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The Future of ABF

Michael Nierenberg, Chairman, CEO and President of Rithm Capital, was a panelist this January at Global Alts Miami, hosted by iConnections and MFA. The topic of the panel was Private Credit: Opportunities Across Cycles.

The full panel can be accessed here. Below are Michael's excerpts from the Q&A*, highlighting the under allocation to cash-flow generating assets, the downside protection this and other platforms can offer in portfolios, and how the cycle evolves ahead.

Michael's co-panelists included Tina Suo (Head of Alternative Credit, Office of the New York City Comptroller), Chris Brown (Managing Principal, Allstate Investments), Robert Bittencourt (Partner & Co-Head of Opportunistic Credit, Apollo Global Management), and moderated by Greg Deeds (CIO, The Southern Ute Indian Tribe Permanent Fund Investments).

The Conversation

Q: How has Rithm's platform developed?
MN: Asset-based finance is of growing focus; we see this from the lens of cash-flow based analysis which has been around forever.

For example, the securitization markets include assets like non-QM mortgages, which can be either securitized into a public security offering or dropped into a private asset-based fund. From an allocation standpoint, global investors are broadly under exposed to cash-flow based assets. These assets can range from aviation, consumer, container, mortgages to even the commercial real estate market. Our business has grown alongside several of these products. Our control over origination and underwriting is how we keep a hold on the borrower in each product. Having a servicing asset is how we continue to control the risk around the borrowers and the assets as cycles evolve. These platform facets are critical, especially if the credit cycle weakens.

Q: What is one example of a compelling opportunity today?
MN: When we look at the intrinsic feature of real assets, from a portfolio performance perspective, cash generation is what enables being able to add downside protection. Evaluating risks and ensuring structural preparedness at the organization level, its people and culture is what enables one to manage through cycles, a key differentiator that from an operational structure standpoint matter.

Q: One area mispriced against an optimistically priced market?
MN: The credit cycle is evolving as the debt maturity picture develops. The liability structure of debt resetting may not pose broad credit risks, but re-underwriting the risks, to a possibly different economic backdrop, could present some tail risks. Lower cost financing from the prior cycle continue to reset into a higher rate regime. One such sector is single-family rental, where funding was easily available at ultra-low rates during the pandemic, but are now resetting into higher rates.

The Rithm Take

The credit cycle remains benign, fueling strong demand for uncorrelated, diversified exposures—from insurance companies seeking annuities to private wealth investors. As portfolios rebalance away from corporate, private equity and venture capital, ABF addresses a critical gap. Asset managers can stand out by delivering better recovery outcomes, aligning assets with funding and financing needs and preparing for a potential turn in the credit cycle.

** This Q&A has been edited for brevity, clarity, and readability while preserving the original meaning of the responses.*