Private Debt Intelligence – 6/3/2024

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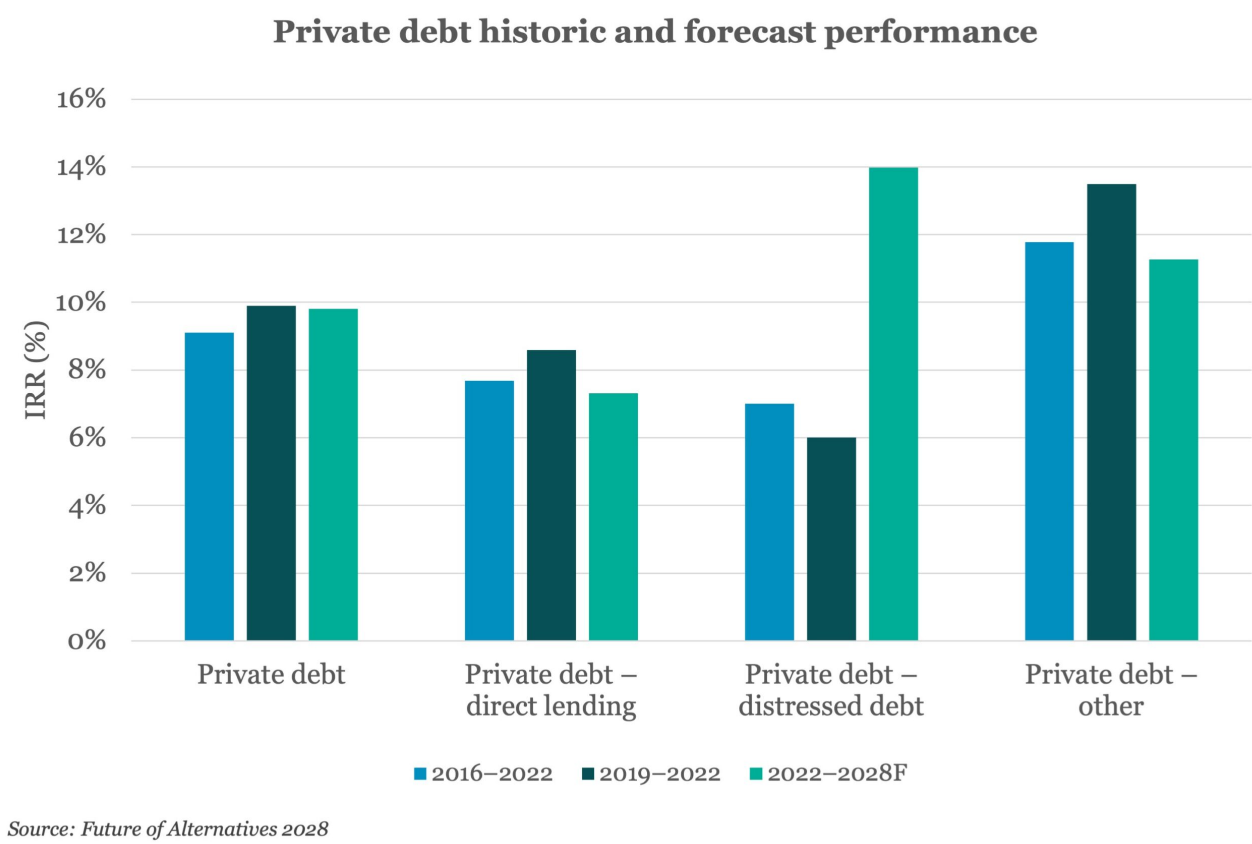
Distressed debt leads Preqin's performance forecasts

Chart



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Preqin forecasts that returns from private debt will remain steady up to 2028 at 9.8% per annum (a drop of just 0.1% from the 2019-2022 period). Direct lending returns are forecast to drop to 7.3% for 2022-2028, down from 8.6% for 2019-2022, reflecting a focus on more conservative loans by many fund managers.

Investors in search of a higher return could look at distressed debt, which is expected to deliver 14.0% over the 2022-28 period. The economic environment and prolonged higher rates will likely lead to opportunities for distressed debt investors, particularly amongst companies that are fundamentally sound but in need of balance sheet restructuring. However, the higher returns will also come with higher risk.

Read Preqin's 'Strategy in Focus: Direct Lending' for more information.

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