UNDER THE MICROSCOPE

BUYOUT FUNDRAISING

MARKET REPORT

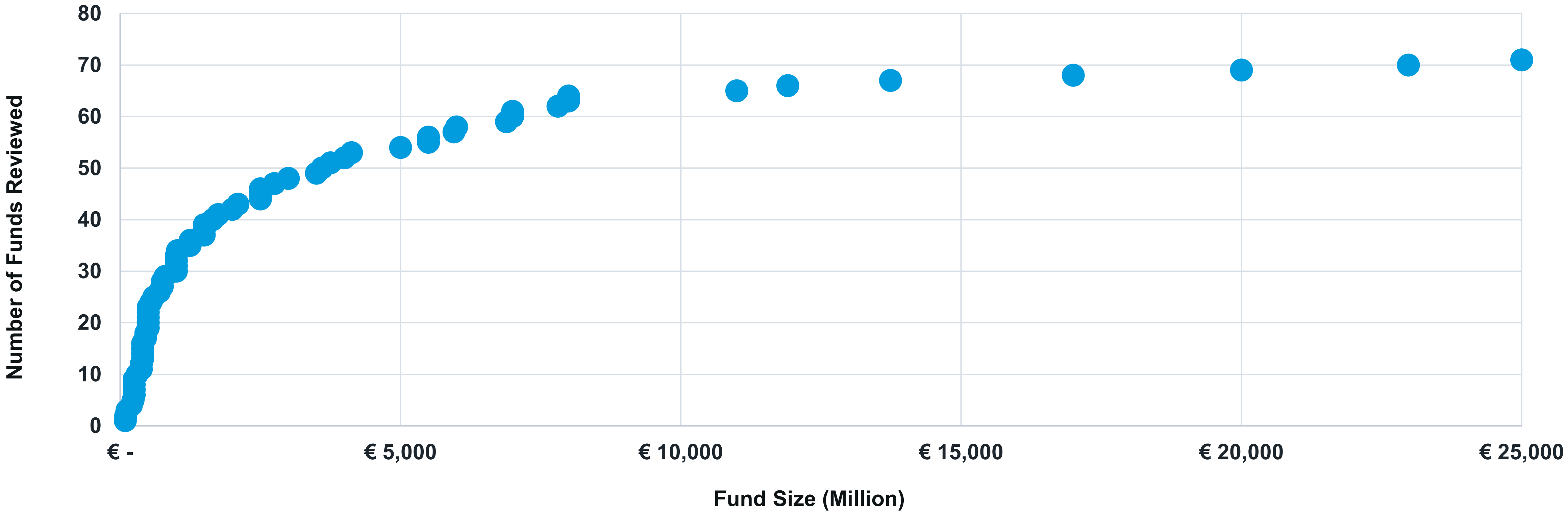
EUROPE

Proskauer

Data Methodology

Our sample contained 71 buy-out funds raised in 2022 and 2023. We collected 29 data points from these funds. The funds were all either specifically European-focused or had Europe as a key geography in their investment strategy. The target fund size of the funds reviewed ranged from €90 million to €25 billion, representing in total approximately €258 billion of capital.

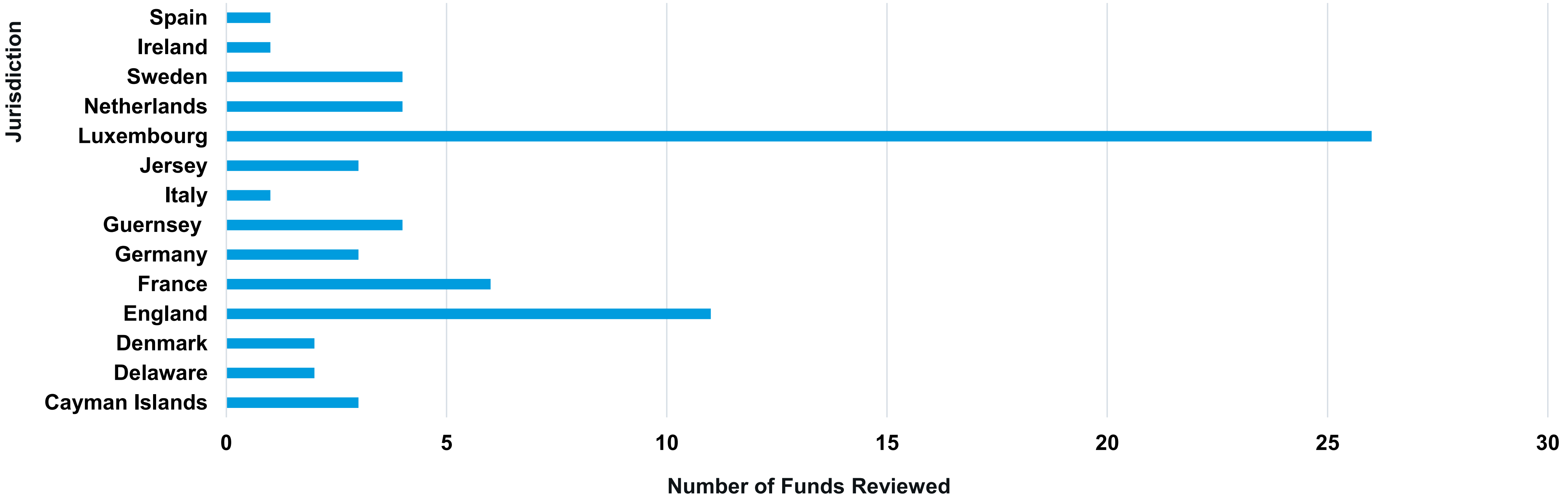
We analysed the terms in these funds on an aggregate basis and also sub-divided the data into four fund size groups: <€500 million; €500 million to €1.5 billion; €1.5 billion to €3.75 billion; and >€3.75 billion, to see how fund terms vary across fund sizes.



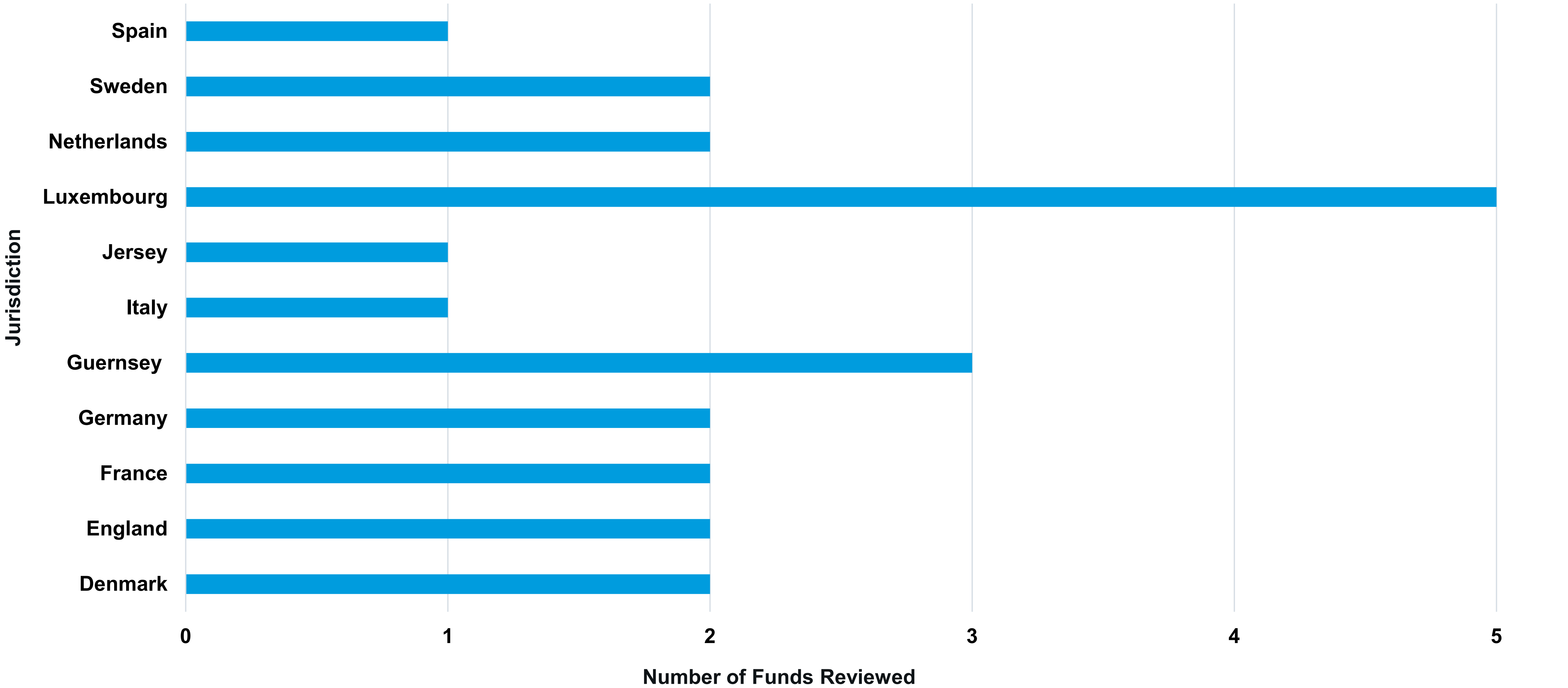
Jurisdiction of formation

All Funds

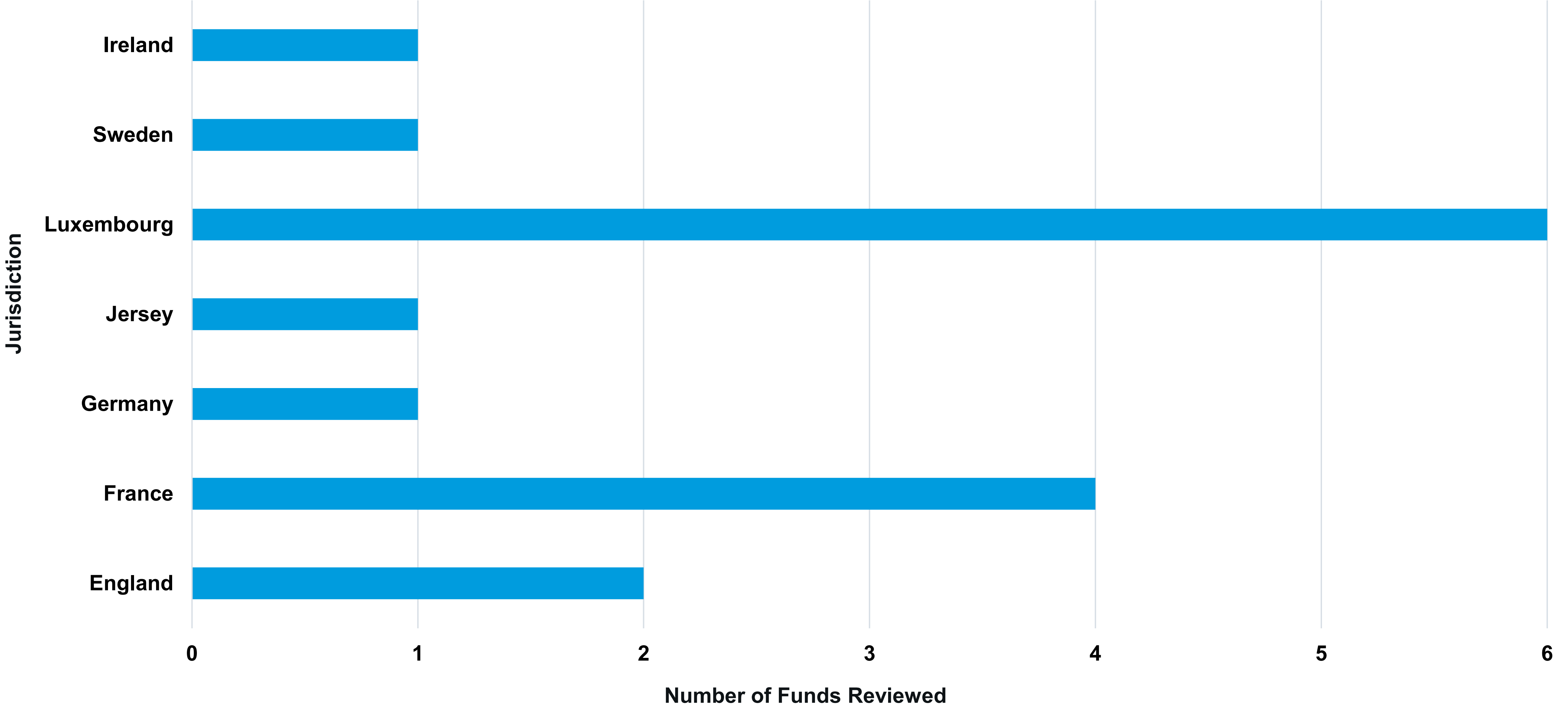
Continuing from recent years, the data this year shows that Luxembourg is again in the top spot, with the split across other jurisdictions also similar to last year. Luxembourg dominates all fund sizes, with other leading jurisdictions being the UK, the Channel Islands, Sweden, the Netherlands, France, Germany and the Cayman Islands. In our view, investor familiarity plays a big part in this, particularly for North American investors committing to European funds. Additionally, the size of the fund administration ecosystem in Luxembourg makes it an obvious choice for those managers seeking to raise a fund with access to the AIFMD marketing passport. As such 9 out of the 20 funds surveyed over €3.75bn used Luxembourg as their main jurisdiction of choice.



Jurisdiction of formation
≤€500M

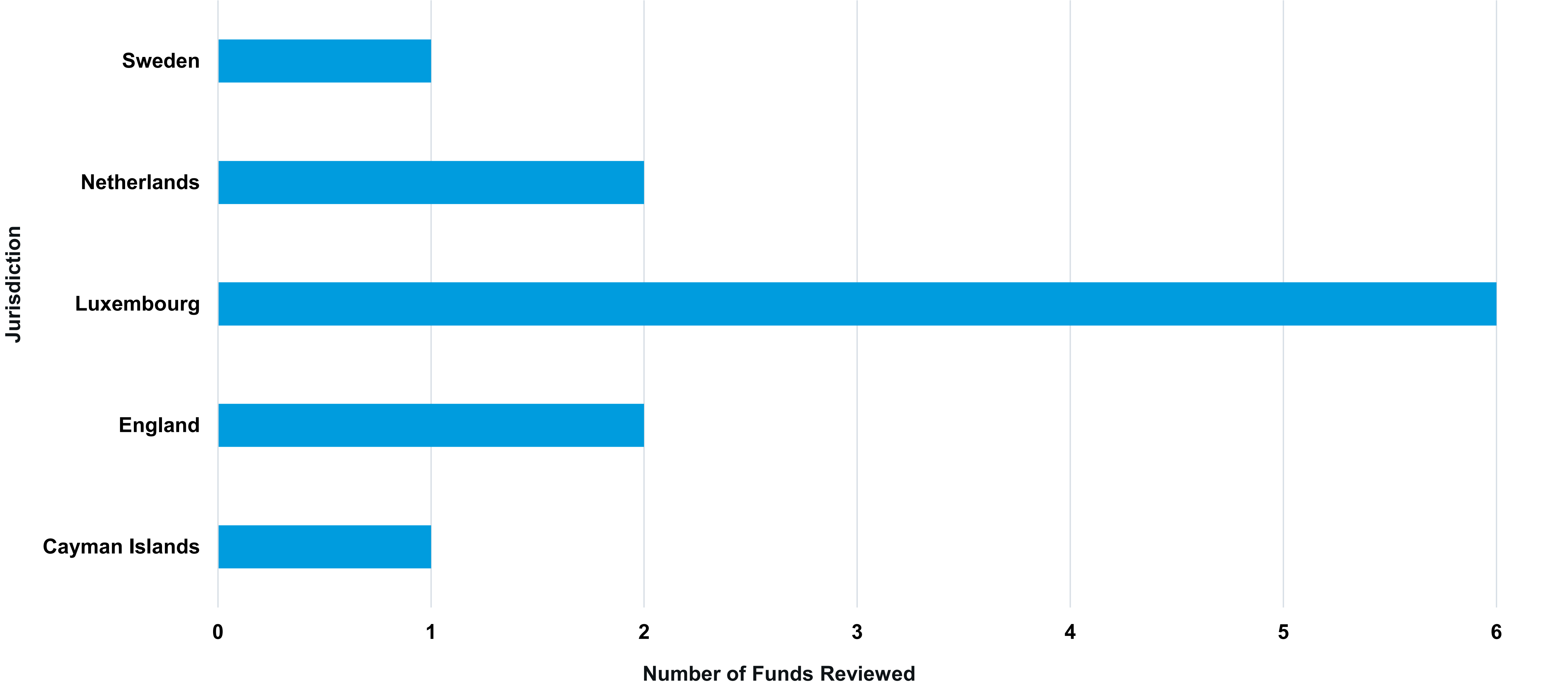


Jurisdiction of formation
>€500M-€1.5B



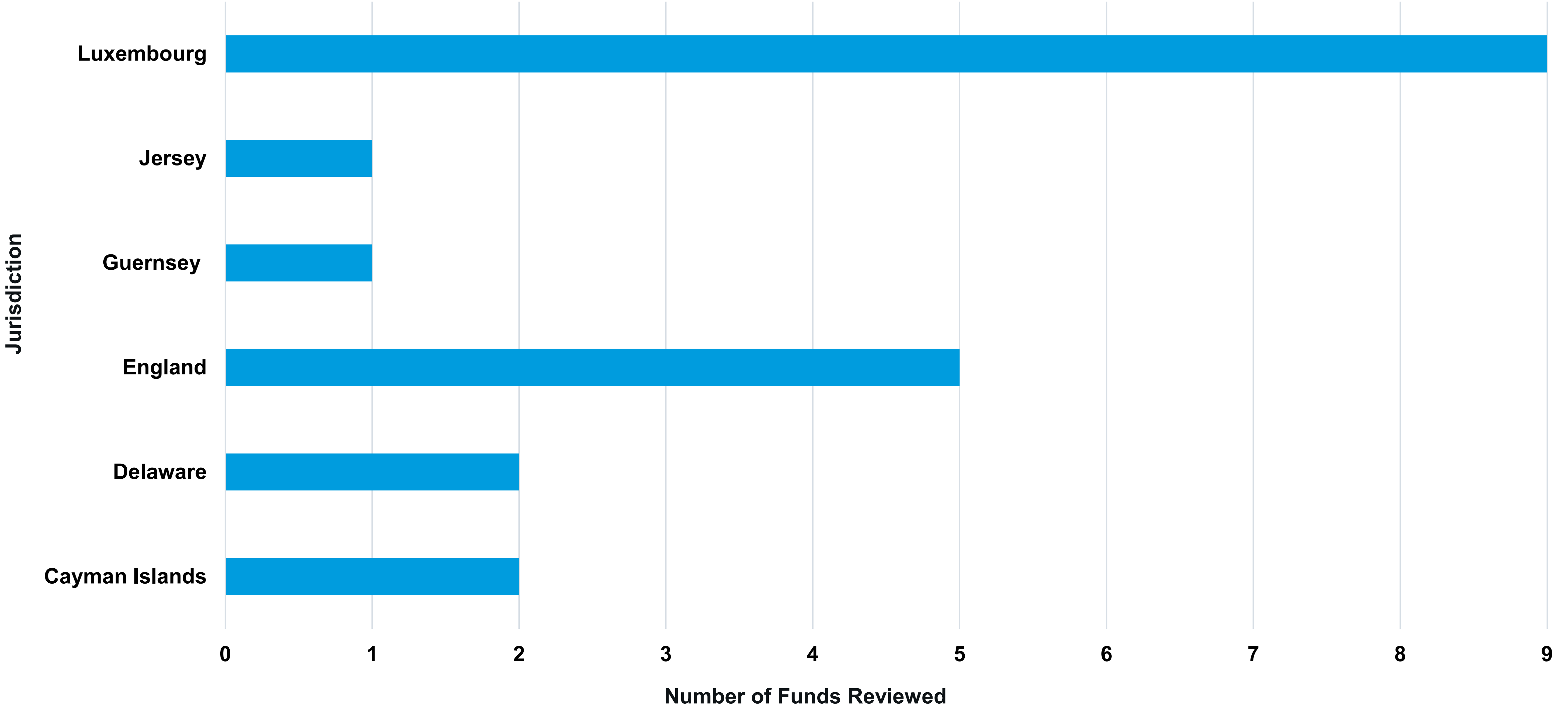
Jurisdiction of formation

>€1.5B-€3.75B



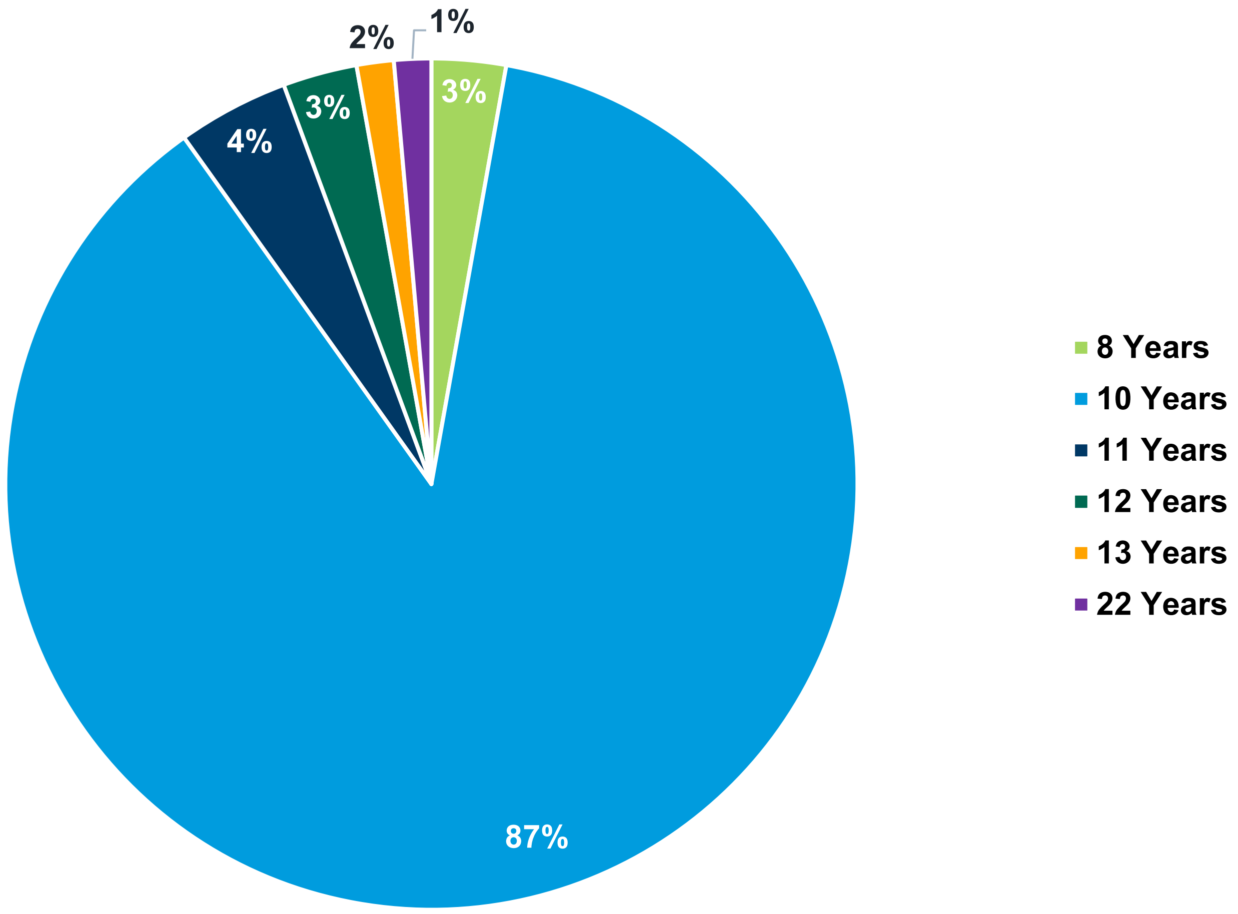
Jurisdiction of formation

>€3.75B

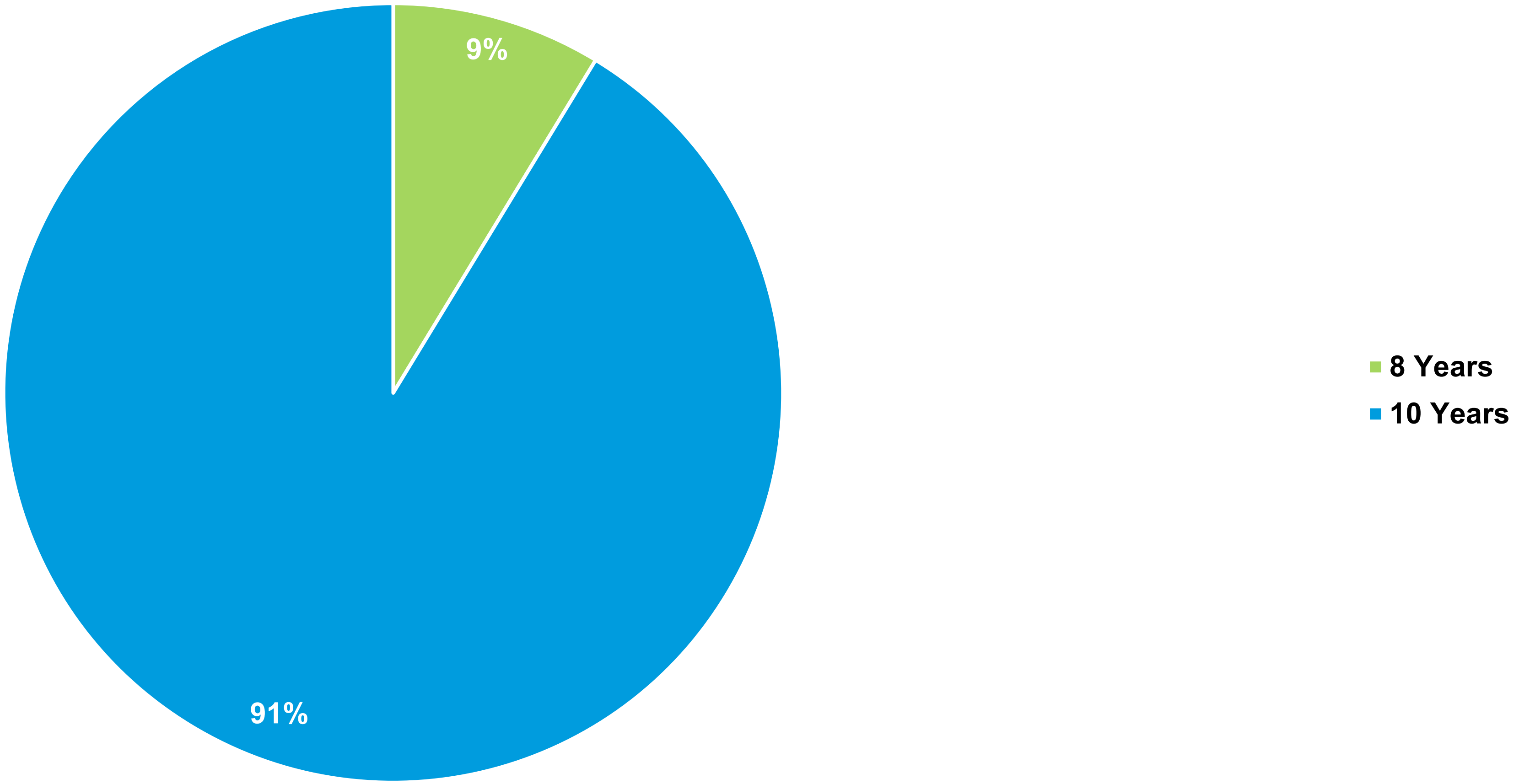


Initial term
All Funds

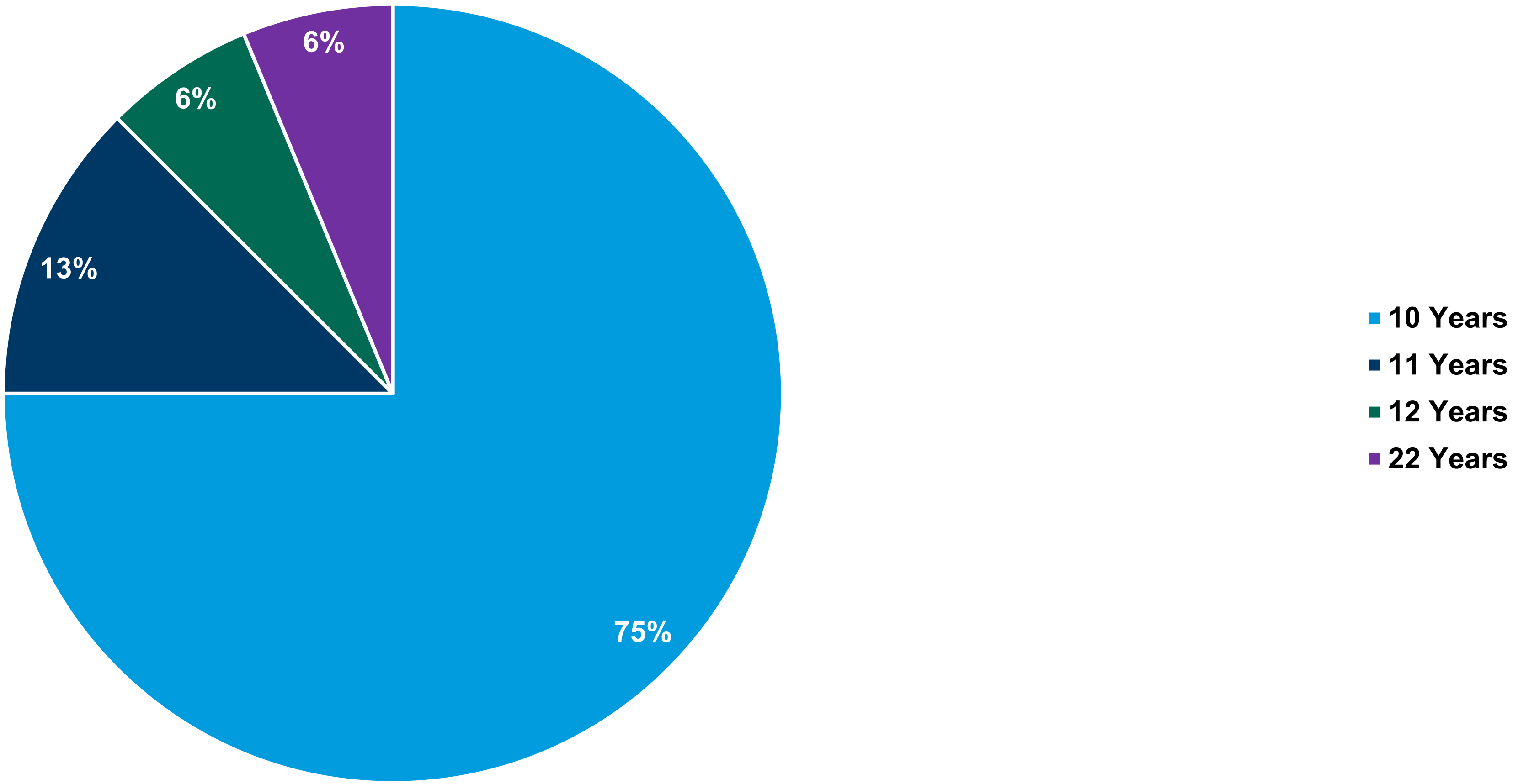
A significant majority of funds (87%) continue to have an initial term of 10 years. A small minority of funds across size brackets opt for longer terms, however, the market continues to accommodate longer hold periods and longer fund lives by relaxing extension mechanisms, or on a more ad hoc basis by using continuation funds and other end of life solutions. The range of GP-led liquidity options now available to sponsors has relieved pressure on fund terms and so we do not expect a marked lengthening in the term of traditional buyout funds in fund terms in the coming years.



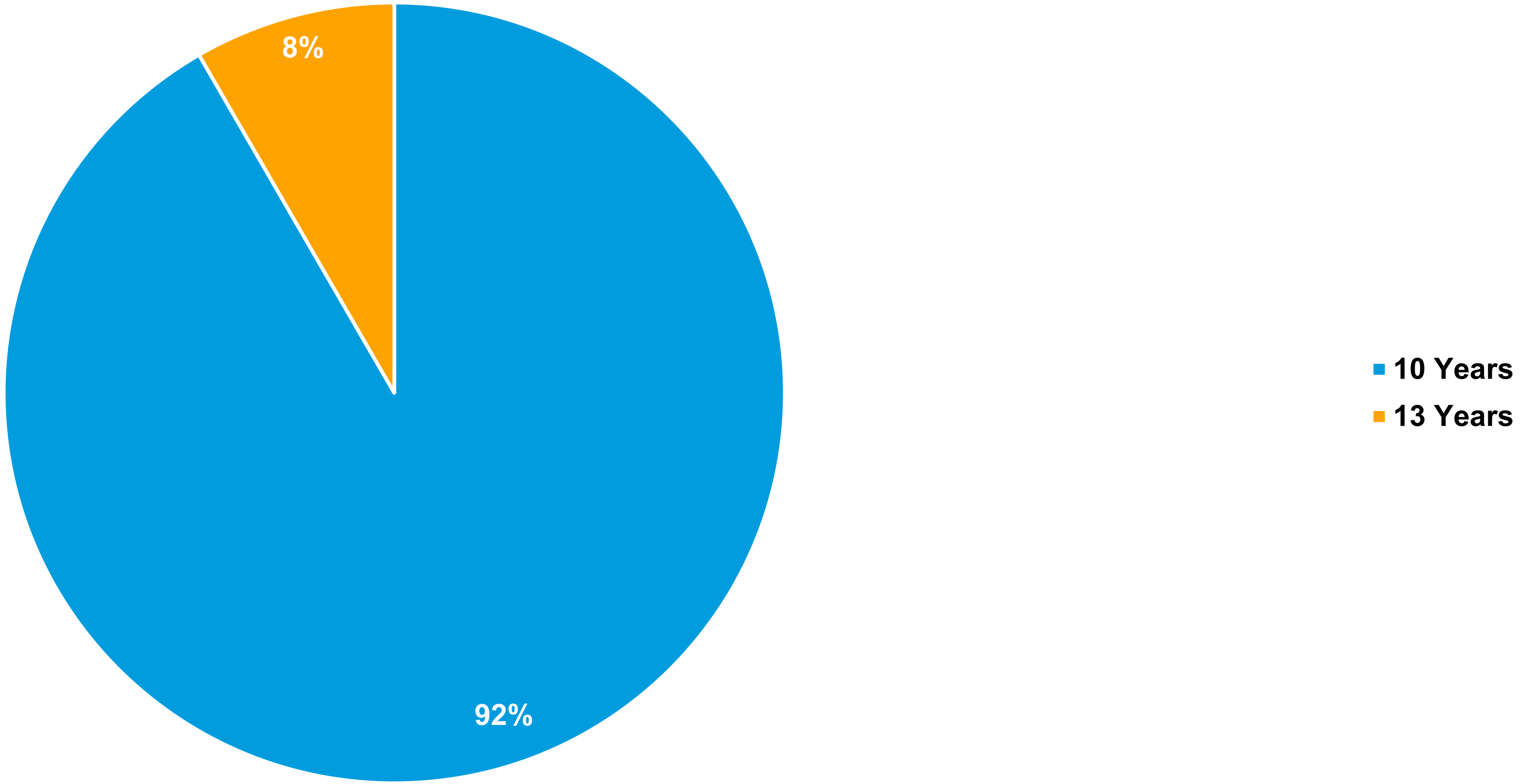
Initial term
≤€500M



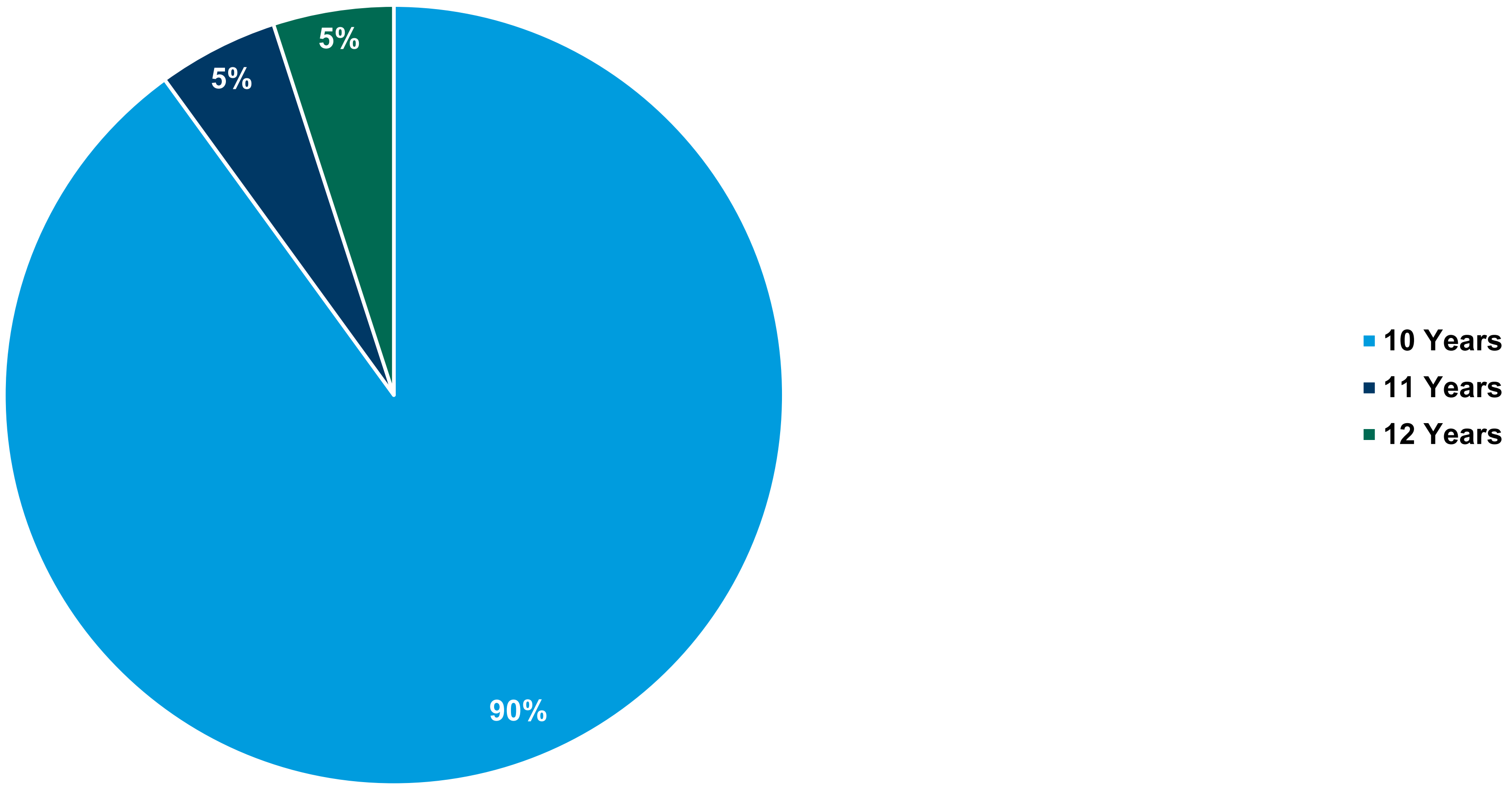
Initial term
>€500M-€1.5B



Initial term
>€1.5B-€3.75B



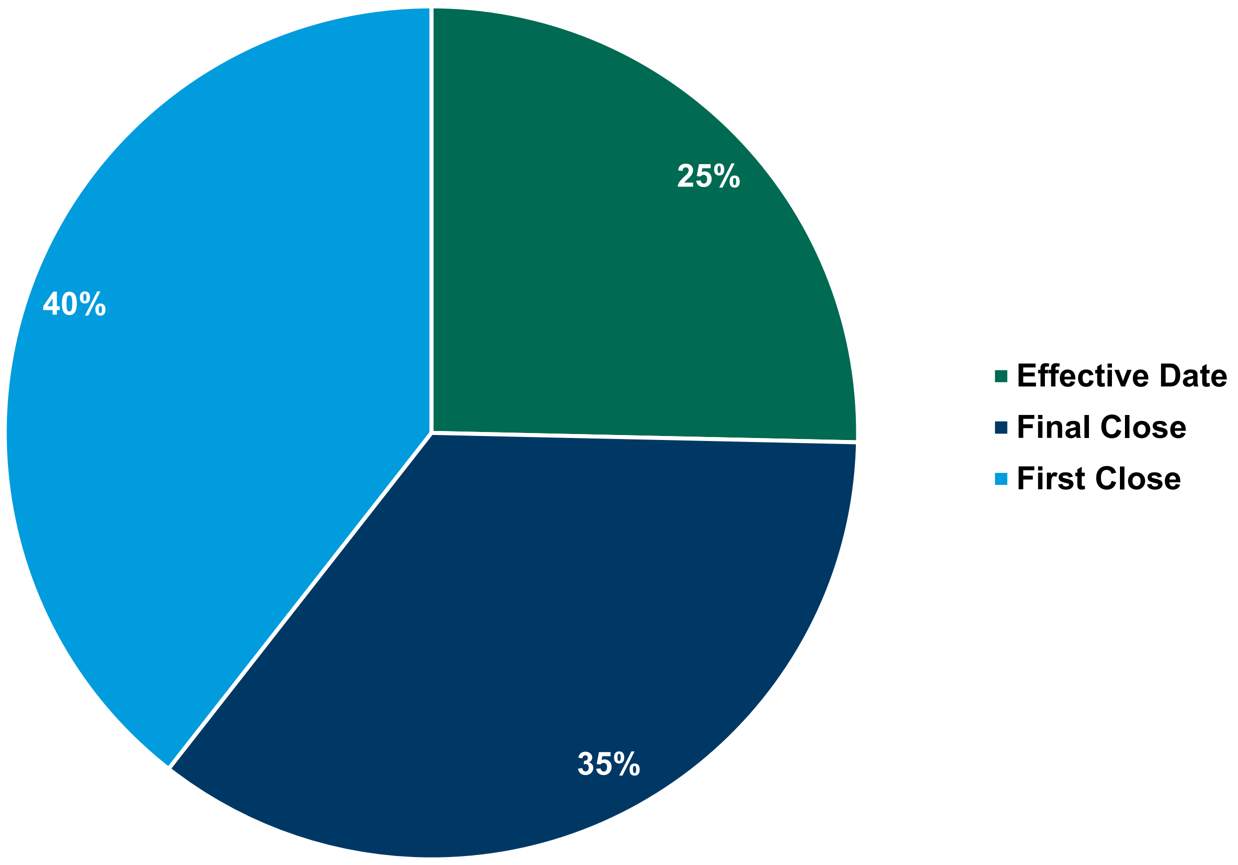
Initial term
>€3.75B



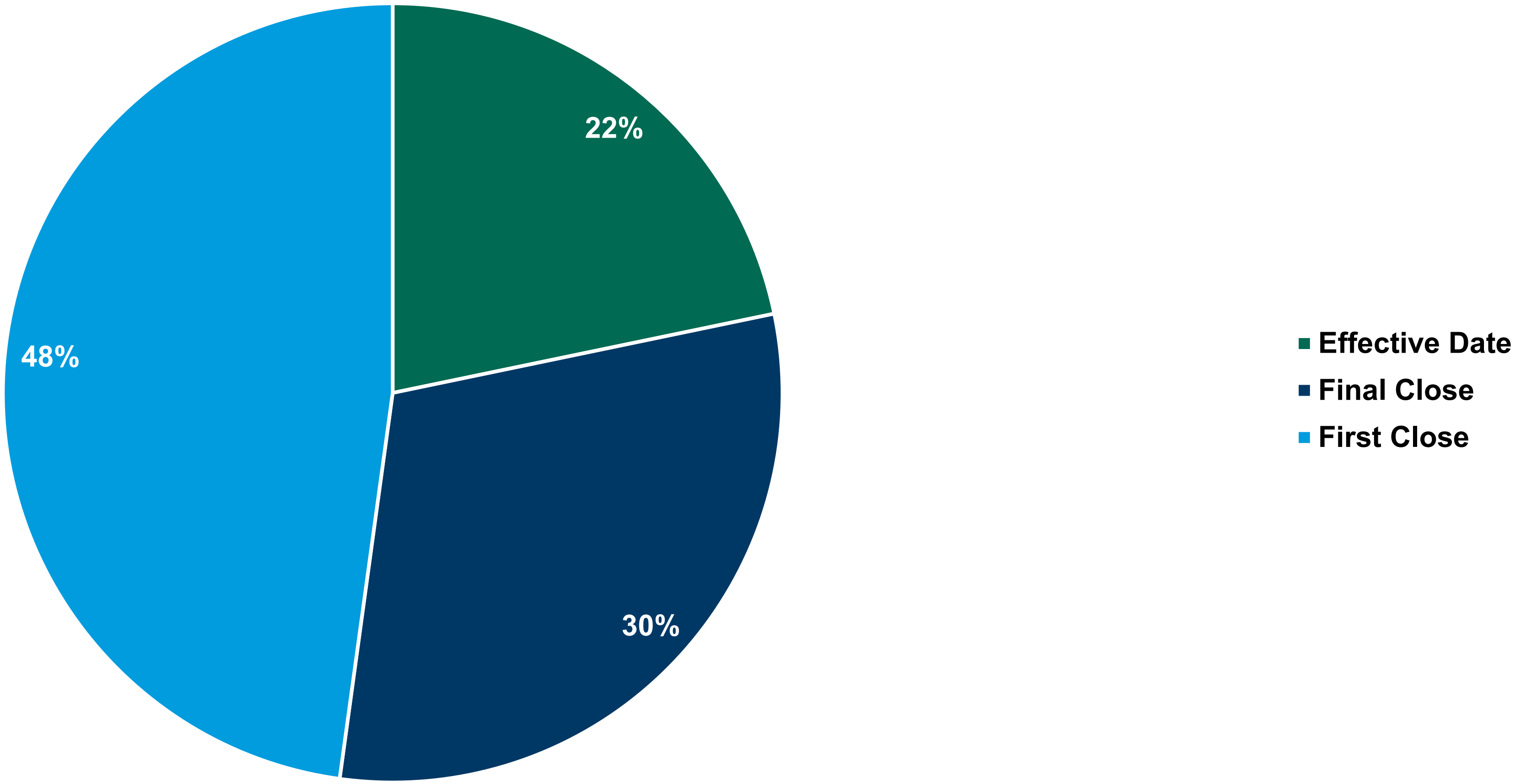
Initial term begins from
All Funds

When considering how long a fund's term is in practice, as well as looking at the headline figure in the LPA, a key factor will be the date from which the term's end date is calculated. This will generally be one of three dates: the initial closing date, the final closing date, or another date (which we refer to as an 'effective date') specified by the manager, usually being the date of the first investment or the date the manager starts investment activities for the fund.

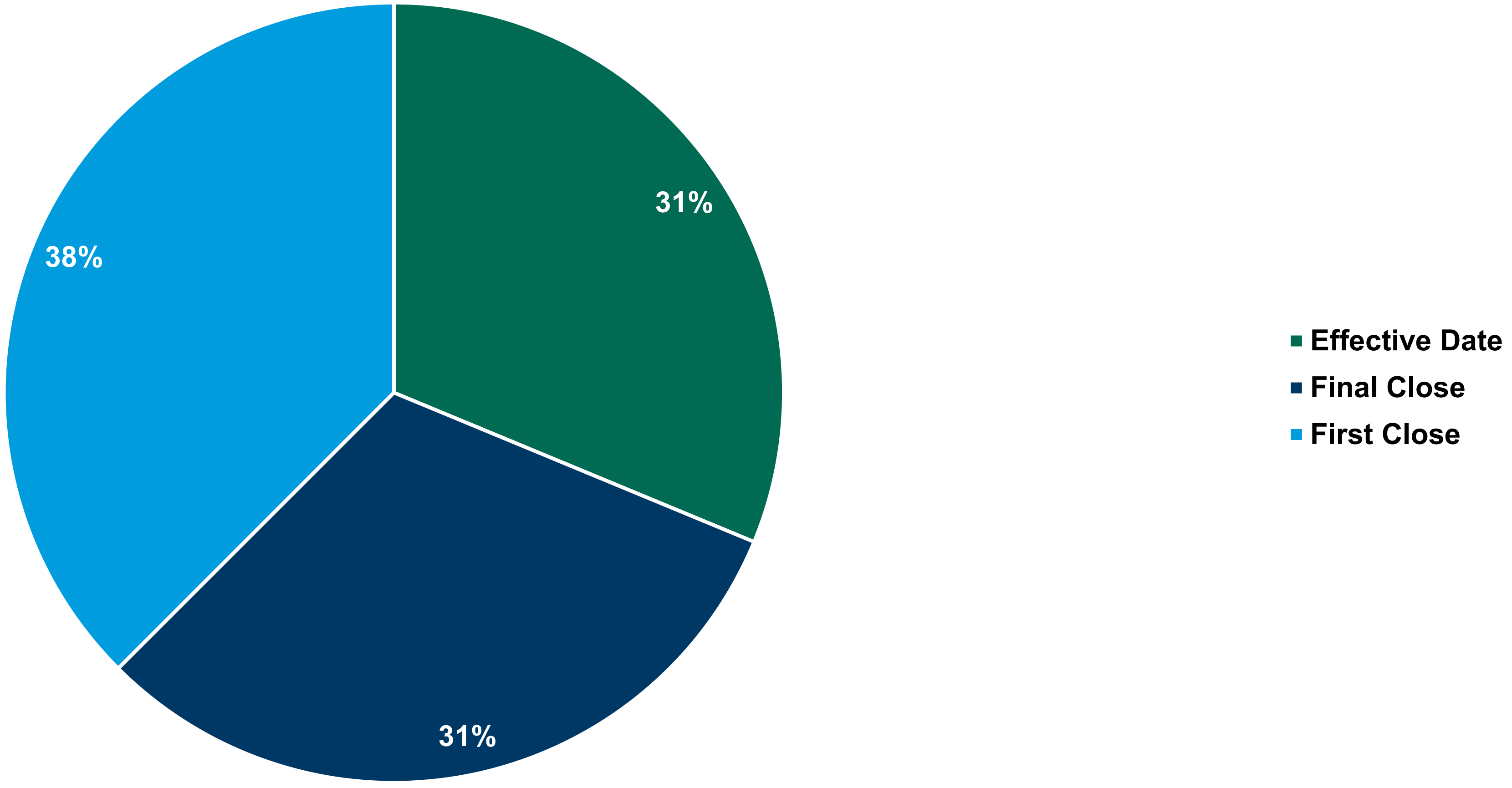
There was a small change from last year's data, with 60% of funds' terms beginning from the final closing date or the effective date (down from 70% last year). Looking back over the past several years, we see gradually more of the funds in our data set moving away from final close towards an effective date or indeed keeping the initial closing date as the start of the fund's term. The largest funds have the most favourable positions here, with a minority (35%) of funds over €3.75bn tied to first closing compared to 48% of funds below €500m.



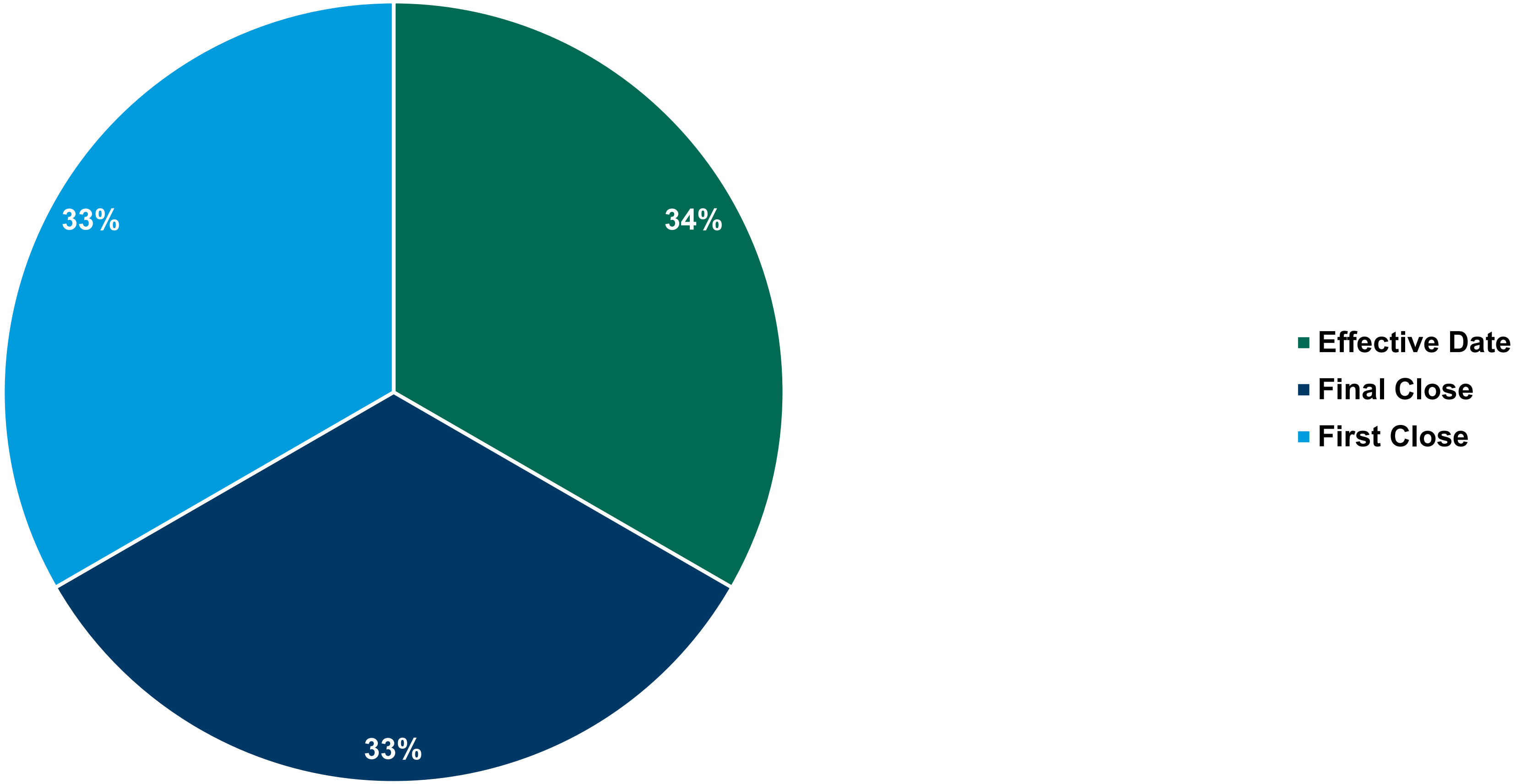
Initial term begins from
≤€500M



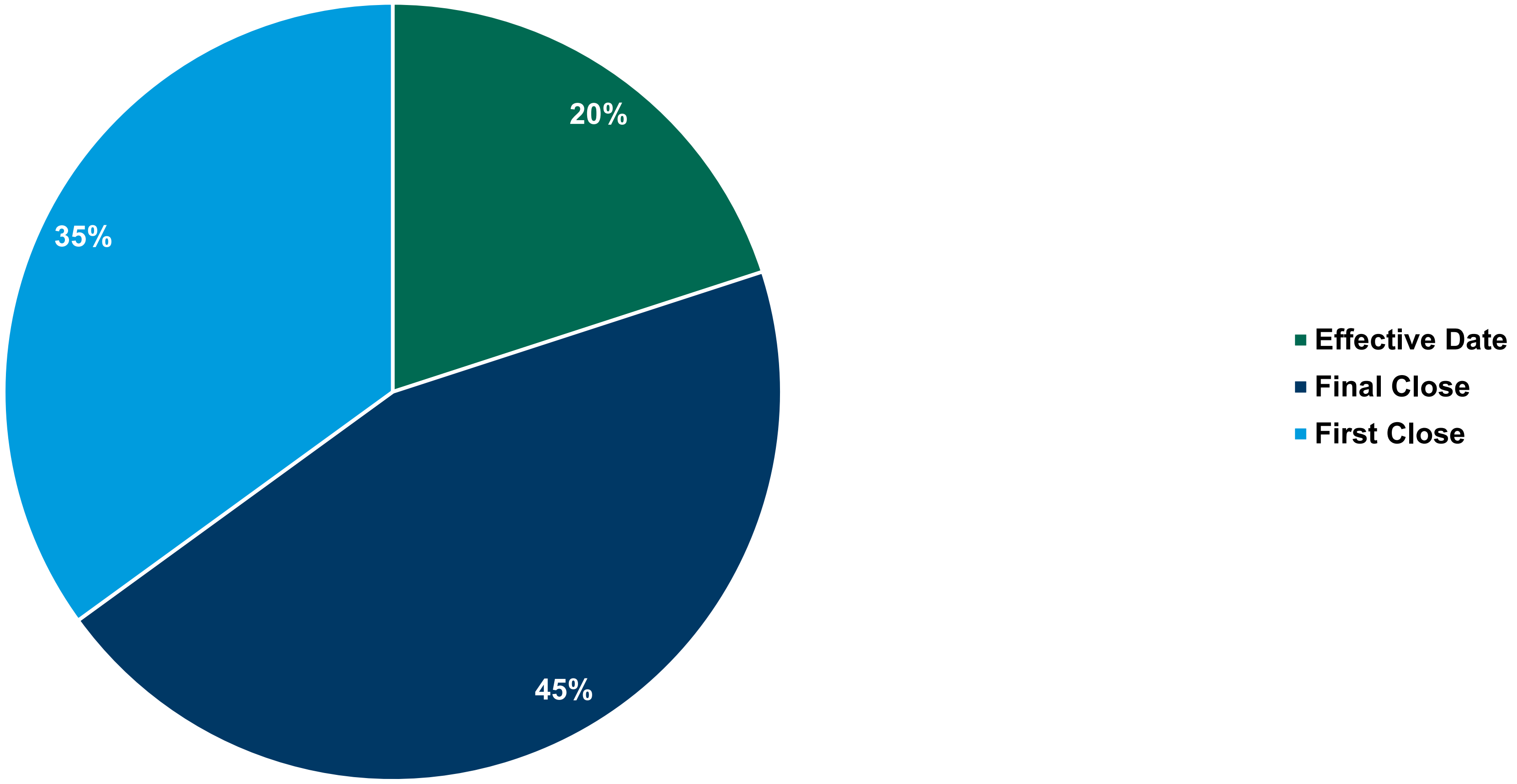
Initial term begins from
>€500M-€1.5B



Initial term begins from
>€1.5B-€3.75B



Initial term begins from
>€3.75B

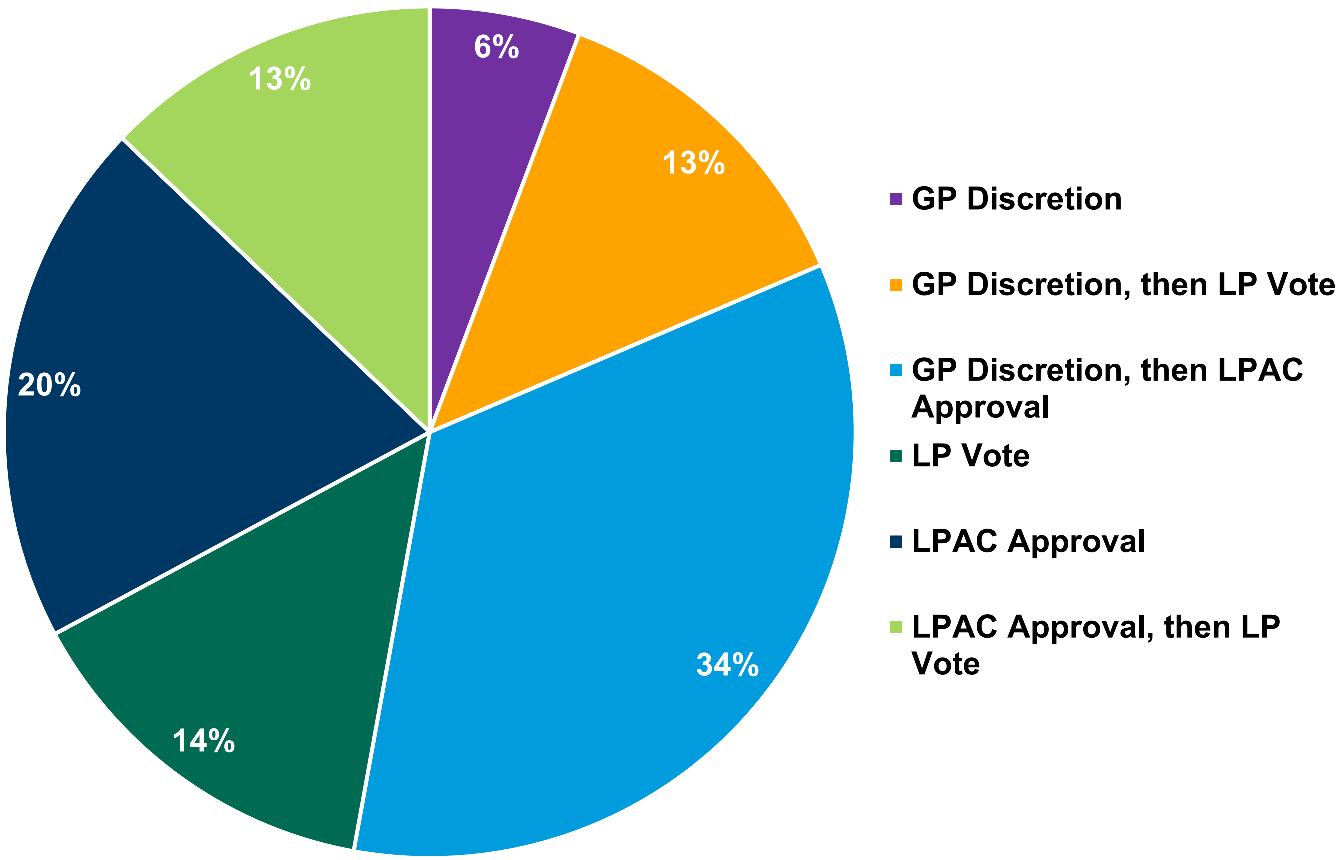


Approval required for extension of term

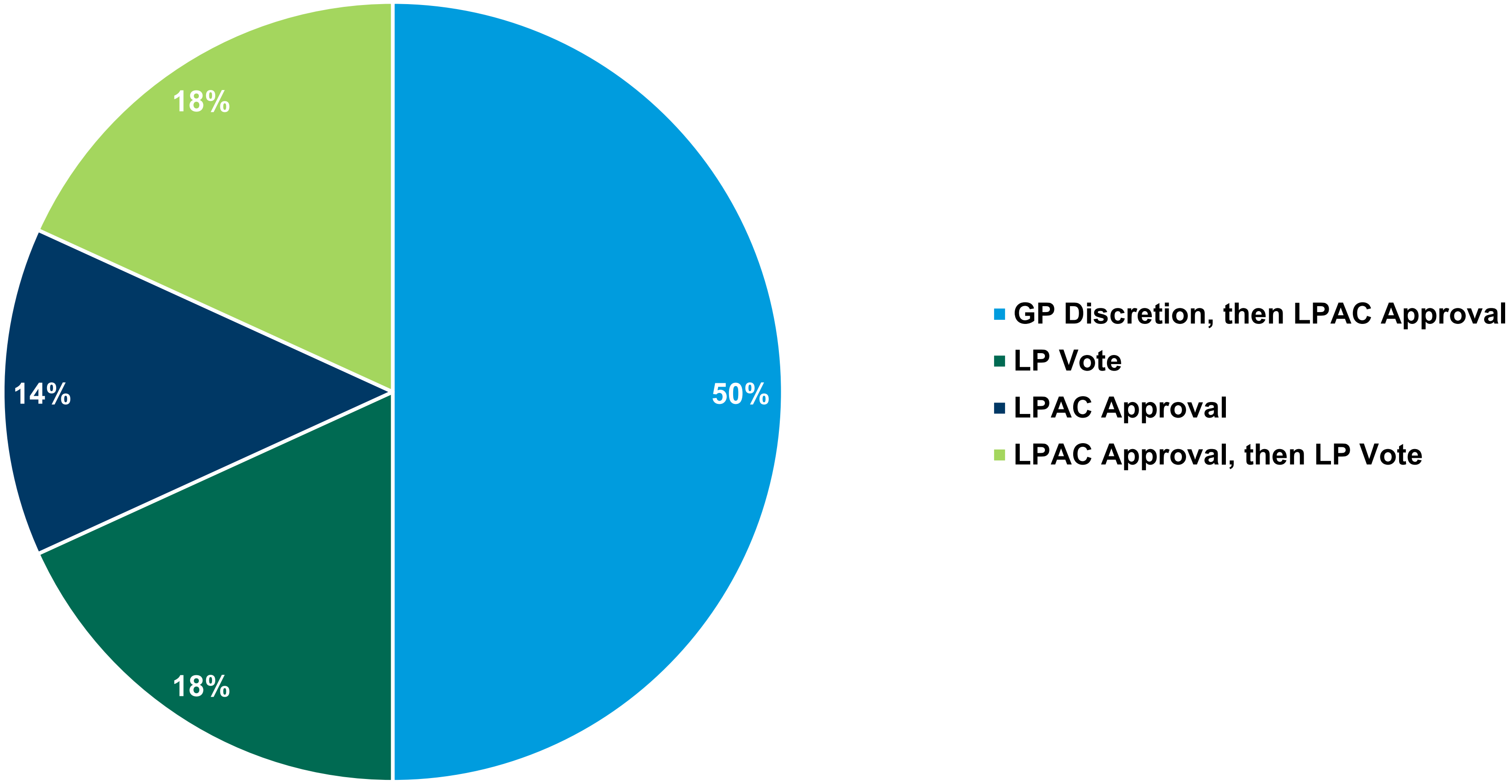
All Funds

A variety of mechanisms continue to be used for extending the initial term. In recent years, there has been an increase in the number of funds that give the GP discretion in relation to at least one extension (53% this year and 54% last year, up from 41% and 36% in the two years prior to that), and this trend is clear across all fund sizes, even the largest. We continue to see increasing relaxation of extension provisions in the GP's favour; where the GP has initial discretion, this is more and more likely to be followed by an LPAC approval for further extensions, rather than a vote of LPs. Even where the GP has no discretion, we are seeing a relaxation of consent requirements in the same way, with less LP-wide involvement in such decisions across all fund sizes. This year the LPAC are involved in term extensions in some form in 60% of funds above €3.75bn and 58% of funds between €1.5-3.75bn.

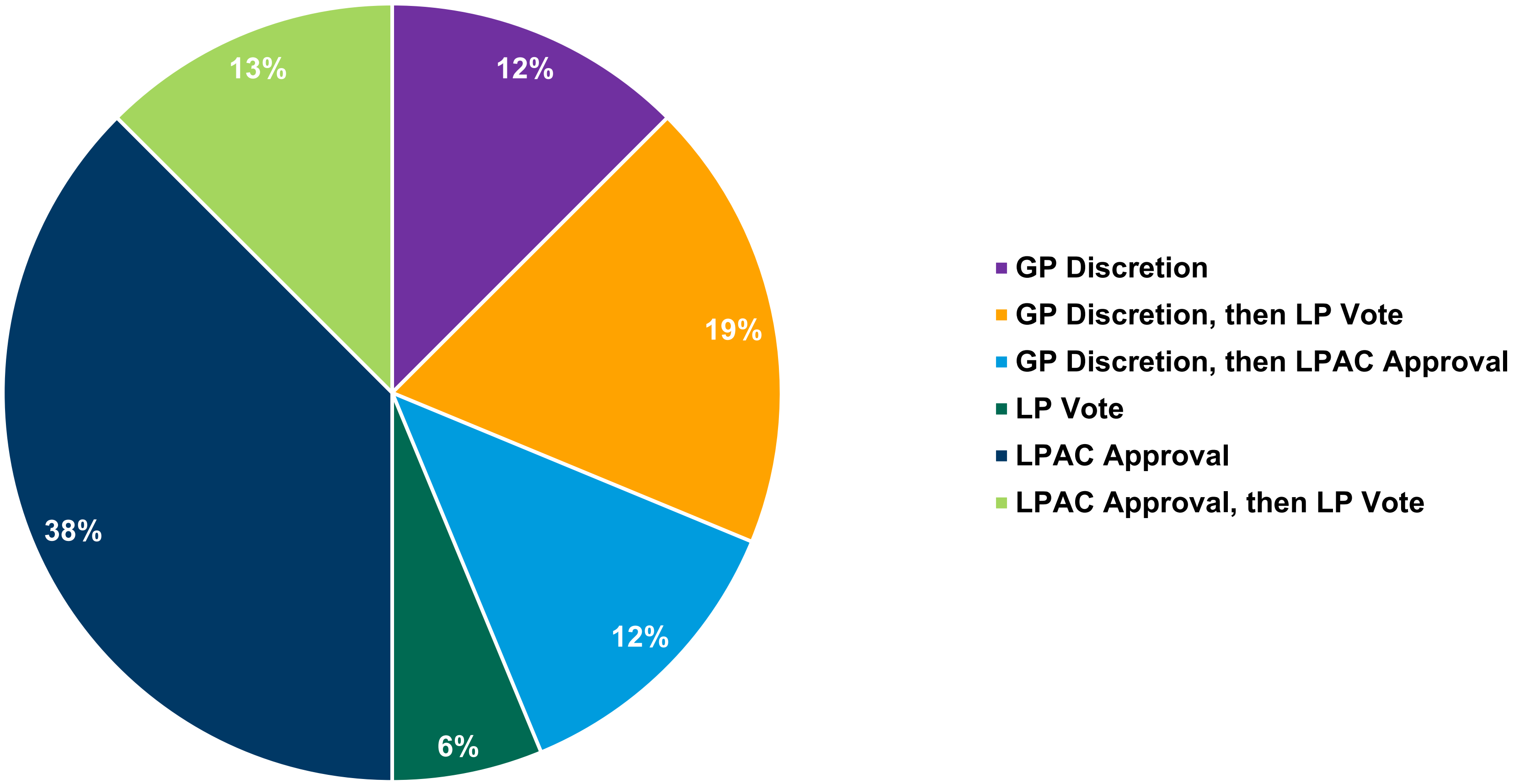
As mentioned above, this increased flexibility given to the GP is a way for the market to deal with the expectation of longer fund terms without changing the headline initial term. Discussions with investors around relaxing term extension provisions are invariably linked to negotiations relating to the management fee payable during any extension period.



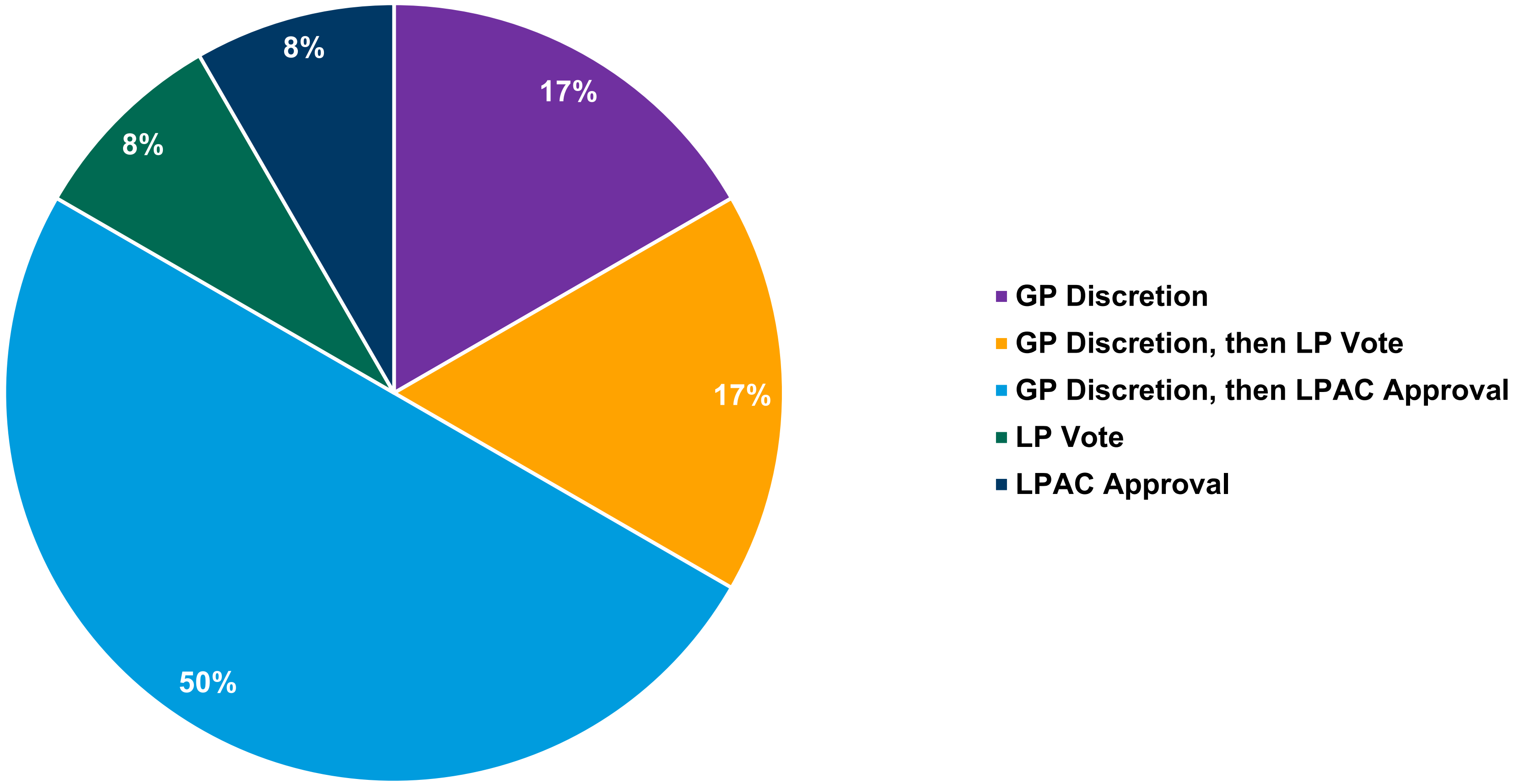
Approval required for extension of term
≤€500M



Approval required for extension of term
>€500M-€1.5B

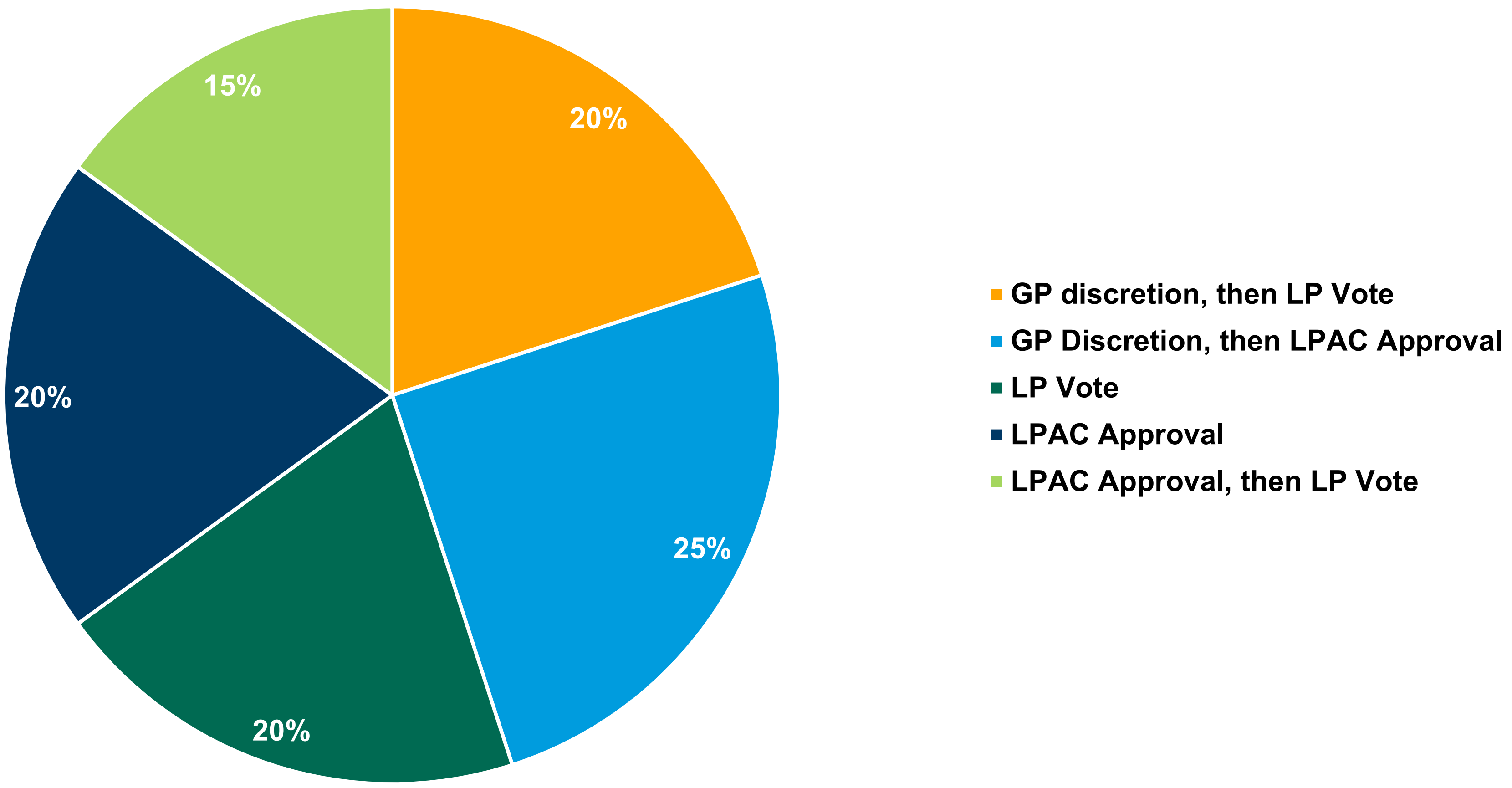


Approval required for extension of term
>€1.5B-€3.75B



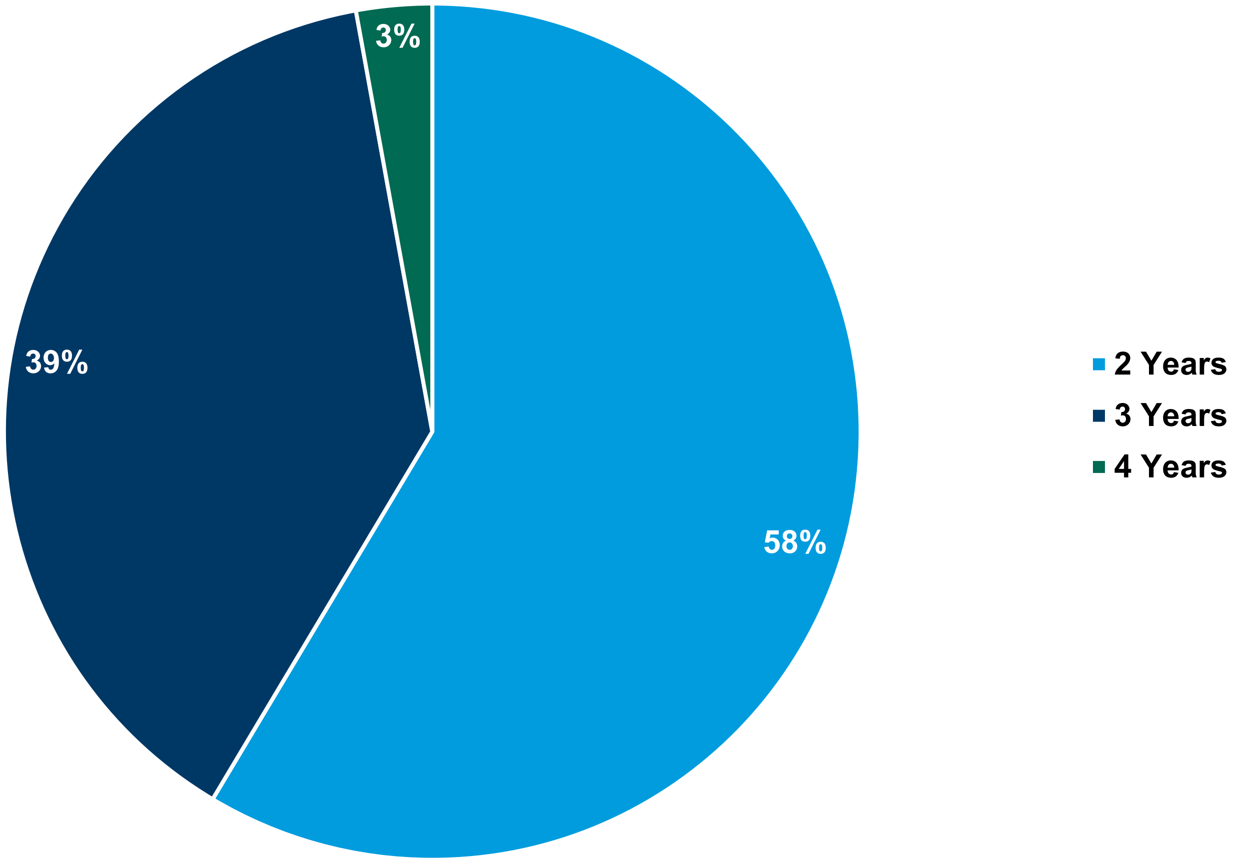
Approval required for extension of term

>€3.75B

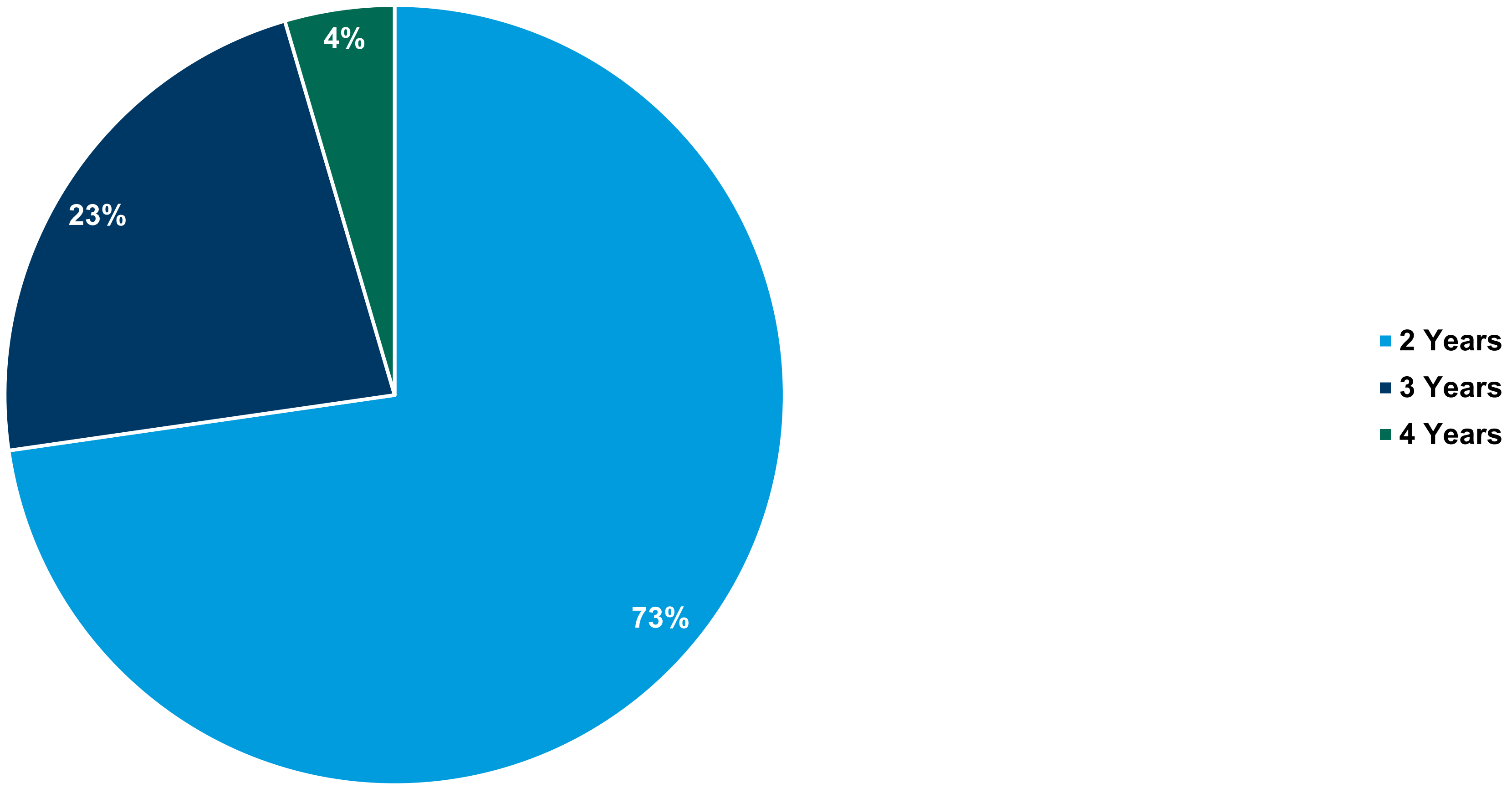


Maximum period of extensions of term
All Funds

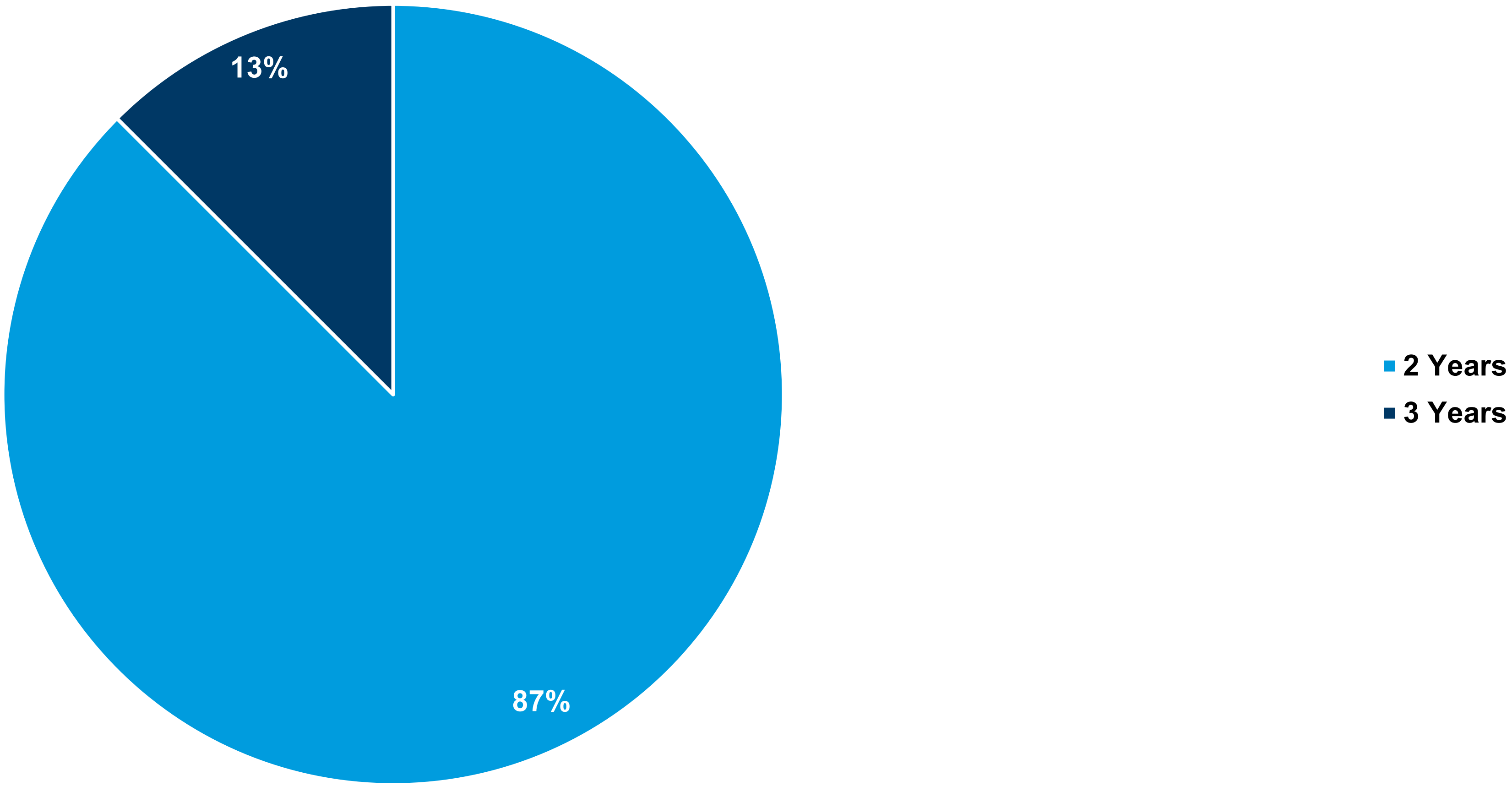
There is not a material change from last year’s data. Where extensions are permitted, the majority of funds may be extended by two one-year extensions, although a significant number (39% - up from 32% last year) provide for potentially longer periods of three or four years. Generally, larger funds are more likely to have permitted extension of periods of more than two years, with 60% of funds in the €3.75bn+ category and 75% of funds in the €1.5-3.75bn category having extensions of 3 or even 4 years.



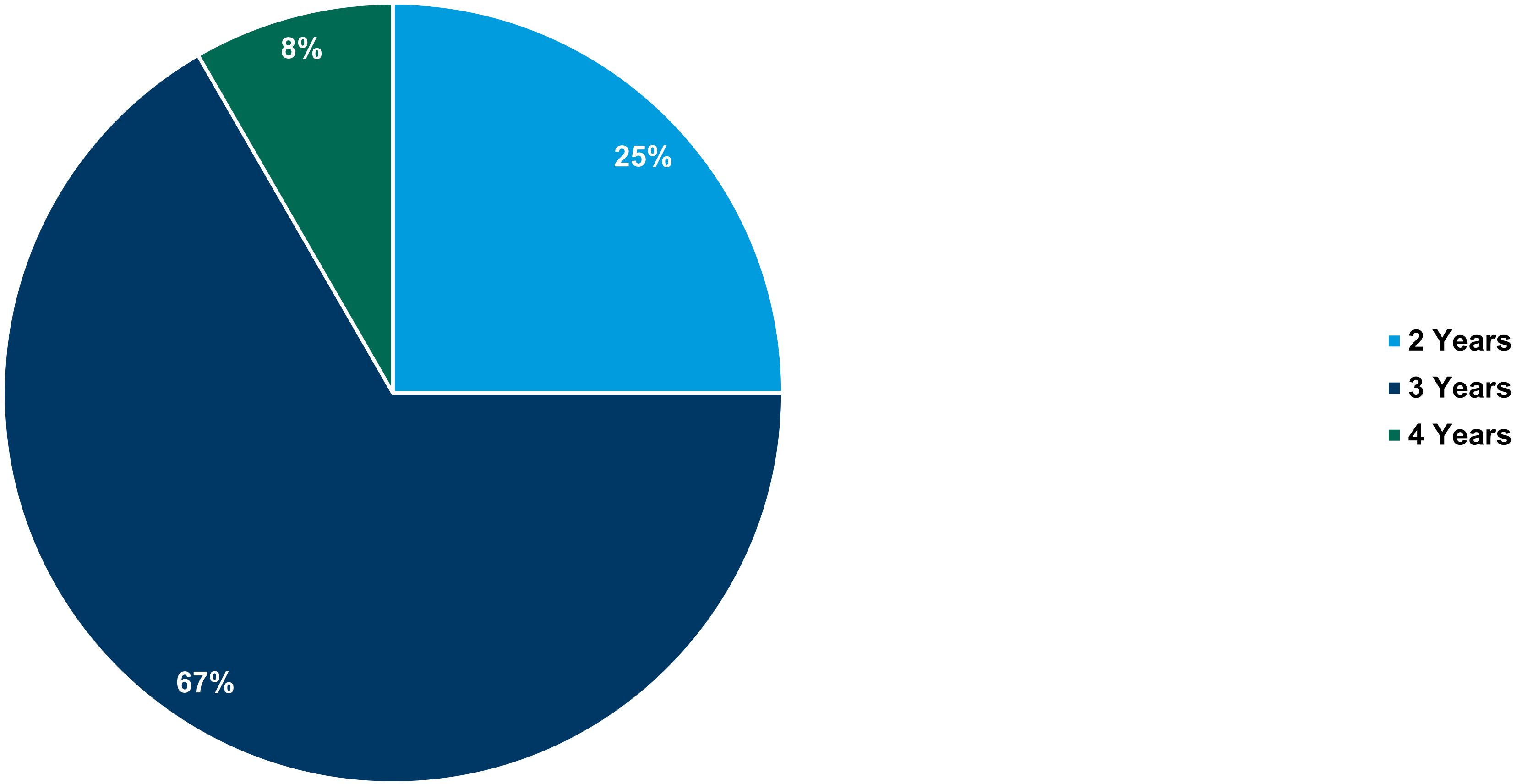
Maximum period of extensions of term
≤€500M



Maximum period of extensions of term
>€500M-€1.5B

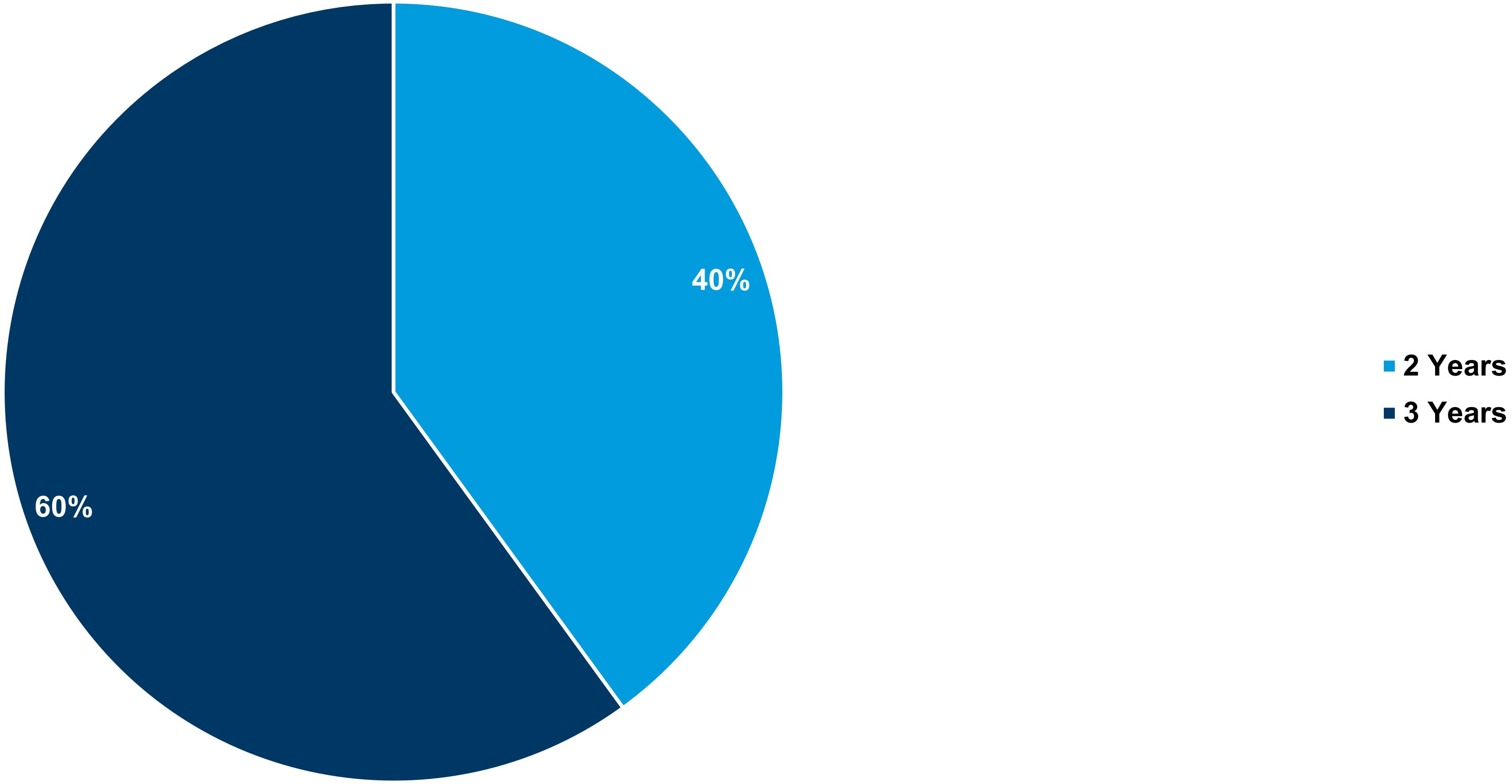


Maximum period of extensions of term
>€1.5B-€3.75B



Maximum period of extensions of term

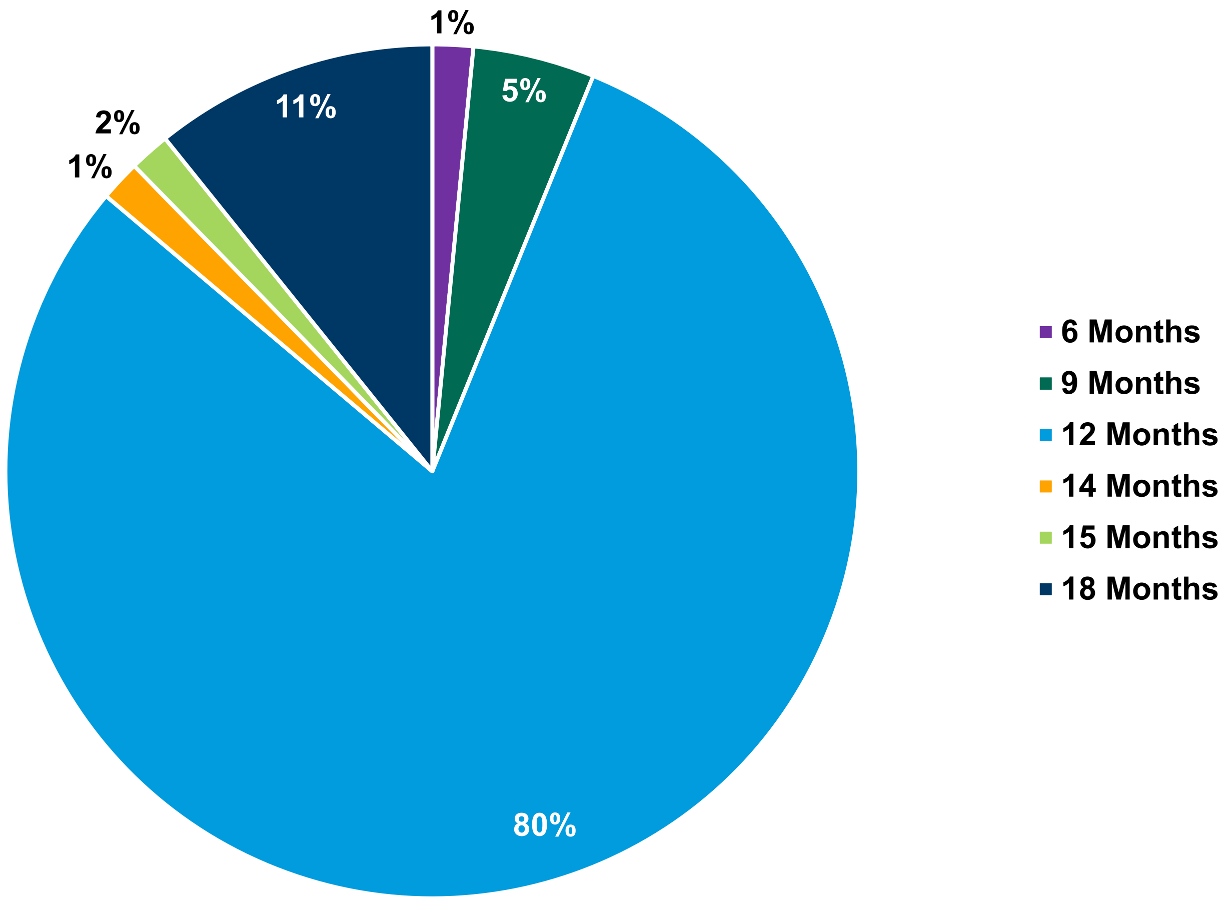
>€3.75B



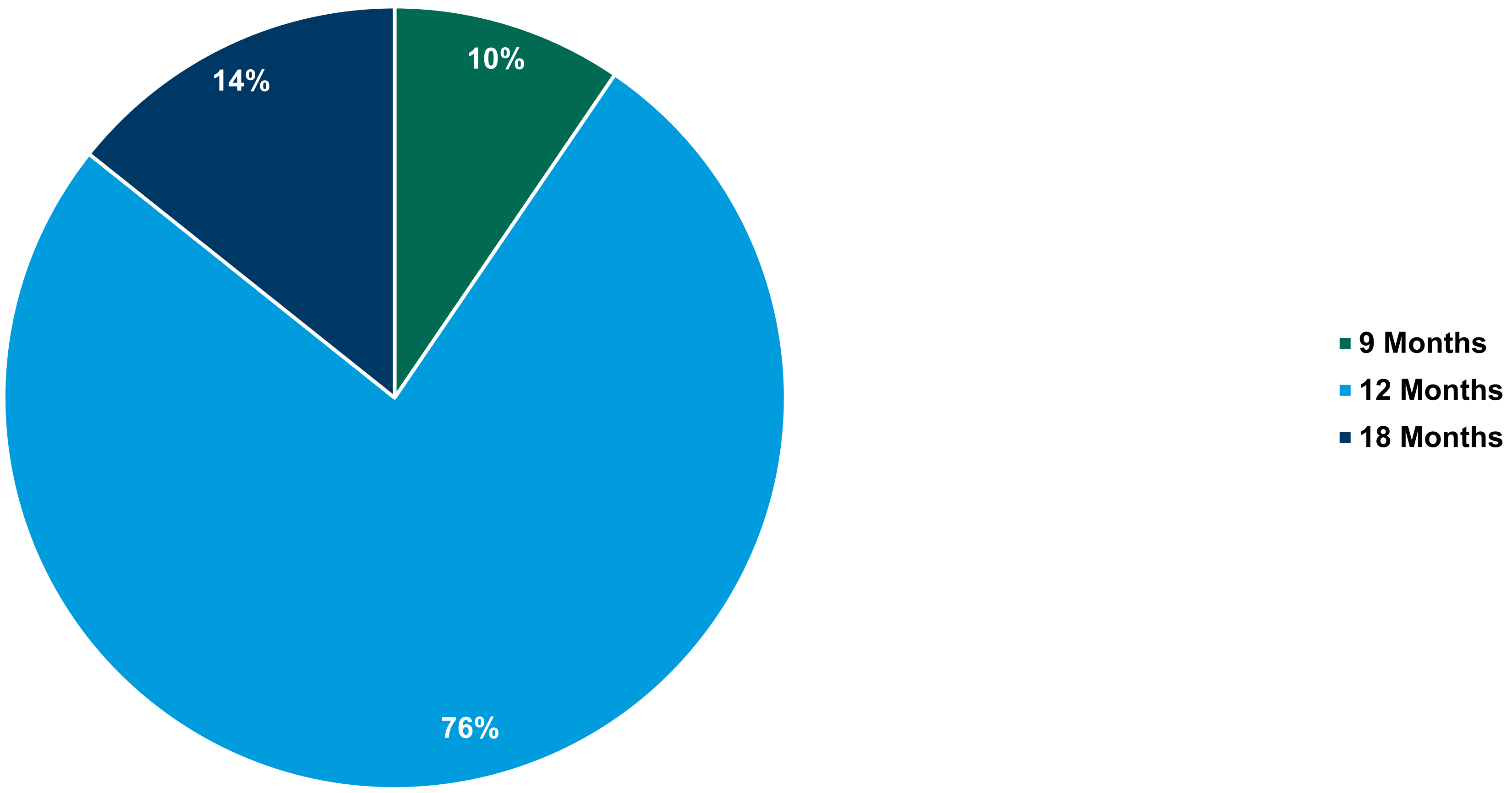
Fundraising period
All Funds

In 80% of funds surveyed, the initial fundraising period (i.e., the longest permitted time between first closing and final closing) was 12 months. This was generally consistent across funds sizes.

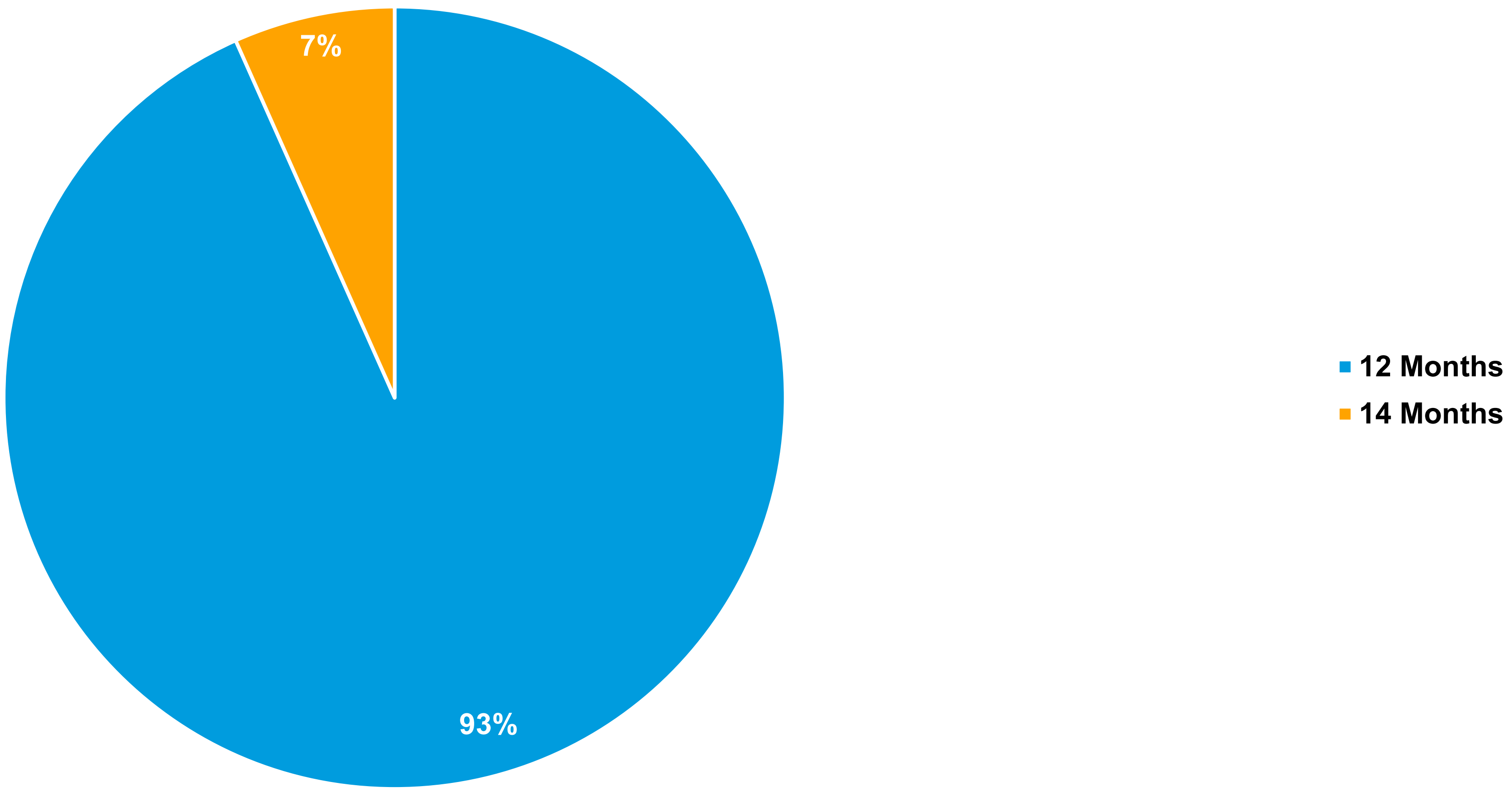
We should note that the figures here are for the initial permitted fundraising period. A number of funds will have their final closing much earlier than the potential final closing date, and others will look to extend the period beyond the date specified in the LPA (which is often permitted with LPAC or investor consent).



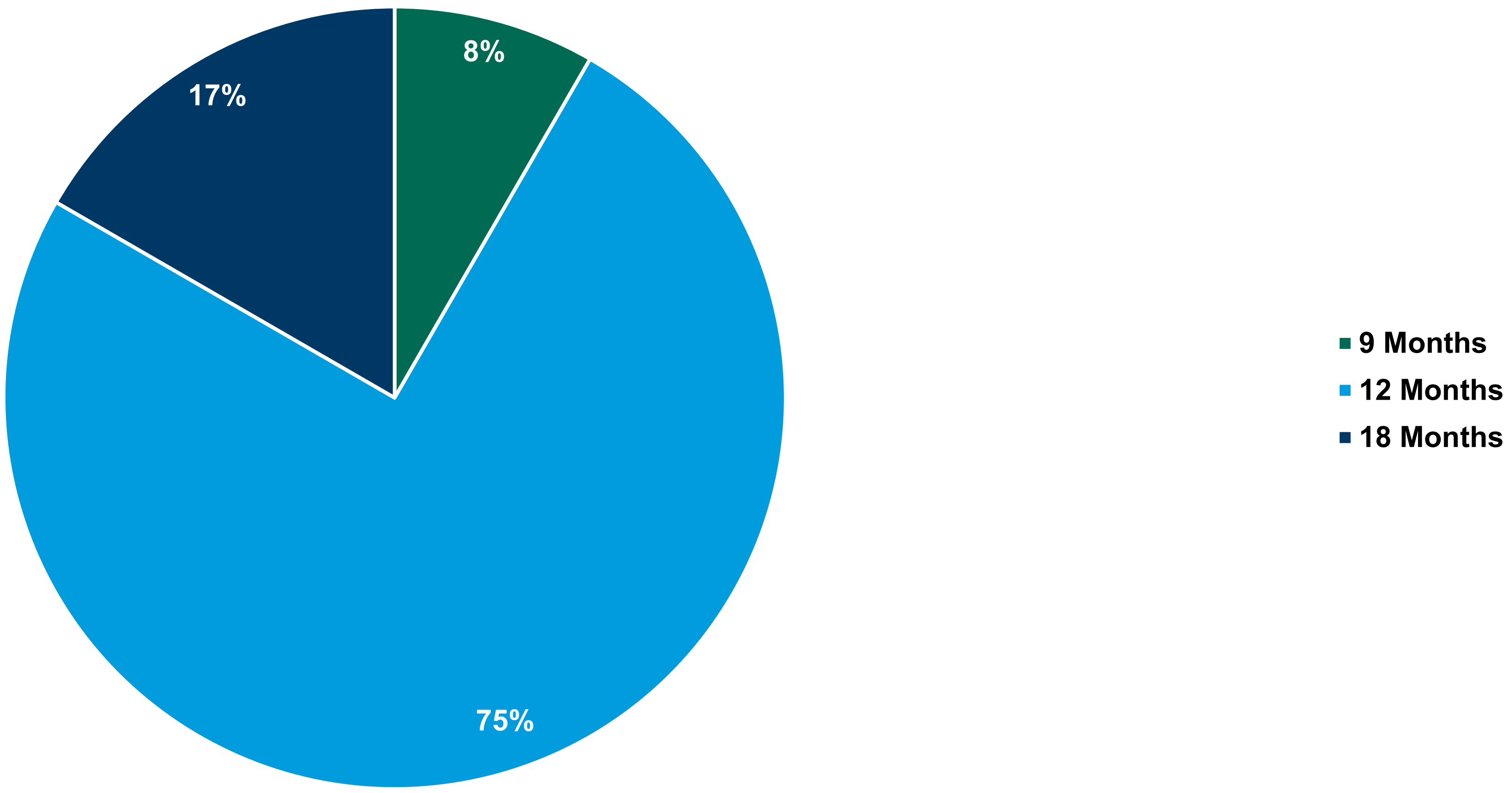
Fundraising period
≤€500M



Fundraising period
>€500M-€1.5B

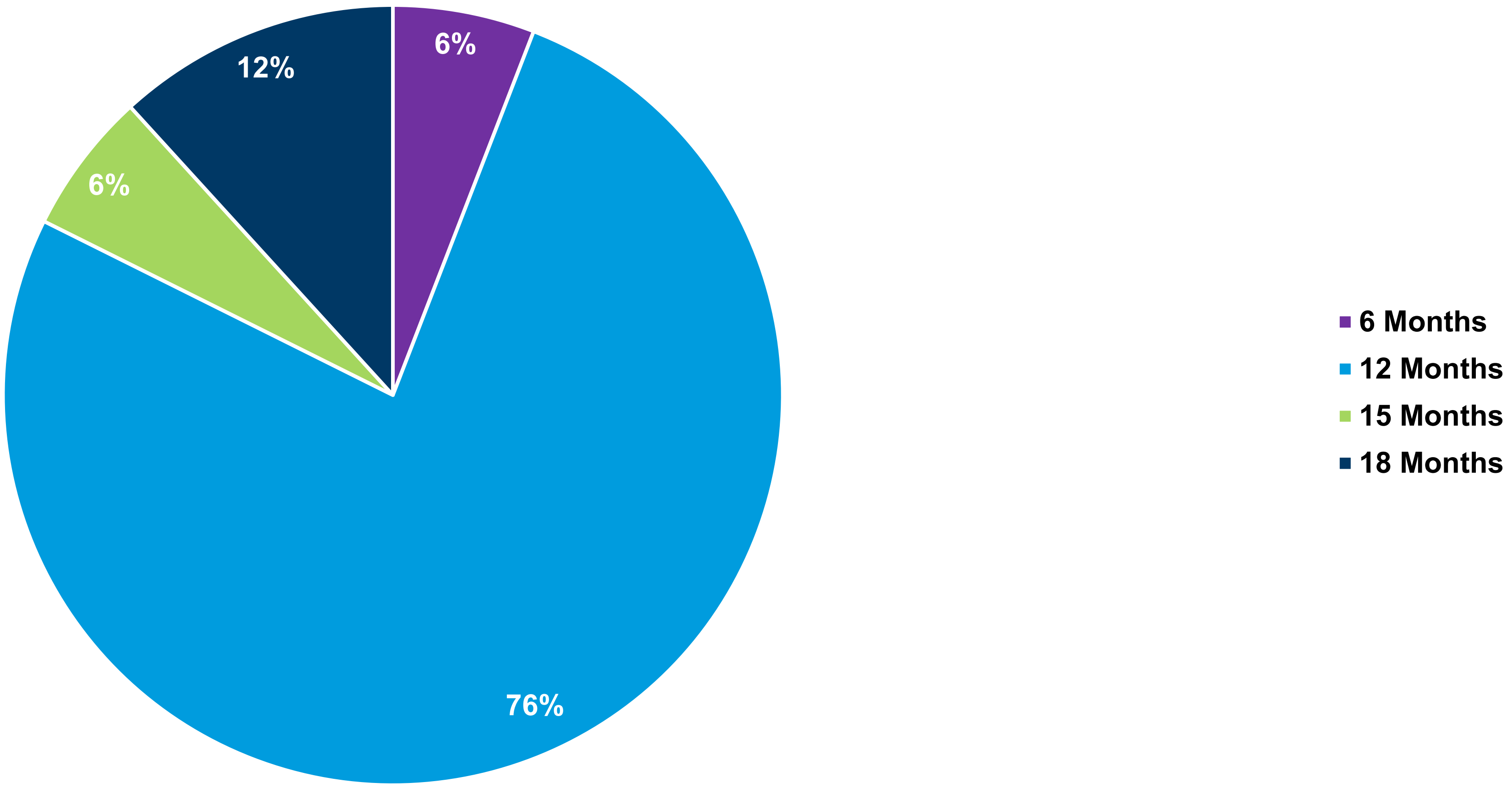


Fundraising period
>€1.5B-€3.75B



Fundraising period

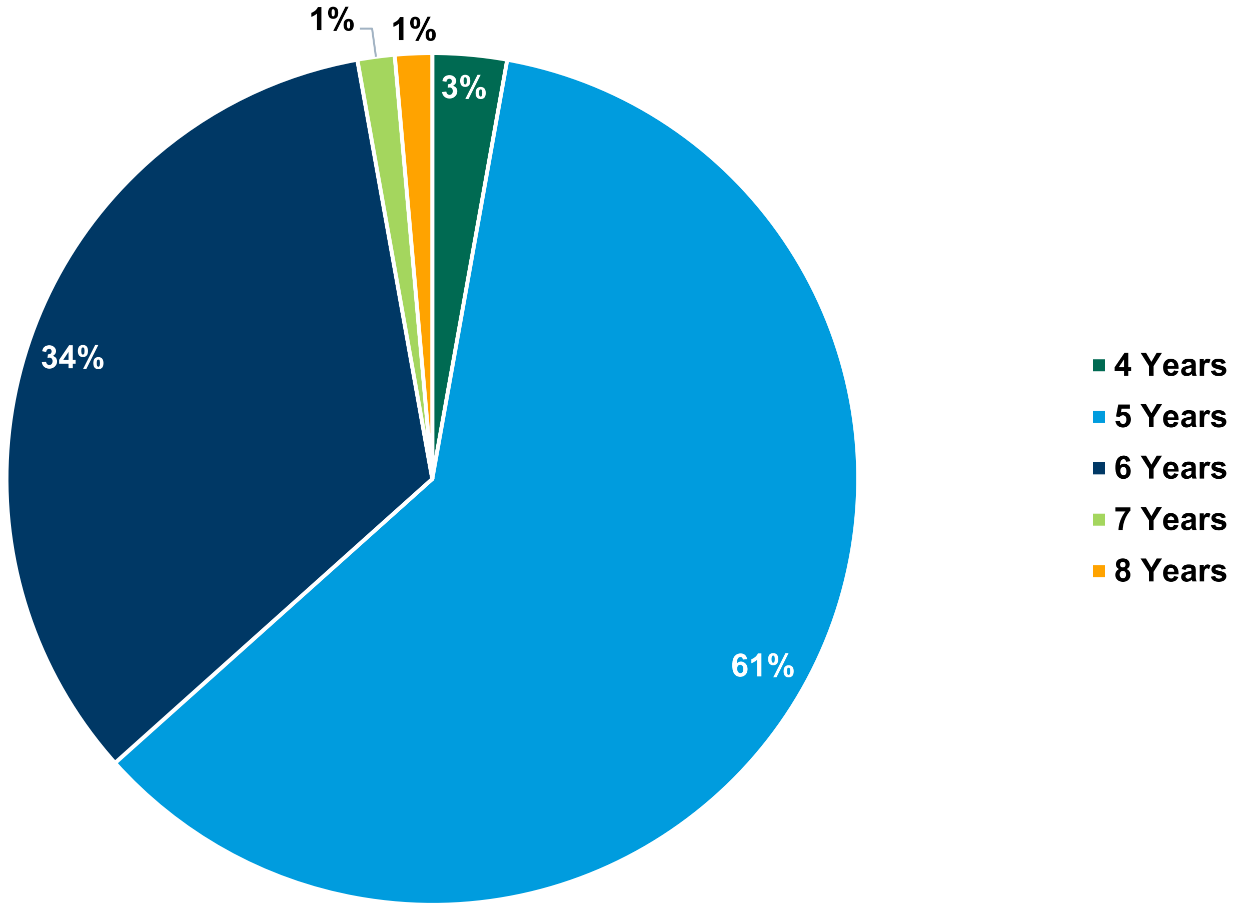
>€3.75B



Investment period
All Funds

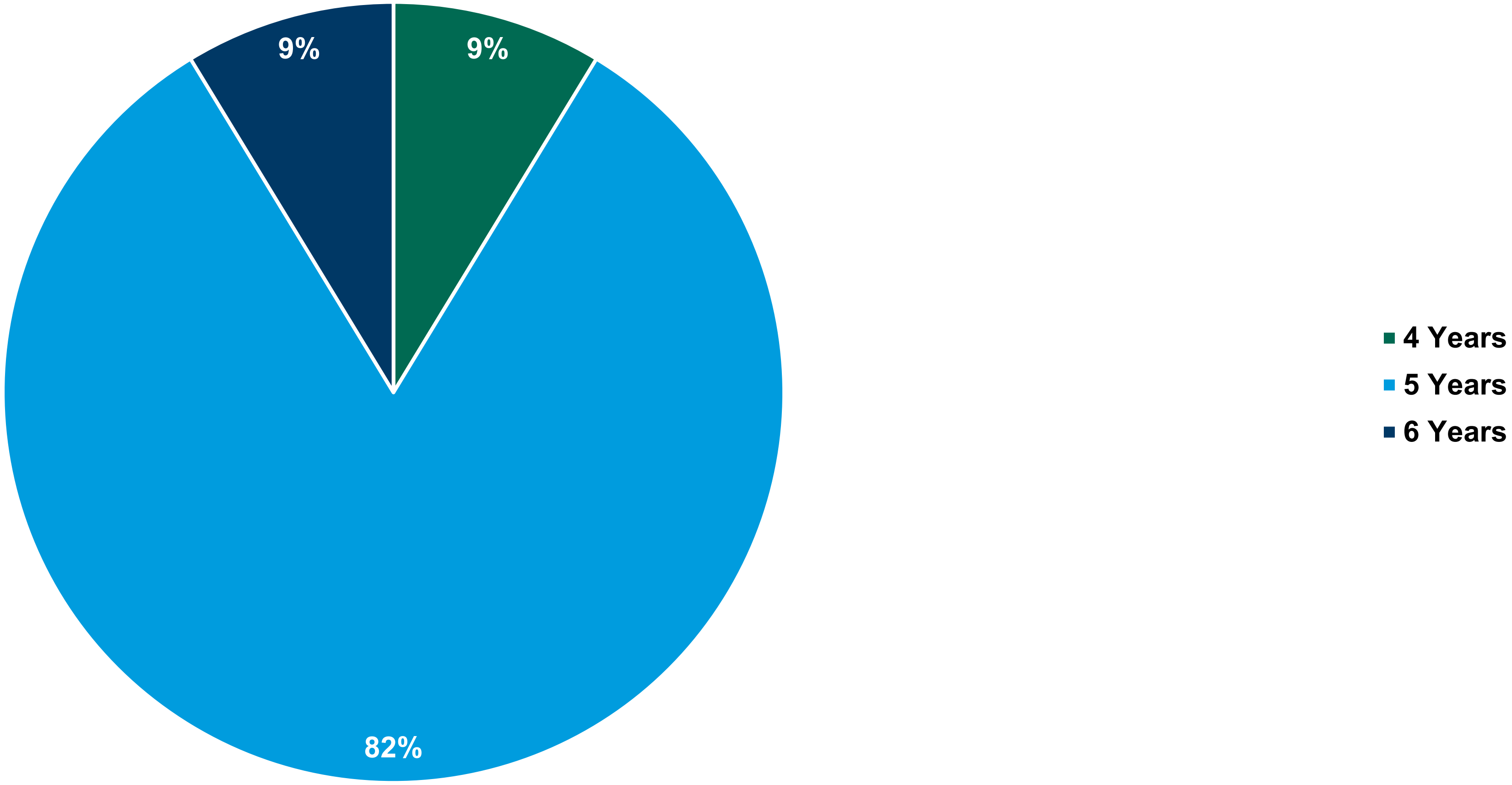
On average, there has been no material year-on-year change in the data. A five-year investment period remains the most common in the funds in our sample, with 61% of funds surveyed falling within this bracket. However, we are seeing consistent data across years with the largest funds (>€3.75 billion) more likely to have 6-year investment periods (60% this year).

Managers have typically sought longer investment periods to build in flexibility during times of uncertainty in the market, on the basis that they are able to deploy funds more consistently and not be forced to spend during unfavourable economic conditions, an issue which is more acute at the larger end of the market. Longer investment periods also mean a longer period during which the full management fee will be running, subject to any step-downs triggered by a successor fund being raised.

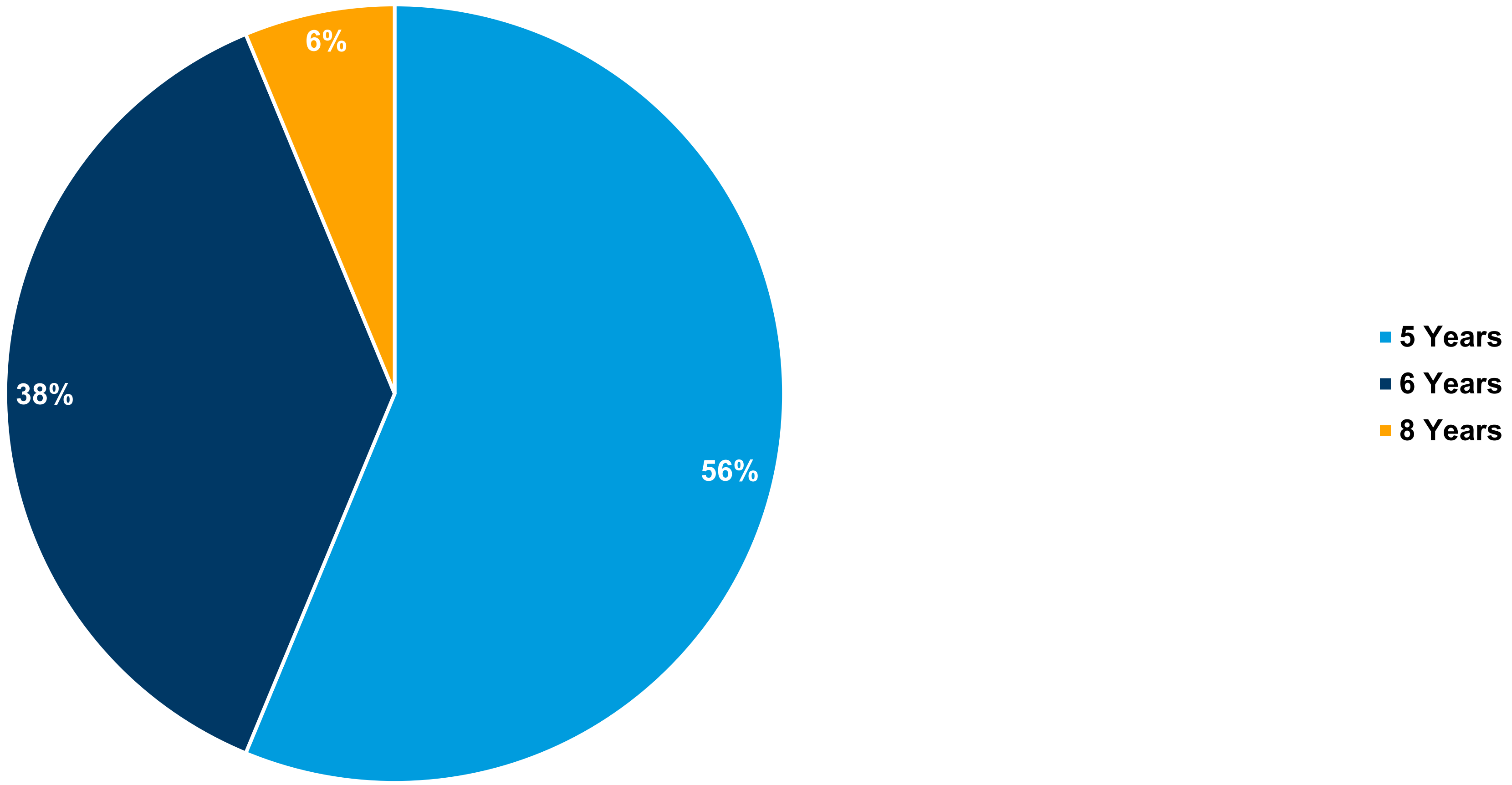


Investment period

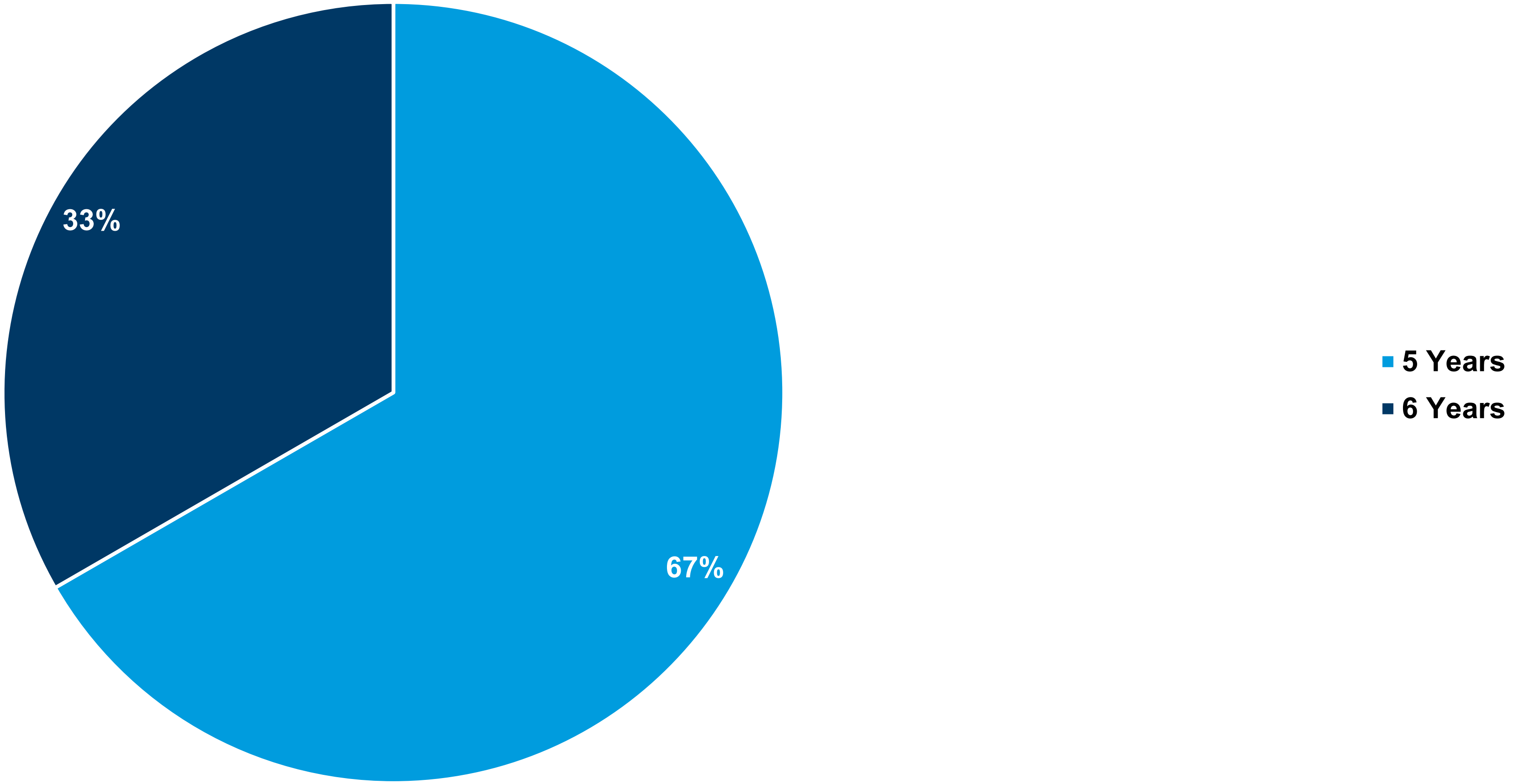
≤€500M



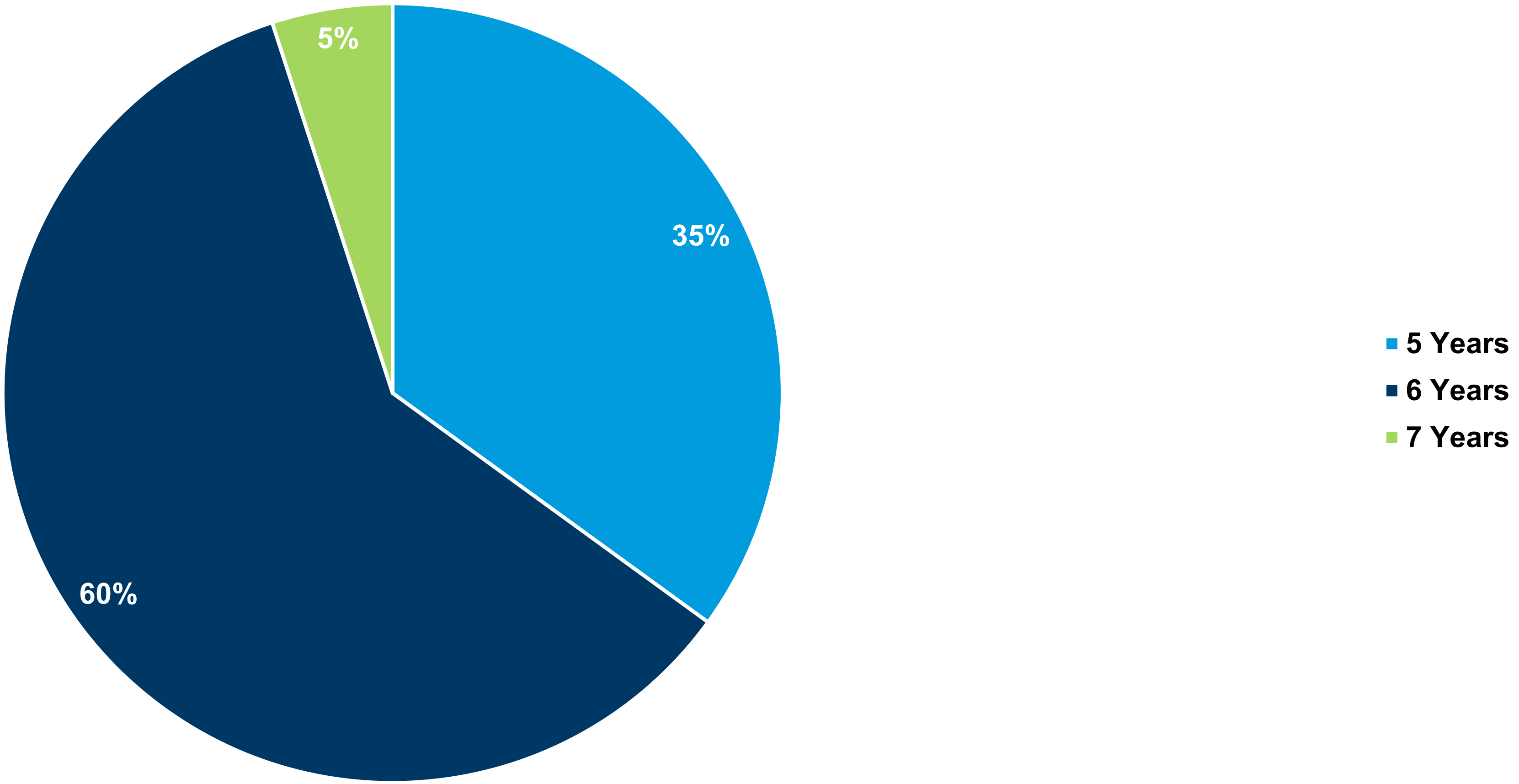
Investment period
>€500M-€1.5B



Investment period
>€1.5B-€3.75B



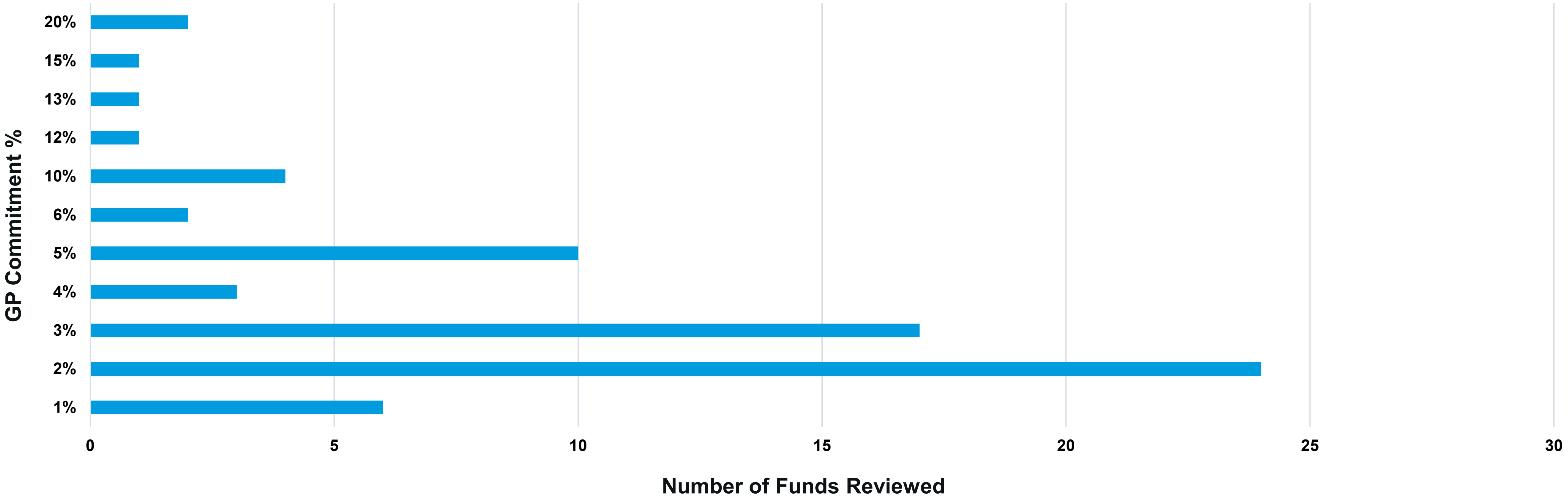
Investment period
>€3.75B



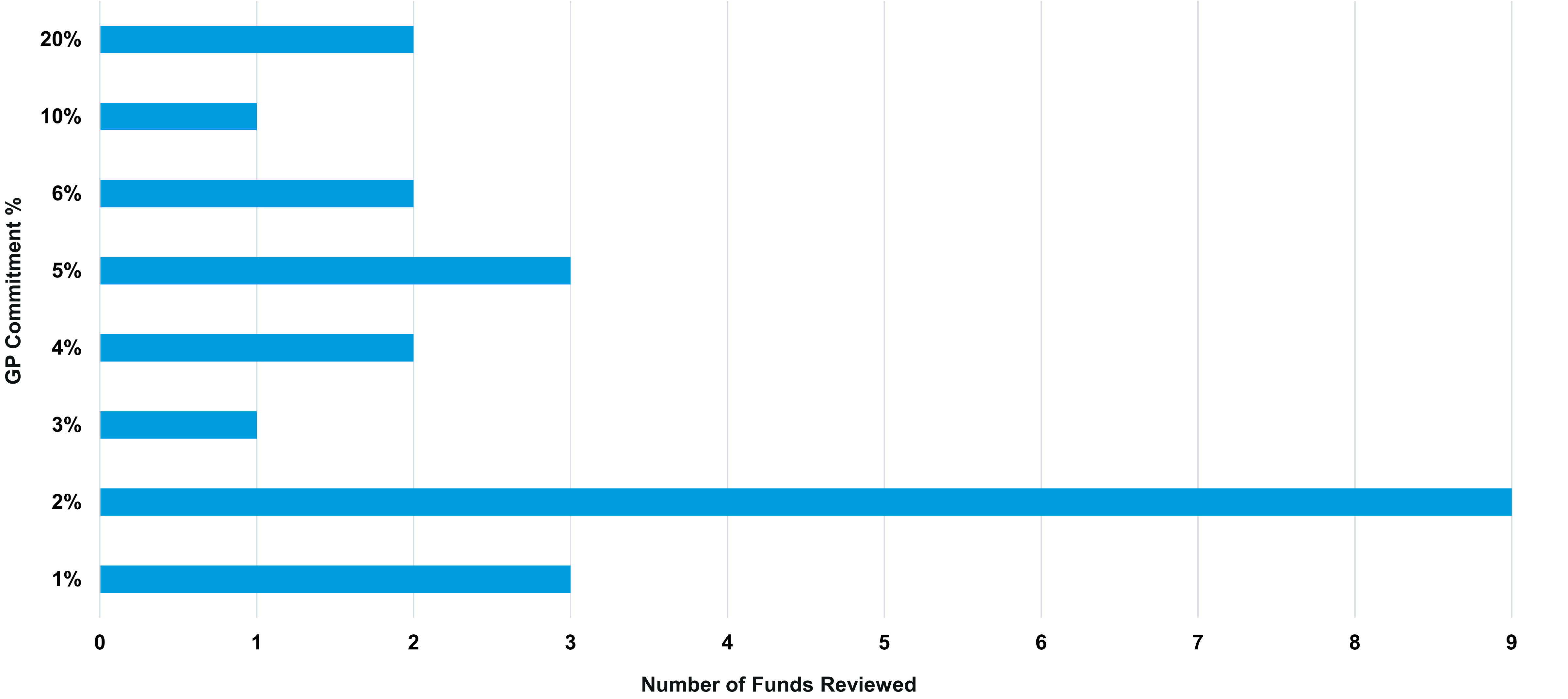
GP commitment (% of commitments)

All Funds

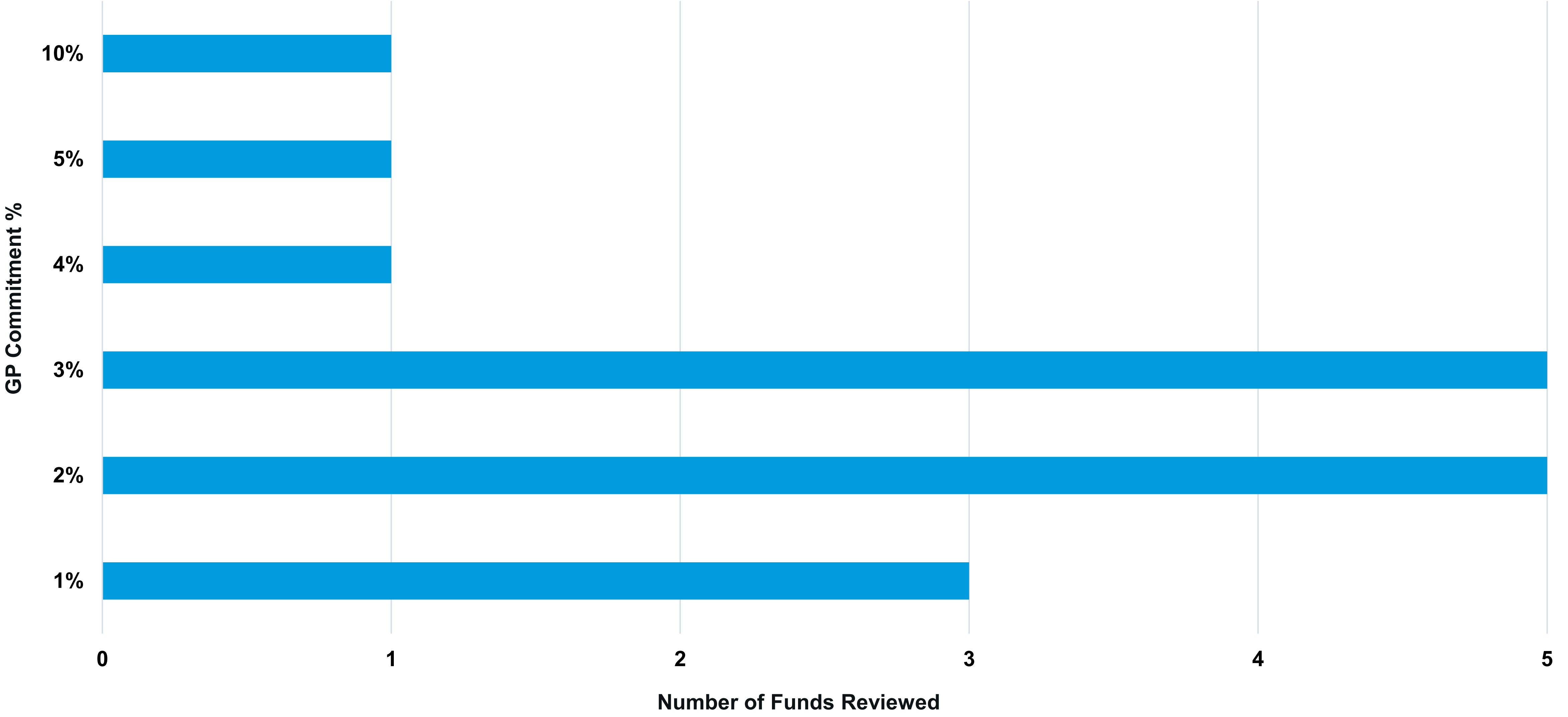
As in previous years, most GPs commit between 1-5% of commitments to their funds, with 2% and 3% being the most common – 39 out of the 71 funds surveyed had a base GP commitment of 2% or 3%. Notably, 6 funds in our survey had a minimum GP commitment of 1%, compared with 18 funds in our prior survey. As we have noted in the past though, the figures reported here tend to be the minimum required commitment, and a number of GPs commit more than the minimum amount. Overall, however, this year's figures indicate a slight move towards greater GP alignment with LPs through larger GP commitments. This is particularly notable given the current rapid pace of fundraising, which you would expect to place strain on GPs' ability to fund larger commitments.



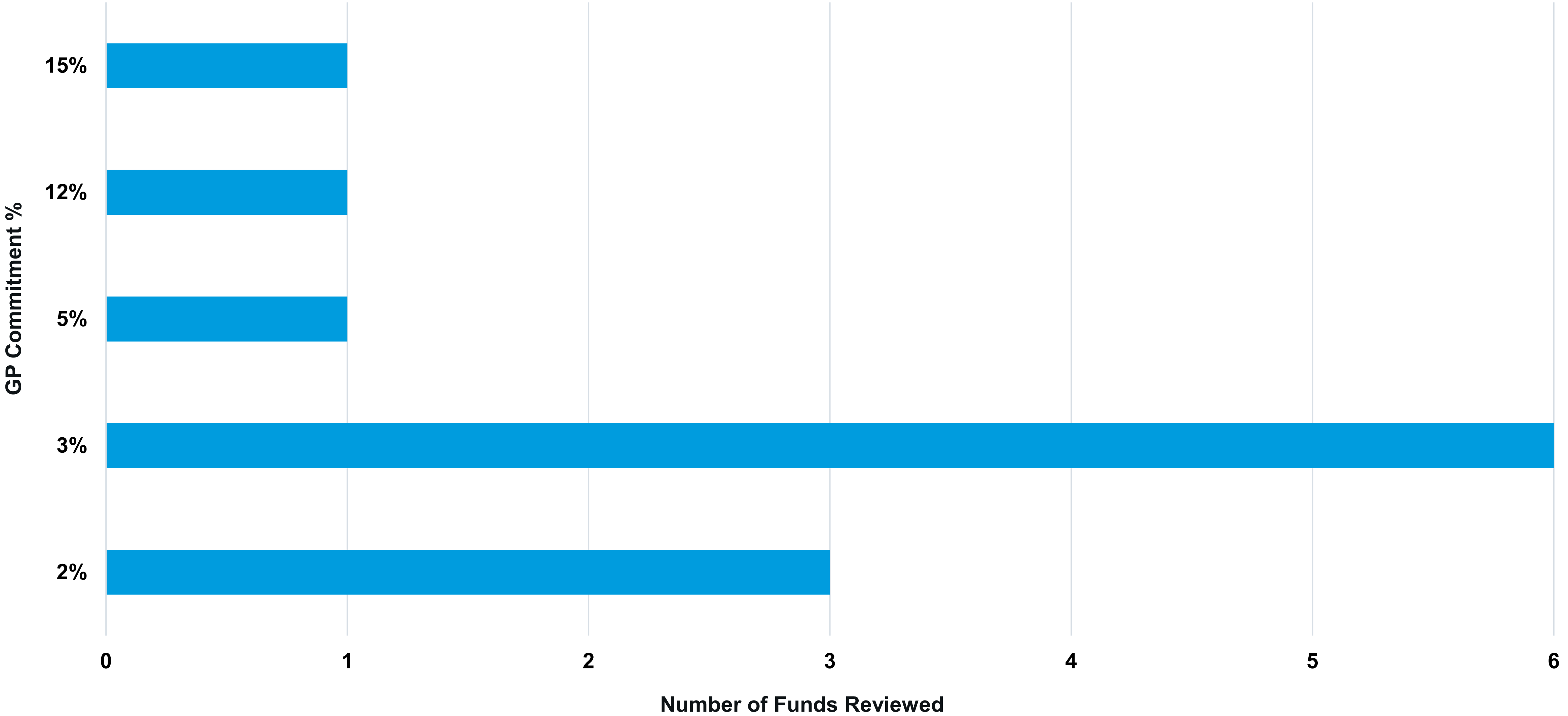
GP commitment (% of commitments)
≤€500M



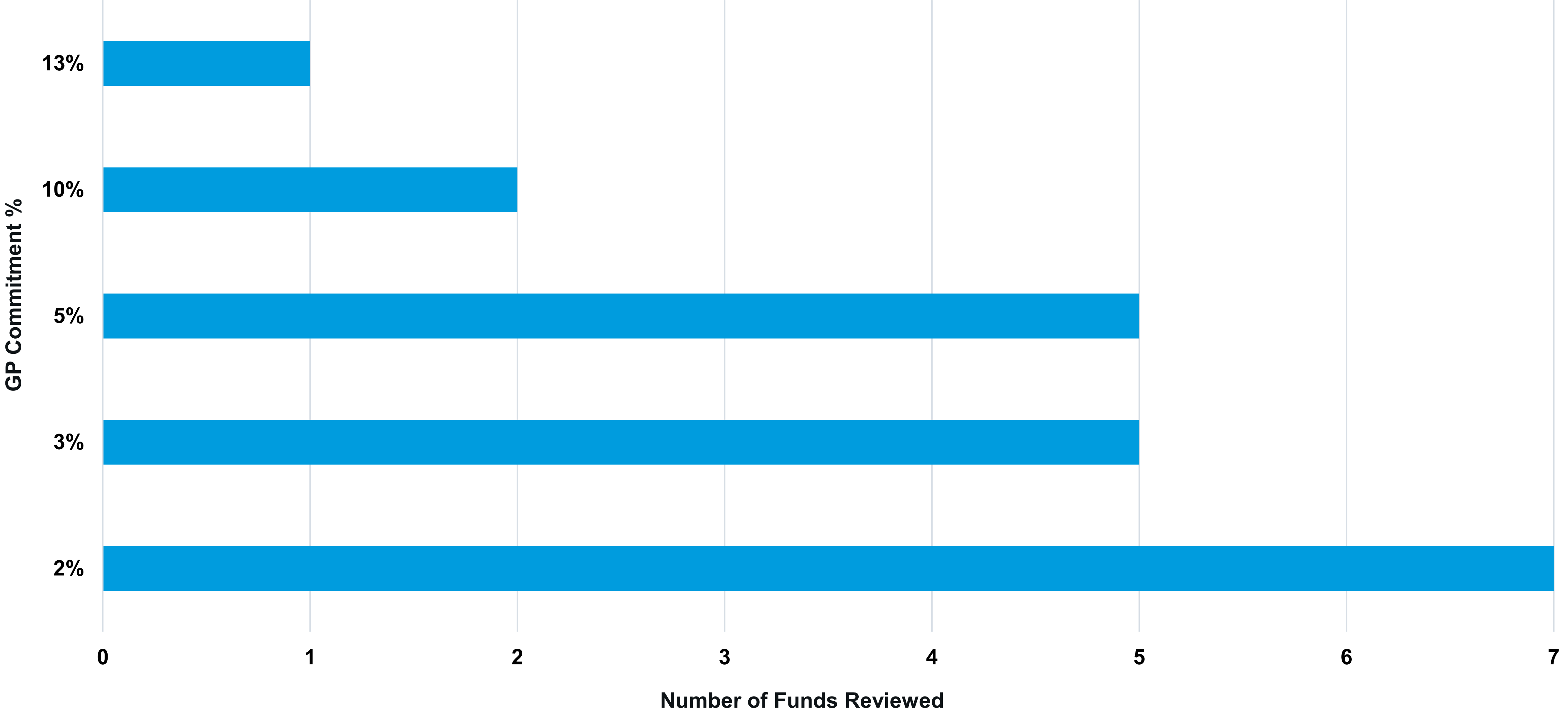
GP commitment (% of commitments)
>€500M-€1.5B



GP commitment (% of commitments)
>€1.5B-€3.75B



GP commitment (% of commitments)
>€3.75B

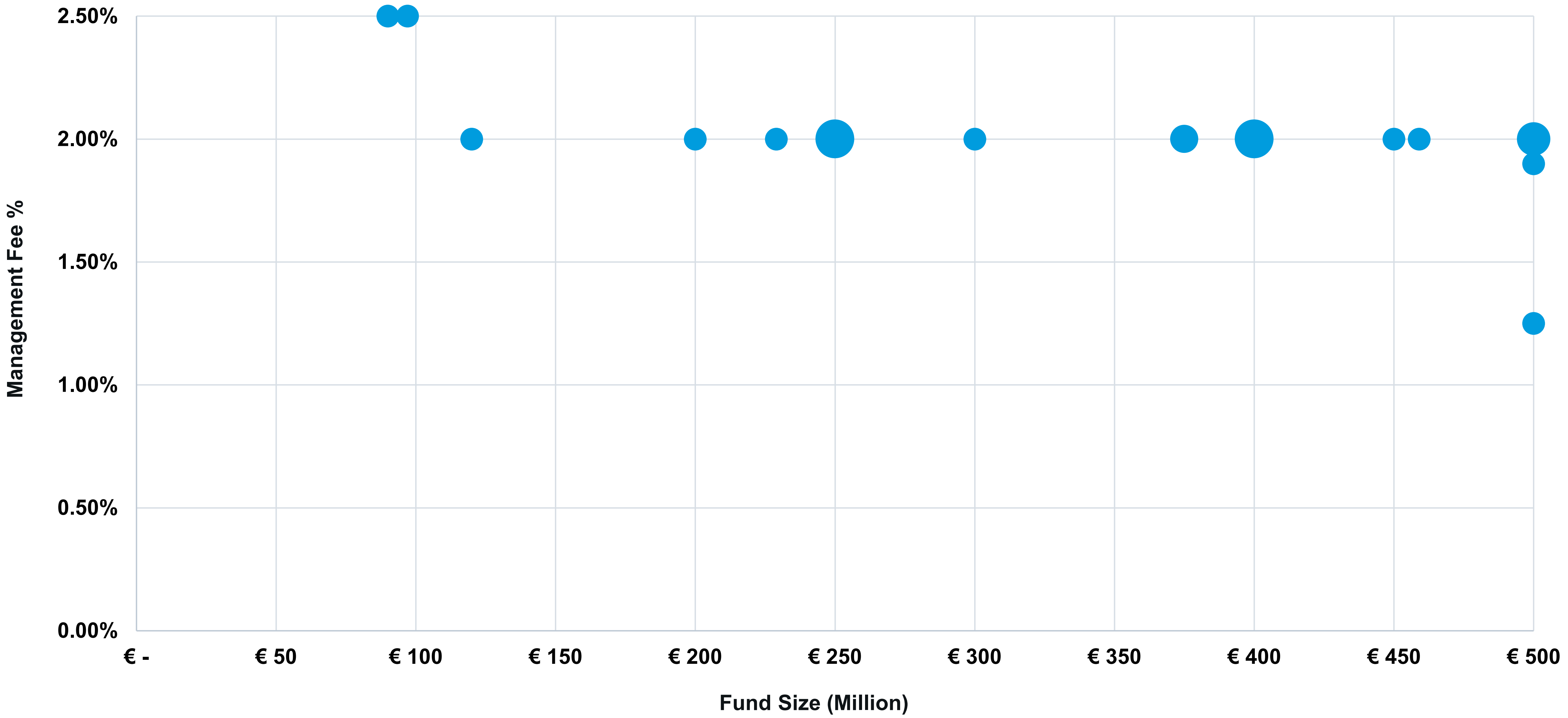


Annual management fee rate – Investment period (% of base)
All Funds

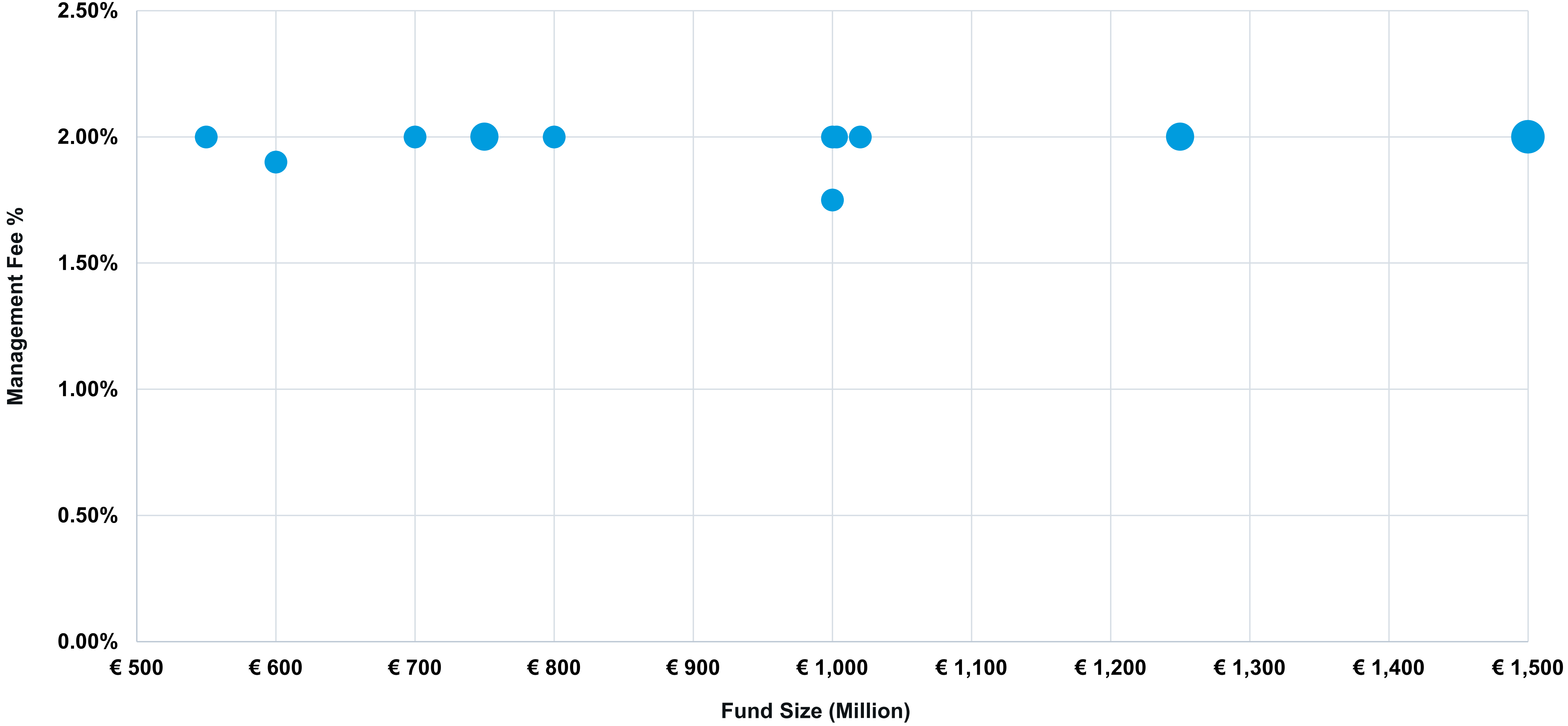
As in previous years, a management fee percentage of 2% per annum is dominant at smaller fund sizes, and all the way up to around €3.5 billion. A 1.75% headline rate is most common in the €3.5 billion to €6 billion category (with some exceptions at 1.8% and 2%), and a growing number in the €1.5 – €3.5 billion category. Funds larger than €6 billion all broadly have a 1.5% per annum management fee. It is important to add however that these are headline rates and many GPs continue to offer discounts for early and/or large commitments, particularly as part of a strategy to generate momentum amidst a challenging fundraising environment. Although data on discount rates is less rich, as a general rule LPs making very large, early commitments are likely to receive the largest discounts available.

Annual management fee rate – Investment period (% of base)

≤€500M

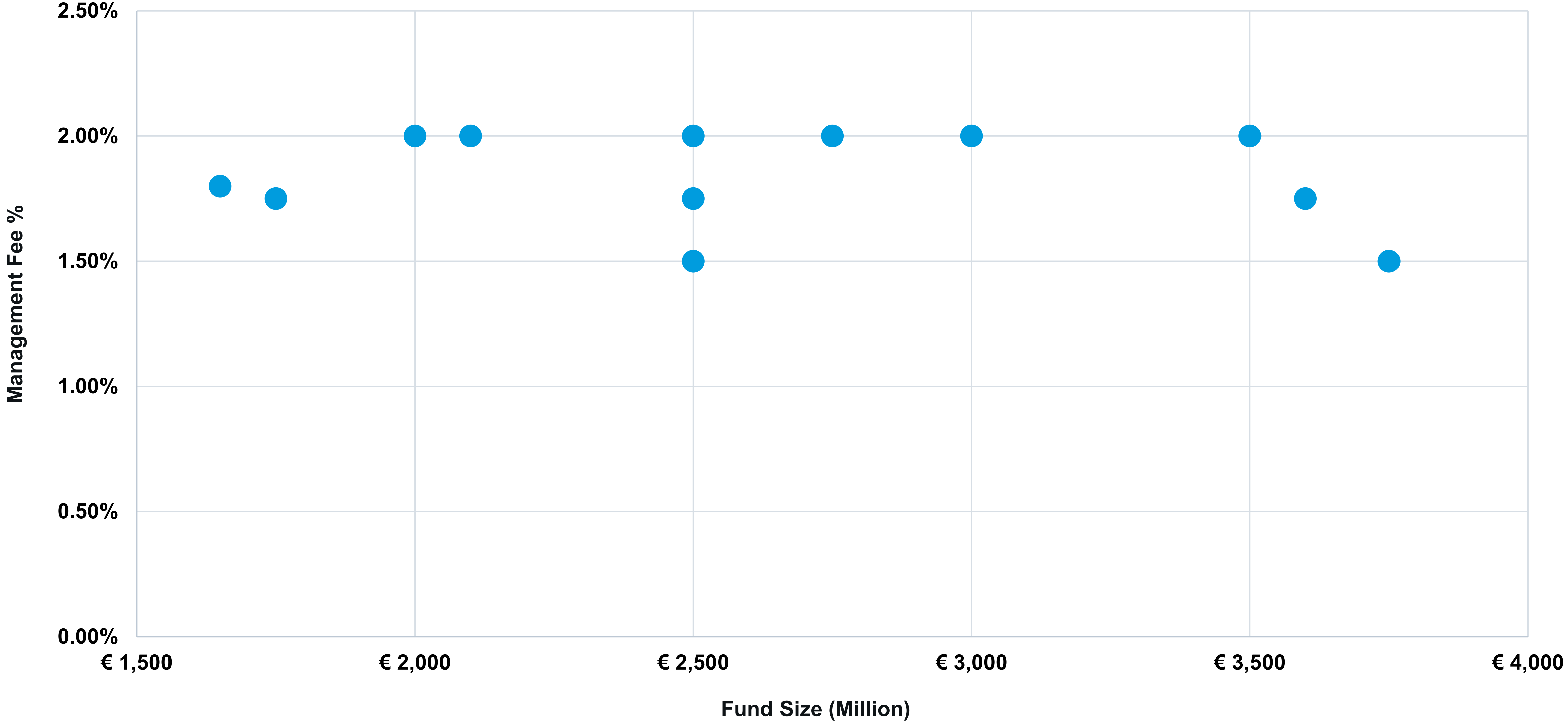


Annual management fee rate – Investment period (% of base)
>€500M-€1.5B



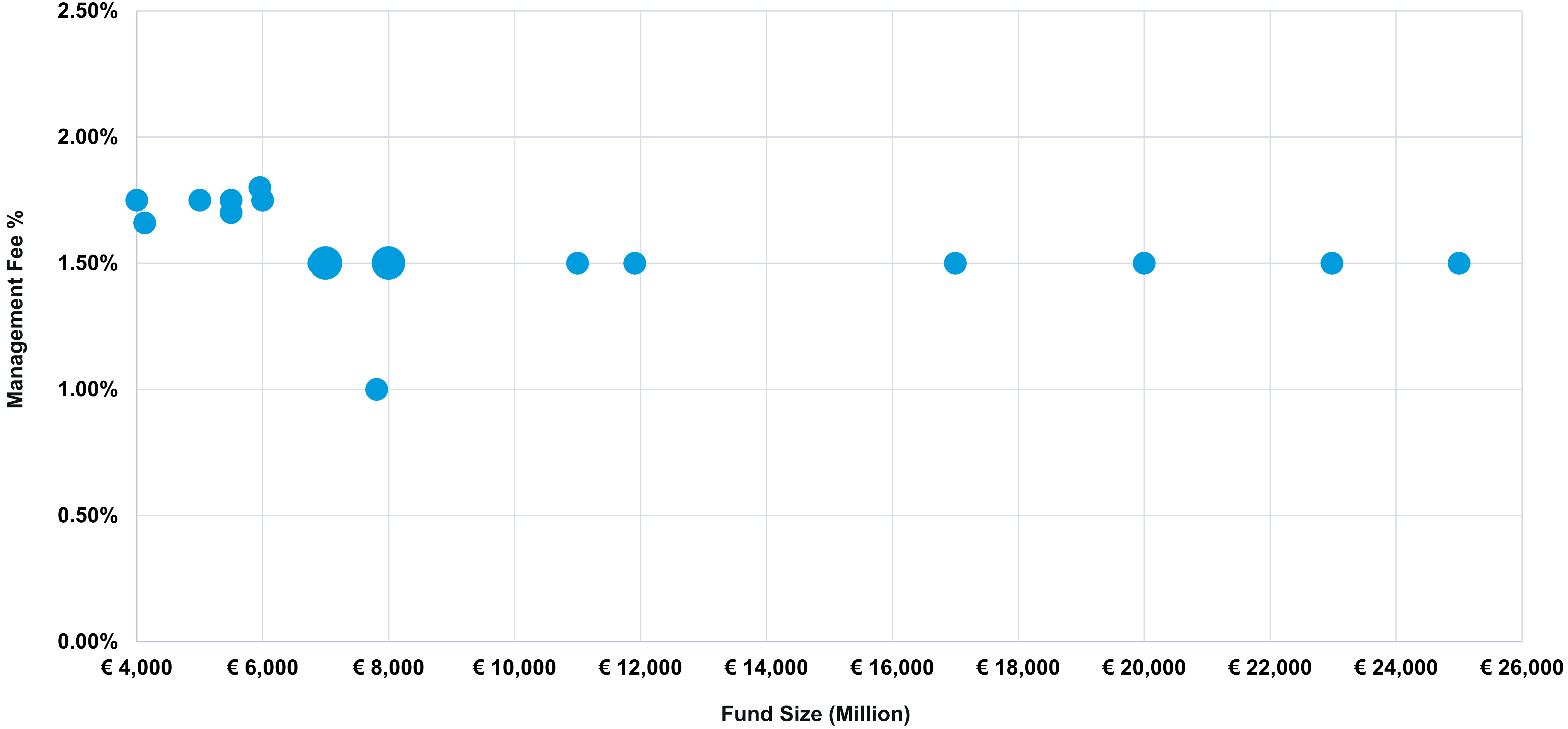
Annual management fee rate – Investment period (% of base)

>€1.5B-€3.75B



Annual management fee rate – Investment period (% of base)

>€3.75B

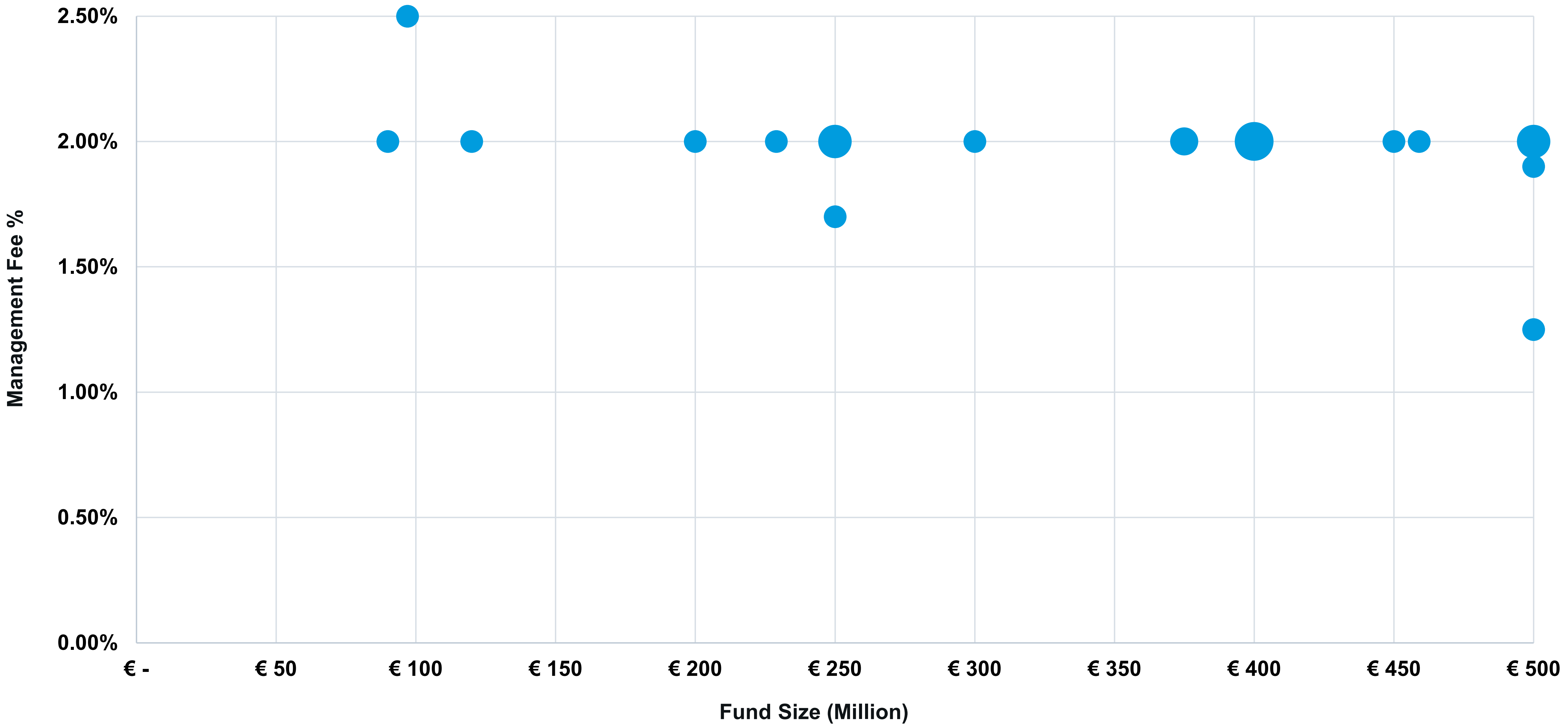


Annual management fee rate – Post-investment period (% of base)
All Funds

A reduction in management fee percentage after the end of the investment period becomes more common the larger the fund size. Whilst there is significant variability in this negotiated position, funds over €5 billion are more likely to drop to 1.5%, and for those funds in excess of €7 billion, 1.25%. We continue to see a valuable "middle ground" of 1.75% for those funds in the €3-6 billion range, useful in preserving a higher management fee towards the end of the life of the fund. As in previous years, the fee base in almost all funds will change from total commitments to some form of invested capital.

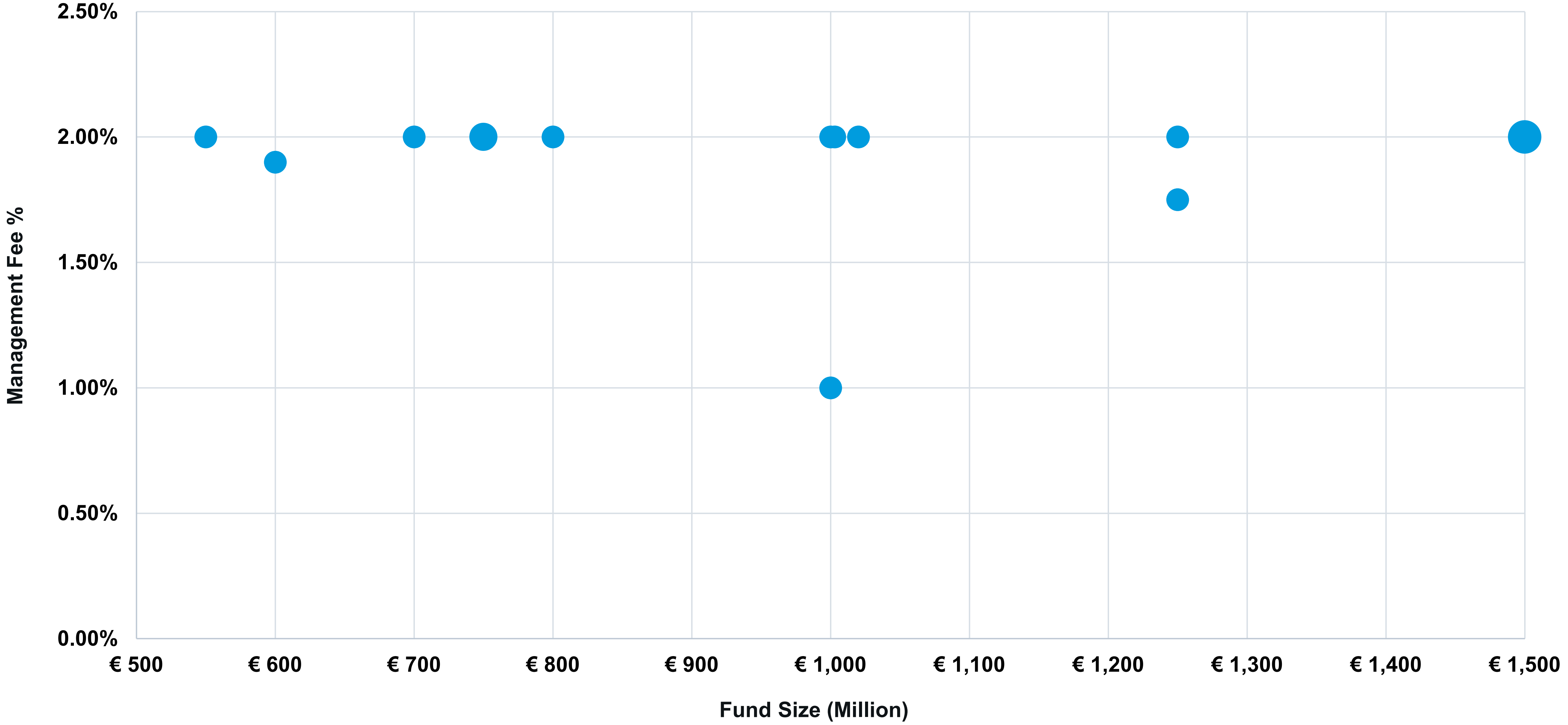
Annual management fee rate – Post-investment period (% of base)

≤€500M

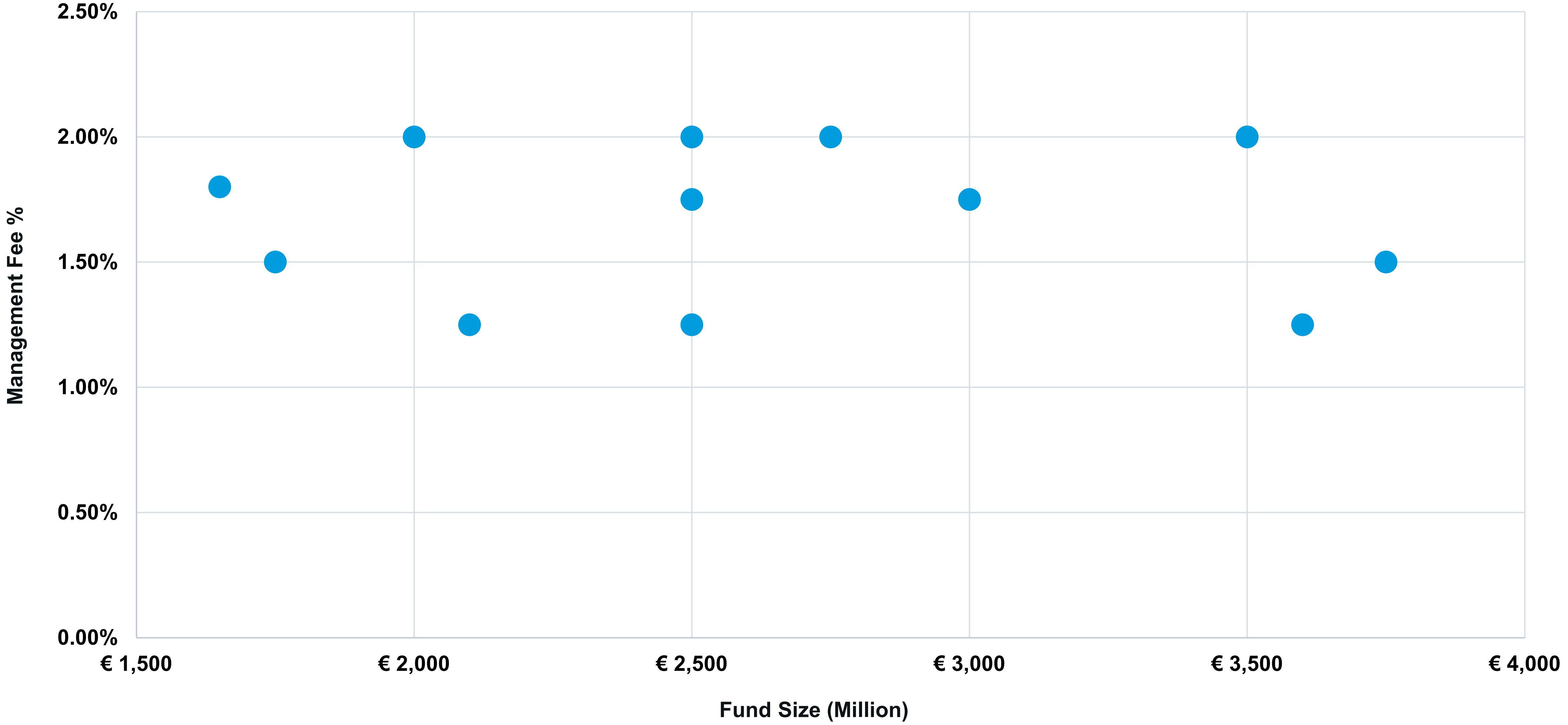


Annual management fee rate – Post-investment period (% of base)

>€500M-€1.5B

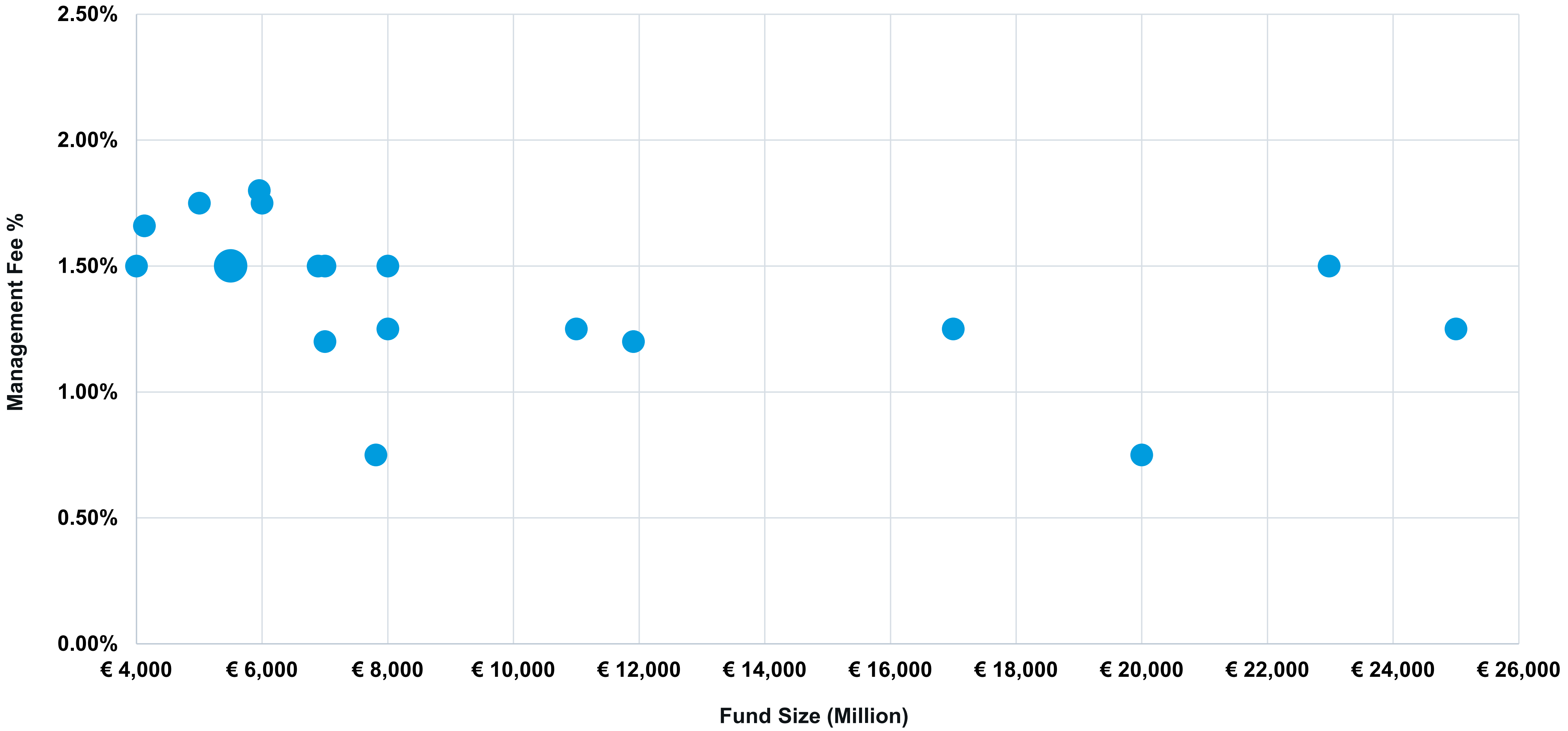


Annual management fee rate – Post-investment period (% of base)
>€1.5B-€3.75B



Annual management fee rate – Post-investment period (% of base)

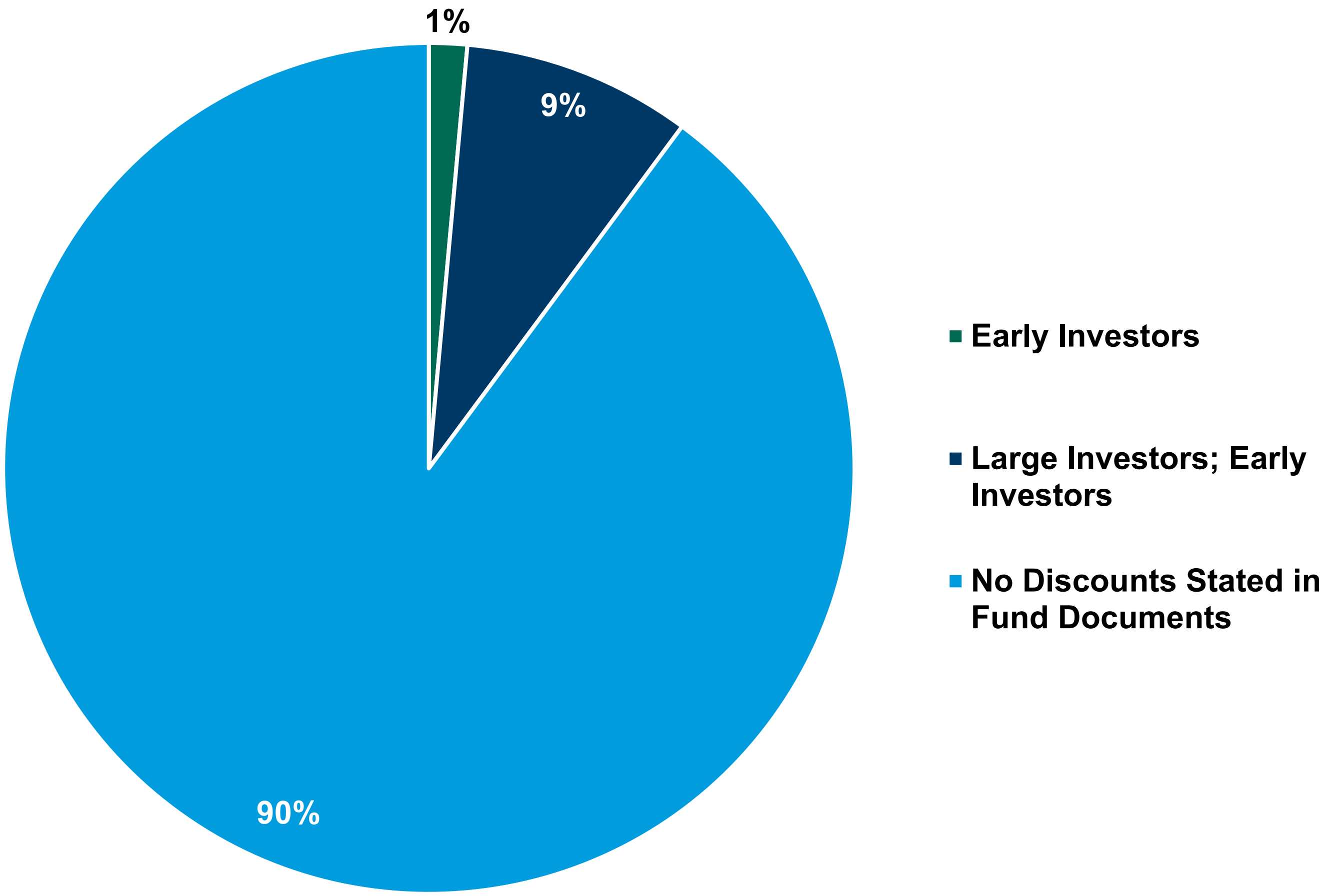
>€3.75B



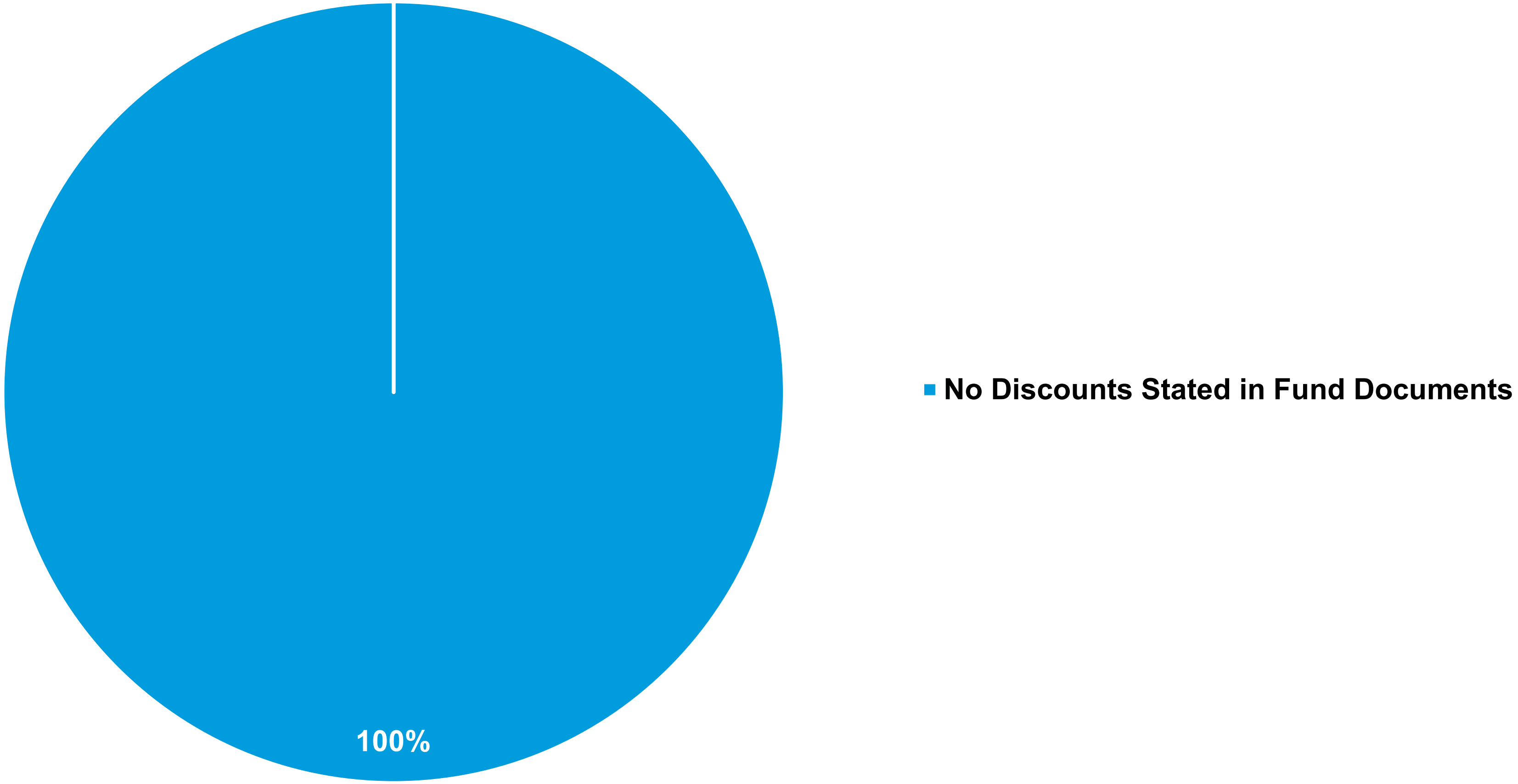
Management fee discounts
All Funds

Management fee discount data is very similar to prior years, with fund documents most commonly not specifying discount rates at all fund sizes. Also as previously stated, those small number of funds that do set out discount rates in their documents are more commonly in the larger multi-billion Euro range.

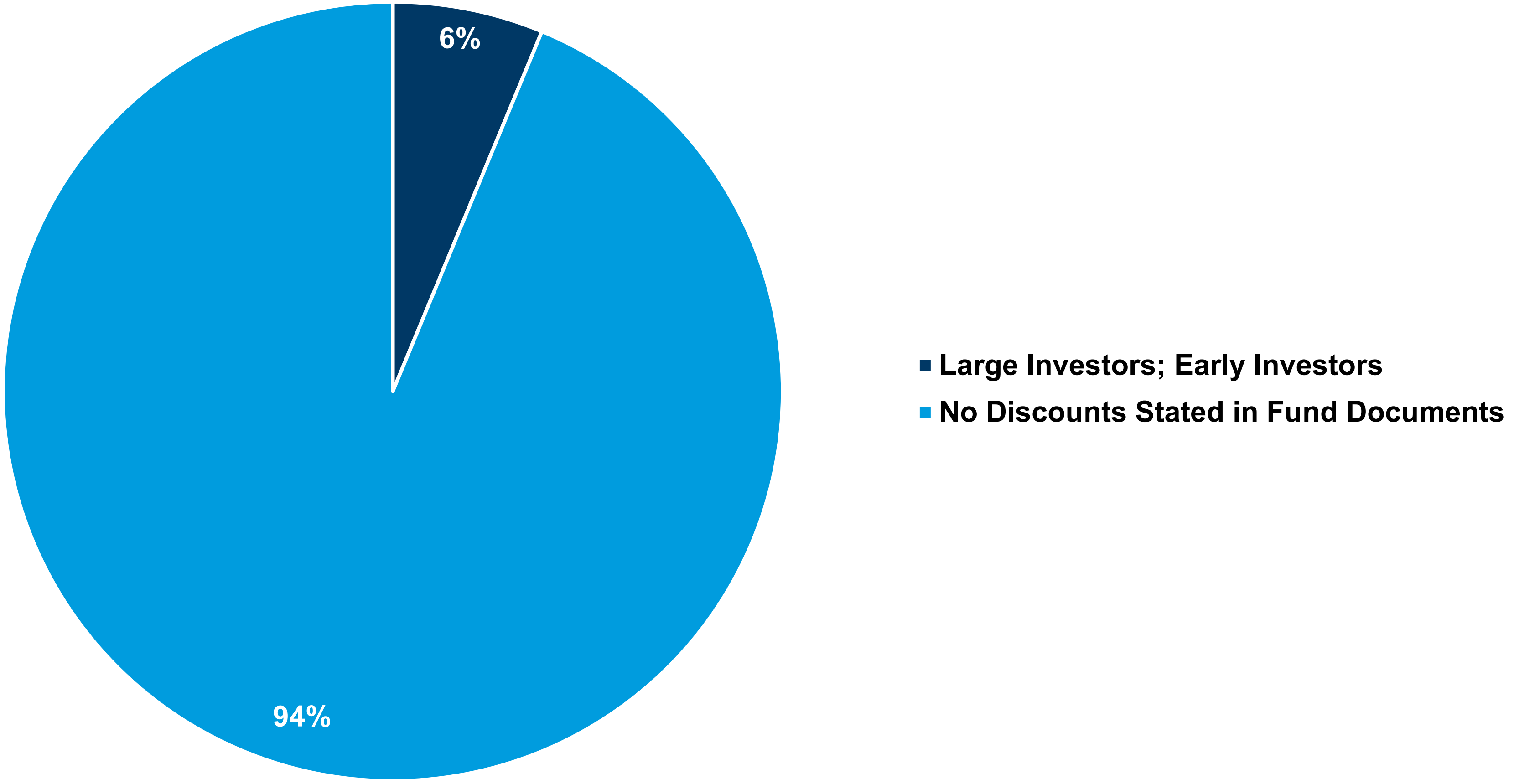
As we have noted previously, the data collected here only captures those funds that specify their discounts in the fund documentation: a number of other funds do offer discounts, but do not set out the detail in their main agreements. Discounts that are set out in side letters are more difficult to track accurately.



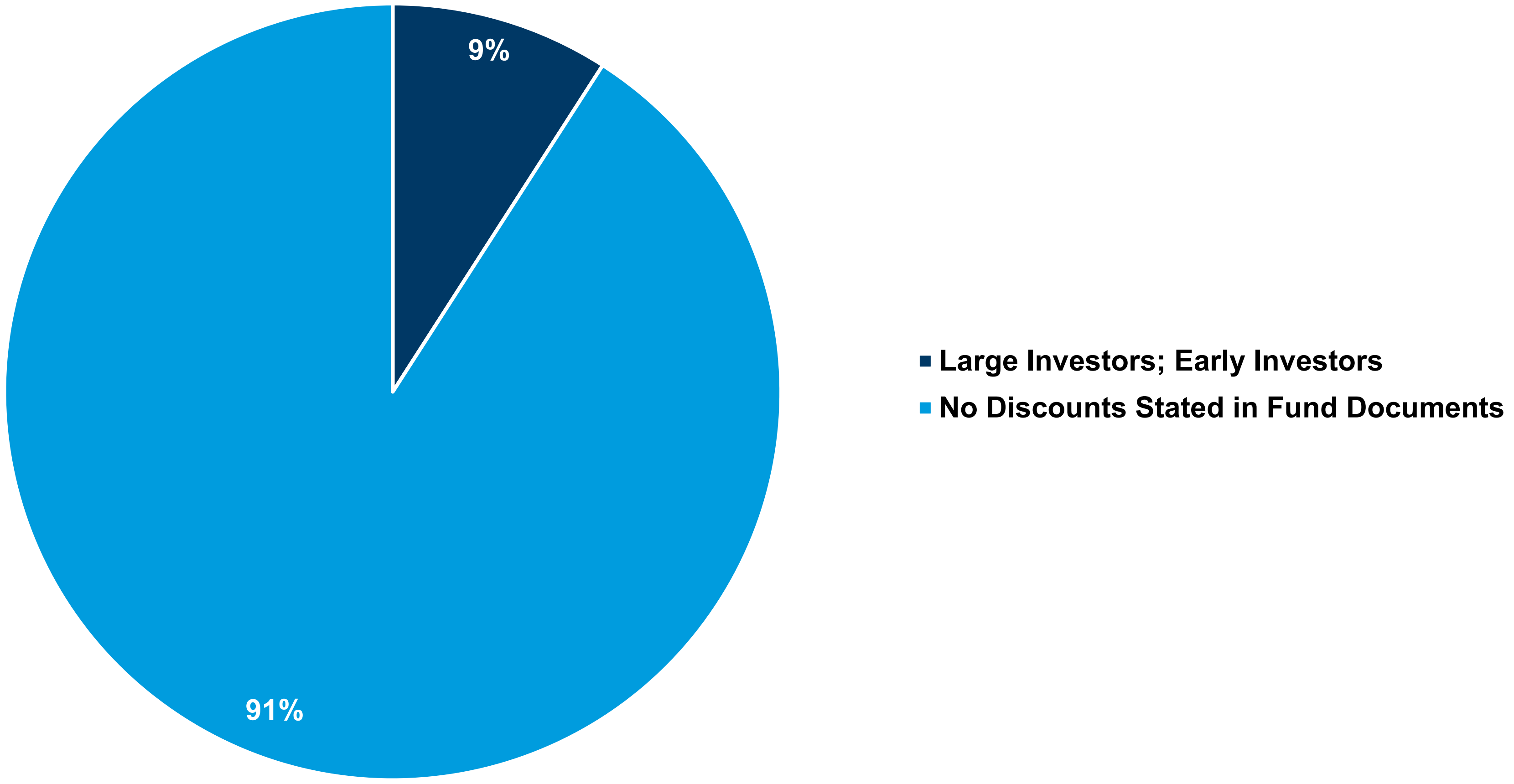
Management fee discounts
≤€500M



Management fee discounts
>€500M-€1.5B

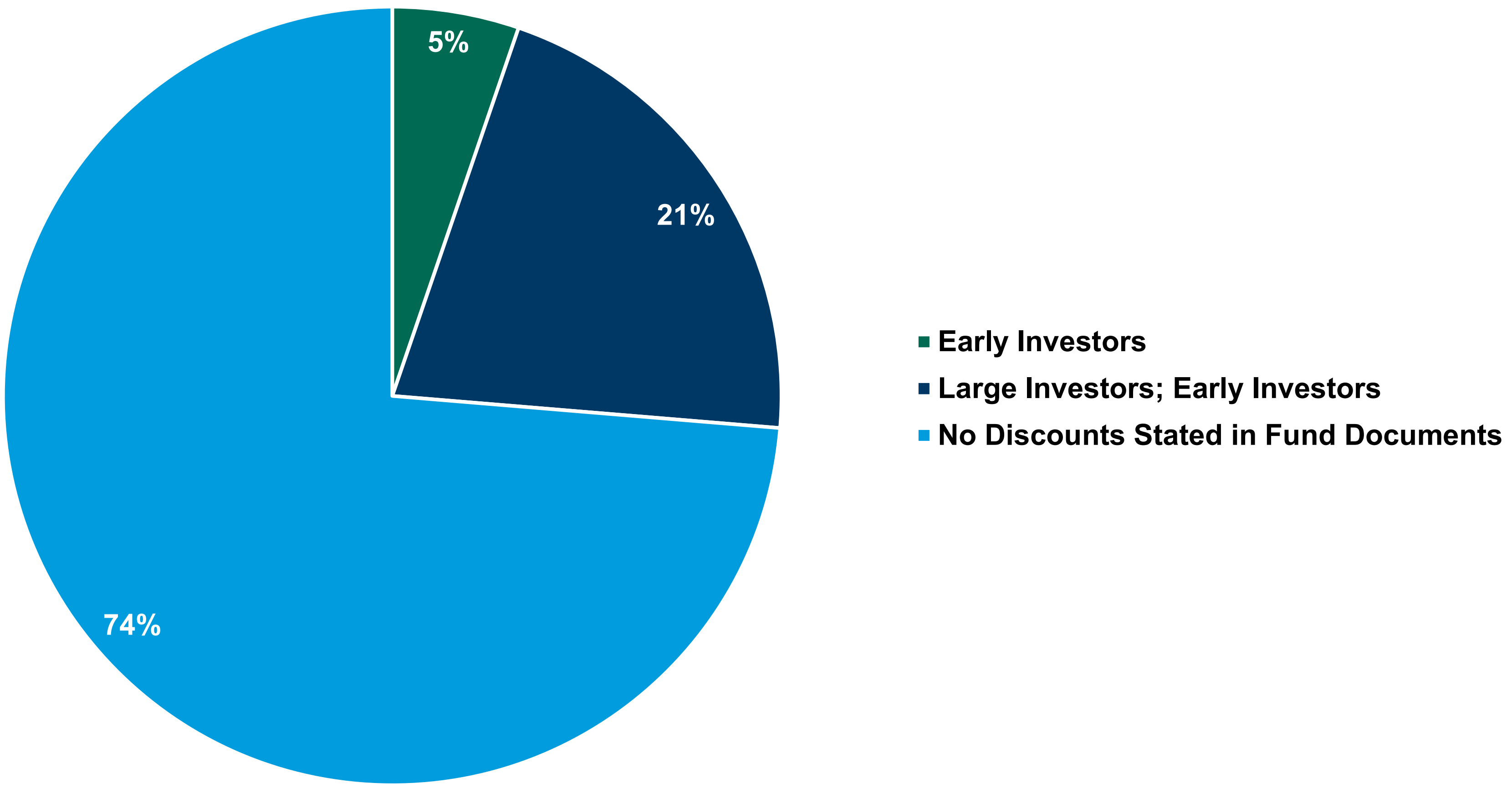


Management fee discounts
>€1.5B-€3.75B



Management fee discounts

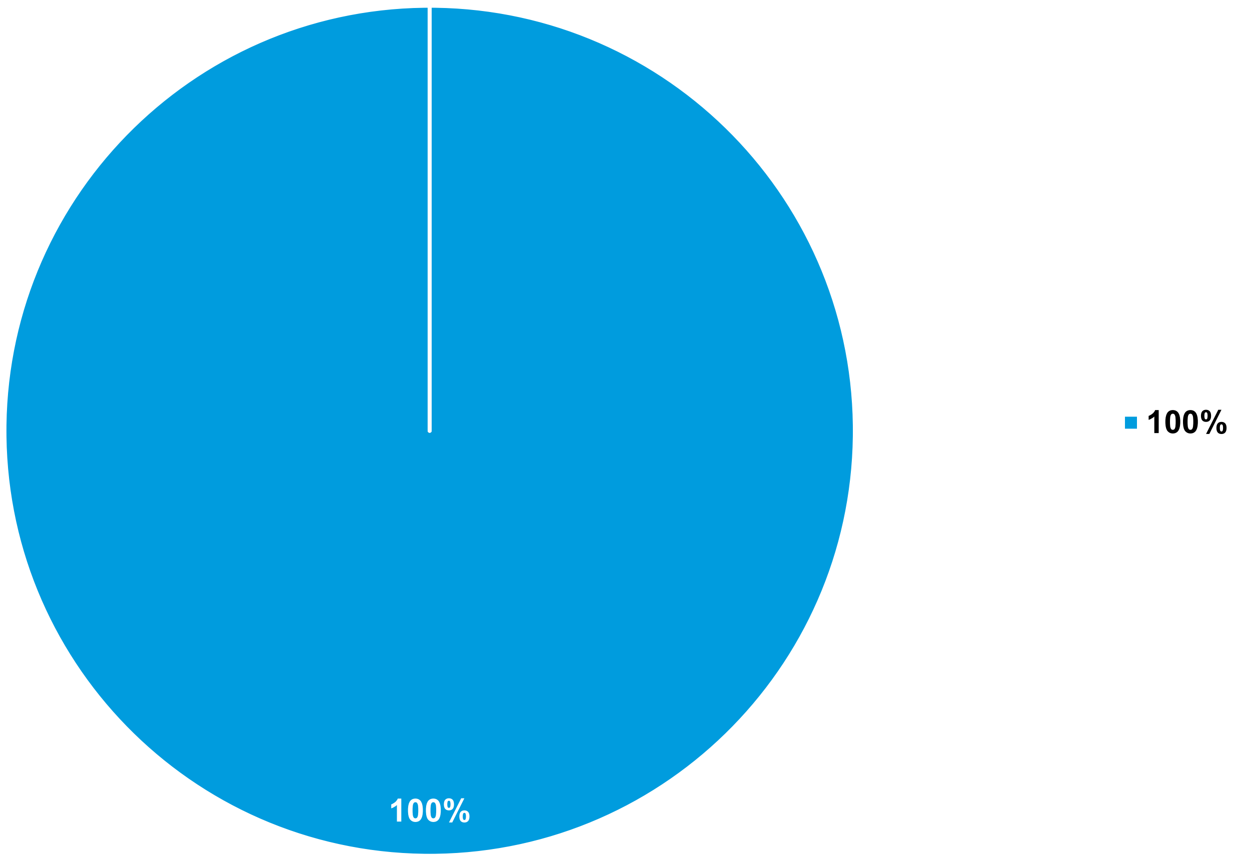
>€3.75B



Management fee offset – fees received
All Funds

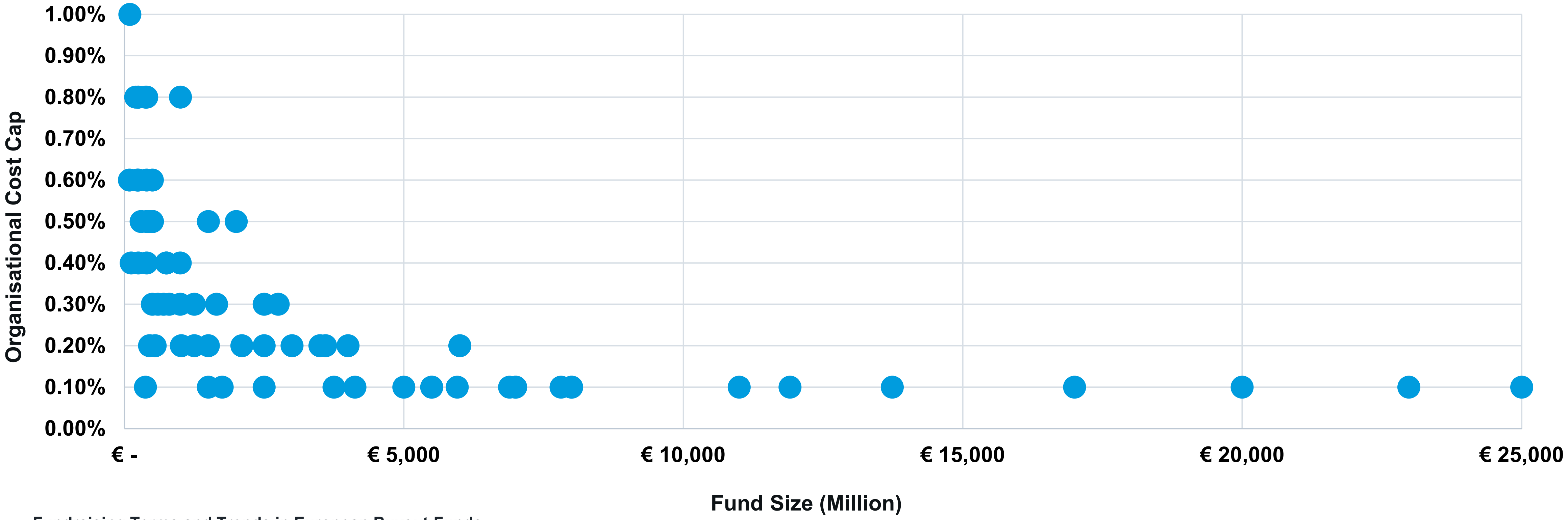
In relation to fee offsets generally, the market standard continues to be that 100% of directors' (and other) fees received by the GP are offset against the management fees. This year's data backs this up with all funds showing a 100% headline fee offset. As we have reported previously however, an increasing number of funds are seeking to carve out certain fees from the offset mechanism, particularly at the larger end of the market. These carve outs include fees paid to operating partners, industry advisers or value creation teams, as well as fees charged to portfolio companies or holding structures for administration services and sometimes office space that the GP has decided to provide itself, generally on the basis it believes it can do so more cost-effectively than a third party, and in some cases fees paid to the GP's in-house technology teams for data services provided to portfolio companies.

These carve outs are increasingly becoming market standard, with disclosure becoming the focus for investors rather than seeking to negotiate these carve-outs away.



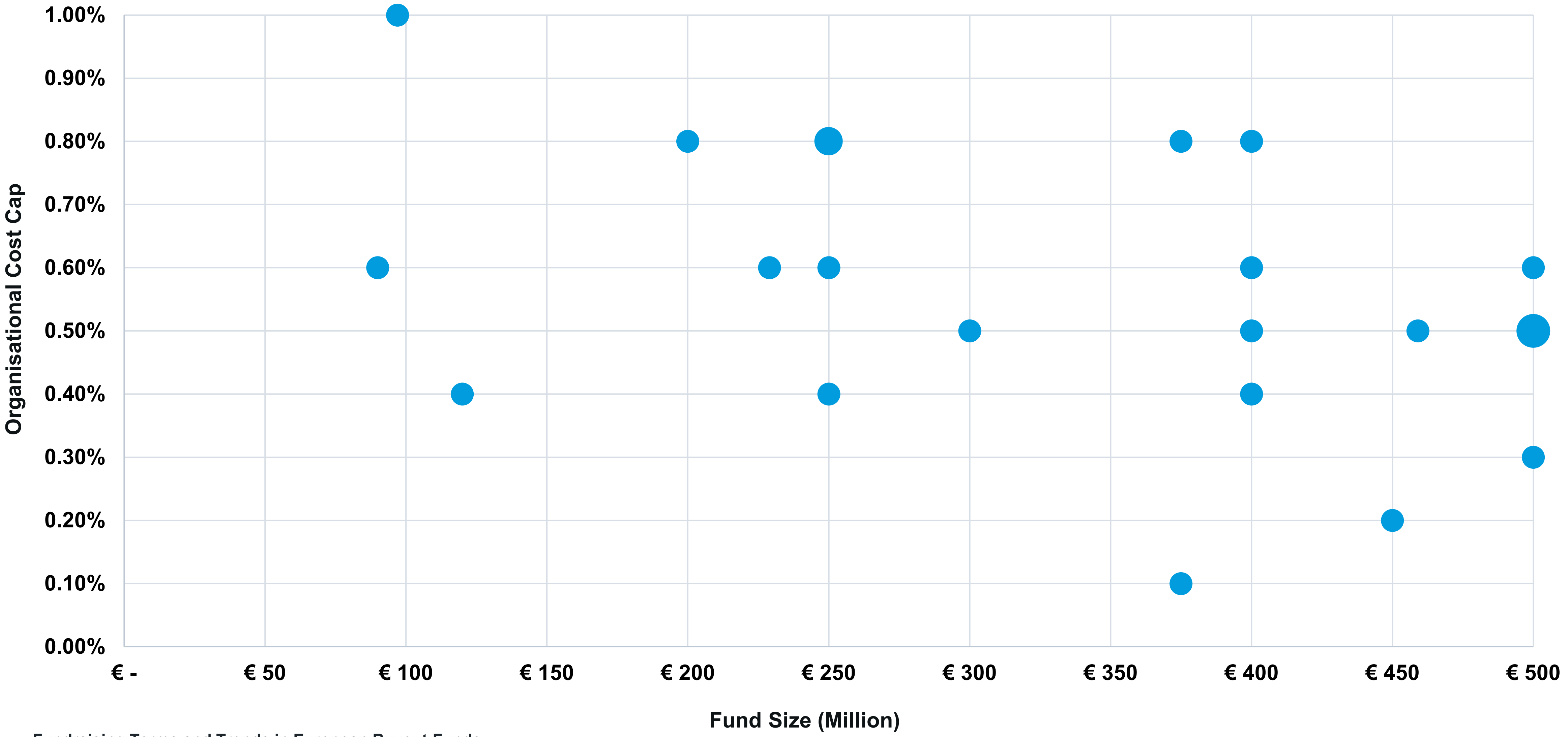
Organisational cost cap
All Funds

As in prior years, organisational cost caps trend downward on a percentage basis as fund sizes increase starting from 1% of total commitments for the smallest funds and moving to 0.1% of total commitments for the largest funds. At fund sizes of at least €5 billion, all funds bar one feature a cap of ~0.1% of the fund size.



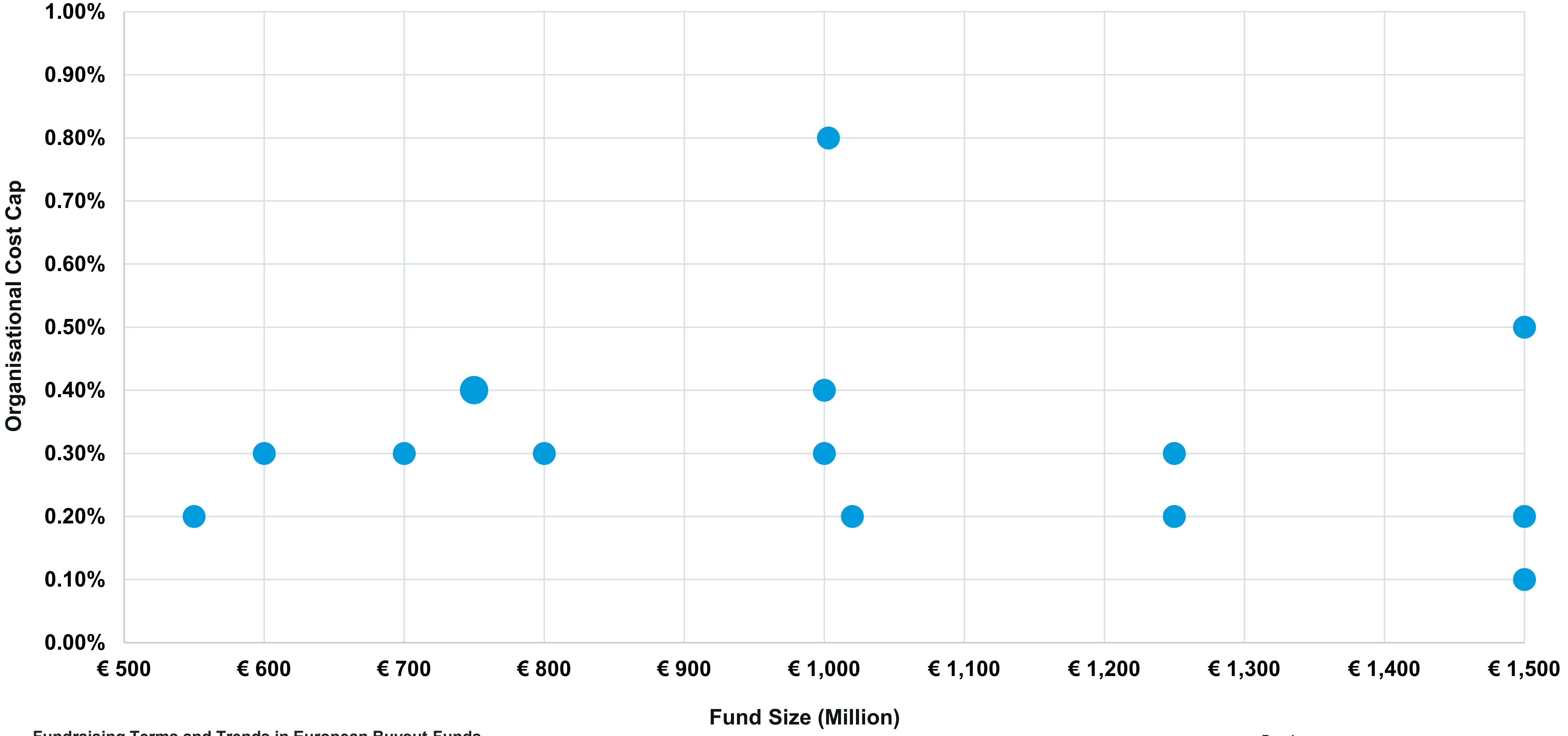
Organisational cost cap

≤€500M



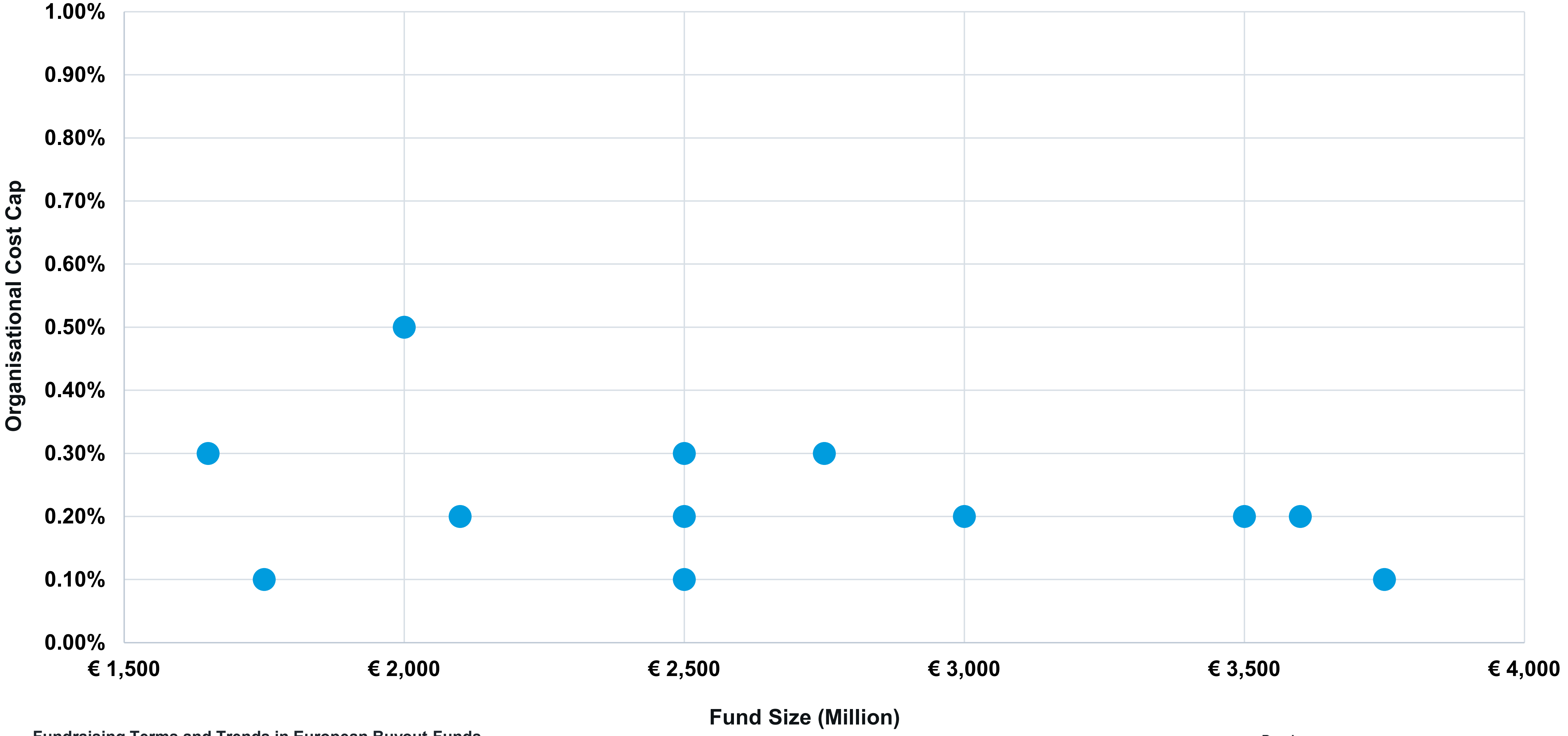
Organisational cost cap

>€500M-€1.5B



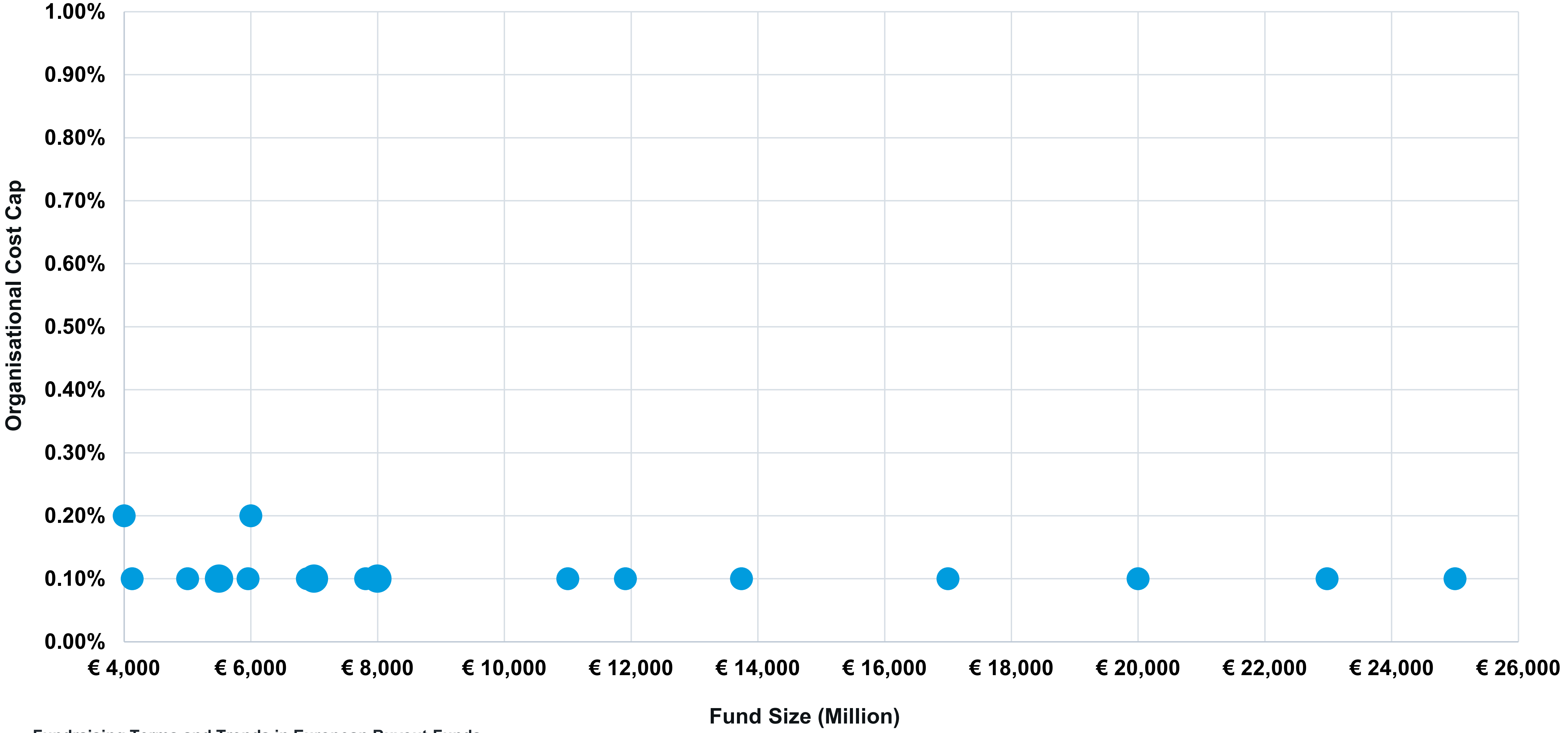
Organisational cost cap

>€1.5B-€3.75B



Organisational cost cap

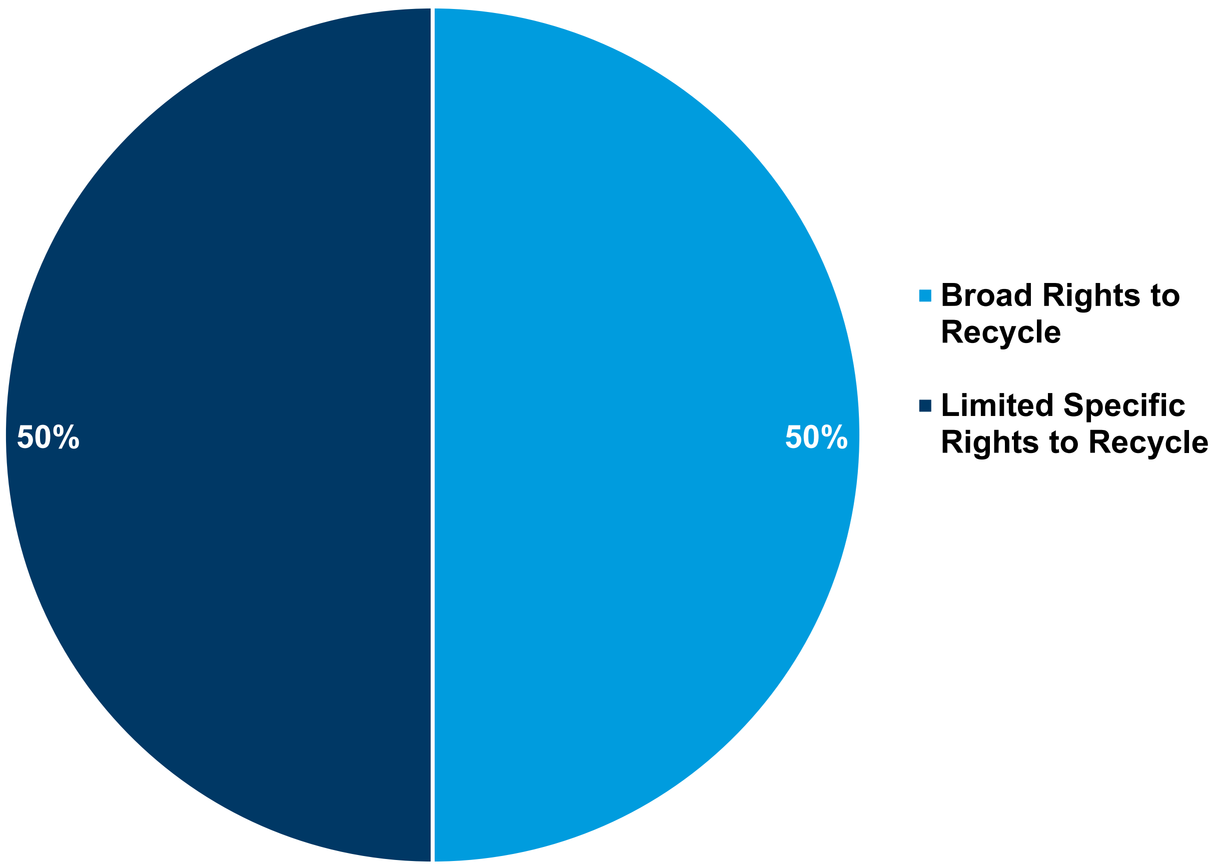
>€3.75B



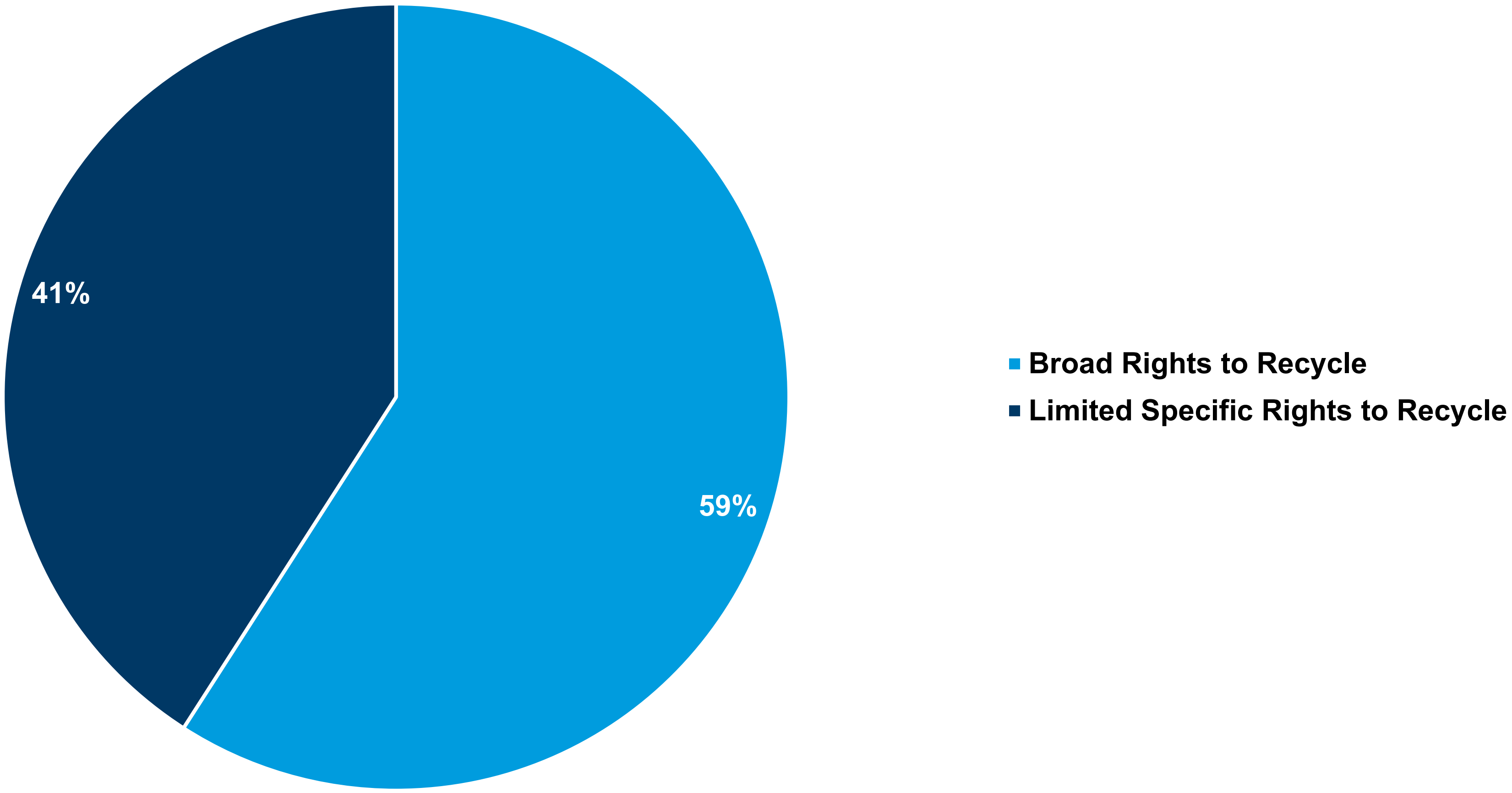
Recycling
All Funds

This year 50% of funds had broad recycling rights, which is generally consistent with our prior publication. By broad recycling rights, we typically mean that, in addition to rights to recycle proceeds equal to fees and expenses, a fund may recycle proceeds from investments realised during the investment period. The funds with more limited rights would restrict recycling to proceeds received from investments within 12 to 18 months of acquisition.

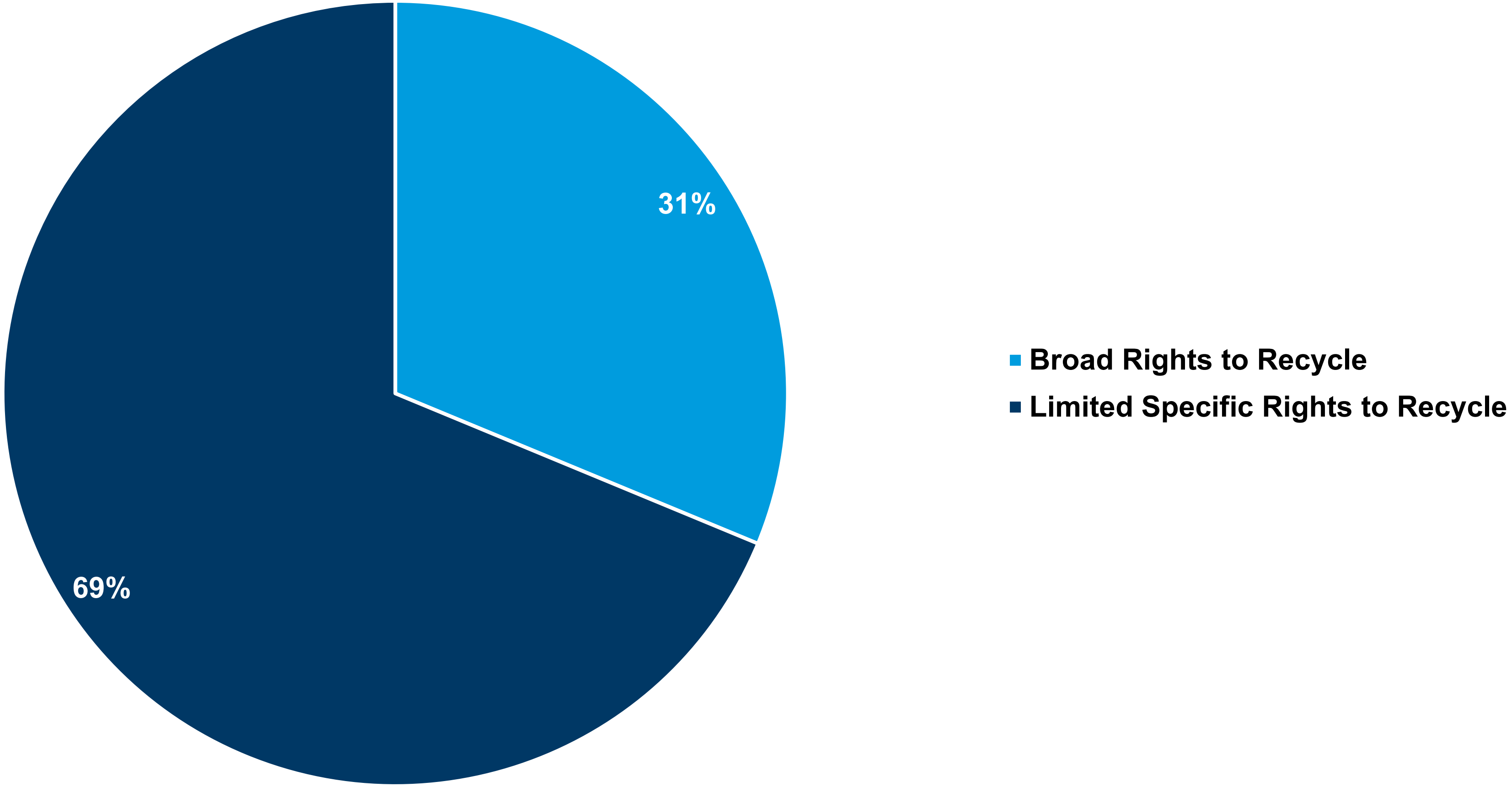
We do expect to see managers continuing to push for expanded recycling rights as part of the drive to narrow the gross/net IRR spread, but also as a means of providing additional liquidity and a quick solution to boost a fund's available capital. However, with NAV and hybrid facilities continuing to be used by fund managed, there are alternative methods of providing needed liquidity.



Recycling
≤€500M

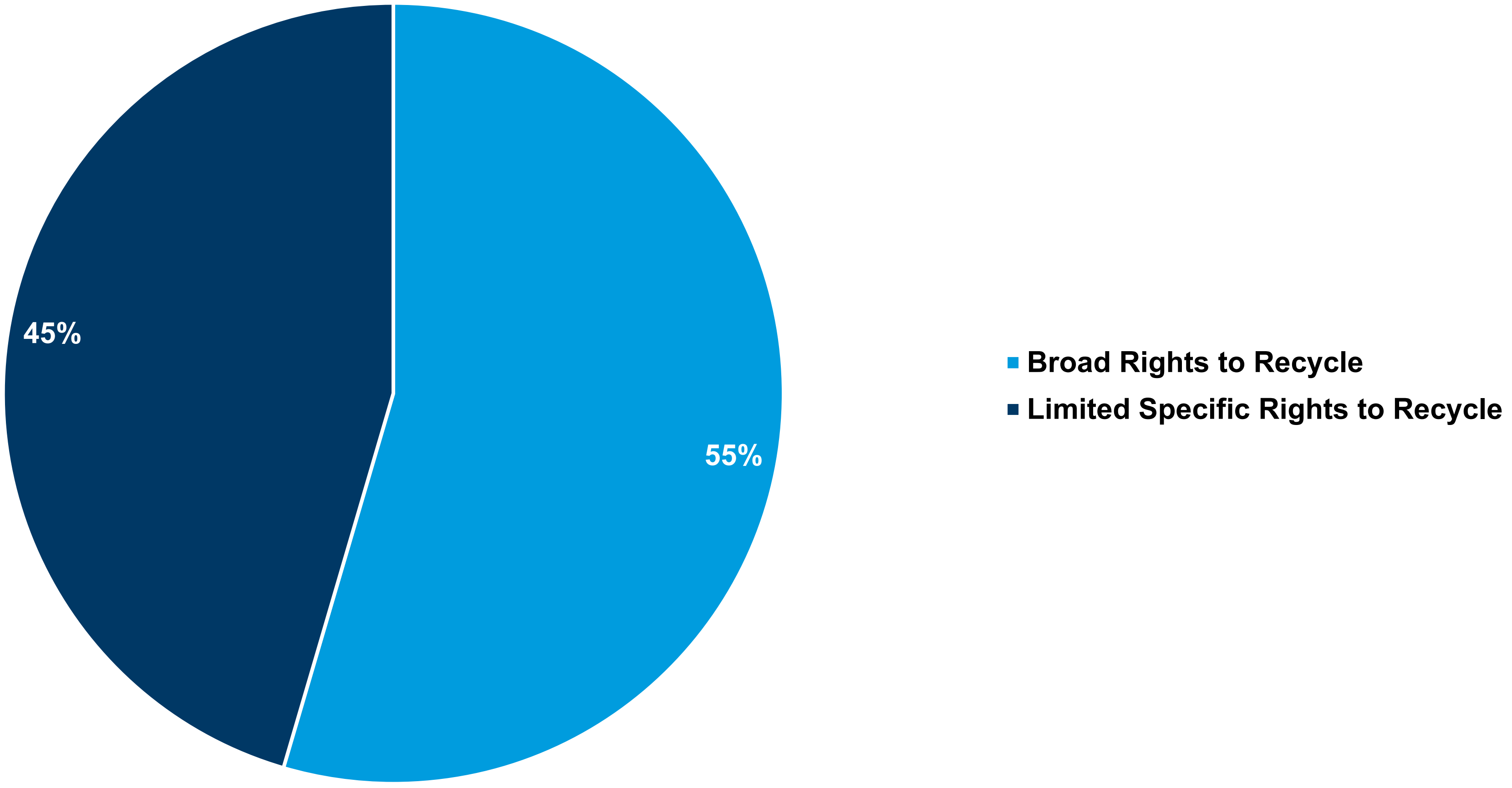


Recycling
>€500M-€1.5B



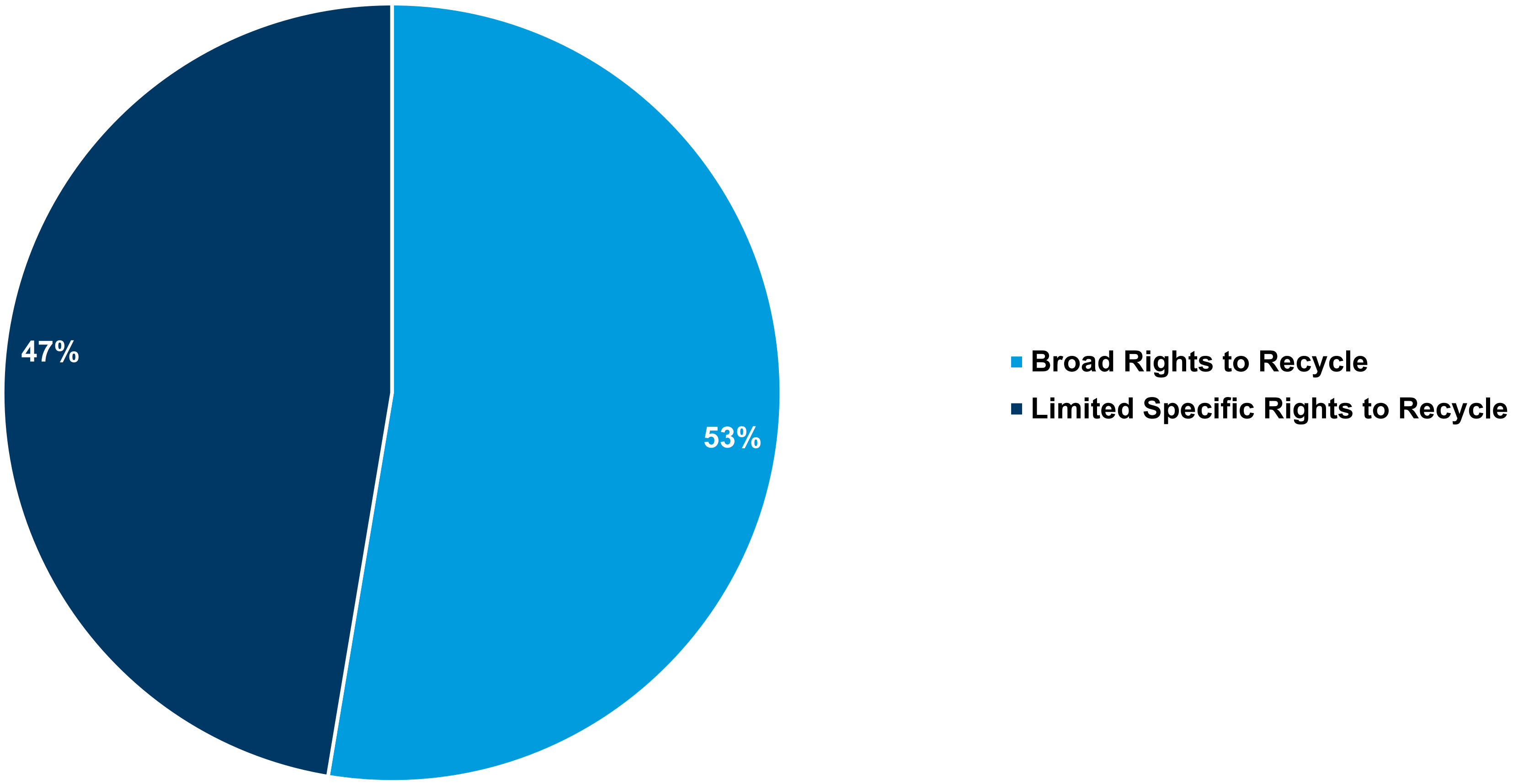
Recycling

>€1.5B-€3.75B



Recycling

>€3.75B



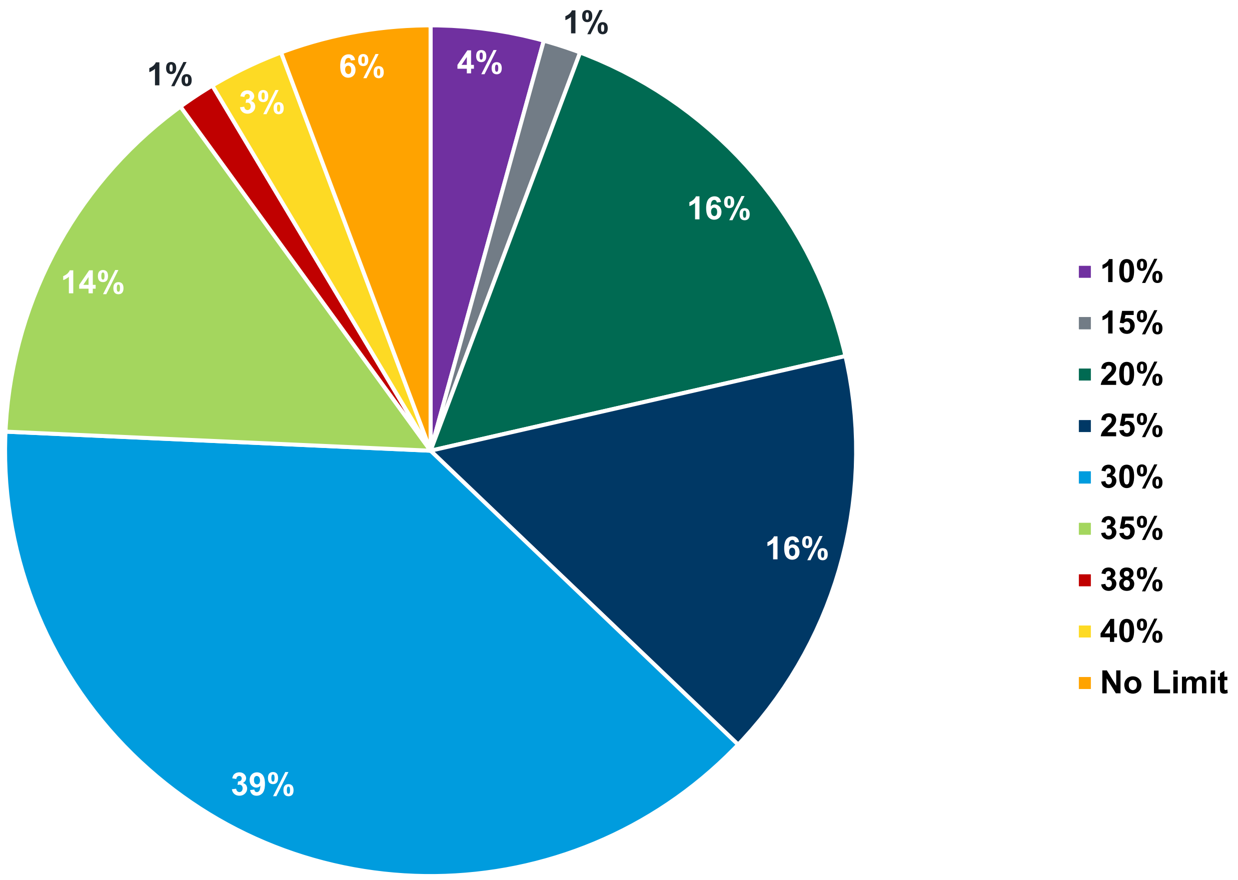
Limits on bridge facilities and other fund-level borrowing (% of commitments)

All Funds

As in recent years, we continue to see a strong trend towards higher fund-level borrowing limits at all fund sizes. Whilst the majority of funds' borrowing limits do still fall in the 20% to 30% range (71%), 63% of the funds in our sample have limits of 30% or greater which represents a significant increase from 49% in our prior publication.

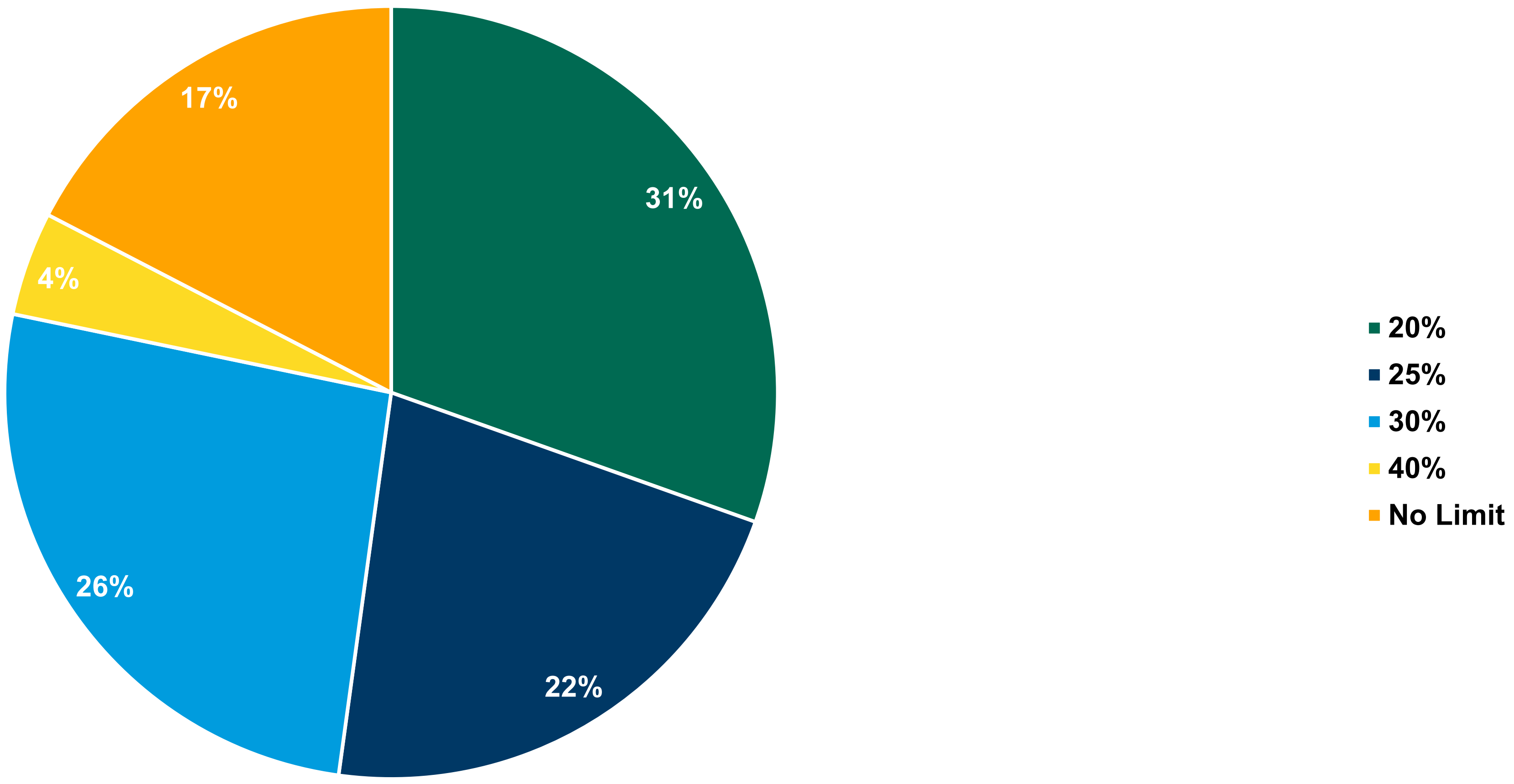
This trend bears itself out across the size brackets, with half of even the smallest funds having limits of 30% or above, and it continues to be the case that that largest funds have the highest average borrowing limits, though the difference is less marked than in prior years.

There continues to be significant focus on fund leverage by investors and managers, both in terms of the use of capital call facilities to bridge capital calls and broader potential use of leverage (in light of the increased use of NAV and hybrid facilities by managers recently), particularly by the larger funds. During diligence and legal negotiations, investors remain keen to understand how managers intend to use borrowing in practice, and therefore what the impact may be on their risks and returns, given the cost of the facility and the potential reduction in accrued preferred return. While investors understand the potential administrative benefits of a reduction in frequency of capital calls, some investors are less comfortable with the extensive use of facilities, given they have to reserve capital for potential drawdowns and therefore are keen to ensure their commitments are actually called down and put to work.

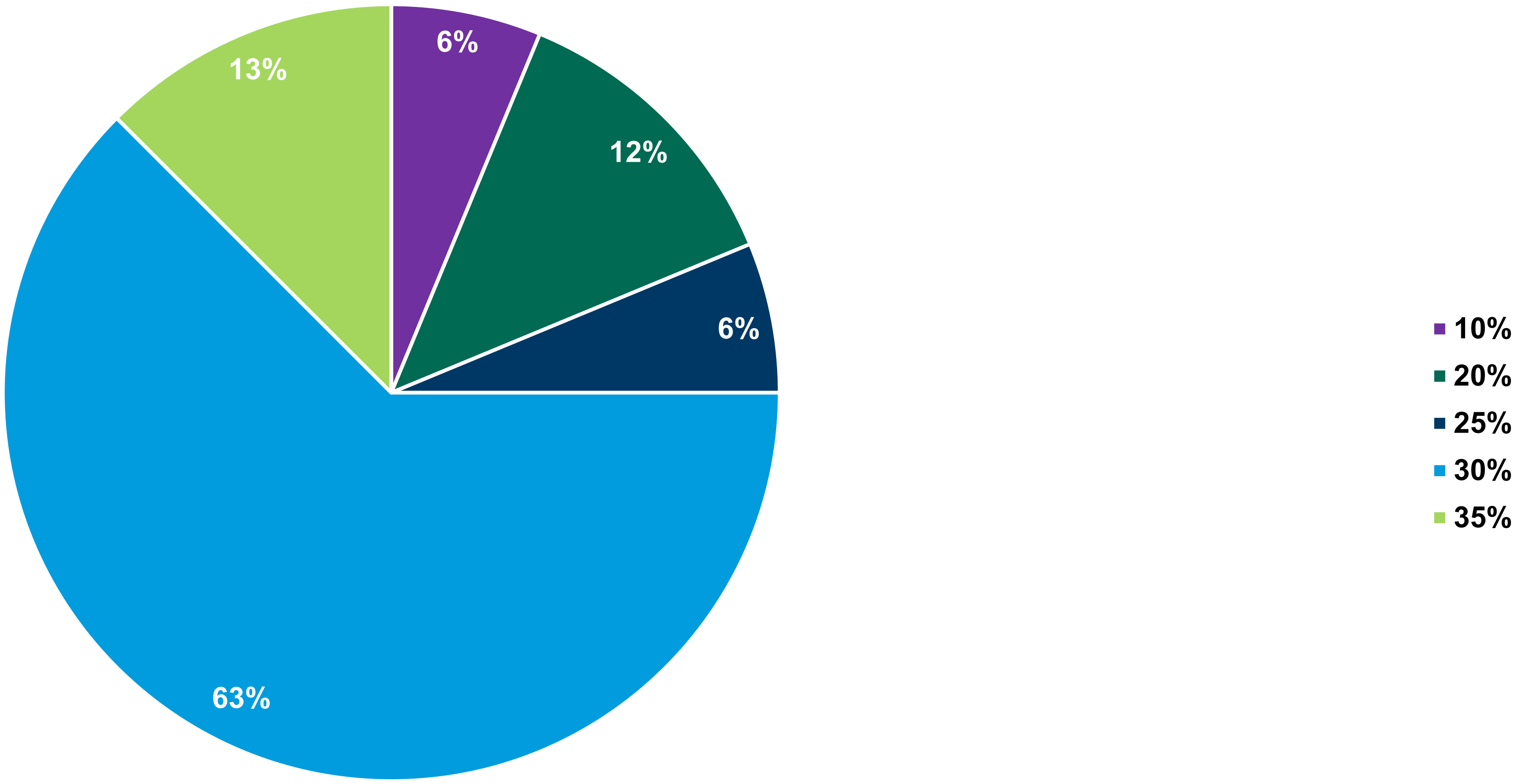


Limits on bridge facilities and other fund-level borrowing (% of commitments)

≤€500M

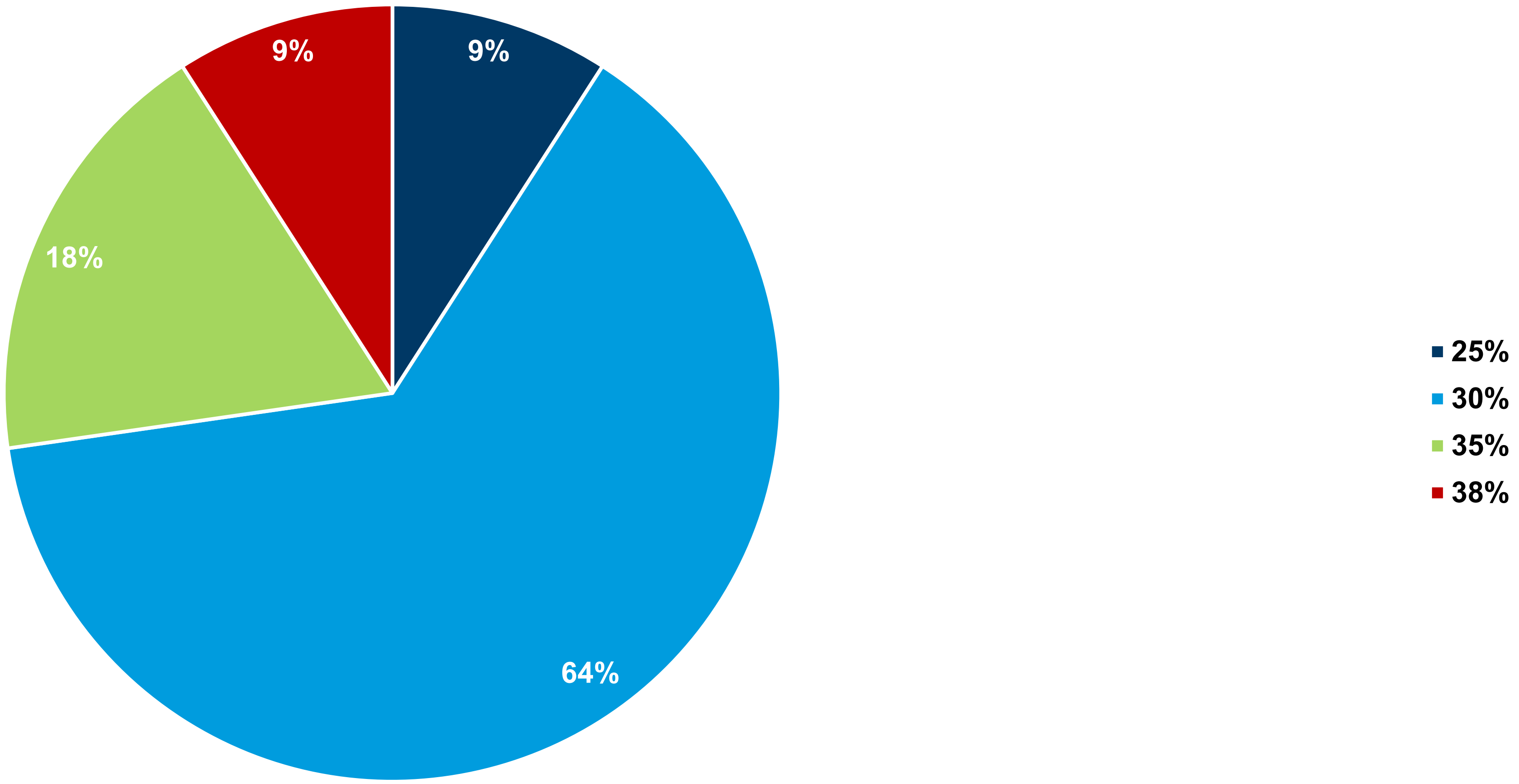


Limits on bridge facilities and other fund-level borrowing (% of commitments)
>€500M-€1.5B



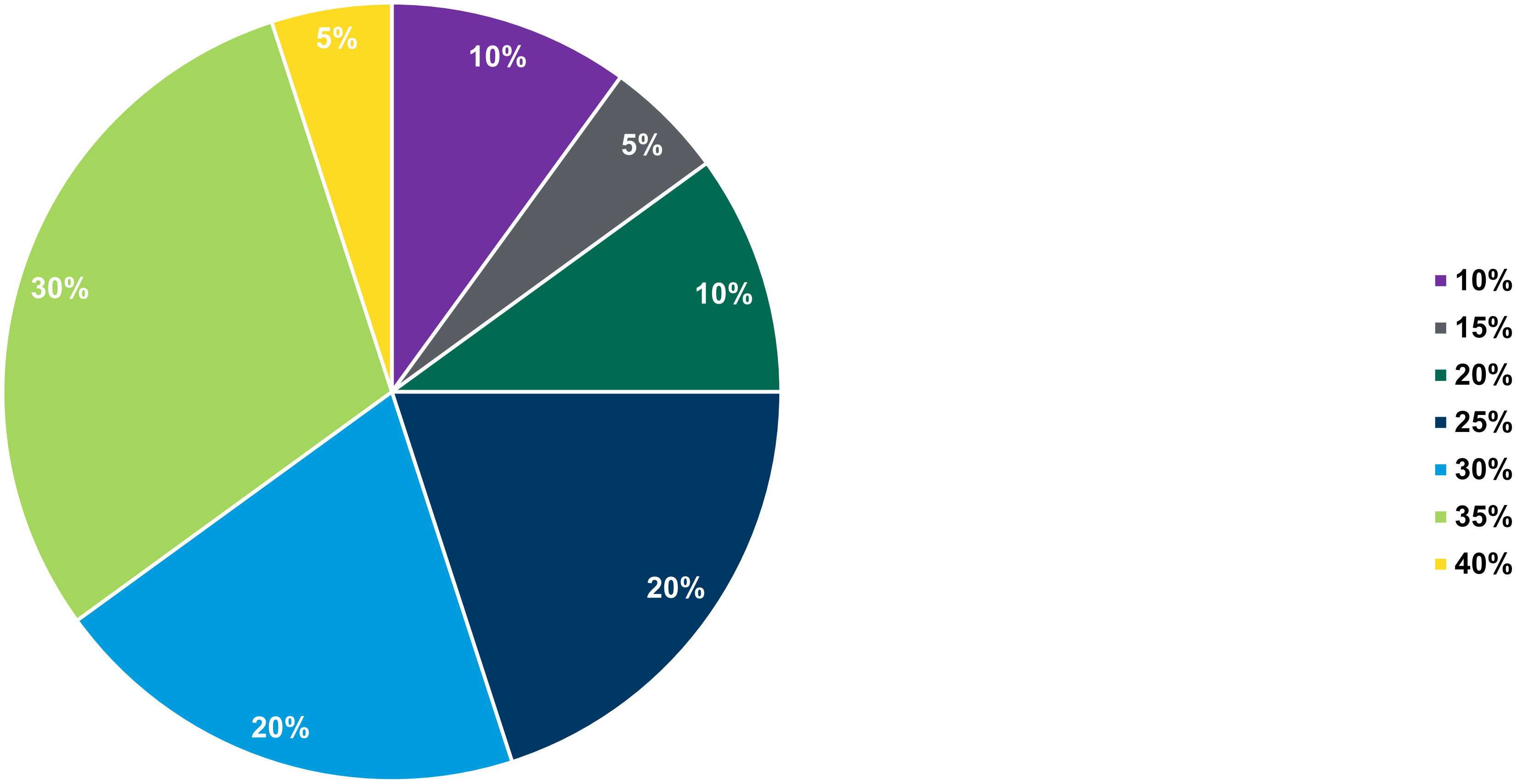
Limits on bridge facilities and other fund-level borrowing (% of commitments)

>€1.5B-€3.75B



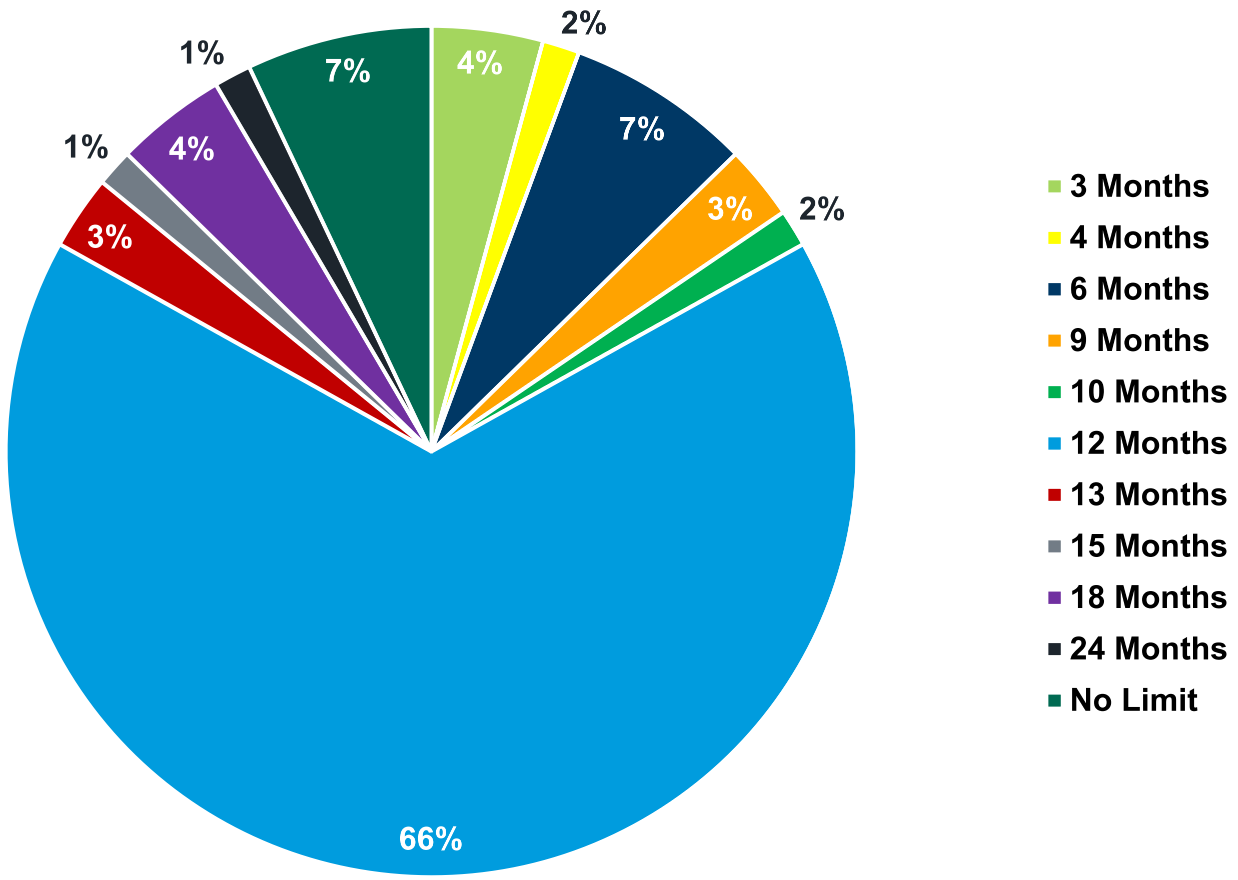
Limits on bridge facilities and other fund-level borrowing (% of commitments)

>€3.75B



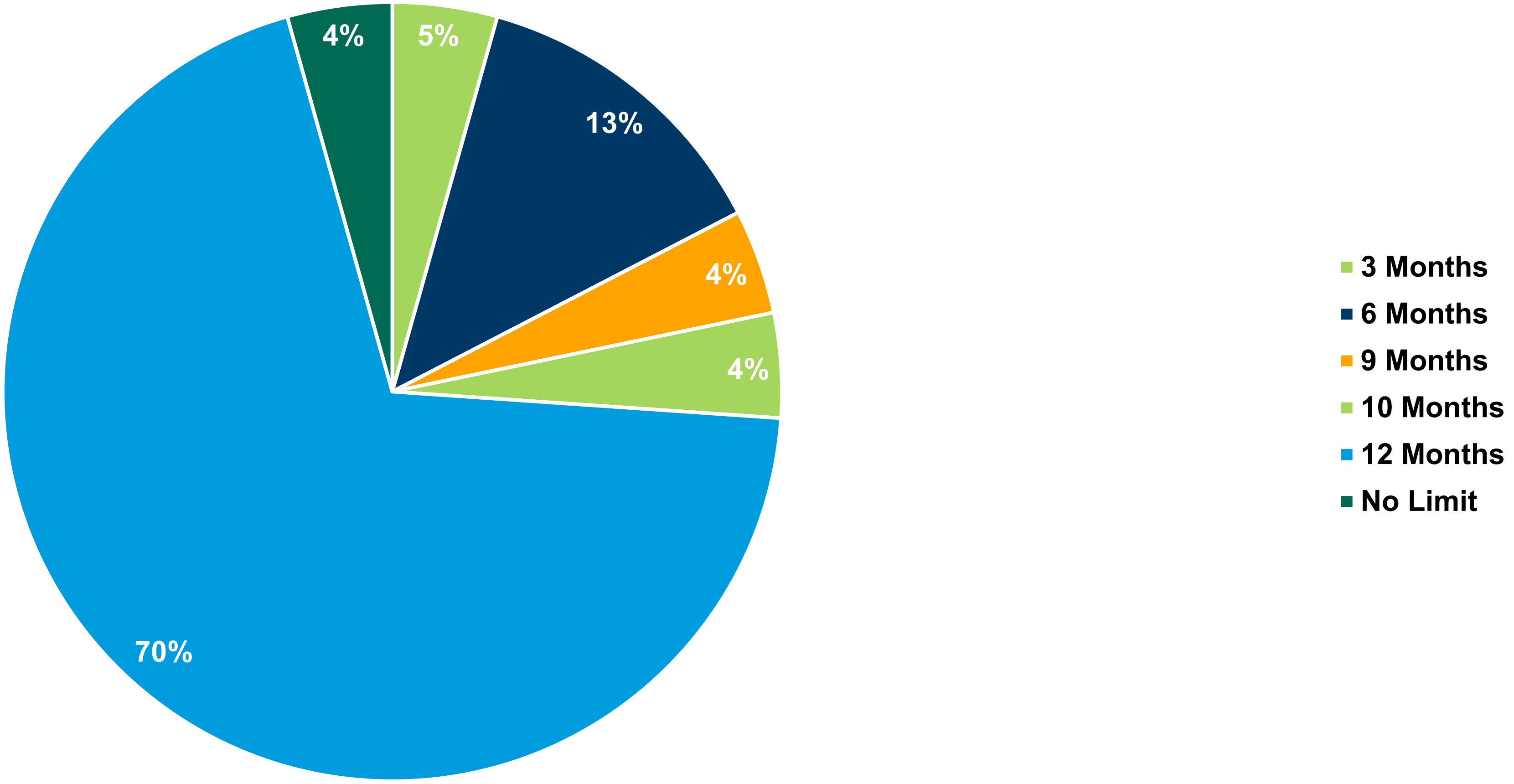
Time limits on borrowing
All Funds

The majority of funds have a 12-month limit on the time period any fund-level borrowing may be outstanding, which remains consistent with figures for prior years. That said, limits range from 3 to 24 months, with a small number of funds – typically those at the largest end of the spectrum – not having any limit written into the documents. We continue to see discussions between investors and managers around the appropriate time limit on fund borrowing, including separate time limits on borrowings for different purposes.

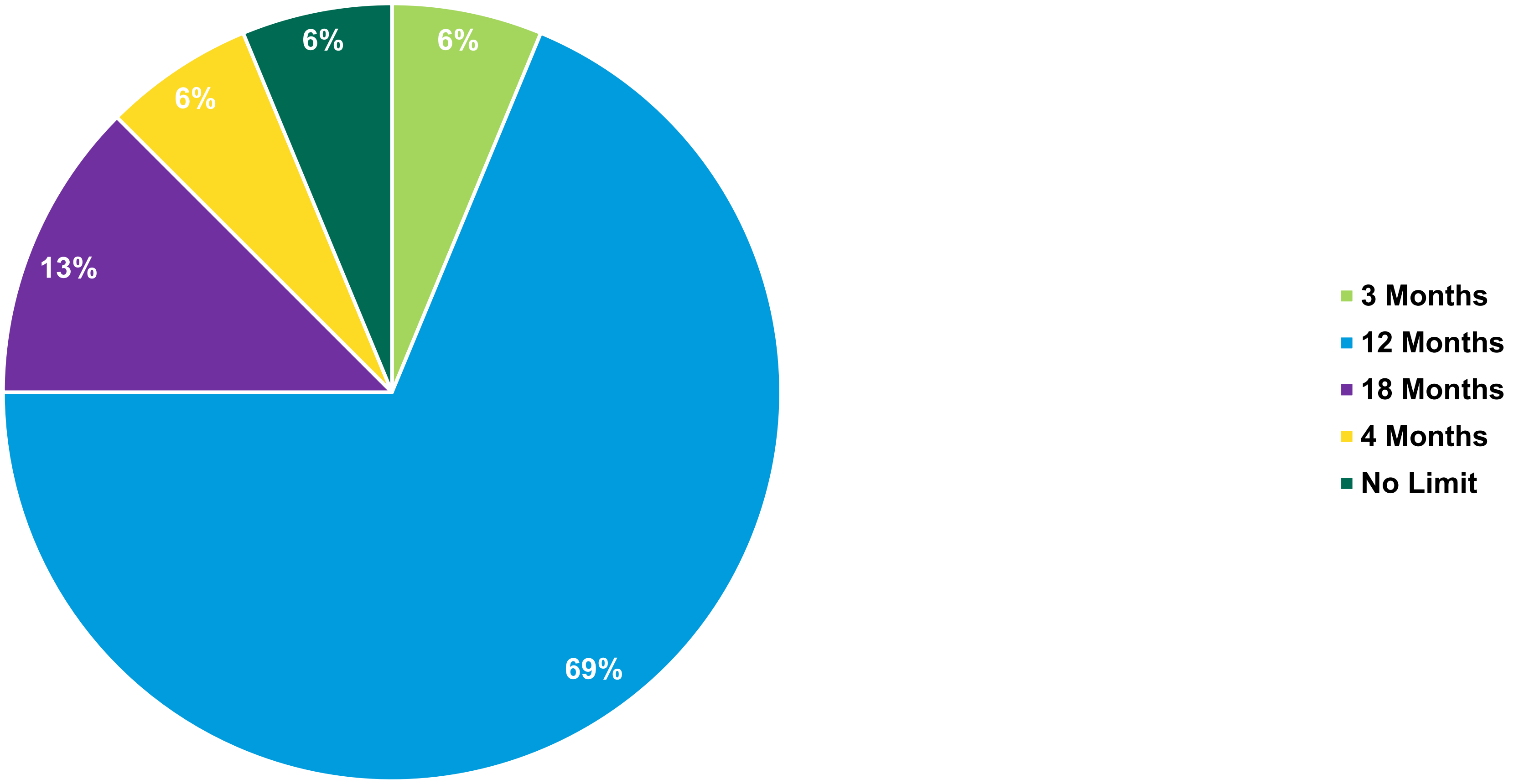


Time limits on borrowing

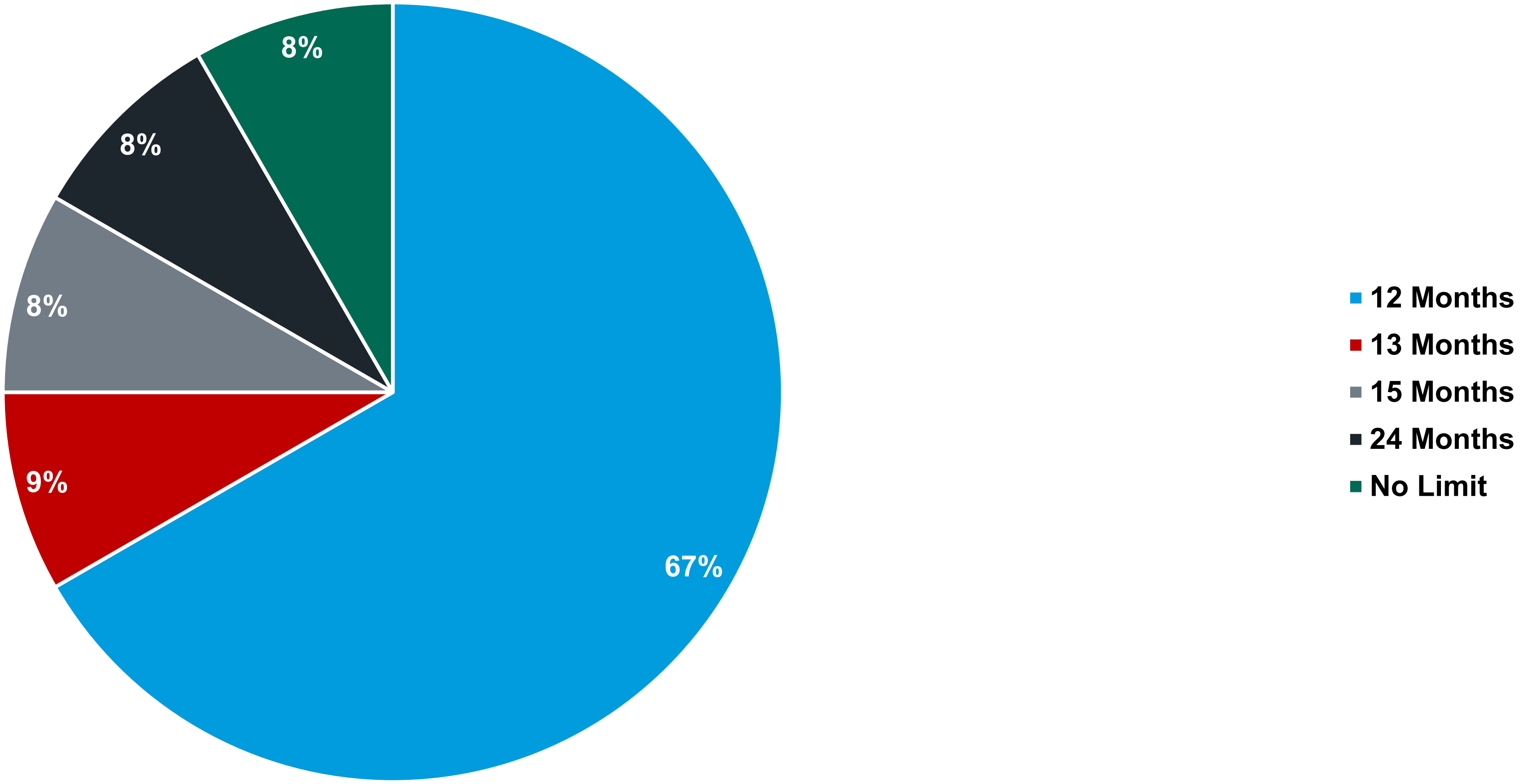
≤€500M



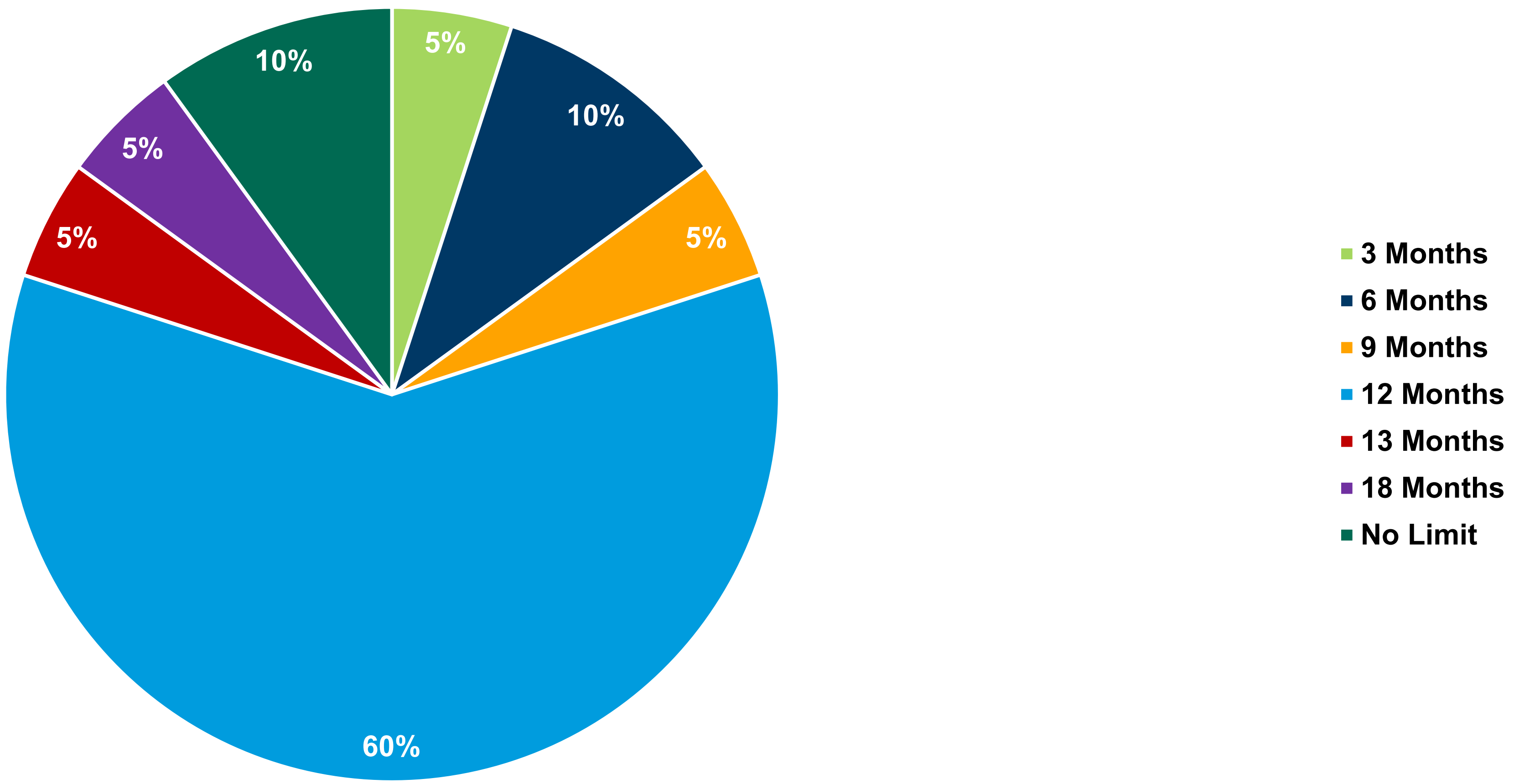
Time limits on borrowing
>€500M-€1.5B



Time limits on borrowing
>€1.5B-€3.75B



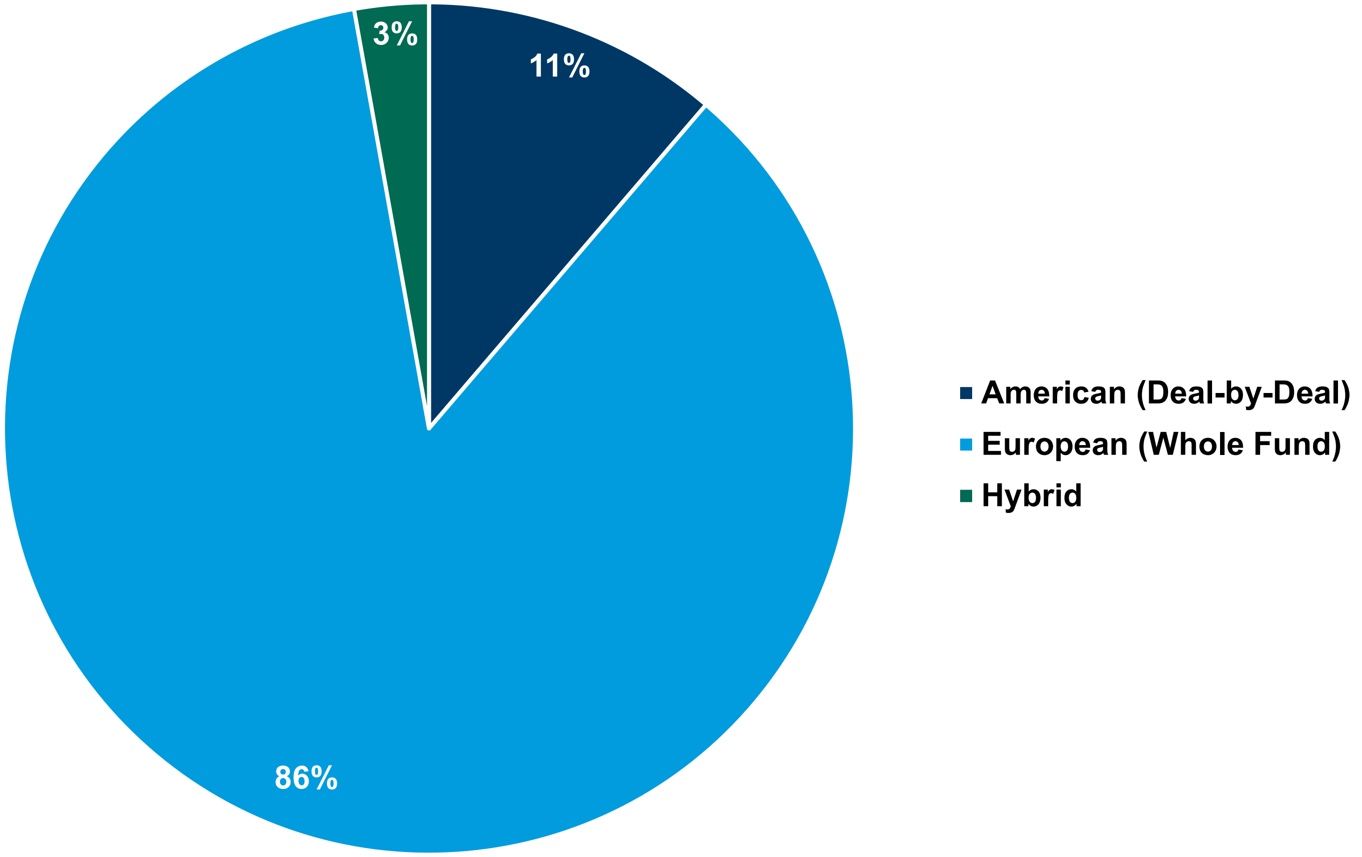
Time limits on borrowing
>€3.75B



Distribution waterfall – Type of waterfall
All Funds

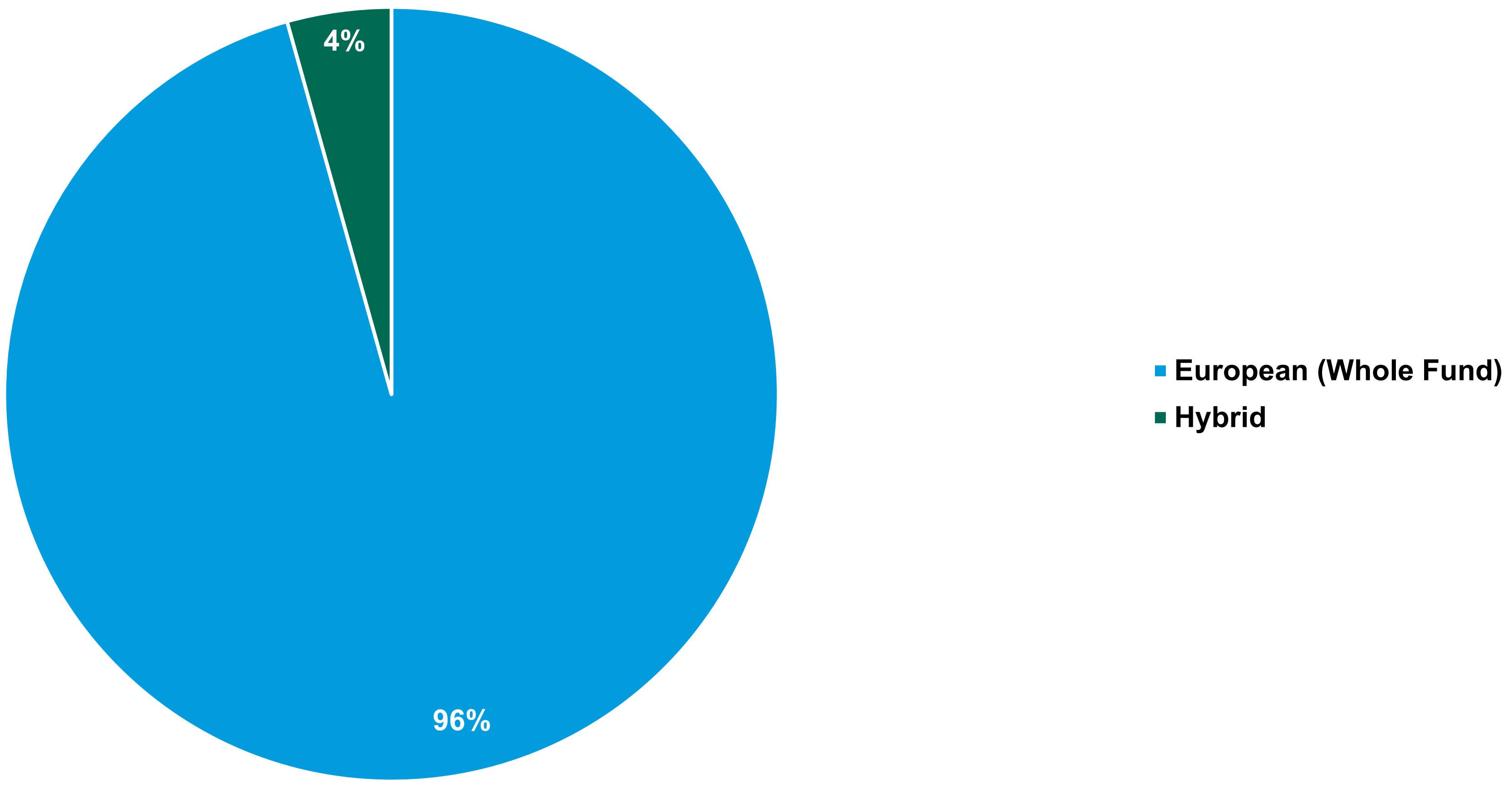
The whole-fund waterfall model remains the dominant economic deal in European funds, with 86% of funds in our sample using this approach, broadly consistent with our prior survey. Again, the number of funds using a hybrid model (being a cross between deal-by-deal and whole-fund), remains low at 3% of funds in the sample, with managers preferring the administrative simplicity of choosing either a US or European style waterfall. By “deal-by-deal” (or “US-style”) we usually mean a waterfall that would require the investor to have received back its capital contributions made for the particular investment that has been realised and all previously realised investments (as well as a portion of fund expenses) before carry is paid. This is sometimes referred to as a “cross-collateralised deal-by-deal waterfall”.

As previously seen, funds above €1.5 billion in size were most likely to have something other than a whole-fund waterfall, with 17% of funds between €1.5 billion and €3.75 billion (down from 31% in our prior survey), and 30% of funds above €3.75 billion having either a hybrid waterfall or a deal-by-deal waterfall. The reasons for including such waterfalls are influenced by a number of factors, including how familiar the sponsor and its investors are with the options (for example, a US-based multi-platform sponsor with a European fund is more likely to opt for a deal-by-deal waterfall despite having a European investment strategy), but it is clear that larger funds with several vintages of successful fund raises and strong returns behind them are more likely to find their investors accepting hybrid or deal-by-deal waterfalls.

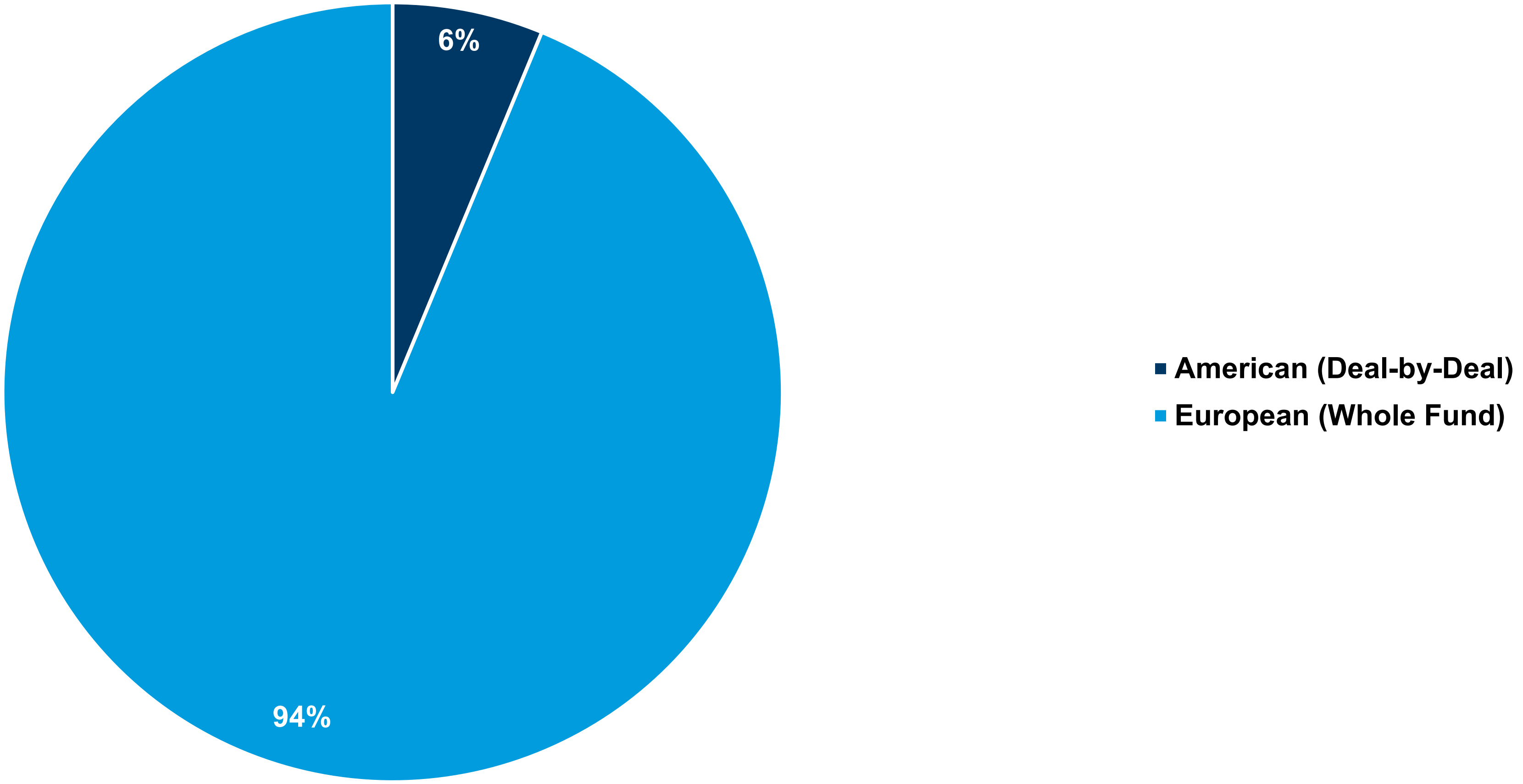


Distribution waterfall – Type of waterfall

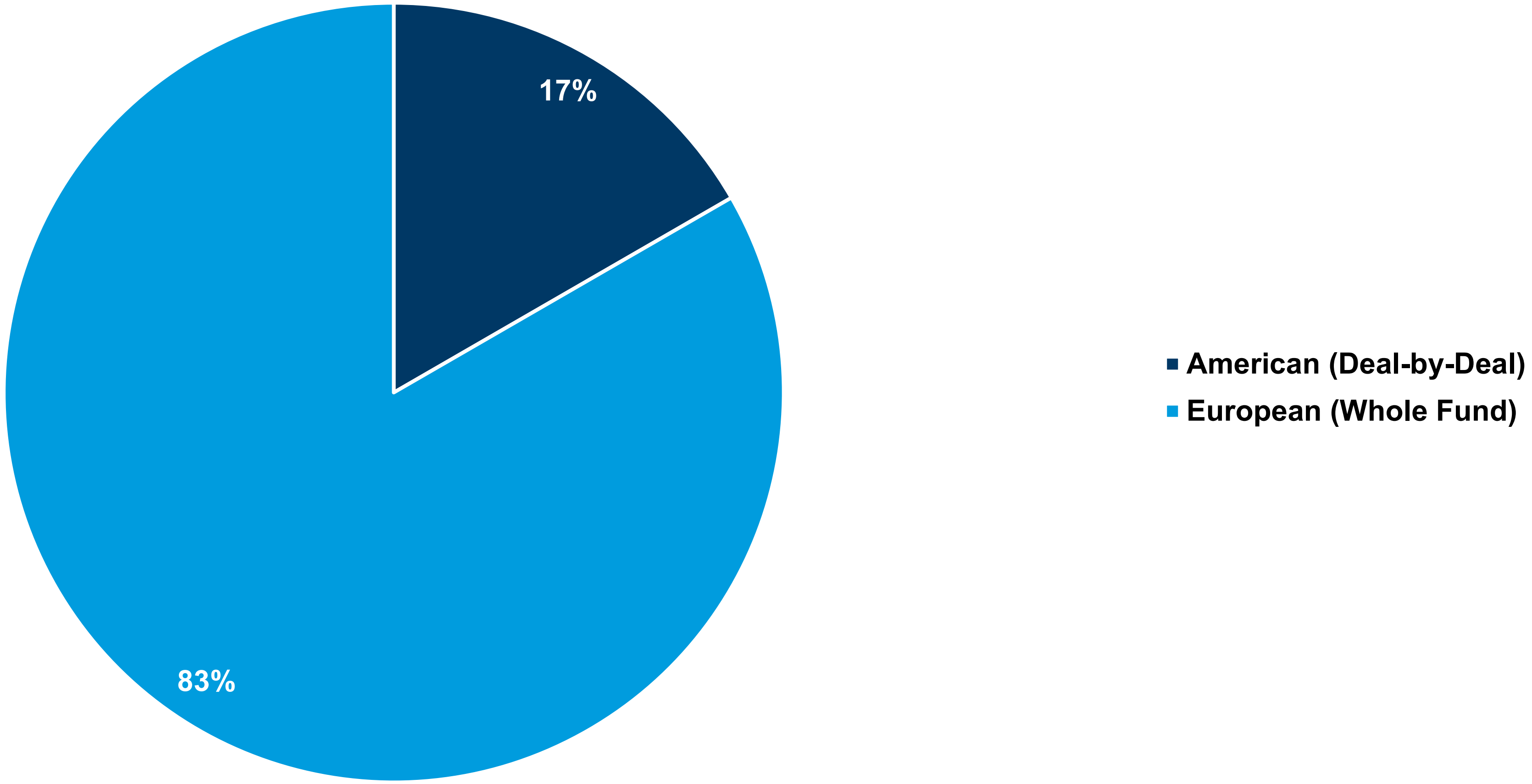
≤€500M



Distribution waterfall – Type of waterfall
>€500M-€1.5B

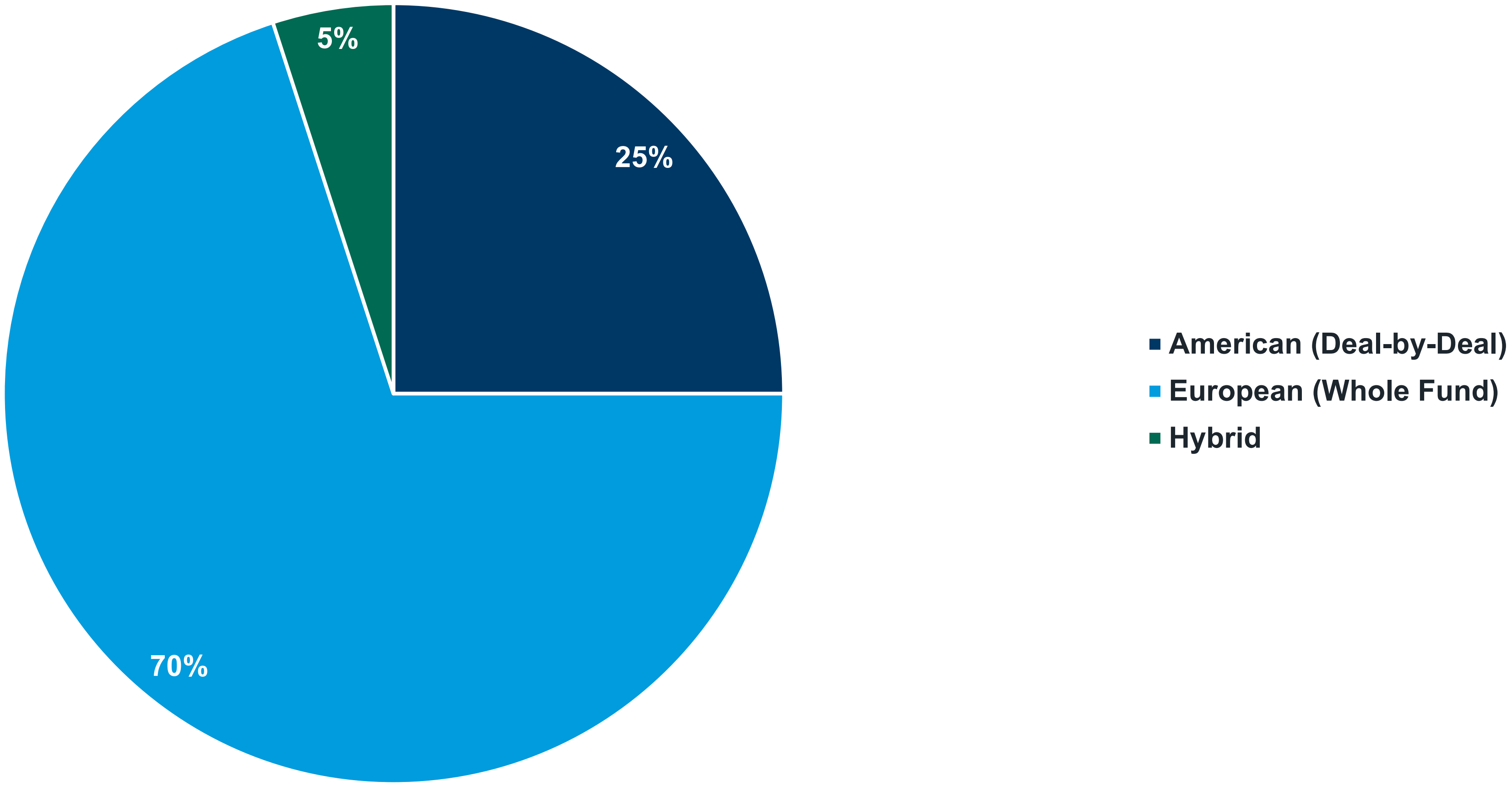


Distribution waterfall – Type of waterfall
>€1.5B-€3.75B



Distribution waterfall – Type of waterfall

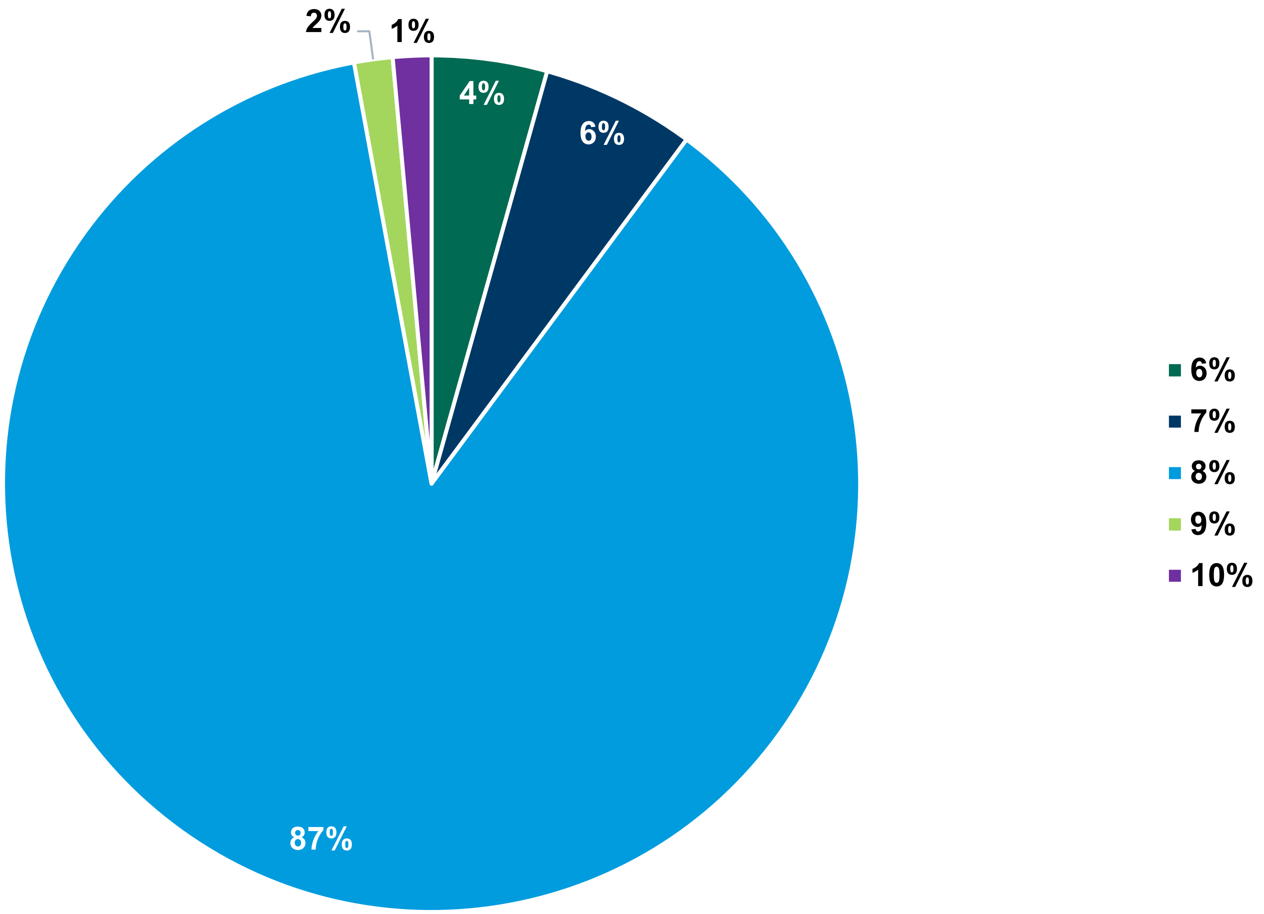
>€3.75B



Distribution waterfall – Preferred return (%)

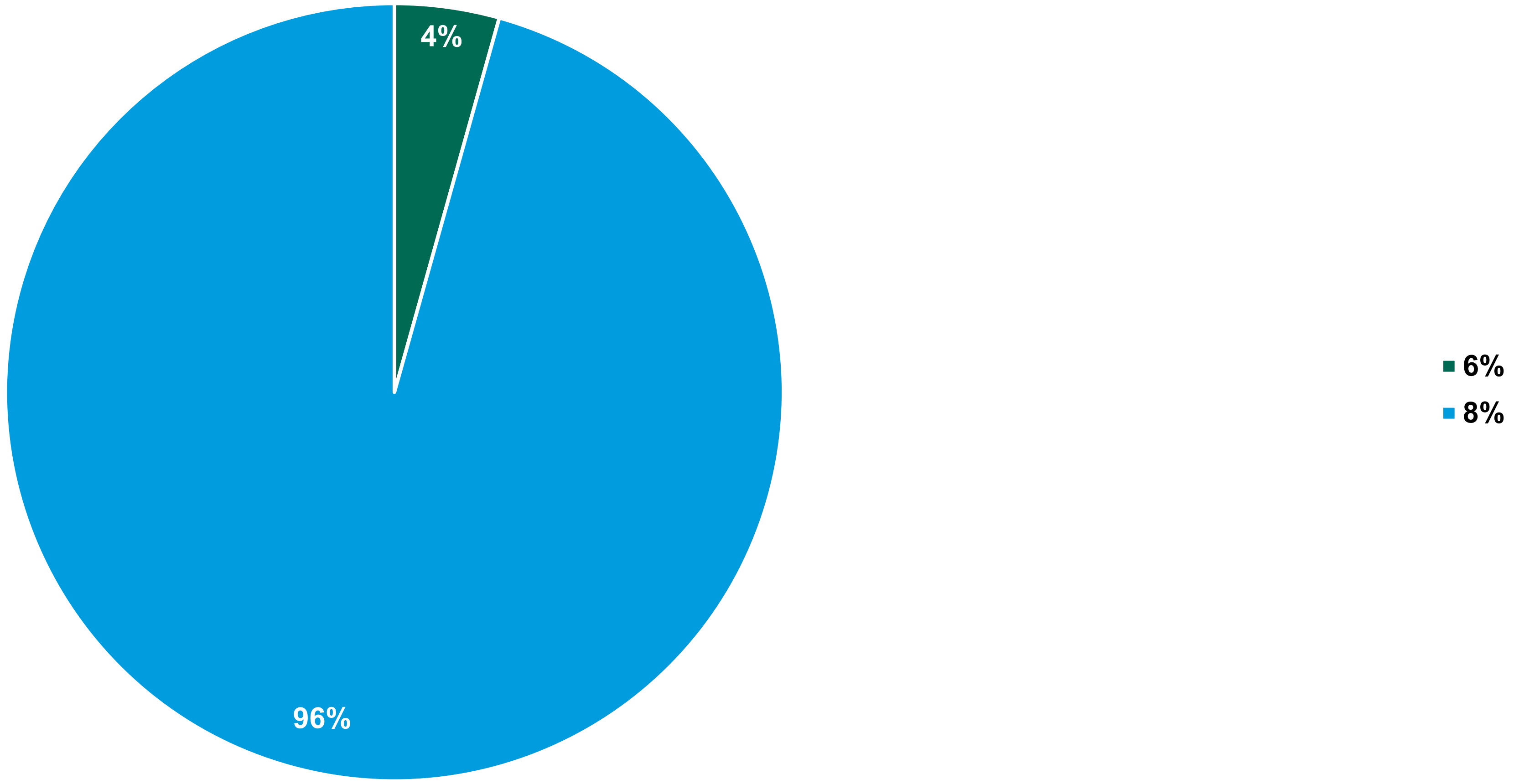
All Funds

The market standard preferred return remains at 8%, with 87% of funds in our sample applying that percentage. The smallest and largest funds (under €500m and over €3.75bn) showed the least variance with funds between €500m and €3.75bn more likely to have preferred returns of 6, 7, 9 and 10%.



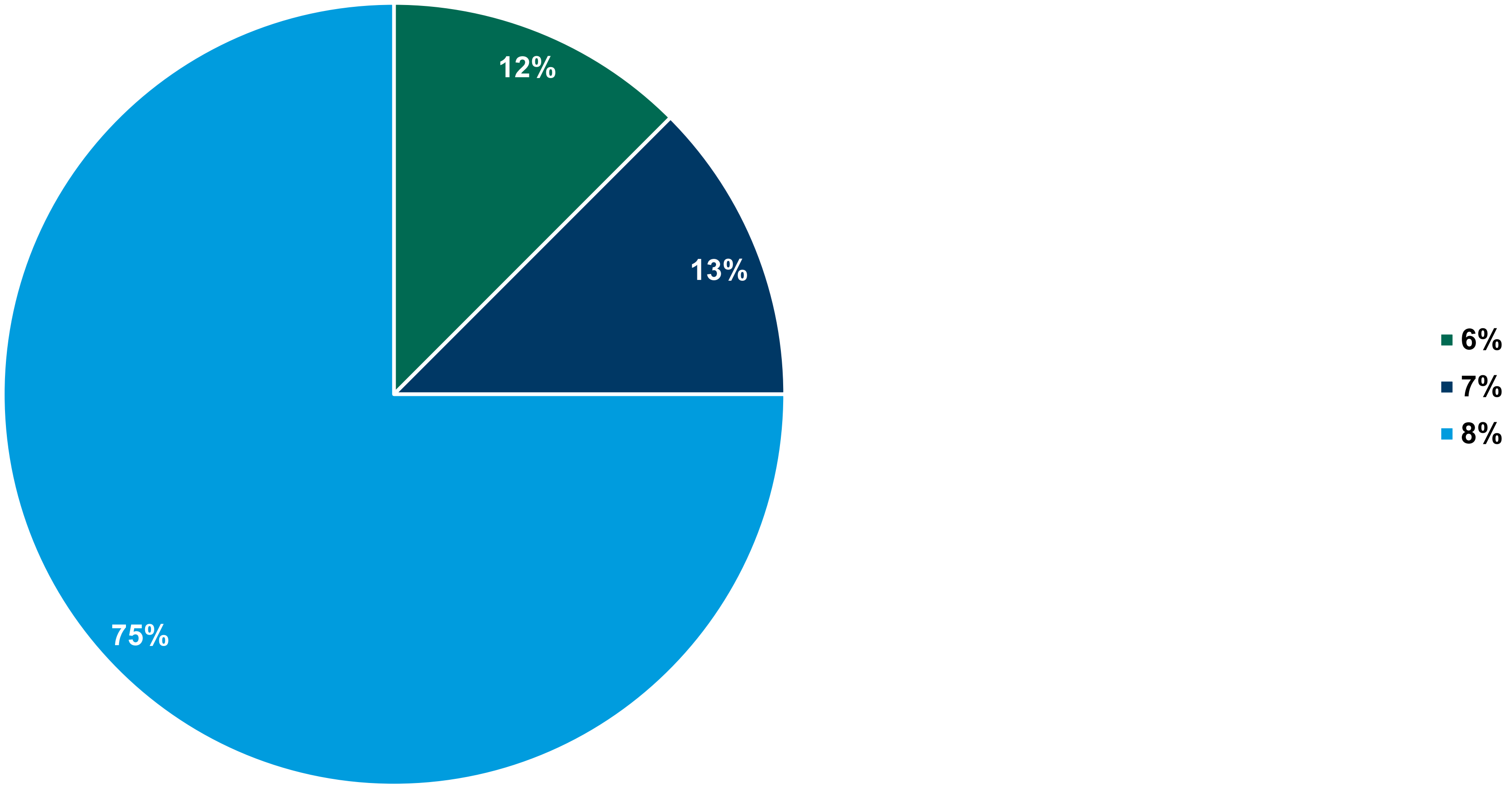
Distribution waterfall – Preferred return (%)

≤€500M

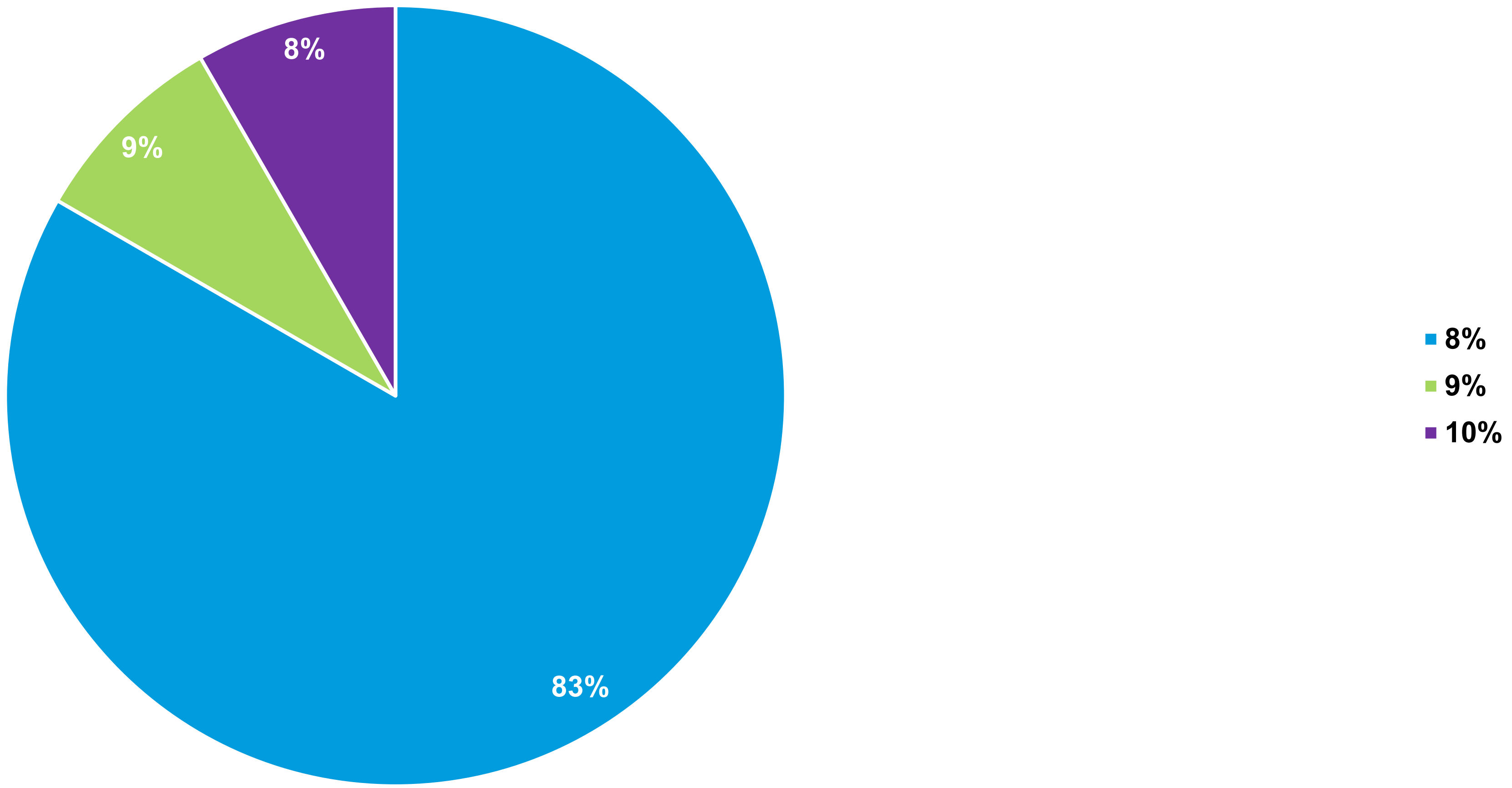


Distribution waterfall – Preferred return (%)

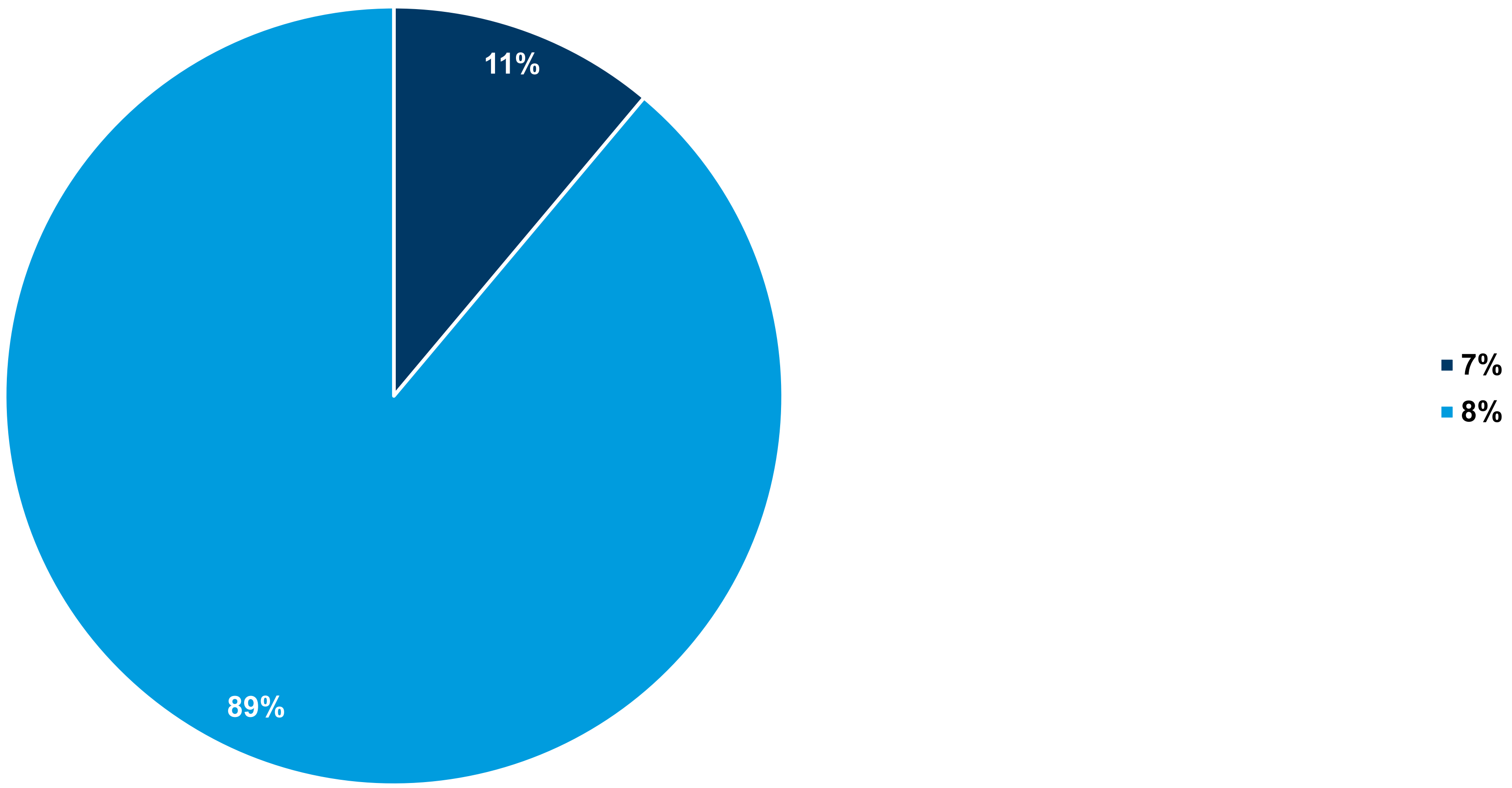
>€500M-€1.5B



Distribution waterfall – Preferred return (%)
>€1.5B-€3.75B

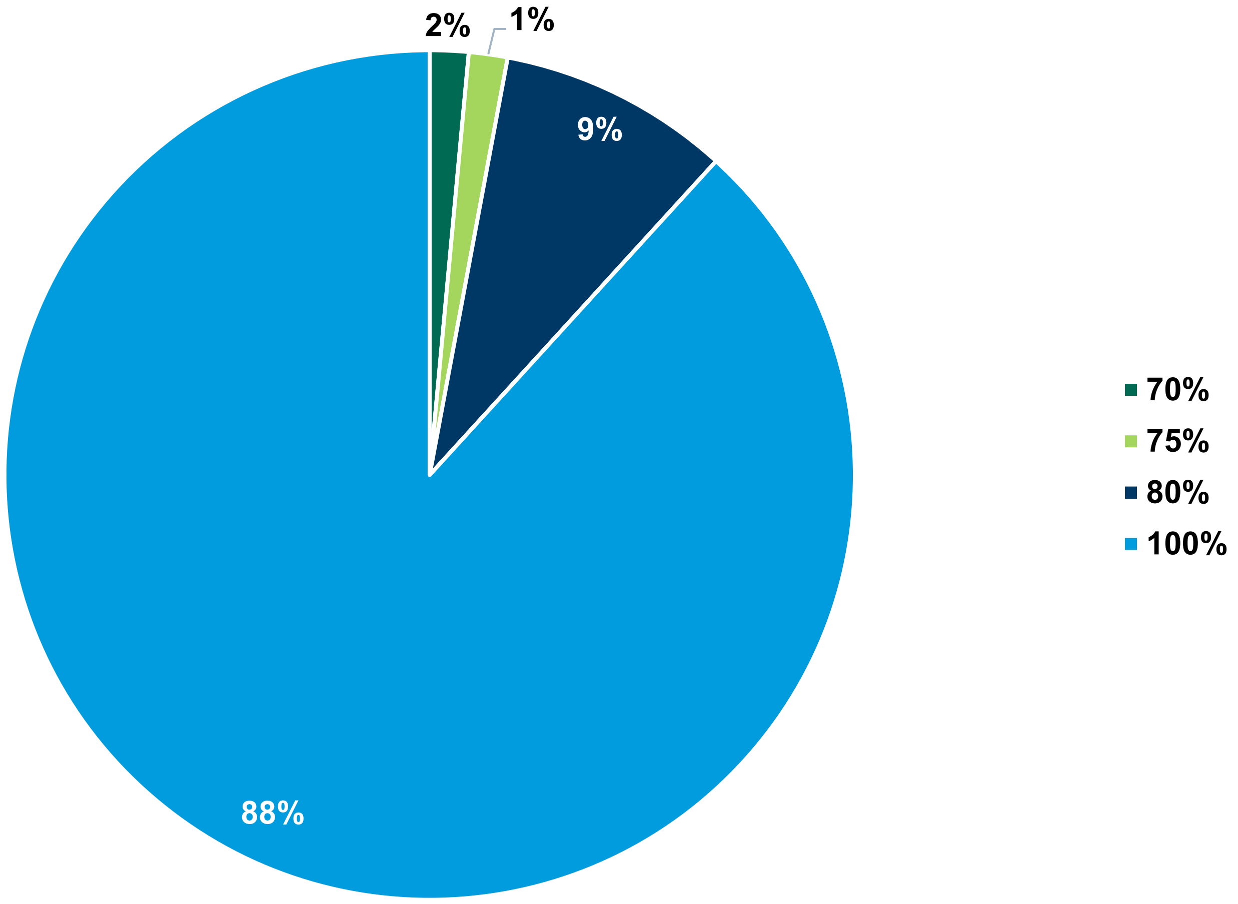


Distribution waterfall – Preferred return (%)
>€3.75B



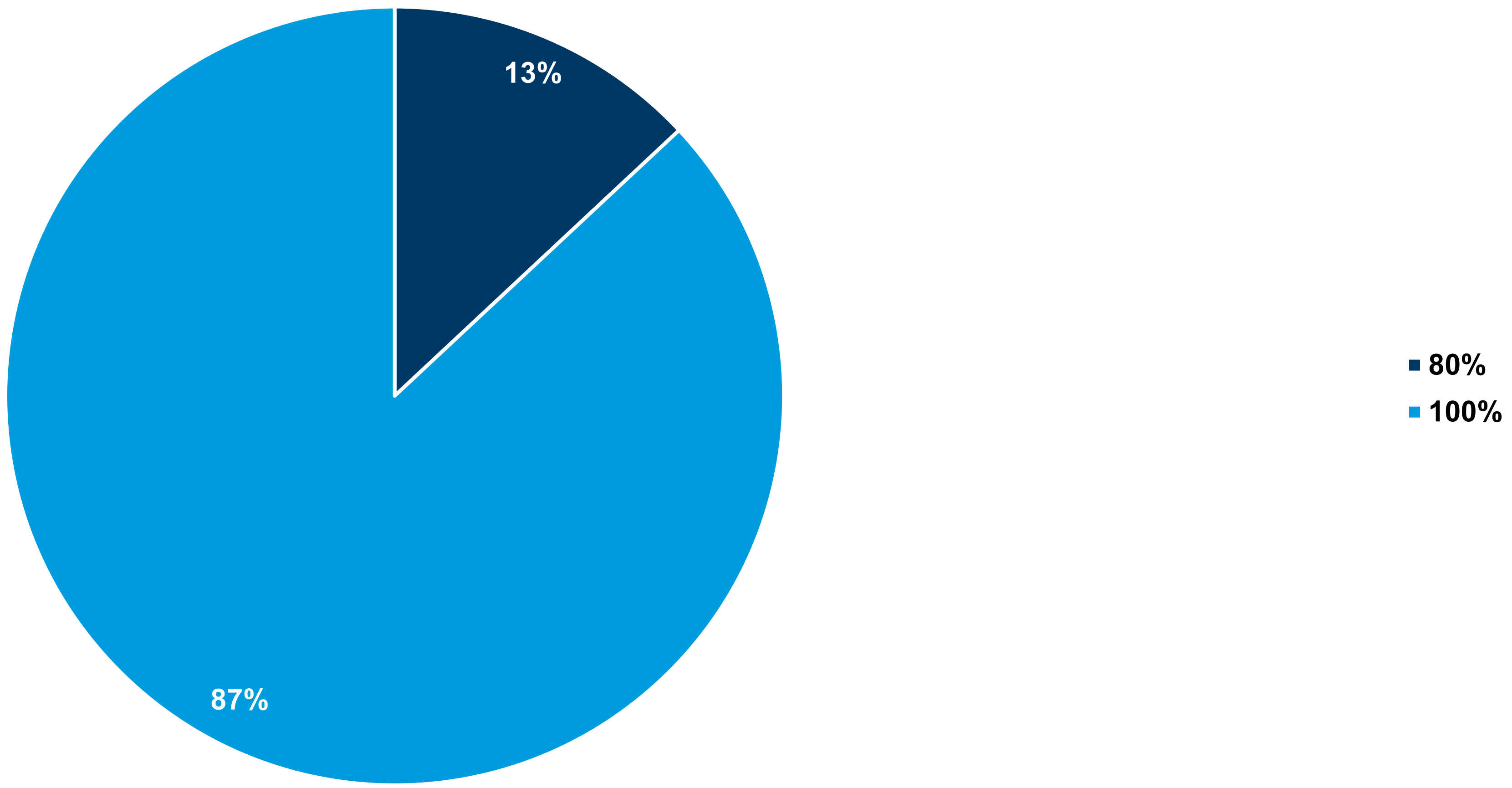
Distribution waterfall – Carried interest catch-up (% after preferred return)
All Funds

The sample this year remains fairly consistent with last year, showing that 88% of funds had a 100% catch-up of carried interest for the GP after the preferred return has been paid, a small decrease from 94% last year. An 80% catch-up, the dominant alternative, is seen in 9% of funds across our survey.

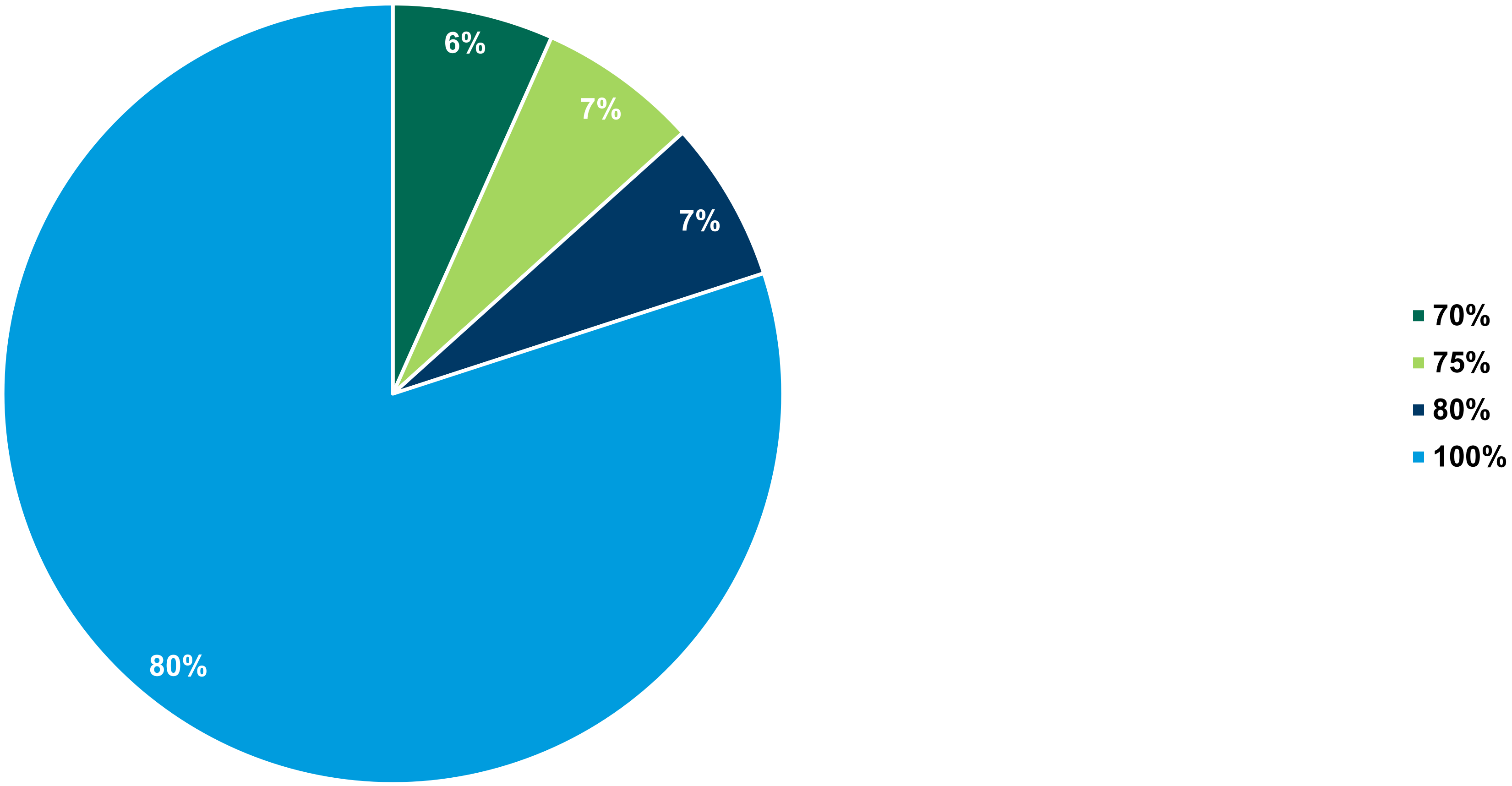


Distribution waterfall – Carried interest catch-up (% after preferred return)

≤€500M

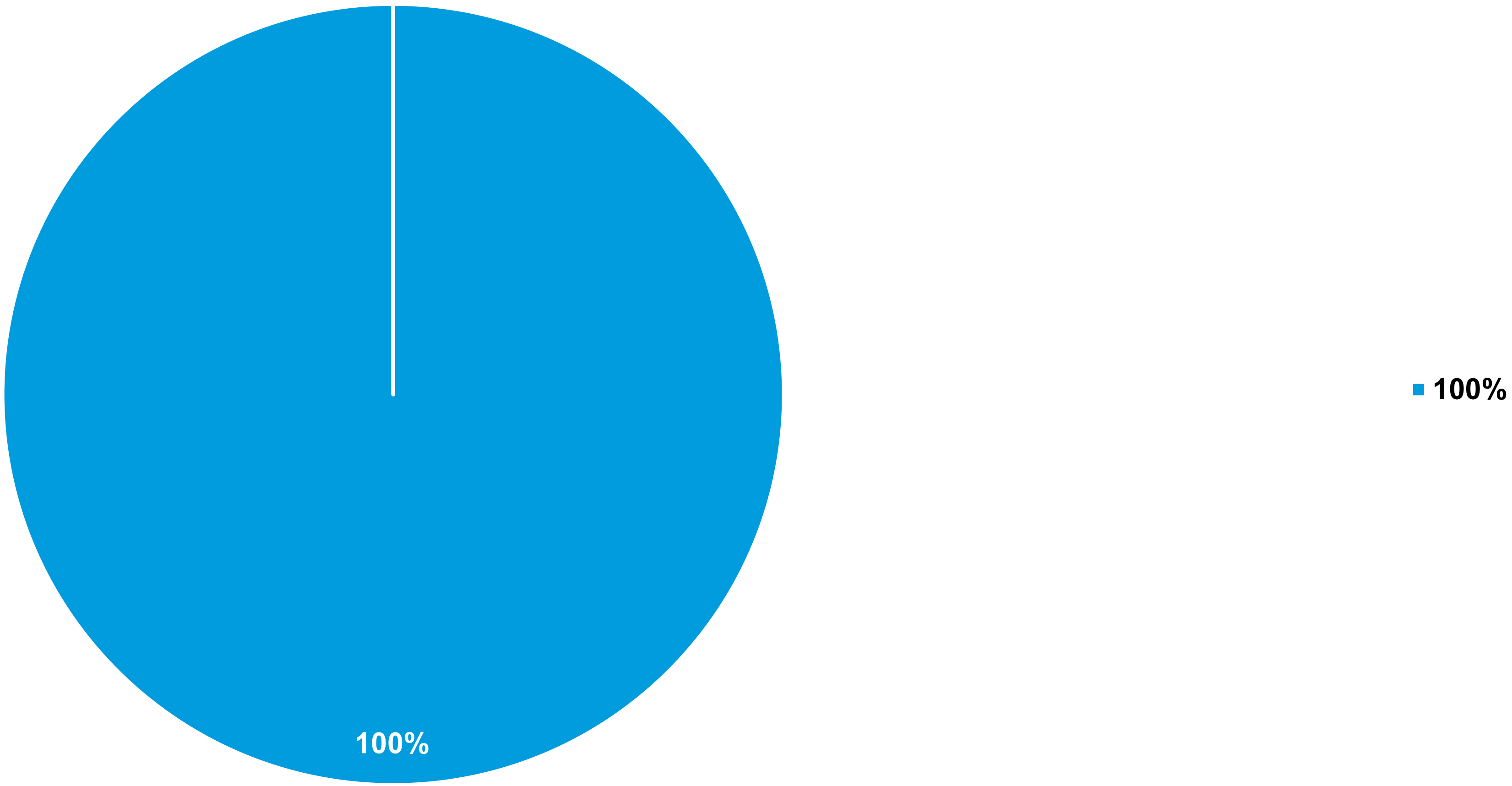


Distribution waterfall – Carried interest catch-up (% after preferred return)
>€500M-€1.5B



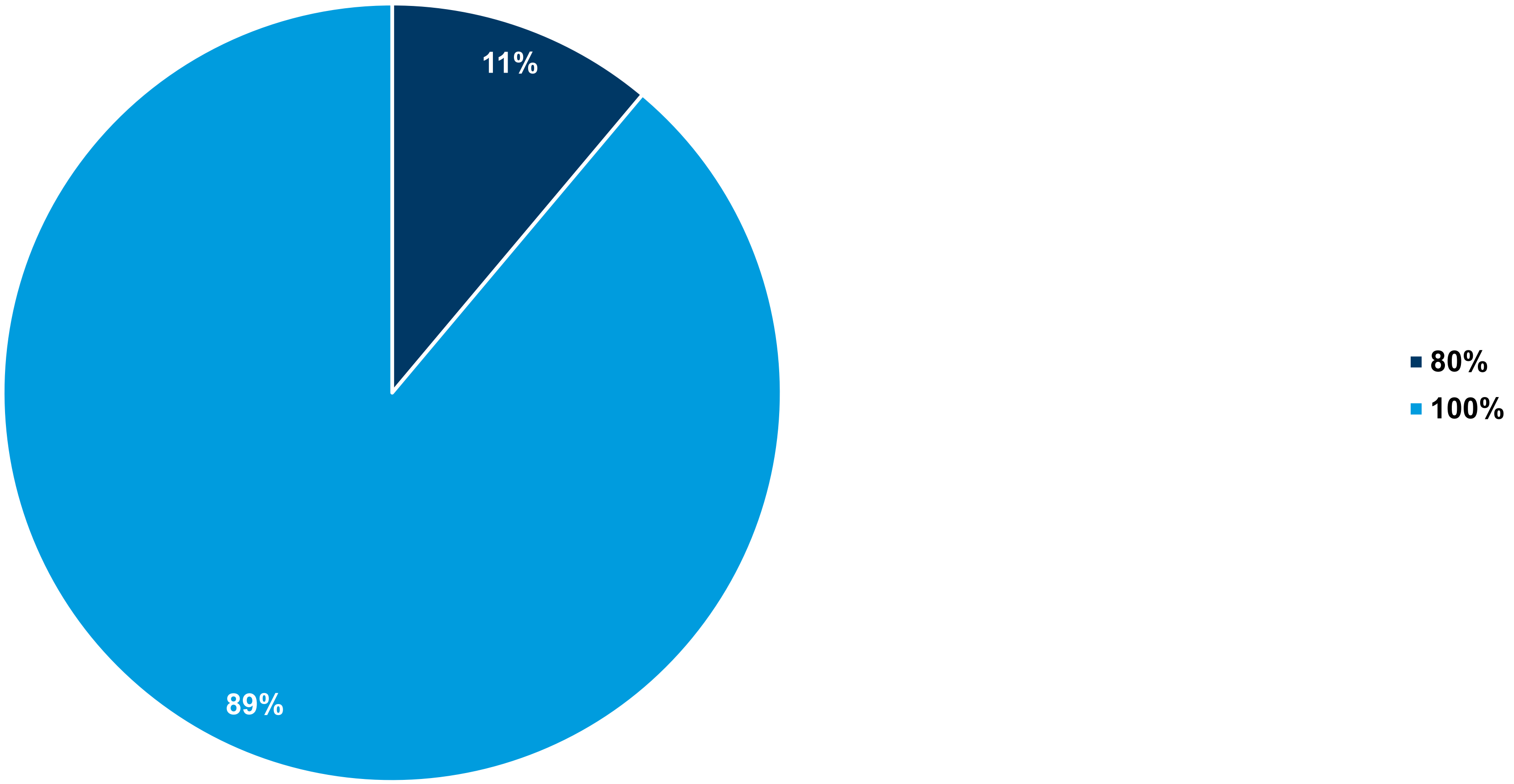
Distribution waterfall – Carried interest catch-up (% after preferred return)

>€1.5B-€3.75B



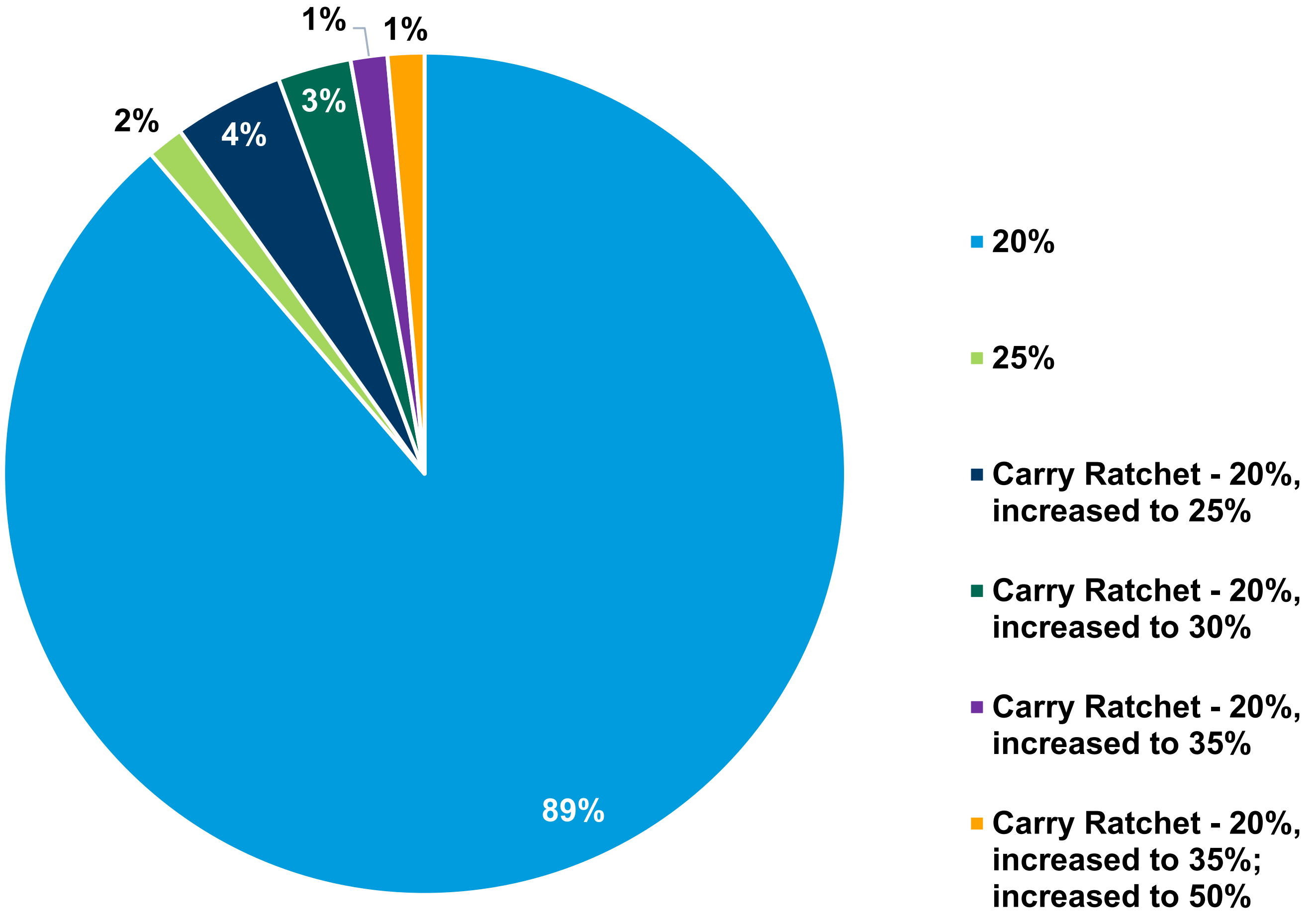
Distribution waterfall – Carried interest catch-up (% after preferred return)

>€3.75B



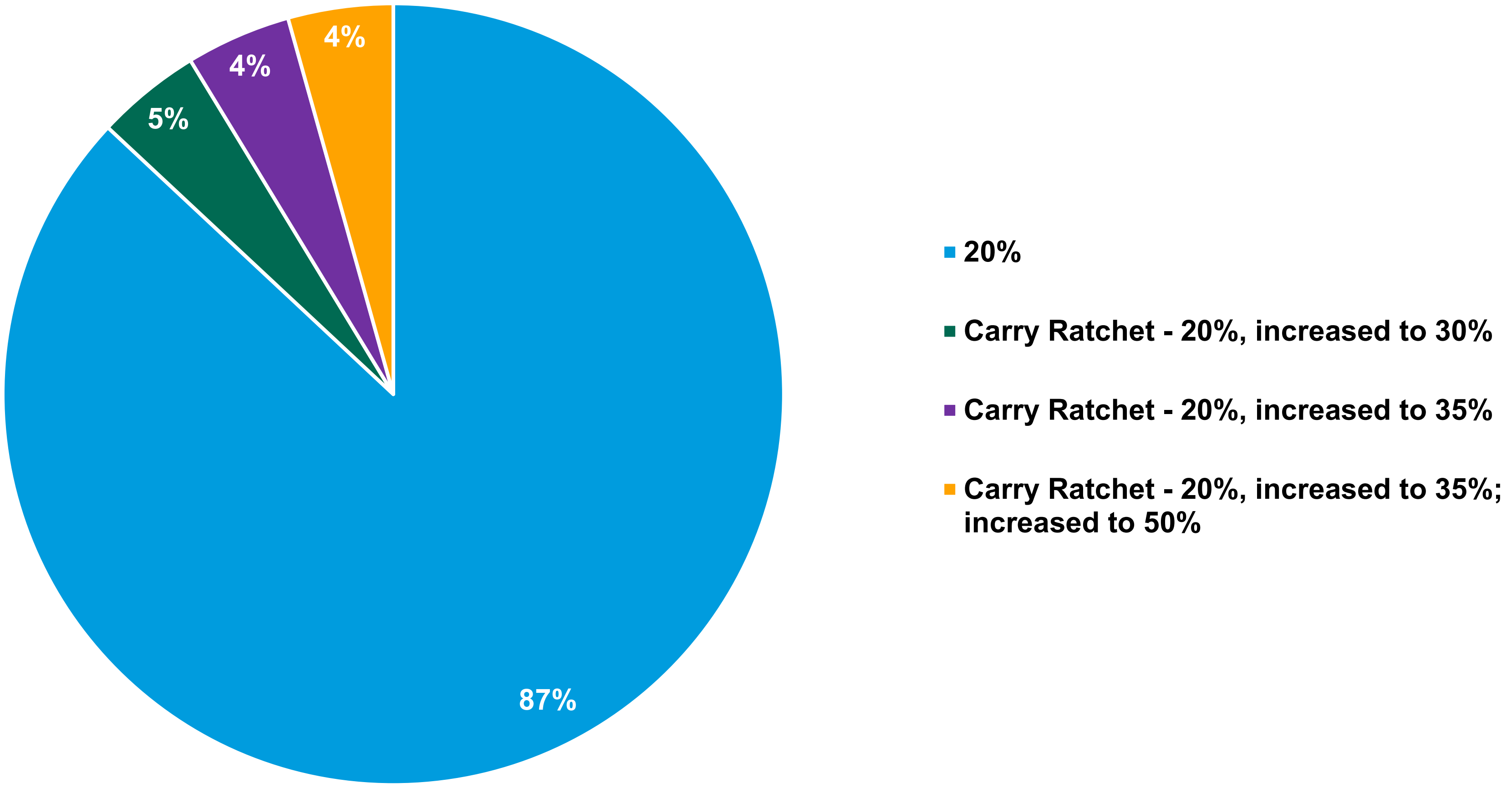
Distribution waterfall – Carried interest percentage
All Funds

The number of funds that have a carried interest percentage fixed at 20% is similar to last year's data with 89% of funds preferring this option. Funds with carry ratchets, meaning an increase in carry percentage once the fund performs at a certain level (reaching either a target IRR or money multiple), are not uncommon at smaller fund sizes but no funds sized at €3.75 billion or more feature a ratchet.

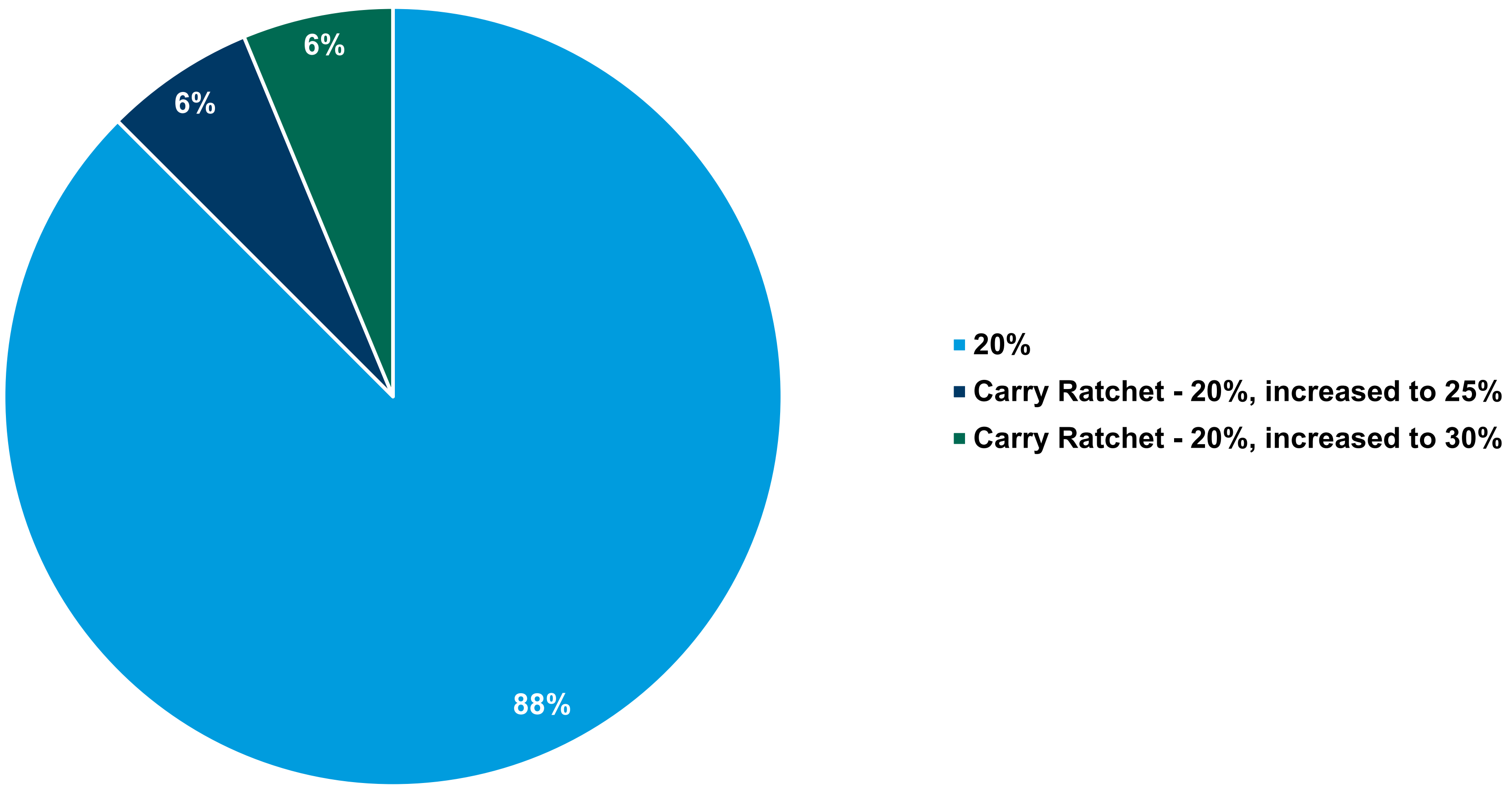


Distribution waterfall – Carried interest percentage

≤€500M

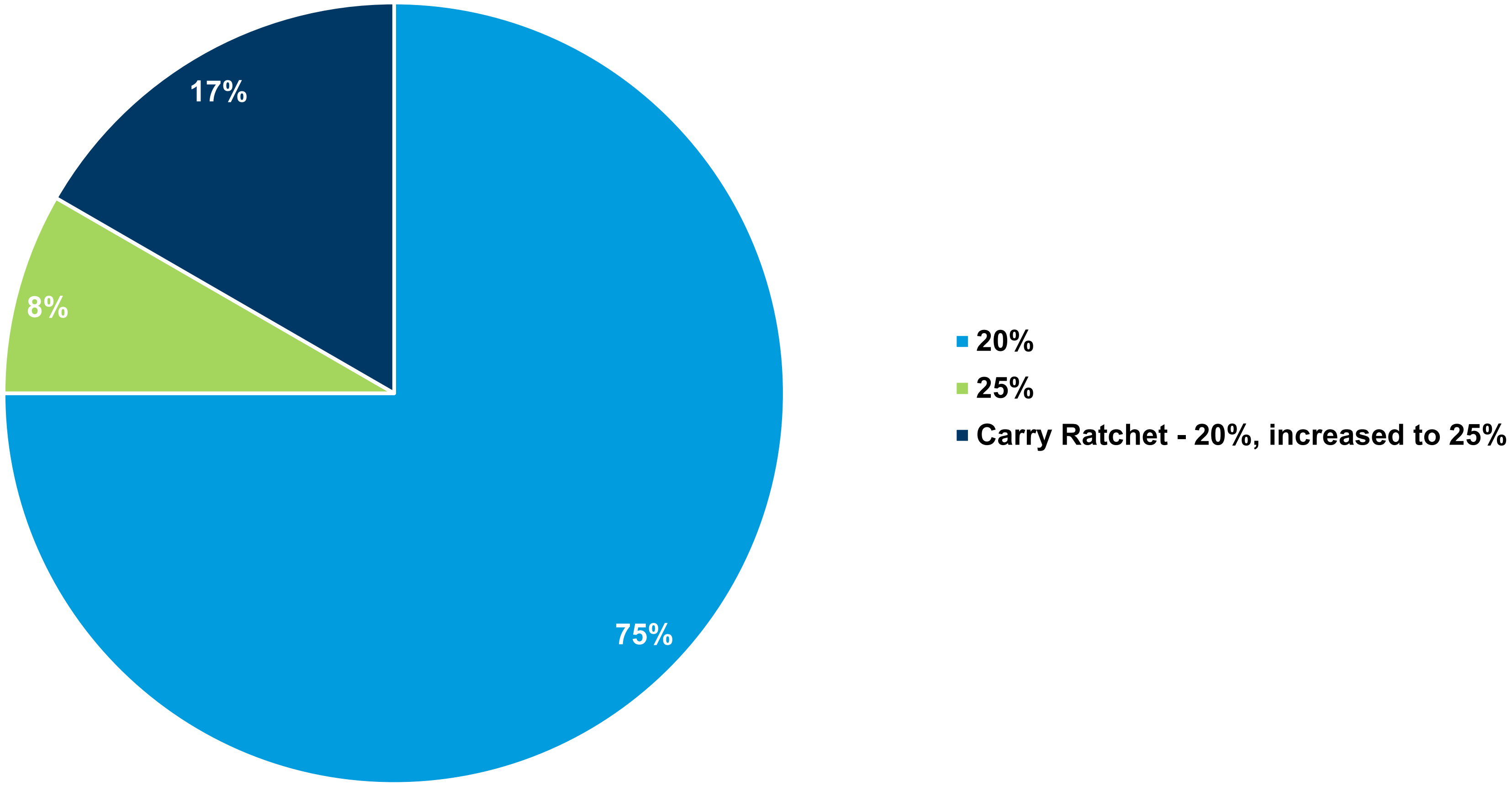


Distribution waterfall – Carried interest percentage
>€500M-€1.5B

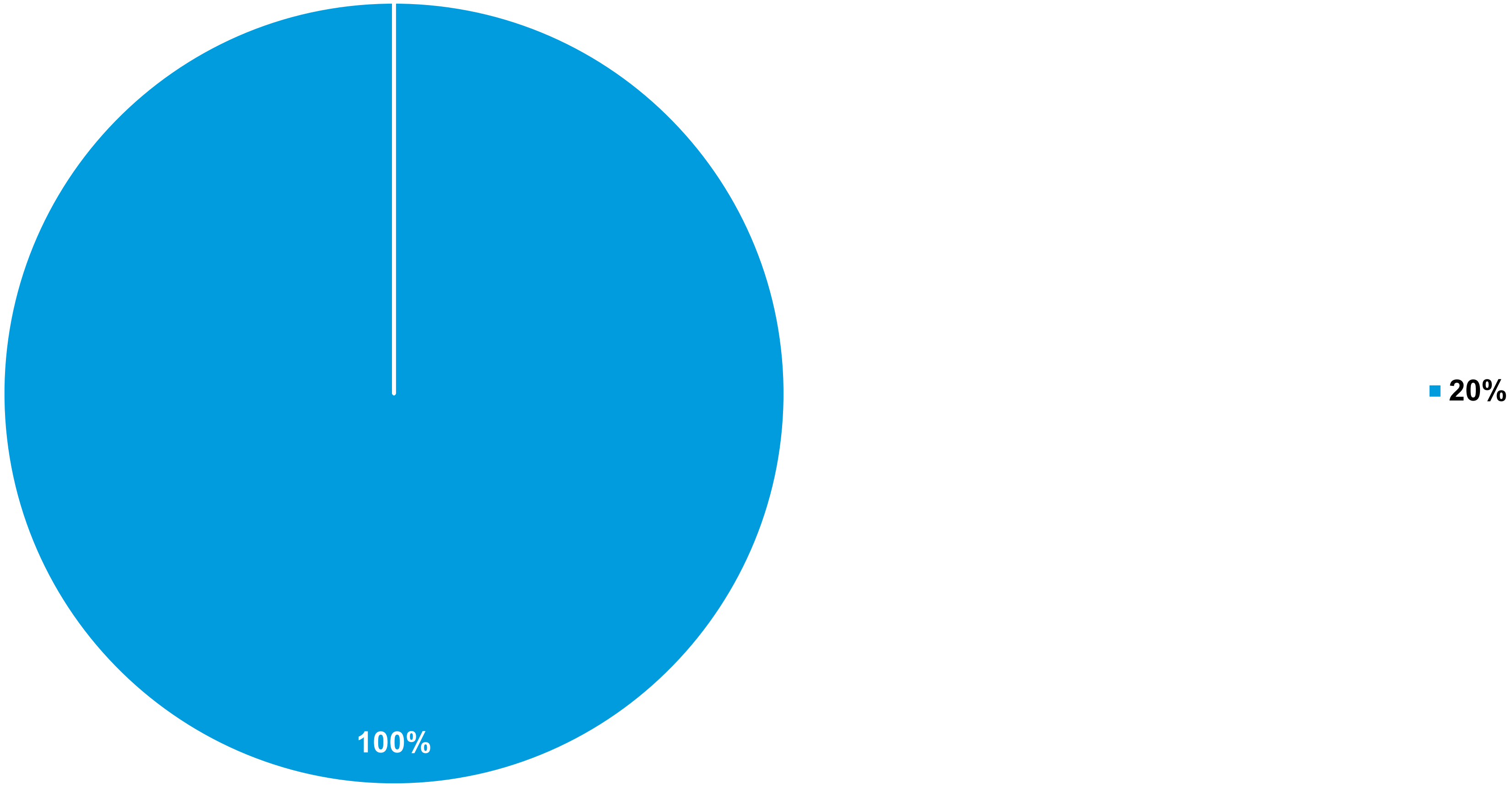


Distribution waterfall – Carried interest percentage

>€1.5B-€3.75B



Distribution waterfall – Carried interest percentage
>€3.75B

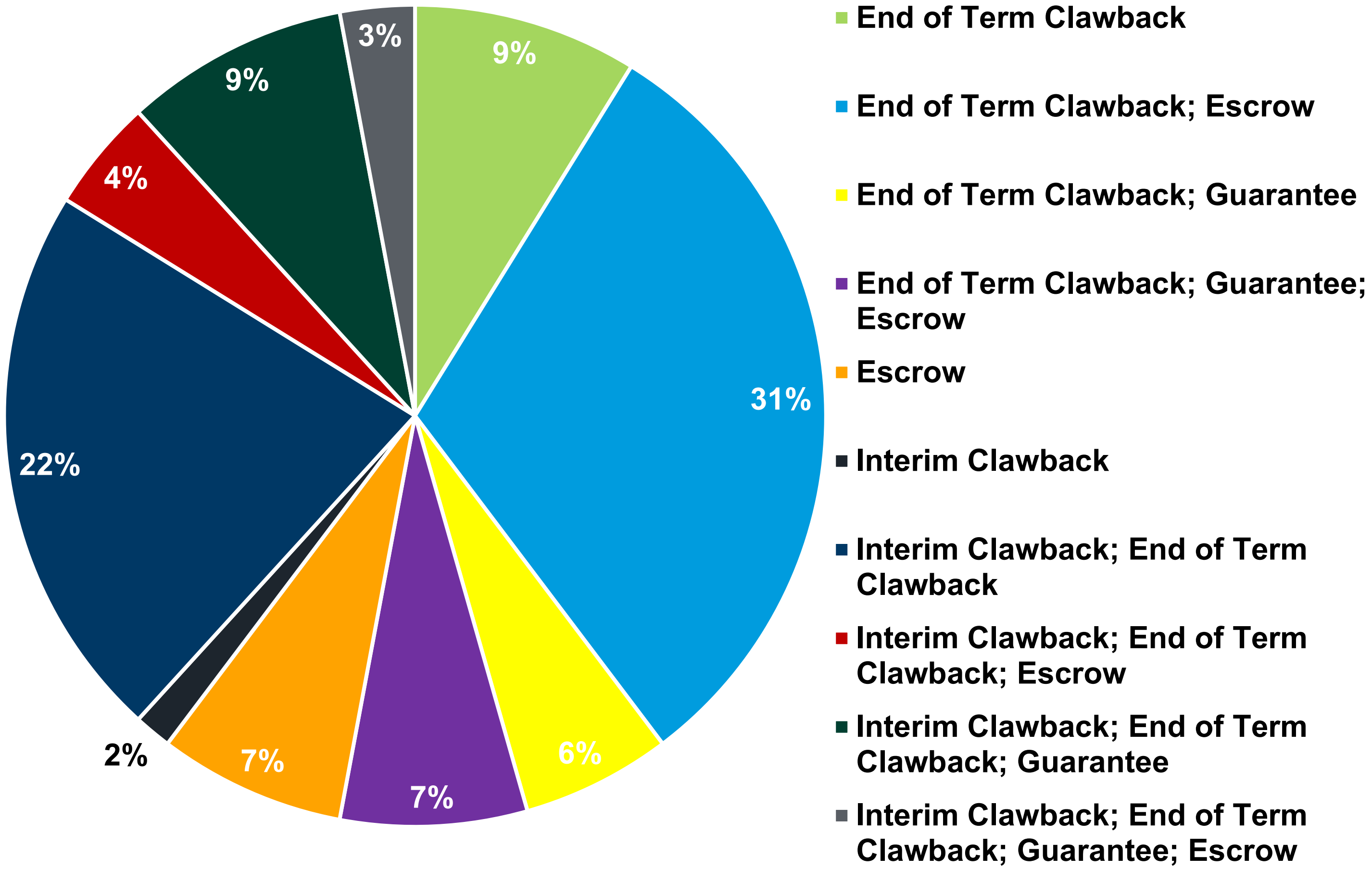


GP clawback and related investor protections

All Funds

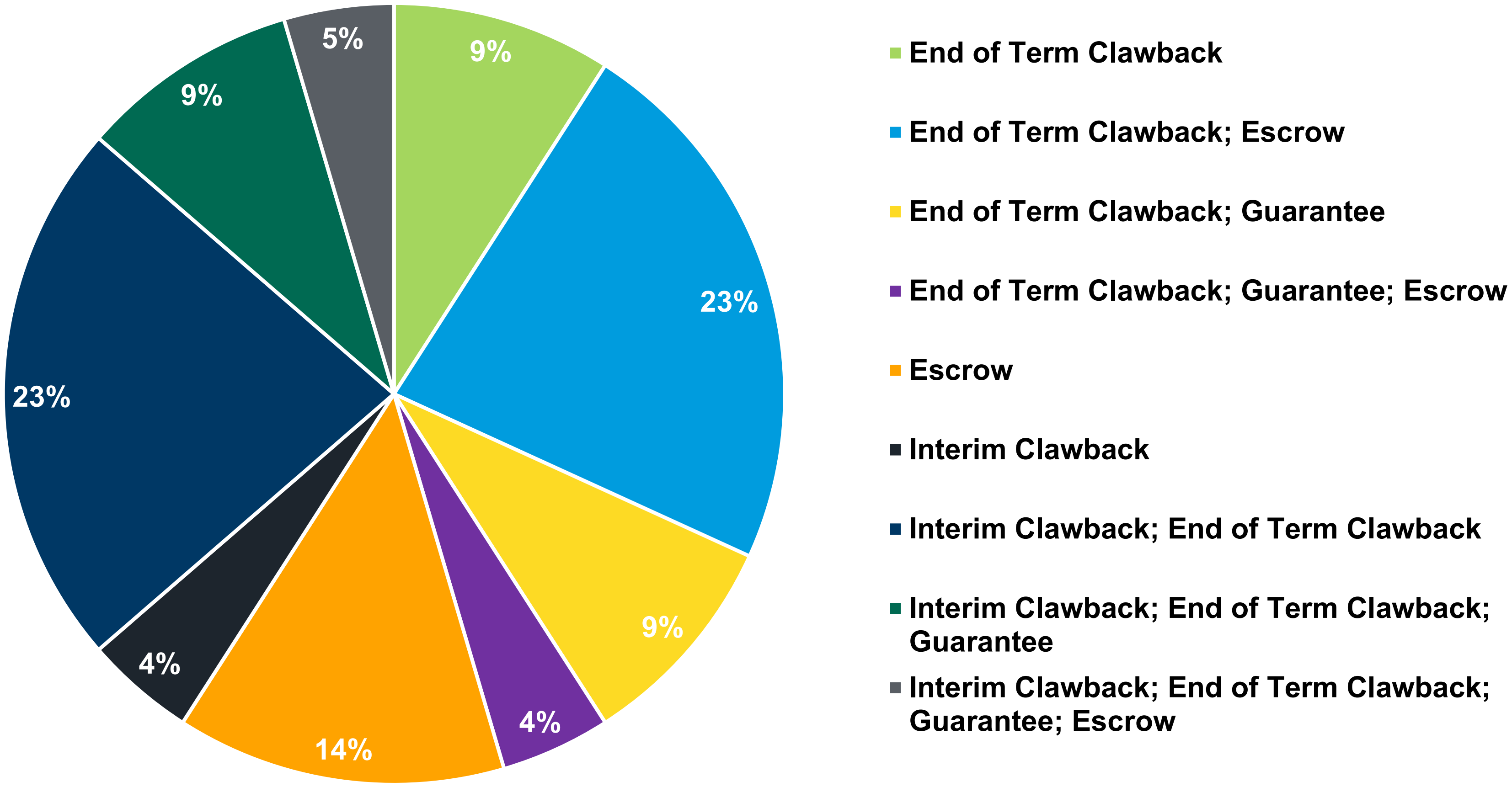
There continues to be no common approach to the investor protections relating to potential overpayment of carried interest, and this is true across the fund size brackets. This will also be a factor of the waterfall used, with any deviation from the standard whole-fund model potentially leading to more focus on the clawback protections.

One or a combination of escrow, guarantees, interim clawbacks and end-of-term clawbacks are used. The most common are an end-of-term clawback combined with an escrow (31% of funds, compared to 25% last year). The number of funds with solely an interim clawback test increased from 14% in our prior survey to 22% this year. As our data has shown across recent years, clawback and clawback protection is a key point of negotiation in many fundraisings and routed in the facts and circumstances of each fund, including whether the distribution waterfall is European or US.

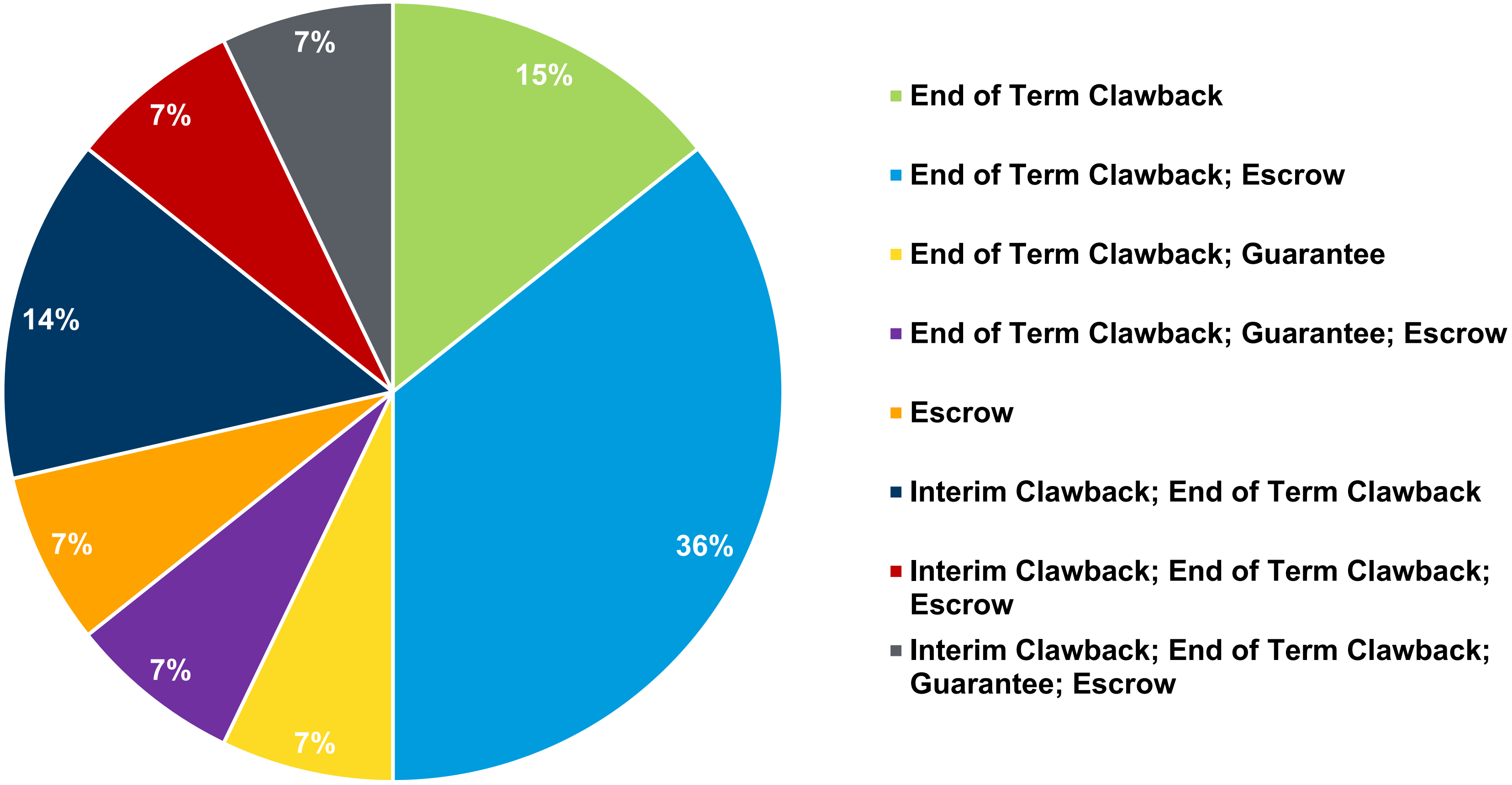


GP clawback and related investor protections

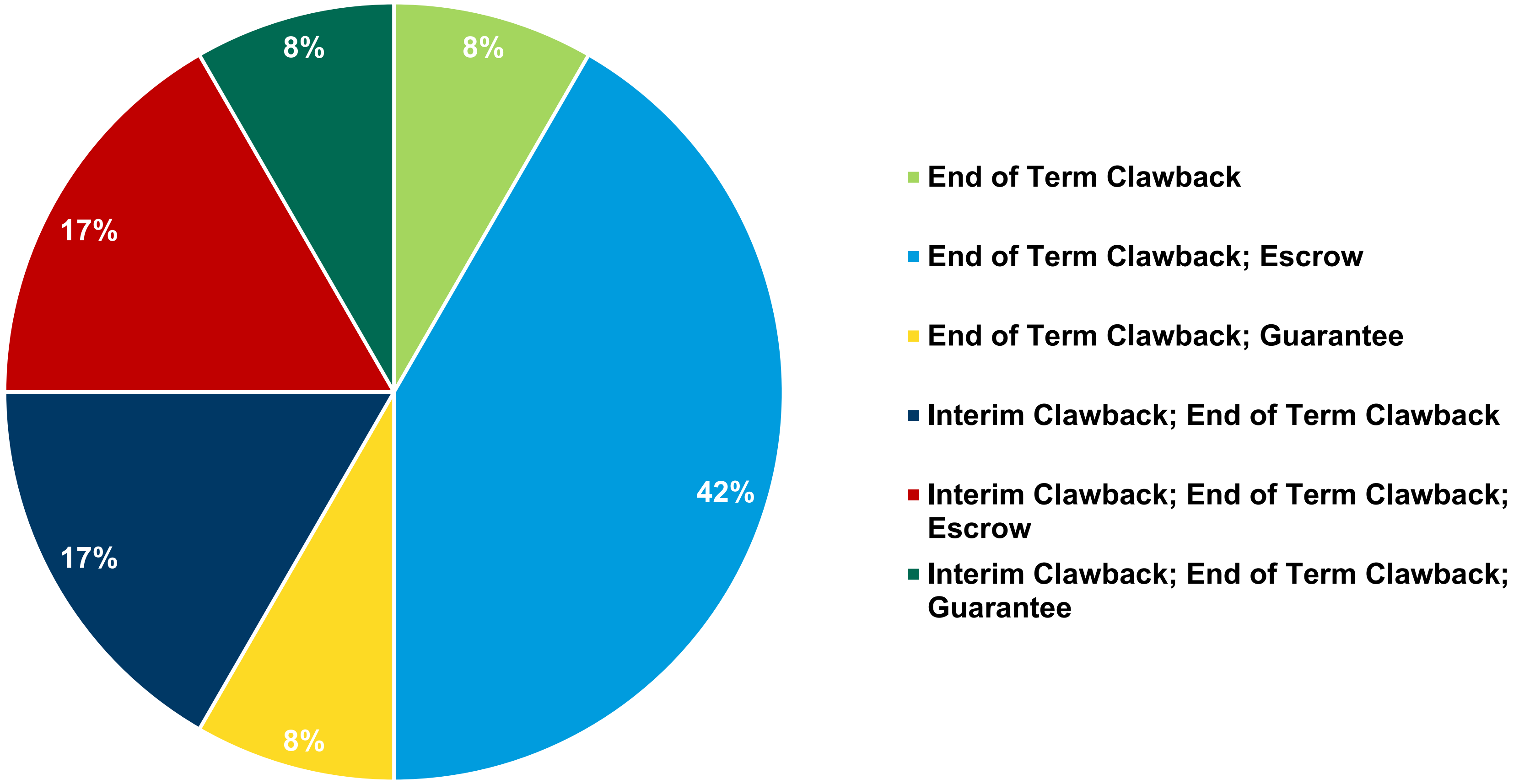
≤€500M



GP clawback and related investor protections
>€500M-€1.5B

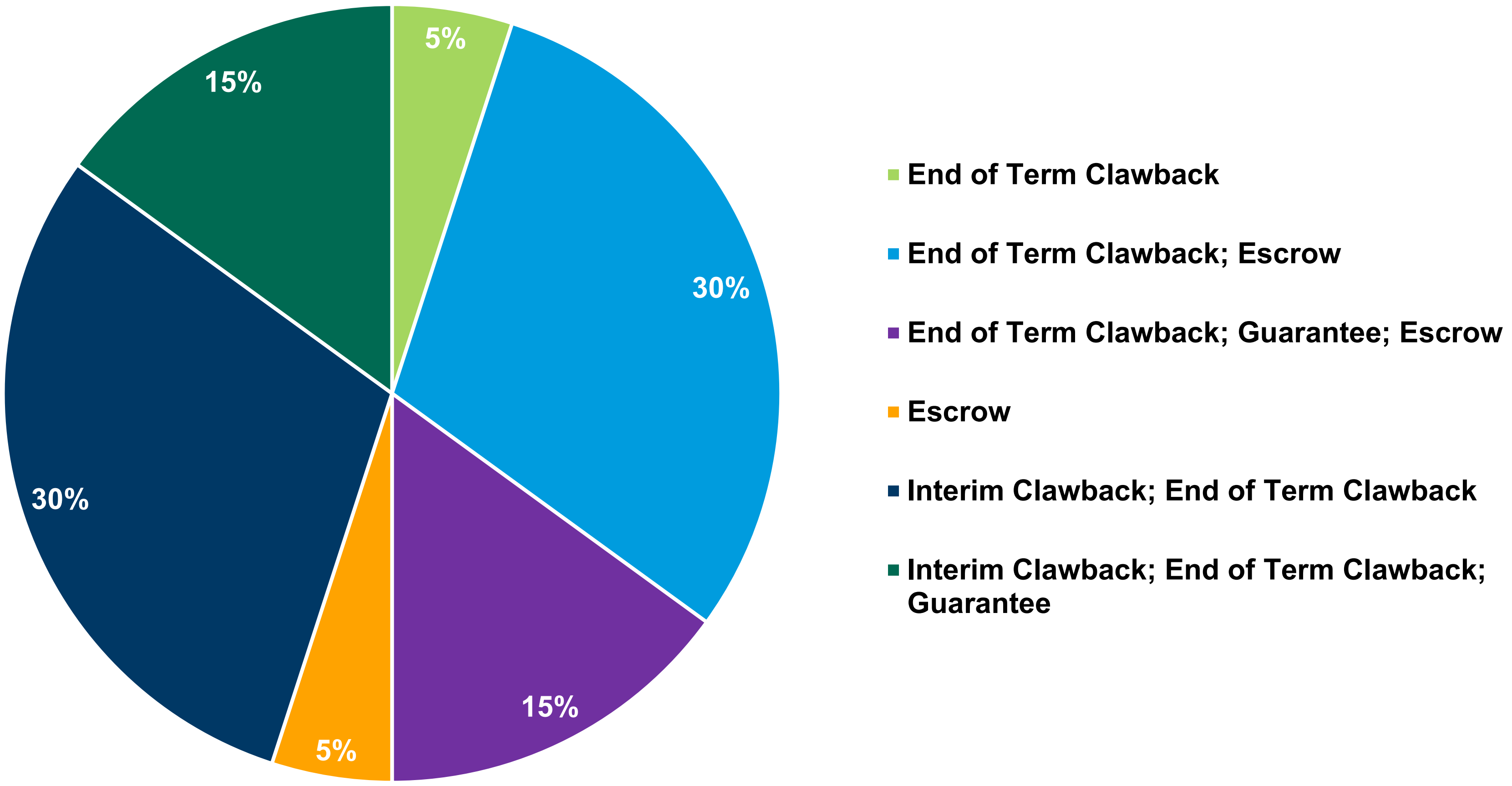


GP clawback and related investor protections
>€1.5B-€3.75B



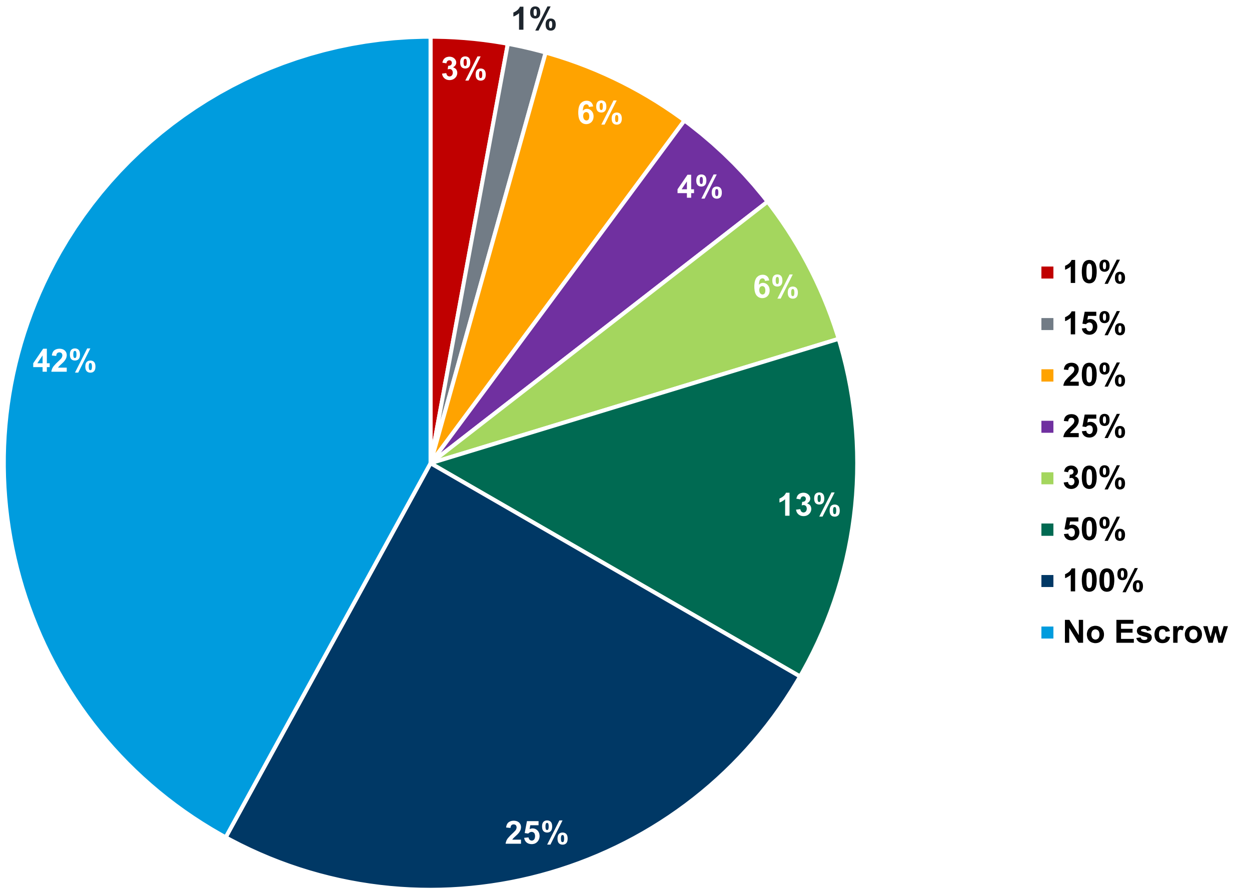
GP clawback and related investor protections

>€3.75B



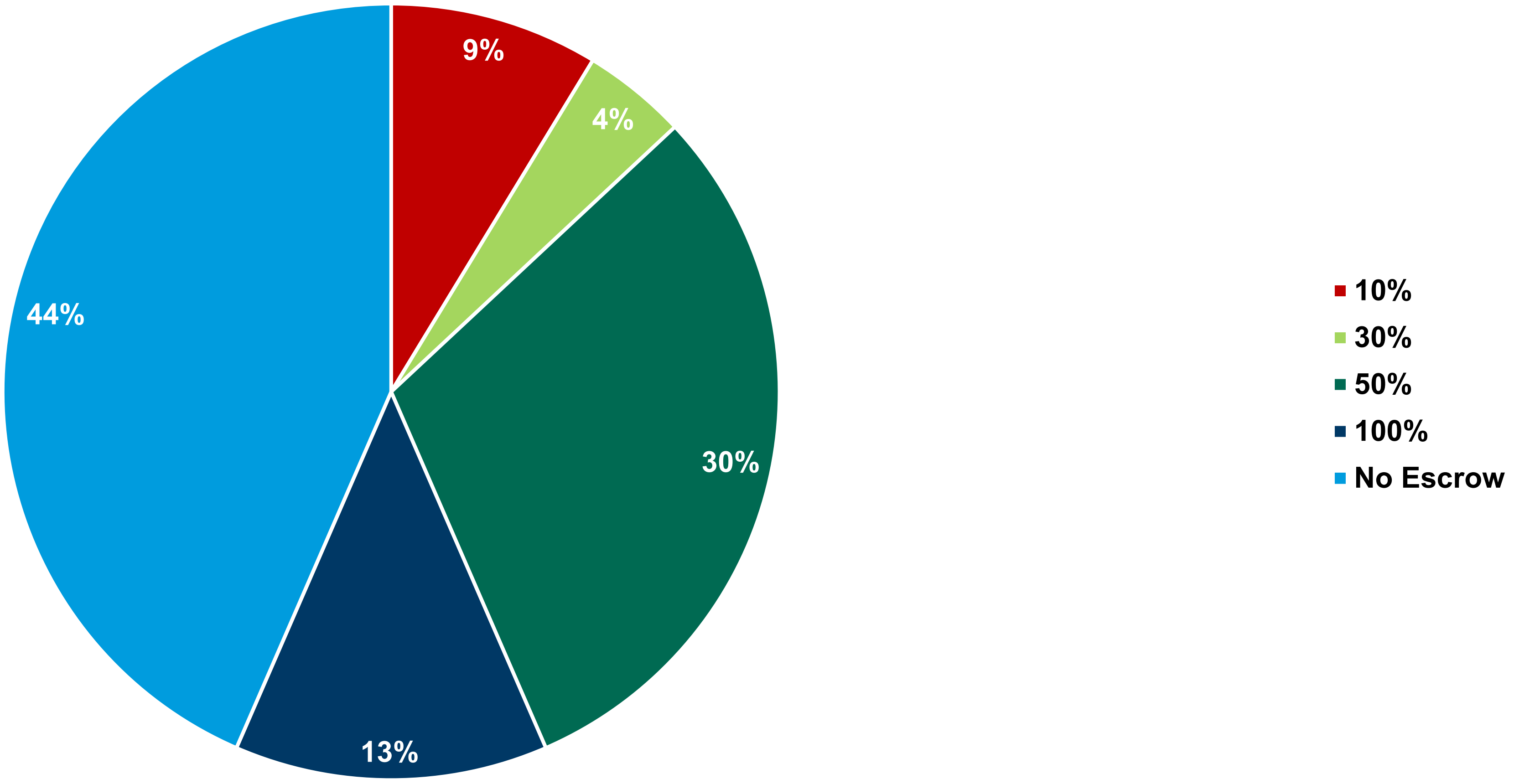
Escrow (% of carried interest)
All Funds

A significant proportion of the funds in our sample did not use an escrow (42%). 25% of funds provided for 100% of carry distributions to be initially placed into an escrow, which is an increase from prior years. There continues to be considerable variance in the amount escrowed (where there is escrow), with the range running from 10% to 100%.

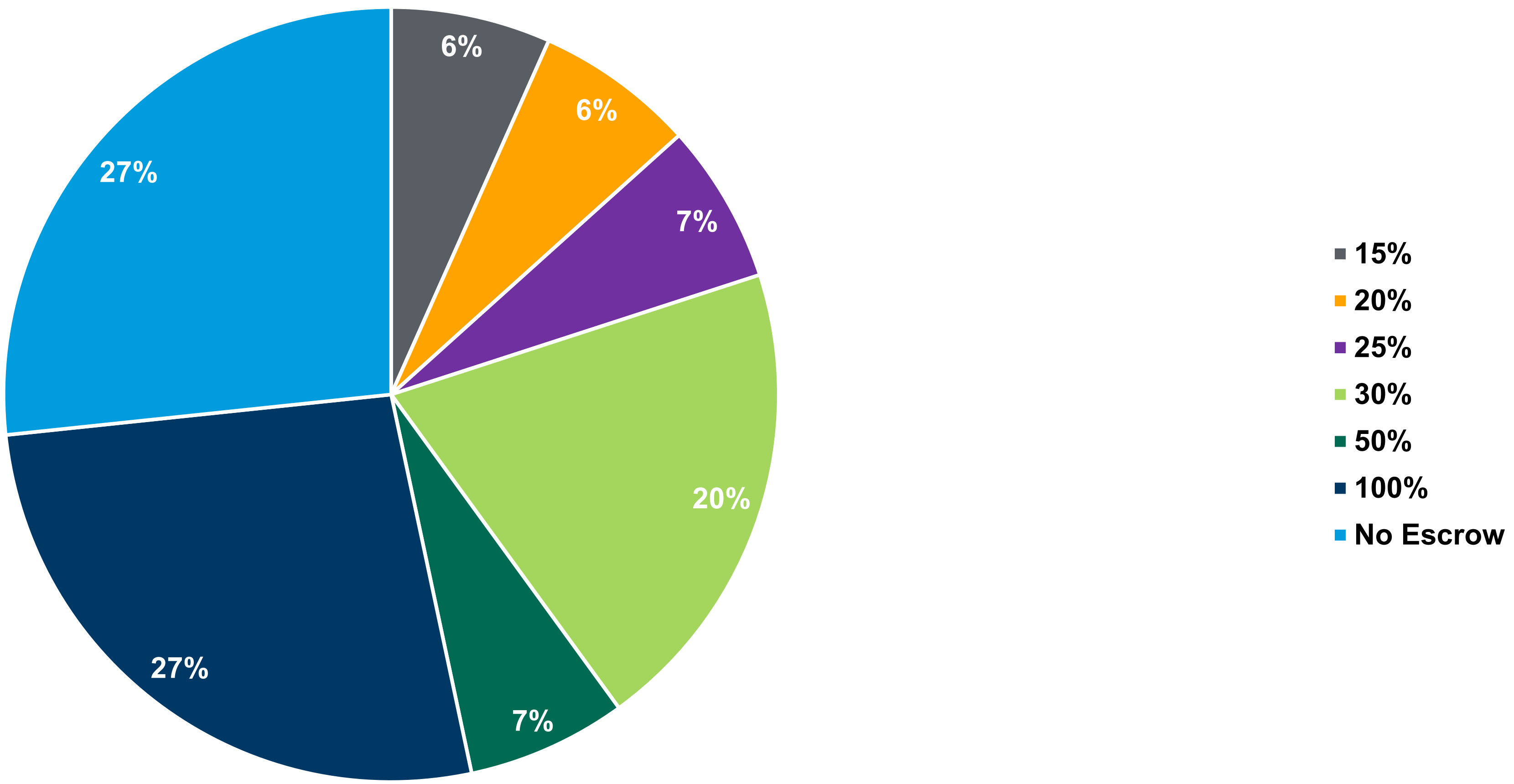


Escrow (% of carried interest)

≤€500M

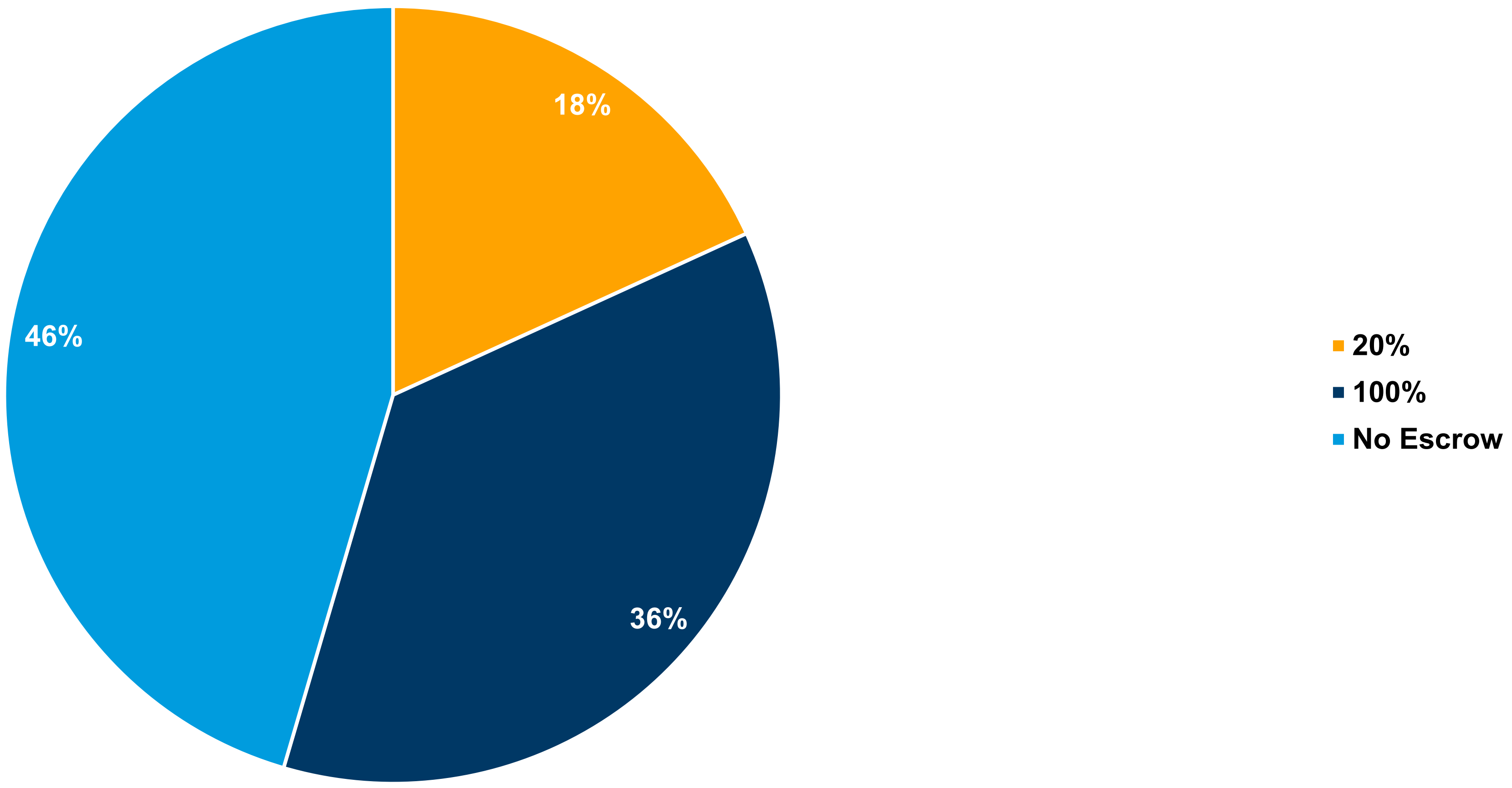


Escrow (% of carried interest)
>€500M-€1.5B



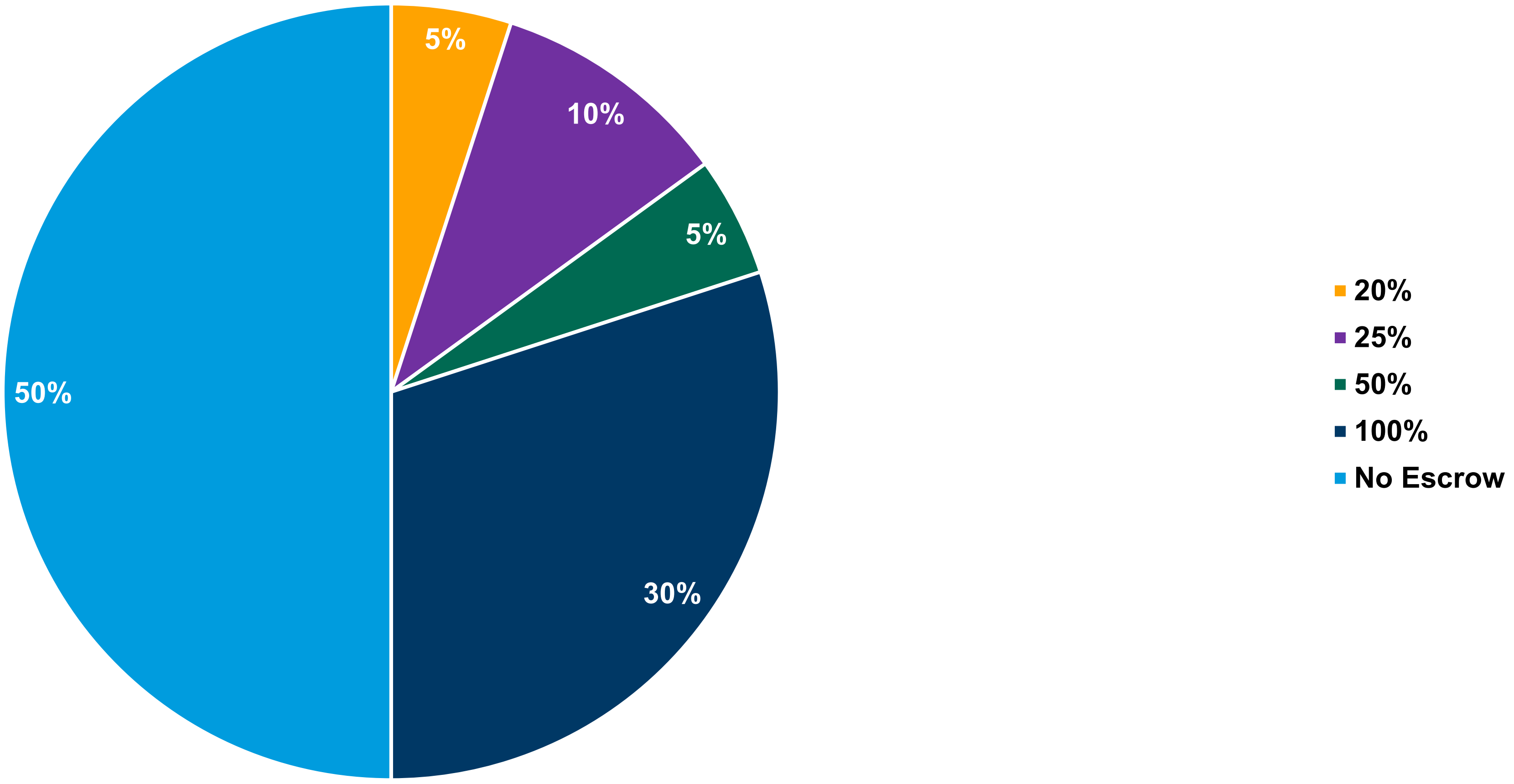
Escrow (% of carried interest)

>€1.5B-€3.75B



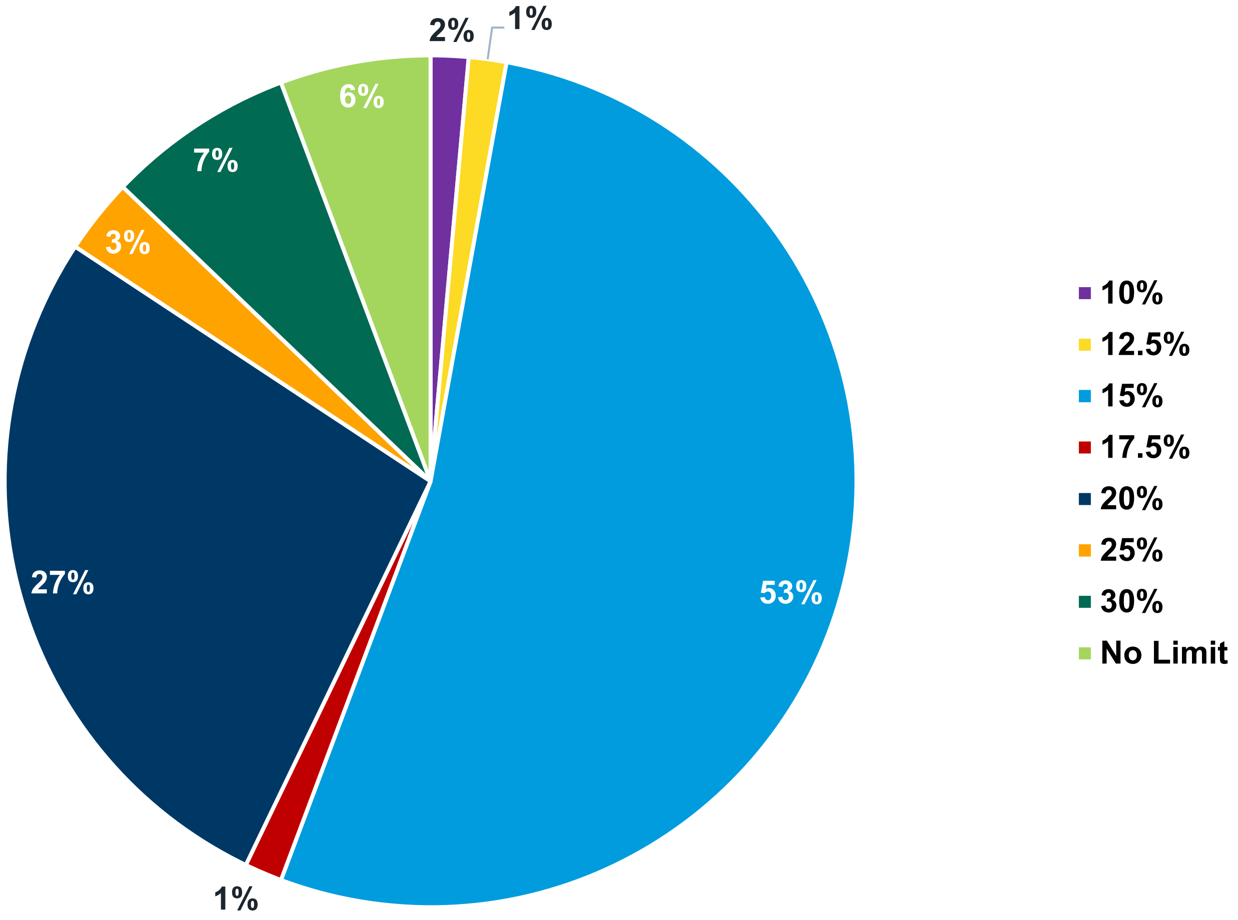
Escrow (% of carried interest)

>€3.75B



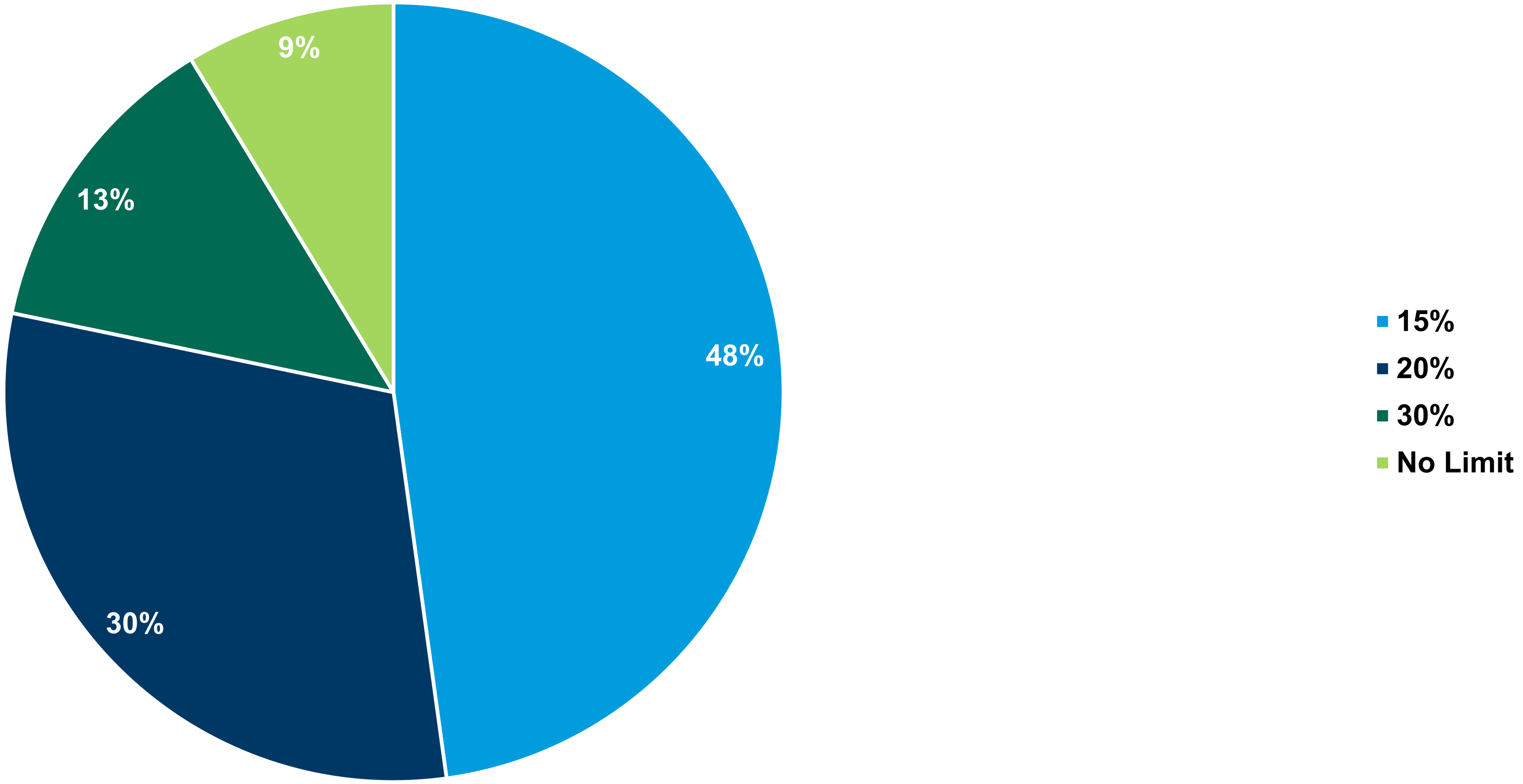
Investment restriction – Diversification limit (% of commitments)
All Funds

Diversification limits remain in the 15% to 20% of commitments range for the majority of funds, though this has incrementally fallen in the last few years (81%, down from 92% three years ago), with a corresponding increase in limits of 25% or 30%. Only a small number of the largest funds have the ability to go above 20% of commitments. The limits referenced here are the permitted permanent investment limits, excluding any temporary or bridging amounts that the fund may be allowed to initially hold in excess of this.



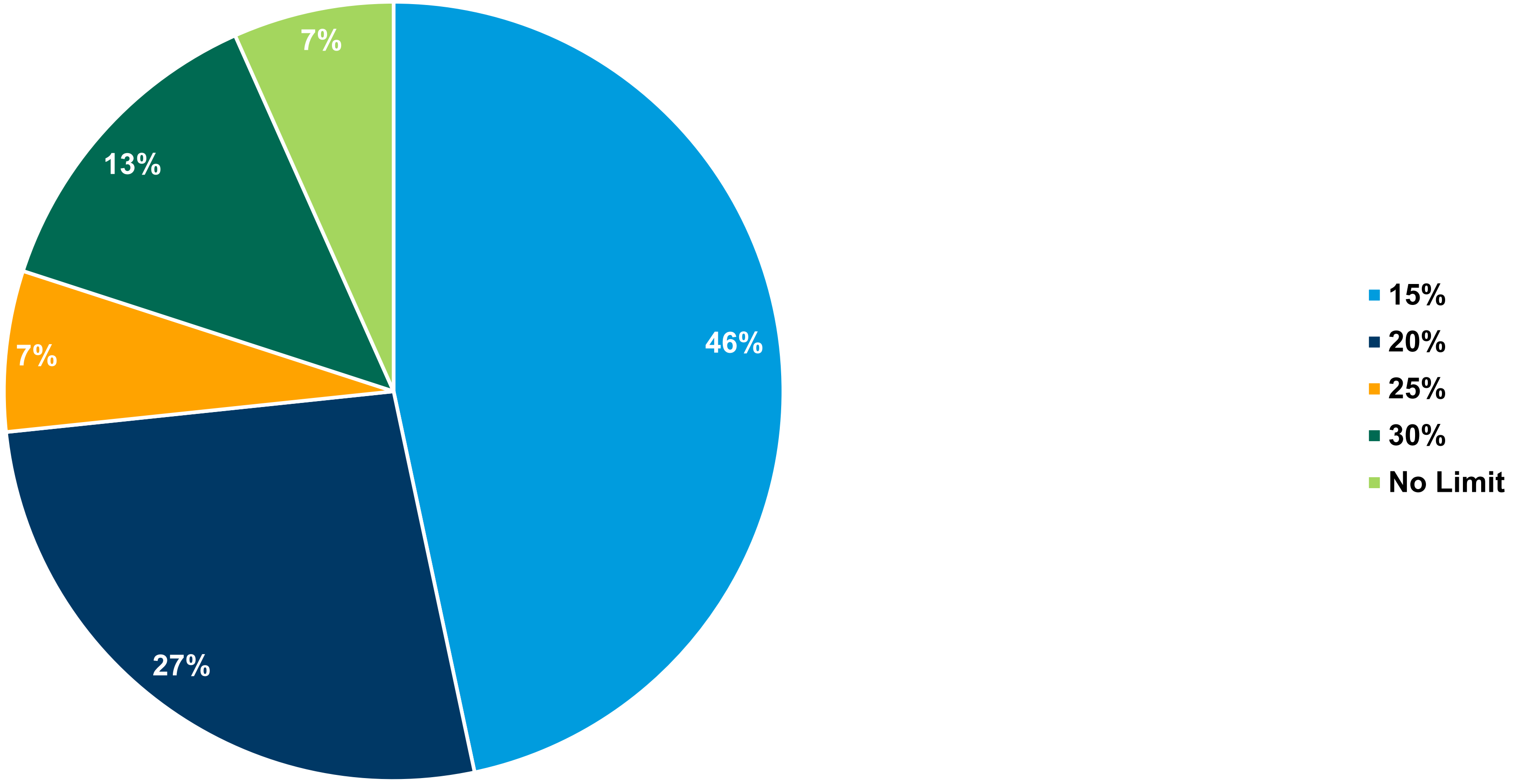
Investment restriction – Diversification limit (% of commitments)

≤€500M

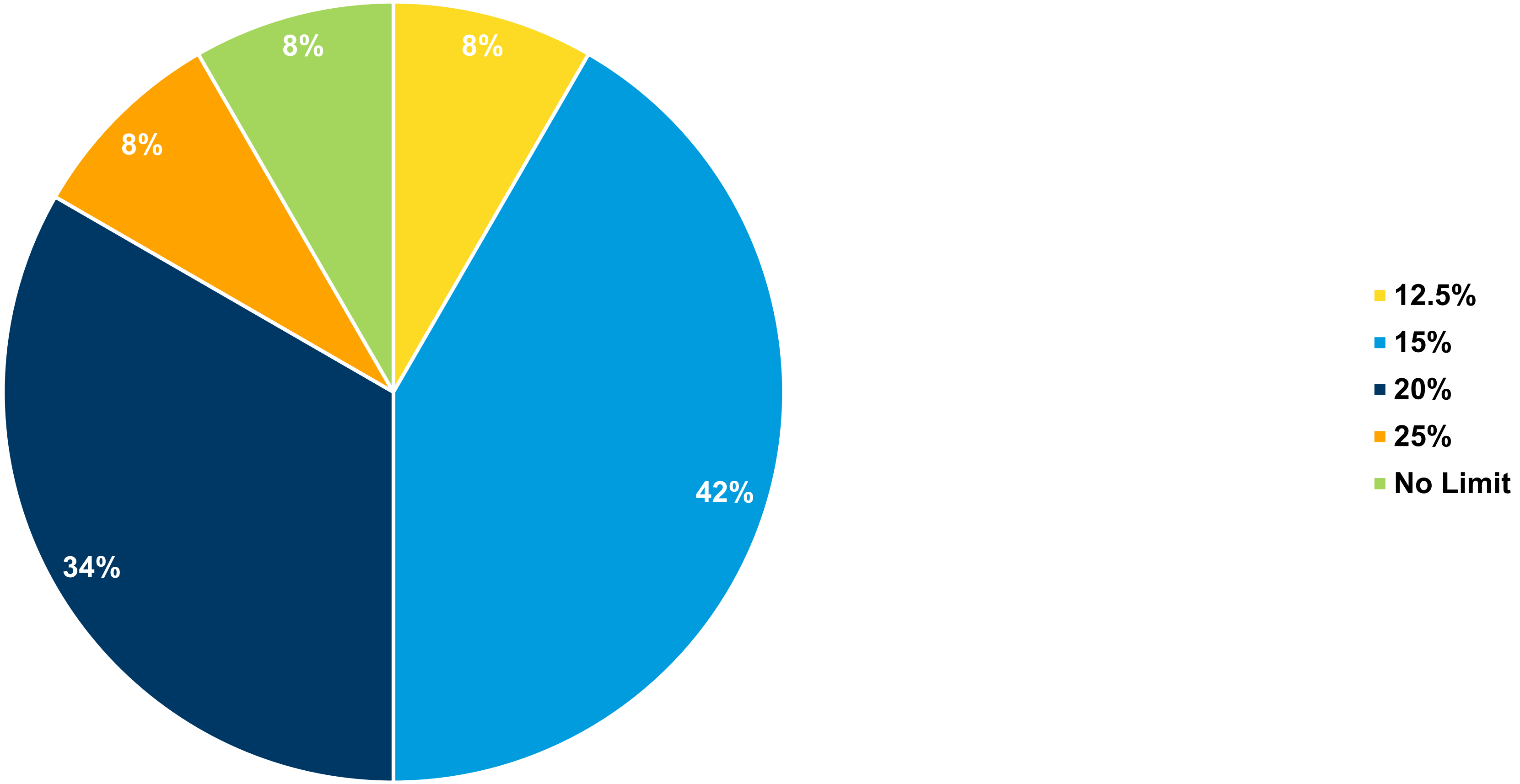


Investment restriction – Diversification limit (% of commitments)

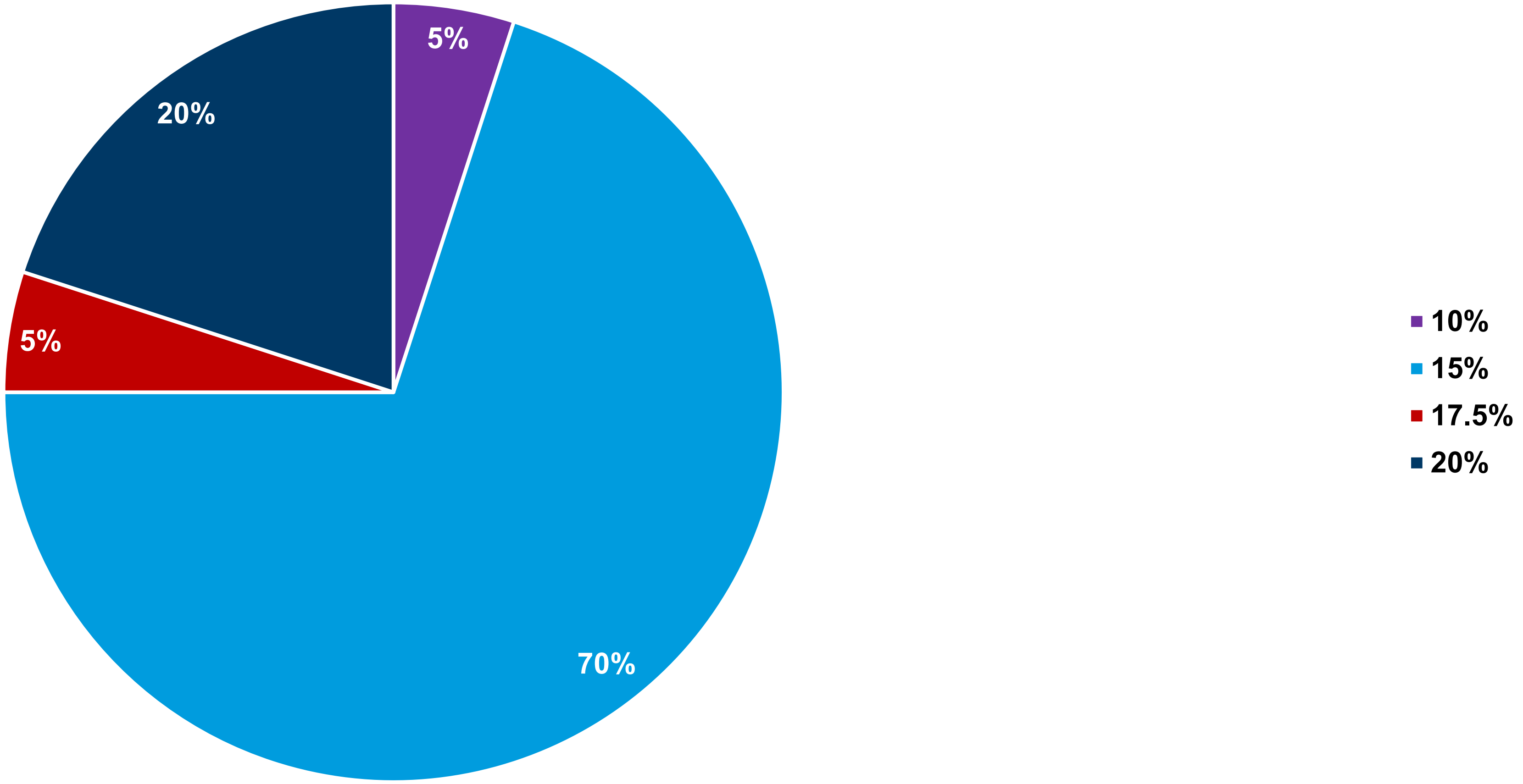
>€500M-€1.5B



Investment restriction – Diversification limit (% of commitments)
>€1.5B-€3.75B

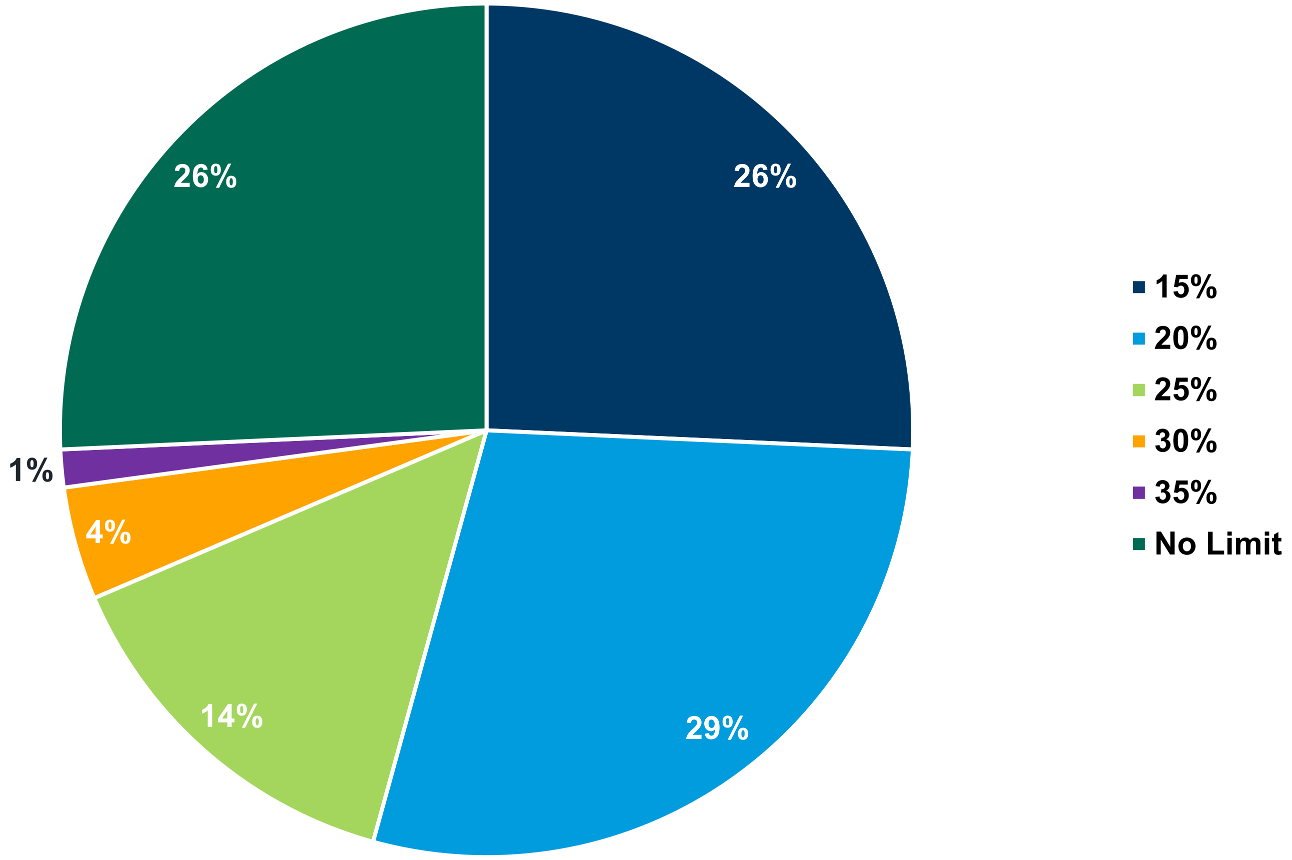


Investment restriction – Diversification limit (% of commitments)
>€3.75B



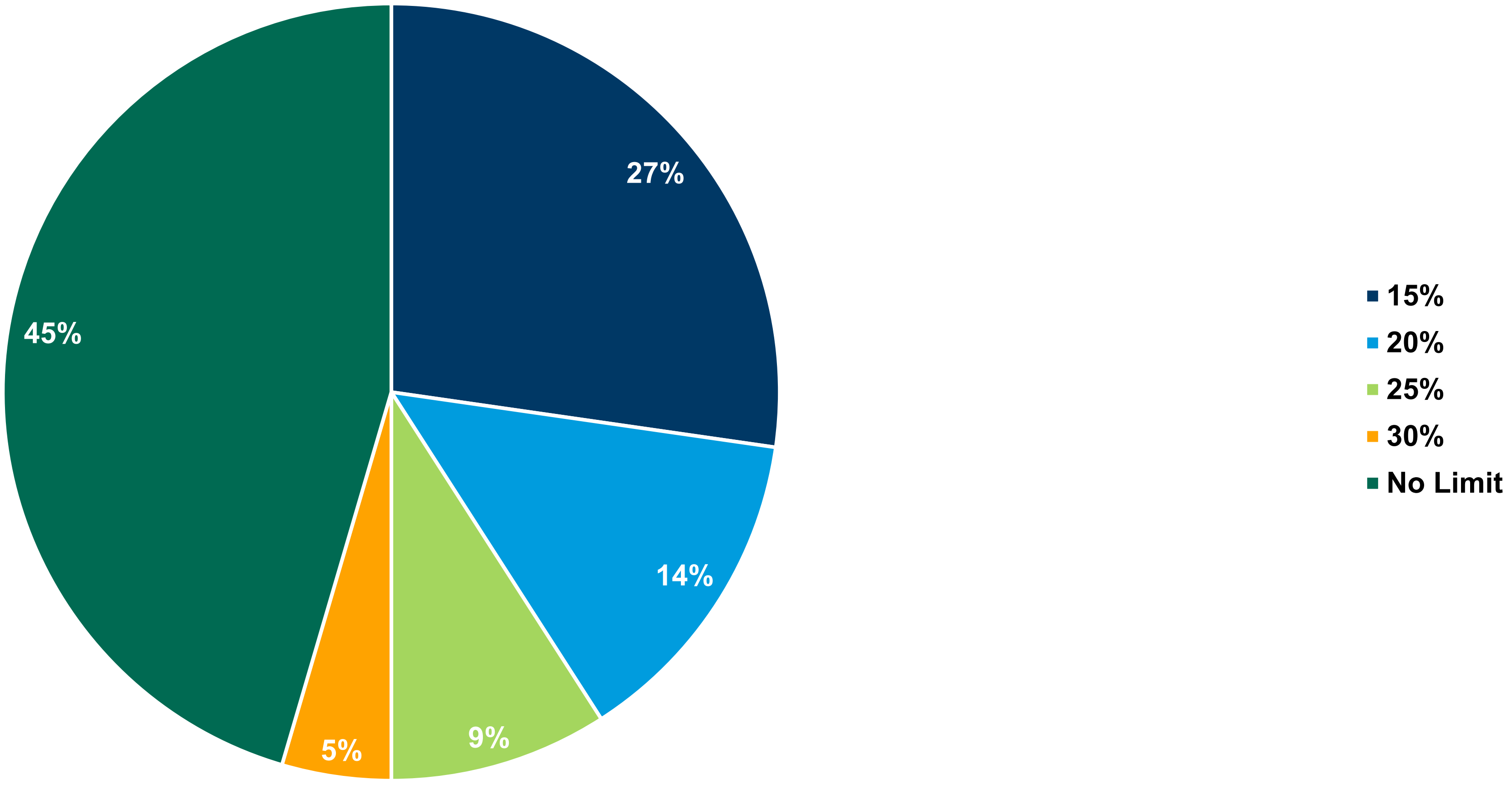
Limit on follow-on investments post-investment period (% of commitments)
All Funds

A significant minority (26%) of funds have no limit on the percentage of capital that may be drawn down post-investment period for follow-ons. This minority has increased from prior years as the single asset diversification limits have correspondingly increased, indicating perhaps a greater tolerance from LPs for sponsors to allocate capital between initial investment and follow-on capital for the specific investment in question. Where there was a limit included in the fund documents, a 20% limit was the most common, at 29% of funds surveyed, and 69% of funds fall in the 15% to 25% of commitments range. Whether a limit is included, and what this is, is often dependent on the relevant fund's investment strategy. GPs with very active 'buy and build' strategies or growth capital strategies are likely to have higher limits or no limits.



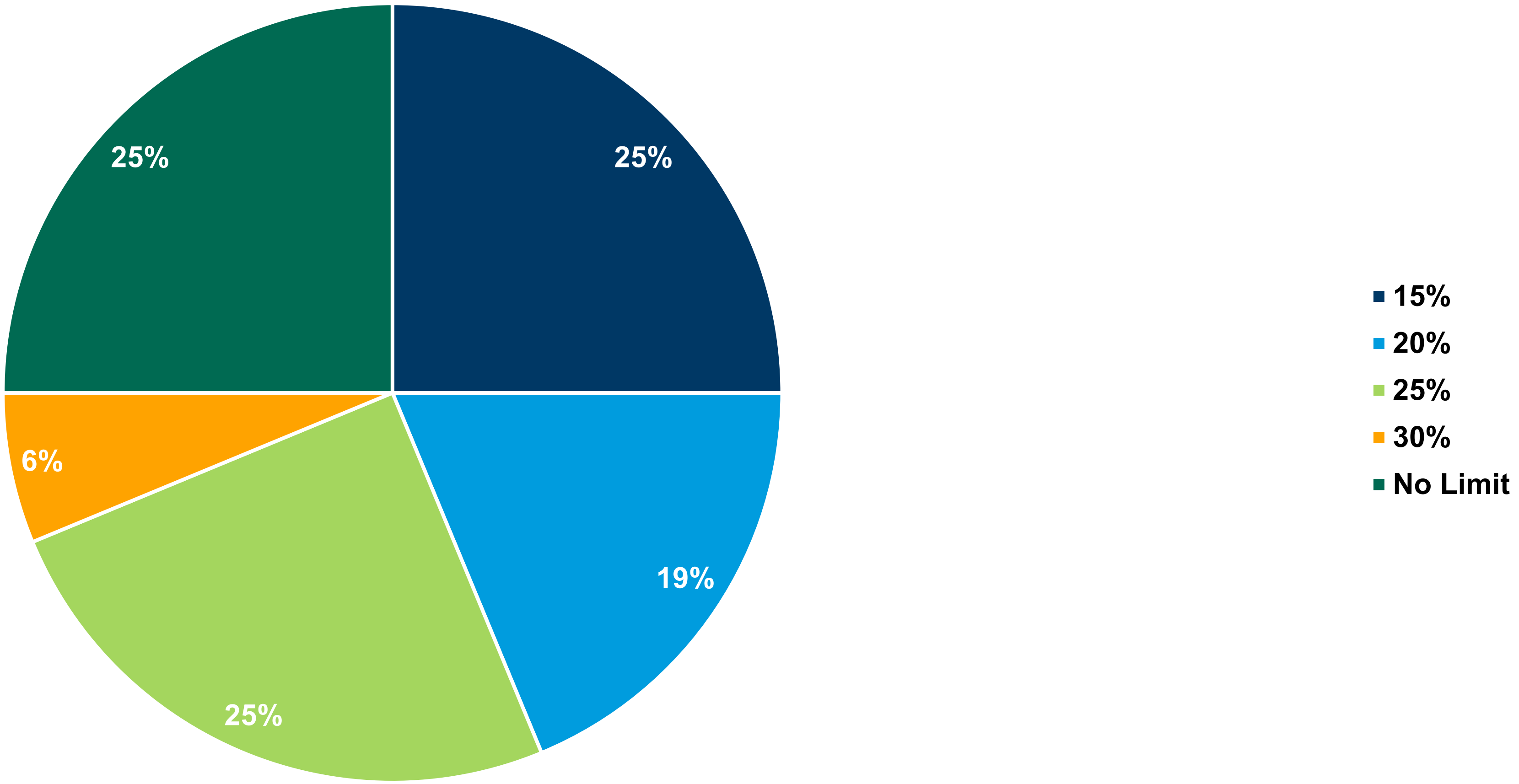
Limit on follow-on investments post-investment period (% of commitments)

≤€500M

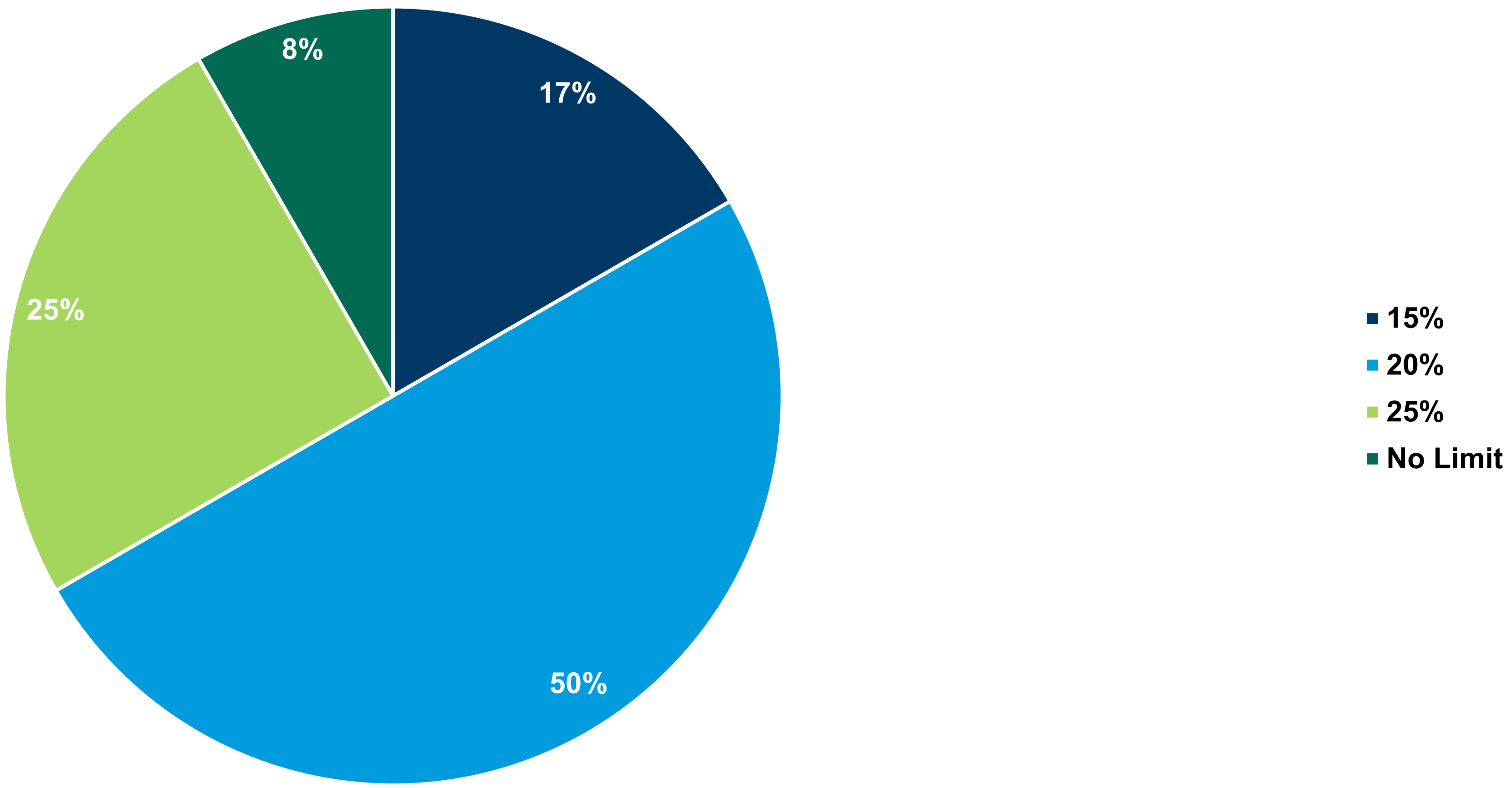


Limit on follow-on investments post-investment period (% of commitments)

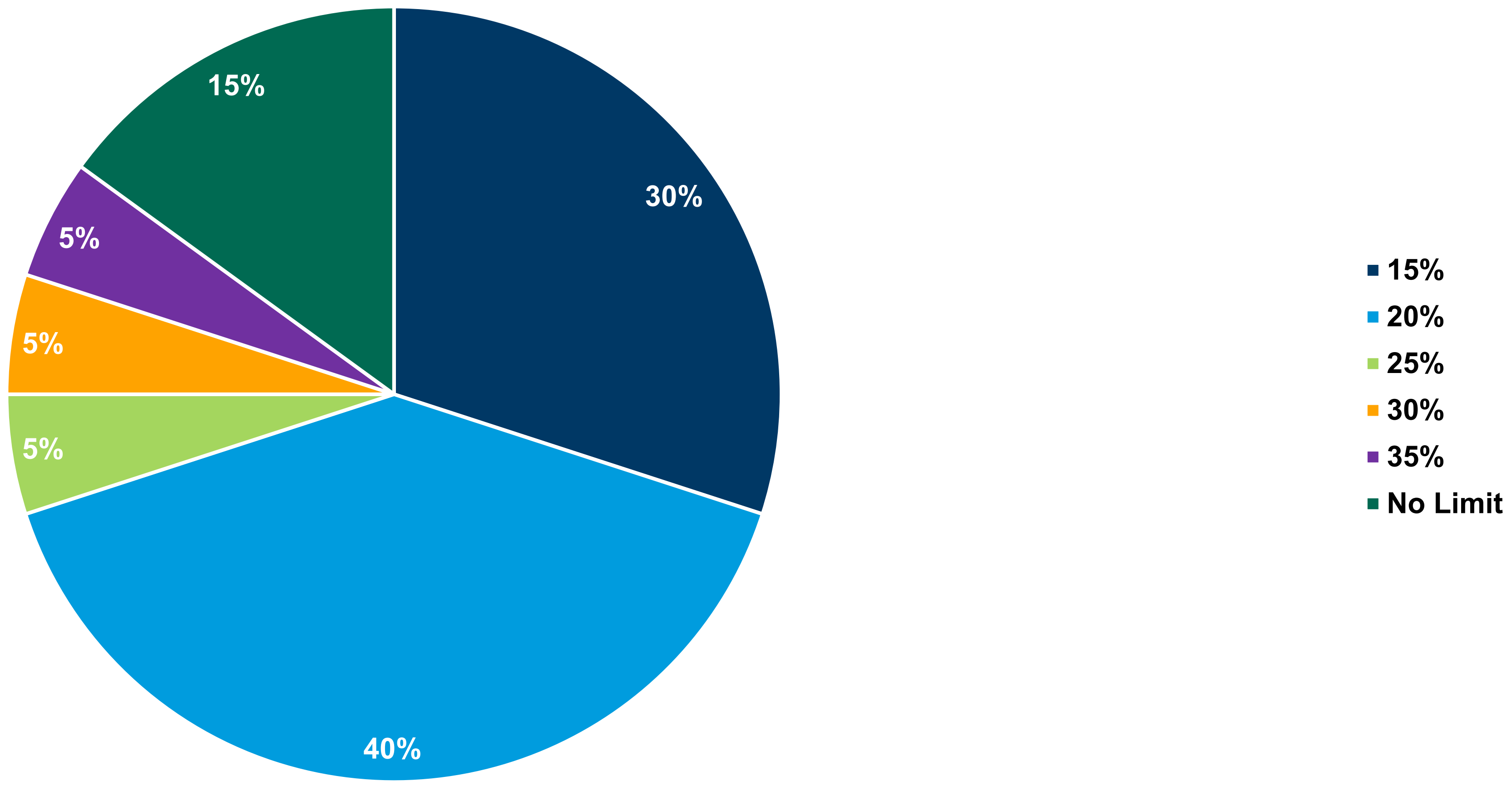
>€500M-€1.5B



Limit on follow-on investments post-investment period (% of commitments)
>€1.5B-€3.75B



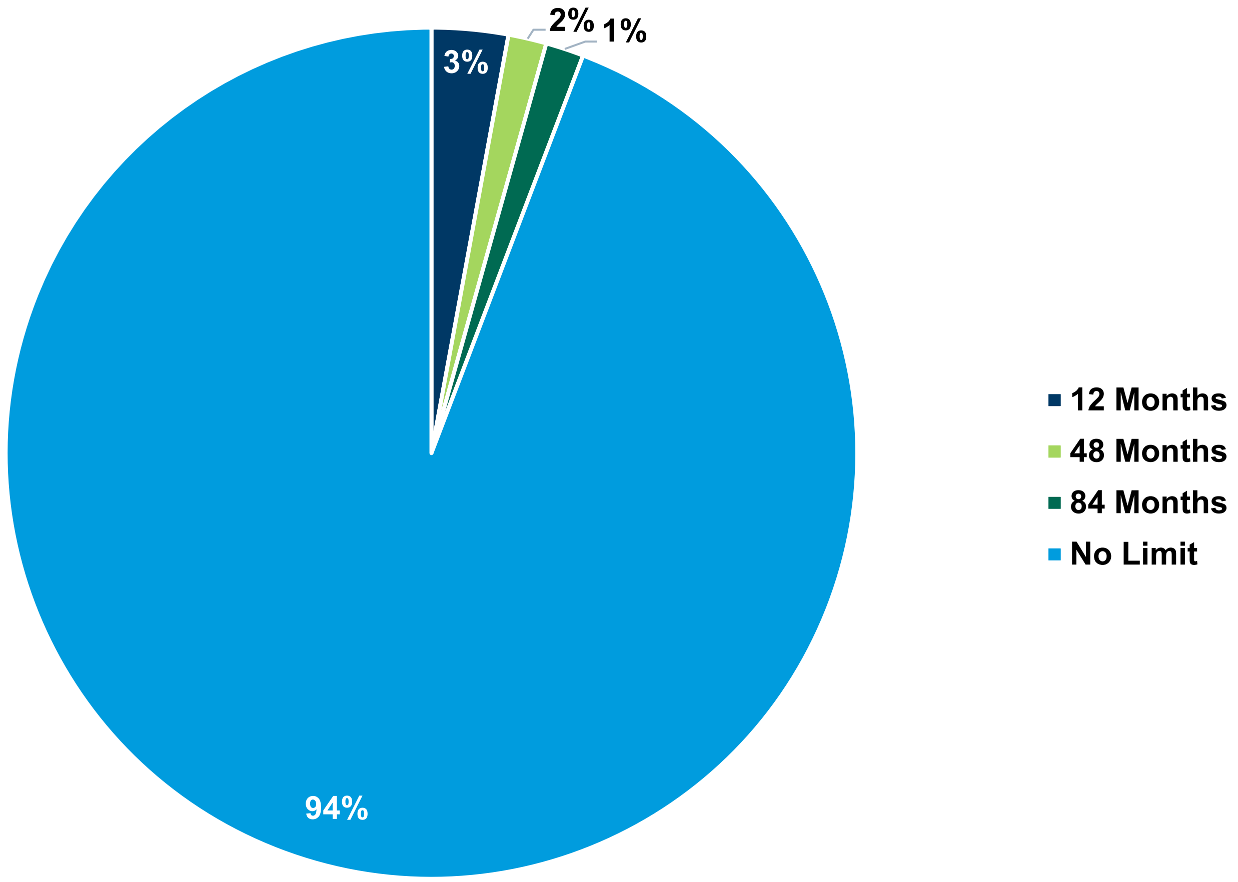
Limit on follow-on investments post-investment period (% of commitments)
>€3.75B



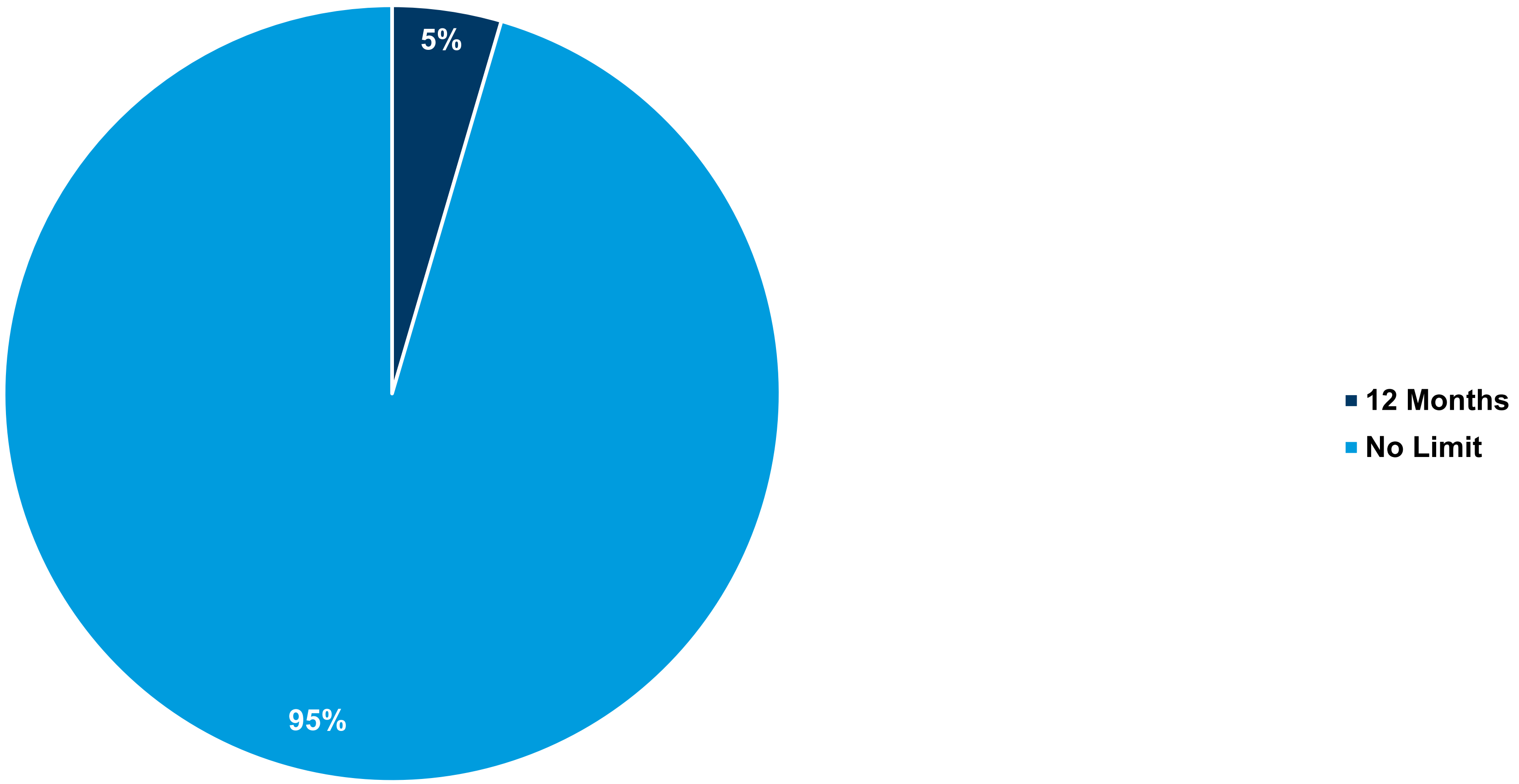
Limit on follow-on investments post investment period (months post investment period)

All Funds

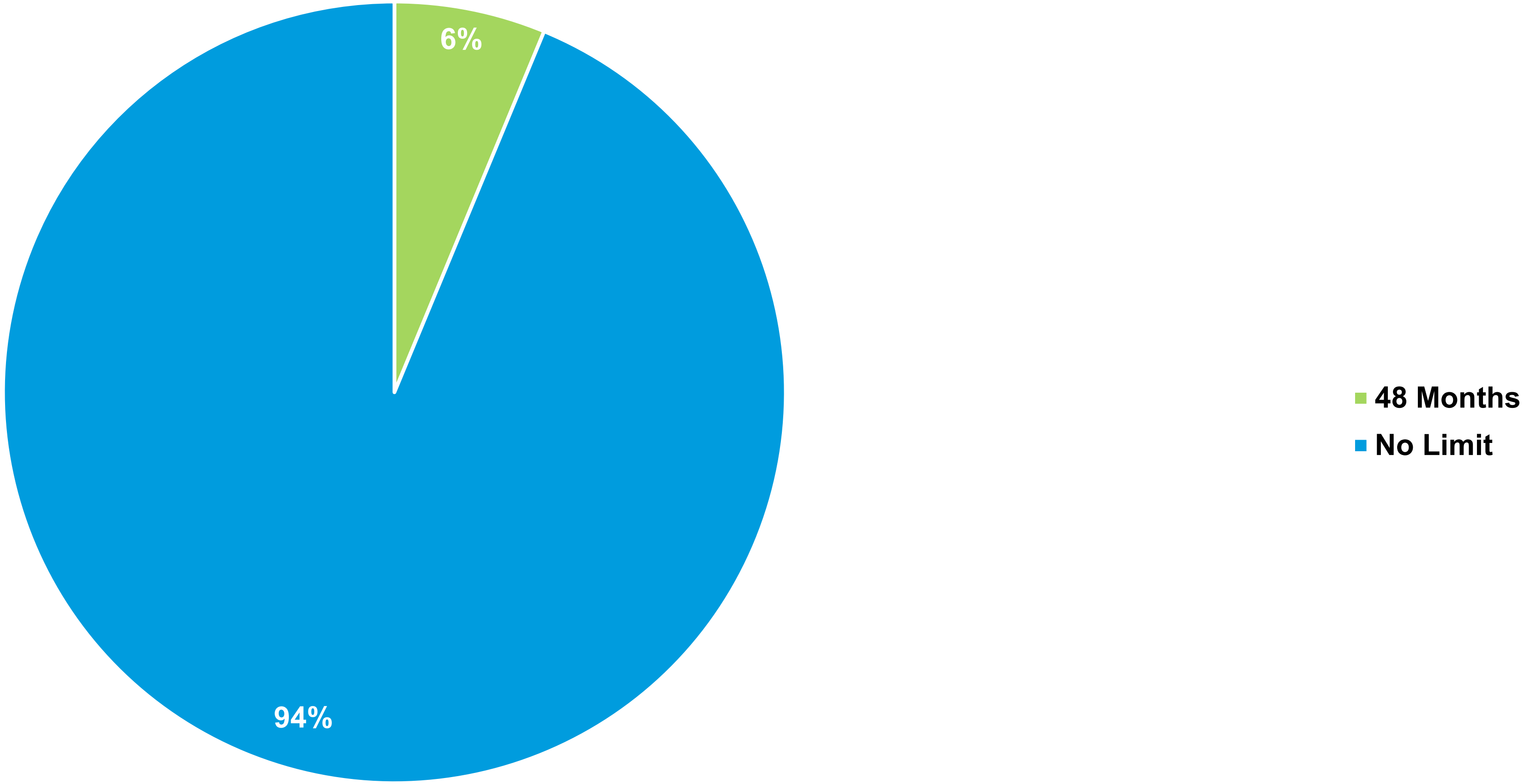
A significant majority of funds in the sample (94%) had no time limit on making follow-on investments post-investment period, which is similar to last year. Fund size does not appear to be a driver of whether a limit was present or not.



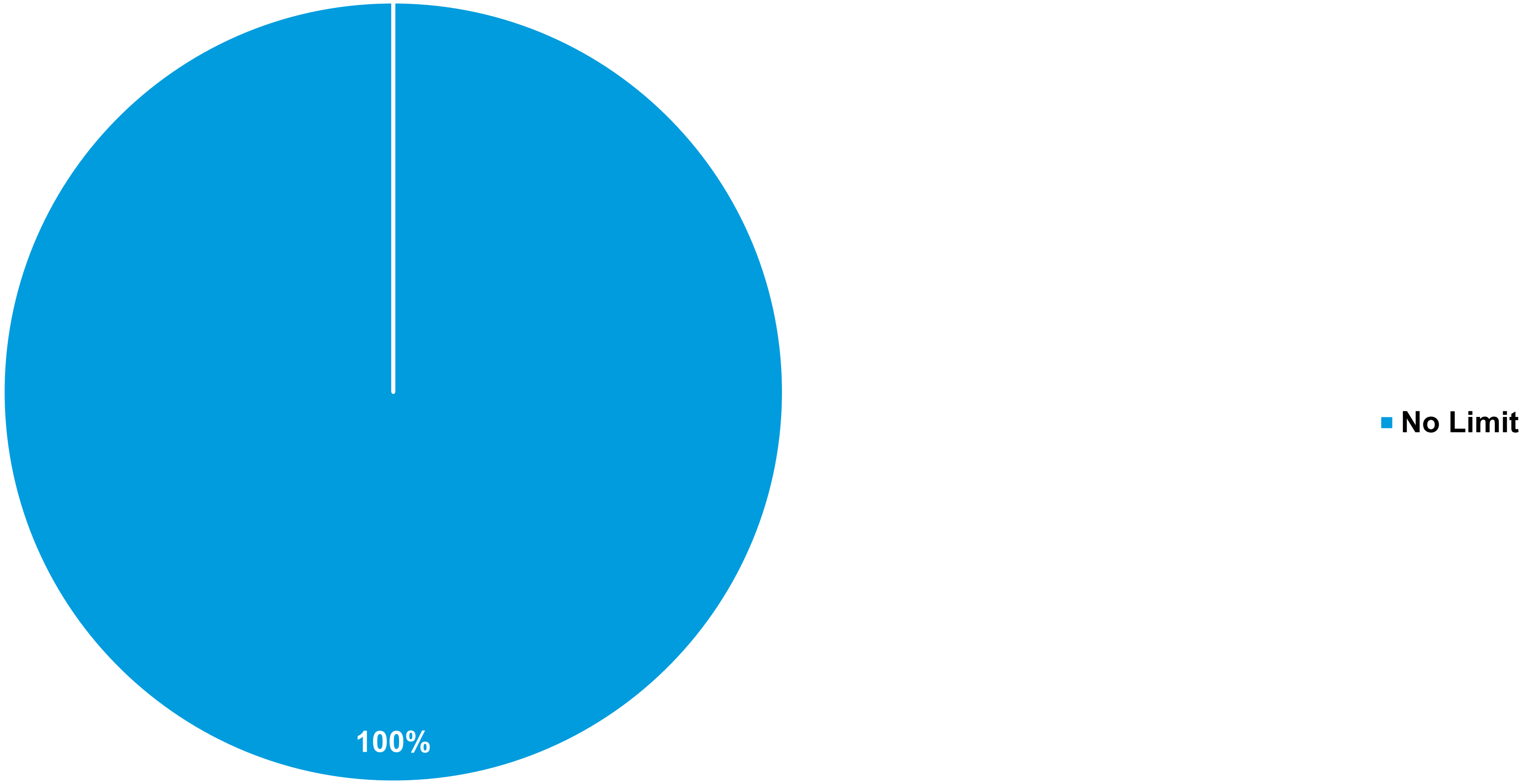
Limit on follow-on investments post investment period (months post investment period)
≤€500M



Limit on follow-on investments post investment period (months post investment period)
>€500M-€1.5B

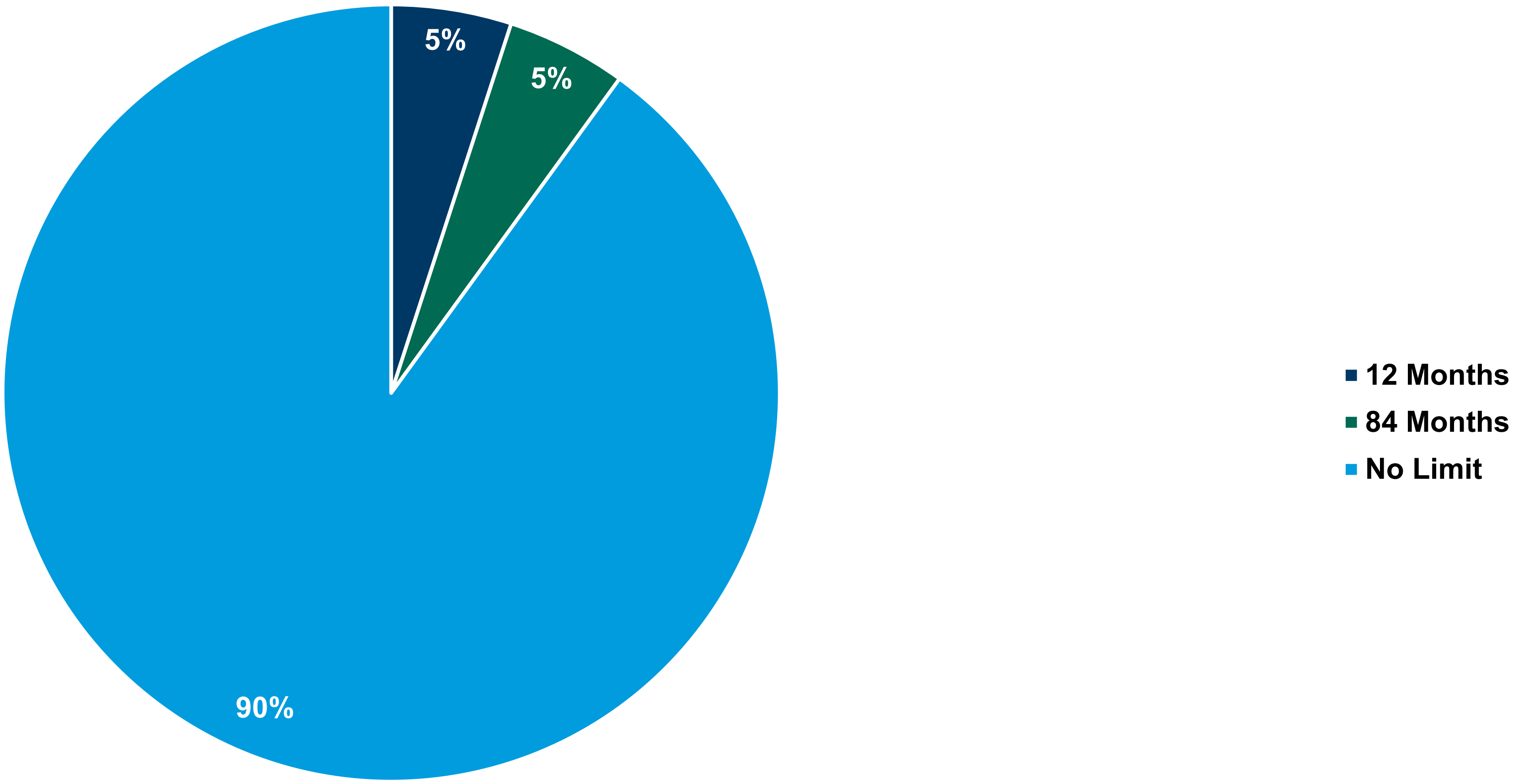


Limit on follow-on investments post investment period (months post investment period)
>€1.5B-€3.75B



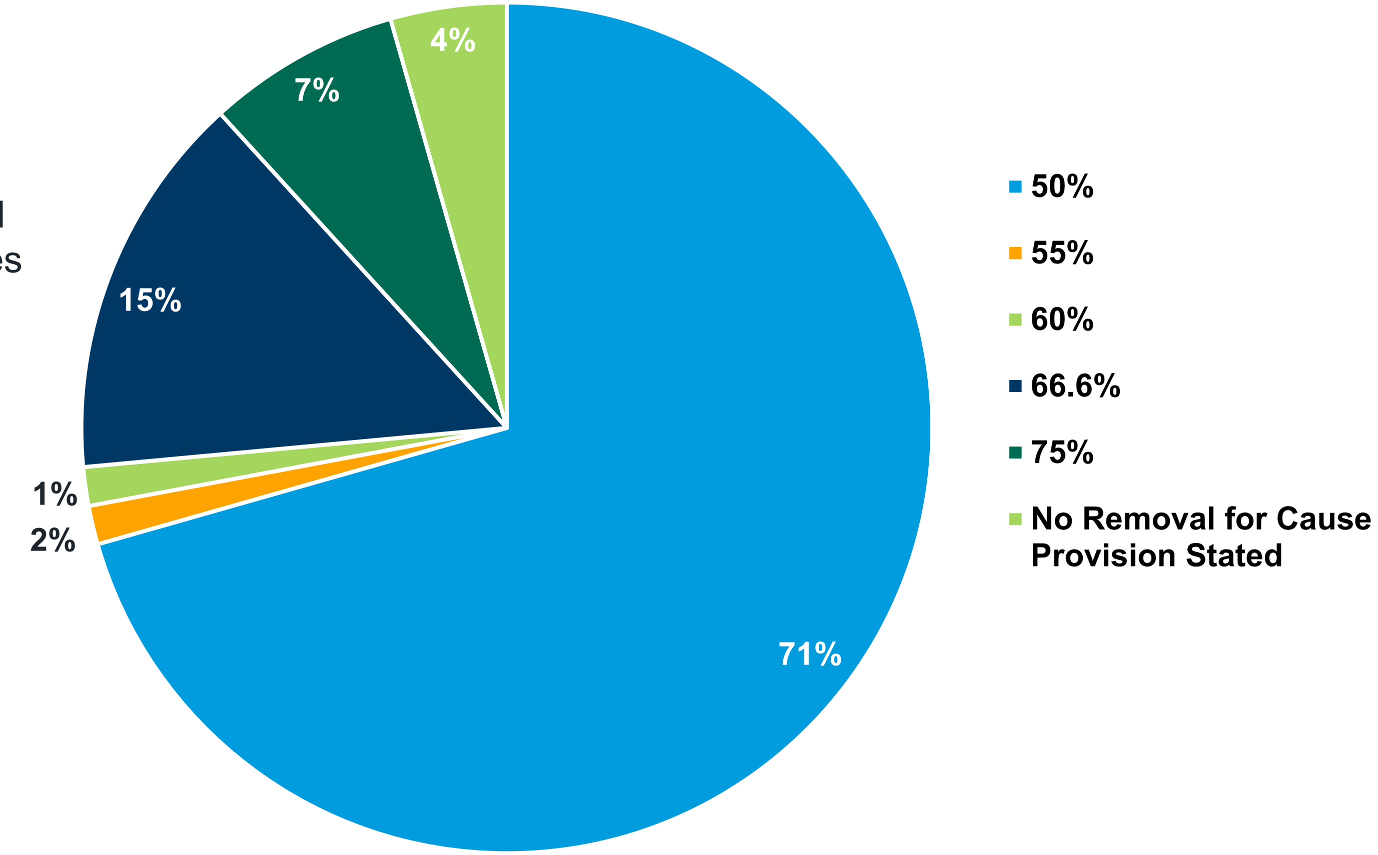
Limit on follow-on investments post investment period (months post investment period)

>€3.75B



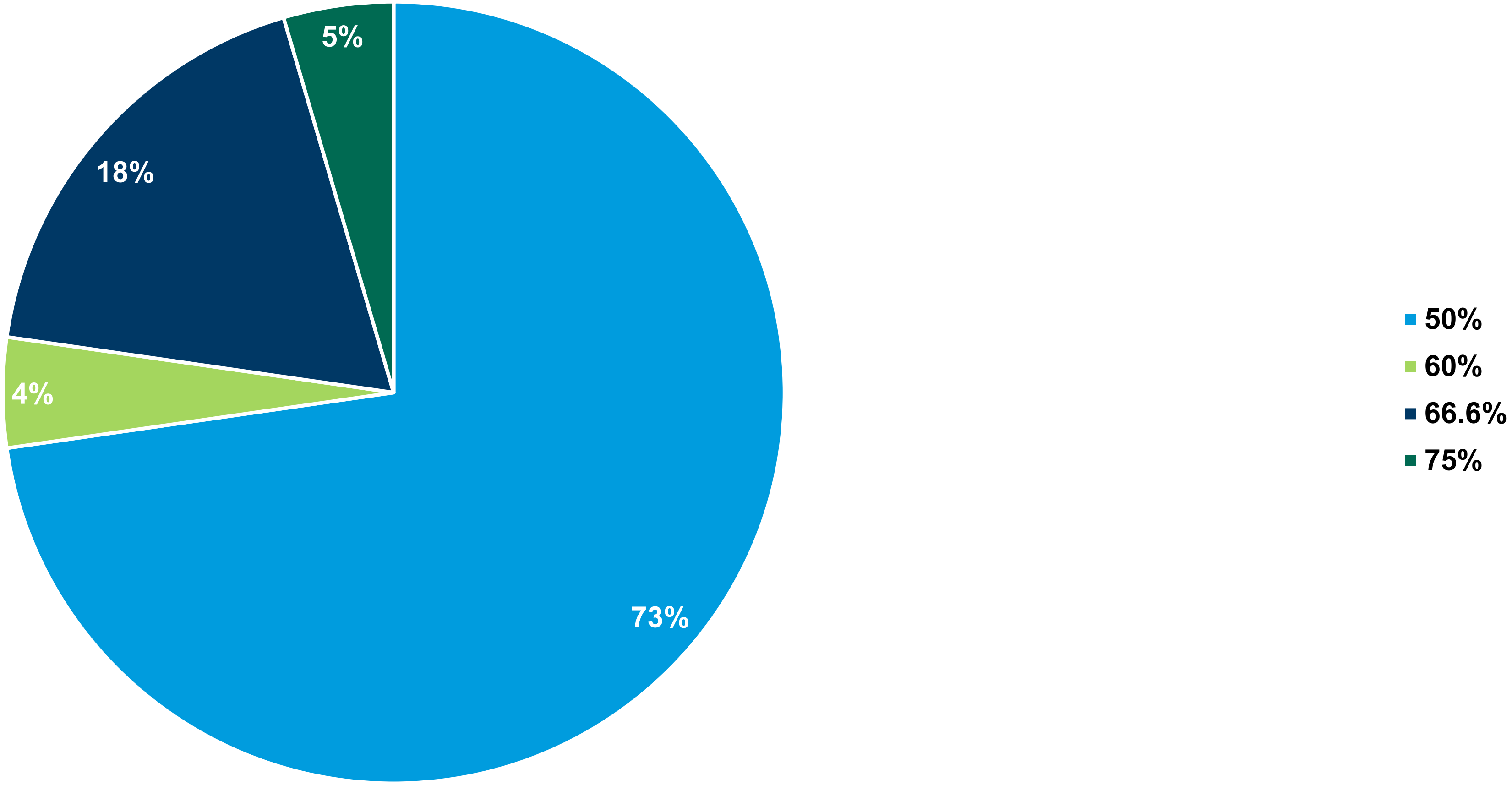
GP 'for cause' removal – Investor voting threshold (% of interests)
All Funds

A simple majority is the most common voting threshold for GP removal (71% of the funds in our survey). This has remained the case for all but the largest funds where we are seeing more variety in the thresholds with some of the largest funds not having a for cause "removal" and instead favouring simply a termination of the fund in such instances

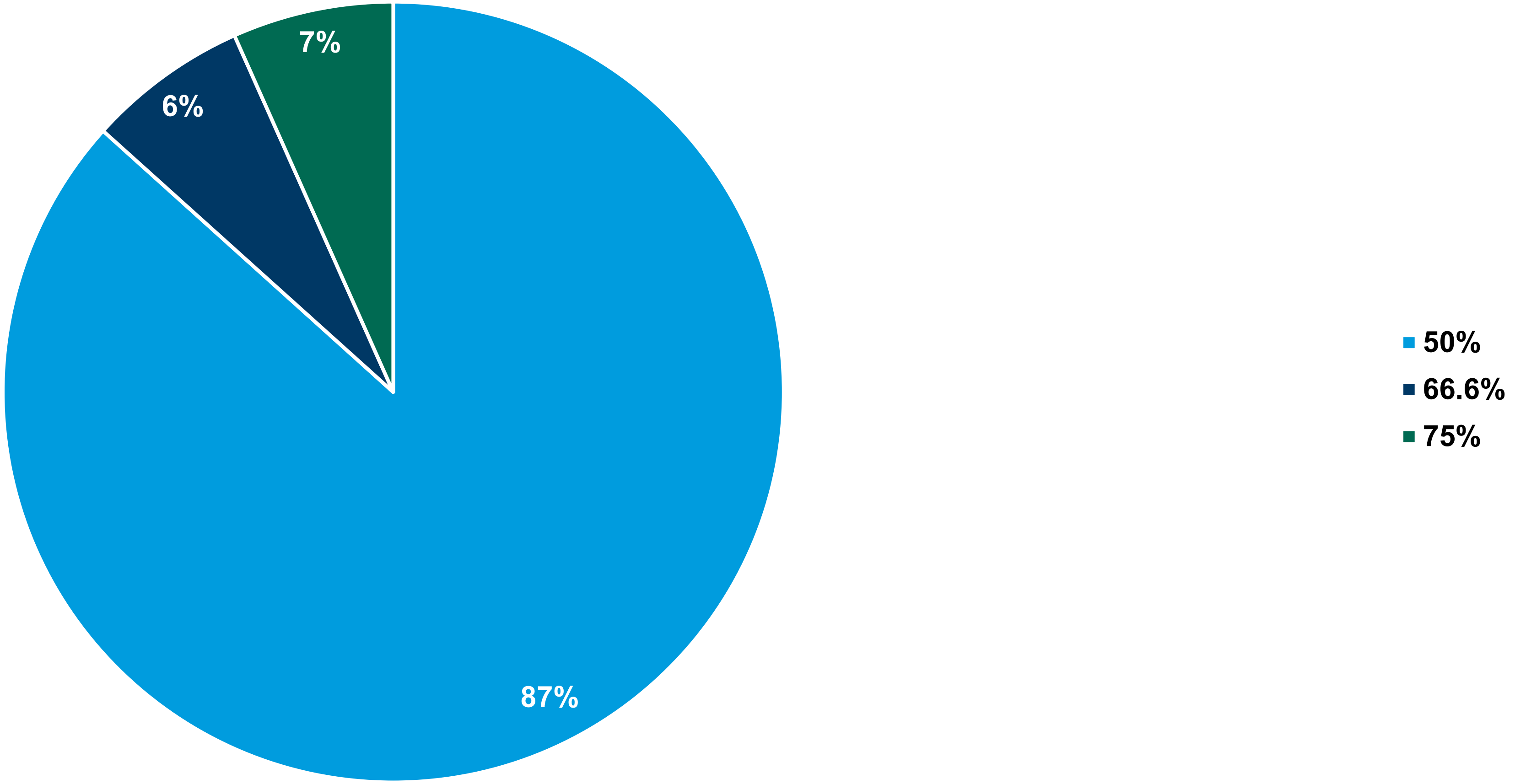


GP ‘for cause’ removal – Investor voting threshold (% of interests)

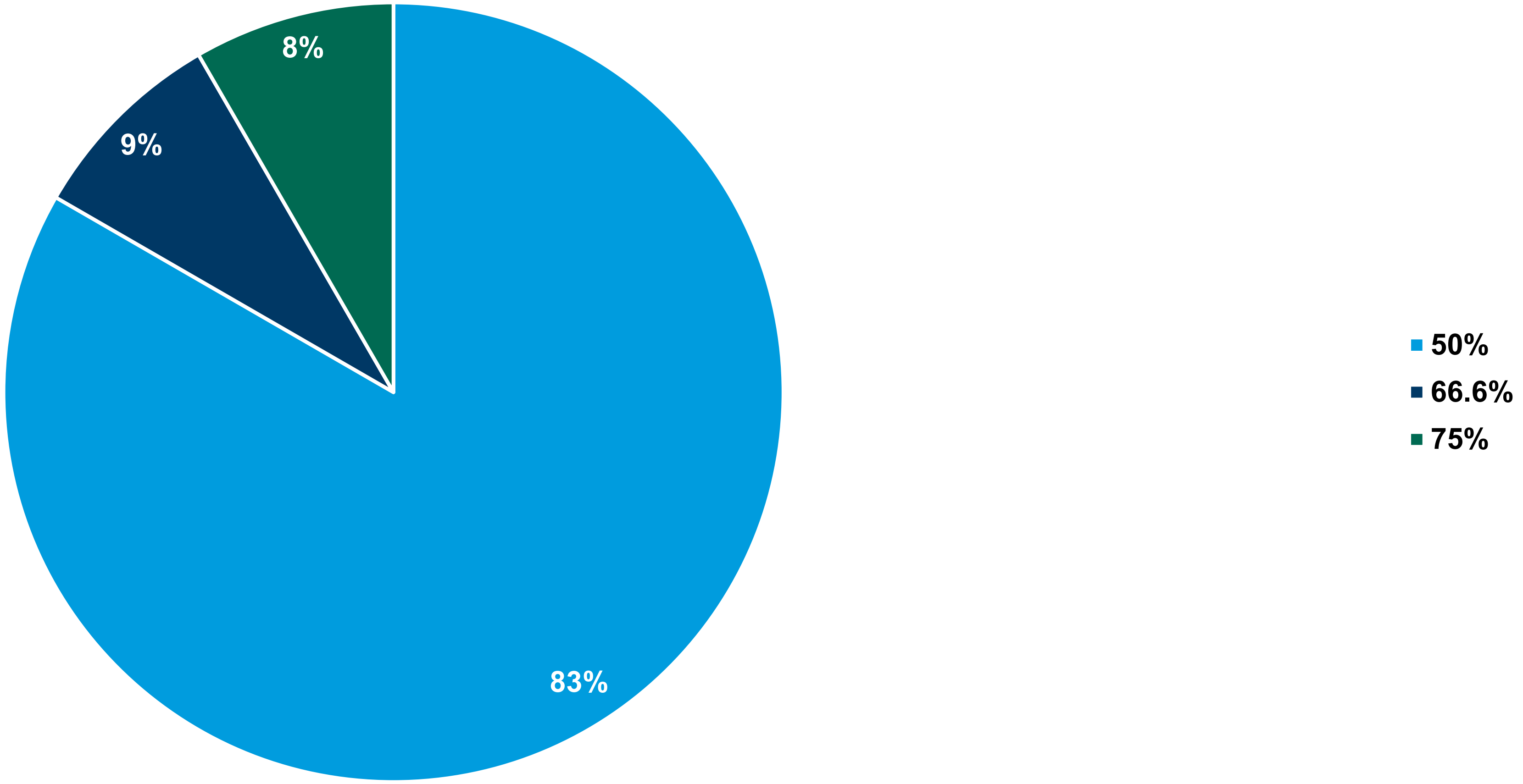
≤€500M



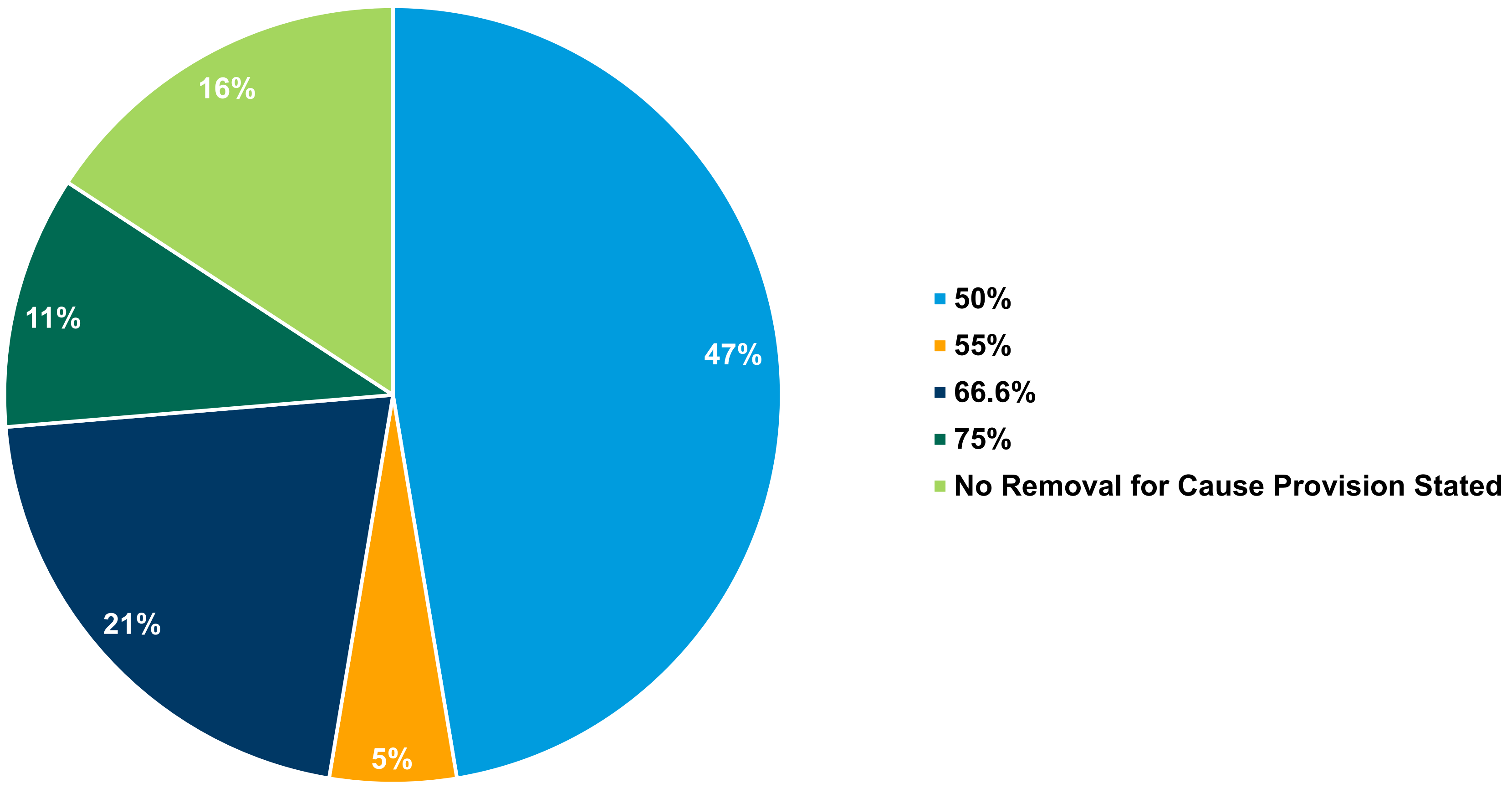
GP 'for cause' removal – Investor voting threshold (% of interests)
>€500M-€1.5B



GP ‘for cause’ removal – Investor voting threshold (% of interests)
>€1.5B-€3.75B

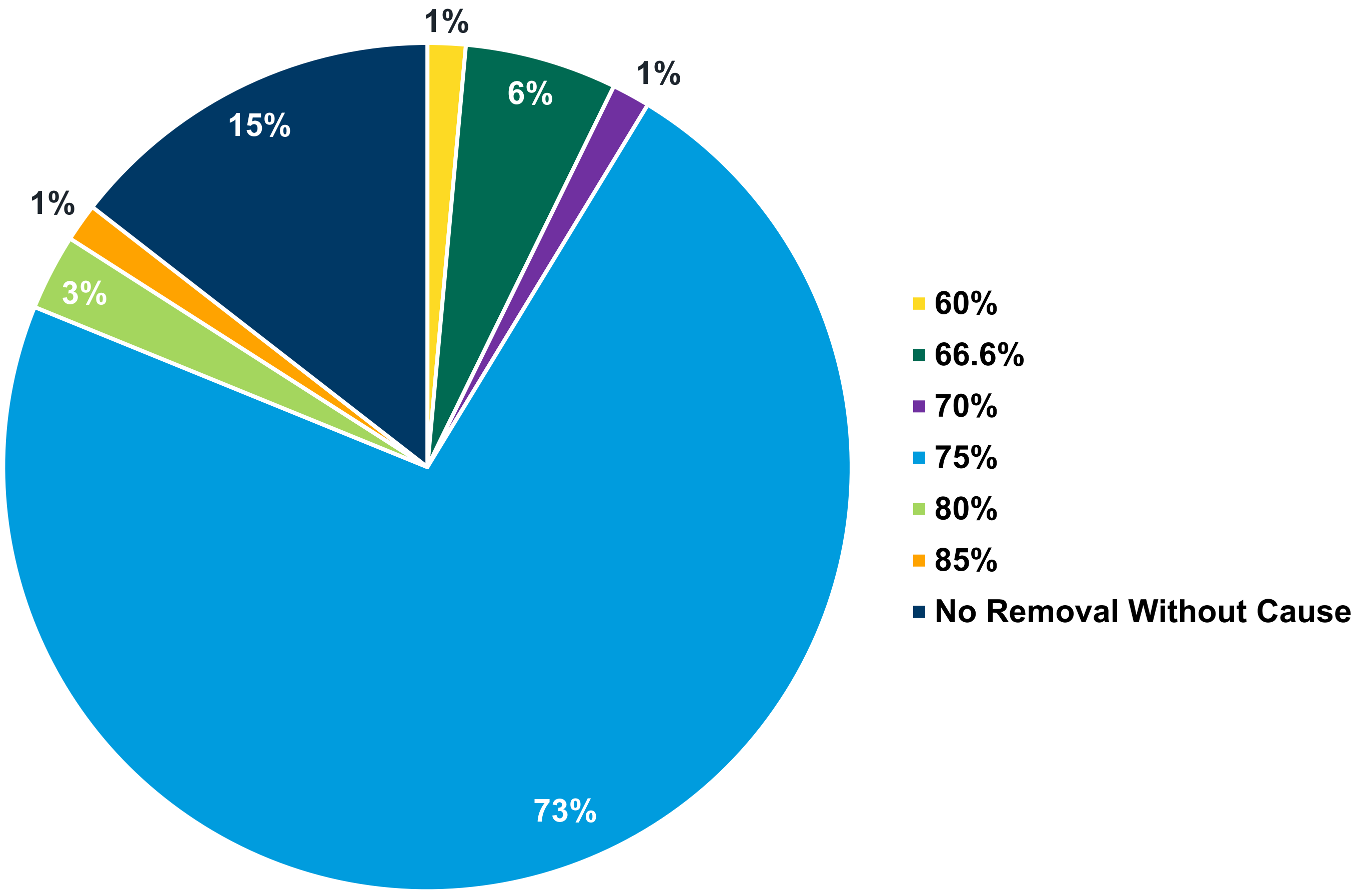


GP 'for cause' removal – Investor voting threshold (% of interests)
>€3.75B



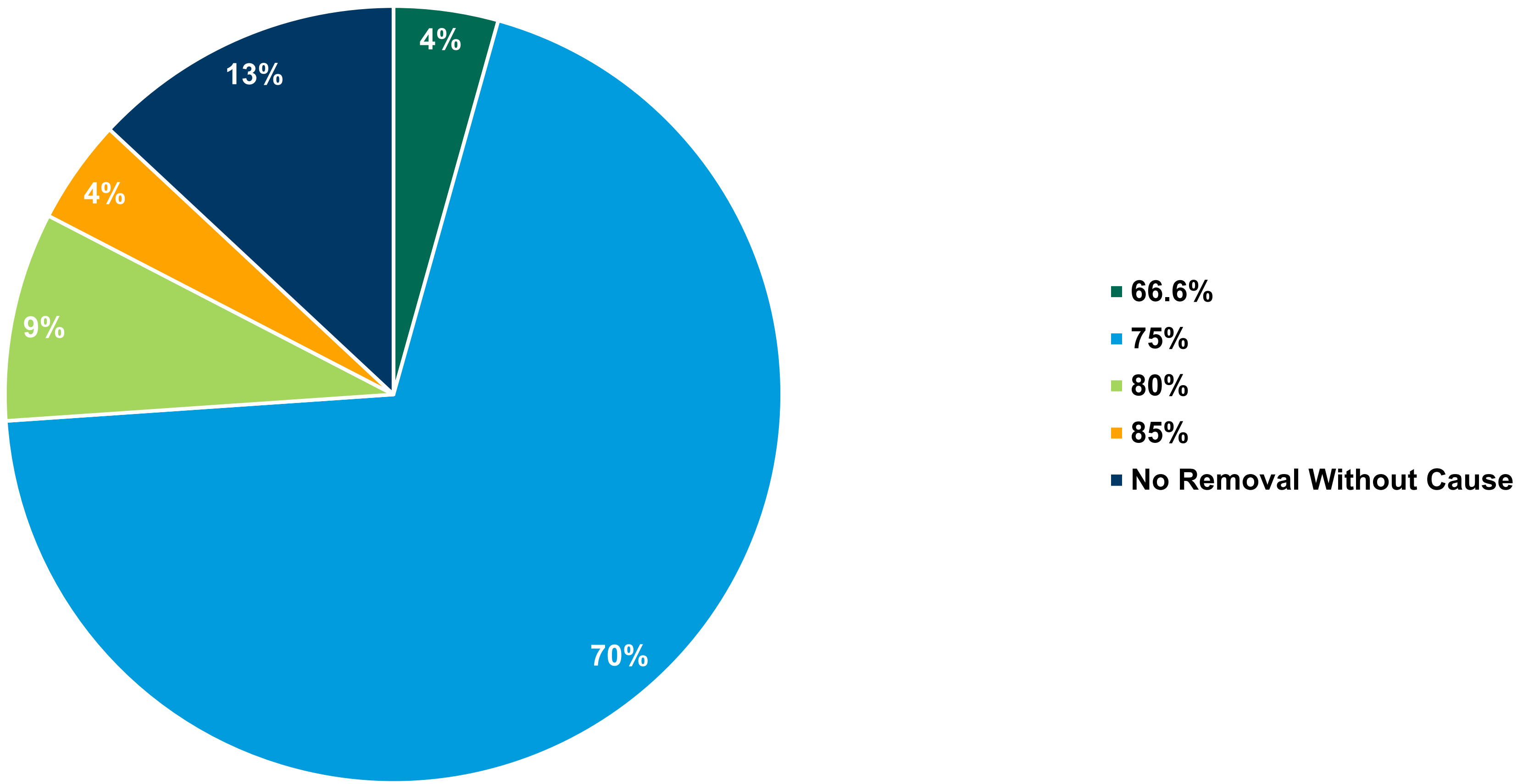
GP ‘without cause’ removal – Investor voting threshold (% of interests)
All Funds

The data shows a small year on year change in the proportion of funds that have no removal without cause provision: around 15%, down from 26% in our prior survey. Such funds may have had a no fault termination provision, but no mechanism for the investors to continue the fund with a new GP. Where a no fault removal provision is present, the voting threshold is typically 75%.

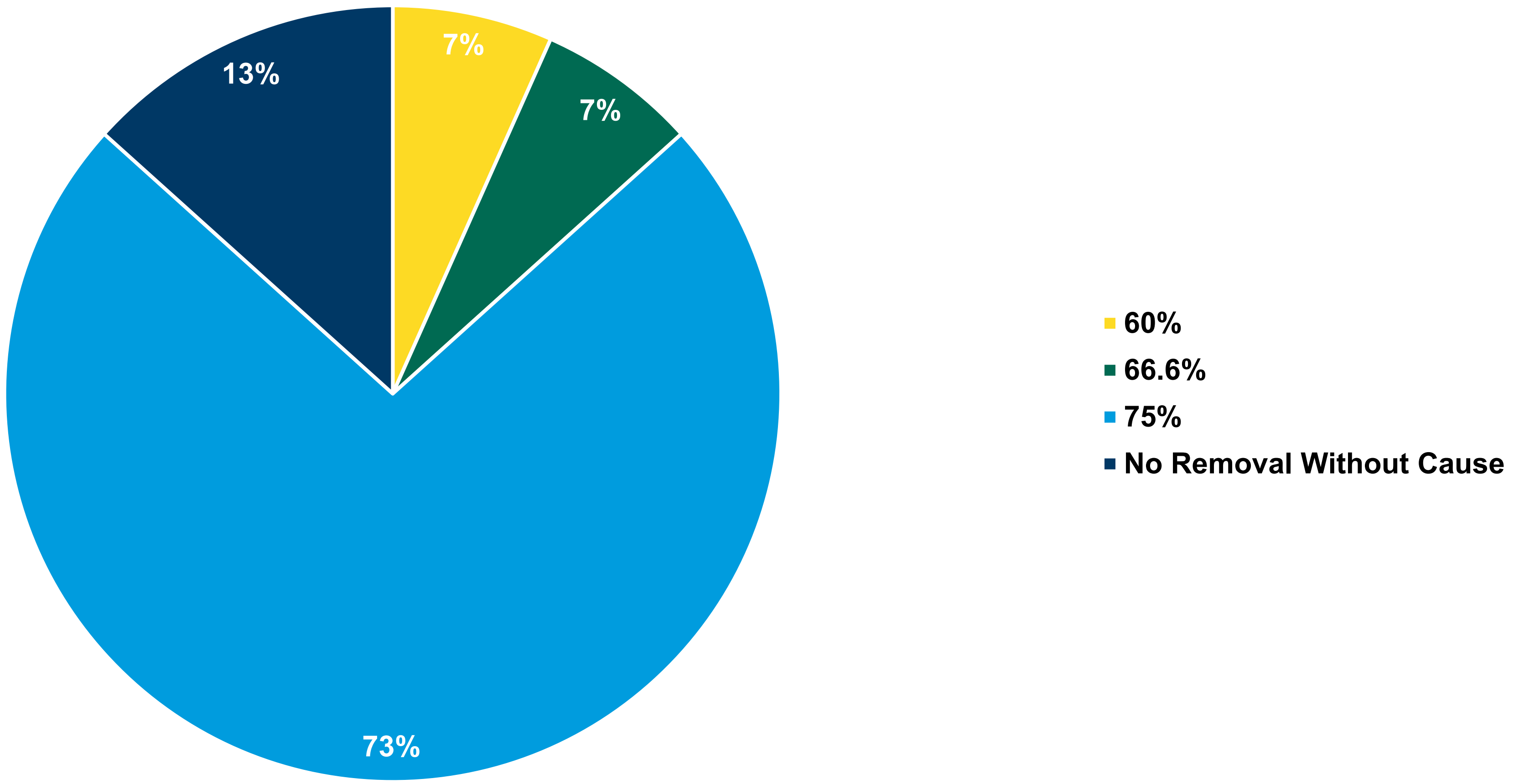


GP ‘without cause’ removal – Investor voting threshold (% of interests)

≤€500M

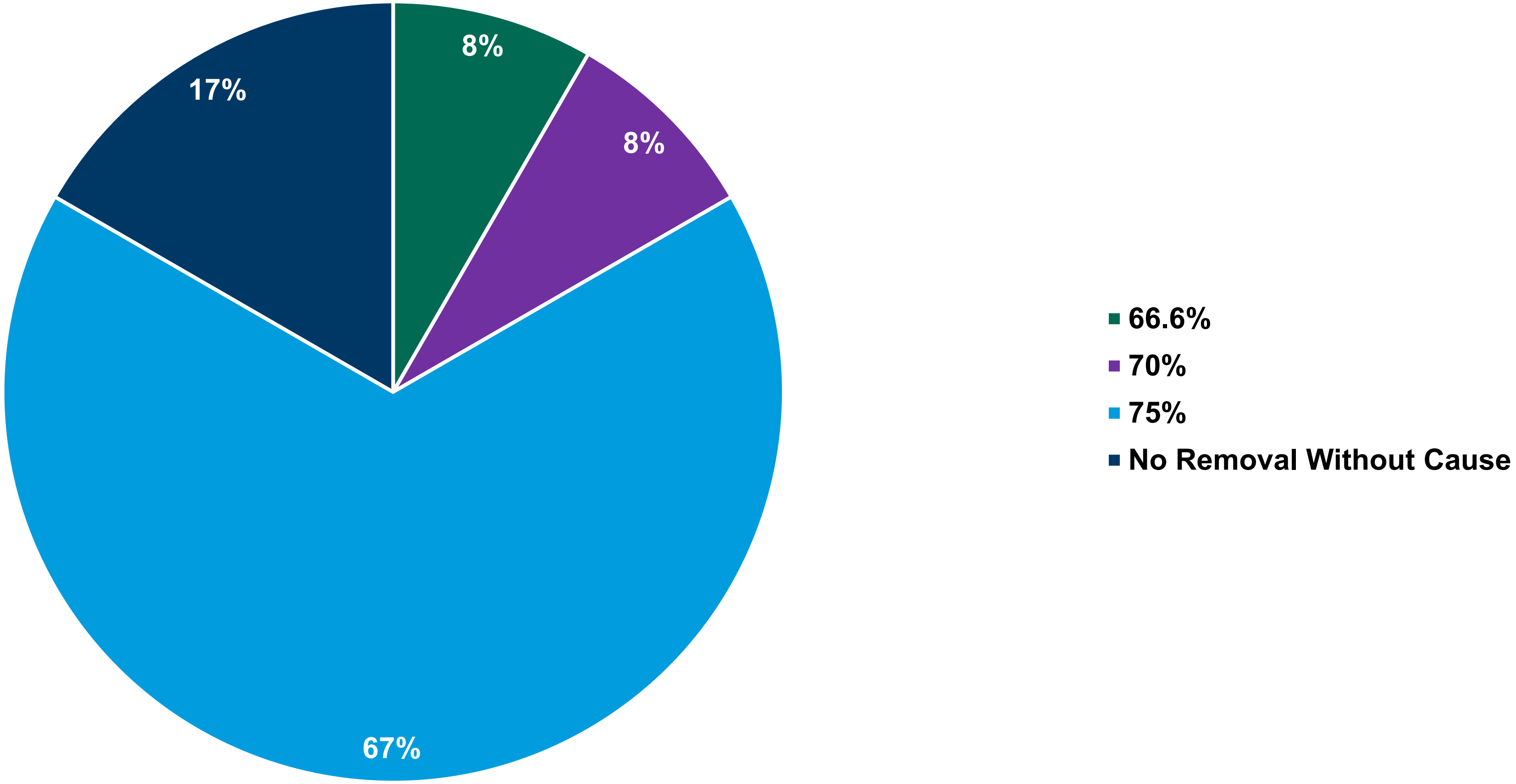


GP ‘without cause’ removal – Investor voting threshold (% of interests)
>€500M-€1.5B

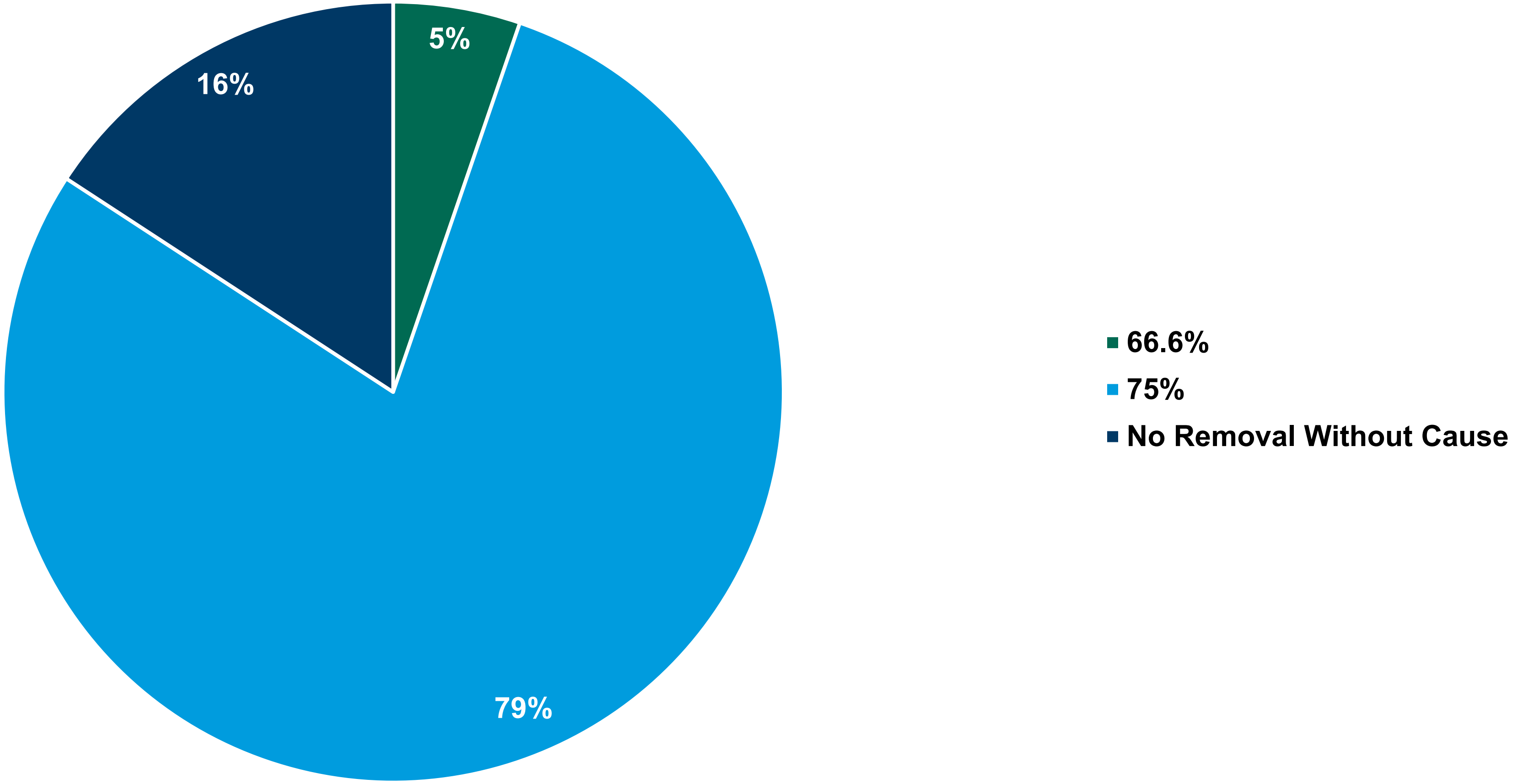


GP ‘without cause’ removal – Investor voting threshold (% of interests)

>€1.5B-€3.75B



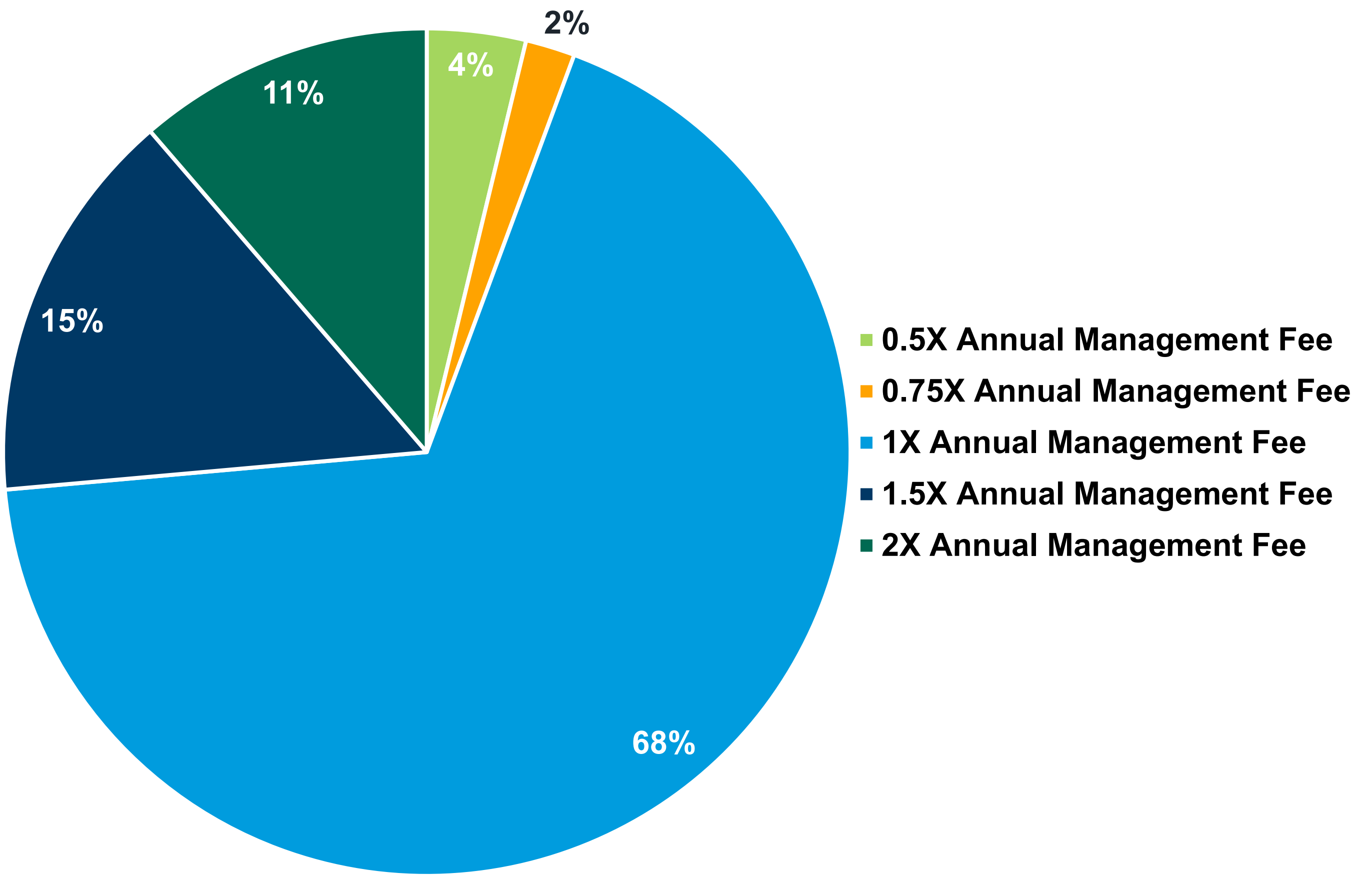
GP 'without cause' removal – Investor voting threshold (% of interests)
>€3.75B



GP ‘without cause’ removal – Manager termination payment

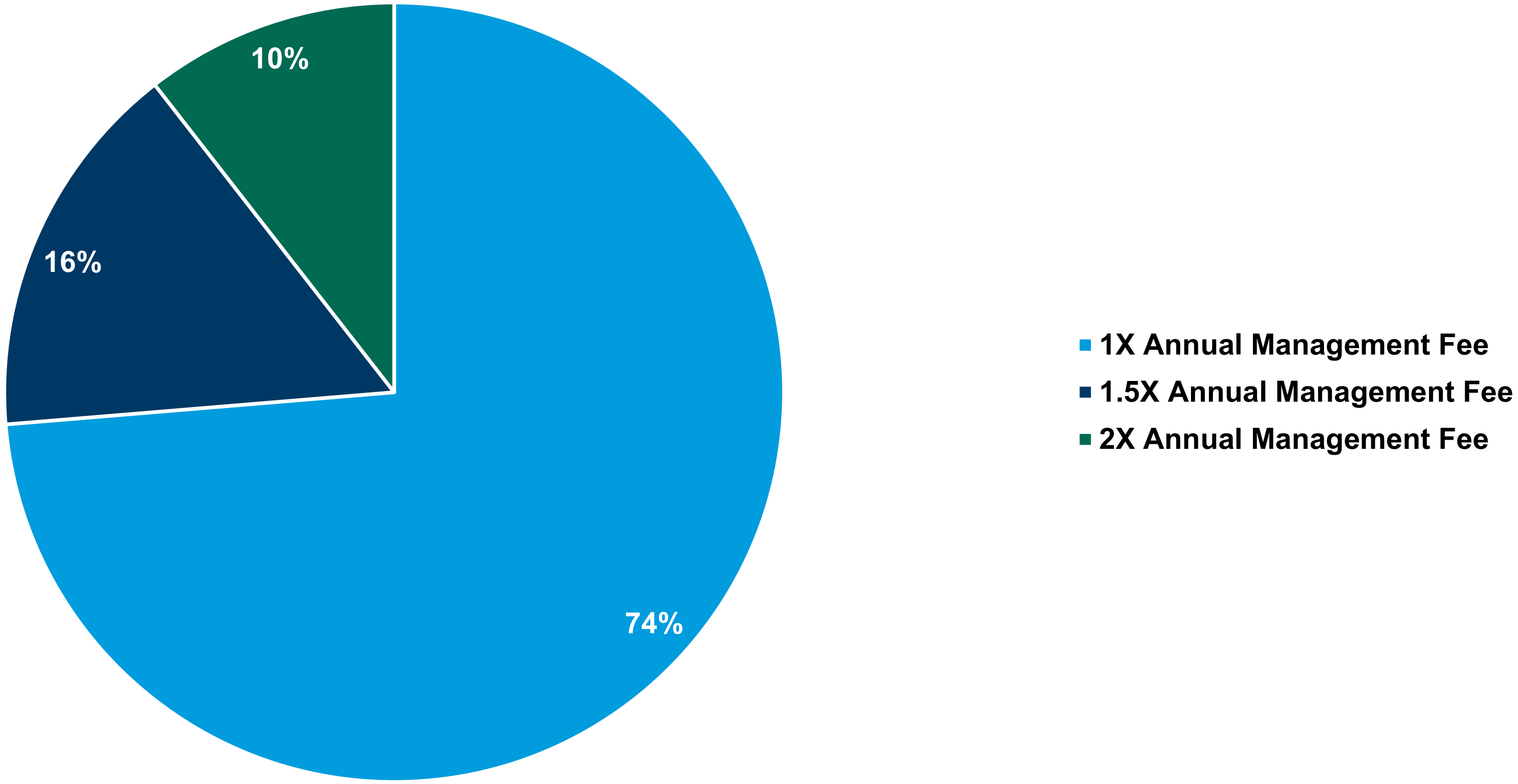
All Funds

One year’s management fee remains the standard compensation for a no fault removal, with 68% of funds providing for such a payment. Funds in the sub-€1.5 billion bracket are more likely to have a compensation payment set at something higher than one year’s fee, with the largest funds most likely to see a compensation payment set at one year or less.



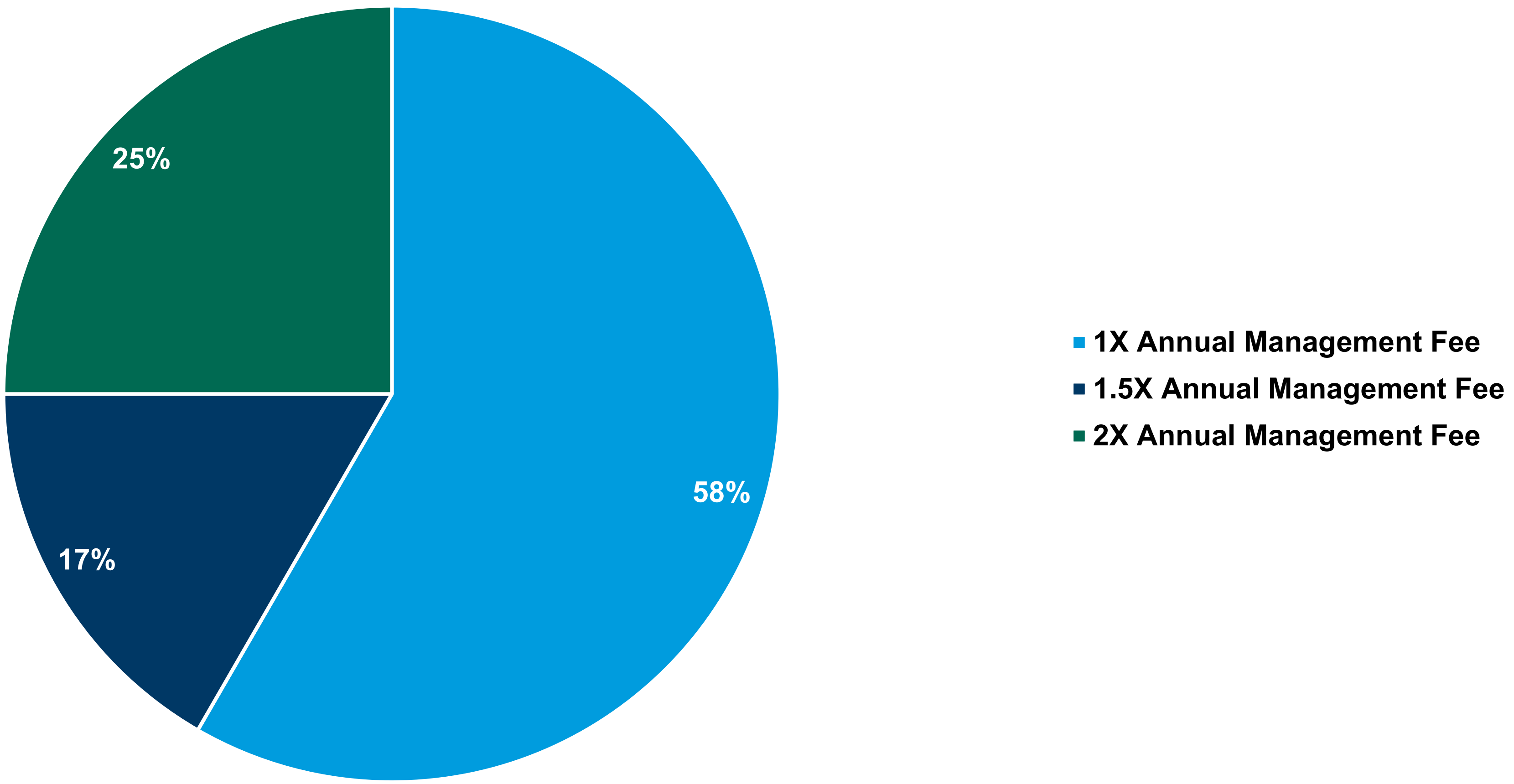
GP 'without cause' removal – Manager termination payment

≤€500M



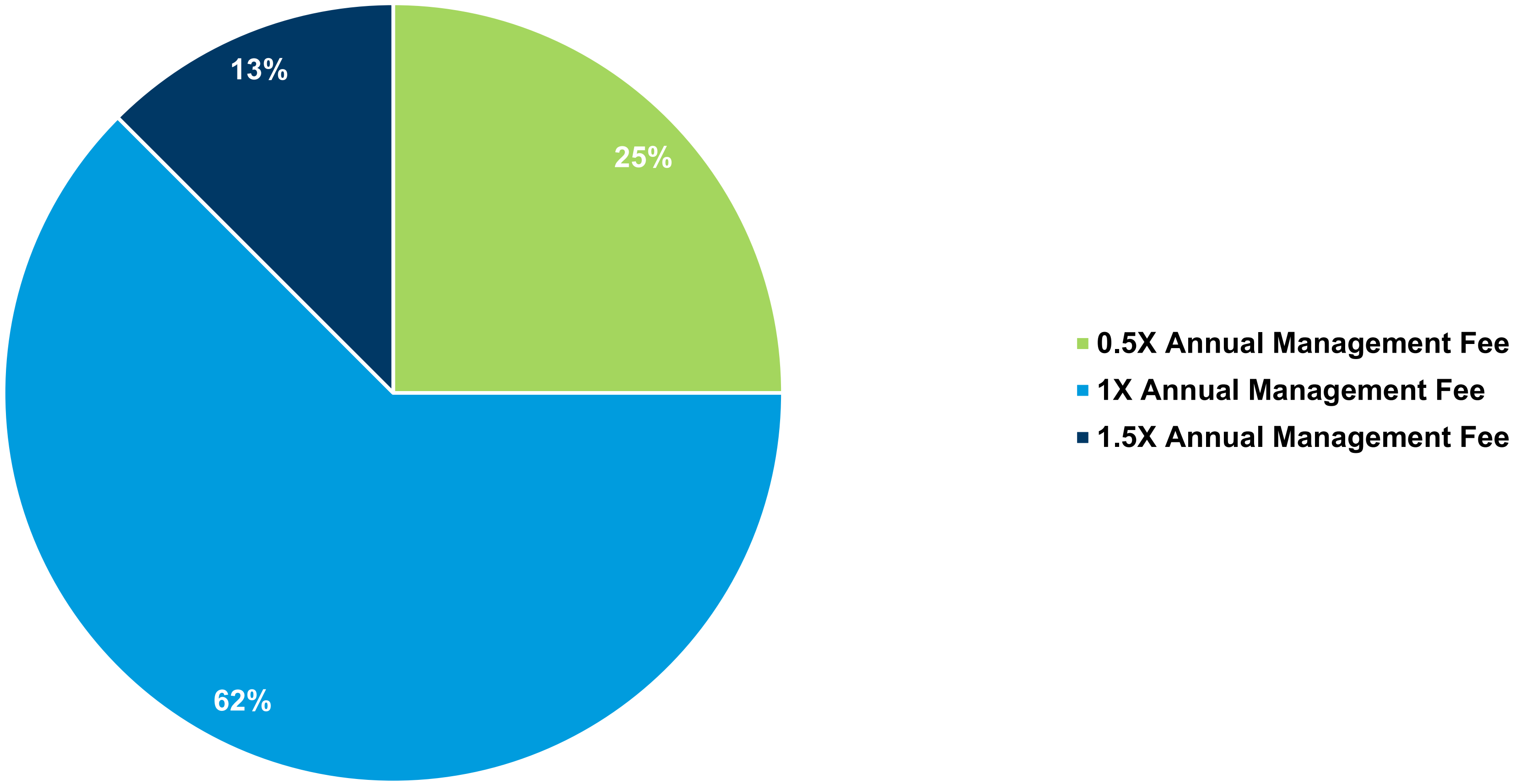
GP ‘without cause’ removal – Manager termination payment

>€500M-€1.5B

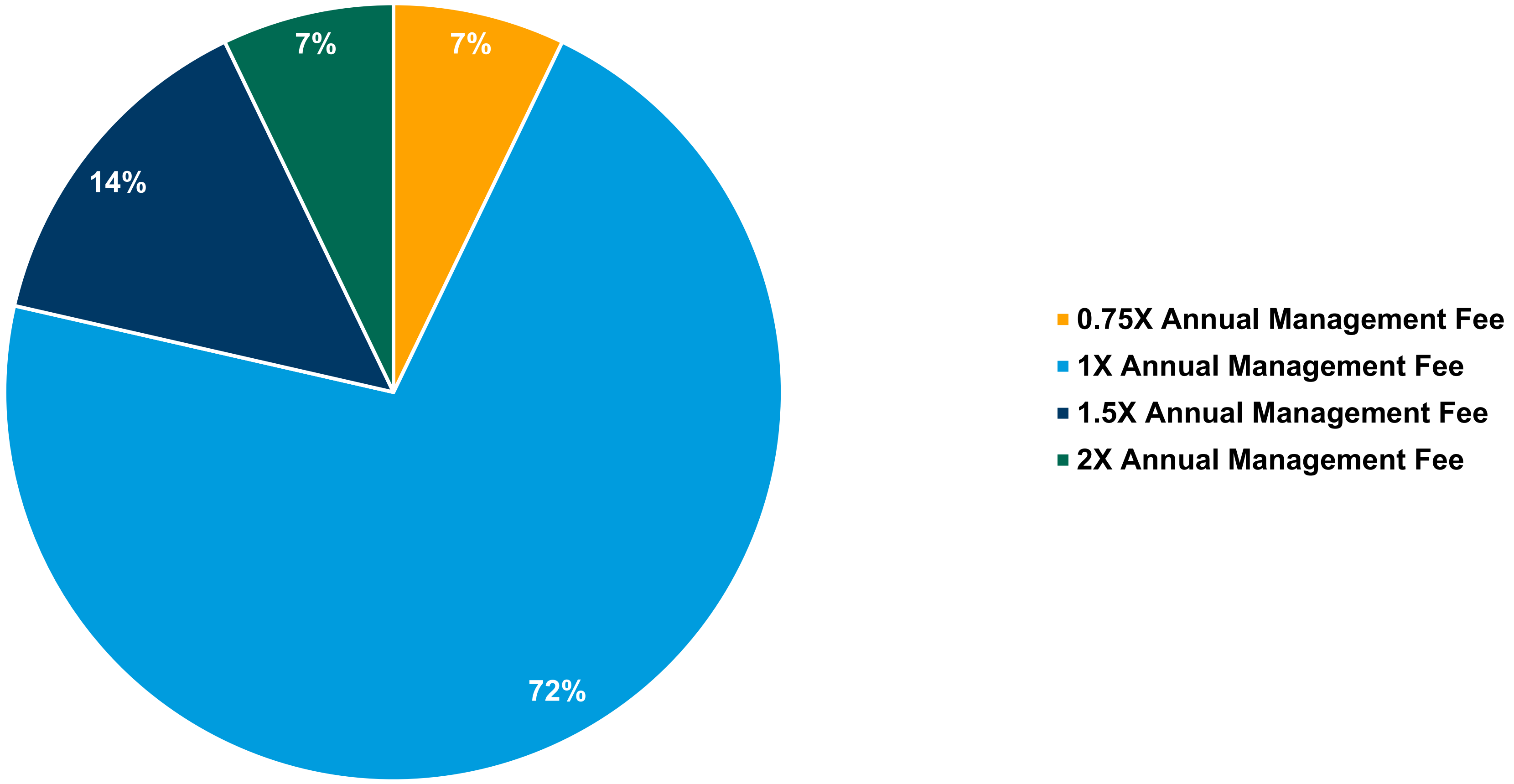


GP 'without cause' removal – Manager termination payment

>€1.5B-€3.75B



GP ‘without cause’ removal – Manager termination payment
>€3.75B



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