

Barings launches direct lending fund for Europe's wealthy

The perpetual vehicle will invest mainly in European senior secured loans in the middle market.

By SELIN BUCAK

Barings has launched a perpetual direct lending fund for European wealth investors, aiming to capture a chunk of capital being increasingly directed to private credit strategies, Citywire can reveal.

The Barings Perpetual European Direct Lending fund will closely mirror the group's institutional private credit strategies, investing mainly in European senior secured loans in the middle market.

It will be co-investing with Barings' European institutional funds and separate accounts as well as alongside the firm's parent company, MassMutual.

'We look to invest in companies we think can perform consistently through the economic cycle,' said Adam Wheeler, co-head of Barings' Global Private Finance Group.

'It's meant to be a core allocation, which will give consistent performance through a cycle, generate consistent cash flow on a quarterly

basis and with limited volatility in the valuation of those assets because we believe the assets we're investing in are less sensitive to the cycle.'

The fund, classified as an Article 8 under the Sustainable Finance Disclosure Regulation (SFDR), will have a 24-month lock-up feature, during which time investors can redeem fully subject to a haircut.

After this period investors will be able to redeem on a quarterly basis. Redemptions will be capped at 5% of the fund's value each quarter.

The fund has been seeded with parts of assets that MassMutual has already invested in and currently there are about 80 issuers within the fund.

Over the course of 2022, the fund made 65 investments in Europe and will continue to add issuers to the mix to make sure the strategy is further diversified over time.

Wheeler expects the fund to have more than 100 issuers in the next 12 months.

Investors will be subscribing to a fully invested portfolio and they will receive a distribution from the end of the following quarter.

As some of the assets within the portfolio are near maturity, Wheeler expects to have repayments in the fund soon. The fund's use of leverage can also help it meet redemptions if needed, Wheeler said.

'There is a significant amount of cash in the structure that will enable us to meet redemptions so we're not forced to sell assets to meet redemptions as that would create a poor outcome for investors,' he added.