

The 2014 Preqin Private Equity Compensation and Employment Review

# 1. Executive Summary

## Private Equity Fundraising Continues to Strengthen

2013 so far shows encouraging signs for the private equity fundraising market in terms of aggregate capital raised. The latest figures for this year as of November 2013, with \$368bn raised by 720 private equity funds, are not too far off the \$378bn garnered by the 999 vehicles that closed in 2012, suggesting that fundraising for the whole of 2013 could possibly exceed 2012, continuing the year-on-year growth in the aggregate capital raised annually by private equity funds since 2010. However, the number of funds raised has actually decreased over time, demonstrating an increasing trend of a larger average private equity fund size. While it is true that the fundraising levels in recent years are still much lower than those witnessed during the peak years, there is strong evidence of ongoing stabilization of the private equity fundraising market.

## Number of Active Private Equity Firms

Fig. 1.2 shows the continuous growth in the number of active private equity firms over time, and also clearly illustrates the relative slowdown in the rate of growth in number

of existing firms and new firms joining the industry. The pace seen in previous years has not been sustained, and this can be tied to the lesser success of private equity fundraising in the corresponding time period. With the aggregate capital garnered by private equity funds and the number of vehicles reaching a final close experiencing only small increases in recent years, if any, 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 mix of factors have led to this: over 100 firms are deemed to have become inactive in 2013 (meaning they have not raised a fund in the past 10 years), contributing to the small decrease in the total number of active private equity firms, and a smaller number of new private equity firms have launched in 2013 compared to figures for each year from 2010 onwards.

The 2013 data only includes firms that have reached one or more interim closes on their debut funds in order to begin making investments. It is possible that uncertain conditions in the private equity fundraising market may be impacting the number of new private equity firms choosing to bring funds to market.

Fig. 1.1: Annual Private Equity Fundraising, 2000 - November 2013

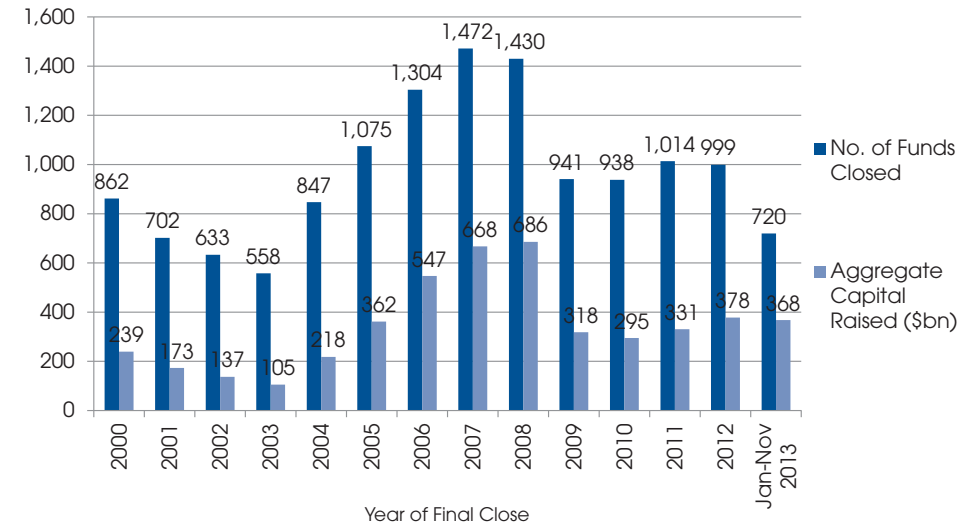
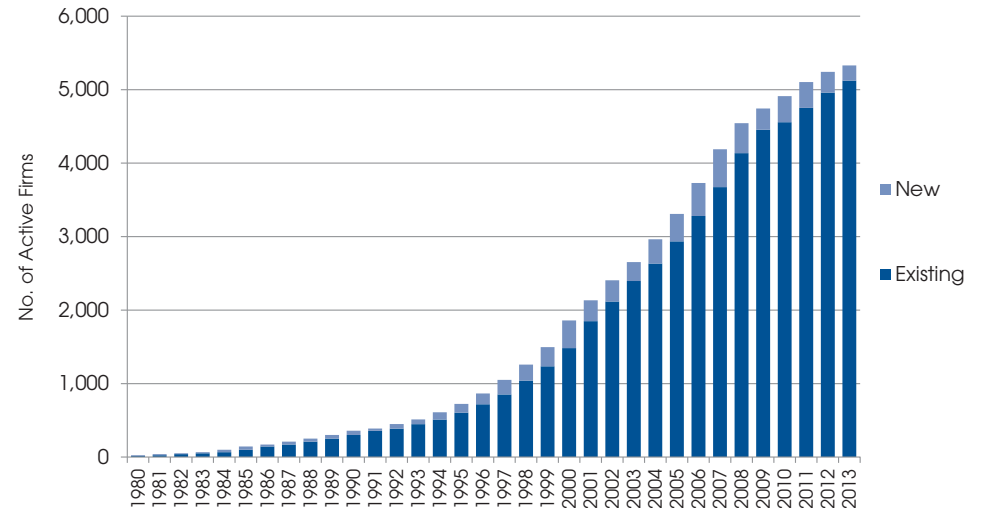


Fig. 1.2: Number of Active Private Equity Firms over Time (By Vintage of First Fund Raised)



The 2014 Preqin Private Equity Compensation and Employment Review explores how these shifts in the private equity industry are impacting the number of firms over time by fund type and geographic location. Changes in the number of active private equity firms vary by fund type, with some strategies, such as venture capital, experiencing larger decreases in the number of active firms than others. However, firms targeting other strategies, such as real estate or growth, have continued to see an increase in number of both new and existing active firms.

**Employment Levels at Private Equity Firms**

The pool of over 5,000 active private equity firms grows to over 9,500 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 9,500 firms currently employ an estimated 93,500 individuals around the world.

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 at just under 230 people. Although these firms' average number of staff is dramatically higher than firms of

other sizes, there is only an average of 9.4 employees per \$1bn of the firm's assets under management (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 14, but have an average of around 110 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 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

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

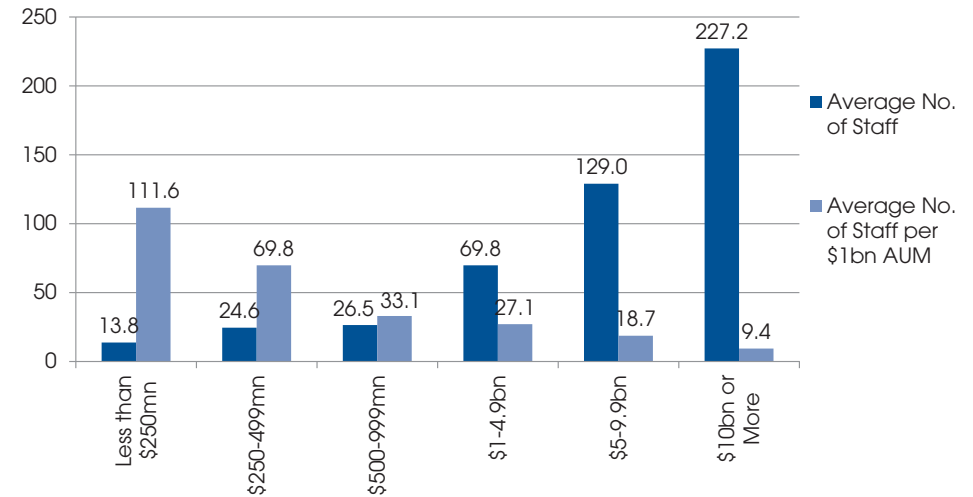
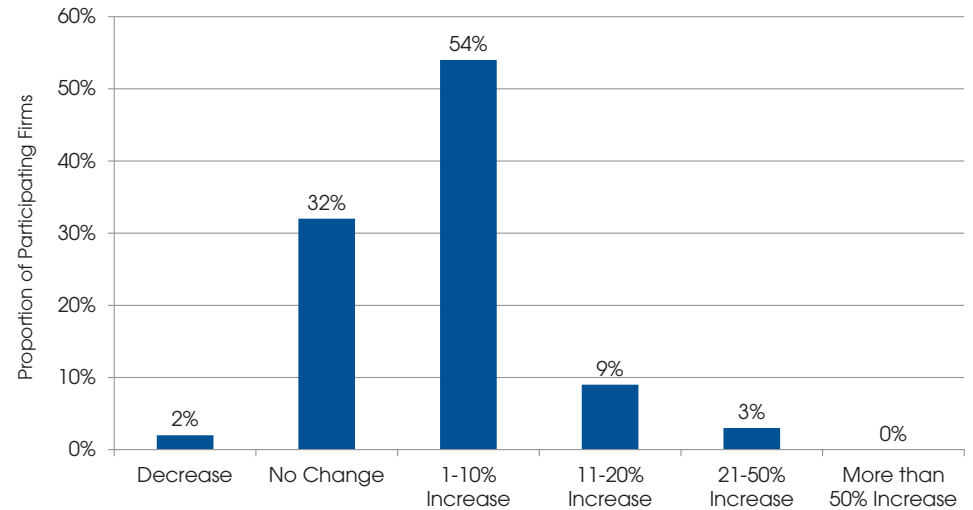


Fig. 1.4: Breakdown of Average Firm-Wide Changes in Base Salaries at Participating Firms between 2012 and 2013



conducted for the 2014 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 54 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

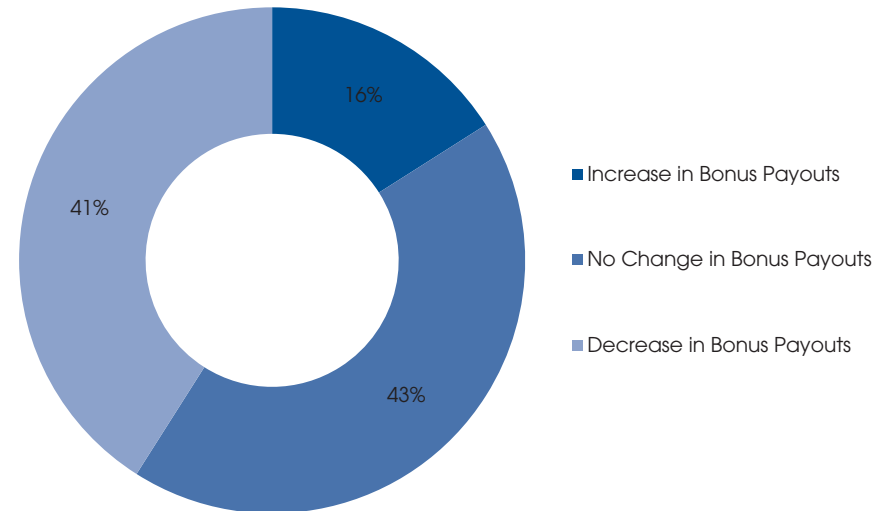
2012 and 2013. In a similar fashion to both the private equity fundraising market and the number of active private equity firms worldwide, base salaries at participating firms are generally maintaining their current level or reporting only small increases. Only a very small proportion (2%) of participating firms reported a decrease in base salaries between 2012 and 2013, and a substantial 32% reported no change. The largest proportion of participating firms, 54%, 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 pool size in the calendar/fiscal year 2012 compared to 2011 (Fig. 1.5). Just over two fifths (41%) of participating firms reported that bonus pool sizes increased at their firm compared to the previous year, but only 16% reported a decrease in their bonus pools in the calendar/fiscal year 2011 compared to 2010. Forty-three per cent of firms reported no change over the same time period.

[The 2014 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 190 leading private equity firms to collect data on their compensation practices and remuneration levels, for which we are grateful to the

Fig. 1.5: Proportion of Participating Firms Reporting an Increase, a Decrease, or No Change in Bonus Payouts in 2013 for Performance in Calendar/Fiscal Year 2012 Compared to Previous Year



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 2014 Preqin Private Equity Compensation and Employment Review

A comprehensive guide to industry compensation practices

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		Benchmarks of (25th percentile, median, average and 75th percentile of) base salary, total annual cash compensation, long-term incentive award plus carried interest award, and total remuneration for:	
		<u>Global Positions - Deal-Making</u>	
		- Managing General Partner/CEO	
		- Senior Managing Director/Advisor	
		- Managing Director/Partner	
		- Director/Principal	
		- Senior Associate	
		- Associate	
		- Analyst	
		<u>Global Positions - Administrative/Corporate</u>	
		- Chief Operating Officer	
		- Chief Financial Officer	
		- Controller	
		- Corporate Accounting Manager	
		- Senior Corporate Tax Executive	
		- Tax Accountant	
		- Executive Assistant	
		- Administrative Assistant	
		- Administrative/Office Manager	
		- Head of Investor Relations/Capital Raising	
		- Senior-Level Investor Relations & Capital Raising Professional	
		- Mid-Level Investor Relations & Capital Raising Professional	
		- Junior-Level Investor Relations & Capital Raising Professional	
		- Heading of Investor Reporting	
		- Senior-Level Investor Reporting Professional	
		- Mid-Level Investor Reporting Professional	
		- Junior-Level Investor Reporting Professional	
		- Director of Financial Reporting	
		- Chief Human Resources Officer	
		- Human Resources Manager	
		- General Counsel	
		- Associate General Counsel	
		- Paralegal	
		- Head of Research	
		- Senior-Level Research Professional	
		- Mid-Level Research Professional	
		- Associate - Research	
		- Analyst - Research	
		- Senior Accountant	
		- Staff Accountant	
		- MIS/IT Manager	

Real Estate Positions - Asset Management

- Head of Asset Management
- Senior-Level Asset Management Professional
- Mid-Level Asset Management Professional
- Associate - Asset Management
- Analyst - Asset Management

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
- Analyst - Portfolio Management

Real Estate Positions - Transactions

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

## Contributors

Below is a list of participants in this year's survey. The list does not include all 192 participants, as some companies prefer that their names not be listed. The participants listed below gave approval to list their names as participants.

- ABS Capital Partners
- Adenia Partners
- African Frontier Capital Partners LLP
- Aksia Group SGR S.P.A.
- Altius Associates Limited
- American Capital
- Anthos Management, LLC
- Arcadia SGR
- ARCH Capital Management Co., Ltd.
- Artemis Capital Partners I, L.P.
- Athyrium Capital Management, LLC
- Robert W. Baird & Co., Inc.
- Baird Capital
- BDC (Banque de développement du Canada)
- Beijing White Peak Real Estate Co. Ltd
- Bentall Kennedy
- Bridge Investment Group Partners
- Broadreach Capital Partners, LLC
- Carmel Partners
- The Catalyst Capital Group Inc.
- CBRE Global Investors
- Citic Capital Holdings Limited
- Colony Capital LLC
- Confrapar
- Corporacion Mexicana De Inversiones De Capital, S.A. DE C.V.
- Crosscheck Capital Partners SGEGR S.A.
- CrossHarbor Capital Partners LLC
- Cventures S.A.
- Development Partners International LLP
- dfe partners GmbH
- Dome Equities LLC
- Évidence Capital
- Federal Capital Partners
- FIR Capital
- Fondo de Fondos
- Forum Partners
- Fundamental Advisors LP
- GI Partners
- Greenwood Resources
- Grotech Ventures
- HIG Capital
- Hart Realty Advisers, Inc.
- Heitman LLC
- Helmsman Funds Management Limited
- iGlobe Treasury Management
- Incitia Ventures AS
- Insight Equity
- Inspired Evolution
- Instrata Capital BSC
- JM Financial Investment
- Knox Investment Partners Limited
- LCN Capital Partners
- Leeds Equity Partners, LLC
- The Lionstone Group
- Lowe Enterprises Investors
- New Energy Capital Partners, LLC
- NewQuest Capital partners
- Omnes Capital
- Pembani Remgro Infrastructure Managers (Pty) Ltd
- RCG Longview
- Rockwood Capital, LLC
- RRE Ventures
- RSG Capital
- RTP Ventures
- Sarona Asset Management
- Satori Capital LLC
- Southern Cross
- StepStone Group
- Storm Ventures
- SunBridge Partners Inc.
- Tandem
- Target Partners GmbH
- Terra Firma Capital Partners Limited
- The Riverside Company
- The Sterling Group LP
- Value4Capital
- Waterland Private Equity Investments
- WHI Real Estate Partners, a division of William Harris Investors, Inc.

## 5. General Company and Financial Information of Participating Firms

This section of the Review provides general company and financial information on the private equity firms that participated in the study. The next section, Chapter 6, looks at the rest of the company survey data, including 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.

Fig. 5.1 provides a breakdown of the private equity fund types that the participating firms are involved in and shows that some participant firms are involved in multiple investment strategies. The greatest proportion of firms (30%) are involved in buyout funds; venture capital and real estate are the second most prominent fund types, with both making up 25%. Given the prevalence of these strategies in the private equity industry, these statistics are unsurprising. Eleven percent of the participating firms are involved in fund of funds, 9% are involved in infrastructure, and 8% are involved in both distressed private equity and mezzanine respectively. Seventeen percent are involved in funds described as other, which consists of strategies such as debt and growth

strategies, as well as participating firms involved in the secondary market. Of the firms that participated, 79% stated that they are independent, while the remaining 21% classified themselves as institutional.

Fig. 5.2 shows the breakdown of geographic regions in which participating firms have offices and Fig. 5.3 shows the geographic regions in which participating firms are investing. Geographically, the majority of participating firms are both based (56%) and investing (63%) in the US. Over a third (36%) of participating firms have an office in Europe and the same proportion are investing in the region as well. Many firms will have offices in multiple regions, as well as making investments in multiple regions, as they are pursuing a globally diversified strategy. Eighteen percent of participating firms have an office in Asia/Pacific, but in contrast, 30% of the participant firms are making investments in Asia. A small 5% of participant firms have an office in South America, with 14% investing in the region. Nine percent of participating firms make investments in regions not shown here, including Africa, Central America and the Middle East.

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

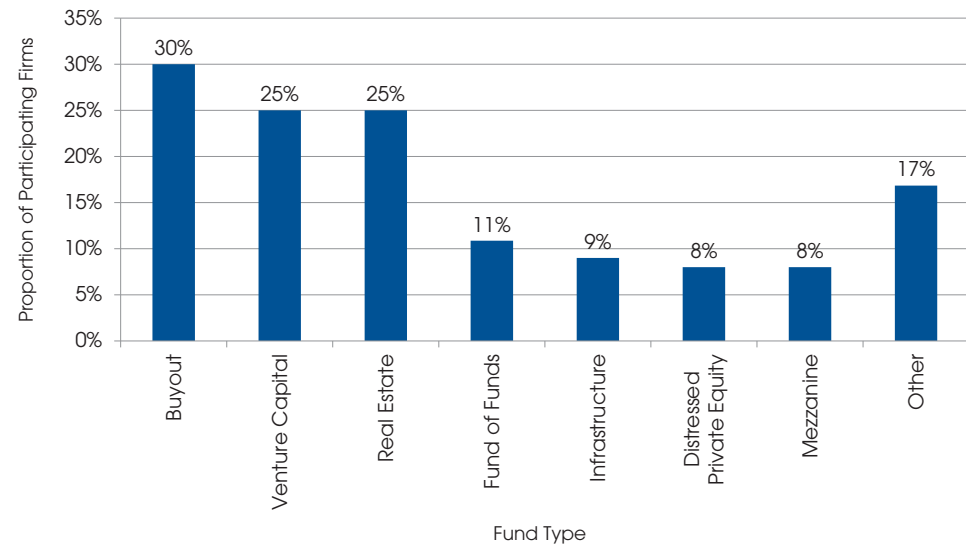
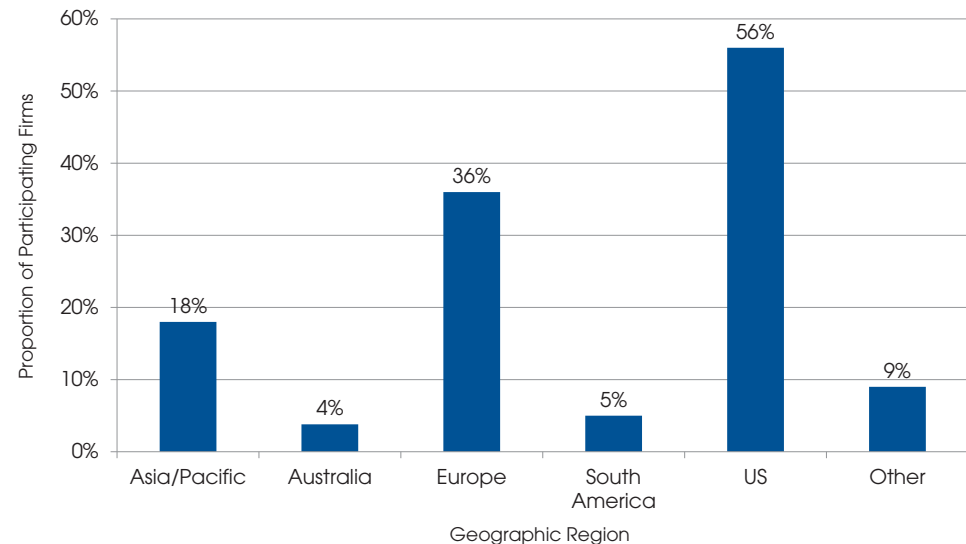


Fig. 5.2: Geographic Regions in Which Participating Firms Have Office Locations





## 6. Compensation Practices at Participating Firms

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

### Base Salaries

According to the latest survey conducted by FPL, a majority of participating firms (66%) reported an increase in base salaries between 2012 and 2013, with only 2% reporting a decrease and 32% of participating firms reporting no change in base salaries at all. A breakdown of this data is displayed in Fig. 6.1; we can see that 54% of participating firms reported 1-10% increases in base salaries and 9% reported an increase of 11-20% in base salaries.

Looking at projected average firm-wide changes in base salaries at participating firms between 2013 and 2014, we can see similarities between the changes recorded between 2012 and 2013. Sixty-three percent of participating firms expect to see an increase in base salaries between 2013 and 2014. Looking at the breakdown, the 1-10% bracket is the most commonly

expected range, with 46% of participating firms indicating that they project average base salary increases in this range. Forty-three percent of participating firms said that they expect to see no change, and only 1% are expecting to see a decrease.

### Promotional Increases

Fig 6.3 shows a breakdown of participating firms based on what proportion of their employees received a promotional increase. Over 60% of participating firms reported that some proportion of their employees received a promotional increase in 2012. Thirty-nine percent of participating firms reported that there were no promotions in their organizations during 2012. Nineteen percent of firms reported that less than 10% of their company's employees received a promotional increase, and 31% stated that between 10% and 20% of their company's staff received a promotional increase in 2012.

Participating firms that reported that a proportion of their employees received a promotional increase in 2011 were also asked the average size of promotional increases with respect to base salary

Fig. 6.1: Breakdown of Average Firm-Wide Changes in Base Salaries at Participating Firms between 2012 and 2013

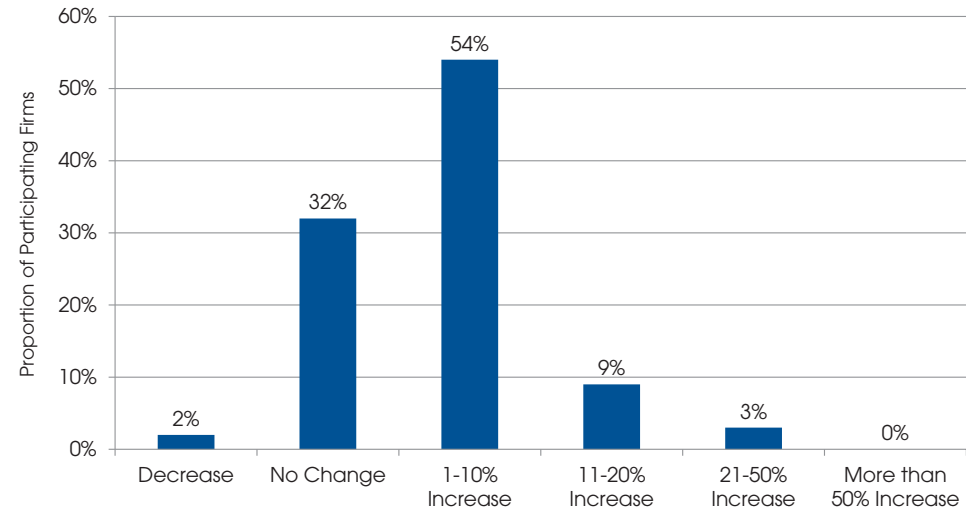
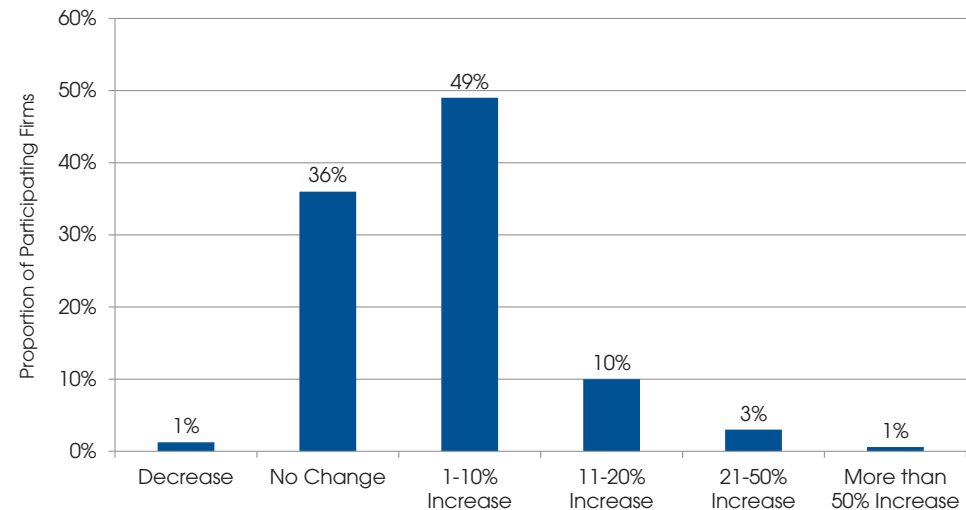


Fig. 6.2: Breakdown of Projected Average Firm-Wide Changes in Base Salaries at Participating Firms between 2013 and 2014



### 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 2013	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							

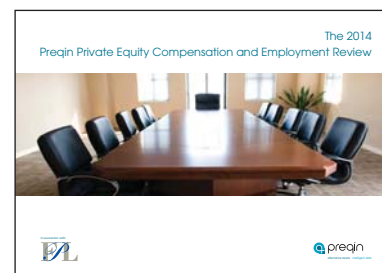
Number of Direct Reports	Average	No. of Funds Currently Participating In	Average	Average Promote/Carried Interest Allocation - Most Recent Fund(s)	% of Management Team's Share

# 2014 Preqin Private Equity Compensation and Employment Review

Produced in collaboration with leading compensation specialists FPL Associates, the **2014 Preqin Private Equity Compensation and Employment Review** is the industry's most comprehensive guide to compensation practices, featuring detailed benchmark remuneration data for 54 positions, including 16 real estate-specific positions, incorporating information from over 190 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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