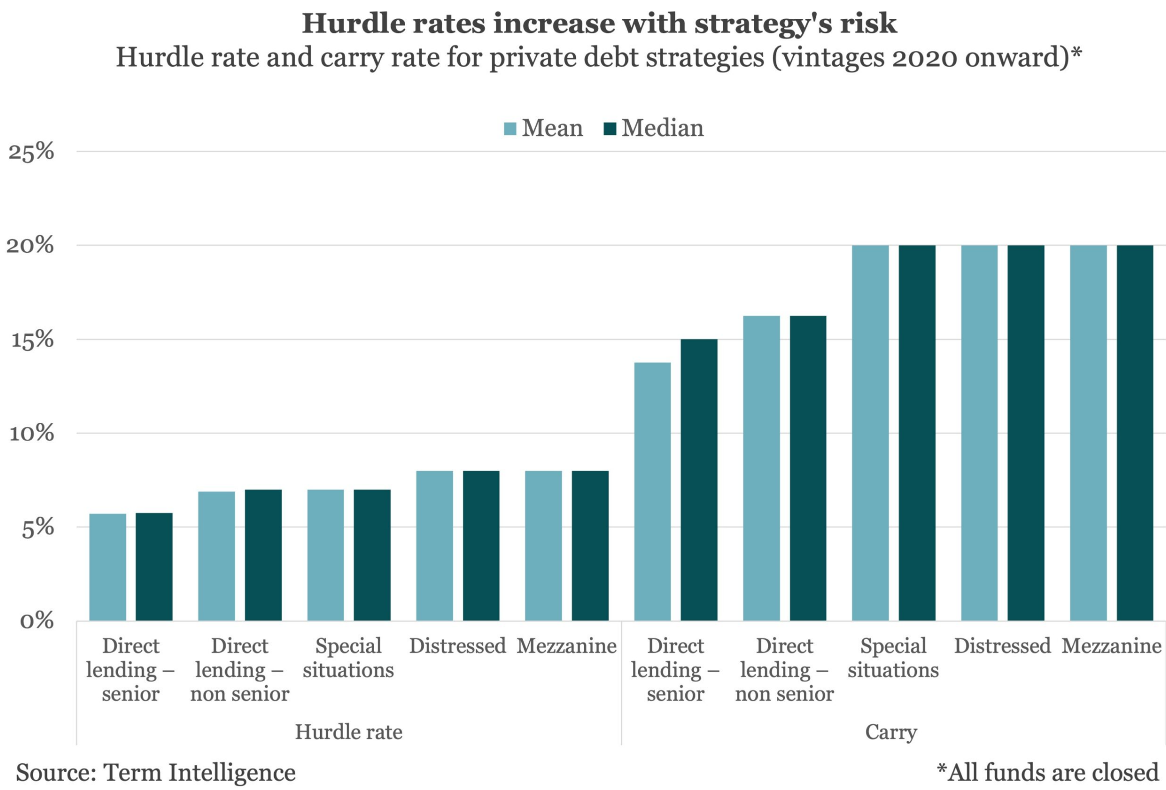
Private Debt Intelligence – 1/20/2025

THE LEAD | January 22, 2025

Hurdle and carry rates climb for riskier private debt strategies

Chart



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Incentive payments to private capital GPs have two main variables, the hurdle rate and carried interest. In private debt, these two fee rates vary depending on the risk-return profile of the strategy. Generally, the safer the strategy, the lower the hurdle and carry rate. Senior direct lending, the safest private debt strategy, has a median hurdle of 5.75% and a carry of 15%, whereas mezzanine and distressed funds have hurdle and carry rates of 8% and 20%, respectively, which is a more typical private capital fee structure.

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