Proskauer

Proskauer's Private Funds Group Looks 'Under the Microscope' at the Fundraising Terms and Trends Affecting the European Market

July 10, 2020

Proskauer held the first of its 'Under the Microscope' seminar series in 2020, providing a comprehensive analysis of the European fundraising market. Representing over €200 billion in capital, the team analyzed 30 key LPA terms and conditions from 60+ European buyout funds and 30+ venture capital funds raised in the last 18 months.

Proskauer's private funds team breaks down funds by size analyzing data points to identify key changes in the European fundraising environment while identifying the future trends that will shape the market.

"The study reviewed the market over the last 18 months in the lead up to, and during the early stages of, the COVID-19 outbreak," said Edward Lee, Private Funds Partner in London.

"Our analysis found that, in the buyout space, term flexibility, longer investment periods and a shift in recycling arose as the top-trends at the start of 2020, while in venture we saw a lot of variety in the distribution waterfalls used. As we move to the second half of 2020, we predict that there will be a continued focus on recycling, a push for greater transparency on the use of subscription facilities and a resurgence in the use of 'speed bumps' to control the pace of deployment as managers and investors seek to navigate the challenges and opportunities posed by the pandemic," added Mr. Lee.

Key data findings include:

- An increase to 39% in 2020, from 19.5% in 2019, in the proportion of buyout funds that give the GP discretion over at least one year's extension. This reflects a push for greater flexibility as the market accepts that few buyout funds are fully realised within the standard 10 year term.
- 59% of buyout funds in the study had broad recycling rights, representing an unexpected drop from 75% in our 2019 survey

- Venture funds used a wide variety of distribution waterfalls. Only 23% of funds had an 8% accruing preferred return and only 35% of funds had a fixed 20% carried interest, while 45% used carried interest ratchets.

The seminar also included an update on the fund finance market by Special Finance Counsel Cameron Roper as well as a panel discussion led by Special Funds Counsel Aranpreet Randhawa. Ms. Randhawa was joined by a panel of industry leaders that included Tanja Lukas of Schroder Adveq, Paula Langton of Campbell Lutyens and Luke Finch of Hg. The panel discussed the challenges and opportunities faced by investors in a changed political and financial world.

Recently voted '*Law Firm of the Year for Fund Structuring'* by **Unquote** at the British Private Equity Awards and recognized as a *'Top Law Firm'* in the **Secondaries Investor** 2020 Law Firm Survey, the team represents 500+ GP and 100+ LP clients globally, making them one of the leading practices in the world.

The cross border team of over 150 lawyers is based in the U.S., UK, Asia and Latin America and includes specialists in tax, ERISA, regulation, fund finance, employment, litigation and risk management.

Proskauer lawyers understand the business objectives and dynamics of fund sponsors, limited partners and the private fund business as a whole. In secondaries, the group has advised on some of the leading market players in many transactions which have shaped the market, whether they are portfolios of LP or direct interests, GP led deals or preferred equity deals, as well as financings for such transactions.

Related Professionals

- **Edward Lee**
  Partner