1. EXECUTIVE SUMMARY

NAVIGATING PRIVATE CAPITAL FUND TERMS

Fund terms and conditions are an important aspect of fund agreements between GPs and LPs. It is essential that the interests between the two parties in this area are closely aligned to ensure a harmonious and positive working relationship during the lifetime of the fund, and potentially thereafter in the form of re-ups or positive sentiment within the investor community. Should this sensitive area be neglected and fund terms and conditions favour either the GP or LP, problems may be compounded over the long term and cause friction between the parties.

For GPs, finding the right balance and adopting the most appropriate fund terms and conditions is no easy task. It is well known that the opaque and confidential nature of private capital investment means that fees are rarely disclosed outside the fund, and as such, it is difficult to benchmark against other GPs and competitors throughout the industry. Nevertheless, 2016 saw greater movement towards improvements in transparency throughout the private capital industry, particularly as high-profile cases regarding how fees were charged to investors were brought forward by the SEC. Furthermore, new legislation in California requires the additional disclosure of fees from alternative managers to public bodies. Some firms in the industry have also become more innovative in the competitive fundraising environment and have offered bespoke fund structures to provide a more unique approach to fund terms and conditions, while simultaneously aligning their interests with those of their investors.

The 2017 Preqin Private Capital Fund Terms Advisor offers the most comprehensive data and intelligence on fund terms and conditions in the industry and aims to reveal the latest trends and current market sentiment that surrounds this opaque area. The eleventh edition in the series, the Fund Terms Advisor uses fund terms for over 7,500 private capital funds and compiles data from our current databases, historical datasets and LP and GP surveys to provide comprehensive and accurate insight into the private capital fund terms universe.

IMPROVING ALIGNMENT OF INTERESTS BETWEEN LPs AND GPs

In our investor survey conducted in December 2016, we asked LPs throughout the private capital industry for their views on fund terms and conditions and to what extent they remain a concern. The results

Fig. 1.1: Extent to Which LPs Believe that GP and LP Interests Are Properly Aligned, 2013 - 2016

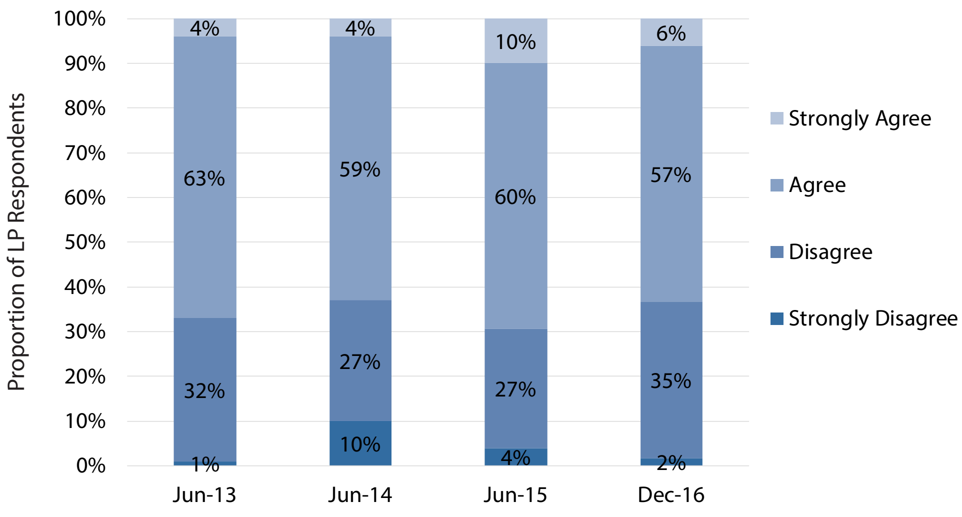
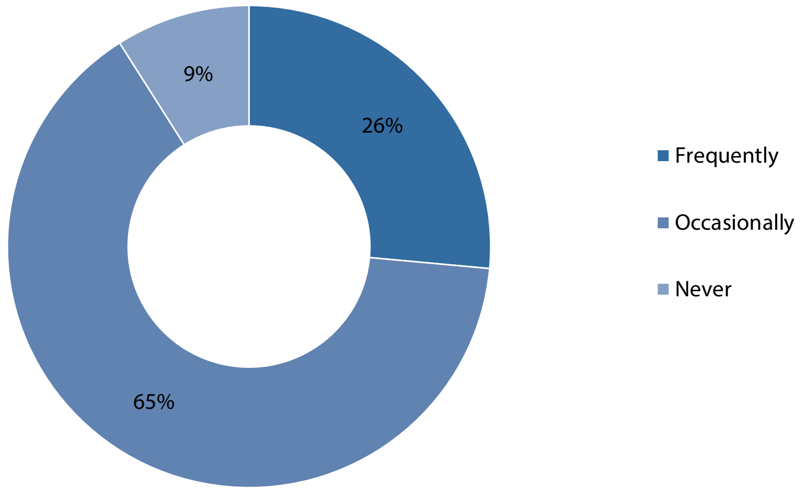


Fig. 1.2: Frequency with Which LPs Have Decided Not to Invest in a Fund Due to the Proposed Terms and Conditions



revealed that 63% of participants believe that GP and LP interests are properly aligned (Fig. 1.1). The proportion (37%) of respondents that feel interests are not properly aligned has increased by six percentage points from June 2015; although interests appear to be largely aligned for most LPs, this growing proportion of dissatisfied LPs may lead to strained relationships with GPs, friction throughout the lifetime of the fund and potentially negative consequences for either parties. The power of the LP is further demonstrated in Fig. 1.2, where 91% of investors in private capital have stated that they have frequently, or on occasion, been deterred from investing in a fund due to the proposed terms and conditions.

In the current fundraising environment, GPs have looked to provide alternative private capital offerings to access institutional capital; Chapters 5 and 6 look at fund terms and conditions for alternative investment arrangements such as separate accounts and co-investments. Here, we see that LPs favour access to alternative private capital structures, and that fund terms and conditions play an important role: 41% of private equity LPs cite lower fees as a benefit of co-investing. In contrast, one real estate manager we spoke to commented: "[we are] seeing particularly stronger appetite among institutional investors for co-invest[ments] and a corresponding willingness to pay more in fees/promote." This suggests that, while lower fees may be seen as an attractive reason for LPs to co-invest, some LPs may be willing to pay more in fees or carried interest to exercise these co-investment rights if the right opportunity presented itself.

Outside financial clauses, Chapter 11 shows that some GPs are committed to offering other ways to meaningfully align interest between themselves and their investors through fund governance, including contract provisos such as key-man clauses, no-fault divorce clauses and LP advisory committees, among others. Preqin data shows that these non-financial clauses are offered on various levels or activated after certain thresholds, indicative of the complex and sophisticated governance structures that accompany private capital partnerships, which serve as a way to protect LPs' interests for the duration of the fund's life.

AREAS OF CONTENTION

Areas of misalignment identified by LPs and consequently where they would want to see improvement are shown in Fig. 1.3. Similar to past trends, the largest proportion (67%) of LPs cited management fees as an area of contention. This is a larger proportion compared to previous years (40% and 54% of LPs cited the same in June 2015 and June 2014 respectively), and so it may appear that GPs need to do more to remedy this grievance. Chapter 9 looks at management fees in the industry broken down by peer group, vintage year and strategy, and the key deterrents that arguably form the biggest areas of contention between GPs and LPs.

Fig. 1.3: Areas in Which LPs Believe the Alignment of LP and GP Interests Can Be Improved

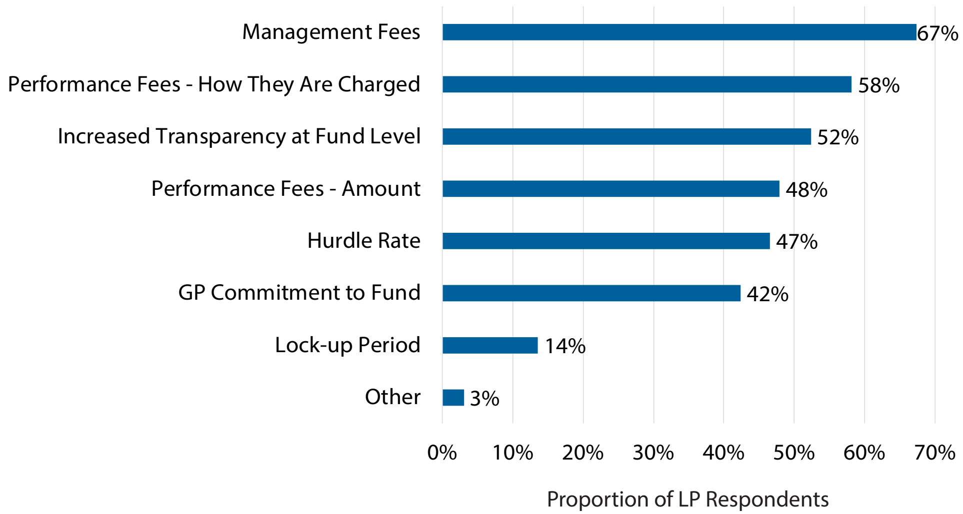
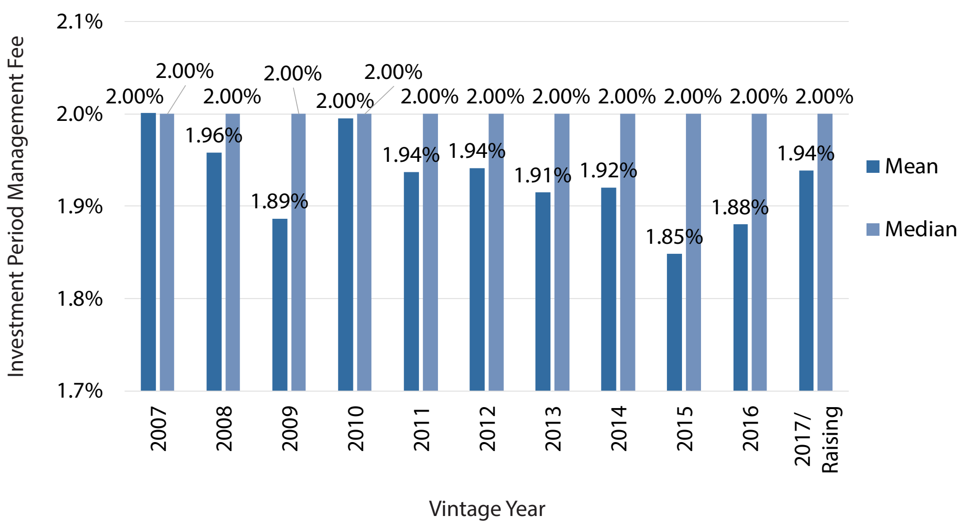


Fig. 1.4: Buyout Funds - Average Management Fee by Vintage Year



TRENDS IN PRIVATE CAPITAL MANAGEMENT FEES

Fig. 1.4 shows the average buyout fund management fee charged by funds over the past 10 years. While the median has remained static over this time at 2.00%, the mean management fee has fluctuated since 2007, and now stands at 1.94% for funds raising or of vintage 2017. Similar to trends seen in previous years, we can see from Fig. 1.5 that for recent buyout funds (funds raising and vintage 2016/2017), the headline management fee decreases as the fund size increases (final size of closed funds or target size of those still raising). For funds under $250mn in size, the median is 2.00%, while for the largest buyout funds ($2bn or more), the median management fee is lower at 1.50%.

The amount charged in performance fees was cited by 48% of LPs surveyed as an area in need of improvement. Fig. 1.6 shows that the large majority (82%) of direct private capital funds raising or of vintage 2016/2017 have a carried interest rate of 20%, which is generally perceived as the industry standard. A significant 6% of funds have a carried interest rate of more than 20% and 12% have a rate lower than the industry standard.

NEW FOR 2017

- **Fund terms and quartile rankings:** Preqin collects performance data for over 8,700 private capital funds worldwide. Using this expansive dataset, we have included quartile rankings for anonymous funds (where available) listed in Chapter 14: Fund Listings – Key Terms and Conditions.
- **Management fees charged on invested/committed capital:** For the first time, Chapter 14: Fund Listings – Key Terms and Conditions also indicates whether management fees are charged on invested or committed capital, helping clients to further review and benchmark fund terms data. Fig. 1.7 shows that for funds raising & vintage 2016/2017 funds closed, management fees charged on committed capital represent the largest proportion across most private capital fund types, with the exception of direct lending funds where equal proportions charge on invested capital and on committed capital.
- **Net cost listings in Excel format:** All of the publicly named fund listings from Chapter 16: Net Cost Listings - Actual Fees are now available to purchase in an Excel sheet for your own analysis. Please contact info@preqin.com to purchase this dataset.

THE 2017 PREQIN PRIVATE CAPITAL FUND TERMS ADVISOR

Private capital fund terms and conditions remain a fundamental and important aspect of both the fund agreements and the relationship between GPs and LPs. Preqin data in the 2017 Fund Terms Advisor shows that investors have increased their leverage over fund terms (particularly in the case of large LP commitments, investments before a fund's first close, non-economic

Fig. 1.5: Buyout Funds - Average Management Fee by Fund Size (Funds Raising & Vintage 2016/2017 Funds Closed)

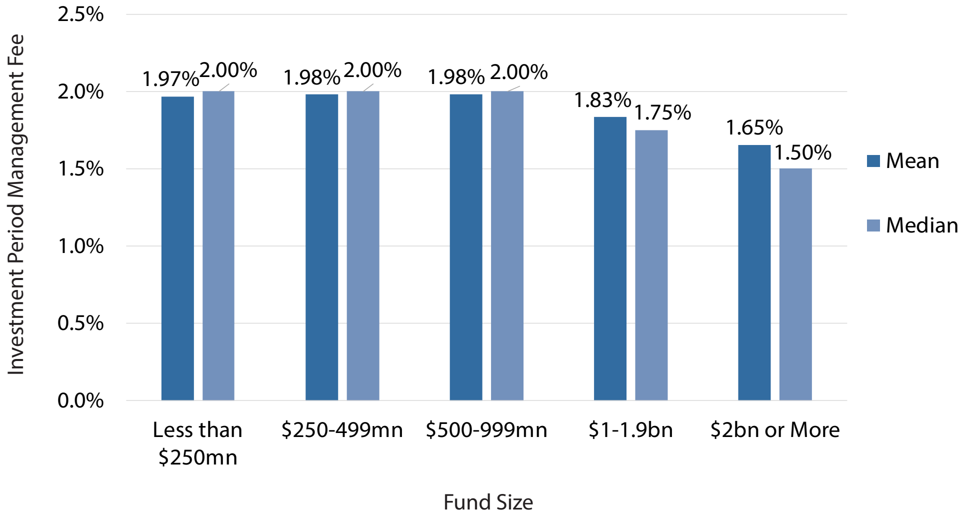
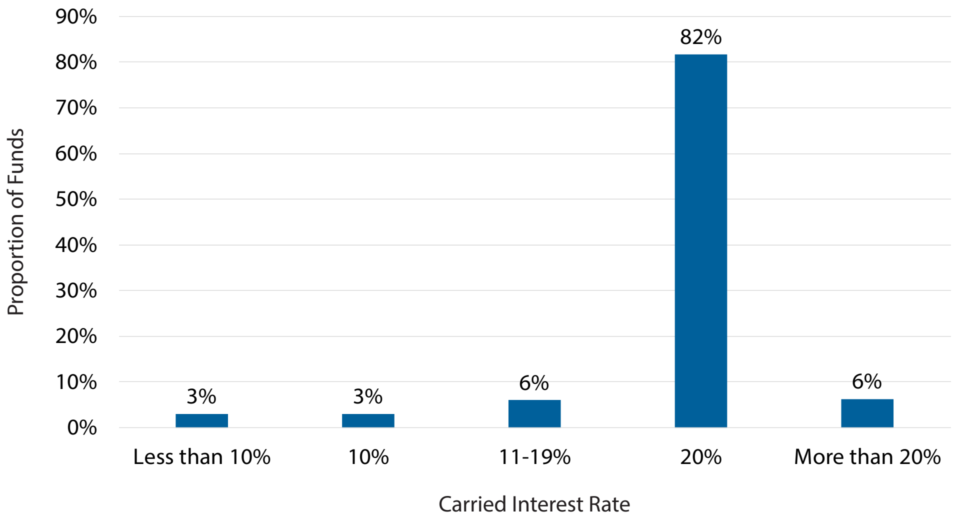


Fig. 1.6: Carried Interest Used by Direct Private Capital Funds (Funds Raising & Vintage 2016/2017 Funds Closed)



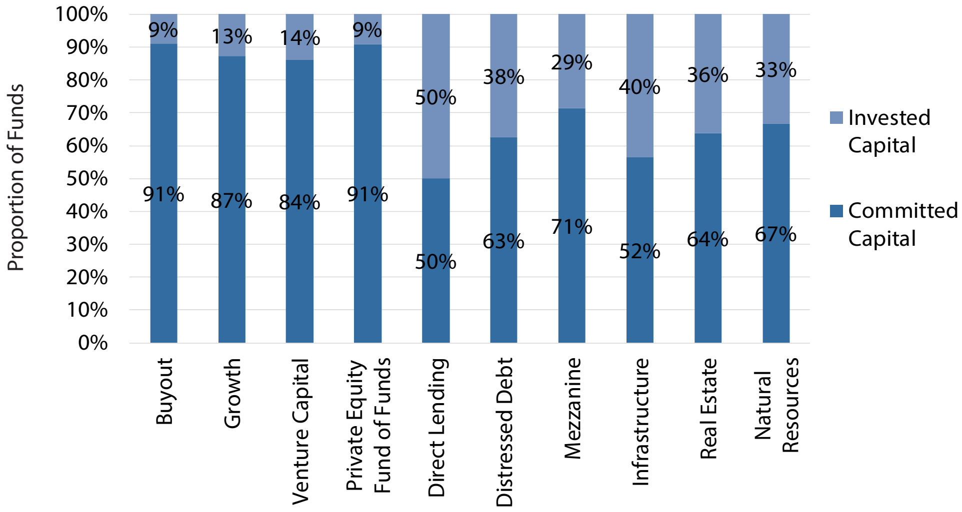
clauses etc.) and their negotiating power has grown significantly as GPs are eager to secure institutional capital in a competitive fundraising environment. Although the issue is not as simple as GPs purely lowering their headline fees to entice LPs, GPs must be able to: demonstrate their commitment to meaningfully align interests with investors; show their skill and ability to generate above-average performance (through key personnel and a solid track record); and consider other aspects of the Limited Partner Agreement such as governance structures, carry structures and fee rebates to attract LPs and justify terms and conditions offerings.

The 2017 Preqin Private Capital Fund Terms Advisor focuses its analysis on the very latest fund terms and conditions information collected by Preqin. Preqin goes to great lengths in order to capture as much up-to-date, relevant data as possible, and provides the best source of data for industry professionals looking for the latest information; we track fund terms and conditions data for over 7,500 private capital funds and have conducted exclusive surveys with LPs and GPs from around the world. This edition provides readers with the actual terms employed by individual vehicles, as well as benchmark terms. Individual fund listings, on an anonymous basis, are provided for more than 3,300 funds of different private capital strategies, vintages, geographies and sizes. All major fund types are featured in the Fund Terms Advisor, including private equity (buyout, growth, venture capital, private equity fund of funds, private equity secondaries), private debt (direct lending, distressed debt and mezzanine), real estate, infrastructure and natural resources funds.

Other key features of this year's Fund Terms Advisor include listings of over 1,700 named funds showing the net costs incurred by LPs annually (the summary of information on total costs has been obtained through Freedom of Information requests to public pension funds in the US and UK, unlike the detailed listings of fund terms). The publication also contains a listing of some of the most active law firms in private capital fund formation, including sample assignments.

We hope that you find the 2017 Preqin Private Capital Fund Terms Advisor to be a valuable reference guide and, as ever, we welcome any feedback and comments that you may have for future editions.

Fig. 1.7: Management Fees Charged on Committed or Invested Capital (Funds Raising & Vintage 2016/2017 Funds Closed)



THE 2017 PREQIN PRIVATE CAPITAL FUND TERMS ADVISOR

A comprehensive guide to private capital fund terms and conditions

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4. DATA SOURCES

The **2017 Preqin Private Capital Fund Terms Advisor** incorporates all data concerning private capital, which includes private equity, private debt, private equity real estate, unlisted infrastructure and natural resources. The book delivers the same high-quality information and intelligence across the private equity industry and beyond. The 2017 Private Capital Fund Terms Advisor draws upon three main sources of data:

1. FUND TERMS DOCUMENTATION

Preqin has access to fund terms documentation for over 7,500 separate private capital funds of all types, sizes and geographic foci. Anonymous listings are available for more than 3,300 funds in Chapter 16, as well as on our **Fund Terms Online** module (www.preqin.com/fta).

Furthermore, accredited investors signed up to our complimentary **Preqin Investor Network (PIN)** service can access fund terms benchmarks and fund-specific fund terms data supplied directly by fund managers and placement agents.

The funds included in this edition are spread across a range of vintage years to facilitate analysis of trends, with 13% of these funds represented by those vehicles that are raising capital as at May 2017 or that have a recent vintage (2016 and 2017). Figs 4.1 and 4.2 show a breakdown of the number and aggregate value of funds by type and vintage year. Fig. 4.3 shows a breakdown by GP location for the most recent funds (those that have held a final close and have a vintage of 2016 or 2017 or those currently raising). These funds provide a representative sample of the industry, encompassing a wide range of fund types and geographic regions (by GP location). North America-based funds represent the majority (68%) of funds, with Europe-based funds accounting for 18% and Asia-based funds 8% of the sample. The total value of funds in the most recently closed and raising sample is approximately $658bn, a significant level that has allowed us to map terms and identify trends with a great degree of accuracy.

The information collated for these funds extends to all the key economic and non-economic terms governing the operation of the funds, i.e. not simply fees, carry and the treatment of other costs but equally important factors such as the operation of key-man provisions, no-fault divorce clauses, advisory committees, GP commitments and minimum LP commitments, among others. In the case of economic terms, we were able

Fig. 4.1: Number of Private Capital Funds with Terms and Conditions Data by Fund Type and Vintage Year (2000-2017)

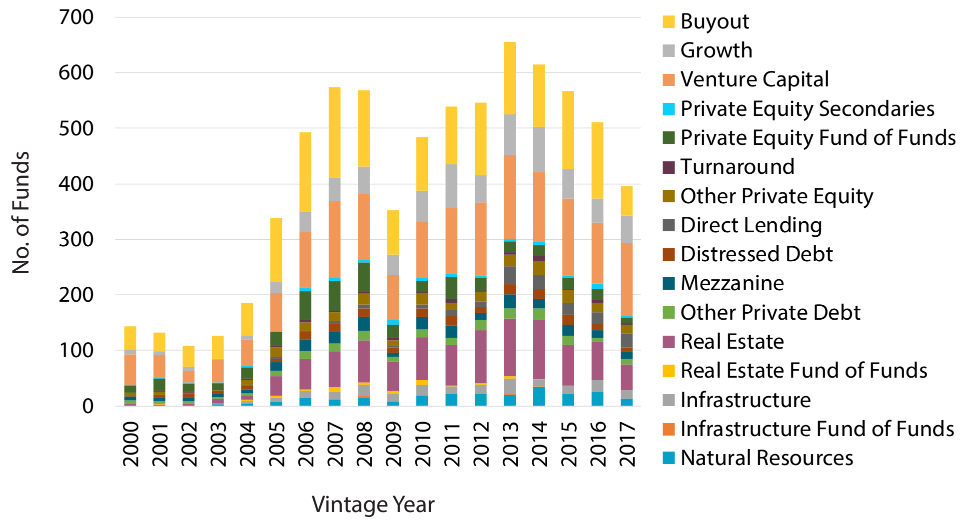
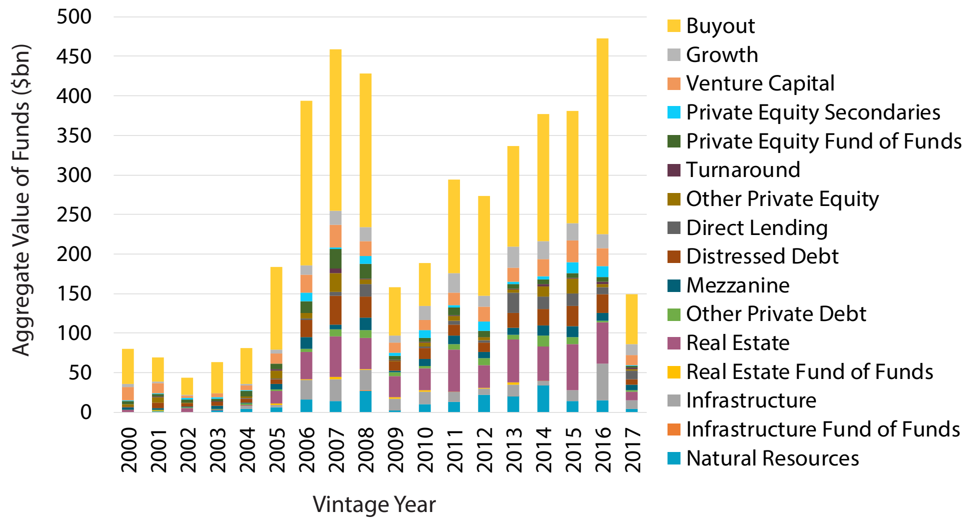


Fig. 4.2: Aggregate Value of Private Capital Funds with Terms and Conditions Data by Fund Type and Vintage Year (2000-2017)



to probe into the important details that can make all the difference to GPs and LPs. In the case of management fees, for example, this includes how the fees vary during the entire life of the fund, and not just the headline rate during the investment period.

This detailed information was provided to us in confidence, on the understanding that it would be used for the purpose of establishing benchmarks and trends, but that the individual details of each fund's terms would not be disclosed on a named basis, and neither would the identity of the funds taking part in the data collection process. We are very grateful to the many GPs that have shared information with us in this way. The information that they have provided has been used in our analysis of patterns across fund types and sizes, trends over time and benchmarks for typical fee arrangements.

We have, however, provided a listing of these funds in a suitably disguised format (including fund sizes given as a range rather than as a specific amount), so that users can see the variation of terms within each category of funds.

2. FREEDOM OF INFORMATION ACT (FOIA) INFORMATION ON FEES AND COSTS

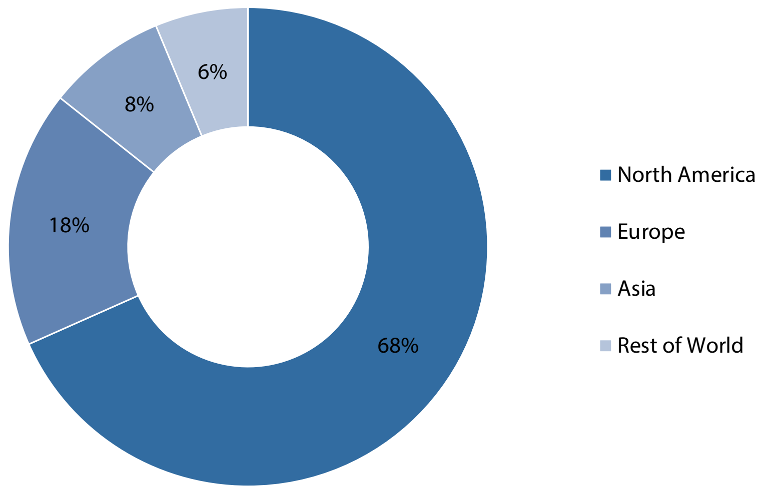
Legislation in several jurisdictions specifies that the total amount paid in fees and costs by public LPs on their private capital fund investments is available through FOIA, even though the partnership agreements themselves are exempt from disclosure. This information has benefits and drawbacks compared with the detailed terms information gathered in confidence. The obvious drawback is that it only covers fees and expenses, and does not reveal anything about either the carry arrangements or the many non-economic terms of the partnership. Conversely, a significant advantage of the dataset is that it shows the net effect of the partnership terms in the actual fees and costs incurred by the LP. In other words, instead of giving a complex set of rules for how fees are to be calculated, and the way in which other costs are to be credited against fees, the FOIA data gives a simple financial statistic: the total net fees incurred over the period. This provides a useful check on the information derived from the detailed terms documentation.

A further important advantage of FOIA information is that users can see the actual costs incurred on specific named funds as it is data in the public domain. This has now expanded to over 1,700 funds for the 2017 Preqin Private Capital Fund Terms Advisor. Net cost listings appear in Chapter 16.

3. FUND PERFORMANCE BENCHMARKS

While some fees and costs apply simply to the committed capital of the fund, others are driven by factors such as the cost basis of the unrealized portfolio, portfolio acquisitions and disposals and the net gain from the fund's investment activities. In order to model the impact of different sets of terms and conditions, it is vital to have a model of fund progress and performance to which the terms can be applied. After all, the true test of any proposed set of terms is not the headline rate of management fee or carry, but how these impact the GP's and LP's economics over the lifetime of a fund.

Fig. 4.3: Private Capital Funds with Terms and Conditions Data by GP Location (Funds Raising & Vintage 2016/2017 Funds Closed)



Preqin's **Private Equity Online** has the largest sample of private equity (including real estate and infrastructure) fund performance data available anywhere (currently over 8,700 funds), and is unique in that this data is available on a completely transparent basis: details can be seen for each individual named fund on the database. We have used Private Equity Online to model the typical investment and divestment progress of each fund type over its lifetime, and have therefore modelled the economic impact of different sets of terms.

As with all our databases and publications, we welcome feedback and requests for further clarification from users on the data sources and methodologies used.

5. SEPARATE ACCOUNTS

Separate accounts are increasingly being utilized by GPs as a method of securing capital. Both GPs and LPs can benefit greatly from such arrangements: LPs are offered greater customization with these products, and more flexibility and control over investment objectives, while GPs can gain the opportunity to further develop a track record in a particular region, industry sector or investment strategy.

LP ATTITUDES TOWARDS SEPARATE ACCOUNTS

Although separately managed accounts can bring a wide range of benefits to the LP and thus make them an attractive offering to investors seeking opportunities beyond the traditional pooled fund structure, these opportunities tend to be reserved for the larger and more sophisticated LPs due to the large amounts of capital that are typically deployed in separate accounts. Fig. 5.1 shows that 77% of institutional investors with at least $5bn allocated to private equity invest in separate accounts. Conversely, the majority (74%) of investors with less than $100mn allocated to private equity do not invest in separately managed accounts.

CARRIED INTEREST

Preqin's data on separate account fund terms indicates that carried interest charges are typically lower than those of commingled fund structures. Fig. 5.2 shows that the level of carried interest used by separate accounts is more dispersed than for traditional funds: only 52% of vehicles use a carry rate of 20.00%, compared with 82% of recent standard commingled funds. Fig. 5.2 also shows that 40% of separately managed vehicles use a carry rate of less than 20.00%, whereas only 12% of commingled funds charge less than 20.00%.

As each separately managed account is awarded to a GP by one large investor, the LP has a better position from which to negotiate than if the LP were investing in a pooled vehicle. GPs keen to secure LP capital commitments may propose more favourable terms and conditions.

MANAGEMENT FEES

Both the mean and median separate account management fees are lower than those charged by traditional commingled funds (see Chapter 9). Fig. 5.3 shows that both buyout and growth funds have mean management fees that are slightly lower than the industry standard of 2.00%. Venture

Fig. 5.1: LP Appetite for Private Equity Separate Accounts by Current Allocation to Private Equity

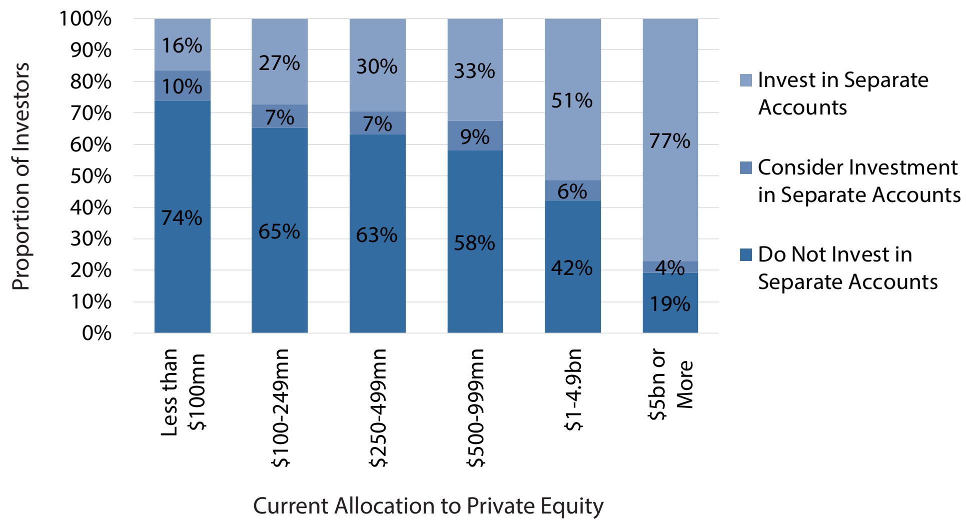
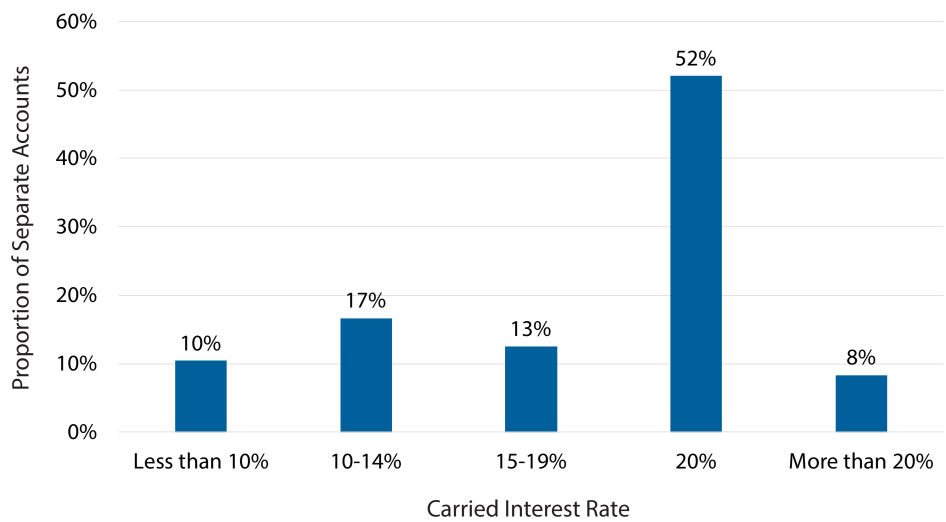


Fig. 5.2: Carried Interest Rates Used by Separate Accounts



7. LP ATTITUDES TOWARDS FUND TERMS

Preqin regularly conducts surveys of the institutional investor community to gauge the current sentiment regarding fund terms and conditions and to what extent they remain a concern for LPs. In this chapter, we look at how LPs view the alignment of interests between GPs and LPs in this sensitive area, how GPs can improve this alignment according to LPs and the changes observed in the industry over the past 12 months from the view of the LP.

ALIGNMENT OF INTERESTS

The alignment of interests between GPs and LPs is an important aspect of their relationship, and is intrinsically related to fund terms and conditions. According to Preqin's most recent LP survey conducted in December 2016 across the private capital universe, a significant 63% believe that GP and LP interests are properly aligned. Although a majority of LPs have agreed that interests are aligned since 2013, this is a reduction of seven percentage points from the previous year (Fig. 7.1).

The proportion (37%) of investors that do not believe that interests between LPs and GPs are properly aligned has increased by six percentage points from June 2015. This shows that although GP and LP interests are largely aligned, there is a small but not insignificant proportion of LPs dissatisfied with the alignment of interests between GPs and LPs. If not properly addressed, such misalignment may lead to a strained relationship throughout the lifetime of a fund and potentially negative consequences, leaving either the GP or LP (or both) disadvantaged by the partnership.

The majority (67%) of LPs in private capital believe management fees form an area where alignment with GPs can be improved (Fig. 7.2), with one respondent stating that "management fees should cover costs only with no profit. Performance should be based on properly calculated alpha generated". Other areas in which LPs want GPs to address key issues are how performance fees are charged (58%), fund-level transparency (52%) and the amount of performance fees charged (48%).

CHANGES IN FUND TERMS

Although LPs still see many ways in which fund terms and conditions could be improved, they have seen some changes in prevailing fund terms over the past 12 months. Despite some dissatisfaction, more LPs (29%) have seen changes to fund terms and conditions in their favour over the past

Fig. 7.1: Extent to Which LPs Believe that GP and LP Interests Are Properly Aligned, 2013 - 2016

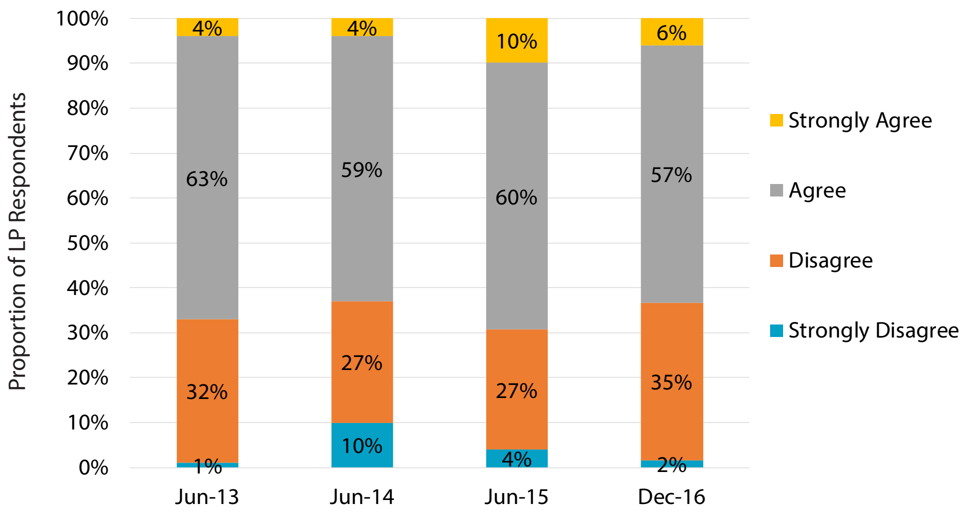
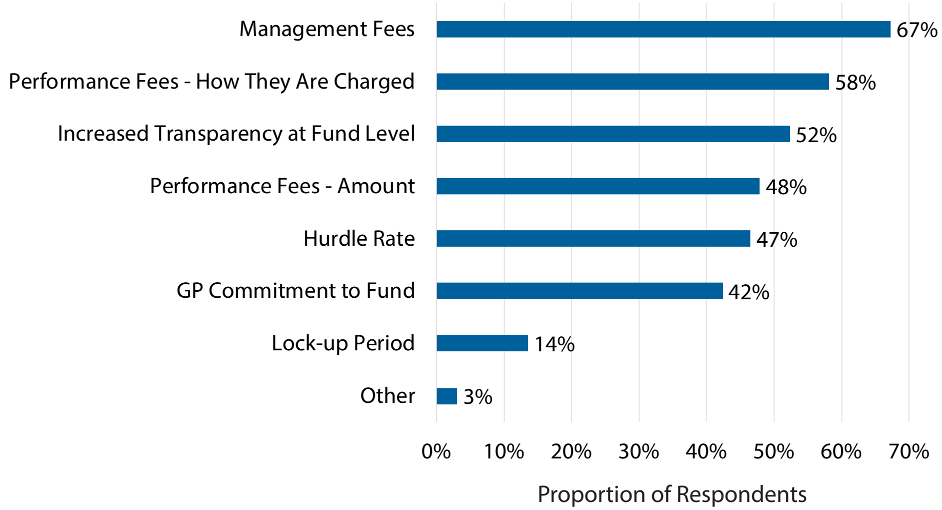


Fig. 7.2: Areas in Which LPs Believe the Alignment of GP and LP Interests Can Be Improved



9. MANAGEMENT FEES

INVESTMENT PERIOD

Management fees during the investment period are predominantly calculated as a percentage fee applied to the commitments made by an LP to the investment vehicle. The reasoning behind this is that the principal aspect of the workload of a GP is the search for investments, and this is driven by the size of total commitments to the fund rather than the amount invested at this stage of the fund's lifetime. Fund managers typically state the investment period as the number of years from either the first or final close of the fund. Many GPs elect to alter the management fee once the predetermined investment period is over, and therefore the length of the investment period is a key consideration for LPs preparing to commit capital.

Fig. 9.1 shows that private capital funds employ varying lengths of investment periods. Five years is the most common investment period length for recent private capital funds (funds currently raising and funds with a 2016/2017 vintage). However, it is notable that recent private capital funds trend towards a shorter investment period than a longer one: only 12% of funds have an investment period of six years or more.

As seen in Fig. 9.2, turnaround funds have the longest mean investment period (5.5 years) of all private capital strategies. In contrast, real estate and direct lending funds have the shortest mean investment periods (3.3 years). The mean investment period for recent private equity secondaries funds has decreased from 5.0 to 3.7 years from the time of Preqin's 2016 study, which could reflect expanded deal flow for secondaries managers and the shorter amount of time taken to deploy capital.

MANAGEMENT FEE DURING INVESTMENT PERIOD

The average management fee remains around the traditional figure of 2.00% across private capital strategies (for funds currently raising or with a 2016/2017 vintage), with the exception of private equity funds of funds and private equity secondaries funds, which have a mean management fee of 0.89% and 0.95%, respectively (Fig. 9.3). Lower management fees are generally expected among multi-manager funds due to the dual layer of fees charged by the managers of the underlying fund interest. Additionally, finding and managing direct investments is significantly more complex and expensive than investing in funds and can explain the lower management fee rate. Furthermore,

Fig. 9.1: Length of Investment Period (Funds Raising & Vintage 2016/2017 Funds Closed)

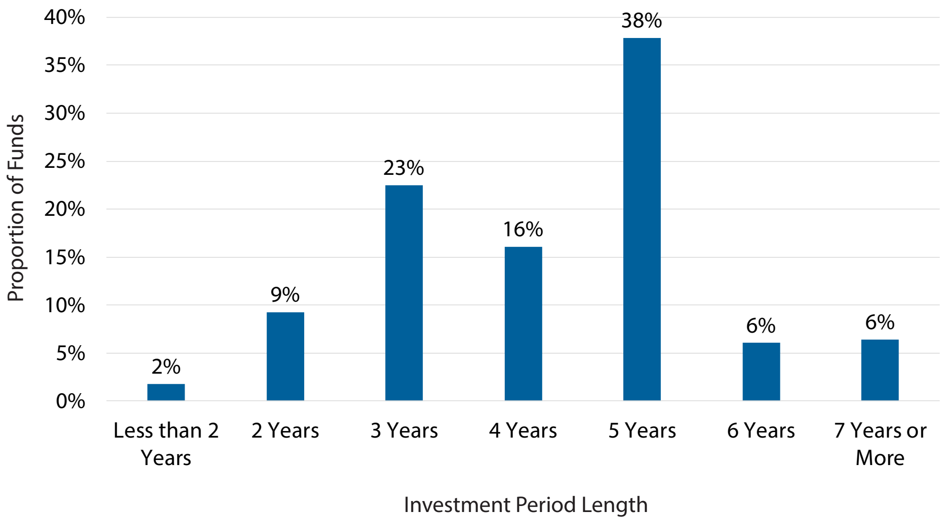
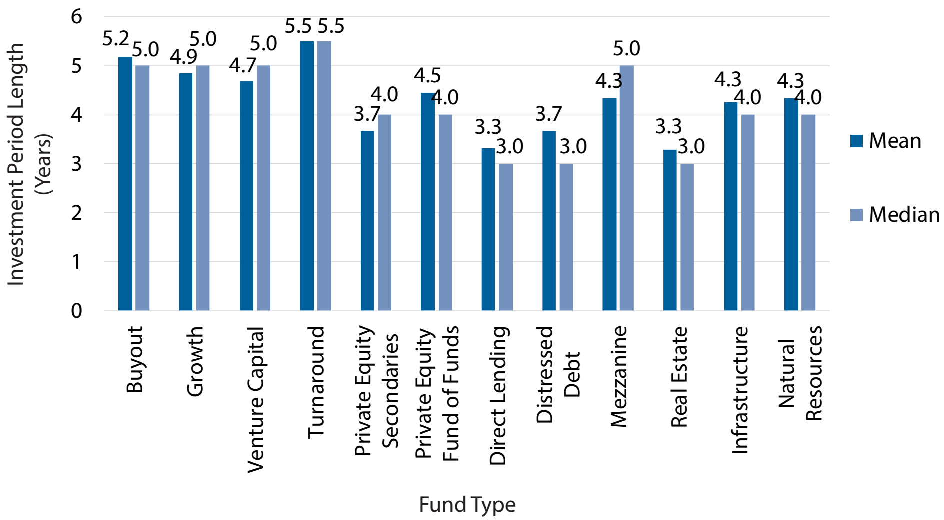


Fig. 9.2: Average Duration of Investment Period by Fund Type (Funds Raising & Vintage 2016/2017 Funds Closed)



PRIVATE EQUITY

Fund No.	Fund Type	Fund Vintage	Fund Size (USD)	GP Location	Management Fees - Investment Period	Charged on Committed Capital/Invested Capital	Charge Frequency	Mechanism for Reduction after Investment Period	Rate Post Investment Period
Fund 1	Balanced	2000	100-249mn	North America				Annual reduction in rate, discount on previous year's fee	
Fund 2	Balanced	2001	50-99mn	North America		Committed Capital	Quarterly		
Fund 3	Balanced	2001	≥2bn	North America			Quarterly	Reduced rate, charged on invested capital	
Fund 4	Balanced	2004	50-99mn	North America	2.00%		Semiannually	Same rate, charged on invested capital	2.00%
Fund 5	Balanced	2004	100-249mn	Europe			Quarterly		
Fund 6	Balanced	2005	100-249mn	Europe			Quarterly		
Fund 7	Balanced	2005	100-249mn	Europe				Same rate, charged on invested capital	2.00%
Fund 8	Balanced	2005	100-249mn	Europe		Committed Capital			
Fund 9	Balanced	2005	≥2bn	North America			Quarterly		
Fund 10	Balanced	2006	50-99mn	Europe	2.00%		Semiannually		
Fund 11	Balanced	2006	50-99mn	Europe			Quarterly		
Fund 12	Balanced	2007	100-249mn	North America				Fee reduced by other mechanism	
Fund 13	Balanced	2007	100-249mn	Europe		Invested Capital		Fee reduced by other mechanism	
Fund 14	Balanced	2007	250-499mn	North America		Committed Capital	Quarterly	Reduced rate, charged on invested capital	
Fund 15	Balanced	2007	250-499mn	North America		Committed Capital	Quarterly		
Fund 16	Balanced	2007	≥2bn	North America			Quarterly		
Fund 17	Balanced	2007	≥2bn	Europe	2.00%		Semiannually	Same rate, charged on invested capital	2.00%
Fund 18	Balanced	2008	1-1.9bn	Asia			Quarterly	Same rate, charged on invested capital	2.00%
Fund 19	Balanced	2009	50-99mn	Europe	2.50%	Committed Capital	Semiannually	Same rate, charged on invested capital	
Fund 20	Balanced	2009	100-249mn	North America		Committed Capital	Quarterly	Fee reduced by other mechanism	
Fund 21	Balanced	2010	<50mn	Asia	3.00%		Semiannually	Same rate, charged on invested capital	3.00%
Fund 22	Balanced	2010	<50mn	Rest of World		Committed Capital	Monthly	Same rate, charged on invested capital	2.00%
Fund 23	Balanced	2010	100-249mn	North America		Committed Capital		Same rate, charged on invested capital	
Fund 24	Balanced	2010	100-249mn	Asia				Same rate, charged on invested capital	2.00%
Fund 25	Balanced	2010	250-499mn	Europe		Committed Capital		Same rate, charged on invested capital	
Fund 26	Balanced	2010	1-1.9bn	Rest of World		Committed Capital	Quarterly	Same rate, charged on invested capital	2.00%
Fund 27	Balanced	2011	≥2bn	North America				Reduced rate, charged on invested capital	1.00%
Fund 28	Balanced	2012	<50mn	Asia					
Fund 29	Balanced	2012	100-249mn	Asia		Committed Capital		Same rate, charged on invested capital	2.00%
Fund 30	Balanced	2013	<50mn	North America		Committed Capital	Quarterly	Fee reduced by other mechanism	
Fund 31	Balanced	2013	<50mn	North America		Invested Capital	Quarterly		
Fund 32	Balanced	2013	500-999mn	North America		Committed Capital	Quarterly	Annual reduction in rate, discount on previous year's fee	
Fund 33	Balanced	2014	100-249mn	North America		Committed Capital	Quarterly	Fee reduced by other mechanism	
Fund 34	Balanced	2015	≥2bn	North America			Quarterly		
Fund 35	Balanced	2016	50-99mn	Rest of World		Committed Capital		Fee reduced by other mechanism	
Fund 36	Balanced	2016	250-499mn	Europe		Committed Capital		Same rate, charged on invested capital	2.00%

Fund Geographic Focus	Carried Interest Basis	Carried Interest	Preferred Return	No-Fault Divorce Clause	Percentage Needed	Share of Transaction Fees Rebated to LPs	GP Commitment	Minimum LP Commitment (mn)	Investment Period (Years)	Fund Formation Costs Limit (mn)	Key-Man Clause	Quartile Ranking
North America	Deal by Deal	20%	0%	Yes	80%	100%	1.00%		5		Yes	Fourth
North America	Deal by Deal	20%	8%					2 USD				
North America	Other	20%	0%	Yes	75%	100%	1.90%	25 USD	6		Yes	Second
North America	Deal by Deal	20%	8%			80%	2.00%		5			
Rest of World	Whole Fund	20%	8%									Fourth
Rest of World	Whole Fund	20%	8%									Fourth
Europe	Whole Fund	20%	8%	Yes		100%	1.40%				Yes	Second
Europe		20%	7%						3			Third
North America		20%						25 USD				First
Rest of World	Whole Fund											
Rest of World	Whole Fund	20%	8%									
North America	Deal by Deal	20%	8%				1.00%					
Europe	Whole Fund	20%	7%						6			Third
North America	Whole Fund	20%	8%	No		80%	2.00%	5 USD	5	0.75 USD	Yes	
North America		20%	8%					0.3 USD				
North America		20%						25 USD				Third
Rest of World	Whole Fund	20%	8%	Yes	85%	100%	1.00%	10 USD	5		Yes	Fourth
Rest of World	Deal by Deal	20%	8%			80%	26.14%	10 USD	5		Yes	Fourth
North America		20%	0%				1.00%	3 EUR	5		Yes	
North America	Deal by Deal	20%	8%					2.5 USD	5			
Rest of World	Whole Fund	20%	0%	No			50.00%		3		No	
Rest of World		20%	8%					0.25 NZD	5			
Rest of World		15%					1.00%	2 USD				
Rest of World	Whole Fund	20%	0%	Yes	75%	100%	1.25%	5 USD	5		Yes	
Europe	Whole Fund	20%	8%			75%		3 EUR	4	1.25 EUR	Yes	
Rest of World	Whole Fund	20%				50%	1.00%	1 USD	3		Yes	
Rest of World		20%	9%			100%	5.00%	25 USD	5			Fourth
Rest of World		20%						6 CNY				
Rest of World	Whole Fund	20%	8%	Yes	75%	100%	4.00%	0.5 EUR	5		Yes	Third
North America		25%						1 USD	5			
North America		10%										
North America	Other	20%				100%	1.00%		6			
North America	Deal by Deal	20%	8%					1 USD	5			
North America		20%					5.97%	20 USD				
Rest of World	Deal by Deal	15%	5%	No			30.00%	0.5 USD	6		Yes	
Europe	Whole Fund	20%	8%	No		100%	1.00%	1 EUR	5		Yes	

16. NET COST LISTINGS - ACTUAL FEES

The following tables show the actual fees and costs incurred by LPs on their investments for 1,719 separate funds, and are intended to give users of the Fund Terms Advisor an insight into the actual fees charged by specific individual funds, which they may find useful as benchmarks.

This data had been gathered from Freedom of Information Act (FOIA) sources, showing the actual fees paid by a number of public investors in private capital funds. It is important to understand the source of this information, and how the percentage cost figures have been derived, so that the information can be interpreted appropriately:

Aggregate net fees paid and costs incurred: the figures show the total amount of fees paid by the LP in each accounting period. The principal component of this will be the management fees as defined by the partnership agreement; however, the total fees and costs can be increased or decreased by a number of factors:

- Costs can be increased due to additional fees being added to the amount payable by the LP in any period. Examples of this could include fund formation costs payable during the first year or two of the fund's lifetime, or transaction costs that are payable in addition to management fees, as is the case for some real estate or secondaries funds;
- Costs could be decreased by rebates made to the fund in respect of additional fees earned by the GP for services rendered to portfolio companies. Examples could include the GP earning a corporate finance fee for arranging a recapitalization for a portfolio company, and a proportion of this fee (typically around 80%) will then be credited to the fund and deducted from the management fee payable by the LP.

For these reasons the actual fees payable and costs incurred by the LP should be taken as an indication of the level of management fee payable for a particular fund, rather than as an absolute figure that can be relied upon in all cases. In particular, transaction fees can be especially significant for buyout funds, so the fee rebates can be large.

Funds at different stages of their development: the actual costs incurred by the LPs have been analyzed and are expressed in the tables as a percentage of the LP's commitment to the fund. For funds that are in their investment periods the management fee will be payable as a percentage of the LP's commitment, and so the figures shown in the tables should be a good indication of the management fee payable in the partnership agreement.

However, for funds that are past their investment periods, the management fee will in many cases be payable as a percentage of the cost value of unrealized investments, and therefore the figures shown in the tables – which are expressed as a percentage of commitments – will not correspond exactly to the mechanism by which fees are expressed in the partnership agreement. However, comparing costs between funds of the same vintage will still give an indication of the relative cost levels incurred by LPs in different funds.

Partial years: it is not always obvious from the reports released by LPs whether the costs incurred have been incurred over the course of a full financial year, or for only part of a year. This is of most relevance in the first and last years of a fund's lifetime.

Composite cost figures for several LPs: in many cases, the information available to us has included figures for a number of LPs in the same fund. For a given range of data points, we take an average across all the sources we have reporting. As certain investors may have different fee structures depending on their commitment, calculating the mean will give a better representation of the fees paid to a fund, closer to the reality for all investors in the vehicle.

Total net costs: the above comments list some of the caveats that are appropriate in interpreting the tables of costs by fund, and these should be kept in mind when interpreting the data in the tables. However, at the same time as being mindful of the limitations of the data, users should be aware of the very great advantage that these figures have: they show the actual net costs payable by the LPs in each fund, net of any additional costs and rebates back to the fund. They also have the singular advantage of showing costs for all funds expressed in a single metric – percentage of commitments – rather than the plethora of different mechanisms used for calculating management fees. In other words, they give a convenient single basis for comparing costs between funds.

The data in Chapter 16: Net Cost Listings – Actual Fees is now available to purchase in Excel format for further analysis.

To purchase this, please visit:
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Fund	Fund Type	Vintage	Region Focus	Fund Status	Fund Sizes (mn) (*for Target)	Annualized Total Fees and Costs (As a % of LP Commitment to the Fund)															
						2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1818 Fund II	Buyout	1993	North America	Liquidated	475 USD	0.39	0.19	0.02	0.02	0.04	0.02	0.03	0.01	0.03	0.02						
2000 Brinson Partnership Fund Program	Fund of Funds	2000	North America	Closed	563 USD														0.32		
2001 Brinson Partnership Fund Program	Fund of Funds	2001	North America	Closed	346 USD														0.29		
3i Eurofund II	Growth	1997	Europe	Liquidated	645 EUR			0.68	1.03	0.84	0.66	0.02	0.34								
3i Eurofund III	Buyout	1999	Europe	Liquidated	2,300 EUR			0.90	1.84	0.90	0.73	0.39	0.34	0.07							
3i UK Investment Partners	Buyout	1996	Europe	Liquidated	415 GBP			0.13	0.28	0.11	0.06	0.02	0.01								
3i UKIP II	Buyout	1997	Europe	Liquidated	378 GBP			0.96	0.91	0.82	0.59	0.00	0.02	0.00							
57 Stars Global Opportunities Fund 1	Fund of Funds	2007	Diversified Multi-Regional	Closed	434 USD							0.71	1.48	0.51	0.61		2.20				
57 Stars Global Opportunities Fund 2 (CalPERS)	Fund of Funds	2009	Latin America	Closed	503 USD									0.63	0.72		1.73				
5AM Ventures Fund I	Early Stage: Seed	2004	North America	Closed	65 USD																
5AM Ventures Fund II	Early Stage: Seed	2007	North America	Closed	150 USD																
Abbott Capital Private Equity Fund III	Fund of Funds	1999	North America	Closed	476 USD														0.31	0.00	0.00
Abbott Capital Private Equity Fund IV	Fund of Funds	2001	North America	Closed	731 USD														0.43	0.36	0.00
Abbott Capital Private Equity Fund V	Fund of Funds	2005	North America	Closed	858 USD															0.69	0.00
Abbott Capital Private Equity Fund VI	Fund of Funds	2008	North America	Closed	1,022 USD														1.00	0.52	0.00
Aberdare II Annex Fund	Early Stage	2006	North America	Liquidated	15 USD																
Aberdare Ventures	Early Stage	1999	North America	Liquidated	50 USD		2.54	2.55													
Aberdare Ventures II	Early Stage	2002	North America	Liquidated	50 USD		2.59	2.50													
Aberdare Ventures III	Early Stage	2005	North America	Closed	154 USD					1.79	2.03	2.57	2.56	2.29	2.07	1.85					
Aberdare Ventures IV	Early Stage	2008	North America	Closed	150 USD								0.65		2.33	2.55	2.41				
Abingworth Bioventures IV	Venture Capital (All Stages)	2003	Europe	Closed	350 USD			0.51	2.50	2.50	2.50	2.50	2.50	5.85	2.00	2.00	2.00	2.00			
Abingworth Bioventures V	Venture Capital (All Stages)	2007	Europe	Closed	300 GBP							2.96	1.90	1.58	2.47	1.27	2.14	2.14	1.74		
ABRY III	Buyout	1997	North America	Liquidated	581 USD				0.48	0.59	0.49	0.61	0.52	0.57	0.29	0.14	0.03	0.03			
ABRY IV	Buyout	2000	North America	Closed	776 USD				1.98	0.93	0.20	0.46	0.46	0.44	0.39	0.22	0.20	0.20			
ABRY Mezzanine Partners	Mezzanine	2001	North America	Closed	508 USD				0.77	1.13	0.76	0.60	0.41	0.47	0.33	0.09	0.06	0.06	0.02		
ABRY Senior Equity II	Mezzanine	2006	North America	Closed	650 USD						1.13	1.21	0.98	1.58	0.49	1.23	0.67	0.67	0.33		
ABRY V	Buyout	2005	North America	Closed	950 USD					2.08	1.97	1.91	1.05	0.99	0.92	0.40	0.28	0.28	0.19		
ABRY VI	Buyout	2008	North America	Closed	1,350 USD								1.83	1.99	1.73	0.93	0.92	0.92	0.45		
ABRY VII	Buyout	2011	North America	Closed	1,600 USD											0.97	1.83	1.83	1.02		
ABRY VIII	Buyout	2015	North America	Closed	1,900 USD															2.71	

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