

Oaktree Asset Backed Income Fund Inc. ("the Fund")
Q1 2026 Podcast Transcript
Recorded on April 29, 2026

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Oaktree Fund Advisors LLC is the investment adviser and Quasar Distributors, LLC is the distributor of the Fund.

As of March 31, 2026.

Jennifer Marquez (Jennifer): Hello everyone, and welcome to the latest edition of The Manager Minute Podcast for Oaktree's Asset Backed Income Fund. I'm Jennifer Marques, and I'm the head of strategy and structuring for our structured credit and asset-backed finance platform. I'm thrilled to be joined today by Rana Mitra, managing director within our team and a lead for our equipment finance vertical. Thanks for joining me, Rana.

Rana Mitra (Rana): Hi, Jen. I'm so excited to join you on the podcast today.

Jennifer: So today we'll start with a brief overview of how the portfolio performed during the quarter, how asset-backed finance differs from other areas within private credit, such as corporate direct lending, and why we believe asset-backed finance is potentially insulated from some of the broader AI disruption themes in focus today. Then we'll dive into some of the real economy financing structures that we're looking at, with a focus on the equipment finance vertical in particular and our differentiated approach to sourcing in this space.

So to start with portfolio performance, we've reached the end of our first full quarter since the fund launched back in December last year. And whilst we are still very much ramping the portfolio, our asset-backed income fund reached approximately 386 million in net assets, and our portfolio is invested across 74 issuers, constructed around diversified selection of private asset-backed finance investments. Everything from equipment leasing, which we plan to spotlight in today's discussion, to transportation, aviation, and vehicle fleet financing to essential use consumer finance.

As of March 31st, 2026, the portfolio had an average spread of approximately 642 basis points and a gross portfolio level yield of around 10%, reflecting attractive income potential supported by asset level cash flows

and structural protections. The portfolio also had a weighted average life of roughly 5.6 years. And from an income standpoint, the fund targets monthly distributions and is designed to generate durable current income¹ and attractive risk adjusted returns. We generated a net return of 0.12% for the quarter and 0.30% since inception.

Average Annual Total Net Returns as of March 31, 2026

Share Class	QTD	YTD	1-Year	3-Year	Since Inception
Class I	0.12%	0.12%	-	-	0.30%

As of the end of March, the annualized net distribution stood at 6.72%² for the class I shares. So whilst it's still early days, and as I said, we're still ramping the portfolio, we believe we're well positioned to achieve our target 8 to 9% annualized distribution rate and our 10 to 12 total net return.

So Rana, with that, I'd like to now bring you into the fold. Our listeners may have various degrees of familiarity with asset backed finance, so I wanted to start by taking a step back and first defining how we think about the asset class. Could you give a brief explanation of how a typical ABF investment works?

Rana: Sure. At its core, asset-backed finance fuels the real economy. This is financing that we provide to non-bank lenders, secured by the contractual assets they originate. These loans, leases, or receivables can enable businesses to lease equipment, transportation companies to lease planes and trucks, or consumers to access essential goods and services, such as cars or home improvement loans. These are just a few examples. ABF portfolios are secured by diversified and contractual cash flows, often with additional risk mitigation from hard asset collateral. Providing structured financing to fund essential and real economy lending products is something that banks have been doing for decades. But as banks are pulled back, our capital is increasingly needed to fill that gap.

Jennifer: Yeah, it's interesting. That segregated asset backed structure, essentially our investment being secured by the underlying cash flowing assets, the loans, the leases, the receivables, is a key feature of everything we do. Our credit analysis, therefore, is fundamentally an analysis of: "will the underlying contractual assets in the pool that were secured by pay and with what predictability?" And that "will they pay analysis" is of course, a very different question to the more valuation based "what is it worth" analysis that a corporate or real estate credit lender might ask. "What is the company worth? What is its EBITDA?³ And can it support the repayment of a corporate loan?" It's very different to the analysis we, as asset-backed finance investors, undertake. But Rana, help our listeners understand why does that distinction really matter for investors?

Rana: Firstly, it means we're relying on contractually predictable payments for our interest payment and also to get our principal back. That's what we mean when we say our investments are self-amortizing. These are hardwired payments that have the potential to generate current income for our investors, with the ability to reinvest principal repayments or de-risk the investment via natural runoff. We're just less exposed to future valuation-based refinancing events to get our money back.

¹ Durable current income refers to income that is reliable/consistent/long-lasting stream of cash flow, resilient to market volatility, economic shocks and inflation.

² Distribution may contain return of capital.

³ EBITDA takes net income and adds back interest, taxes, depreciation and amortization. It is helpful for comparing companies with differing levels of capital assets and related amortization/depreciation expenses.

It also tends to mean ABF investments are shorter duration, usually two to four years average life. Contrast this with the re-rating you are currently seeing in software direct lending right now as a result of valuation concerns. For example, can a software company that was purchased by a PE firm at a 20 times multiple refinance its loan in five years if that software company is worth much less due to AI disruption? That is different credit risk, different structure, different cash flow profile. For that reason, we believe ABF can act as a good diversifier from the corporate credit exposure an investor may have in their portfolio.

Jennifer: And that's exactly why I think we're seeing such strong demand from both institutional and wealth clients. With ABF, you're accessing that diversification, a potentially much larger opportunity set in terms of the things that we can finance, again, breadth of the real economy, and shorter duration opportunities with a premium spread potential as well.

And we've really seen that spreads are meaningfully higher in the non-formally rated or core space that we're focused on with this product, at least as compared to what we're seeing in senior secured corporate direct lending today. And we're asked often, what's driving that? Howard Marks, Oaktree's founder put out a recent memo on the topic, what's going on in private credit, which I think sums up the evolution well. Direct lending is in a more mature part of the cycle. Conversely, asset backed finance, where bank retrenchment is just more nascent, is in growth stage and in a larger, much more fragmented market, again, given the diversity of what we can finance.

So we believe that the supply and demand dynamics are very favorable right now, and that's a great thing for us. It enables us to be more selective in where we choose to invest and to also crucially really be in the driving seat, not just on pricing, but also in obtaining robust credit to protections on behalf of our clients.

So with that context, let's shift to where we're deploying capital today. Rana, with such a broad addressable market and different types of collateral across industries, let's focus in on equipment finance. Why does that area stand out to you today?

Rana: Equipment finance continues to be one of the more attractive areas within ABF. First, this is a very large opportunity set. Of the 2.3 trillion in annual investment in capital goods in the US, about 1.34 trillion is financed in some form. Also, over 8 in 10 US companies use some sort of financing when acquiring equipment.⁴ The underlying equipment finance loans and leases combine several things we like, essential use collateral, diversification across industries and equipment types, and amortizing payment structures that can help de-risk the investment over time. In many cases, the equipment is mission critical to the borrower's operations, which creates a priority of payment for the equipment lender, in addition to risk mitigation from the tangible value of the equipment.

Jennifer: And how are you thinking about the broader market backdrop for equipment financing?

Rana: The backdrop remains supportive. Traditional bank lenders, especially regional and mid-sized banks, have pulled back from equipment finance, and that increasingly looks like a structural shift rather than a temporary one. Traditionally, banks have provided over half of the capital in the equipment finance market, but in the most recent year of industry data, 60% of banks reported that they reduced their equipment finance originations.⁵ This is the largest pullback we've seen since the GFC period of 2009.

At the same time, non-bank equipment finance companies still need capital to support originations, with demand for equipment financing boosted by onshoring initiatives and federal tax initiatives. Investment in

⁴ *Equipment Leasing & Finance Association, as of October 2024.*

⁵ *2024 Monitor 100, as of June 2024.*

equipment in the US in 2026 is projected to grow at 6.2%⁶, which is far greater than projected GDP growth for the year. So more of this gap in supply and demand for equipment funding is being filled by private credit and securitization markets. We think that dynamic is creating an attractive opportunity set for scaled non-bank capital providers like us.

And importantly, the underlying fundamentals and equipment have remained healthy, with low delinquencies and industry-wide charge-offs holding around half a percent.⁷ Even going back decades and through deep recessionary periods like the GFC, equipment finance has been a lower loss lending product compared to other lending verticals because of the reasons we previously discussed. So we think this is a good example of a market where strong asset level characteristics and favorable technicals are coming together.

Jennifer: Exactly, Rana. We believe that that structural shift and the fact that you have strong underlying fundamentals means that this will be an enduring opportunity set. But when you say equipment, that can mean a lot of different things. Can you help our listeners understand what are we really talking about there?

Rana: Sure. We've been talking about equipment finance, but let's understand what that actually means. When people visualize equipment financing, especially investors who are not very familiar with ABF, they may visualize aircraft or container leasing when they hear equipment, but the 1.34 trillion of annual equipment financing volume I mentioned earlier is much more broadly diversified across different end markets such as industrial, construction, healthcare, transportation, agriculture, power, et cetera. It's really a reflection of the broader US economy. Equipment finance is a vertical where Oaktree has historically had a lot of in house expertise. The firm has been investing in the space for almost two decades, and I have personally covered the space for 17 years. We believe that allows us to have a good perspective on the space, and we are generally constructive.

But even with the constructive outlook, we generally prefer equipment with high utility and lower obsolescence risk, where the asset is important to the borrower and retains tangible value. We also like structures with strong contractual cash flow, rapid amortization of our financing, faster than the asset depreciation, and limited reliance on residual values. Where we get more cautious is around equipment types with more cyclical valuation risk and exposure to cyclical end markets, or situations involving non-bank equipment finance companies seeking capital for us. Where we get more cautious is around equipment types with more cyclical valuation risk and exposure to cyclical end markets, or situations involving non-bank equipment finance companies seeking capital from us that may not have the operational scale or underwriting discipline to manage through a tougher environment.

Jennifer: So we've talked about why asset backed finance is potentially less exposed to AI disruption risk, given the structural features and lack of valuation-based refinancing needs, but what about AI adjacent opportunities? An area within equipment finance that has received a lot of attention recently is AI-related equipment financing, data center financing, or GPU financing, for example. Now, there is obviously a huge amount of CapEx required to cater for the AI and electrification revolution, and there are many funds at Brookfield and Oaktree looking at opportunities in this space. But Rana, specifically for us in private asset-backed finance, how do you think about this part of the market?

Rana: Indeed, hyperscalers have announced 650 to 700 billion of AI-related CapEx plans for this year, which requires a lot of financing.⁸ We are constantly evaluating fit within ABF, and, as you say, across other strategies across Brookfield and Oaktree. For ABF, construction and project financing risk is not a good fit because we

⁶ *Equipment Leasing & Finance Association, as of December 2025.*

⁷ *Equipment Leasing & Finance Association, CapEx Finance Index, as of March 2026.*

⁸ *Reuters, as of February 2026.*

want contractual cash flows in place. We favor predictability as credit investors and specifically as ABF investors. For us, large single name exposure may also not be a good fit because we want diversification within our portfolio. We're also mindful of duration and equipment obsolescence risk, and have a strict lens to risk mitigation. That precludes a lot of data center or AI related investments for us specifically.

However, there may be opportunities to structure shorter duration financings with equipment that is deployed and generating lease payments and secured by essential use equipment like power generation on site. But again, this is just one small part of a richly diverse addressable market. Within digital infrastructure, there are also sectors like fiber to the premises, for example, that have strong fundamentals and where we will be active as we intentionally create a diverse portfolio across sectors, whether that be transportation, consumer, fund finance, small business lending, or real estate. There's a lot to choose from, and AI adjacent will be a small piece of that puzzle.

Jennifer: Exactly. One of the things we always say that is a benefit of the asset class is the sheer diversity of the opportunity set and the diversification we can achieve within the portfolio as a result. So overall, Rana, what would you like our listeners to take away about the equipment sector?

Rana: The takeaway is that we like the sector because it sits squarely in our ABF wheelhouse, contractual cash flows supported by tangible and revenue generating collateral, and the ability to structure for protection. But we still have to be selective on equipment type, counterparty, and structure. That's really where experience matters. And that's where we think Oaktree has an advantage. We're not just chasing equipment exposure broadly, and we didn't just wake up to the opportunity. We're utilizing our experience in equipment finance to identify the parts of the market where the asset is essential, the structure is strong, and the spread appropriately compensates us for the risk.

Jennifer: Yes. I think that's a really important point, Rana, about experience and selectivity, both in what we choose to do and what we choose not to do. Of course, at Oaktree and Brookfield, we often say that the most important thing in credit investing is avoiding the losers. And in ABF, much of our edge comes from diligencing not just the assets, but also the originators and avoiding those situations of bad actors. That's where that experience and that skepticism comes in. If capital is flooding into a sector, we may stay back. If something feels off with management, we may walk away. And that's really where our decades of investing history in the space comes to bear, and the power of the Oaktree and Brookfield network and the intelligence we have as a result is incredible in that regard.

So before we close out, Rana, I'd like to talk about a recent deal in the portfolio that you feel really highlights everything that we've gone through today.

Rana: Sure, Jen. Let me walk through a recent example. We recently executed a \$500 million portfolio acquisition where we were able to purchase a large diversified pool of performing and seasoned small ticket equipment loans and leases from a bank exiting the business. The portfolio includes over 4,900 performing loans and leases, with an average balance of less than \$100,000 each, and a weighted average seasoning of 26 months.

Jennifer: I think that's a great example, Rana, on the diversity, not just that we can achieve at the portfolio level, but actually at the underlying investment level, if you think about the diversity in the underlying loans within that investment.

Rana: Absolutely, Jen. And consistent with the bank pullback theme we discussed, this portfolio, which was very well diversified and performing, was purchased from a publicly listed regional bank that had originated the portfolio and recently made a strategic decision to exit the equipment financing business so they could

redeploy that capital into other deposit generating lending activities. Since the seller was a bank and a public company, they were looking for a buyer that had the requisite asset class experience to diligence the portfolio and provide certainty of execution. We purchased the portfolio of equipment loans into our funds. Due to the stable and performing cash flows from the portfolio, we were able to utilize rated senior financing. The senior financing is rated AAA through A, creating an attractive return profile for our ABF investment from a seasoned and performing equipment loan portfolio as it runs off and returns capital to the ABF fund over the remaining 42 month term.

Jennifer: And what was it that drew us to this opportunity?

Rana: What stood out to us was our ability to utilize our deep experience in equipment finance to properly diligence and purchase this portfolio from a regulated bank, the diversification of underlying borrowers, and that the portfolio was seasoned and performing at the time of our purchase, with contractual cash flows supported by tangible collateral such as construction, manufacturing, vocational, and material handling equipment. Also, this equipment is mission critical to the end borrowers. Just as importantly, we had a strong servicing solution in place, which is often essential in transactions like this.

Jennifer: And why was servicing so important here to the solution?

Rana: The seller bank, as part of its exit from equipment finance, including the personnel within this business line, wanted any buyer to be able to take over the servicing of the portfolio. We worked on this transaction with a non-bank equipment finance company with whom we have an existing relationship. The equipment finance company has over 65 years of experience originating and servicing very similar small ticket equipment loans and leases, and they have an over \$2 billion current servicing portfolio that overlaps very nicely with the bank's portfolio that we purchased. Their track record and our prior experience working with them gave us confidence in their ability to service the portfolio following the sale. The equipment finance company was able to take over servicing of the portfolio from the bank, which achieved the bank's objectives.

At the same time, the equipment finance company did not change any of the borrower billing and collecting procedures, while also absorbing some of the bank's employees for continuity of operations. So as the purchaser, we did not see any disruption of cash flows or performance as a result of the sale and servicing transfer. For a privately sourced ABF transaction like this, the ability to have a servicing solution was key to execution and our investment outcome.

Jennifer: And our longstanding relationship with that servicing partner was key to us being able to offer that solution. I think it's a great example of the importance of relationships and sector experience in being able to navigate the ABF market well.

Thank you, Rana, for walking us through that deal, and, more importantly, for joining me on the podcast today. And thank you all for listening and for joining us. Amid all the noise, I think it's helpful to really focus in on the fundamentals. The signals we're seeing in asset-backed finance are clear, a rich opportunity set to invest well in an uncrowded market. As always, we appreciate your time and we look forward to continuing the conversation on the next episode of The Manager Minute podcast.

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