Welcome to the latest edition of Private Equity Spotlight, the monthly newsletter from Preqin providing insights into private equity performance, investors, deals and fundraising. Private Equity Spotlight combines information from our online products Performance Analyst, Investor Intelligence, Fund Manager Profiles, Funds in Market, Secondary Market Monitor, Buyout Deals Analyst and Venture Deals Analyst.

December 2014
Volume 10 - Issue 12

FEATURED PUBLICATION:

2015 Preqin Private Equity Compensation and Employment Review

To find out more, and to download sample pages, please visit:

www.preqin.com/compensation

New York:
One Grand Central Place
60 E 42nd Street
Suite 630
New York, NY 10165
+1 212 350 0100

London:
3rd Floor, Vintners' Place
68 Upper Thames Street
London, EC4V 3BJ
+44 (0)203 207 0200

Singapore:
One Finlayson Green
#11-02
Singapore 049246
+65 6305 2200

San Francisco:
1700 Montgomery Street
Suite 134
San Francisco
CA 94111
+1 415 835 9455

w: www.preqin.com
e: info@preqin.com

Twitter: www.preqin.com/twitter
LinkedIn: www.preqin.com/linkedin

Private Equity Spotlight

December 2014

In this month's edition of Private Equity Spotlight, we provide a round-up of this year's 10 hottest topics in the private equity industry that Preqin's free newsletters have covered in the last 12 months, including:

- Venture Capital Performance
- Record Private Equity Distributions
- The Rise in Public Pension Funds Investing in Private Equity
- The JOBS Act
- The Prominence of the Top 30 Fund Managers

A Tried and Tested Model

Geoff Cook, Chief Executive of Jersey Finance, looks at the impact of the AIFMD on fund managers and private equity fund structuring. **Page 6**

Latest Trends in Private Equity Compensation and Employment

Key analysis from the Executive Summary of the recently released 2015 Preqin Private Equity Compensation and Employment Review. **Page 9**

Conferences

Upcoming private equity conferences around the world. **Page 15**

You can download all the data in this month's Spotlight in Excel. Wherever you see this symbol, the data is available for free download on Excel. Just click on the symbol and your download will begin automatically. You are welcome to use the data in any presentations you are preparing; please cite Preqin as the source.

Free Subscription

Sign up to receive your free edition of Private Equity Spotlight every month!

www.preqin.com/spotlight

HFM AWARDS WINNER 2014
EUROPEAN SERVICES AWARDS

preqin
alternative assets. intelligent data.

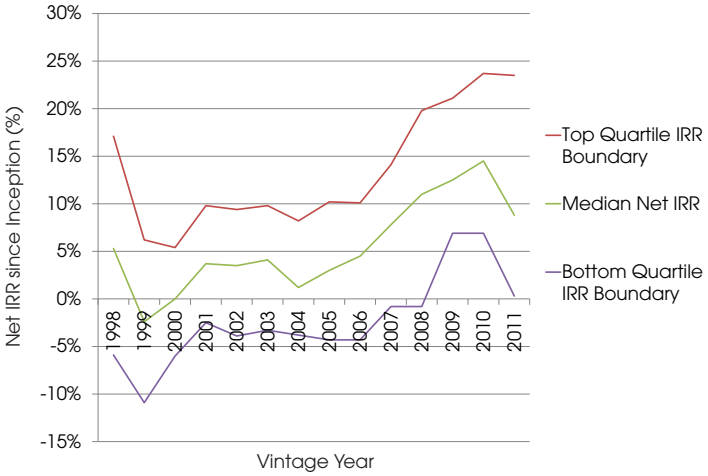
Private Equity Spotlight: 2014 in Review

In this month's Spotlight, we provide a round-up of this year's 10 hottest topics in the private equity industry that Preqin's newsletters have covered in the last 12 months.

1. The Turning Point for Venture Capital?

In November 2014, Preqin released a special report examining the state of the venture capital industry. The asset class has been much maligned for sub-par performance since the dot-com crash, but returns for more recent venture capital funds have picked up significantly: one-year horizon IRRs to March 2014 (27.0%) outperform all other private equity strategies. Preqin's data demonstrates that this improvement is not just reserved for top performing funds: as shown in Fig. 1, bottom quartile venture capital funds also saw a marked improvement, recently moving into the black for the first time. This was unseen even at the height of the dot-com boom and serves as further evidence of the turnaround seen in industry performance. However, fund managers still face challenges in securing capital as investors are wary of the asset class, given the largely disappointing returns in the past 10 years, and will need to see more consistent performance over time. For the full article from November's issue of Spotlight, please click here.

Fig. 1: Venture Capital - Median Net IRRs and Quartile Boundaries by Vintage Year

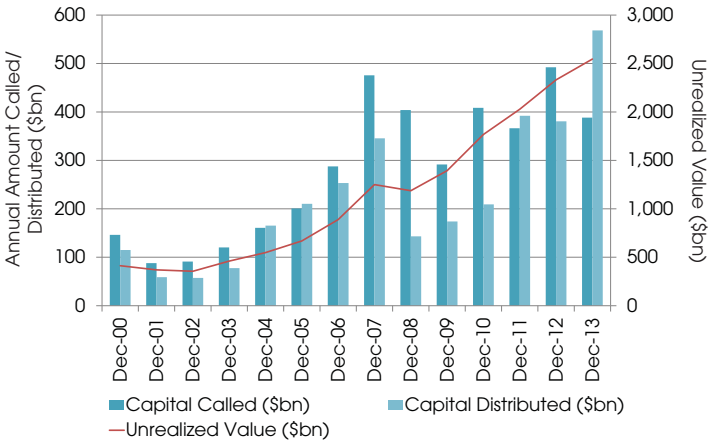


Source: Preqin Private Equity Spotlight, November 2014

2. Record Private Equity Distributions

2013 saw the highest annual distributions from private equity investments on record (Fig. 2), as highlighted in September's Private Equity Spotlight. In 2013, a total of $388bn was called and $568bn distributed, compared to $492bn and $381bn in 2012 respectively. Although this is not the first time that distributions have increased significantly or exceeded called-up capital, what is notable is the extent to which distributions have surpassed amounts called. As of December 2013, total annual distributions surpassed capital calls by 46%; only in 2004, 2005 and 2011 have distributions exceeded called capital, and in each of these years it was by only 3%, 5% and 7% respectively. Continued growth in the private equity asset class and the recovery of the financial markets cultivated more favourable market conditions, allowing fund managers to exit the investments they were forced to sit on when the financial crisis hit.

Fig. 2: All Private Equity Amount Called, Distributed and Unrealized Value, 2000 - 2013

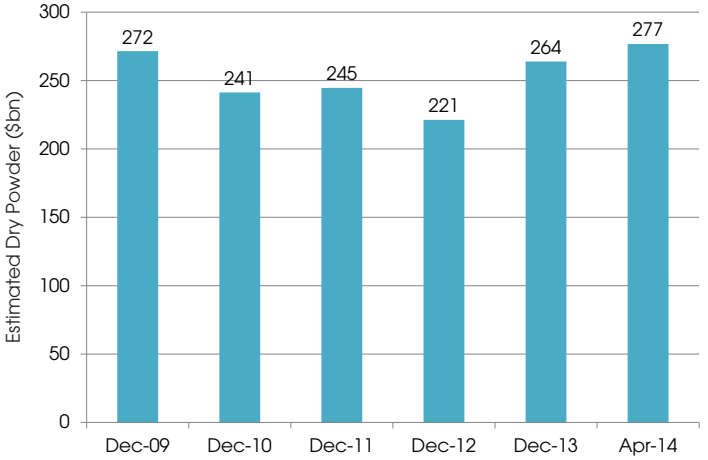


Source: Preqin Private Equity Spotlight, September 2014

3. Resurgent Europe

The sovereign debt crisis in 2009 threatened the collapse of economies in the south of the continent, most notably Portugal, Italy and Spain. Ireland and Greece also suffered significantly, and general confidence across Europe as a whole tumbled. A slowdown in economic growth in the region, high unemployment rates and political upheaval in certain countries had a massive impact on private equity investors' confidence in the region. April's edition of Private Equity Spotlight detailed the recent positive shift in the private equity landscape, with the ramping-up of private equity activity and interest focused on the continent evidenced by Preqin's statistics on fundraising, deals and investor appetite. Fundraising had been increasing year-on-year in Europe since 2010, contributing to the record levels of dry powder focused on

Fig. 3: Europe-Focused Private Equity Dry Powder, 2009 - 2014



Source: Preqin Private Equity Spotlight, April 2014

the region (Fig. 3). All these factors have contributed to a renewed confidence in Europe as an attractive destination for private equity investment.

4. Correlation Between Fundraising Success of Certain Fund Types and Their Risk-Return Profiles

In July's Private Equity Spotlight, Preqin investigated which fund types produced the best risk-return profile for investors, specifically aiming to test the relationship between performance and fundraising success. The study showed there is indeed a correlation between the fundraising success of certain fund types and their risk-return profiles. Best exemplified by secondaries funds and funds of funds, which occupy opposite ends of the spectrum, the level of fundraising success achieved by vehicles (here measured by time taken to reach final close and ability to reach fundraising target) is linked to the risk-return profiles of the fund types (Fig. 4).

5. Rise in Public Pension Funds Investing in Private Equity

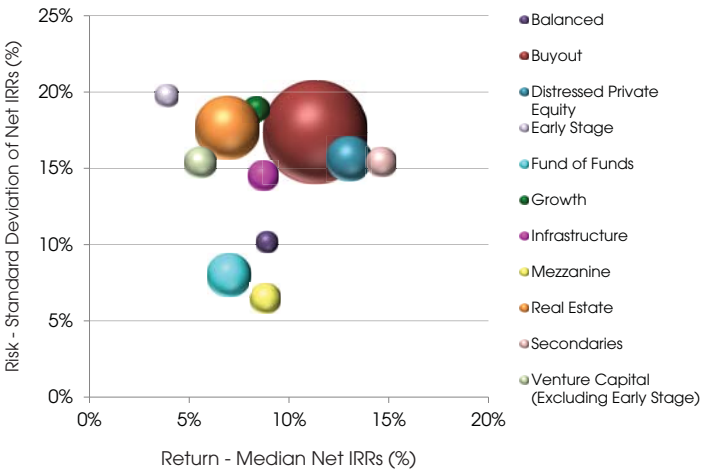
Following the news of high profile US-based state pension scheme CalPERS exiting the hedge fund space, October's Private Equity Spotlight examined the average allocations of US-based public pension funds to the private equity asset class. Fig. 5 shows the number of active US-based public pension funds in private equity rising year-on-year, from 266 in 2010 to 299 in October 2014. The figures for the average percentage of US-based pension funds' assets under management show a similarly positive story, at least for the period between 2011 and 2013, when there was a surge of 100 basis points. As of October 2014, the average US-based public pension fund's allocation to private equity was 7.0% of assets under management, which is only a slight dip from the previous year's figure of 7.2%. It appears that this investor type still has a healthy appetite for private equity investments, and has been ramping up its activity in recent years. Private equity looks set to remain an important component of US-based public pension funds' portfolios for years to come, offering investors good portfolio diversification and out-sized returns over the long term.

6. JOBS Act

May's edition of Private Equity Spotlight featured the results from a Preqin survey of alternative investment managers regarding the impact of the Jumpstart Our Business Startups Act (JOBS Act). The Act allows firms to advertise and perform general solicitations, such as posting private offering documentation on their websites for public viewing, which allows them to showcase their funds to a larger number of potential investors. The Act could provide some benefits to managers, but these appear to be currently outweighed by a number of concerns, including increased scrutiny of regulators, the negative perception of marketing and the additional costs that advertising would bring.

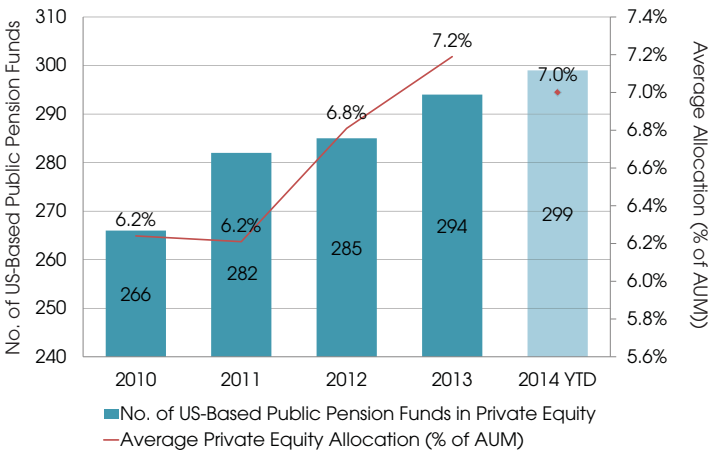
However, many fund managers are wary of being the first movers in this space. As the challenges of competing not only with other alternative asset managers, but also against the growing numbers of alternative mutual funds, continue to become more significant, we will see alternative asset managers think more broadly about how they market their funds. Alternative asset managers are presently rather conservative in their attitudes towards direct marketing, with a significant 63% of private equity managers stating they would not market their funds under the JOBS Act at that moment in time. However, only time will tell how the industry will embrace the opportunities that the JOBS Act has opened up for private funds, and it will be interesting to see how this sector develops over the next five years.

Fig. 4: Risk and Return by Fund Strategy (Vintage 2001-2011)



Source: Preqin Private Equity Spotlight, July 2014

Fig. 5: Total Number of Active US-Based Public Pension Funds in Private Equity and Average Allocation Over Time, 2010 - 2014 YTD



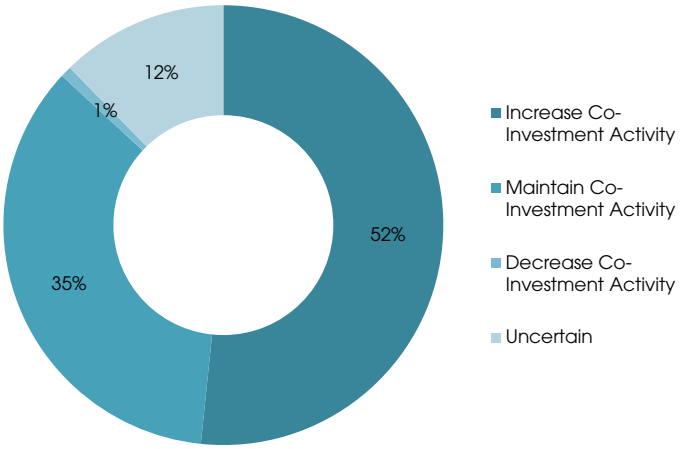
Source: Preqin Private Equity Spotlight, October 2014

7. Fund Terms and Conditions

We featured the executive summary of the 2014 Preqin Private Equity Fund Terms Advisor, the industry's most comprehensive guide to private equity terms and conditions, in our September issue of Private Equity Spotlight. The increasing importance of terms and conditions and the need for a true alignment of interests between GPs and LPs is heightened this year, with the crowded fundraising market in which GPs are finding themselves, and more funds on the road than ever competing for investor capital. The book features extensive analysis on the very latest private equity terms and conditions information collected by Preqin, providing readers with the actual terms employed by individual vehicles, as well as benchmark terms. Individual fund listings, on an anonymous basis, are provided for more than 2,000 private equity funds of different strategies, vintages, geographies and sizes.

To find out more about the publication, download sample pages or to order your copy, please visit: www.preqin.com/fta.

Fig. 6: LPs' Future Plans for Their Co-Investment Activity



Source: Preqin Private Equity Spotlight, March 2014

8. Prominence of the Top 30 Fund Managers

The disparity between first-time fund managers and their more established counterparts was examined in June's edition of Private Equity Spotlight. In 2014, while the overall health of the industry is acknowledged by many, it has been the large, long-established fund managers that have benefitted the most from the current climate. During and following the uncertainty of the global financial crisis, investors were much more comfortable placing their capital with larger, more experienced private equity fund managers. Fundraising figures for 2013 support this: the top 30 fund managers contributed over a third (34%) of total capital raised for private equity vehicles, and over the last 10 years, these managers had raised $1.2tn in aggregate capital commitments. Their recent activity suggests that the momentum of private equity's most prominent players displays little sign of stopping; new office openings outside domestic markets expand the reach of these large managers, allowing them to capitalize on the growing consumer affluence in emerging markets and tap into an ever-growing capital base.

9. Appetite for Co-Investment

The feature article for March's issue of Private Equity Spotlight explored the attraction of co-investment opportunities, using information from an exclusive survey into LP and GP attitudes in the co-investment space. The results suggested that 2014 would see an increase in co-investment activity (Fig. 6), with the majority of LPs that responded to the survey intending to ramp up their operations in this sector. Despite substantial interest in these deals on both the GP and LP sides, fund managers have voiced concerns about high expenses and competition, holding some GPs back from offering co-investment opportunities. In any case, the appetite for co-investment is not only evident, but features strongly in the plans of many GPs and LPs for the year ahead. As the private equity industry matures and the development of a more sophisticated investor community progresses, there could be an increase in co-investment activity, with benefits for both fund managers and limited partners.

10. Diversification of Secondaries Transactions

March's Private Equity Spotlight also featured the different types of strategies adopted by secondary buyers and sellers. The successful secondaries fundraising environment was driven by the dual effect of regulatory pressure on financial institutions and the post-crisis behaviour of large pension funds focusing investments on fewer managers. In previous years, this created opportunities for certain investors to acquire large portfolios of funds and produced some the largest ever secondaries sales.

However, in more recent times, there appears to be fewer of these large secondaries sales and more activity from opportunistic investors selling positions in individual funds, diversifying away from the traditional portfolio acquisitions. Also discussed were the non-traditional secondaries transactions, restructurings and fund recapitalizations, a solution for investors in funds that have exceeded (or are close to exceeding) their life-span as set out in their fund terms, but still retain a substantial amount of assets in the fund, with applications to 'zombie funds'. Secondary buyers are looking beyond the traditional model of acquiring large portfolios of funds from sellers and are finding innovative ways to provide liquidity to the private equity market.

A Tried and Tested Model

Geoff Cook, Chief Executive, Jersey Finance

With the transitional phase for implementing the EU Alternative Investment Fund Managers Directive (AIFMD) having finally come to an end this summer, recent weeks have seen a marked rise in analysis, and some speculative comment, about how it is bedding down in different jurisdictions, how private equity managers are coping with the regulation most effectively and how private equity fund structuring is changing.

From a Jersey perspective, far from the AIFMD prompting a re-domiciliation towards onshore locations, which is a sentiment that has emanated from some corners of the European funds community, in the months since the AIFMD came into play, there has actually been an uptick in the value of private equity fund business being structured through the jurisdiction.

The latest figures, compiled by the Jersey Financial Services Commission (June 2014), show that the total value of funds being administered in Jersey has stayed consistently high in recent months, around the £200bn/$330bn mark, with private equity forming a substantial proportion of this. In fact, the specific value of private equity assets under administration in Jersey has risen steadily in recent times, almost doubling over the past five years.

Further reflecting the confidence there continues to be in Jersey as an alternative funds domicile, in the real estate funds sector, values under administration in Jersey have grown to their highest since pre-crisis levels.

Moreover, Europe's largest private equity fund raised in recent years enjoyed its final $10bn closing this year from a Jersey management platform, whilst the second largest real estate fund ever to be listed on the London Stock Exchange was structured through Jersey this year. These are just two of a number of recent high value Jersey alternative fund launches.

Far from European regulation, including AIFMD, causing a movement away from offshore centres, undoubtedly the trend evidenced across managers in Jersey is one of building significant future management substance. A number of major alternative fund houses have moved to or expanded their presence in Jersey recently.

Having opened an office in Jersey in June this year, for instance, Carne Group recently received authorisation for an independent AIFMD-compliant management company in Jersey, the first to be approved outside the European Union, allowing alternative fund managers including private equity managers, to comply with the AIFMD regime while maintaining a fund in an offshore, non-EU jurisdiction.

This isn't a one-off, but reflects a general growth in interest from major alternative fund houses and managers in a Jersey structure of this nature, allowing them to access the European market and meet the requirements of the AIFMD but without the need for an EU domicile.

Thanks to its approach to regulation and specialist alternative fund expertise, Jersey is affirming its position as a leading domicile for European private equity business, including structuring and servicing, both in spite of and as a result of the AIFMD.

Flexibility

The initial response of managers to the AIFMD has been interesting, not least the idea that the much hallowed pan-European AIFMD 'passport' may not automatically be the most suitable choice. In contrast, the private placement option remains popular, providing managers and investors with real, practical benefits.

Increasingly, private equity managers are finding that the private placement option into Europe offered through Jersey can provide them with certainty of European market access, but with added flexibility and without the headache and costs of reporting under full AIFMD 'passporting' compliance.

Figures from the Jersey Financial Services Commission (JFSC), for example, indicate a strong take-up in Jersey's private placement route into Europe. Just months after AIFMD came into play and 176 Jersey funds and 49 Jersey fund managers are already actively marketing into the EU with JFSC authorisation under private placement regimes.

Additional data also shows that the UK remains a key market for Jersey managers and, in indicating which EEA Member States they intended to market into, most managers licensed to carry on fund services business in Jersey say they intend to market their funds into the UK. The fact that the UK remains such a key market is not surprising, given its strong links with Jersey. With the UK Treasury confirming its national private placement regime will be in place until 2018, Jersey will continue to benefit from certainty of access to the hugely important UK investor market.

Interestingly, though, the next most important intended markets for Jersey managers were Sweden, Belgium, the Netherlands, Ireland, Denmark, France, Germany and Luxembourg.

This considerable success reflects the broad appeal of Jersey within Europe. However, this is perhaps not surprising given the mixed reception the passport has been given by managers.

In recent research by IFI Global ('The Impact of AIFMD', October 2014), for example, a significant number of managers said the AIFMD's carrot, the passport, was of 'little' to 'no interest' to them.

Further, the cost of reporting and compliance under AIFMD through the passport, and the possibility of those costs eating into investor returns, remains a major concern. Research by BNY Mellon and FTI Consulting (July 2014) highlighted that managers expect regulatory, risk and compliance reporting to account for the majority of ongoing costs associated with AIFMD compliance, with the increased costs in some cases looking set to fall onto individual funds.

The actual value of the AIFMD is being questioned too. The BNY Mellon/FTI Consulting research also suggested that only 39% of managers believe that AIFMD will be either very beneficial or slightly beneficial to their organisation, and the same proportion of respondents believe end investors will benefit from AIFMD.

As far as the European fund structuring landscape is concerned, the IFI Global research also reveals that managers hold the general view that AIFMD will not require them to change the domiciliation of their funds. What the AIFMD will prompt, the research says, is for the European alternative fund industry to become even more institutionalized than it is today, with fewer independent alternative managers left in the EU with AUMs below $1bn by 2020.

The indications are that boutique managers cannot see any real advantages to AIFMD, with a number of them indicating that they might move to centres outside Europe. In such circumstances, Jersey can offer a cost-effective base with European market access guarantees.

Overall, the value, benefits and ease of implementation of the AIFMD passport are far from clear, while the private placement option is proving an attractive, flexible and highly credible alternative.

The results of ESMA's recent 'Call to Evidence' will certainly be an important next step in terms of AIFMD passporting being extended beyond EU AIFs managed by EU AIFMs. However, the work that has gone into future-proofing Jersey's regime means that, if the untested AIFMD brand succeeds in the longer term, the availability of an AIFMD-compliant option in Jersey, when third country manager passporting commences in the EU, will only add to Jersey's appeal across all manager and investor types, and locations.

Ring-Fenced

For over 25 years Jersey has provided an efficient and familiar, appropriately regulated and tax neutral operational model for the structuring of private equity funds, which has helped deliver safe and stable returns for the industry and its international investors through all economic cycles.

As we now look to the longer term, beyond AIFMD and with further regulation on the horizon, there is a real need for private equity managers to consider longer-term market developments, and Jersey remains well placed; being a non-EU jurisdiction, for example, Jersey is ring-fenced from the business risks and distractions of unprecedented levels of EU regulatory creep.

From a private equity servicing point of view, meanwhile, there is expected to be significant opportunity for Jersey service providers to support their onshore counterparts as regulatory pressures, including AIFMD, ramp up the volume and complexity of reporting requirements. Onshore managers are already looking to outsource their administration and governance requirements to dedicated specialists, and Jersey, with its sophisticated network of highly experienced administrators, is ready to meet that demand.

What is equally encouraging from Jersey's perspective is that, while there has been a noticeable rise in alternative funds being structured through Jersey targeting UK and continental European assets, this has been accompanied by a growing number of promoters making use of Jersey for funds targeting assets and investors in non-European growth markets around the world.

For this reason, Jersey's ability to offer a regime that is fully outside the scope of the AIFMD has been crucial, positioning it strongly to cater for a rise in the number of funds targeting growth markets across Russia, Africa and Asia.

A report commissioned by Jersey Finance and published by Capital Economics last month, for instance, highlighted that Africa has the opportunity to quadruple living standards by 2040, but to do so it will need to find $11.4tn in extra investment. While the report estimates that only around 48% of that can be plugged by a combination of aid, domestic profits and local governments, the remainder, $6.1tn, will have to come from foreign direct investment.

By providing protection for investors, expertise and experience, efficient cross-border investment pooling, efficient and robust regulation and tax neutrality, Jersey is well placed to make an important contribution to the economic growth Africa needs. There are clear opportunities for private equity structuring through Jersey against this backdrop.

Thanks to its approach to regulation and alternative fund expertise, Jersey is not only affirming its position as a leading domicile for European funds business, but is also strengthening its appeal as a European time zone centre for global private equity fund structuring and servicing.

Where Europe is concerned, now reluctantly accepted as the unavoidable future regulatory model onshore, the AIFMD brand has provided commentators with an opportunity to second-guess the Channel Islands' dominance in the alternative funds business. Before jumping aboard the passporting juggernaut, private equity managers need to consider carefully all the options available to them. All the statistics suggest the tried and tested offshore model will continue to support discerning and successful managers and investors for many years to come.

Further, as cross border finance grows, so too will the demand for tax neutral capital raising and pooling centres. With its flexible regulatory regime, structuring expertise, respect for the rule of law, use of a common business language, time zone convenience and protection of property rights, Jersey is extremely well placed to meet this demand, both within and outside of Europe.

Jersey Finance is run as a not-for-profit making organisation and was formed in 2001 to represent and promote Jersey as an international financial centre of excellence. It is funded by members of the local finance industry and the States of Jersey government, and has offices in Hong Kong and Abu Dhabi, a Launchpad office in Shanghai, and representation in London, Mumbai and Delhi.

Geoff Cook joined Jersey Finance as CEO in January 2007 and is responsible for promoting the finance industry of Jersey around the world. Previous to his role at Jersey Finance, he was Head of Wealth Management for HSBC Bank Plc, based in London.

www.jerseyfinance.je

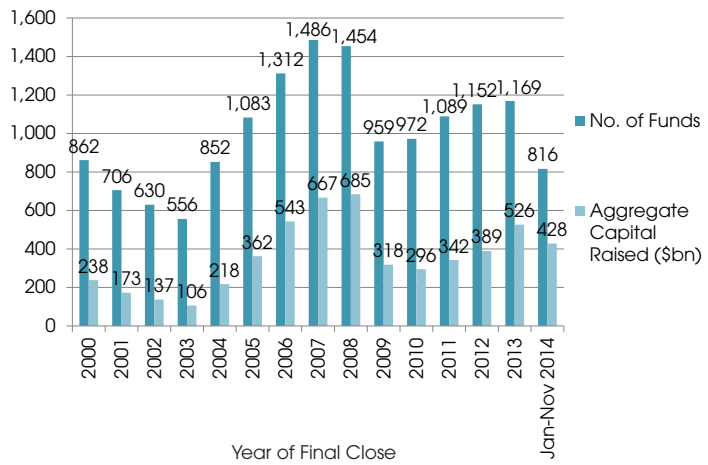
Latest Trends in Private Equity Compensation and Employment

In light of the recent launch of the 2015 Preqin Private Equity Compensation and Employment Review, we provide key analysis from the Executive Summary.

Private Equity Fundraising on Track

Private equity fundraising has gained momentum in recent years, with increasing amounts of capital raised each year since 2010. As of early November 2014, funds closed in 2014 had raised $428bn, $60bn more than in the equivalent period in 2013, though this was secured by 96 fewer funds than in 2013 (Fig. 1). As this suggests, average fund sizes have increased. In fact, capital raised in 2014 YTD has already exceeded the amount raised in 2012 ($389bn) but this was across 336 fewer funds. The $428bn raised so far in 2014 is just 19% behind the $526bn raised across the whole of 2013, and with two months left of the year and with significant numbers of funds expected to close in this time, 2014 looks set to be another strong year for private equity fundraising.

Fig. 1: Annual Private Equity Fundraising, 2000 - November 2014



Source: 2015 Preqin Private Equity Compensation and Employment Review

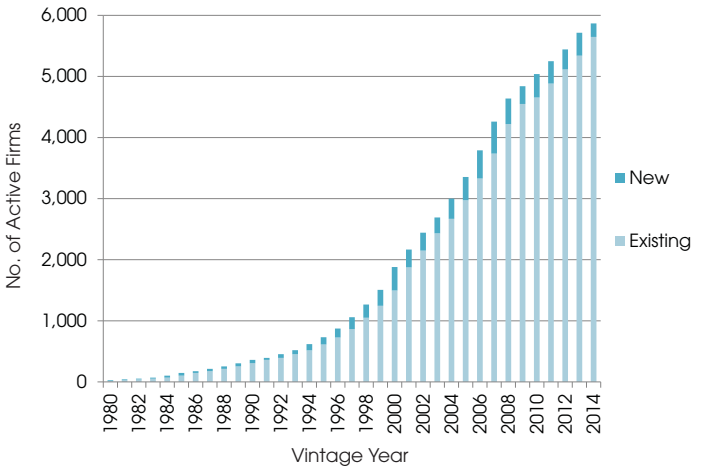
Number of Active Private Equity Firms

Fig. 2 shows the continuous growth in the number of active private equity firms over time. The pace of this growth has declined; this can be tied to the difficulty in raising capital for private equity funds in the wake of the global financial crisis. While fundraising has, as we have seen, shown some improvement, particularly recently, fundraising levels are still not growing at the rate they grew pre-2008, and therefore it is unsurprising that the number of active private equity firms has experienced a similar pattern, with the annual growth in the number of active firms tapering in recent years. A combination of factors have led to this: 180 firms are deemed to have become inactive in 2014 (meaning they have not raised a fund in the past 10 years) and 2014 saw the lowest number of new private equity firms launch in any year since 1998.

The 2014 data only includes firms that have reached final close or at least one interim close on their debut funds in order to begin making investments. It is possible that uncertain economic conditions, in conjunction with the challenges faced by first-time fund managers in the private equity fundraising market, may be impacting the number of new private equity firms choosing to bring vehicles to market. Preqin has previously noted the increased disparity between the amount of capital secured by those larger, more established managers and those that are raising debut private equity funds. The majority of capital raised for private equity funds has always been accounted for by the larger firms, but the industry has seen the gap widen and the proportion represented by first-time fund managers has declined significantly.

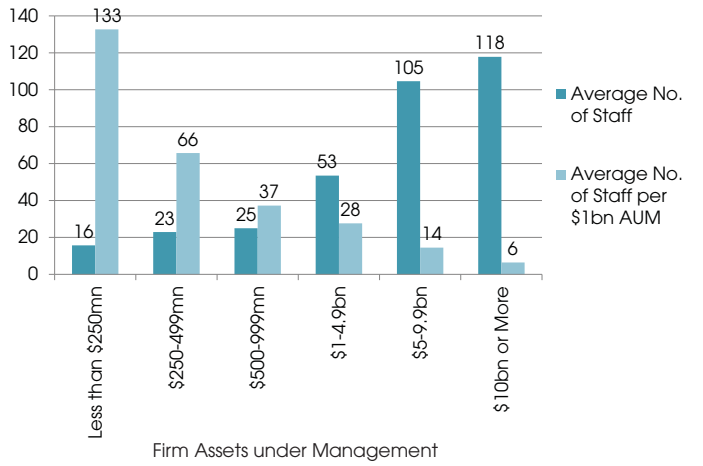
Chapter 3 of the 2015 Preqin Private Equity Compensation and Employment Review takes a closer look at how these trends differ

Fig. 2: Number of Active Private Equity Firms over Time (By Vintage of First Fund Raised)



Source: 2015 Preqin Private Equity Compensation and Employment Review

Fig. 3: Average Number of Staff by Firm Assets under Management



Source: 2015 Preqin Private Equity Compensation and Employment Review

by fund type and by geographic location. For example, some strategies, such as growth and distressed private equity, have seen a greater increase in the number of active firms than has been seen among other strategies.

Employment Levels at Private Equity Firms

There are currently almost 6,000 firms actively managing private equity funds worldwide. 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, the total number of active firms under consideration increases to 9,000. In total, these firms employ an estimated 125,000 people, with buyout, venture capital and real estate firms representing an estimated 67% of the total employment of the private equity industry.

Preqin's analysis of employment in the private equity industry, discussed in Chapter 4, shows the positive correlation between the number of staff employed by a firm and its assets under management. Fig. 3 shows that firms with the largest assets under management (AUM) of $10bn or more have an average of 118 staff and an average of six employees per $1bn of AUM. The staff costs are covered by the income received from charging management fees to their investors, which are usually based on a percentage of investor commitments.

As in previous years, funds with smaller AUM have a much higher average number of staff per $1bn of their AUM, despite having lower average numbers of staff. Preqin's latest data shows firms with AUM of less than $250mn have 16 employees on average, but have an average of around 130 staff members per $1bn of their AUM, a much higher figure than the average for funds with AUM of $10bn or more. Smaller sized firms may have fewer employees, but with their management fees charged on smaller amounts of investor commitments compared to the larger private equity firms, 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

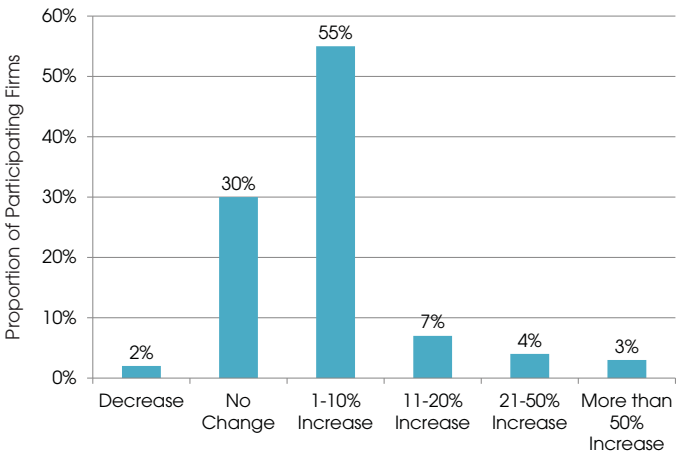
The operating economics, which vary by a firm's assets under management or geography, also impact the remuneration available to individuals at each private equity firm. For example, a managing general partner at firms participating in the survey conducted for the 2015 Preqin Private Equity Compensation and Employment Review could have a median base salary at a firm with assets under management of $1bn or more that is double the median base salary of an individual in the same position at a firm with assets under management of $150mn. Similarly, a managing general partner in a firm headquartered in the US makes on average $84,000 more a year than the same position in Europe.

Chapter 7 of the Review lists detailed benchmark 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 awarded and total remuneration data for 60 different positions, including all levels of seniority for deal-making positions, as well as senior executive, administrative/corporate positions, and 15 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, infrastructure etc.). Figures are provided for the 25th percentile, median, average and 75th percentile benchmarks in each case.

Compensation on a Firm Level

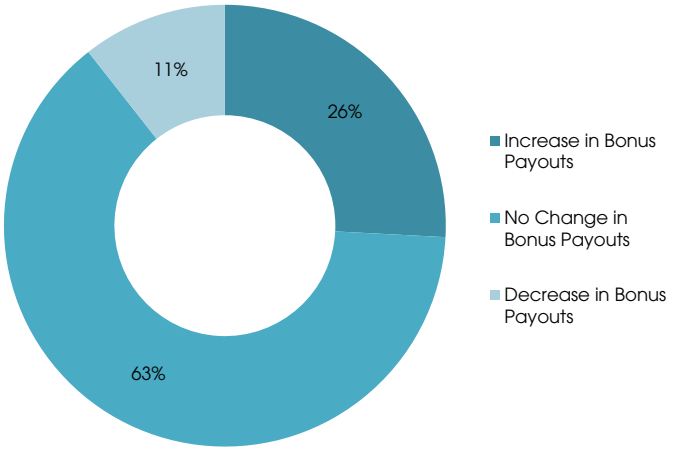
In addition to this individual data, the Review also contains detailed analysis of the compensation practices at participating private equity firms. Fig. 4 shows a breakdown of average firm-wide changes in base salaries at participating firms between 2013 and 2014. Only a very small proportion (2%) of participating firms reported a decrease in base salaries between 2013 and 2014, while a substantial 30% reported no change. The largest proportion of participating firms (55%) reported an increase in base salaries that ranged between 1% and 10%.

Fig. 4: Breakdown of Average Firm-Wide Changes in Base Salaries of Participating Firms between 2013 and 2014



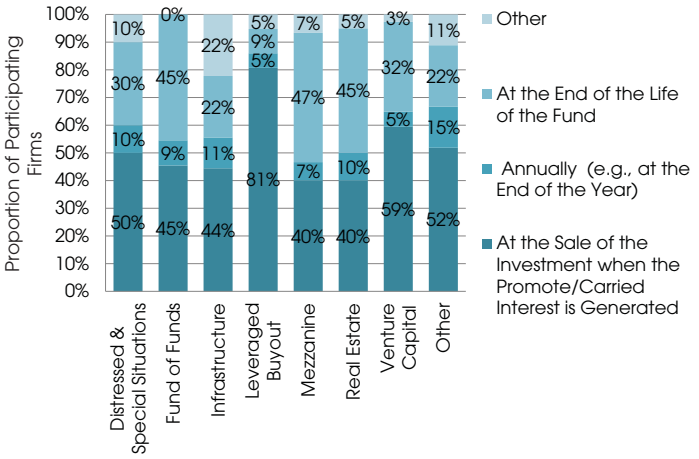
Source: 2015 Preqin Private Equity Compensation and Employment Review

Fig. 5: Proportion of Participating Firms Reporting an Increase, Decrease or No Change in Bonus Payouts for Performance in Calendar/Fiscal Year 2013 Compared to Previous Year



Source: 2015 Preqin Private Equity Compensation and Employment Review

Fig. 6: Breakdown of When Participating Firms Make Promote/Carried Interest Award Payments by Investment Strategy



Source: 2015 Preqin Private Equity Compensation and Employment Review

The majority (63%) of participating firms also reported no change in their bonus pool size for performance in the calendar/fiscal year 2013 compared to 2012 (Fig. 5); last year, the proportion that reported no change in their bonus pool size was 20 percentage points lower at 43%. Over a quarter of participating firms (26%) reported that bonus pool sizes were increased at their firm compared to the previous year, with just 11% reporting a reduction in their bonus pool for performance in calendar/fiscal year 2013 compared to 2012.

It is evident that compensation practices vary by the location or size of a fund. Fig. 6 details the methods employed by participating firms focused on different strategies to make promote/carried interest award payments. Exactly half of the firms that operate a distressed private equity strategy make award payments at the sale of the investment when the promote/carried interest is generated, which is in line with the corresponding proportions of participating firms active in funds of funds (45%), infrastructure (44%), mezzanine and real estate (both 40%), venture capital (59%) and other strategies (52%). Buyout firms are the only outlier in terms of when the promote/carried interest award payment is made; 81% of participating buyout firms followed this timing, while only 9% make award payments at the end of the life of the fund, below the average of 35% for all other fund types.

The 2015 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 position at these firms, from senior executives through to junior-level professionals.

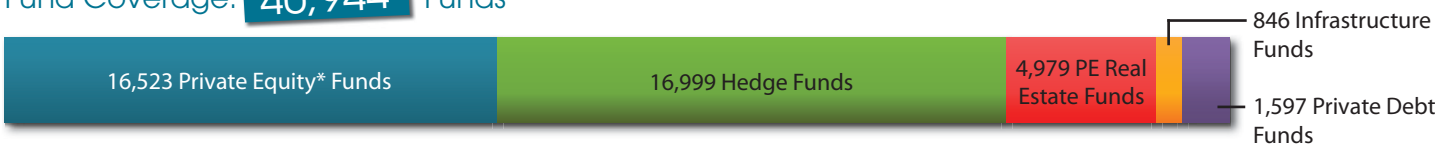
Another key feature of this publication is the information on employment within the private equity industry worldwide. Preqin's databases allow us to provide meaningful estimates on levels of employment, and to break this down by main firm strategy and firm size. We hope that this publication serves 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.

preqin
alternative assets. intelligent data.

Preqin Global Data Coverage

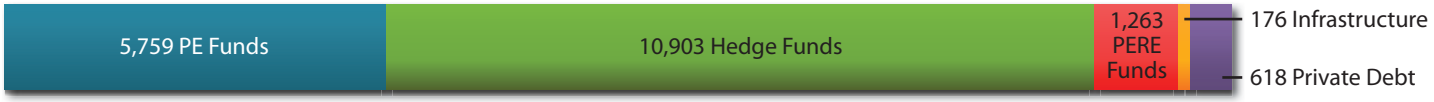
As of 1 December 2014

Fund Coverage: 40,944 Funds



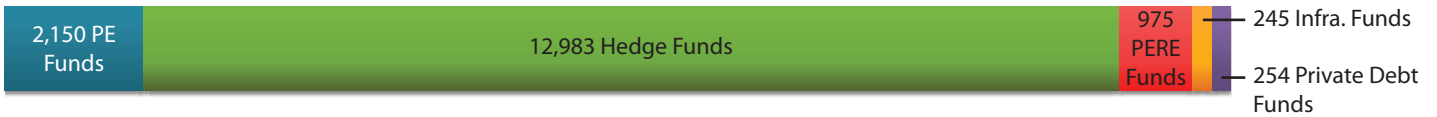
Firm Coverage: 19,190 Firms

Performance Coverage: 18,719 Funds (IRR Data for 6,057 Funds and Cash Flow Data for 2,674 Funds)



Fundraising Coverage: 16,607 Funds Open for Investment/Launching Soon

Including 2,497 Closed-Ended Funds in Market and 372 Announced or Expected Funds



Deals Coverage: 124,353 Deals Covered; All New Deals Tracked

Investor Coverage: 12,488 Institutional Investors Monitored,

Including 8,787 Verified Active**** in Alternatives and 93,302 LP Commitments to Partnerships

Alternatives Investment Consultant Coverage: 490 Consultants Tracked

Fund Terms Coverage: Analysis Based on Data for Around 9,800 Funds

Best Contacts: Carefully Selected from Our Database of over 303,466 Active Contacts

Plus

Comprehensive coverage of:

- Placement Agents
- Fund Administrators
- Law Firms
- Debt Providers
- Dry Powder
- Compensation
- Plus much more...

The Preqin Difference

- Over 200 research, support and development staff
- Global presence - New York, London, Singapore and San Francisco
- Depth and quality of data from direct contact methods
- Unlimited data downloads
- The most trusted name in alternative assets

New York: +1 212 350 0100 - London: +44 (0)20 3207 0200 - Singapore: +65 6305 2200 - San Francisco +1 415 835 9455

www.preqin.com

*Private Equity includes buyout, venture capital, distressed, growth, natural resources and mezzanine funds.
**Buyout deals: Preqin tracks private equity-backed buyout deals globally, including LBOs, growth capital, public-to-private deals, and recapitalizations. Our coverage does not include private debt and mezzanine deals.
***Venture capital deals: Preqin tracks cash-for-equity investments by professional venture capital firms in companies globally across all venture capital stages, from seed to expansion phase. The deals figures provided by Preqin are based on announced venture capital rounds when the capital is committed to a company.
****Preqin contacts investors directly to ensure their alternatives programs are active. We emphasize active investors, but clients can also view profiles for investors no longer investing or with programs on hold.

Conferences Spotlight

Conference	Dates	Location	Organizer	Discount Code
3rd Specialty Finance Summit	13 - 14 January 2015	New York	iGlobal Forum	-
LSE SU Alternative Investments Conference	19 - 20 January 2015	London	LSE SU Alternative Investments Society and LSE Financial Markets Group	-
Asia Private Equity Forum 2015	21 January 2015	Hong Kong	HKVCA	-
Third Annual Research & Due Diligence for Wealth Management Platforms Summit	26 - 27 January 2015	New York	Financial Research Associates	15% Discount - FMP187
Private Placements Industry Forum	27 - 29 January 2015	Miami, FL	IIR USA	-
Wharton Private Equity and Venture Capital Conference	30 January 2015	Philadelphia, PA	Wharton Private Equity and Venture Capital Club	-
HBS Annual Venture Capital and Private Equity Conference	1 February 2015	Boston, MA	Harvard Business School	-
6th Global Distressed Investing Summit	4 February 2015	New York	iGlobal Forum	-
European Family Office Winter Symposium	9 - 10 February 2015	London	Opal Finance Group	-
Family Office Winter Forum	10 March 2015	New York	Opal Finance Group	-
Private Banking Asia 2015	10 - 11 March 2015	Singapore	Terrapinn	-
8th Annual Women's Private Equity Summit (WPES)	11 - 13 March 2015	California	Falk Marques Group	-
Canadian Family Office & Private Wealth Management Forum	15 - 16 April 2015	Toronto, Canada	Opal Finance Group	-
Wealth Management Insights Summit	19 - 21 April 2015	Florida	nGage Events	-
Clean Technology Investment World Asia 2015	5 - 8 May 2015	Singapore	Terrapinn	-
Real Estate Investment World Asia 2015	16 - 18 June 2015	Singapore	Terrapinn	-

Access Free Conference Slide Decks and Presentations

Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from private equity fundraising trends to alternative UCITS.

All of the conference presentations given by Preqin speakers, which feature charts and league tables from Preqin's online products, can be viewed and downloaded from Preqin's **Research Center Premium**, for free.

For more information, and to register for Preqin's **Research Center Premium**, please visit:

www.preqin.com/rcp

3rd Specialty Finance Summit

Date: 13 - 14 January 2015
Information: www.iglobalforum.com
Location: New York
Organizer: iGlobal Forum

Gain new insights into the critical issues shaping the specialty-finance industry at this two-day forum and deal-sourcing event, where investors meet potential targets and potential acquirers for their businesses, and issuers share best practice with their peers to generate new funding opportunities.

LSE SU Alternative Investments Conference

Date: 19 - 20 January 2015
Information: www.lseaic.com
Location: Marriot Hotel, Grosvenor Square, London
Organizer: LSE SU Alternative Investments Society and the LSE Financial Markets Group

The LSE SU Alternative Investments Conference is the world's largest student conference on hedge funds and private equity. It is comprised of a mixture of keynote speeches, panel discussions, and seminars that provide a dynamic and interactive educational experience and offer the student delegates an overview of the two industries.

Asia Private Equity Forum 2015

Date: 21 January 2015
Information: http://apef.hkvca.com.hk/
Location: Hong Kong Convention and Exhibition Centre, Hong Kong
Organizer: Hong Kong Venture Capital and Private Equity Association (HKVCA)

The Asia Private Equity Forum 2015, Asia's largest non-commercial industry conference, will feature more than 45 speakers and panelists representing limited partners, investors, advisors and consultants. More than 430 persons attended APEF 2014, of which more than half were partners and C-suite executives.

Third Annual Research & Due Diligence for Wealth Management Platforms Summit

Date: 26 - 27 January 2015
Information: https://www.frallc.com/conference.aspx?ccode=B939
Location: The Princeton Club, New York, NY
Discount Code: FMP187
Organizer: Financial Research Associates

Discover the industry best-practices that will impact research and due diligence for wealth management platforms in the next year—you'll see how thought leaders at the forefront are preparing for changes in the investing landscape and get real-world examples of how top professionals have navigated these complex assessments in the past.

Private Placements Industry Forum

Date: 27 - 29 January 2015
Information: www.PrivatePlacementsForum.com
Location: Turnberry Isle, Miami, Florida
Organizer: IIR USA

The 28th Annual Private Placements Industry Forum is the proven global event for deal making.
The complete private placements community including issuers, investors, agents, experts, and global participants from the largest private placement markets: US, Europe, and Australia. January 27 – 29, 2015.

Wharton Private Equity and Venture Capital Conference

Date: 30 January 2015 **Information:** http://www.whartonpeconference.org/

Location: Union League, Philadelphia, PA, USA

Organizer: Wharton Private Equity and Venture Capital Club

With over 400 attendees, the conference is one of the largest student-run industry events, bringing together prominent industry professionals with Wharton students and faculty to discuss the most critical issues facing the private equity and venture capital industry today. This year, William Cornog (KKR) will feature as the keynote speaker.

European Family Office Winter Symposium

Date: 9 - 10 February 2015 **Information:** www.opalgroup.net/trk/efopwwc1511.html

Location: London Hilton on Park Lane, London

Organizer: Opal Finance Group

The European Family Office Winter Symposium will explore the challenges and opportunities associated with investing in emerging markets, alternative investments, real estate, global credit & fixed income markets along with numerous other asset types. This family office event is the premier event for high net worth individuals and family offices. Private investors and asset managers from around the world will visit this intimate setting for two days of engaging discussions on the latest investment trends.

Wealth Management Insights Summit

Date: 19 - 21 April 2015 **Information:** www.wmisummit.com

Location: Ponte Vedra Inn & Club, Ponte Vedra Beach, Florida

Organizer: nGage Events

The third annual Wealth Management Insights Summit is an efficient, effective means for family offices to learn about new alternative investment and PE opportunities, allowing investors to conduct the important initial round of in-person meetings to gauge, beyond the data, which managers and funds are worth further due diligence.