

UNDER THE MICROSCOPE

# BUYOUT FUNDRAISING

MARKET

REPORT

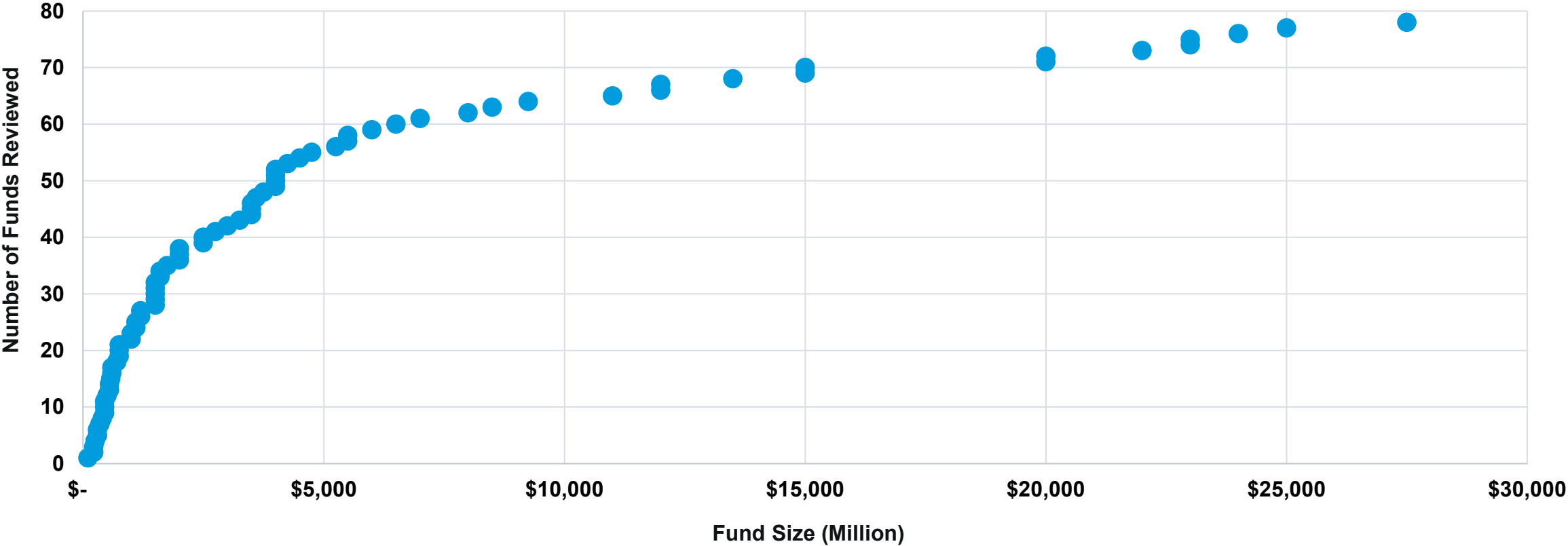
NORTH AMERICA

Proskauer»

# Data methodology

Our sample contained 78 private equity (buyout) funds raised in 2022 and 2023. We collected 25 data points from these funds. The funds are all either specifically United States or North America-focused or they target companies in North America as the key geography in their investment strategy. The target size of the funds reviewed ranged from \$100 million to greater than \$25 billion, representing in total approximately \$421 billion of committed capital.

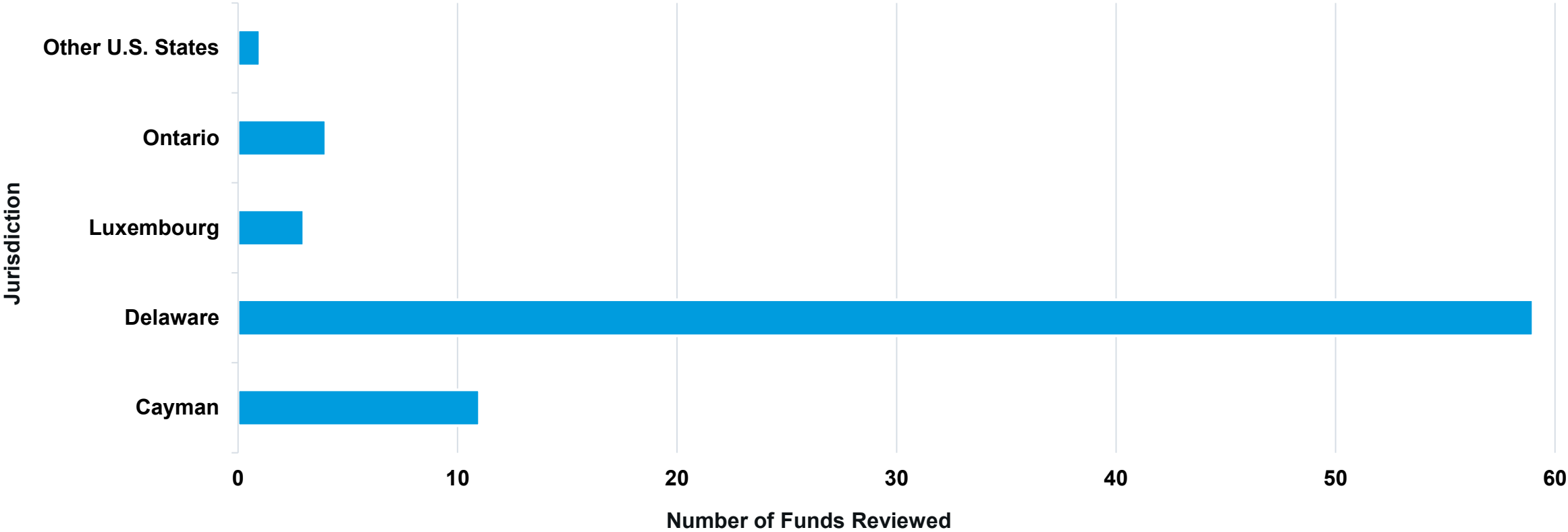
We analyzed the terms in these funds on an aggregate basis and also subdivided the data into six fund size groups: (1) <\$500 million; (2) \$500 million to \$1 billion; (3) \$1 billion to \$2.5 billion; (4) \$2.5 billion to \$5 billion; (5) \$5 billion to \$10 billion; and (6) >\$10 billion, to provide a look into how fund terms vary across fund sizes.



# Jurisdiction of formation

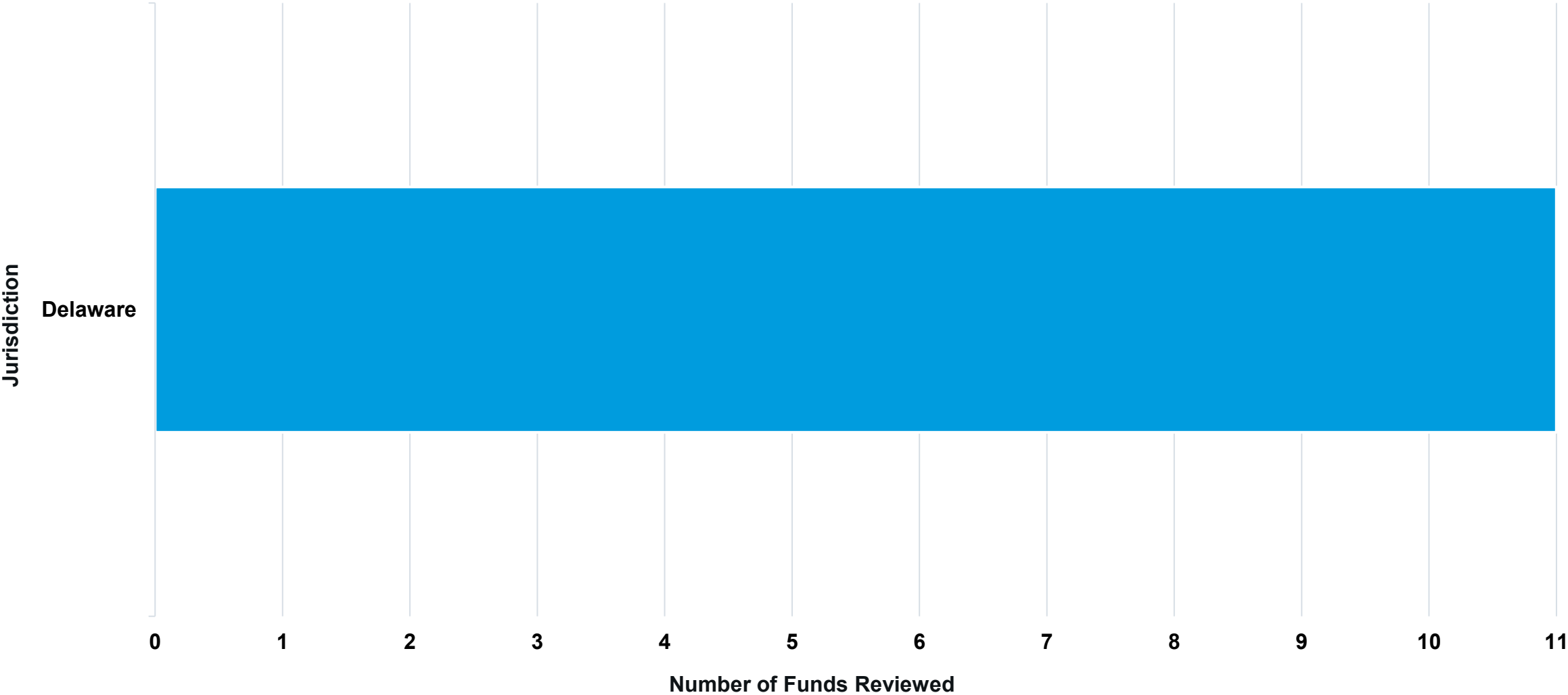
## All Funds

As sponsors and investors alike would expect, Delaware is by far the most popular jurisdiction of formation, with the Cayman Islands trailing in a distant second. Delaware dominates across all fund sizes, especially in the smaller funds, due to sponsor and investor familiarity, relatively light administrative requirements and its developed case law. Some larger funds, likely those that expect a material allocation to investments in non-U.S. jurisdictions, are inclined to select the Cayman Islands or Ontario (Canada). Additionally, the size of the fund administration ecosystem in Luxembourg makes it an obvious choice for those North American managers seeking to raise a fund with access to the AIFMD marketing passport.



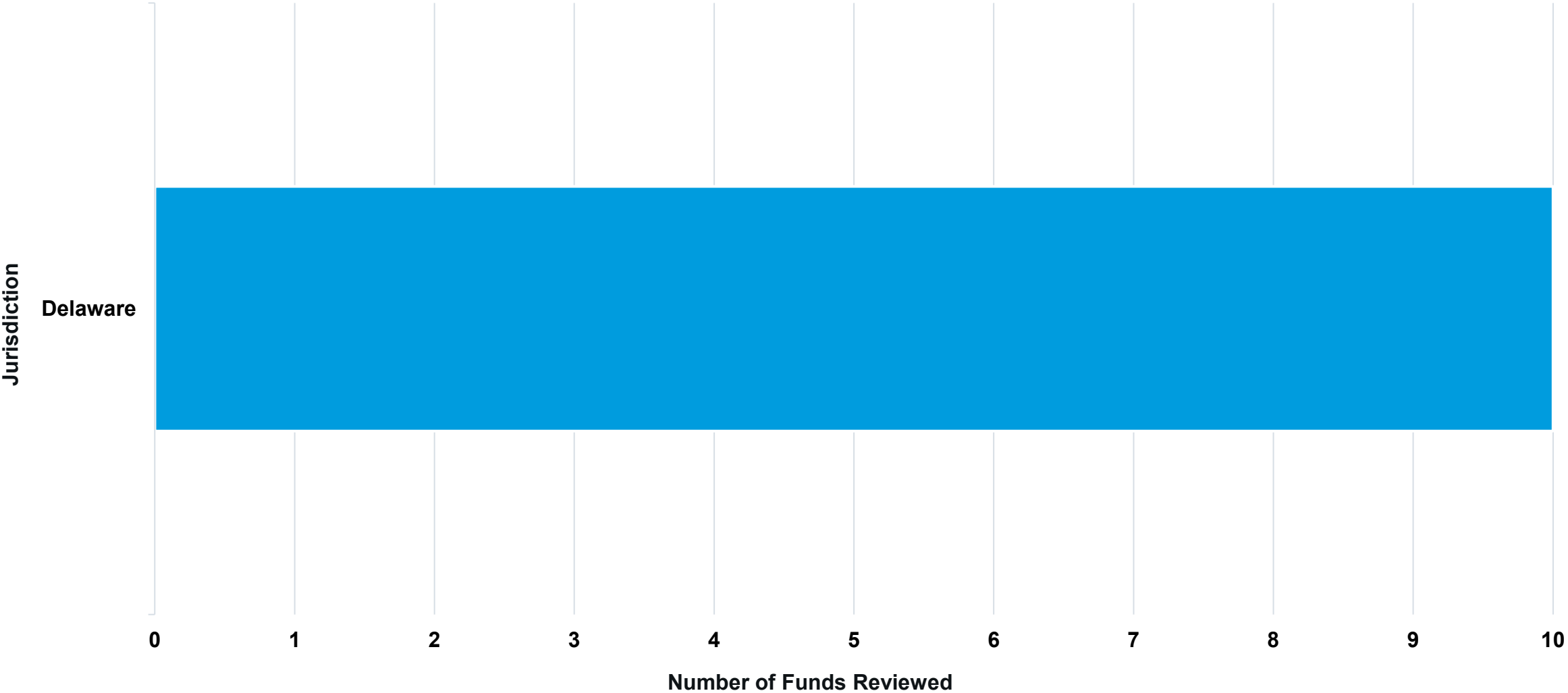
# Jurisdiction of formation

<\$500M



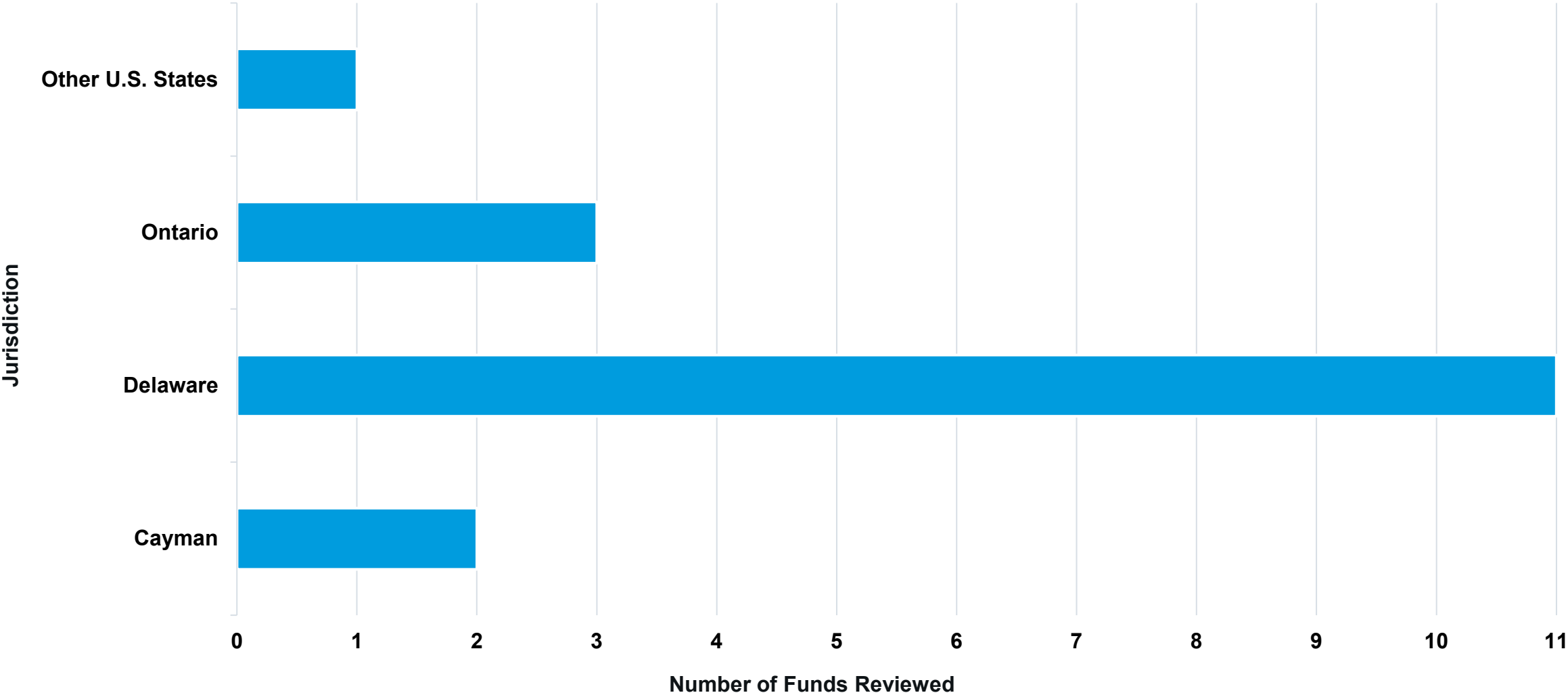
# Jurisdiction of formation

## \$500M-\$1B



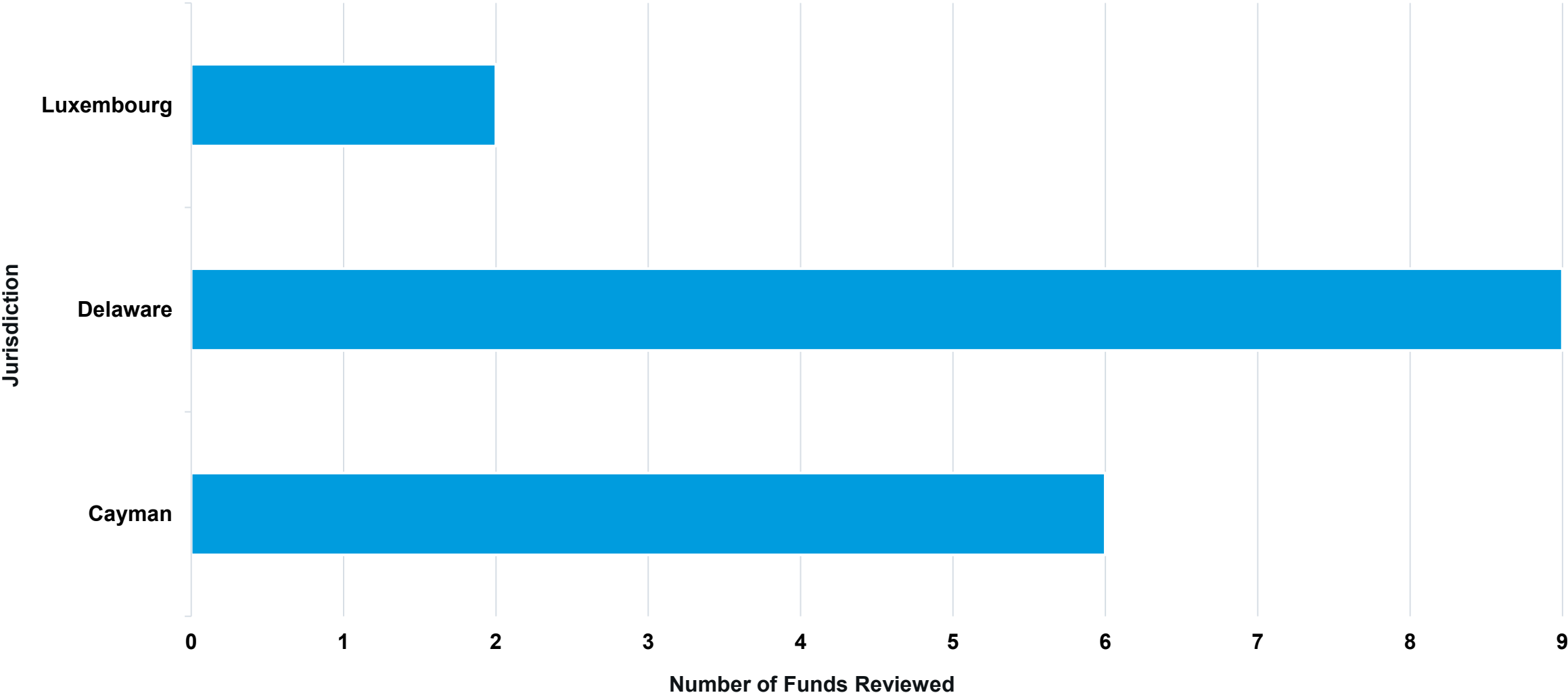
# Jurisdiction of formation

## \$1B-\$2.5B



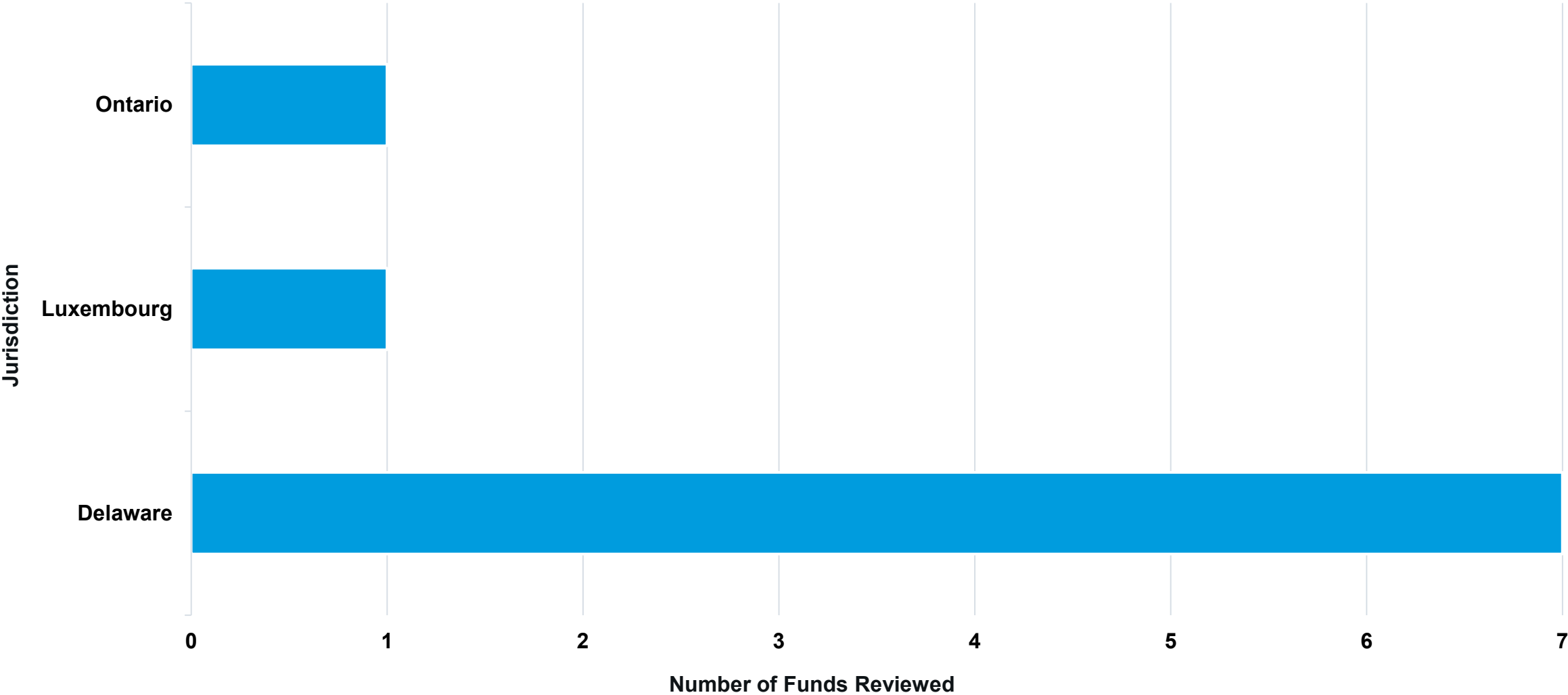
# Jurisdiction of formation

\$2.5B-\$5B



# Jurisdiction of formation

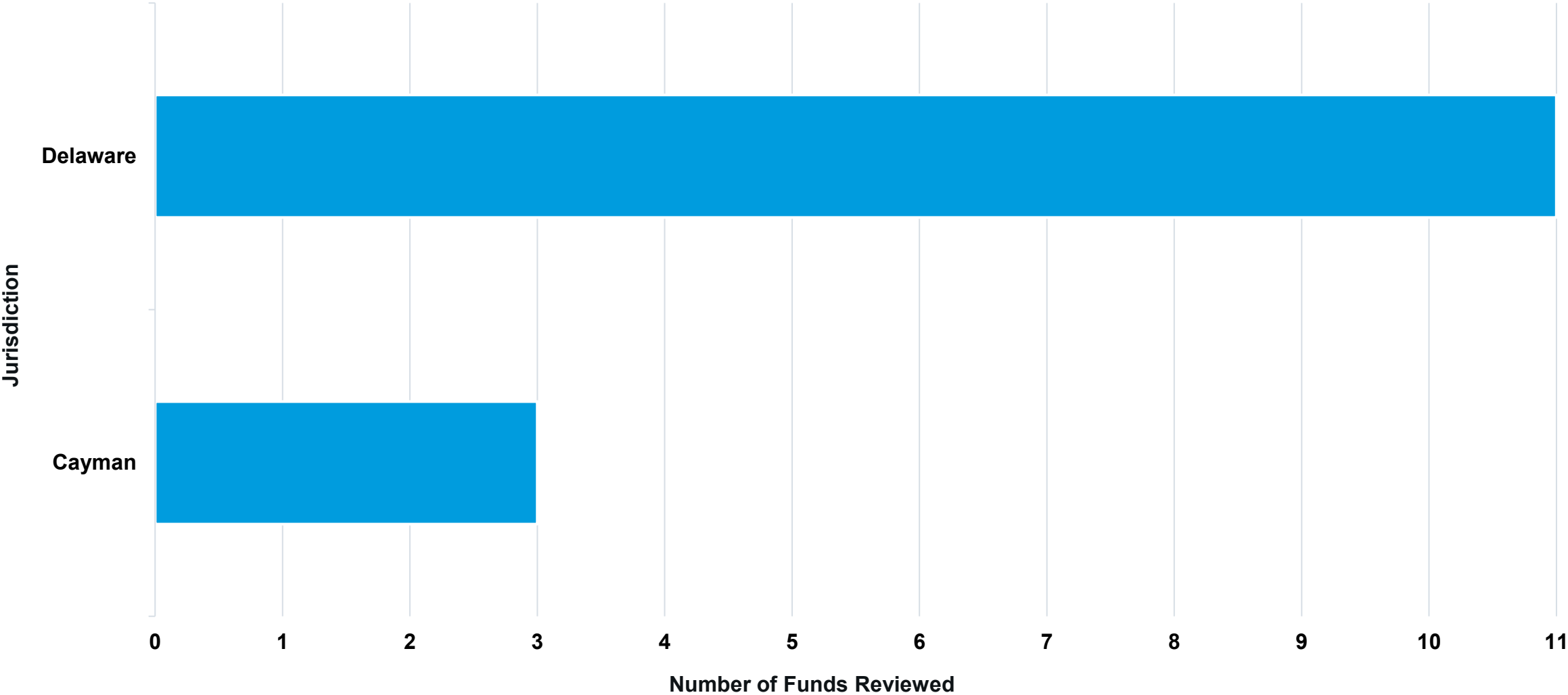
## \$5B-\$10B





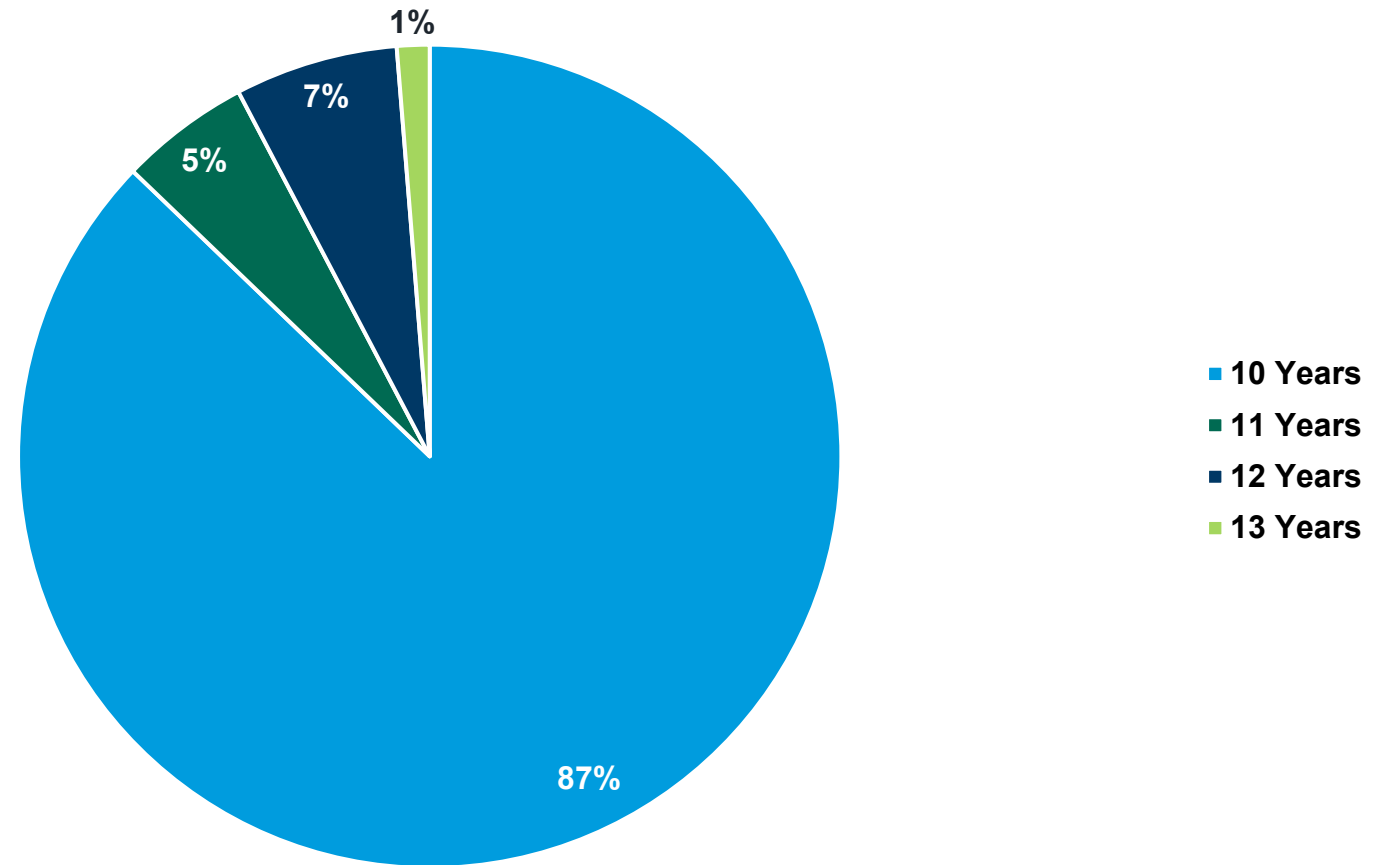
# Jurisdiction of formation

>\$10B

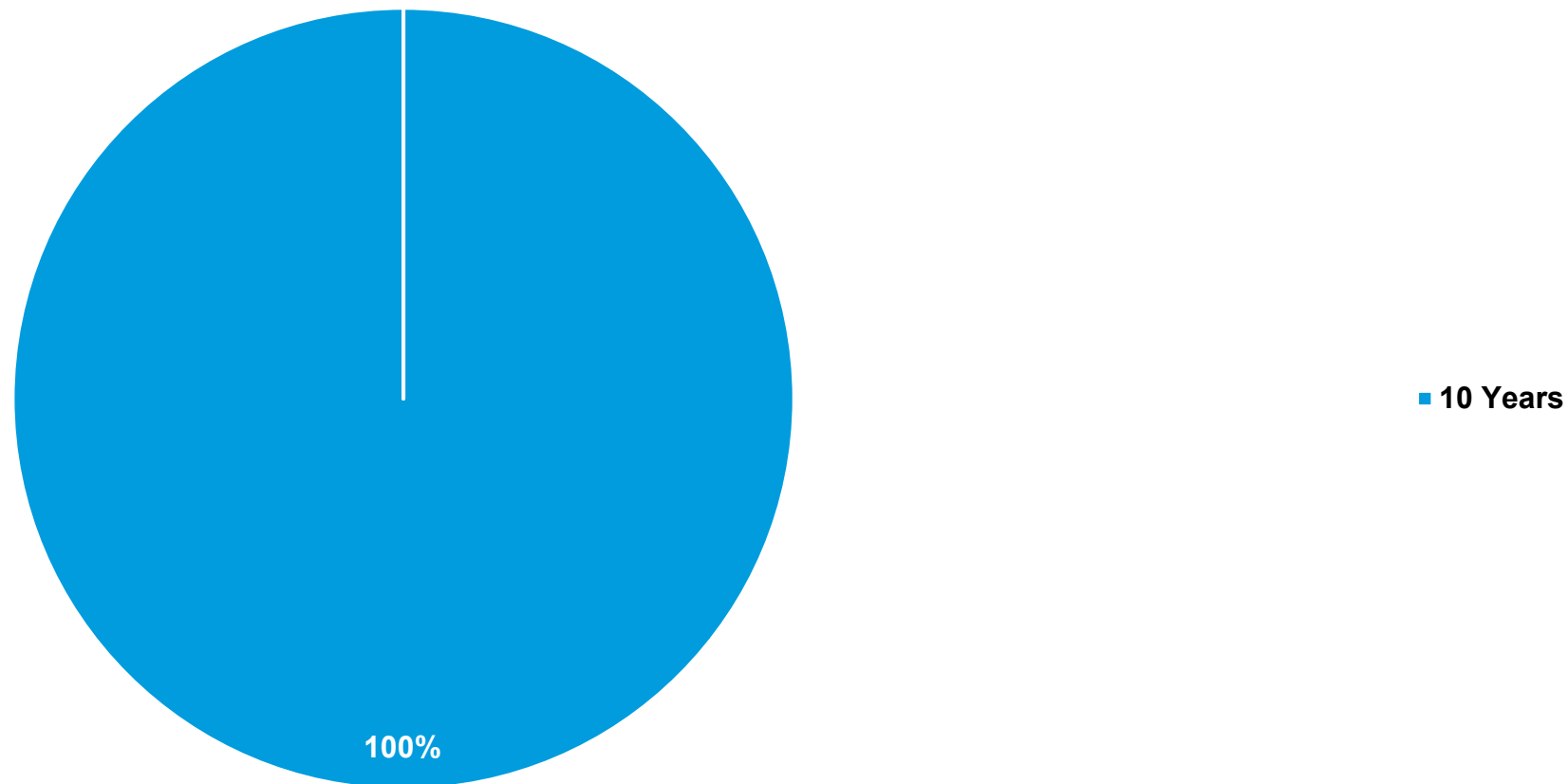


## Initial term All Funds

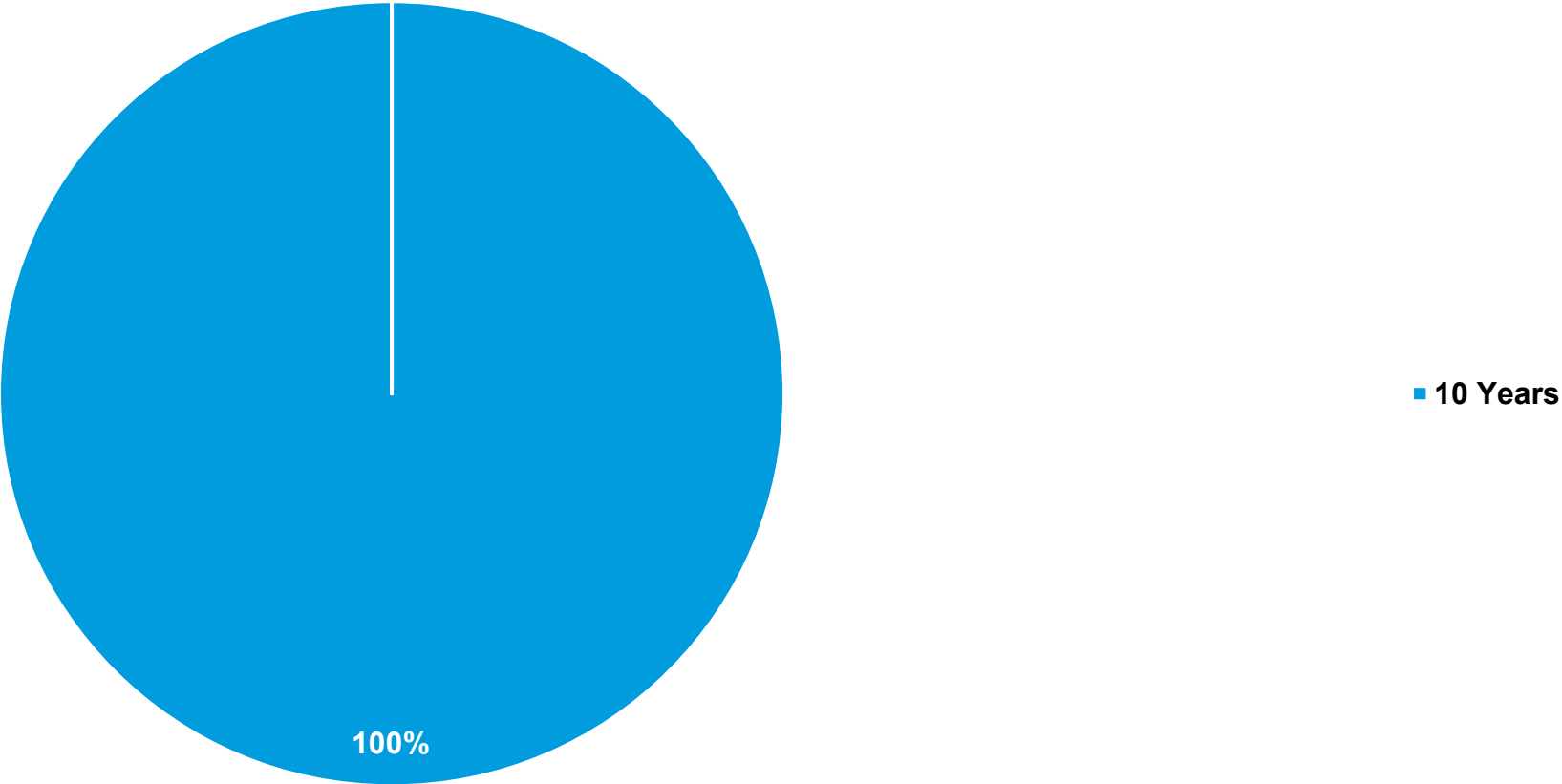
A significant majority of funds (87%) continue to have an initial term of 10 years. The remaining minority, particularly concentrated in the larger size brackets, opt for longer terms. The market continues to support longer hold periods and longer fund lives by providing for more streamlined extension mechanisms, and on a more ad hoc basis by offering continuation funds and other late-stage liquidity solutions. The range of GP-led liquidity options now available to sponsors continues to relieve some pressure on the length of fund terms, so we generally do not expect a pronounced increase in the term of traditional buyout funds in the coming years.



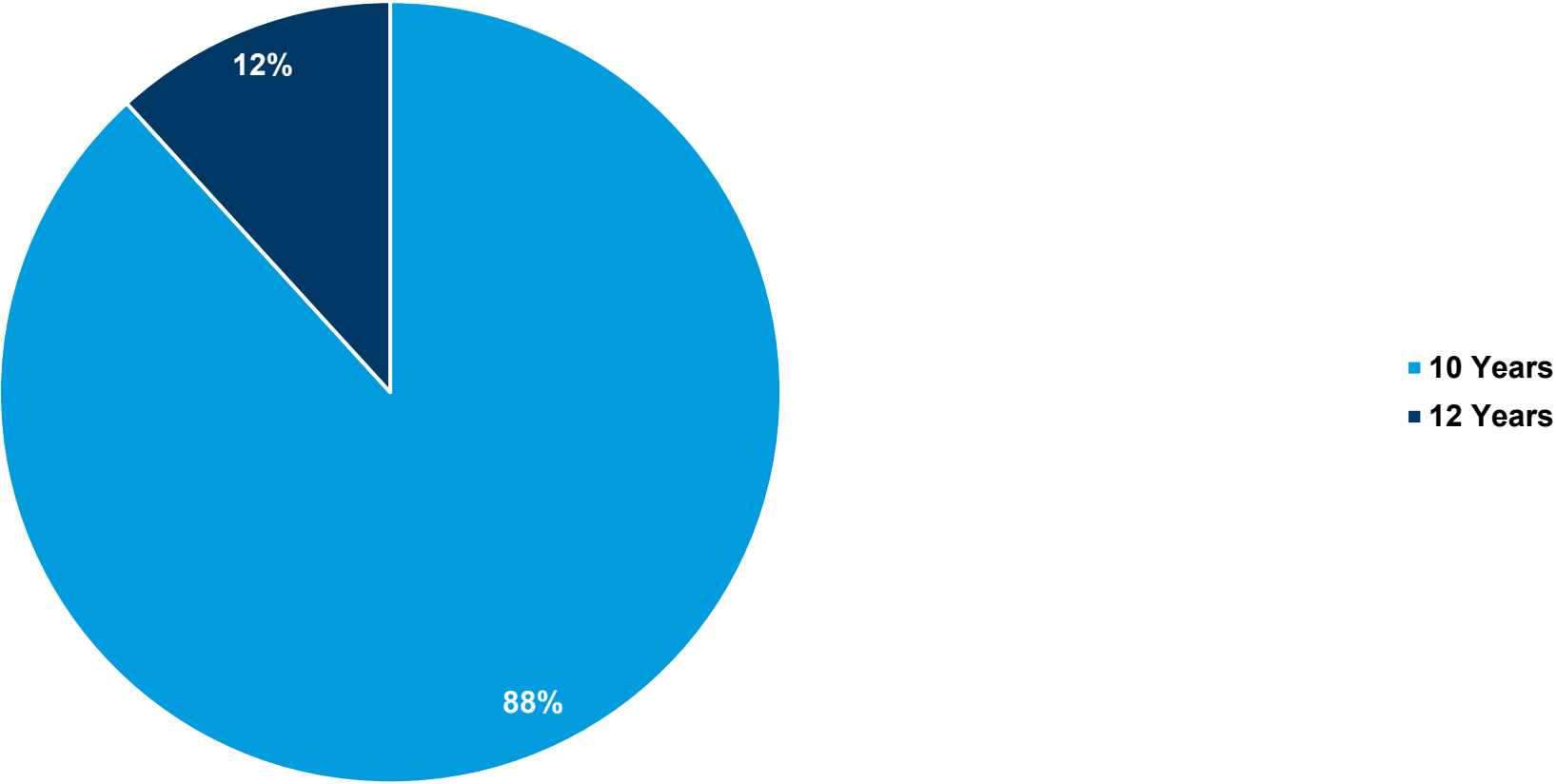
## Initial term <\$500M



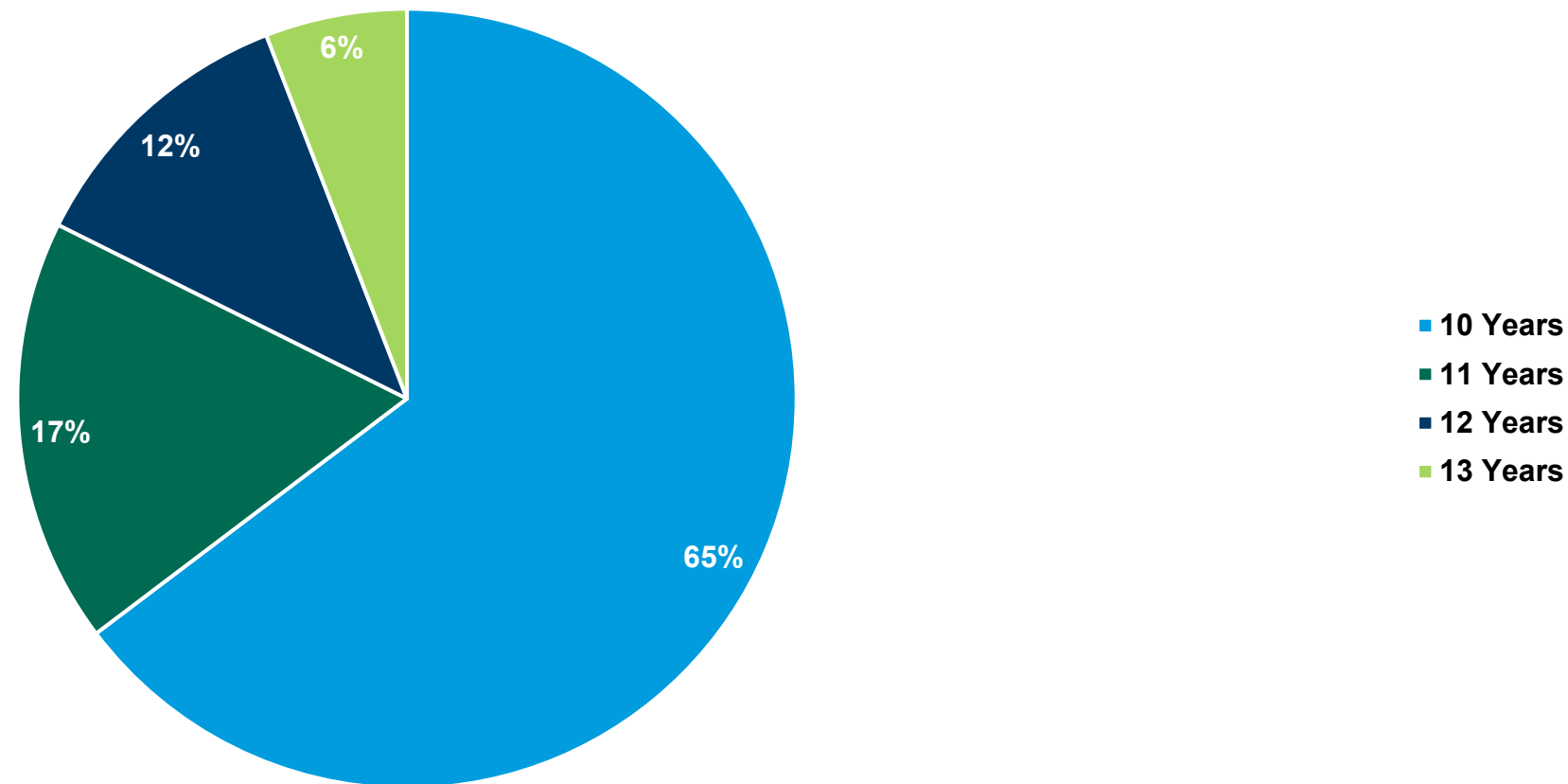
**Initial term**  
**\$500M-\$1B**



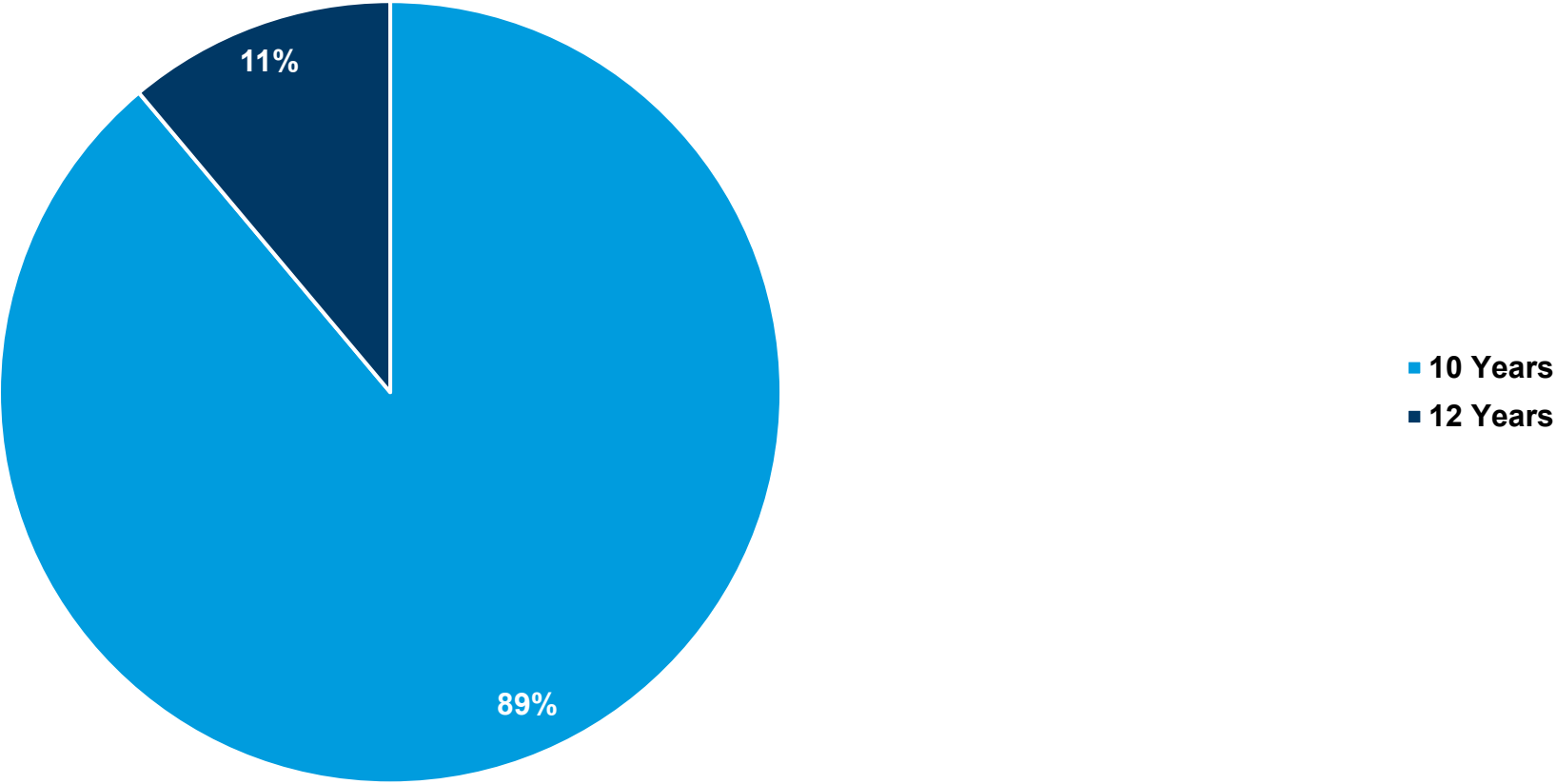
**Initial term**  
**\$1B-\$2.5B**



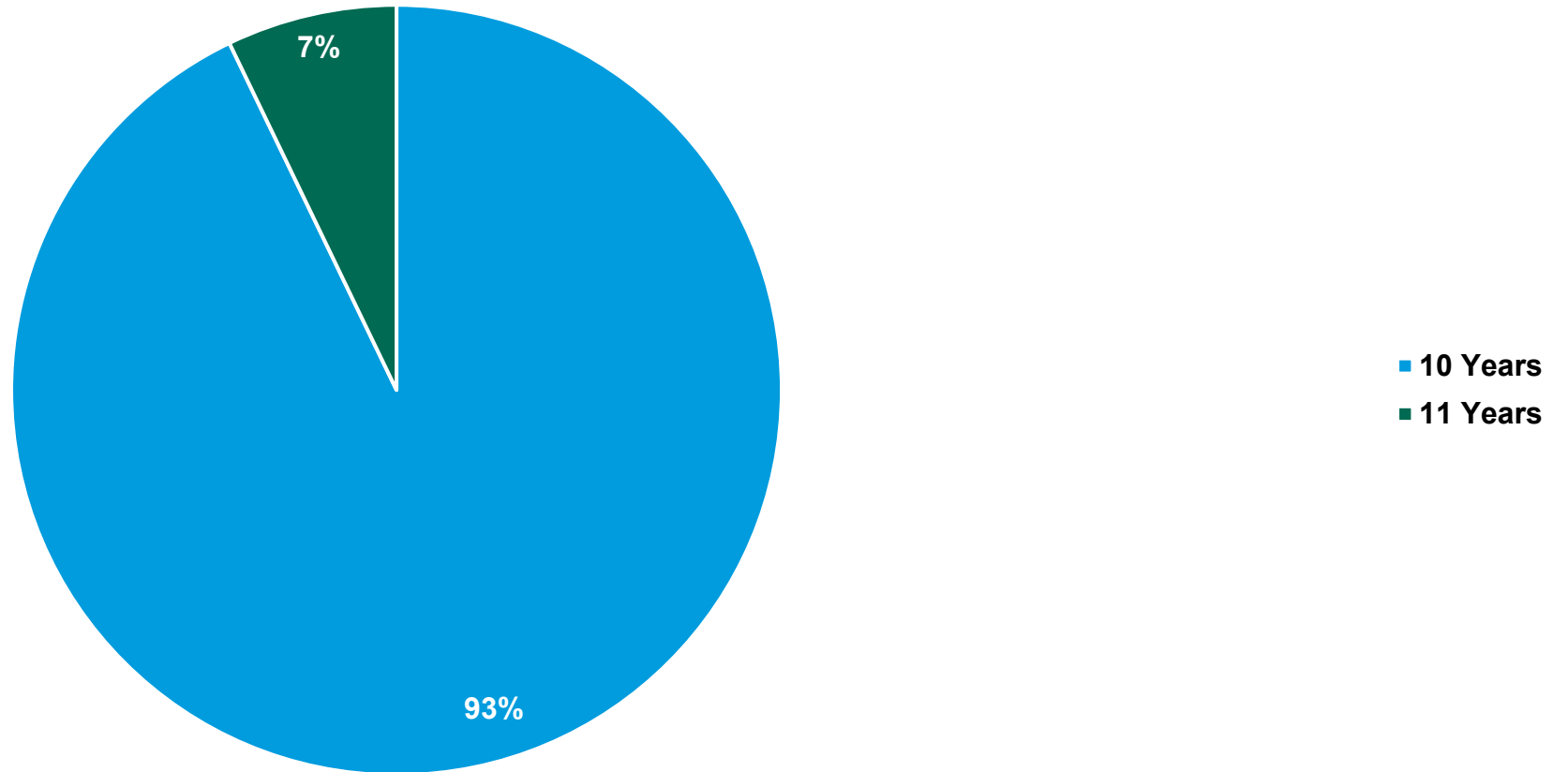
**Initial term**  
**\$2.5B-\$5B**



**Initial term**  
**\$5B-\$10B**



## Initial term >\$10B



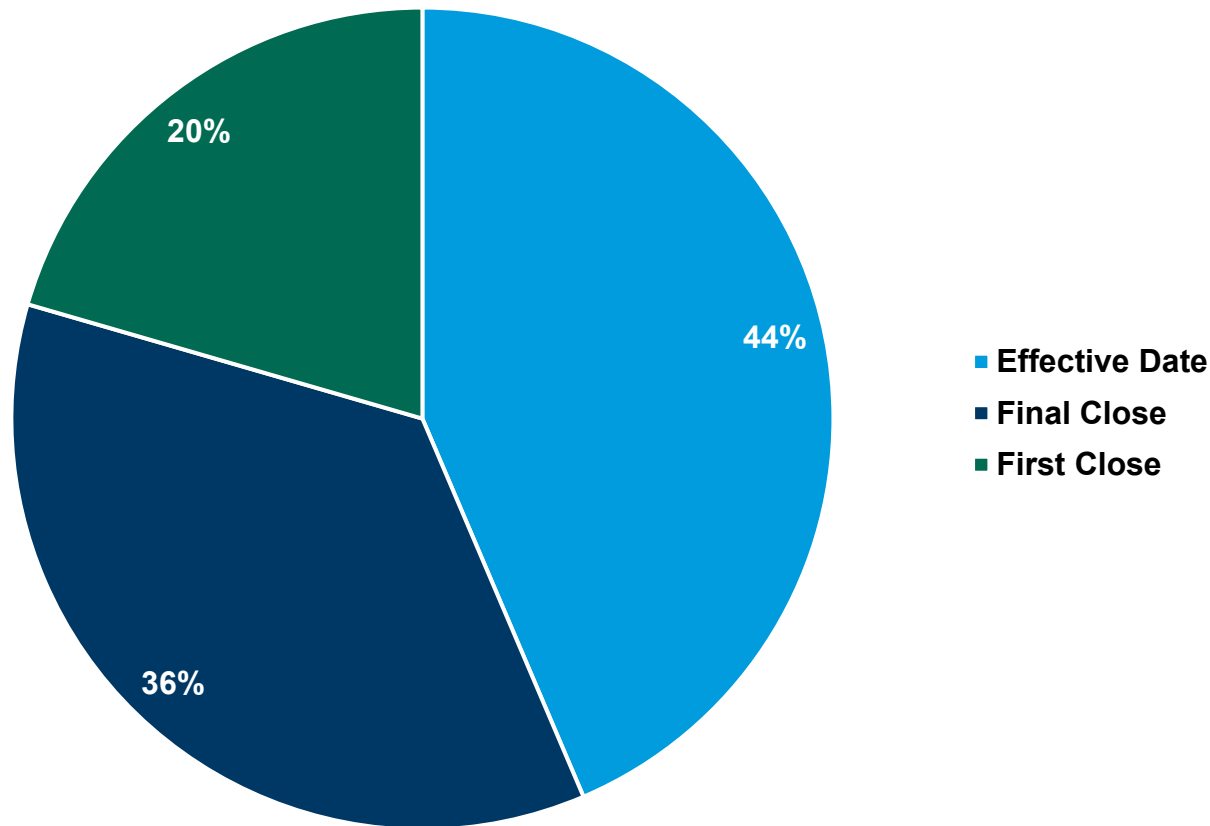


# Initial term starting point

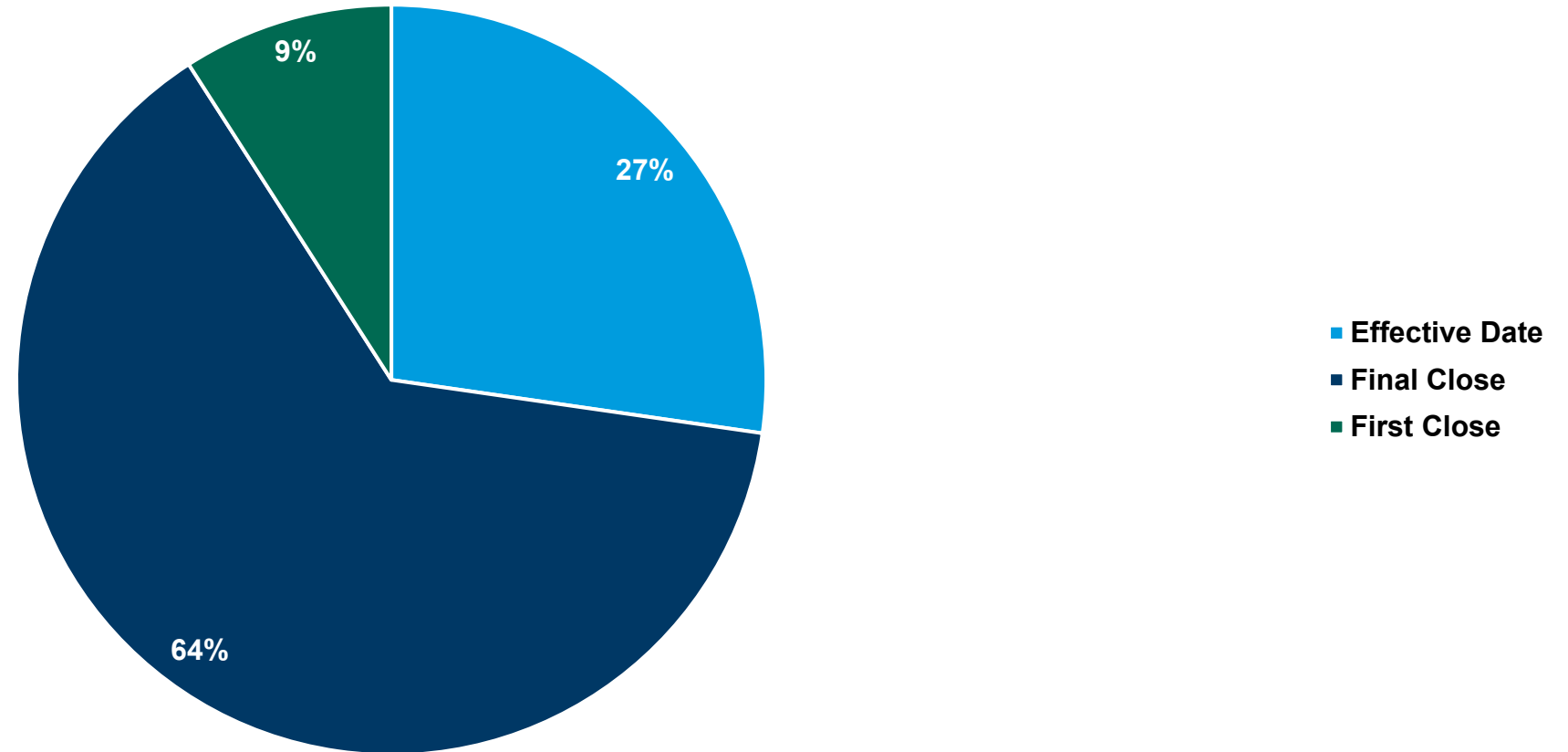
## All Funds

When considering the length of a fund's term, a key factor is the date from which the term's end date is calculated. This will generally be one of three dates: (i) the initial closing date, (ii) the final closing date, or (iii) another date specified by the manager, commonly referred to as the 'effective' or 'activation' date, is typically either the date of the first investment or the date when the manager begins investment activities for the fund.

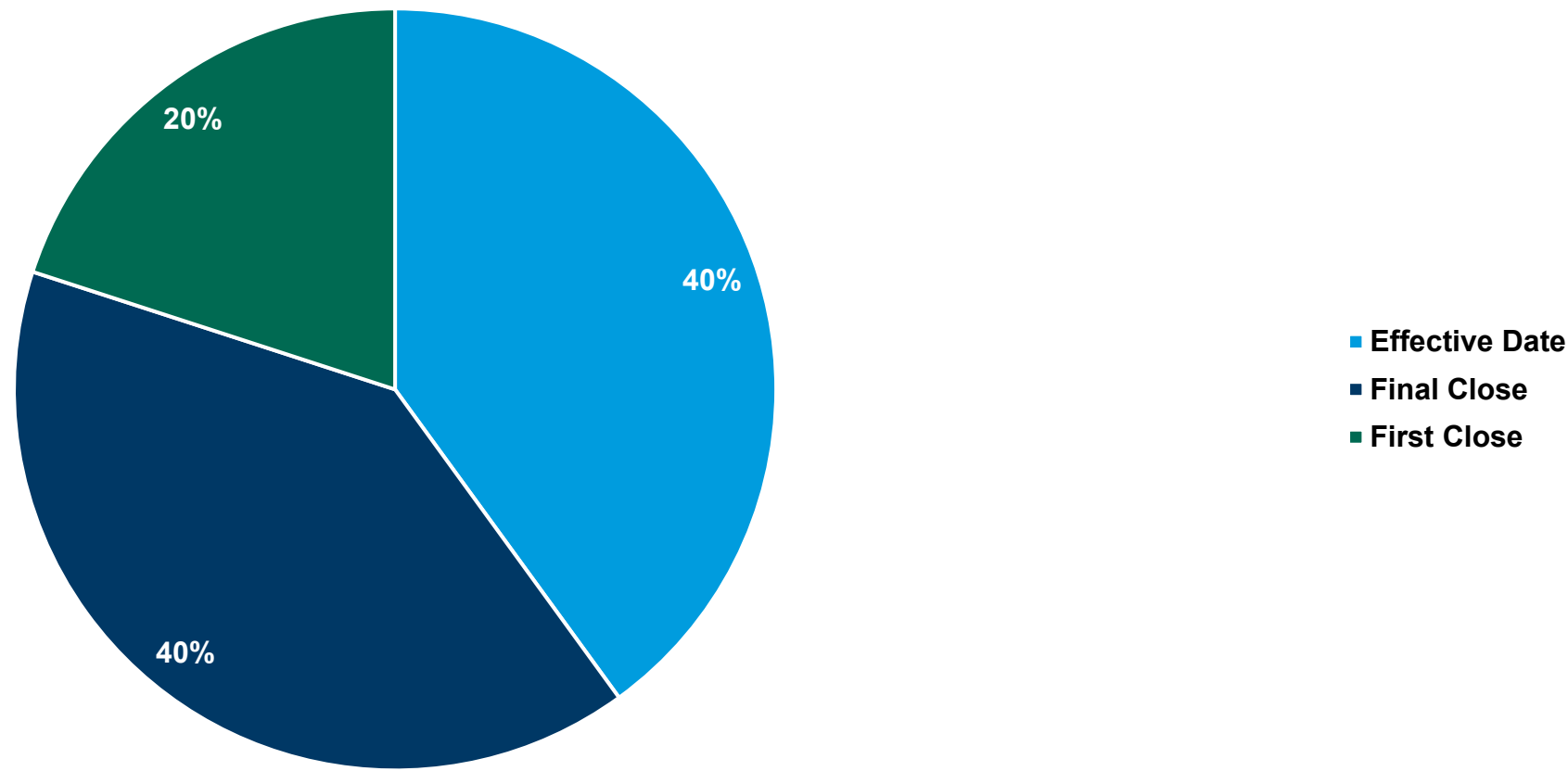
Our survey reveals that most funds' terms are calculated from the final closing date or the effective date, with an effective date-based approach generally more common – and an initial closing-based approach less common – as fund size increases. Smaller funds, which in many cases are formed by smaller, less established or emerging managers, are more likely to key from closing dates to determine fund term, often because closing and fund activation are more closely linked for these managers. Our view is that larger fund managers are more likely to seek flexibility around activation in order to manage the effect of doing so on deal allocation obligations and management fees in respect of their pre-existing funds and to mitigate drag on a new fund's IRR that could result from drawing for management fee prior to the first investment.



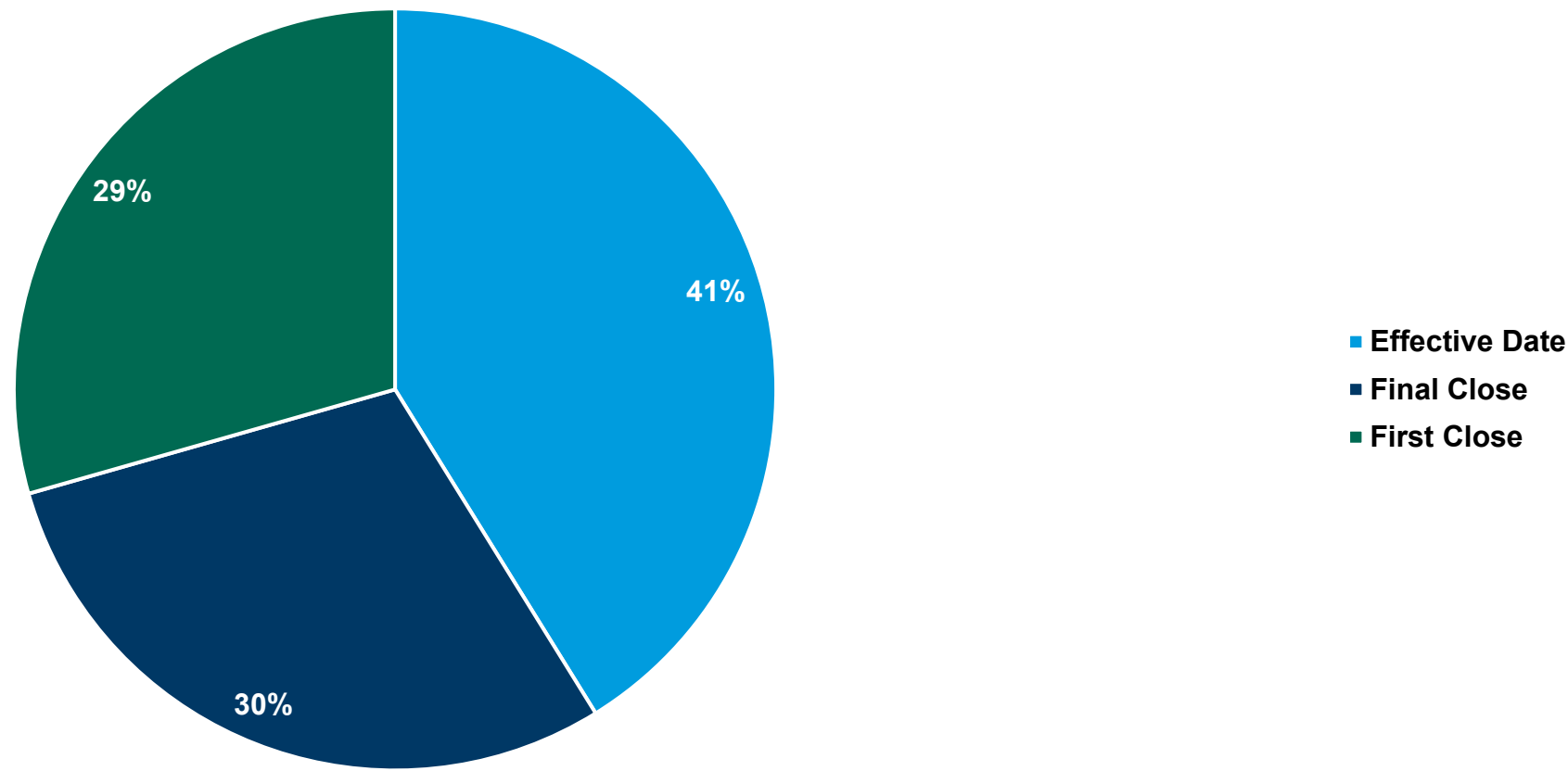
## Initial term starting point <\$500M



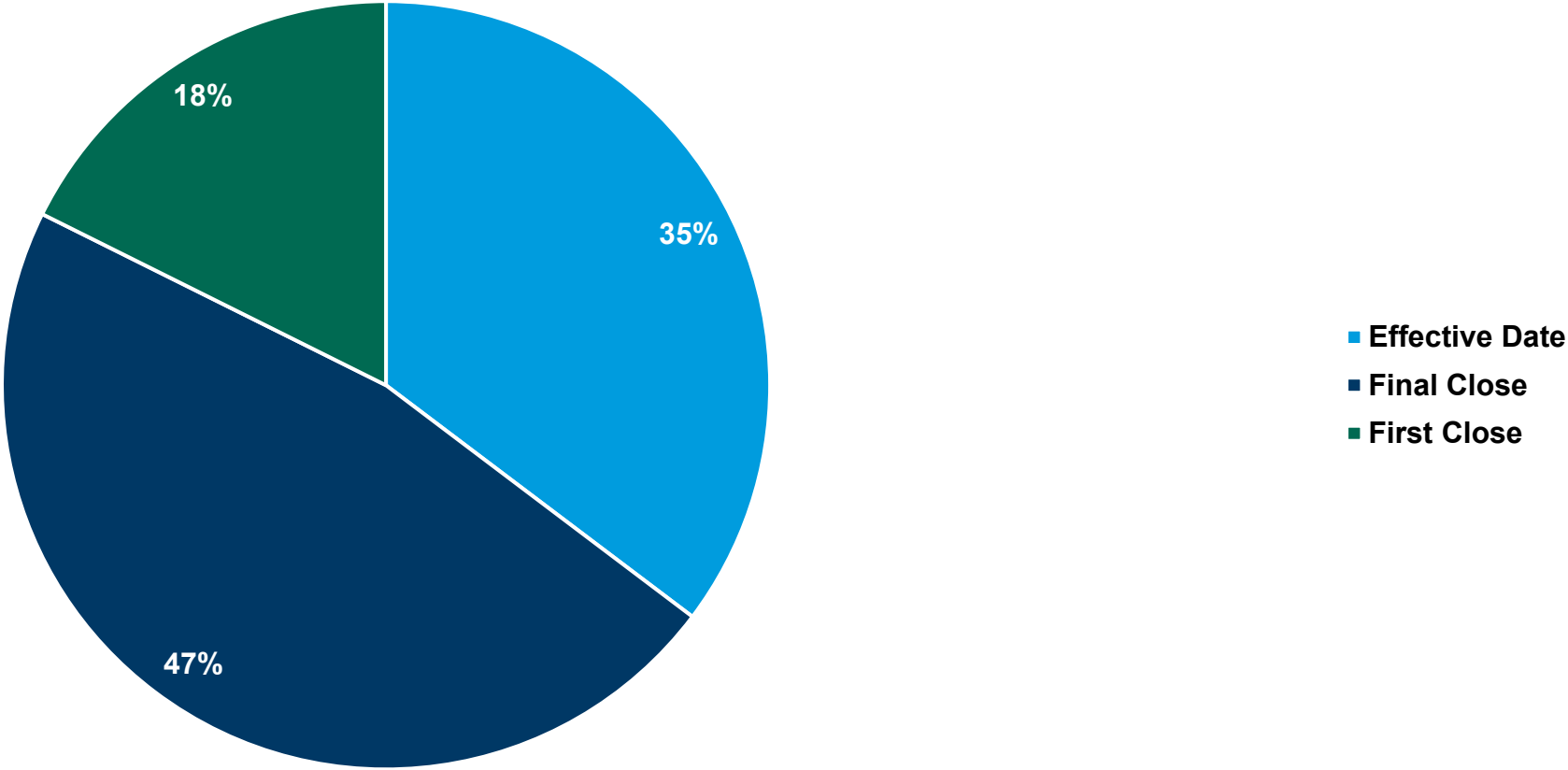
Initial term starting point  
\$500M-\$1B



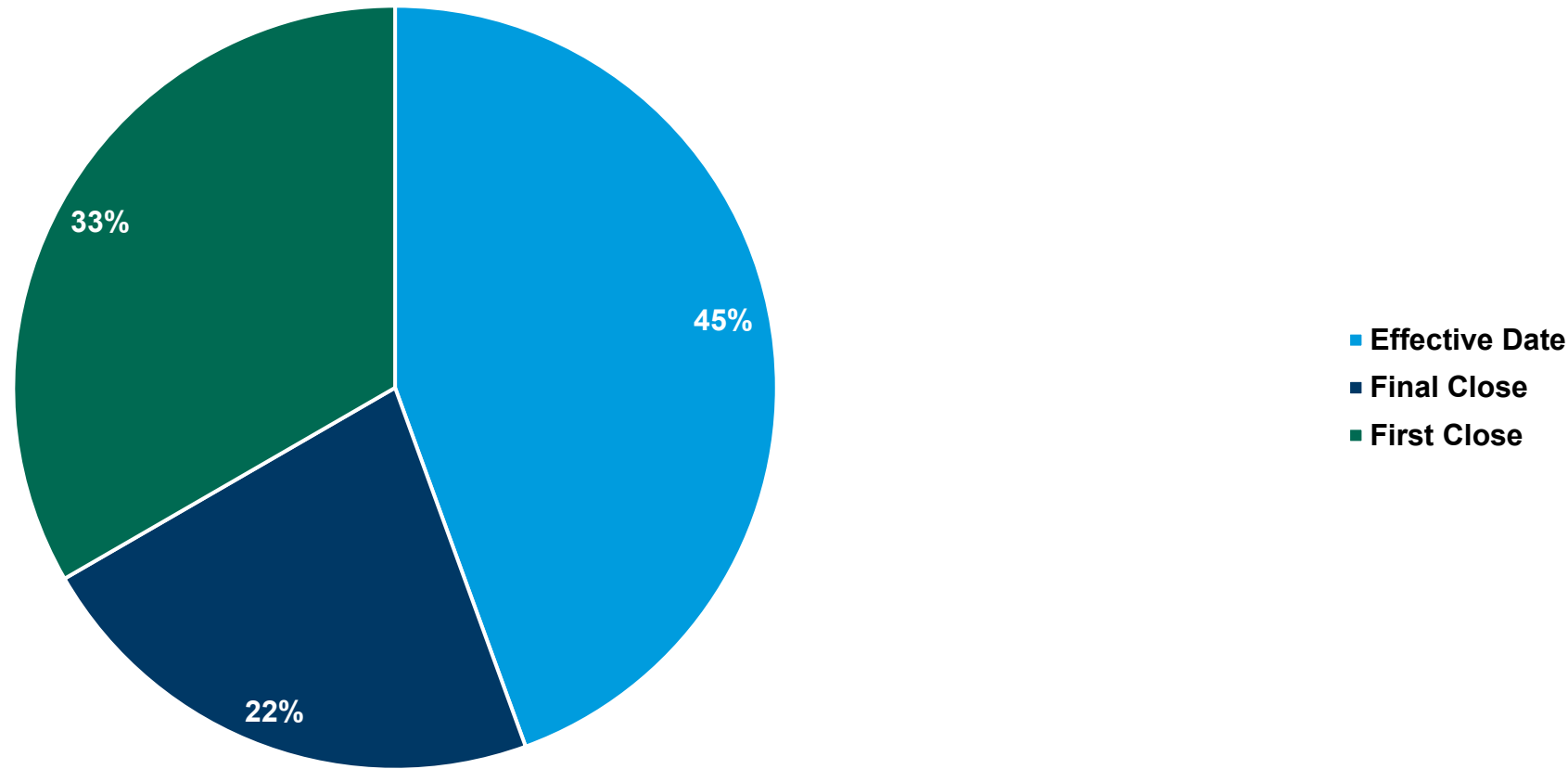
Initial term starting point  
\$1B-\$2.5B



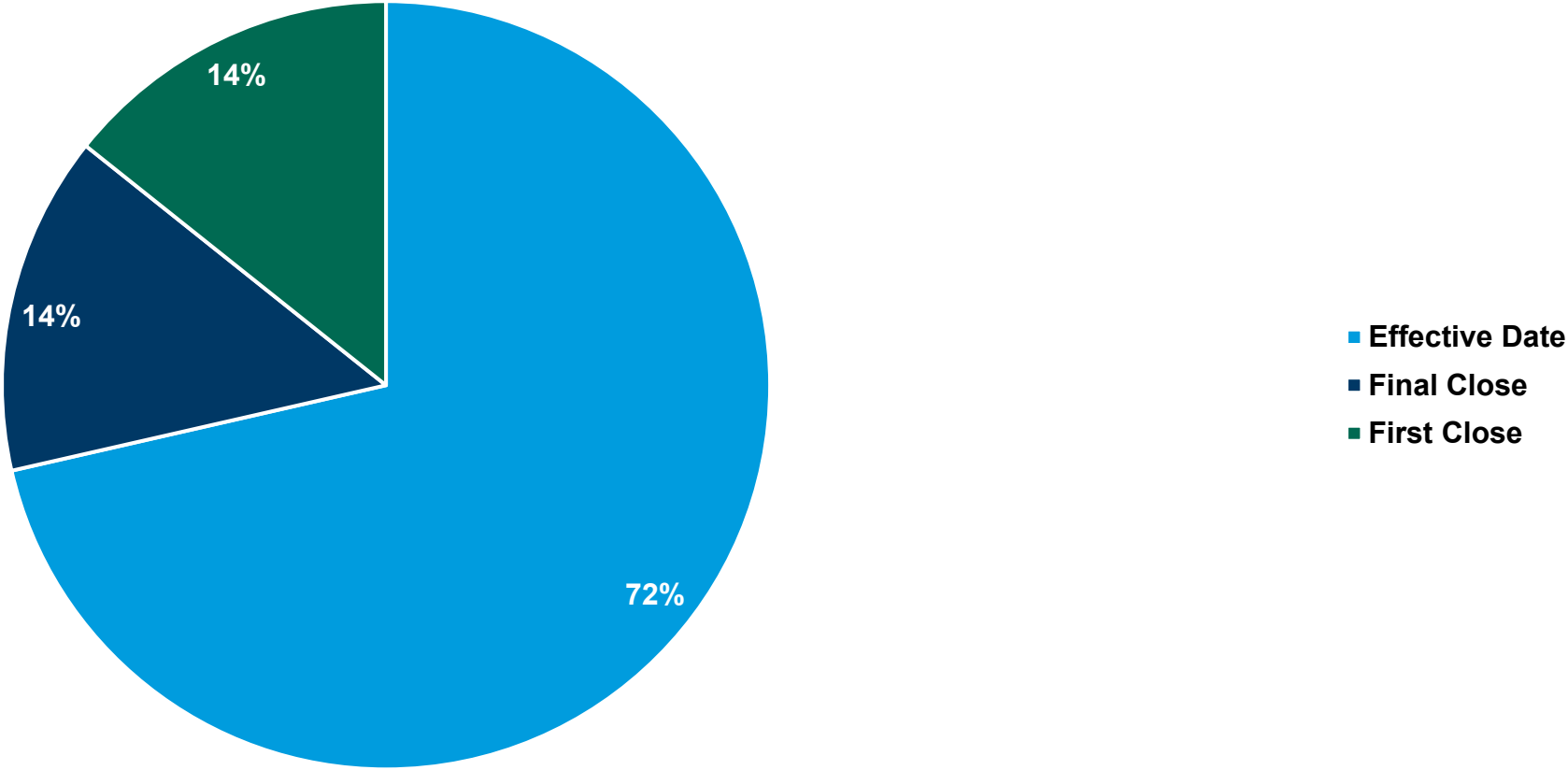
Initial term starting point  
\$2.5B-\$5B



Initial term starting point  
\$5B-\$10B



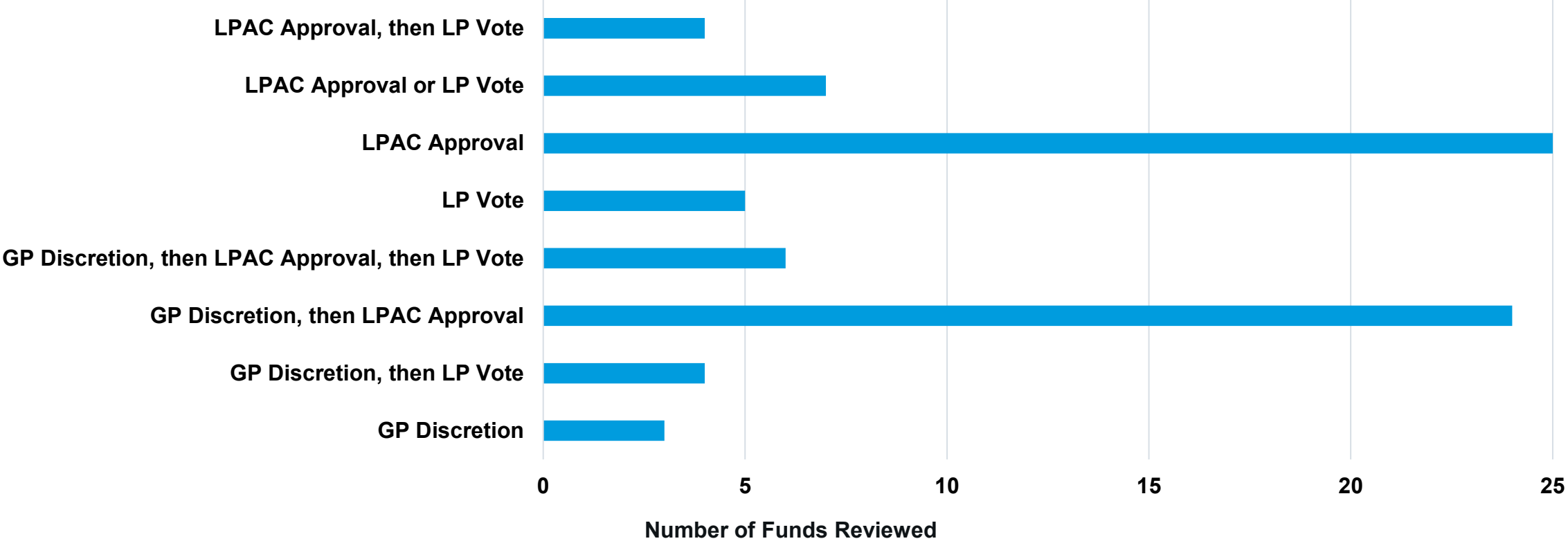
Initial term starting point  
>\$10B



# Approval required for extension of term

## All Funds

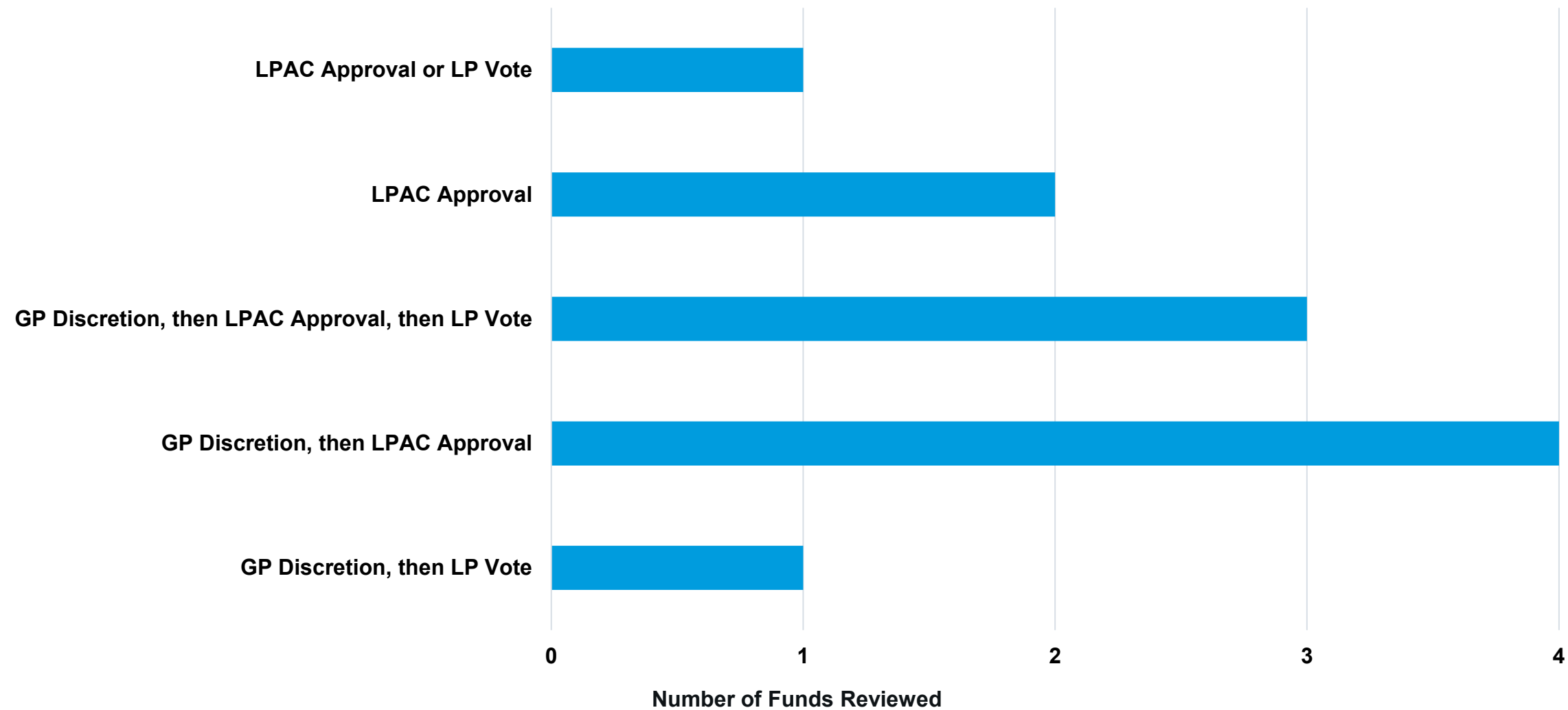
A variety of mechanisms are used to extend the initial term of a fund. In general, the industry has seen an increase in the number of funds that give the GP discretion in relation to at least one extension (47% in this survey), though the trend is more pronounced among smaller fund sizes. Larger funds are more likely to require consent from either their limited partner advisory committees or some percentage of LPs. We view the increased flexibility given to smaller fund GPs as reflective of management fee-driven dynamics. Discussions with investors about relaxing term extension provisions are invariably connected to negotiations concerning the management fee payable during any extension period. The fees at stake for larger funds, and their largest investors, tend to be significantly greater.





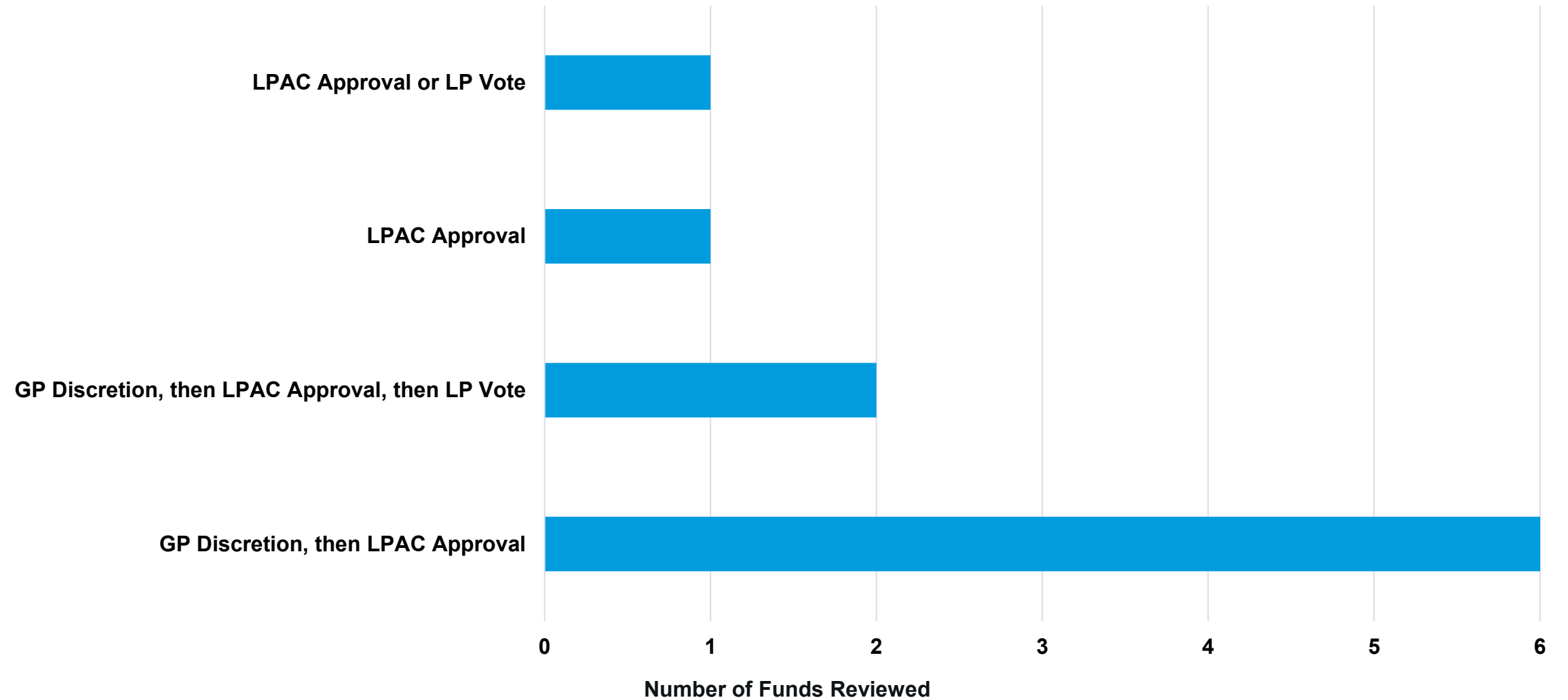
# Approval required for extension of term

<\$500M



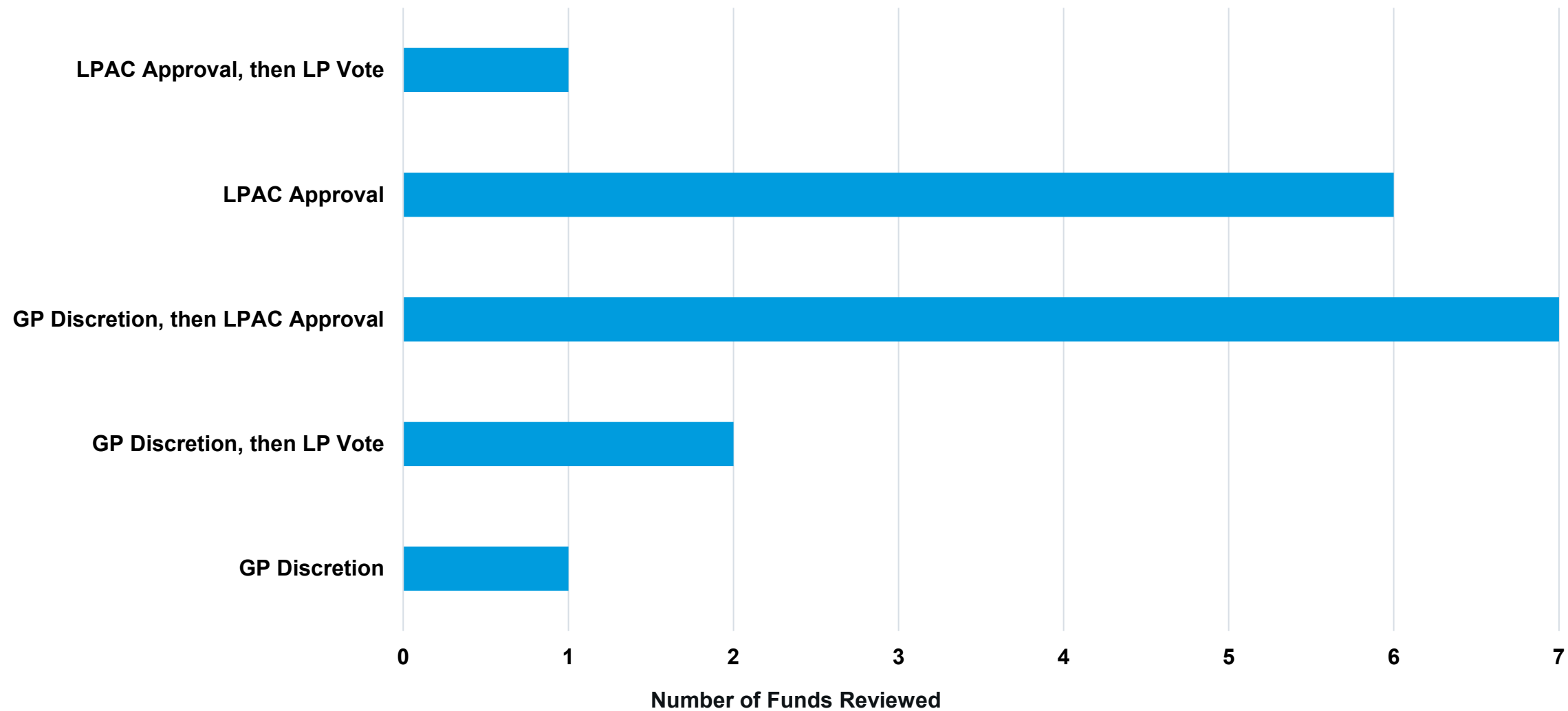
# Approval required for extension of term

## \$500M-\$1B



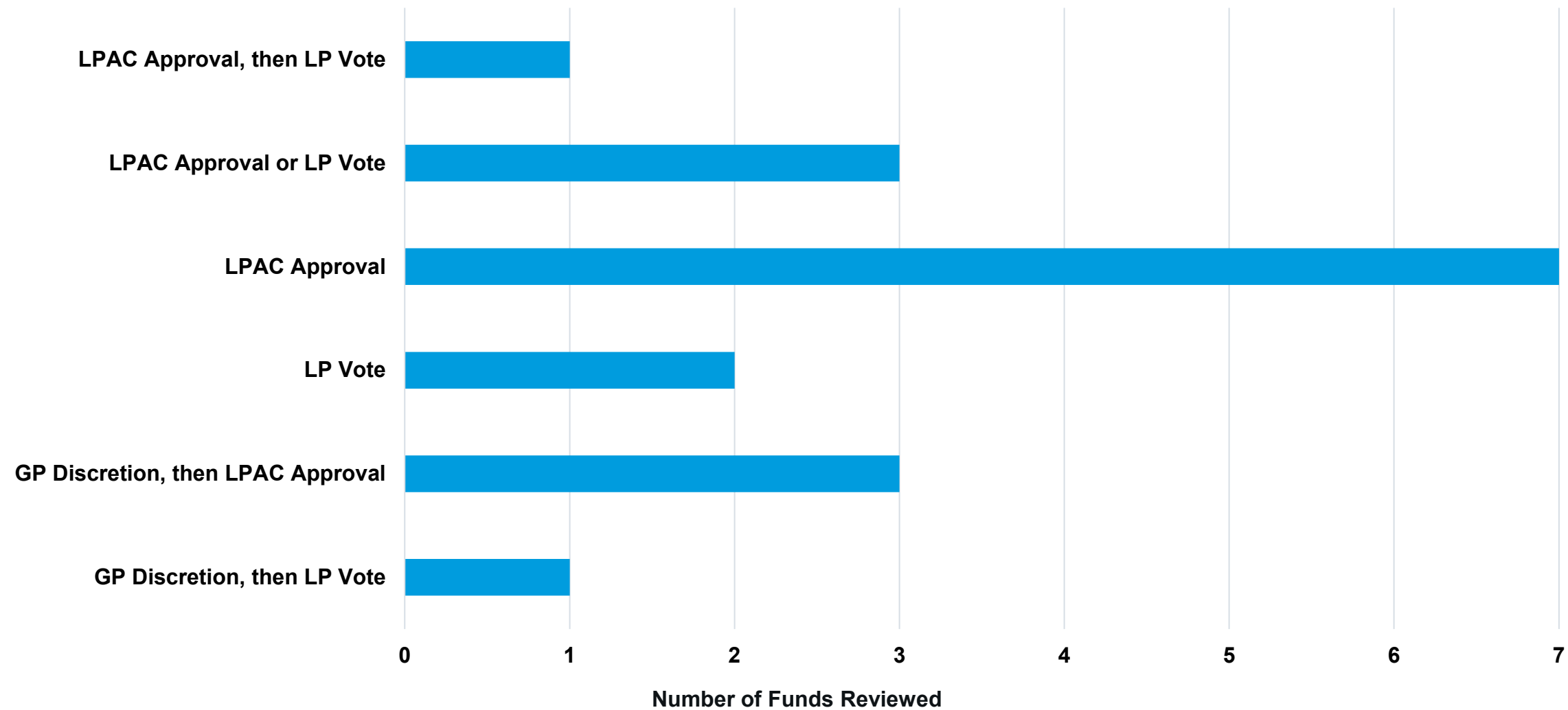
# Approval required for extension of term

\$1B-\$2.5B



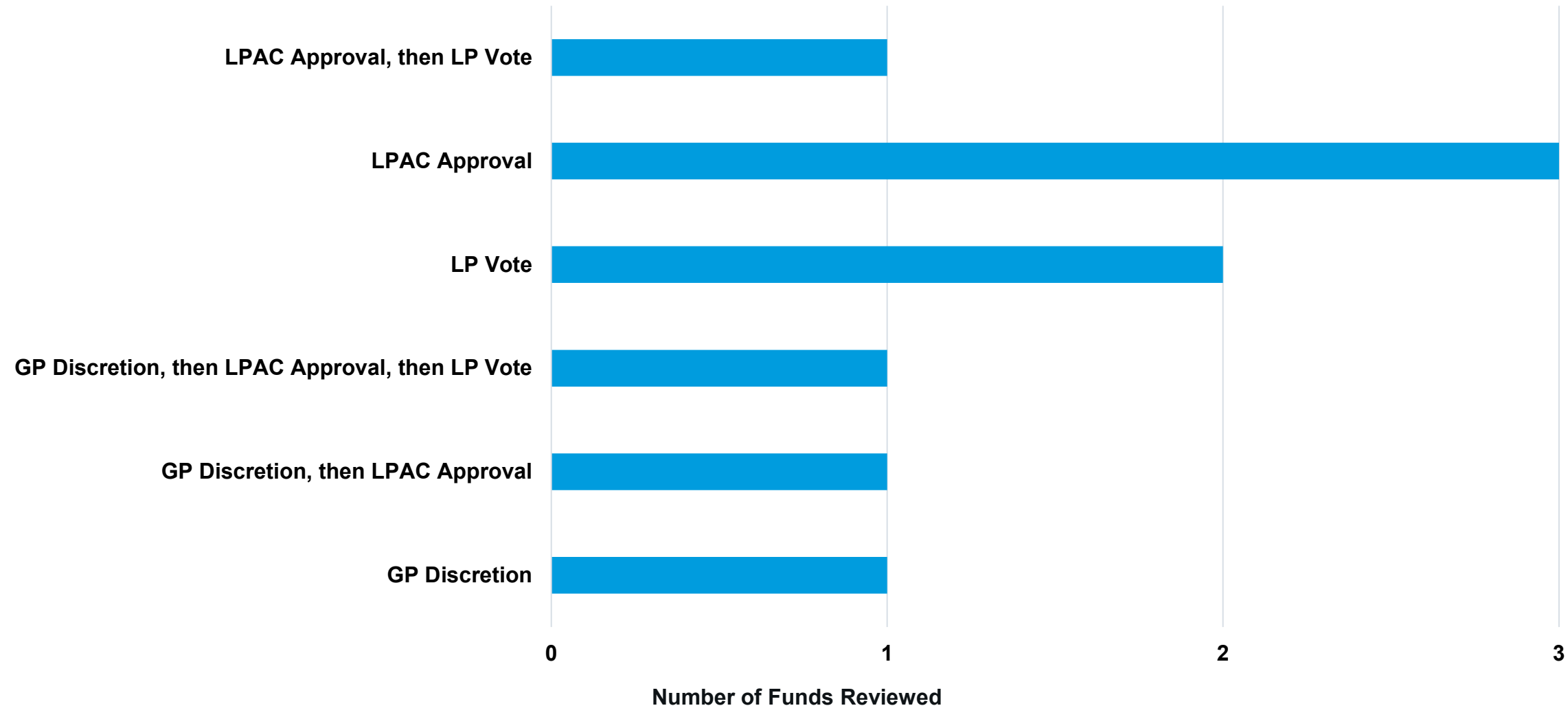
# Approval required for extension of term

\$2.5B-\$5B



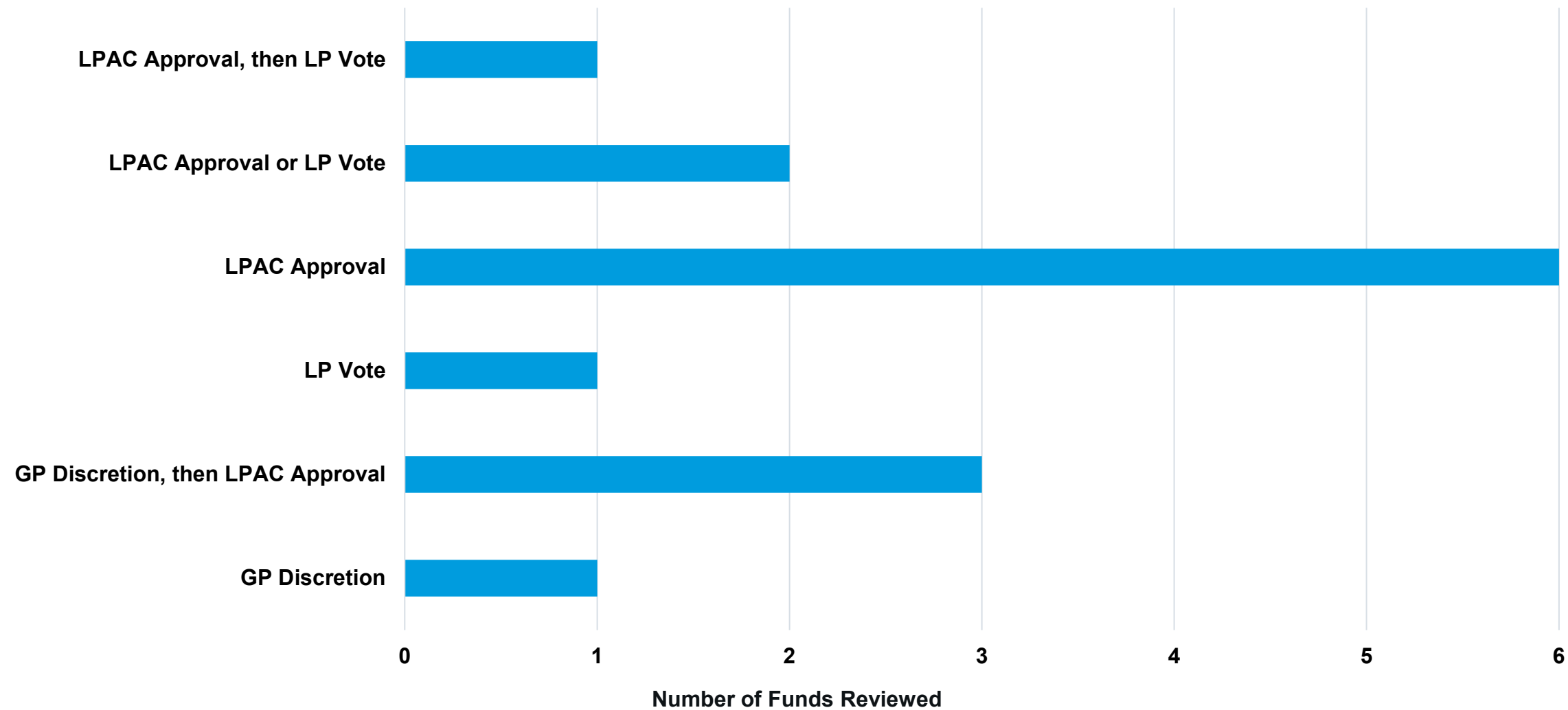
# Approval required for extension of term

## \$5B-\$10B



# Approval required for extension of term

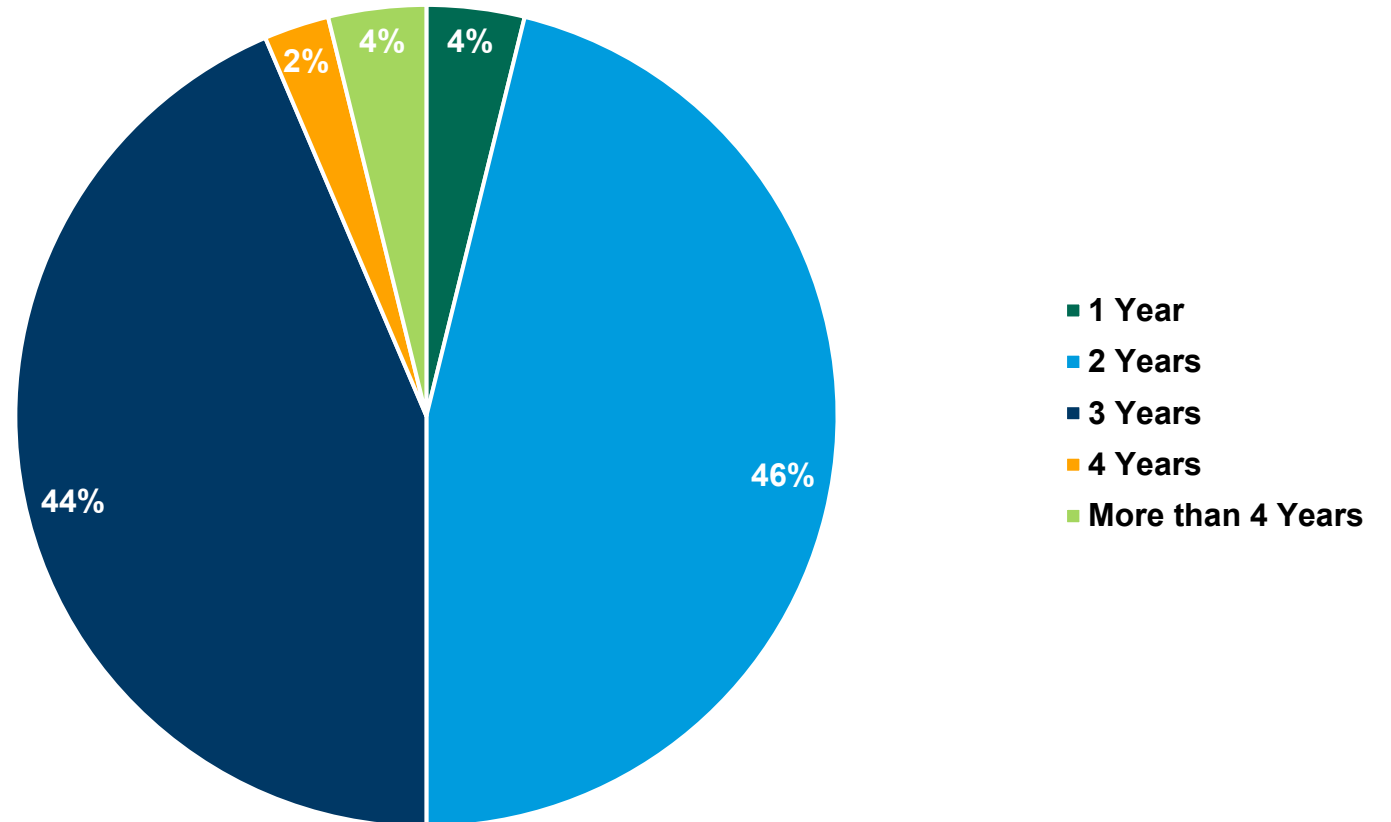
>\$10B



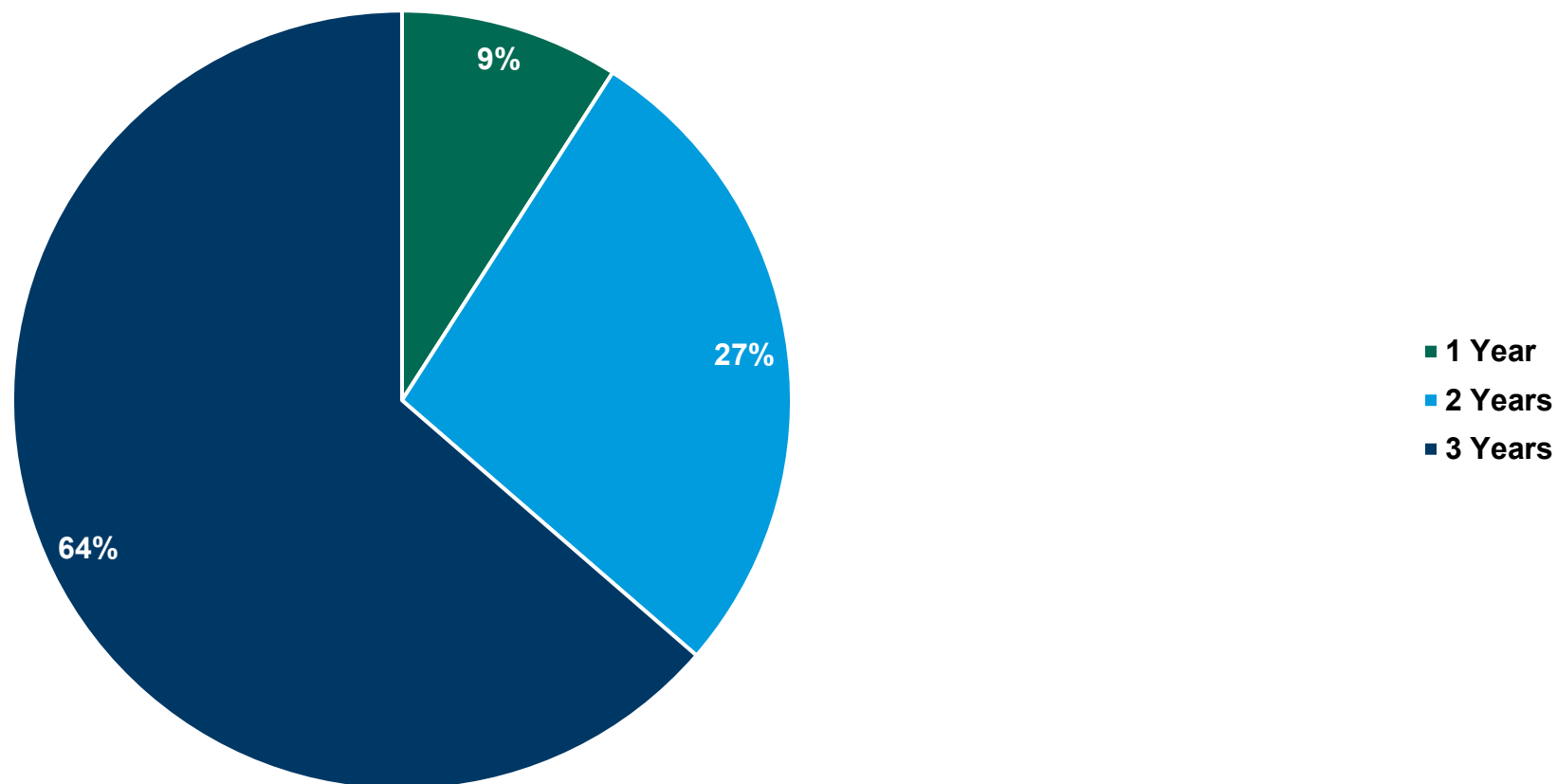
# Maximum period of extensions of term

## All Funds

Where extensions of a fund's term are permitted, the overwhelming majority of funds may be extended by either two or three single-year extensions, with a very small minority providing for fewer or more. The distribution of various options is relatively consistent across fund sizes and without clearly identifiable trends based on size – except that to some extent a greater number of extensions becomes somewhat less common as fund sizes grow – a dynamic that is likely linked to management fee considerations.

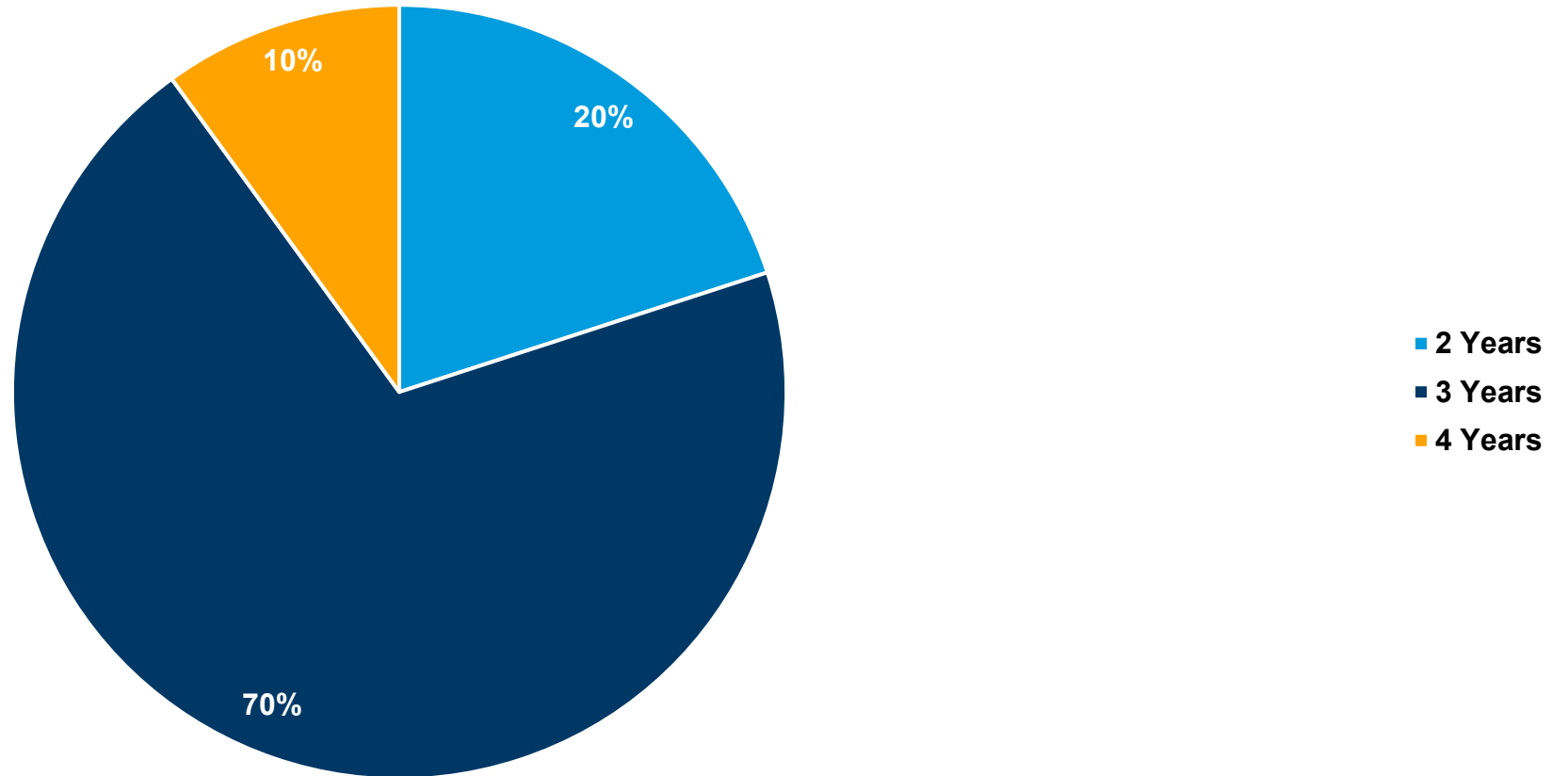


## Maximum period of extensions of term <\$500M

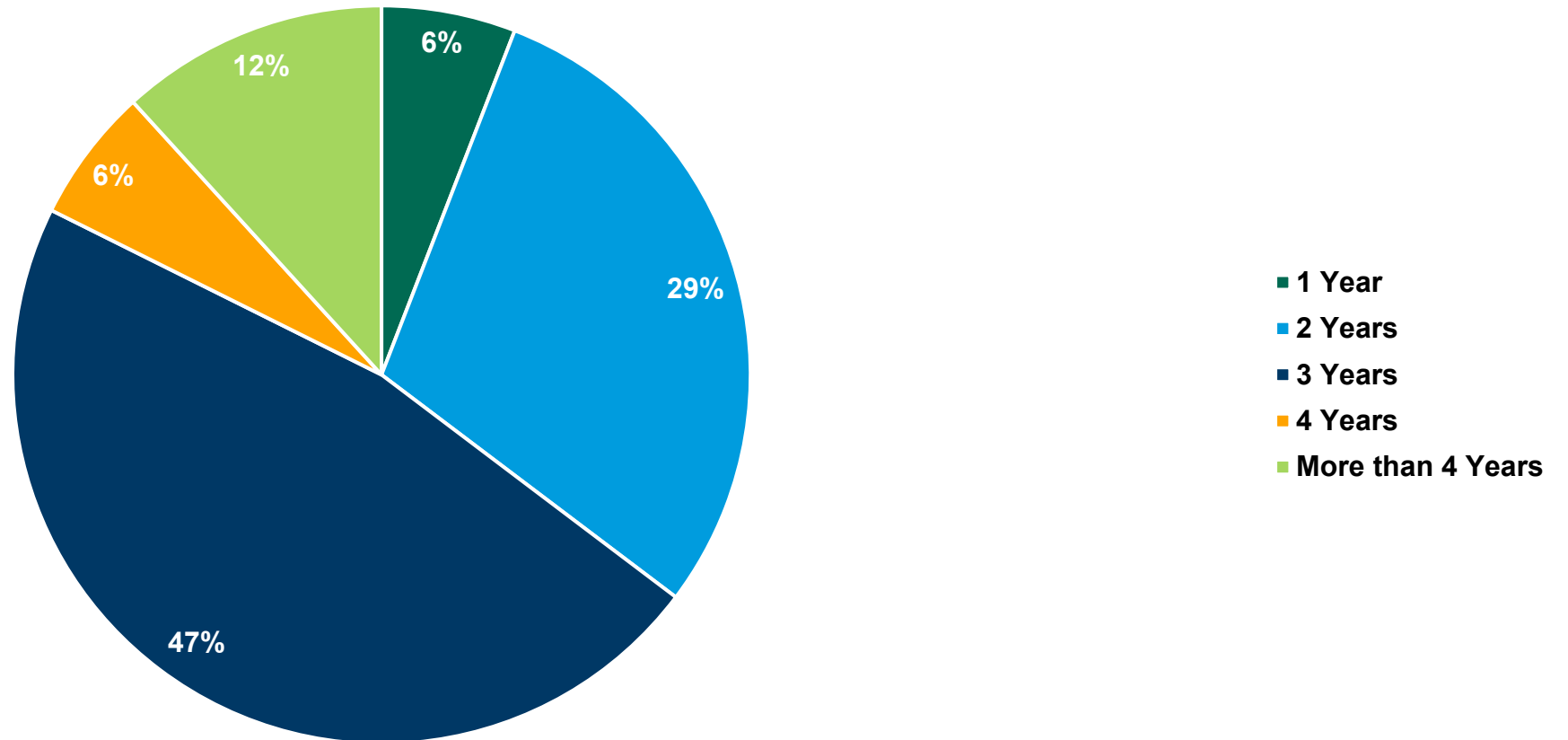




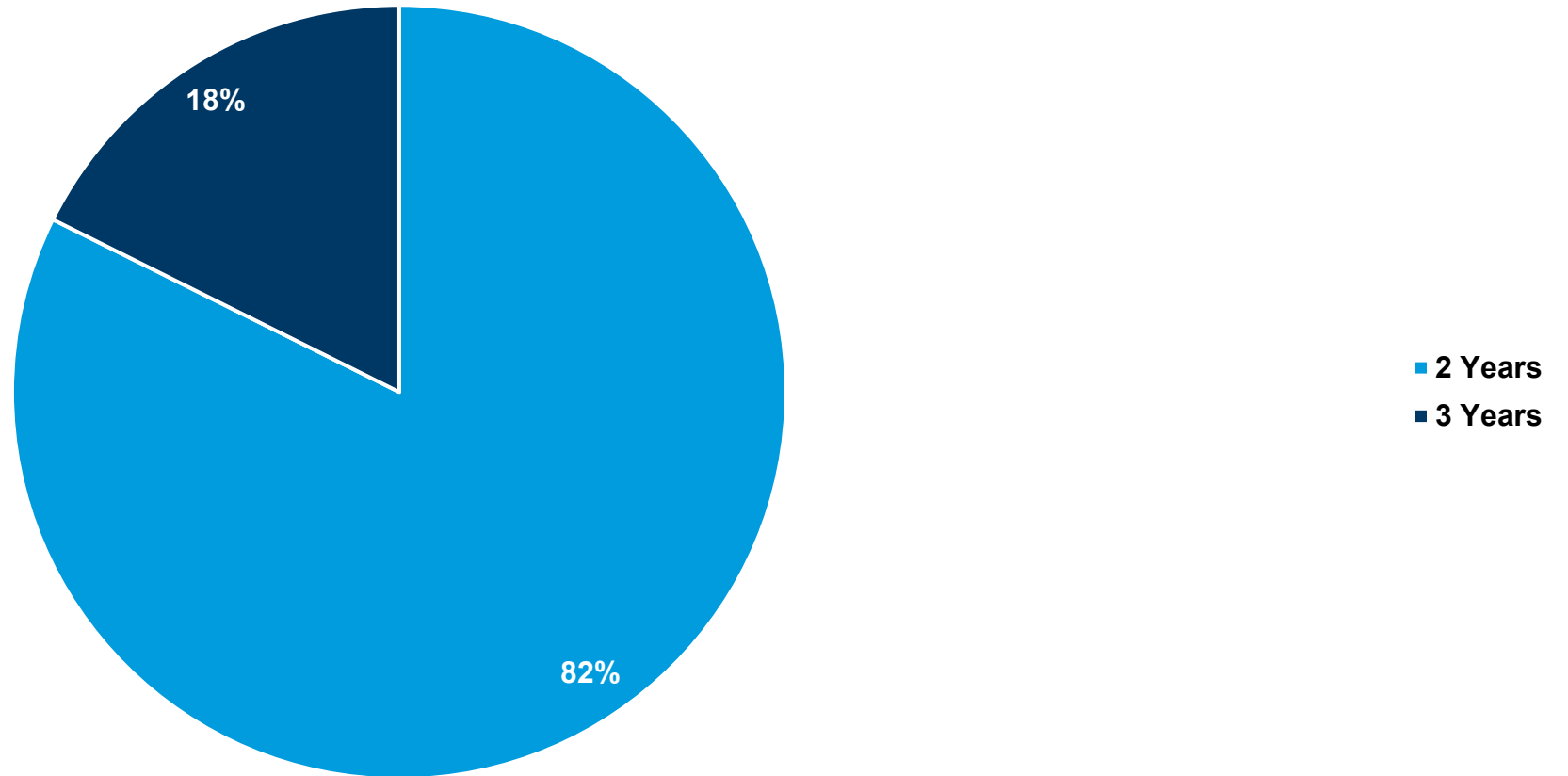
## Maximum period of extensions of term \$500M-\$1B



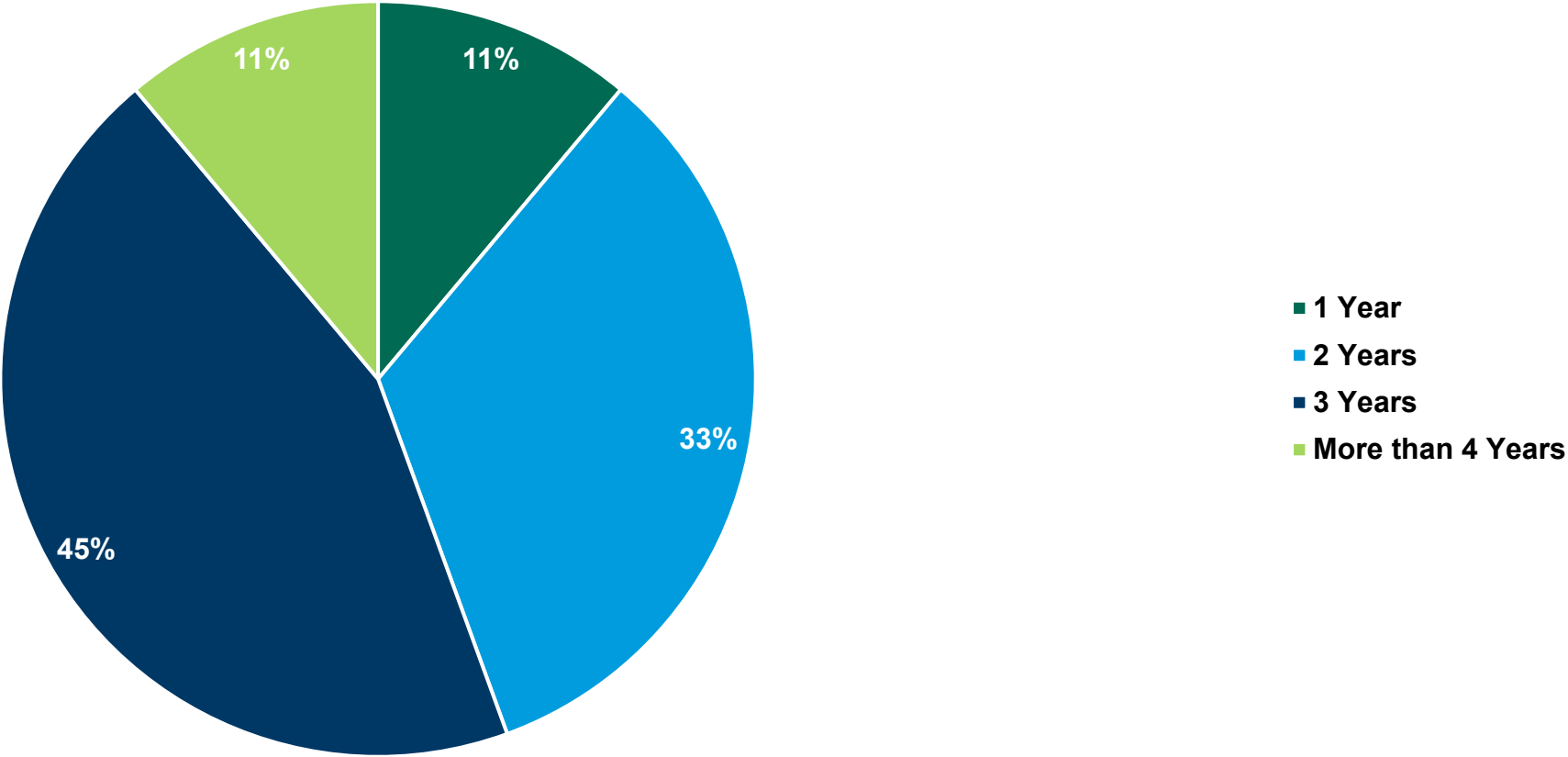
## Maximum period of extensions of term \$1B-\$2.5B



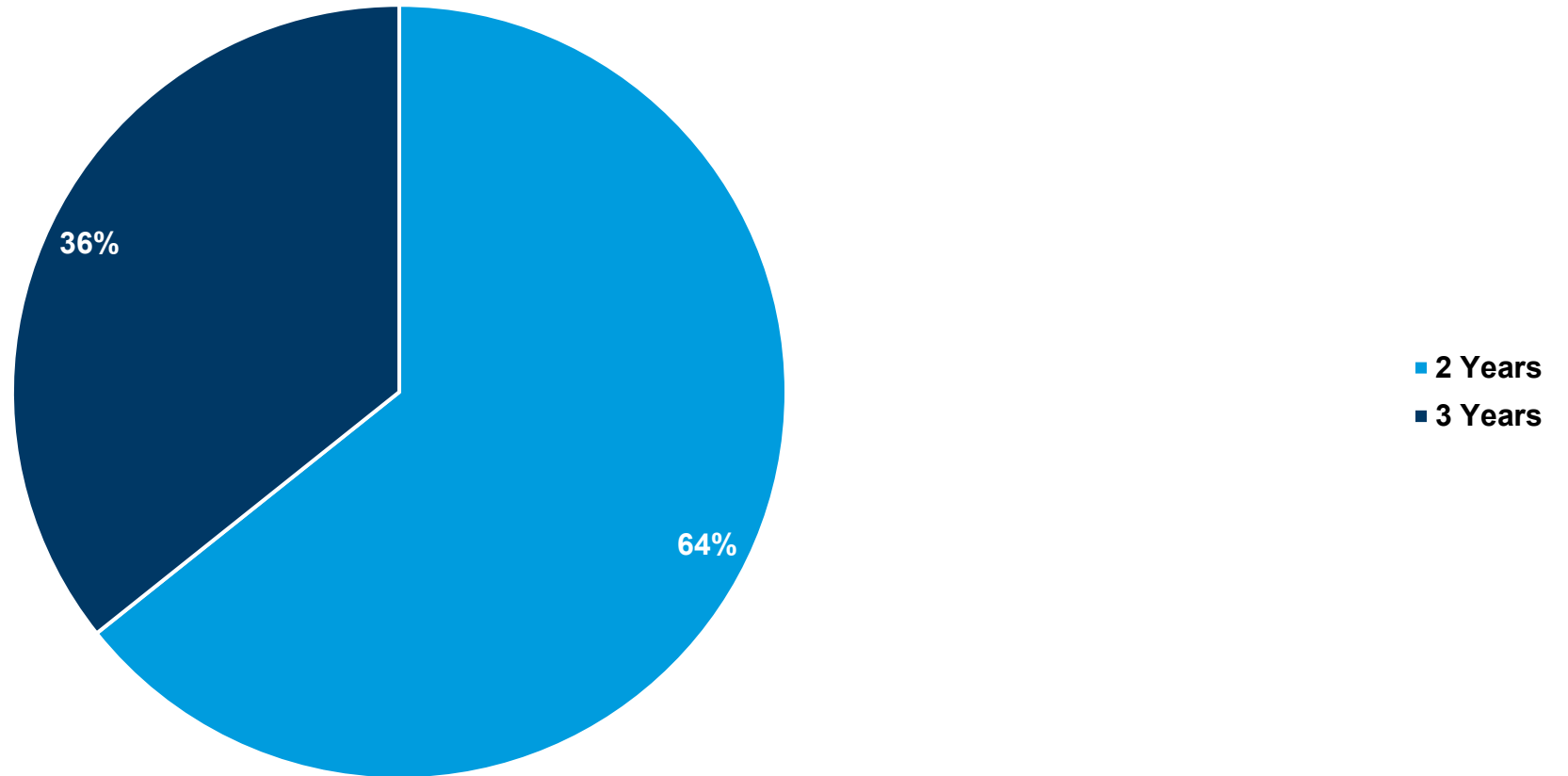
## Maximum period of extensions of term \$2.5B-\$5B



Maximum period of extensions of term  
\$5B-\$10B



## Maximum period of extensions of term >\$10B

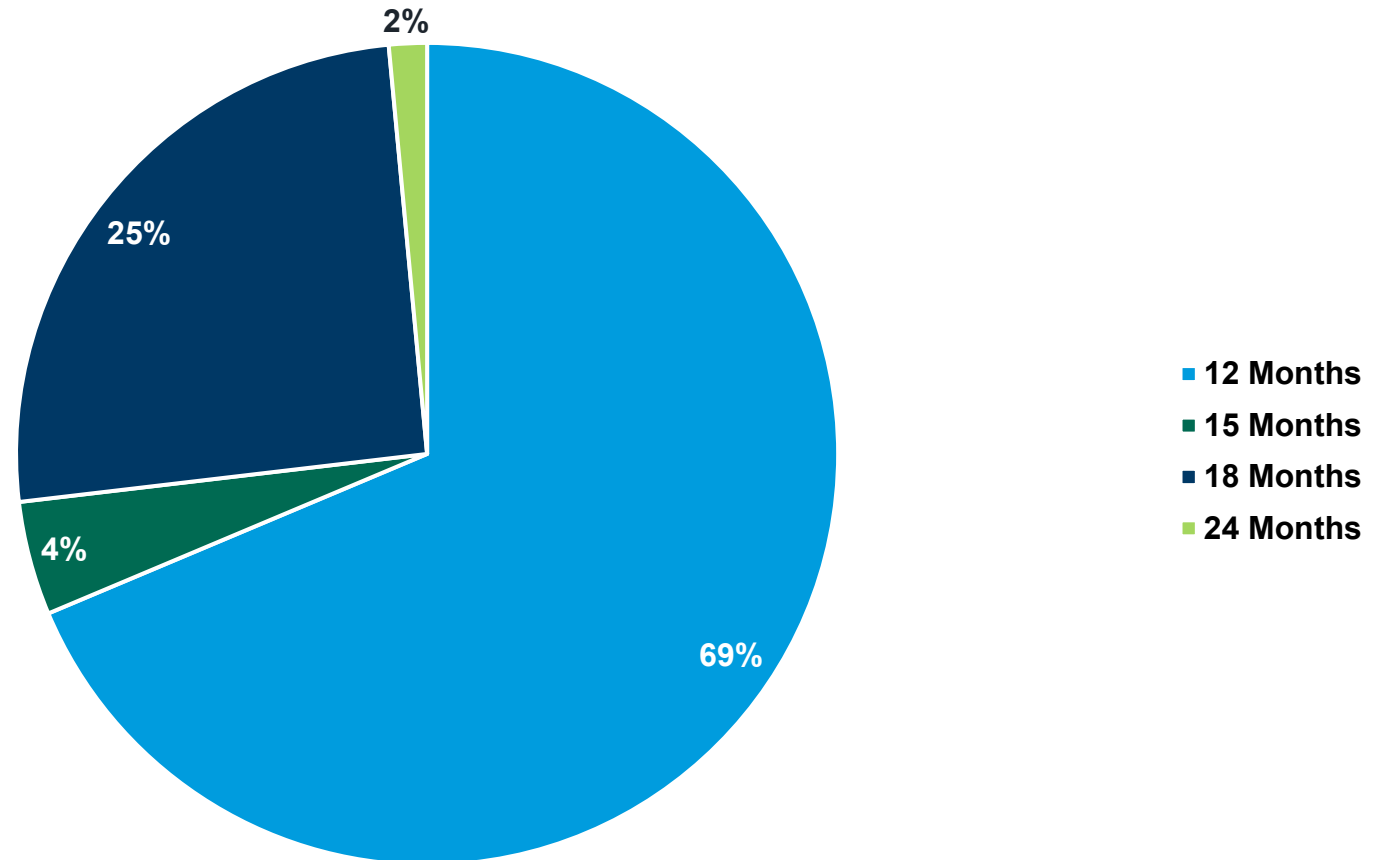


# Fundraising period

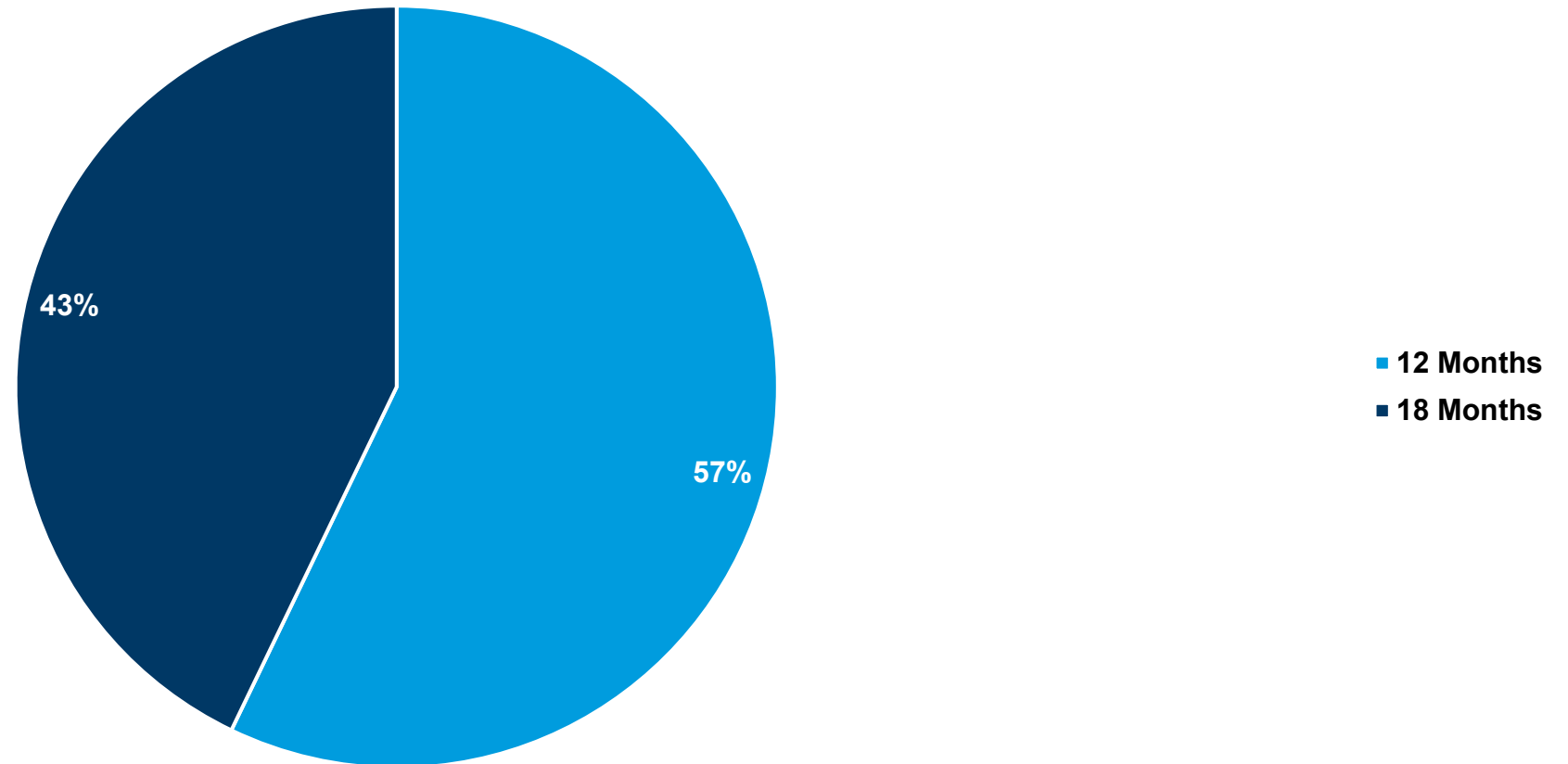
## All Funds

The initial fundraising period (i.e., the longest permitted time between first closing and final closing) is 12 months in 69% of surveyed funds. The 12-month fundraising period is generally consistent across funds sizes.

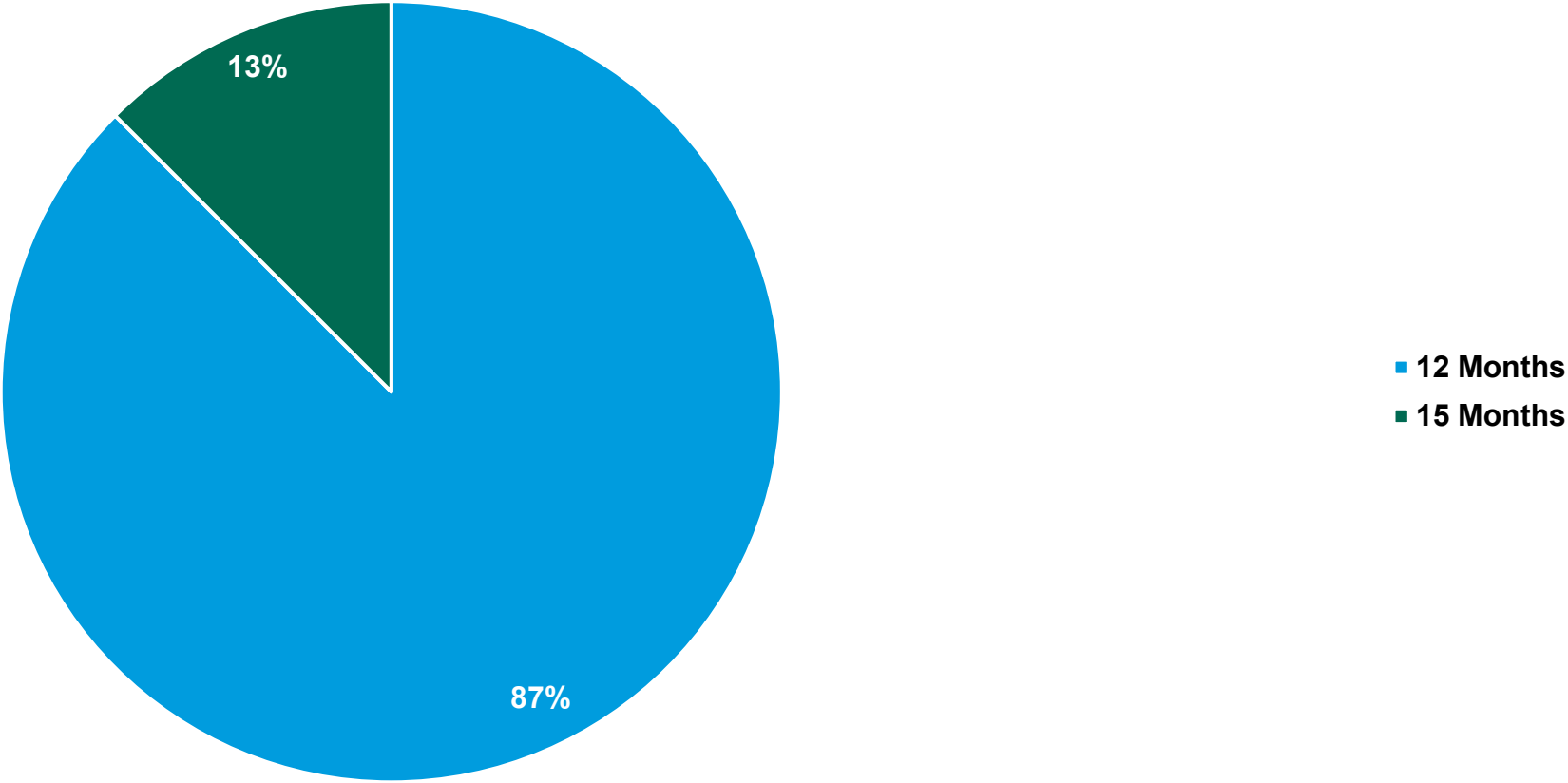
We note that the figures depicted are for the initial permitted fundraising period. A number of funds will hold a final closing much earlier than their potential final closing date, and others will look to extend the period well beyond the date specified in the LPA (which is often permitted with investor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



## Fundraising period <\$500M

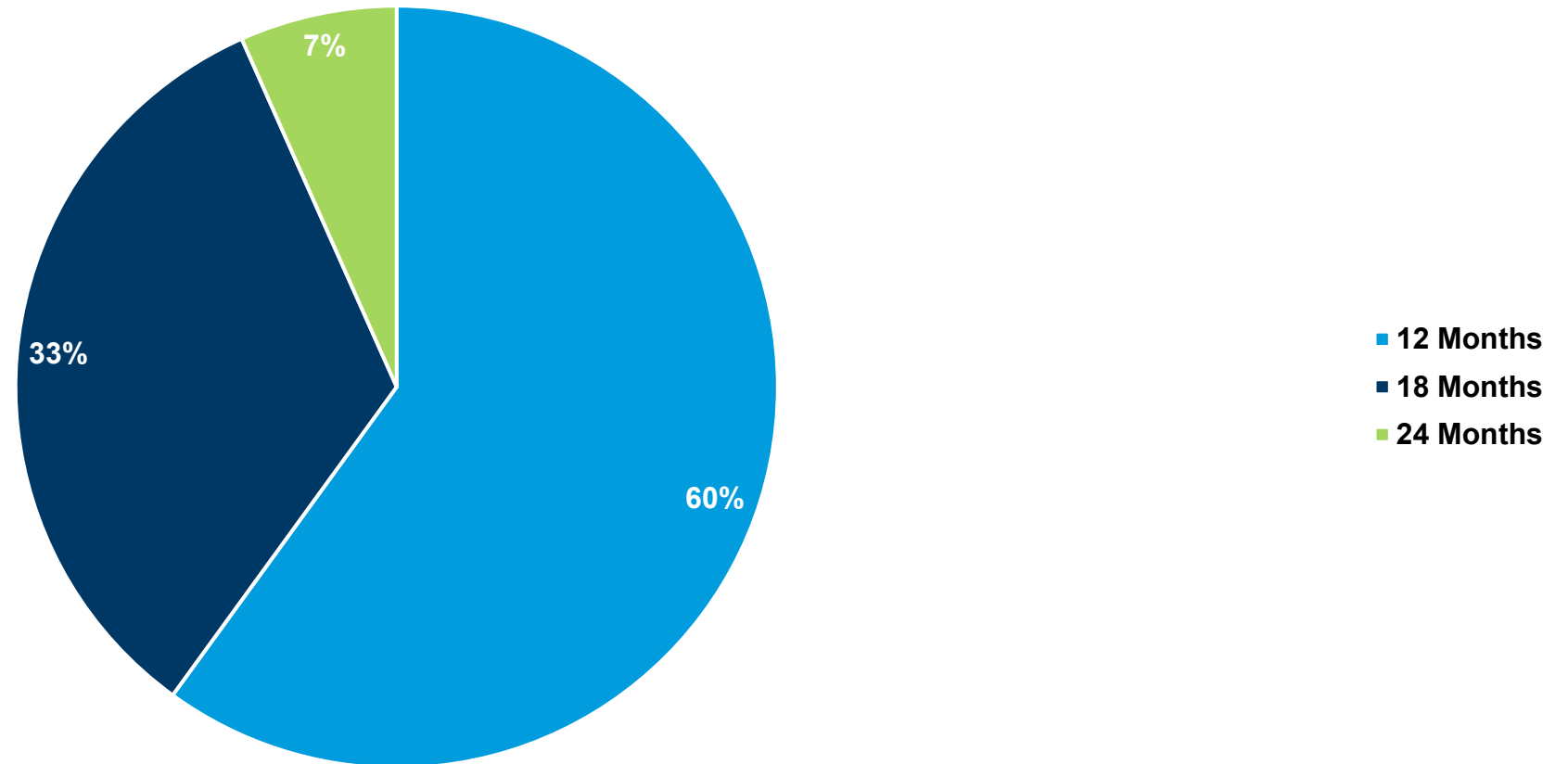


Fundraising period  
\$500M-\$1B

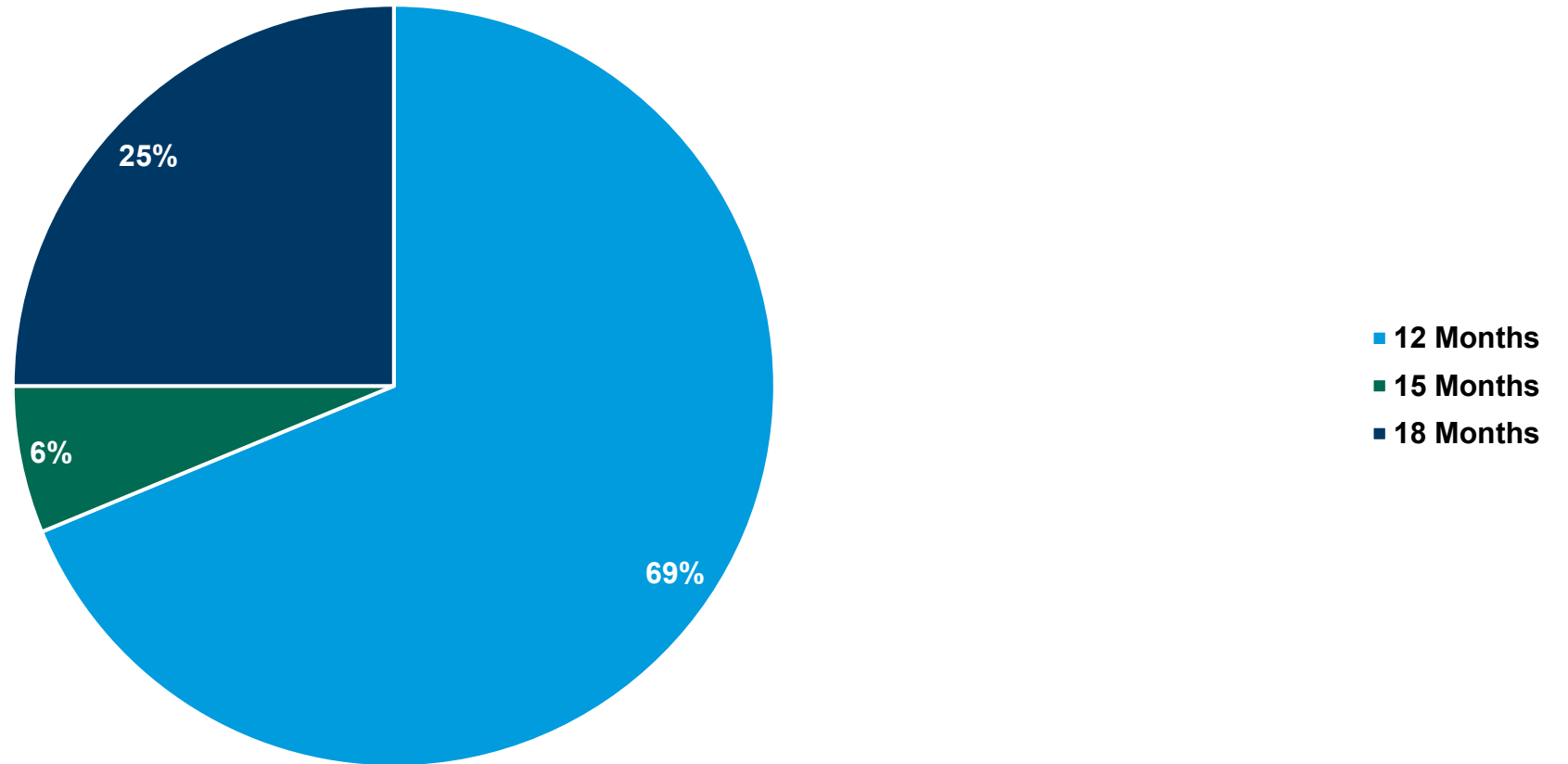




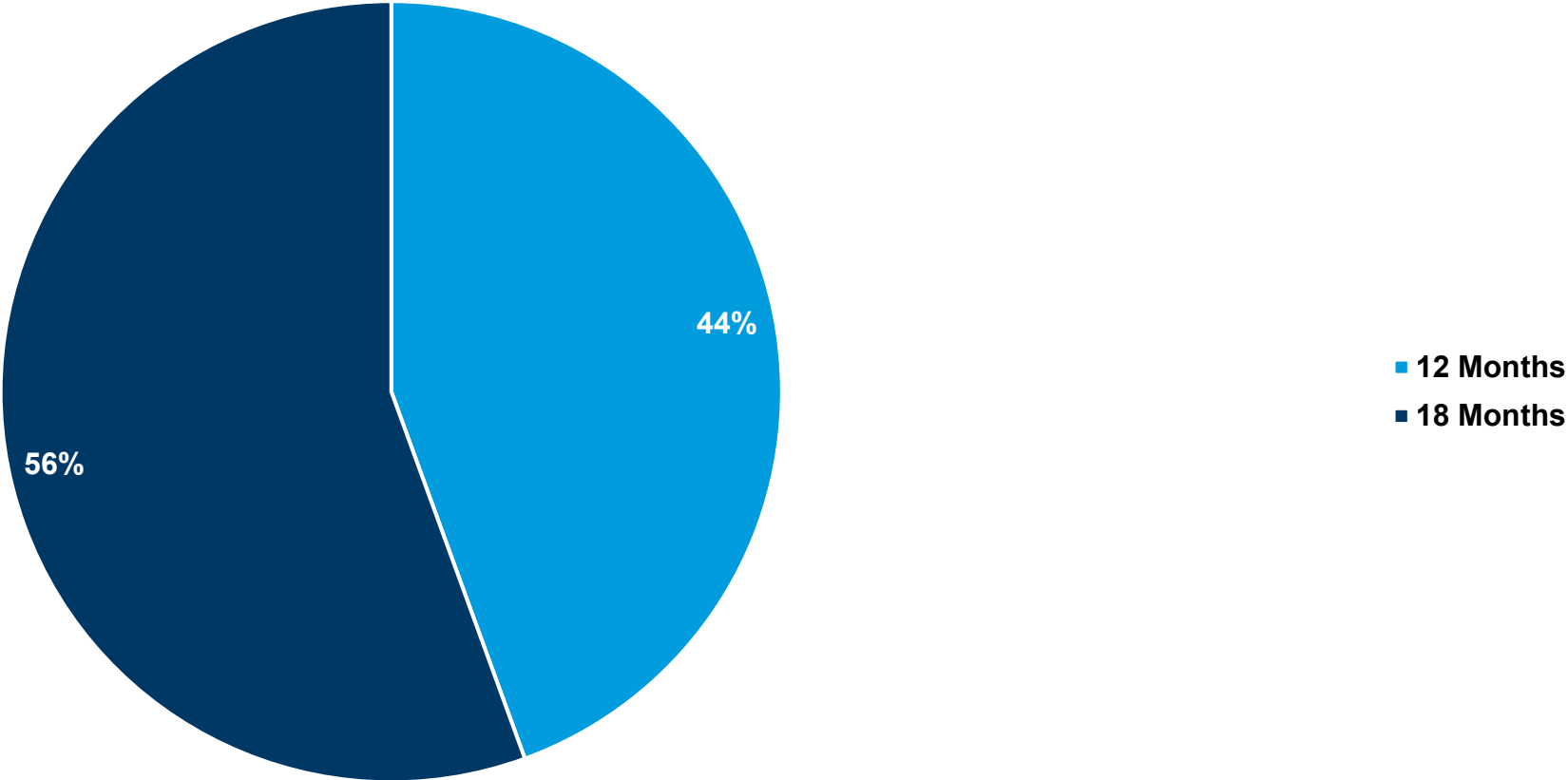
## Fundraising period \$1B-\$2.5B



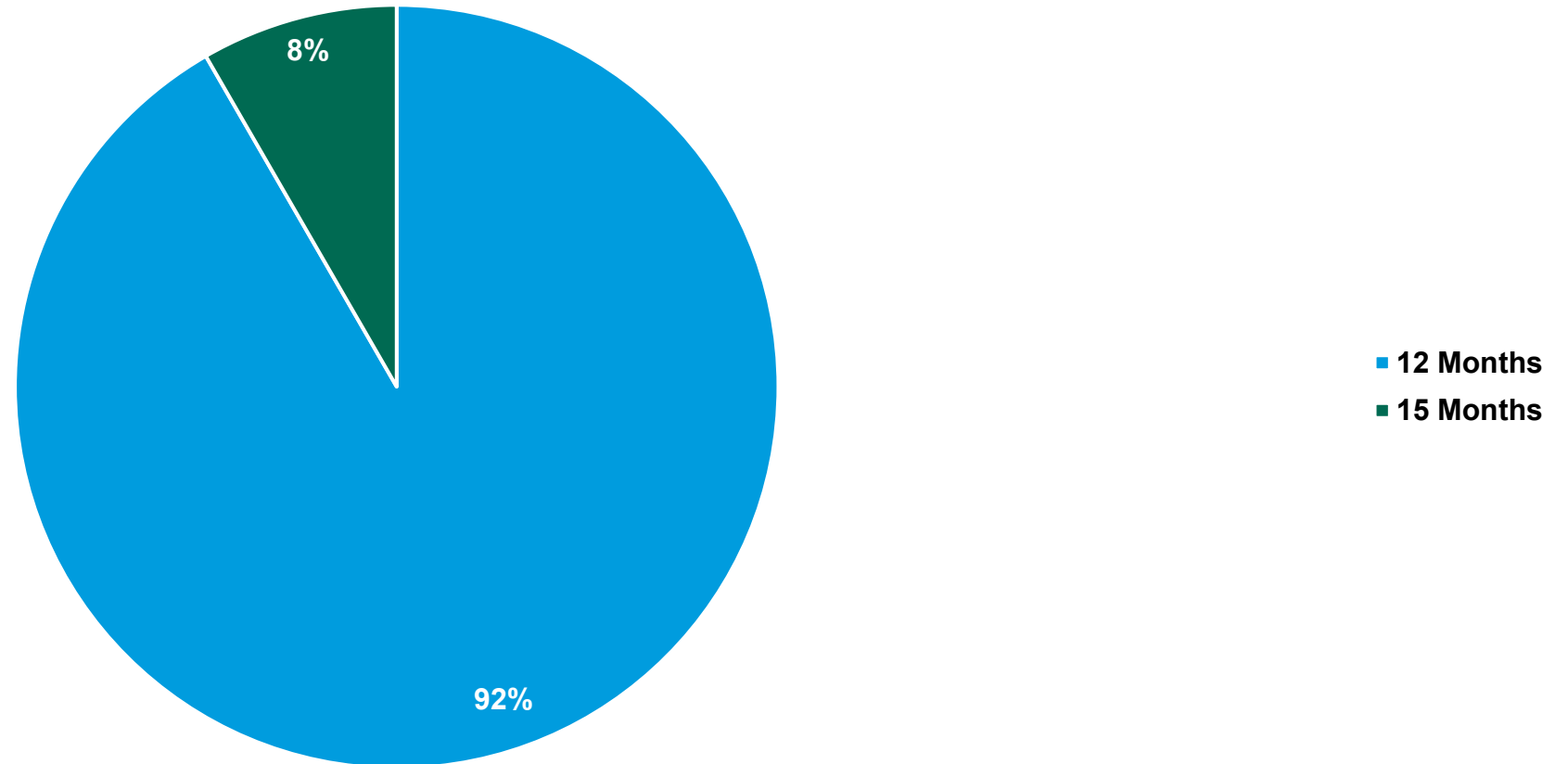
## Fundraising period \$2.5B-\$5B



Fundraising period  
\$5B-\$10B



## Fundraising period >\$10B



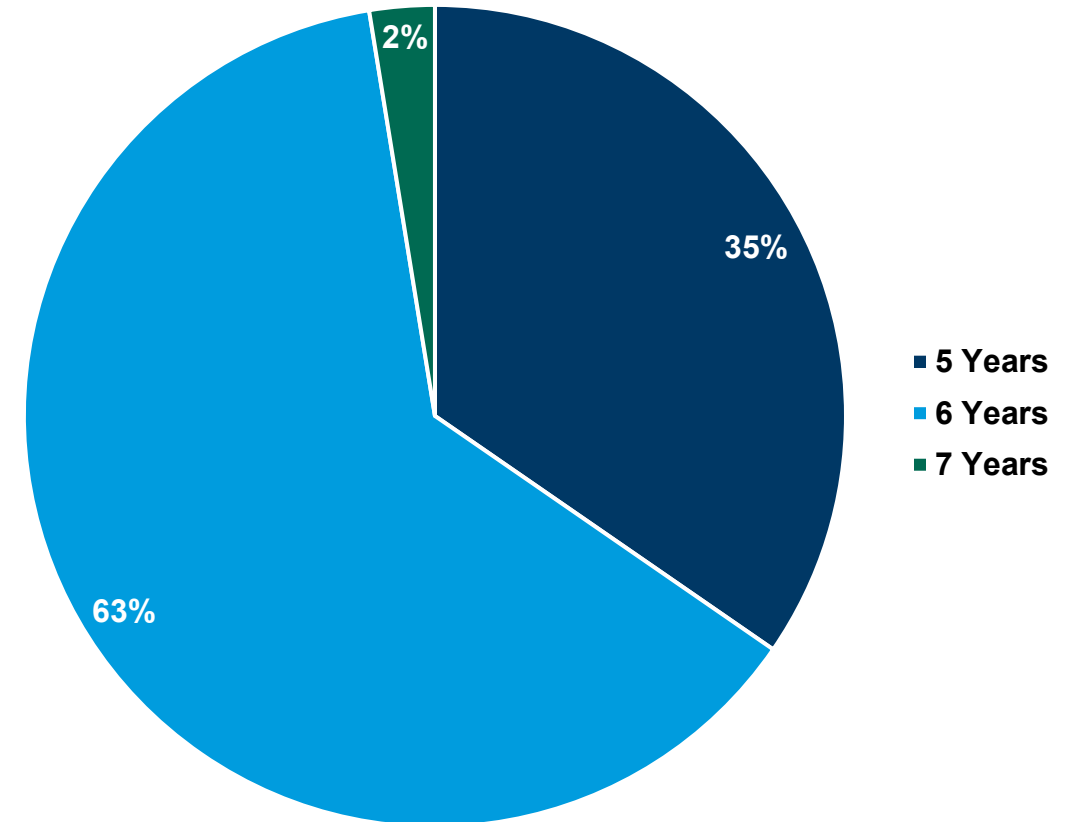
# Investment period

## All Funds

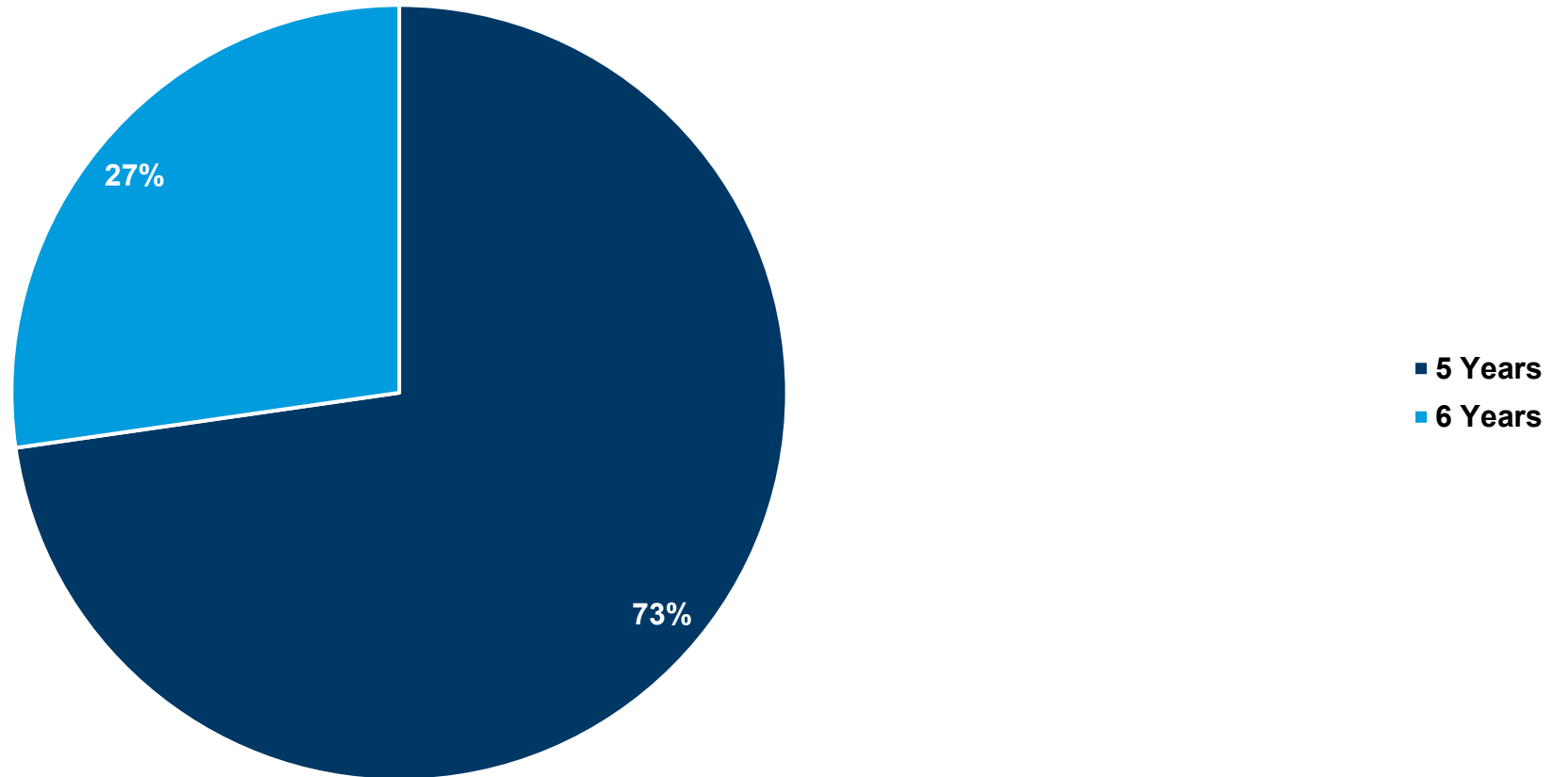
A six-year investment period is the most common among the funds in our sample, with 63% of funds surveyed falling within this bracket. Another 35% provide for a five-year investment period. The five-year period is predominant in smaller funds, with an observed shift toward six years as fund sizes increase.

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 unfavorable economic conditions, an issue which is more acute at the larger end of the market. Longer investment periods also potentially mean a longer period during which the initial management fee will be running, subject to any step-downs triggered by a successor fund being raised.

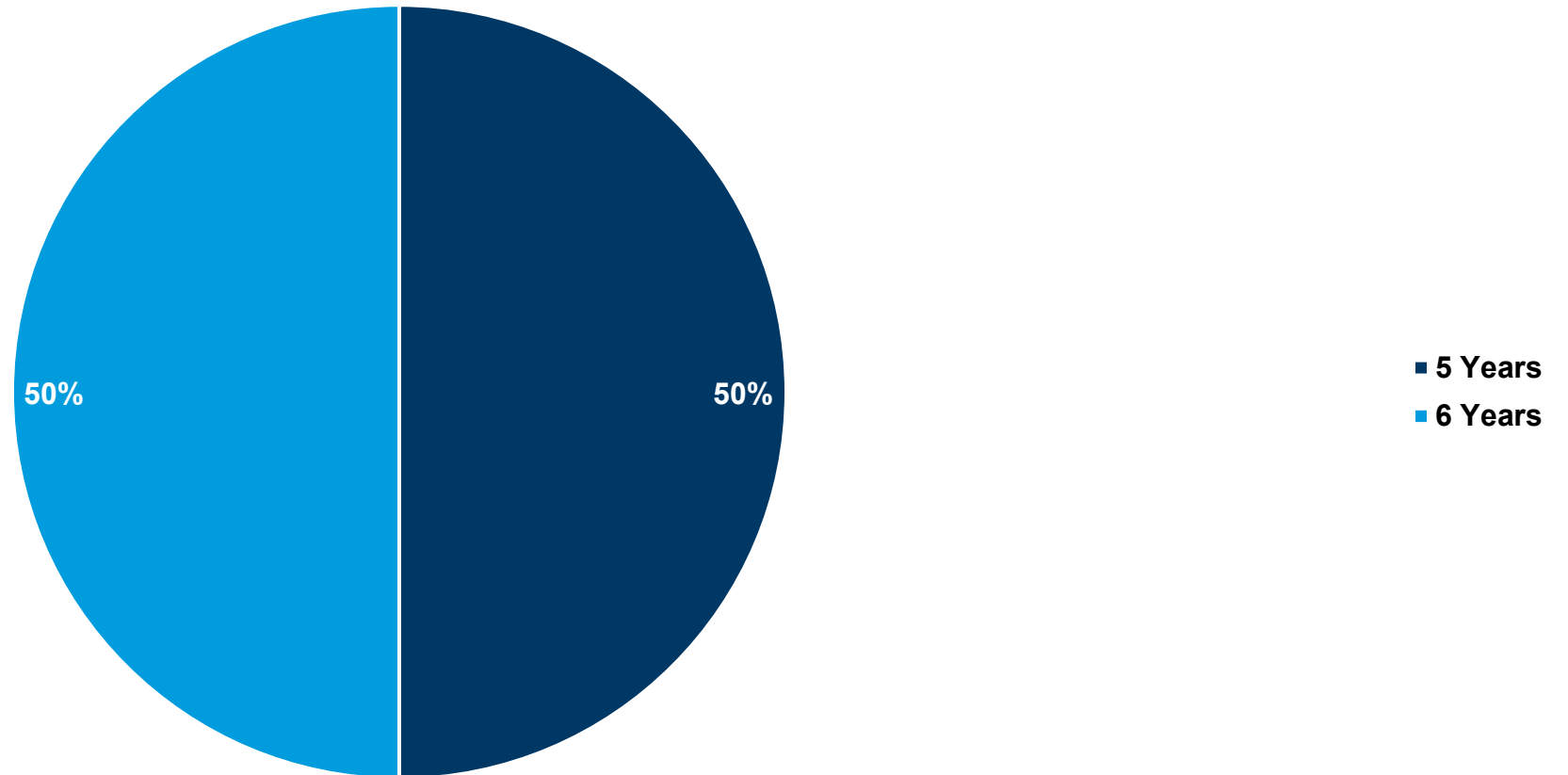
Similar to fund term, a key consideration is the date from which the investment period is calculated, which could be the initial closing date, the final closing date, or a manager-determined activation date. Where the investment period is calculated from a date that is later than the date on which a fund makes its initial investment, the investment period is effectively extended by the period between such initial investment date and the date used to determine the end of the investment period.



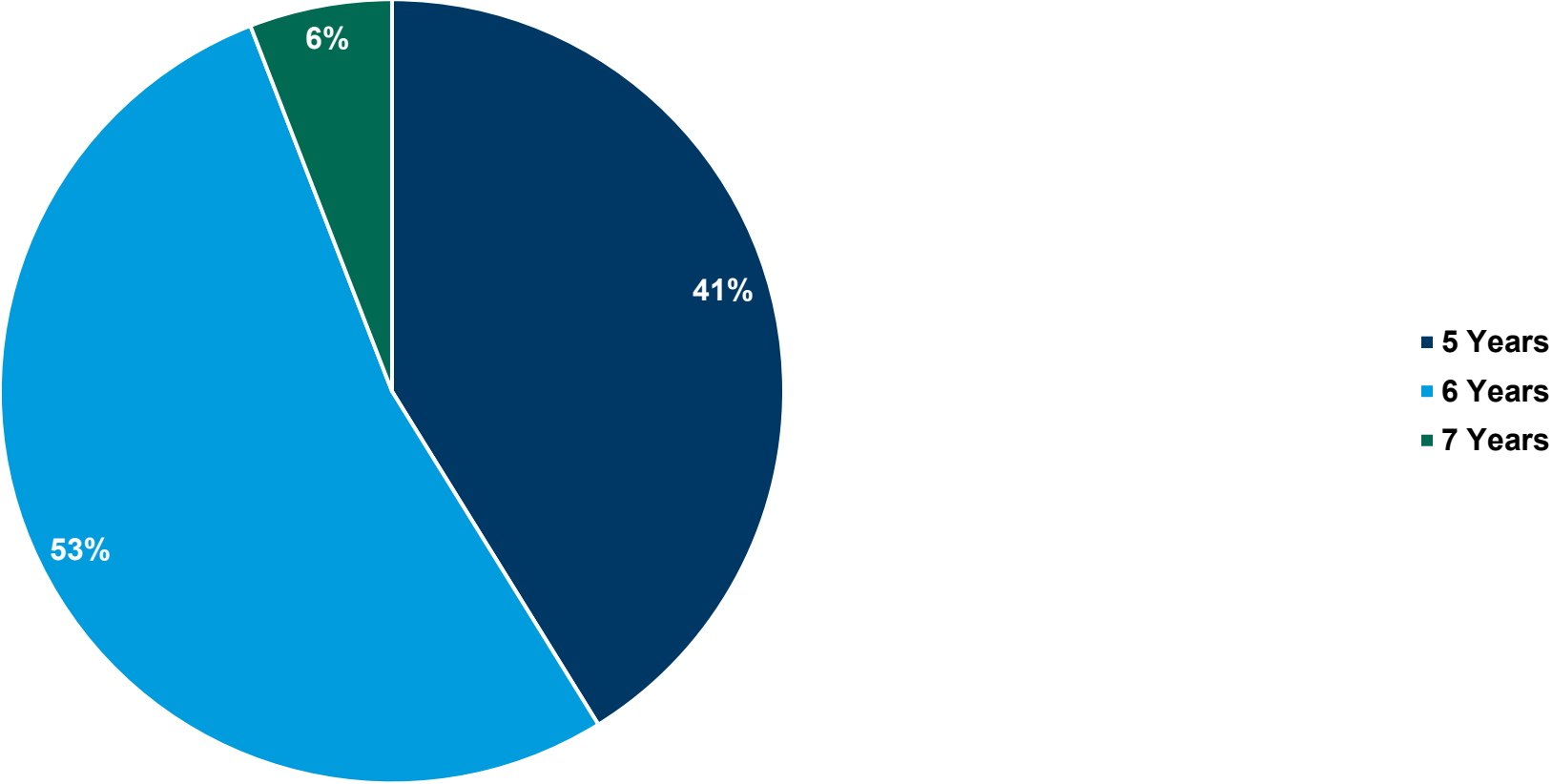
## Investment period <\$500M



## Investment period \$500M-\$1B

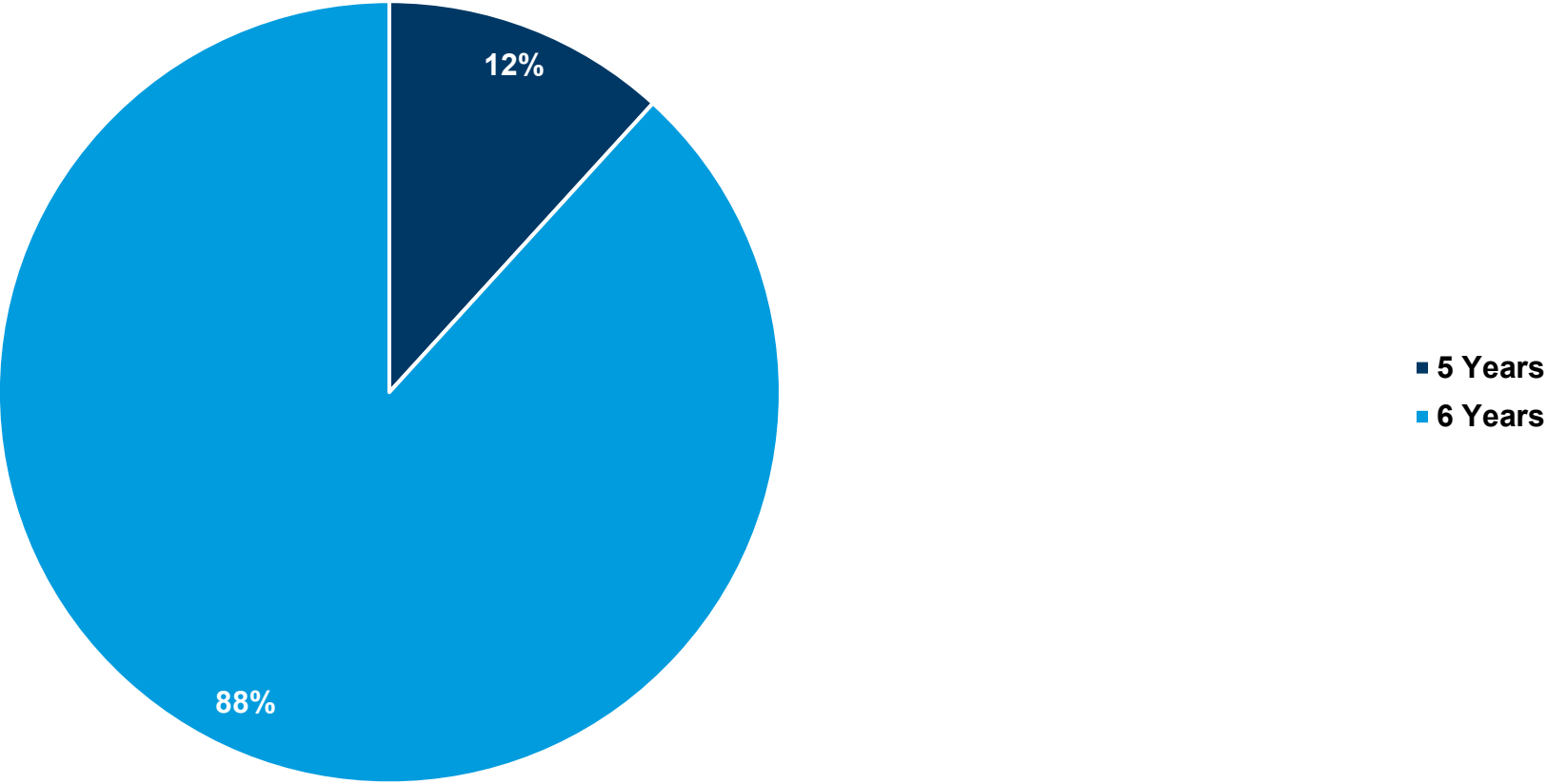


Investment period  
\$1B-\$2.5B

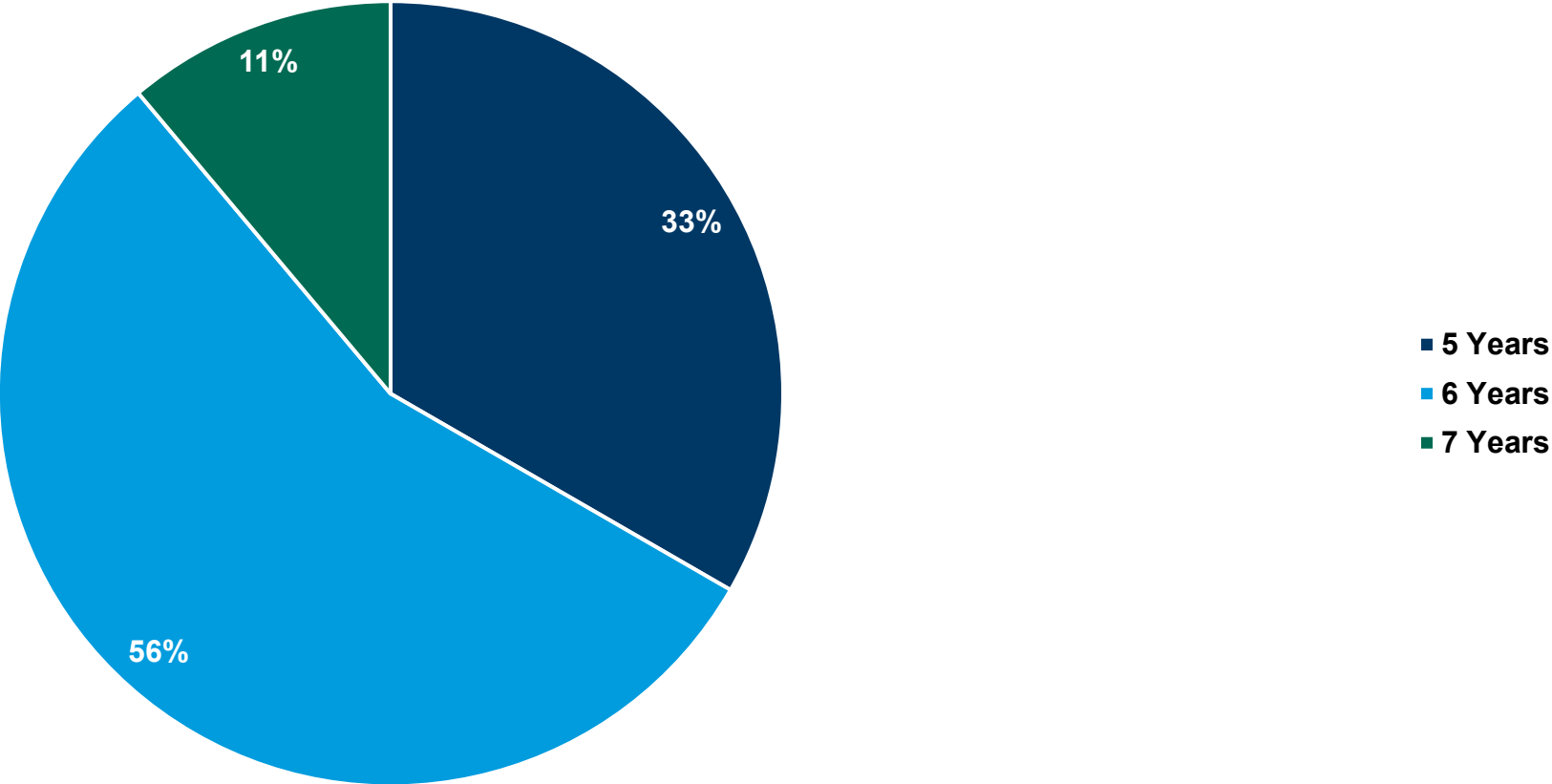




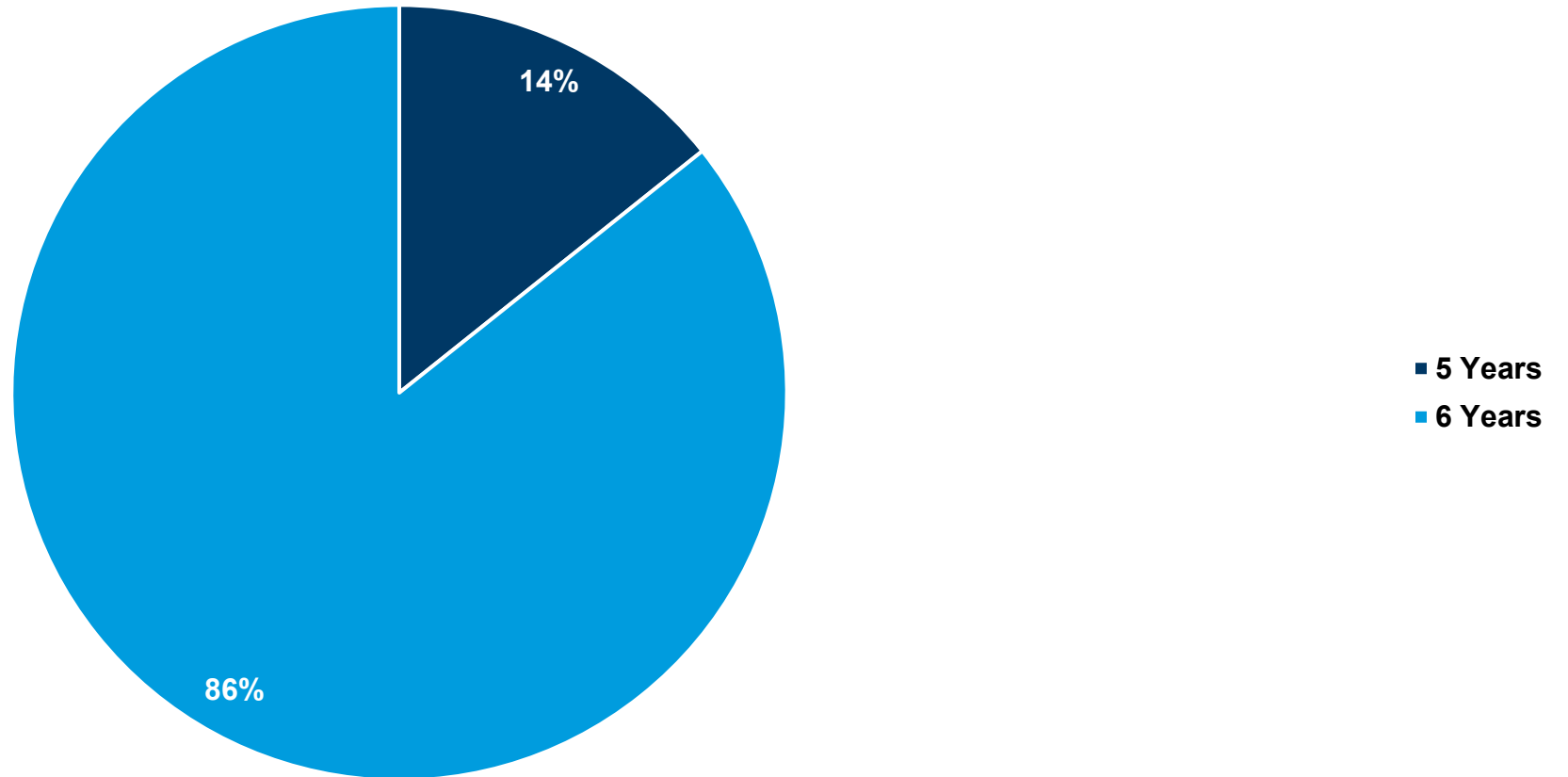
Investment period  
\$2.5B-\$5B



Investment period  
\$5B-\$10B



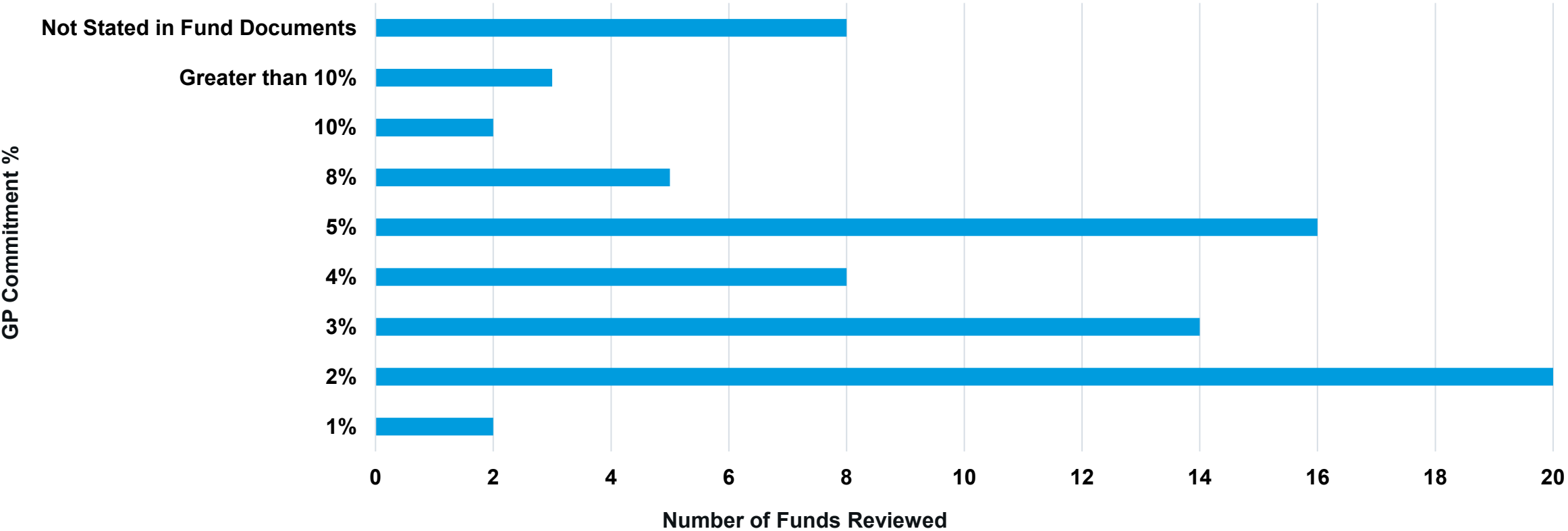
## Investment period >\$10B



# GP commitment (% of commitments)

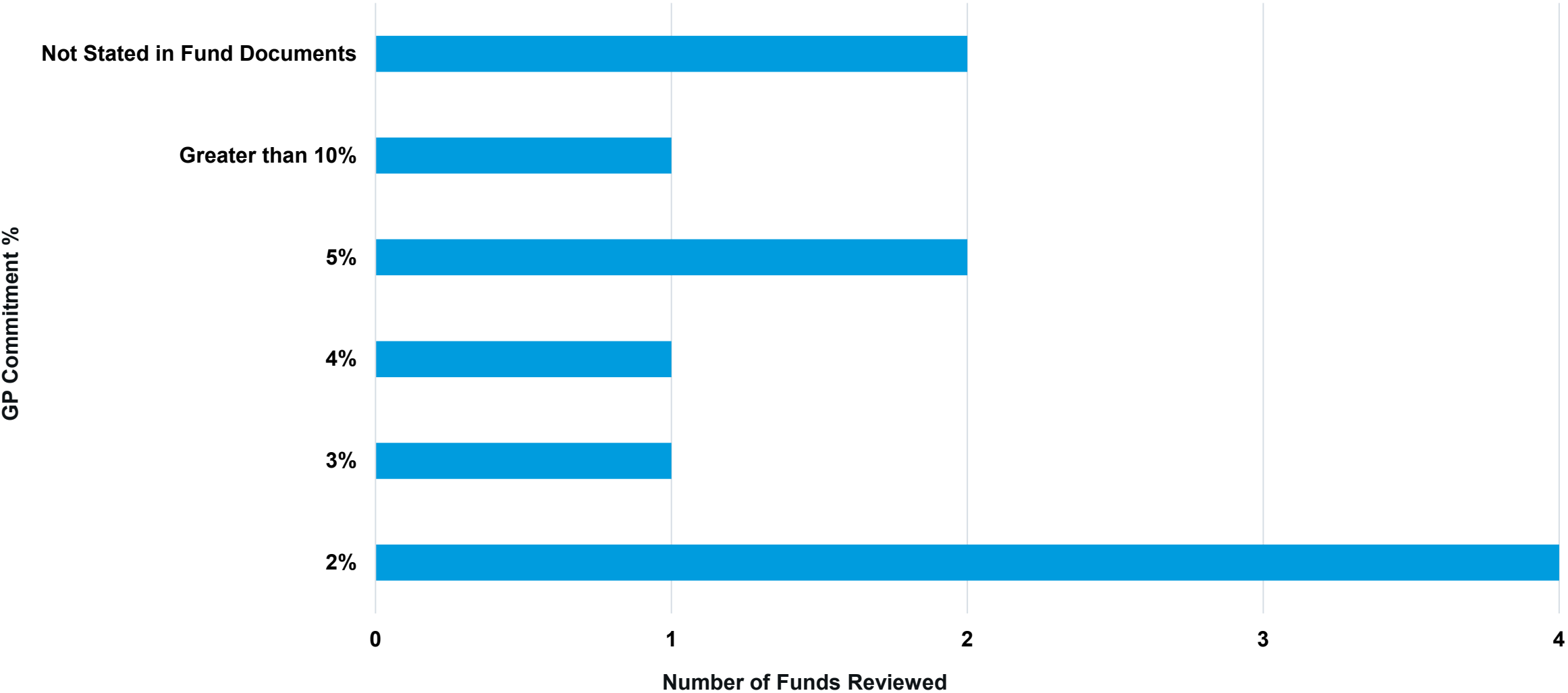
## All Funds

Most GPs commit between 2% and 5% of the commitments to their funds, with 2%, 3%, and 5% being the most common options. Notably, a minimum GP commitment of 1% is among the least common, reflecting investor demand for GP alignment. It should be noted that these figures represent the minimum required commitments, and many GPs often commit more than this required amount. Lower required commitments are generally more common among smaller funds, indicative of funds often managed by less established managers with fewer investment professionals and a lower commitment required to be ‘meaningful’ relative to the principals’ personal wealth.



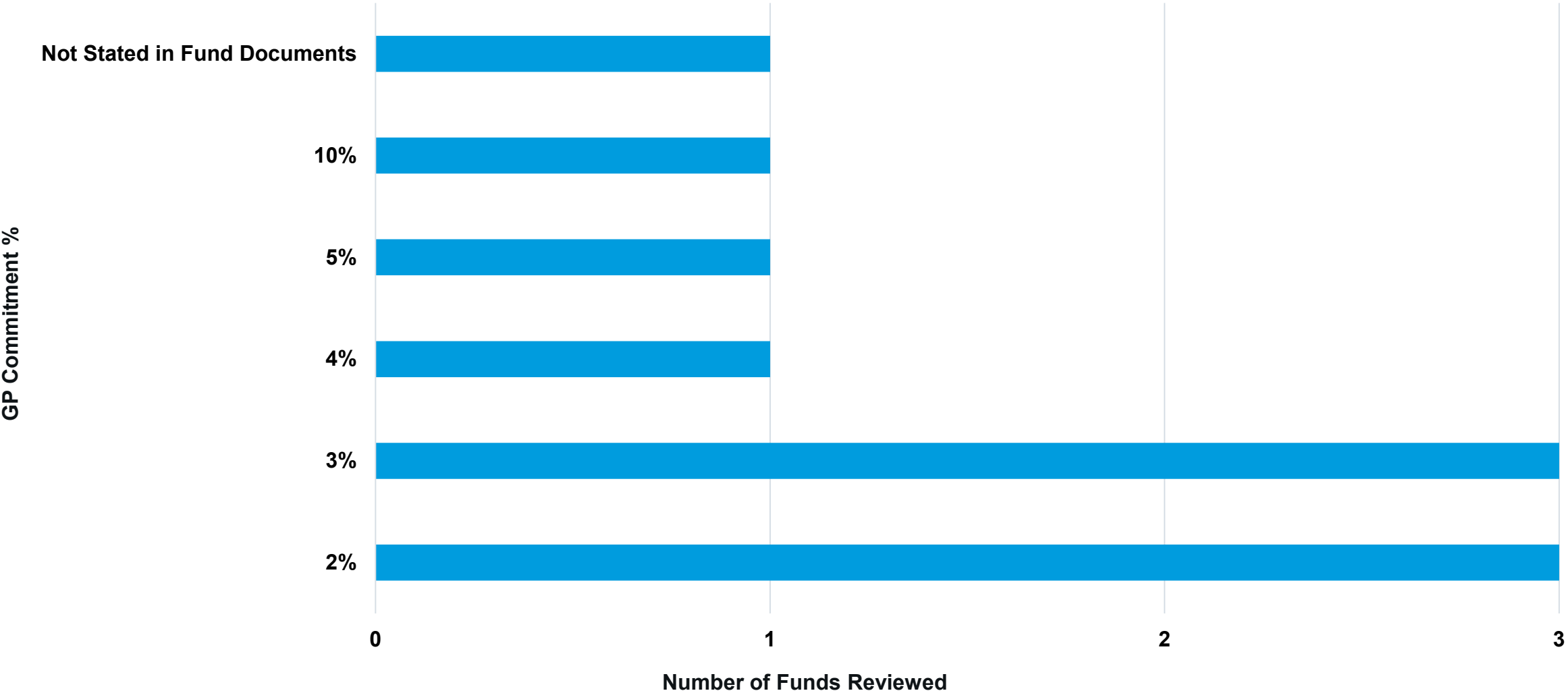
# GP commitment (% of commitments)

<\$500M



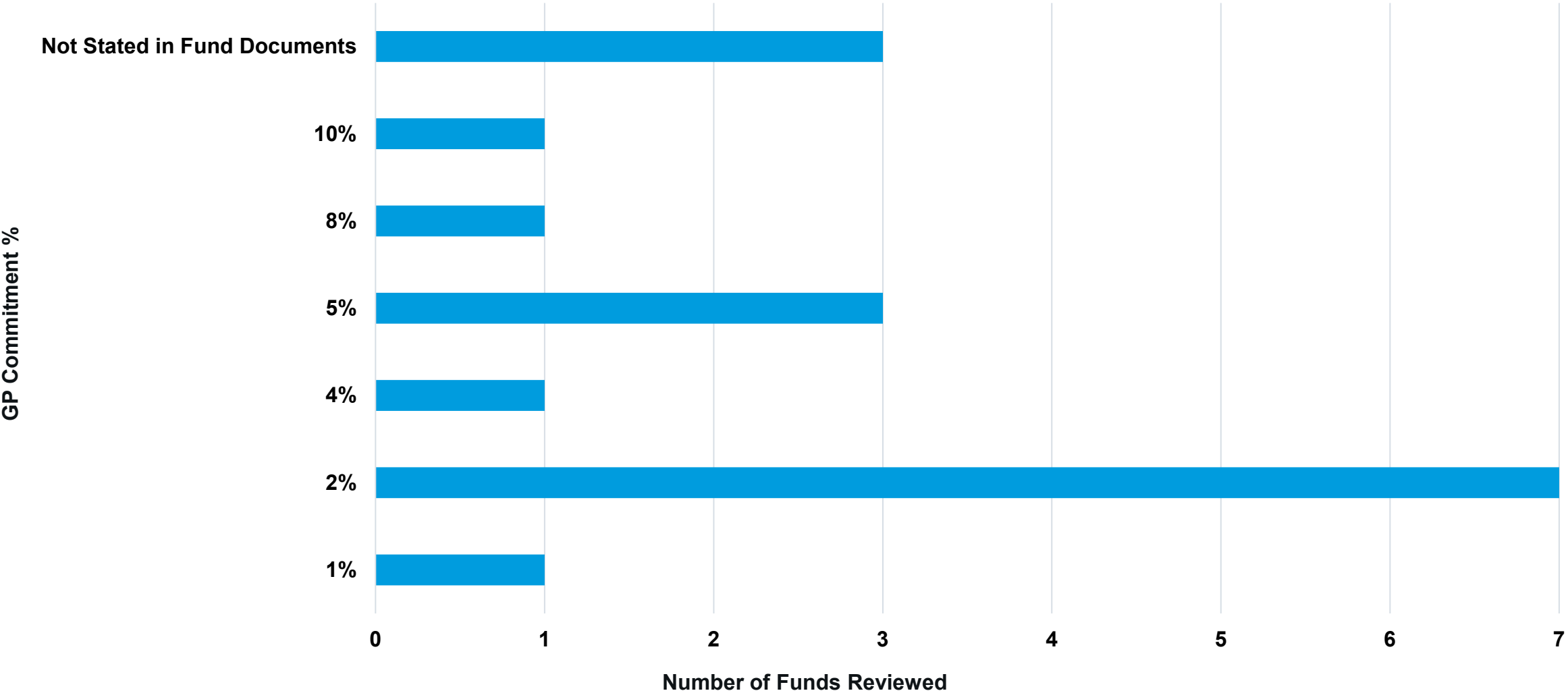
# GP commitment (% of commitments)

## \$500M-\$1B



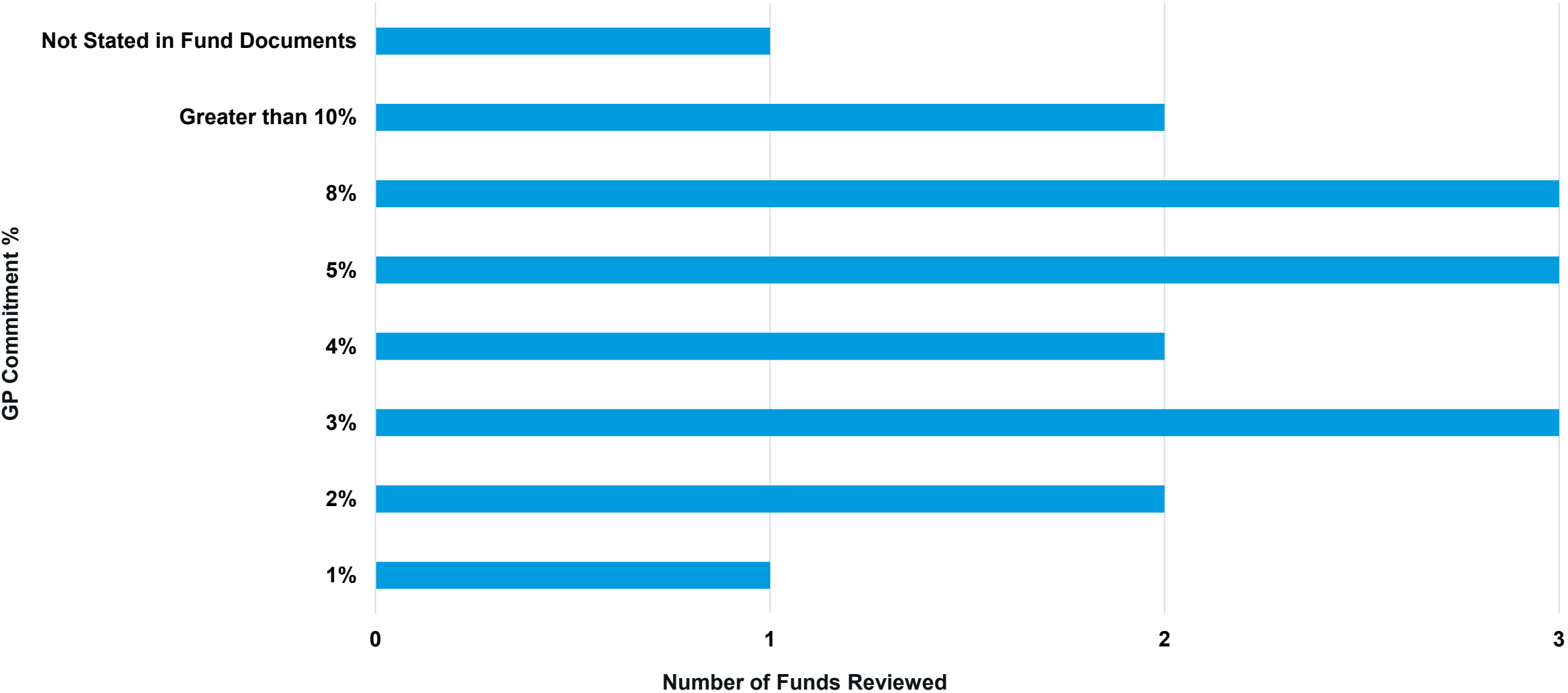
# GP commitment (% of commitments)

\$1B-\$2.5B



# GP commitment (% of commitments)

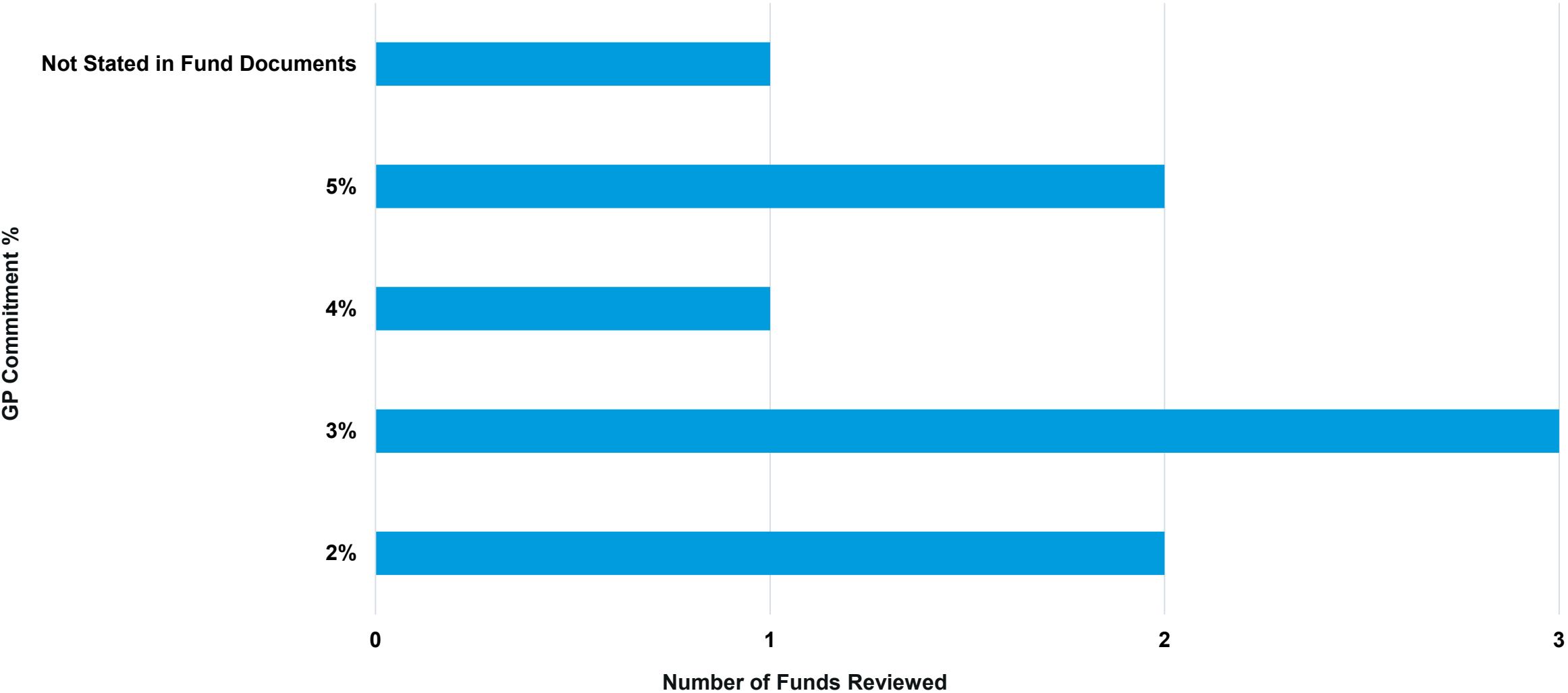
\$2.5B-\$5B



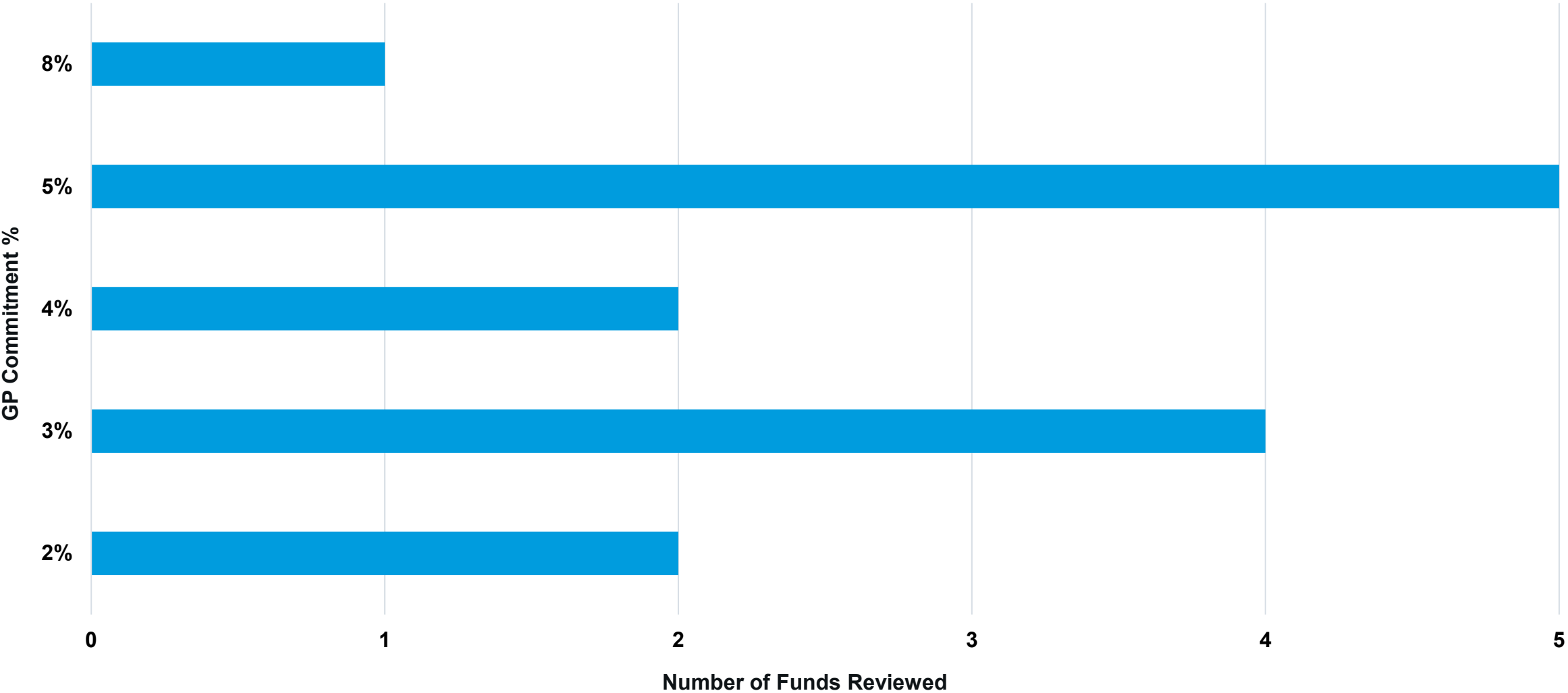


# GP commitment (% of commitments)

\$5B-\$10B

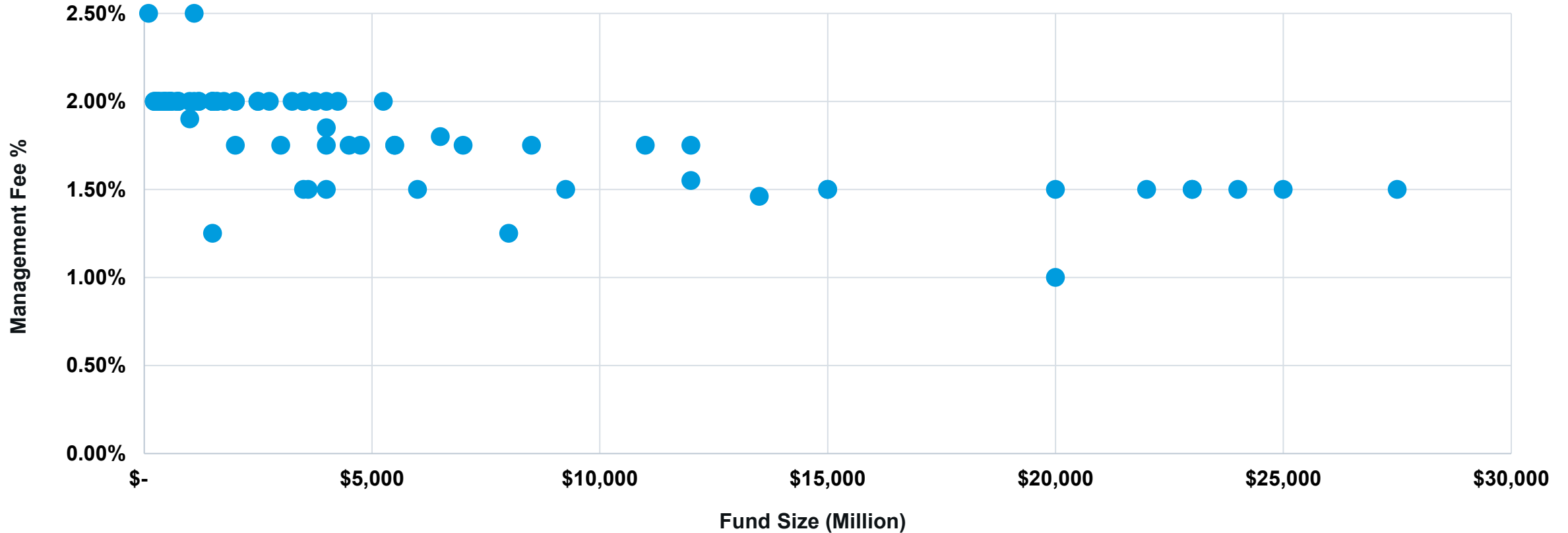


# GP commitment (% of commitments) >\$10B



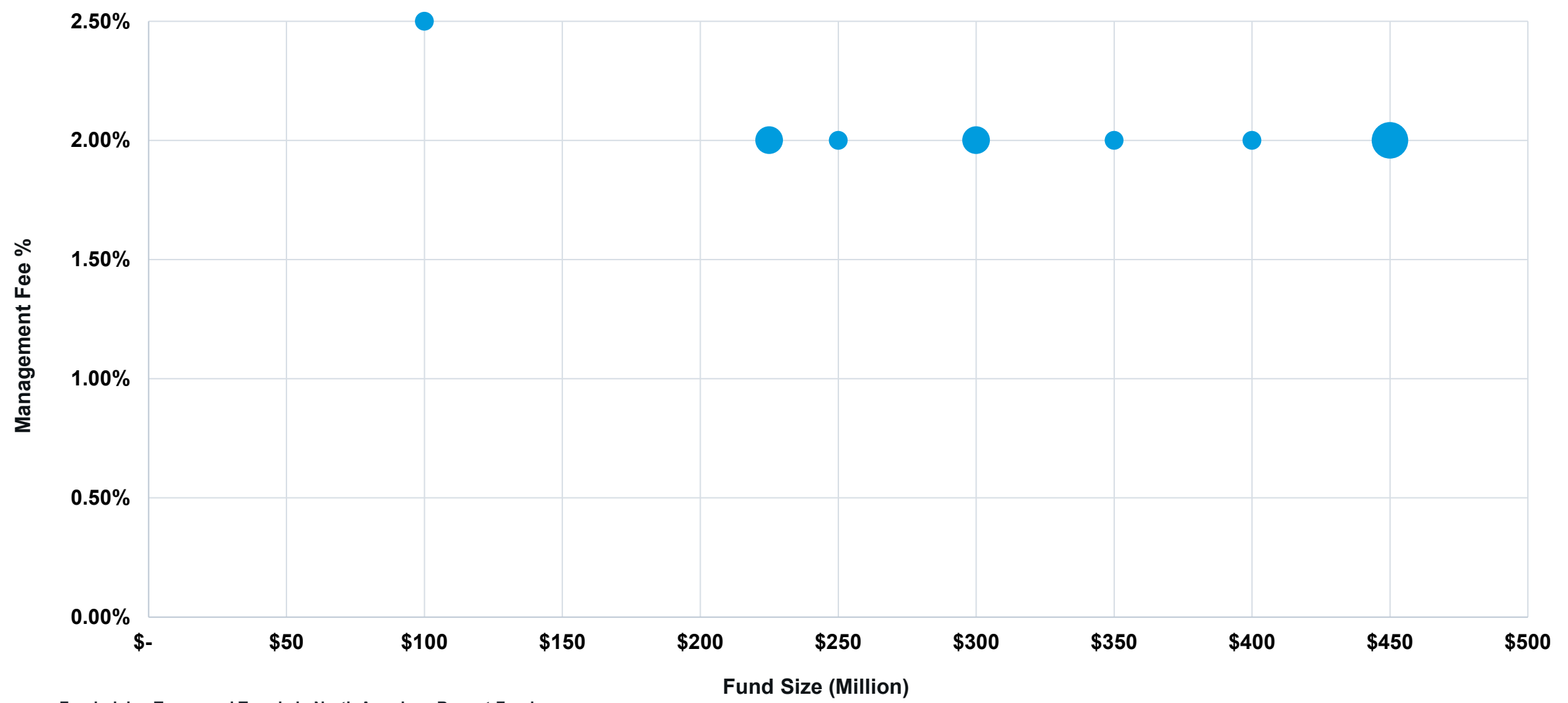
## Annual management fee rate – Investment period (% of base)

As has been the industry norm for many years, a management fee rate of 2% per annum (or more) is dominant at smaller fund sizes up to funds around \$3.5 billion. A 1.75% headline rate is most common in the \$5 billion to \$10 billion category (with some exceptions), with a number in the \$2.5 billion to \$5 billion category as well. Funds larger than \$9 billion typically have a 1.5% per annum initial management fee. It is important to note that this data reflects standard “rack 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.



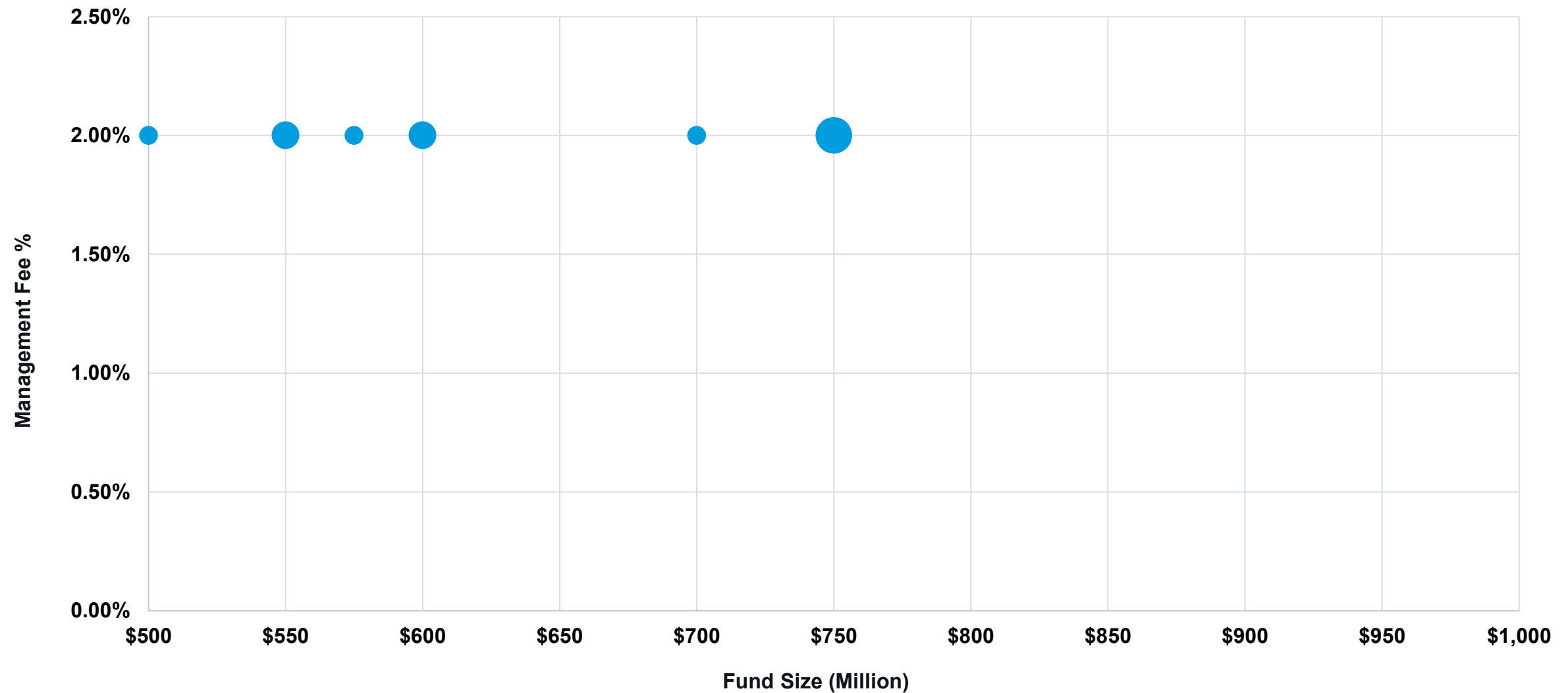
# Annual management fee rate – Investment period (% of base)

<\$500M



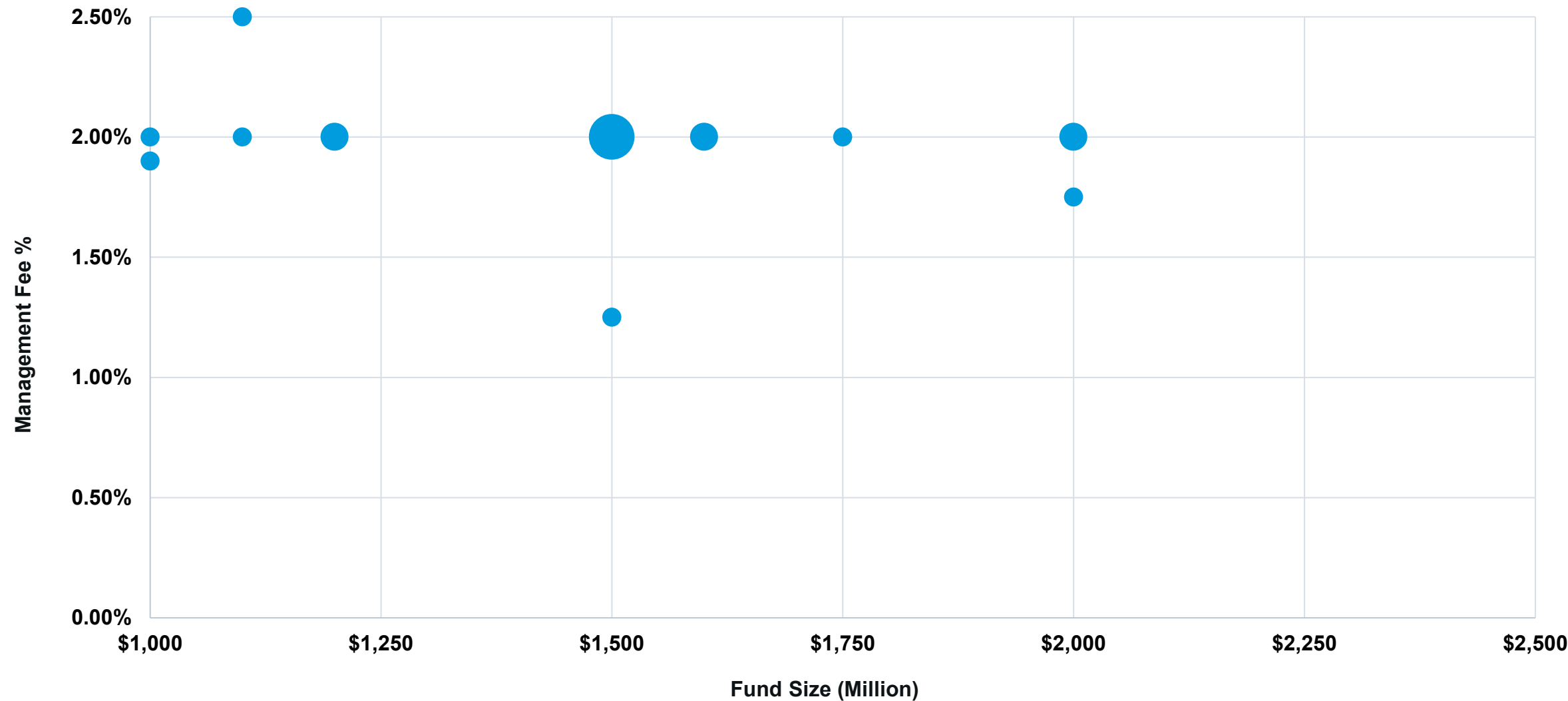
# Annual management fee rate – Investment period (% of base)

## \$500M-\$1B



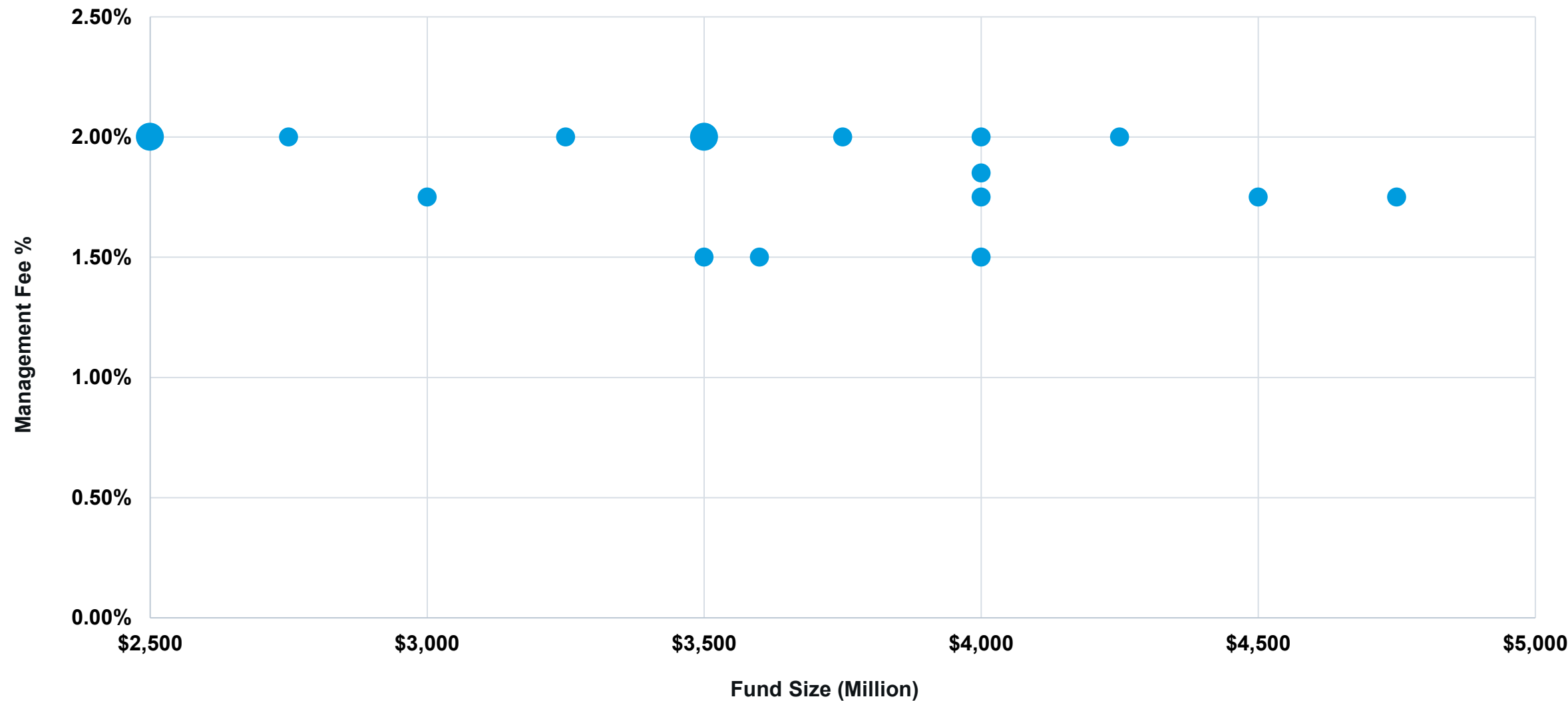
# Annual management fee rate – Investment period (% of base)

## \$1B-\$2.5B



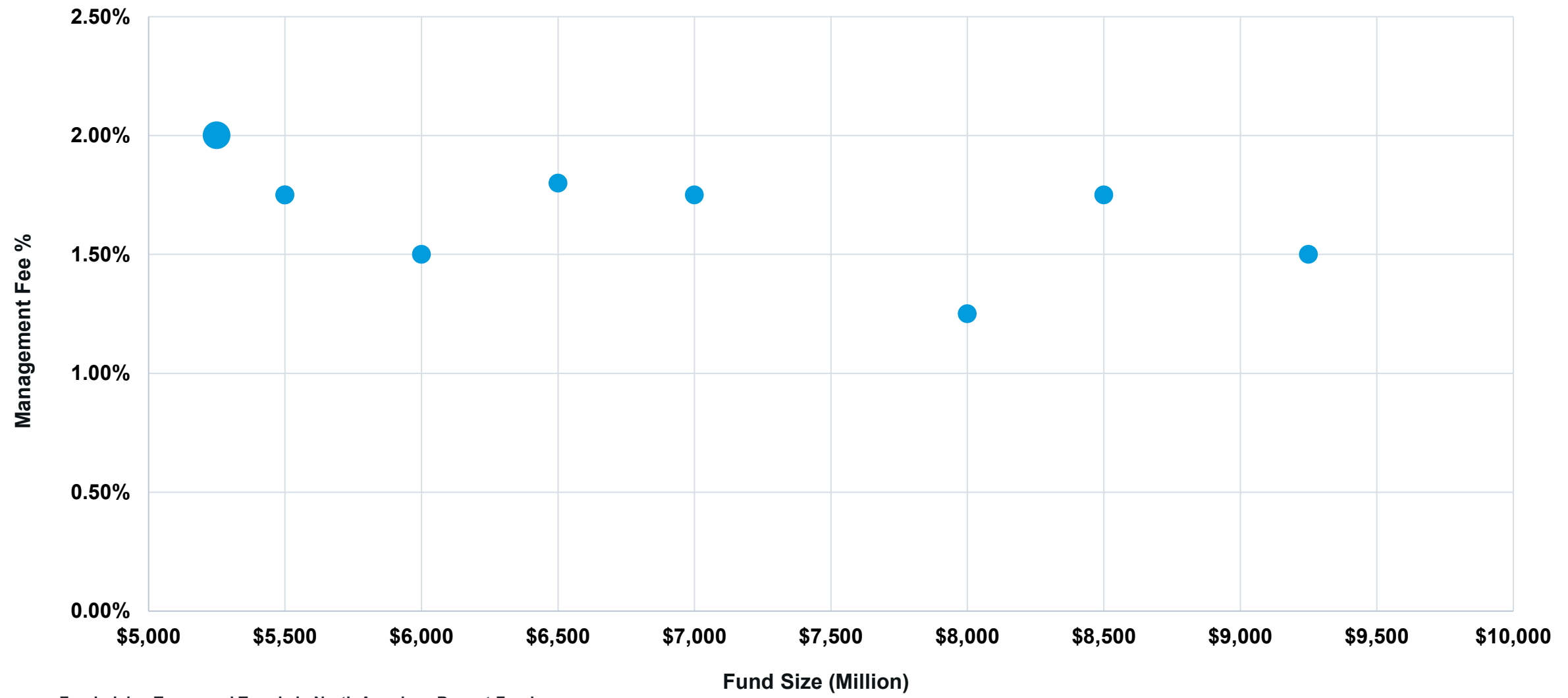
# Annual management fee rate – Investment period (% of base)

\$2.5B-\$5B



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

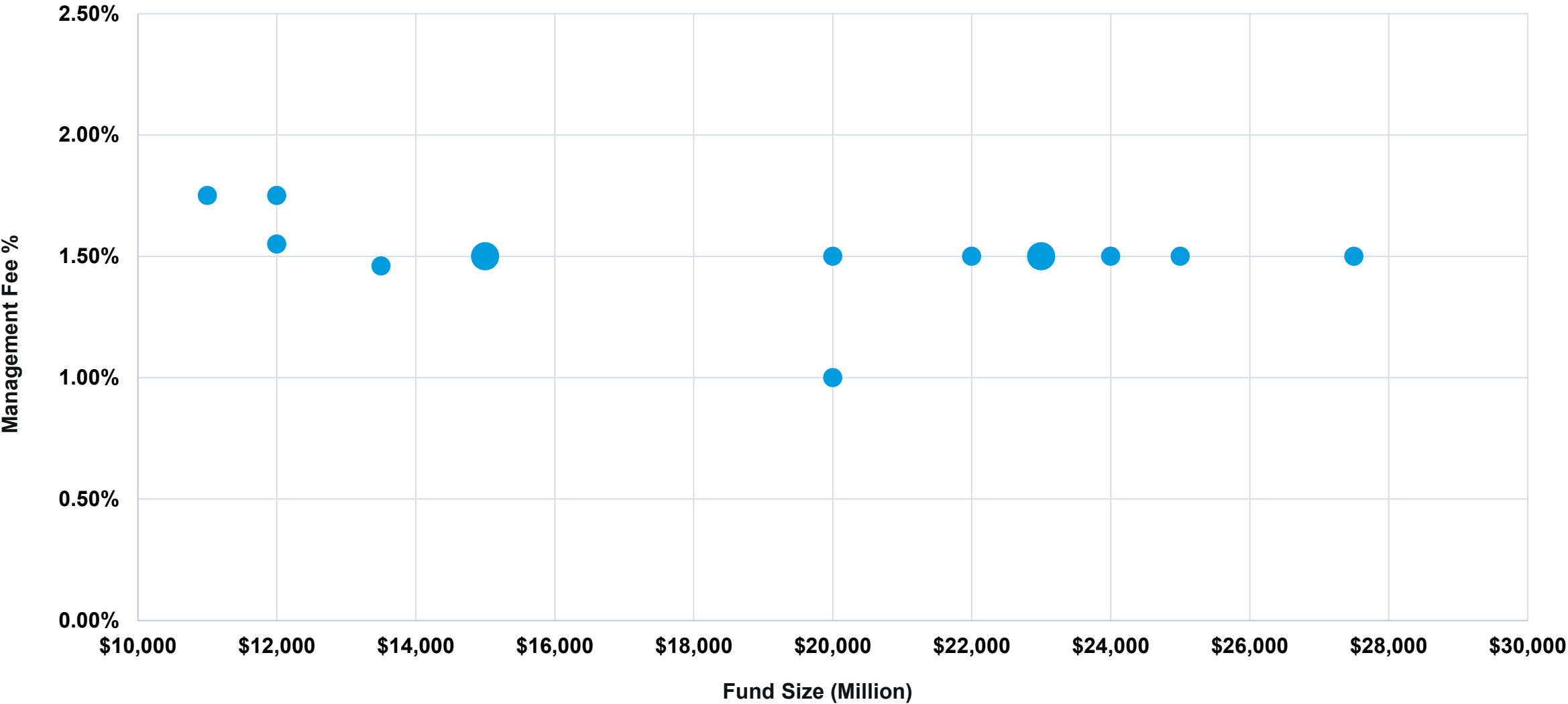
## \$5B-\$10B





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

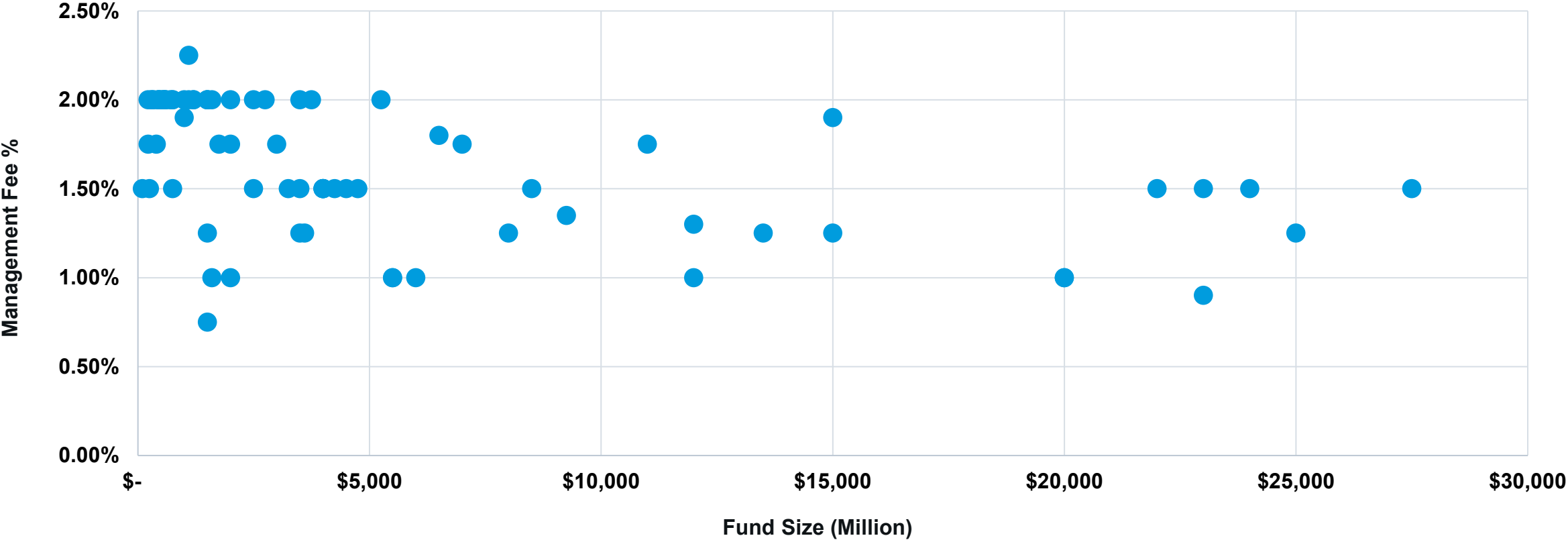
>\$10B



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

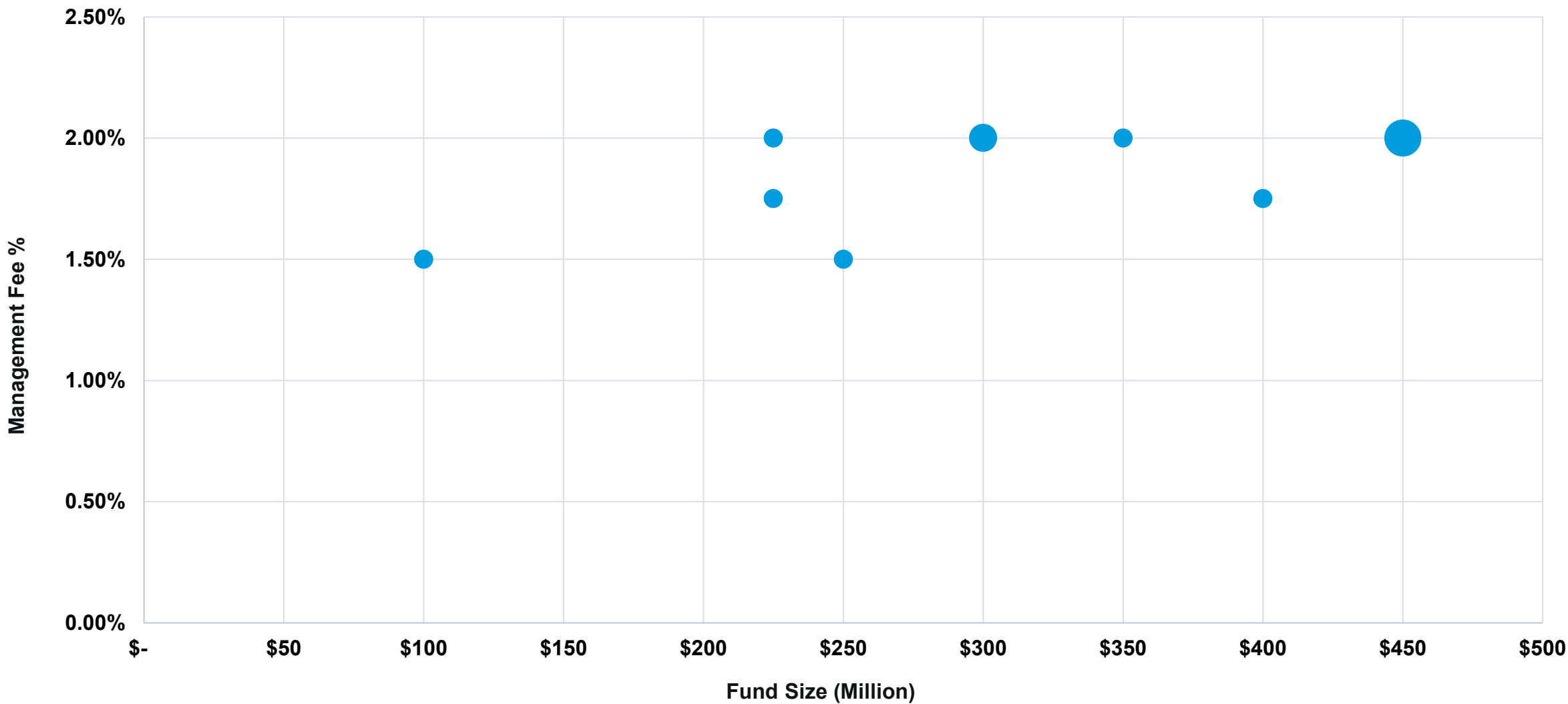
## All Funds

A reduction in management fee percentage after the end of the investment period becomes more common as fund sizes increase. While there is significant variance in this term, funds over \$5 billion are generally more likely to feature a rate of 1.5% or less, with lower rates of 1.25% or 1.00% somewhat evenly distributed among the various size classes. Only some smaller funds preserve 2.0% or a “middle ground” of 1.75%, reflecting the lower overall fee income to these managers and the value of higher fees for funds with smaller managers for operational and competitive reasons. We note that the management fee base in almost all buyout funds changes from total capital commitments to some calculation of invested capital.



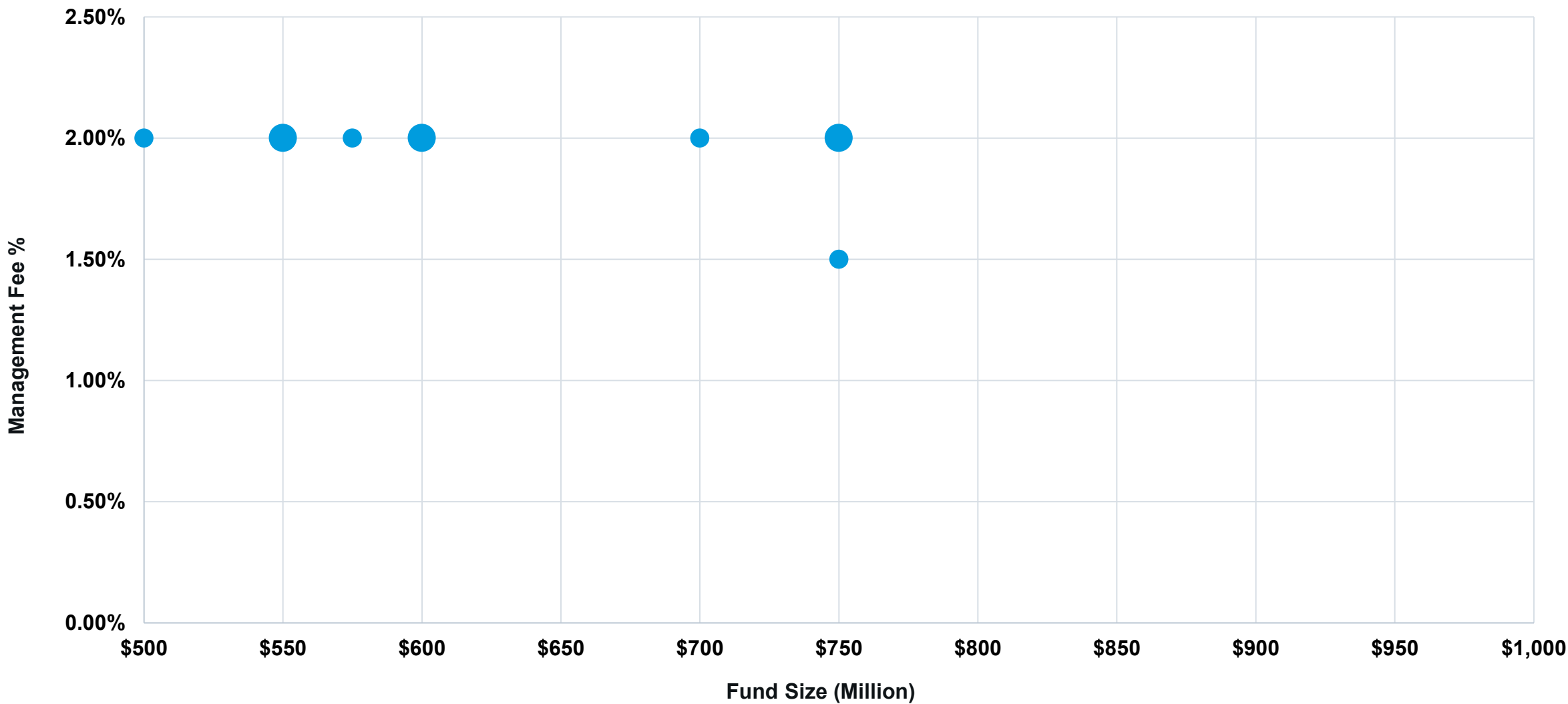
# Annual management fee rate – Post-investment period (% of base)

<\$500M



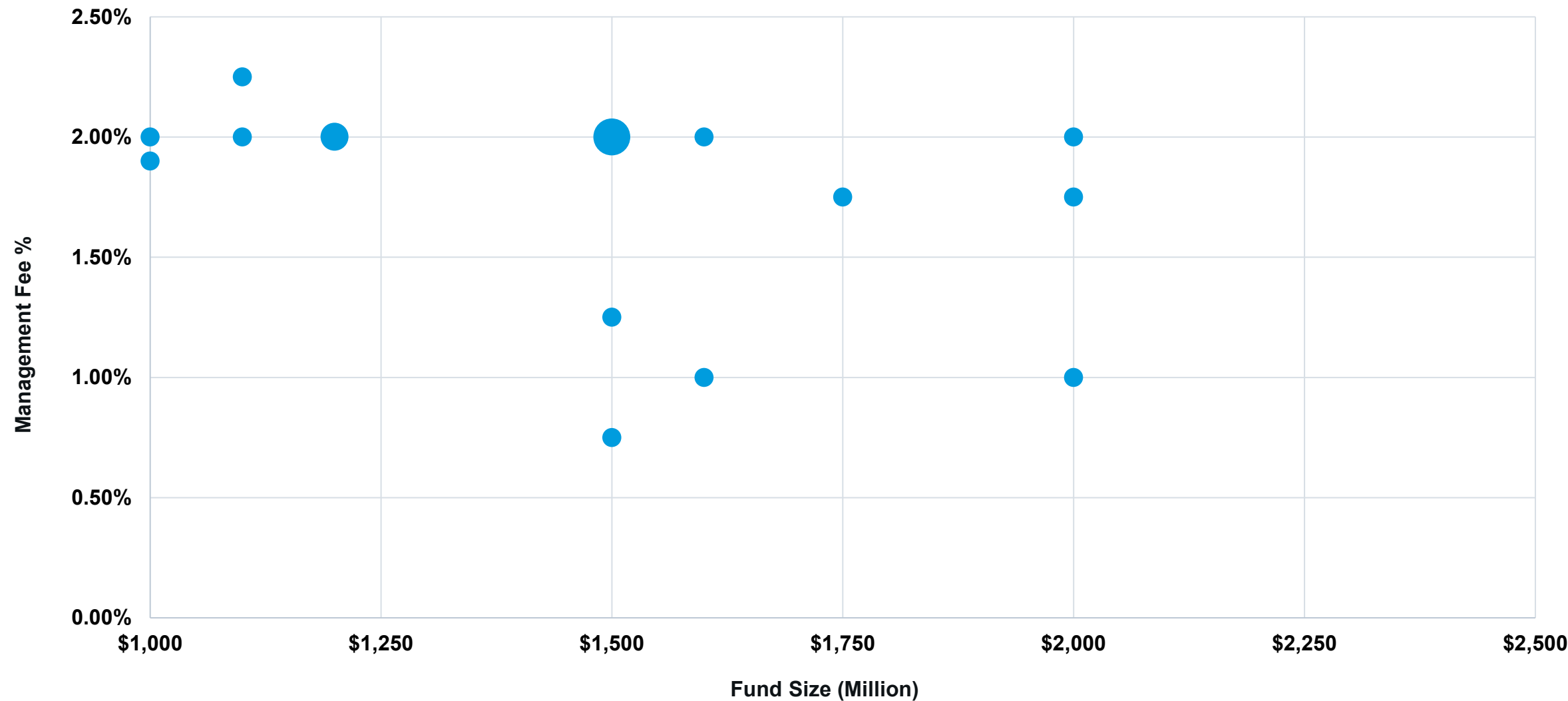
# Annual management fee rate – Post-investment period (% of base)

## \$500M-\$1B



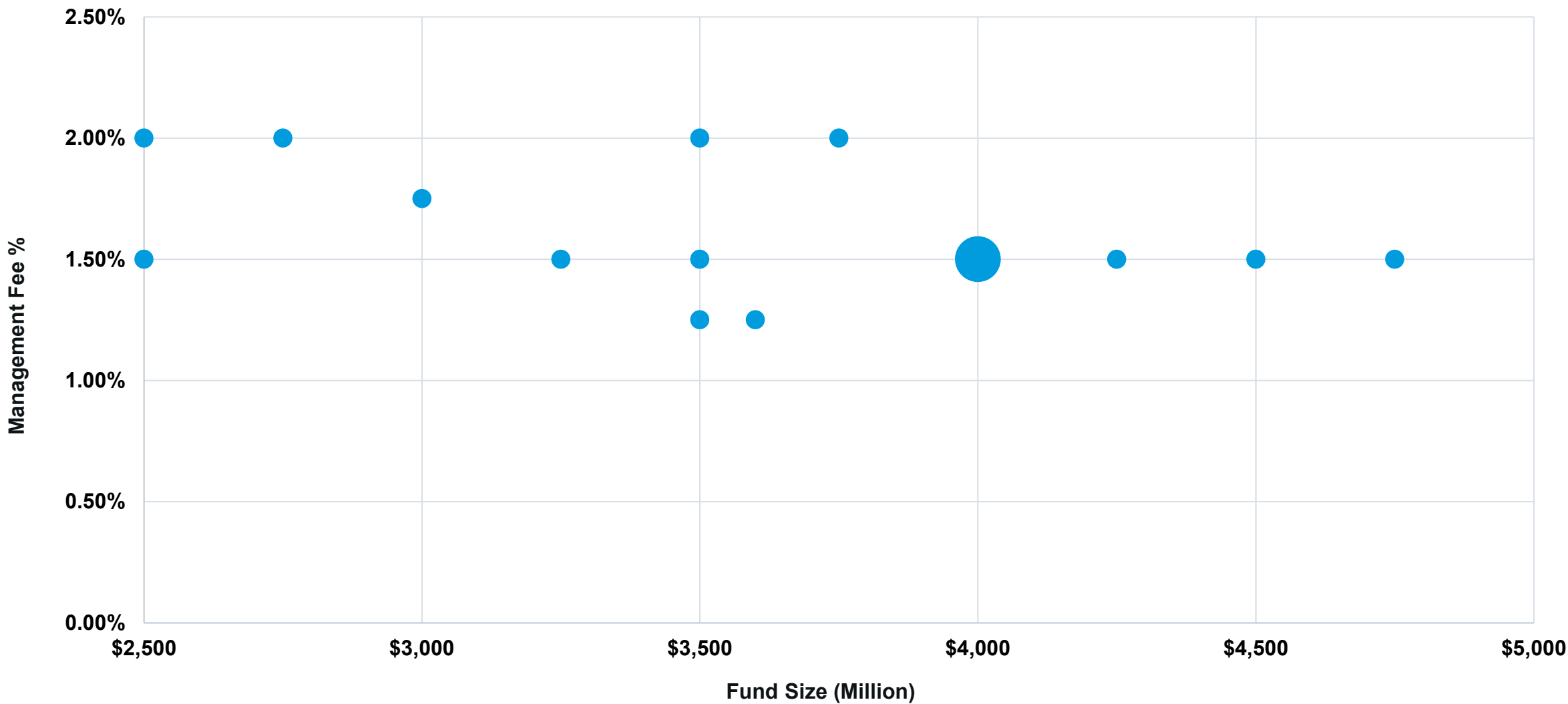
# Annual management fee rate – Post-investment period (% of base)

## \$1B-\$2.5B



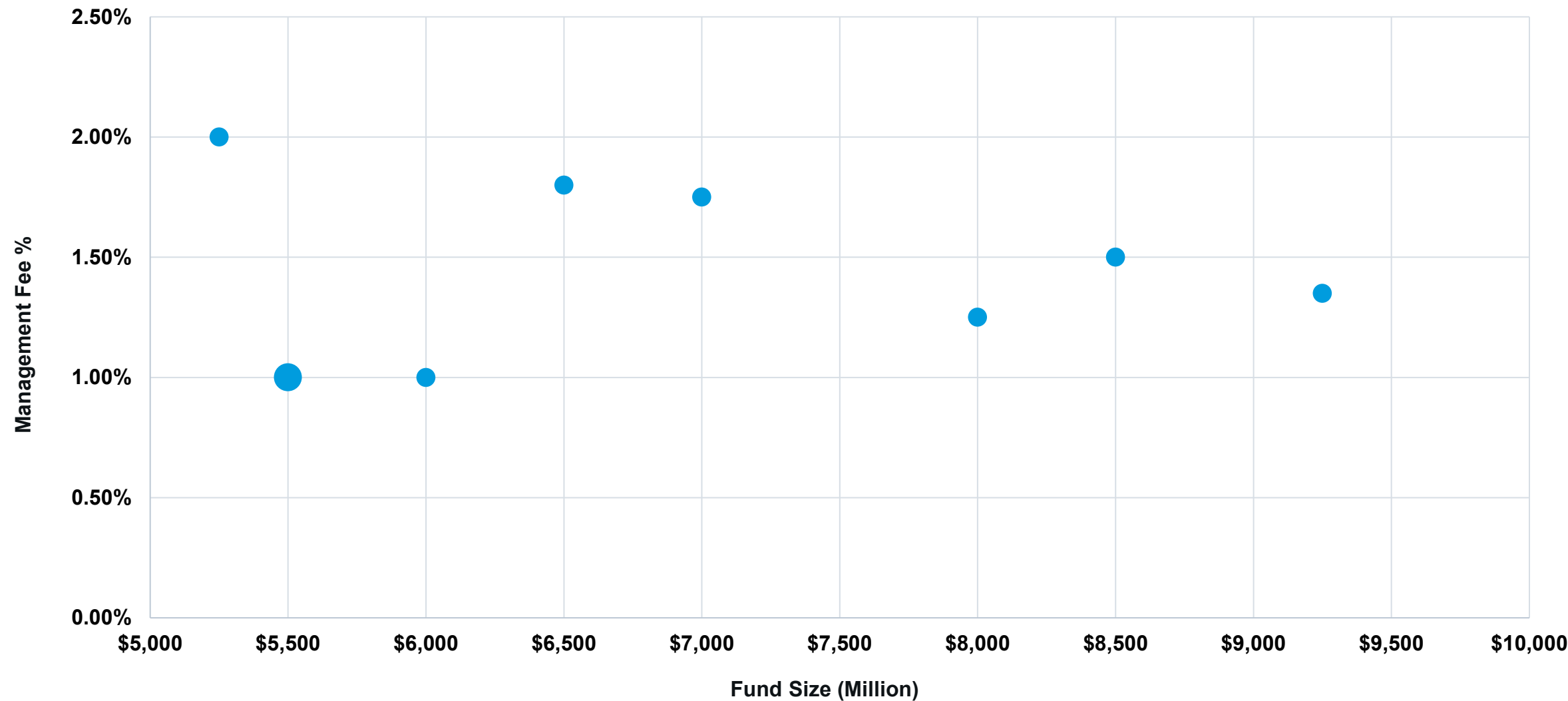
# Annual management fee rate – Post-investment period (% of base)

## \$2.5B-\$5B



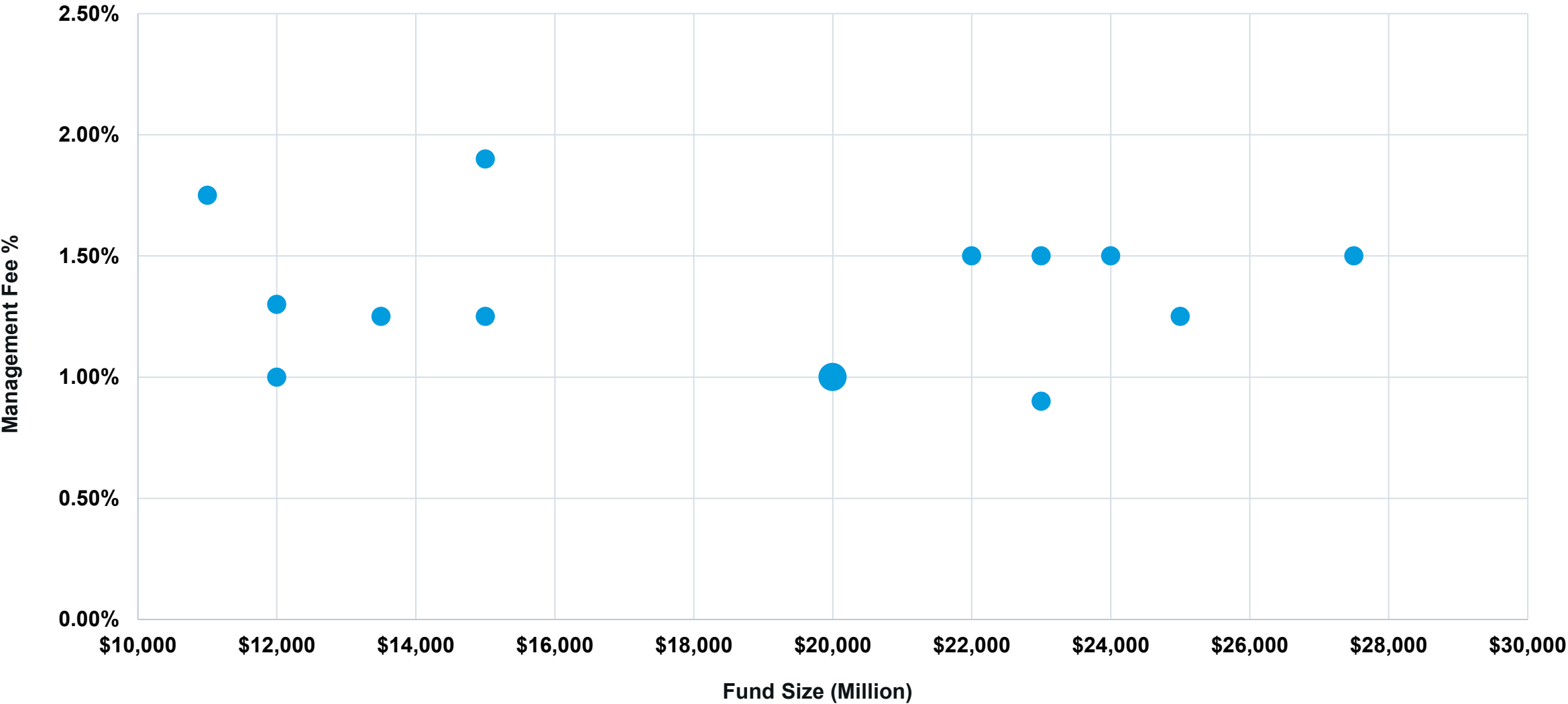
# Annual management fee rate – Post-investment period (% of base)

## \$5B-\$10B



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

>\$10B



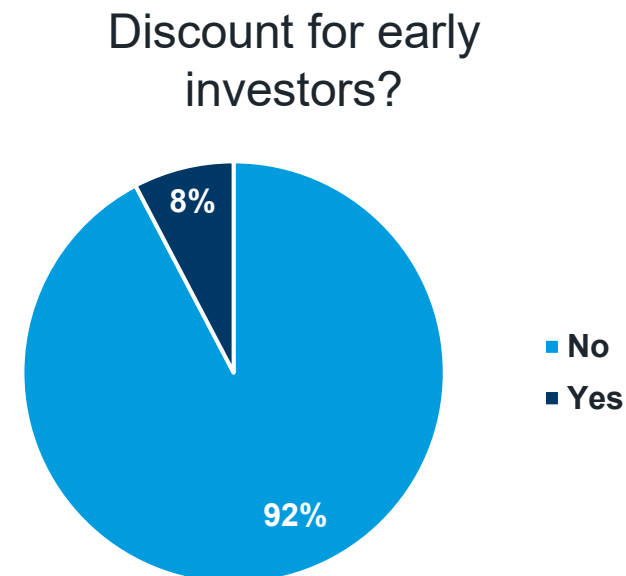
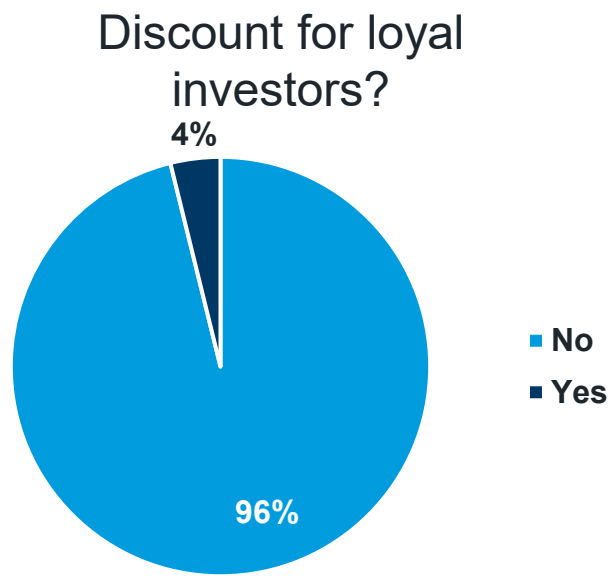
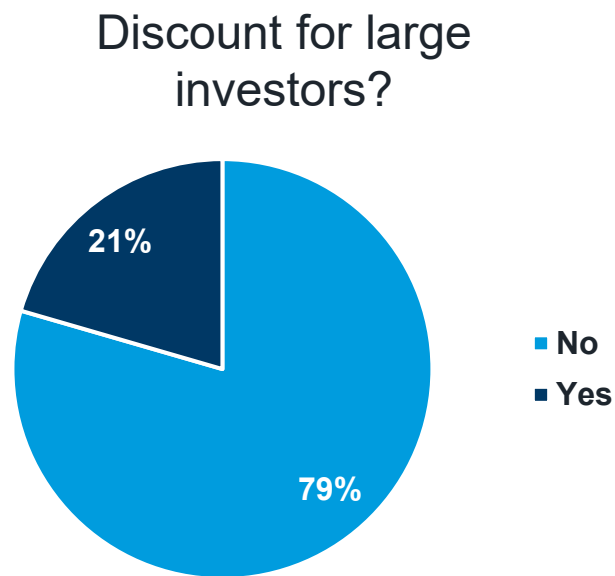


# Management fee discounts

## All Funds

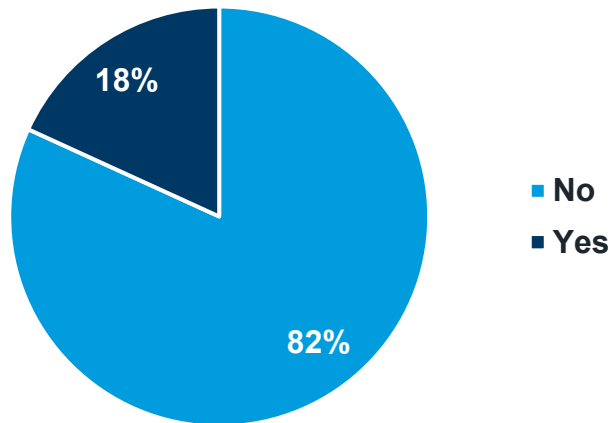
Fund documents do not typically specify fee discount rates across fund size classes. Those funds that set out discount rates in their documents are more commonly at the ends of the barbell in the smallest and largest size ranges, and generally focus on size-based discounts. For smaller funds, this often reflects efforts to attract a critical mass of institutional investor support in order to raise funds and develop market presence. For larger funds, the dynamic reflects an effort to incentivize the larger investors necessary to hit vast target sizes, to standardize treatment across LPs for fairness reasons and to cut down on costly negotiations with individual investors.

The data depicted here only captures funds that specify discounts in the definitive fund documentation: a number of funds will offer discounts but do not set out the detail in their main agreements. Discounts agreed via side letter are more difficult to track accurately.

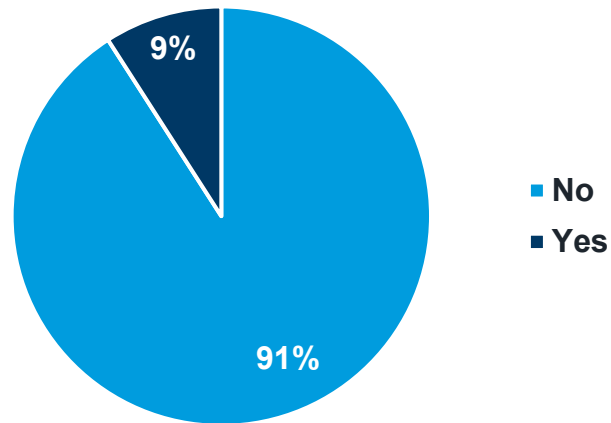


# Management fee discounts <\$500M

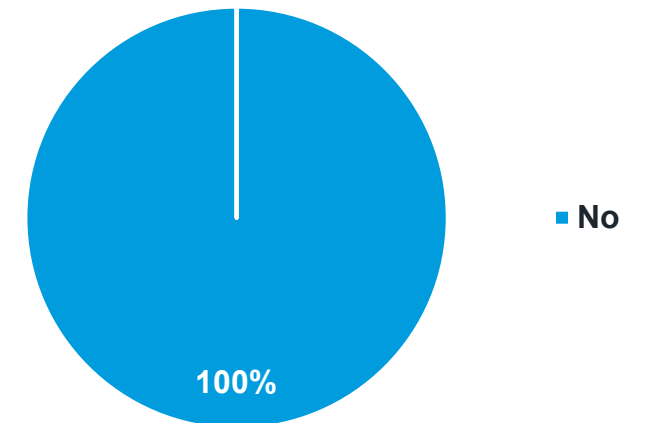
Discount for large investors?



Discount for loyal investors?



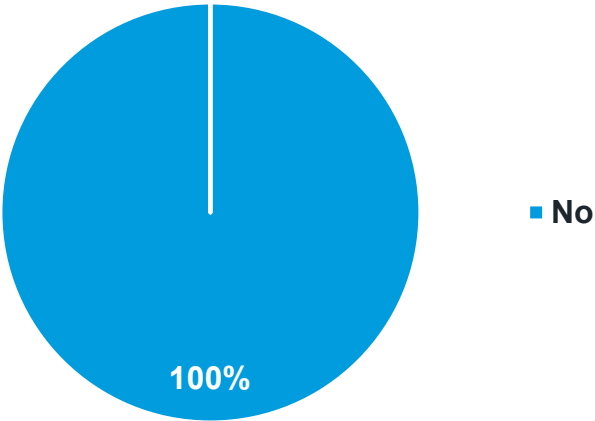
Discount for early investors?



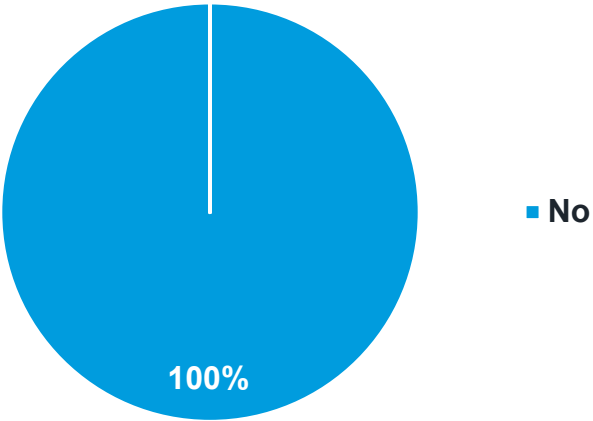
# Management fee discounts

\$500M-\$1B

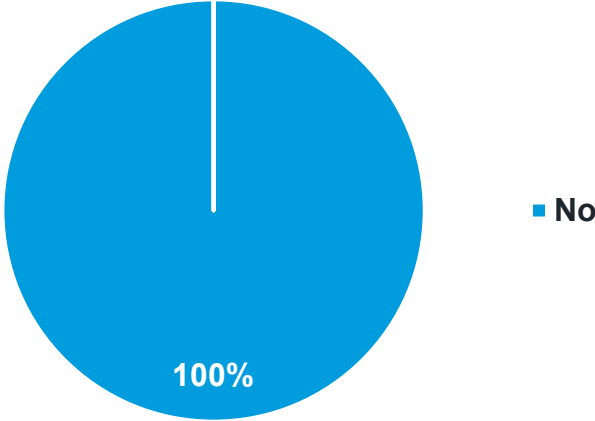
Discount for large investors?



Discount for loyal investors?

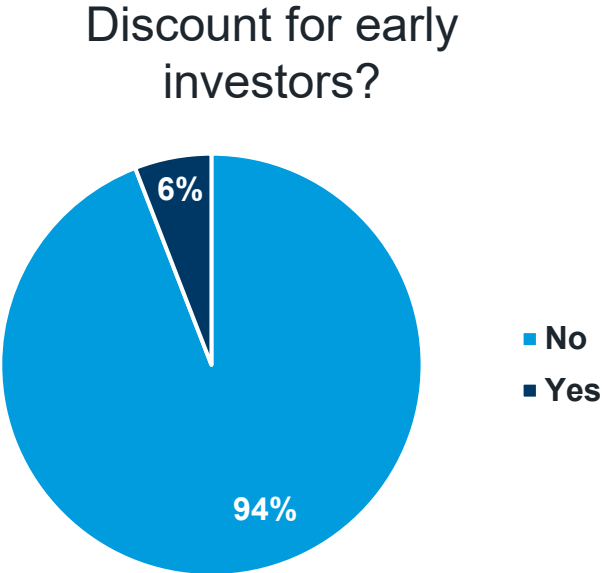
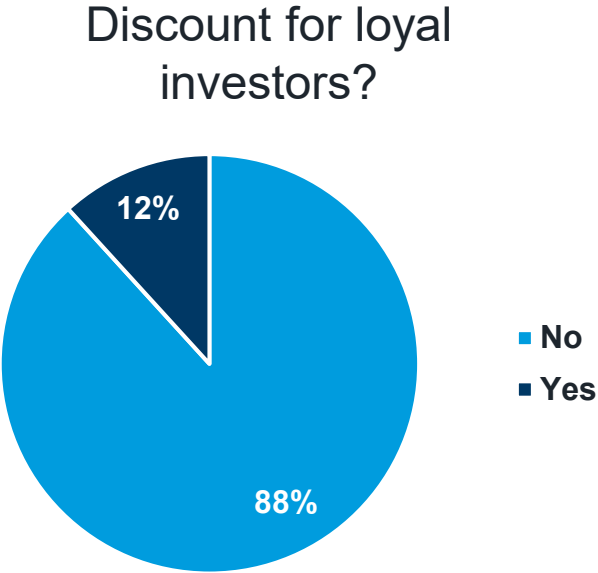
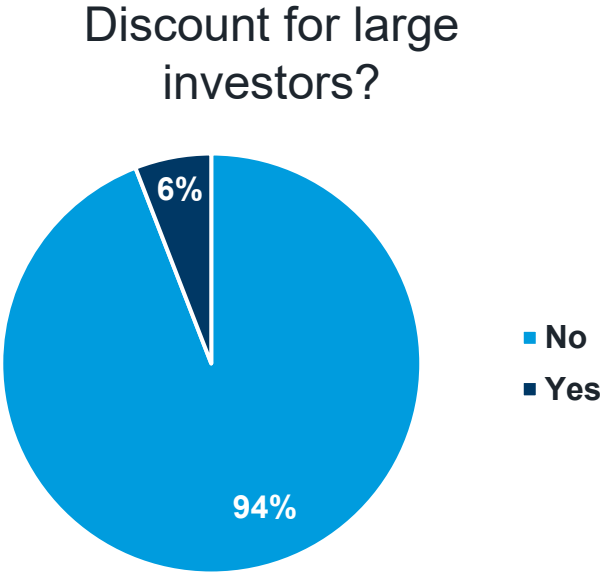


Discount for early investors?



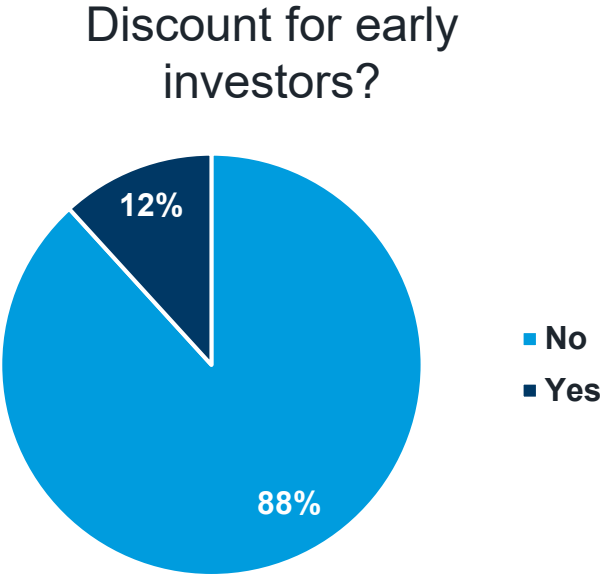
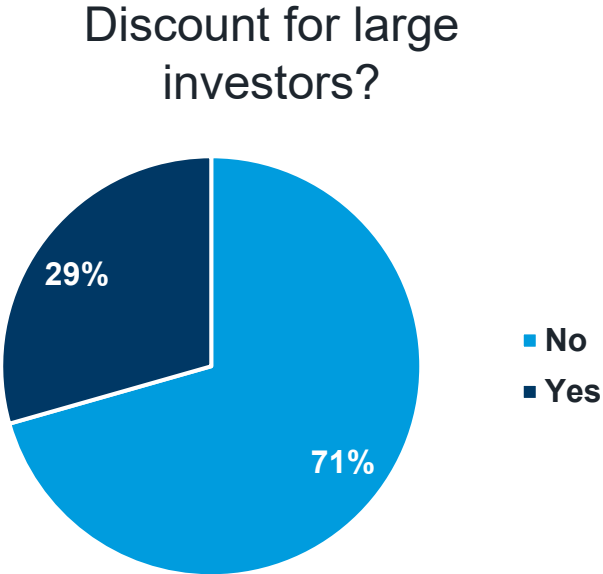
# Management fee discounts

\$1B-\$2.5B



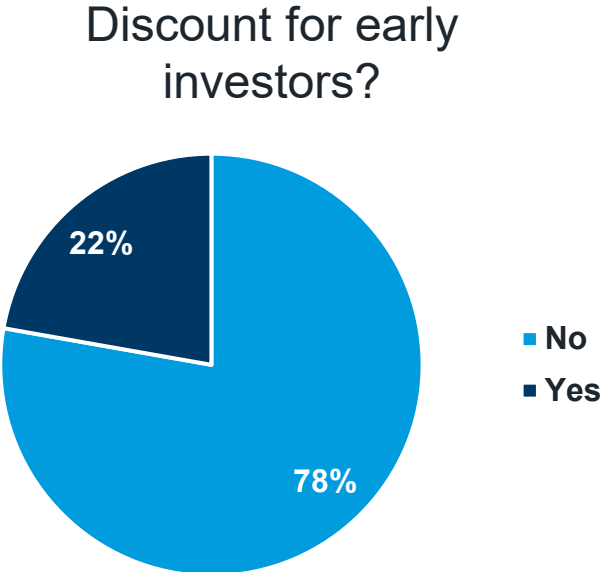
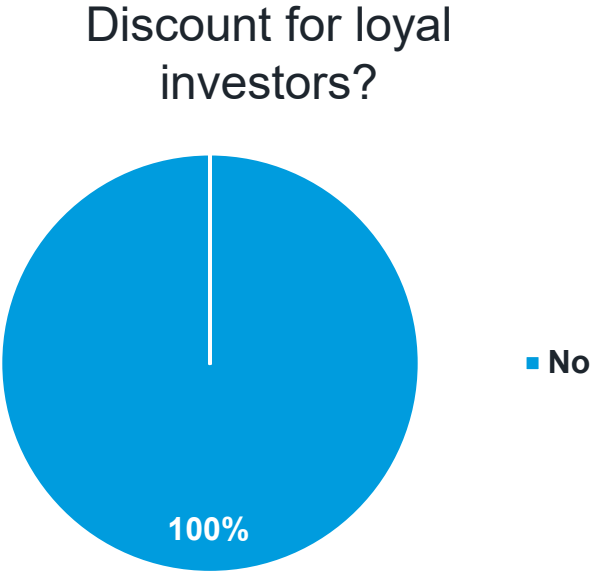
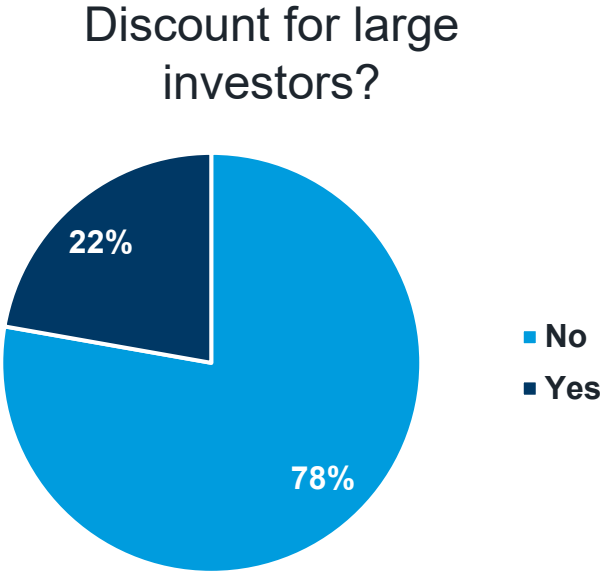
# Management fee discounts

\$2.5B-\$5B



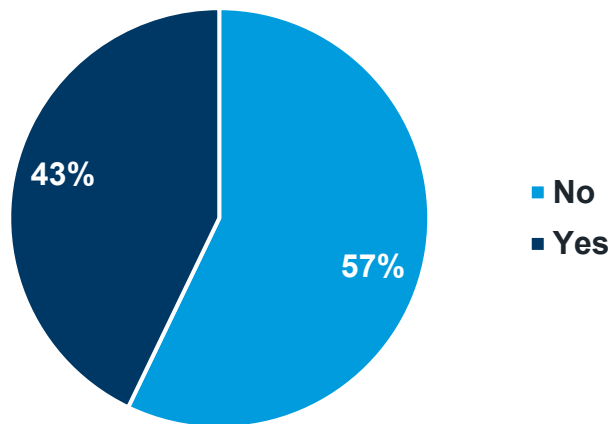
# Management fee discounts

\$5B-\$10B

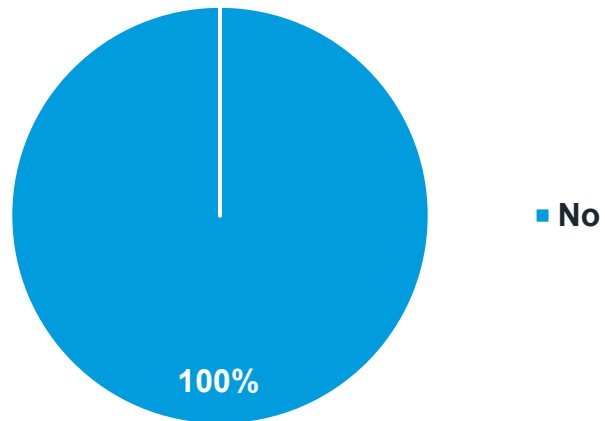


# Management fee discounts >\$10B

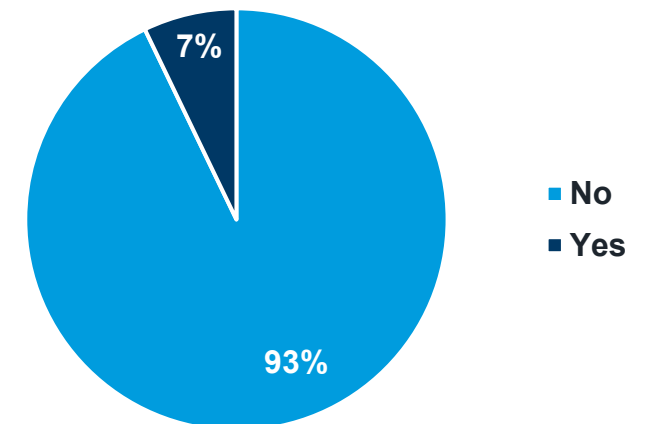
Discount for large investors?



Discount for loyal investors?



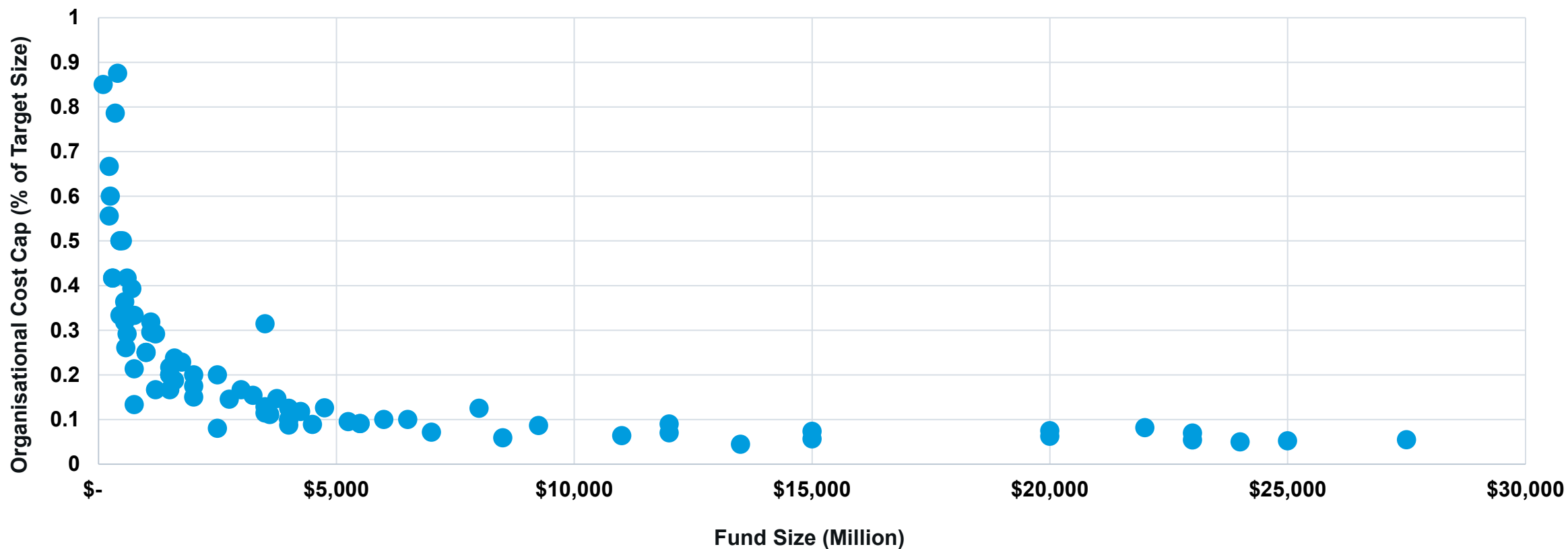
Discount for early investors?



# Organizational expense cap

## All Funds

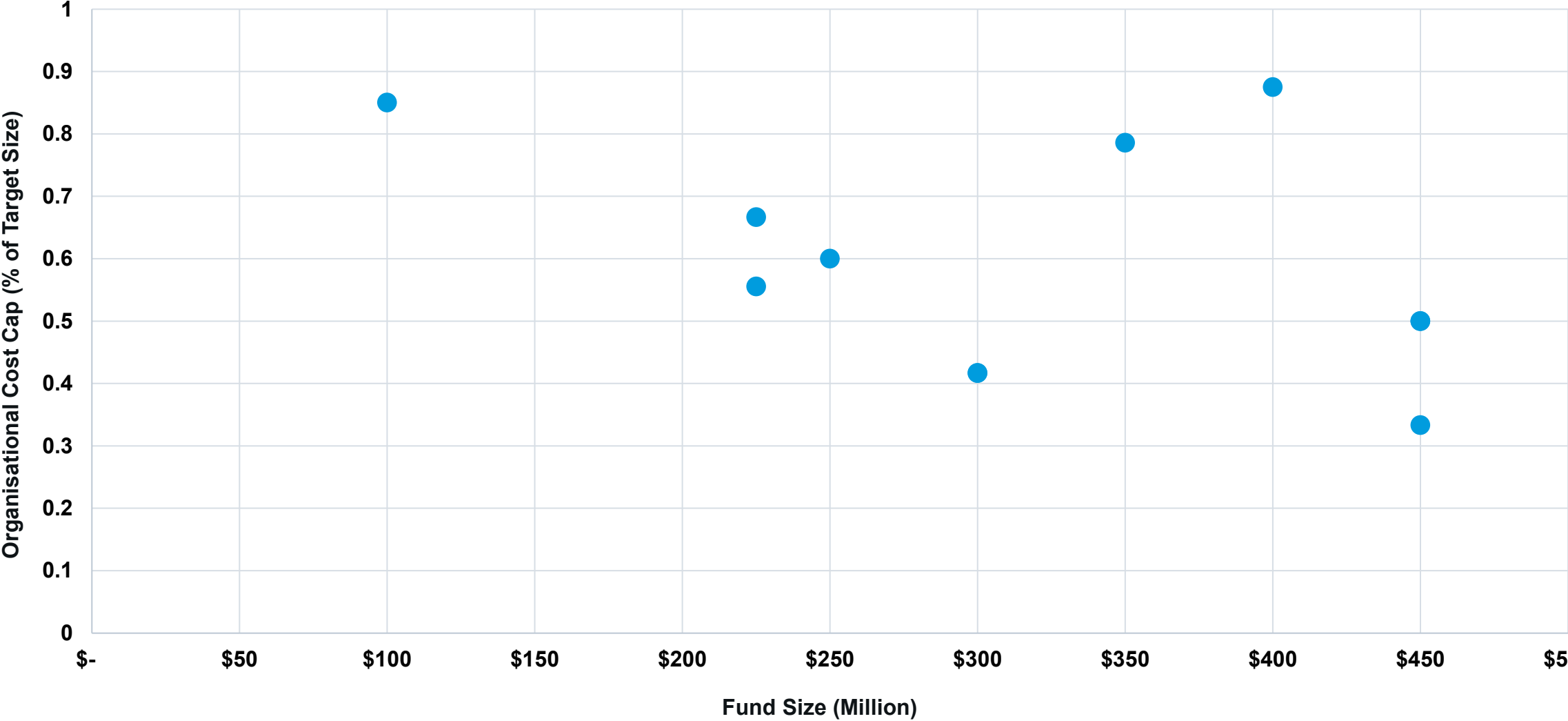
As would be logically expected, organizational expense caps trend downward on a percentage basis as fund sizes increase starting from 0.85% of total commitments for the smallest funds and moving below 0.1% of total commitments for the largest funds. All funds (except for one) targeting \$5 billion or more in commitments feature a cap at or below 0.1% of the fund size.





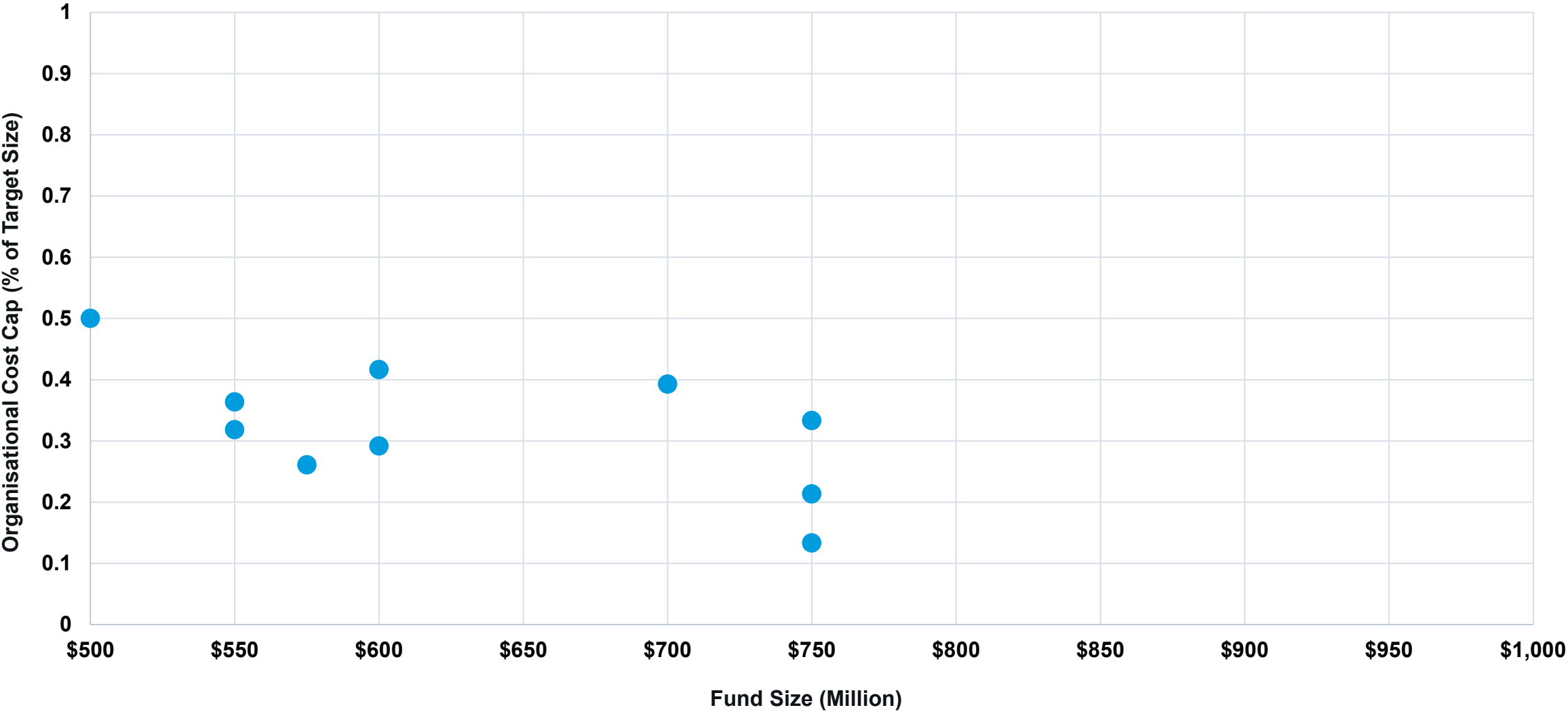
# Organizational cost cap

<\$500M



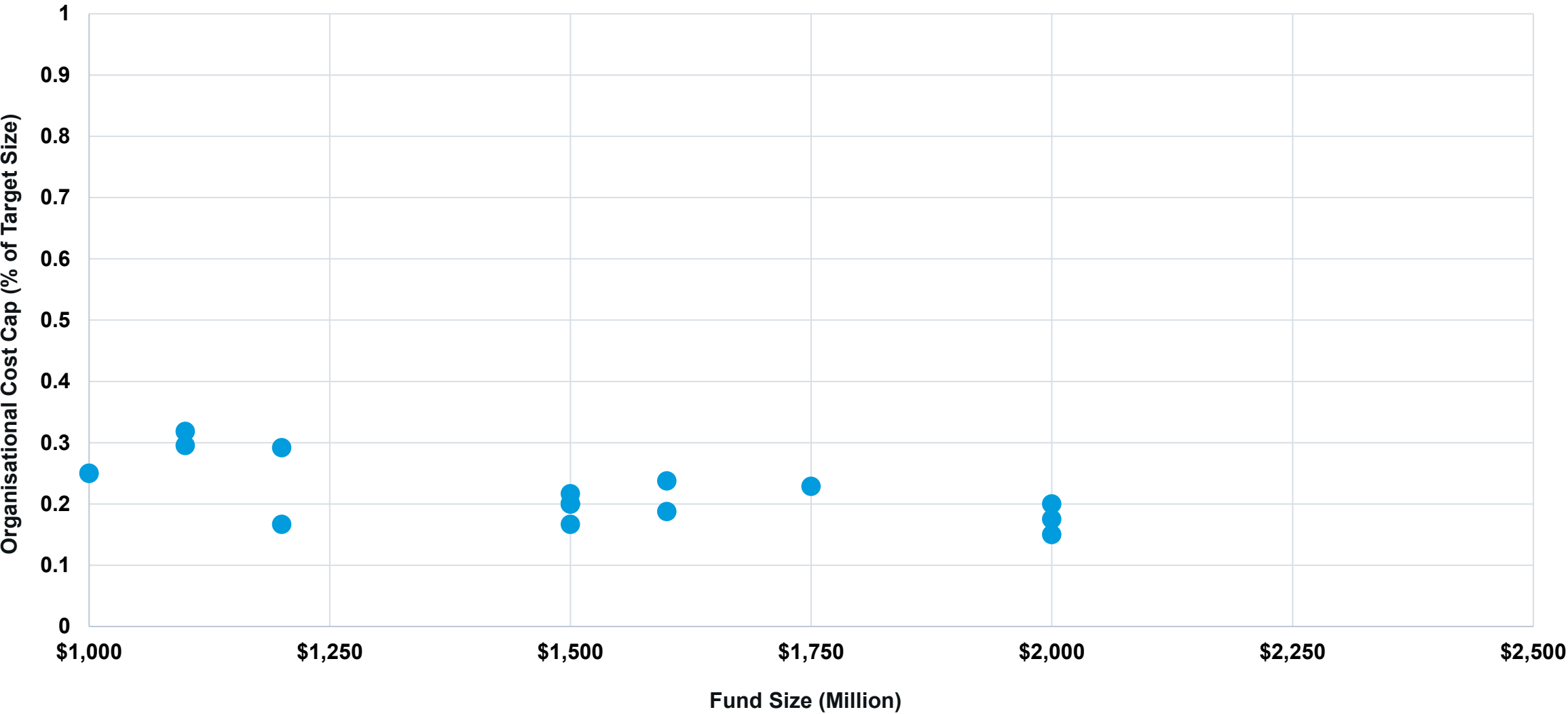
# Organizational cost cap

## \$500M-\$1B



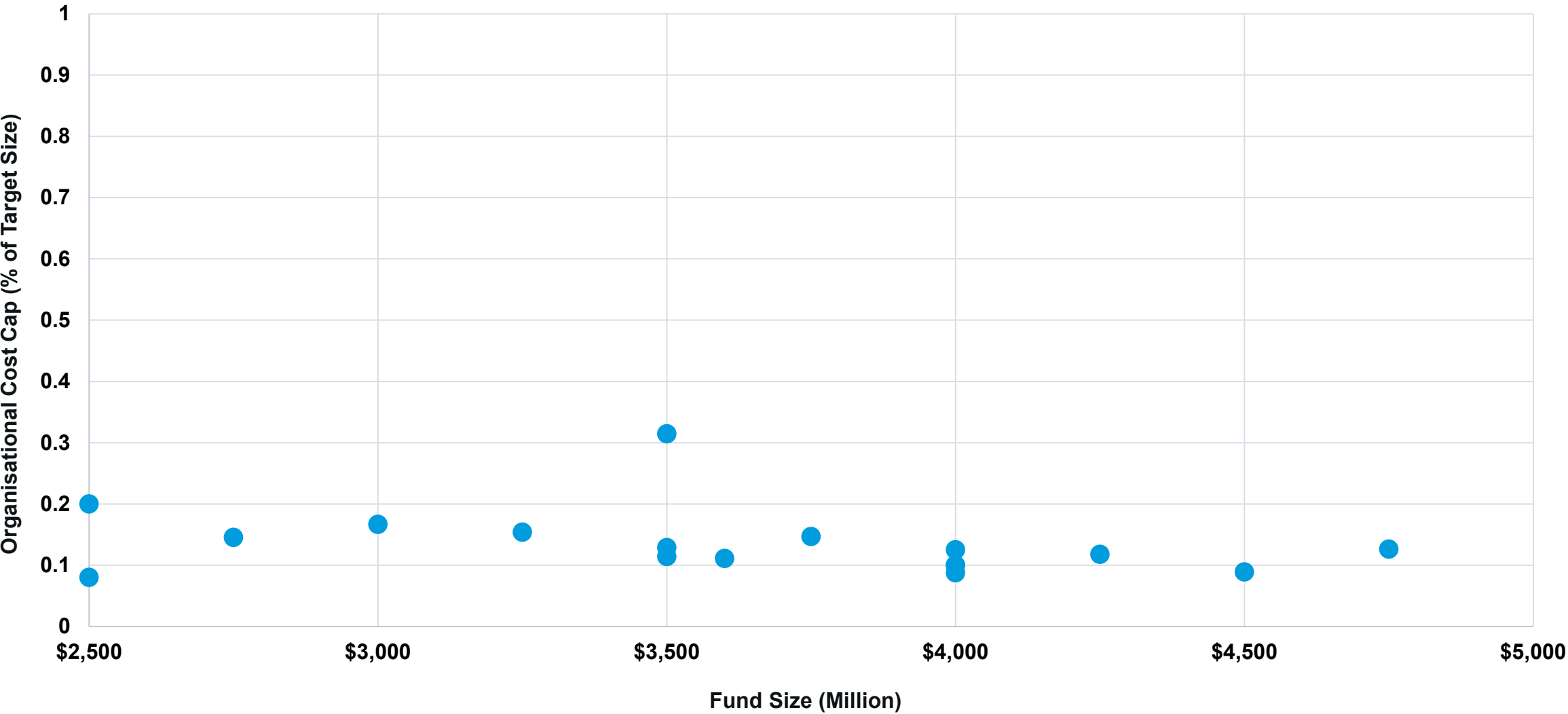
# Organizational cost cap

## \$1B-\$2.5B



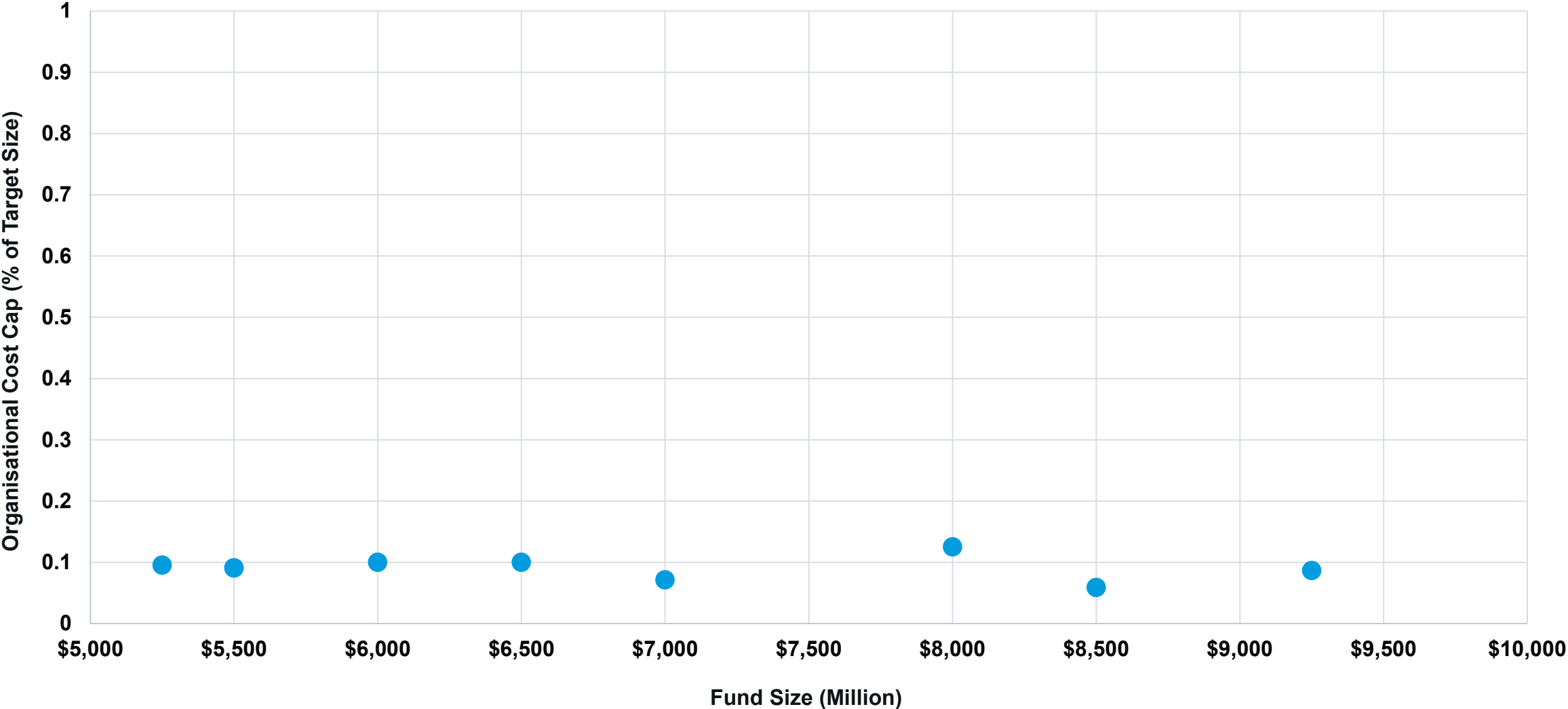
# Organizational cost cap

\$2.5B-\$5B



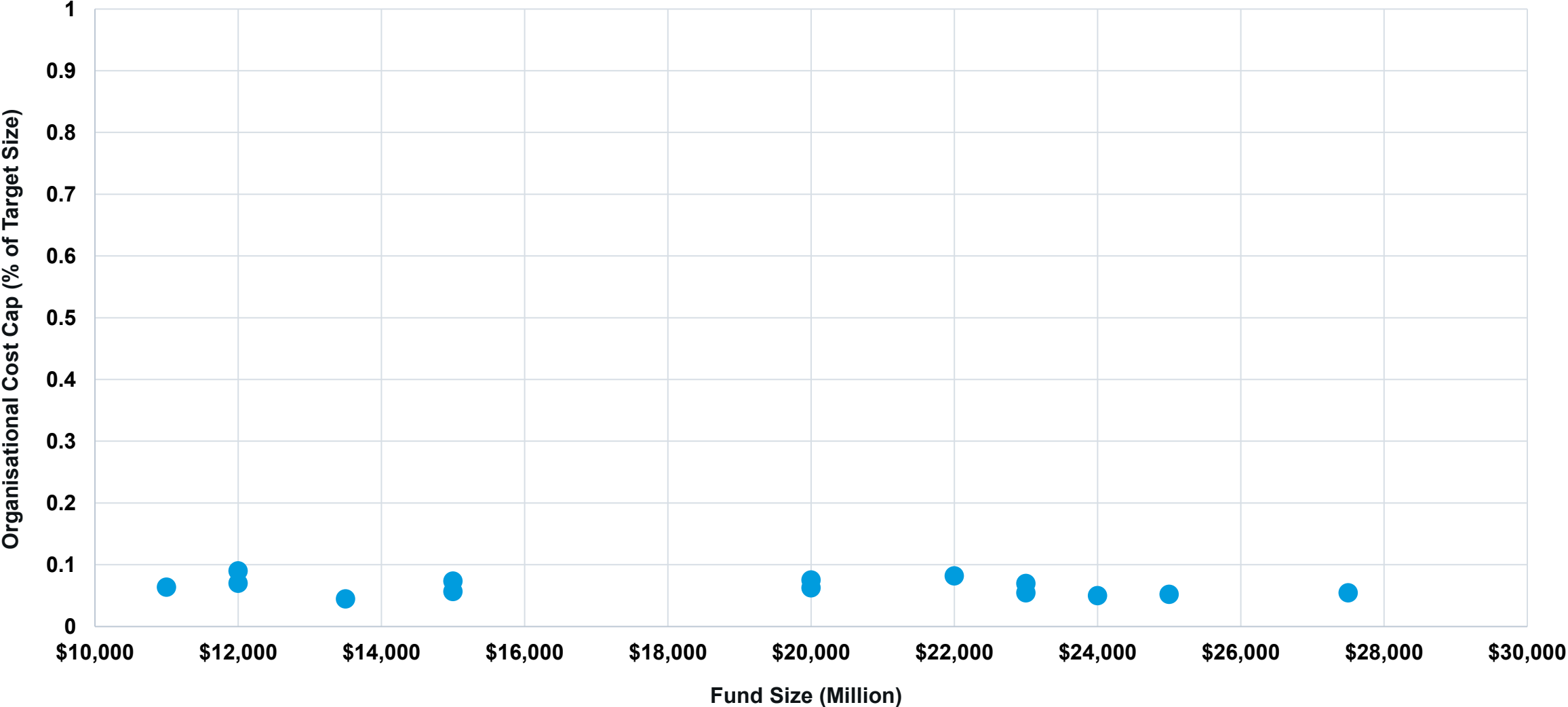
# Organizational cost cap

## \$5B-\$10B



# Organizational cost cap

>\$10B

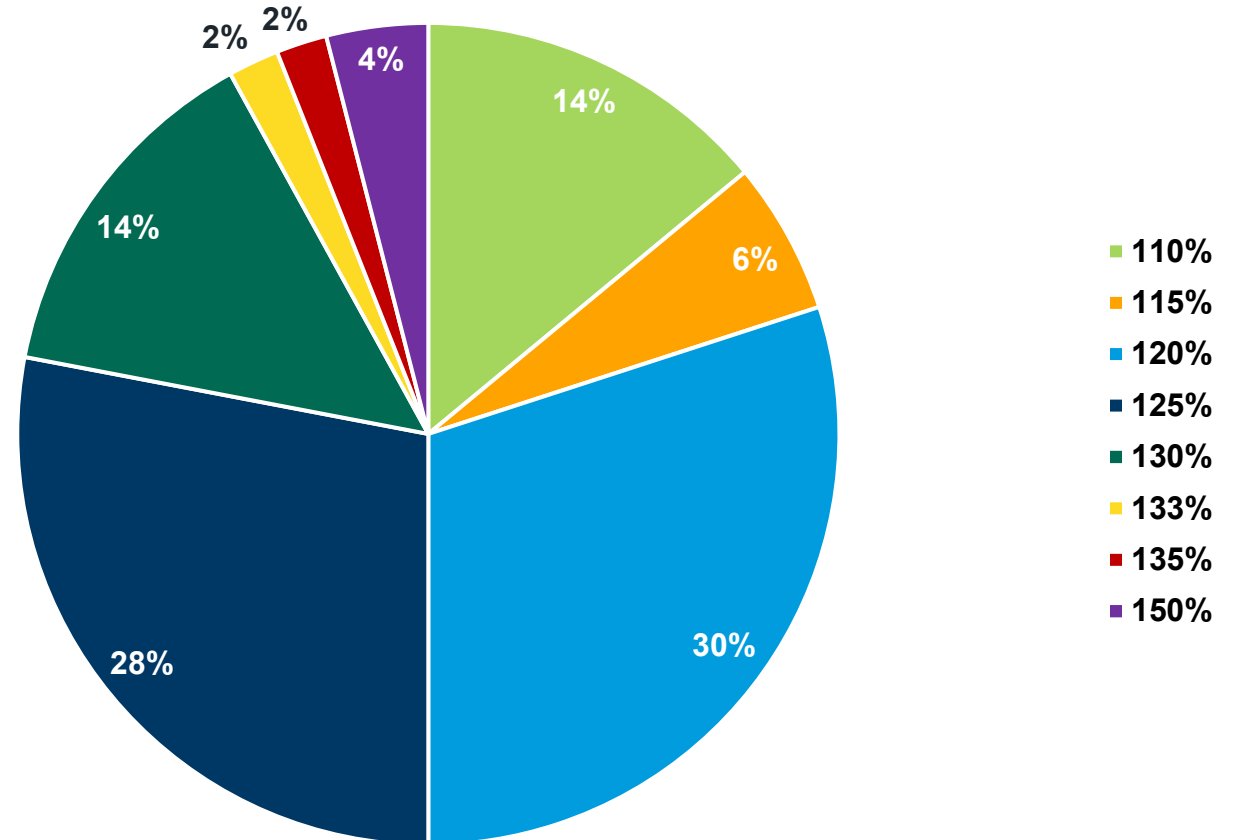


# Where there is a recycling limit stated, what is the limit? (% of commitments)

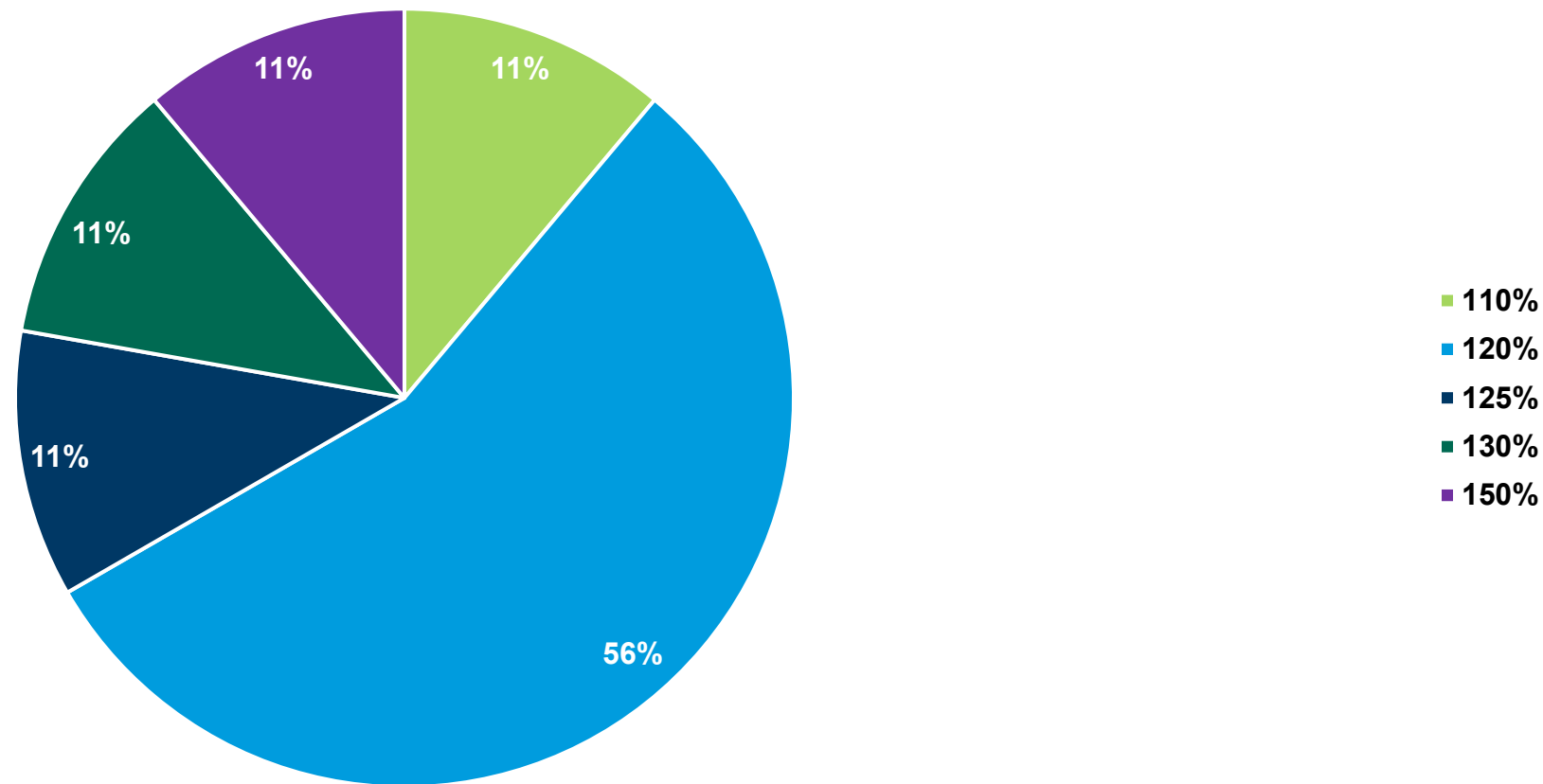
## All Funds

Many U.S. private equity funds feature broad recycling rights, meaning that, in addition to rights to recycle proceeds equal to fees and expenses, a fund may recycle proceeds from investments realized during the investment period, typically up to a cap on the aggregate amount that can be invested in portfolio investment as a percentage of commitments. As it relates to a cap on total investment, the market is broadly concentrated in the 120%-130% range. Some funds have more limited rights that restrict recycling to proceeds received from investments within 12 to 18 months of acquisition, or to only recycling recovered cost basis but not profits.

We expect to see managers continuing to look for expanded recycling rights as part of the drive to narrow their gross/net IRR spread, but also as a means of providing additional liquidity and a quick solution to boost a fund's available capital. Many investors find added recycling capacity to be an attractive attribute. However, there are alternative methods of providing needed liquidity, such as borrowing facilities.

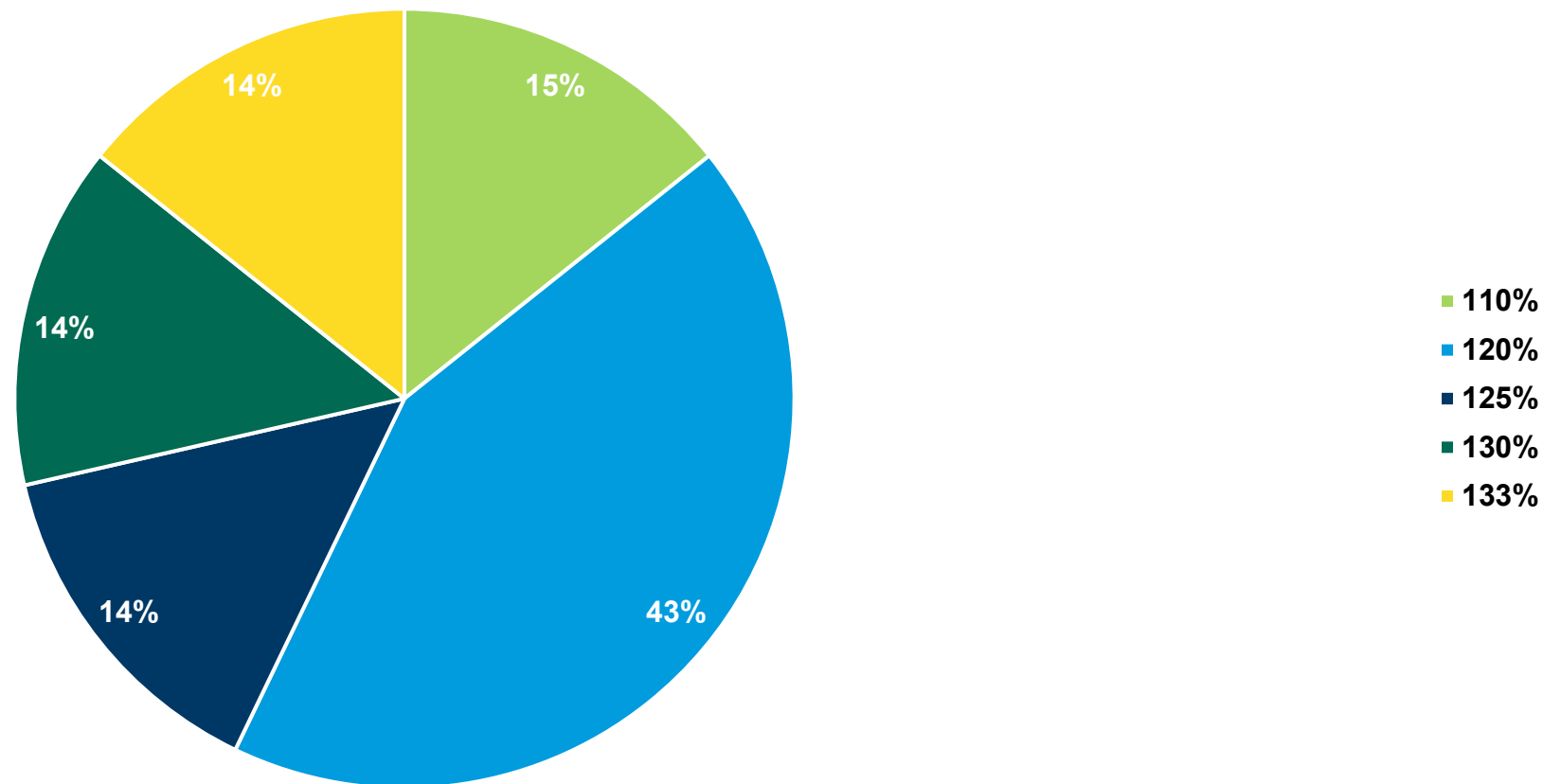


Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
<\$500M

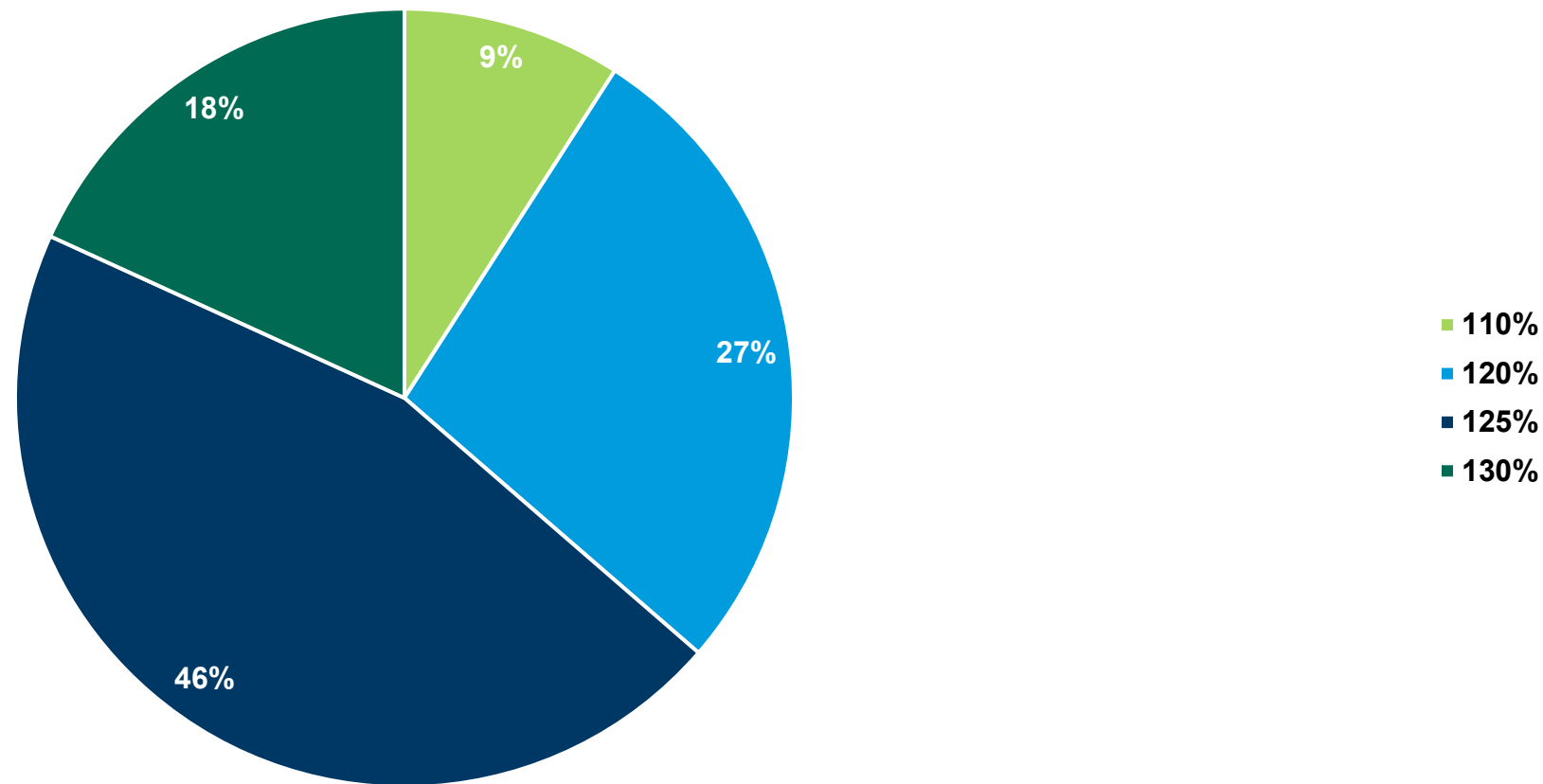




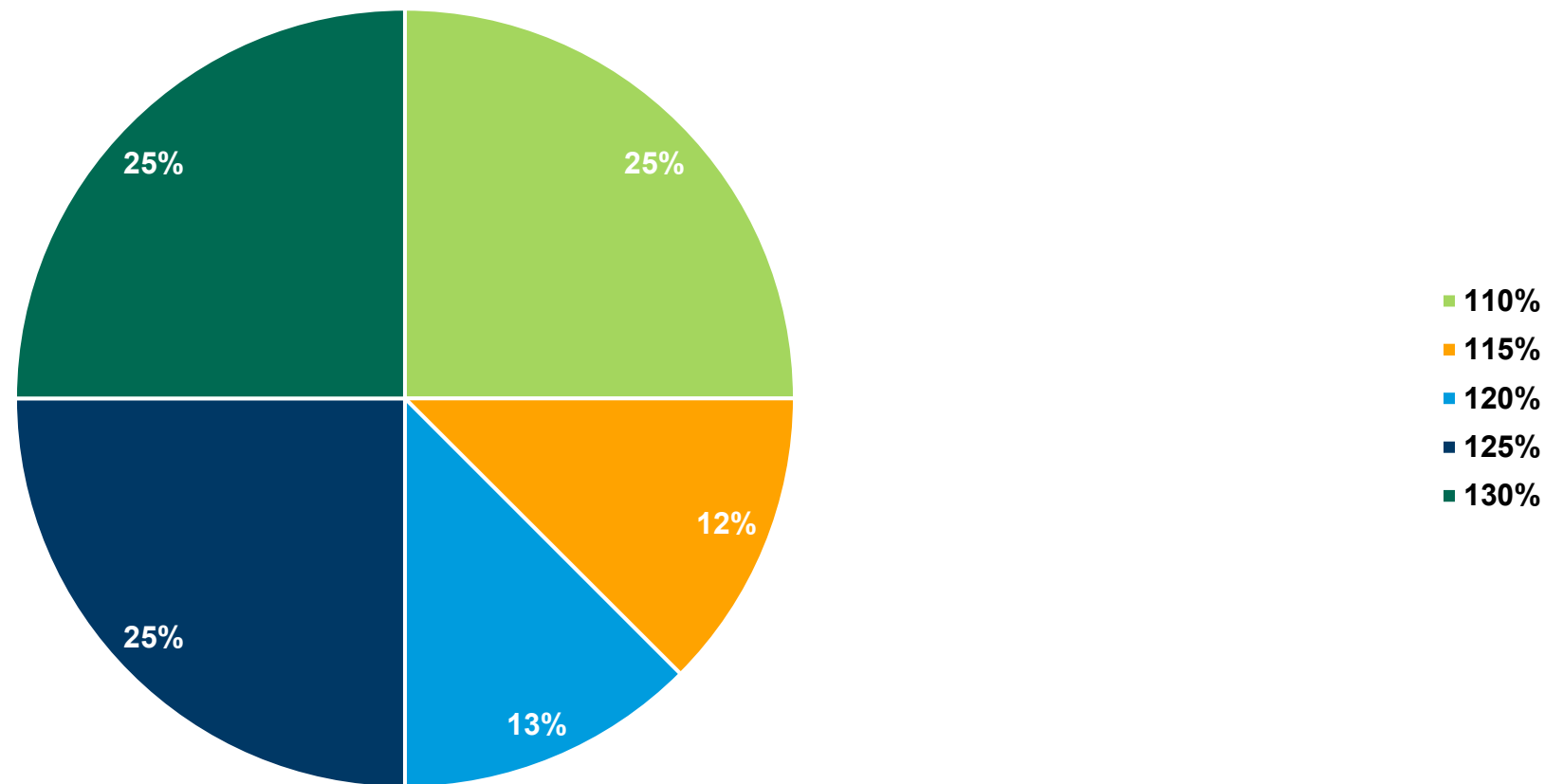
Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
\$500M-\$1B



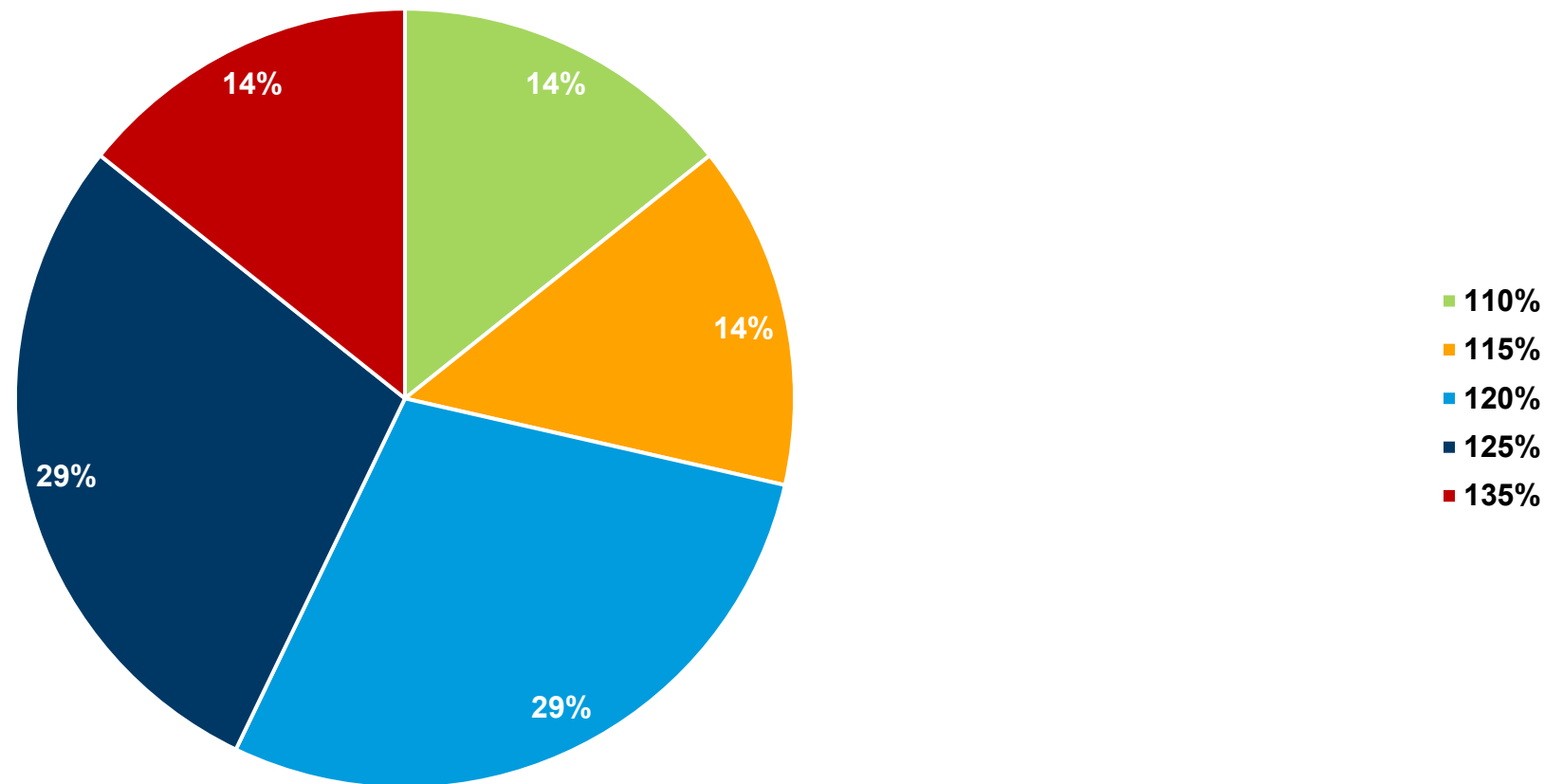
Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
\$1B-\$2.5B



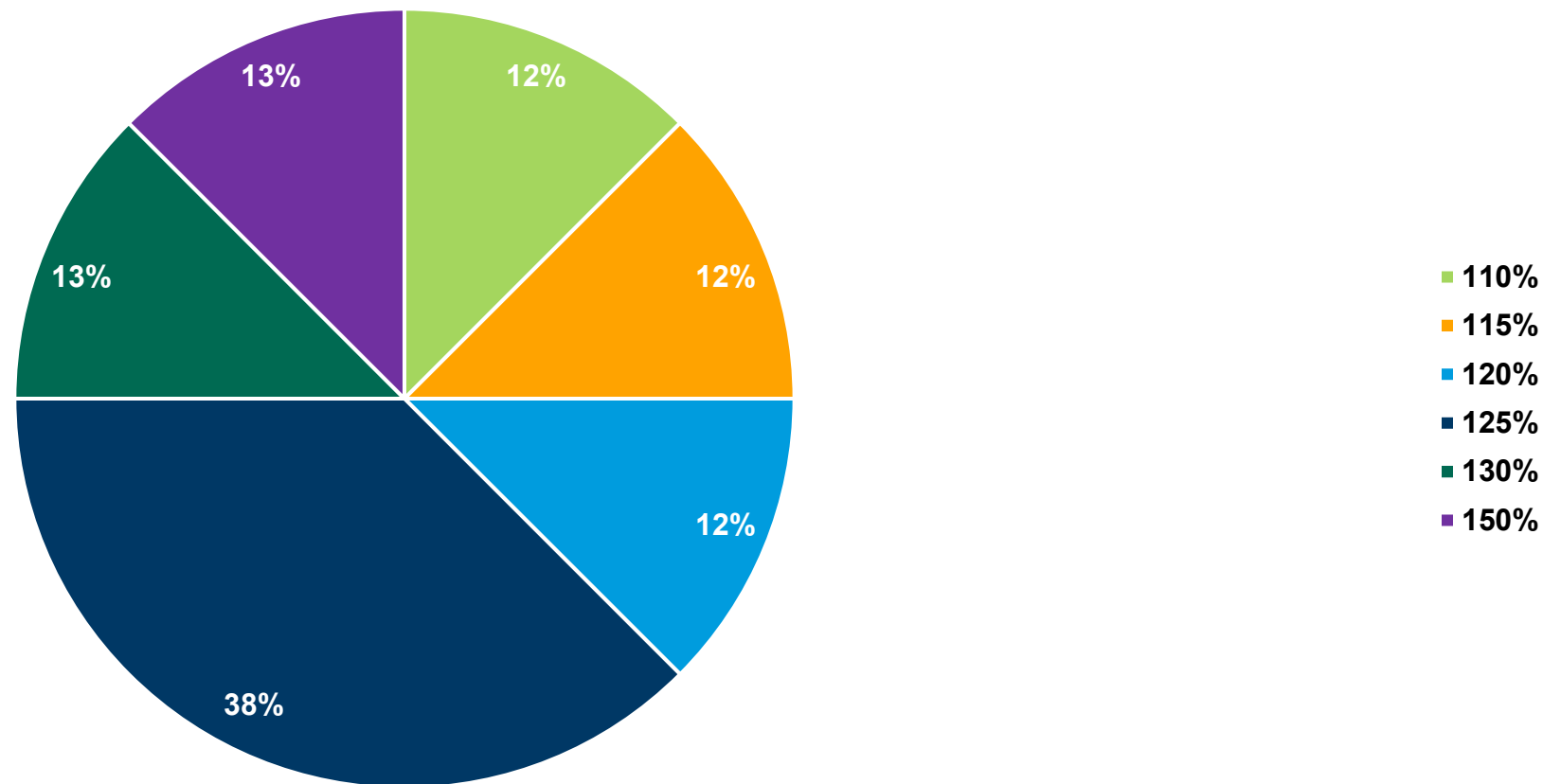
Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
\$2.5B-\$5B



Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
\$5B-\$10B



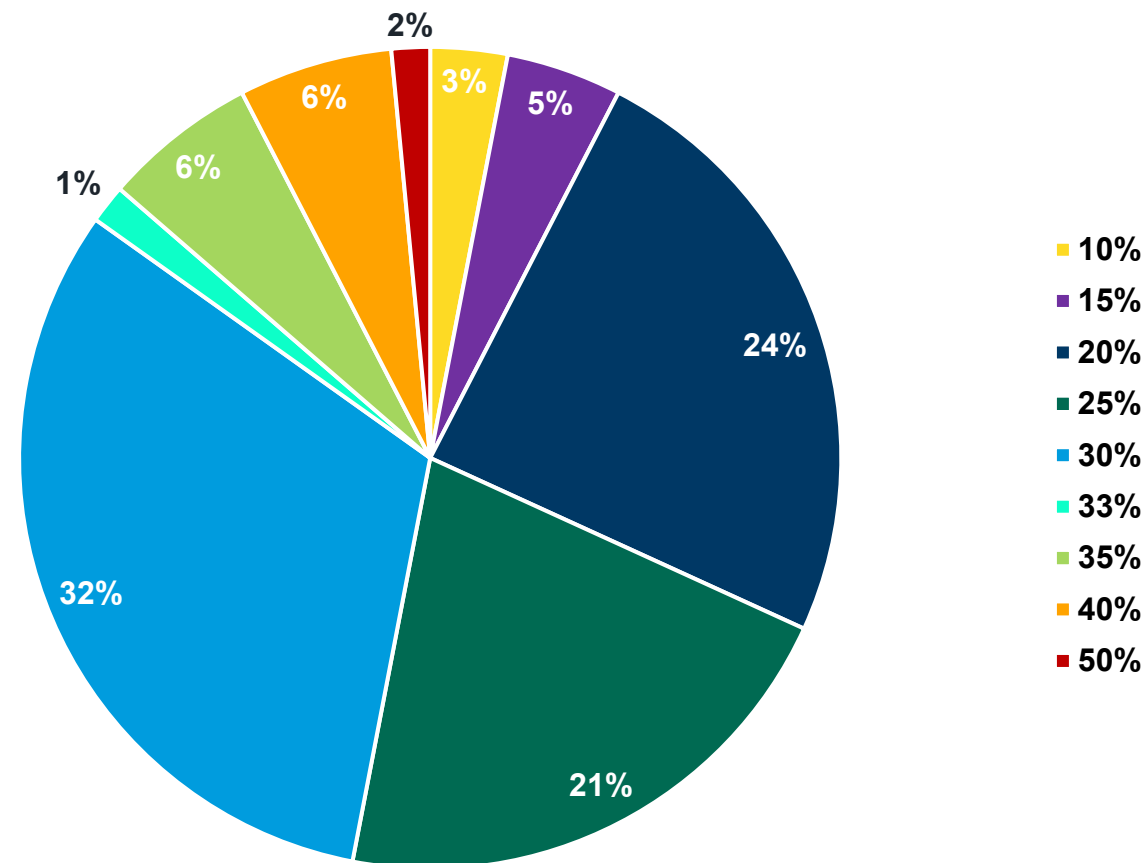
Where there is a recycling limit stated, what is the limit?  
(% of commitments)  
**>\$10B**



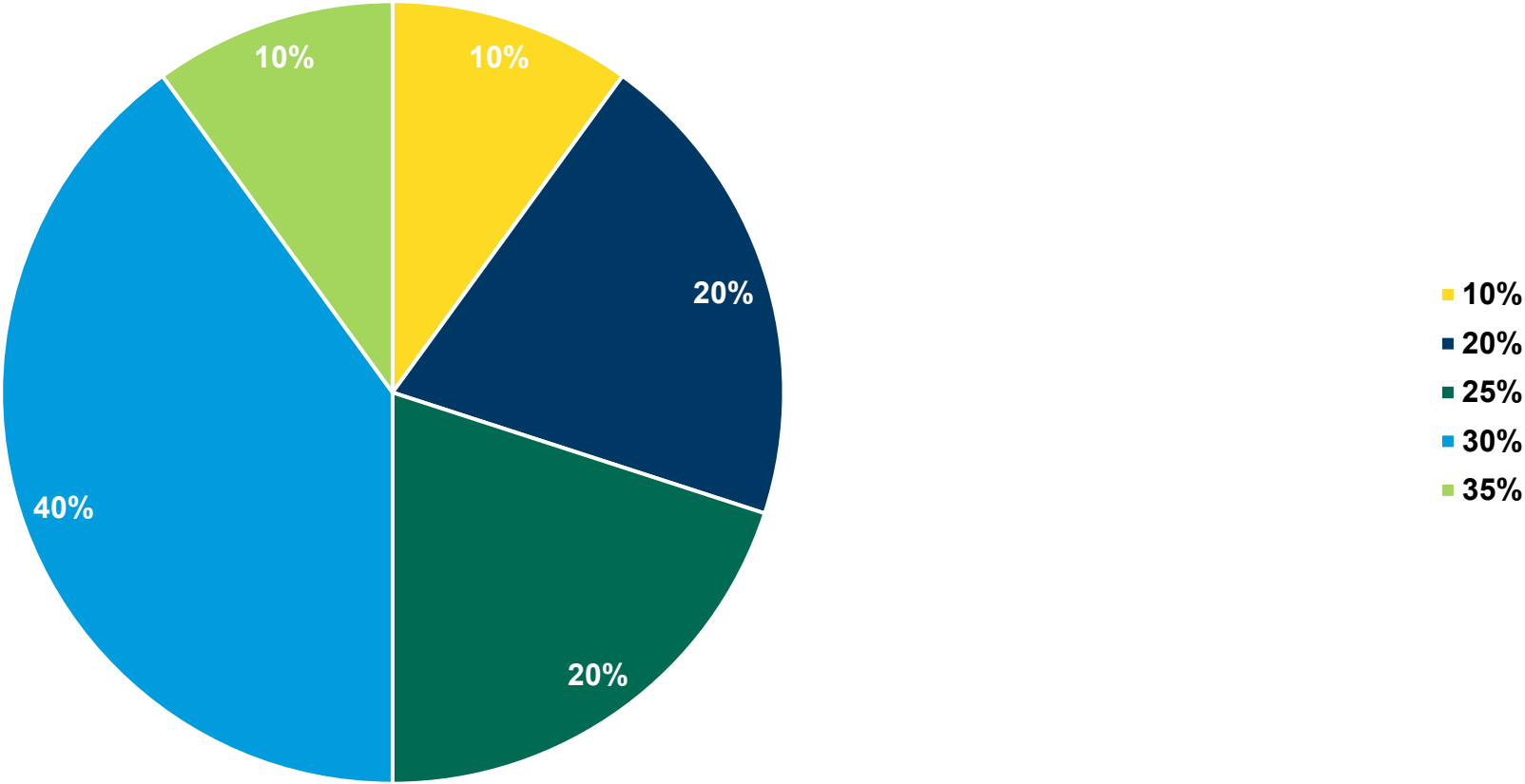
# Limits on subscription line and other fund-level borrowing (% of commitments)

## All Funds

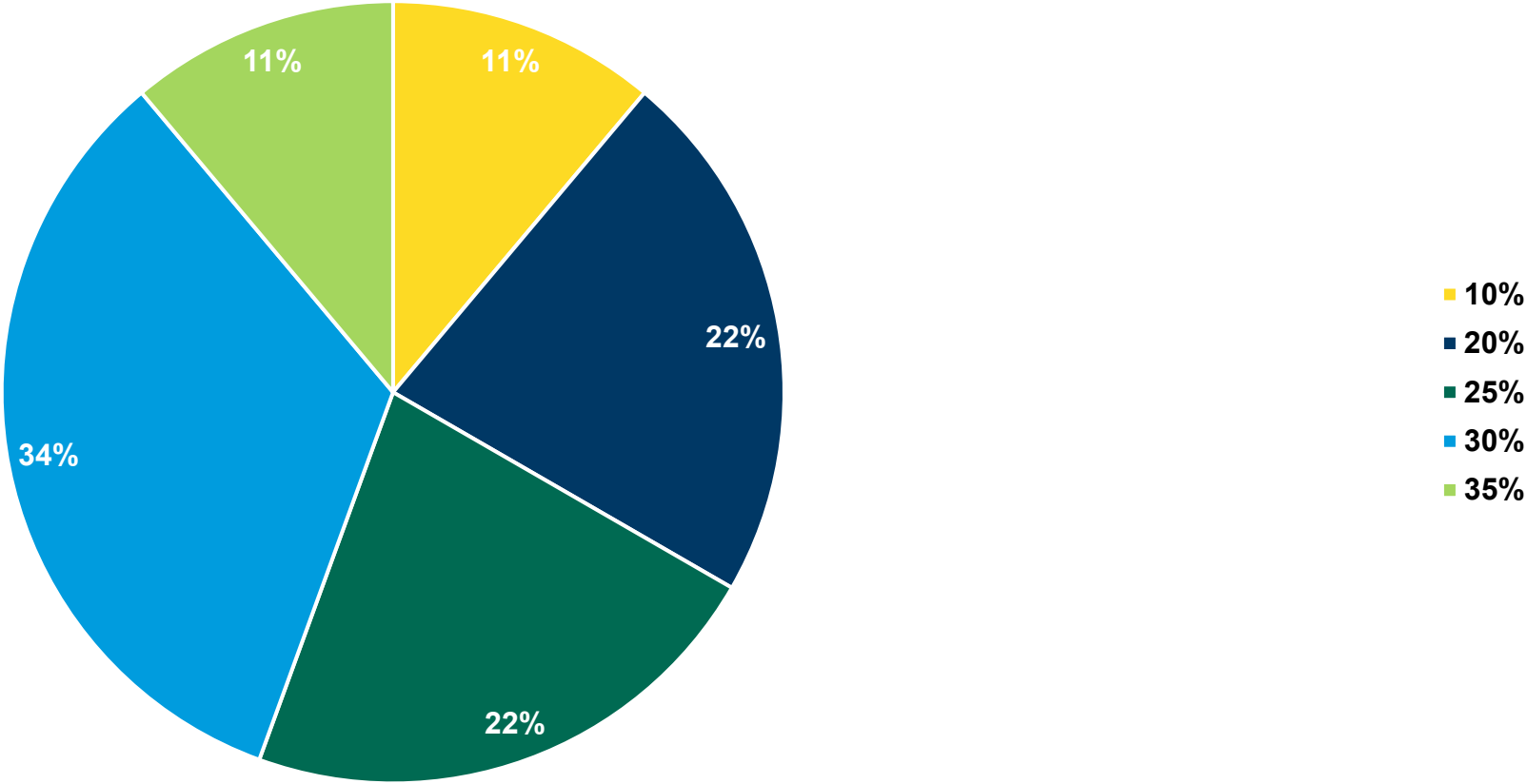
There continues to be significant focus on fund leverage by investors and managers, with respect to both the use of subscription line facilities to bridge capital calls and broader uses of leverage, particularly by larger funds. While it has been common for funds to be limited to the lesser of a stated percentage cap and undrawn capital commitments, there has been some movement against the latter limitation as NAV and hybrid borrowing facilities have gained in popularity. During diligence and legal negotiations, investors remain focused on understanding how managers intend to use borrowing in practice and therefore what the impact may be on risk levels and returns given the cost of the facility and the potential reduction in accrued preferred return. While investors understand the potential administrative benefits of fewer capital calls, some investors are less comfortable with more extensive borrowing, given the need to reserve capital for drawdowns, and many prefer to see their commitments drawn down and put to work.



Limits on subscription line and other fund-level borrowing (% of commitments)  
<\$500M

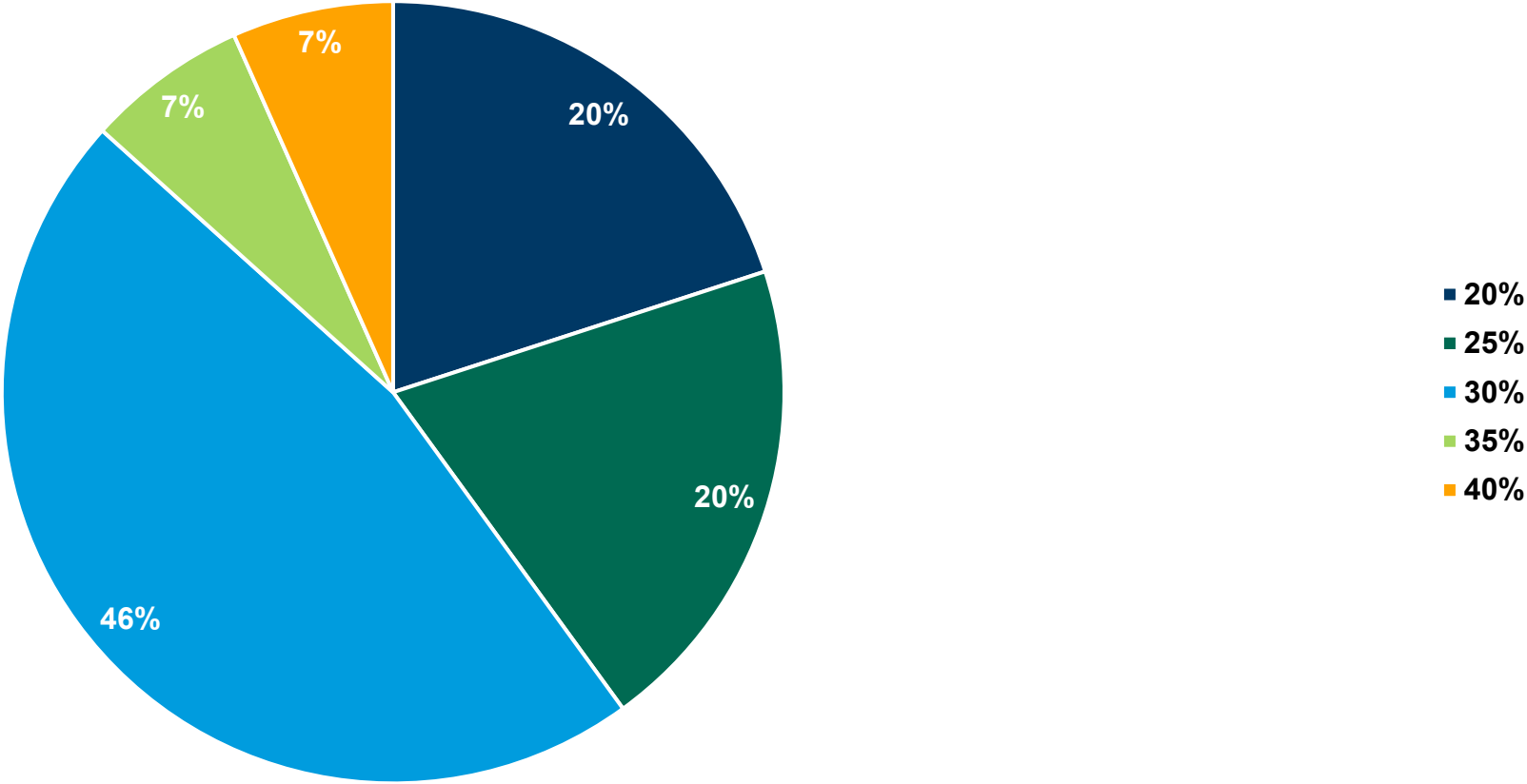


Limits on subscription line and other fund-level borrowing (% of commitments)  
\$500M-\$1B

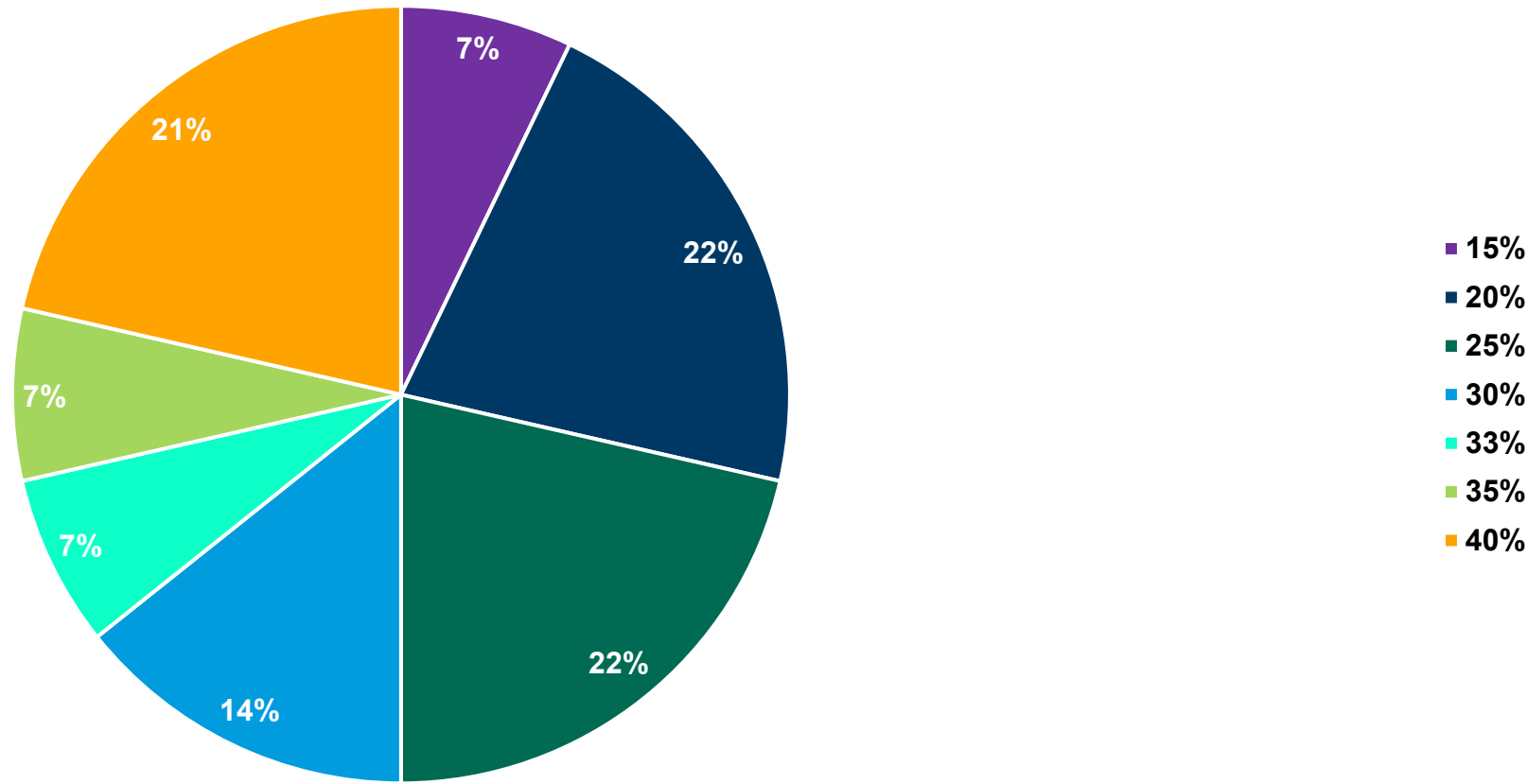




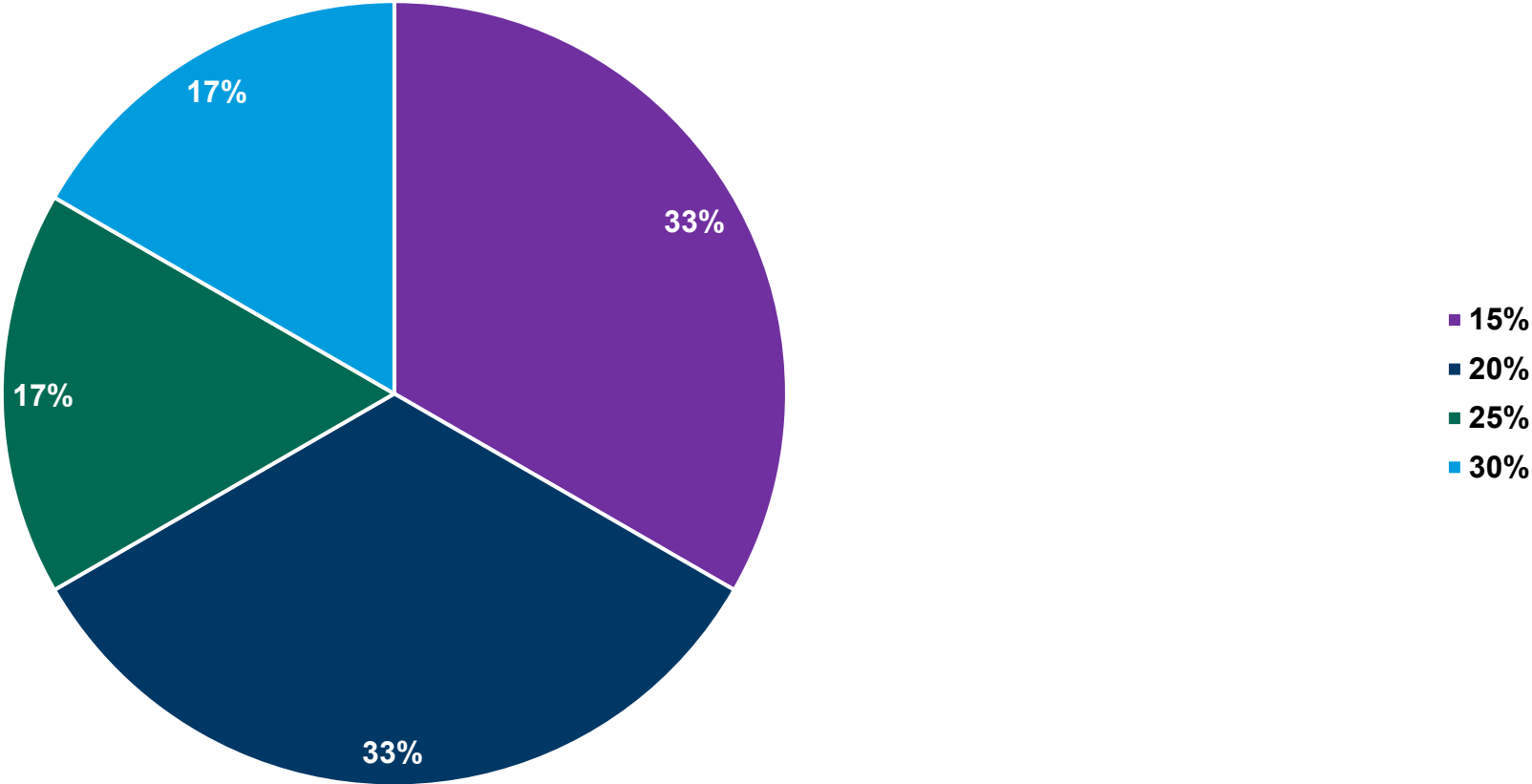
Limits on subscription line and other fund-level borrowing (% of commitments)  
\$1B-\$2.5B



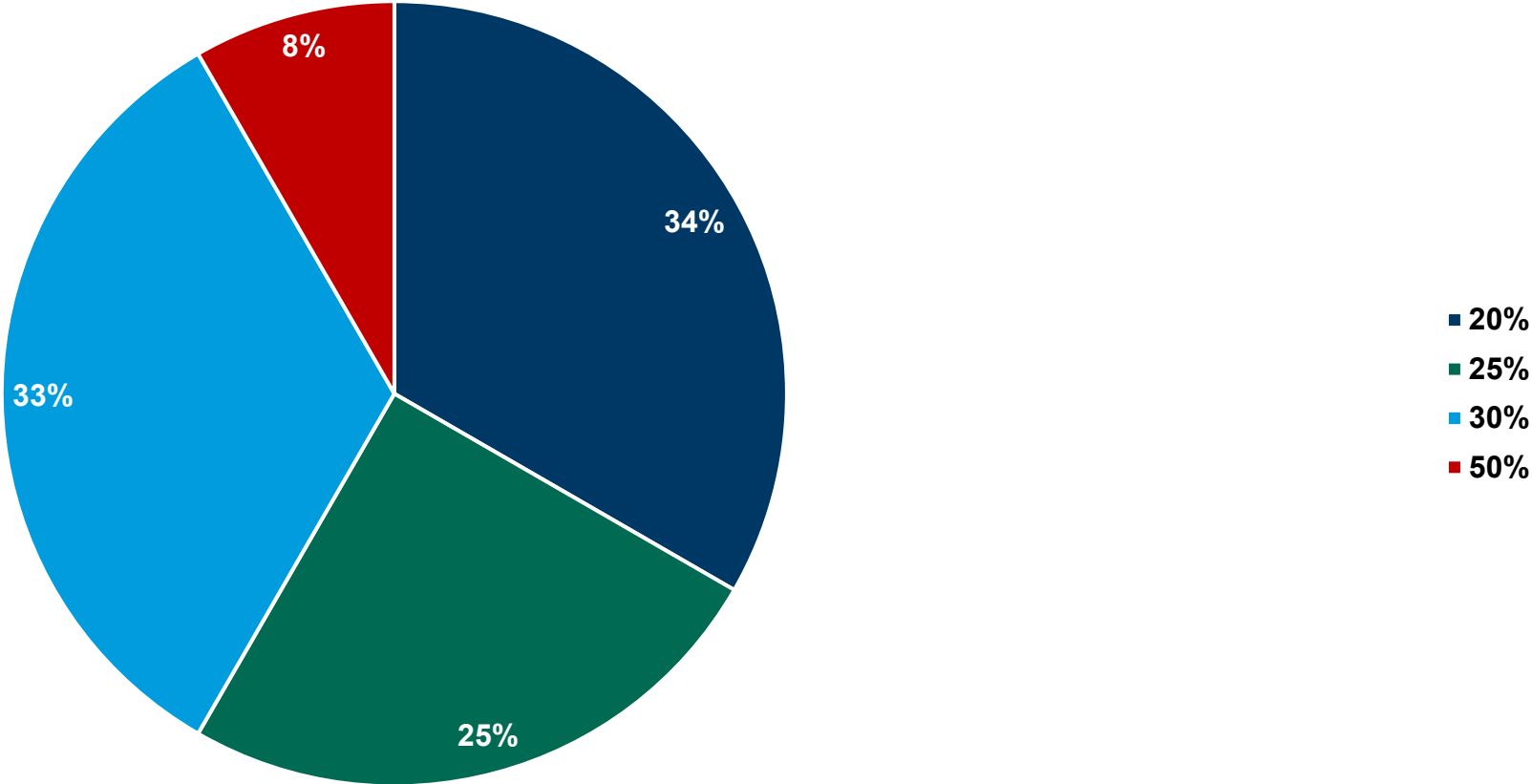
Limits on subscription line and other fund-level borrowing (% of commitments)  
\$2.5B-\$5B



Limits on subscription line and other fund-level borrowing (% of commitments)  
\$5B-\$10B



Limits on subscription line and other fund-level borrowing (% of commitments)  
>\$10B

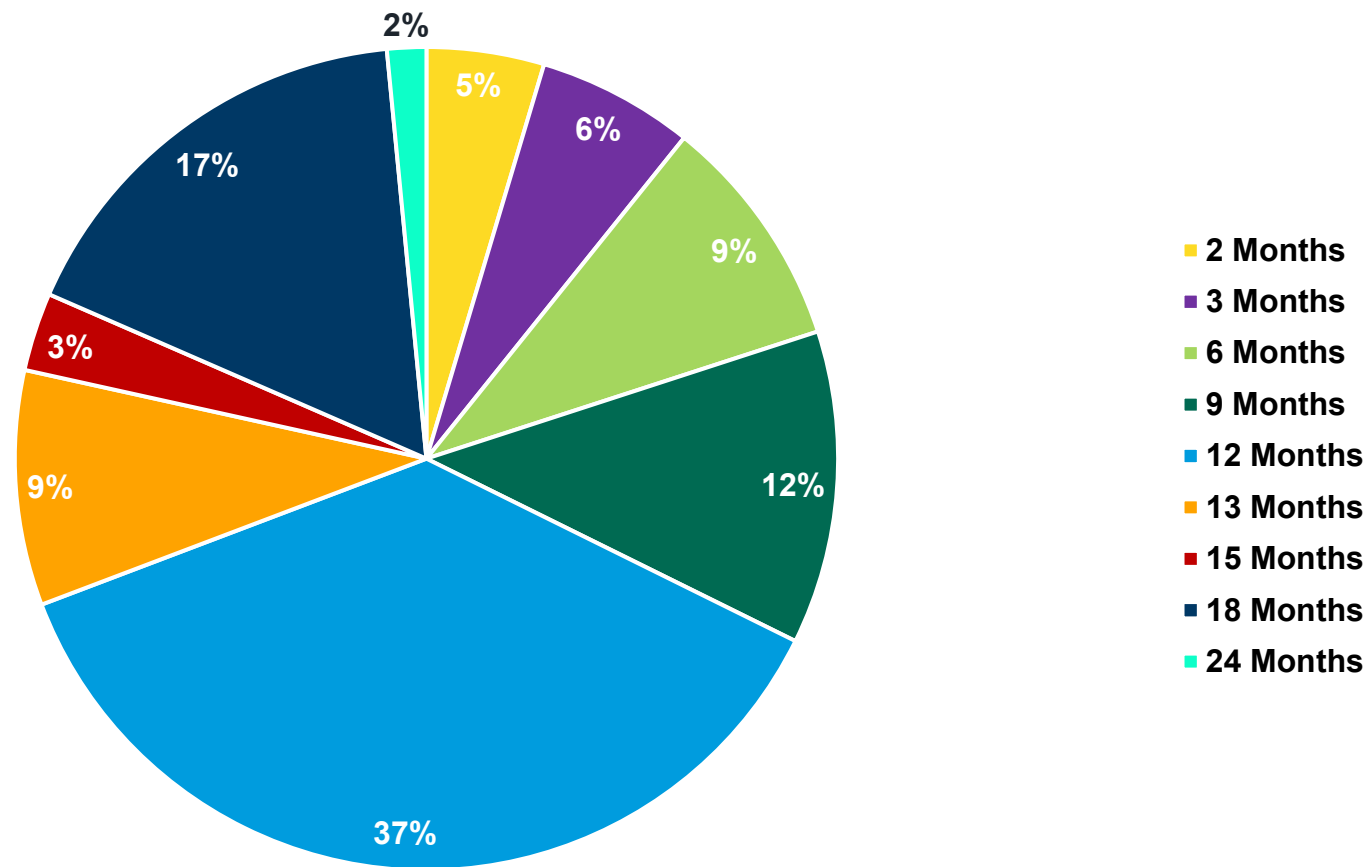


# Time limits on borrowing

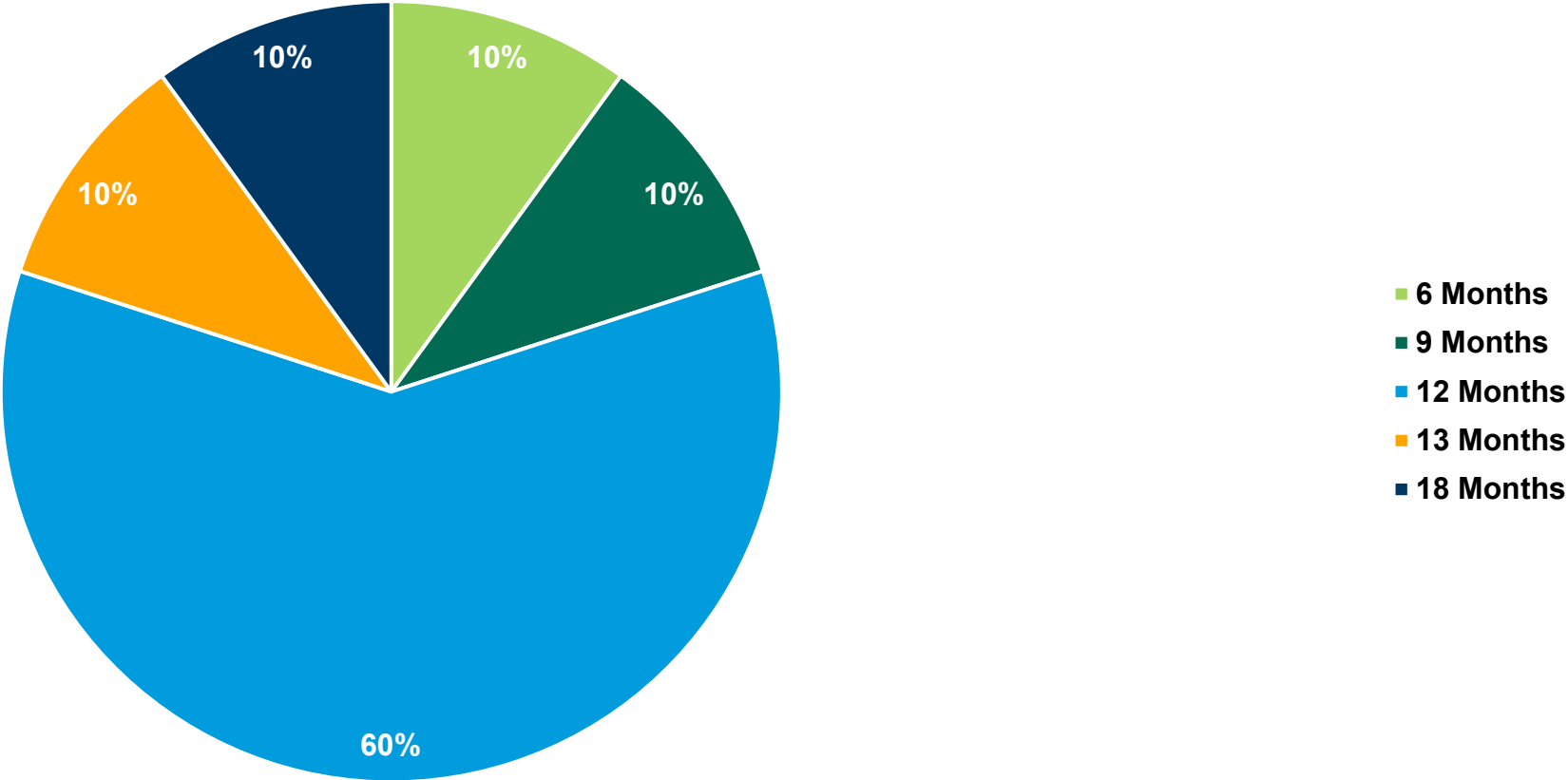
## All Funds

The most time limitations on fund-level borrowing are nine and 12 months, with 12 months being most common. While there is a wide distribution, with limits ranging from two to 24 months, a significant majority of funds in every size class may not borrow for more than 12 months.

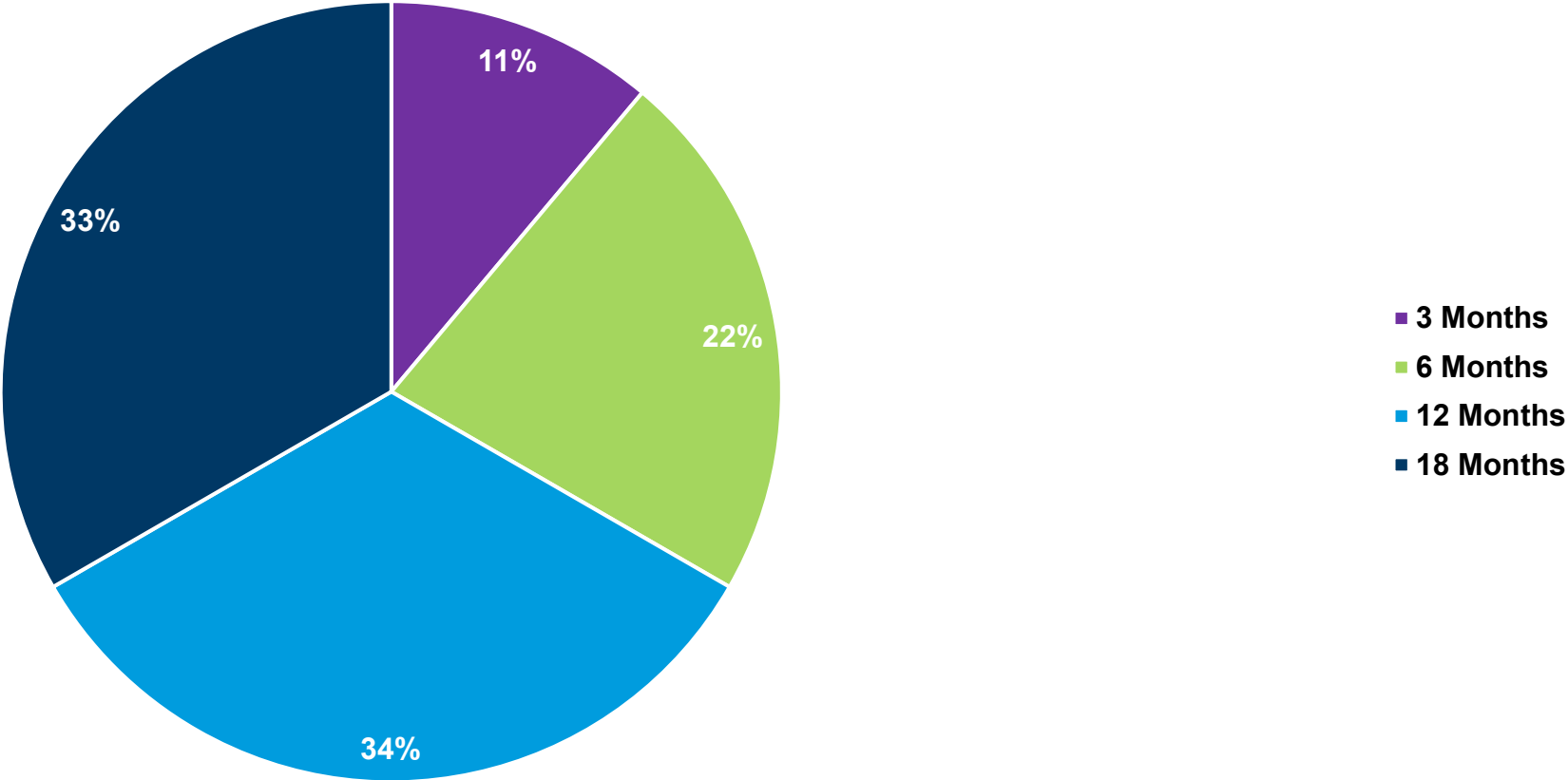
We continue to see discussions between investors and managers around the appropriate time limit on fund borrowing, including establishing separate time limits on borrowings for different purposes.



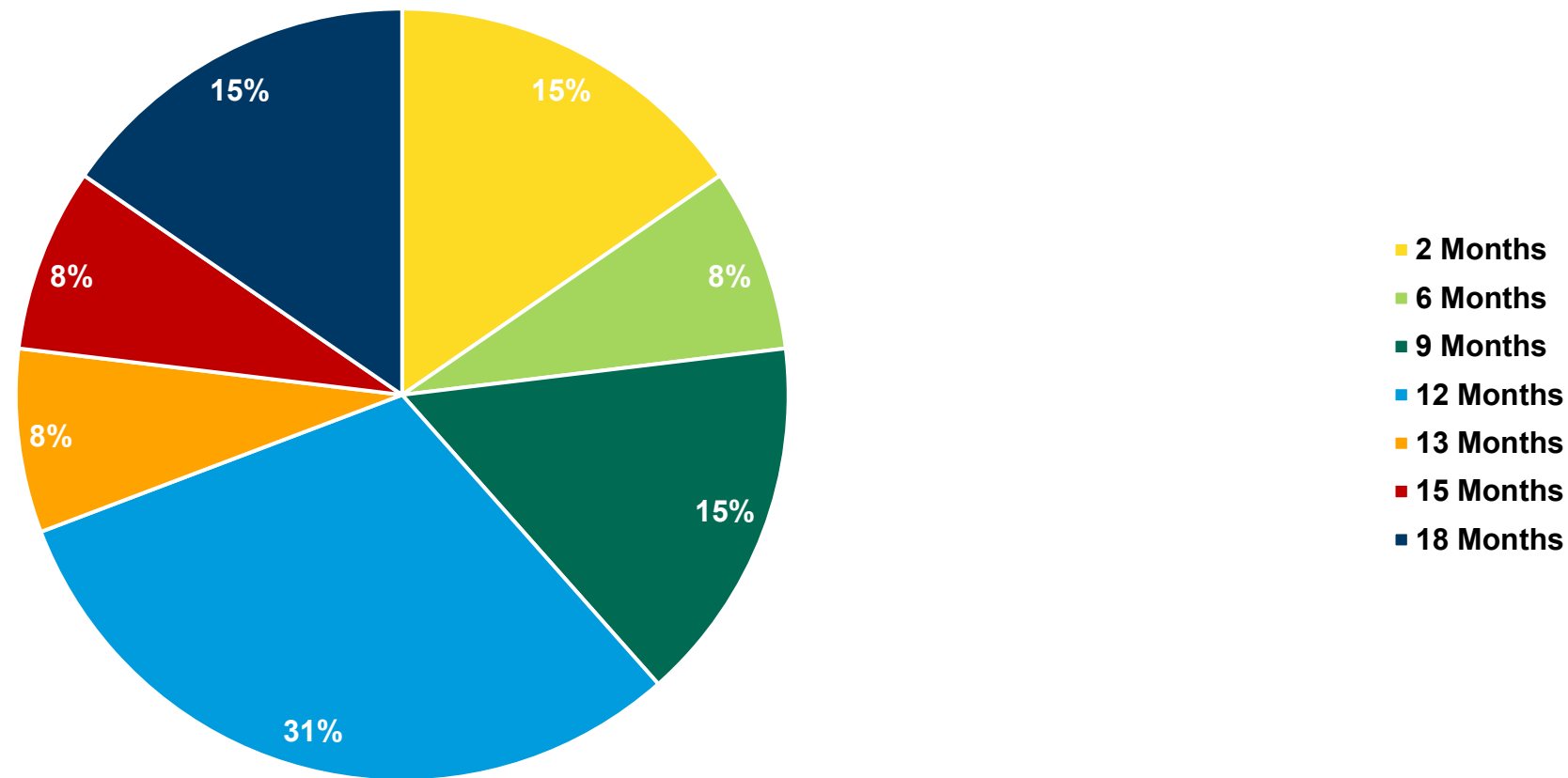
Time limits on borrowing  
<\$500M



Time limits on borrowing  
\$500M-\$1B

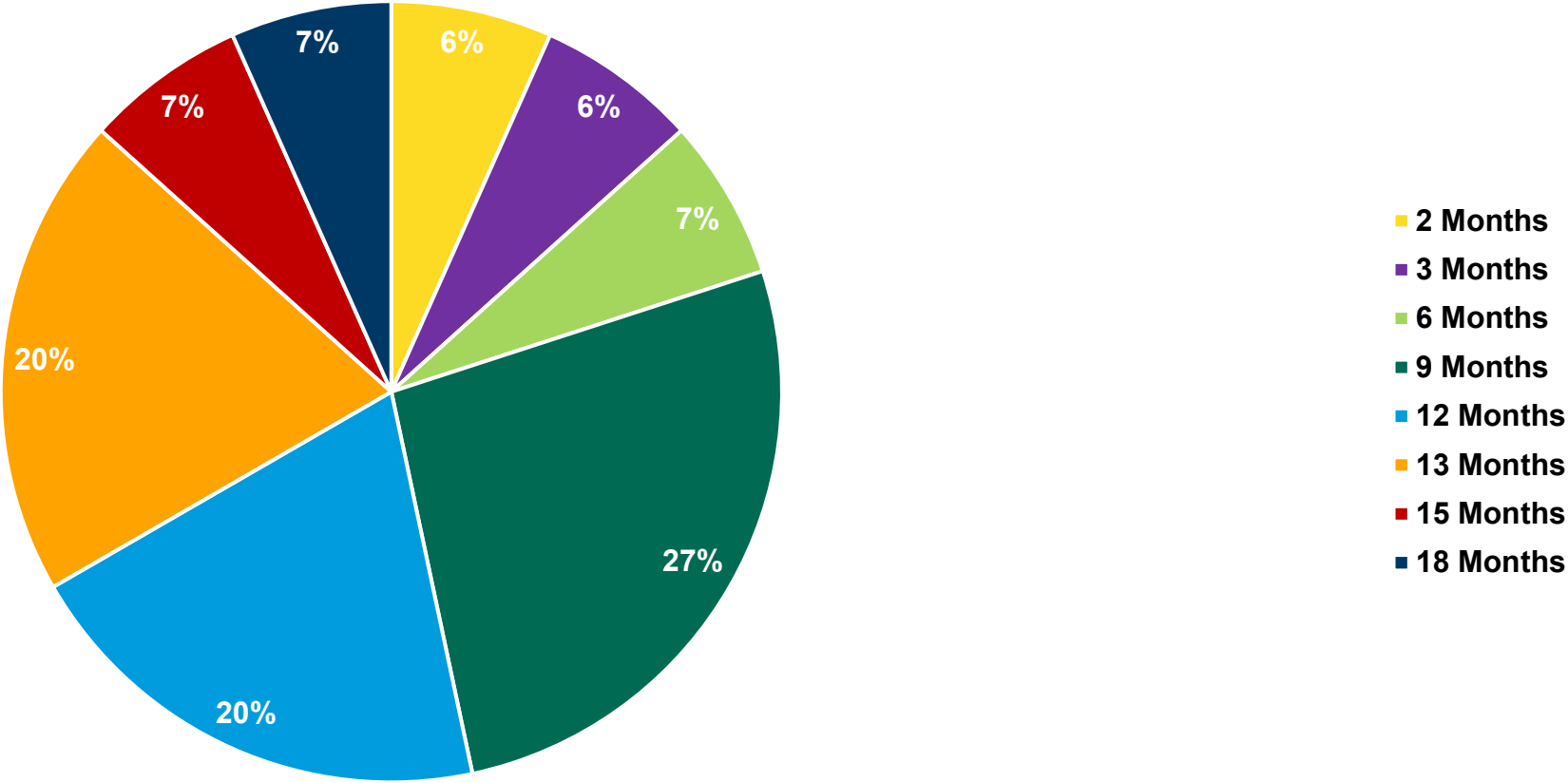


Time limits on borrowing  
\$1B-\$2.5B

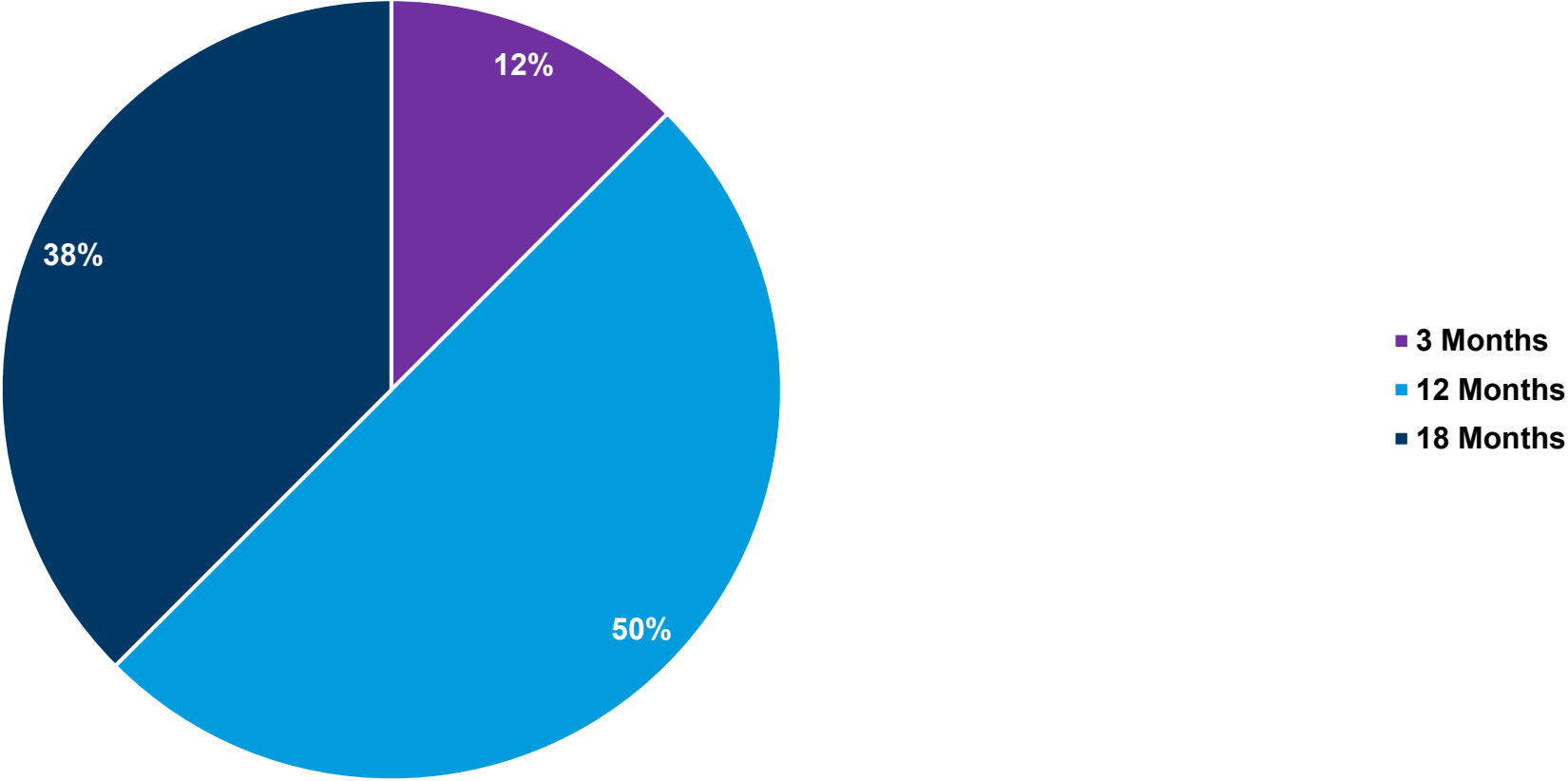




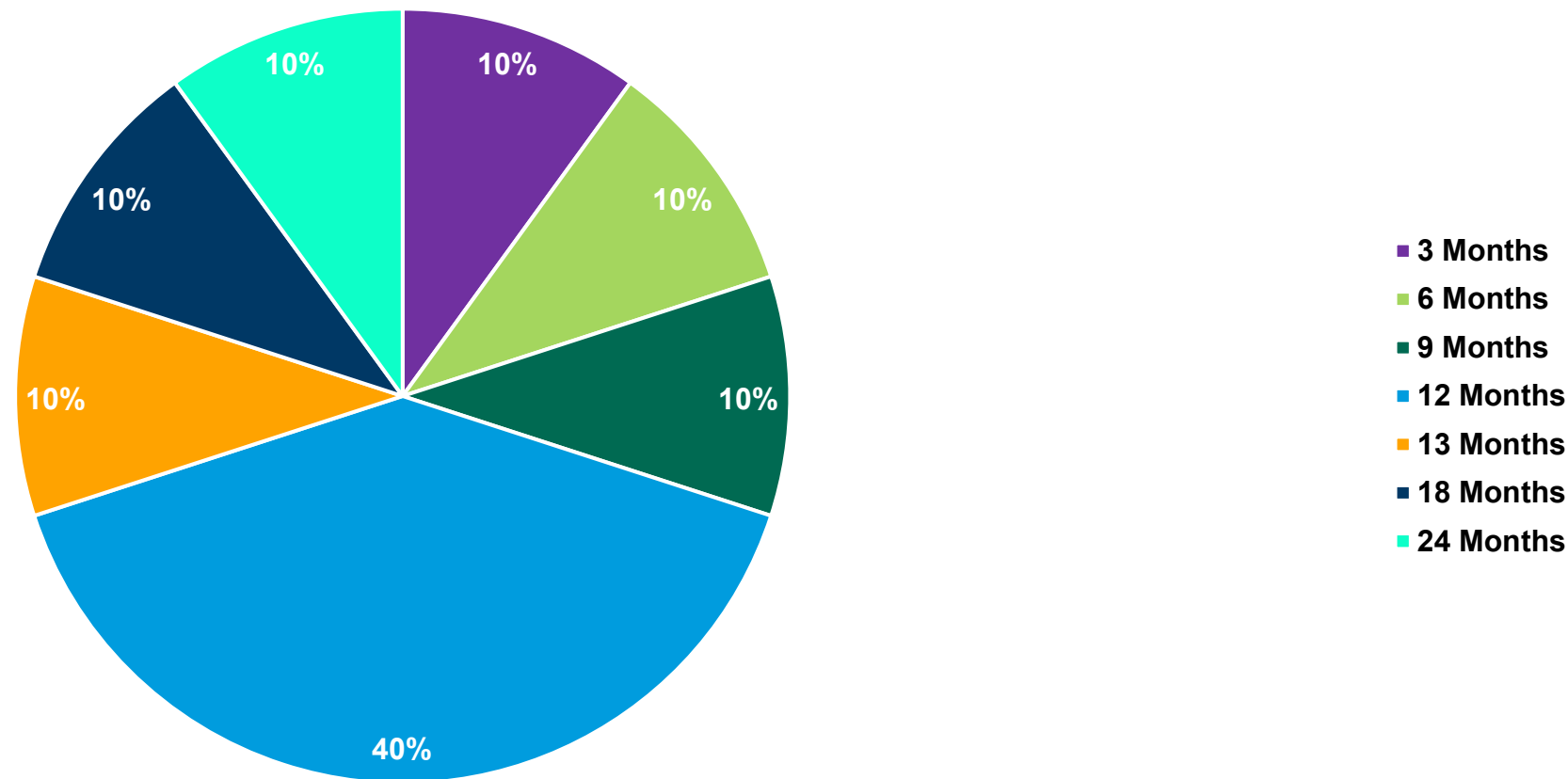
Time limits on borrowing  
\$2.5B-\$5B



Time limits on borrowing  
\$5B-\$10B



Time limits on borrowing  
>\$10B

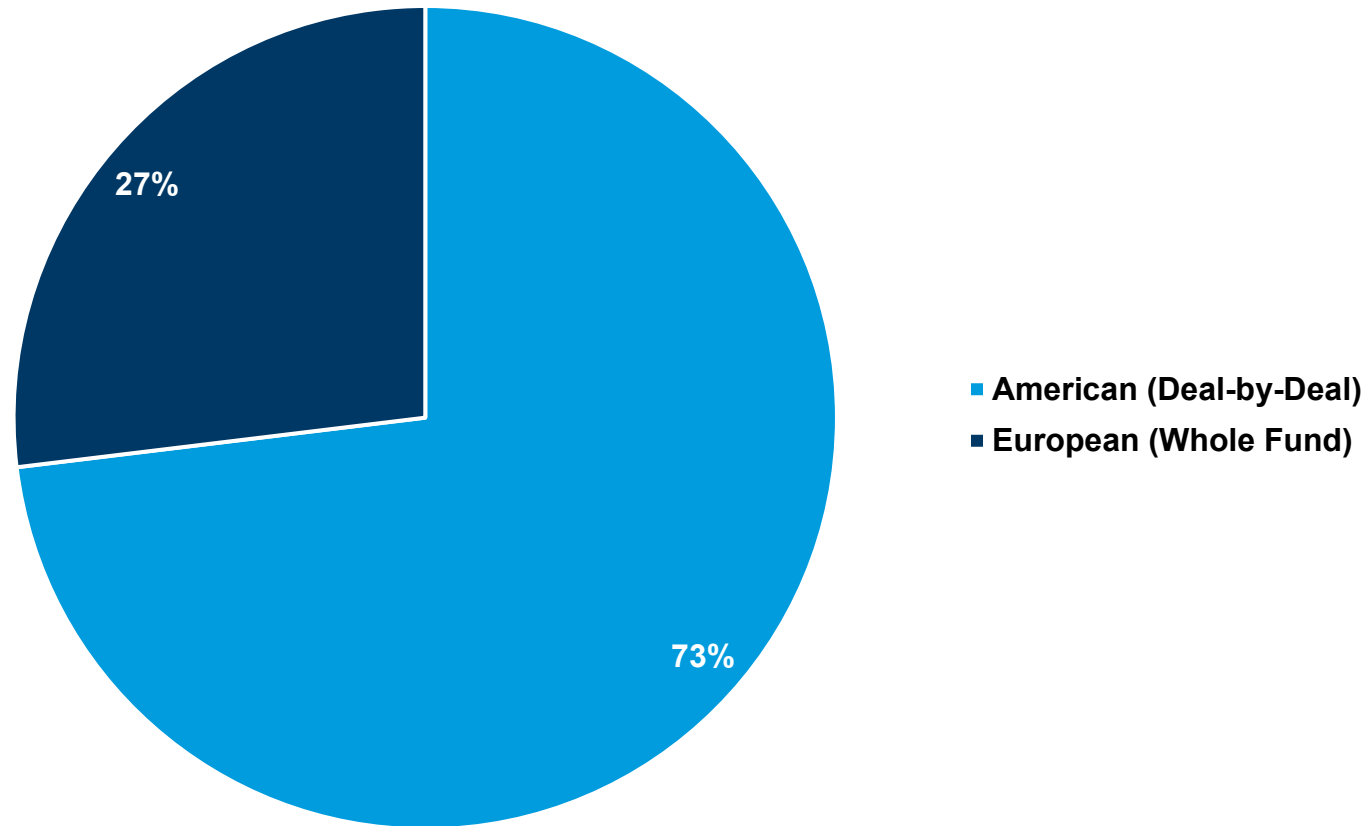


# Distribution waterfall – Type of waterfall

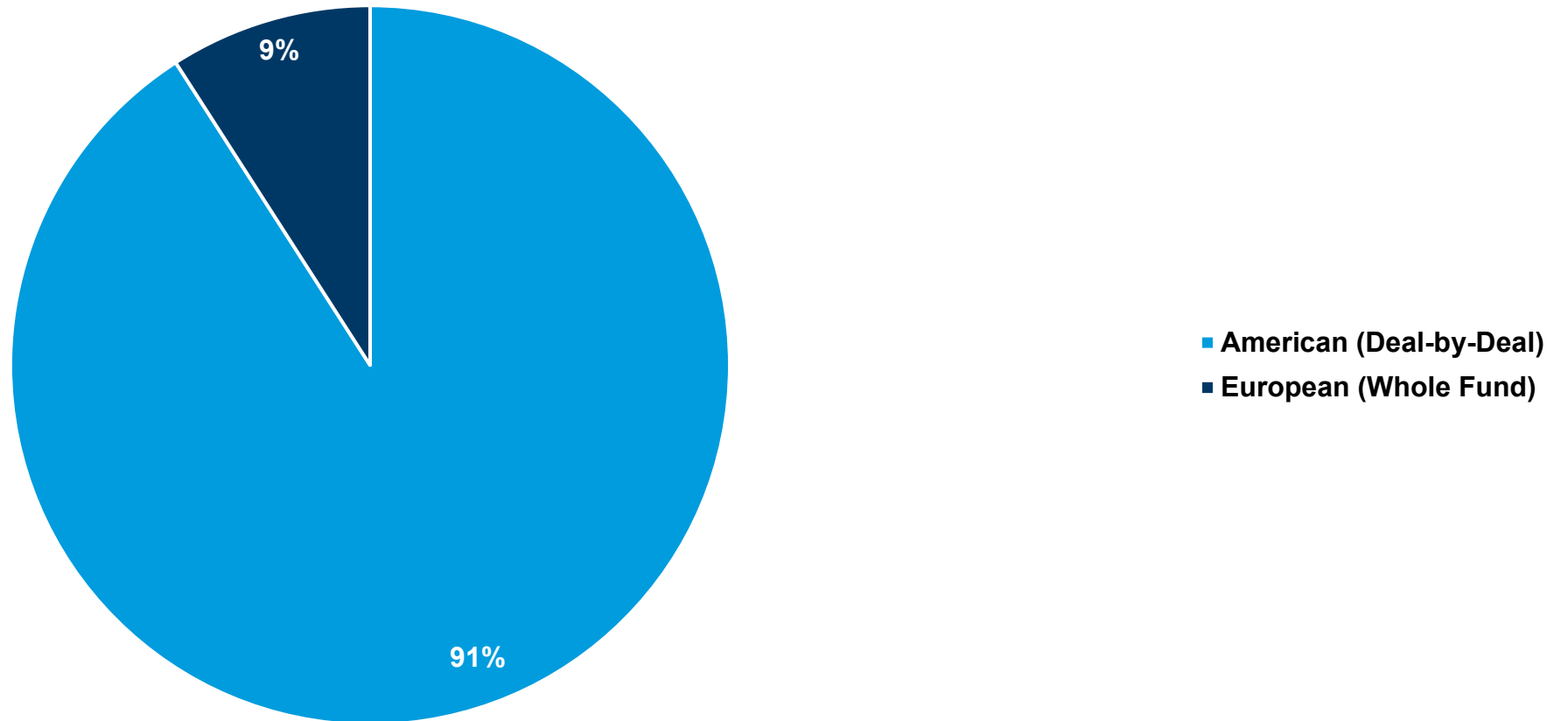
## All Funds

The deal-by-deal waterfall model remains the dominant economic deal in U.S. buyout funds, with 73% of funds in our sample utilizing some form of the “American” model. By “deal-by-deal” (or “American style”) waterfall we usually mean a distribution model that would require the investor to have received back its capital contributions made for the particular investment that has been realized and all previously realized investments (as well as an allocable portion of fund expenses) before carry is paid.

Mid-sized funds in the \$500 million to \$2 billion size range were most likely to have something other than an American-style waterfall, with 40% of funds between \$500 million and \$1 billion, and 35% of funds in the \$1-2 billion range having a whole-fund (“European style”) waterfall.

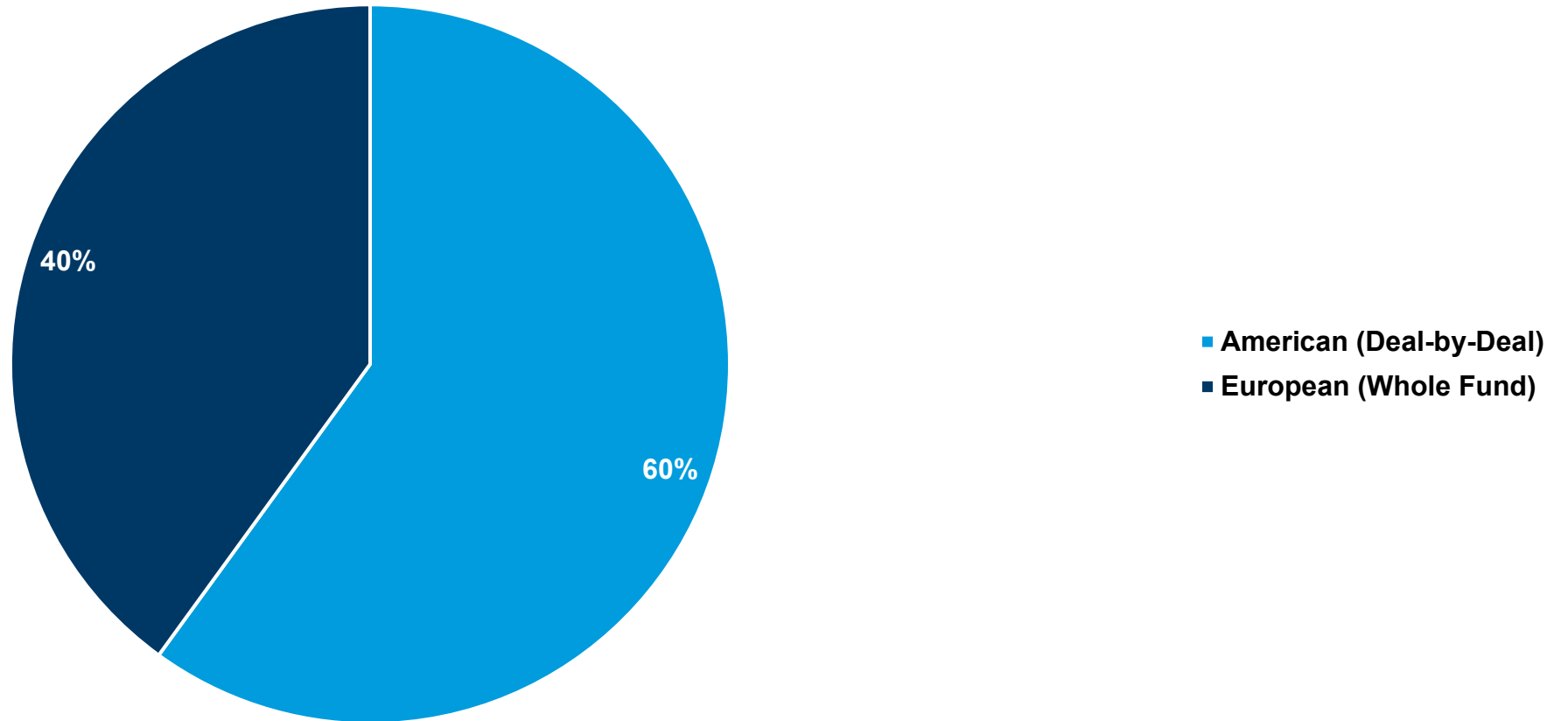


## Distribution waterfall – Type of waterfall <\$500M



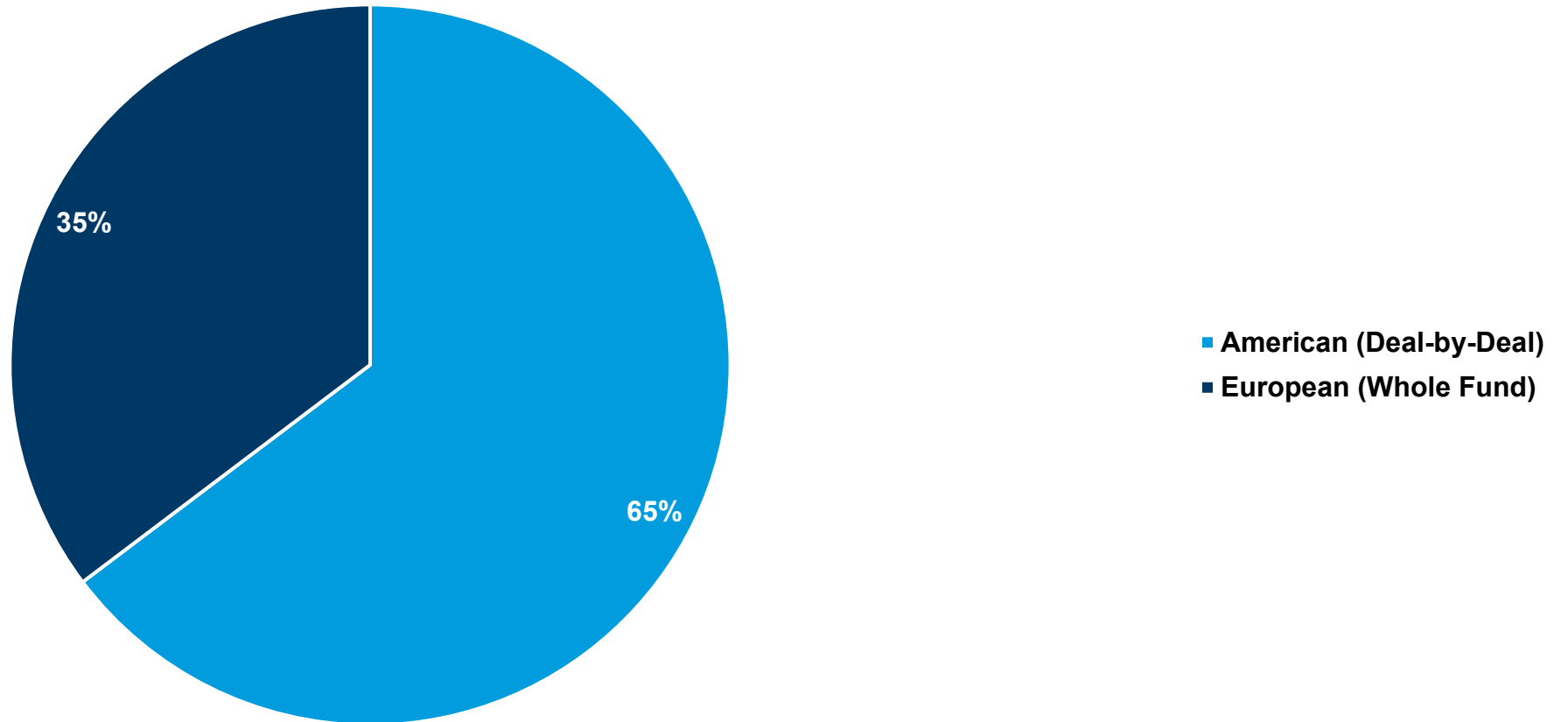
## Distribution waterfall – Type of waterfall

### \$500M-\$1B



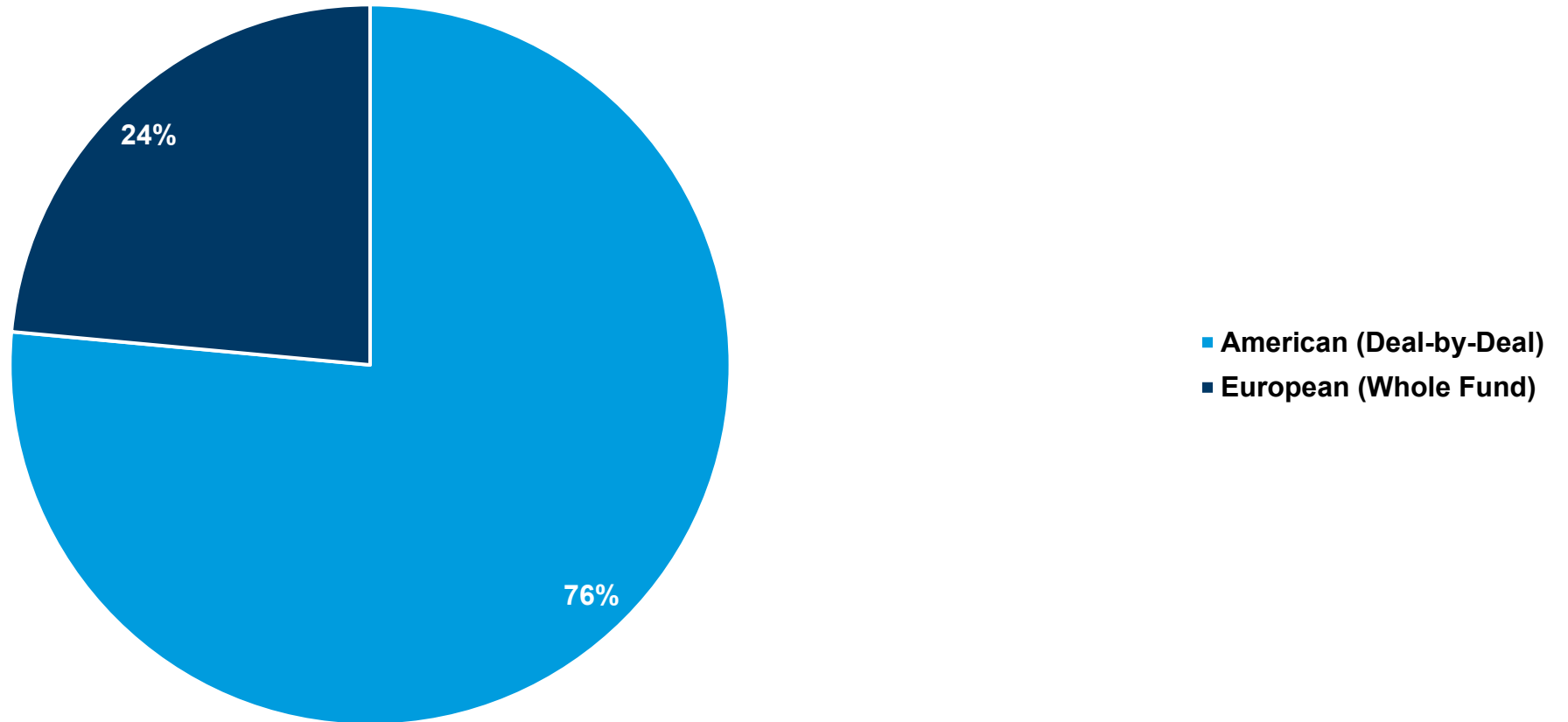
## Distribution waterfall – Type of waterfall

### \$1B-\$2.5B



## Distribution waterfall – Type of waterfall

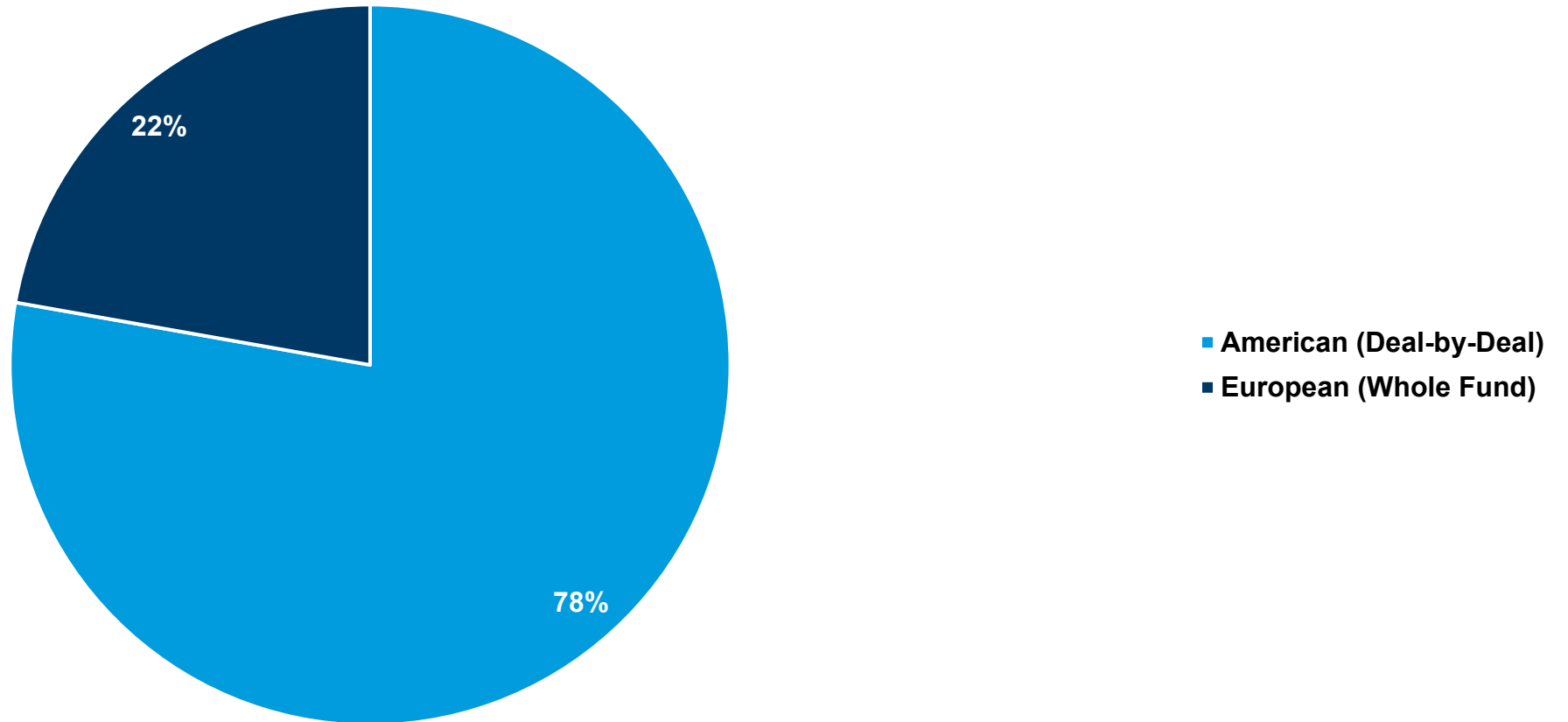
### \$2.5B-\$5B



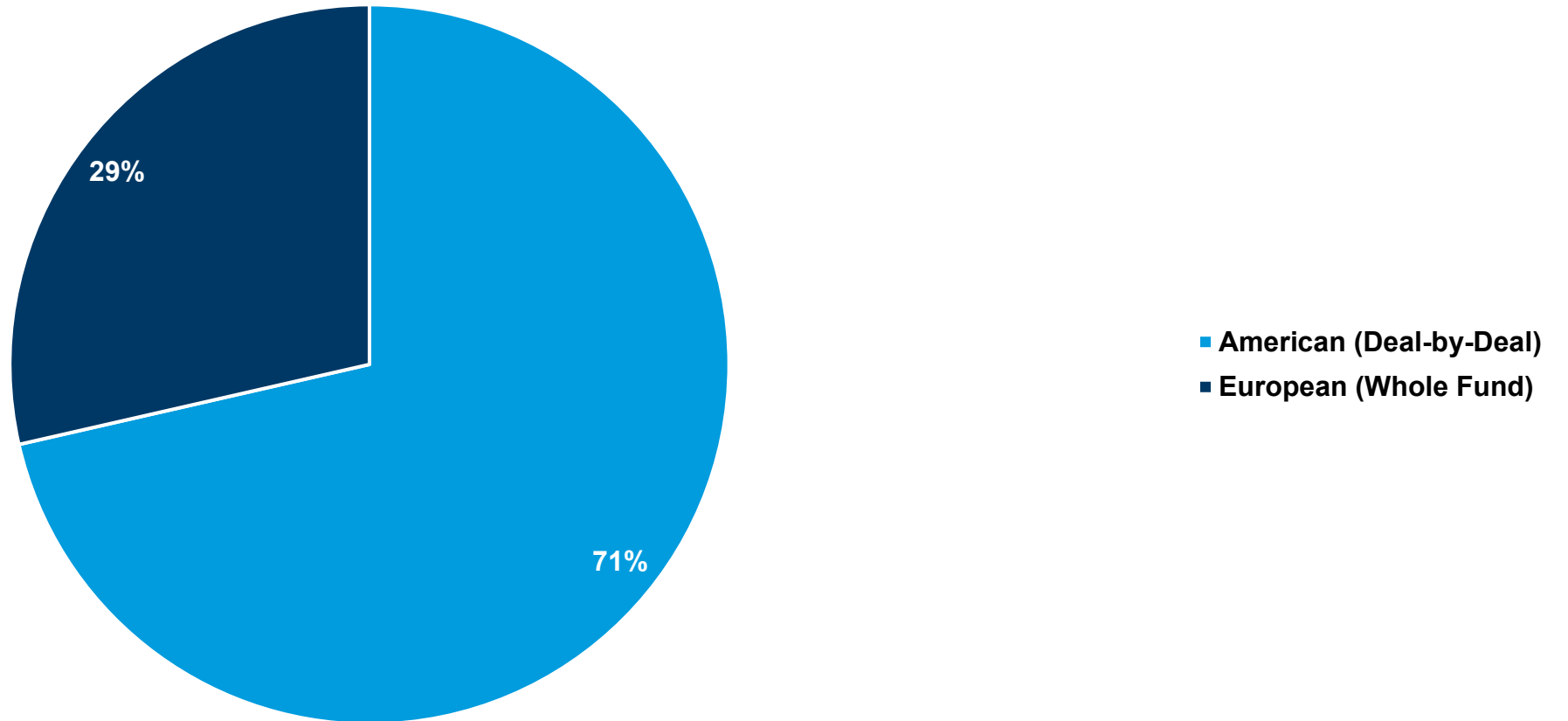


## Distribution waterfall – Type of waterfall

### \$5B-\$10B



## Distribution waterfall – Type of waterfall >\$10B

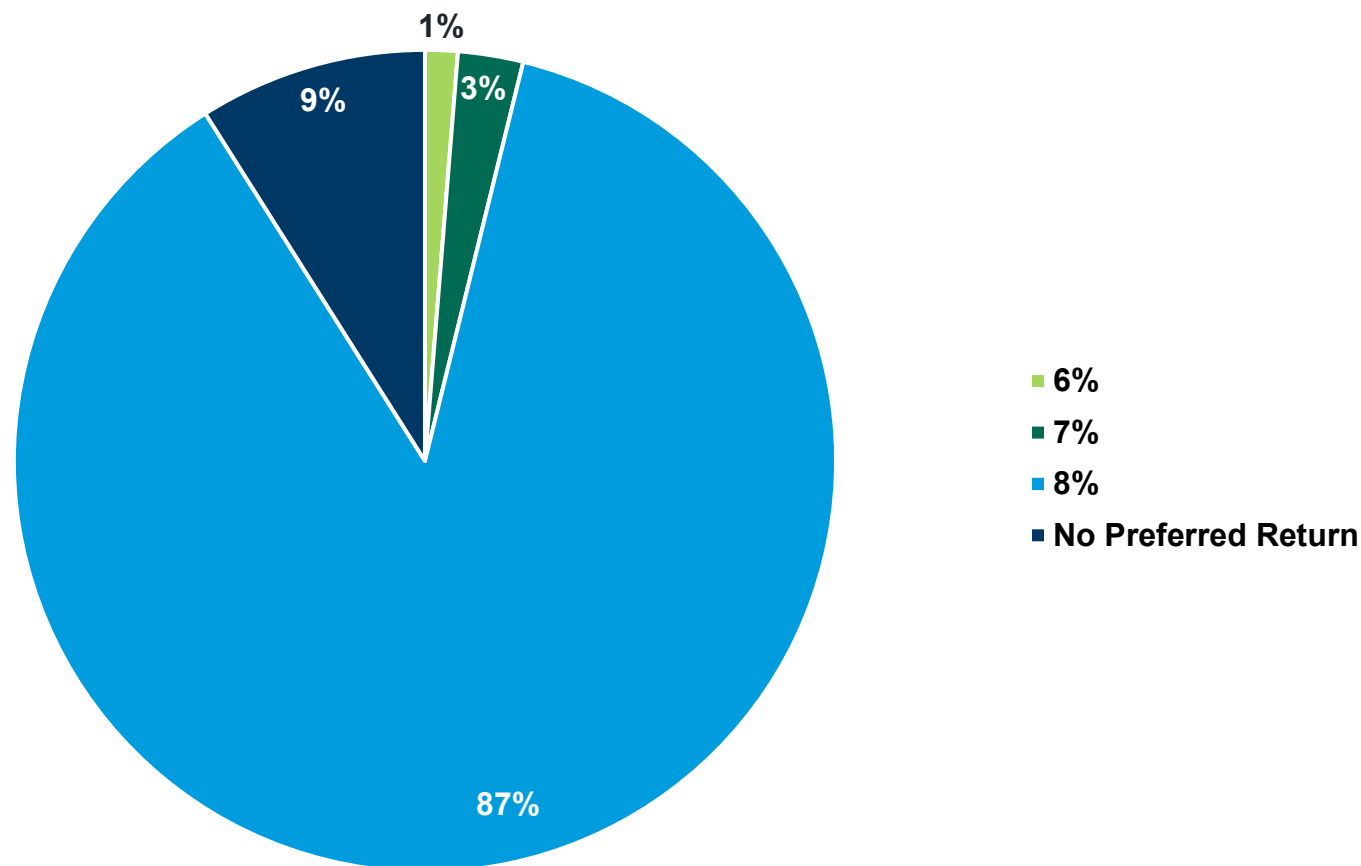


## Distribution waterfall – Preferred return (%)

### All Funds

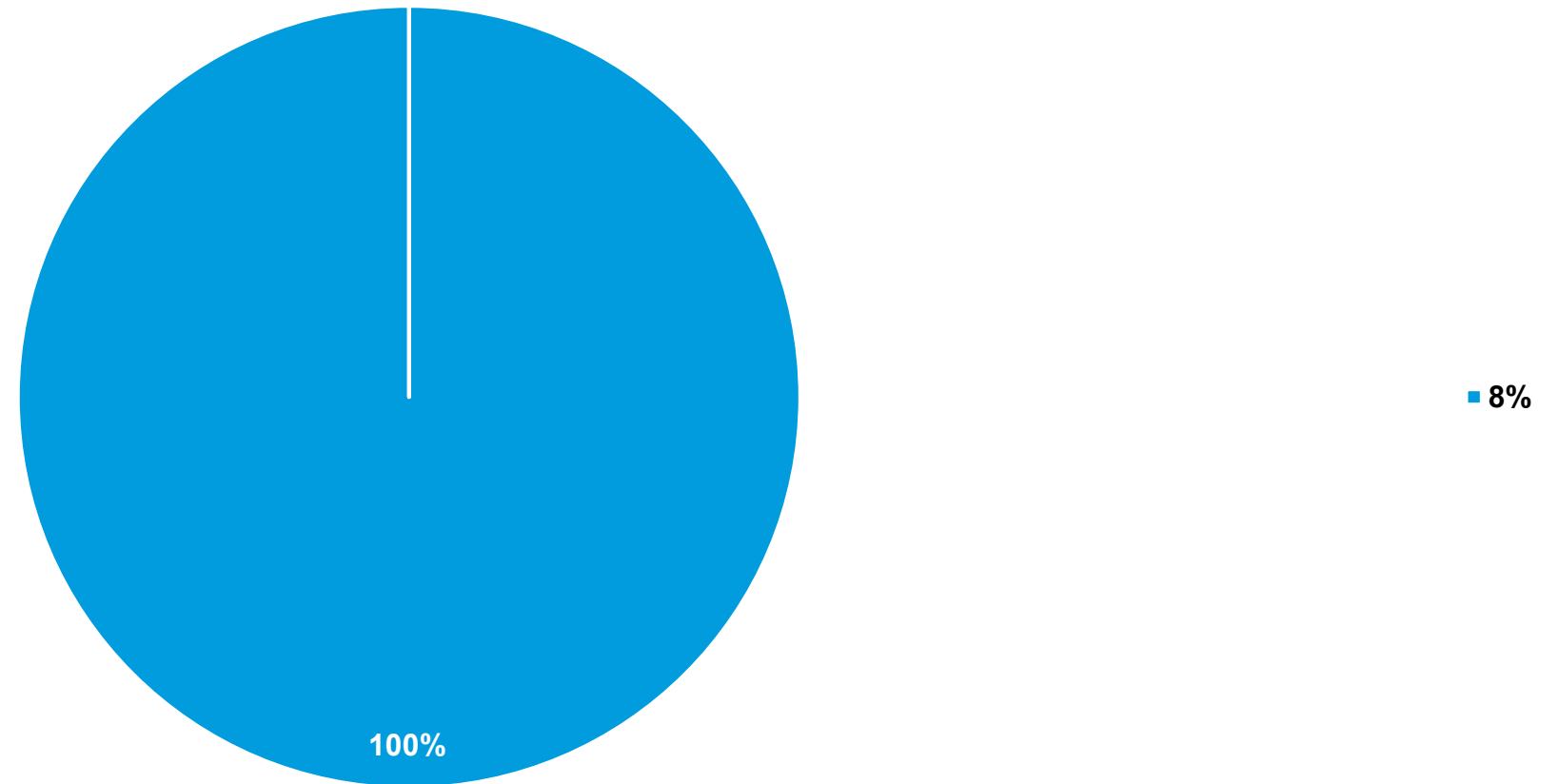
The market standard preferred return remains at 8% with 87% of funds in our sample applying that percentage.

The smallest funds (under \$2.5 billion) showed virtually no variance from that standard, and funds between \$2.5 billion and \$5 billion were most likely to have preferred returns of 6% or 7%. Funds that do not have a preferred return component in their waterfall or that have a lower preferred return rate are more likely to feature a whole-fund (“European style”) waterfall.



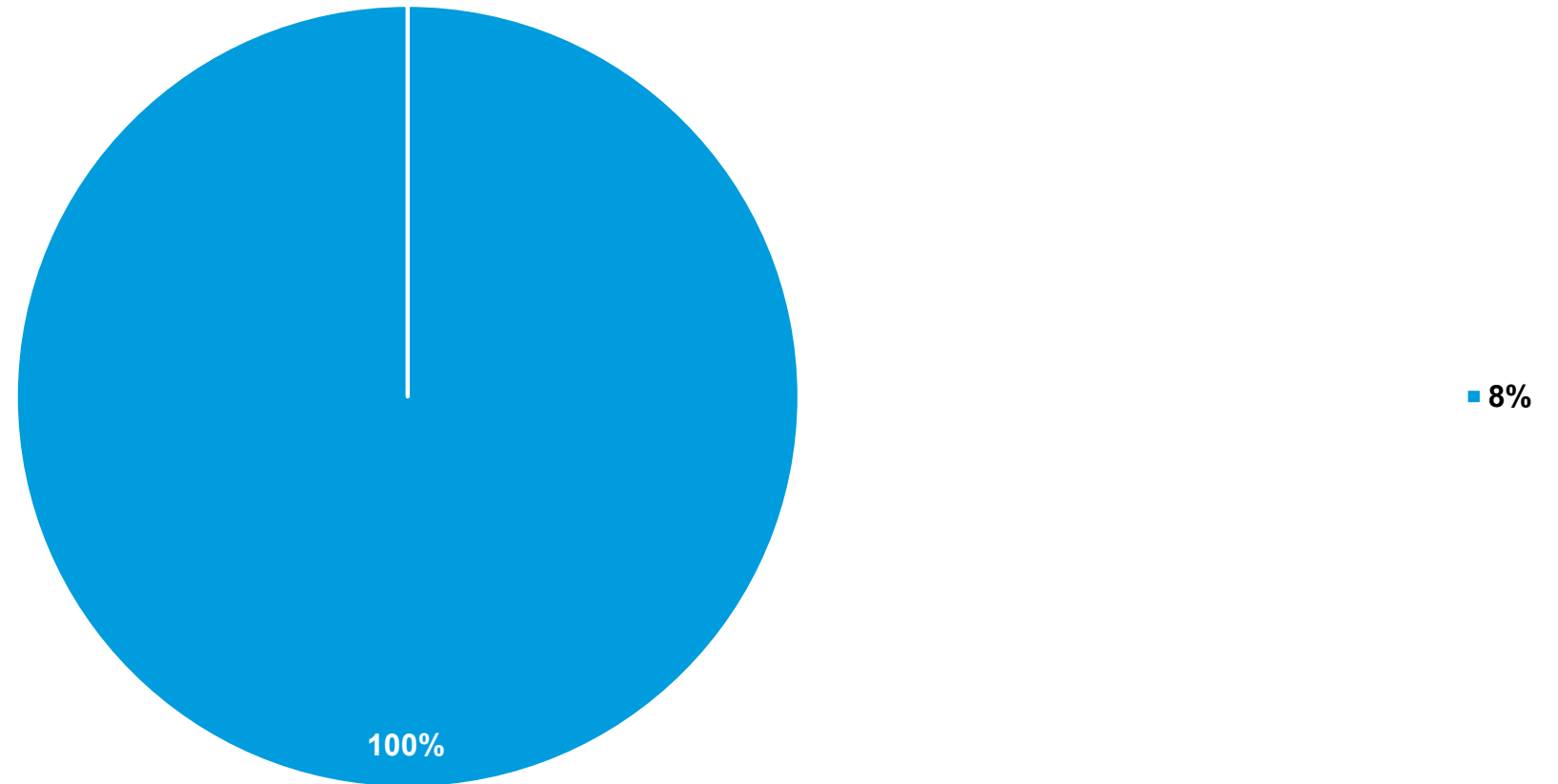
## Distribution waterfall – Preferred return (%)

<\$500M



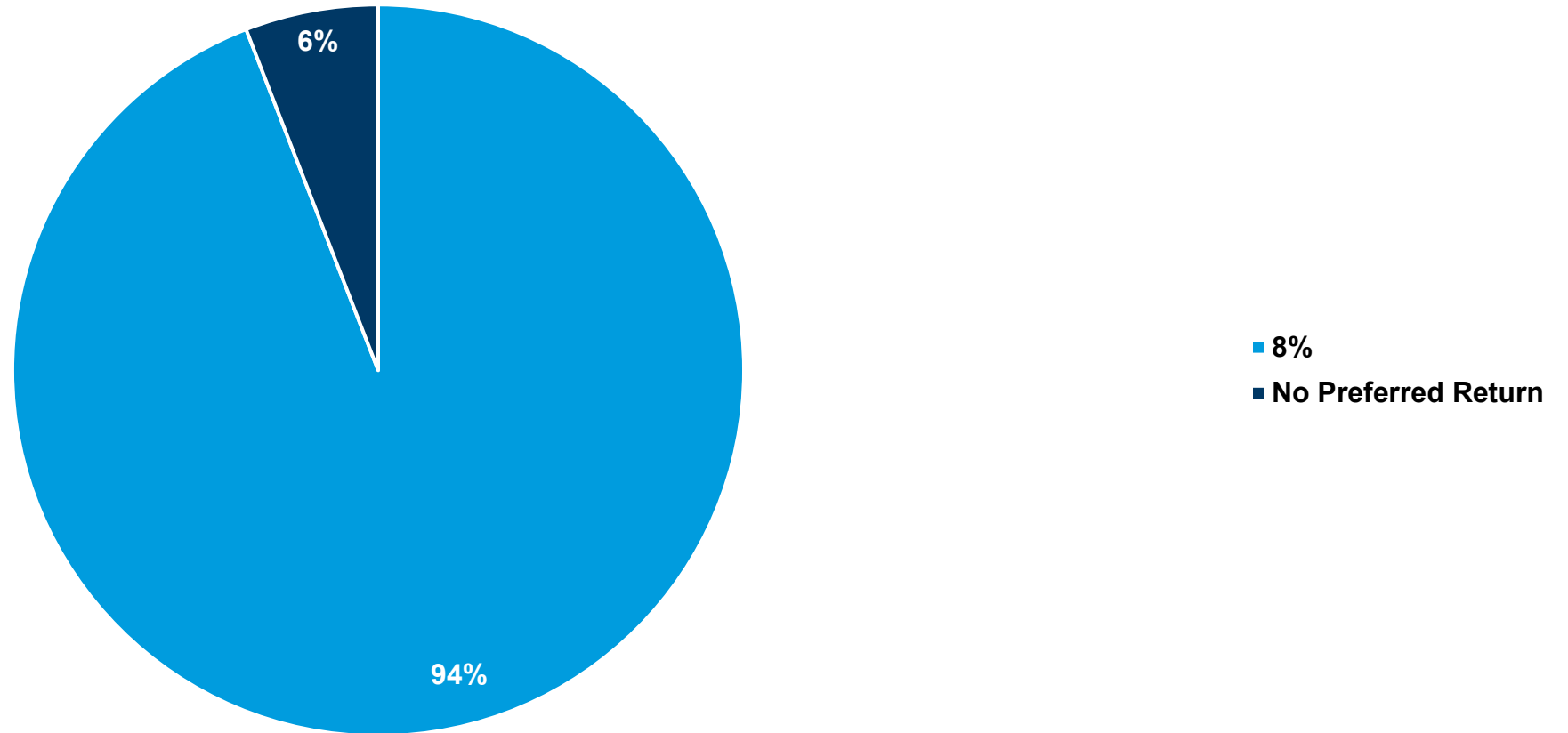
## Distribution waterfall – Preferred return (%)

### \$500M-\$1B



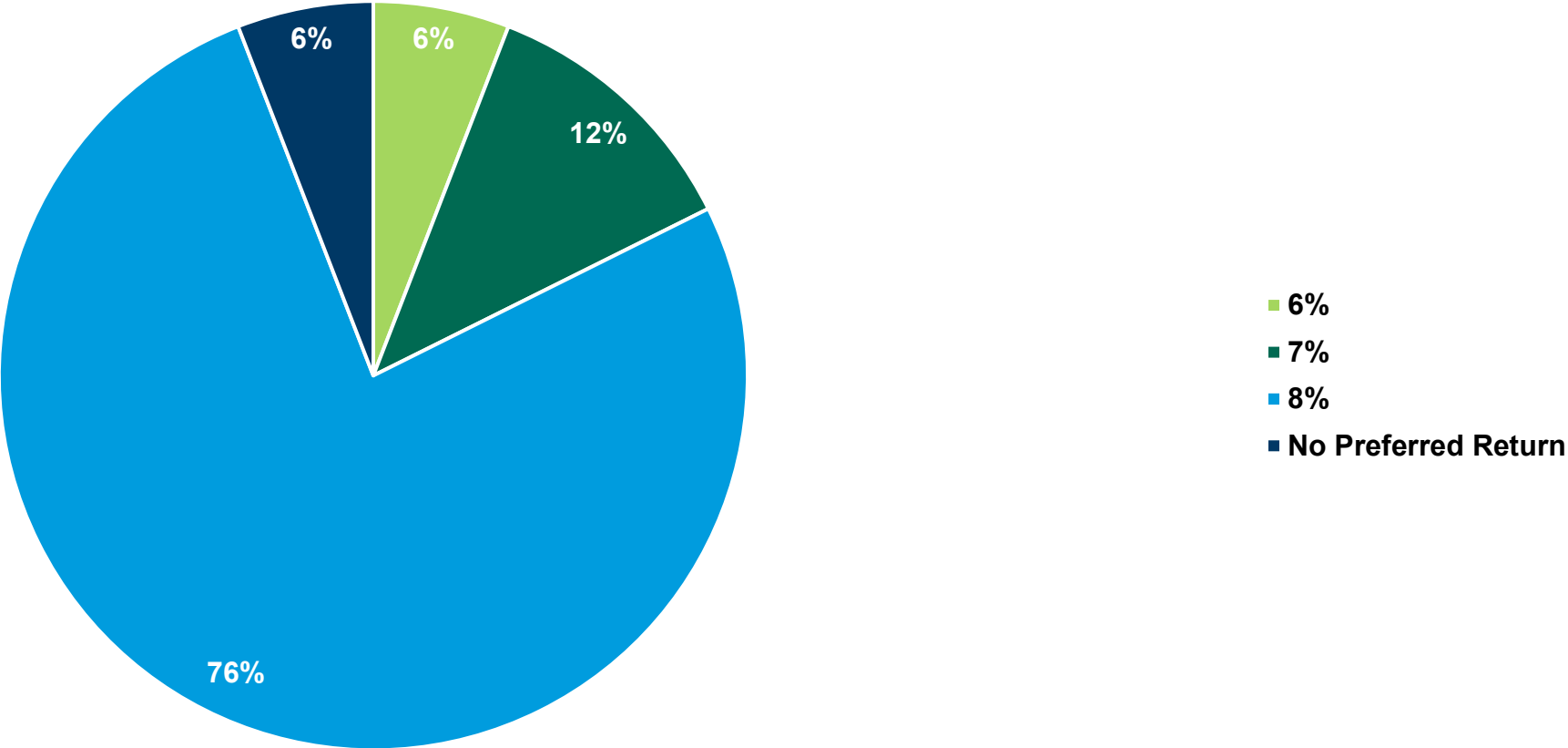
## Distribution waterfall – Preferred return (%)

### \$1B-\$2.5B



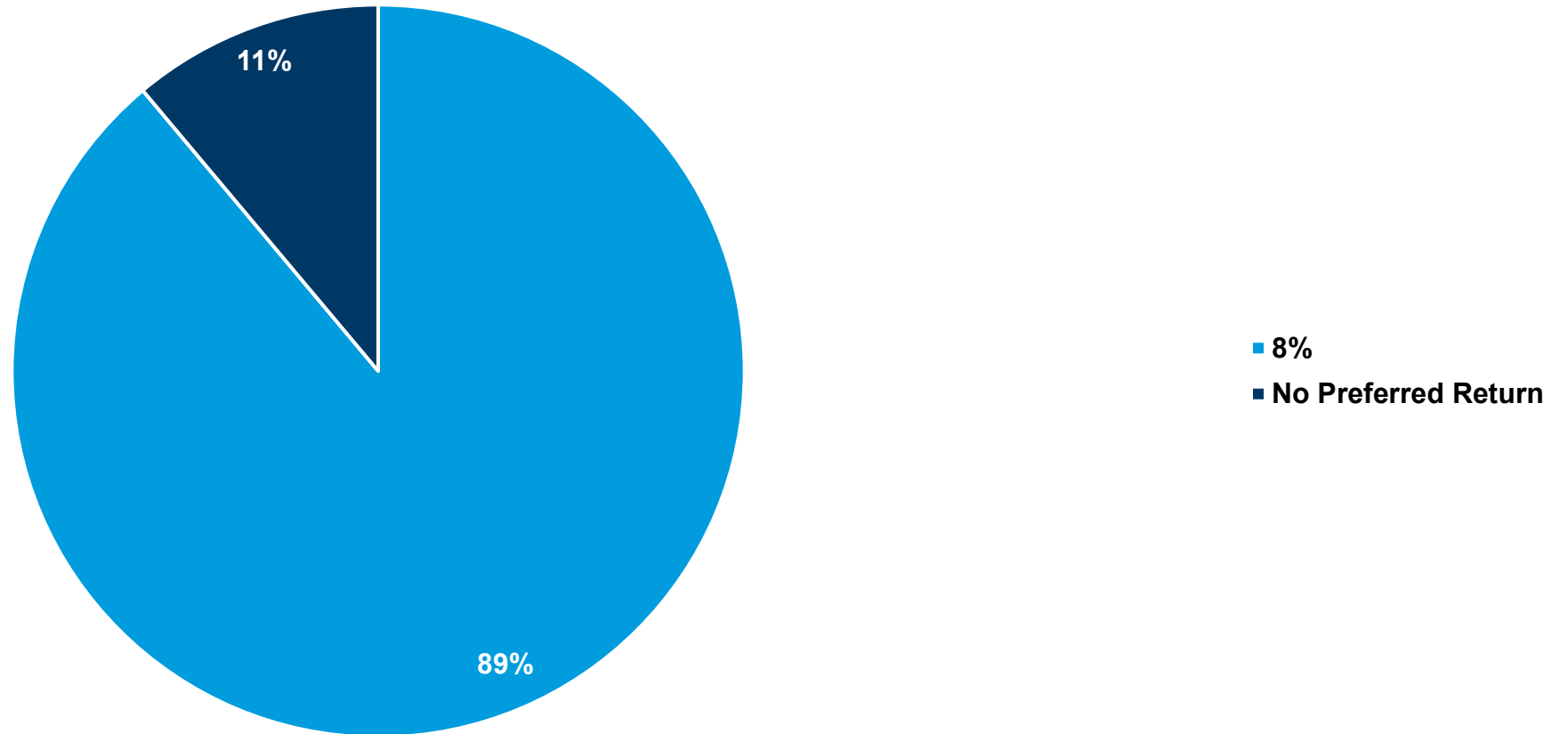
# Distribution waterfall – Preferred return (%)

\$2.5B-\$5B



## Distribution waterfall – Preferred return (%)

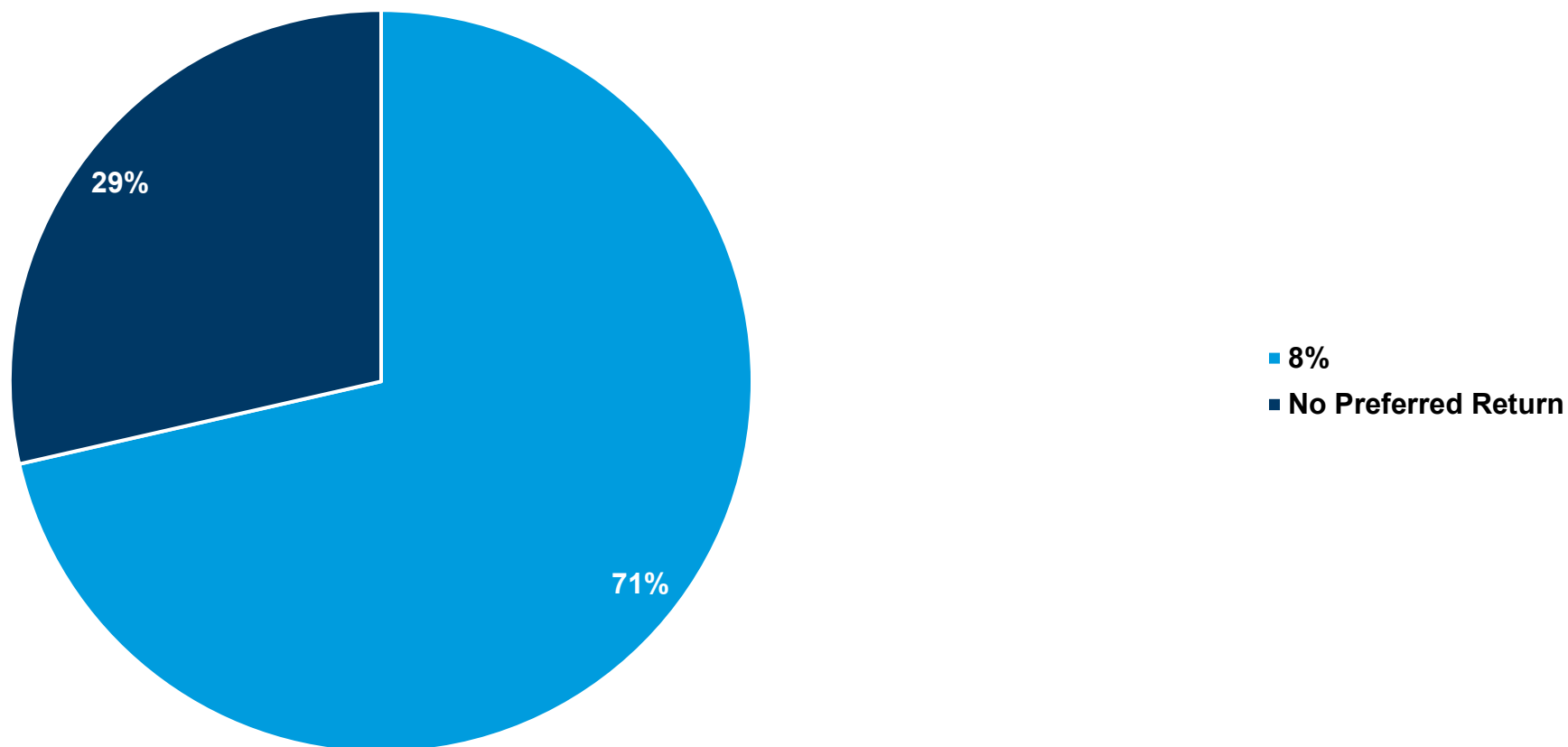
### \$5B-\$10B





## Distribution waterfall – Preferred return (%)

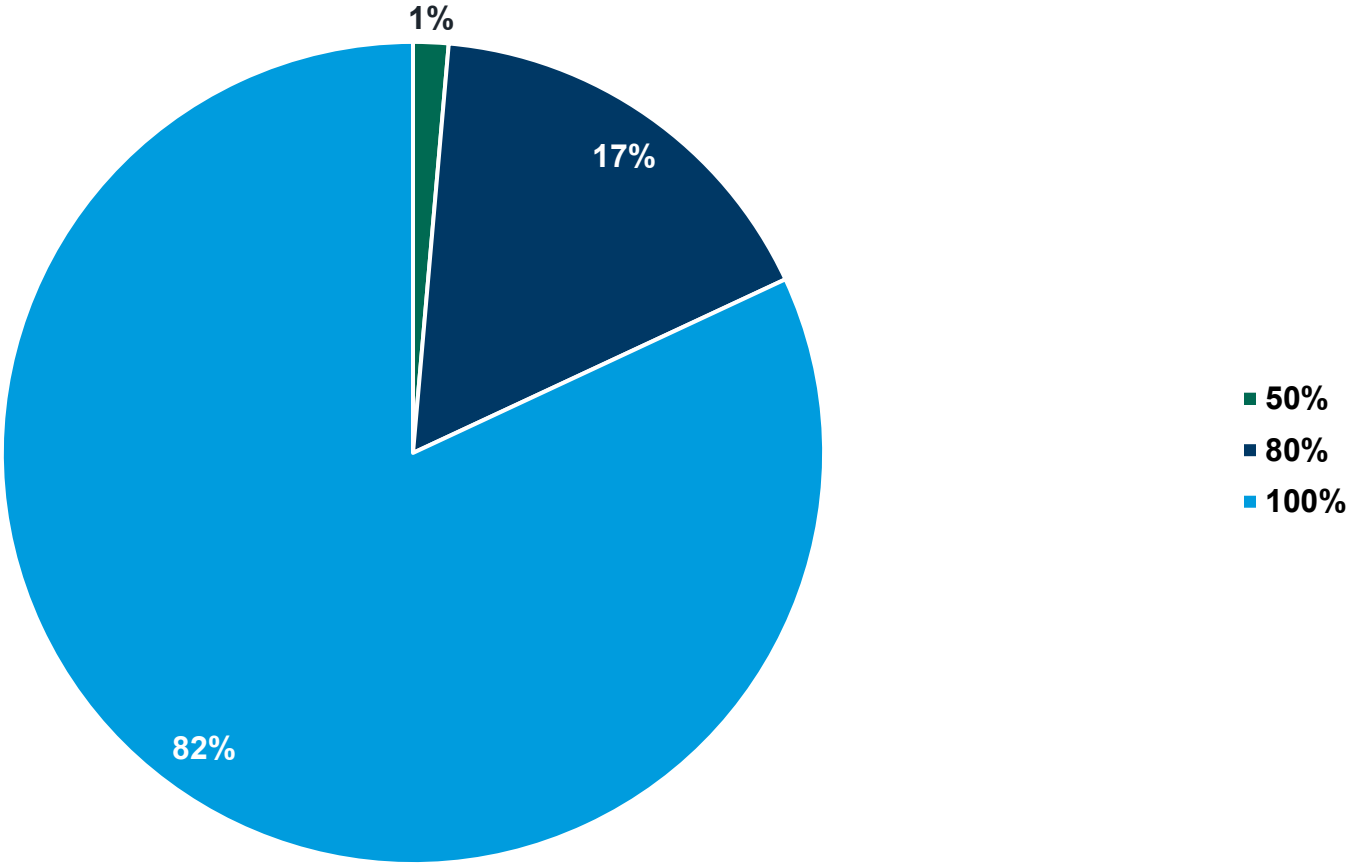
>\$10B



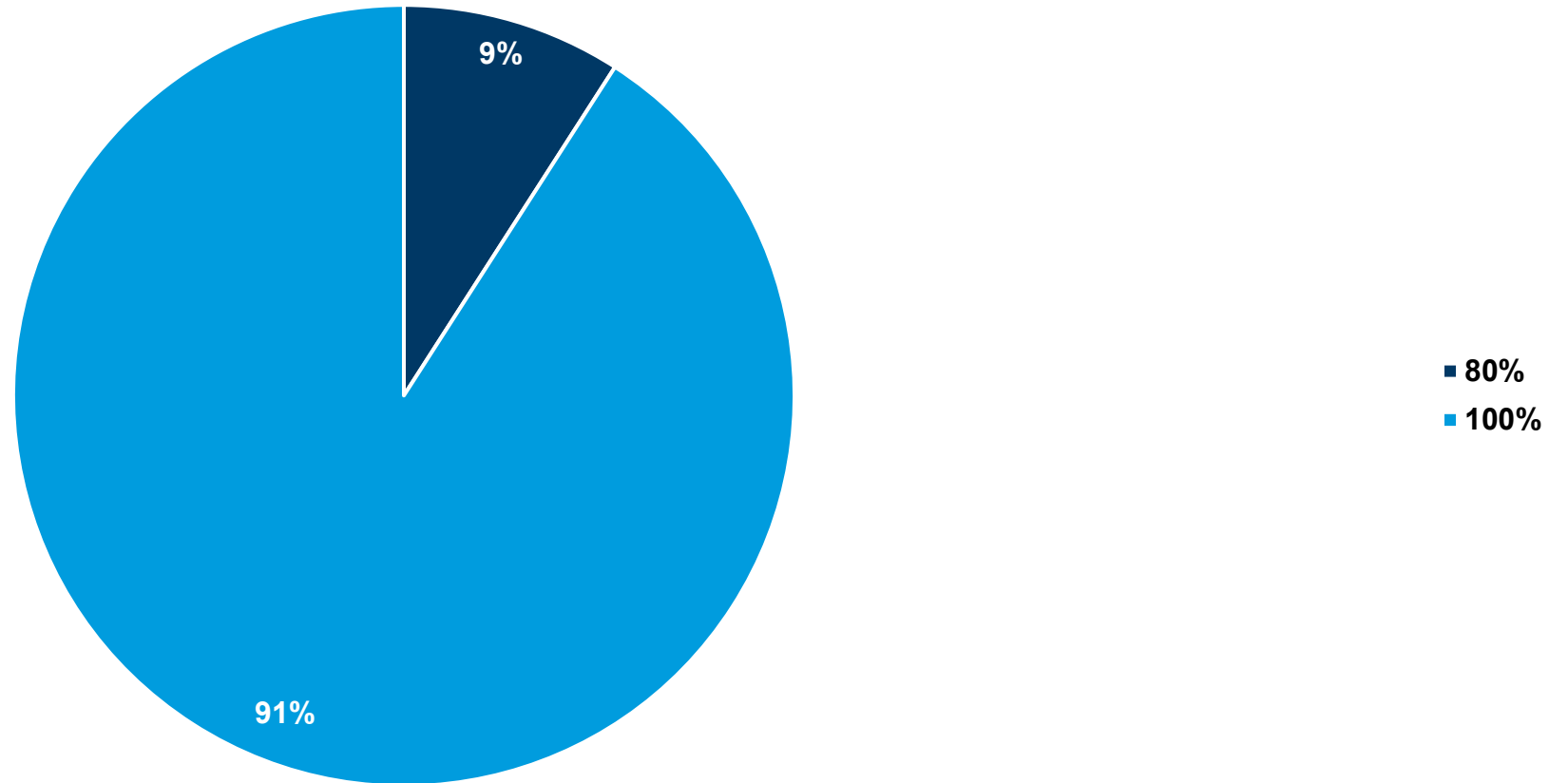
# Distribution waterfall – Carried interest catch-up (% after preferred return)

## All Funds

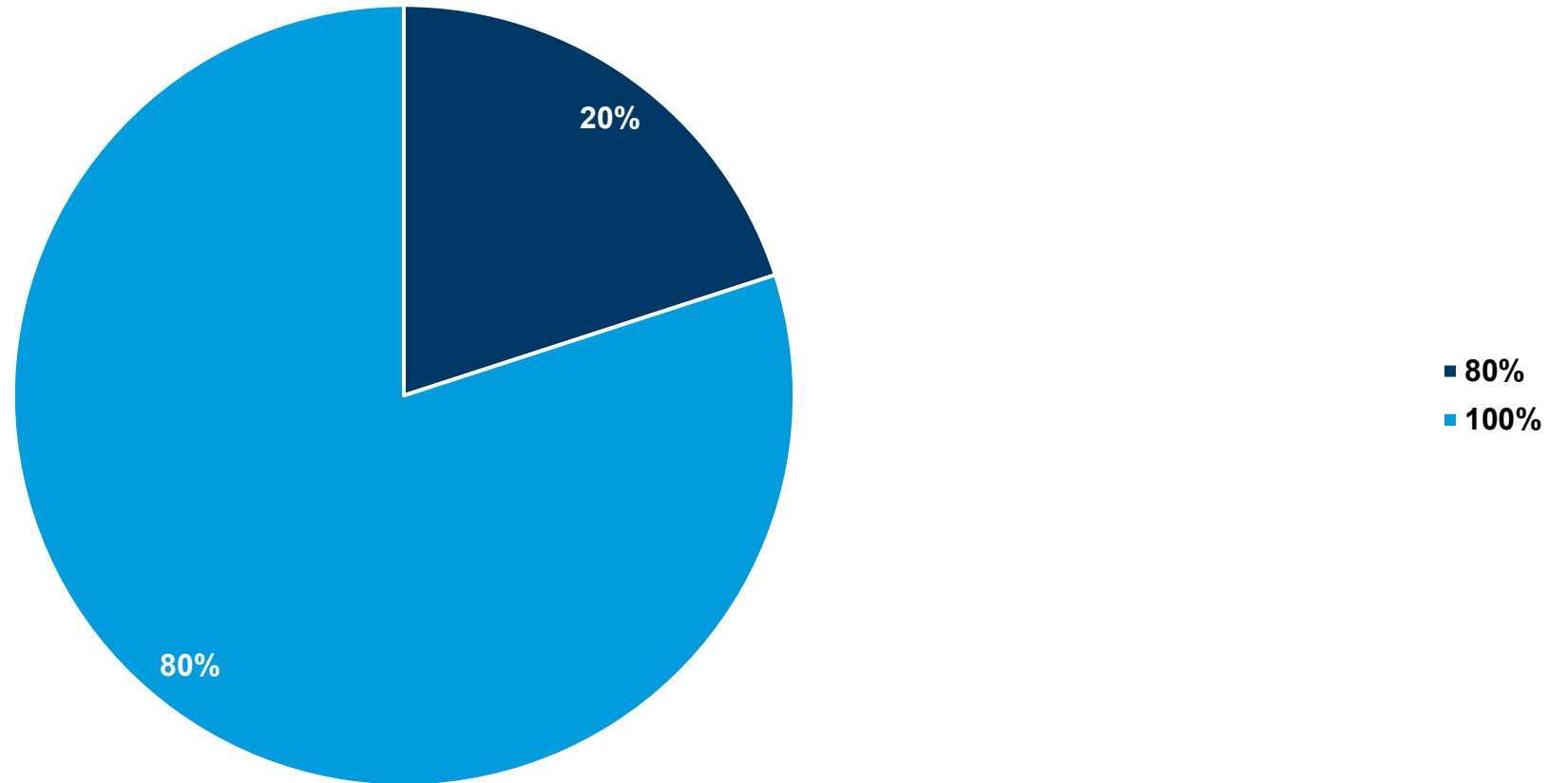
With 82% of funds falling into the category, it is by far the most common outcome to have a 100% catch-up of carried interest for the GP after the preferred return has been satisfied. An 80/20 catch-up, the only alternative with meaningful representation, was seen in only 17% of funds across our survey.



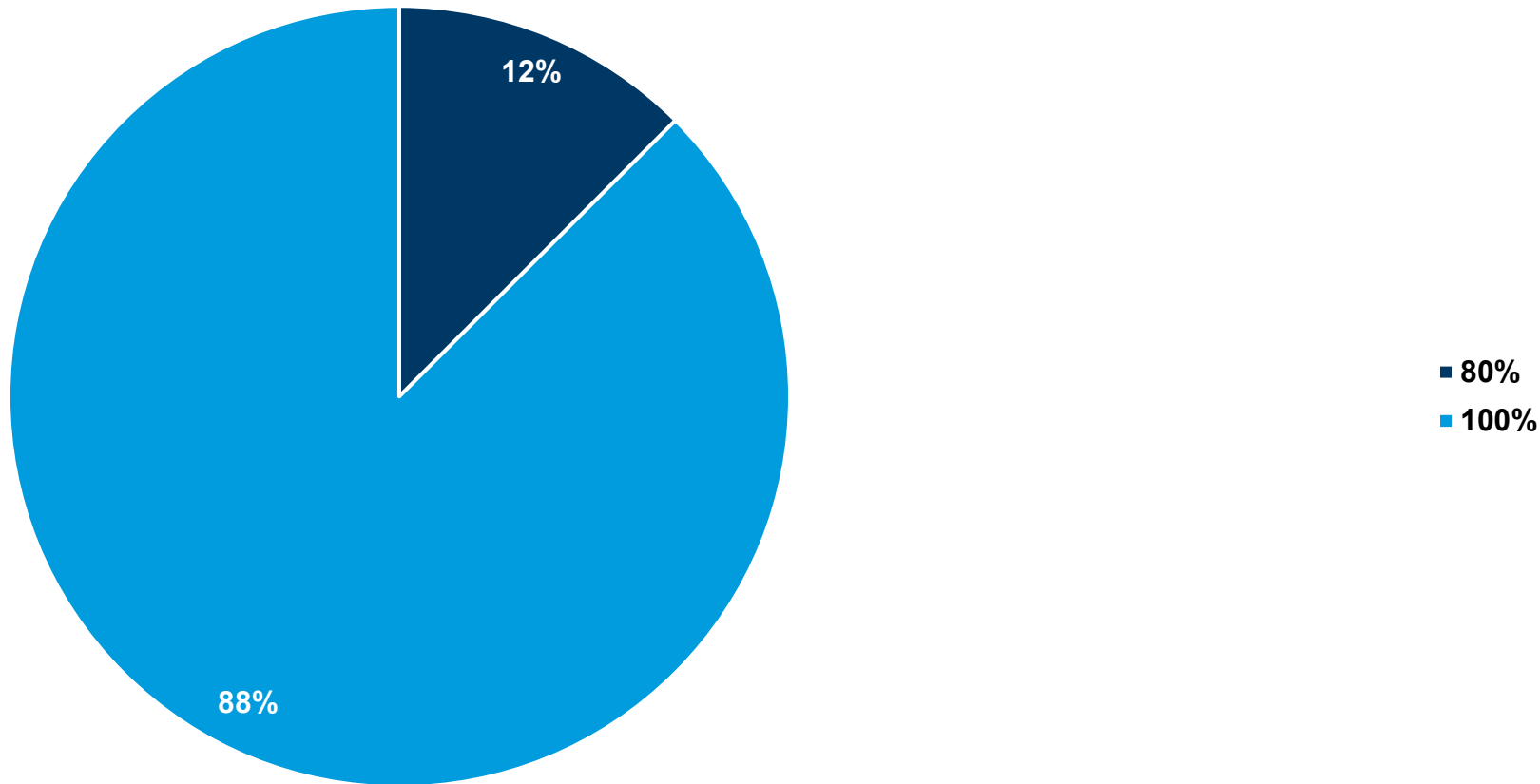
## Distribution waterfall – Carried interest catch-up (% after preferred return) <\$500M



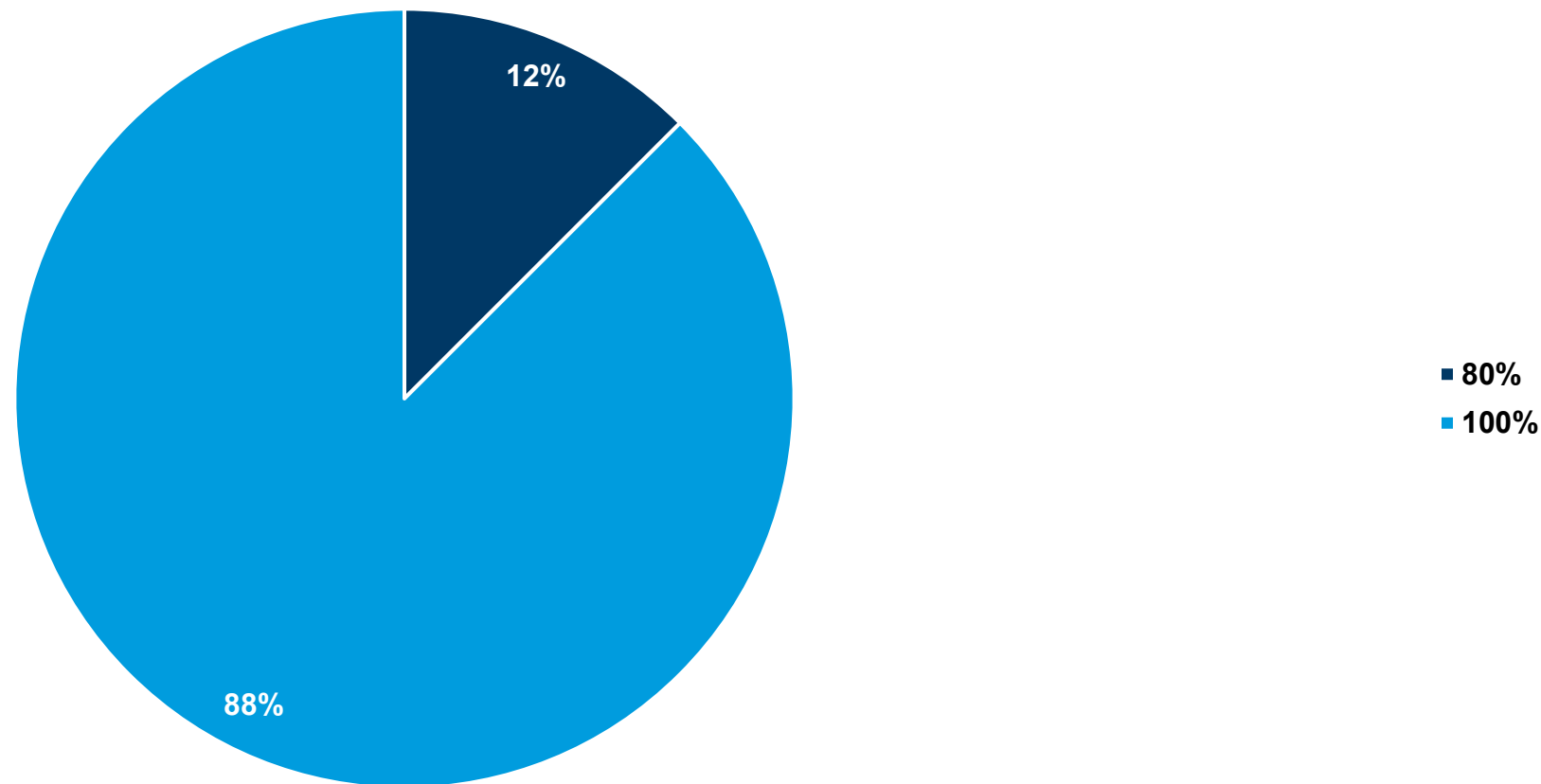
## Distribution waterfall – Carried interest catch-up (% after preferred return) \$500M-\$1B



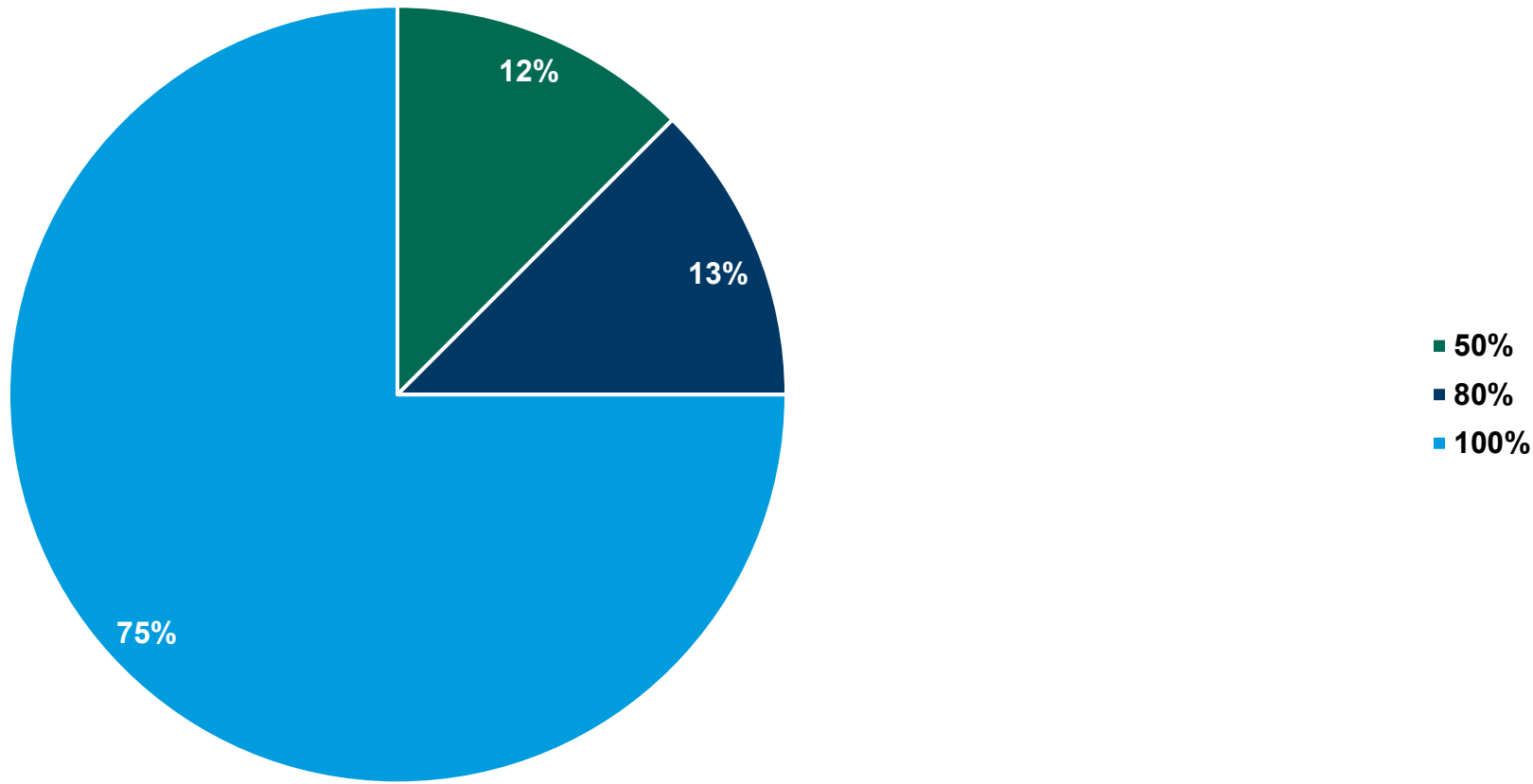
**Distribution waterfall – Carried interest catch-up (% after preferred return)**  
**\$1B-\$2.5B**



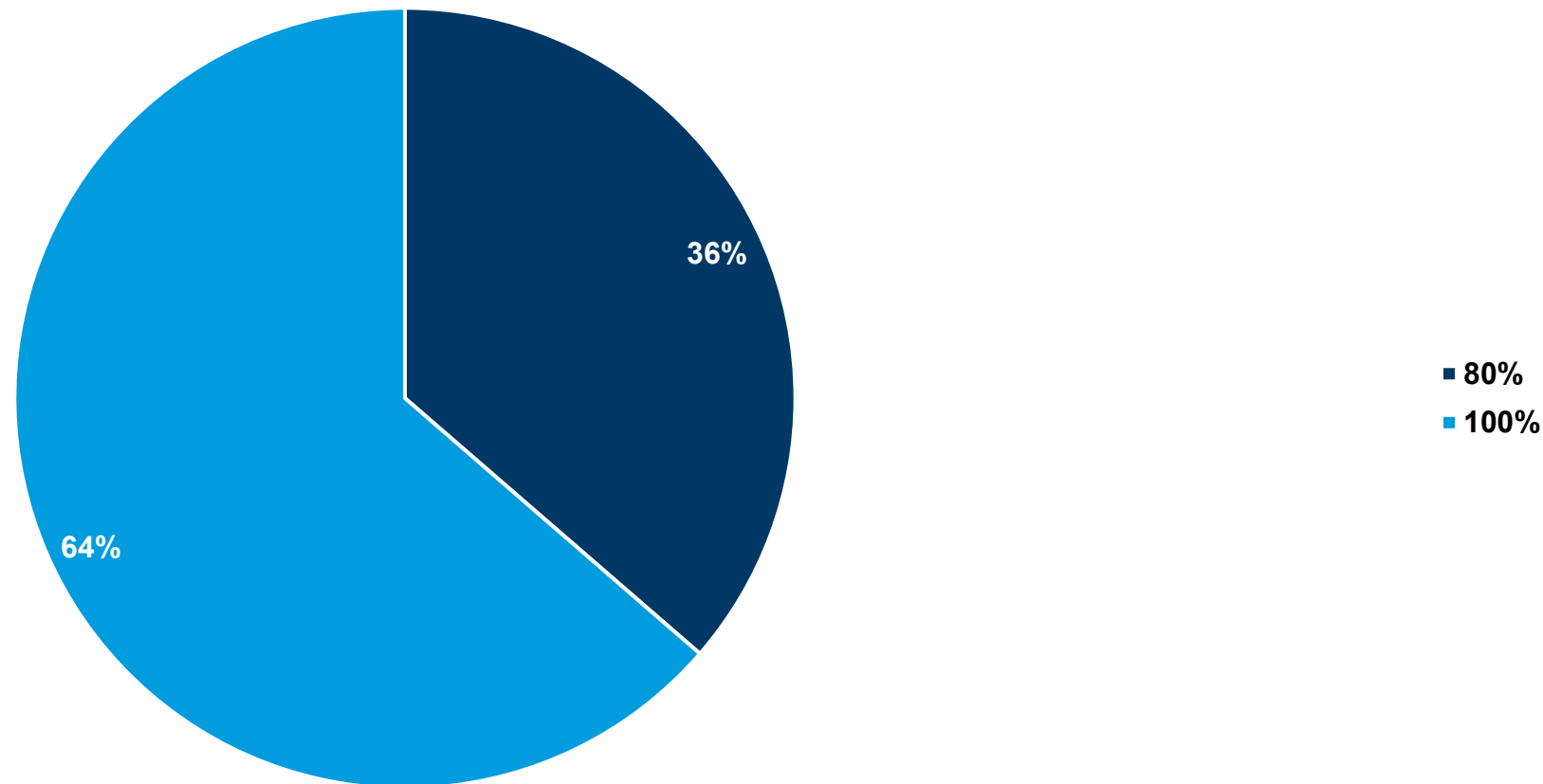
**Distribution waterfall – Carried interest catch-up (% after preferred return)**  
**\$2.5B-\$5B**



**Distribution waterfall – Carried interest catch-up (% after preferred return)**  
**\$5B-\$10B**



**Distribution waterfall – Carried interest catch-up (% after preferred return)**  
**>\$10B**

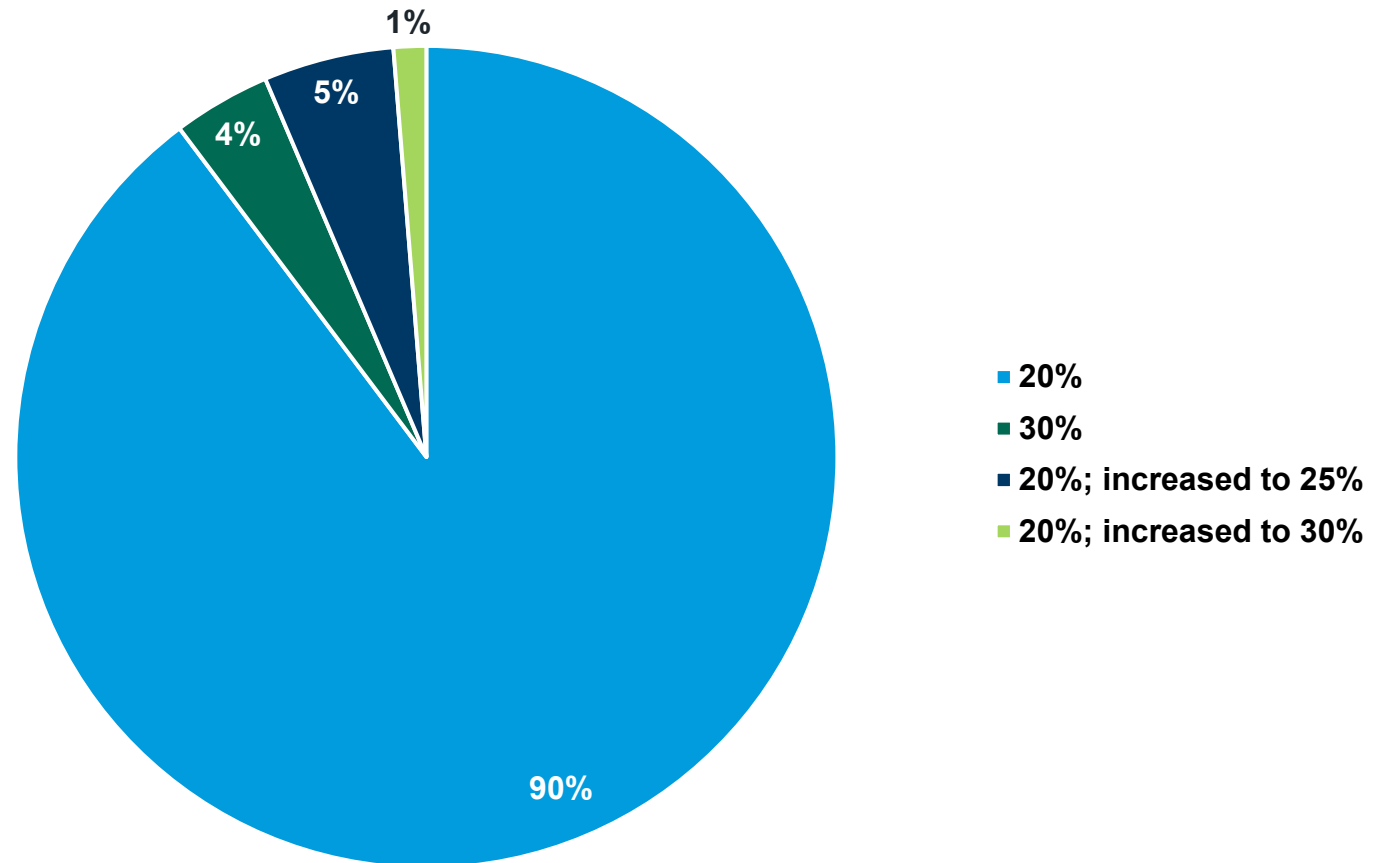




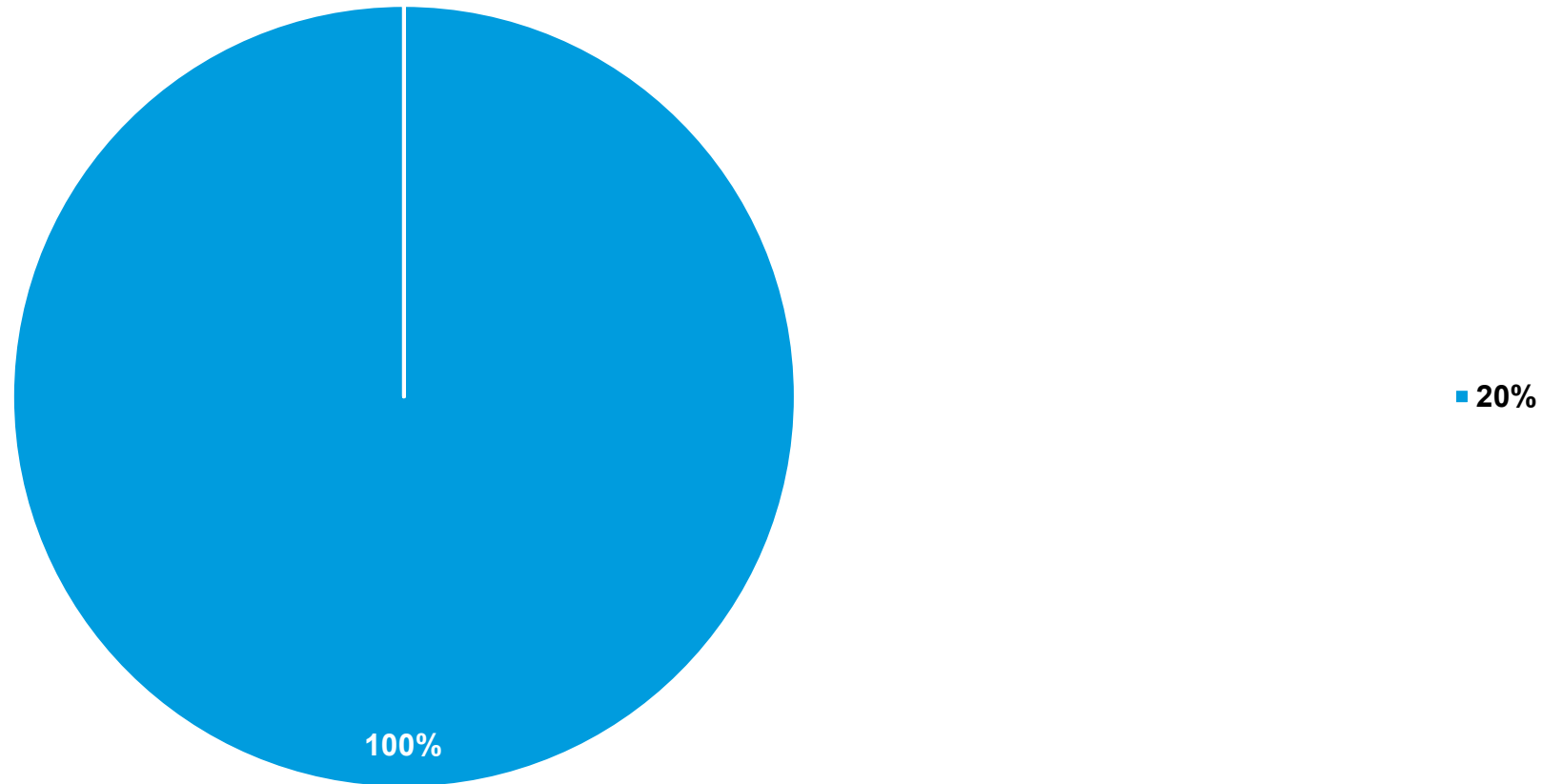
# Distribution waterfall – Carried interest percentage

## All Funds

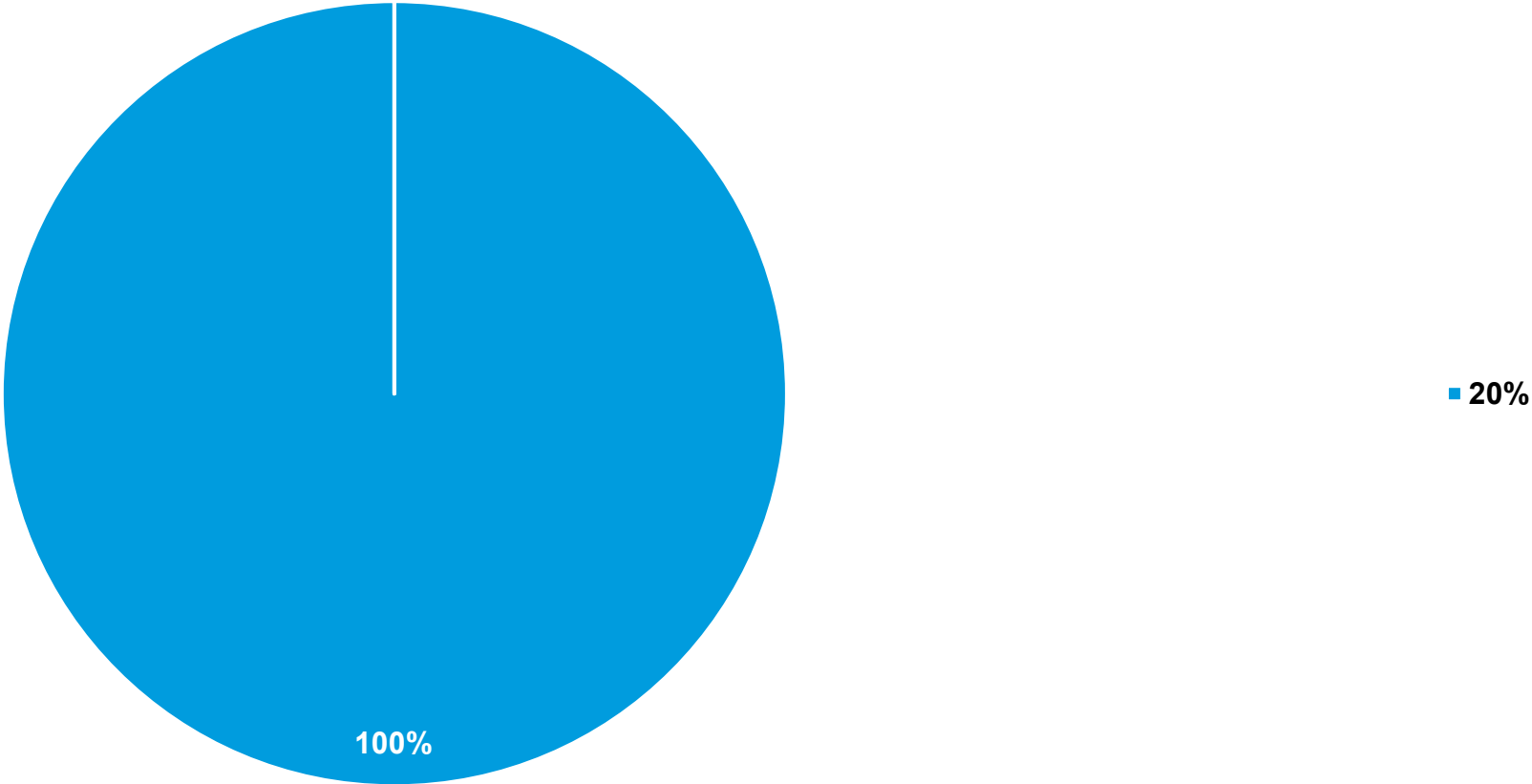
In line with the general market standard, the percentage of surveyed funds with a carried interest percentage fixed at 20% comes in at 90%. Funds with carry ratchets, meaning an increase in carry percentage once the fund performs at a certain level (reaching either a target IRR or money multiple), can be found among medium to larger fund sizes, but no funds under \$1 billion provided for anything other than a straight 20% carried interest.



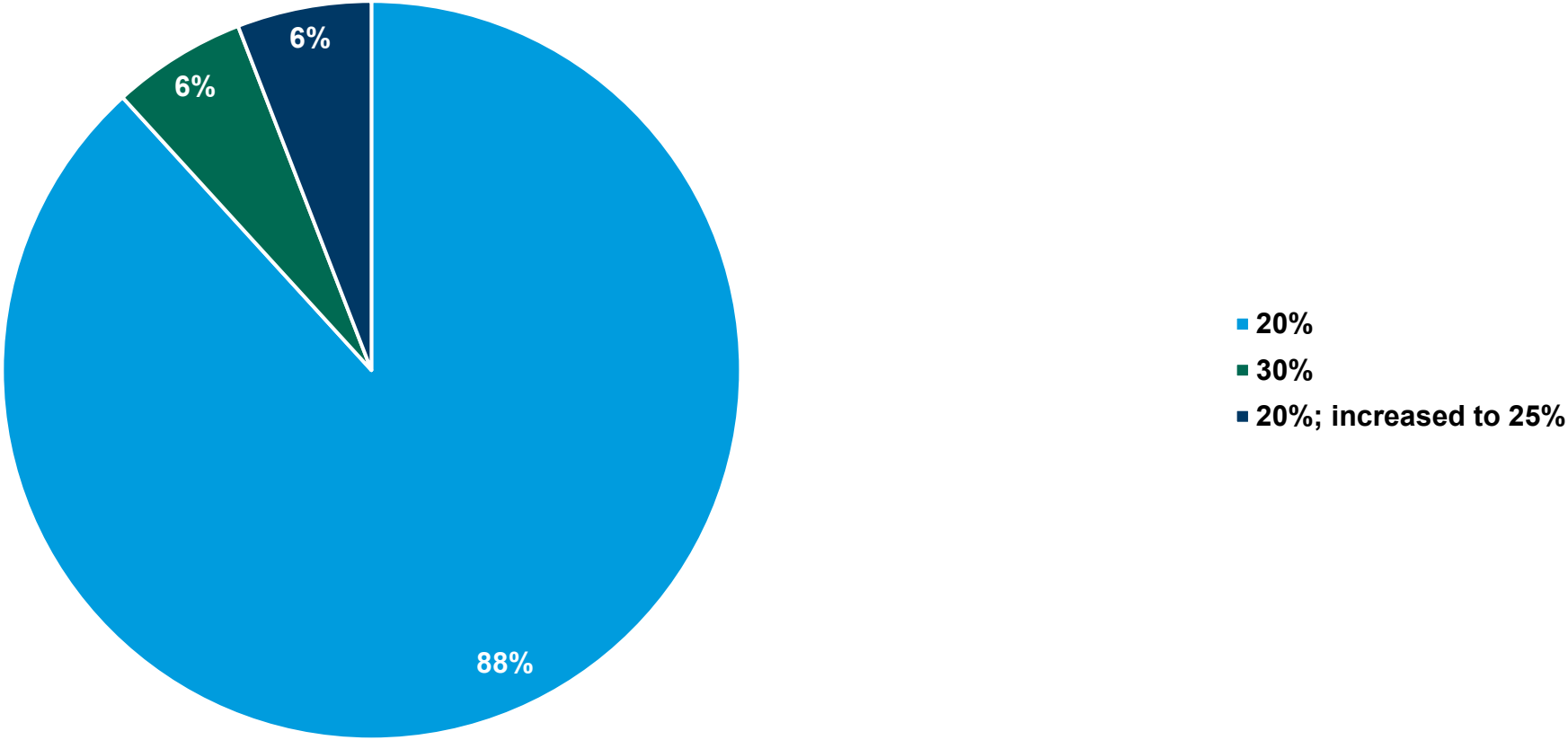
## Distribution waterfall – Carried interest percentage <\$500M



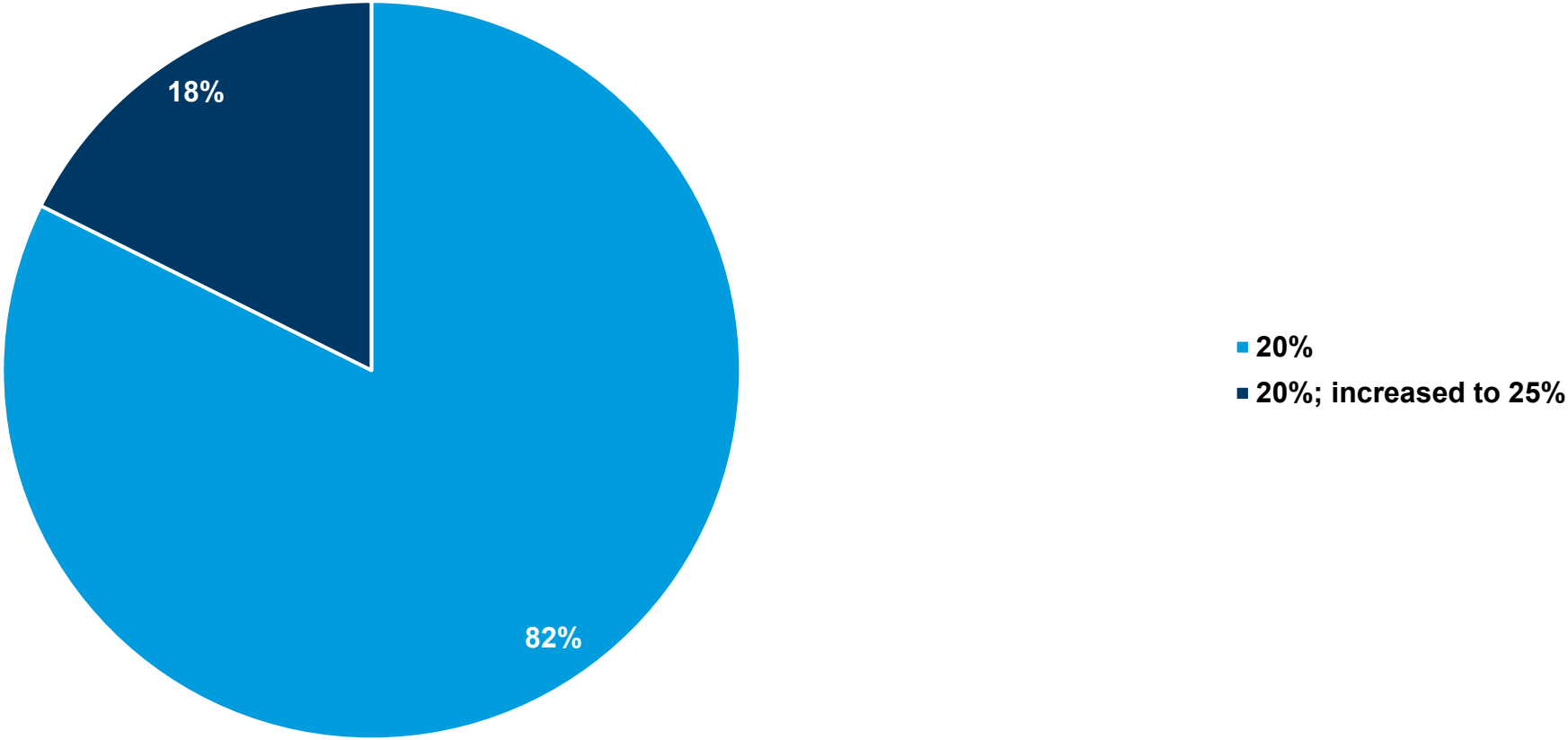
Distribution waterfall – Carried interest percentage  
\$500M-\$1B



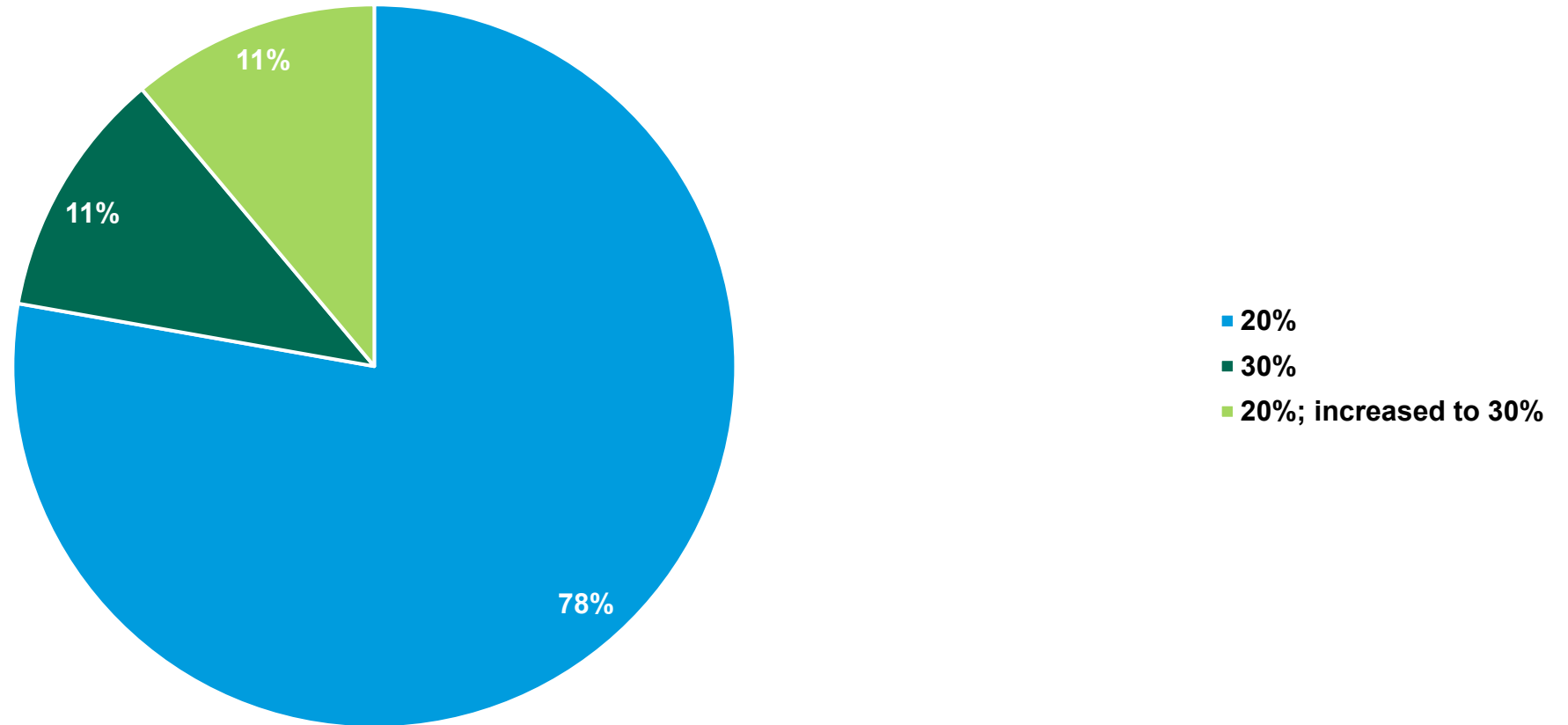
Distribution waterfall – Carried interest percentage  
\$1B-\$2.5B



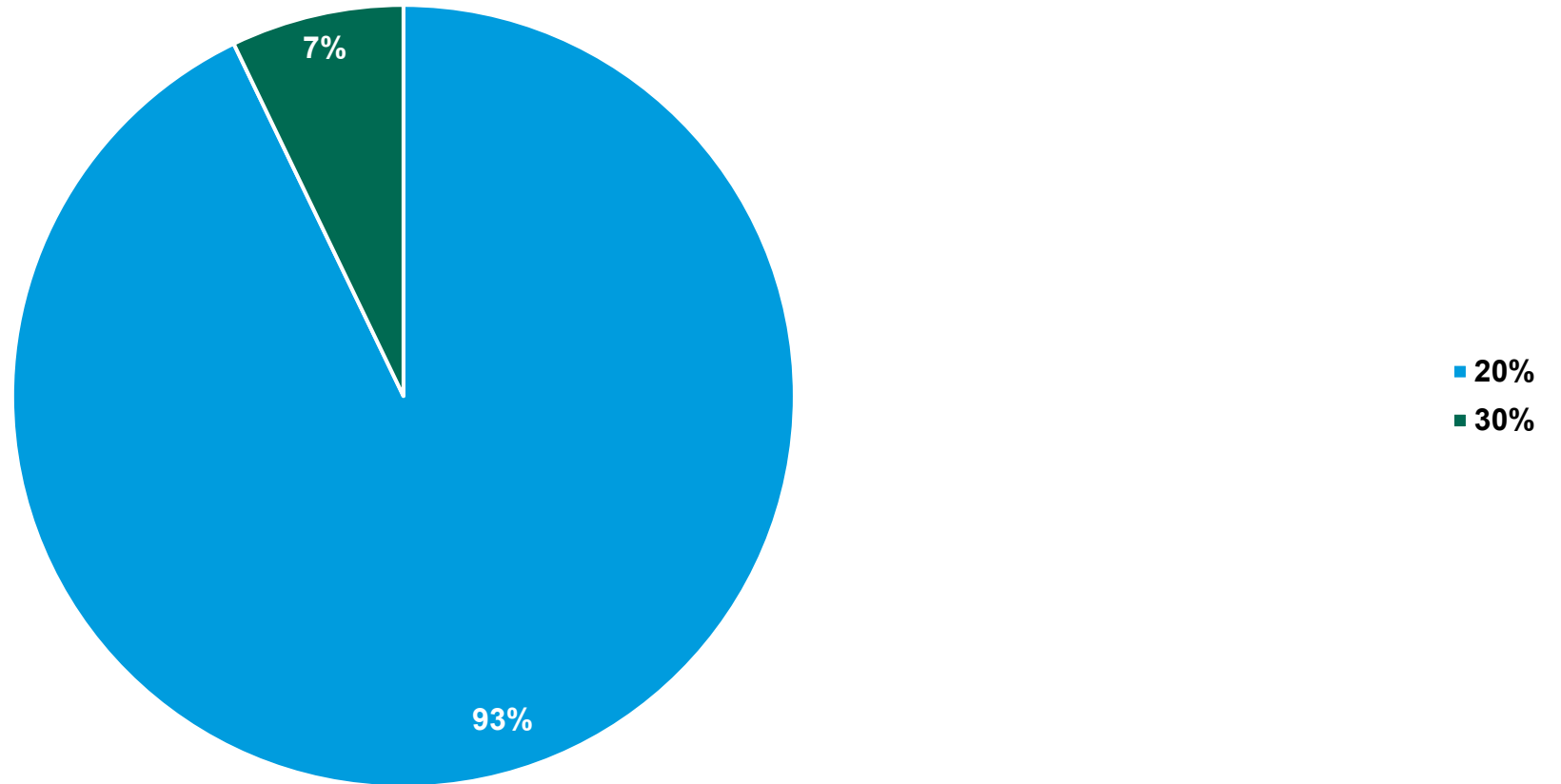
Distribution waterfall – Carried interest percentage  
\$2.5B-\$5B



## Distribution waterfall – Carried interest percentage \$5B-\$10B



## Distribution waterfall – Carried interest percentage >\$10B

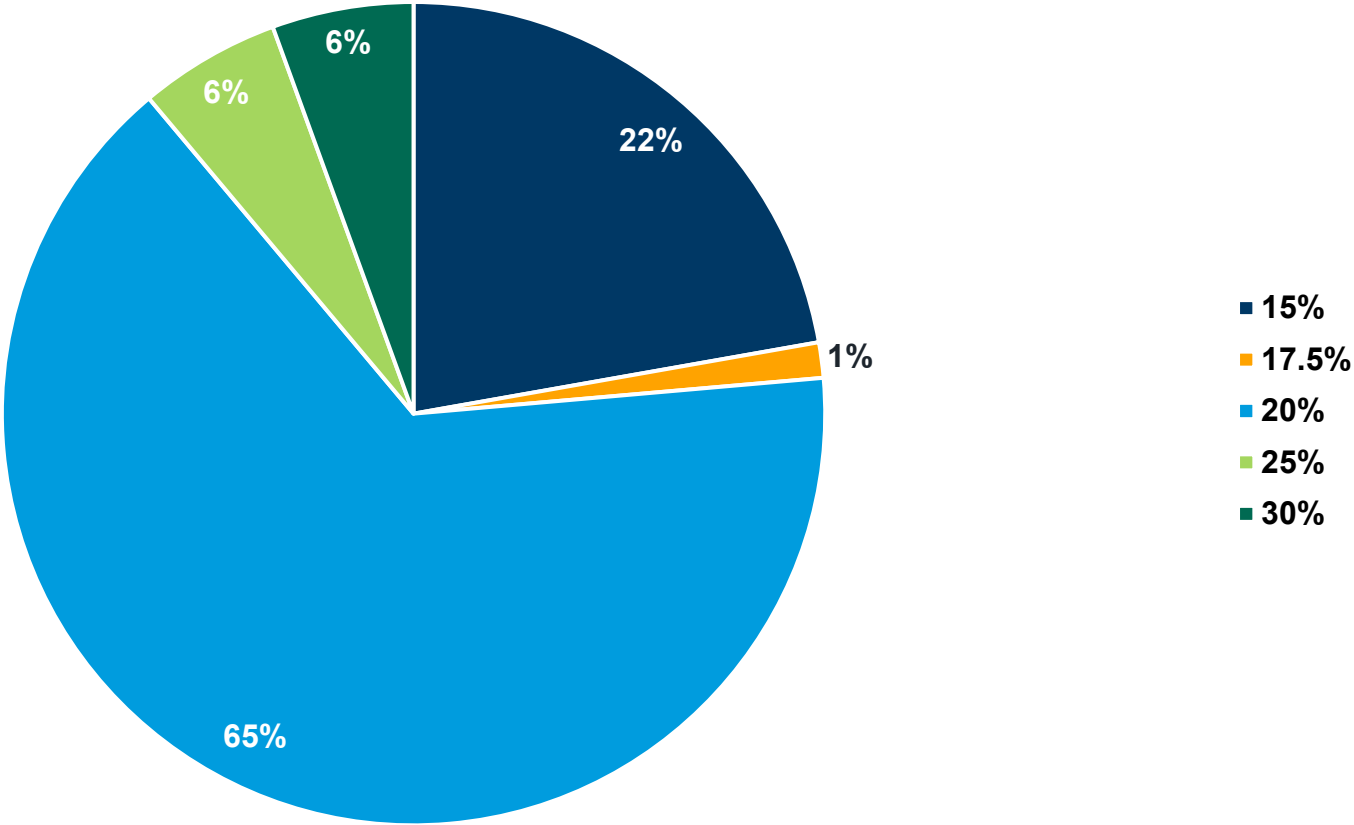


# Limit on single deal size (% of commitments)

## All Funds

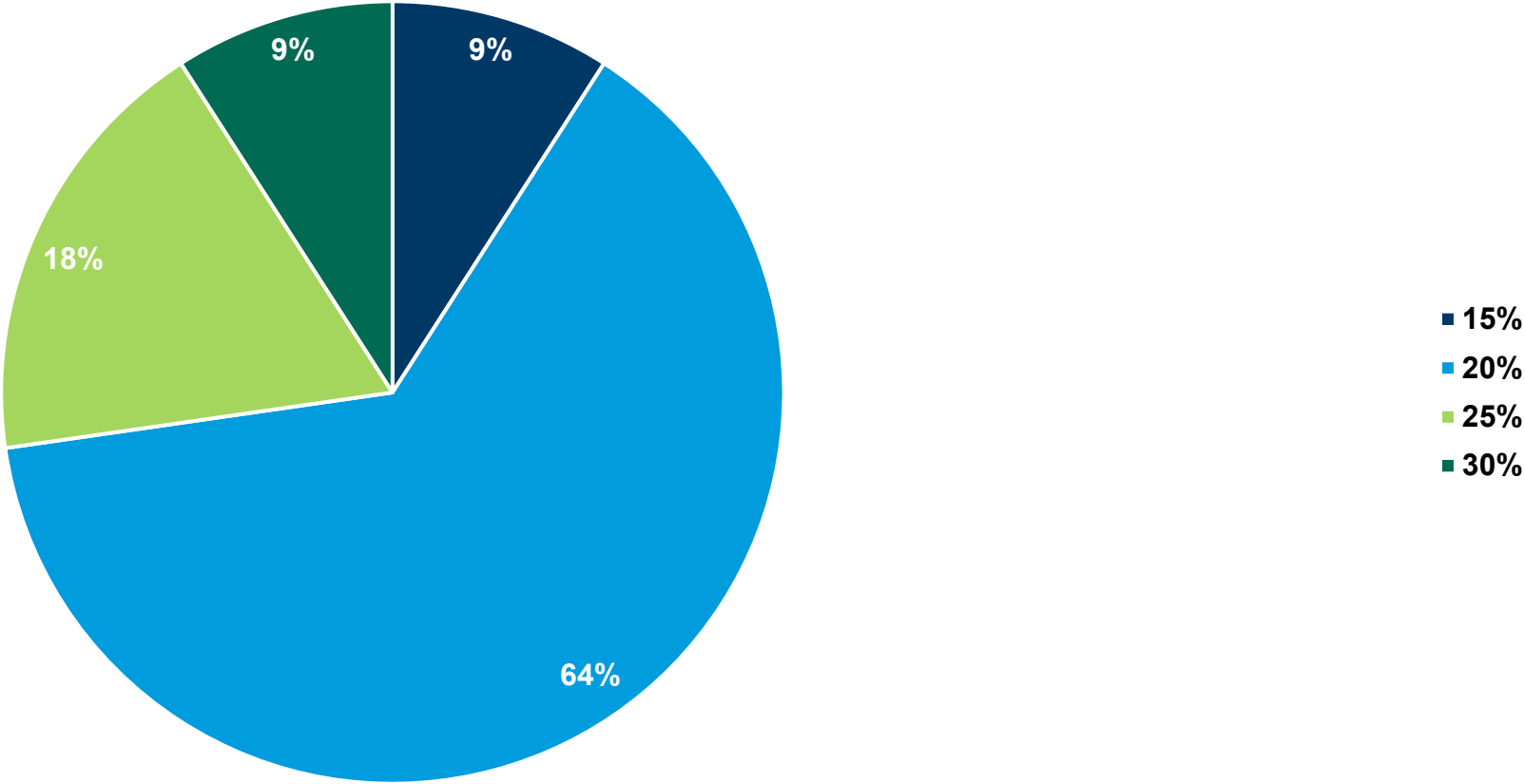
Diversification limits are concentrated in the 15% to 20% of commitments range for most funds. The ability to invest above 20% of commitments in one company is concentrated in the smaller funds (<\$1 billion), where it is more likely to provide helpful flexibility given the smaller denominator.

Note the limits referenced here represent permitted permanent investment limits, excluding any temporary investments or bridge financings that a fund may be permitted to make.

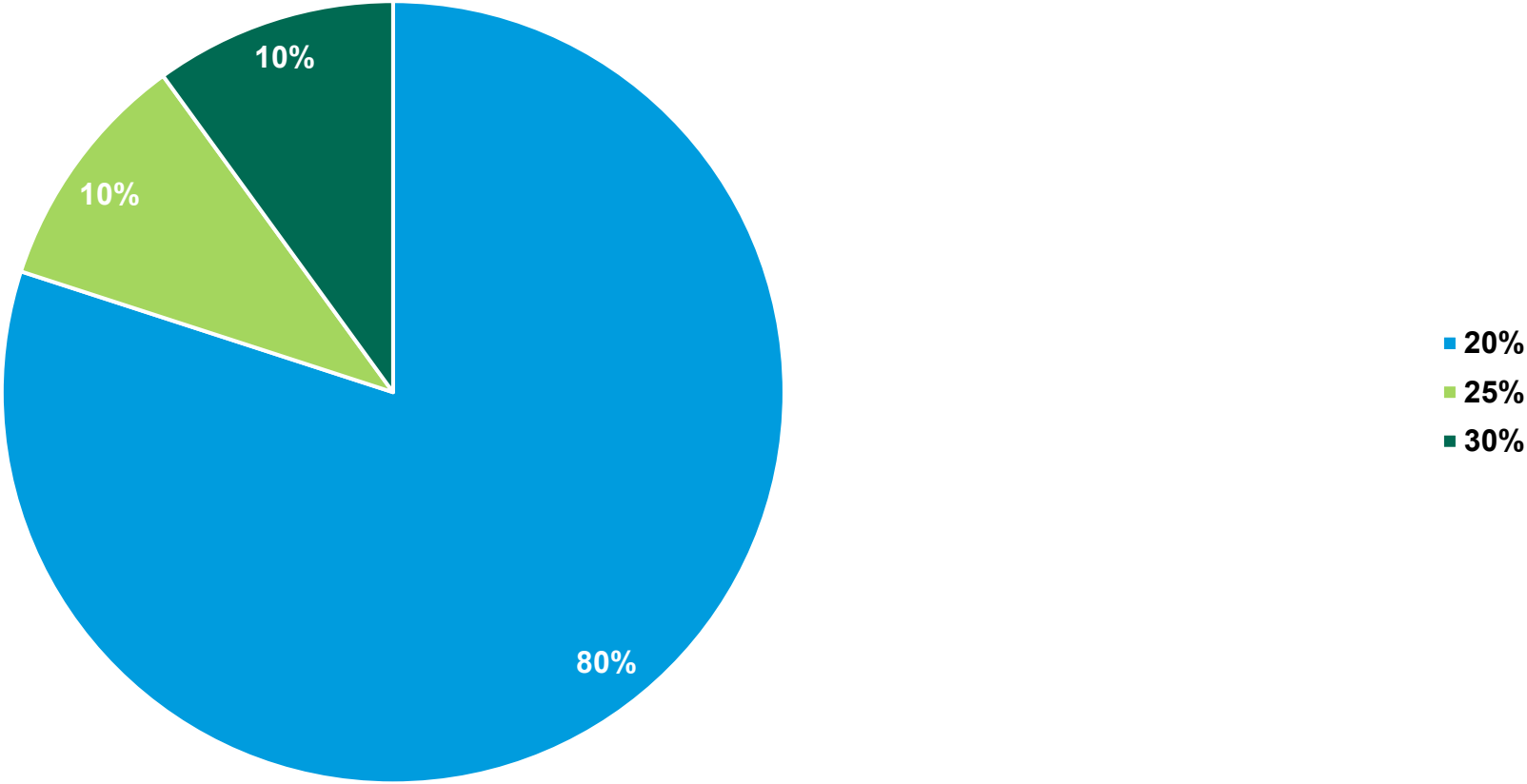




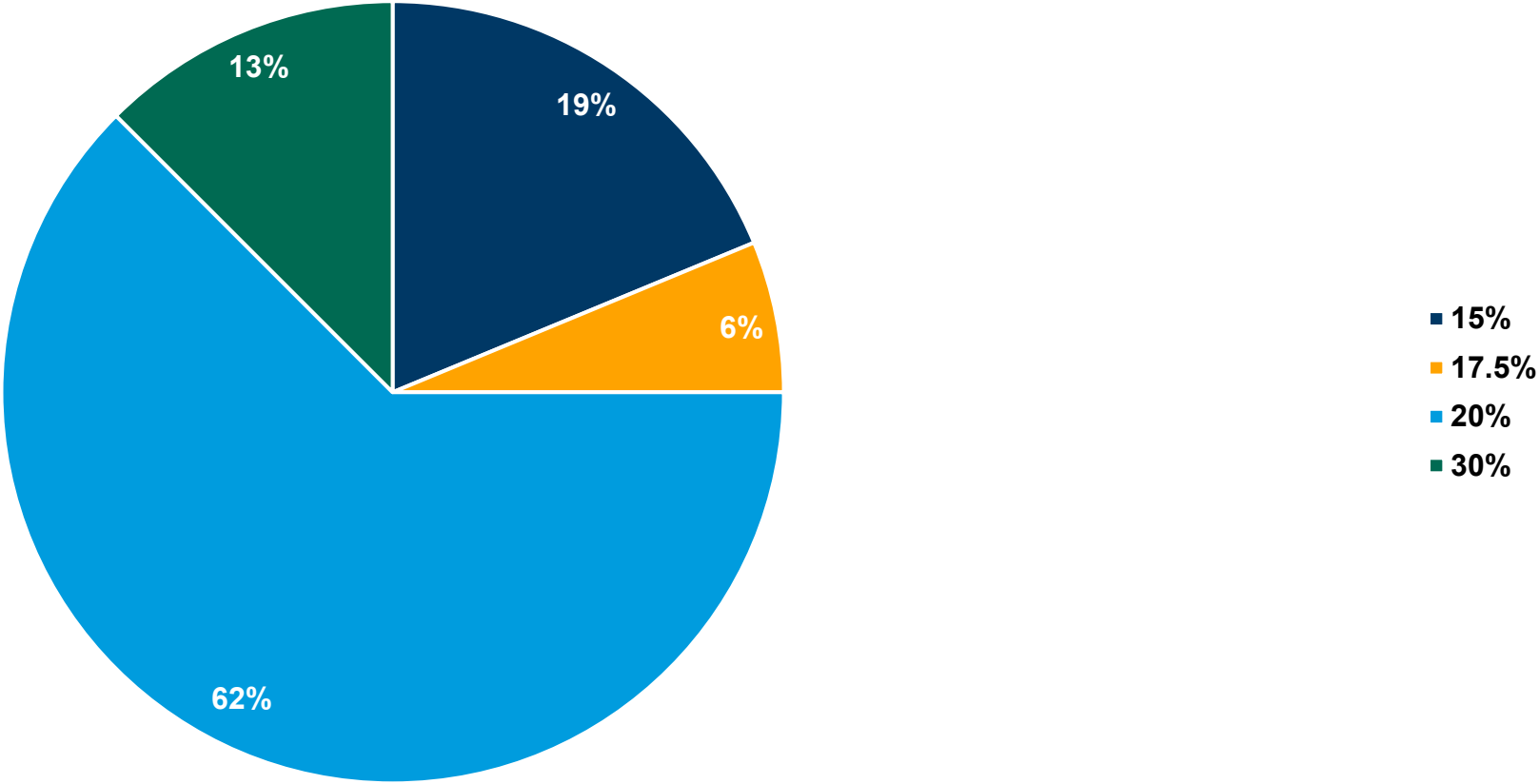
Limit on single deal size (% of commitments)  
<\$500M



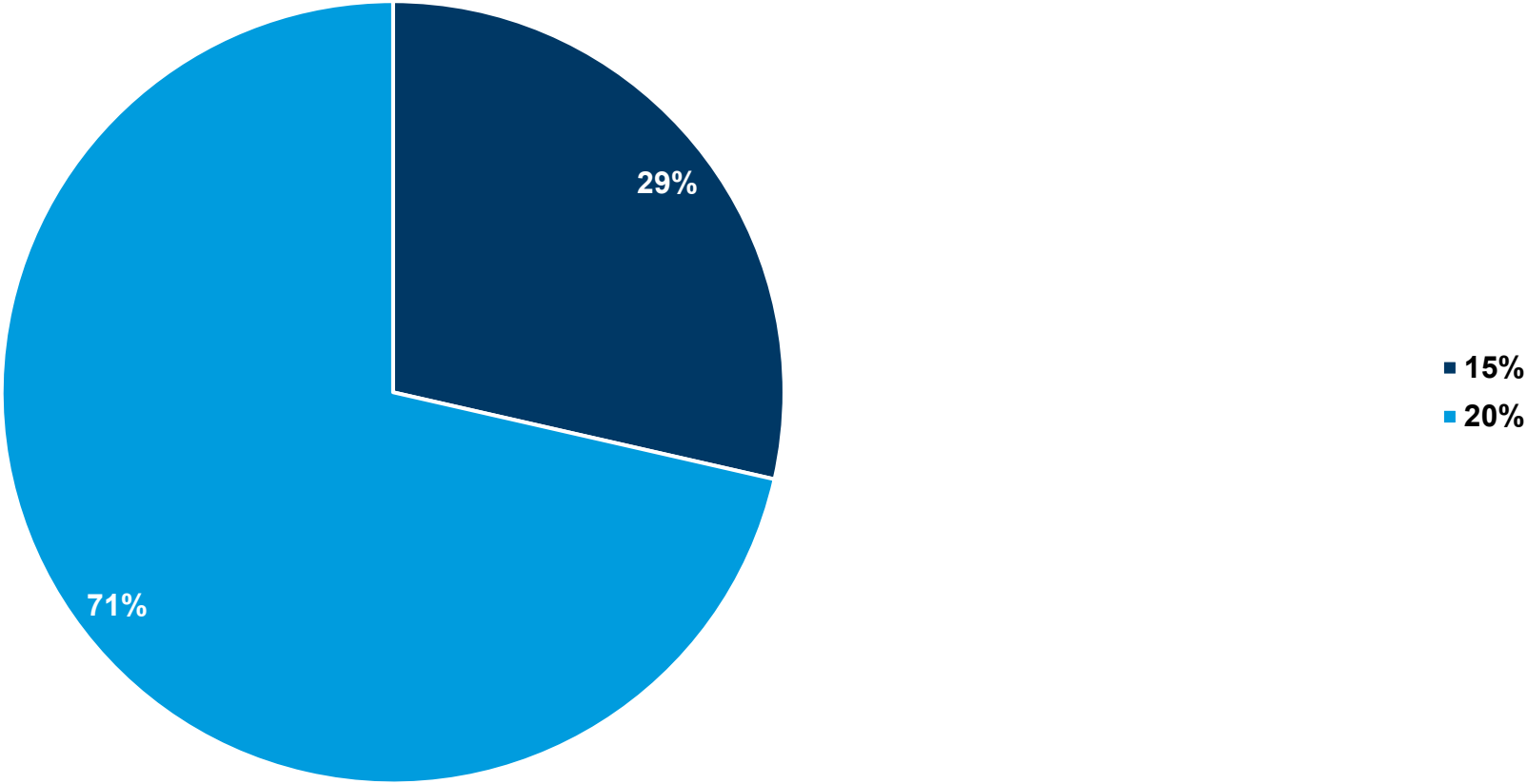
Limit on single deal size (% of commitments)  
\$500M-\$1B



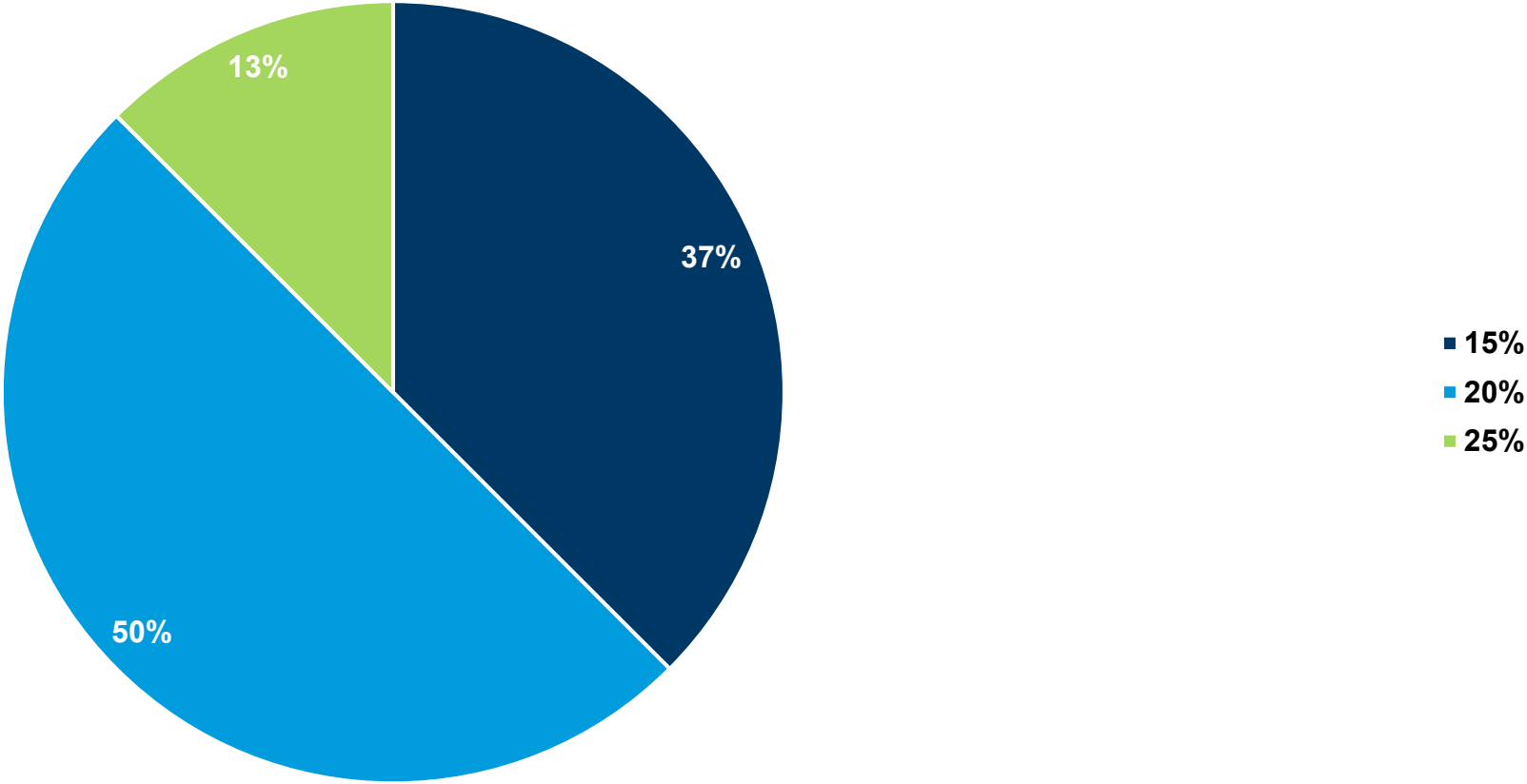
Limit on single deal size (% of commitments)  
\$1B-\$2.5B



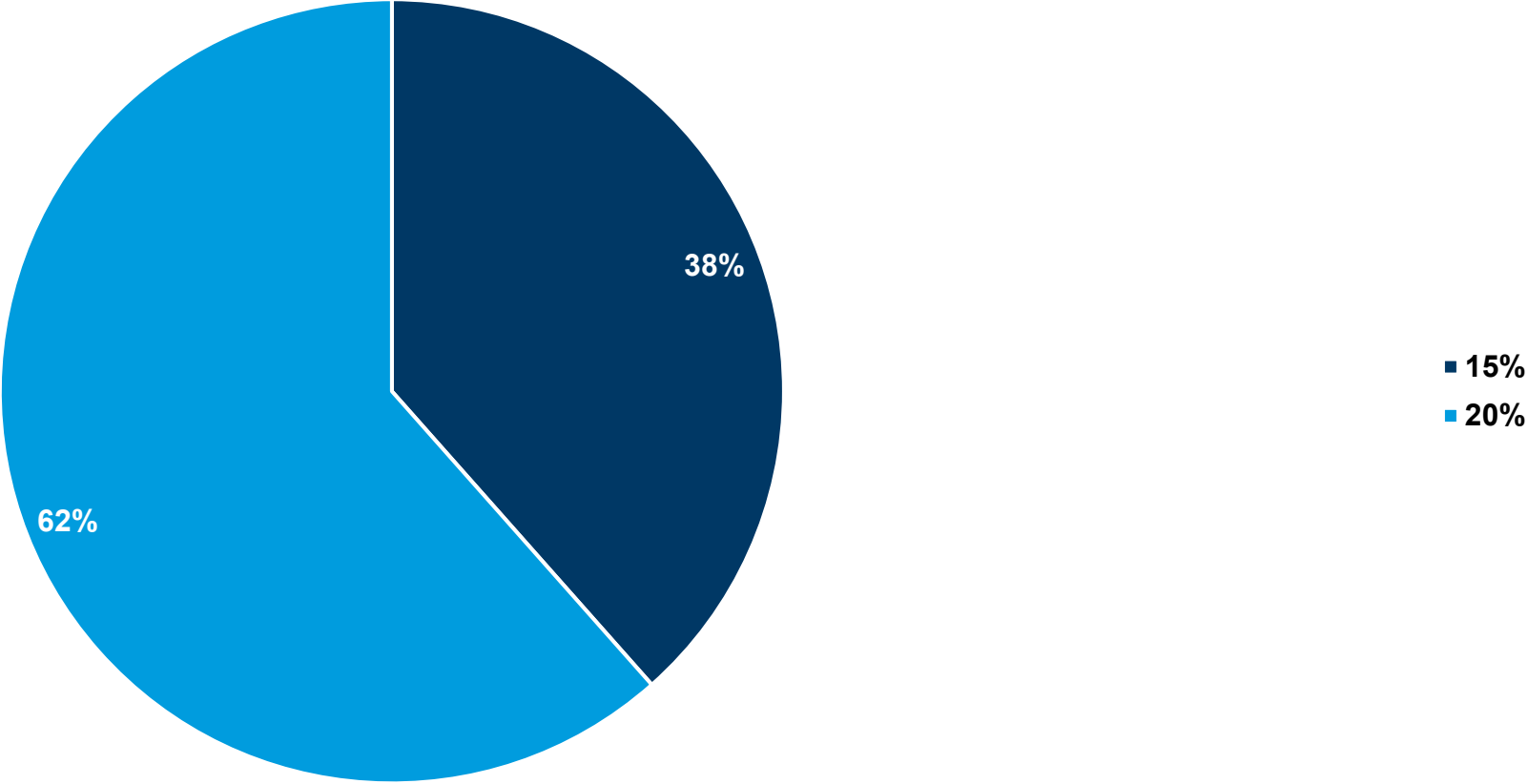
Limit on single deal size (% of commitments)  
\$2.5B-\$5B



Limit on single deal size (% of commitments)  
\$5B-\$10B



Limit on single deal size (% of commitments)  
>\$10B

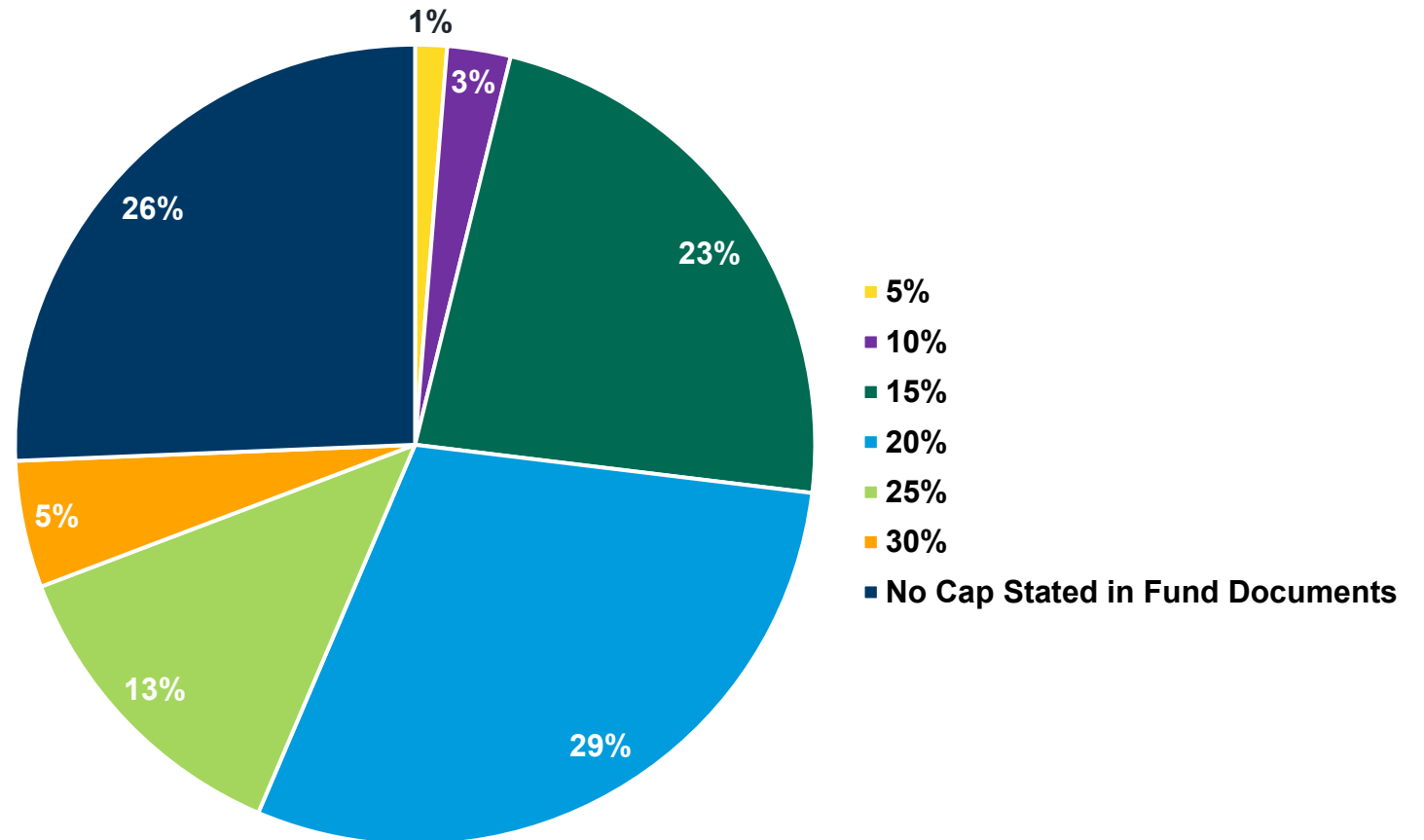


# Limit on follow-on investments post-investment period (% of commitments)

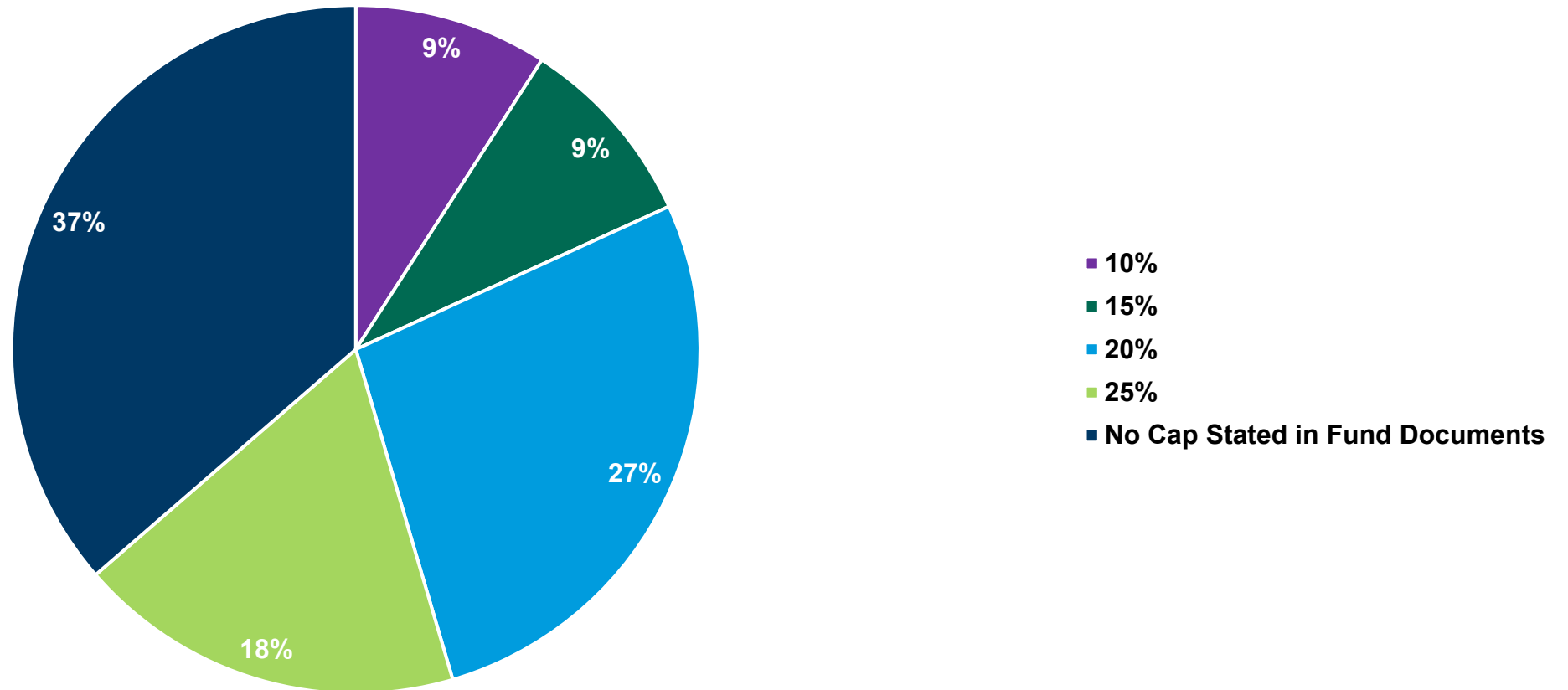
## All Funds

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. We have seen this subset increase over recent years as single deal diversification limits have crept up, indicating perhaps a greater tolerance from LPs for sponsors to allocate capital between initial investment and follow-on capital (including for platform acquisitions) as the sponsors judge most appropriate for the portfolio company in question.

Where there is a limit provided, 20% of commitments was the most common at 29% of funds surveyed, while 65% of funds fall in the 15% to 25% of commitments range. The nature of the agreed limitation 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).



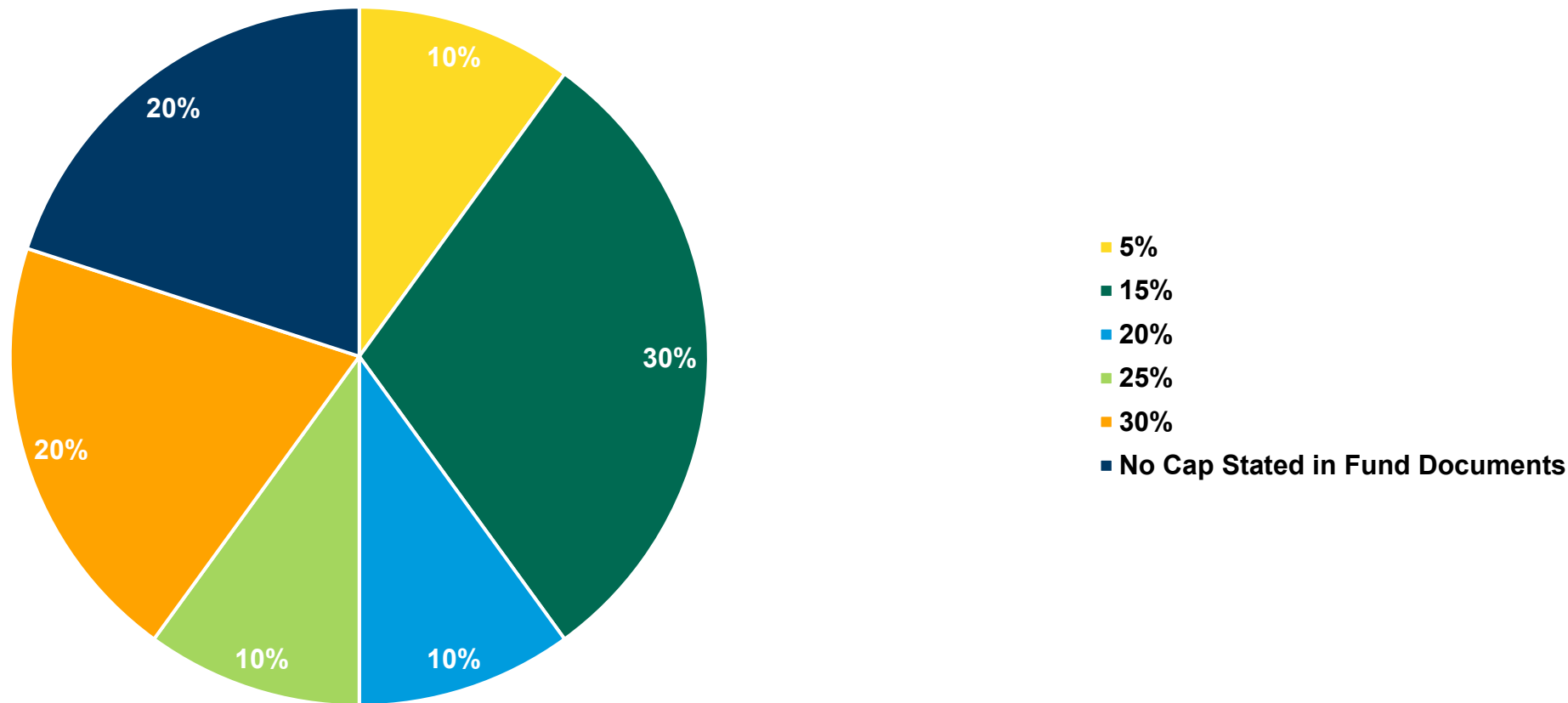
## Limit on follow-on investments post-investment period (% of commitments) <\$500M



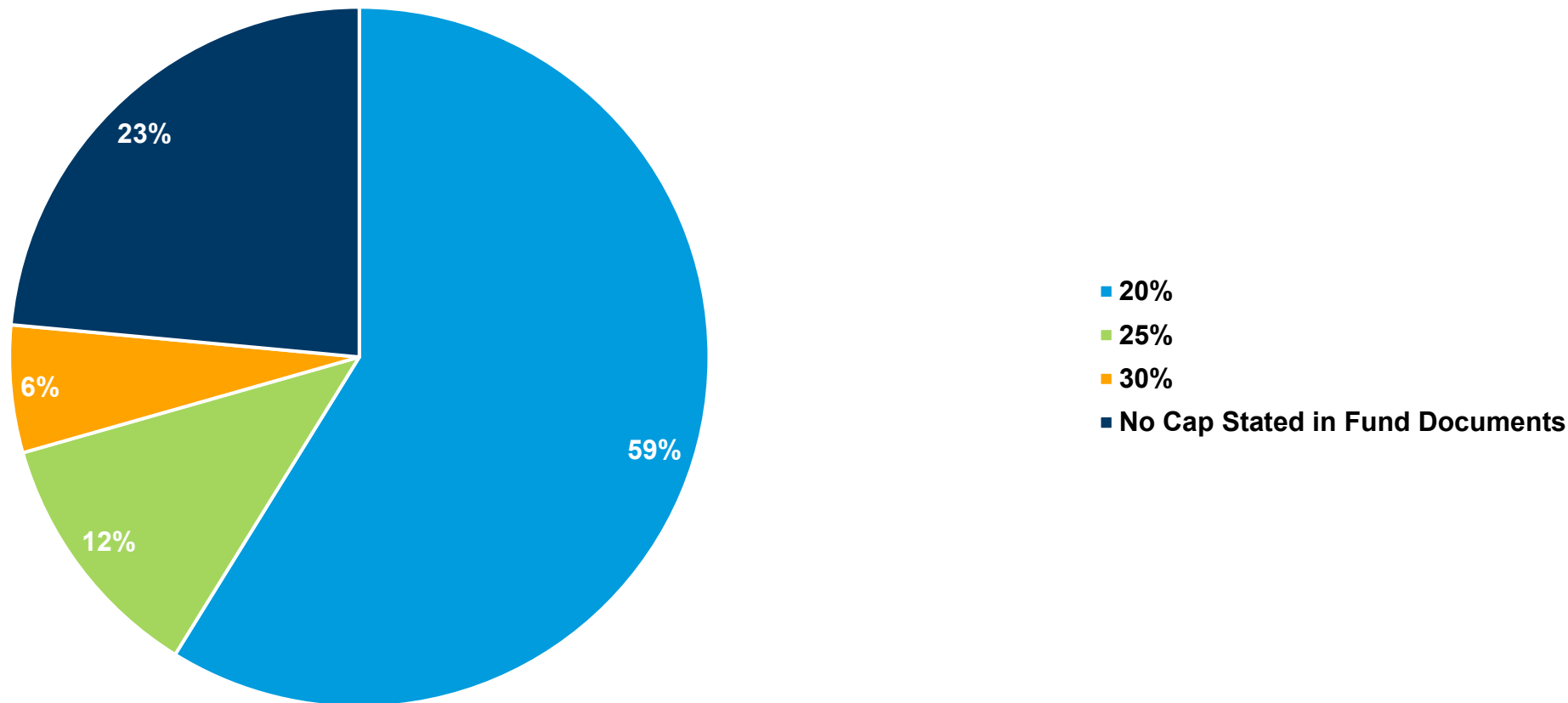


# Limit on follow-on investments post-investment period (% of commitments)

\$500M-\$1B

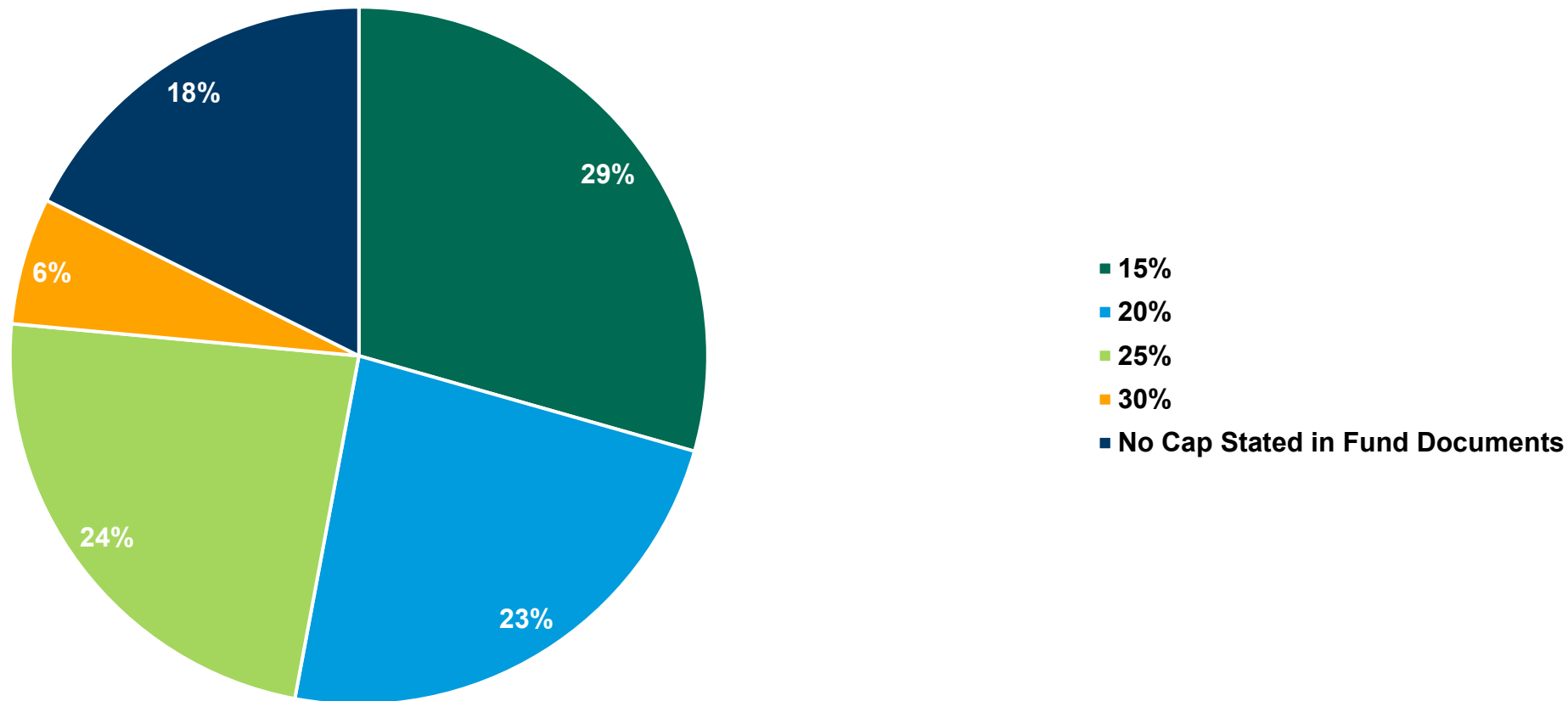


Limit on follow-on investments post-investment period (% of commitments)  
\$1B-\$2.5B

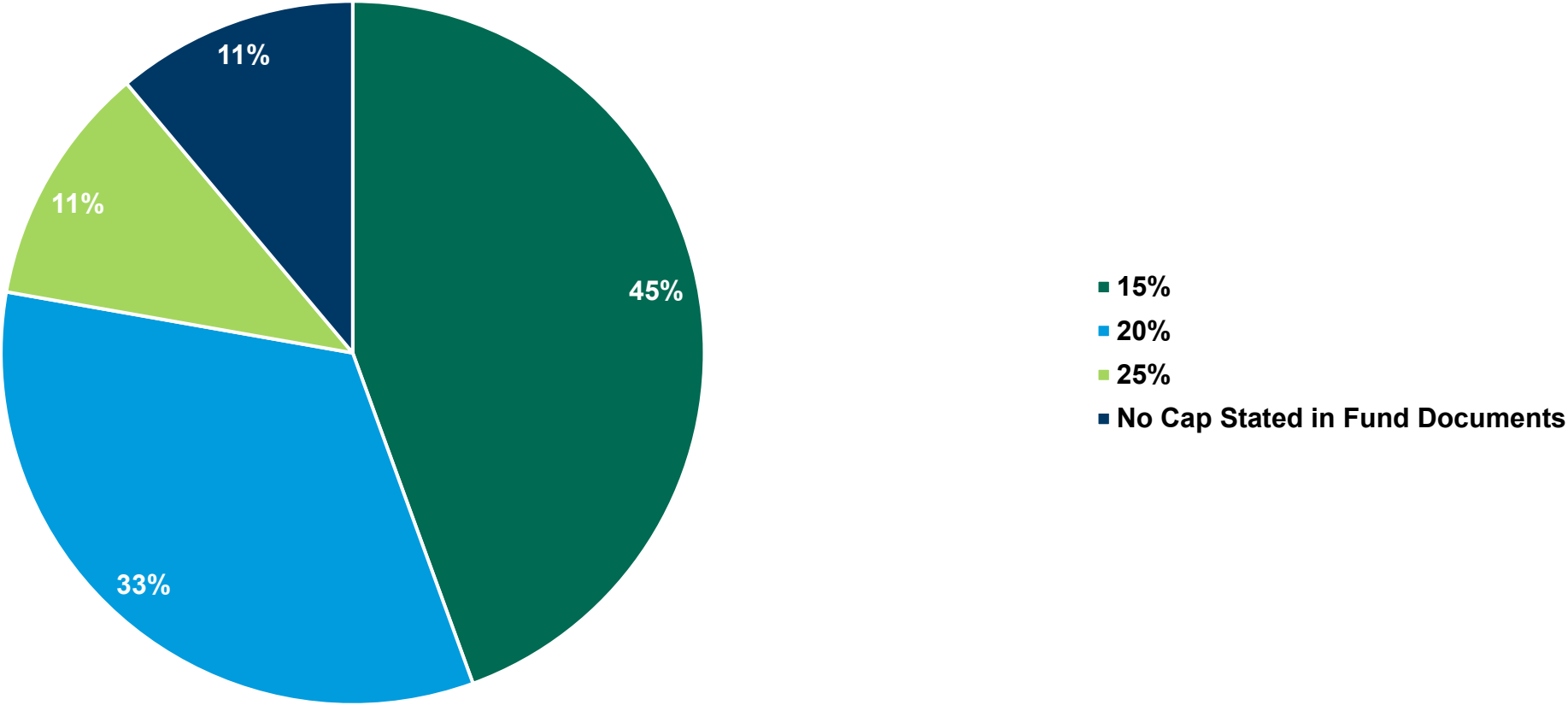


# Limit on follow-on investments post-investment period (% of commitments)

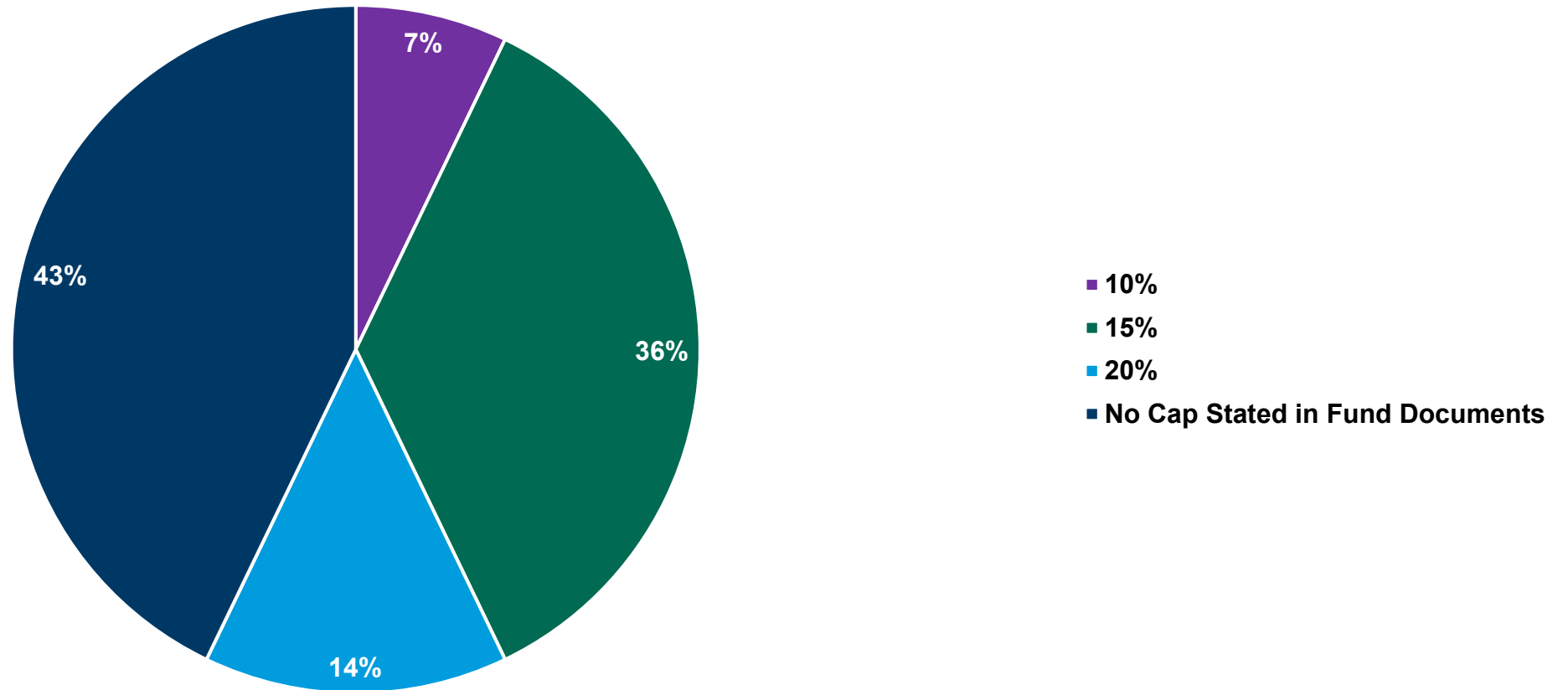
\$2.5B-\$5B



Limit on follow-on investments post-investment period (% of commitments)  
\$5B-\$10B



## Limit on follow-on investments post-investment period (% of commitments) >\$10B

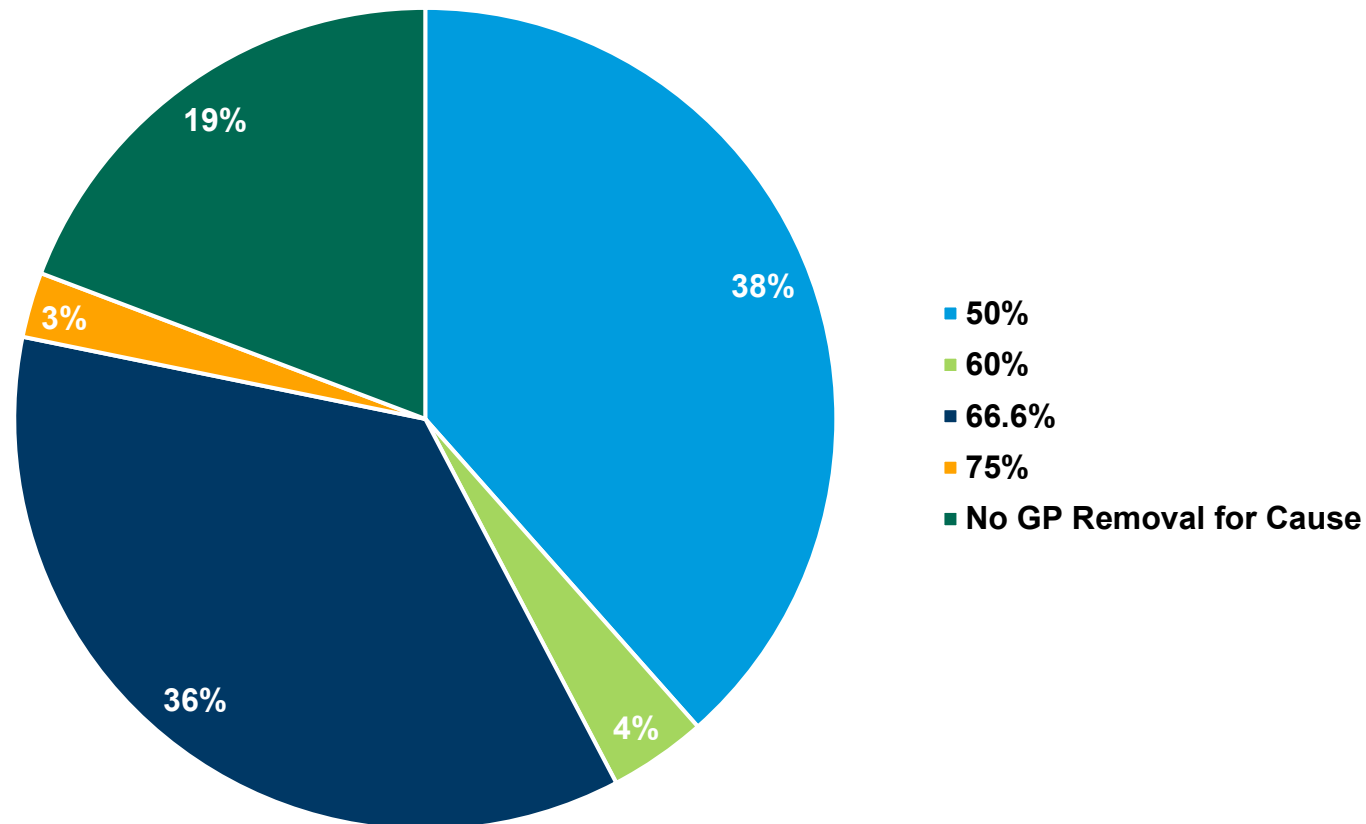


## GP ‘for cause’ removal – Investor voting threshold (% of interests)

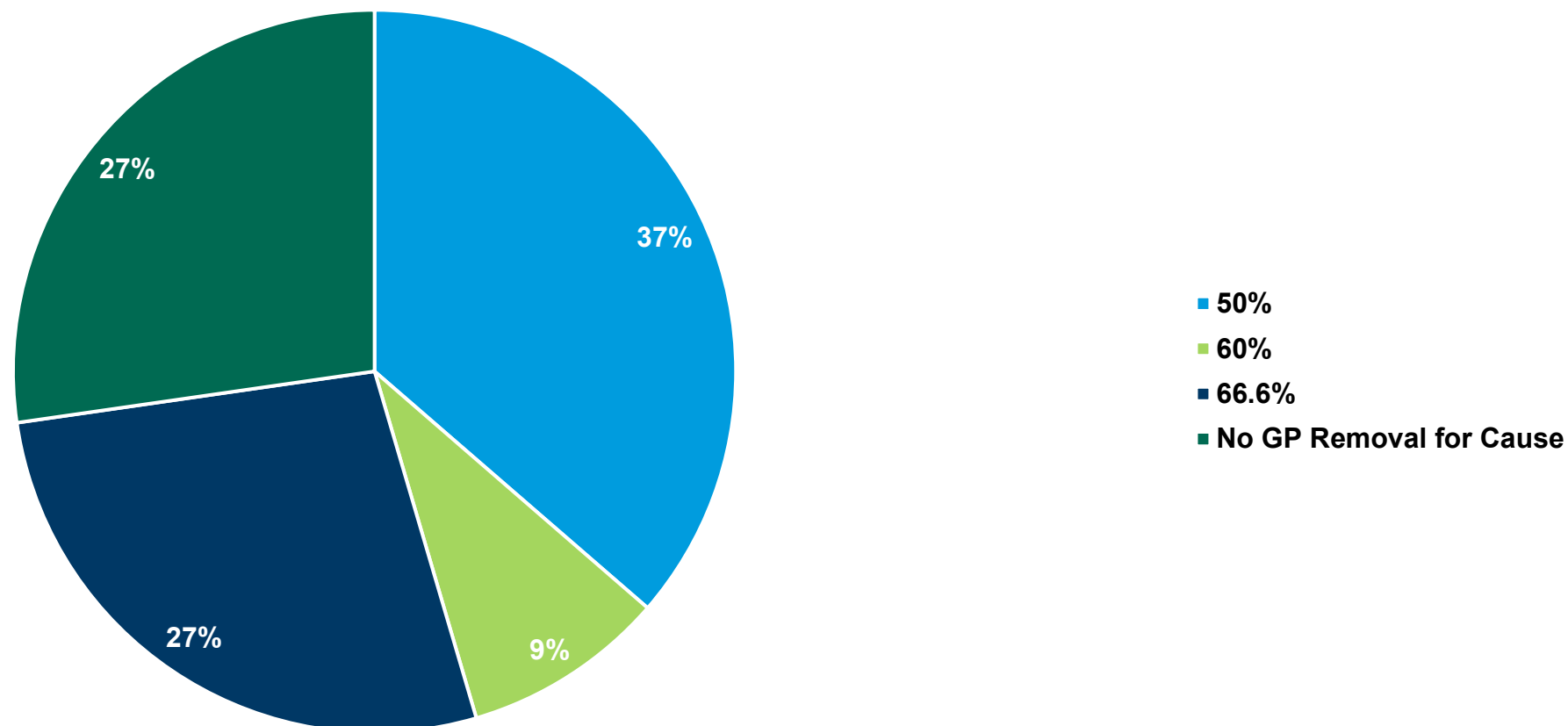
### All Funds

A simple majority is the most common voting threshold for GP removal (38% of the funds in our survey), with two-thirds in interest coming in a very close second (36%). A significant minority of funds do not provide GP removal rights for cause; these funds will tend to feature other negotiated investor remedies, such as fund termination following a cause event.

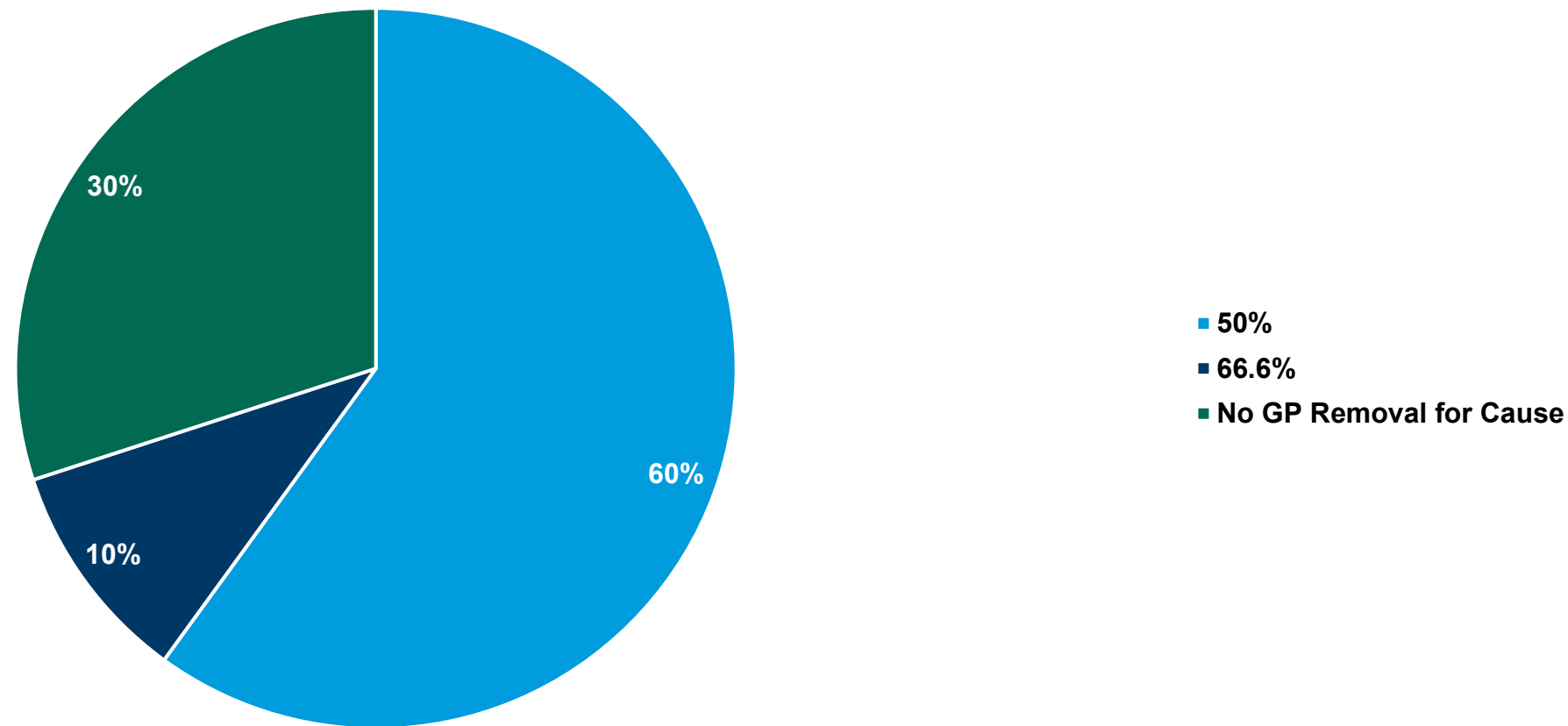
Larger funds are most likely to require an elevated threshold for GP removal following a cause event, and smaller funds are most likely to not provide for-cause removal rights at all.



## GP 'for cause' removal – Investor voting threshold (% of interests) <\$500M

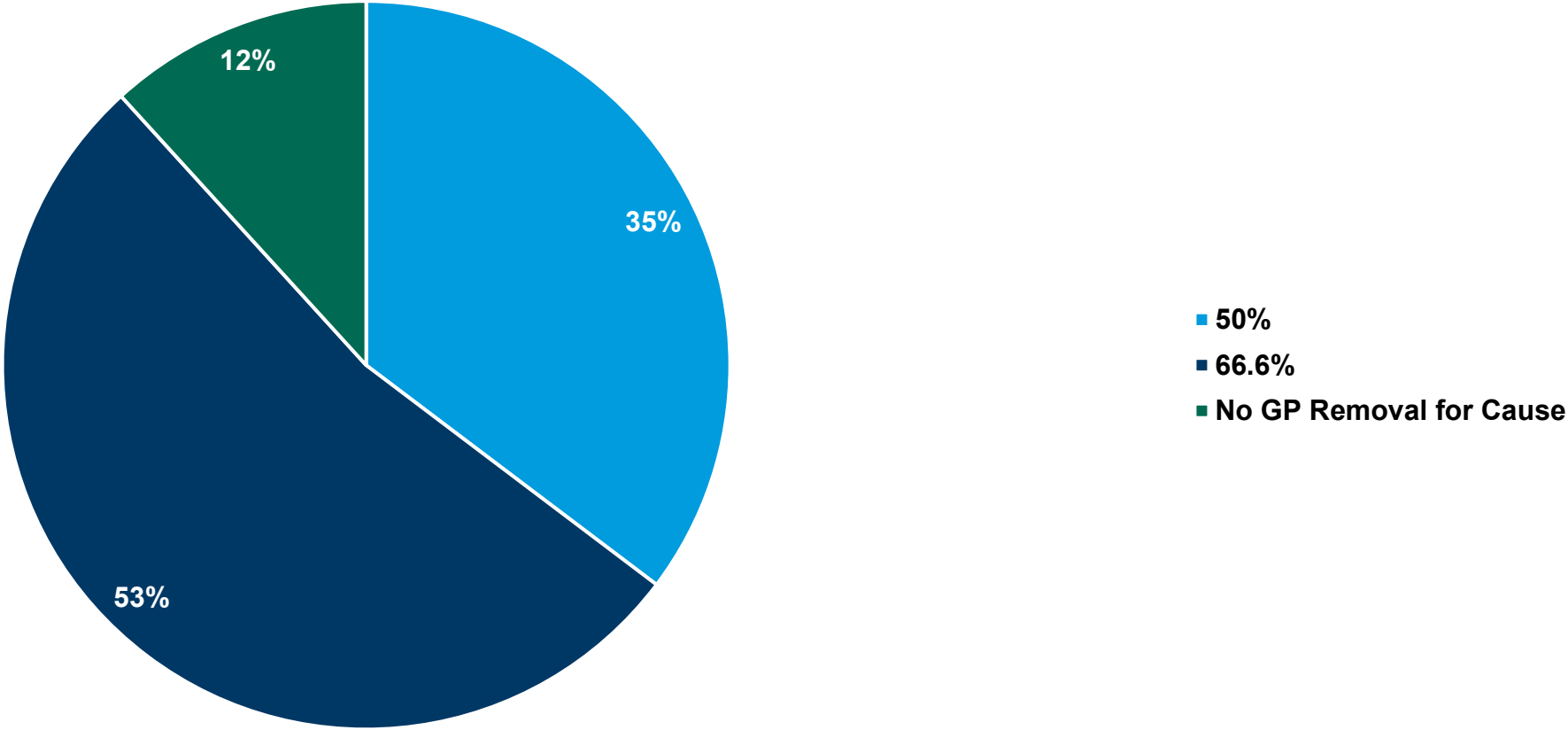


GP ‘for cause’ removal – Investor voting threshold (% of interests)  
\$500M-\$1B

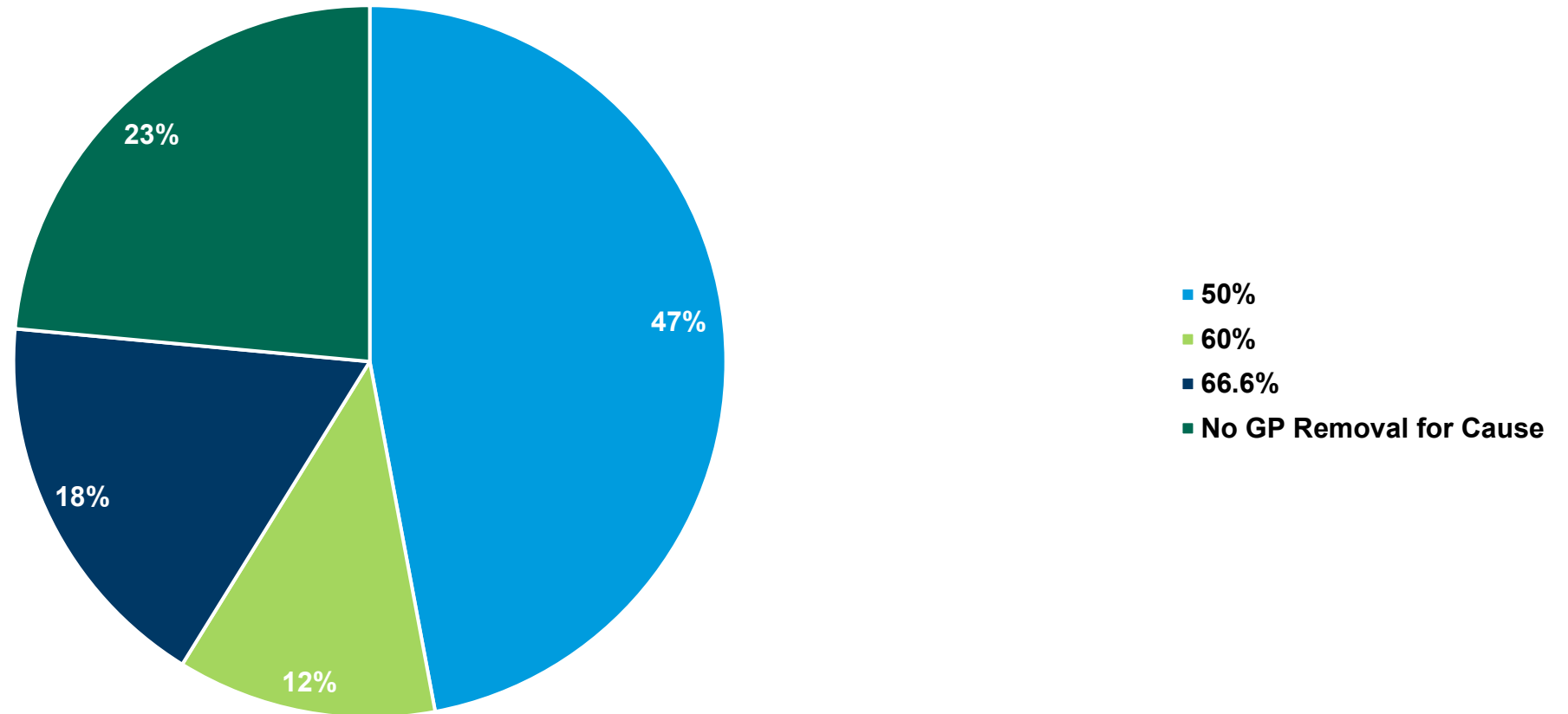




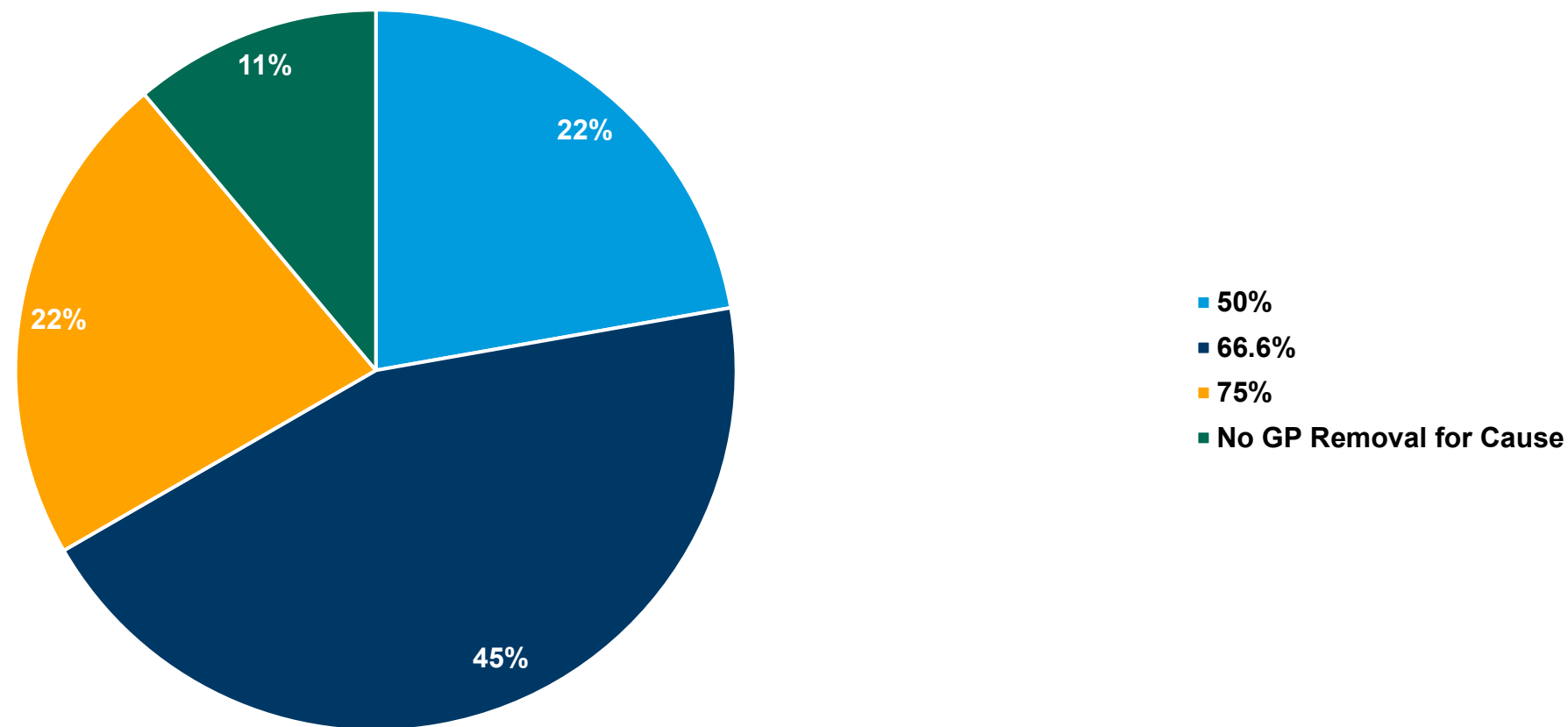
GP ‘for cause’ removal – Investor voting threshold (% of interests)  
\$1B-\$2.5B



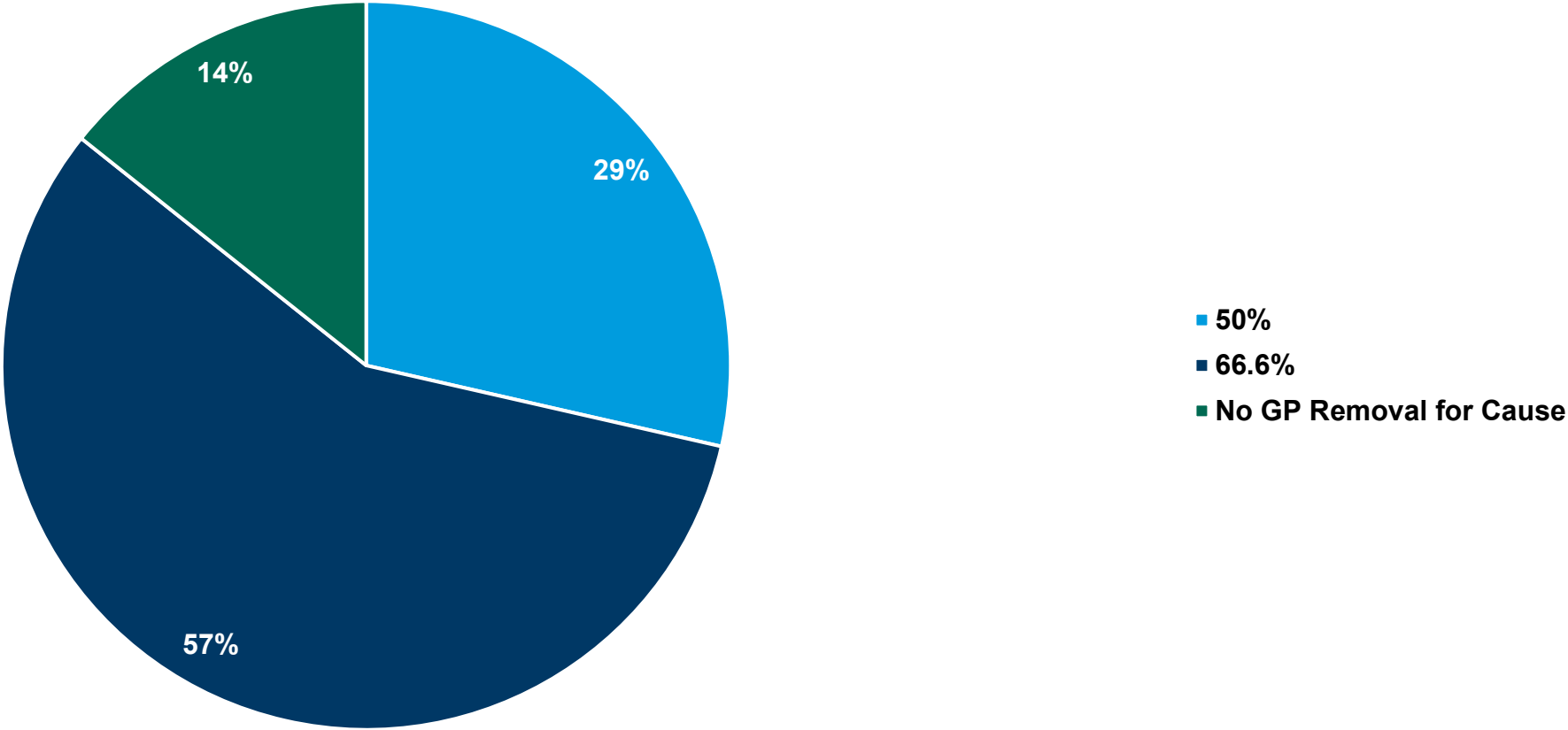
## GP 'for cause' removal – Investor voting threshold (% of interests) \$2.5B-\$5B



GP ‘for cause’ removal – Investor voting threshold (% of interests)  
\$5B-\$10B



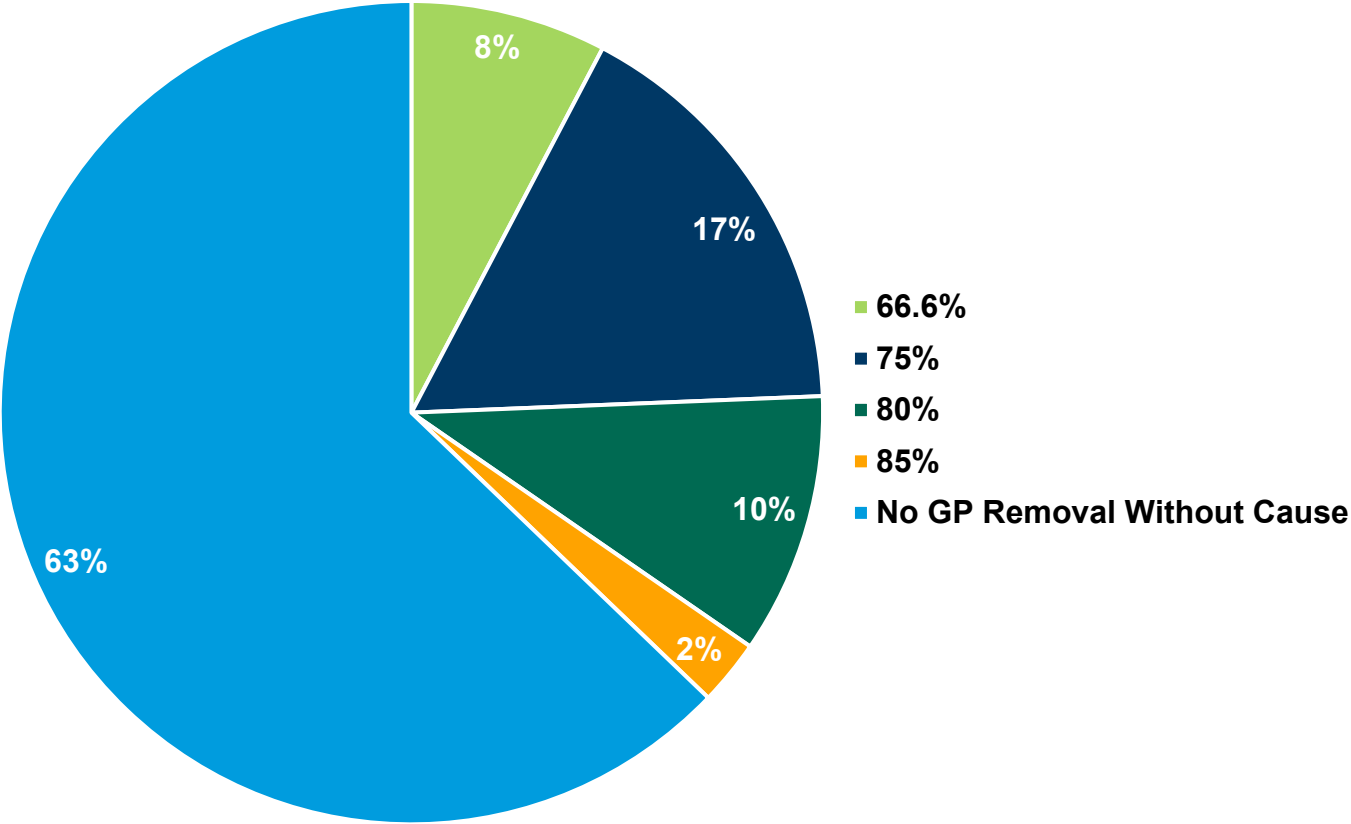
GP ‘for cause’ removal – Investor voting threshold (% of interests)  
>\$10B



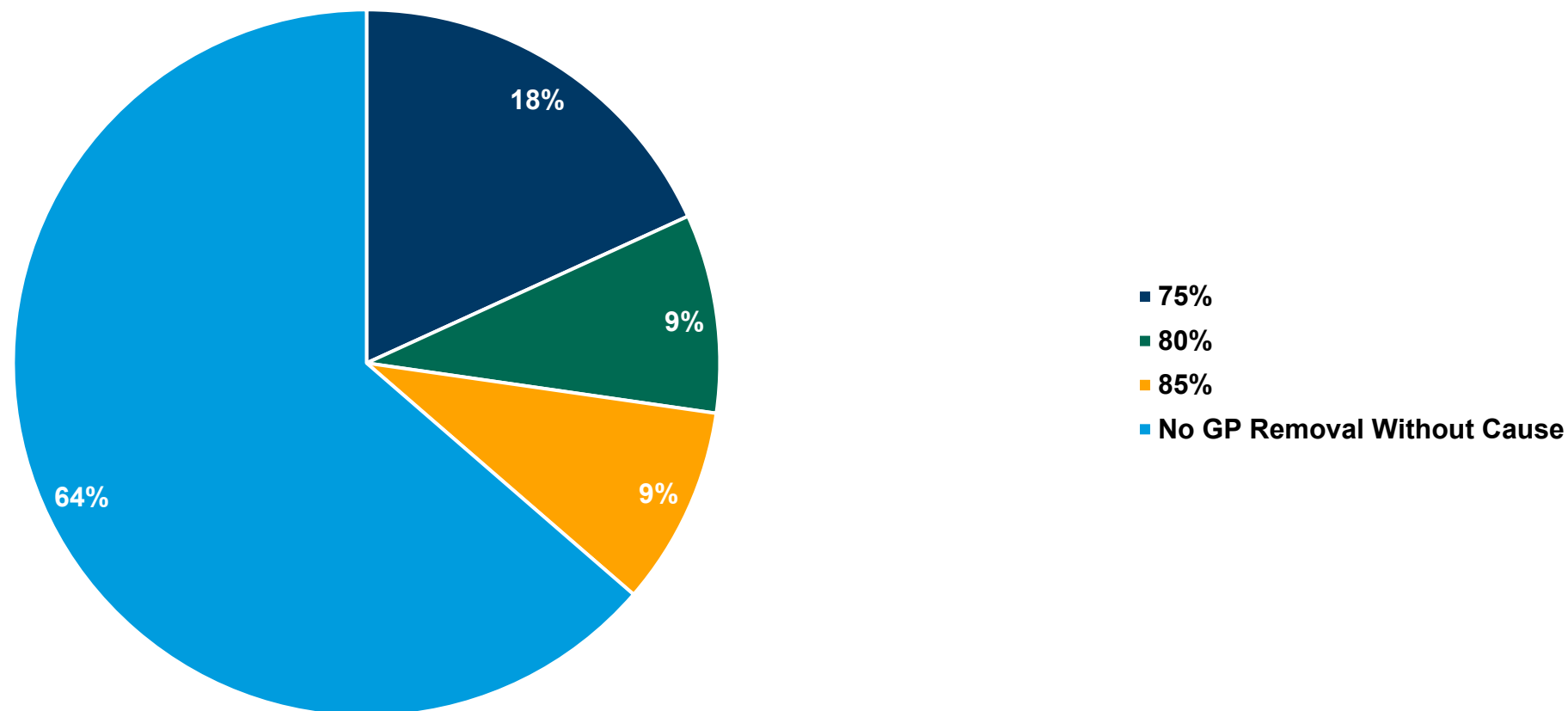
# GP ‘no-fault’ removal – Investor voting threshold (% of interests)

## All Funds

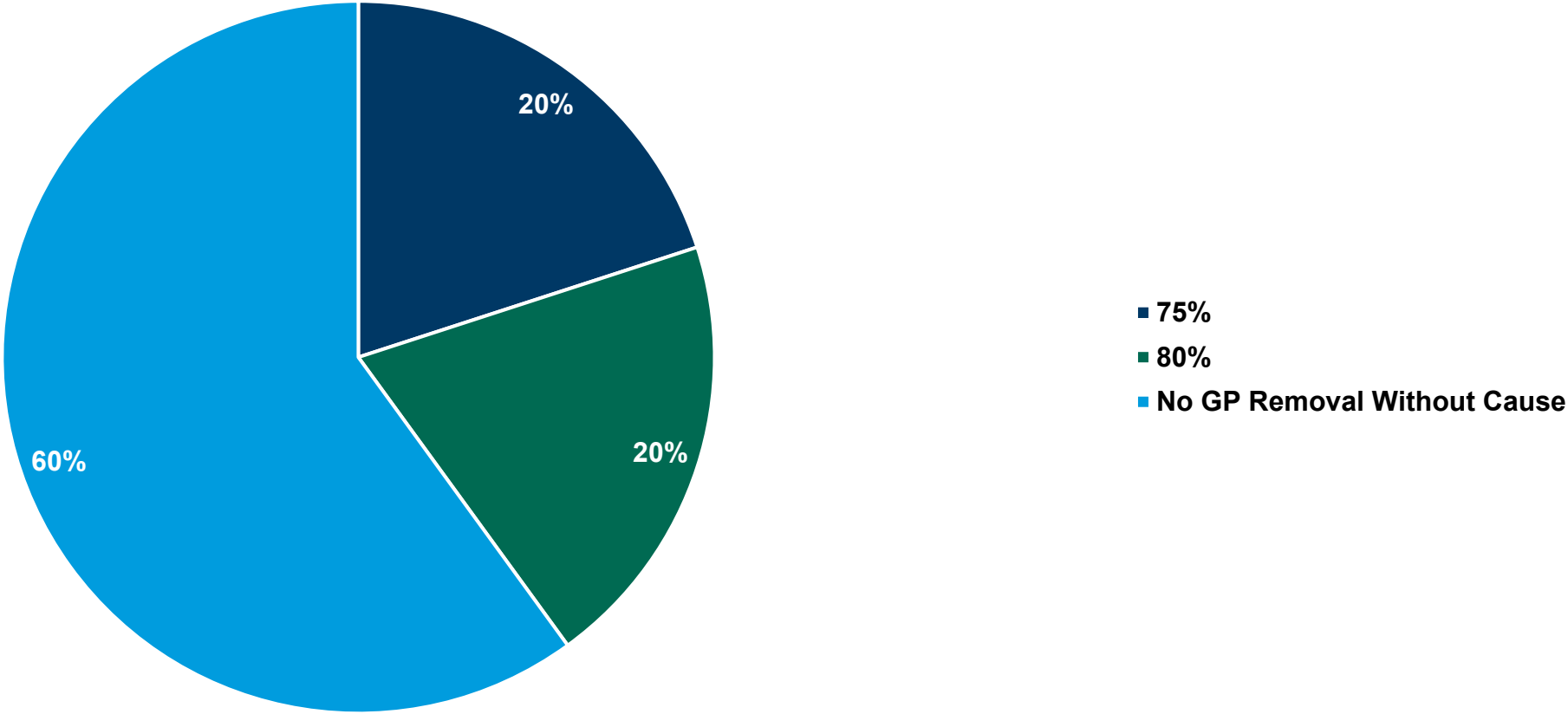
The U.S. buyout fund market remains biased against no-fault removal rights for LPs, with only 37% of surveyed funds providing for such rights. Distribution of the various options for this term are fairly equal across the size classes.



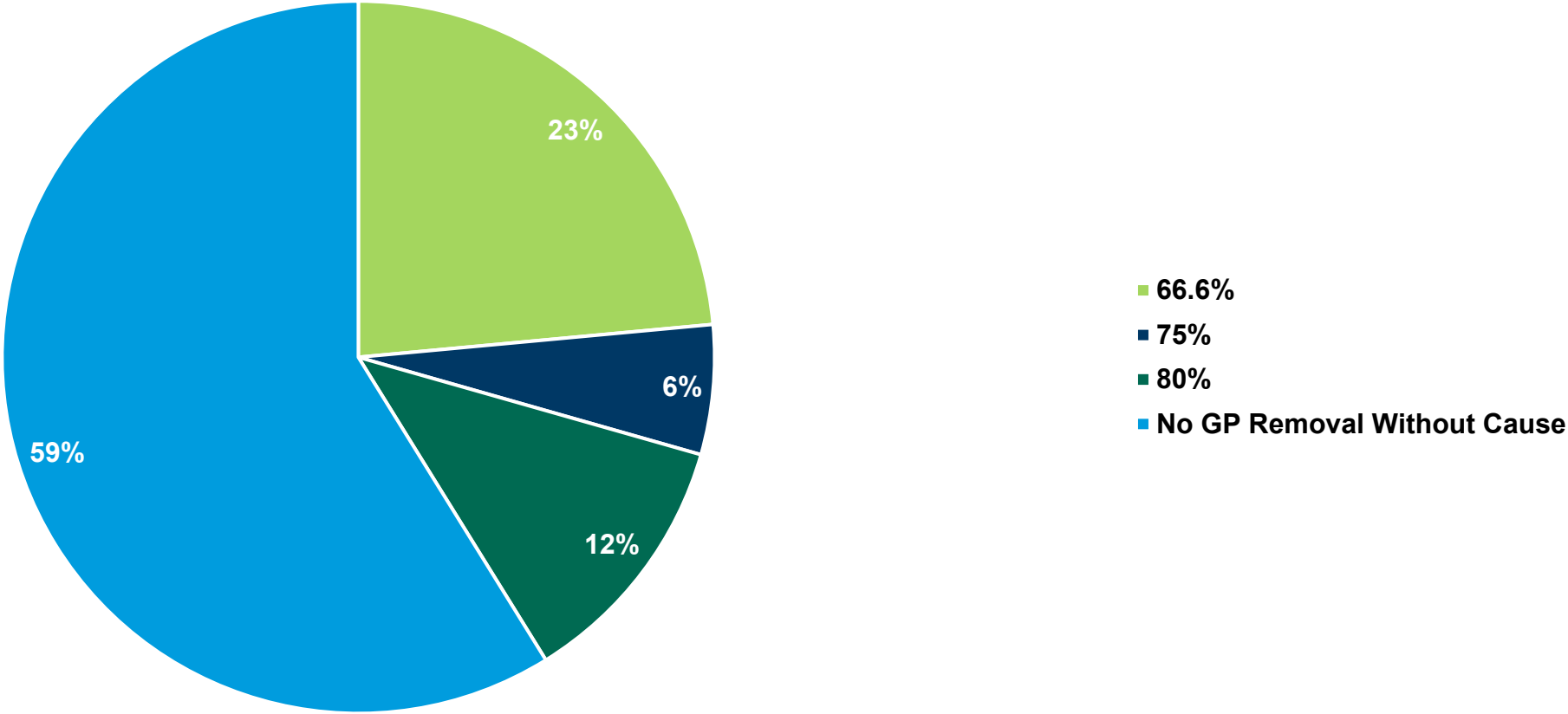
## GP 'without cause' removal – Investor voting threshold (% of interests) <\$500M



**GP ‘without cause’ removal – Investor voting threshold (% of interests)**  
**\$500M-\$1B**

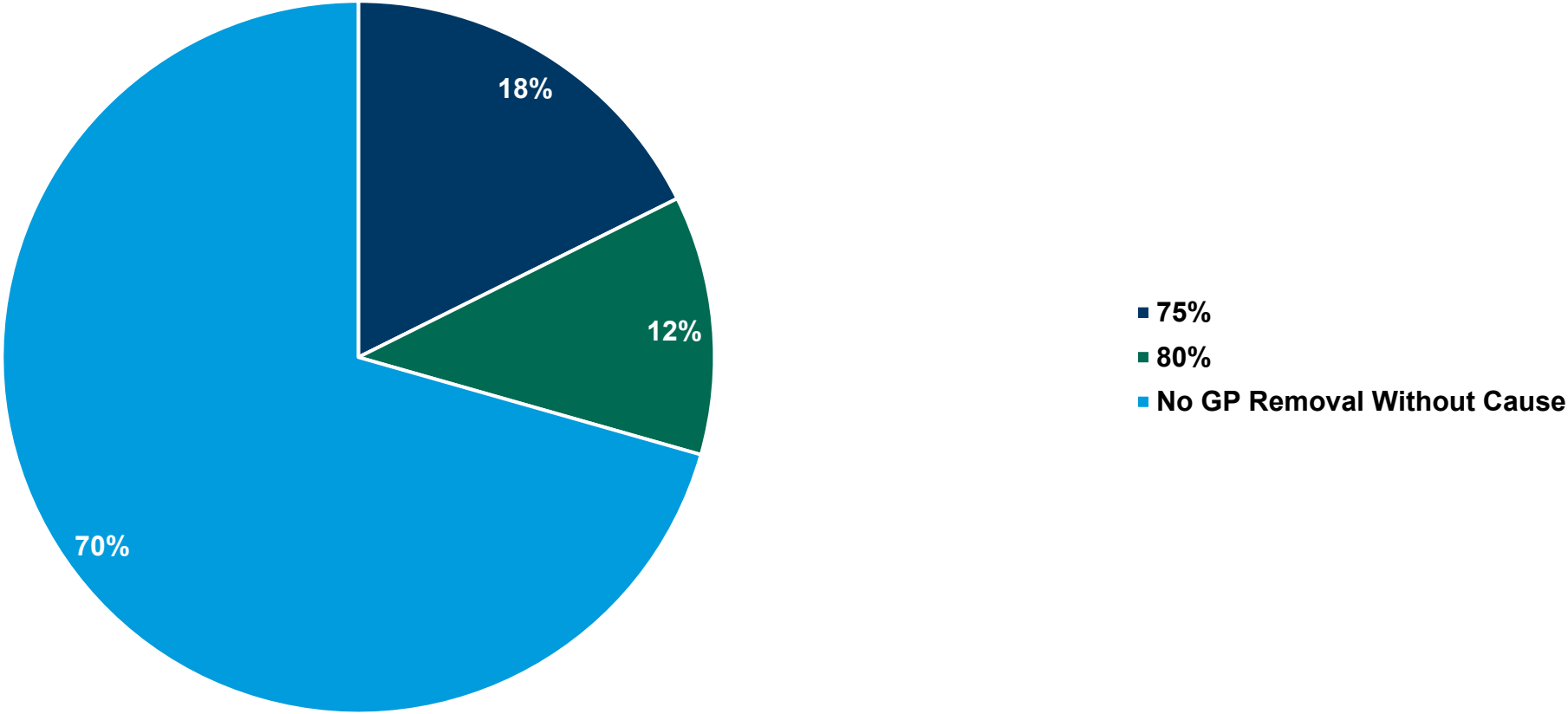


GP ‘without cause’ removal – Investor voting threshold (% of interests)  
\$1B-\$2.5B

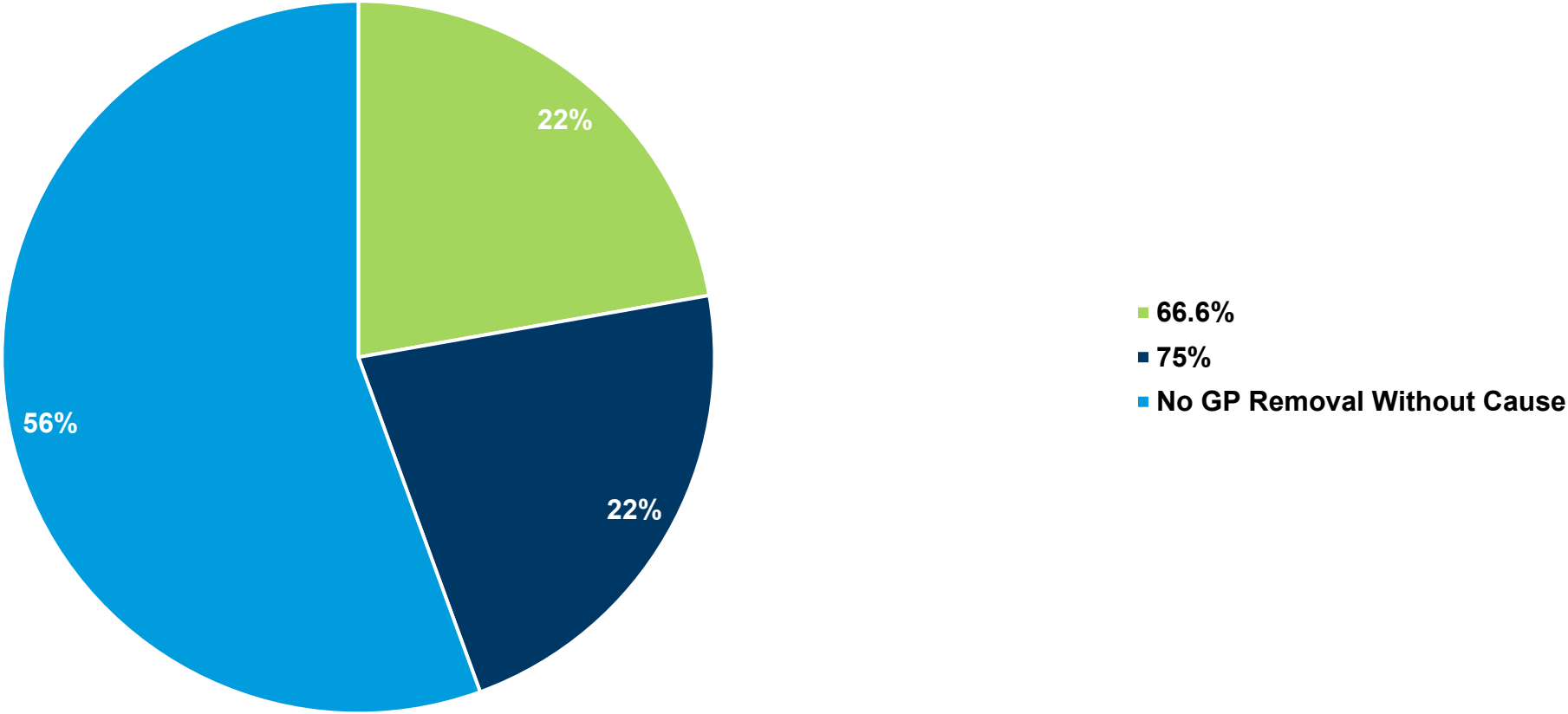




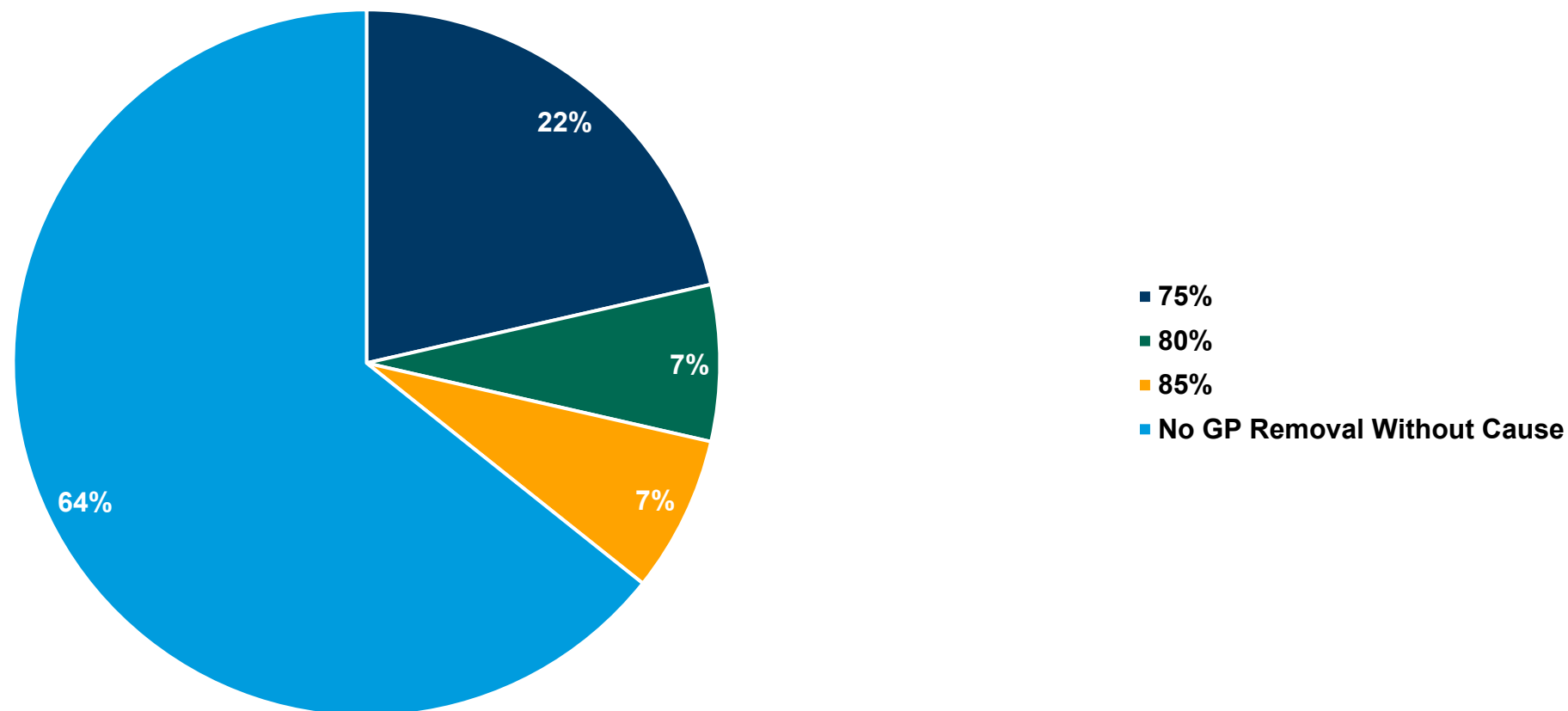
GP ‘without cause’ removal – Investor voting threshold (% of interests)  
\$2.5B-\$5B



GP ‘without cause’ removal – Investor voting threshold (% of interests)  
\$5B-\$10B



## GP 'without cause' removal – Investor voting threshold (% of interests) >\$10B

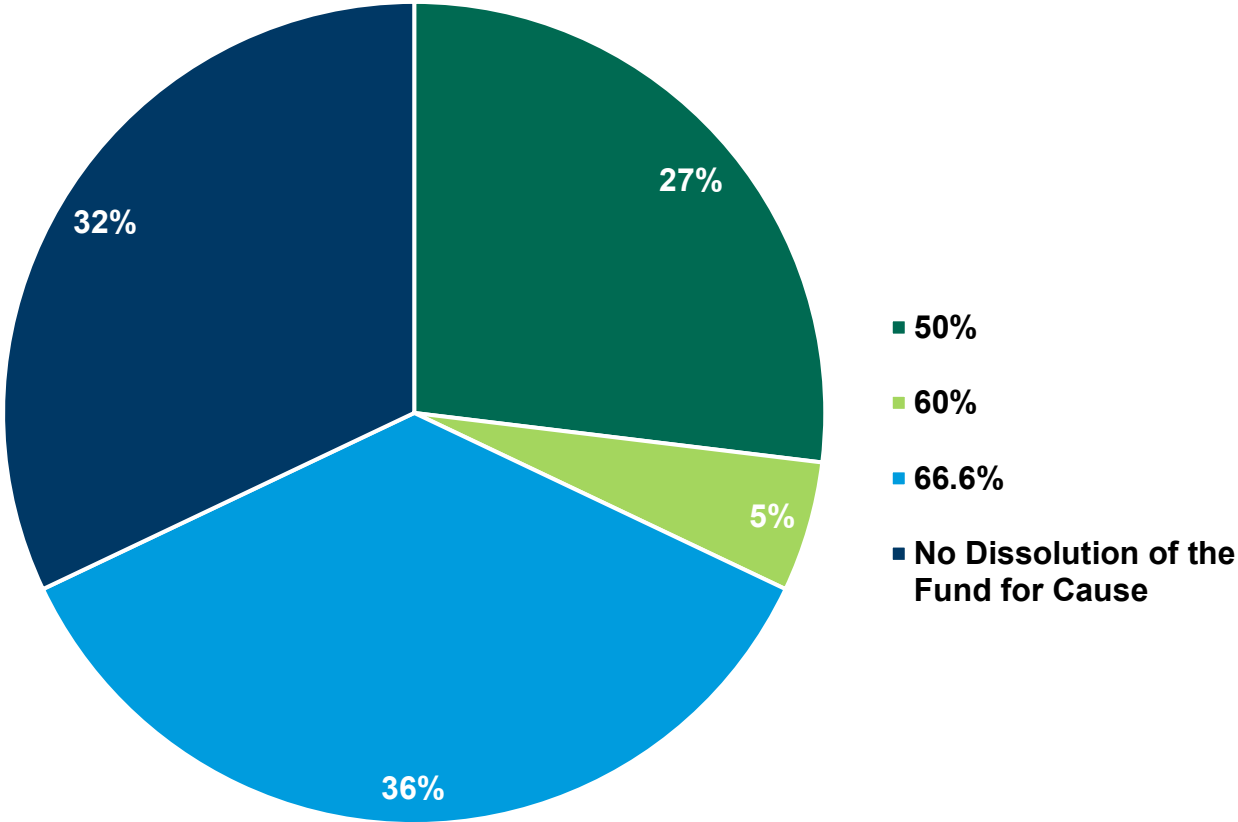


# Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)

## All Funds

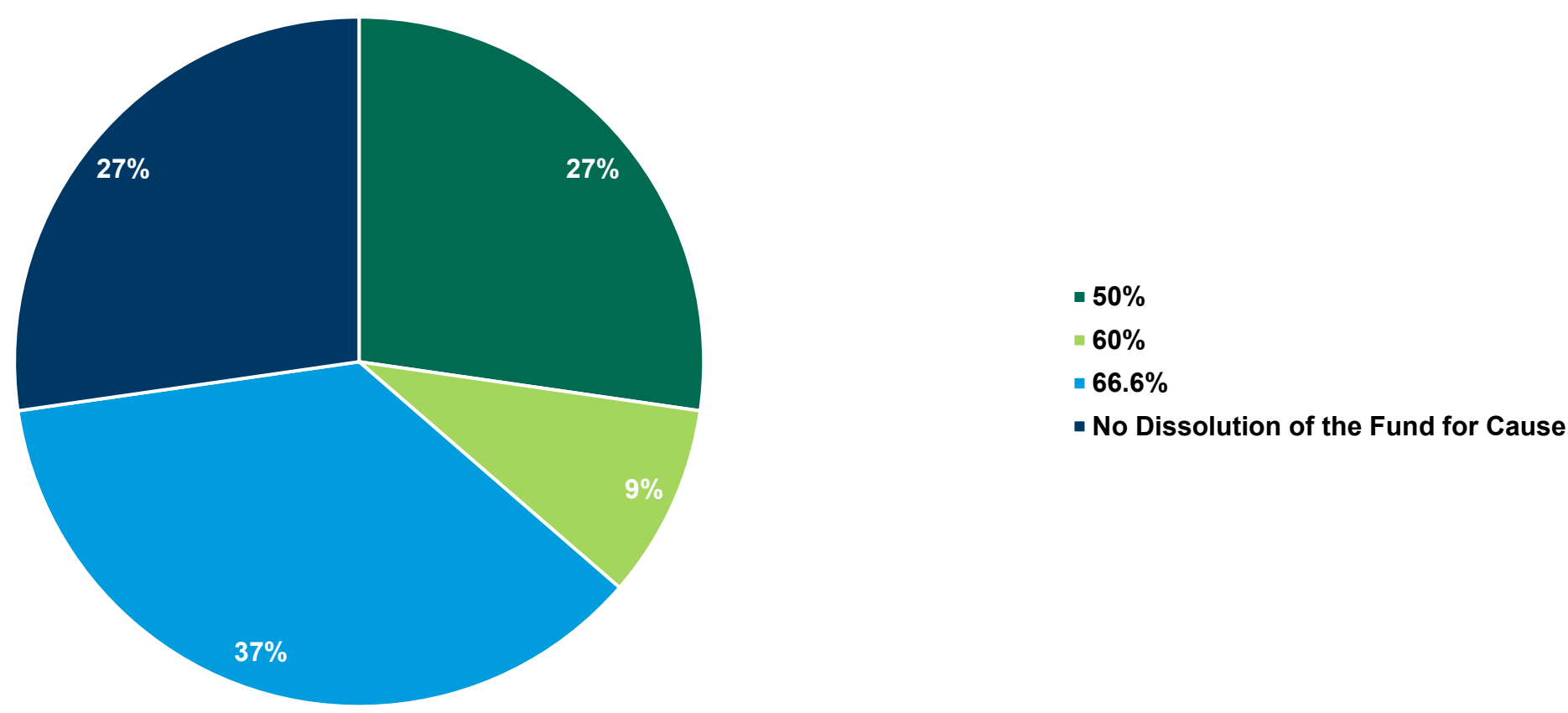
Nearly all funds surveyed provide limited partners with a right to end the fund’s term early and force liquidation following a “cause” event. The required voting thresholds are somewhat evenly distributed among 50%, 60% and 66% in interest of the investors, with the 60% threshold being the most common by a small margin.

Larger funds that provide for dissolution following a cause event are likely to require the vote of 66% in interest of their investors, while the smallest funds reflect the most varied distribution of the different options.

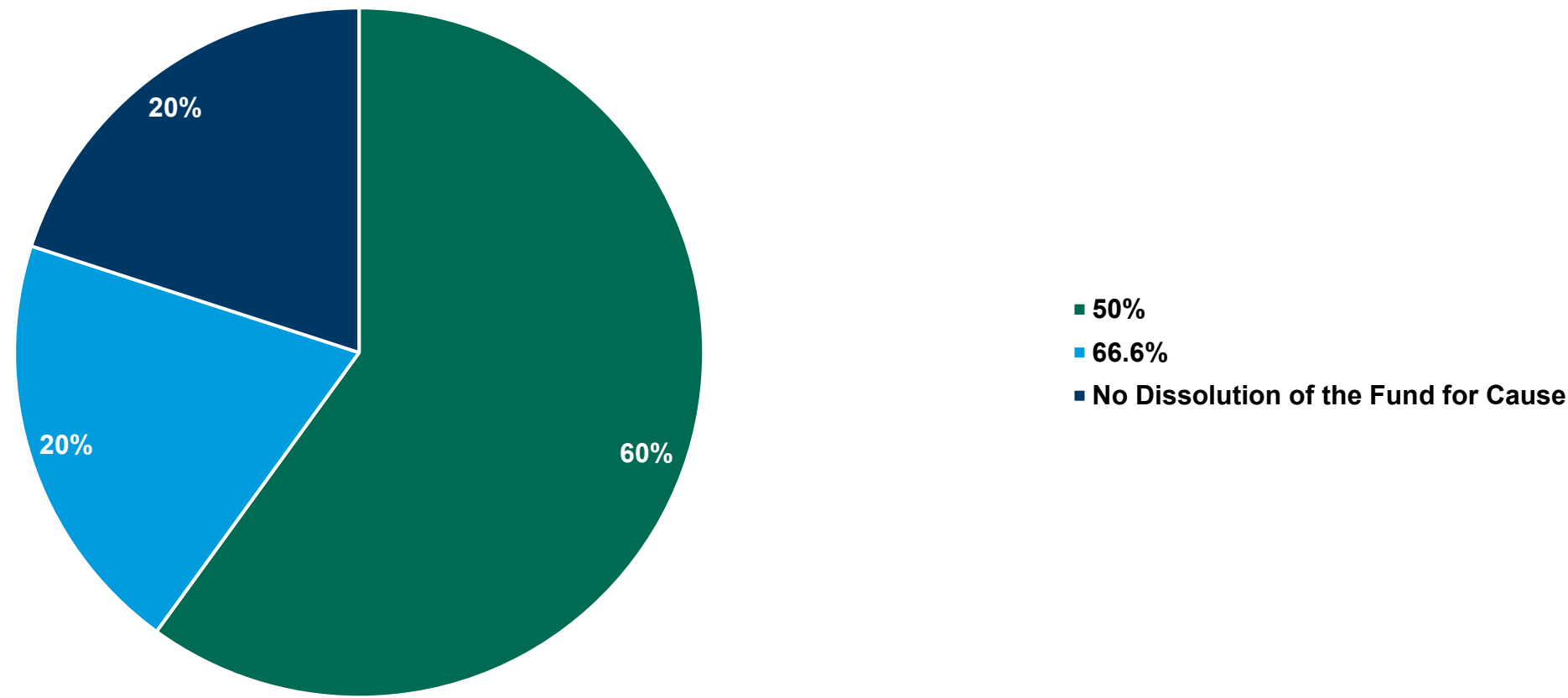


# Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)

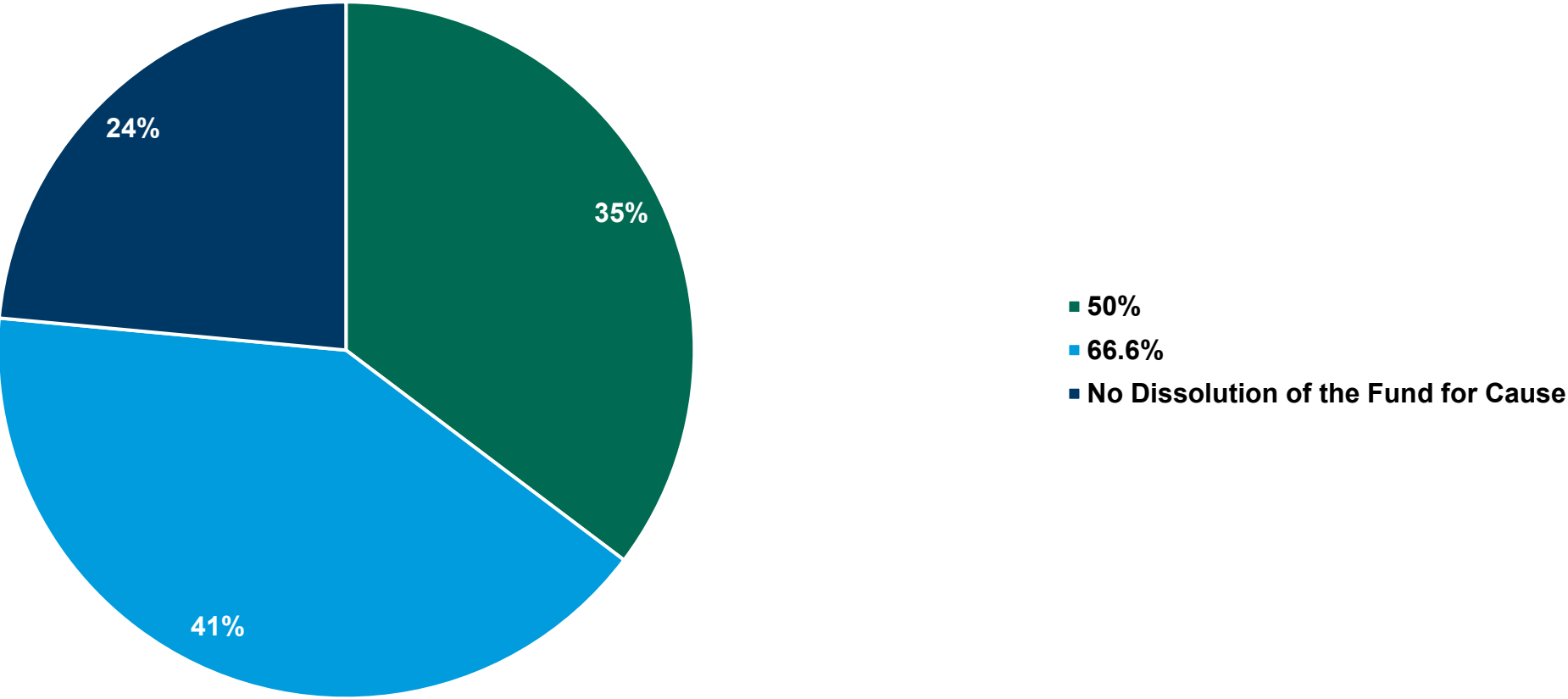
<\$500M



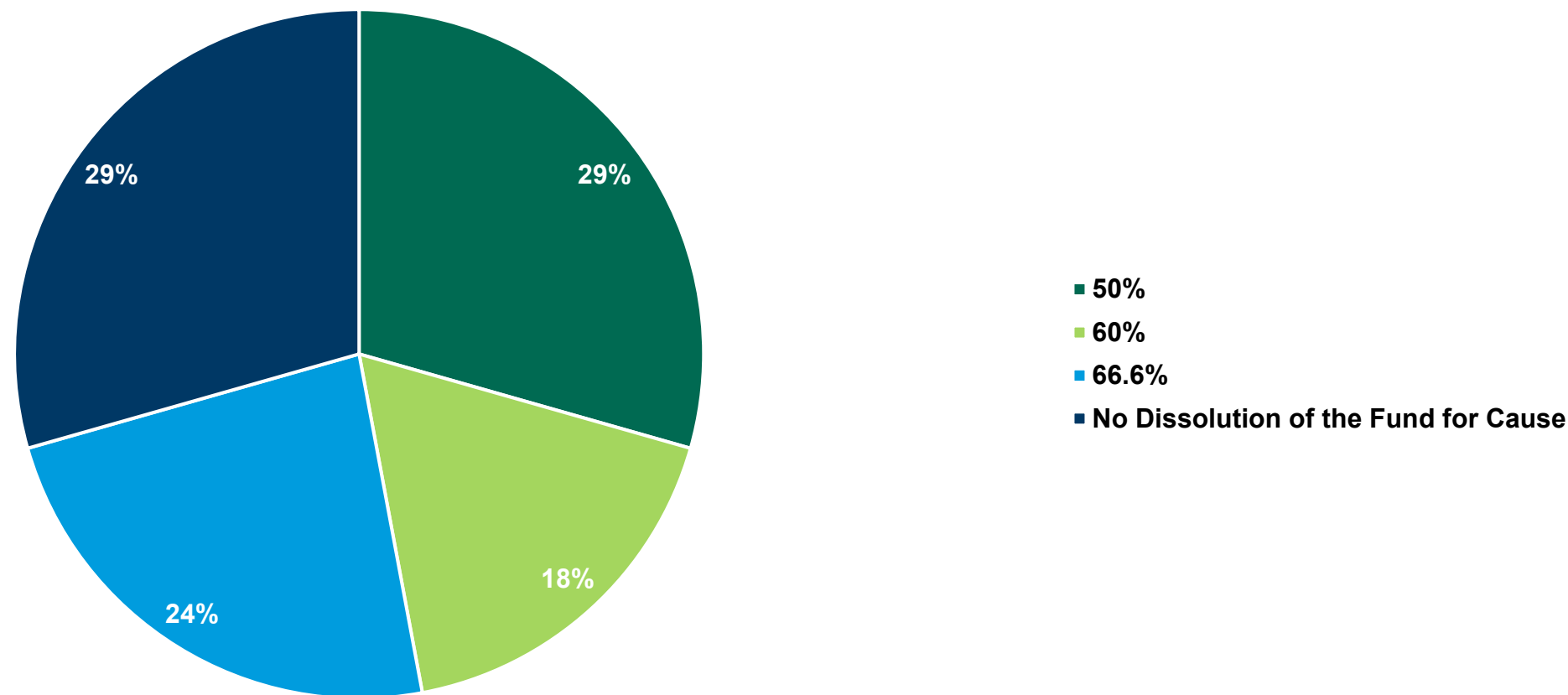
Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)  
\$500M-\$1B



Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)  
\$1B-\$2.5B

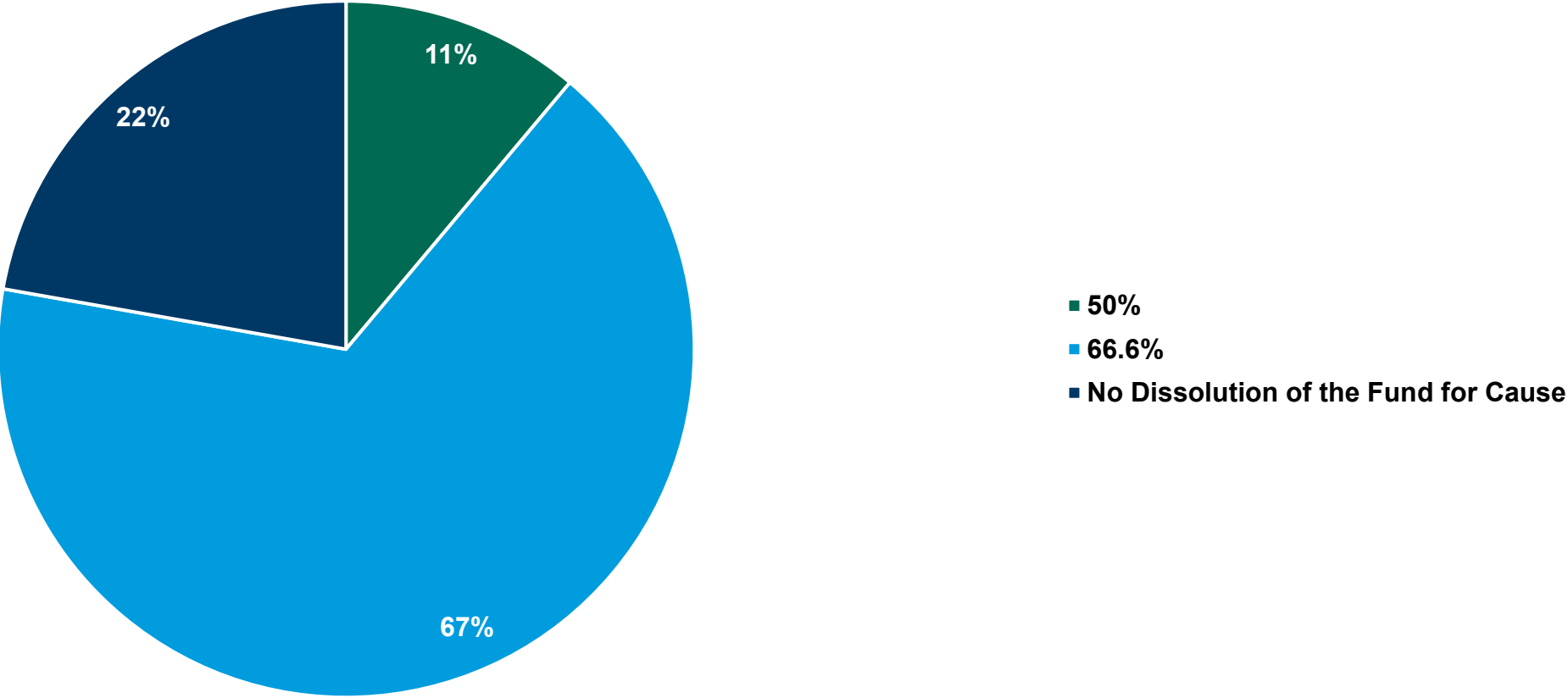


Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)  
\$2.5B-\$5B

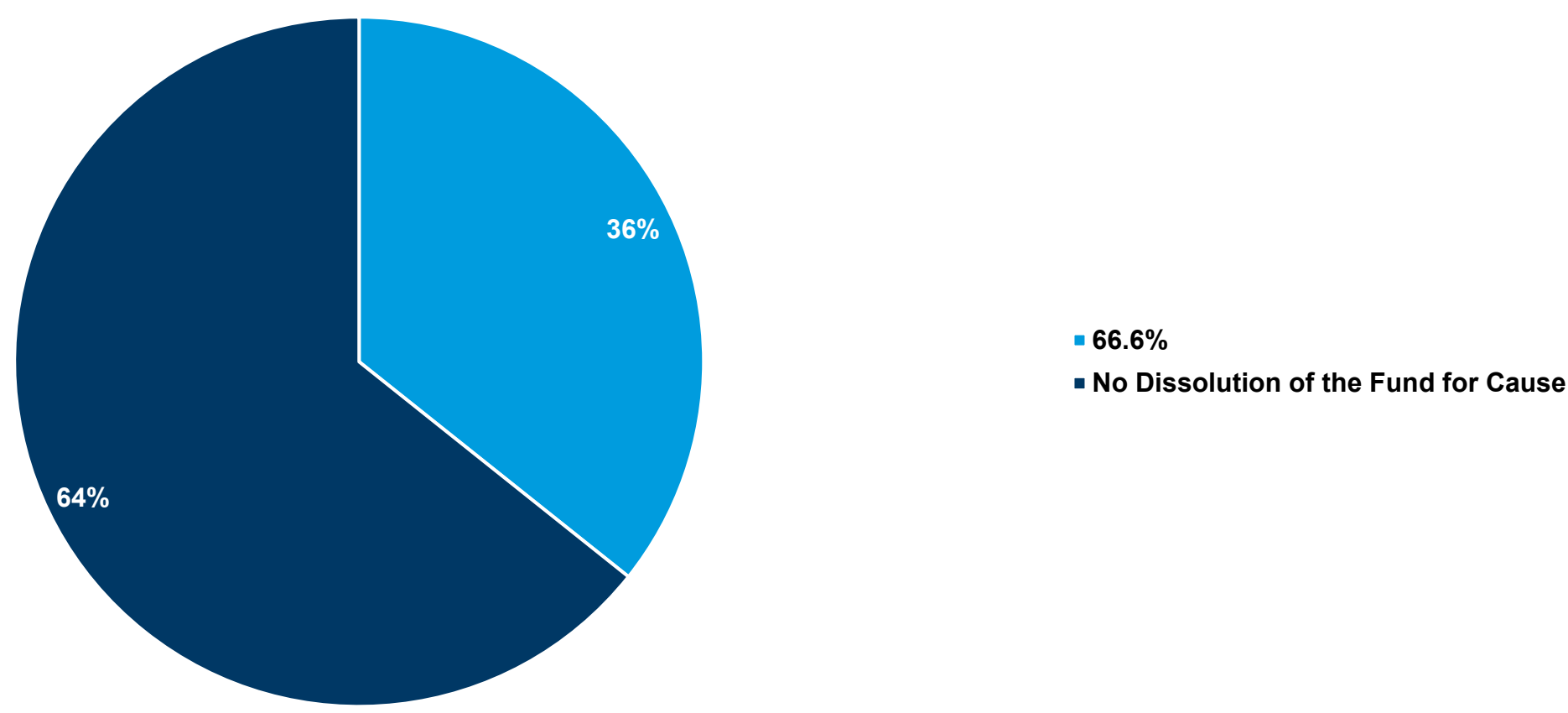




Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)  
\$5B-\$10B



Dissolution of the fund ‘for cause’ – Investor voting threshold (% of interests)  
>\$10B

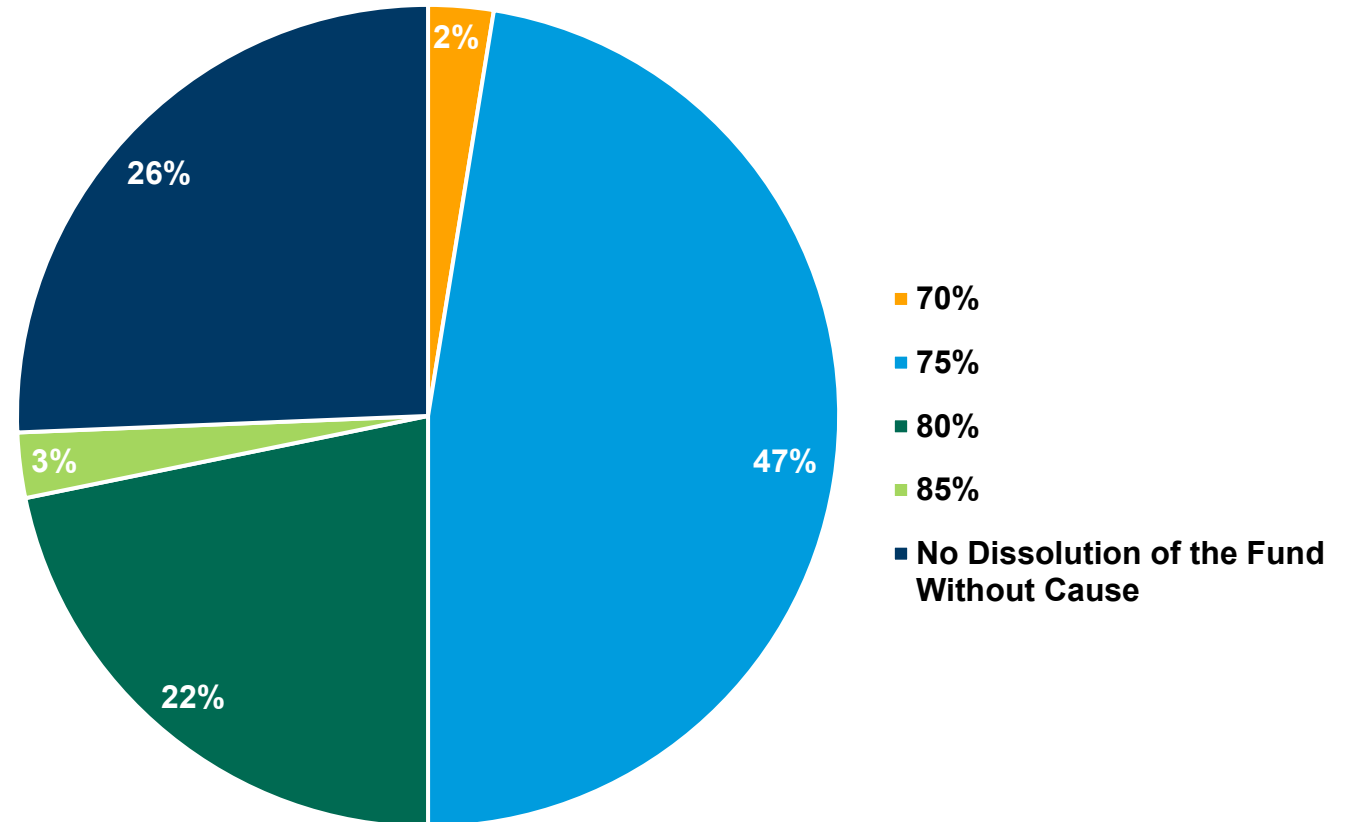


# ‘No fault’ dissolution of the fund – Investor voting threshold (% of interests)

## All Funds

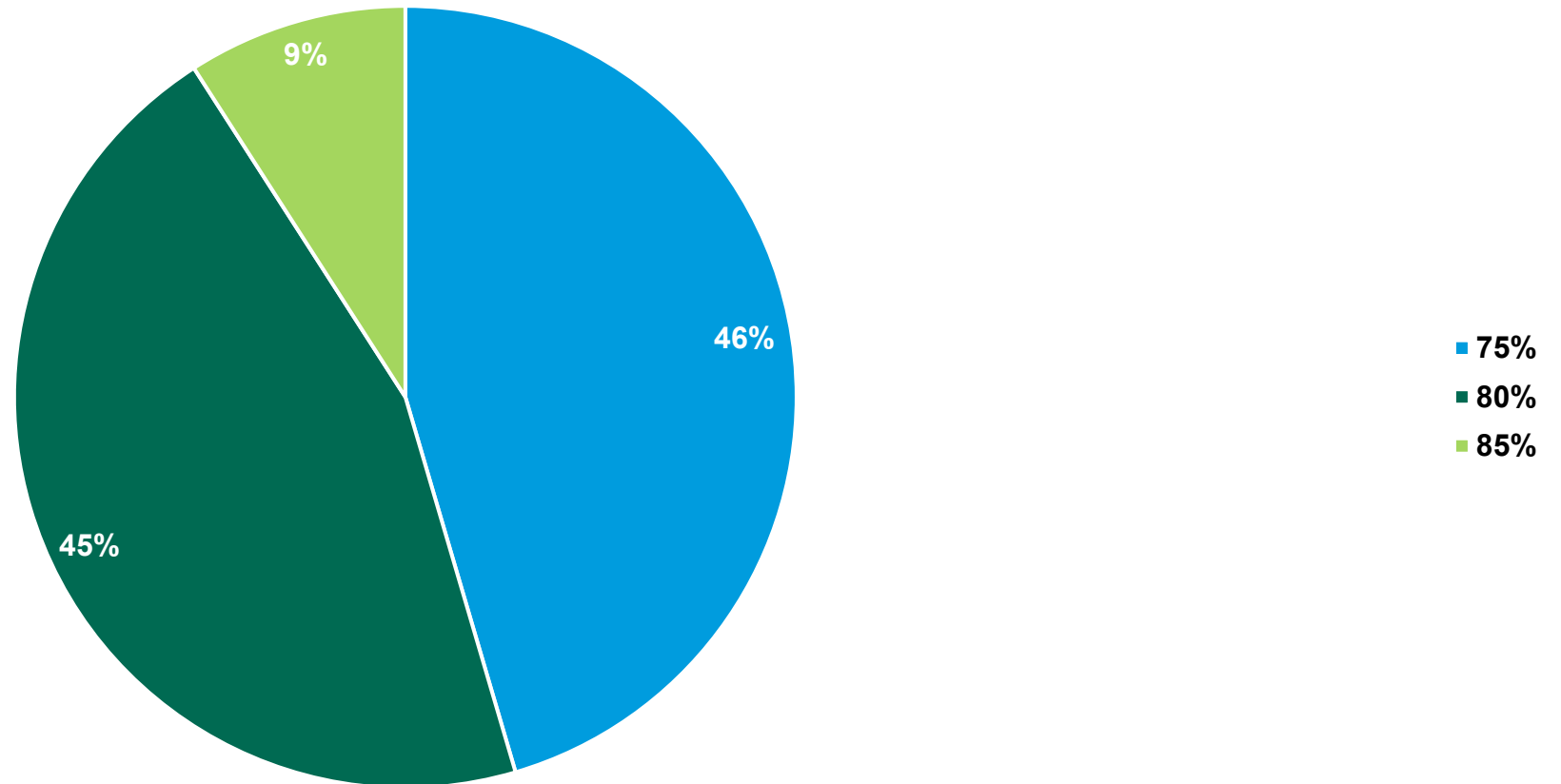
Three-quarters of funds surveyed provide limited partners with the right to end a fund’s term early and force liquidation without any triggering event (“cause”) being required. Of those funds, the required voting threshold is heavily concentrated at 75% in interest or greater.

Larger funds are more likely to include a typical right to dissolve the fund with 75%-80% in interest of limited partners, indicating that this remains a standard market term for established fund managers, while there is more variance for medium and smaller fund managers, reflecting the more varied investor base and relative leverage positions across the funds comprising those size classes.

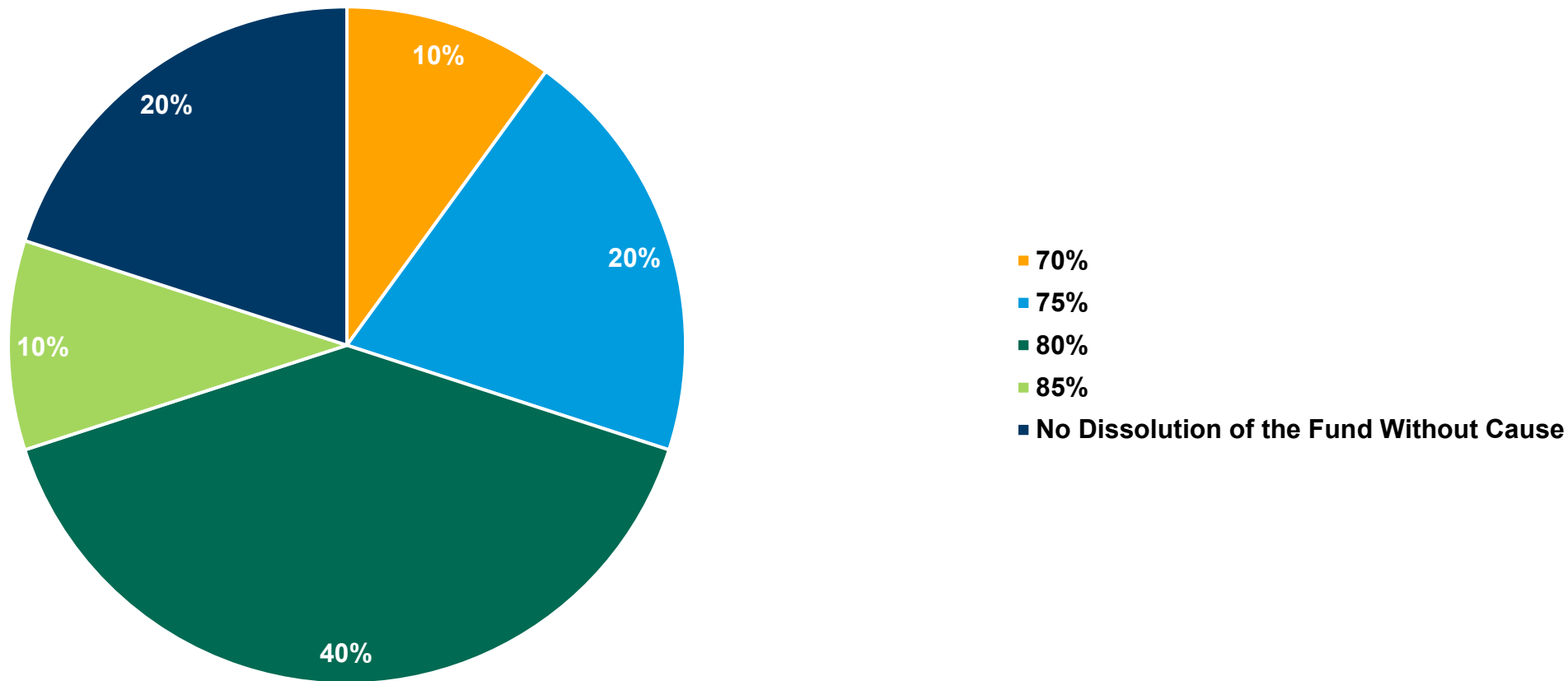


## Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)

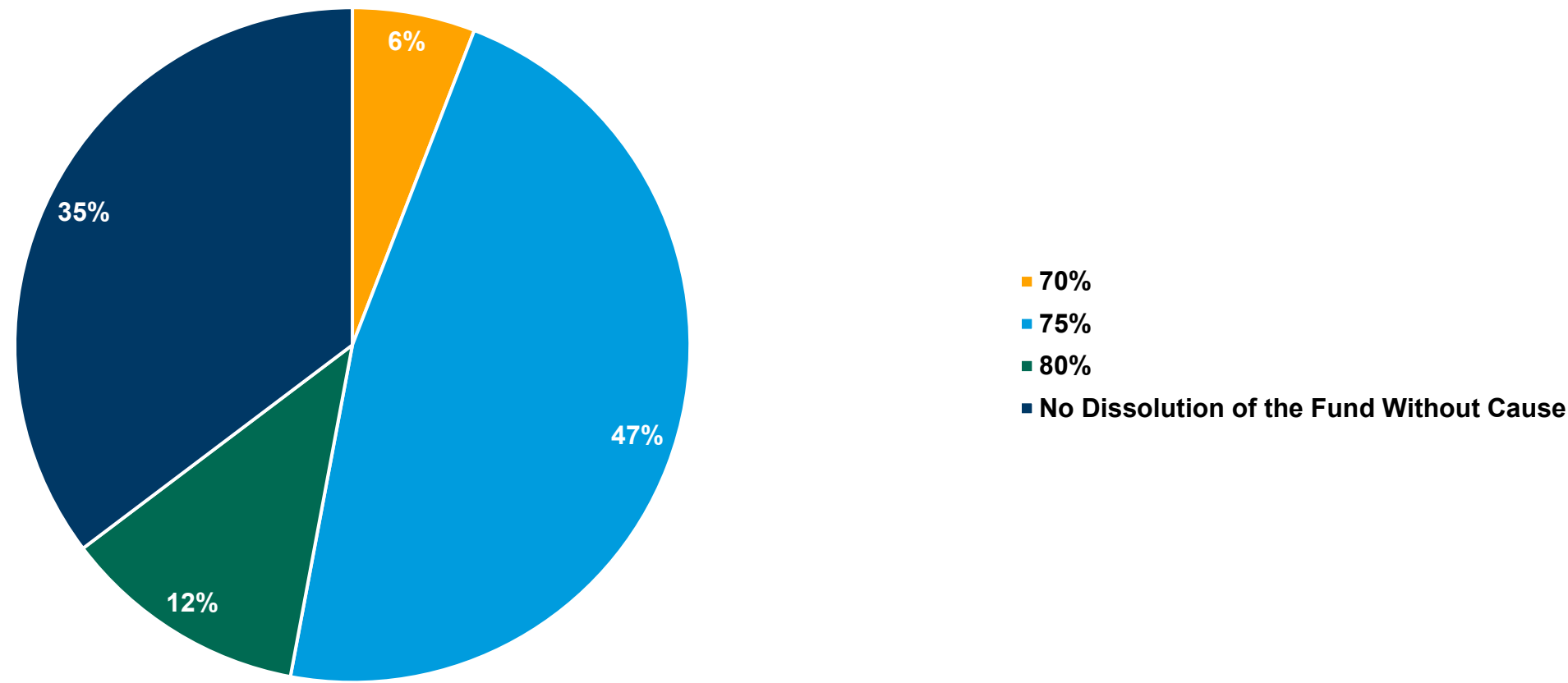
<\$500M



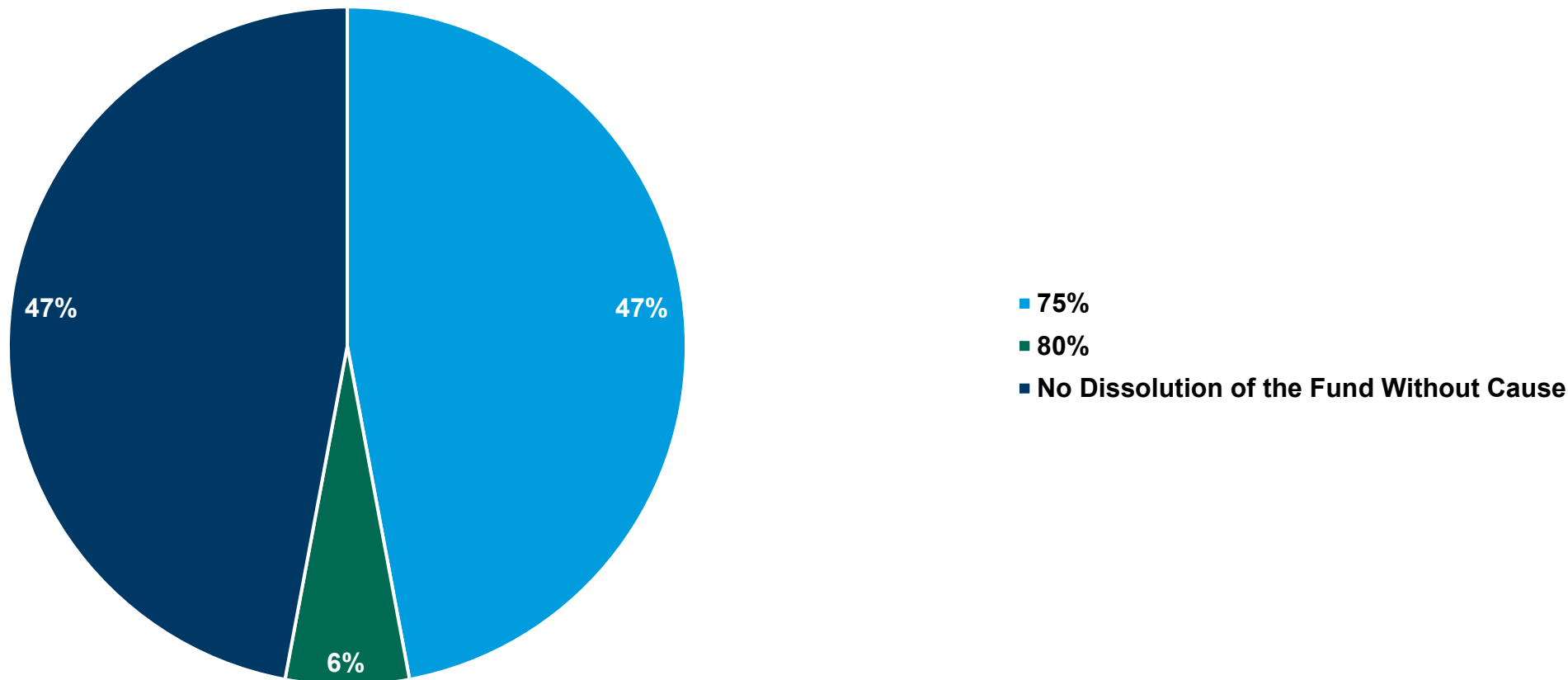
Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)  
\$500M-\$1B



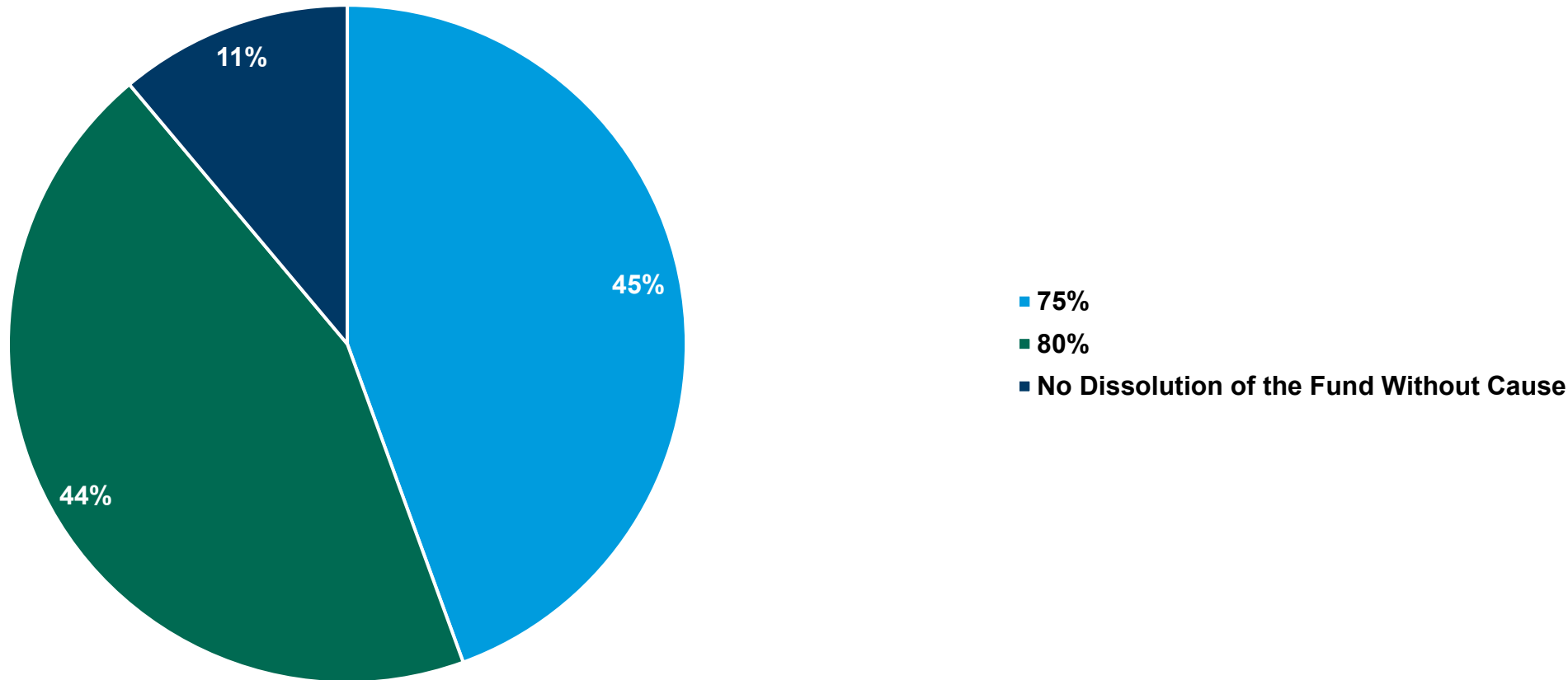
Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)  
\$1B-\$2.5B



Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)  
\$2.5B-\$5B

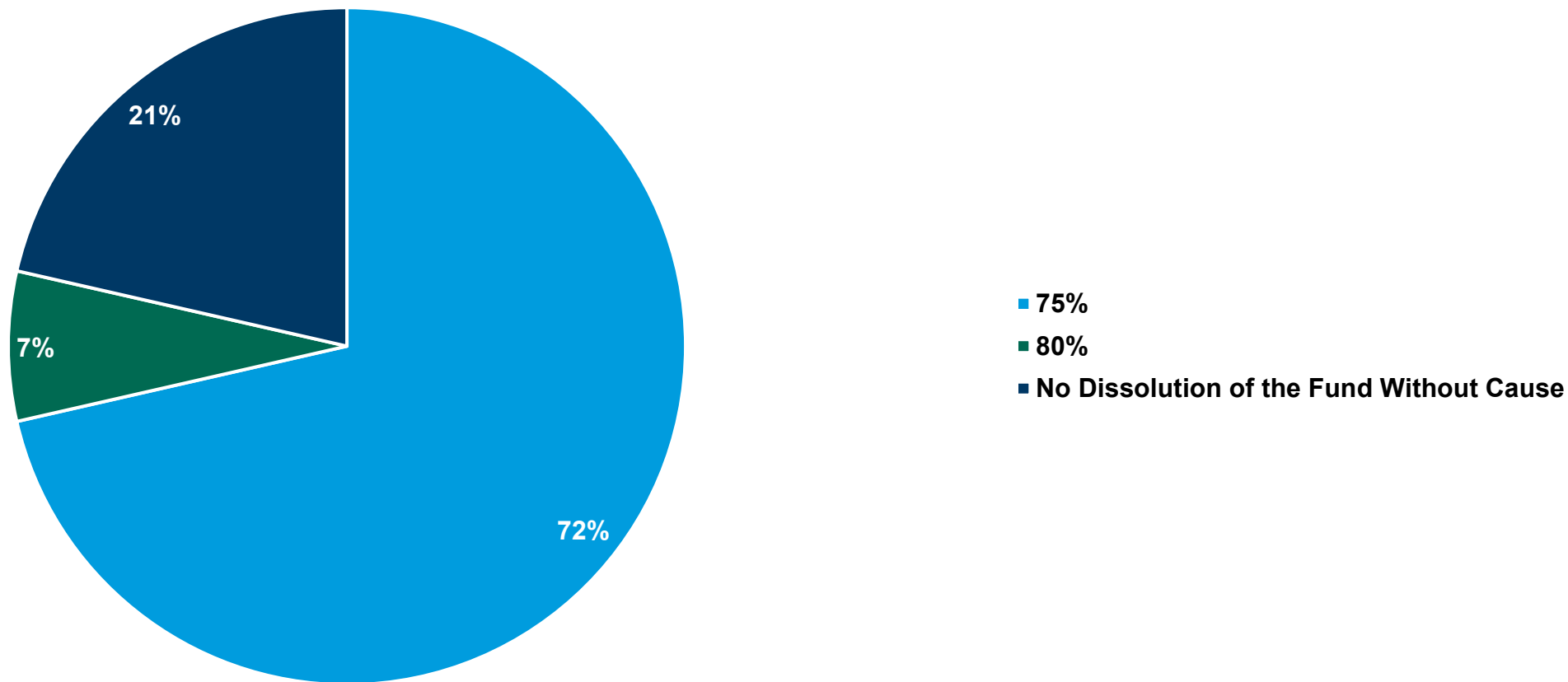


Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)  
\$5B-\$10B





Dissolution of the fund ‘without cause’ – Investor voting threshold (% of interests)  
>\$10B



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