Private Debt Investor

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Barings closes on more than $2.5bn for its portfolio finance strategy

The strategy, in just the past six months, has racked up commitments for its IG-rated private credit loans.

Barings has raised third-party commitments of more than $2.5 billion for its core portfolio finance strategy in the past six months, *Private Debt Investor* has learned.

The strategy, which Barings differentiates from conventional NAV lending, invests in first-lien debt that is backed by portfolios of assets designed to offer asset managers an additional portfolio management tool. It can also help give managers increased exposure to their fund to promote stronger alignment of interest with their LPs, Dadong Yan, head of portfolio finance at Barings, told PDI.

But he drew a distinction between the Barings strategy, which underwrites investment grade debt, from that of NAV lending, a big part of which he characterised as below investment grade. Barings and its investors are senior to regular fund investors.

Banks have historically dominated this type of portfolio finance, but the growth of the market has far surpassed the size of bank balance sheets, Yan said. As demand for portfolio financing solutions moves away from bank balance sheets–even as the market continues to grow, Barings sees a $200 billion a year investment opportunity for it to provide bespoke, bilateral solutions to asset managers.

The loan investments originated by Barings are first-lien, investment grade

debt that is typically rated single A. This allows insurance companies and other institutional investors a high-quality, capital-efficient access point, Yan says. He says Barings estimates investors can achieve more than 200 basis points of alpha over single-A rated public corporate credits for similar risk.

"Markets have gotten really choppy, and institutional investors are increasingly looking toward risk-off investment strategies," Yan said in an interview with PDI. "We're focused on capital preservation; we underwrite to multi-year global financial crisis credit stress or cycles."

"These are very high-quality investments," he said, noting that "in the event we go into a period of credit stress such as the global financial crisis, our investors get paid first".

Barings' portfolio finance capabilities "are an integral component of the comprehensive suite of financing solutions" that the manager offers sponsors, asset managers and asset owners "as a one-stop shop with certainty of execution", said Eric Lloyd, president of the Charlotte, NC-based manager, in a prepared statement. As of 31 December 2024, Barings had more than $421 billion of assets under management.

The portfolio finance platform was started in 2017 at MassMutual, the parent of Barings, and was transitioned from the insurance company to its Barings subsidiary in January 2024. The platform, with more than $24 billion of AUM, has executed more than $48 billion of IG, privately originated senior secured financings since inception. The strategy provides directly originated, senior secured financing on cross-collateralised portfolios of private market assets, including corporate credit, real estate credit, secondary portfolios and GP finance. ■