



Unlocking a liquid, capital-efficient path into asset-based lending through SECR

From MacKay Shields

As investors continue to increase allocations to private credit, the NYLI MacKay Securitized Income ETF (SECR)—encompassing select Asset-Based Financing (ABS) and Residential Mortgage-Backed Security (RMBS) sectors—offers a liquid, scalable, and transparent alternative to traditional ABF that is starting to dominate the private credit space. SECR looks to leverage the structural integrity and the reporting rigor of the securitization markets while seeking to provide compelling, predictable income generation opportunities for investors with better liquidity.

What is asset-based financing?

Asset-based financing (ABF) refers to loans or credit facilities that are secured by specific assets of borrowers—typically used by businesses. These loans can be secured by inventory, equipment, real estate, intellectual property and other cash-flow producing assets. The value of the collateral determines the size of the loan.

The private credit lenders may offer flexible or tailored terms relative to traditional banks, including covenant-lite structures, variable advance rates or adjustable pricing based on collateral quality. Maturities on these loans are typically 1 to 5 years, but also require close monitoring of the collateral via field audits, due diligence reviews or regular reporting.

Figure 1 on the subsequent page outlines some of the key distinguishing features between private and public asset-based financing.

Why public credit ABF?

While private ABF offers lenders flexibility through a relationship-driven arrangement with borrowers who may not otherwise be able to access traditional capital markets, it is our view that public ABF is well suited for investors seeking to prioritize liquidity, transparency, and scalable deployment of capital.

SECR is an actively managed strategy that seeks to deliver total return with an emphasis on current income by primarily investing in securitized assets backed by mortgage credit (residential and commercial mortgage backed securities), consumer credit (asset-backed securities) and business credit (collateralized loan obligations). SECR also pursues to offer a capital-efficient, liquid path into asset-based strategies traditionally confined to private credit. Consider SECR as part of a core strategy for risk-aware, income-minded investors.

Figure 1. Key comparison between public and private asset-based financing

Feature	Public ABF	Private ABF
Lenders	Institutions, collateralized loan obligations (CLOs), syndicated bank loans	Private credit funds, hedge funds, business development companies (BDCs)
Borrowers	Large, publicly traded companies	Middle-market companies, distressed businesses and startups
Liquidity	More liquid – can be traded in secondary markets	Illiquid, typically held by lenders to maturity
Deal Size	\$1000m-\$1BN+	\$5m-\$100m
Structural Protections	Credit enhancement (OC, subordination), payment waterfalls, reserve funds	Collateral monitoring, covenants
Transparency	Standardized reporting, surveillance, and rating agency coverage	Private, limited disclosure
Underwriting	Rating agency models, public data	Highly customized, lender-diligence driven
Diversification	Broad exposure across obligors, industries, and geographies via securitized pools	Typically, concentrated exposures
Access to Market	Exchange and over the counter (OTC) markets; supported by dealer networks	Direct origination or private platforms
Regulatory Treatment	Ratings enable favorable capital treatment for many investors	Higher capital intensity
Pricing	Competitive yields due to liquidity; rating options across the capital stack	Higher yield to reflect illiquidity and risk

Source: MacKay Shields

Click on the [Fund page](#) for more details or contact us to learn how SECR can complement or enhance your private credit exposure today.

ABOUT RISK—SECR

Before considering an investment in the Fund, you should understand that you could lose money. All Investments are subject to risk and will fluctuate in value. The Fund is a new fund. As a new fund, there can be no assurance that it will grow to or maintain an economically viable size, in which case it could ultimately liquidate. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk which is the possibility that the bond issuer may fail to pay interest and principal in a timely manner. High yield securities generally offer a higher current yield than the yield available from higher grade issues, but are subject to greater market fluctuations, are less liquid and provide a greater risk of loss than investment grade securities. Diversification cannot assure a profit or protect against loss in a declining market. Asset-backed securities are subject to credit risk, extension risk, interest rate risk, liquidity risk and valuation risk. The impairment of the value of collateral or other assets underlying an asset-backed security, such as a result of non-payment of loans or non-performance of underlying assets, may result in a reduction in the value of such asset-backed securities and losses to the Fund. Investments in mortgage-related securities make an investor more susceptible to adverse economic, interest rate, political or regulatory events that affect the value of real estate. Mortgage related securities are also significantly affected by the rate of prepayments. Impairment of the underlying obligations or collateral, such as by non-payment, will reduce a mortgage-related security's value. The Fund may invest in derivatives which may amplify the effects of market volatility on the Fund's Share price.

Over-collateralization is the practice of providing collateral worth more than the loan or debt obligation. This strategy is used to enhance the security of loans by providing a buffer for lenders in case of borrower default.

Subordination refers to the hierarchical ranking of different tranches (or classes) of securities based on their priority of payment during a cash flow waterfall in the event of loan defaults or other losses.

A **payment waterfall** is a predefined order of how cash flows from the underlying assets are distributed to different classes of investors.

A **reserve fund** is a pool of assets, typically cash, set aside to protect investors from potential losses due to defaults on the underlying loans or other assets backing the securities.

Consider the Funds' investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus include this and other information about the Funds and are available by visiting nyinvestments.com. Read the prospectus carefully before investing.

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