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The IFoA Conference 2022

22-23 June – etc.venues, 133 Houndsditch, London

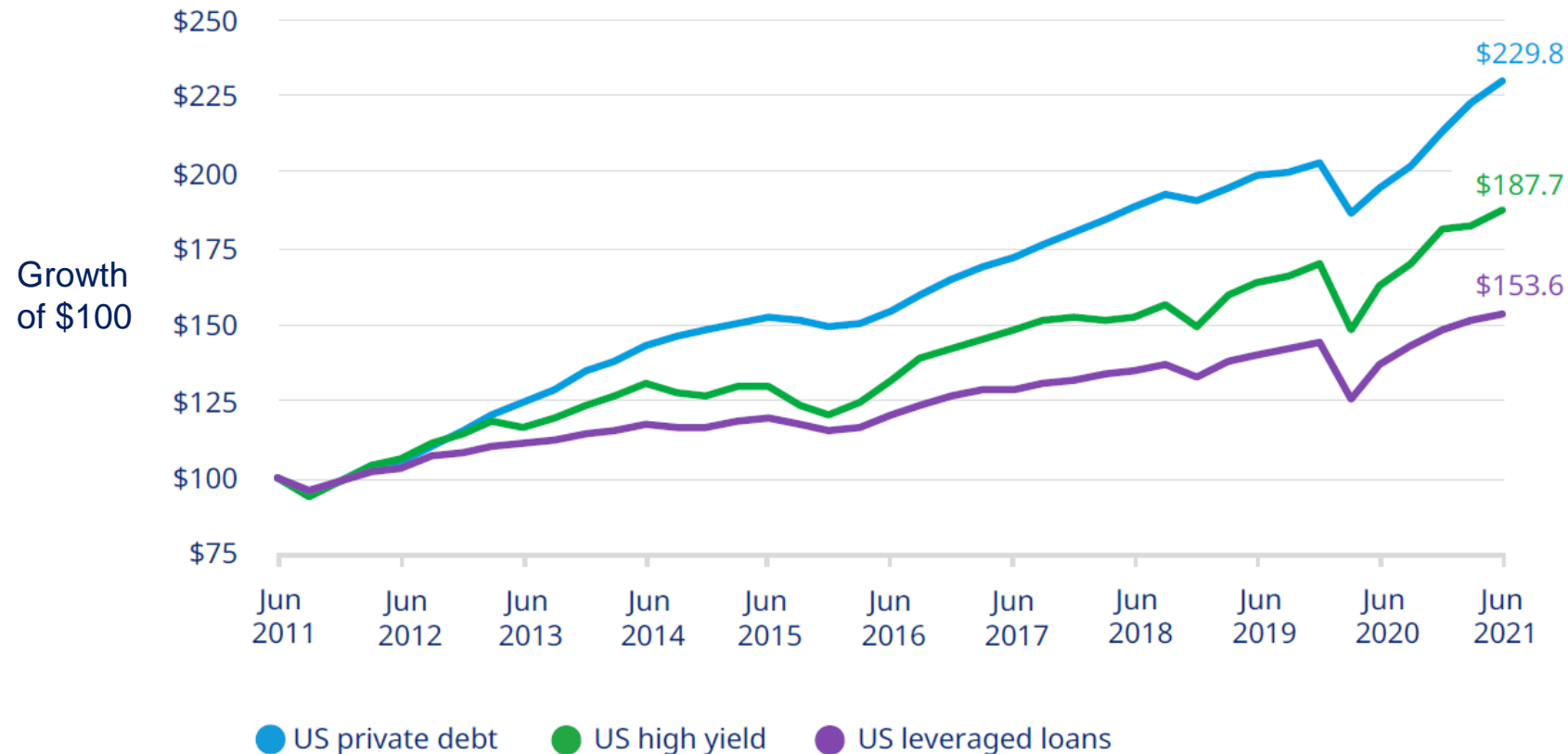


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The Growth of Non-Bank Lending

An Opportunity with Impact

Private credit: attractive returns for modest risk: Mercer report



Source: Mercer analysis, Thomson Reuters Datastream (ICE BofAML US High Yield Master II, S&P Leveraged Loan) and Burgiss (US Private Debt). Data is annualized to June 30, 2021. Private debt is typically unrated.



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Private credit: attractive returns for modest risk

Risk-adjusted performance	US private debt	US high yield	US leveraged loans
10-year historical return	8.7%	6.5%	4.4%
10-year historical volatility	5.4%	8.1%	6.4%
10-year risk/return	1.6	0.8	0.7

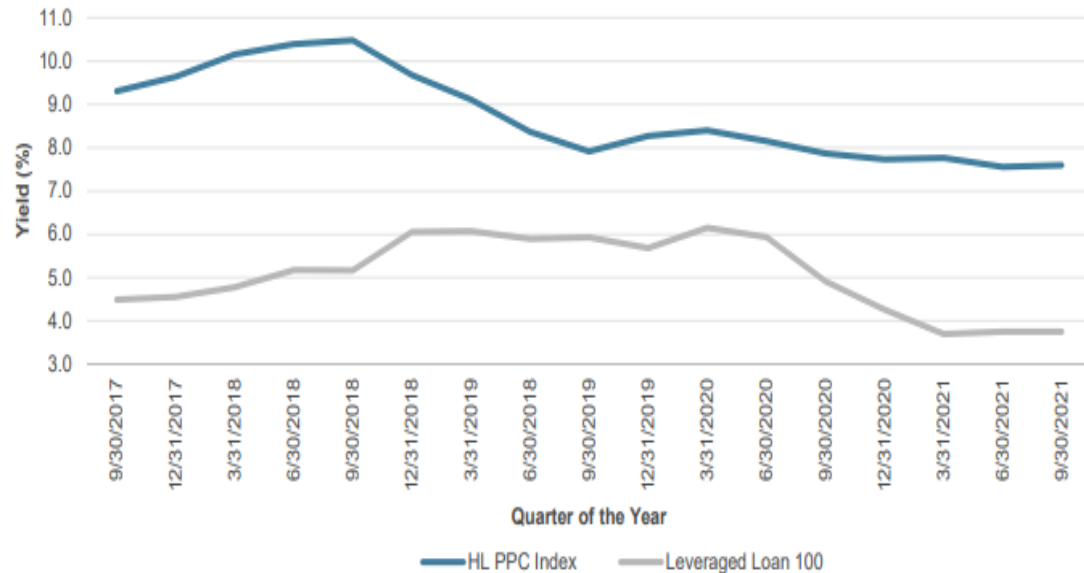
Source: Mercer analysis, Thomson Reuters Datastream (ICE BofAML US High Yield Master II, S&P Leveraged Loan) and Burgiss (US Private Debt). Data is annualized to June 30, 2021



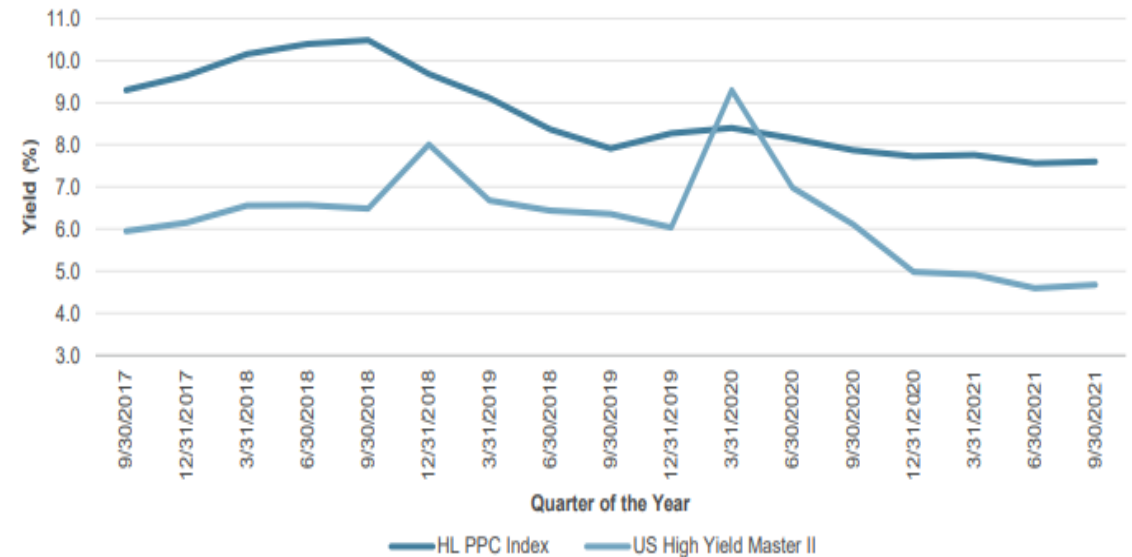
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Private credit: consistent higher yields: Houlihan Lokey

Historic yield of private credit vs. Leveraged Loan 100 – The largest 100 broadly syndicated loans as compiled and published by S&P Global



Historic yield of private credit vs. ICE BaML compilation of high-yield bonds

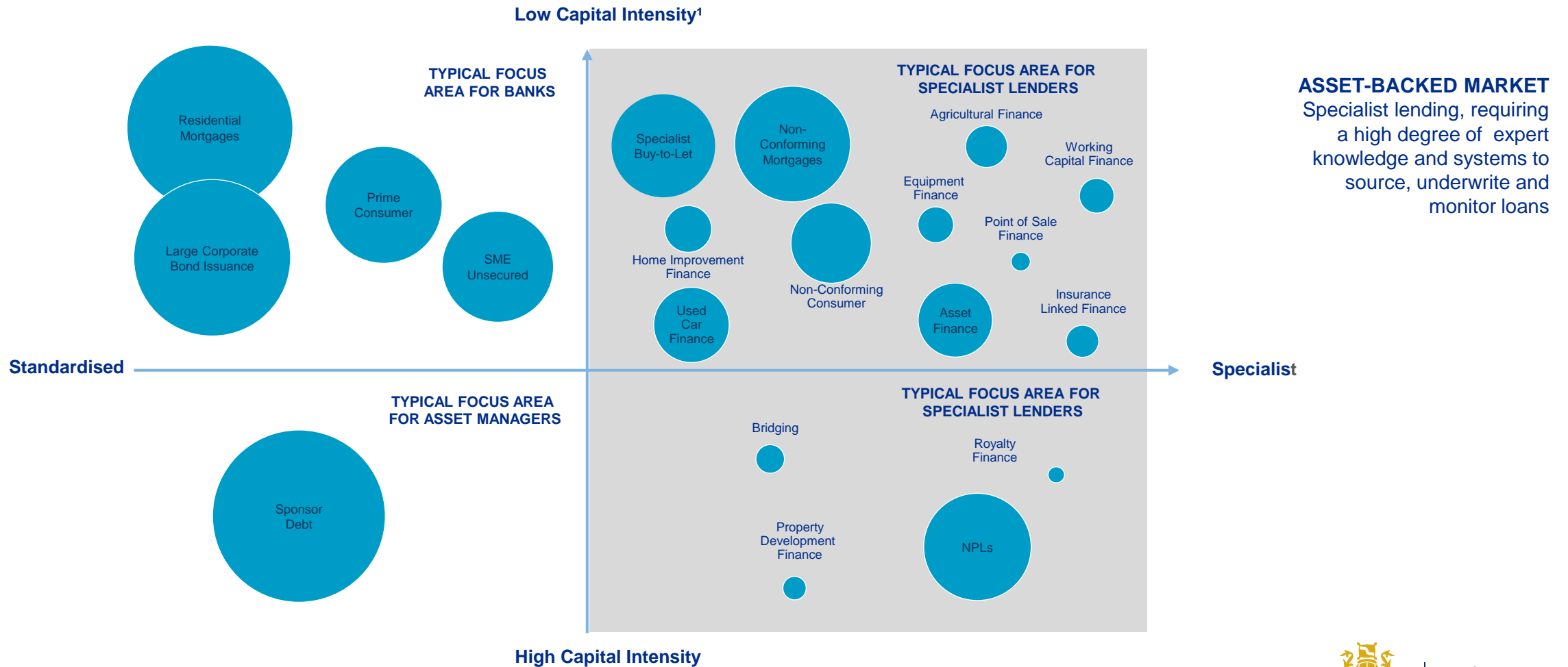


Source: Houlihan Lokey PPC Index is the weighted average yield of all qualifying private credit loans. Compared to yield on S&P Leveraged Loan and ICE BofAML US High Yield.



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The private credit market: lending where banks do not

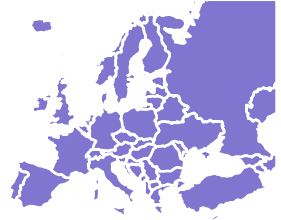


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Large and growing asset-backed market

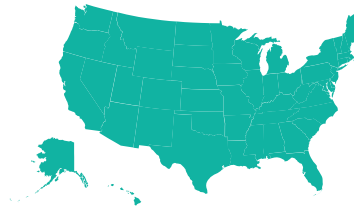
EXPECTED SIZE OF ASSET-BASED FINANCE MARKET IN FIVE YEARS¹

£5trn



£1TRN

EUROPE



£3TRN

US

STRUCTURAL CHANGE DRIVING GROWTH

INCREASED
CAPITAL
REQUIREMENTS

Post '07 financial crisis banks narrowed lending due to higher capital requirements

TECHNOLOGY &
DATA CHANGES

New technology allows new entrants and enables rapid change

COST
PRESSURES

To reduce costs, banks are focusing on scale

COVID
DISRUPTION

Accelerating shift from banks to non banks



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ESG impact of asset-backed lending

Financing infrastructure for ESG impact



ENVIRONMENTAL IMPACT



REGIONAL ECONOMIC GROWTH



PROMOTE DIVERSITY



REDUCE THE IMPACT OF FINANCIAL CRIME



FINANCIAL INCLUSION

CREATING A LASTING ENVIRONMENTAL IMPACT

Helping real people go green
Electric transport
Low carbon housing
Energy efficient boilers
Renewable energy in the home (solar, ground)

ONTO

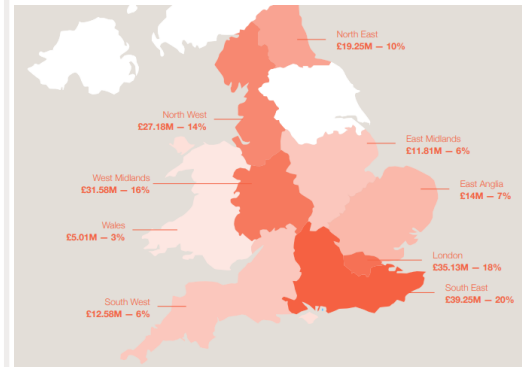
In 2021, Onto's electric cars
Drove 17,437,820 electric miles, saving 3,985
tonnes of Co2, the equivalent of:

- **67,745** trees grown for 10 years
- **171,355** bags of rubbish recycled

REGIONAL ECONOMIC GROWTH

Helping SMEs through the Covid crisis

Pollen Street has provided **£195m** via our credit partners to support SMEs through the Coronavirus Business Interruption Loan Scheme (CBILS) **80%** of which is to firms outside London



FINANCIAL INCLUSION, REGIONAL ECONOMIC GROWTH AND ENVIRONMENT

Providing affordable, efficient, good value homes

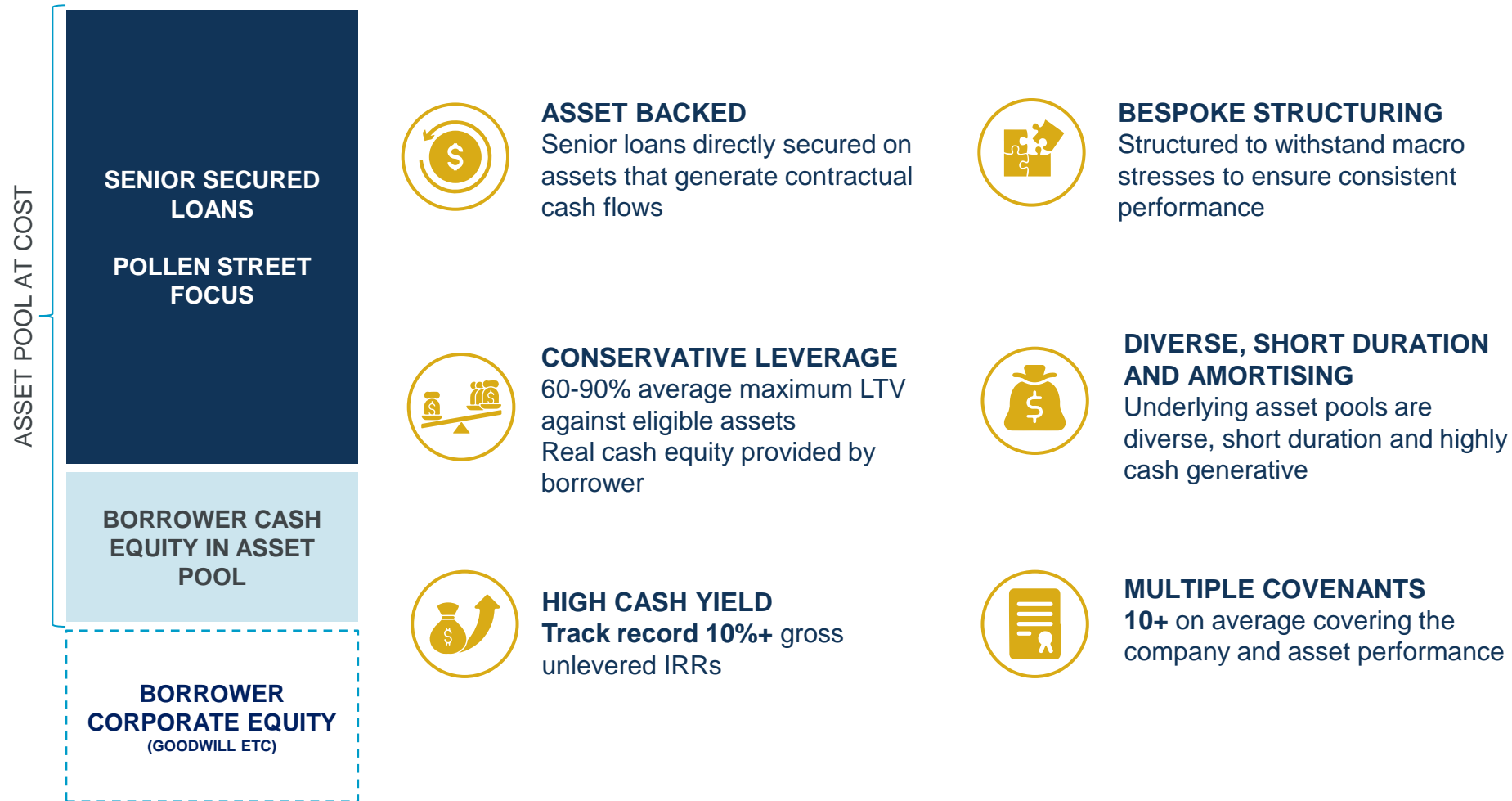
- **5,000+** homes built since 2016
- Of which **2,000** are affordable housing (as defined by building regulations).
- In Ireland we were one of the first funders to encourage the use of innovative wood house structures and heat exchangers.
- **2,000+** jobs created since 2016
- We currently employ over 70 people through our platforms, and a further estimated 500 people per year through our developers and 3rd party contractors.



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Aim to deliver best value risk-adjusted return with strong downside protections

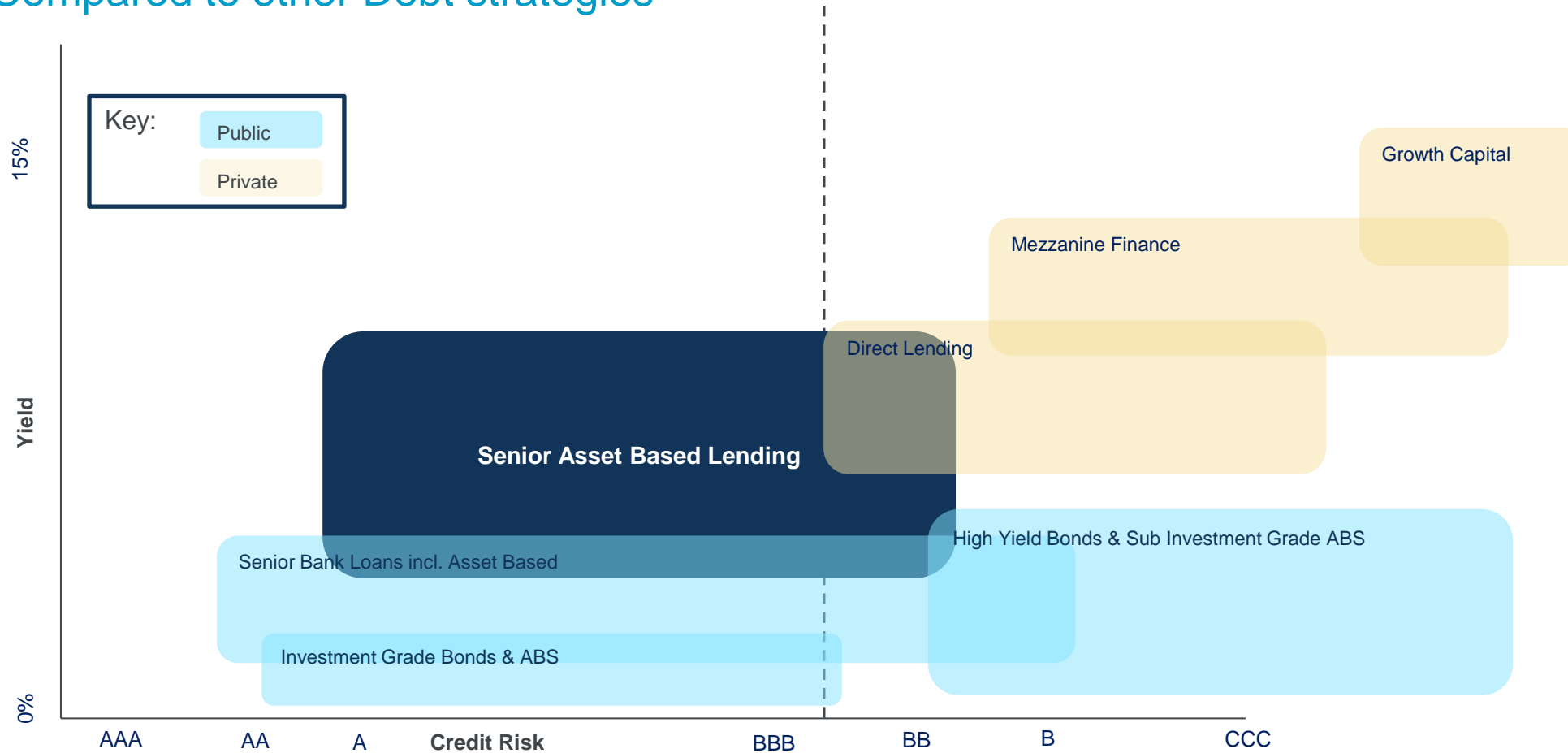
Senior loans secured on portfolios of assets that generate contractual cashflows



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Risk / return profile

Compared to other Debt strategies



- ❑ **LOWER RISK** – asset secured, conservative leverage, strong covenants, short duration & amortising exposures
- ❑ **HIGHER RETURN POTENTIAL** – high barriers to entry (including sourcing and monitoring) mean significantly less competition from other lenders



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Conclusion

- **Private credit**

- Highly attractive segment, with enhanced protections and yields
- Relatively new asset class for most investors
- Asset-based lending is a subsector with even less investment to date

- **Asset-based lending**

- Senior secured lending to non-bank lenders backed with diverse portfolios of assets
- Sector is large, fast growing and highly fragmented - not well served by generalists
- Asset security with first loss cushion and robust structural protections

- **Positive impact**

- Environmental - electric transport, renewable energy and low CO2 housing
- Social - local economic development, financial inclusion, affordable housing
- Governance – best practice brought into small markets



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