

The 2013 Preqin Compensation and Employment Review

1. Executive Summary

Private Equity Fundraising Moves Towards Stabilization

Private equity firms and their employees have certainly been impacted by the recent slowdown in the private equity fundraising market that followed the financial crisis in 2008; the number of funds closed fell from 1,366 in 2008 to 878 in 2009, with the capital raised falling by over half in the same time period (Fig. 1.1). However, fundraising figures for 2011 showed a small uptick, with 870 funds closing on an aggregate \$306.7bn compared to the 835 funds that closed on \$285.2bn in 2010.

Although this is not a large increase, it demonstrates that the private equity market is no longer experiencing the dramatic year-on-year decreases that occurred immediately following the financial crisis. The figures from 2012 so far are slowly approaching those seen in 2011, with 530 funds having already raised an aggregate \$254.4bn in capital commitments. This suggests that the fundraising figures from 2012 will likely be similar to both 2010 and 2011. Rather than experiencing significant increases or decreases, the private equity fundraising market appears to be moving towards stabilization. However, the

fundraising levels in recent years are still significantly lower than those witnessed during the peak years of the private equity fundraising market.

Number of Active Private Equity Firms

With private equity fundraising plateauing in recent years, it is unsurprising that the number of active private equity firms has experienced a similar pattern, with the growth in the number of active firms slowing in recent years. Fig. 1.2 shows the number of new fund managers joining the private equity sector each year (calculated using the vintage of their first fund to represent their year of establishment).

The consistent growth in the number of active private equity firms in the lead-up to the financial crisis has tapered off, with 2012 seeing a small decrease in the total number of active private equity firms compared to 2011 so far; however, the amount is still similar to 2011, at around a little over 4,800 firms in total. A number of firms are deemed to have become inactive in 2012 (meaning they have not raised a fund in the past 10 years), further contributing to the small decrease in the total number of active private equity firms.

Fig. 1.1: Annual Private Equity Fundraising, 2000 - October 2012

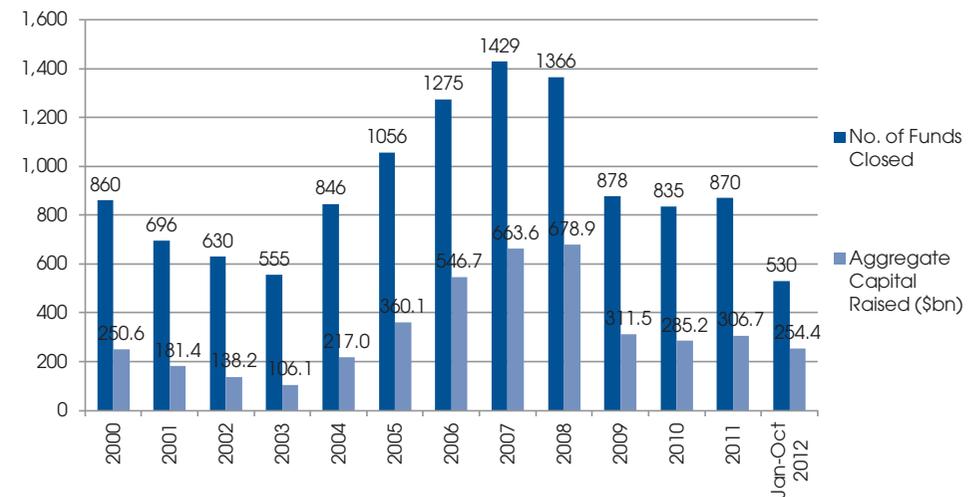
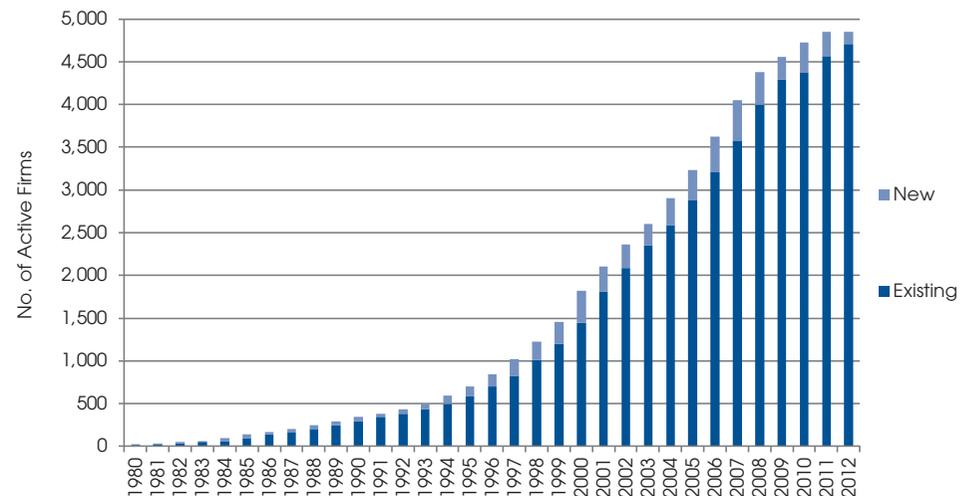


Fig. 1.2: Number of Active Private Equity Firms over Time (by Vintage of First Fund Raised)



Perhaps more significantly, the number of new private equity firms launching in 2012 to date fell in comparison to 2011, with 146 new firms so far in 2012 compared to 278 in all of 2011. (The 2012 figure only includes firms that have reached one or more interim closes on their debut funds in order to begin making investments.) Uncertain conditions in the private equity fundraising market may be impacting the number of new private equity firms choosing to bring funds to market.

The 2013 Preqin Private Equity Compensation and Employment Review explores how these shifts in the private equity sphere are impacting the number of firms over time by fund type and geographic location. Changes in the number of private equity firms vary by fund type, with some strategies, like venture capital, experiencing larger decreases in the number of firms than others. However, firms targeting other strategies, like growth, have continued to see an increase in number of both new and existing firms, despite a general slowdown in the momentum of the private equity market.

Employment Levels at Private Equity Firms

The pool of over 4,800 active private equity firms grows to over 8,000 when private equity firms that do not raise, or have not yet raised, distinct private equity funds (i.e. those that manage corporate or personal capital and those that manage third-party capital without pooling into commingled

private investment vehicles) are included. These 8,000 firms currently employ an estimated 89,000 individuals around the world.

However, the average number of staff at each private equity firm varies significantly based on the assets under management of that firm. Fig. 1.3 shows that firms with the largest assets under management, of \$10bn or more, have the largest average number of staff, standing just over 270 people. Although these firms' average number of staff is dramatically higher than firms of other sizes, there are only an average of 10.8 employees per \$1bn of the firm's AUM. The staff levels at these larger firms are balanced by the income they receive from charging management fees to their funds' investors, which are usually based on a percentage of investor commitments.

Despite having lower average numbers of staff, funds with smaller assets under management have a much higher average number of staff per each \$1bn of their assets under management. Firms with assets under management of less than \$250mn only have an average number of employees of around nine, but have an average of around 77 staff members per \$1bn of their AUM, a much higher figure than that of funds with assets under management of \$10bn or more. Smaller sized firms may have fewer employees, but their management fees are also charged based on smaller amounts of investor commitments compared to the larger private

Fig. 1.3: Average Number of Employees by Firm Assets under Management

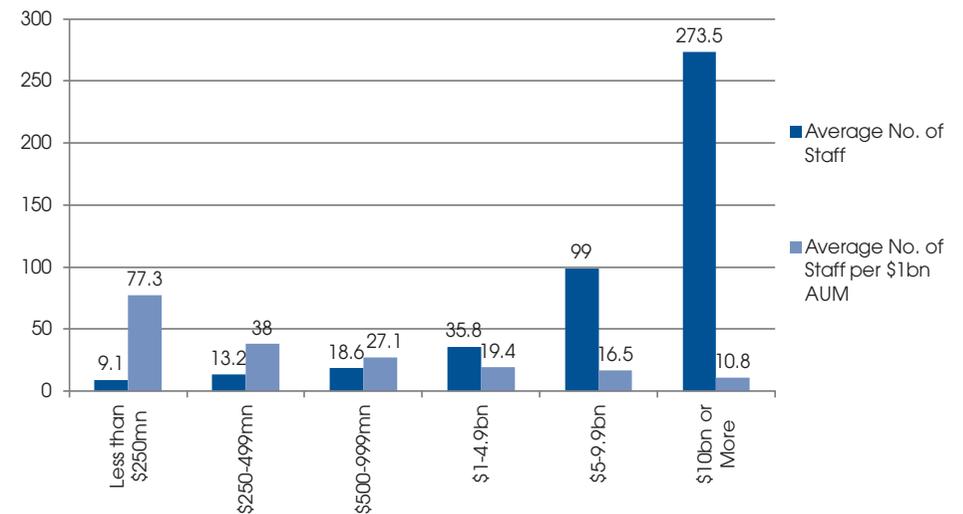
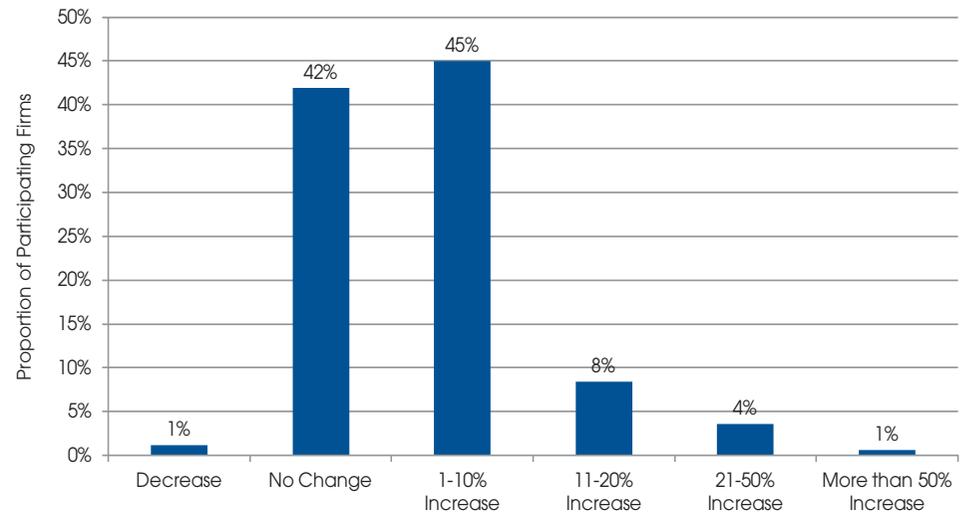


Fig. 1.4: Breakdown of Average Firm-Wide Changes in Base Salaries at Participating Firms between 2011 and 2012



equity firms; this means that the operating economics of the largest funds, with higher income from management fees, are often more favourable for their managers.

Compensation on an Individual Level

The operating economics described above, which vary by a firm's assets under management, also impact the remuneration available to individuals at each private equity firm. For example, a managing general partner at firms participating in the survey conducted for the 2013 Preqin Private Equity Compensation and Employment Review could have a median base salary at a firm with assets under management of \$1bn or more that is almost double the median base salary of an individual in the same position at a firm with assets under management of under \$150mn.

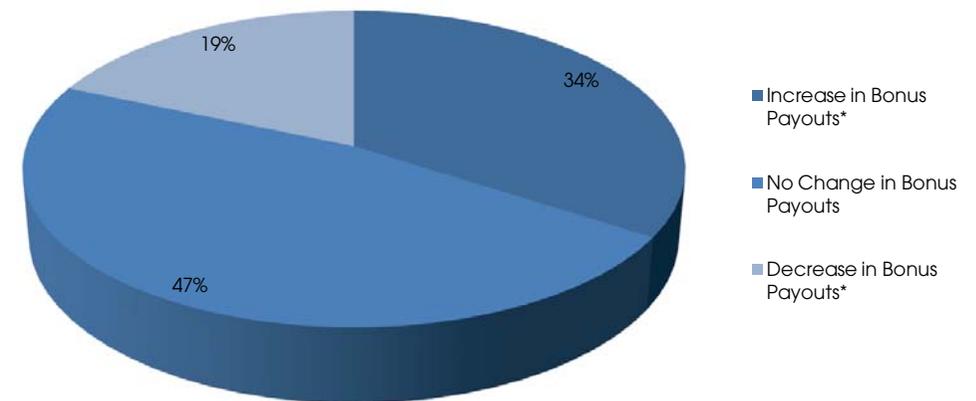
Chapter 7 of the Review shows detailed benchmark individual compensation figures for different positions at participating firms. The tables in this chapter include figures for base salary, total annual cash compensation, long-term incentive/carried interest award and total remuneration data for 40 different positions, including all levels of seniority for deal-making positions as well as senior executive, administrative/corporate positions, and positions specific to real estate management, including asset and portfolio management and transactions. Where possible, in addition to the aggregate figures, the information is broken out by assets under management, geographic

market, and the strategy employed (buyout, venture capital, etc.). Figures are provided for the 25th percentile, median, average, and 75th percentile benchmarks in each case.

In addition to this individual data, the Review also contains detailed analysis of the compensation practices at participating private equity firms. Fig. 1.4 shows a breakdown of average firm-wide changes in base salaries at participating firms between 2011 and 2012. In a similar fashion to both the private equity fundraising market and the number of active private equity firms worldwide, base salaries at participating firms are generally maintaining their current level or reporting only small increases. Only a very small proportion (1%) of participating firms reported a decrease in base salaries between 2011 and 2012, and a substantial 42% reported no change. The largest proportion of participating firms, 45%, reported an increase in base salaries that ranged between 1% and 10%.

Participating firms also largely reported either an increase or no change in their bonus payouts in the calendar/fiscal year 2011 compared to 2010. Thirty-four percent of participating firms reported that bonus payouts increased at their firm compared to the previous year, but 19% reported a decrease in their bonus payouts in the calendar/fiscal year 2011 compared to 2010. Almost half (47%) of firms reported no change over the same time period

Fig. 1.5: Proportion of Participating Firms Reporting an Increase, a Decrease, or No Change in Bonus Payouts for Performance in Calendar/Fiscal Year 2011 Compared to Previous Year



* Median Increase: 32%; Median Decrease: 23%

The 2013 Preqin Private Equity Compensation and Employment Review

In order to analyze the latest trends in compensation in the private equity industry, Preqin, in conjunction with FPL Associates, conducted a survey of over 200 leading private equity firms to collect data on their compensation practices and remuneration levels, for which we are grateful to the participating firms. This has allowed us to compile meaningful statistics covering a wide range of different types of positions at these firms, from senior executives through to junior-level professionals.

Another key feature of this publication is the information on employment within the

private equity industry worldwide. Our databases allow us to provide meaningful estimates on levels of employment, and to break this down by criteria, including main firm strategy and firm size. We hope that this publication serves to provide an understanding of the levels of employment and remuneration standards across the industry, and as ever we welcome any feedback you may have.



The 2013 Preqin Private Equity Compensation and Employment Review

A comprehensive guide to industry compensation practices

Real Estate Positions - Portfolio Management

- Head of Portfolio Management (All Product Lines)
- Head of Portfolio Management (Single Product/Business Line)
- Senior-Level Portfolio Management Professional
- Mid-Level Portfolio Management Professional
- Associate - Portfolio Management

Real Estate Positions - Transactions

- Head of Transactions
- Senior-Level Transactions Professional
- Mid-Level Transactions Professional
- Associate - Transactions
- Analyst - Transactions

8. Figure Index

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Contributors

Below is a list of participants in this year's survey. The list does not include all 206 participants, as some companies prefer that their names not be listed. The participants listed below gave approval to list their names as participants.

- 5AM Ventures
- 747 Capital
- ABS Capital Partners
- AC Capitales SAFI S.A.
- AEW Capital Management
- Aksia Group SGR S.p.A.
- AltaFund
- American Capital, Ltd.
- Ampersand Capital Partners
- Antin Infrastructure Partners
- Arrhenius Private Equity
- Asset Management Ventures, LLC
- Aureos Capital Limited
- Aurora Funds, Inc
- AxVentures - Pymar Fund
- Black River Asset Management
- Broadreach Capital Partners, LLC
- Brook Venture Partners
- Brown Brothers Harriman
- Carmel Partners
- Colony Capital, LLC
- Conchubar Infrastructure Fund
- Convergence Partners
- Corporación Mexicana de Inversiones de Capital, S.A. de C.V.
- Corporate Partners, LLC
- Creation Investments Capital Management, LLC
- Darby Overseas Investments, Ltd.
- Development Partners International LLP
- Dfe Partners GmbH
- DGPA SGR SpA
- DN Partners LLC
- Emerging Capital Partners (ECP)
- Federal Capital Partners
- Fundamental Advisors, LP
- GBS Venture Partners Pty Ltd
- GI Partners LP
- Global Environment Fund (GEF Management Corp.)
- Grotech Ventures
- Haddington Ventures, LLC
- Hart Realty Advisers, Inc.
- HBM Partners
- Helmsman Funds Management Limited
- Huron River Ventures
- IIFL Alternate Asset Advisors Limited
- Incitia Ventures AS
- Insight Equity
- Invesco Real Estate
- Jen Capital Advisors Limited
- Jolimont Capital Pty Ltd.
- JP Morgan
- Kendall Court Capital Management Ltd.
- Kenedix Inc
- Kerogen Capital Limited
- L Capital Asia L.L.C.
- Momentum Real Estate Partners, LLC
- Nancy Creek Capital
- NewQuest Capital Partners
- NORD KB
- Noro Moseley Partners
- Northern Light Venture Capital
- Novartis Venture Funds
- Odewald & Compagnie Gesellschaft für Beteiligungen mbH
- OMNES CAPITAL
- Omnivore Capital
- Pacific Star Holdings Pte Ltd
- Palmer Capital Partners Limited
- PCCP, LLC
- Rasmala Partners
- RCG Longview
- RSG Capital
- RTP Ventures
- Sarona Asset Management
- Satori Capital LLC
- Saybrook Capital
- Shackleton Ventures Limited
- SICIT S.A.
- Squadron Capital Advisors Limited
- Square 1 Ventures, LLC
- StepStone Group
- Stockbridge Capital Group, LLC
- Storm Ventures
- Target Partners GmbH
- Terra Firma Capital Partners Limited
- The White Oak Group, Inc
- Value4Capital
- Ventech
- Ventech China
- Victoria Capital Partners LP.
- Wind Point Partners
- Wynnchurch Capital

5. General Company and Financial Information of Participating Firms

This section of the Review provides general company and financial information of the private equity firms that participated in the study. The next section, Chapter 6, looks at the rest of the company survey data, including an examination of the trends regarding how firms structure their remuneration, base salaries, incentives and more. Chapter 7 provides more detailed individual compensation analysis by position.

Participating firms are involved in a wide range of private equity fund types, with some firms involved in more than one strategy, as shown in Fig. 5.1. Buyout and venture capital are the most common strategies among participating firms, with 26% and 25% of participating firms stating them as strategies they are involved in respectively. Real estate follows these two fund types closely, with 22% of participating firms managing real estate vehicles.

An equal proportion of 11% of participating firms are active in both the infrastructure and fund of funds spheres, while a further 9% and 7% are involved in distressed private equity and mezzanine funds respectively. Just 17% of firms stated that they are involved in a strategy not listed in Fig. 5.1, which

includes growth, a strategy which currently represents a large proportion of the private equity fundraising market, and participating firms involved in the secondary market. Eighty-four percent of participating firms classified themselves as independent, and 16% classified themselves as institutional.

Geographically, the majority of participating firms are both based in (50%) and investing in (63%) in the US, as shown in Fig. 5.2 and Fig. 5.3. A third of participating firms have an office in Europe, with a slightly higher proportion (36%) investing in the region as well. The differences between the proportion of participating firms located in and investing in each region is likely due to the fact that a significant proportion of participating firms are targeting investments in a variety of regions. It is also important to remember that many firms have offices in multiple regions.

Twenty-five percent of participating firms have a presence in the Asia/Pacific region, and a larger 30% make investments in the region. Participating firms with offices in Australia and South America each represent 4% of respondents, a much smaller percentage than the other regions shown in Fig. 5.2. However, 10% and 14%

Fig. 5.1: Private Equity Fund Types in Which Participating Firms are Involved

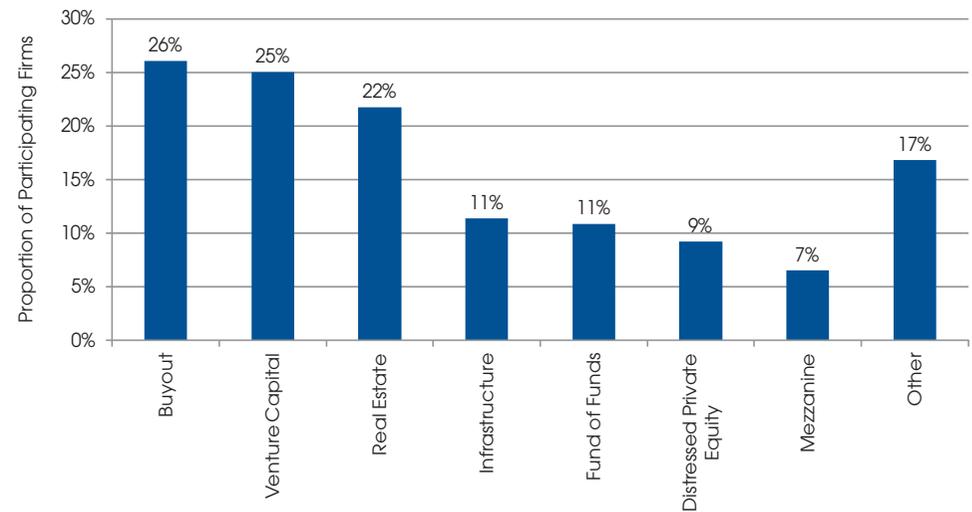
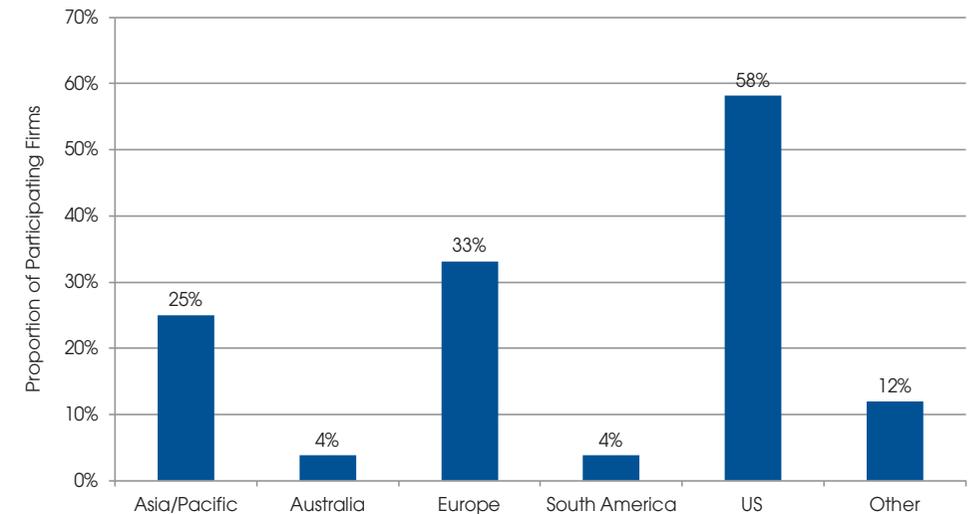


Fig. 5.2: Geographic Regions in Which Participating Firms Have Office Locations



6. Compensation Practices at Participating Firms

This section of the Review examines the remainder of the company survey data, looking at the latest trends in base salaries and incentives, as well as detailing how companies structure elements of their remuneration.

Base Salaries

Overall, 58% of participating firms reported an increase in base salaries between 2011 and 2012, while only 1% reported a decrease; a further significant 42% of participating firms reported no change in base salaries.

A breakdown of these average firm-wide base salary changes between 2011 and 2012 is shown in Fig. 6.1. While only a very small proportion (1%) of participating firms reported a decrease in base salaries between 2011 and 2012, a substantial 42% reported no change. The largest proportion of participating firms, 45%, reported an increase in base salaries that ranged between 1% and 10%. Firms reporting an increase of between 11% and 20% followed distantly, with only 8% reporting such an increase.

Fig. 6.2 shows the projected average firm-wide changes in base salaries for participating firms between 2012 and 2013. Participating firms' projections for changes in base salaries in the coming year mostly parallel changes recorded between 2011 and 2012. Participating firms expecting to see an increase in base salaries of 1-10% between 2012 and 2013 make up 46% of all participating firms, a similar proportion to the 45% of participating firms which saw increases of 1% to 10% between 2011 and 2012.

Forty-three percent of participating firms expect to see no changes in base salaries between 2012 and 2013, and only 1% expect to see a decrease in the same time period. A small proportion of participating firms anticipate a more substantial increase in base salaries between 2012 and 2013, with 9% expecting an increase of between 11% and 20%, and 2% an increase of between 21% and 50%.

Promotional Increases

Fifty-one percent of participating firms also reported some proportion of their company's employees received a promotional increase in 2011. Fig. 6.3 shows a breakdown of

Fig. 6.1: Breakdown of Average Firm-Wide Changes in Base Salaries at Participating Firms between 2011 and 2012

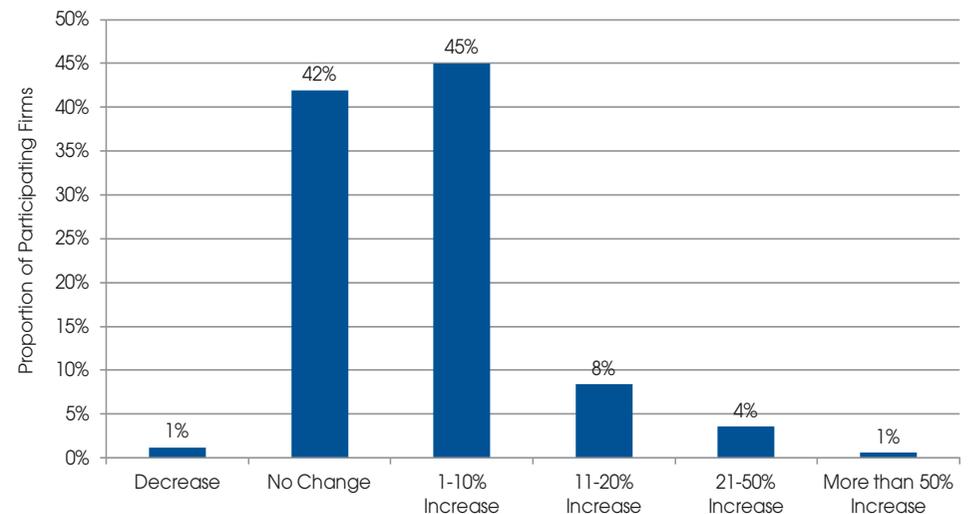
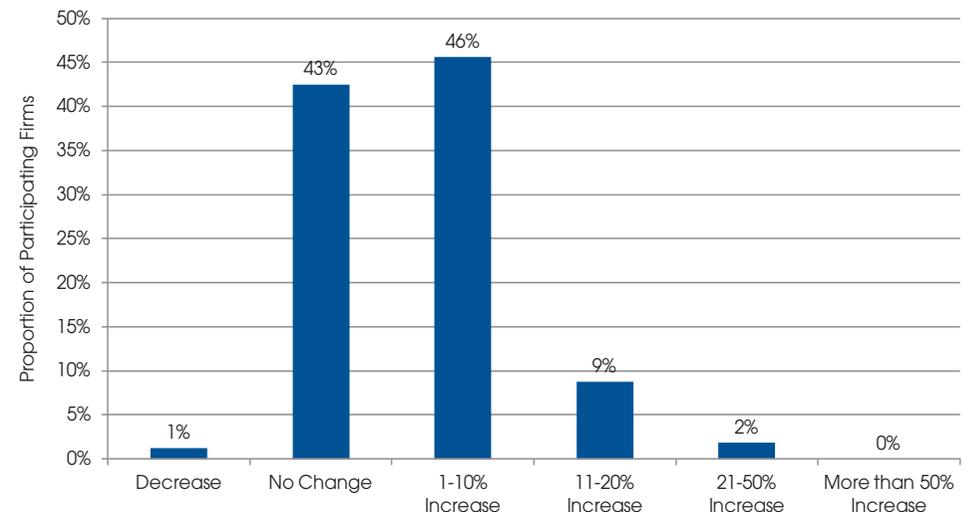


Fig. 6.2: Breakdown of Projected Average Firm-Wide Changes in Base Salaries at Participating Firms between 2012 and 2013



Global Positions - Deal-Making

Managing General Partner/ Chief Executive Officer	Typical Years of Experience	Typically Reports To	Alternate Title(s)	Typical Education
	15+	Board(s)	CEO, Chairman	Advanced
Leads and manages the growth and profitability of the entire firm. Develops strategic direction. Responsible for achieving specified financial results outlined in the annual budget. Defines organizational framework used to operate the business in order to ensure resources are available to execute the business strategy. May also be a founder of the company.				

		Base Salary				Total Annual Cash Compensation			
		25th Percentile	Median	Average	75th Percentile	25th Percentile	Median	Average	75th Percentile
Assets under Management	Aggregate								
	Under \$150 Million								
	\$150 Million - \$399.9 Million								
	\$400 Million - \$1 Billion								
	Over \$1 Billion								
Geographic Market	Asia/Pacific								
	Africa/Middle East								
	Central/South America								
	Europe								
	United States								
	Other								
Type of Fund	Fund of Funds								
	Leverage Buyout (LBO)								
	Mezzanine								
	Venture Capital								
	Infrastructure								
	Distressed & Special Situations								

Job Description Degree of Match	Average	Target Annual Incentive (% of Base Salary) - Calendar/Fiscal Year 2012	25th Percentile	Median	Average	75th Percentile

		Long-Term Incentive Award + Promote/Carried Interest Award				Total Remuneration			
		25th Percentile	Median	Average	75th Percentile	25th Percentile	Median	Average	75th Percentile
Assets under Management	Aggregate								
	Under \$150 Million								
	\$150 Million - \$399.9 Million								
	\$400 Million - \$1 Billion								
	Over \$1 Billion								
Geographic Market	Asia/Pacific								
	Africa/Middle East								
	Central/South America								
	Europe								
	United States								
	Other								
Type of Fund	Fund of Funds								
	Leverage Buyout (LBO)								
	Mezzanine								
	Venture Capital								
	Infrastructure								
	Distressed & Special Situations								

Number of Direct Reports	Average	No. of Funds Currently Participating In	Average	Average Promote/Carried Interest Allocation - Most Recent Fund(s)	% of GP's Share	% of Management Team's Share

2013 Preqin Private Equity

Compensation and Employment Review



alternative assets. intelligent data.

Produced in collaboration with leading compensation specialists FPL Associates, the 2013 Preqin Private Equity Compensation and Employment Review is the industry's most comprehensive guide to compensation practices, featuring detailed benchmark remuneration data for 40 positions, including 15 real estate-specific positions, incorporating information from over 200 leading firms globally. A source of reliable and accurate information on the latest trends in private equity compensation and employment is a vital tool enabling decision-makers and advisors to examine existing compensation practices against wider industry benchmarks.

Key content includes:

- Compensation data by position, including base salary, bonus, carry, and quartile splits.
- Compensation data split by firm type, region and size where possible.
- Survey of compensation practices at private equity firms.
- Current employment within the private equity industry.
- Growth of the industry.



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