

E X P E R T Q & A

What are investors looking for as they seek to exploit the ABF opportunity? Laura Parrott, senior managing director and head of private fixed income, and Jessica Bailey, global head of infrastructure, at Nuveen Private Markets, provide answers



Structuring ABF deals to meet LP demand

Q **Asset-based finance (ABF) as an asset class can cover a broad range of assets. How have you approached it historically, and how do you think about ABF today?**

Laura Parrott: As an investment manager, Nuveen has a long history of investing in ABF and the private placement universe. We've also been long-term investors in project finance, helping to finance social infrastructure and energy projects globally. We've had a dedicated infrastructure credit business since the 1980s and, for over a decade, a dedicated ABF business as part of our private placement business, which is one of the largest in the industry.

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We're focused on providing stable, income-generating opportunities for our clients including our parent, insurance business TIAA. We do that through long-term investments in both infrastructure debt and private asset-backed securities (ABS). In infrastructure debt, these investments are typically tied to long-term contracts, ultimately backed by critical infrastructure and real estate collateral. And, on the private ABS side, by pools of consumer, commercial and real-asset collateral with strong cashflow profiles

and a high propensity for repayment. This is not a new idea at Nuveen, but it's something clients are now specifically looking for. We're excited about the tailwinds.

I've been with Nuveen for over 20 years and spent the majority of my career in private fixed income investing. Jessica and I have worked together closely for the past several years.

Jessica Bailey: I came into Nuveen under Laura's leadership – I had co-founded a company in 2015 that utilised asset-based finance to build Commercial Property Assessed Clean Energy (C-PACE) as a product. Laura's private placement strategy provided the

debt into our platform and, ultimately, Nuveen acquired the company in 2020. So, my background is very much as an originator of assets that are financed through the ABF market. I have seen first-hand the power of structuring secure cashflows with risk-adjusted returns that meet the needs of the client – first for our parent company TIAA, but now for an expanding number of insurance clients and investors globally. That experience of using ABF to scale an industry gives me a very interesting lens as I think about ABF in my new role as global head of infrastructure.

The reality is that global infrastructure investment needs – especially in energy transition, grid modernisation and digital infrastructure – are expanding faster than bank balance sheets and traditional project finance markets can support. We see a huge opportunity here to tap into our team’s asset-based finance expertise and infrastructure investment capabilities.

To give you an example, we’re looking at how we can use ABF structures to think about securitising loans and receivables from infrastructure projects, and exploring how to pool those into a special purpose vehicle and structure them in a way that meets the yield and duration needs of our clients.

Q In your upcoming 2026 Equilibrium survey, 46 percent of institutional investors surveyed are looking to add one or two new types of alternative credit to their portfolios over the next two years, with appetite for asset-backed securities and infrastructure debt increasing sizeably year on year. What type of investors are you seeing the interest from, and what is driving that appetite?

JB: Nuveen’s client base is diverse – insurance, pensions, sovereigns, wealth platforms – and each of those segments

Q Finally, as we look ahead over the next three to five years, what shifts in innovation do you see in the asset-based finance sector?

LP: The focus for me will be on how to best bring a platform together to offer customised solutions for clients, and particularly for those large institutional clients that want to build a diversified alternatives platform with a partner.

JB: We’re innovating new ways to combine asset-based finance expertise with infrastructure capabilities. Many clients want access to infrastructure themes like energy transition and digital buildout, but not all of them want pure infrastructure equity. Insurance clients may want structured, capital-efficient credit. Pensions may want diversified income streams. Wealth channels may want lower volatility and shorter duration profiles.

When you have both infrastructure and ABF capabilities, you can originate real assets and then package that exposure in multiple ways – equity, private credit or structured credit – depending on client needs. Instead of competing product by product, you’re offering clients a spectrum of solutions tied to the same underlying structural growth themes.

“This is certainly not a replacement for direct lending, but rather a complement because both offer compelling benefits to borrowers”

LAURA PARROTT

want infrastructure exposure, but in very different forms.

Insurance companies often care about capital efficiency and predictable cashflows. Pensions often want real return and diversification. Wealth channels want access to private markets but with more controlled risk and liquidity profiles.

If you only have infrastructure equity, you can serve part of that demand. If you only have ABF, you can serve another part. But when you combine both, you can create multiple access points into the same underlying economic themes.

This also brings advantages for us in sourcing, structuring and portfolio construction. I think where this really matters is in areas like energy transition and digital infrastructure, where capital needs are enormous and clients want exposure, but through different risk and duration lenses.

LP: There is a lot of talk about asset-based finance right now, with infrastructure as a big part of that universe. Investors are recognising they had a ‘Goldilocks’ credit landscape for a while but, with increasing volatility and bank dislocation, in some



growth, particularly bank balance sheet pressures. Do you agree with this comparison, and what lessons from direct lending’s evolution can ABF managers take to heart?

LP: Direct lending has had an incredible run, and we are proud to be a sister company of Arcmont and Churchill, who do tremendous work in that market. There is still a lot of room to run there, so this is certainly not a replacement for direct lending, but rather a complement because both offer compelling benefits to borrowers.

Asset-based finance is becoming, as investors get more comfortable with the structures, an extension of direct lending and a new additional way to monetise businesses and pools of assets. Direct lenders see it as an attractive tool for their portfolio companies, and we see exciting opportunities within our platform.

In terms of lessons, what has helped Churchill and Arcmont has been having those outsized funnels that allow you to make the best investment selections for your clients. You also need a strong underwriting mentality, focused on structural protections, and the same is true in asset-based lending.

JB: There are huge pools of capital that everyone can see moving towards infrastructure, as well as enormous capital needs. That becomes manageable when you have the capabilities to structure capital and move into markets in a way that is appropriate for the risks and returns clients are looking for.

ABF allows infrastructure cashflows to be monetised, structured and financed at scale, expanding the available capital pool beyond traditional project finance and equity investors. This evolution is accelerating as infrastructure becomes more capital-intensive and as banks retrench from long-dated lending. This is not going to supplant direct lending but, particularly in the mid-market, it does present a huge growth opportunity. ■

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JESSICA BAILEY

instances they feel well allocated to investment-grade public fixed income as well as private credit.

So, the question is what next – how can they further diversify portfolios and prepare for volatility while still getting stable income? They want to diversify away from traditional corporate credit with the structural protections and income they see in private credit.

Clients like our parent company TIAA and other insurers are also looking for duration. There has been a real bias towards shorter-dated opportunities because of the higher interest rate environment, but institutions with long-dated liabilities are now looking for the duration that they can find in these asset classes. C-PACE is a notable example of an ABF with super senior credit exposure that is longer dated because it matches the life of the energy efficiency upgrade to a building.

The good news is we are seeing an increase in opportunities. You need a track record and a wide funnel so you can be selective and build attractive portfolios for clients.

Q ABF is often described as ‘the new direct lending’, given similar catalysts for