and hard-asset exposures react differently to credit, rates and refinancing. Collateral choice and deal structure matter more than the ABF label.

6

Amortization supports capital recycling

Weighted Average Life (WAL) ranges from ~2.4 years (auto ABS) to ~4.3 years (student loans, aircraft) and longer for digital infrastructure. Faster amortization returns capital sooner but creates reinvestment needs.

7

Manager capabilities determine realized returns

YTD returns across ABF funds ranged from -3.7% to 8.5% through Q3 2026, highlighting significant performance dispersion and the importance of asset selection, underwriting discipline and portfolio construction.

***Source**: Aranca Research, SIFMA, Apollo, Bloomberg, S&P, Fitch, PIMCO*

ABF Market Perimeter and the Role it Plays in a Private Debt Portfolio

Narrow the universe; Define the portfolio role; Select the manager

DEFINING THE INVESTABLE PERIMETER

Broad asset universe
USD 20tn+
Underlying assets and contractual cash flows capable of supporting ABF

Excludes those already financed
Assets already securitised or held by banks, insurers and existing private funds

Investable private opportunity
USD 6 - 8tn
Long-term opportunity available to private credit providers

Implication: The USD 6-8tn estimate provides a more relevant measure of the long-term private debt investment opportunity, but investors must distinguish market potential from assets that can be accessed and deployed into at attractive returns.

THE OPPORTUNITY SET - SIX PILLARS

Consumer finance
Auto, cards, personal, POS and student receivables

Residential mortgage
Agency and non-agency, non-QM, second liens, HELOCs

Commercial mortgage
CRE loans, conduit and SASB CMBS, CRE CLOs, C-PACE

Hard assets
Equipment, fleet, aircraft, rail, data centres, fibre, power

Financial assets
Royalties, whole-business, trade and structured receivables

Capital solutions
Fund finance, NAV lending and risk-transfer structures

Exposure: Non-banks fund 34% of the US market against 13% in Europe, so non-US exposure is earlier-stage and more bank-intermediated.

CHOOSE THE PORTFOLIO ROLE FIRST

Income with higher credit quality

Senior, IG or IG-like exposure across several collateral types

Funding source: Fund from existing fixed income or income-oriented credit

Diversification from corporate risk

Collateral cash flows replace reliance on borrower earnings and enterprise value

Funding source: Fund from the corporate private credit sleeve

Higher return through structure

Mezzanine, sub-IG and residual positions carrying first-loss risk

Funding source: Fund from opportunistic or high-yield allocations

Risk and return vary significantly across ABF strategies. Differences in collateral composition, attachment points and origination models shape the underlying credit risk and potential returns.

***Source**: Aranca Research, SIFMA, Apollo, Bloomberg, S&P, Fitch, PIMCO*

US Tradeable ABS: A Niche Segment Within the Broader US ABF Market

Public ABS - Small market share; Broad, tradeable collateral exposure

- **Market scale**: Tradeable non-mortgage ABS is a USD 1.6tn niche within the USD 20tn+ US ABF market, which spans aircraft leases, residential mortgages, data centers and royalty agreements - large in absolute terms, small in relative terms.
- **Access gaps**: Significant private bilateral segments remain inaccessible to smaller investors, while larger investors seeking scale often overlook parts of the tradeable ABS market.

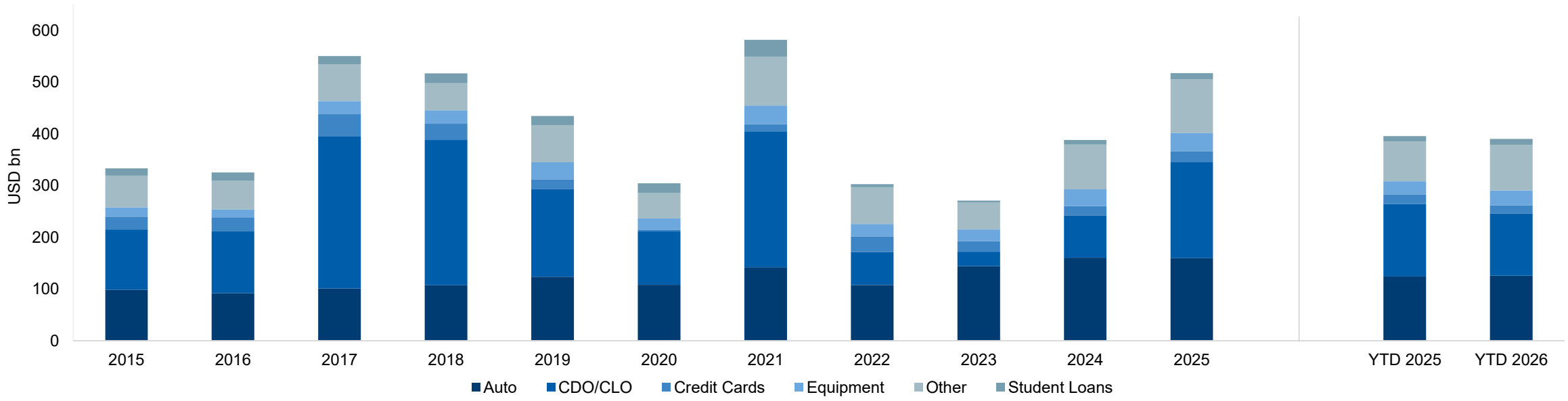
~USD >20tn
est. US ABF market size as of YTD 2026

USD 3.3tn
Tradeable bond-form US structured credit market size[1]

USD 1.6tn
US tradeable ABS[2] market size

~300
# of Institutional investors in the US securitized debt market vs. ~1,200 in US IG Corp. bonds

Public US ABS Issuance by Asset class



***Source**: Aranca Research, SIFMA, Apollo, Bloomberg, Dealogic, Refinitiv*
1. As of Q2 2025. 2. Pool of underlying assets, such as loans, leases, or receivables, whose cash flows are used to repay investors.

US ABS Market: Issuance Mix, Pricing and Duration Across Key Asset Classes

Six ABS segments; Scale, collateral, spreads and WAL compared

Segment	YTD Issuance[1]	Collateral	Yield range	Weighted Average Life
Auto	USD 125.8bn	Prime/subprime auto loans, leases and dealer floorplan receivables.	▪ ~60 bps wtd-avrg spread across rated tranches in the 2026 issuance. ▪ AAA tranches were tighter, at ~46 bps.	▪ ~2.4 years across 2026 issuance. ▪ Senior auto tranches are generally shorter-dated
CDO / CLO	USD 120.3bn	Diversified leveraged-loan portfolios and other structured-credit assets.	▪ Avg. CLO AAA new-issue spreads averaged ~122 bps (Sep-2026). ▪ Wider spreads on Mezzanine and junior tranches, depending on rating, subordination and portfolio quality.	▪ Transaction- and tranche-specific. ▪ Typical reinvestment period of ~5 years
Credit cards	USD 15.9bn	Revolving credit-card receivables.	▪ ~59 bps wtd avrg spread across rated tranches. ▪ Senior AAA tranches averaged ~48 bps.	▪ ~2.9 years. ▪ Driven by the revolving period and subsequent controlled amortization period.
Equipment	USD 28.5bn	Loans and leases secured by commercial and industrial equipment.	▪ ~75 bps wtd avrg spread across rated tranches. ▪ AAA tranches averaged ~47 bps, with wider spreads for subordinated tranches.	▪ ~3.0 years. ▪ May differ based on equipment type, contract tenor, and amortization profile.
Student loans	USD 11.2bn	Private, refinanced and legacy FFELP student loans.	▪ ~118 bps wtd avrg spread across rated tranches. ▪ Premium over prime auto and credit-card ABS, reflecting longer duration and differences in collateral characteristics.	▪ ~4.3 years. ▪ Depends on repayment schedules, borrower deferment, prepayment, and loan seasoning.
Others	USD 88.6bn	Aircraft, digital infrastructure, royalties, whole-business and other contractual receivables.	▪ Indicative wtd avrg spreads include ~158 bps for aircraft, ~186 bps for data centers, ~203 bps for whole-business securitizations and ~208 bps for fiber/digital infrastructure.	▪ ~4.3 years for aircraft, ~4.9 years for data centers, ~5.1 years for fiber and ~6.0 years for whole-business securitizations.

***Source**: Aranca Research, SIFMA*
1. As of Sep-2026

Structural Drivers Accelerating the Growth of Asset-Backed Finance

ABF growth continues despite regulatory and competitive headwinds

Bank capital and partnerships



- Banks transferred credit risk on ~USD 1,065bn of loan portfolios through SRTs by end-2025, up 26% y/y.
- ~USD 35bn of SRT transactions in 2025 covered underlying loan portfolios of EUR 445bn.
- Banks are increasingly partnering with private credit managers through loan distribution, portfolio sales, forward-flow arrangements and risk-transfer structures.

Insurer demand



- US life insurers' private and illiquid fixed-income holdings reached USD 807bn at end-2025, up from USD 685bn in 2024.
- These exposures represented 20% of the industry's ~USD 4tn fixed-income portfolio, compared with 18% a year earlier.
- ABS accounted for 27.2% of the nearly USD 4tn US life general-account bond book under the revised NAIC Schedule D classification.

Non-bank originator growth



- ABF AUM at leading private credit firms increased 38% over the five quarters to Q3 2025, approx. twice the growth rate of other private credit strategies.
- Non-banks account for 34% of the US ABF market, compared with just 13% in Europe, indicating significant scope for further non-bank penetration.

Asset-heavy capex



- AI infrastructure investment across compute, data centers, and power is projected at ~USD 7.6tn cumulatively between 2026 and 2031.
- The US housing market remained undersupplied by ~3.7mn units as of Q3 2024, supporting the structural need for housing and mortgage finance.
- Energy transition, grid expansion, and electrification are additional sources of demand for equipment and infrastructure financing.

Counter-signal: bank capital is getting cheaper, not dearer

- 19 March 2026 US Basel III re-proposal would reduce the minimum risk weight for most senior securitization exposures from 20% to 15%, potentially lowering the regulatory capital cost of banks holding eligible securitized assets. However, the changes remain proposed, and any resulting increase in bank participation is uncertain; the extent to which banks re-enter private ABF origination and financing will depend on implementation, economics and risk appetite.
- Separately, the NAIC estimates US insurers held approx. USD 1.2tn of private credit at end-2025 and is strengthening oversight of ratings, valuation, capital adequacy and affiliated transactions. The Bank of England has also highlighted the growing interconnectedness between banks and non-bank investors through SRTs, including potential risk transmission and procyclicality under stress.

***Source**: Aranca Research, Goldman Sachs, Moody's S&P, IACPM, PIMCO*

ABF vs. Direct Lending: Complementary Strategies, Distinct Risk-Return Profiles

Relies on collateral and structural protections, while direct lending on corporate cash flows and credit quality

9.4% vs 8.5%
Modelled[1] 5-yr return, ABF vs DL

~240 vs ~70 bps
Private premium over public equivalent

~3 vs ~5 yrs
ABF vs DL Weighted average life

0.61
Returns Correlation between ABF vs DL

6.3%
Record high DL default rate (TTM Q3-26)

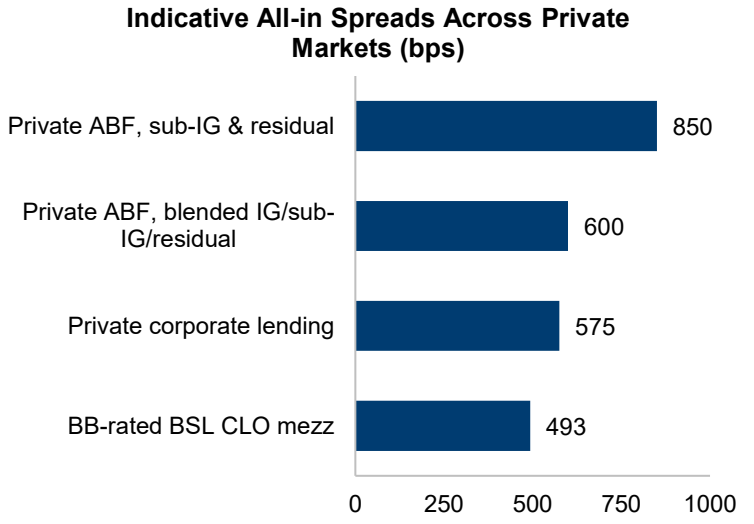
Dimension	Private ABF	Sponsor-backed Direct Lending
Repayment source	Collateral cash flows: loans, leases and receivables	Corporate operating cash flow; refinancing or sale.
Security	Defined asset pools; borrowing bases or ring-fenced structures	Broad liens over borrower assets; guarantees and covenants.
Diversification	Many underlying assets; originator and servicer concentrations remain	Individual borrower, sponsor and sector exposures.
Cash flows & recycling	Often amortising; potentially faster capital recycling	Mainly interest payments; principal typically repaid at maturity or exit.
Underwriting focus	Collateral quality, advance rates, servicing and cash controls	EBITDA, leverage, interest coverage and covenants.
Key downside risks	Collateral losses, fraud, servicing and legal enforceability	Earnings decline, leverage and refinancing risk.
Return drivers	Asset yield, complexity, illiquidity and origination economics	Lending spreads, fees and leverage.
Portfolio role	Consumer, mortgage, equipment and other asset-backed exposures	Private corporate-credit exposure and income.

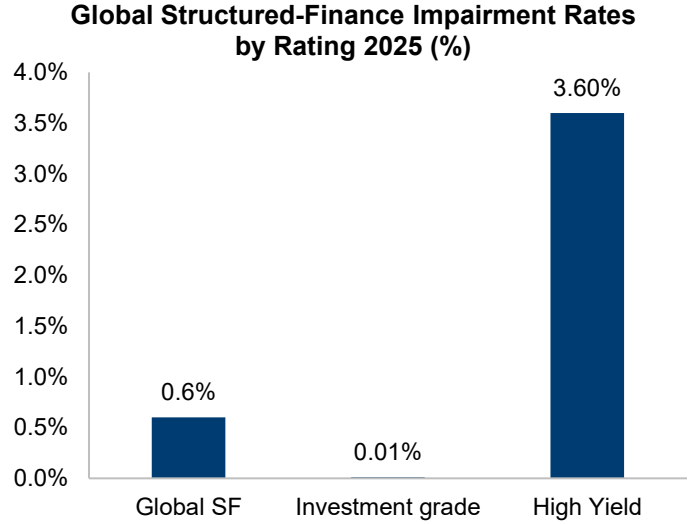
Metric	ABF	Direct lending
Leverage assumed	1.25x	0.75x
Recent deal spread	Tighter spreads between 300-450 bps	Wider spreads in the range of 425-550 bps
Premium vs public	Higher premium = ~240 bps	Lower premium = ~70 bps
Est. 5-yr return	9.4%	8.5%
Recession downside	Lower downside = ~45%	Reference case (direct lending)
Correlation vs HY	Lower correlation = 0.59 (0.83 in stress)	HY-linked
Equal allocation to ABF and direct lending	Improved risk adjusted returns	Higher equity beta

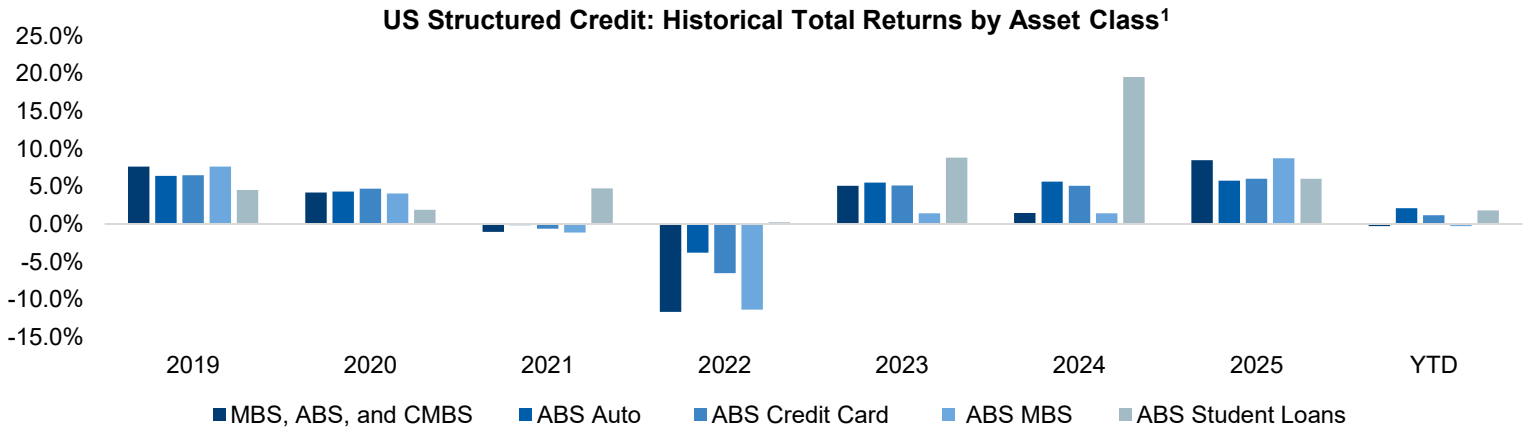
***Source**: Aranca Research, Goldman Sachs, Moody's S&P, IACPM*
1. Per PIMCO report

Attractive Yield Premiums, with Risk Differentiated by Credit Quality

Private ABF delivers strong modelled returns with significantly lower impairment rates for IG assets than for HY exposures







9.4% vs 8.5%
5-yr est annual returns
ABF vs. direct lending modelled annual returns

240 bps vs 70 bps
Private-market spread premium
ABF vs. public ABS, compared with direct lending vs. B-rated Lev loans

0.12% vs. 0.75%
Peak annual IG default rates
US IG ABS vs. IG corporate bonds, 2004 - 2024

3.45% vs. 0.34%
5-year cumulative default rates for AAA-rated securities / issuers
Global structured finance vs. global corporate issuers

***Source**: Aranca Research, Bloomberg, S&P, Fitch, PIMCO*
1. Includes YTD public indices returns till 30-Oct-26

US ABF: Consumer Leads as Mortgage and CRE Face Rate and Maturity Pressure

Broad opportunities, but credit, rate and refinancing risks demand selective underwriting

WHAT IS DRIVING THE OPPORTUNITY?

Consumer Finance

MARKET SIZE

USD 4.63tn

US household debt outstanding (auto, student and credit-card balances), Q2 2026

Deep consumer credit collateral pool

YTD ISSUANCE

USD 390.3bn ▼ −1.3% y/y

US ABS issuance YTD to 30-Sep-26 (incl. multiple collateral types)

USD 211bn

New auto loans originated in Q2 2026, sustaining the auto ABS collateral pipeline

Residential Mortgage Finance

MARKET SIZE

USD 13.1tn

Mortgage balances on credit reports, Q2 2026

Agency MBS, non-agency RMBS, whole loans

YTD ISSUANCE

USD 1,608bn ▲ +18.3% YoY

US MBS issuance (agency and non-agency) YTD to 30-Sep-26

USD 459bn

HELOC balances, up USD 13bn in Q2 2026, adding home-equity credit exposure

Commercial Real Estate Finance

MARKET SIZE

USD 5.1tn

Commercial/multifamily mortgage debt outstanding, Q2 2026

+USD 42.9bn in Q2 2026: continued financing activity

YTD ISSUANCE

USD 124bn ▲ +18% YoY

Private-label CMBS + CRE CLO, YTD to 15-Sep-26

Non-agency CMBS YTD: USD 97bn+

Bridge lending

Refinancing and maturity pressures create bridge and transitional lending opportunities

***Source**: Aranca Research, Fitch, PIMCO, KBRA*

Drivers vs Risks: What Supports and What Pressures Each Segment

Structural tailwinds remain intact, but credit, rate and refinancing headwinds demand selective underwriting

DRIVERS *tailwinds pushing the opportunity*	SEGMENT	*headwinds pushing back* RISKS
Deep collateral base: auto, student and credit-card balances provide a substantial consumer credit pool	Consumer Finance	**Non-prime auto deterioration:** net losses +44 bps YoY vs. 0.71% for prime ABS; widening borrower-quality dispersion — 10.54%
Continued auto origination: new auto loans sustain the pipeline of collateral for auto ABS		**Credit-card repayment stress:** of card balances transitioned into 90+ day delinquency (annualised, Q2 2026) — 6.97%
Active securitisation market: ABS issuance supports financing capacity across asset classes		**Student-loan delinquencies:** of balances 90+ days delinquent; distorted by resumed reporting of federal loan defaults — 10.6%
Large mortgage collateral base: broad universe across agency MBS, non-agency RMBS and whole loans	Residential Mortgage Finance	**Rising mortgage delinquencies:** annualized 90+ day transitions in Q2 2026, up from 1.29% in Q2 2025 — 1.52%
Strong securitisation activity: US MBS issuance up 18.3% YoY through Sep-26		**Extension and duration risk:** S&P US MBS Index effective duration (Sep-26) raises rate-driven prepayment sensitivity — 5.48 yrs
Expanding home-equity lending: HELOC balances up USD 13bn in Q2 2026, adding home-equity-related credit exposure		**Prepayment uncertainty:** falling rates shorten MBS cash flows; higher rates extend duration and mark-to-market risk — ↕
Growing CRE debt market: debt up USD 42.9bn in Q2 2026, indicating continued financing activity	Commercial Real Estate Finance	**Significant refinancing wall:** 17% of commercial mortgage balances due in 2026, raising refinancing/default risks — USD 875bn
Expanding securitisation activity: private-label CMBS and CRE CLO issuance up 18% YoY		**Elevated CMBS delinquencies:** Trepp rate at highest since Nov-20 (Sep-26); office delinquency at 12.16% — 8.02%
Specialist financing demand: refinancing and maturity pressures create bridge and transitional lending opportunities		**Office-sector distress:** weaker occupancy, leasing demand and valuations raise collateral and recovery risks — 🏢

***Source**: Aranca Research, Bloomberg, S&P, Fitch, PIMCO, KBRA*

US Consumer ABS: Credit Performance Diverges Across Collateral Types

Prime auto and credit-card pools remain resilient, while student loans offer higher spreads amid elevated delinquencies

ABS US Auto

Amt outstanding:	USD 1.71tn (Q2 2026)
Issuance volume:	USD 165.7bn (YTD 30-Oct-26)
Annualized net losses:	0.71% prime and 10.54% non-prime annualized net losses (Sep-26)

Investment Opportunities

- Resilient prime performance: Prime auto ABS annualized net losses remained low at 0.71% in September 2026, down 8 bps YoY, supporting selective exposure to higher-quality collateral (KBRA).
- Strong collateral formation: USD 211bn of new auto loans originated in Q2 2026, supporting continued collateral supply for securitisation (New York Fed).
- Short-duration investment profile: USD 165.7bn of auto ABS was issued YTD through 30 October, with a 2.4-year median WAL, providing access to a deep market with relatively short cash-flow profiles.

ABS Student Loans

Amt outstanding:	USD 1.65tn (Q2 2026)
Issuance volume:	USD 8.3bn (YTD 30-Oct-26)
90+ day delinquency:	10.6% of balances 90+ days delinquent; highest since Q1 2020

Investment Opportunities

- Structural private-lending growth: Sallie Mae's (US-based lender) Q3 2026 private education loan originations increased 15% YoY to USD 3.4bn, including 119% growth in graduate lending following federal PLUS reforms.
- Strong origination quality: Sallie Mae reported an average borrower FICO of 757 and a 92% cosigner rate in Q3 2026, supporting the availability of higher-quality private student-loan collateral.
- Higher spread compensation: Student-loan ABS offered a 118.5 bps wtd-avrg spread and 4.3-year median WAL YTD through Oct-26, providing a spread premium over auto and credit-card ABS.

ABS Credit Cards

Amt outstanding:	USD 1.26tn (Q2 2026)
Issuance volume:	USD 18.3bn (YTD 30-Oct-26)
90+ day delinquency:	6.97% annualized quarterly transition rate in Q2 2026

Investment Opportunities

- Stable delinquency transitions: Credit-card balances transitioning into 90+ day delinquency remained broadly stable at 6.97% on an annualised basis in Q2 2026, indicating relative stability in recent delinquency flows.
- Established securitisation capacity: USD 18.3bn of credit-card ABS was issued across 21 deals YTD through Oct-26, demonstrating continued funding access through established securitisation platforms.
- Positive relative performance: Credit-card ABS generated ~6 bps of excess return in September 2026, supported by portfolio carry.

Key takeaway

- **Relative performance**: Consumer ABS outperformed other securitized sectors in Q3 2026, supported by shorter duration and resilient collateral performance.
- **Selective underwriting**: Elevated non-prime auto losses and borrower affordability pressures reinforce the preference for stronger collateral and established originators.

***Source**: Aranca Research, Bloomberg, S&P, Fitch, PIMCO*

ABF Offers Attractive Relative Value Within Private Debt

Higher modelled returns and differentiated cash flows support a selective allocation alongside direct lending

THE INVESTMENT CASE

9.4% vs 8.5%

Modelled five-year annualized return

Higher modelled return potential

ABF's modelled return exceeds direct lending by 90 bps, supported by asset-level spreads and different leverage assumptions.

~240 bps

Est. private ABF premium over public ABS

Compensation for complexity

Private ABF offers an estimated spread premium over public ABS, reflecting illiquidity, origination complexity and specialist underwriting requirements.

0.61

Modelled ABF / direct lending return correlation

Differentiated portfolio exposure

Collateral-backed cash flows provide exposure beyond corporate earnings, with potential diversification benefits that may weaken during market stress.

USD 6 to 8tn

Est. long-term US private debt investment opportunity

Structural financing opportunity

A substantial addressable market across consumer, mortgage, equipment and specialist asset-backed lending supports long-term deployment potential.

SELECTIVITY DETERMINES OUTCOMES

0.71% vs. 10.54%

Prime vs. non-prime auto ABS annualized net losses, Sep-26

Collateral quality drives credit outcomes

Significant variation in asset performance reinforces the need for granular underwriting, conservative advance rates and robust servicing controls.

-3.7% to +8.5%

Selected ABF fund YTD returns through Q3 2026

Manager selection drives realized returns

Performance dispersion highlights the importance of sourcing, asset selection, structuring and portfolio oversight.

Portfolio implication: Selective ABF can complement direct lending, with granular collateral and independently verified cash controls.

***Source**: Aranca Research, Bloomberg, S&P, Fitch, PIMCO*

Risk Controls: Where ABF Losses Actually Occur

Recent losses in the asset class came from collateral and cash-control failures rather than from market risk

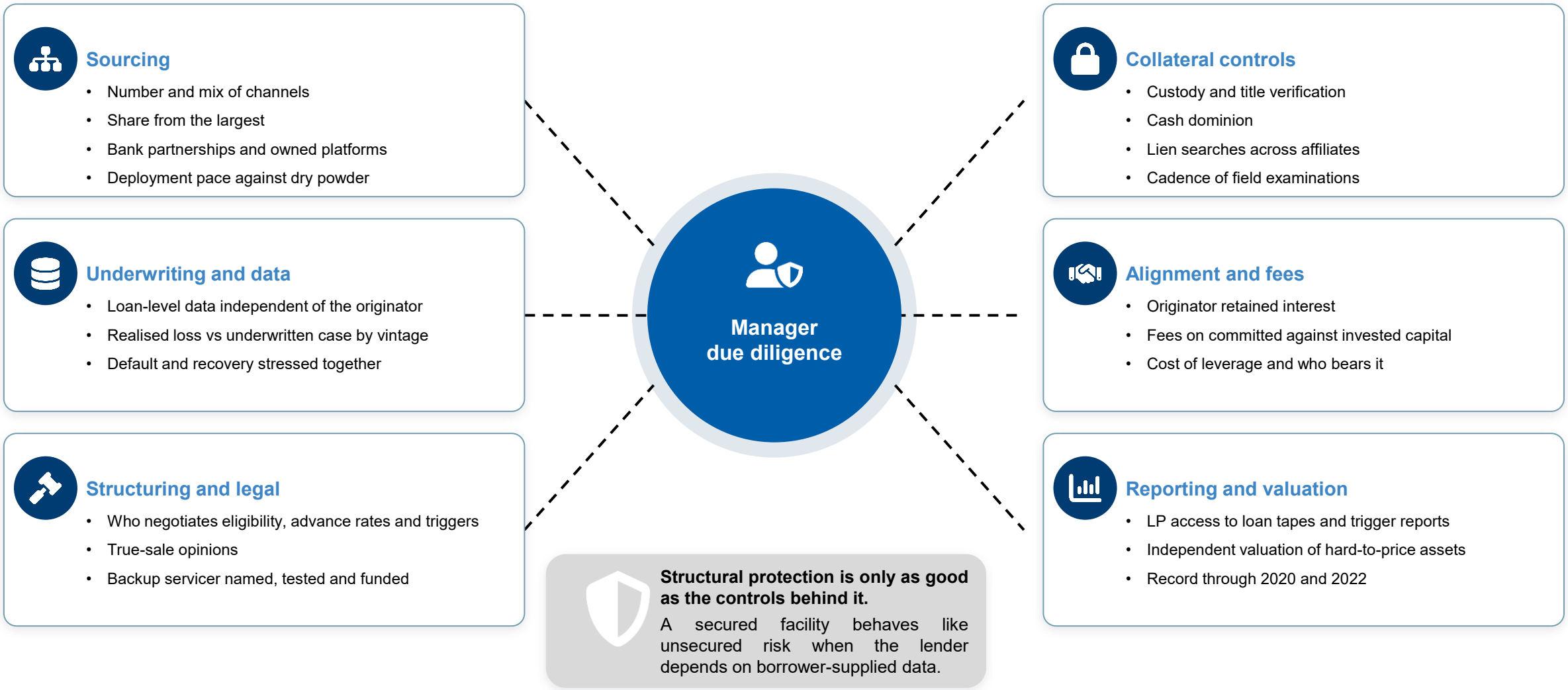
WHAT FAILED, AND THE CONTROL THAT ADDRESSES IT

Failure observed	Control that addresses it	Diligence question
The same assets pledged to several lenders	**Custody and reconciliation** Third-party custody of loan files and titles; reconciliation of asset identifiers across all facilities	Who holds the titles, and can our assets be reconciled against every other facility?
Delinquent loans reported as performing	**Independent data** Data taken directly from the servicing system or lockbox; independent principal roll-forward testing	Does the pool balance decline in line with reported collections?
Invoices fabricated or inflated	**Debtor confirmation** Direct confirmation with account debtors; matching to purchase orders and shipping records	What share of receivables is confirmed with obligors each month?
Collections not forwarded by the seller	**Cash dominion** Obligors pay into lender-controlled accounts with daily sweeps	Do obligors pay into an account we control today?
Concentration in a single originator or seller	**Hard exposure limits** By originator, servicer and seller as a share of net assets	What is the largest single originator exposure, and what is the cap?
Liabilities held outside the reported balance sheet	**Covenants** Capturing receivables, supply-chain and sale-leaseback programmes	What is total debt including off-balance-sheet financing programmes?
Audit rights held but not exercised	**Field examinations** On a fixed schedule regardless of relationship considerations	When was the last full field exam, and what did it find?

***Source**: Aranca Research*

Manager Due-Diligence Framework

Six areas to test when selecting an ABF manager



Sourcing

- Number and mix of channels
- Share from the largest
- Bank partnerships and owned platforms
- Deployment pace against dry powder

Underwriting and data

- Loan-level data independent of the originator
- Realised loss vs underwritten case by vintage
- Default and recovery stressed together

Structuring and legal

- Who negotiates eligibility, advance rates and triggers
- True-sale opinions
- Backup servicer named, tested and funded

Collateral controls

- Custody and title verification
- Cash dominion
- Lien searches across affiliates
- Cadence of field examinations

Alignment and fees

- Originator retained interest
- Fees on committed against invested capital
- Cost of leverage and who bears it

Reporting and valuation

- LP access to loan tapes and trigger reports
- Independent valuation of hard-to-price assets
- Record through 2020 and 2022

Structural protection is only as good as the controls behind it.

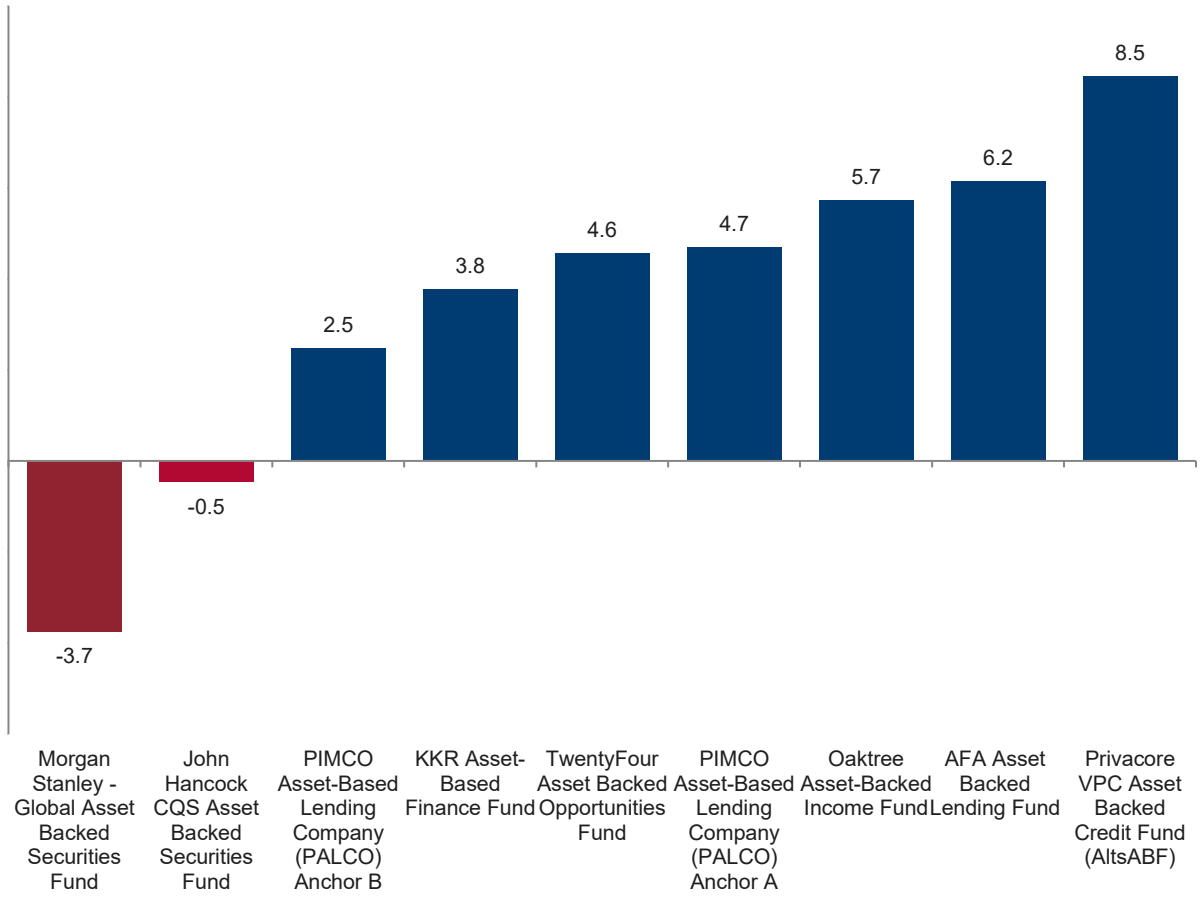
A secured facility behaves like unsecured risk when the lender depends on borrower-supplied data.

***Source**: Aranca Research*

ABF Fund Performance: Wide Return Dispersion, Differing Asset Exposures and Risk Profiles

Fund returns diverge materially, driven by collateral mix, portfolio structure and underwriting discipline

YTD Return Dispersion Across ABF Funds as of Q3 2026



8.4% vs 3.7%

YTD Performance Dispersion

Privacore led with an 8.5% return, while Morgan Stanley at -3.7%. ABF returns are driven by contractual income and asset-level spreads, with underwriting quality, asset selection and portfolio structure influencing performance.

4.7% vs 2.5%

PIMCO Share-Class Performance

PALCO Anchor A outperformed Anchor B by 221bps YTD. Anchor A also delivered a 6.93% one-year return, although differing inception dates limit direct comparison.

48% vs 65%

Consumer vs. Residential Concentration

Privacore has the highest consumer allocation (48%), while PIMCO is most concentrated in residential assets (65%). Consumer exposure is also material at Oaktree (30.4%), KKR (26%) and PIMCO (22%).

74% vs 52%

Loan Seniority and Risk Structure

Privacore has 74% senior-secured exposure and 19% junior-secured exposure, while Oaktree has 51.9% mezzanine exposure. PIMCO reports relatively low fund leverage of 0.15x.

***Source**: Aranca Research, Bloomberg, Company Filings, Pitchbook*



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