

Straight to the Point

Private Debt

Executive summary

Private debt: poised for growth, ready for change

Private debt is entering a new chapter – growing in scale, evolving in structure, and attracting fresh capital, despite a more cautious and complex environment.

Market size is rising, reaching \$1.7 trillion in 2024 and projected to hit \$2.6 trillion by 2029.¹ And while fundraising and deal sizes are down,² we believe it reflects a disciplined response to tighter regulation and higher interest rates – not a loss of confidence.

\$2.6 tn

by 2029

Optimism is being driven by the entry of retail investors, opening up important new markets for private debt managers. At the same time, capital from traditional sources has slowed under the pressure of macroeconomic factors causing institutions to rebalance their portfolios amid a general slowdown in deal cycles.

European commitments to increase defence spending, where private debt could be the vital bridge between public policy and investor capital, has also spurred growth in the private debt market. More widely, prominent larger private debt managers have been searching for alternatives to the US market, drawing capital towards opportunities in Europe. They include Apollo, which has publicly pivoted to Europe, committing to invest more than \$100 billion in Germany over the next decade.³

Apollo commits to

\$100 bn

investment in the next decade

As traditional lenders step back, private debt is stepping up. Sustainable growth will depend on strong partnerships, operational agility and the ability to stay ahead of regulation.

Headline findings

Carne spoke to 25 C-suite executives working for global private credit fund managers overseeing \$196 billion in assets under management.⁴ They told us:

- > Direct lending continues to dominate, with global expansion a key priority. 80% of managers plan to raise capital in new markets.
- > Regulatory demands are intensifying, driving greater reliance on third-party specialists for operations and compliance. 72% of those we surveyed outsource distribution.
- > AI is becoming an essential tool, with 96% already using it to support investment decisions and generate alpha.

80%

of managers plan to raise capital in new markets

72%

outsource distribution

96%

already use AI to support investment decisions and generate alpha

1. Carne Group analysis of Preqin data, June 2025.
2. [Preqin - Alternative Assets Data and Intelligence - Databases, Publications and Research](#)
3. [Bloomberg News](#)

4. Carne Group commissioned the independent market research company Pureprofile to interview 25 senior executives working for European private credit fund managers with a total of \$196 billion assets under management. Those interviewed were C-Suite executives including CEOs, CIOs, COOs and CFOs. The interviews were conducted online in December 2024 and January 2025.

Despite a tougher fundraising environment and tighter regulatory oversight, the private debt market continues to grow – both in size and importance.

By the end of 2024, global private debt had climbed to \$1.7 trillion, up from \$1.65 trillion in 2023. It's forecast to hit \$2.6 trillion by 2029.⁵

Fund managers continue to see opportunities in private debt as borrowers seek alternatives to tighter parameters set by traditional lenders, and the current universe is made up of just over 5,400 funds – a number that is forecast to rise by the end of 2025.⁶

That growth comes even as the number of new funds, average deal sizes, and capital raised have dipped – signs of a market adjusting to a changing world with necessary caution.

Private debt market
forecast to reach

\$2.6 tn
by 2029

5,400
private debt funds
in current universe

Private debt saw declines in fund launches from 604 in 2023 to 510 in 2024.⁷ But this should be viewed in the context of a record year in 2023, marking 2024 as a return to more normalised growth.

How many funds for each of the following private markets were launched from 2019-2024?

Strategy	2019	2020	2021	2022	2023	2024	Total no. of funds in 2024
Private Debt	347	420	482	446	604	510	3,506
Private Equity	2,729	3,015	5,045	4,610	4,015	4,403	43,137
Real Estate	978	841	1,080	1,035	1,167	1,319	5,426
Infrastructure	214	179	211	238	295	268	13,964
Natural Resources	265	212	217	237	290	221	2,791
Hedge Funds	1,815	2,300	2,726	2,084	1,536	1,313	32,210

In 2023, private debt deal size averaged \$1.343 billion, but by the end of 2024 it had dropped to \$1.117 billion. Meanwhile, fundraising has fallen every year since 2021 from \$257.02 billion to \$180.77 billion by the end of 2024.⁸

What's behind the shift? These declines reflect **a broader market recalibration towards risk-aware, disciplined lending** in a higher interest rate, lower-growth environment, while still seizing an opportunity where traditional lending has stalled. Yet they also mirror the knock-on-effects of a wider slowdown in private equity transactions. Less deals to be financed and fewer re-financings as private equity exits slow means, in turn, slower deployment of capital. Funds launched between five and eight years ago – which should have been wrapped up by now – are left languishing in deals

that are awaiting refinancing. **Capital is recycling more slowly**, causing investors to be over allocated to a certain asset class, or hesitant to re-allocate back to the same managers before receiving their capital back.

Historically, private debt has enjoyed rapid growth without much regulatory scrutiny, at least in relative terms. Today, heightened regulatory interest in private markets asset classes across the board in the EU and US means regulators are imposing increasingly stringent rules on transparency, reporting and liquidity standards to better protect investors. The EU's revised Alternative Investment Fund Managers Directive will demand tighter oversight on private debt fund originations, the composition of the originated portfolio and risk disclosures.

5. Carne Group Analysis of Preqin data, June 2025.
6. Preqin, Future of Alternatives 2029 Report. As of December 2024.

7. [Preqin - Alternative Assets Data and Intelligence - Databases, Publications and Research](#)
8. Preqin, Future of Alternatives 2029 Report. As of December 2024.

Ramped up regulatory scrutiny largely comes with the arrival of private investors – in the form of both retail investors and wealth management clients.. Recent research commissioned by Carne, found three-quarters of the private markets fund managers we surveyed expect new fundraising from retail investors to increase over the next 12 months, reflecting democratisation trends across the private markets. For private debt managers specifically, this figure rises to 80%.

New money from both retail and high net worth individuals (HNWI) segments is a double-edged sword. On the one hand, an influx of investors helps fill the void left by institutional investors maxed out on private debt allocations. On the other, servicing non-professional investors means meeting extra governance and administration requirements.

Then there's the challenge posed by an uncertain world, economically and geopolitically. Fund managers must go to extra lengths to ensure the reliability of borrowers. At the time of writing, uncertainty driven by US trade policy has driven up investor demand for private debt as a source of attractive risk-adjusted, uncorrelated returns and downside protection from volatility in the public markets. Amid the demand, the sheer volume of complex loan data, often managed manually, is creating operational challenges.

“Given the private markets’ pedigree for inflation-beating returns, many investors are prepared to accept an ‘illiquidity premium’. However, education is key in helping private investors understand the risk of investing in less liquid assets. Investment in less liquid assets should only make up a small proportion of a client’s overall portfolio and investors need to understand that.”

Des Fullam, Chief Regulatory and Client Solutions Officer Group

Carne surveyed a group of 25 private debt fund managers who collectively manage \$196 billion in assets to capture their views on how they see their market growing over the next few years, the impact of the major challenges they face and how they plan to overcome them.

The results reveal considerable optimism in the future of private debt. But, against the backdrop of considerable uncertainty and heavy competition, the support of specialist third parties is seen as critical to seizing the full opportunity of an increasingly attractive asset class.

Carne surveyed private debt fund managers who collectively manage

\$196 bn

A supportive environment for retail and high net worth/wealth management clients

Private investors are entering the picture, and they’re bringing both promise and pressure.

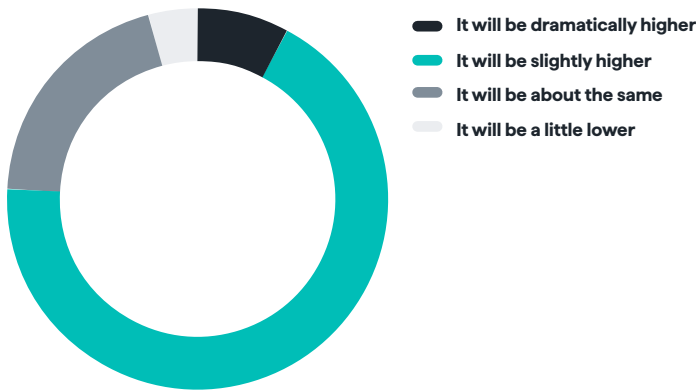
In the UK, retail investing is set to be bolstered by upcoming legislation that will give defined contribution (DC) pension schemes more freedom to invest in private markets. In May, 17 workplace pension providers managing around 90% of active savers’ defined contribution pensions signed the Mansion House Accord, pledging to invest 10% of their workplace portfolios in assets that boost the economy such as infrastructure, property and private equity by 2030.⁹

Back in 2023, the Financial Conduct Authority also extended the Long-Term Asset Fund (LTAF) regime to include mass market retail investors, as well as self-select DC pension schemes and Self-Invested Personal Pensions (SIPPs).¹⁰

In a similar vein, semi-liquid vehicles are becoming more common. In our survey, 83% of wealth managers already offer them, with the rest to follow within the next two years.

Private debt continues to be seen as an asset class that delivers an attractive element of liquidity as it generates income, typically involves shorter deal cycles, and liquidity can be released by refinancing.

Thinking about 2025, how do you see the flow of new capital into your fund and segregated accounts changing?

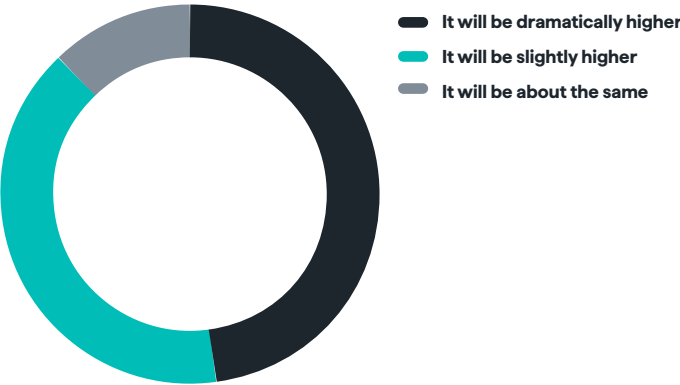


Value	%
It will be dramatically higher	8
It will be slightly higher	68
It will be about the same	20
It will be a little lower	4

Where the growth is: Strategies and geographies

With the banks tightening the reins and high interest rates abounding, borrower demand shows no signs of slowing down. Fund managers say the number of private debt funds is set to grow in 2025, with almost half (48%) saying the number on offer will be dramatically bigger by the end of the year.

What do you think will happen to the number of funds class launching in 2025 when compared to 2024?



Value	%
It will be dramatically higher	48
It will be slightly higher	40
It will be about the same	12

The fund managers we spoke to also predict significant new fundraising compared to last year, with more than one-quarter (28%) expecting increases of up to 50%.

28%
of fund managers expect fundraising increases of up to 50% this year

Then there’s the lure of new markets and territories to unlock growth. Some 80% of fund managers told us they’re planning to cross into new jurisdictions to raise new capital.

80%
of fund managers are planning to raise new capital in new jurisdictions

The retreat of traditional lenders has meant direct lending strategies remain a frontrunner across private debt categories, accounting for the largest number of funds.

9. <https://www.gov.uk/government/news/pension-schemes-back-british-growth>
10. <https://www.fca.org.uk/publications/policy-statements/ps23-7-broadening-retail-access-long-term-asset-fund>

The top three strategies for each asset class by number of funds¹¹

Strategy	1st	2nd	3rd
Private Debt	Direct Lending 2,631	Mezzanine 763	Special Situations 644
Private Equity	Venture Capital 21,676	Buyout 6,580	Fund of Funds 4,760
Real Estate	Value Added 3,987	Core 3,358	Opportunistic 2,602
Infrastructure	Core 713	Core-Plus 603	Debt 395
Natural Resources	Energy 2,557	Agriculture / Farmland 311	Diversified Natural Resources 187
Hedge Fund	Equities 10,314	Multi-Strategy 4,340	Credit Strategies 3,777

No surprises that direct lending features as a front runner within private debt. However, the popularity of typically higher risk special situations funds is notable in the context of higher interest rates and US tariffs – economic uncertainty often brings about circumstances in which distressed debt funds typically flourish. But it's not all good news. The fund managers we spoke to pointed to fee pressures, regulation, governance demands, operational costs, and liquidity profiles as the top five obstacles to getting funds to market.

Given the current environment, it's unsurprising that nearly all (96%) private debt managers surveyed agree that their sector will experience consolidation over the

next five years with nearly three-quarters (72%) saying this will be significant. These predictions are already becoming reality – such as BlackRock's acquisition of HPS Investment Partners and firms like Franklin Templeton and Clearlake expanding into Europe with the acquisition of Apera and MV Credit respectively.

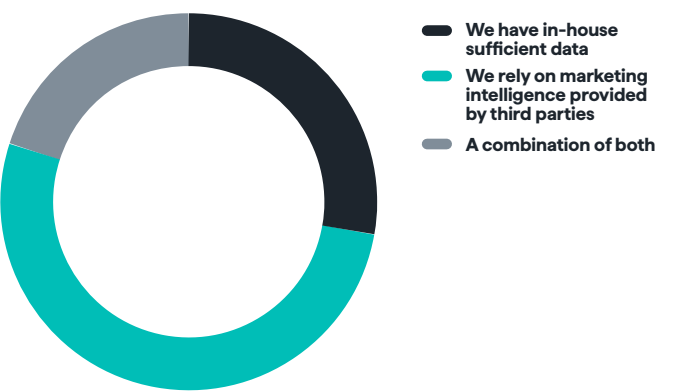
As competition intensifies, the need for agility and efficiency grows. That's why more managers are turning to specialist partners for help with distribution, middle- and back-office operations, or compliance.

The rise of third-party support

The pressures exerted on private debt managers are naturally driving almost three-quarters (72%) of those we surveyed to rely solely on a third party for distribution.

When asked how they identify adequate distribution partners and target markets, the majority say they rely on marketing intelligence provided by third-parties.

How do you identify adequate distribution partners and target markets?



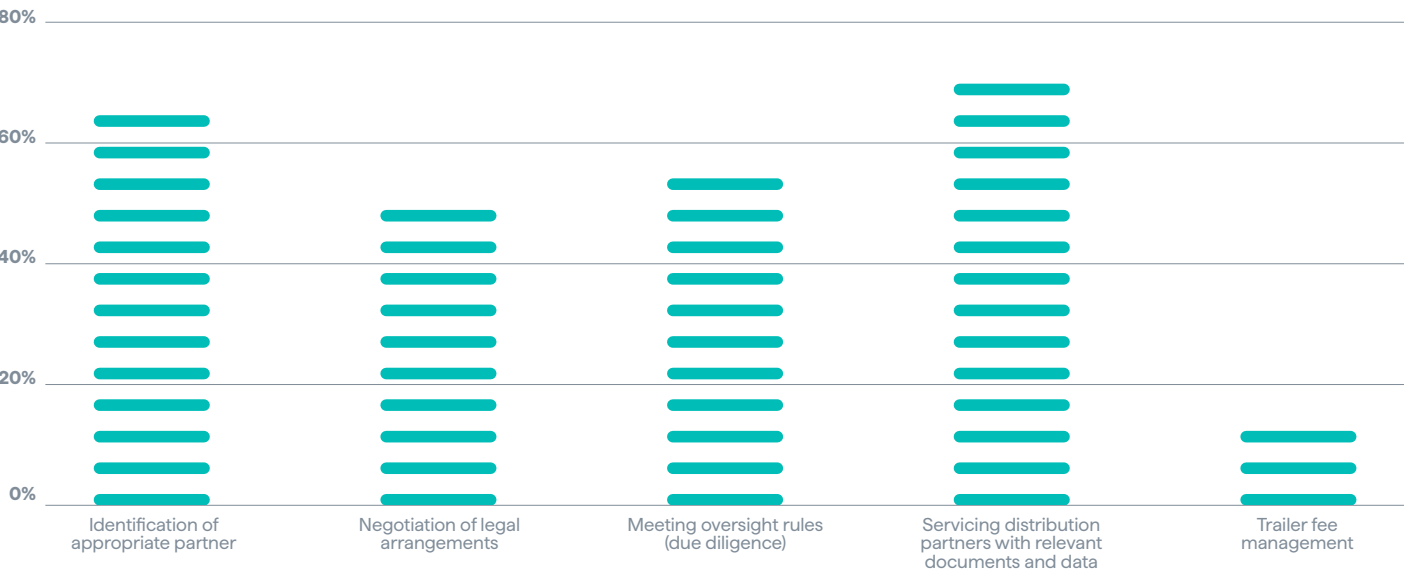
Value	%
We have in-house sufficient data	28
We rely on marketing intelligence provided by third parties	52
A combination of both	20

Fund managers we surveyed said they experience challenges in contracting third-party services, particularly in servicing distribution partners with the relevant documents and data. Distribution infrastructure is evolving. In Europe, distribution has been designed for daily dealing – in contrast to the monthly or quarterly trades made by funds in the private markets (including those targeting retail and wealth management investors), which typically come with lock up periods and limited liquidity.

Today, manual distribution processes are limiting the speed of growth. The result is a market where opportunities for a tie-up between large 'traditional' distribution-focused asset managers and specialist private debt providers – through M&A or partnership – are now compelling.

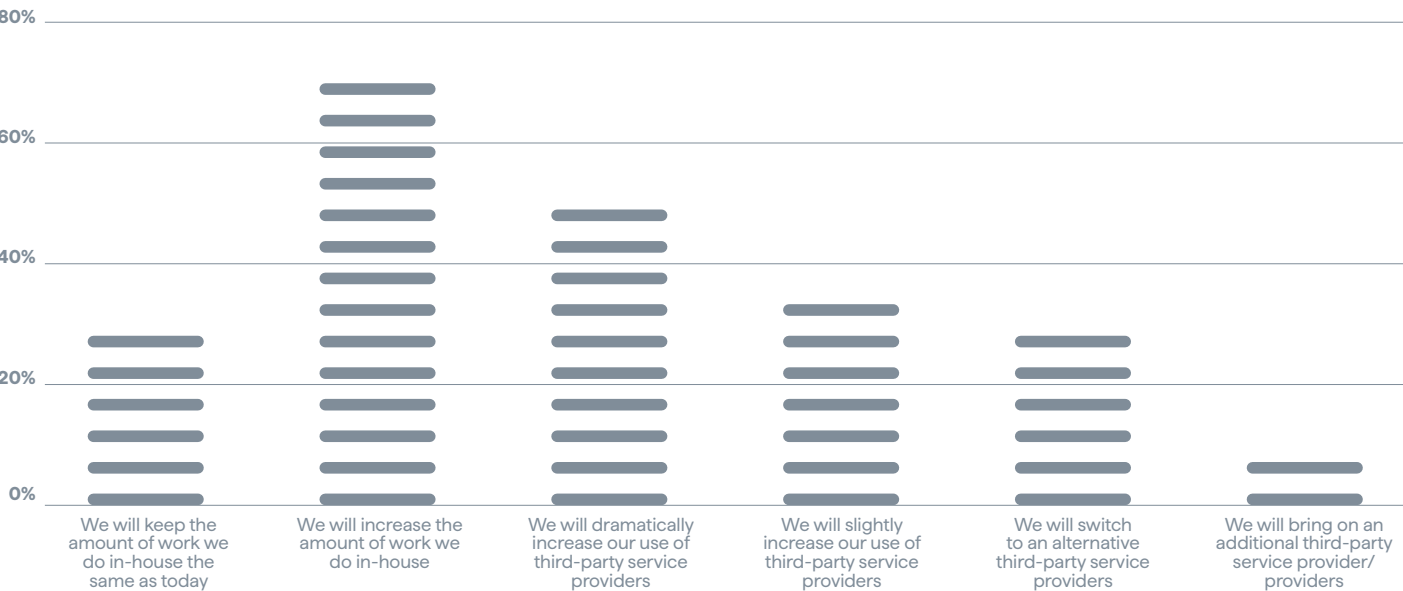
11. [Preqin - Alternative Assets Data and Intelligence - Databases, Publications and Research](#)

When contracting third-party distribution partners, which do you believe are the most challenging aspects?



Private debt managers also highlight their growing reliance on specialists to support middle- and back-office functions. Almost half (48%) told us that they will dramatically increase outsourcing in the next year, while just under a third (32%) plan to slightly increase.

Thinking about your middle- and back-office functions, which of the following do you expect to happen over the next 12 months?



As private debt has emerged from the margins to the mainstream of portfolios, the focus has historically been centred on rapid growth. Now, compliance demands are heavier, talent is harder to find, and expanding across borders takes support. Firms are playing catch up from an operational efficiency perspective to combat manual processes and upgrade technology – which has led naturally to an increase in outsourcing. That’s borne out in the survey: reporting and transparency were the top drivers for outsourcing, followed by regulation, staffing challenges, and cost efficiency.

“The strong trend towards outsourcing shows that fund managers are more than willing to grasp opportunities despite the pressures they’re facing – it’s just a question of right expertise and right technology.

“The right third party can take the heavy lifting out of fund launches, making sense of local regulatory nuances, leaving managers to focus on fundraising and the core product. At Carne, we’ve been working with private credit funds since 2014 and can translate our deep expertise of launching funds in heavily regulated markets into newer vehicles like the UK’s LTAFs or Europe’s ELTIFs.”

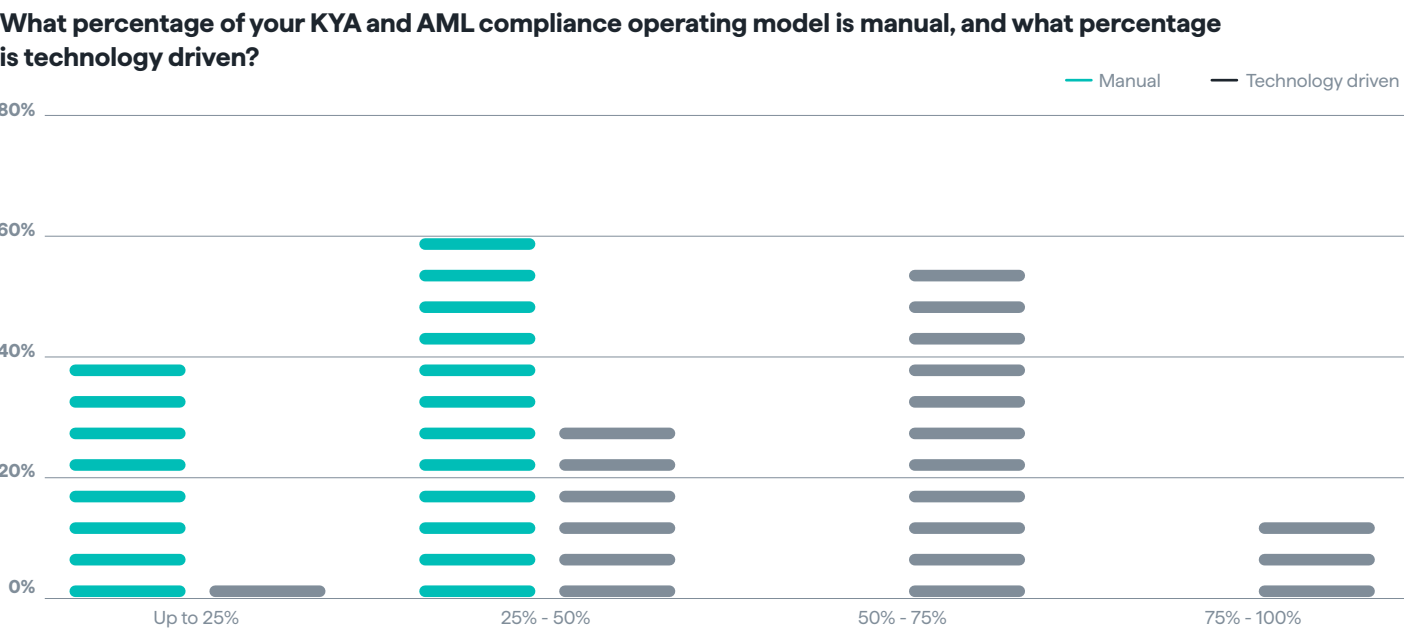
Des Fullam, Chief Regulatory and Client Solutions Officer Group

Renewed focus on KYA and AML

Know Your Asset (KYA) and anti-money laundering (AML) compliance are essential, directly affecting how private debt fund managers assess risk, ensure compliance and protect investor confidence.

KYA, in essence, is the process of conducting due diligence on the asset as opposed to the customer (or Know Your Customer – ‘KYC’). It involves looking into the asset structure, identifying the legal structure, the layers of ownership, and tracing the source of funds. The result is a robust risk profile of the asset, centred around a comprehensive understanding of who is on the other side of the transaction.

Our research reveals that many managers are still relying on manual processes to conduct KYA – an approach that’s not sustainable. And it’s only set to escalate. Everyone we spoke to agreed that over the next two years, it will get much harder to navigate regulatory complexities.



What matters most in KYA? Private debt managers told us these were their top priorities for process outcomes:

- 1

Effectiveness
going beyond the guidance to mitigate risk.
- 2

Transparency being able to show regulators that processes are robust, and senior management that processes are aligned to regulation.
- 3

Client experience
delivering the best possible service.

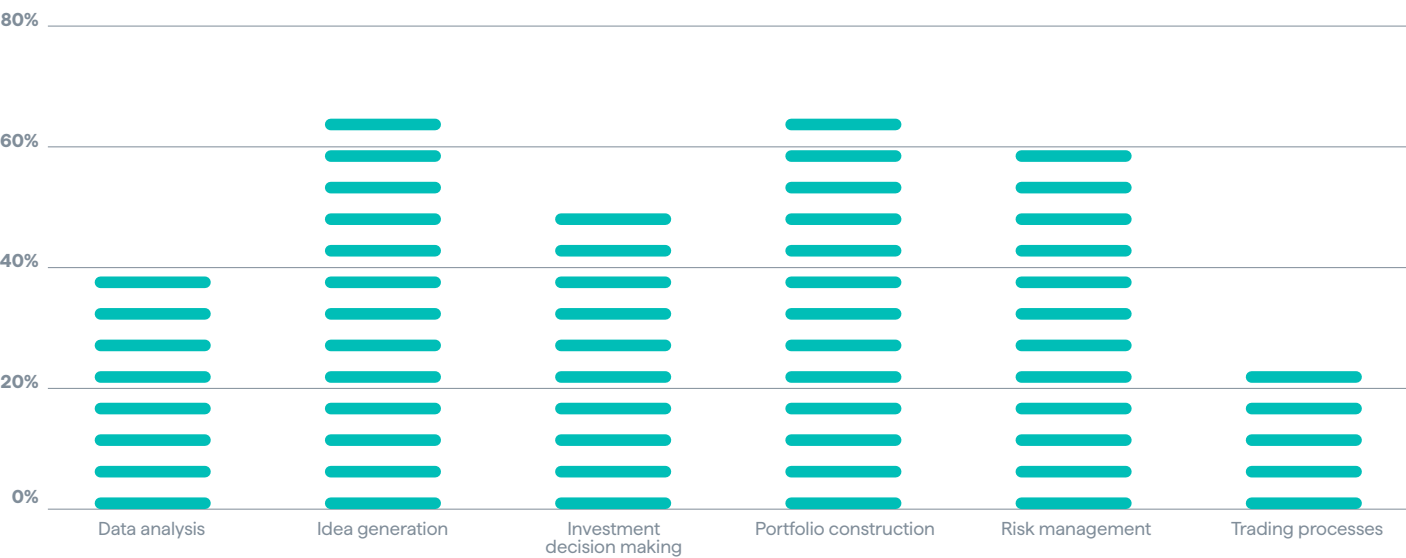
To meet these goals, more than 80% of managers are considering outsourcing KYA processes to a third party, while just 4% already do.

AI is quickly becoming crucial

As well as providing an investment opportunity in itself, artificial intelligence (AI) is proving invaluable in supporting today’s private debt managers. Almost all (96%) say they use the technology to deliver investment strategies, while the remaining 4% will implement AI in the next 12-18 months.

AI is set to have a positive impact across private debt managers’ investment processes in the next three years – particularly in idea generation and portfolio construction.

Pick the three areas where you think AI will have the biggest positive impact in the short-term (next three years) in terms of supporting your investment processes



All private debt managers surveyed say AI is significant in enabling fund managers to deliver alpha, with more than a quarter (28%) viewing it as very important.

AI is already making a meaningful impact – and its importance is only set to grow. Over the next three years, AI will take on an even larger role in delivering alpha, according to the fund managers we spoke to, with more than a third (36%) seeing it as very significant.

Looking ahead, private debt is poised for a resurgence.

Our research identifies optimism from fund managers who anticipate a return to inflows and a reinvigorated fund market.

New retail and overseas opportunities are broadening potential investors, while more accessible investment vehicles make the private debt space an attractive proposition.

In a changing world where traditional lenders are pulling away amid balance sheet pressures and regulatory constraints, private debt funds have eagerly stepped in to fill this void.

To remain competitive and compliant, private debt managers must strengthen their governance structures, enhance disclosure practices and maintain sophisticated risk management tools. As the regulatory environment becomes more prescriptive, success will increasingly depend on operational resilience, investor trust and a proactive approach to regulatory change.

Private debt managers’ focus must firmly lie on their core business – delivering returns for investors. That means turning to specialists for distribution, administration, regulatory guidance and technology.

With growth expected in the coming years, but in an environment where consolidation is rife and only the strong will survive, our research shows that private debt managers will need to continue to work with external specialists.

Carne Group takes care of the people who take care of money. Founded in 2004, today Carne is Europe’s largest independent third-party management company. We support asset managers through every element of a fund’s governance lifecycle. Backed by digital capabilities and infrastructure built over two decades, our dedicated and talented team of experts provides peace of mind to our clients and their investors – simplifying and strengthening the ways their funds operate.

We partner with around 650 clients, from boutique firms to the majority of the world’s 20 largest fund managers – supporting funds distributed in over 160 countries and overseeing more than \$2 trillion assets under management. Carne employs more than 600 employees across eight locations globally.



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