

Auto Finance

What is Auto Finance?

Auto finance is a form of asset-backed lending that provides funding for the purchase, lease, or inventory management of vehicles. It includes both consumer and commercial loans secured by automobiles, making it one of the most established and scalable segments within asset-based finance. This strategy enables individuals and businesses to access vehicles while offering investors secured exposure to a durable, income-generating asset class.



Why invest?

- **Secured and collateralized:** Loans are backed by titled vehicles, reducing downside risk in the event of default.
- **Short-to-medium duration:** Loan terms typically range from 24 to 72 months, offering regular cash flow and capital turnover.
- **Attractive yield potential:** Higher yields relative to traditional fixed income due to consumer credit risk and collateral complexity.
- **Resilient demand:** Vehicles remain essential for personal mobility and commercial logistics, supporting consistent origination volumes.

Risks to consider

- **Credit and default risk:** Borrowers may fail to meet payment obligations.
 - **Mitigation:** Underwriting includes credit scoring, income verification, and lien perfection to facilitate repossession if needed.
- **Depreciation and residual value risk:** Vehicles depreciate over time, potentially reducing recovery values.
 - **Mitigation:** Conservative advance rates, vehicle tracking, and resale strategies help manage loss given default.
- **Economic sensitivity:** Consumer credit quality and auto demand can be impacted by economic cycles.
 - **Mitigation:** Diversification across credit tiers, geographies, and vehicle types supports performance through market cycles.

Conclusion

Auto finance provides investors with secured, short-to-medium-term credit exposure tied to essential, depreciating but recoverable assets. Its scale, collateral backing, and stable cash flow characteristics make it a valuable allocation within asset-backed lending and structured credit portfolios.

Common sectors or products in Auto Finance



Consumer auto loans and leases: Financing for individual vehicle purchases and lease arrangements



Commercial fleet financing: Loans for businesses operating logistics, rental, or service fleets



Dealer floorplan financing: Short-term credit for dealerships to purchase and hold vehicle inventory



Subprime and near-prime lending: Financing for borrowers with varied credit profiles, priced accordingly

About MA Asset Management

We have a 10+ year track record of investing in directly originated private asset-backed credit across differentiated lending strategies.

The team are focused on income generating assets that provide investors with a steady stream of monthly income. Beyond traditional private credit, we also negotiate both long-term loan flow agreements and credit facilities with originators.

MA Asset Management, LLC is a wholly owned subsidiary of MA Financial Group, a publicly listed company on the Australian Securities Exchange (ASX).

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