# THE 2020 PREQIN
# PRIVATE CAPITAL COMPENSATION AND EMPLOYMENT REVIEW

## SAMPLE PAGES

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FPL FPL Associates

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# 1. Executive Summary

## Competition for talent is intensifying and base salaries are rising as the number of active firms in private capital soars

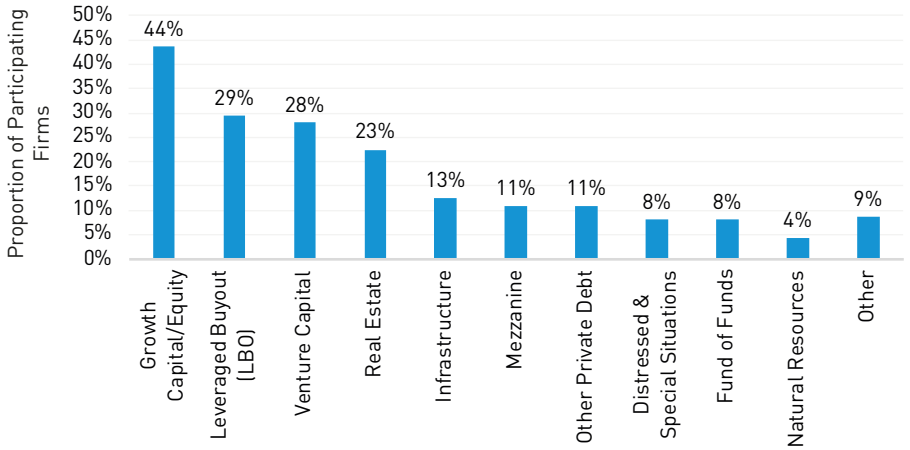
The private capital industry is bigger than ever. Assets under management (AUM) have reached a record $6.71tn, and there are over 10,500 active firms in the industry – more than ever before. In turn, this means there is more competition for talent within the industry. We have seen a significant proportion of firms increase the base salaries they offer across their organizations in 2018-2019 as compared with 2017-2018 (see Chapter 8).

In order to assist recruitment decision-makers and industry professionals, Preqin has partnered with FPL Associates to produce **The 2020 Preqin Private Capital Compensation and Employment Review**, which details recent trends and data surrounding compensation and employment in the private capital industry. We conducted an in-depth survey with 144 leading private capital firms across private equity, private debt, real estate, infrastructure, and natural resources to gain a comprehensive understanding of current compensation practices and remuneration levels.

### A Wide Demographic

Participating firms in the survey are involved with several fund types in private capital, but the largest proportion are active in growth strategies. Forty-four percent of participating firms pursue the strategy, while the second most common fund type is leveraged buyout (29%, Fig. 1.1).

**Fig. 1.1: Fund Types in Which Participating Firms Are Involved**



Participating firms have offices all around the world. By a considerable margin, though, the largest proportion (70%) have offices in the US, with Europe-based offices making up 32% of the pool (Fig. 1.2).

### Salaries Rise as Competition for Talent Intensifies

Between 2014 and 2019, the number of active firms in the private capital industry grew by 40% to more than 10,500 (Fig. 1.4). What's more, the majority of firms added to their staff headcount. Sixty-two percent of participating firms said that they added to company headcount over 2018, while only 8% reduced headcount (Fig. 1.5).

The growing number of firms actively competing for talent has helped to boost base salaries in the industry. Indeed, in 2018-2019, almost half (46%) of firms surveyed introduced firm-wide salary increases of up to 10%, while a further 15% raised salaries by between 11% and 20%, and 6% implemented salary increases of more than 20% (see Chapter 8).

Rising salaries is not the only challenge the industry currently faces. The

**Fig. 1.2: Geographic Regions in Which Participating Firms Have Office Locations**

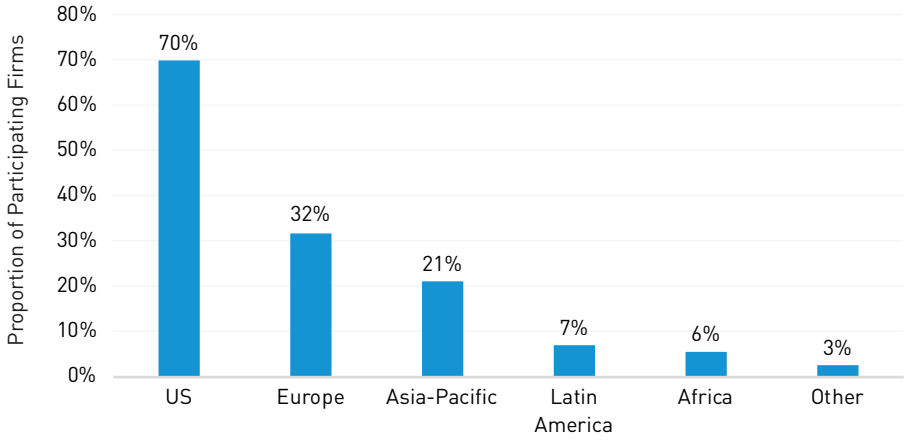
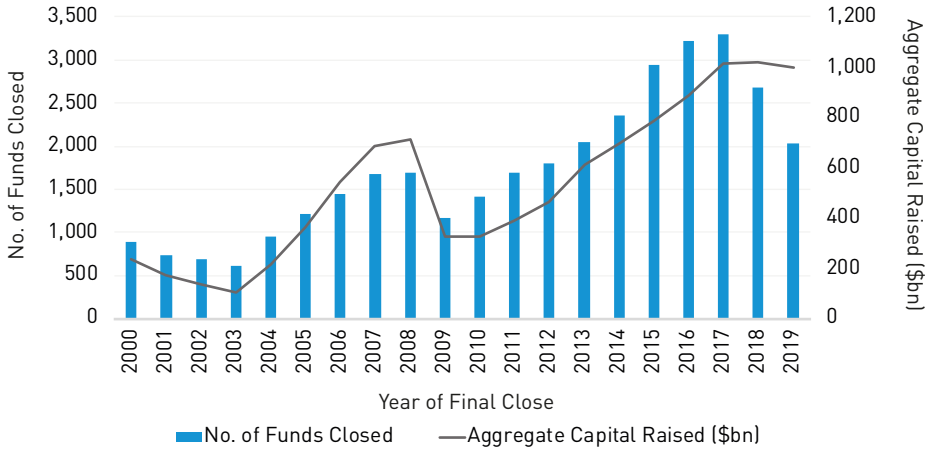
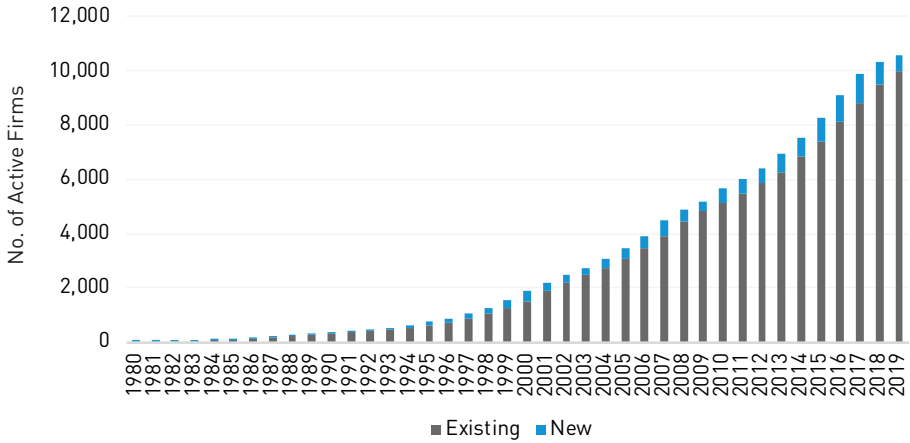



**Fig. 1.3: Global Private Capital Fundraising, 2000 - 2019**




*Includes firms managing separate accounts.

**Fig. 1.4: Number of Active Private Capital Firms over Time (By Vintage of First Fund Raised)***



fundraising environment was more difficult in 2019. As Fig. 1.3 shows, aggregate capital raised dipped between 2018 ($1.02tn) and 2019 ($998bn). The number of funds closed also dropped, from 2,681 to 2,040 respectively. This reflects the growing competition for capital.

In line with our 2019 study, the investments team was in the greatest demand from a hiring/retention standpoint, and was cited by almost three-quarters (72%) of participating firms (Fig. 1.6).

For detailed benchmark compensation figures for different positions at participating firms, see Chapter 9. The tables include figures for base salary, total annual cash compensation, long-term incentive/carried interest awards, and total remuneration data for 96 different positions across all levels of seniority for deal-making positions. Senior executive, administrative/ corporate positions, and positions specific to real estate management are also included.

Where possible, in addition to the aggregate figures, the information is broken down by AUM, geographic market, and strategy employed. Figures are provided for the 25th percentile, median, average, and 75th percentile benchmarks in each case, and at least five responses must be considered to generate a data point.

**Fig. 1.5: Changes to Company Headcount in 2018**

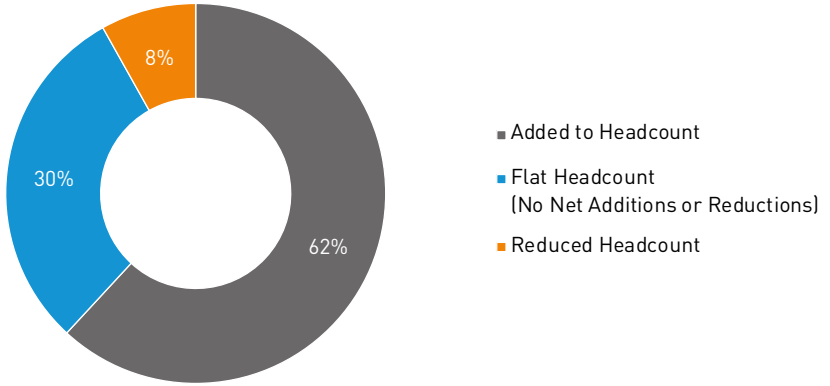
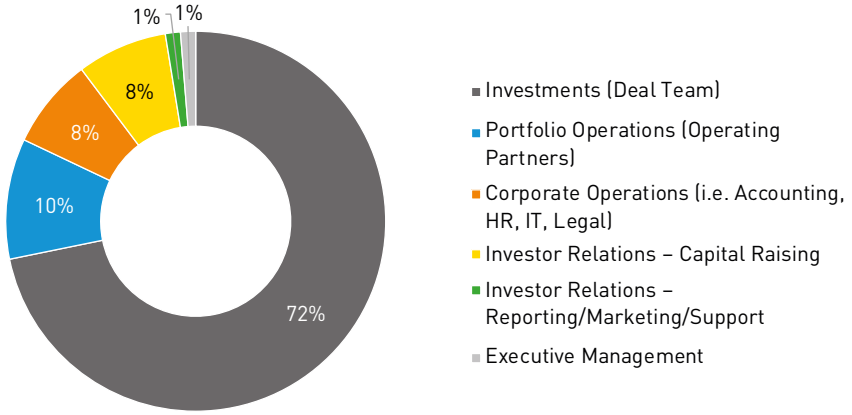



**Fig. 1.6: Level or Function that Is in the Greatest Demand from a Hiring/ Retention Standpoint at Participating Firms**



# 2. Key Stats

**$6.71tn**
Total private capital assets under management (as of June 2019)

**10,500+**
Number of active firms in private capital globally

**$998bn**
Aggregate capital raised by private capital funds in 2019

**62%**
of participating firms added to staff headcount in 2018

**17.4%**
Mean proportion of executive management professionals at participating firms that are female

**66%**
of participating firms reported an increase in the size of their most recent fund compared to its predecessor

**72%**
of participating firms increased the firm-wide base salary between 2018 and 2019

**64%**
of participating firms projected an increase in firm-wide base salary between 2019 and 2020

**71%**
of participating firms expect the size of their workforce to increase over the next 12 months

# 5. Size and Evolution of the Industry

## The private capital industry continues on its upward trajectory, but evidence of capital consolidation is apparent

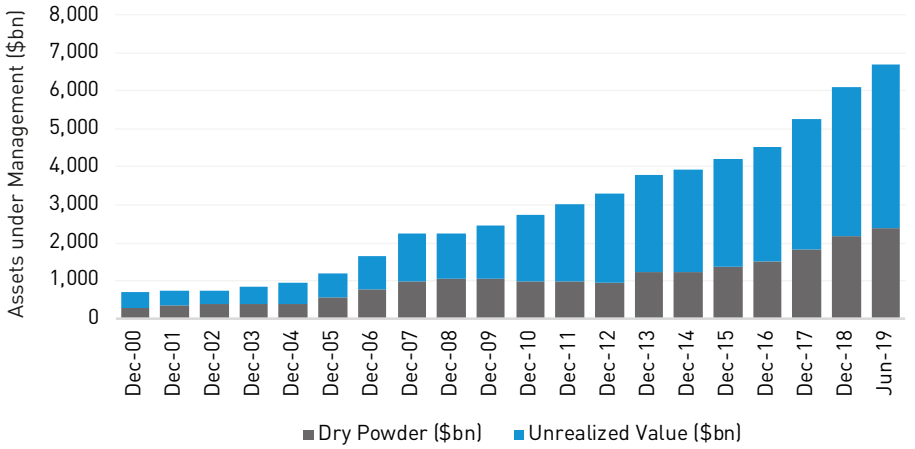
The private capital industry has grown significantly over the past 10 years. In 2018, Preqin predicted that the private capital industry would reach $9.3tn in AUM by 2023.[1] As of June 2019, the industry had reached $6.71tn, meaning we are on track to achieve and possibly even exceed this prediction (Fig. 5.1).

Driving this growth, more and more investors have flocked to alternatives in search of greater yield and diversification. And the number of active firms in the industry has grown to cater to this demand. There are over 10,500 active firms as of December 2019 – almost double the number 10 years ago (Fig. 5.2).

Although the industry continues to grow, fundraising has leveled out somewhat in the past few years. In 2019, just under $1tn of capital was raised, compared to 2018's record high of $1.02tn (Fig. 5.3). Since 2017, the industry has seen increased levels of capital consolidation, with fewer funds raising more capital as they attempt to grow their asset base in order to compete for deals. Heavy competition for deals is pushing private capital firms to build for scale, allowing companies to expand assets while reducing costs.

In order to achieve success from a fundraising perspective, firms will inevitably seek out the best talent within the industry. A strong awareness of compensation practices, as well as understanding what would be considered an attractive compensation

**Fig. 5.1: Private Capital Assets under Management, 2000 - 2019***




*Source: Preqin Pro*

[1] *https://docs.preqin.com/reports/Preqin-Future-of-Alternatives-Report-October-2018.pdf*

**To avoid double counting of available capital and unrealized value, fund of funds and secondaries are excluded.*

# 9. Individual Compensation by Position

## Please read the information in this section to better understand the data and information presented in Chapter 9

The data presented in this report represents current compensation practices and information for 96 positions, including 18 real estate-specific roles. The compensation data is organized by position and broken out into the following categories:

- Assets under Management
- Geographic Market
- Fund Type

For each position, participants were asked to report the information listed below. In the event that multiple incumbents occupied the same position, respondents were asked to report individual data as opposed to average or median values.

- City and Country
- Gender
- Number of Direct Reports
- Fund Type
- Job Description Degree of Match
- 2019 Base Salary
- Percentage Change in Base Salary between 2018 and 2019
- Target Annual Incentive (% of Base Salary) – Calendar/Fiscal Year 2019
- Annual Incentive Award – Calendar/Fiscal Year 2018
- Carried Interest Allocation as a % of the GP's (Company/Sponsor) Share – Most Recent Fund(s)
- Estimated Non-Discounted, Annualized Promote Value – Most Recent Fund(s)
- Number of Funds Currently Participating in

The specific components of pay, for which statistics have been provided for each position, include:

- Base Salary
- Total Annual Cash Compensation (Base Salary plus Annual Incentive Award Value)
- Long-Term Incentive Award Value plus Promote/ Carried Interest Award Value
- Total Remuneration (Base Salary plus Annual Incentive Award Value plus Long-Term Incentive Award Value plus Promote/Carried Interest Award Value)

Base salary represents the base salary at the time of the survey in 2019.

Annual incentive award value represents cash bonuses paid for calendar/fiscal year 2018, inclusive of any commissions. These may have been paid at the end of calendar/fiscal year 2018, or early in calendar/ fiscal year 2019. If a company allows executives to elect receipt of the annual incentive award in the form of an equity vehicle, separate from a long-term incentive award, those values are included in the annual incentive award value. It is important to note that statistics for annual incentive award value include only those observations for which an annual incentive award was reported and do not include a value of $0 in circumstances when an award was not provided.

Total annual cash compensation for an individual employee is the sum of base salary and annual incentive award value. When the statistics for total annual cash compensation are similar to, or the same as, the statistics for base salary, this indicates that few,

if any, participants reported annual incentive award compensation for the position. However, it is important to note that total annual cash compensation, when reported as an aggregate for five or more companies, is a separate statistical calculation and not simply the sum of the statistics for base salary and annual incentive award value. Because not all incumbents in a given position may receive annual incentive award compensation, and the statistics for annual incentive award value include only "receivers," it is inappropriate to simply add the statistics for base salary and annual incentive award value.

Long-term incentive award value represents the sum of the value of stock options at the time of grant (as calculated by the company, using its preferred option valuation method), the market value of restricted stock at the time of grant, and the value of any other long-term incentive award compensation vehicles (such as performance share units or dividend equivalents). Normally, the long-term incentive award compensation paid in a given calendar/fiscal year is compensation for the prior calendar/fiscal year's performance. It is important to note that statistics for long-term incentive award value include only those observations for which a long-term incentive award was reported and do not include a value of $0 in circumstances when an award was not provided.

Promote/carried interest award value represents the estimated non-discounted, annualized value of compensation for the most recent fund(s). It is important to note that statistics for promote/carried interest award value include only those observations for which a promote/carried interest award was reported and do not include a value of $0 in circumstances when an award was not provided.

Total remuneration for an individual employee is the sum of all components of compensation (base salary plus annual incentive award value plus long-term incentive award value plus promote/carried interest award value). When the statistics for total remuneration are similar to, or the same as, the statistics for total annual cash compensation, this indicates that few, if any, participants reported long-term incentive award or promote/carried interest award compensation for the position. However, it is important to note that total remuneration, when reported as an aggregate for five or more companies, is a separate statistical calculation and not simply the sum of the statistics for total annual cash compensation and long-term incentive award value plus promote/carried interest award value. Because not all incumbents in a given position may receive long-term incentive award compensation and/or promote/carried interest award compensation, and the statistics for long-term incentive award value plus promote/carried interest award value include only "receivers," it is inappropriate to simply add the statistics for total annual cash compensation and long-term incentive award value plus promote/carried interest award value.

At least five companies must report data for each compensation component displayed in order to provide meaningful 25$^{th}$ percentile, median, average, and 75$^{th}$ percentile statistics.

"ISD" is shown in circumstances where there was insufficient data (e.g. fewer than five observations).

The following statistics are provided for each component of compensation:

- 25$^{th}$ Percentile – the data point at which 25% of the observations are at or below this value, and 75% of the observations are at or above this value.
- Median – the data point at which 50% of the observations are at or below this value, and 50% of the observations are at or above this value.
- Average – the data point derived by adding all of the observations together and dividing by the total number of observations.
- 75$^{th}$ Percentile – the data point at which 75% of the observations are at or below this value, and 25% of the observations are at or above this value.
- An average observation greater than (less than) the median or 75$^{th}$ percentile (25$^{th}$ percentile) indicates that the data is skewed toward the higher (lower) end of the distribution.

Participants were asked to indicate if their company's position entails greater, equal, or less responsibility than the listed job description. The following range was used for this assessment of the degree of match:

- 80% – responsibilities less than job description.
- 90% – responsibilities slightly less than job description.
- 100% – responsibilities equal match with job description.
- 110% – responsibilities slightly greater than job description.
- 120% – responsibilities greater than job description.

# Chief Executive Officer

| Typical Years of Experience | Typically Reports to | Alternate Title(s) | Typical Education |
|---|---|---|---|
| 20+ | Board(s) | Chairman, Managing General Partner | Advanced |

Responsible for directing the overall business activities of the company. Establishes short- and long-term company objectives and policies, and leads new business development initiatives. Focuses on profitability of the firm, and defines organizational framework used to operate the business in order to ensure resources are available to execute the business strategy. May also be the/a founder of the company.

| | | Responses | Base Salary | | | | Total Annual Cash Compensation | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of Companies | 25th Percentile | Median | Average | 75th Percentile | 25th Percentile | Median | Average | 75th Percentile |
| | Aggregate | | | | | | | | | |
| AUM | Under $150mn | | | | | | | | | |
| AUM | $150mn - $399.9mn | | | | | | | | | |
| AUM | $400mn - $1bn | | | | | | | | | |
| AUM | Over $1bn | | | | | | | | | |
| Geographic Market | Asia-Pacific | | | | | | | | | |
| Geographic Market | Africa/Middle East | | | | | | | | | |
| Geographic Market | Central/South America | | | | | | | | | |
| Geographic Market | Europe | | | | | | | | | |
| Geographic Market | US | | | | | | | | | |
| Geographic Market | Other | | | | | | | | | |
| Type of Fund | Leveraged Buyout (LBO) | | | | | | | | | |
| Type of Fund | Growth Capital/Equity | | | | | | | | | |
| Type of Fund | Venture Capital | | | | | | | | | |
| Type of Fund | Distressed & Special Situations | | | | | | | | | |
| Type of Fund | Mezzanine | | | | | | | | | |
| Type of Fund | Other Private Debt | | | | | | | | | |
| Type of Fund | Real Estate | | | | | | | | | |
| Type of Fund | Infrastructure | | | | | | | | | |
| Type of Fund | Natural Resources | | | | | | | | | |
| Type of Fund | Fund of Funds | | | | | | | | | |

DATA REMOVED FOR SAMPLE

| Job Description Degree of Match | Average | Target Annual Incentive (% of Base Salary) – Calendar/Fiscal Year 2019 | | | |
|---|---|---|---|---|---|
| | | 25th Percentile | Median | Average | 75th Percentile |

# Chief Executive Officer

| | | Responses | Long-Term Incentive Award + Promote/Carried Interest Award | | | | Total Remuneration | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of Equity Receivers | 25th Percentile | Median | Average | 75th Percentile | 25th Percentile | Median | Average | 75th Percentile |
| | Aggregate | | | | | | | | | |
| AUM | Under $150mn | | | | | | | | | |
| | $150mn - $399.9mn | | | | | | | | | |
| | $400mn - $1bn | | | | | | | | | |
| | Over $1bn | | | | | | | | | |
| Geographic Market | Asia-Pacific | | | | | | | | | |
| | Africa/Middle East | | | | | | | | | |
| | Central/South America | | | | | | | | | |
| | Europe | | | | | | | | | |
| | US | | | | | | | | | |
| | Other | | | | | | | | | |
| Type of Fund | Leveraged Buyout (LBO) | | | | | | | | | |
| | Growth Capital/Equity | | | | | | | | | |
| | Venture Capital | | | | | | | | | |
| | Distressed & Special Situations | | | | | | | | | |
| | Mezzanine | | | | | | | | | |
| | Other Private Debt | | | | | | | | | |
| | Real Estate | | | | | | | | | |
| | Infrastructure | | | | | | | | | |
| | Natural Resources | | | | | | | | | |
| | Fund of Funds | | | | | | | | | |

DATA REMOVED FOR SAMPLE

| Number of Direct Reports | Gender | | Number of Funds Currently Participating in | Average Promote Allocation – Most Recent Fund(s) |
|---|---|---|---|---|
| Average | Average Male | Average Female | Average | % of GP's Share |

ORDER FORM

# The 2020 Preqin Private Capital Compensation and Employment Review

**The 2020 Preqin Private Capital Compensation and Employment Review** is the industry's most comprehensive guide to employment practices and compensation packages. The Review includes data for over 144 private capital firms and 96 individual positions. Our latest edition, produced in collaboration with leading compensation specialist FPL Associates, covers fund types including buyout, growth, venture capital, distressed debt, mezzanine, private debt, real estate, infrastructure, and natural resources, and features the latest trends and statistics from private capital firms around the world.

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