

Balbec Capital rapidly deploying Fund VI amid mortgage and consumer debt surge

Asset based credit firm leans into smaller, operationally complex deals while scaling CRE debt strategy and also targeting Q4 Spanish RPL securitisation

Balbec Capital is ramping up activity across all corners of the residential loan market, CRE loans, consumer NPLs, and secondary portfolios from struggling lenders after having deployed over half of its sixth flagship fund. Despite a tough fundraising climate, the firm raised more than expected for Fund VI, as demand for niche, cash-flowing credit strategies continues to grow.

"We weren't immune to the sluggish fundraising climate the past 2 years, but strong deployment and DPI won over LPs," says Peter Troisi, CEO of Balbec. "Sending back cash every month makes it a lot easier for LPs to recycle into the next fund."

Founded in 2010, Balbec has grown into a 150-person platform focused on hard-to-access, often overlooked corners of the US\$18trn global consumer and mortgage debt markets, and their Western Europe analogs. The firm has made over 4,500 unique investments since inception, spanning from performing to non-performing residential loans to mortgage servicing rights (MSRs), control-class SASB CMBS, Consumer NPLs, and Chapter 13 bankruptcy portfolios.

"We're very asset-management intensive. Our edge is in sourcing, diligence, and servicing. We go deep – residential mortgage loans of all kinds, from performing to non-performing, MSRs, RMBS," explains Troisi.

While many private credit giants chase scale via US\$500m-plus allocations, Balbec has taken the opposite route – deploying capital across hundreds or even thousands of smaller, idiosyncratic trades, often from one-off sellers or struggling lenders.

"Most of our peers chase large, headline deals. We're surgical," notes Troisi. "Last year, we made over 1,200 investments – that's typical for us. In a fragmented market, that's where the inefficiencies and alpha live."

To manage that volume, the firm leans heavily on proprietary technology built by its 15-person expert engineering team. The internal system supports real-time pricing, diligence and portfolio surveillance, all of which becomes a core feature of investor due diligence.

"We're not reinventing the wheel each time. Whether the mortgage is performing or not, the data, the vendors, the process – it's consistent. That's what makes our model scalable," says Troisi.

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FUND VI

Roughly 70% of Fund VI will be deployed in the US, with the remainder spread across Western Europe, primarily in Spain, Portugal, Ireland, and the UK, where NPL opportunities have begun to re-emerge. Balbec has already deployed north of 60% of the capital.

"Rising consumer delinquencies are expanding the opportunity set. We're seeing that in the US, but also in Portugal and Spain," explains Troisi.

One of the firm's expanding opportunity sets is CRE lending, particularly transitional loans originated in 2021-2022, many of which are now maturing without viable refinancing options aside from Balbec and a few peers.

"You hear the phrase 'survive until 2025'...well, it's 2025," notes Troisi. "Borrowers are struggling, lenders aren't extending terms. That's where we step in, requiring fresh sponsor equity and structuring new terms"

The firm is also active in the secondary CRE loan market, buying discounted portfolios or one-off assets from banks and lenders seeking offload solutions. On the securitised side, Balbec has been buying control classes down the CMBS capital stack, where valuation dislocations remain.

Though rooted in private markets, Balbec has developed a strong public-market execution arm, issuing more than 80 securitisations in the US under its PRPM shelf since 2015. "It's a core part of our strategy: developing public market liquidity for assets that we originate and manage in private markets," explains Troisi.

In Europe, these deals require much more lead time. Balbec recently completed an RPL deal in Spain in April, after approximately a year of preparation, with another planned for Q4.

"What investors value the most is consistency. We issue securitizations in good times and bad. Timing the market isn't the game. Being reliable is," notes Troisi.

Of the over 4,500 unique investments Balbec has made since 2010, only 42 are expected not to recover their full principal, according to the firm.

"Our underwriting is tight. We build in cushions, and we stress-test. And if we miss a few bids because we over-stress, we can live with that," he adds.

Looking ahead, Balbec is not pursuing growth into unfamiliar sectors, such as litigation finance or other flavors of the asset based markets. Instead, it's doubling down on the strategies it knows best.

"Residential mortgage credit is still massively under excavated. We've got the shovels out, and we're still digging," says Troisi. "We've narrowed to five or six core markets – we're not trying to be everywhere."

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The firm has historically invested in 23 countries, but has since consolidated its footprint to geographies where deal flow is scalable and sourcing networks are strongest.

“Fundraising is the lifeblood of any asset manager,” notes Troisi. “But you only get allocator shelf space if you have a compelling, consistent product. We fight harder because we’re not a megafund, but that also forces us to innovate and differentiate.”

Although no date has been set, a seventh flagship fund may be on the horizon.

“It’s always on our mind. And given our cadence, it’s probably not too far off,” says Troisi.

Marta Canini