

Median Buyout Fund Transaction Fee Rebates Reach 100% **Most vintage 2011/12 buyout funds and those still raising capital will rebate entirety of transaction fee earnings to investors**

The majority of buyout funds with a 2011 or 2012 vintage, or those yet to begin investing as of June 2012, will rebate the entirety of any transaction fees they earn from portfolio companies back to the LPs in their funds, new research conducted for the 2012 Preqin Private Equity Fund Terms Advisor shows. Both the mean and median transaction fee rebates have been on an upward trend over recent vintages, and the median reached 100% for the first time with vintage 2011 funds.

Key Findings:

- The median proportion of transaction fees rebated to LPs by recent buyout funds (those with a 2011 or 2012 vintage, or those yet to begin investing as of June 2012) is 100%, while the mean figure stands at 85%.
- Overall, 56% of these recent funds will rebate the entirety of the transaction fees they earn from portfolio companies back to the LPs.
- A fifth of funds in the sample will rebate 80% of transaction fees to LPs; 16% have a stated rebate level of 50%.
- Transaction fee rebates are often provided in the form of a reduction in the management fee payable by LPs.
- There has been relatively little movement in average management fees for buyout funds over recent vintages, although the mean fee is somewhat lower than it was for pre-crisis vintages.
- The mean management fee for vintage 2012 buyout funds and those yet to begin investing as of June 2012 is 1.92%, while the figure for vintage 2007 buyout funds is 2.01%.
- The median management fee for buyout funds has remained at the industry standard 2.00% for all vintages considered.

Comment:

“The proportion of transaction fees rebated to LPs is of particular interest when considering buyout funds due to the large average size of investments made, and the latest Preqin research shows that most new buyout funds coming to market intend to rebate the entirety of these fees back to LPs. The ILPA Principles state that transaction and other fees charged by the GP should accrue to the benefit of the fund, and it now appears that most new buyout vehicles intend to conform to this aspect of the guidelines.”

Sam Meakin – Managing Editor, 2012 Preqin Private Equity Fund Terms Advisor

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Note to Editors: Preqin is spelled without the letter 'U' after the 'Q'.

For more information on this release, or general press information, please contact:
Helen Kenyon on +44 (0)20 7645 8880 or press@preqin.com