



Värde Partners eyes fund finance as next growth engine in ABF

Värde ceo Brad Bauer highlights partnerships, value in the middle-market and data-driven risk management as pillars of the firm's asset-based finance strategy

Värde Partners is making a strategic push into fund finance, positioning subscription lines for private equity and credit funds as a foundation for the firm's next phase of growth in asset-based finance. This move builds on the firm's broader ABF strategy, which it identifies as an already significant and expanding segment of the private credit market.

"There are multi trillion-dollar markets within asset-based finance," says Värde Partners managing partner and ceo Brad Bauer. "They have been moving to the front and centre for non-bank capital, and the pace of that change continues to accelerate."

The timing reflects broader industry momentum. With the subscription line market now estimated to reach nearly US\$1trn by 2025, S&P Global sees capital call lines outpacing NAV-based financing in scale, innovation, and sophistication. "There's a lot more momentum focused on subscription lines and capital call facilities at the moment," notes James Mansfield, director, credit and risk solutions at S&P during a recent webinar.

Värde's fund finance approach

Earlier this summer, in June, the firm launched its new fund finance platform with backing from CPP Investments and a forward-flow arrangement with a global bank. While years in the making, the initiative was accelerated by 2024's regional banking turmoil, which altered the landscape with some key players pulling out entirely and others curtailing activity.

“We’ve always thought the risk in this segment was misunderstood and mispriced,” explains Bauer. “To run a subscription line business at scale as a non-bank, you need operational capabilities, financing, partnerships with banks on the origination side, and like-minded capital partners. Investors get that this is a difficult asset class to access, and the complexity can present an attractive opportunity with the right approach and the right partners.”

Värde’s strategy involves partnering with banks rather than attempting to disintermediate them. “There’s a lot of talk about bank disintermediation, but the reality is that in many asset classes, banks may be best positioned to maintain client relationships. Our approach is to partner by providing capital and risk management alongside them, not to replace them,” explains Bauer.

He also highlights the competitive landscape: “You have a lot of competition at the top, the upper echelon of the banking system, for relationships with the biggest private equity and private credit managers. They want to lead deals but often don’t have sufficient balance sheet. That’s where we see an opportunity to step in and provide real synergy to our bank partners.”

Värde is not limiting itself geographically. Bauer notes that a number of the transactions executed so far involve multicurrency borrowings, reflecting the global nature of both limited partners and fund managers.

“Most of the largest asset managers are global in nature,” says Bauer. “There is interest from banks both in the US and abroad. It’s a truly global opportunity.”

The firm also sees potential beyond pure subscription lines. Bauer points to hybrid lines and NAV loans as evolving areas where traditional banks may struggle to offer the same flexibility due to both the regulatory capital framework and the bespoke nature of some solutions required.

“Gradually, these products—from subscription lines to GP financing—will start to interweave. We’re already seeing some very interesting lending opportunities that aren’t just straight subscription lines,” he notes.

Beyond fund finance, Bauer sees steady demand across ABF subsectors such as equipment leasing, trade receivables, and SME lending – particularly in the middle-market, roughly defined as US\$50m to US\$250m deal range, where he says pricing has proven more stable than in larger transactions.

The firm, which manages roughly US\$16 billion and has invested in strategies such as distressed assets and specialty finance since its founding in 1993, is active in ABF in both

North America and Western Europe and is on track for a 'significant' increase in deal count this year.

Bauer describes ABF as “a very technical and data-driven asset class,” highlighting the importance of investing in data science to inform underwriting and risk management.

According to Bauer, the biggest untested variable remains economic cycles. “The broader private credit market hasn’t truly been tested,” he says. “Well-underwritten, properly structured transactions will prove the critical feature of success through time.”

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