



Key Findings ILPA Industry Intelligence Report

"What is Market in Fund Terms?"

01 Partnership and Organizational Expenses March Higher

While management fee *rates* have remained stable (1.5-2.0%), larger fund sizes mean greater absolute management fee *dollars* and those proceeds now cover a smaller portion of total expenses. As was true in our 2020 survey, operating expenses such as deal sourcing costs (including travel), adviser and affiliate salaries, and regulatory and compliance filings are routinely being excluded from the management fee. Furthermore, 25% of responding LPs are seeing administrative expenses – in-house legal, accounting, computer software – shifted outside of the management fee. Likewise, high organizational expenses remain a pain point for LPs, increasing 123% since 2011.

02 Fund-Level Leverage and Recycling Elevate LP Financial Risk

According to 153 LPAs from Colmore's data set, fund-level borrowing facilities are now effectively universal, with 98% of funds having the ability to put a credit facility into place. As a result, fund leverage provisions have jumped from the tenth highest commercial priority term in our 2020 survey to fourth this year. Alongside the credit facilities arms race, GPs have secured greater flexibility in recycling capital, with over two-thirds of LP respondents reporting recycling provisions in 75% of the funds to which they committed over the last 12 months.

03 Downside Risk Protections Continue to Be Eroded

Fiduciary duties remain under pressure. Nearly 48% of LPs reported contractually modified or reduced fiduciary duties in more than half of the funds they invested over the last 12 months, particularly in the North America and Asia-Pacific regions. These provisions can materially limit the legal remedies available to LPs if GPs are allowed to prioritize their own interests over those of the fund and its investors. Only one-quarter of respondents indicated they were successfully able to restore these duties during negotiations at least half of the time.

04 Transparency Has Improved

Clear and consistent reporting of fees and expenses is an area that has seen real progress. In 2021, 59% of LPs reported receiving the industry standard ILPA Fee Template at least 50% of the time.

Report Contributors