

61% of Institutional Investors Have Rejected Private Equity Fund Offerings on the Basis of Fund Terms

Over three-fifths of institutional investors indicated in the latest Preqin survey that they have chosen not to invest in a private equity fund as a direct result of unfavorable fund terms

Drawing on data from Preqin's forthcoming 2014 Private Equity Fund Terms Advisor, it is apparent that private equity fund managers are not doing enough to appease their institutional backers with regards to the fees they charge. Management fees, traditionally charged at 2% of capital committed to a fund each year, are mostly used to cover the operating costs of a fund manager. Investors, however, have been calling for these fees to be reduced, and a greater emphasis placed on performance-related fees, in an effort to improve the alignment of interests between fund managers and investors. Management fees have consistently been named by investors as the area in which alignment of interests can be most improved in Preqin's historical investor surveys.

Other Key Findings:

- One in ten investors now strongly disagree that interests between fund managers and investors are properly aligned, the highest level to date. A further 27% of investors also slightly disagree that interests are properly aligned.
- Investors based in North America are particularly dissatisfied with the current alignment of interests, with 42% disagreeing that interests are properly aligned, compared to 24% of Europe-based investors.
- Larger investors, those with \$2bn or more in assets under management (AUM), feel that interests are not properly aligned, with 40% of these investors stating so. In comparison, 29% of investors with less than \$2bn in AUM said the same.
- Investors named the payment of fees on capital that has been committed but not yet invested as the second most important area in need of improvement after management fees, with 39% of respondents indicating this.
- Competition in the fundraising market is high and with so many competing funds, investors can afford to be selective; 30% of our surveyed investors have rejected a fund based on its fund terms and conditions in the last six months alone.

For more information and analysis, please see the link below:

<https://www.preqin.com/docs/samples/2014-Preqin-Private-Equity-Fund-Terms-Advisor-Sample-Pages.pdf>

Comment:

"Preqin's latest survey of investors in private equity had many positive takeaways; investors are generally pleased with their private equity portfolios at present, given strong performance, and remain committed to the asset class. One area, however, that investors are still not satisfied with is the alignment of interests between fund managers and investors, particularly when it comes to management fees. Although Preqin has witnessed the average level of fees charged to investors come down slightly in recent years, investors clearly still think there is more that can be done on this front.

With the number of private equity funds in market competing for investor capital still at record levels of over 2,000 vehicles, it is important that fund managers structure their funds in a way that instantly appeals to investors. Given the high proportion of investors that have told Preqin they have rejected funds due to their terms and conditions, fund managers need to acknowledge the demands of their investors and be aware of the terms offered by their peers to ensure a successful fundraise."

Christopher Elvin, Head of Private Equity Products

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

London: Equitable House, 47 King William Street, London EC4R 9AF Tel: +44 (0)20 7645 8888

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

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

Web: www.preqin.com / info@preqin.com

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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.
- The investor survey results in this press release are taken from the private equity section within the Preqin Investor Outlook: Alternative Assets, H2 2014, which is based on Preqin's survey of 100 investors in private equity throughout June, July and August 2014.

For more information, please contact: Christopher Elvin celvin@preqin.com

For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or press@preqin.com