

Private Capital Salaries Remain Static in 2016

Less than half of firms made firm-wide base salary raises between 2015 and 2016, but those that did made large increases

As part of the 2017 Preqin Private Capital Compensation and Employment Review, Preqin surveyed 175 private capital firms to gain insight into compensation and employment practices in the industry. It finds that, between 2015 and 2016, 47% of surveyed fund managers made firm-wide base salary increases, while 38% have left salaries unchanged and 15% have decreased them. One in five firms, though, have made salary increases of more than 10%, and among them are 13% of firms which have increased their base salaries by more than 20%.

Looking ahead to the coming year, the majority of firms (57%) have forecast that they will not make changes to their base salaries between 2016 and 2017. Six percent of firms indicated that they were planning to make salary cuts, and 37% plan to increase their base pay, with 14% planning to increase it by more than 10%.

Other Key Private Equity Compensation and Employment Facts:

- **New Firms Proliferate:** 2016 has seen a fall in the number of new private capital firms holding a final or interim close on their debut funds. **So far this year, 340 new firms have entered the private capital market**, down slightly from the 395 new firms which closed their debut funds in 2015.
- **Active Private Equity Firms:** As of September 2016, **Preqin tracks 8,001 active firms across the private capital industry**, including 1,223 active buyout firms, 812 active growth firms, and 2,704 venture capital firms. This number has doubled in the past decade, rising from 4,344 active private capital firms seen in 2006.
- **Employment by Firm Type:** **Preqin estimates that private capital firms worldwide employ around 163,000 people.** Venture capital firms account for the largest number of these employees with approximately 36,600 industry participants, just ahead of buyout firms which employ around 34,600 members of staff.
- **Staff by Firm AUM:** Larger firms tend to have fewer employees per \$1bn in AUM, and benefit from economies of scale. **Firms larger than \$1bn employ 159 people, on average, which equates to eight employees per \$1bn held in AUM**, whereas firms smaller than \$250mn employ 127 members of staff per \$1bn in AUM, with an average of 15 employees on their books.

To access further information and analysis, please see the full report below:

<https://www.preqin.com/docs/newsletters/pe/Preqin-Private-Equity-Spotlight-November-2016.pdf>

Comment:

“The private capital industry has had a very successful year by most accounts, but the majority of firms have not made general salary increases. The largest proportion of firms surveyed by Preqin indicated that they maintained their base salaries over the past year, while a significant proportion decreased them. However, those firms that had made salary increases tended to make large raises, and overall the private capital industry remains an exceptionally well-compensated profession.

Although 2016 might not quite match the levels seen last year, it is still encouraging as well to see so many new firms managing to secure capital for their debut funds, as it reflects a growing willingness on the part of investors to put their faith in emerging managers. However, such a large influx of debut funds into the market will prove challenging for fund managers and investors alike: managers will have to work hard to stand out from the crowd, while investors will have to spend more time looking for the vehicles which best suit them.”

Christopher Elvin – Head of Private Equity Products, Preqin

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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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