

2/20 Still the Norm despite Infrastructure Investor Discontent **62% of recent infrastructure funds use PE fund management fee structure in the face of investor demand for lower fees.**

Research conducted for The 2011 Preqin Infrastructure Review has revealed that just under two-thirds of infrastructure funds charge management fees of 2% on funds that are currently raising or that have closed in the recent past. This is despite pressure for lower fees from investors: 62% believe that management fees are too high.

The data was collected as part of an investigation into the alignment of interests between investors and fund managers.

Findings:

- 51% of investors interviewed for the study believe that interests between fund managers and investors are not properly aligned; this is an improvement from 72% who believed the same in June 2010.
- Management fees and carry structures are the areas where there is the most dissatisfaction; 62% and 53% of investors cited each area respectively.
- Frustration with management fees has declined since 2010 when 72% believed them to be problematic.
- 56% take issue with paying fees on un-invested capital and 42% are unhappy with hurdle rates.
- Investors are increasingly satisfied with the interaction they have with their fund managers; the proportion that stated there needed to be an improvement fell by 12 percentage points from 2010 levels to 13%.
- 28% felt that fund managers need to make greater contributions to their own funds, compared to 45% in 2010.
- 70% of investors are planning to make further commitments to infrastructure funds in the next 12 months.

For full details please see the report:

http://www.preqin.com/docs/newsletters/INF/Infrastructure_Spotlight_Aug_2011.pdf

Comment:

“The outlook is generally good for the infrastructure asset class, with almost three-quarters of investors planning to make further fund commitments in the coming 12 months. The study suggests that there is a better alignment of interests between investors and fund managers and there has been a significant drop in the proportion of investors believing that interests need to be better aligned.

However, there are still clearly issues, especially surrounding management fees. Further development of the asset class will be dependent on the successful resolution of these issues and improved co-operation between fund managers and investors.”

Elliot Bradbrook, Manager – Infrastructure Data.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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Note to Editors:

- Please note that Preqin has completely replaced Private Equity Intelligence as the official company name.
- Preqin is spelled without the letter 'U' after the 'Q'.

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