

Proskauer»

UNDER THE MICROSCOPE

BUYOUT FUNDRAISING

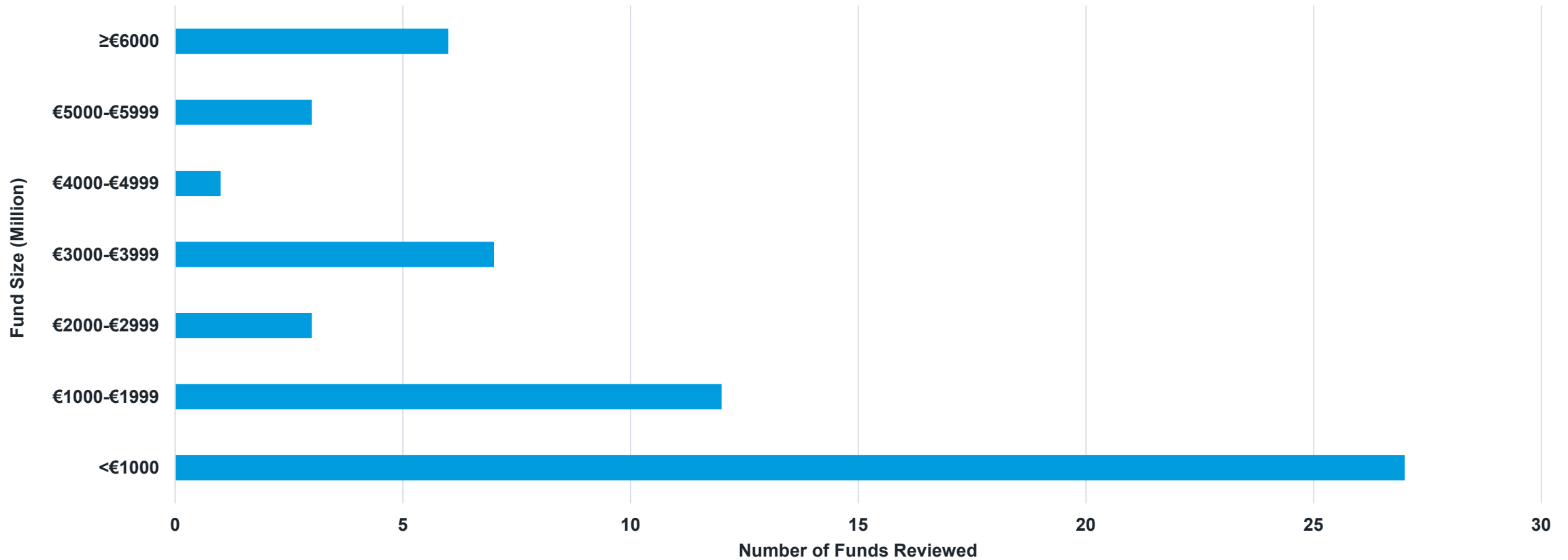
MARKET

REPORT

EUROPE

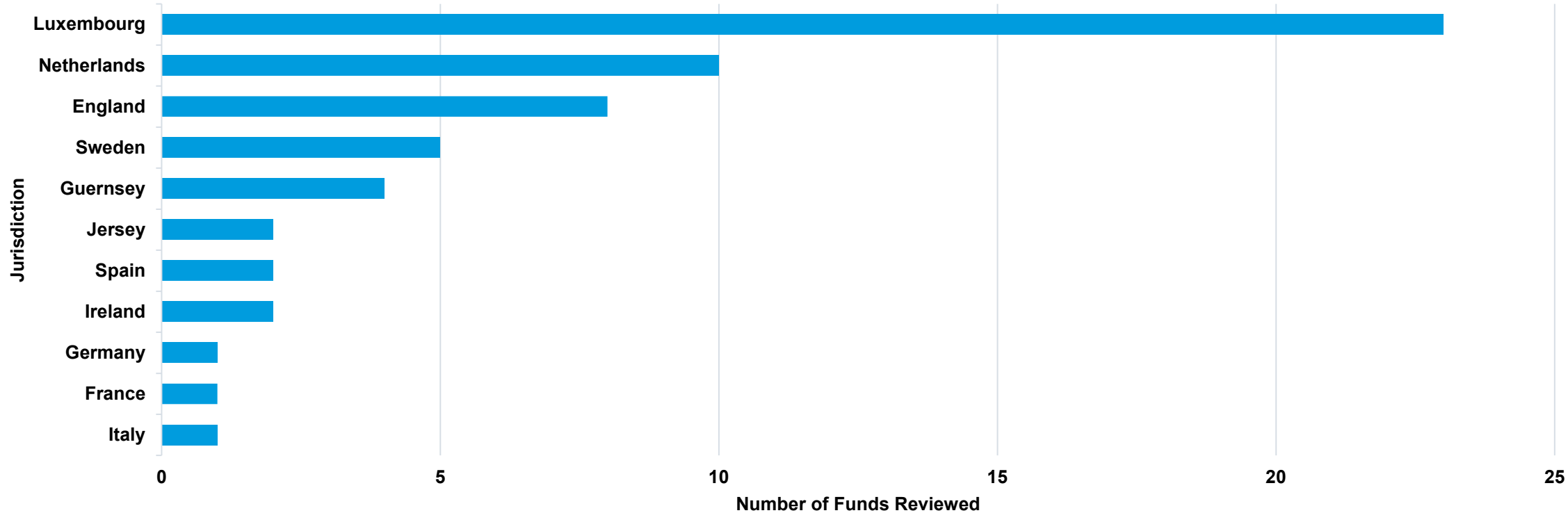
Data Methodology

Our sample contained 59 buy-out funds raised from late 2024 to 2026. We collected 28 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 €85 million to €23 billion, representing in total approximately €155.2 billion of capital.



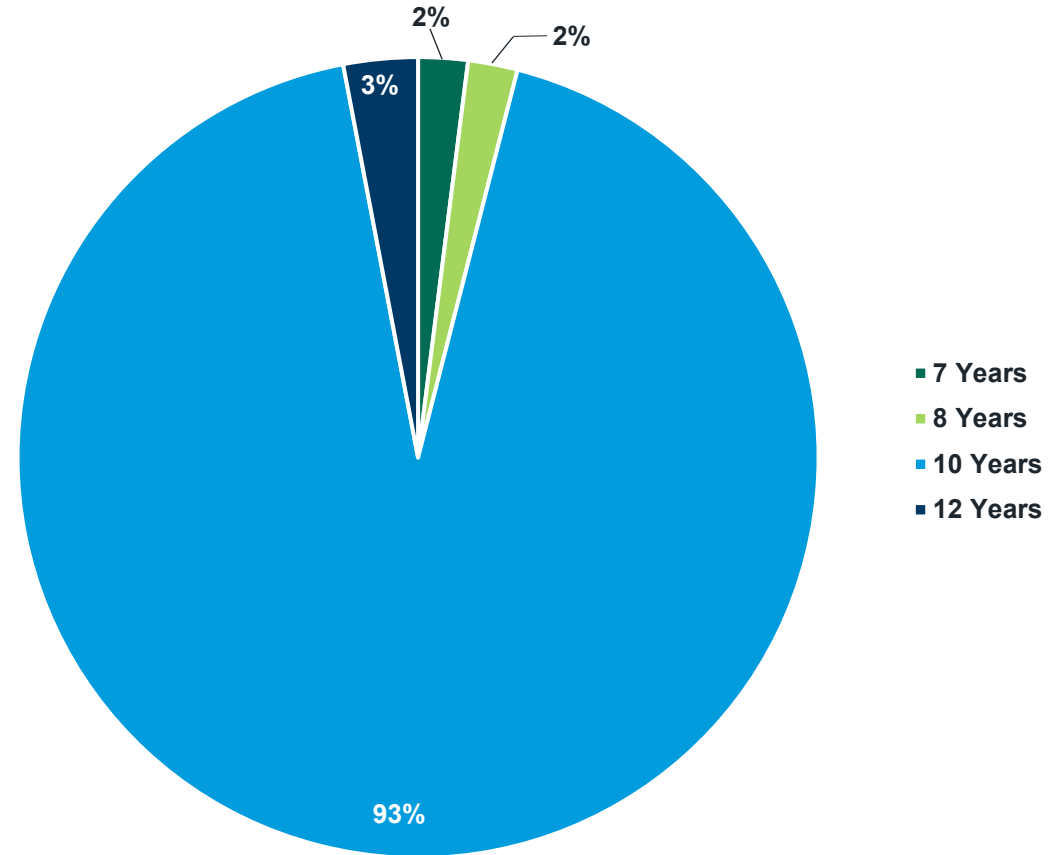
Jurisdiction of Formation

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 the data set, accounting for 39% of funds surveyed, with the other leading jurisdictions being the Netherlands, England and Sweden. In our view, investor familiarity continues to play 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.



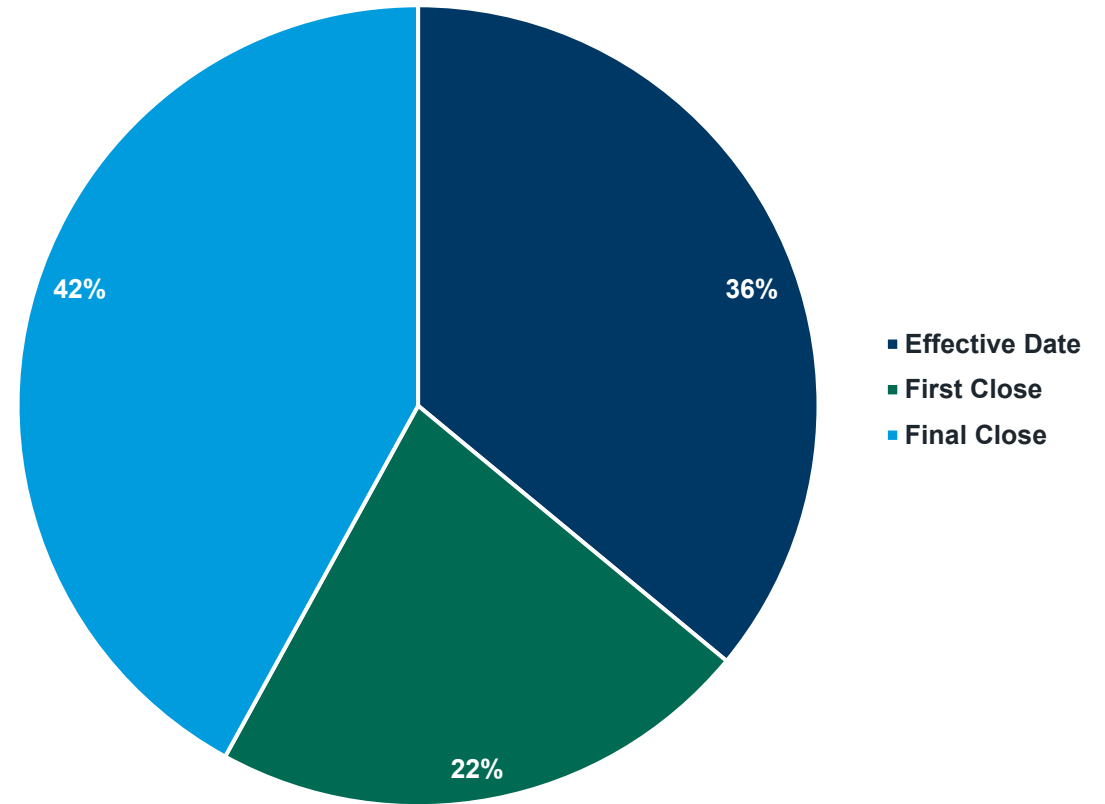
Initial Term

A significant majority of funds (93%) continue to have an initial term of 10 years. Only a very small minority of funds opt for shorter or longer terms. As in prior years, the market appears to prefer to address longer hold periods and longer fund lives through flexible extension mechanics and GP-led liquidity solutions, rather than by materially lengthening the headline term of traditional buyout funds. There are also a small number of funds who have shortened their term in a bid to differentiate their offering in the market.



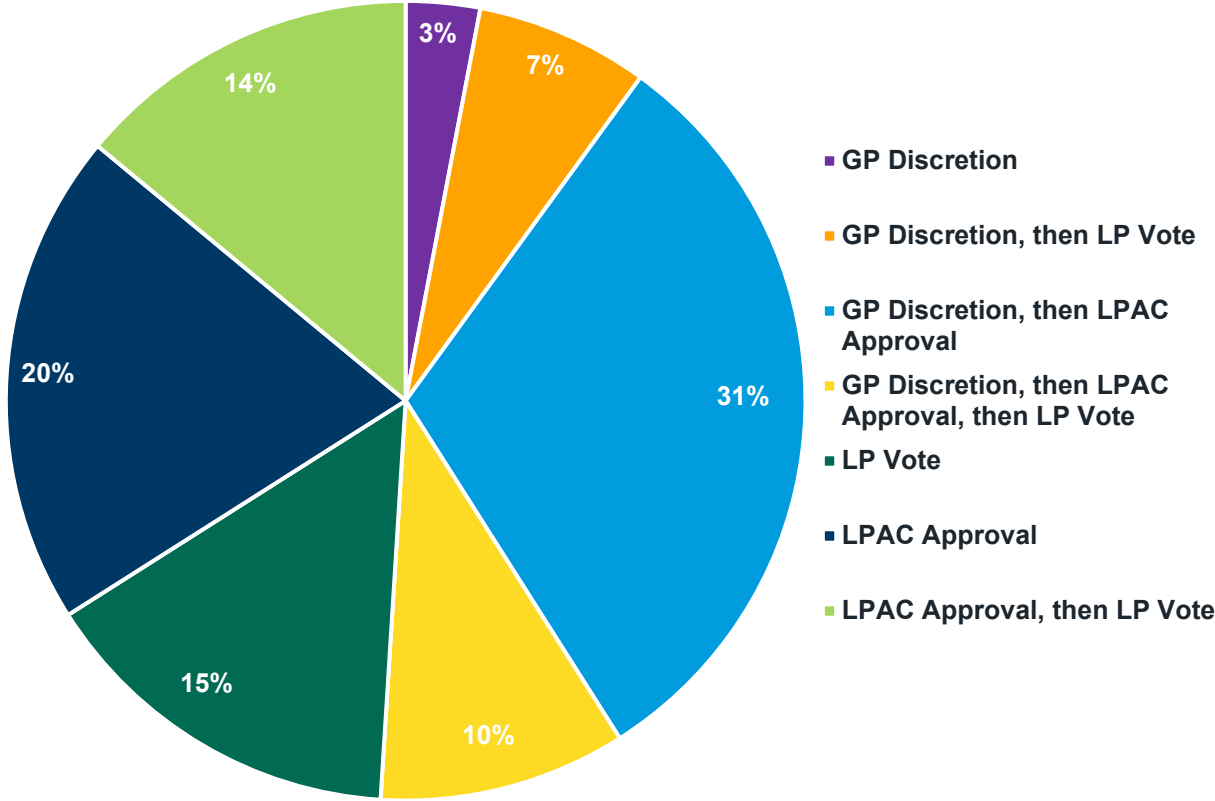
Initial Term Begins From

When considering how long a fund term is in practice, a key factor remains the date from which the term is calculated. In this year's sample, 42% of funds begin their term from final close and 36% from an effective date, meaning 78% of funds begin from final close or an effective date, up from 60% in the prior data set. First-close-based terms have correspondingly fallen to 22% of funds. The direction of travel in this year's data is therefore towards later term start dates, which is a more flexible position than in the prior survey.



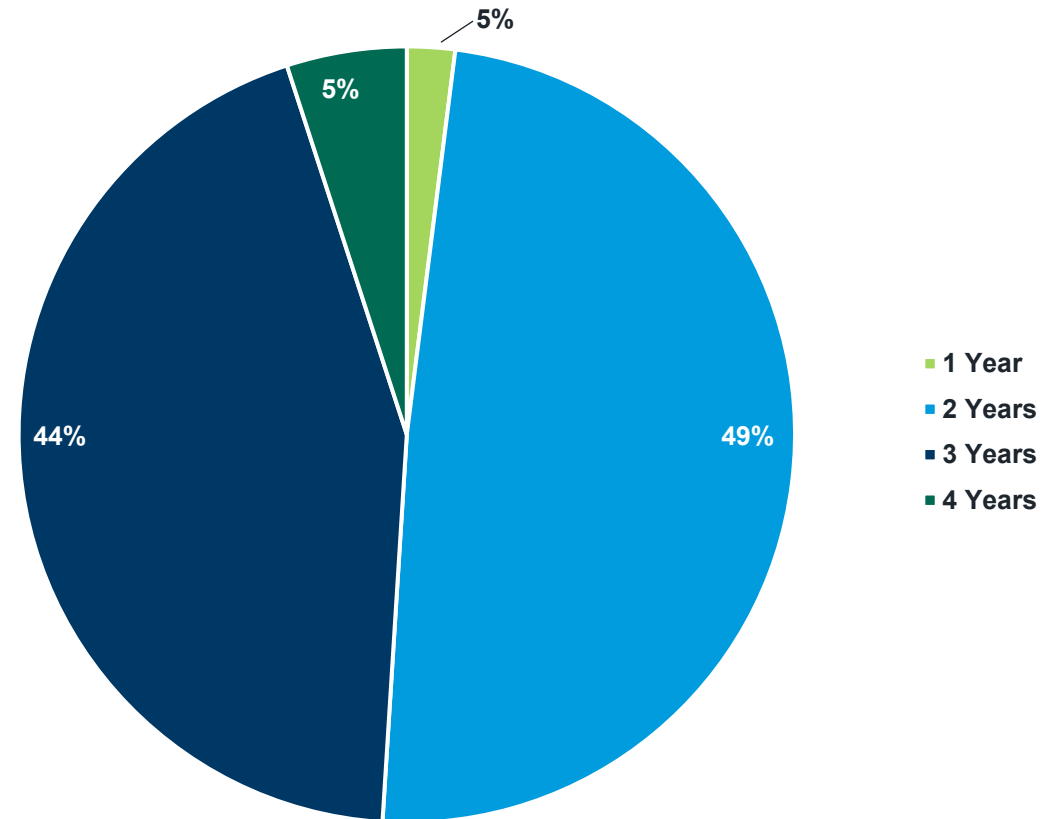
Approval Required for Extension of Term

A variety of mechanisms continue to be used for extending the initial term. GP discretion for at least one extension remains common, appearing in 51% of funds in this year's sample, which is broadly consistent with the prior survey. As in prior years, the most common approach is for the GP to have discretion for an initial extension followed by LPAC approval for subsequent extensions, and LPAC-based mechanisms continue to be more common than a full LP vote.



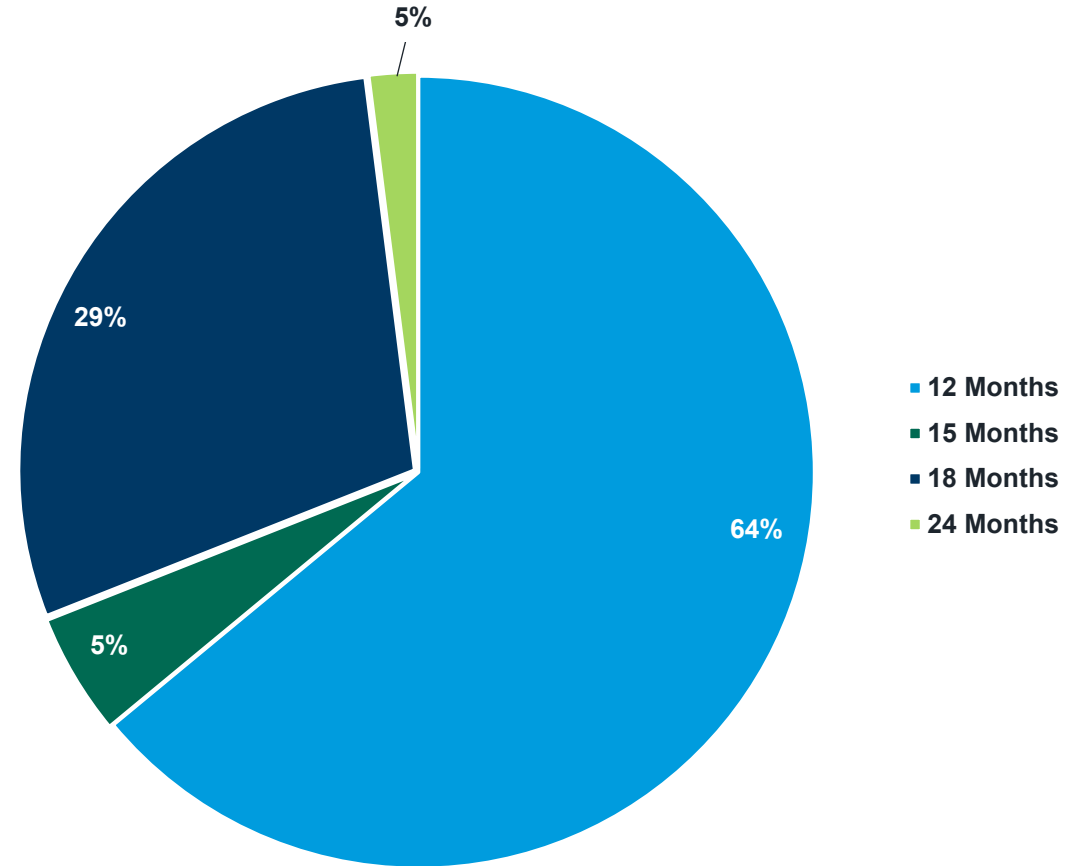
Maximum Period of Extensions of Term

There is no material change from last year's data. Where extensions are permitted, the majority of funds may still be extended by two one-year extensions, although a significant minority now provide for potentially longer periods of three or four years. In this year's sample, 44% of funds provide for a total extension period of three years and a further 5% provide for four years, showing that longer extension runways remain a significant tool for funds.



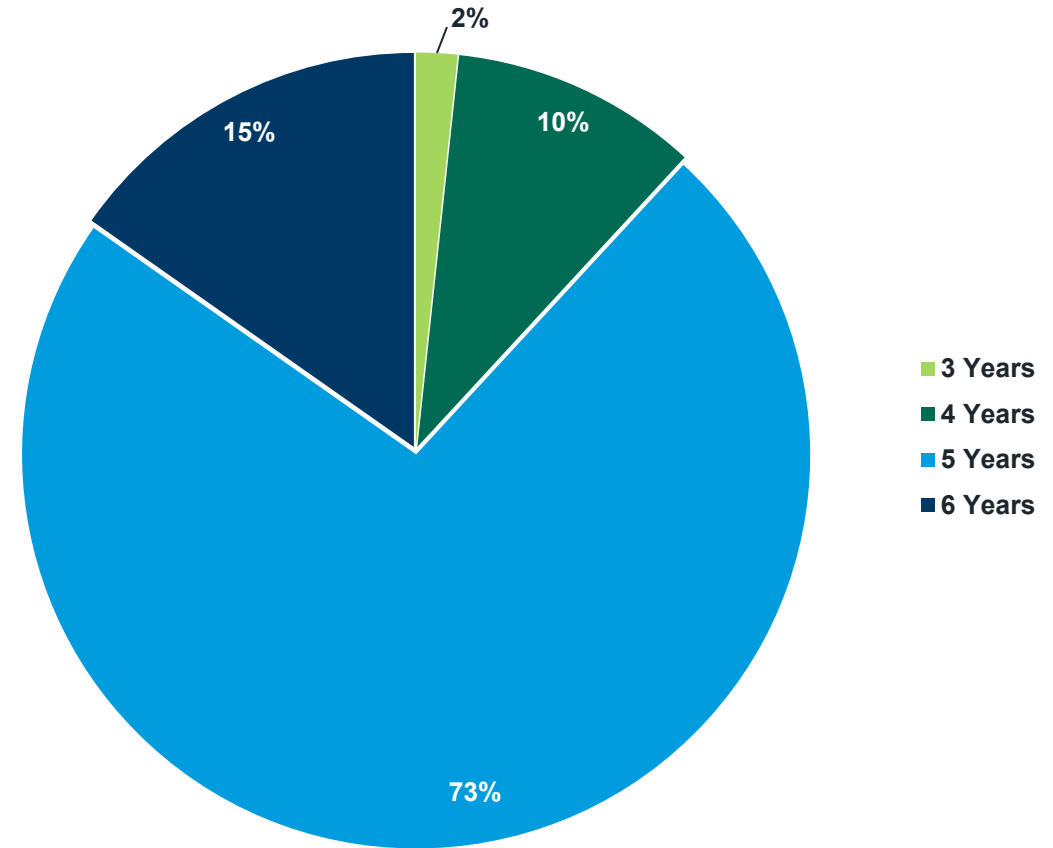
Fundraising Period

A 12-month fundraising period remains the most common position, applying to 64% of funds in this year's sample. That said, the data shows a meaningful increase in longer fundraising periods, with 29% of funds now allowing 18 months, compared with 11% in the prior survey. The figures here reflect the initial permitted fundraising period as listed in the LPA only; in practice, some funds will complete fundraising earlier, while others may seek to extend the period with investor or LPAC consent.



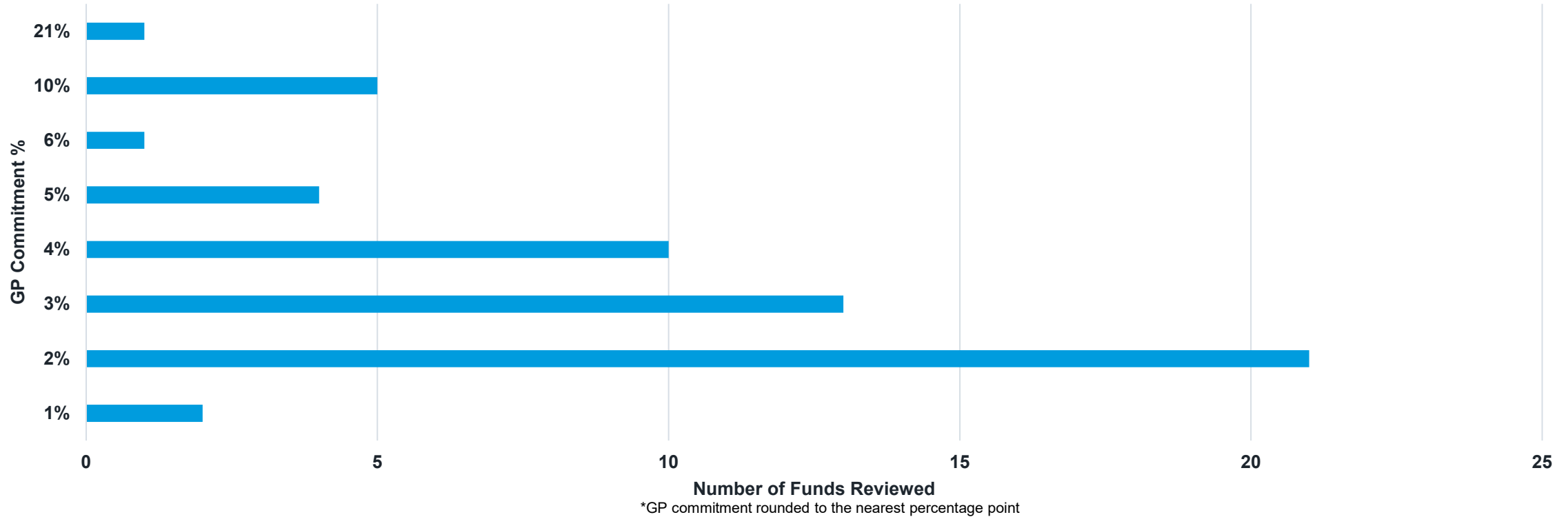
Investment Period

A five-year investment period remains the most common position, applying to 73% of funds in the sample. Compared with last year, the data shows a reduction in the proportion of funds using six-year investment periods, which fall to 15% from 34% in the prior survey.



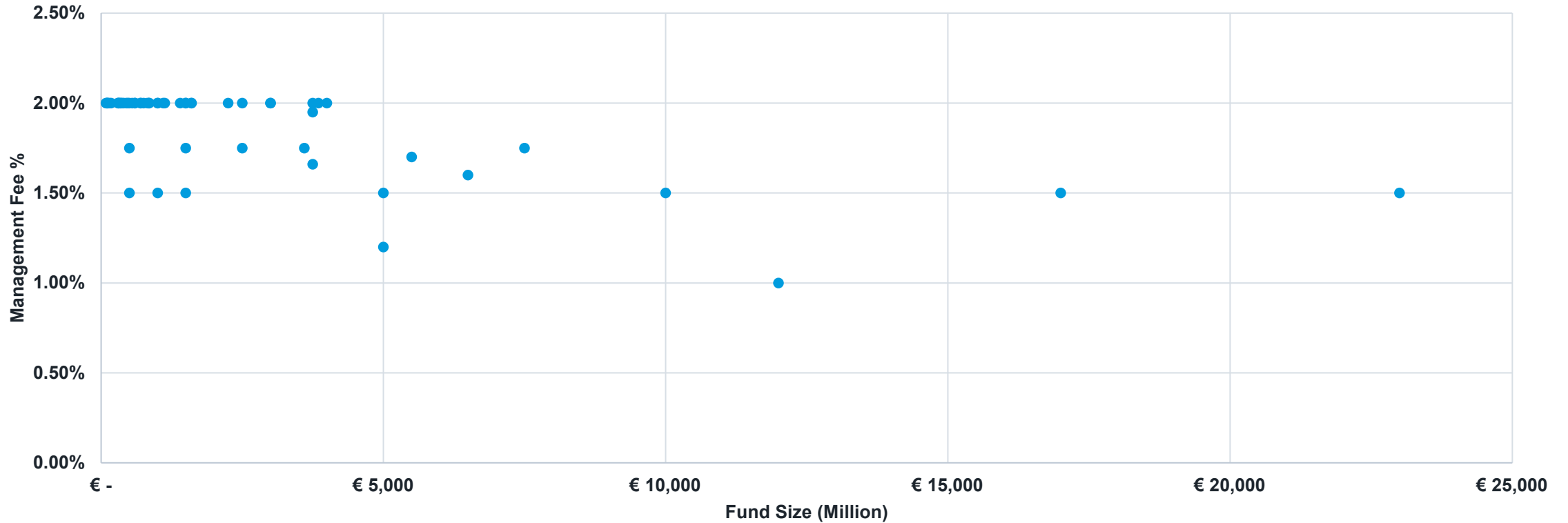
GP Commitment (% of Commitments)

As in previous years, most GPs commit between 2% and 5% of commitments to their funds, with 2% and 3% continuing to be the most common levels. In this year's sample, 37% of funds have a 2% minimum GP commitment and 23% have a 3% commitment. The data continues to indicate year on year a move towards greater GP alignment with LPs through larger GP commitments, with fewer GPs listing just 1% in their fund documents. 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.



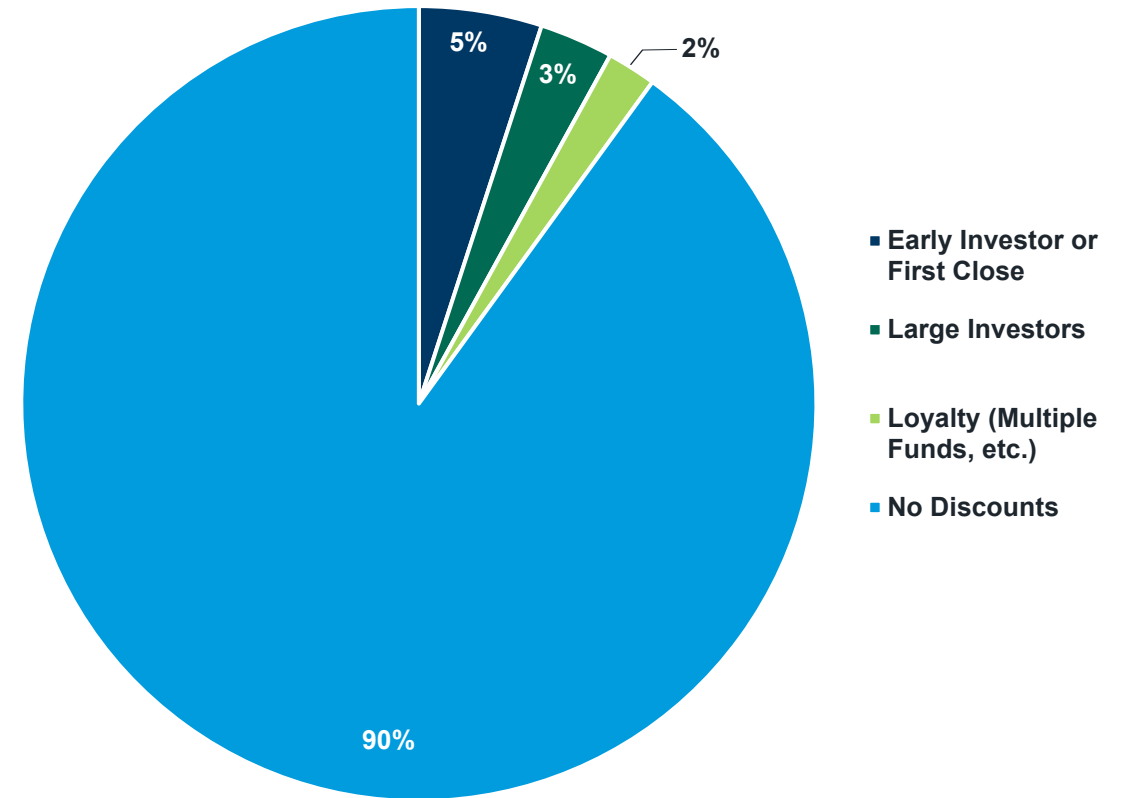
Annual Management Fee Rate – Investment Period (% of Base)

As in previous years, a 2% management fee remains dominant at smaller and mid-sized fund sizes. The data continues to show a downward slope as fund sizes increase, with 1.75% and 1.5% rates appearing more often in the upper mid-market and largest funds (those funds with target sizes of over €4-5 billion). It is important to add however that these are headline rates and do not include any discounts that may be offered by some GPs as part of a strategy to generate fundraising momentum.



Management Fee Discounts

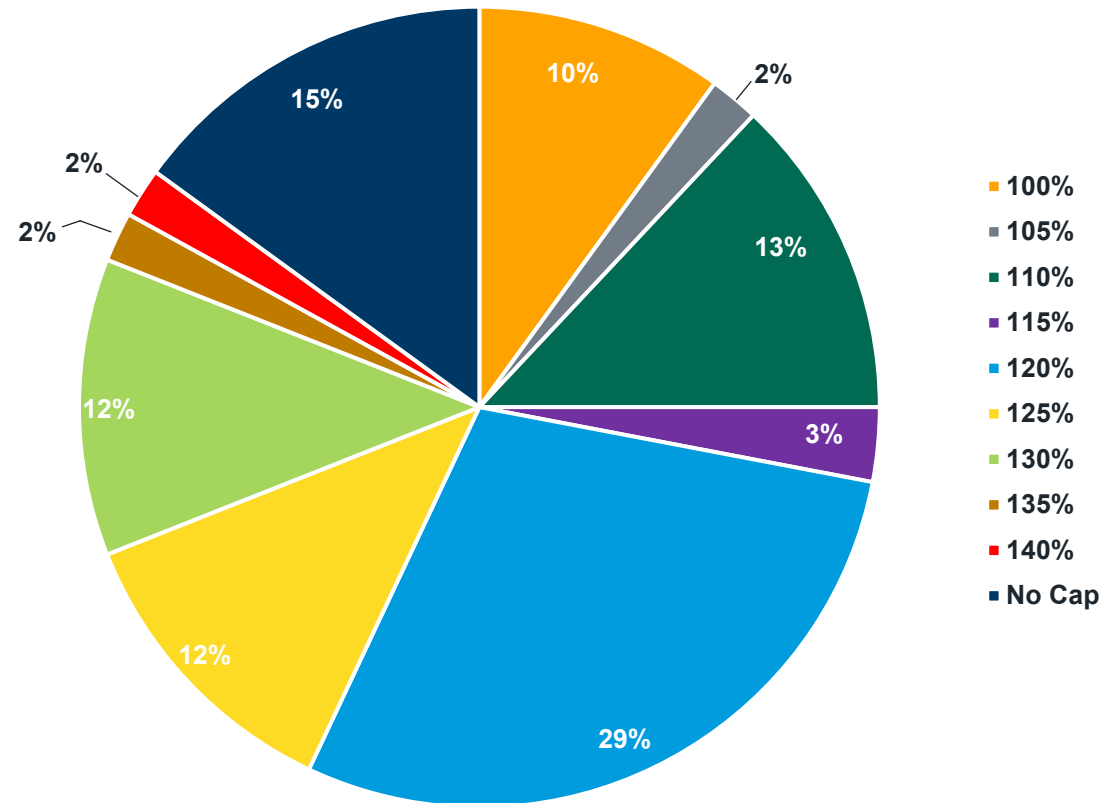
Management fee discount data is very similar to prior years, with fund documents most commonly not specifying discount rates at all fund sizes. Those small number of funds that do set out discount rates in their documents are more commonly in the larger multi-billion Euro range. As we have noted previously, the data collected here only captures those funds that specify their discounts in the fund documentation: some 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.



*Chart only shows discounts that are expressly stated in the documents

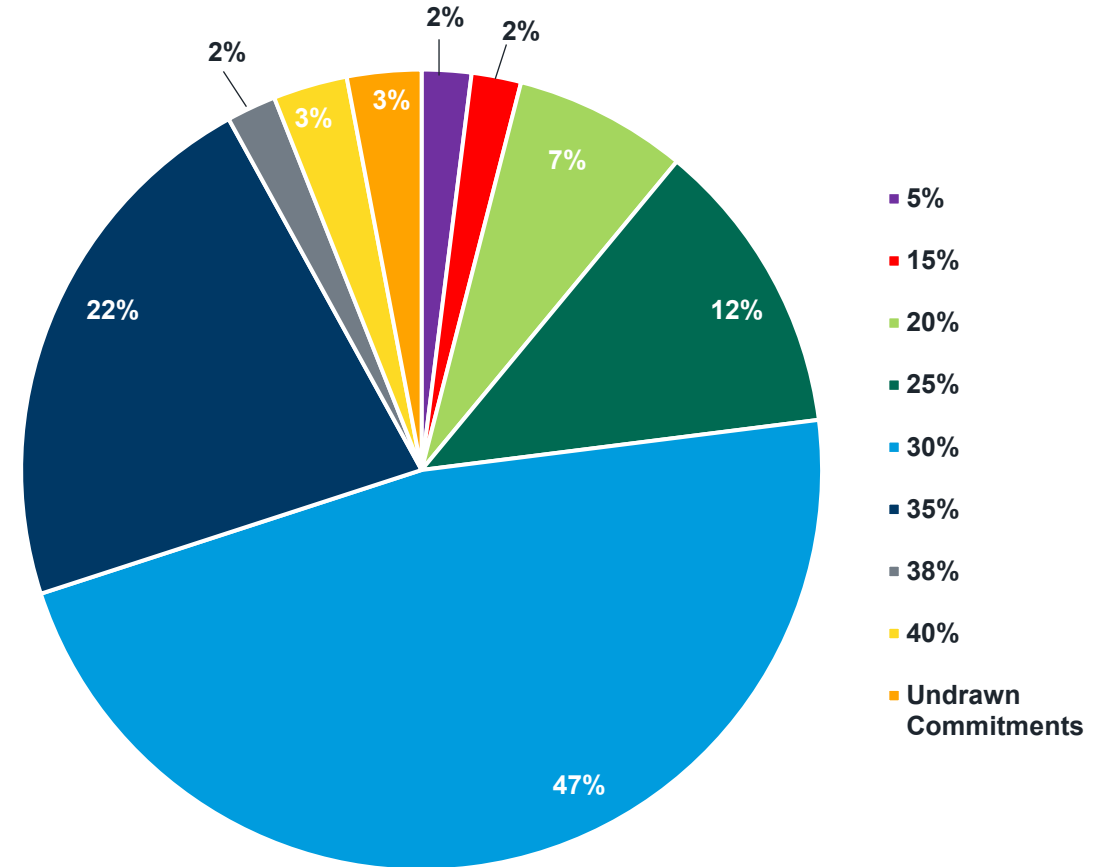
Recycling – Cap (Percentage of Total Commitments)

There is a wide array of approaches to capping a fund's recycling ability, suggesting that recycling remains a meaningful feature of a fund's toolkit of options. 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.



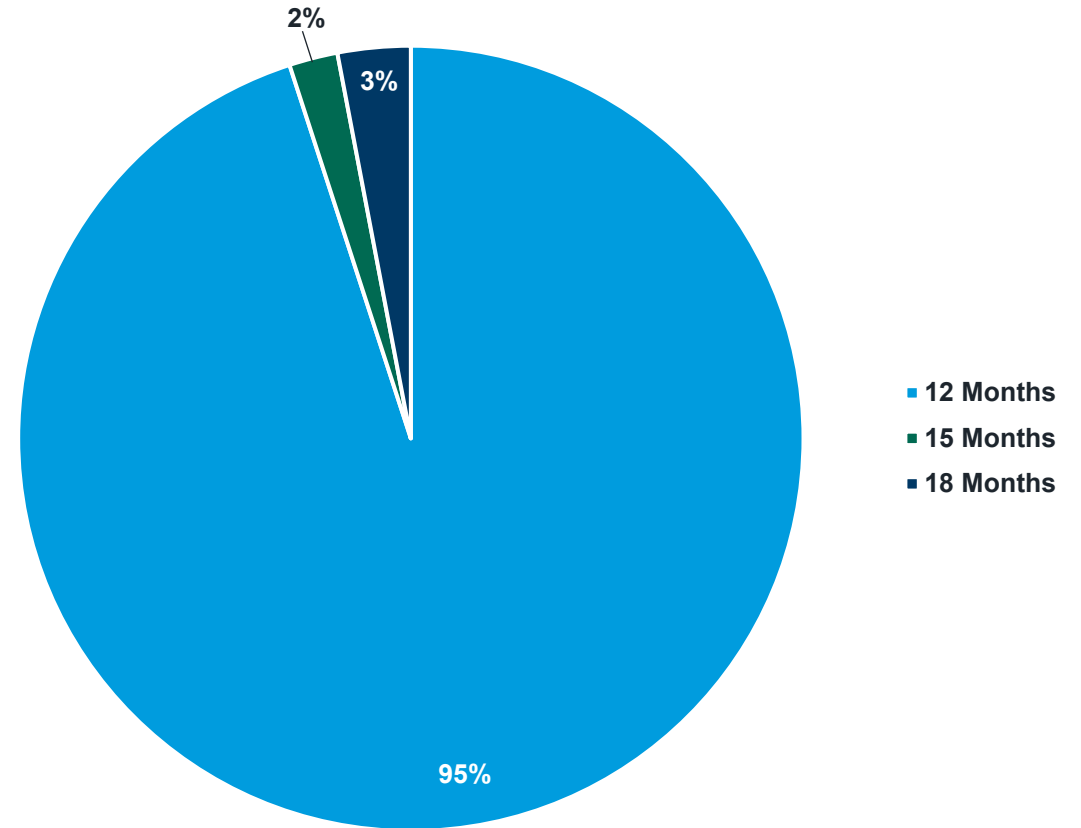
Limits on Bridge Facilities and Other Fund-Level Borrowing (% of Commitments)

Whilst the majority of funds' borrowing limits still fall in the 20% to 35% range, the 2026 data shows a further concentration at the top end of that band. Nearly half of funds now permit borrowing up to 30% of commitments and a further 22% permit 35%, compared with 39% and 14% respectively in the prior survey.



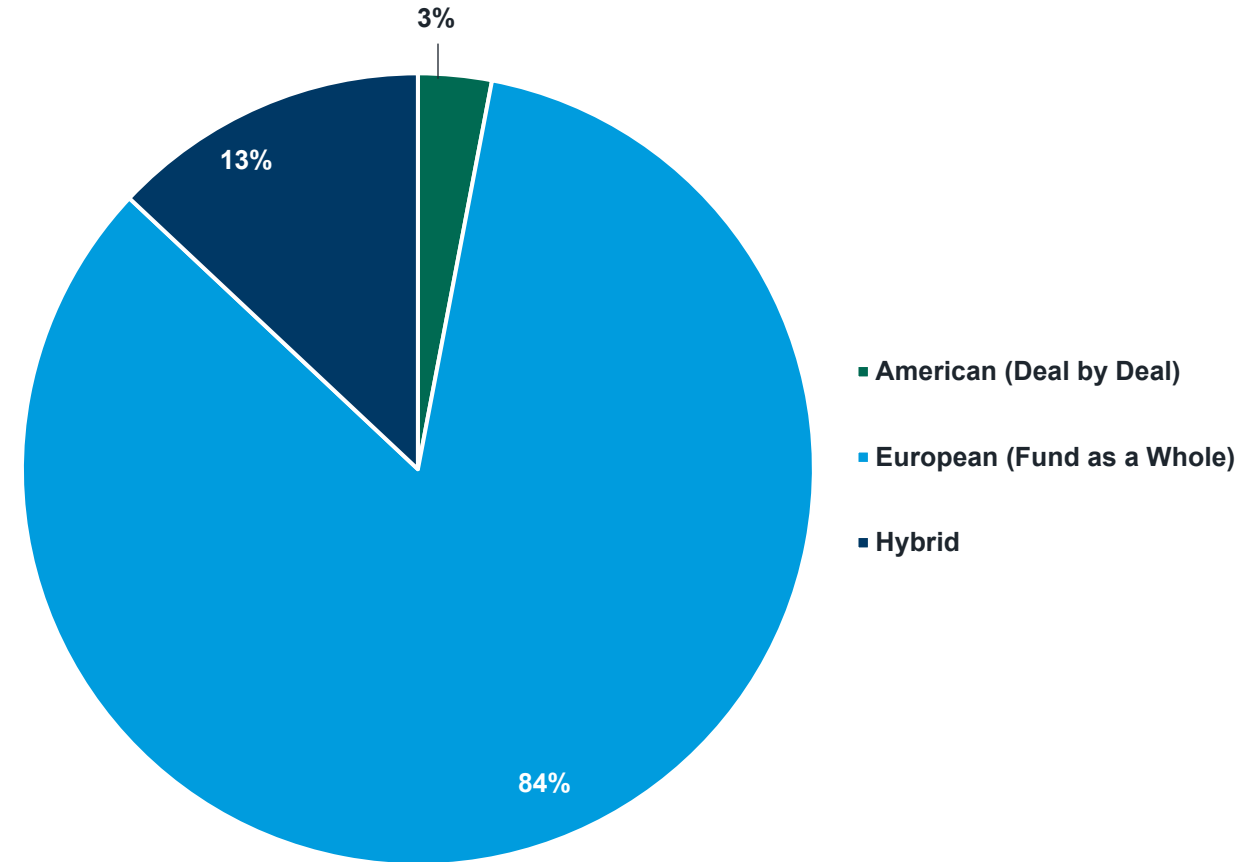
Time Limits on Borrowing

The majority of funds have a 12-month limit on the time period any fund-level borrowing may be outstanding, and that position is even more pronounced in the 2026 data than in prior years. In this year's sample, 95% of funds use a 12-month limit, with only a small minority allowing 15 or 18 months. 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.



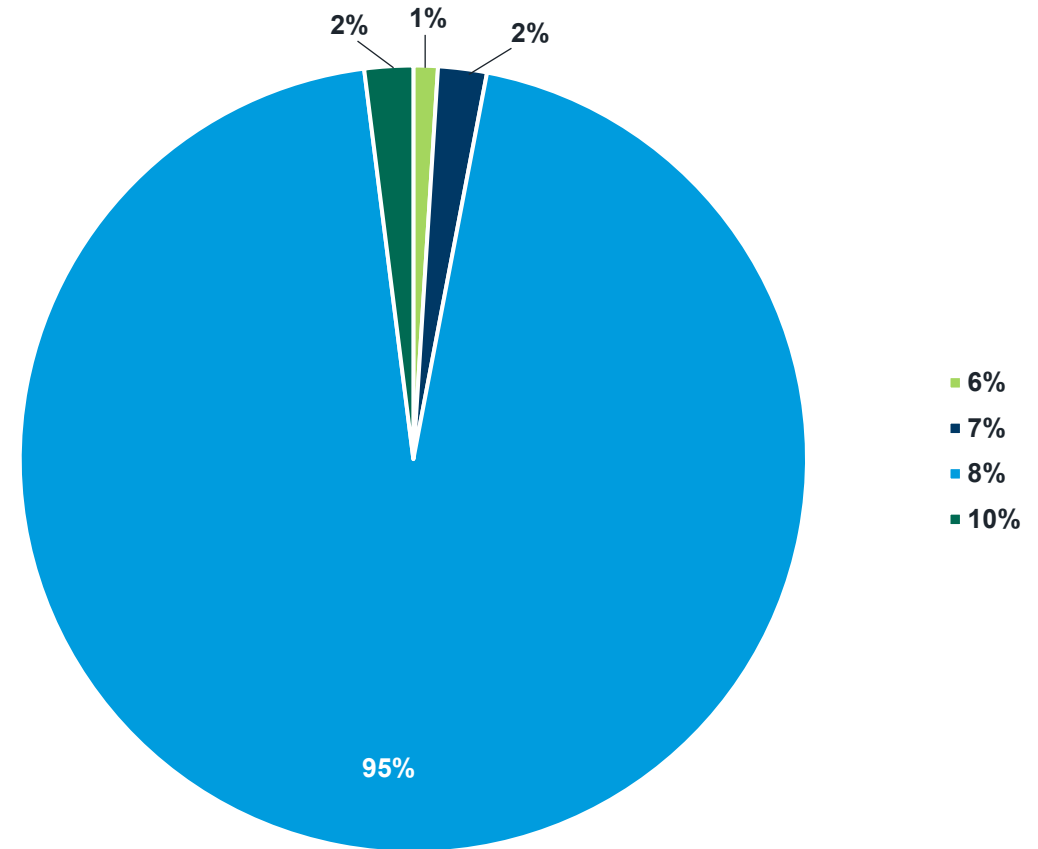
Distribution Waterfall – Type of Waterfall

The whole-fund waterfall model remains the dominant economic deal in European funds, with 84% of funds in this year's sample using that approach, broadly consistent with the prior survey. The main change in the 2026 data is that hybrid waterfalls (by this we mean funds that either offer investors the choice between types of waterfalls or split investor commitments through multiple waterfalls in a fixed ratio) rise to 13% of funds, while American-style waterfalls fall to just 3%.



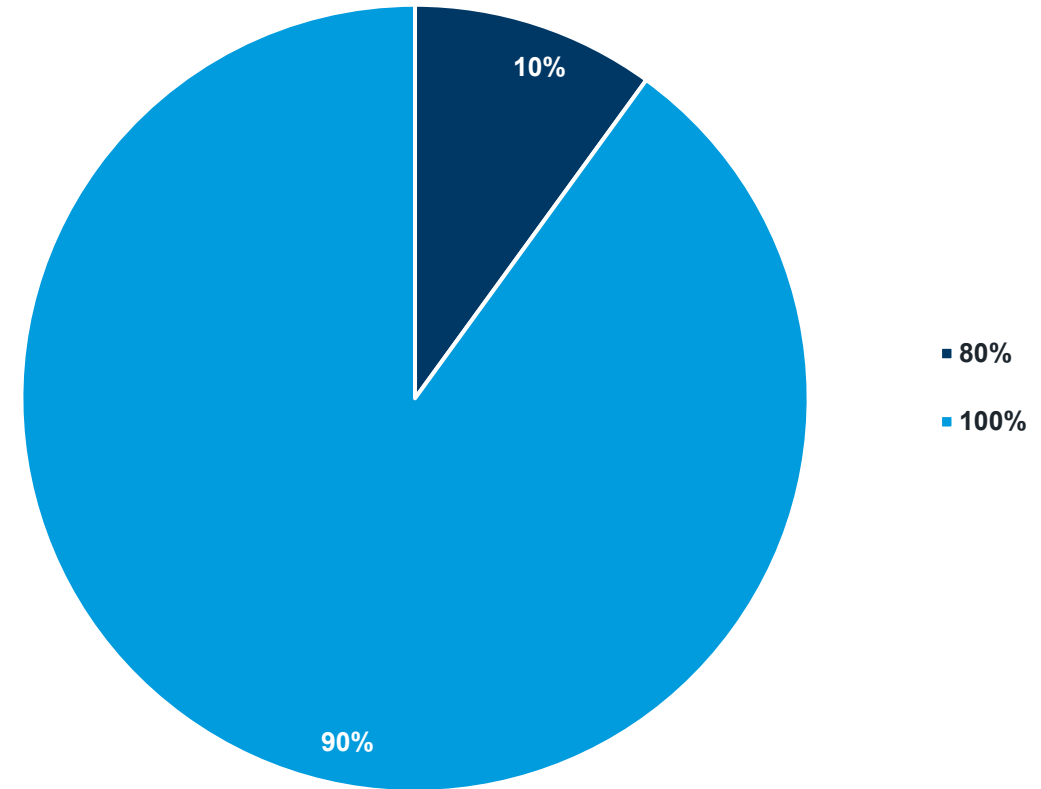
Distribution Waterfall – Preferred Return (%)

The market standard preferred return remains at 8%, with 95% of funds in the 2026 sample applying that percentage. Variation outside 8% is limited to a very small number of funds at 6%, 7% or 10%.



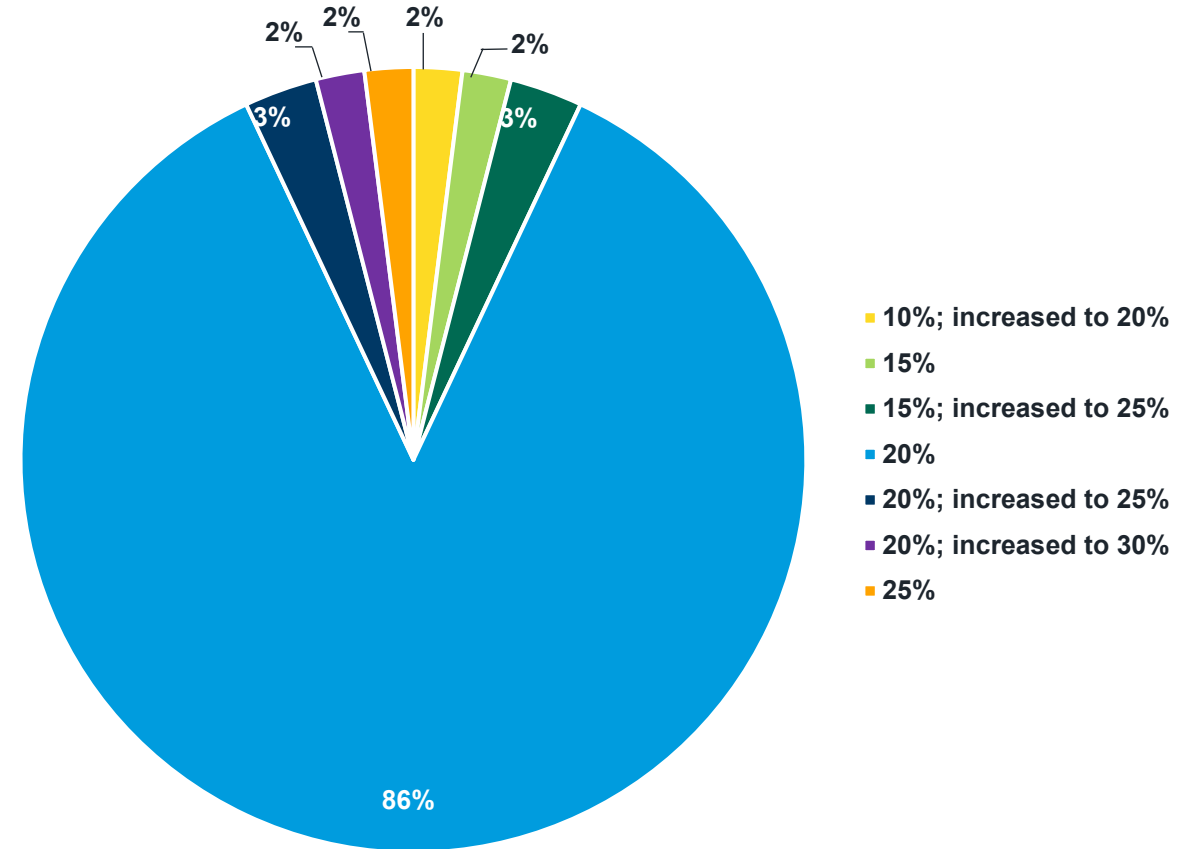
Distribution Waterfall – Carried Interest Catch-Up (% after Preferred Return)

The sample this year remains fairly consistent with last year, showing that 90% of funds have a 100% catch-up of carried interest for the GP after the preferred return has been paid. An 80/20 catch-up remains the alternative at 10% of funds.



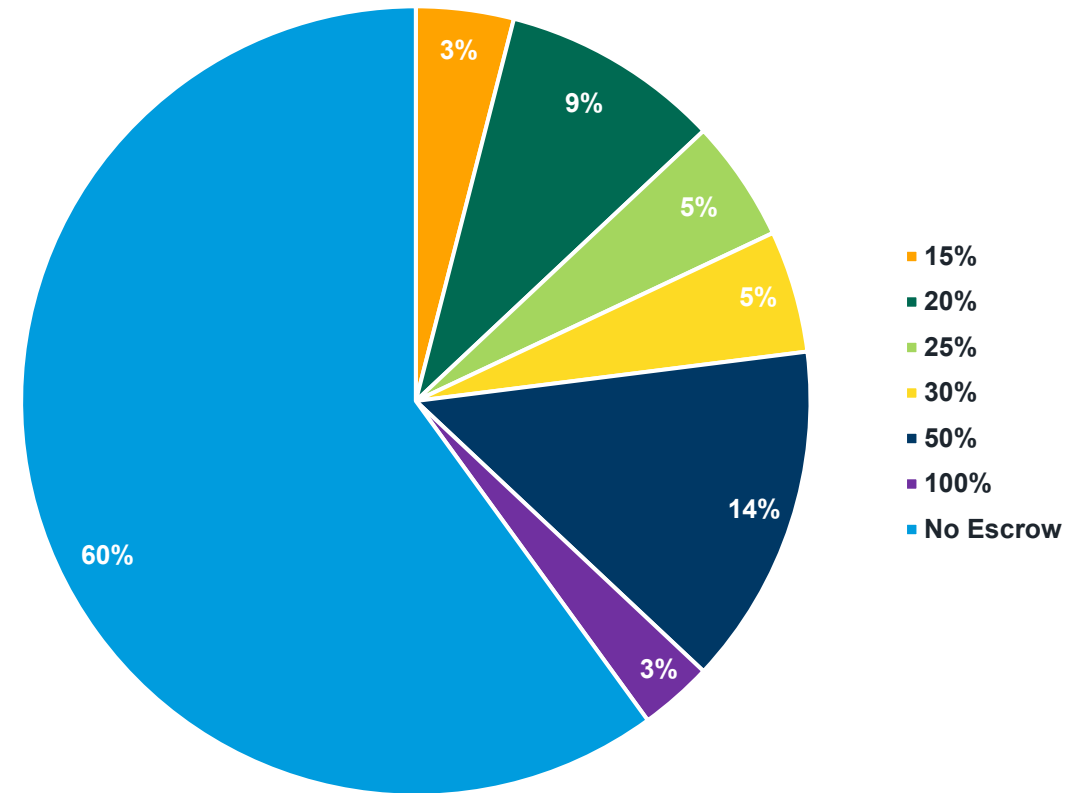
Distribution Waterfall – Carried Interest Percentage

A carried interest percentage of 20% remains the market standard, applying to 86% of funds in the 2026 sample. That is modestly down from the prior survey, with a small increase in funds using a variety of other carried interest mechanisms. Even so, the data continues to show a very clear market norm around 20% carry.



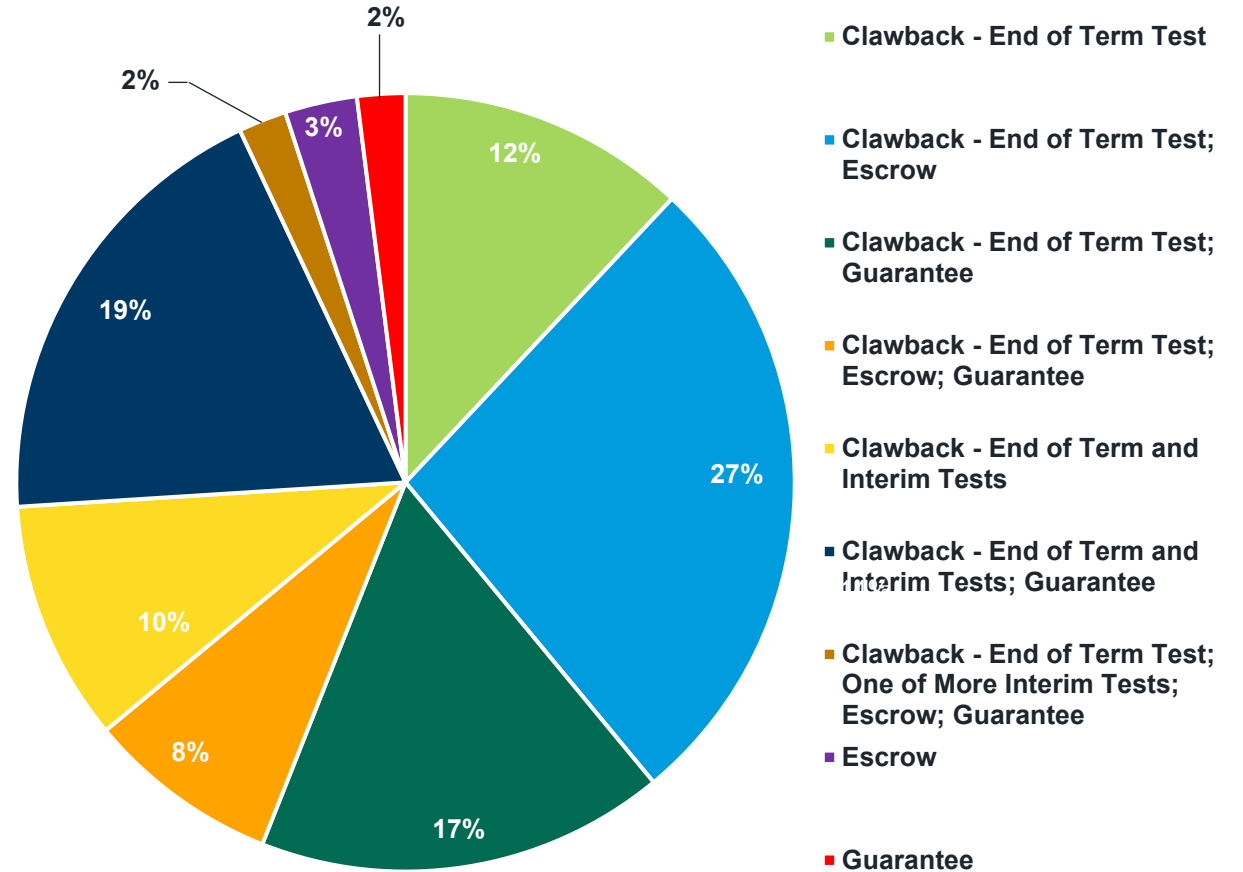
Escrow

A significant proportion of the funds in the 2026 sample do not use an escrow, with 60% of funds falling into that category, up from 42% in the prior survey. Where an escrow is used, 50% of carried interest remains the most common level, while 100% escrow arrangements are much less common than in the prior survey. The 2026 data therefore, suggests a meaningful reduction in the use of escrow arrangements, pointing to a heavier reliance on other forms of investor protections with respect to carry overpayment risk (see next page).



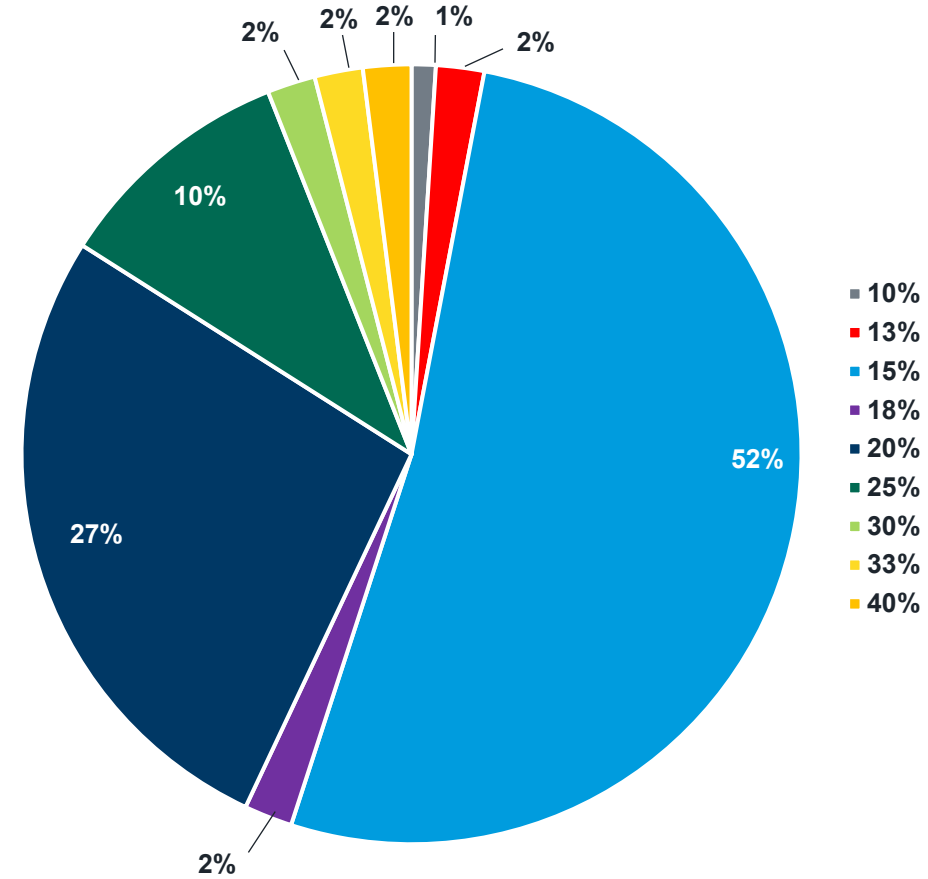
Carried Interest Clawback Protections

There continues to be no single market standard approach to investor protections relating to potential overpayment of carried interest, and that remains true across the data set. The most common approach in the 2026 sample is an end-of-term clawback combined with an escrow, appearing in 27% of funds. Compared with the prior survey, the data shows a broader spread of structures involving guarantees and combinations of protections, which suggests continued heavy negotiation on this point rather than convergence around a single model.



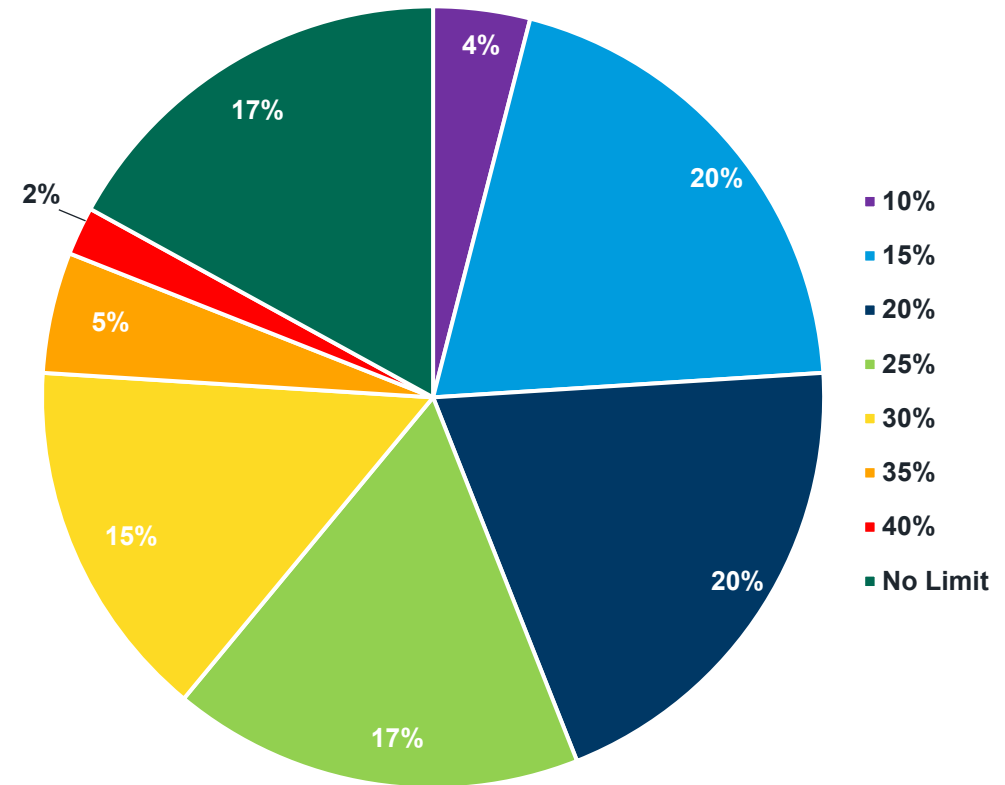
Investment Restriction – Diversification Limit (% of Commitments)

Diversification limits remain concentrated between 15% to 20% of commitments range for the majority of funds, with 52% of funds at 15% and 27% at 20%. Compared with the prior survey, the centre of gravity is largely unchanged, although the 2026 data shows a somewhat higher proportion of funds permitting 25% concentrations. 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.



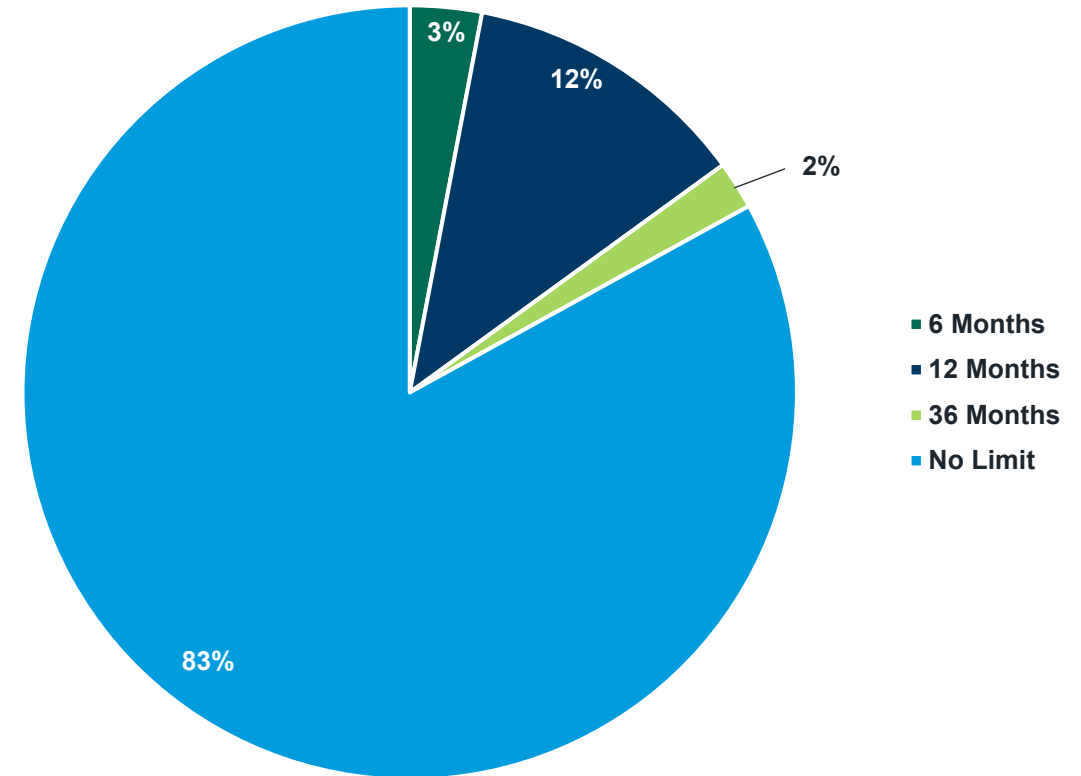
Limit on Follow-On Investments Post-Investment Period (% of Commitments)

The 2026 data shows a more even spread of positions on post-investment period follow-on limits than in the prior survey. The most common individual limits are 15% and 20%, but each accounts for only around one-fifth of the sample, and 17% of funds now have no limit. Compared with last year, no-limit provisions remain significant but are less common, while limits between 25% and 35% account for a larger share of the sample. The data therefore points to broader dispersion, highly dependent on the precise strategy of the fund in question, rather than a single prevailing position.



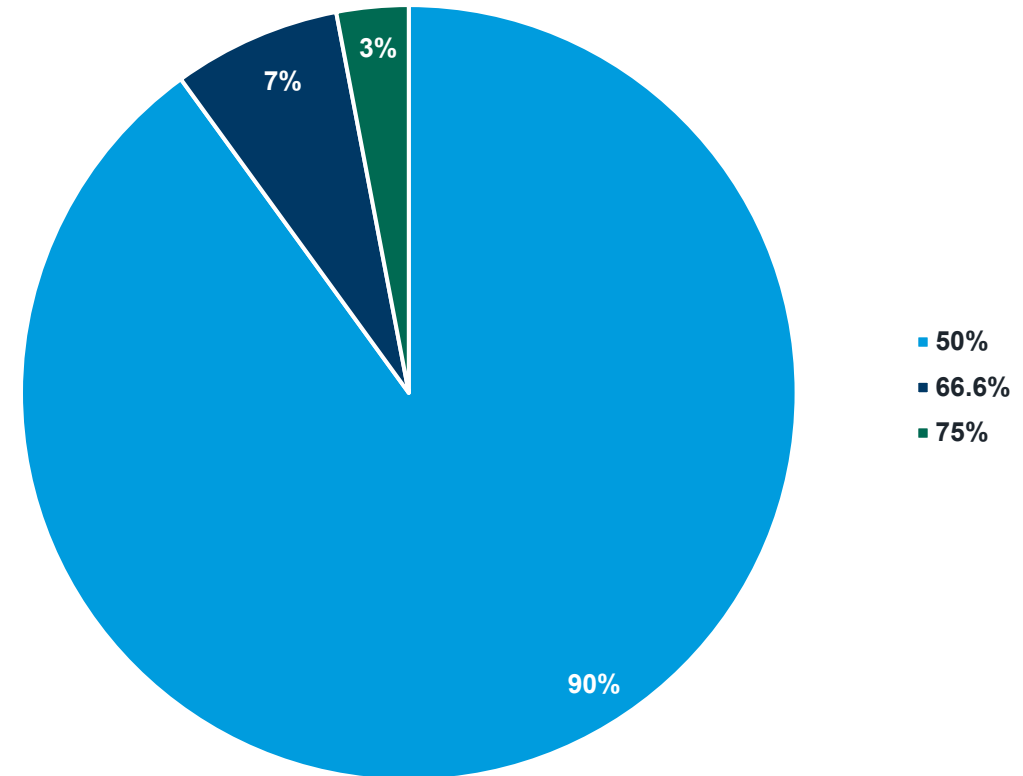
Limit on Follow-On Investments Post Investment Period (Months Post Investment Period)

A significant majority of funds in the sample continue to have no time limit on making follow-on investments post-investment period.



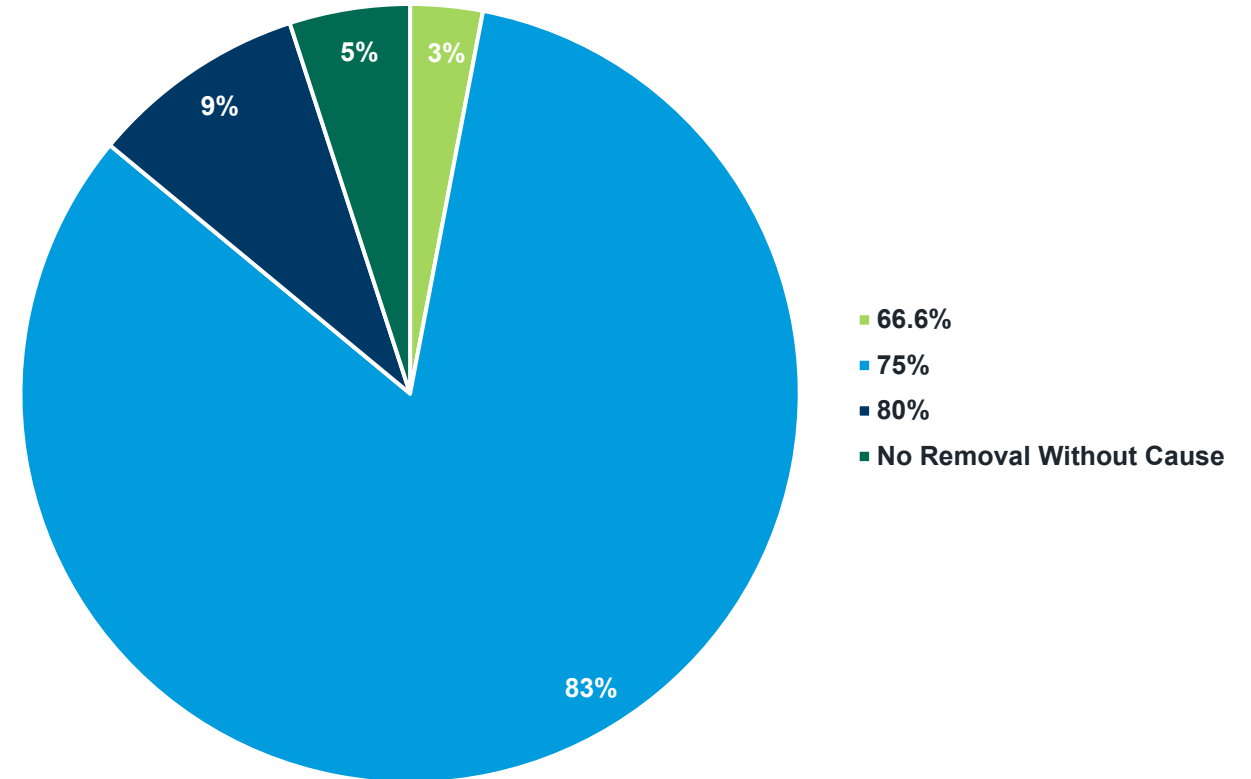
GP 'For Cause' Removal – Investor Voting Threshold (% of Interests)

A simple majority is the most common voting threshold for GP removal for cause, and it is even more dominant in the 2026 sample than in the prior survey. In this year's data, 90% of funds have a 50% threshold, with only a small minority requiring 66.6% or 75%.



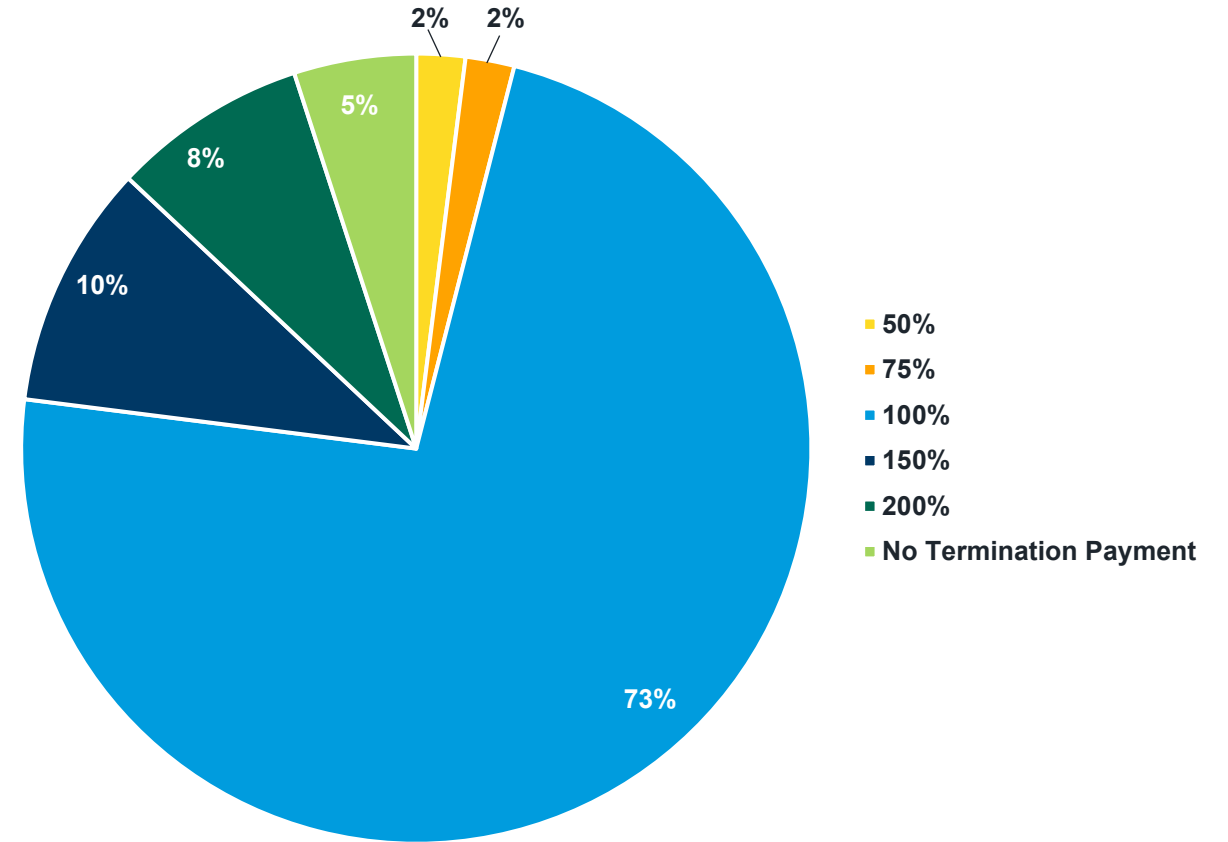
GP 'Without Cause' Removal – Investor Voting Threshold (% of Interests)

The data shows a continued decline in the proportion of funds that have no removal without cause provision: 5% of funds fall into that category in the 2026 sample, down from 15% in the prior survey (noting that 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%, which applies to 83% of funds in the sample.



GP 'Without Cause' Removal – Termination Payment

One year's management fee remains the standard compensation for a no-fault removal, with 73% of funds in the 2026 sample providing for that payment.



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Chris is a partner in the Private Funds Group and a member of the firm's Private Capital industry group.

Chris advises fund managers on fundraising and fund structuring across a wide range of asset classes, including private equity, growth, venture capital and credit funds. He also advises sponsors on tailored liquidity solutions, internal governance, ongoing fund maintenance and compliance matters.

Chris has experience in management spin-outs as well as the structuring of carried interest and employee co-investment incentive plans. He also advises a number of institutional investors on secondary transactions and primary investments.

Chris has been recognised as a 'Next Generation Partner' for Investment Fund Formation & Management: Private Funds in Legal 500 UK 2024.

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