Private Debt Intelligence – 3/21/2022

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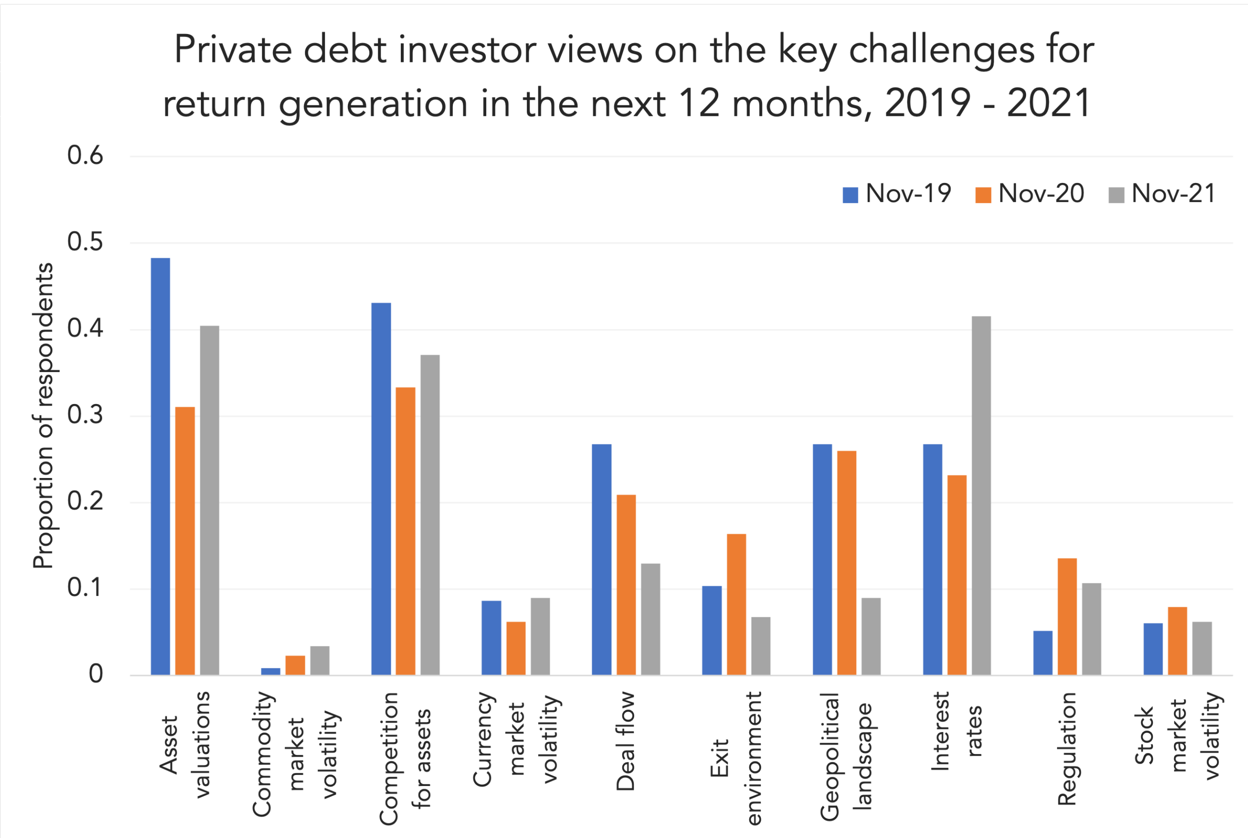
Private debt investors' rising concerns over interest rates

Chart



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The US Federal Reserve approved a 0.25 percentage point interest rate hike on March 16. Private debt investors are protected from the negative consequences of rising interest rates by floating rate agreements. However, rising rates also increase default risk which can fundamentally damage portfolio performance. Indeed, 42% of investors surveyed by Preqin in November 2021 said interest rates are a key challenge for return generation in the next 12 months, compared to 23% in November 2020. That said, the rise is small and, with inflation forecasts to drop back to more normal levels later in the year, the impact on private debt will be minimal.

(Past performance is no guarantee of future results.)

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