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THE VIEW FROM APOLLO

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Asset-Backed Finance is Having a Moment

In 2025's turbulent market environment, one corner of private credit is enjoying its moment in the sun: asset-backed finance. In this episode of *The View from Apollo podcast,* **Bret Leas, Apollo's Co-Head of Asset-Backed Finance,** explains how this estimated $20 trillion global market works.

Q: What exactly is asset-backed finance (ABF)?

A: It's right there in the name — you're investing in something that's backed by assets, not just the operations of a company. In most investing, you give your money to a business, and your fortunes rise and fall with theirs. Here, your investment is backed by a pool of things that actually have cash flow and self-amortize over time.

And it's not as abstract as it sounds. This is the stuff people interact with every single day. If you have a house, and you've got a mortgage, that's asset-backed finance. It's a fixed contract, it pays something, there's credit enhancement, and there's a tangible asset beneath it. If something goes wrong, that tangible asset can be sold. There are millions of these transactions happening all the time, and by fostering that kind of lending, we help the economy grow and help people get access to the credit they need.

Q: Why is ABF having "a moment" in 2025?

A: It's been around for a long time, but right now it's on everyone's radar. Part of that is because companies — big and small — are realizing they can get higher valuations by running lighter balance sheets. They're shedding assets but still need to keep creating them as part of their business. Those assets have to go somewhere, and we're a natural buyer.

At the same time, the private debt revolution has brought in more stable, long-term capital. Investors are thinking about illiquidity and complexity premia and are finding this market attractive, especially if they're overweight in other types of risk.

And then there's the regulatory side. Globally, we've seen changes that encourage more credit in the economy. By spreading risk across a broad investor base, ABF helps make that happen — which means as people spend more and companies make more, there's a deep, efficient way to finance it.

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Q: You started Apollo's ABF business in 2009. What was the environment like back then?

A: It was a fascinating time to start. We had a clean balance sheet — no legacy problems from the crisis — so we could look at what was out there and separate fear from fact. We could decide what was truly good, what was cheap, and buy from sellers who needed liquidity.

Meanwhile, regulators were clamping down on banks and on pools of cheap, highly levered capital. We stepped in and provided much-needed liquidity. The products at that point were simpler, easier to understand, de-leveraged, and cheap. That gave us the space to build infrastructure and expertise so that when the market restarted, we were ahead of the curve.

Q: Could you have predicted the ABF market's growth to $20 trillion?

A: Not at all. But we knew it would come back because it's necessary. Imagine walking into a car dealership and having to pay cash — no financing. Or a wallet with no credit cards in it. Or turning on your TV and having nothing to watch because no one would finance the royalties or production. That's what a world without asset-backed finance looks like.

Even in crisis, governments have recognized this. During the financial crisis and again during COVID, programs were created specifically to restart this market. The free flow of credit to consumers and businesses is essential, and as the economy and asset values grow, so will ABF. I think $20 trillion is just the beginning.

Q: Why is ABF resilient in volatile markets?

A: First, if you've got a tangible asset and inflation hits, the value of that asset usually goes up, which protects the lender. Second, these assets pay you on a set schedule and self-amortize, so you're not at the mercy of refinancing risk.

Most of what we own is relatively short in duration — three to five years — which means less time for things to go wrong. And once you own it, it sits in what I sometimes call a "dumb box" — a rules-based system. You know exactly what you own, what the collateral is, and if it doesn't perform, you have the right to seize and sell it. That level of control is even more valuable when markets are chaotic.

Q: How should ABF and direct lending work together in a portfolio?

A: People sometimes think it's either/or, but it's really about diversification. Private credit has grown tremendously, and investors have broadly embraced the asset class. ABF is a massive market — $20 trillion and growing — and ignoring it is like walking around with one eye closed.

Adding ABF can change your risk profile, diversify your cash flows, and let you tailor durations. We like going up in credit, into investment grade, where you can still get healthy returns. It's about balance

Q: What makes ABF so flexible as an investment?

A: Everything starts with the asset. The closer you are to creating or servicing it, the better you understand the risk. From there, you can choose your approach: buy bonds, buy whole loans, make loans directly, provide a warehouse facility, do public or private bonds, own the company, or just own the residuals. You're not limited by form — you go after the cheapest, most effective way to get the risk you like.

Q: With flexibility comes the need for discipline. How do you maintain it?

A: We're constantly hunting for opportunities, but the key is knowing the asset intimately. We test our investments against decades of data on mortgages, consumer loans, and commercial loans. We validate and refine our models with new data all the time.

And we're fine letting an asset class sit untouched if the timing isn't right. Discipline means you don't have to be active in everything all the time.

Q: How are you expanding ABF access to individual investors?

A: Individual investors know ABF better than they think — it's in their mortgage, car loan, even their gym membership. The "aha" moment comes when they realize they can actually invest in what they use every day. We're making that possible with broad-based global exposure and by increasing liquidity through evergreen funds.

Historically, most of this market — especially things like whole loans and warehousing — was private and closed off. Now, we're opening it up in a way that's still tailored to wealth investors, focusing on investment grade, shorter-duration exposures.

Q: What tough questions do you get about ABF?

A: One is correlation of the underlying assets: how do you know a pool of auto loans won't all go bad in a recession? We know because we have mountains of data and real-world experience buying and selling vehicles through our fleet businesses. Other concerns we hear are about complexity and consumer lending, which is prone to fraud. The market can feel opaque and complicated, and that alone makes some people nervous. So when that happens, I like to strip it right back to basics.

Think about your mortgage. You went through an application. Someone underwrote your income. Someone came out to appraise your home. Someone checked your payment history, your future prospects, your credit. Odds are, you got that mortgage from a bank you already had a relationship with. Real people did the real work to decide if you qualified. And you know the utility you get from owning that home.

Now — take that exact process and multiply it by 50,000 similar loans. That's essentially what we're talking about. Once you see it at that level, it's not some mysterious black box — it's just a bigger version of something you already understand.

We also highlight that in the U.S., asset-backed finance has helped keep the credit system healthy. Compare that to Europe, which avoided this market after 2008 and has had slower economic growth and fewer credit options.

Q: Is Europe a growth opportunity?

A: Absolutely. The ECB is making securitization more accessible, which means more cross-border lending, more competition, and lower prices. We're also seeing this in the Middle East and Asia, where fast-growing, mobile populations need credit solutions beyond what banks can carry on their balance sheets.

Note: The responses above have been edited for clarity and concision and do not represent a verbatim transcript of the podcast.

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