PRIVATE MARKETS 2025 CARRY AND COMPENSATION SURVEY REPORT

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EXECUTIVE SUMMARY

In 2025, private equity, venture capital, and private credit firms continue to face increasing complexity in managing compensation and carried interest programs. Driven by competitive pressures, regulatory changes, and evolving employee expectations, incentive structures have diversified significantly.

Key trends include:

- **Rising Complexity:** 40% of surveyed firms cite complexity as their greatest challenge, largely driven by diverse carry structures and incentives.
- **Adoption of Purpose-Built Software:** 40% of firms have transitioned away from Excel, leveraging specialized software to manage intricate compensation schemes.
- **Expansion of "Dollars-at-Work" Method:** There’s a significant shift towards "dollars-at-work" representations of carried interest, complementing traditional percentage-based methods.
- **Gap in Total Rewards Statements:** Despite recognized benefits in employee engagement and retention, only 49% of firms currently provide comprehensive Total Rewards Statements (TRS).
- **Synthetic and Deferred Incentives:** Nearly half of firms use phantom (synthetic) carry or deferred bonuses to expand incentive participation without extending traditional carry.

SURVEY DEMOGRAPHICS

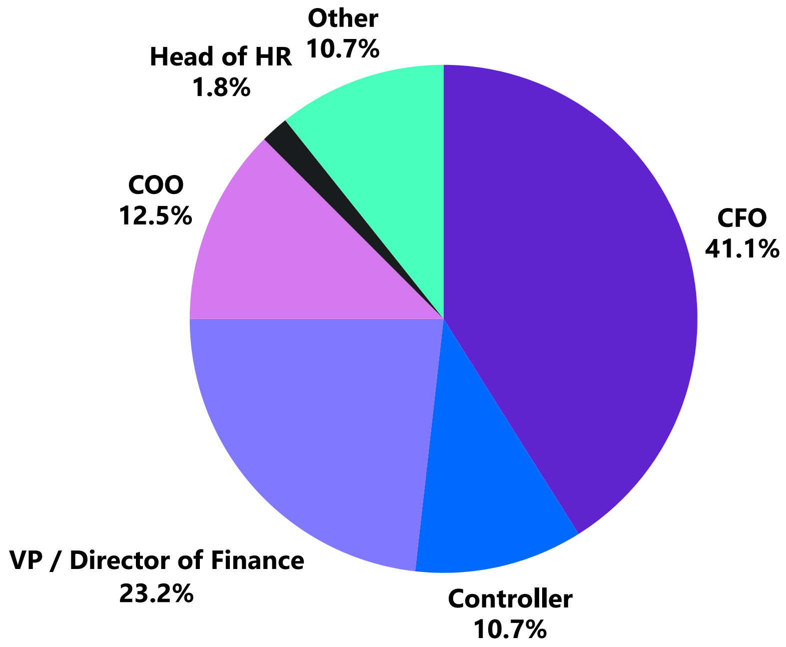
Respondents predominantly represent firms with assets under management (AUM) **between $1 billion and $100 billion,** spanning the private equity, venture capital, and private credit sectors. **Firms employing 11-200 people constitute approximately 68% of respondents,** reflecting the industry's middle-market landscape. Private equity firms dominate the respondent base, followed by venture capital and credit firms.

RESPONDENTS

Respondents of the survey were senior-level executives with the following titles:

- **75%** had a finance title
- **54%** had a head of or C-level title
- **79%** had VP level title or higher

RESPONDENTS' TITLES



INCENTIVE STRUCTURES & GROWING COMPLEXITY

Compensation programs have become sophisticated, requiring a deeper understanding of the core components and advanced tools to manage them effectively. **40% of all respondents consider complexity their primary challenge.** Factors driving complexity include **more than 60% of survey respondents** still using spreadsheets to manage carry and compensation along with a broad assortment of models used, including:

- **European Waterfall Models**: The **predominant choice of 61% of respondents**, characterized by fund-level waterfall and fund-level carry grant allocations.
- **Deal-Level Incentives:** Favored by **37% of firms** when combined with a U.S. waterfall, reflecting a more performance-specific reward mechanism.
- **Mixed Incentive Models**: Approximately **21% blend European waterfall structures with deal-level carry** to balance long-term alignment with specific performance outcomes.
- **Vintage Shares & Hybrid/Dynamic Model** - **Only 5% of respondents** chose a vintage shares and a hybrid/dynamic model.

The integration of varied carry methods such as percentages, shares/points, and dollars-at-work is increasingly commonplace, adding layers of complexity that necessitate specialized management solutions.

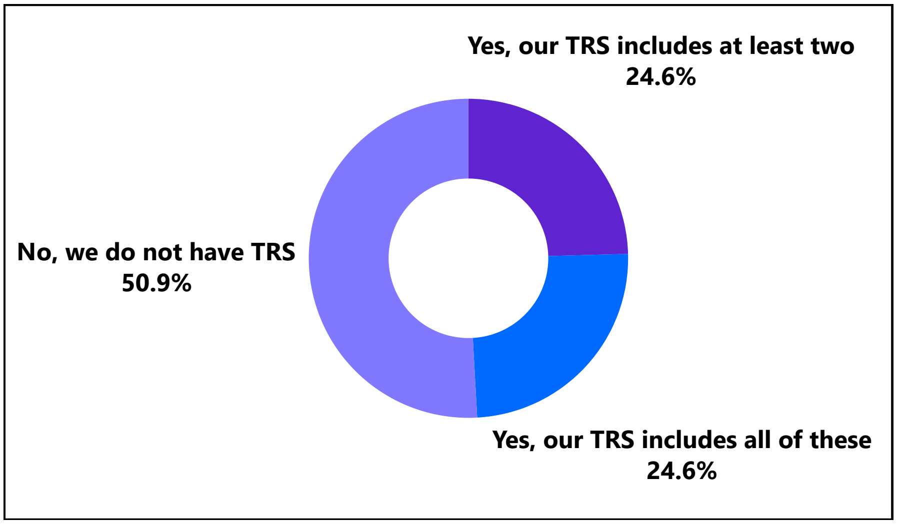
COMMUNICATION OF INCENTIVE VALUE: AN UNDERUTILIZED ADVANTAGE

One of the most striking findings in this year's survey concerns total rewards statements (TRS). **While 47% of firms have identified TRS as a priority for next year, 51% of firms still do not provide TRS to employees**. These total comp sheets, which typically summarize salary, bonuses, carry, and co-investments, play a vital role in helping employees understand and value their total compensation package.

The absence of TRS represents a clear opportunity for firms to professionalize their communication with employees. Technology platforms that support TRS creation and self-service reporting can help bridge this gap while also enhancing employee engagement and retention.

- **Total Rewards Statements (TRS) reinforce the full value of compensation,** including salary, bonuses, carried interest, and co-investments.
- **Total Reward Statements (TRS) help employees understand long-term, deferred compensation** they often undervalue.

FIRMS WITH OR WITHOUT TOTAL REWARDS STATEMENTS

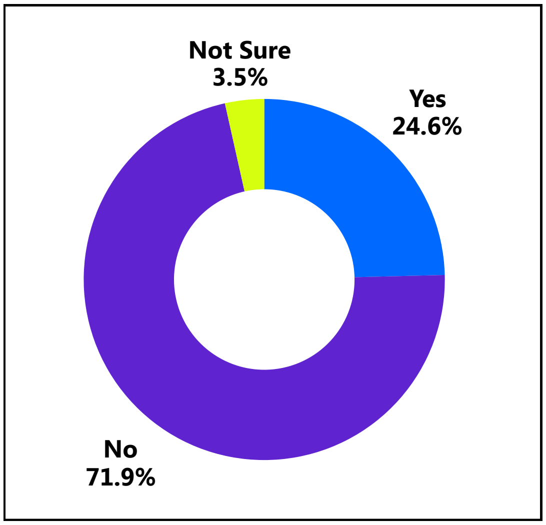


Though ranked a top priority, **only 49% of firms offer TRS**.

Just **25% of those** that offer TRS **deliver comprehensive statements** covering all comp elements.

COINVESTMENT: A TOOL FOR ALIGNMENT AND OWNERSHIP

ARE MANDATORY CO-INVESTMENTS A PREREQUISITE FOR GRANTING CARRIED INTEREST?



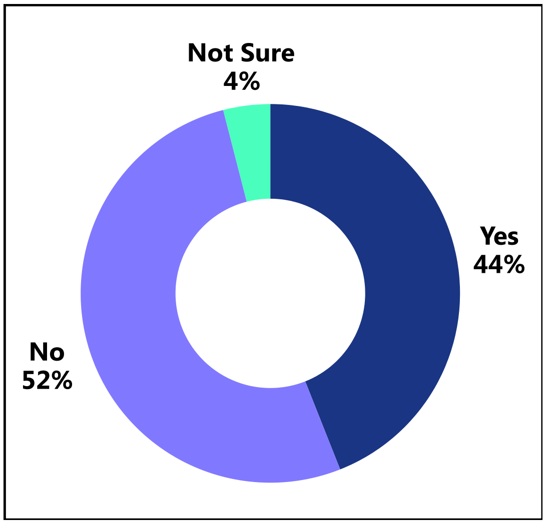
Mandatory co-investment policies remain selectively applied, **with only approximately 25% of firms requiring employee co-investment** as a condition for carried interest eligibility.

Granting employees access to co-investment opportunities alongside funds helps build internal alignment: employees become co-owners with "skin in the game," **fostering stronger commitment to performance and retention**.

IF YOU HAVE MANDATORY CO-INVESTMENTS (CAPITAL CONTRIBUTIONS), DO YOU OFFER A LOAN PROGRAM?

52% of firms that require co-investments from their employees before allocating carried interest, **do not offer their employees loans to facilitate their participation.**

The lack of a loan program might present challenges for employees who do not have the liquidity to participate in co-investment opportunities.



CARRY & COMPENSATION PROGRAMS

Firms take varied approaches to representing **carried interest** to employees, each with distinct advantages and challenges. The most common method is a percentage-based model, which reflects an individual's ownership share in the fund's 20 percent carry. This approach is widely viewed as transparent and closely tied to fund performance. However, percentages can feel abstract, particularly for junior employees or those in non-investment roles.

To bridge this understanding gap, **some firms use a "dollars at work" model**, which translates carry into a projected dollar amount based on fund assumptions. **This approach, used by around 14 percent of firms**, offers a more tangible and motivating view of potential earnings. However, this model introduces complexity, as it relies on assumptions around fund performance and timelines, and can result in employee disappointment if projections are not met.

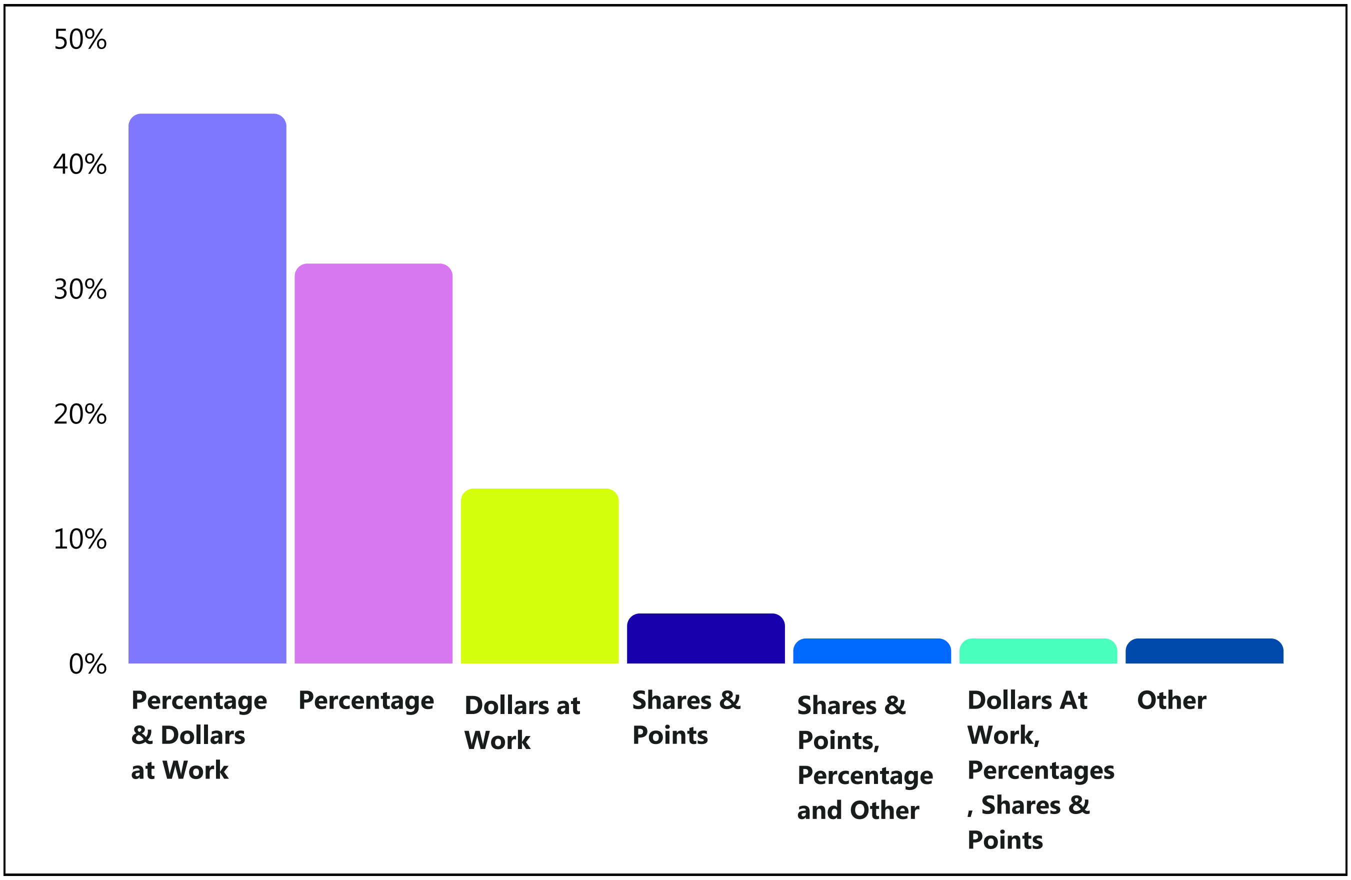
Ultimately, there is no one-size-fits-all solution. **A 2022 McLagan survey found that lack of clarity around carry was a top contributor to dissatisfaction among mid-level professionals**. Whether using percentages, projected dollars, or a hybrid approach, the most effective programs prioritize transparency and alignment with long-term firm performance.

CARRY & COMPENSATION PROGRAMS

FIRMS PRIMARILY USE PERCENTAGES AND DOLLARS-AT-WORK FOR CARRY GRANTS

Percentages and dollars at work were the most commonly used methods for awarding carry grants, **with 44% of respondents indicating they used both percentage and dollars at work** approaches. Among the top three methods, **32% of firms reported using percentages, while 14% awarded carry based on dollars at work exclusively**.

A smaller share of firms, **4% said they used shares and points exclusively.** Only **2% of respondents said they used a combination of shares and points, percentages, and other methods,** while another **2% reported using a mix of dollars at work, percentages, and shares and points.**

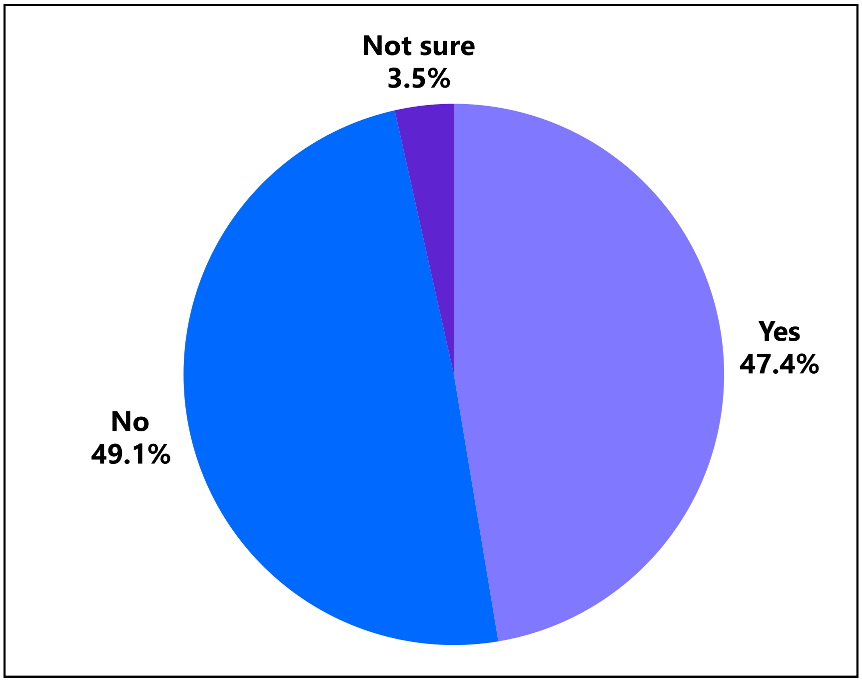


CARRY & COMPENSATION PROGRAMS

Firms often look for ways to broaden access to long-term incentives without extending carry privileges to everyone. To achieve this, many are turning to mechanisms like deferred bonuses and synthetic carry. The main difference between true and synthetic carry and compensation is that true carry distributions are taxed as capital gains, while phantom carry awards are treated like ordinary income.

These tools can replicate some of the benefits of carried interest, often tying rewards to fund performance and providing meaningful long-term incentives. Synthetic carry, in particular, is more widely adopted, with nearly half of firms incorporating it, often as part of a long-term incentive plan (LTIP). In this year's survey we asked firms how they manage phantom, LTIP or other synthetic carried interest plans.

DO YOU OFFER PHANTOM, LTIP, OR OTHER SYNTHETIC CARRIED INTEREST PLANS?



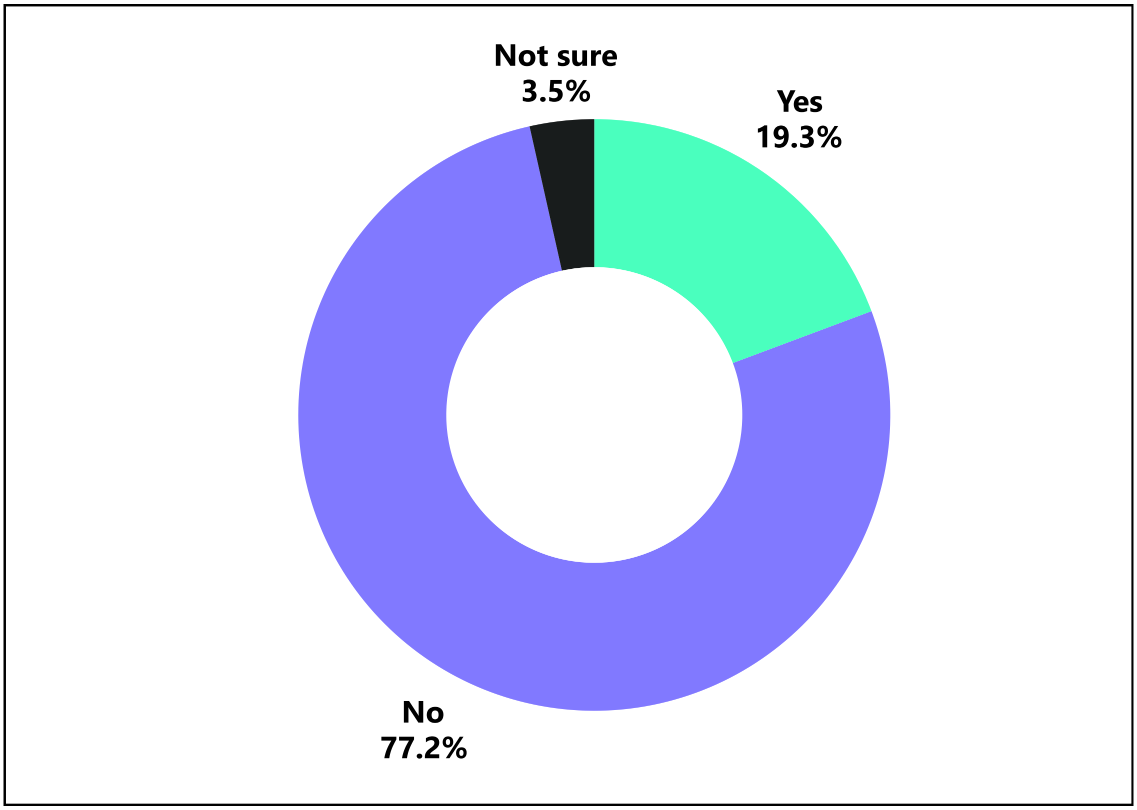
Roughly **47% of respondents offer one of several varieties of phantom carry** which can contribute to additional operational processes, but provide performance based incentives to motivate employees.

49.1% of respondents **said they don't offer synthetic carried interest**.

CARRY & COMPENSATION PROGRAMS

We asked firms about their deferred compensations programs. **Only 19.3% of firms confirmed they offer deferred compensation** or some type of deferred bonus payment. Of the 19.3% of firms that answered yes, a little more than half confirmed they participate in phantom equity or synthetic carry where employees receive a bonus tied to the value of carried interest or fund performance.

Does Your Compensation Program Include Required or Deferred Bonuses or a Portion as Deferred?



CARRIED INTEREST DISTRIBUTIONS, EXPENSES, & MANAGEMENT FEES

Understanding how private capital firms structure management fees, allocate expenses, and distribute carried interest is central to assessing alignment between managers and investors. Recent research reveals growing variability in fee models, particularly among emerging managers and specialized strategies. According to PitchBook, **nearly 30% of fund managers have adopted tiered or declining management fee structures** to stay competitive.

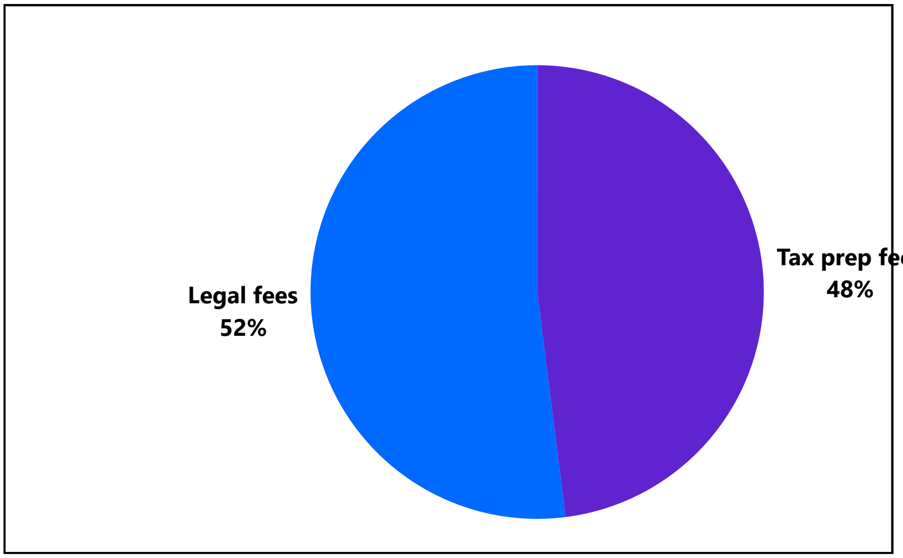
At the same time, the method and timing of carried interest distribution are evolving. While the American waterfall remains common, the European waterfall model, where carry is paid only after returning all capital and the preferred return, has gained significant ground. **60% of respondents use a European waterfall structure.** This section explores how firms participating in our survey approach these key aspects of fund economics.

EXPENSES & MANAGEMENT FEES

For Carried Interest Distributions, What Types of Expenses do you Withhold?

50% of survey respondents selected either legal fees or tax prep fees as expenses withheld from distribution.

There are a variety of elements that can be withheld from the final distributions, including taxes and legal fees.

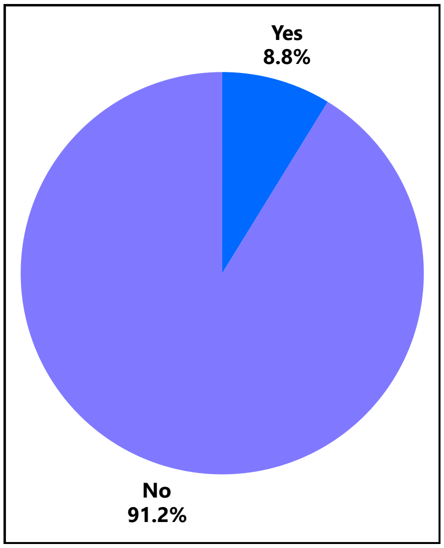


Other examples of expenses withheld from carried interest distributions include accounting, fees related to GP expenses, carried interest vehicle general expenses, and entity expenses.

Do You Charge Back a Management Fee for the Carried Interest Program?

Administering a carried interest compensation program is not without overhead, including administrative, legal, and operational costs. Passing some of these costs on to employees can signal that the program is managed rigorously and fosters ownership.

However, this is not a widespread practice. Our survey found that **fewer than 10 percent of respondents reported their firms charge management fees**.



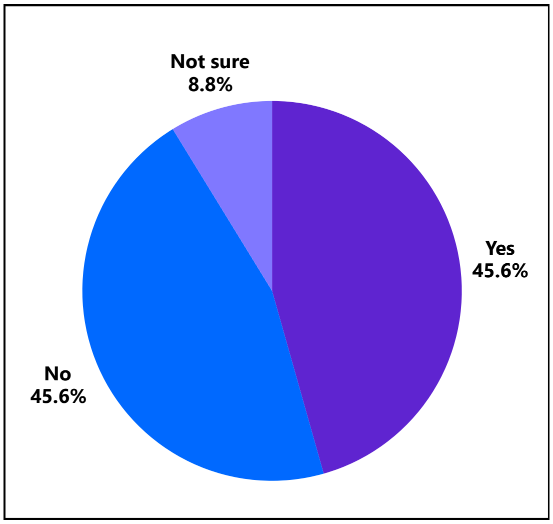
CARRY & COMPENSATION BENCHMARKS

Compensation in the private capital markets is highly competitive, making it essential for firms to stay informed about industry standards. Benchmarking against other firms offers several benefits, including supporting talent retention, reducing the risk of underpaying or overpaying employees, promoting consistency across compensation levels, and aligning compensation with firm performance expectations.

Nearly half of the firms surveyed reported using benchmarks to help shape their employee incentive programs:

- **45.6% of firms track competitive benchmarks** in their carry and compensation process.
- **45.6% of firms track do not track competitive benchmarks** in their carry and compensation process.

Do You Track Competitive Benchmarks in Your Carry and Compensation Process?



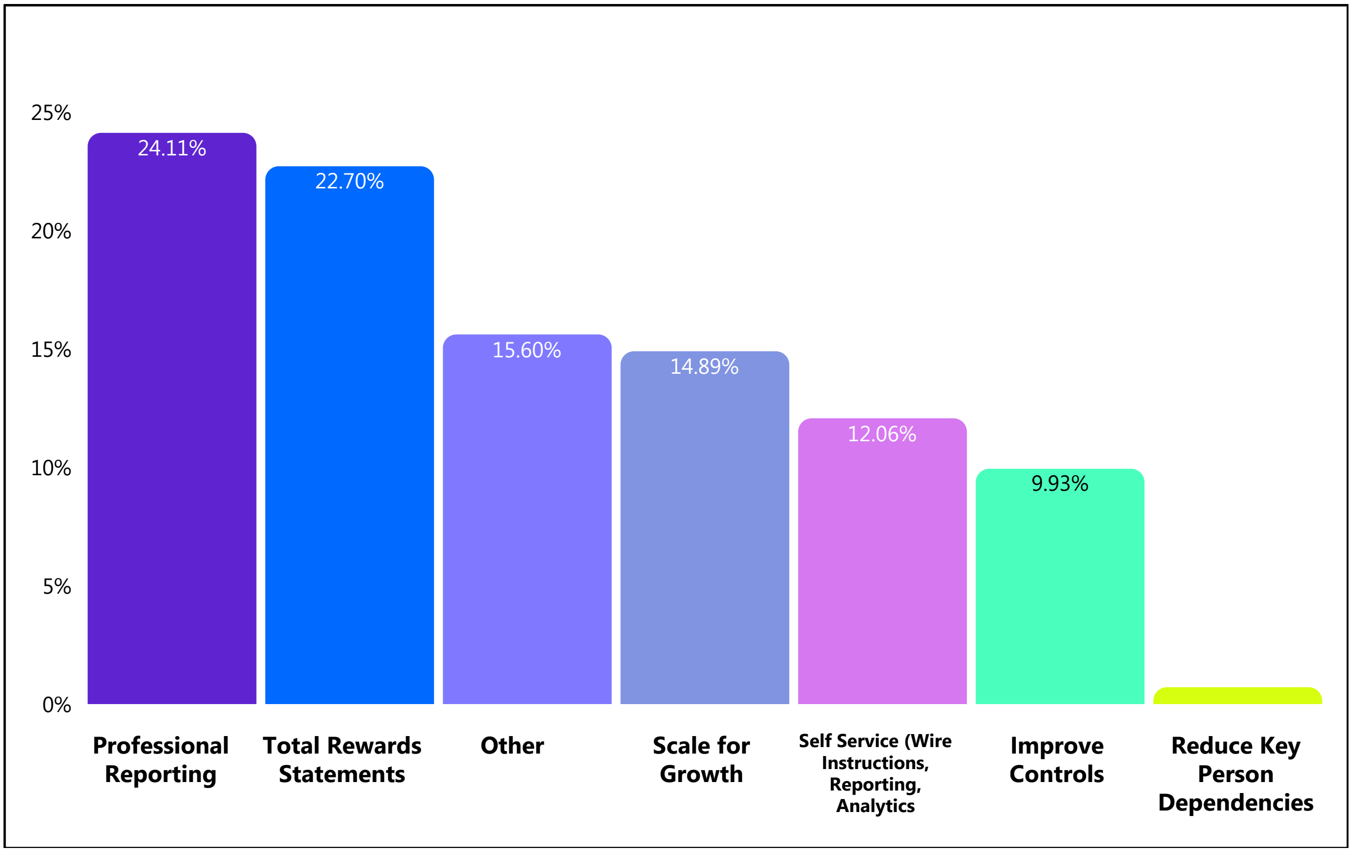
Survey results were **evenly split** between firms that tracked competitive benchmarks and those that do not.

Compensation in private capital is extremely competitive which necessitates increased use of benchmarks and analytics.

LOOKING AHEAD

When we asked firms to identify their top priorities for their carry and compensation management programs over the next three years, a few clear themes emerged. Chief among them were **the implementation of professional, investor-grade reporting capabilities**; **the development of total rewards statements to provide transparency and alignment across teams**; and **the establishment of scalable infrastructure to support future growth**. These priorities reflect a growing focus on both operational efficiency and talent retention in an increasingly competitive market.

What Is Your Highest Priority for the Next Three Years?



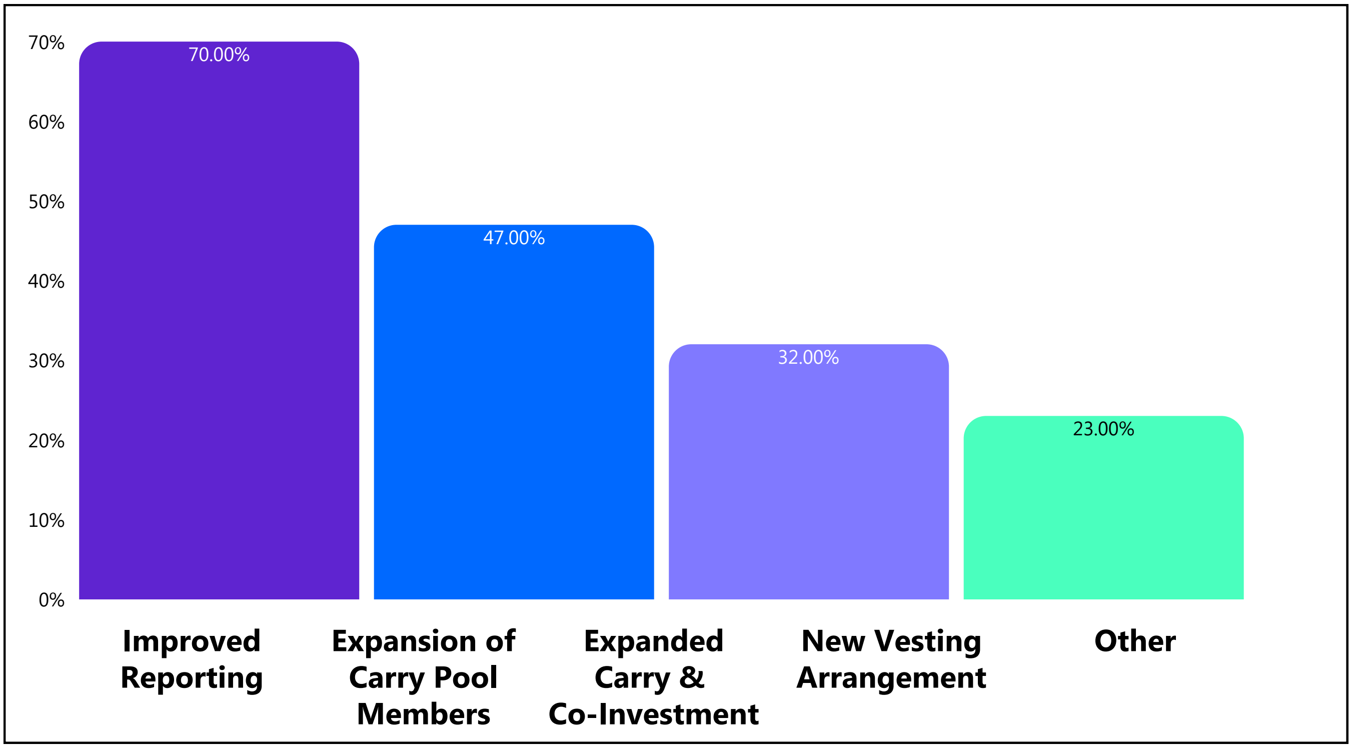
LOOKING AHEAD: COMPENSATION MANAGEMENT PRIORITIES

Continuing on the theme of looking ahead we asked firms what updates they planned on making to their carry and incentive management programs. The majority of the updates to carry and incentive programs will only add to the number of growing data and reporting requirements faced by finance teams. This underscores the need to fully embrace a robust tech stack with accounting, data management, reporting and AI driven workflows to streamline operations.

Select All Updates that your Firm is Planning to Make to Your Carry and Incentive Management Program.

Of the firms surveyed about changes to their carry and incentive management program:

- **70% of firms flagged improved reporting** as the largest change they are making to carry/incentive plans. This could be an indicator of participant expectations.
- **47% of firms planned on increasing** the number of carry pool members.



LOOKING AHEAD: WHAT DO YOU WANT IN CARRY & COMP TOOLS?

"Clear and easy visibility into the vesting calculations."

"Projected value of carried interest based on most recent fund reforecasts."

"Ability to manage the GP loan program."

"Better reporting and ways to get the data out of the system into existing reporting or templates."

"Ability to modify document language of documents housed within the system as well as enhanced vesting option per LP instead of on a fund basis only."

"More robust tracking of levels/job role changes over time; more flexible reporting with respect to formatting of total raewards statements."

SUMMARY & FUTURE OUTLOOK

The private capital industry continues to evolve rapidly, characterized by increasing complexity in incentive structures, diversified compensation strategies, and a growing emphasis on clear communication and employee alignment. Firms that leverage specialized software and effectively communicate the full value of compensation packages through detailed total rewards statements are better positioned to manage complexity, retain key talent, and achieve strategic alignment.

Looking ahead, the trend toward broader participation, coupled with innovative compensation strategies like synthetic carry and dollars-at-work methodologies, suggests ongoing evolution. Firms will increasingly rely on advanced, purpose-built software solutions to handle complexities efficiently, manage administrative burdens, and maintain competitive compensation packages in an ever-changing market.

ABOUT FIRMVIEW

FirmView®, an Allvue solution, is purpose-built for private capital firms looking to modernize and simplify their carried interest and compensation management. The platform centralizes critical processes, managing allocations, vesting, joiners/leavers, co-investments, and distribution reporting while offering real-time analytics and a secure employee portal for full transparency. By unifying salary, bonus, carry, and retirement data, FirmView enables finance and HR teams to deliver accurate, audit-ready reporting and improved employee communication.

For firms that have outgrown spreadsheets, FirmView is the golden source of truth for compensation and carry data. It offers configurable workflows, role-based access controls, and seamless integrations with existing accounting and HR systems like Workday and ADP. Whether you manage deal-by-deal carry, hybrid plans, or performance-linked bonuses, FirmView ensures your data is secure, your processes are compliant, and your decisions are grounded in reliable insight.

With FirmView CPR (Compensation, Planning, and Recommendations), HR and finance professionals can streamline year-end and mid-year review cycles, eliminate manual consolidations, and enforce budget and approval guidelines. From customizable calculations to manager self-service tools, FirmView empowers organizations to make more strategic, transparent, and efficient compensation decisions. Discover how Allvue is helping leading firms gain clarity and control across all elements of compensation and carry.

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