Measuring the pain points

Private Debt Investor | March 18, 2025

Liquidity and exits loomed large in our survey of LP and GP concerns.

An exclusive *PEI* survey of more than 100 LPs conducted ahead of our NEXUS 2025 event revealed seven main pain points in the LP-GP relationship ranging from liquidity and exit challenges through to fees and expenses.

From LPs, there was a call for better reporting consistency and data quality – "not just a moment-in-time snapshot", as one delegate said. "GPs should provide on-demand quarterly reports with video updates," said another.

In turn, GPs called for investors to be "more open-minded" as they grapple with a world disrupted by decentralised finance and the rise of crypto currencies. "It is a scary world with regard to compliance and our standard business practices," said an executive from a Luxembourg-based private equity firm. "Everyone needs to be more innovative and creative – which does not necessarily mean contradicting prudence and conservatism."

LPs and GPs agreed on one issue: liquidity and exits are the single biggest bone of contention. Nearly 80 percent of investors and fund managers surveyed at the event cited these as significant sources of friction.

“Sell more assets, even if it results in a write-down from current valuations,” suggested one investor. Another said: “Provide semi-annual evaluations and information on secondary transactions and active intermediaries.”

Fees, costs and alignment of interest were identified as the next biggest pain point, with 58 percent of respondents at the conference pointing to this as a source of friction in the LP/GP relationship.

One GP called on LPs to “be more trusting of GPs with unique fund models that may have higher operating budgets”. Another GP added that LPs need to be better at communicating.

Meanwhile, one LP suggested GPs “reduce their fees when raising successively larger funds”.

Sustainable value creation versus financial engineering was ranked by both GPs and LPs as a cause for concern. “In order to increase yields while creating value, more open-minded approaches are needed,” said a US-based GP. One LP countered: “Value creation should be based on revenue growth and margin expansion, not multiple expansion.”

Decision making and fiduciary responsibilities are also important to LPs, with one asking for better “access to management and detailed track records”.

In terms of regulations, especially relating to ESG, GPs repeated the call for LPs to be “more specific on what they need and require”.