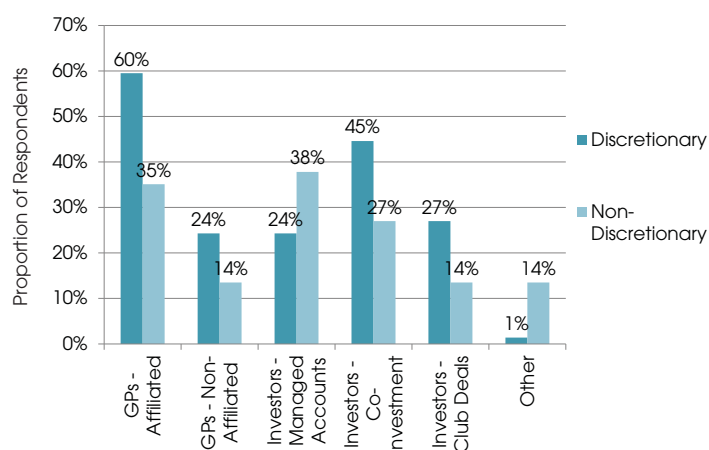


Preqin Private Equity Fund Manager Survey - Investment Advisory Services

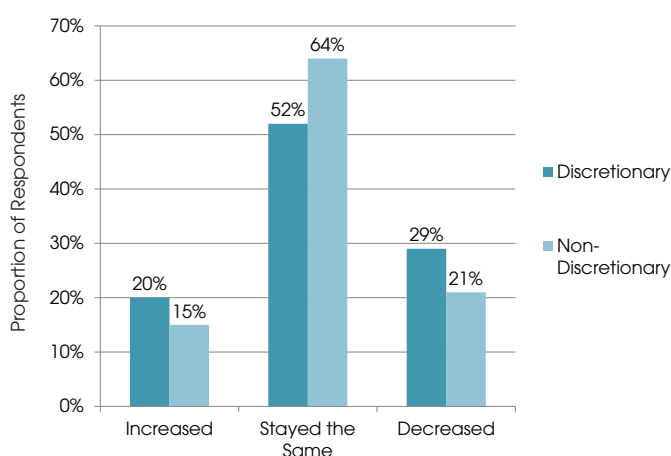
Investment advisory firms are an important resource to the private equity industry, providing their clients with specialist knowledge that allows them to effectively navigate a complex and competitive market. Preqin surveyed 240 private equity fund managers to find out the nature of their operations within the investment advisory landscape.

Fig. 1: Types of Investor/Funds that Are Serviced by Respondents



Source: 2014 Preqin Private Equity Fund Manager Survey

Fig. 2: Respondents' Perception of Changes in Levels of Fees Received over the Last Five Years



Source: 2014 Preqin Private Equity Fund Manager Survey

Discretionary and Non-Discretionary Advisors

Seventy-eight percent of respondents to our survey offer discretionary and/or non-discretionary advisory services to their clients. Of those managers that offer some form of advisory services, 60% just offer discretionary services, taking over the management of their clients' private equity portfolios. A further 13% just provide their clients with non-discretionary advisory services. The remaining 27% offer both types of service.

Fig. 1 illustrates the types of clients both types of managers provide their services to: 60% of discretionary managers provide services to GPs or management of the same corporate group or affiliates. Forty-five percent of managers provide services to investors that they have co-investment relationships with. Twenty-seven percent provide services for investors as part of a club deal, with similar percentages (24%) providing investors and GPs outside their corporate group with managed accounts. In contrast, 38% of fund managers provide non-discretionary services to investors on a managed account basis, 35% to GPs of the same corporate group and 27% to investors on a co-investment basis. Fourteen percent of non-discretionary service provider respondents work with GPs outside their corporate group and the same proportion with club deal investors.

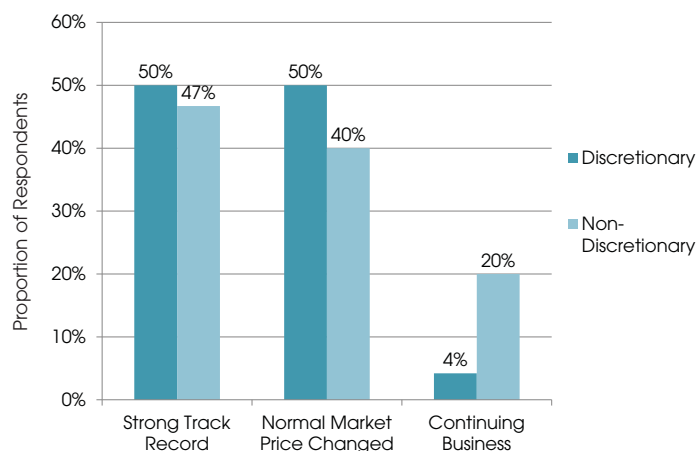
Of the respondents that offer discretionary services, the majority guide their clients through the entire investment life cycle, from investment sourcing (92%) through to exit strategy (84%), although they are less involved in investment research and recommendation, with 73% and 71% of respondents providing those services respectively. Results from the survey show that it is towards the

end of the initial investment process where most discretionary managers act, as 88% of such managers were providing deal negotiation and 91% providing deal execution services, thus indicating that closing deals is one of the areas where clients require the most assistance. Non-discretionary advisors have no overall control over the investment decision-making processes and will usually provide less of these services. An average of 66% of non-discretionary managers provide the full suite of investment services, with most providing investment sourcing (77%) and deal negotiation (71%) assistance.

Changes in Fees?

As shown in Fig. 2, the majority (64%) of discretionary fund managers feel that fees they receive for their services have remained the same in the last five years, against 21% that feel they have decreased; a lesser proportion of 15% feel that fees have increased. Similarly, non-discretionary managers express the same sentiment, with 52% feeling that fees have remained static; a lesser proportion of 29% believe there has been a reduction and just 20% indicate there has been an increase in fees.

Advisory performance and overall market price changes are the main drivers for the change in fees, according to 50% of discretionary respondents as displayed in Fig. 3. A similar proportion (47%) of non-discretionary managers feel the change in fees is down to track record, while 40% believe it is due to a change in the overall environment and pricing norms. Interestingly, 20% of non-discretionary managers feel the changes in fees are a consequence of the advisor providing continuing business to the client. Some managers also commented that fees are still

Fig. 3: Causes of Changes in Fees over the Last Five Years

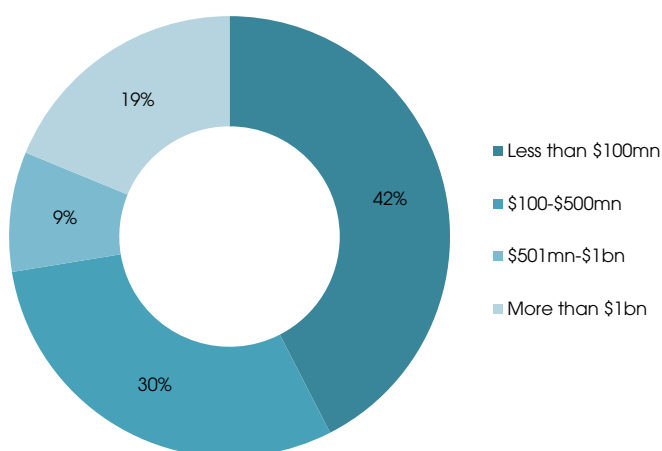
Source: 2014 Preqin Private Equity Fund Manager Survey

dependent on fund size, with some managers seeing proportional increases in fee income as AUM increased.

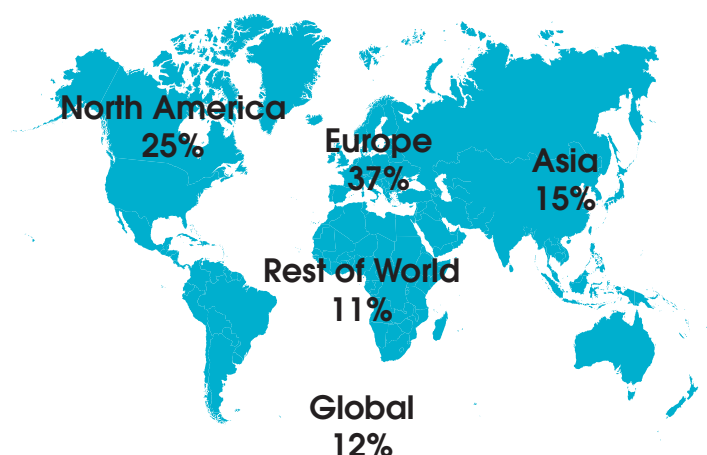
Respondent Demographics

Europe and North America continue to be important locations for private equity investment with 37% and 25% of respondent fund managers identifying these regions as their primary geographic focus, as shown in Fig. 4. The Asia-Pacific region is pursued by 15% of interviewees, while 12% of the responses came from managers that invest globally. South America and Africa were mentioned as the primary focus of the remaining 11% of fund managers.

Fig. 5 and Fig. 6 display information regarding the assets under management (AUM) and primary private equity investment strategies of the respondents. The most numerous fund manager types consist of managers that primarily pursue a buyout investment

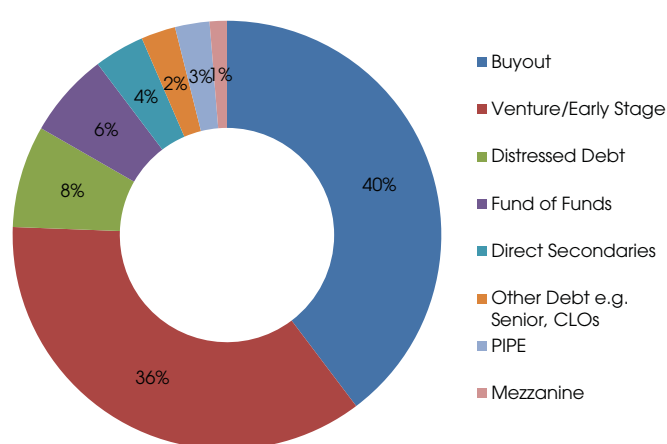
Fig. 5: Respondents' Assets under Management

Source: 2014 Preqin Private Equity Fund Manager Survey

Fig. 4: Breakdown of Respondents by Primary Geographic Investment Focus

Source: 2014 Preqin Private Equity Fund Manager Survey

strategy, which make up 40% of the body of respondents, followed by those firms focused on venture and early stage capital financings, which accounted for 36% of the total number of survey respondents. Other private equity strategies were less prevalent among survey respondents, with 8% of managers primarily targeting distressed debt and 7% looking to funds of funds for their main focus. The remaining 9% of fund managers targeted the more niche private equity strategies like mezzanine, PIPE, direct secondaries and other debt strategies.

Fig. 6: Respondents' Primary Private Equity Strategy

Source: 2014 Preqin Private Equity Fund Manager Survey