The 2016 Preqin Private Capital Fund Terms Advisor

1. Executive Summary

Defining Private Capital

The private capital industry has grown and changed immensely since Preqin began tracking it in 2003. The range of fund strategies has widened as managers and LPs target new areas to generate alpha; sectors such as private debt, infrastructure and natural resources, all once considered subsets of private equity, have grown and evolved into discrete asset classes. Meanwhile, industry terminology has struggled to keep pace, and 'private equity' has acquired interpretations varying from buyout funds specifically to closed-end private funds generally.

From the beginning of 2016, Preqin has updated its terminology to better reflect the increasing diversity of the industry; the term 'private capital' is used in this publication to refer to the broader spectrum of private closed-end funds, which include private equity, private debt, real estate, infrastructure and natural resources. This distinction between core private equity and broader private capital will be helpful to deliver the clear and concise data and market insight for which Preqin is known.

The 2016 Preqin Private Capital Fund Terms Advisor offers the best, 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 surround this opaque area. The Fund Terms Advisor, now in its eleventh edition, uses fund terms for over 5,200 private capital funds and compiles data from our current databases, historic datasets and LP and GP surveys to provide a comprehensive and accurate insight into the private capital fund terms universe.

The Power of the LP – Improving Alignment of GP and LP Interests

The negotiating power of private capital partnerships has shifted notably towards LPs over the past decade or so, with fund terms and conditions emerging as an area of significant contention between the two parties. The most recent manifestation of this sentiment is in the financial media, with high-profile LPs actively calling for GPs to enhance transparency and commit to standardized guidelines within the area of fund fees and terms. LP negotiating power is important and should not be overlooked by GPs – having appropriately aligned terms and conditions could mean the difference between a successful fundraise and spending more time on the road.

Fig. 1.1 shows that there is a large proportion of LPs that believe that GP/LP interests are properly aligned: 79% of

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

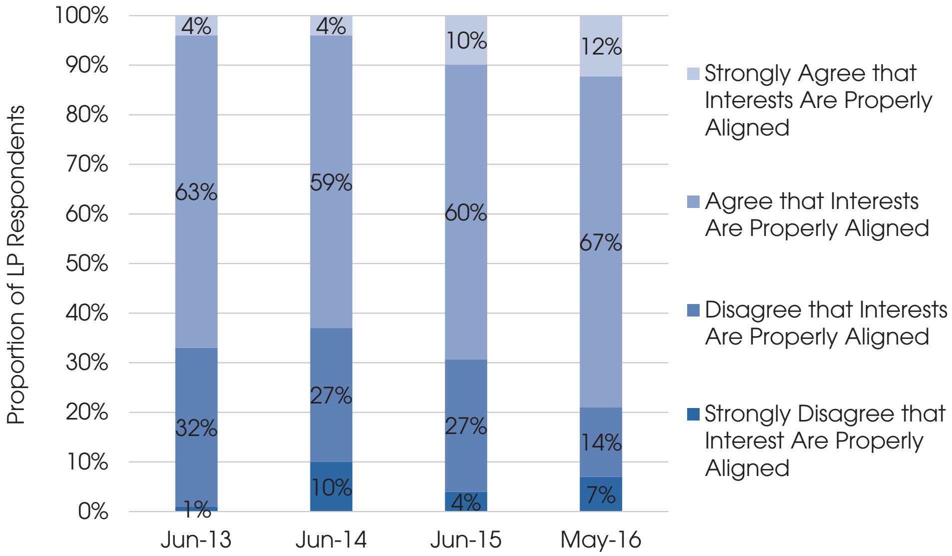
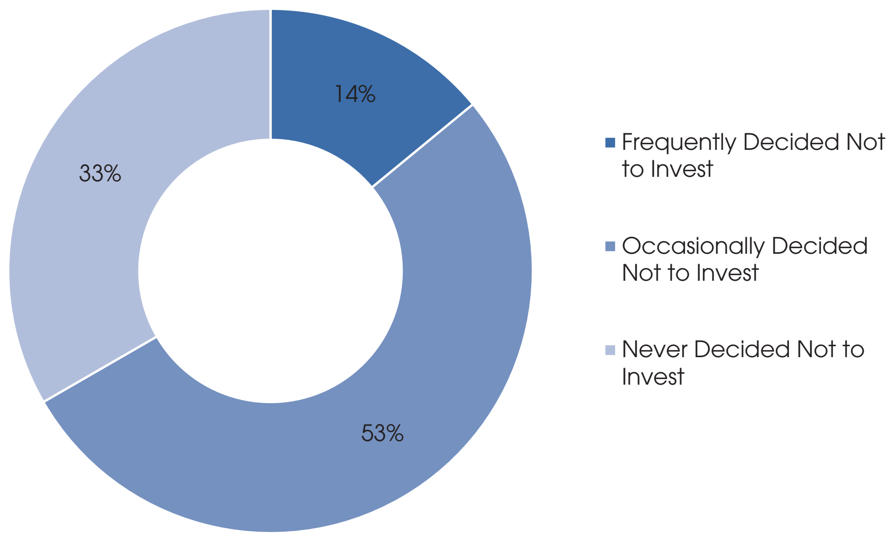


Fig. 1.2: Frequency with Which LPs Have Decided Not to Invest in a Fund Due to the Proposed Terms and Conditions



LPs that Preqin spoke to in the industry in May 2016 said that interests were properly aligned, an improvement on the 70% and 63% of LPs that said the same in previous years (2015 and 2014 respectively). This is encouraging news as a close alignment of interests between GPs and LPs can ensure a harmonious and positive working relationship during the lifetime of a fund, and potentially thereafter in the form of re-ups or positive sentiment within the investor community. The power of the LP is further demonstrated in Fig. 1.2, where 67% of investors in private capital explicitly stated that they had been deterred from investing in a fund due to the proposed terms and conditions, illustrating how GPs that can show their commitment to a balanced relationship with their LPs will be at an advantage in the competitive fundraising environment.

In the current marketplace, GPs have looked to provide alternative private capital offerings to access institutional capital; Chapters 4 and 5 look at fund terms and conditions surrounding alternative arrangements such as separate accounts and co-investments. Here, we see that LPs are increasingly favouring access to alternative private capital structures, and that fund terms and conditions play an important role in this; for example, 62% of LPs cited lower fees as a perceived benefit of co-investing. In our LP survey, we saw that a significant proportion (86%) of LPs have witnessed GPs offering a choice of fee structures, although this is typically only reserved for the largest institutions.

Outside financial clauses, Chapter 10 shows that some GPs are committed to offering other ways to meaningfully align interests 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 the LP's interests for the duration of the fund's life.

Areas of Contention – Some Improvements Remain to Be Seen

A small but significant 21% of LPs reported that GP/LP interests are currently misaligned (Fig. 1.1). The areas of contention identified by LPs are shown in Fig. 1.3. Similar to past trends, the majority (64%) of LPs want to see improvement in management fees. This is a larger proportion compared with previous years (40% and 54% of LPs cited the same in 2015 and 2014 respectively), and so it may appear that GPs need to do more to remedy this grievance. Management fees are charged to cover the costs of operating the fund, and should not be used as a way for GPs to achieve meaningful compensation. Chapter 8 looks at management fees of the industry broken down by peer group, vintage year and strategies and the key characteristics that arguably form the biggest areas of contention between GP and LP interests.

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

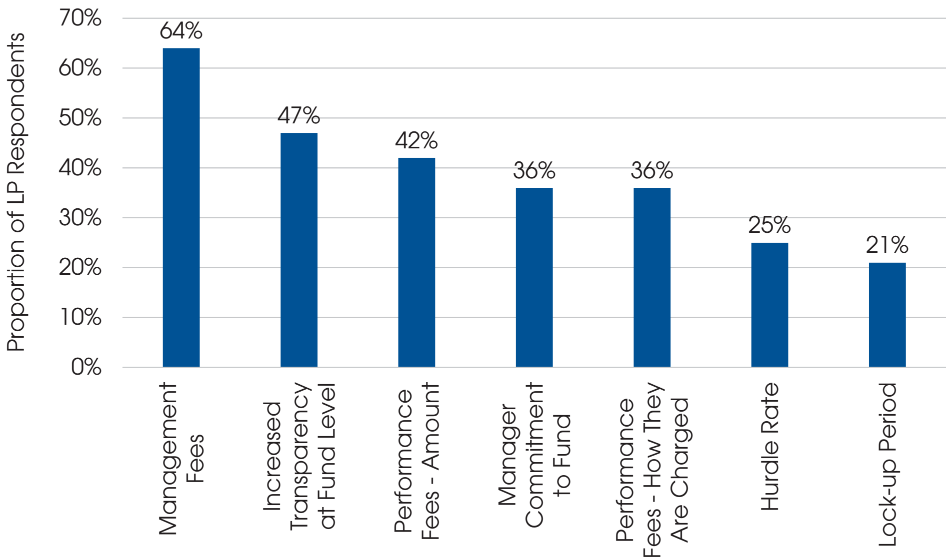
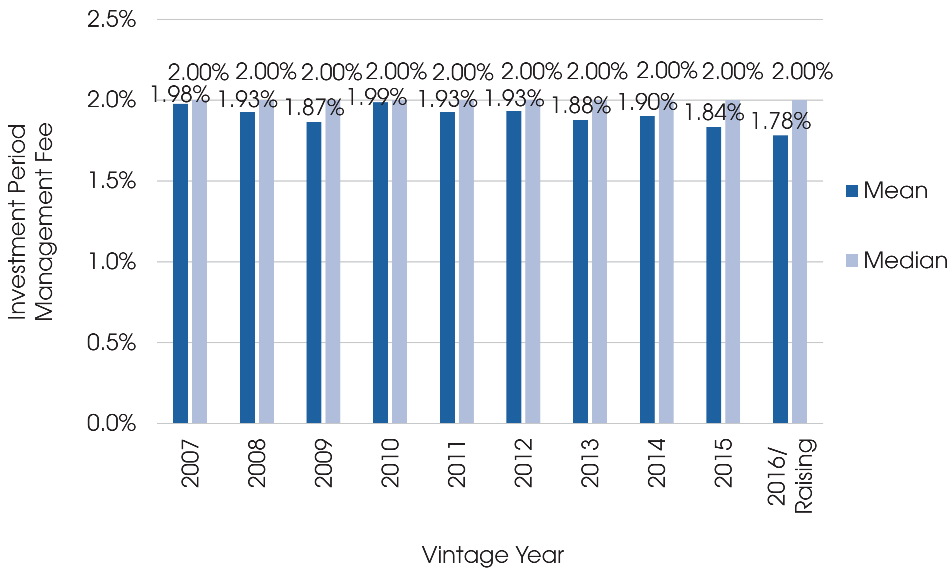


Fig. 1.4: Buyout Funds - Average Management Fee by Vintage Year



Trends in Private Capital Management Fees and Carried Interest

Fig. 1.4 shows the average buyout fund management fee charged by funds over the past 10 years. While the median has remained static during this time at 2.00%, the mean management fee has steadily decreased since 2007 to 1.78% for funds raising and vintage 2016 funds.

Similar to the trends seen in previous years, we can see that for recent buyout funds (funds raising and vintage 2015/2016 funds), the headline management fee decreases as the fund size increases (final size of closed funds or target size of those still raising), as shown in Fig. 1.5. For funds under $2bn in size, the median is 2.00%, while for the largest buyout funds (funds of $2bn or more), the median management fee is lower at 1.50%.

Carried interest (the amount charged) was cited by 42% of LPs as an area needing improvement. Fig. 1.6 shows that the vast majority (84%) of direct funds raising or with vintage 2015/2016 charge a carried interest rate of 20.00%, in line with the 20.00% typically charged throughout the rest of the industry. Five percent of funds charge more than a 20.00% carried interest rate and 11% charge less than the industry standard.

The 2016 Private Capital Fund Terms Advisor

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 2016 Private Capital Fund Terms Advisor shows that investors have increased their leverage over fund terms (particularly in the case of large LP commitments, investments before first close, non-economic clauses etc.) and their negotiating power has grown significantly as GPs are eager to secure institutional capital in a competitive fundraising environment. However, the issue of misaligned interests between GPs and LPs cannot be simply solved through GPs purely lowering their headline fees to entice LPs; the issue is much more complex. 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, fee rebates (etc.) to attract LPs and justify terms and conditions offerings.

The 2016 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 5,200 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.

Fig. 1.5: Buyout Funds - Average Management Fee by Fund Size (Funds Raising & Vintage 2015/2016 Funds Closed)

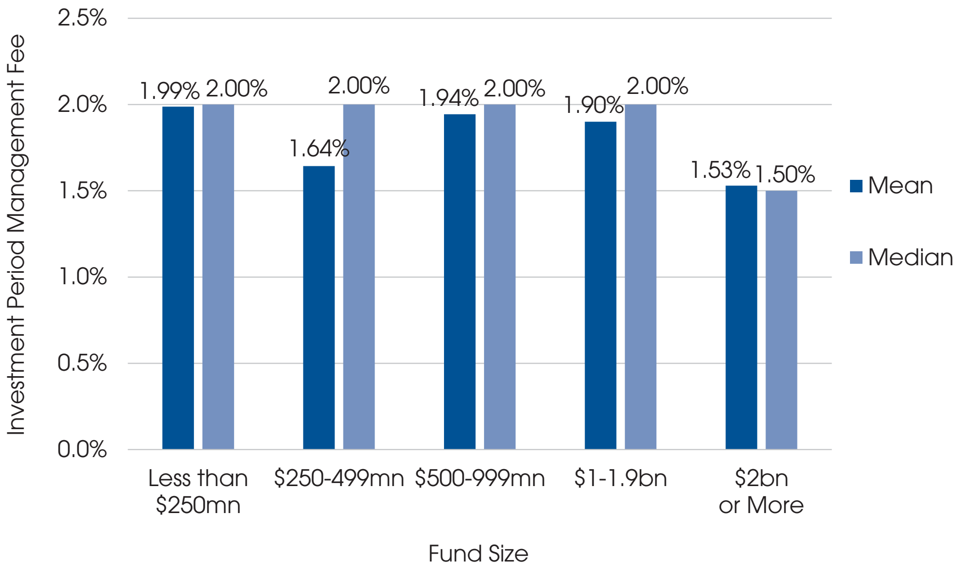
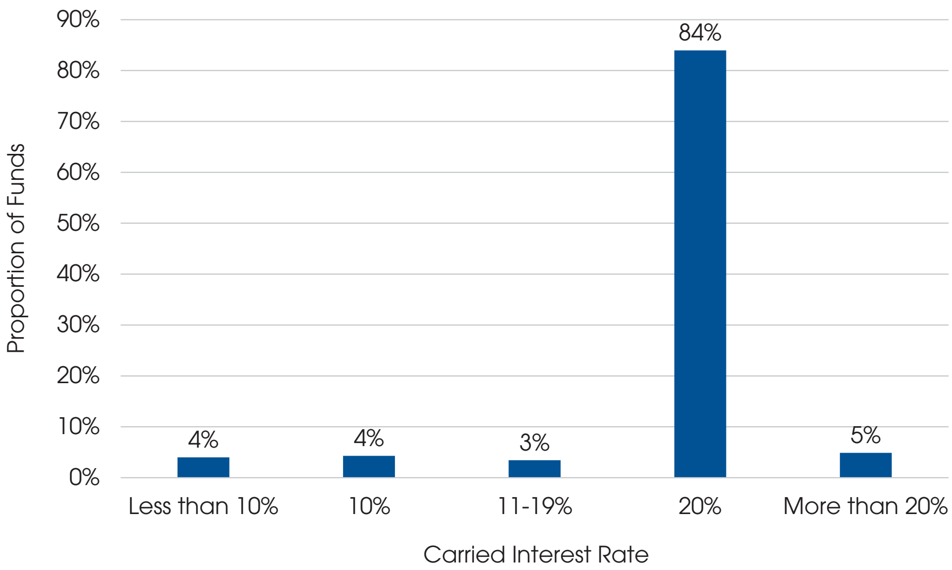


Fig. 1.6: Carried Interest Used by Direct Private Capital Funds (Funds Raising & Vintage 2015/2016 Funds Closed)



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 and private equity secondaries), private debt (direct lending, distressed debt and mezzanine) real estate, infrastructure and natural resources.

Other key features of this year's Fund Terms Advisor include listings of nearly 1,600 named funds showing the net costs incurred by LPs annually (this summary of information on total costs is 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 2016 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.

The 2016 Preqin Private Capital Fund Terms Advisor

A comprehensive guide to private capital fund terms and conditions

Contents

3. Data Sources

Since Preqin first began tracking private equity in 2003, the industry has grown and developed immensely, to the extent that sectors such as private debt, infrastructure and natural resources (all once considered subsets of private equity) have grown into discrete and distinct asset classes. With the range of fund strategies expanding, and fund managers and LPs looking to target new areas to generate alpha, Preqin has responded by updating its terminology to better reflect the growing diversity of the industry.

The new 2016 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 2016 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 5,200 separate private capital funds of all types, sizes and geographic foci. Anonymous listings are available for more than 3,300 funds in Chapter 13, 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 in order to facilitate analysis of trends, with 15% of these funds represented by those vehicles that are raising capital as of May 2016, or that have a recent vintage (2015 and 2016). Fig. 3.1 and Fig. 3.2 show a breakdown of the number and aggregate value of funds by type and vintage year. Fig. 3.3 shows a breakdown by GP location for the most recent funds (those that have held a final close and have a vintage of 2015 or 2016 or those currently fundraising). 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 (55%) of funds, with Europe-based funds accounting for 23% and Asia-based funds 14% of the sample. The total value of funds in the most recently closed and raising sample is approximately $556bn, a significant level that has allowed us to map terms and identify trends with a great degree of accuracy.

Fig. 3.1: Number of Private Capital Funds with Terms and Conditions Data by Fund Type and Vintage Year (2000 - 2016)

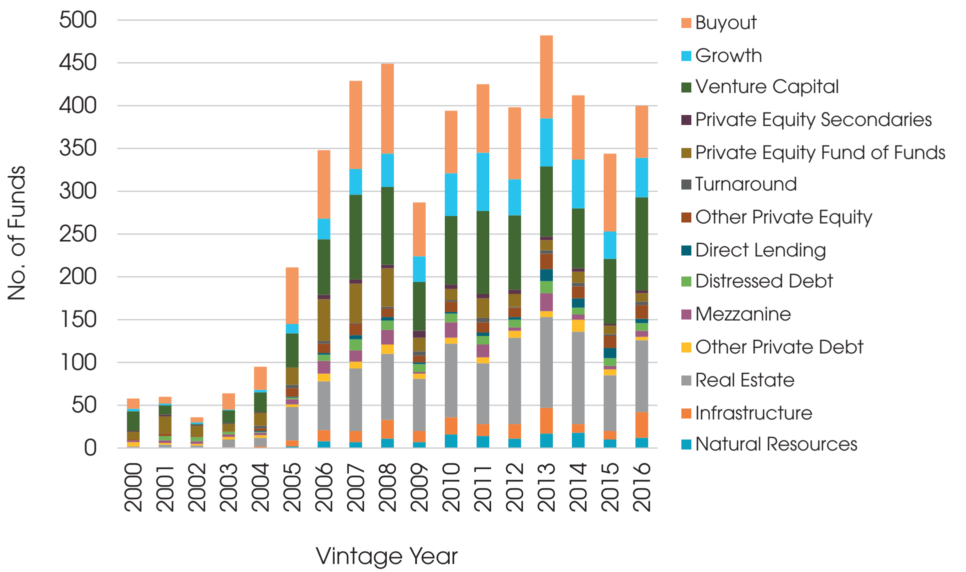
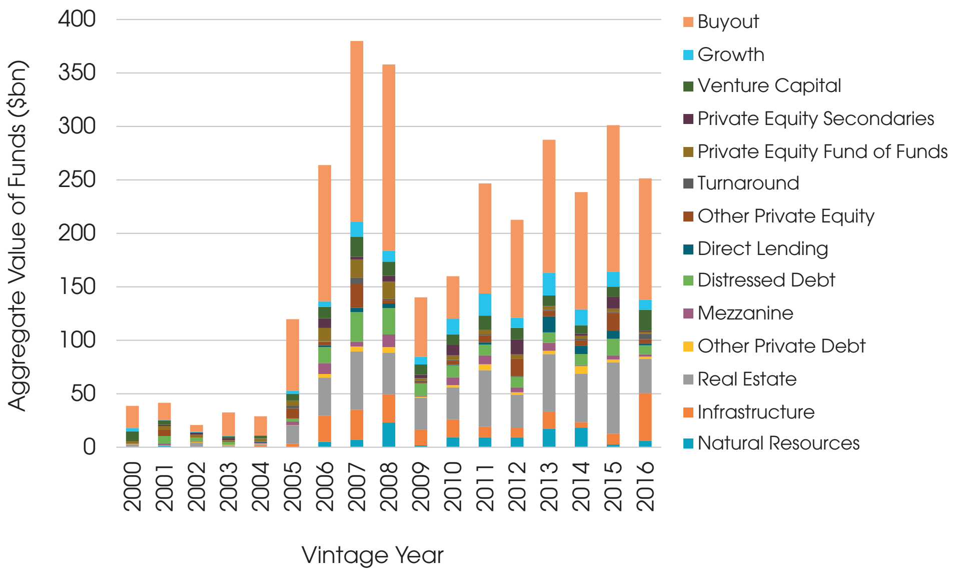


Fig. 3.2: Aggregate Value of Private Capital Funds with Terms and Conditions Data by Fund Type and Vintage Year (2000 - 2016)



The information collected 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 also important factors such as the operation of key-man provisions, no-fault divorce clauses, advisory committees, GP commitments to the fund and minimum LP commitments, among others. In the case of the economic terms, we were able to delve into the important details that can make all the difference to both 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 purposes 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 and placement agents 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.

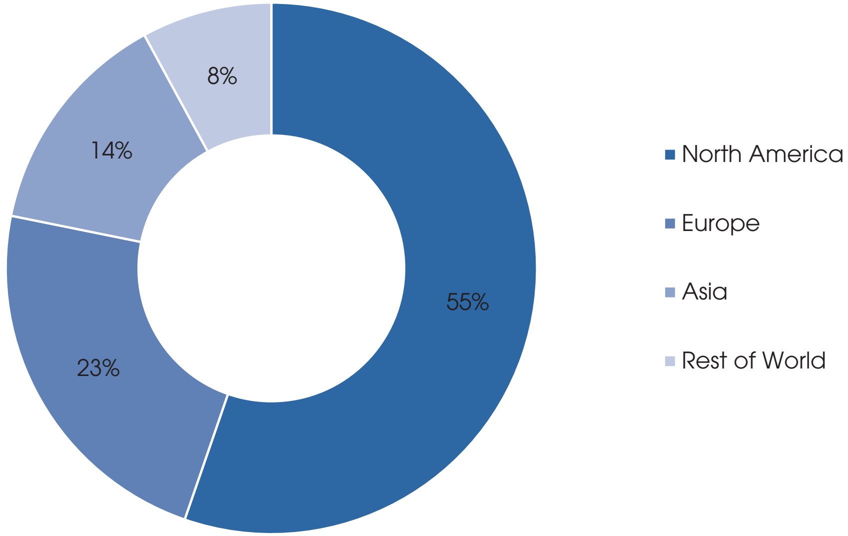
We have, however, provided a listing of these funds in a suitably disguised format (including fund sizes given as a range rather than as a specific amount), so that users can see the variability of terms within each category of funds.

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 above. 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 almost 1,600 funds for the 2016 Preqin Private Capital Fund Terms Advisor. Net cost listings appear in Chapter 15.

Fig. 3.3: Private Capital Funds with Fund Terms and Conditions Data by GP Location (Funds Raising & Vintage 2015/2016 Funds Closed)



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.

Preqin's **Private Equity Online** has the largest sample of private equity (including real estate and infrastructure) fund performance data available anywhere (currently over 8,000 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.

6. LP Attitudes towards Fund Terms

Preqin regularly conducts surveys within the institutional investor community to evaluate the current investor sentiment regarding fund terms and conditions, and to gauge to what extent fund terms and conditions remain a concern for LPs. In this section, 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, the level of choice offered to LPs by prospective fund managers 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 GP/LP relationships, and is intrinsically related to fund terms and conditions. According to Preqin's most recent LP survey, a significant 79% of institutional investors believe that GP and LP interests are properly aligned, representing a nine percentage point increase from the previous edition of the Fund Terms Advisor in 2015, and a continuation of the longer term improvement in the alignment of GP and LP interests that Preqin has observed over the past three years (Fig. 6.1). In contrast, the proportion of LPs that believe that the interests of GPs and LPs are not properly aligned has declined over the past two years, and currently stands at 21%, the lowest level seen in recent years.

Those investors that are dissatisfied with the current alignment of GP and LP interests identified a number of areas where improvements can be made (Fig. 6.2). Management fees are of greatest concern to LPs (cited by 64% of respondents), while transparency at fund level (47%) and the amount of performance fees being charged (42%) were also key concerns affecting the alignment of GP and LP interests. Concern surrounding the issue of GP commitments was shared by 36% of investors, with one Europe-based LP stating that "GPs do not commit enough of their own capital to the investments they manage, particularly in the case of GPs managing larger funds", indicative of how improvements in this area remain to be seen. The same proportion (36%) of LPs stated the way that performance fees are charged is another area in which the alignment of interests between GPs and LPs could be improved.

Changes in Fund Terms and Conditions

A third of LPs reported that they had seen changes in their favour regarding fund terms over the past 12 months, while only 15% have seen changes in favour of the GP (Fig.

Fig. 6.1: Extent to Which LPs Believe that GP and LP Interests Are Properly Aligned, June 2013 - June 2016

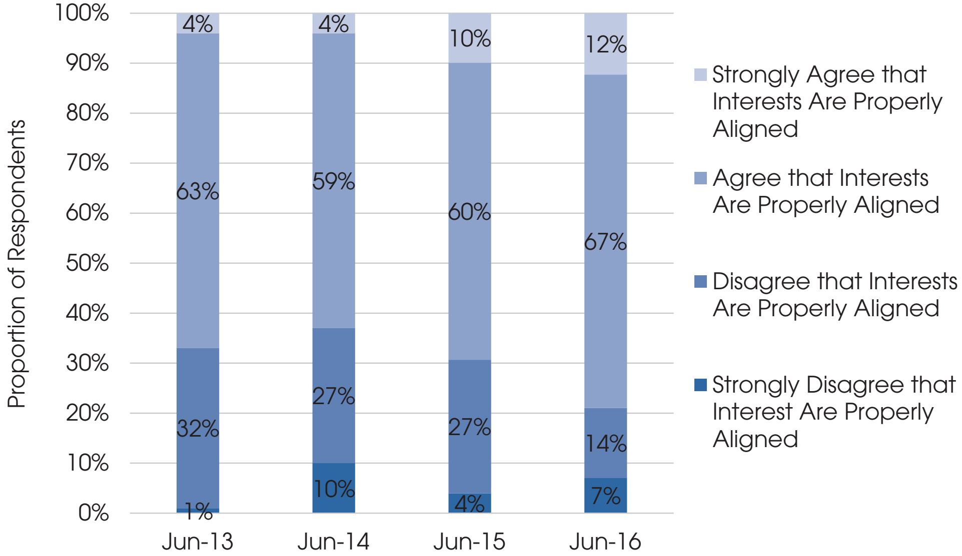
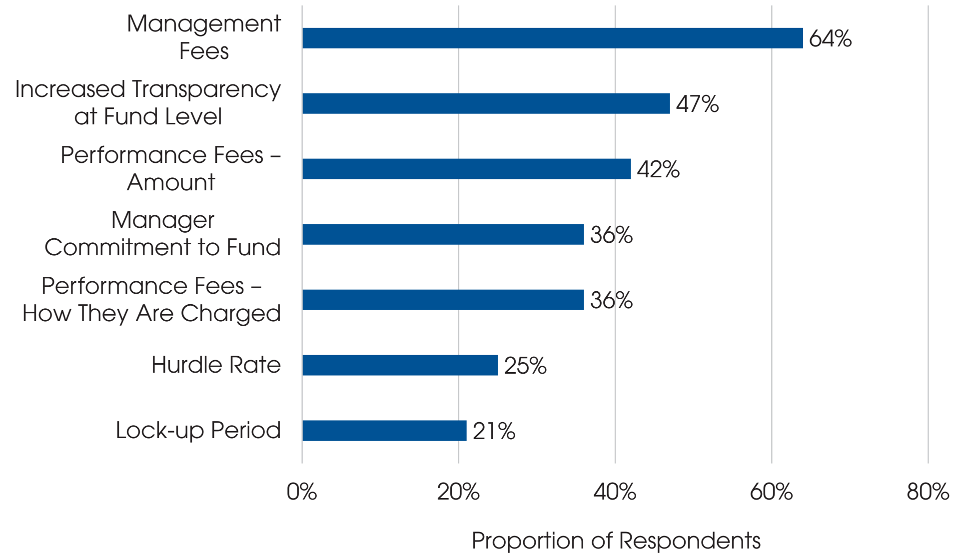


Fig. 6.2: Areas in Which LPs Believe Alignment of LP and GP Interests Can Be Improved



8. 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 as such, the length of the investment period is a key consideration for LPs preparing to commit capital.

Fig. 8.1 shows that private capital funds employ varying lengths of investment periods; the largest proportion (33%) of recent private capital funds (funds currently raising and funds with a 2015/2016 vintage) have an investment period of five years. This is a similar proportion to the previous year's analysis (32%), and illustrates how five-year investment periods are typically seen among private capital funds. A small but notable proportion (11%) of funds have an investment period of at least six years.

Fig. 8.2 shows that buyout funds have the longest mean investment period (5.4 years) of all private capital strategies, while real estate funds have the shortest (2.9 years). Private equity funds of funds and direct lending funds typically seek to conclude the investment period sooner as well: each strategy has a median investment period of three years. The average investment period for private equity secondaries funds is five years, an increase on two years seen last year, and could reflect the current climate for private equity deals – with valuations for businesses relatively high, fund managers are requiring more time to source suitable investments and secondaries managers are therefore taking longer to deploy capital.

Management Fee during Investment Period

The average management fee is 2.00%, or just under, for a number of fund strategies (funds currently raising or with a 2015/2016 vintage). Private equity funds of funds, however, have a notably lower mean management fee of just 0.75% (Fig. 8.3). Lower management fees are commonplace among multi-manager funds primarily due to the LP being charged two layers of fees: one by the GP and one by the investee fund manager of the underlying funds. Also, finding and managing direct investments is significantly more complex and expensive

Fig. 8.1: Length of Investment Period (Funds Raising & Vintage 2015/2016 Funds Closed)

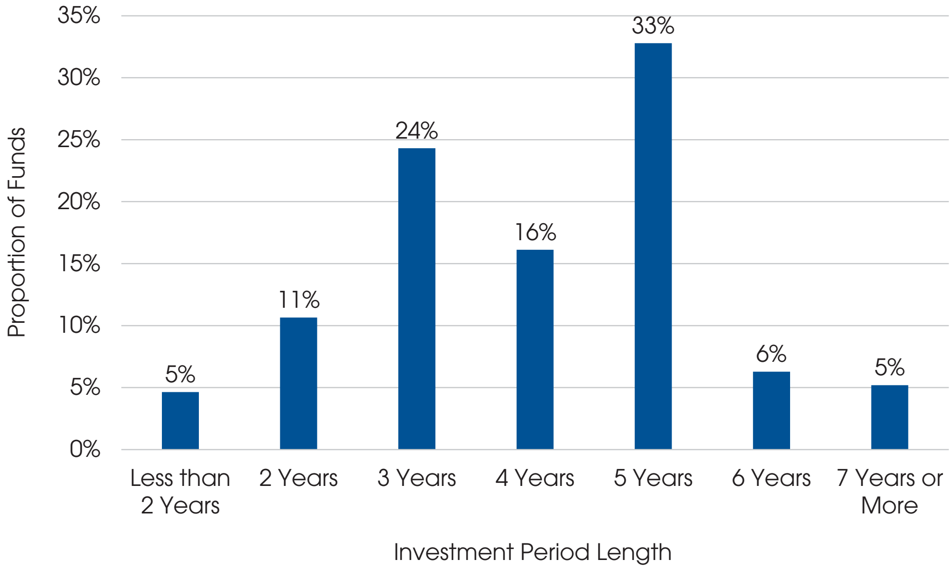
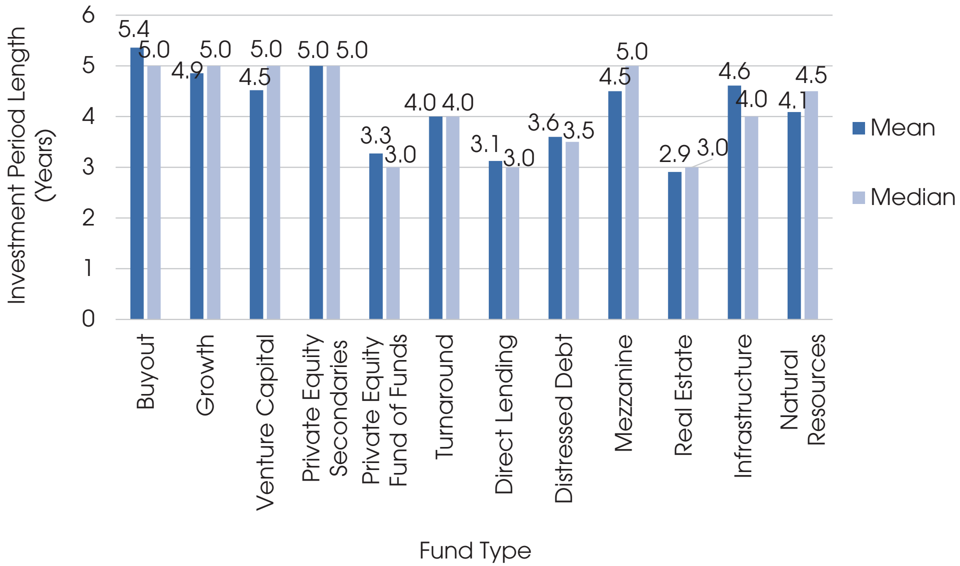


Fig. 8.2: Average Duration of Investment Period by Fund Type (Funds Raising & Vintage 2015/2016 Funds Closed)



Private Equity

Fund No.	Fund Type	Fund Vintage	Fund Size	GP Location	Management Fees - Investment Period	Charge Frequency	Mechanism for Reduction after Investment Period	Rate Post Investment Period
Fund 1	Balanced	2000	USD 100-249mn	North America	2.00%		Annual reduction in rate, discount on previous year fee %	15.00%
Fund 2	Balanced	2001	≥ USD 2bn	North America	1.50%	Quarterly	Reduced rate, charged on invested capital	
Fund 3	Balanced	2004	USD 50-99mn	North America	2.00%	Semiannually	Same rate, charged on invested capital	2.00%
Fund 4	Balanced	2004	USD 100-249mn	Europe	2.00%	Quarterly		
Fund 5	Balanced	2005	USD 50-99mn	Europe	2.00%		No change	2.00%
Fund 6	Balanced	2005	USD 100-249mn	North America	2.00%			
Fund 7	Balanced	2005	USD 100-249mn	Europe	2.00%	Quarterly		
Fund 8	Balanced	2005	USD 100-249mn	Europe	2.00%			
Fund 9	Balanced	2005	USD 100-249mn	Europe	2.00%		Same rate, charged on invested capital	2.00%
Fund 10	Balanced	2005	≥ USD 2bn	North America				
Fund 11	Balanced	2006	USD 50-99mn	Europe	2.00%	Quarterly		
Fund 12	Balanced	2006	USD 50-99mn	Europe	2.00%	Semiannually		
Fund 13	Balanced	2007	USD 100-249mn	North America	2.50%		Fee reduced by other mechanism	
Fund 14	Balanced	2007	USD 100-249mn	Europe	2.00%		Fee reduced by other mechanism	
Fund 15	Balanced	2007	USD 250-499mn	North America	2.00%	Quarterly	Reduced rate, charged on invested capital	
Fund 16	Balanced	2007	≥ USD 2bn	North America				
Fund 17	Balanced	2007	≥ USD 2bn	Europe	2.00%	Semiannually	Same rate, charged on invested capital	2.00%
Fund 18	Balanced	2008	USD 1-1.9bn	Asia	2.00%	Quarterly	Same rate, charged on invested capital	2.00%
Fund 19	Balanced	2009	USD 50-99mn	Europe	2.50%	Semiannually	Same rate, charged on invested capital	
Fund 20	Balanced	2010	< USD 50mn	Asia	3.00%	Semiannually	Same rate, charged on invested capital	3.00%
Fund 21	Balanced	2010	< USD 50mn	Rest of World	2.00%	Monthly	Same rate, charged on invested capital	2.00%
Fund 22	Balanced	2010	USD 100-249mn	North America	2.00%		Same rate, charged on invested capital	
Fund 23	Balanced	2010	USD 100-249mn	Asia	2.00%		Same rate, charged on invested capital	2.00%
Fund 24	Balanced	2010	USD 100-249mn	Rest of World	2.00%		Same rate, charged on invested capital	2.00%
Fund 25	Balanced	2010	USD 250-499mn	Europe	2.00%		Same rate, charged on invested capital	
Fund 26	Balanced	2010	USD 1-1.9bn	Rest of World	2.00%	Quarterly	Same rate, charged on invested capital	2.00%
Fund 27	Balanced	2011	≥ USD 2bn	North America	1.50%		Reduced rate, charged on invested capital	1.00%
Fund 28	Balanced	2012	< USD 50mn	Asia	2.00%			
Fund 29	Balanced	2012	USD 100-249mn	Asia	2.00%		Same rate, charged on invested capital	2.00%
Fund 30	Balanced	2012	≥ USD 2bn	North America	1.30%			
Fund 31	Balanced	2013	USD 100-249mn	Europe	1.00%	Annually		
Fund 32	Balanced	2013	USD 250-499mn	North America	2.00%			
Fund 33	Balanced	2013	USD 500-999mn	North America	2.00%	Quarterly	Annual reduction in rate, discount on previous year fee %	0.25%
Fund 34	Balanced	2013		North America	2.00%			
Fund 35	Balanced	2014	USD 100-249mn	North America	2.00%		No change	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
North America	Deal by Deal	20%	0%	Yes	80%	100%	1.00%		5		Yes
North America	Other	20%	0%	Yes	75%	100%	1.90%		6		Yes
North America	Deal by Deal	20%	8%			80%	2.00%		5		
Rest of World	Whole Fund	20%	8%								
Europe			6%								Yes
North America	Whole Fund		8%	Yes			2.00%				Yes
Rest of World	Whole Fund	20%	8%								
Europe		20%	7%						3		
Europe	Whole Fund	20%	8%	Yes		100%	1.40%				Yes
North America		20%									
Rest of World	Whole Fund	20%	8%								
Rest of World	Whole Fund										
North America	Deal by Deal	20%	8%				1.00%				
Europe	Whole Fund	20%	7%						6		
North America	Whole Fund	20%	8%	No		80%	2.00%	USD 5	5	USD 0.75	Yes
North America		20%									
Rest of World	Whole Fund	20%	8%	Yes	85%	100%	1.00%	USD 10	5		Yes
Rest of World	Deal by Deal	20%	8%			80%		USD 10	5		Yes
North America		20%	0%				1.00%	EUR 3	5		Yes
Rest of World	Whole Fund	20%	0%	No			50.00%		3		No
Rest of World		20%	8%					NZD 0.25	5		
Rest of World		15%					1.00%	USD 2			
Rest of World	Whole Fund	20%	0%	Yes	75%	100%	1.25%	USD 5	5		Yes
Rest of World	Whole Fund		8%			80%	1.00%	USD 5	5	USD 1.2	
Europe	Whole Fund	20%	8%			75%		EUR 3	4	EUR 1.25	Yes
Rest of World	Whole Fund	20%				50%	1.00%	USD 1	3		Yes
Rest of World		20%	9%			100%	5.00%		5		
Rest of World		20%						CNY 6			
Rest of World	Whole Fund	20%	8%	Yes	75%	100%	4.00%	EUR 0.5	5		Yes
North America	Whole Fund	20%	0%								
Rest of World								USD 2			
North America											
North America	Other	20%				100%	1.00%		6		
North America											
North America	Whole Fund	20%	8%				3.00%	USD 3	3		

15. Net Cost Listings - Actual Fees

The following tables show the actual fees and costs incurred by LPs on their investments for almost 1,600 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, and give a unique, composite view of the actual costs payable, 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.

Fund	Fund Type	Vintage	Region Focus	Fund Status	Fund Size (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
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	
2012 Riverside Capital Appreciation Fund VI	Buyout	2013	North America	Closed	1,500 USD													2.26	2.45	1.82
3i Europe Partners II	Growth	1997	Europe	Liquidated	645 EUR			0.68	1.03	0.84	0.66	0.02	0.34							
3i Europe Partners III	Buyout	1999	Europe	Closed	2,300 EUR			0.90	1.84	0.90	0.73	0.39	0.34	0.07						
3i Europe Partners V	Buyout	2006	Europe	Closed	5,000 EUR						0.89	1.37	1.44	1.70	1.27					
3i UK Investment Partners	Buyout	1996	Europe	Closed	415 GBP			0.13	0.28	0.11	0.06	0.02	0.01							
3i UK Investment Partners 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			
Abbott Capital Private Equity Fund III	Fund of Funds	1999	North America	Closed	476 USD														0.31	0.00
Abbott Capital Private Equity Fund IV	Fund of Funds	2001	North America	Closed	731 USD														0.43	0.36
Abbott Capital Private Equity Fund V	Fund of Funds	2005	North America	Closed	858 USD															
Abbott Capital Private Equity Fund VI	Fund of Funds	2008	North America	Closed	1,022 USD														1.00	0.52
Aberdare Ventures	Early Stage	1999	North America	Liquidated	50 USD		2.54	2.55												
Aberdare Ventures II	Early Stage	2002	North America	Closed	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	1.94	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 Advanced Securities Fund III	Direct Lending	2014	North America	Closed	1500 USD														1.95	2.04
ABRY III	Buyout	1997	North America	Closed	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															
ABS Capital II	Growth	1996	North America	Closed	314 USD	1.35	0.83	0.84	0.73	0.76	0.40	0.11	0.12	0.02	0.03	0.02				
ABS Capital III	Growth	1999	North America	Closed	427 USD	1.65	1.49	1.53	1.49	1.31	0.88	0.06	0.43	1.32	0.01	0.00				
ABS Capital IV	Growth	2000	North America	Closed	449 USD	1.59	1.65	1.76	1.83	1.66	0.91	3.23		1.17	0.90	0.57	0.03	0.03		
ABS Capital V	Growth	2005	North America	Closed	286 USD					0.06	1.88	2.93	0.76	2.11	1.54	1.30	0.75	0.75	0.57	
ABS Capital VI	Growth	2009	North America	Closed	418 USD									1.30	2.11	2.08	1.25	1.25	1.36	
Acacia Venture Partners II	Early Stage	1999	North America	Closed			2.56	2.58												

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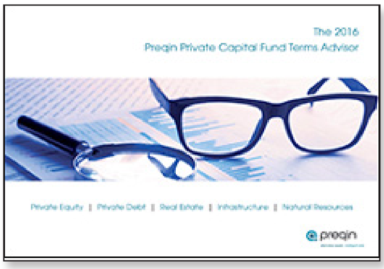

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