



# ILPA Private Fund Advisers Data Packet

Companion Data Packet to The Future of Private Equity Regulation Analysis

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Companion materials – the ILPA Comment Letter and ILPA Private Fund Advisers analysis – can be found on the [Proposed SEC Private Fund Advisers Rule](#) portion of the ILPA website.

# Overview

ILPA Private Fund Advisers Data Packet

# Overview




## ILPA Private Fund Advisers Data Packet

- This data packet serves as a reference source for the data contained in the ILPA Private Fund Advisers analysis, as well as containing additional data beyond that cited in the written analysis.
- The *italics* in the footnotes of the ILPA Private Fund Advisers analysis citing the ILPA Private Fund Advisers Data Packet (e.g., *Negotiation “Must-Haves” Compared to Shifts Toward GP Favor*) corresponds with the sub-title of the page in this data packet.
- ⊕ indicates data not directly cited in the ILPA Private Fund Advisers analysis (i.e., unique to this data packet).
- By sharing this data with the industry, we seek to highlight the importance of the SEC’s rulemaking efforts, provide additional LP insight and perspective on different aspects of the PE industry central to the rule and further articulate ILPA’s view and the views of our members.
- This data, much of which is never-before, publicly released, reveals much about the LP experience as investors in the PE industry. In turn, this data is particularly helpful towards quantifying long-standing sentiment described by LPs.

# Overview



## ILPA Private Fund Advisers Data Packet

- Unless otherwise noted:
  - X-axis - LP respondents for given selection
  - Y-axis - % of LP respondents
- Outside of cases where data was combined from multiple questions (for illustrative / comparison purposes), we included the language of the original question to give additional context into the question asked and the corresponding results.
  - In cases where we combined data from multiple questions, we included the language of the original questions in a following slide (denoted with )
- Overview of data included in the ILPA Private Fund Advisers Data Packet:
  - ILPA SEC Survey 2022 - Standalone survey carried out in Fall 2022, results released as part of ILPA Private Fund Advisers analysis
  - ILPA Fund Terms Survey 2021 - In-depth survey carried out in 2<sup>nd</sup> Quarter 2021, results released as part of [Industry Intelligence Report](#)
  - ILPA Fund Terms Survey 2020 - In-depth survey carried out in 1<sup>st</sup> Quarter 2020, results released as part of [Industry Intelligence Report](#)
  - ILPA Legal Conference (LCON) - Polling conducted during [LCON events](#) 2020-2022

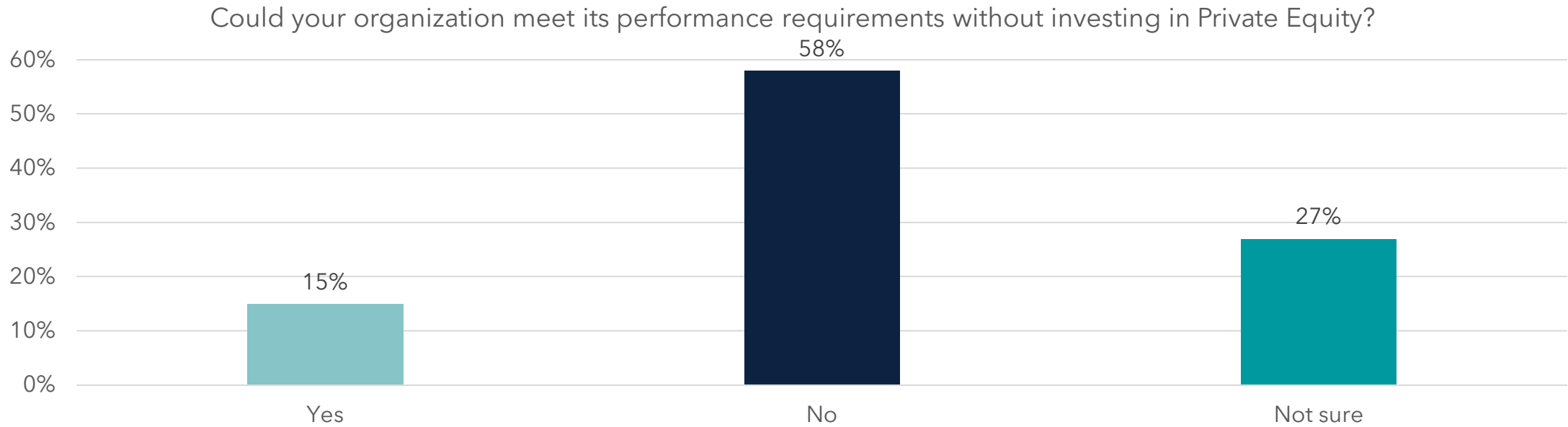
# Bargaining Process

ILPA Private Fund Advisers Data Packet

# Bargaining Process



## Importance of PE for ILPA Members



Source: ILPA SEC Survey 2022

n = 74

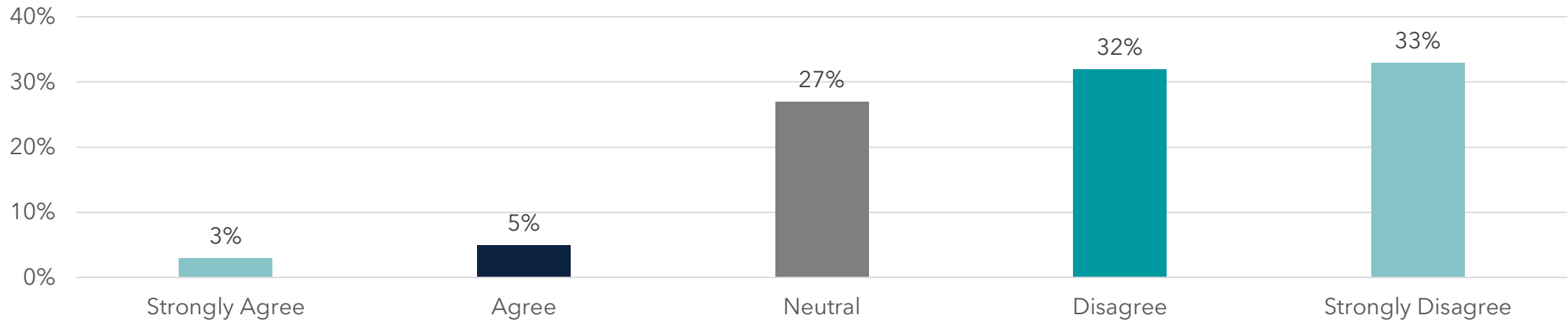
- Nearly 60% of LP respondents do not think their organization could meet its performance requirements without investing in PE - this is almost 4x the amount of LPs (15%) who think their organization could meet its target without investing in PE.
- PE plays an increasingly important role in LPs achieving their investment programs requirements on behalf of beneficiaries. And while PE has made great strides, as an institutional asset delivering critical returns to LP portfolios, there is still room (and need) to improve.

# Bargaining Process



## LP Expertise and Negotiating Leverage

How much do you agree with the following statement: The Private Equity industry has been characterized in recent years by the investors' ability to use their expertise and negotiating leverage to achieve favorable changes in common contractual terms.



Source: ILPA SEC Survey 2022

n = 75

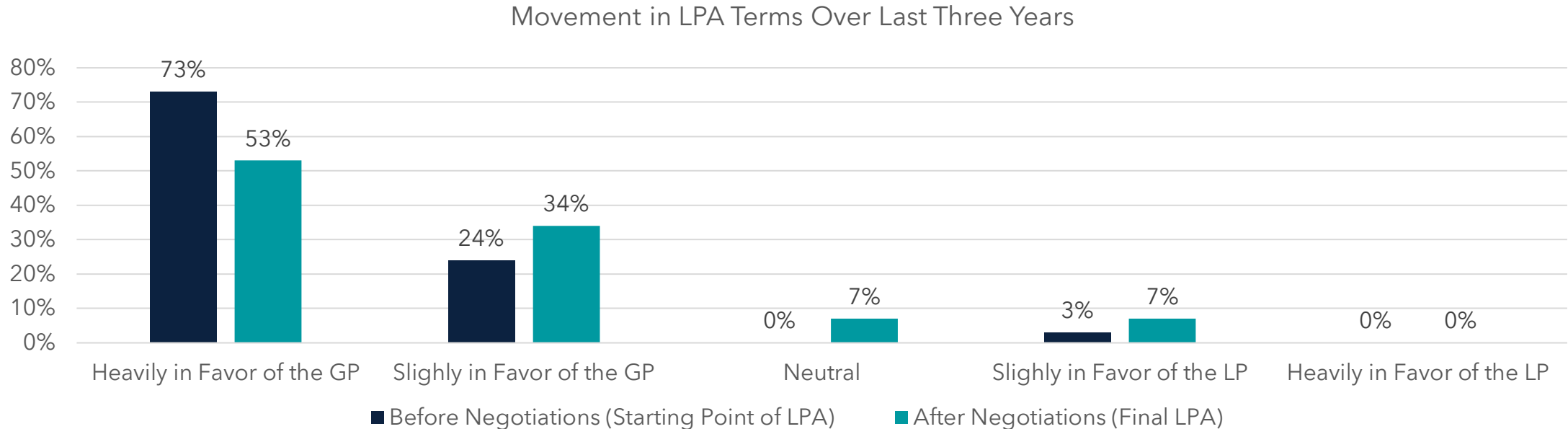
- There is a strong indication (65%) that LPs are not able to use their expertise and negotiating leverage to achieve favorable changes in common contractual terms, despite being sophisticated investors with access to “top-notch, expert legal counsel” ([AIC Comment Letter](#)).
- This dynamic is even more telling when compared to how few LPs (indicated by only 8%) are able to use negotiating leverage to achieve favorable changes.



# Bargaining Process



## Movement in LPA Terms Over Last Three Years



Source: ILPA SEC Survey 2022

n = 74

- Over the last three years, 97% of LPs observe that the starting point of LPA terms has moved in favor of the GP, while 87% report that final LPA terms have shifted in favor of the GP.
- This highlights how the structure of the LPA negotiating process itself contributes to fund terms shifting meaningfully in favor of the GP over the last decade - GP and GP external counsel write the first draft of the LPA, which serves as the contractual starting point before negotiations even begin.



# Bargaining Process



## Insight Into Questions - Movement in LPA Terms Over Last Three Years

- Each portion of the negotiation process - *Before Negotiations (Starting Point of LPA)* and *After Negotiations (Final LPA)* - was asked about in a separate question to isolate how each stage has been impacted over the last three years independent from the other stage.
- Question for *Before Negotiations (Starting Point of LPA)* - Overall, how would you describe the movement in the starting point of LPA terms before negotiations even begin over the last three years?
- Question for *After Negotiations (Final LPA)* - Overall, how would you describe the movement in the final LPA terms after negotiations over the last three years?

# Concentration of PE Industry

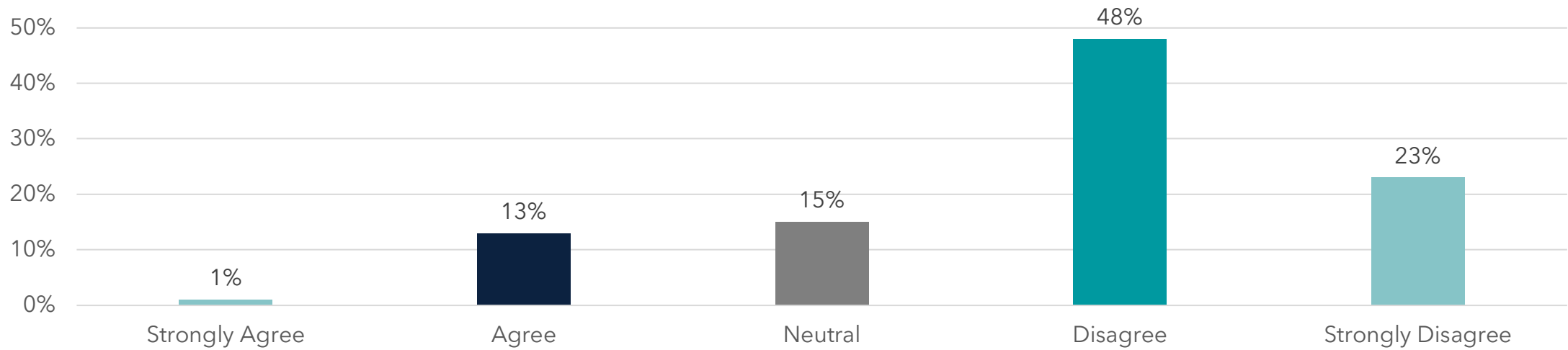
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# Concentration of PE Industry



## Unconcentrated and Switching Power

How much do you agree with the following statement: The Private Equity industry is unconcentrated and investors have substantial flexibility to switch GPs if they are dissatisfied with the terms being offered by a particular GP.



Source: ILPA SEC Survey 2022

n = 75

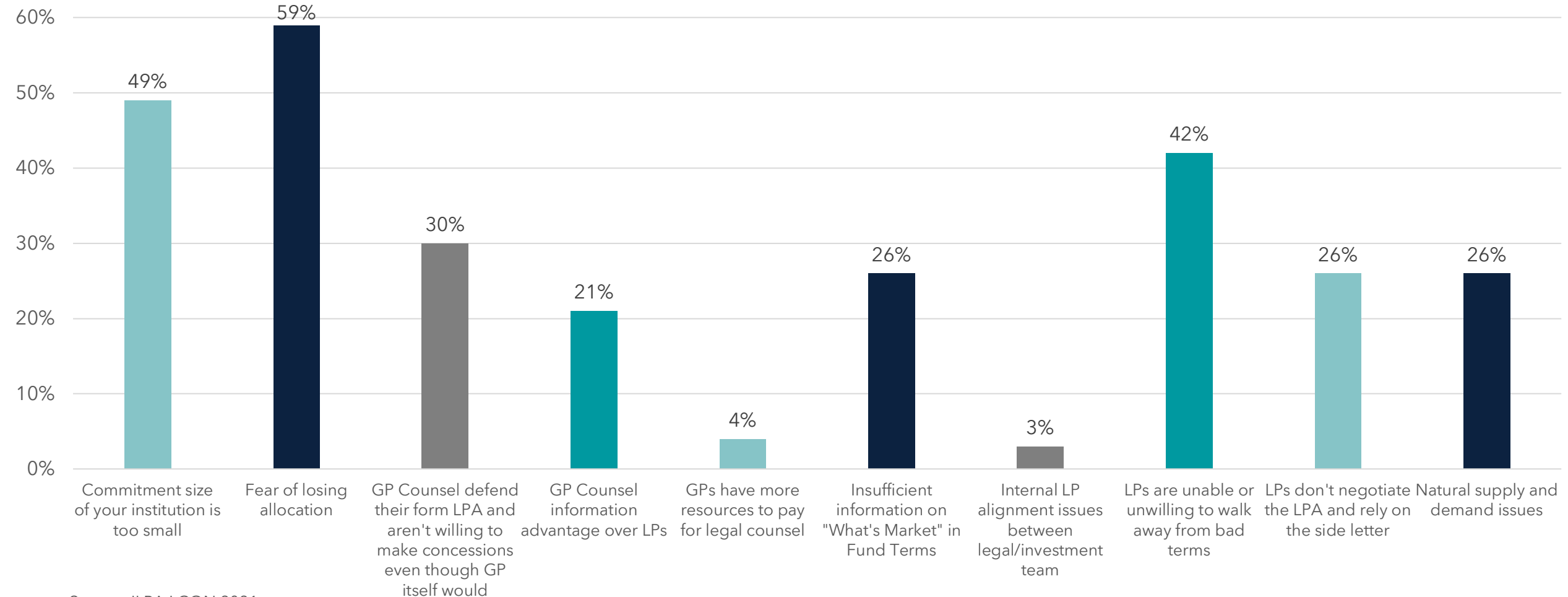
- Most LPs disagree (71%) with the notion that the PE industry is unconcentrated and that they have substantial flexibility to switch GPs if they are dissatisfied with the terms being offered, a significant shift with the sentiment expressed by many industry groups ([AIC Comment Letter](#)).
- This is related to structural developments that have taken place in the industry, as well as the notion that any one investment decision by LPs does not contemplate the entirety of the PE asset class, but rather a small subset of managers that align with a particular portfolio need or investment objective.

# Concentration of PE Industry



## Top Explanations Why LPs Are Accepting Sub-Optimal Legal Terms in LPAs

Please indicate the top 3 explanations below that best explain why LPs are accepting poor legal terms in LPAs.



Source: ILPA LCON 2021

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# Concentration of PE Industry



## Analysis - Top Explanations Why LPs Are Accepting Sub-Optimal Legal Terms in LPAs

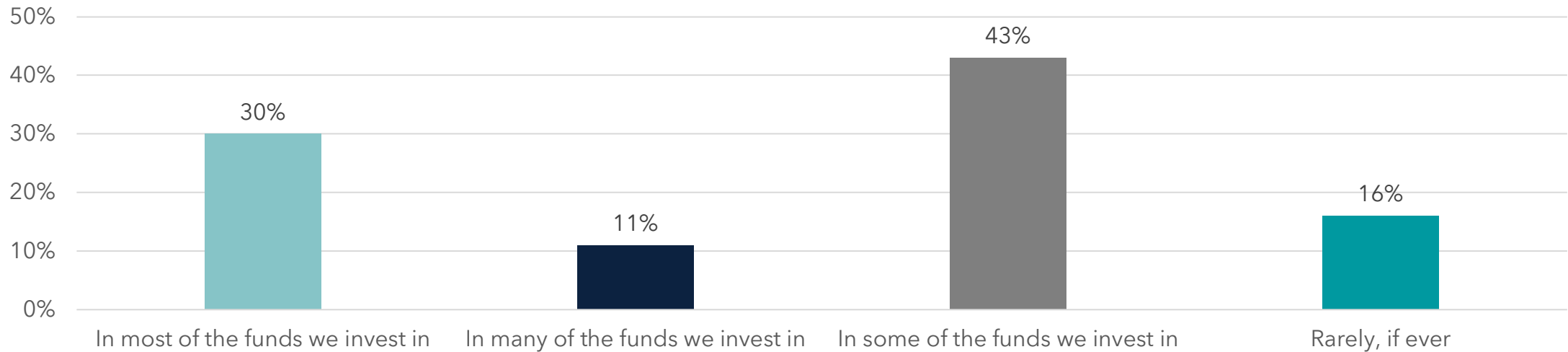
- LPs point to “fear of losing allocation” (59%) with GPs if they push aggressively for certain terms as the biggest driver for accepting sub-optimal legal terms.
  - In this context, “fear of losing allocation” doesn’t necessarily mean LPs fear having their entire allocation eliminated (although that can happen), but rather receiving a smaller allocation to the fund (often with GPs not providing insight into why their allocation was trimmed and presenting it as a “take it or leave it” scenario).
- The “fear of losing allocation” speaks directly to the switching costs and vital portfolio construction considerations that make it difficult for LPs to walk away.
- Given there are more LPs looking to get access to top-performing GPs and the structural investor coordination problem, LPs recognize that pushing for more LP-favorable terms might mean they lose access to the GP.

# Concentration of PE Industry and Switching Costs



## Accepting Unsatisfying Terms

How often do you accept unsatisfying terms because you're afraid that pushing for better terms will cause your institution to lose access (or receive a lower allocation) to a manager's fund or future fund?



Source: ILPA LCON 2021

n = 90

- 84% of LPs indicated they have accepted unsatisfying terms at least “in some funds” due to fear of losing access (or receiving a smaller allocation to the fund) - with only 16% signaling they have “Rarely, if ever” accepted unsatisfying terms due to fear of losing access.
- As Professor Will Clayton highlights in his [comment letter](#), “[the SEC claims in the PFA proposal] that investors lack bargaining power and that investor competition for investment opportunities makes it harder for investors to bargain for effective outcomes.” This speaks to the “prisoner’s dilemma” that negatively impacts the bargaining equation.

# Concentration of PE Industry



## Proceeded With A Deal Despite Reservations About Legal Terms



Source: ILPA LCON 2020

- 83% of LPs said they have proceeded with a deal despite having reservations about certain legal terms.
- It is important to recognize the nuances in the negotiation process. If an LP is involved in a fiduciarily sound review process, it is inevitable they will identify unsatisfying terms in a fund when looking at terms individually. As part of this review process, LPs need to assess the acceptable risk they can take in order to access a top-performing manager.

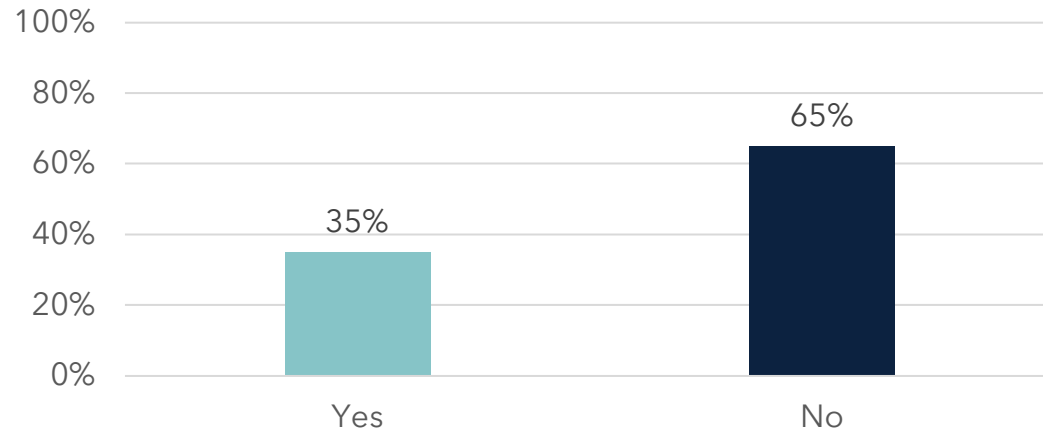


# Concentration of PE Industry



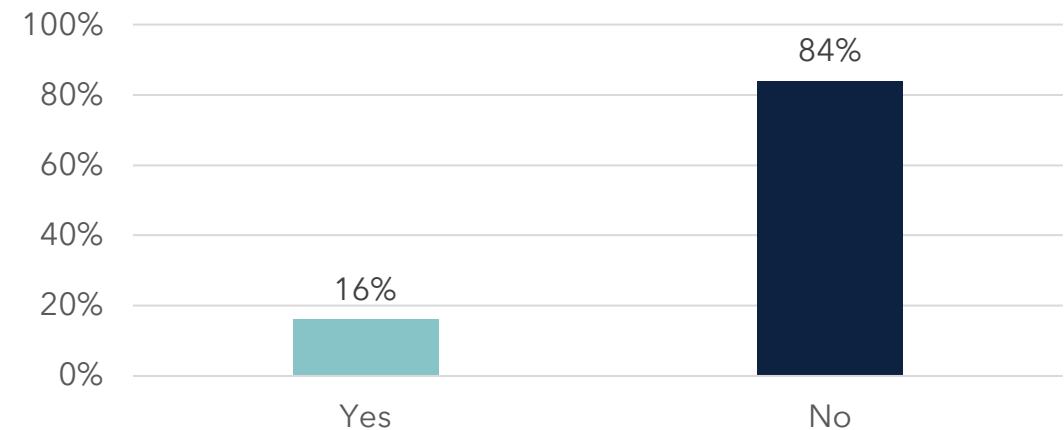
## Walk Away Due to Fiduciary Duties vs. Distribution Waterfall

Have you ever walked away from an investment because of diminished fiduciary duties that could not be changed in LPA negotiations?



Source: ILPA LCON 2020

In the last 12-months, has your organization walked away from a potential investment due to the terms of the distribution waterfall?



Source: ILPA LCON 2020

- When LPs accept legal terms with reservation, they are not “red flags” terms that would cause the LP to walk away.
- For example, while only 35% of LPs report having walked away from a potential investment due to diminished fiduciary duties, this is more than double the proportion of LPs who have walked away from a potential investment due to the terms of the distribution waterfall (16%).

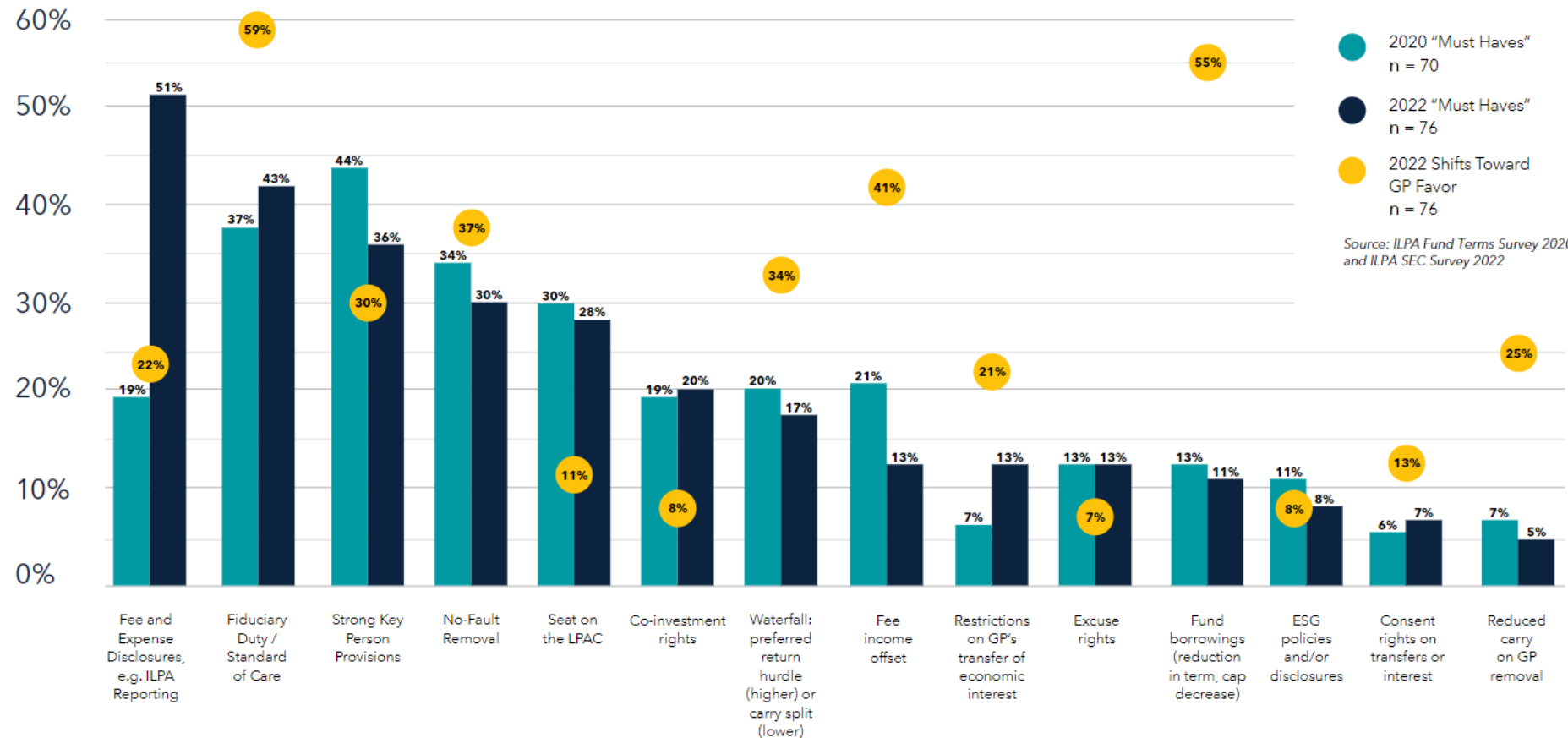
# **“Must-Haves” Compared to Shifts Toward GP Favor**

ILPA Private Fund Advisers Data Packet

# "Must-Haves" Compared to Shifts Toward GP Favor



## Negotiation "Must-Haves" Compared to Shifts Toward GP Favor



Source: ILPA Fund Terms Survey 2020 and ILPA SEC Survey 2022

# "Must-Haves" Compared to Shifts Toward GP Favor

## Analysis - Negotiation "Must-Haves" Compared to Shifts Toward GP Favor

- The survey results identified that LPs are prioritizing and using limited negotiating capital on fee and expense transparency and restoring fiduciary duties - two areas directly addressed by the SEC in the proposed PFA.
- While the "must-haves" for LPs have remained largely consistent, the clear exception is a more recent surge in emphasis on fee and expense disclosures, representing a 168% increase between 2020 and 2022 as it moved to be the #1 ranked "must-have" for LPs in 2022 at 51%.
- Fiduciary duty ranked second in "must-have" terms in 2020 (37%) and 2022 (43%), representing a nearly 20% increase. This is counteracted by the fact that fiduciary duties represents the single greatest shift in terms that favor the GP as a starting point in LPA negotiations over the last three years, according to 59% of LPs.
- By removing these core items from the negotiating table, the market would operate with greater efficiency and LPs would be able to focus negotiations on other critical areas that have shifted in favor of the GP in recent years.
- This is at the heart of why ILPA supports reforms in this space.



# "Must-Haves" Compared to Shifts Toward GP Favor

## Insight Into Questions - Negotiation "Must-Haves" Compared to Shifts Toward GP Favor

- The 2022 data points (*Negotiation "Must-Haves"* and *Shifts toward GP Favor in Starting Point for Negotiations*) were asked about in a separate question to isolate how each development has played out independent from the other. In 2020, only the *Negotiation "Must-Haves"* data points were asked about.
- Also worth noting that LPs only were able to each select "up to three" "must-haves" - this means a 51% figure (for example) indicates that 51% of LPs selected this option as one of their top three "must-haves." This forced selection was designed to mimic the actual negotiation process where LP's must prioritize certain terms over others.
- Question for *Negotiation "Must-Haves"* in 2020 and 2022 - Which of the following issues are highest priority "must-haves" during your fund negotiations (e.g., included in your side letter or issues that you raise with the GP's fund counsel)? Please select up to three.
- Question for *Shifts Toward GP Favor* - Over the last three years, in which of the following areas have you experienced the greatest shifts toward the GP favor when it comes to the starting point for negotiations? Please select all that apply.

# Fees and Expenses

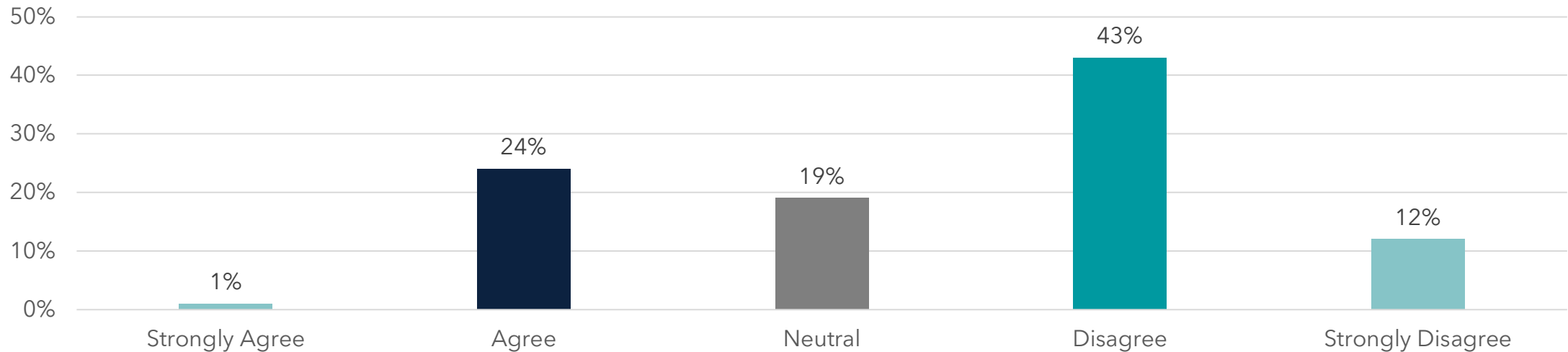
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# Fees and Expenses



## Transparency - Reporting Provided By GPs

How much do you agree with the following statement: Overall, the reporting provided by GPs across fees, expenses and performance provides the needed level of transparency.



Source: ILPA SEC Survey 2022

n = 74

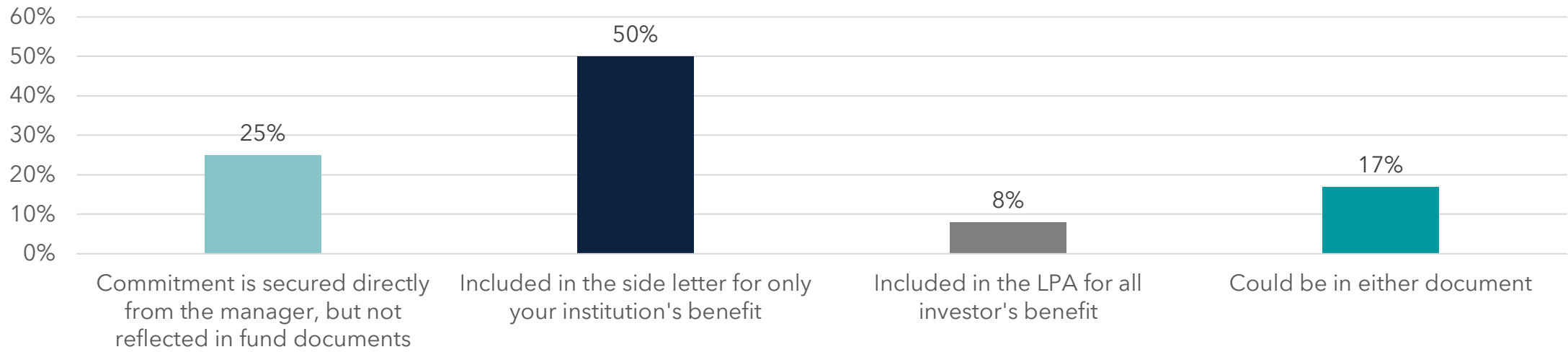
- The survey results highlight that while the industry has made progress with transparency, a majority of LPs (55%) still indicate that they do not believe that GP-provided reporting on fees, expenses and performance provides the needed level of transparency - a figure more than double the LPs that view the current reporting as sufficient (25%).
- This is in contrast to views promoted by industry groups that LPs are able to “negotiate for and receive the disclosure appropriate for their particular needs” ([AIMA Comment Letter](#)).

# Fees and Expenses



## ILPA Reporting Template - Addressed Within Fund Documents

Among managers agreeing to provide the ILPA Reporting Template, how is the commitment addressed within fund documents?



Source: ILPA Fund Terms Survey 2020

n = 36

- Only 8% of LPs observed that GPs would commit to provide the *ILPA Reporting Template* in the LPA.
- 75% of LPs indicated the commitment was typically either made through the side letter or informally and not reflected in fund documents at all.
- This means that LPs are each having to independently negotiate to receive sufficient transparency, which represents an inefficient (and costly) process for LPs that would be eliminated with the creation of minimum standards for transparency.

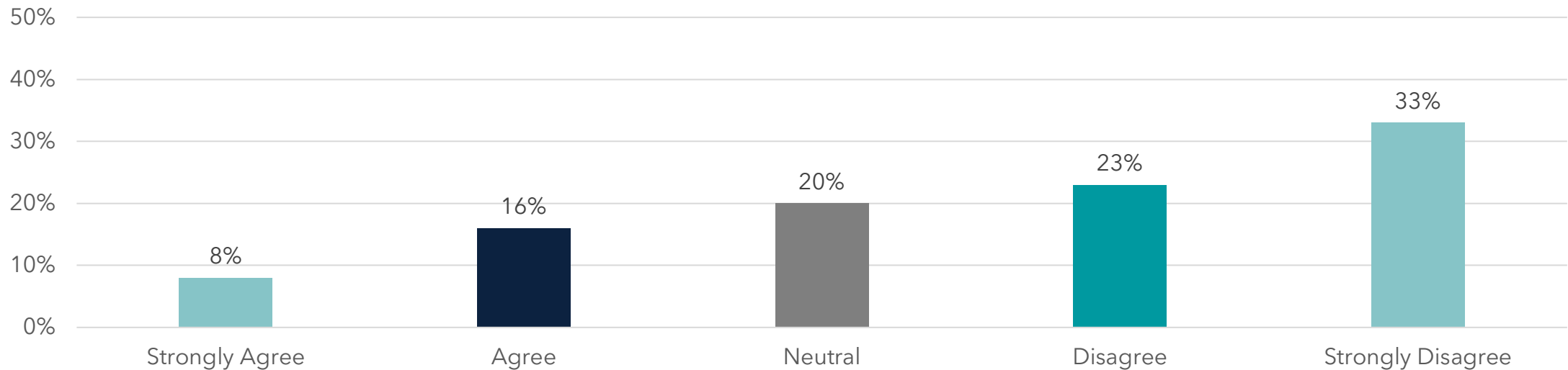


# Fees and Expenses



## Transparency Rights Not Provided to All Investors

How much do you agree with the following statement: Information requests granted to one investor are generally granted to all because the information has already been generated by the GP.



Source: ILPA LCON 2020

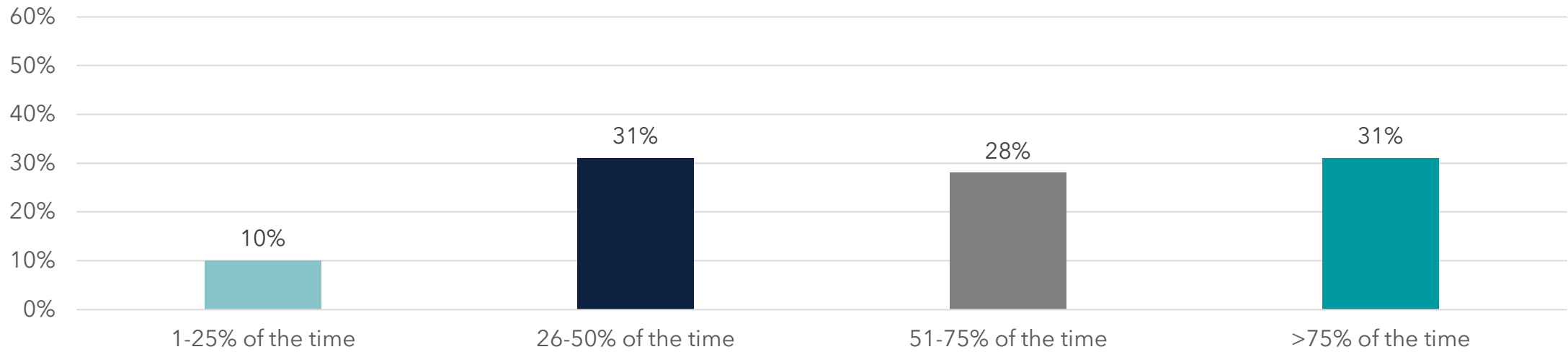
- 56% of LPs indicated that information transparency requests granted to one investor are generally not granted to all investors, despite the fact that there are no meaningful additional costs to providing each additional LP with reporting once reporting systems are in place.
- This highlights another reason why erecting a minimum standard for universal, consistent reporting would improve transparency for all LPs to provide greater access to information used in decision making.

# Fees and Expenses



## Progress Through Using Negotiation Resources

When you request the ILPA Reporting Template during fund negotiations, about how often do managers agree to provide it?



Source: ILPA Fund Terms Survey 2021

n = 29

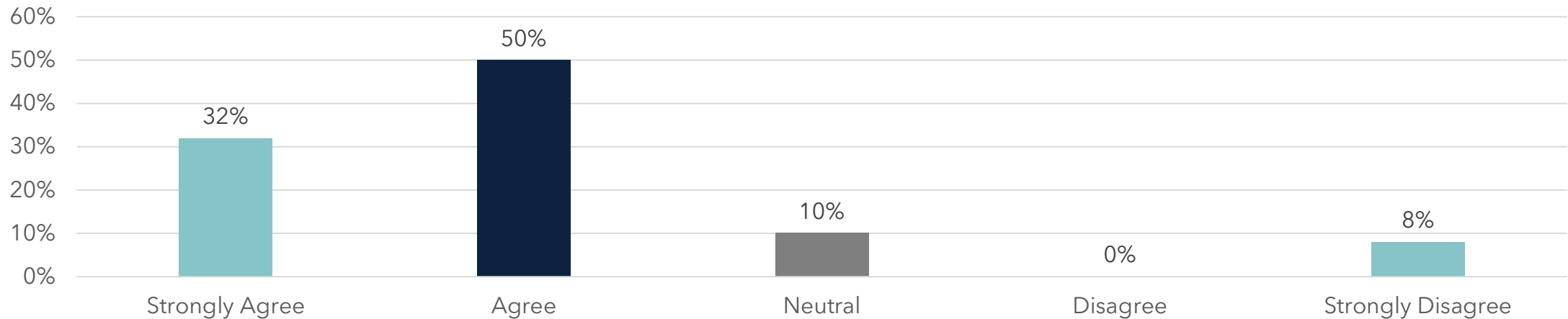
- The *ILPA Reporting Template* was first released in 2016, and since then, we've seen real progress when it comes to adoption. In 2021, 59% of LPs reported receiving the template more than half the time.
- While it is true that progress has been made - it is also true that there is still much progress to be made as a large portion of LPs (41%) are only receiving the reporting template less than half of the time.

# Fees and Expenses



## Overall Costs for LPs

How much do you agree with the following statement: Overall, the increase in costs charged to the partnership outside of the Management Fee have grown at a greater rate than the decrease in costs associated with the reduced Management Fee.



Source: ILPA LCON 2022

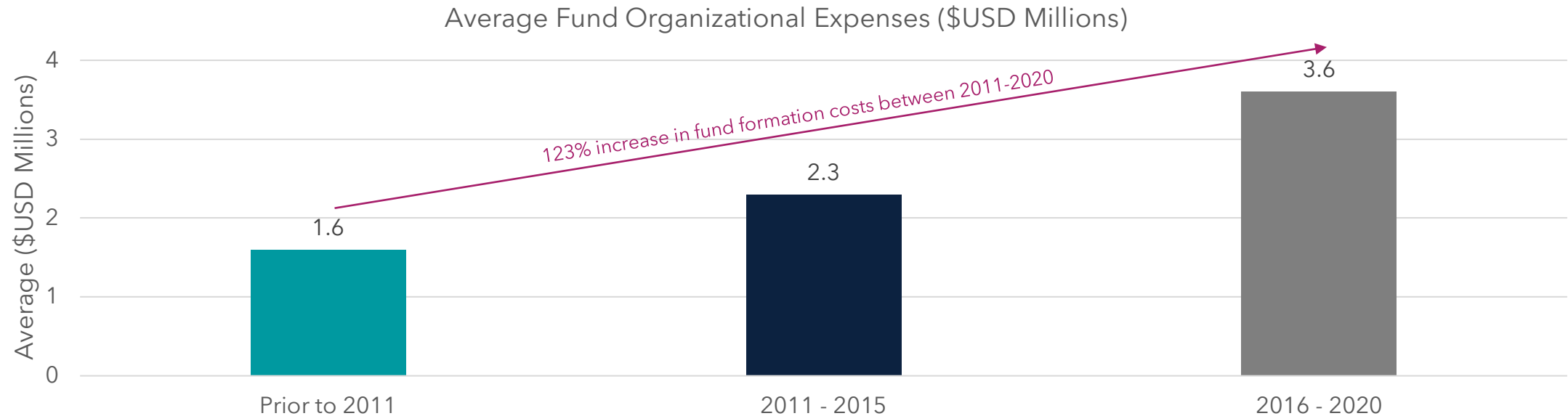
n = 72

- While management fees may have fallen below 2% (funds over \$1B), headline management fee rates have largely held steady even as fund sizes have grown dramatically, outstripping the decrease in management fee rates as the absolute dollar amounts continue to grow meaningfully.
- 82% of LPs identified that the increase in costs charged to the partnership outside of the management fee have grown at a greater rate than the decrease in costs associated with the reduced management fee.

# Fees and Expenses



## Lack of Cost Control on Organizational Expenses



Source: ILPA Fund Terms Survey 2021 - Data Presented by Colmore

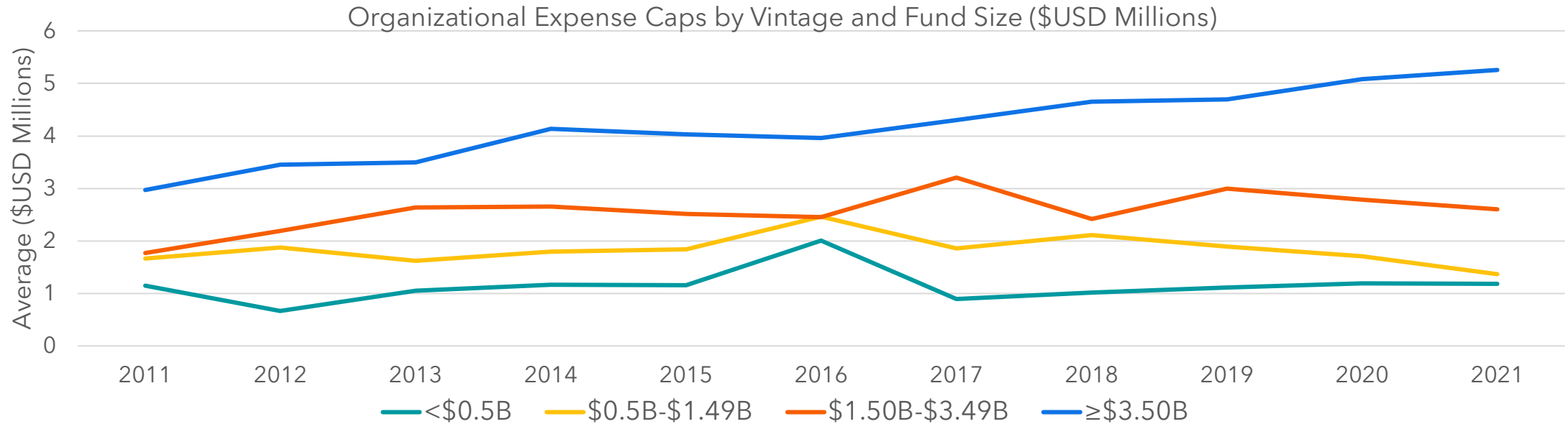
n = 571

- Organizational Expenses increased 123% between 2011 and 2022.
- This is another shift towards the GP favor with LPs paying for increased fund formation costs, even on follow-on funds.
- The rapid increase in fund sizes has contributed to this as the % limits on org expenses have largely stayed the same, resulting in the dollar limits increasing “so much that in many cases they are meaningless” (See Quotes from ILPA Fund Terms Survey 2021).

# Fees and Expenses



## Organizational Expense Cap Increases



Source: ILPA LCON 2022 - Data Presented by Colmore

- Organizational Expense caps have increased across the board, with the most significant growth coming from funds greater than \$3.5B.
- This is happening alongside the development of, in some cases, “organizational expenses [that] exclude the costs of side letter negotiations and the MFN election process, which effectively shifts such expenses from organizational expenses to operating expenses, which are typically not subject to dollar limits” (See Quotes from ILPA Fund Terms Survey 2021).

# Fees and Expenses



## Quotes from ILPA Fund Terms Survey 2021

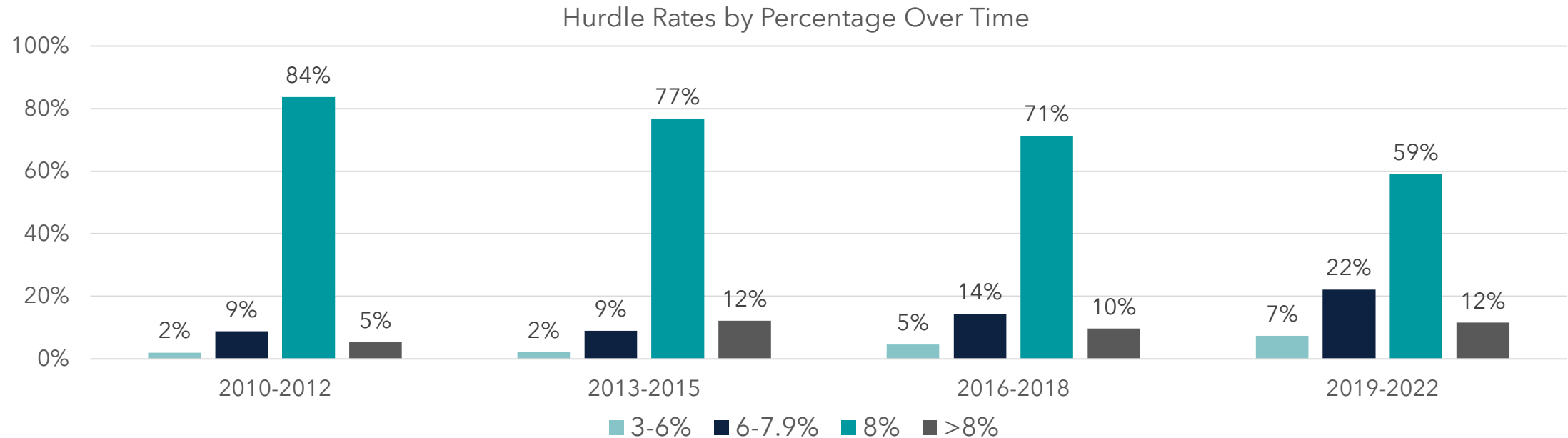
- Per K&L Gates: “The dollar limits on organizational expenses to be borne by the fund have increased so much that in many cases they are meaningless, and, in any event, they do not appear to constrain sponsors in their negotiations with investors.”
- According to Colmore’s analysis, in some cases, “organizational expenses exclude the costs of side letter negotiations and the MFN election process, which effectively shifts such expenses from organizational expenses to operating expenses, which are typically not subject to dollar limits.”
- Based on ILPA’s analysis, while offsets are typically set for 100% of transaction fees, monitoring fees, directors’ fees and other “similar” fees paid by the fund or portfolio companies to GP affiliates, this offset concept has been “eroded by exclusions for fees paid to so-called ‘operating partners’ and other GP-related parties for certain services.”

Source: ILPA Fund Terms Survey 2021

# Fees and Expenses



## Changes in Hurdle Rates



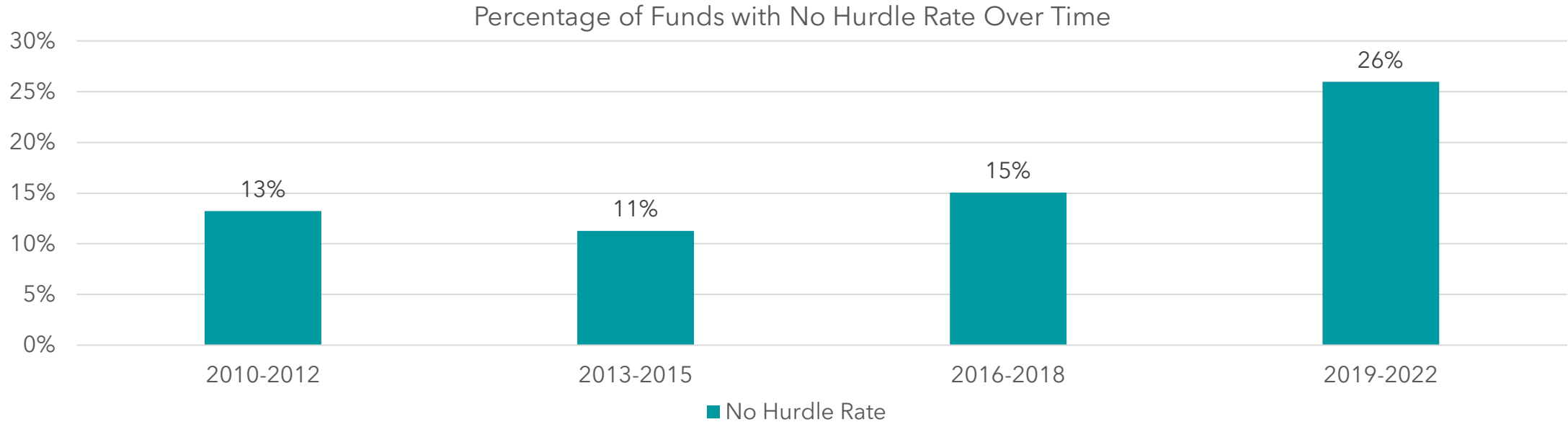
Source: ILPA LCON 2022 - Data Presented by Colmore

- Funds with a hurdle rate below 8% have increased over time, as have funds with no hurdle rate.
- And, in instances where the hurdle rate has risen over 8%, LPs observe that such a change typically occurs alongside carried interest charged on gains gross of expenses, which helps greatly offset risk to the GP with a higher hurdle.

# + Fees and Expenses



## Increase in No Hurdle Rate



Source: ILPA LCON 2022 - Data Presented by Colmore

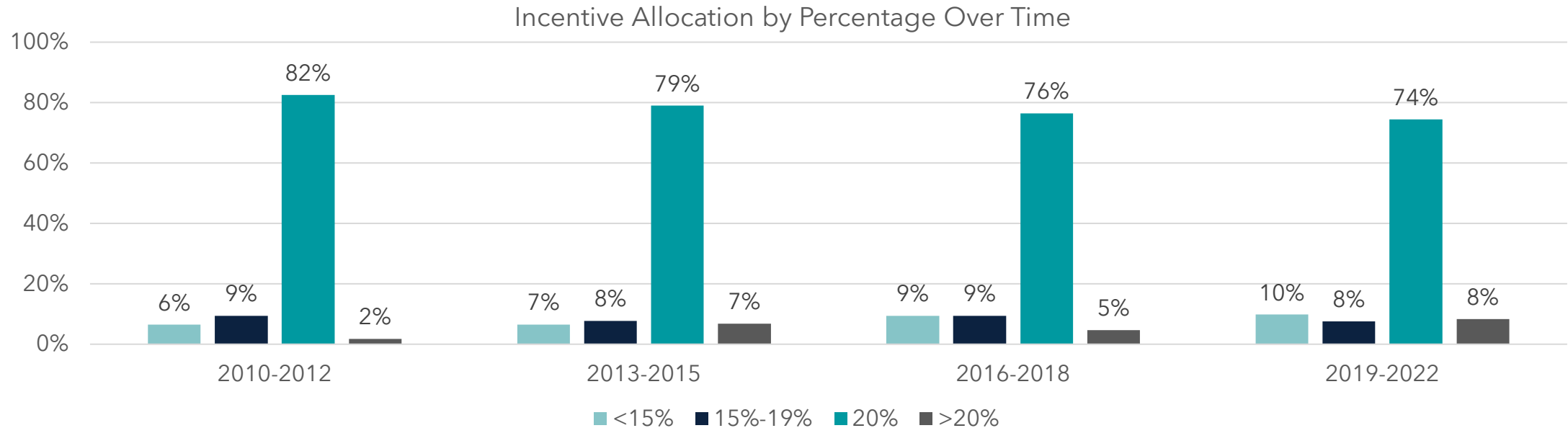
- Even beyond just a simple reduction in hurdle rate below 8%, LPs are increasingly experiencing a higher rate of funds with no hurdle rate - with the current figure coming in at 26%, which is double the amount a decade ago.



# Fees and Expenses



## Changes in Incentive Allocation



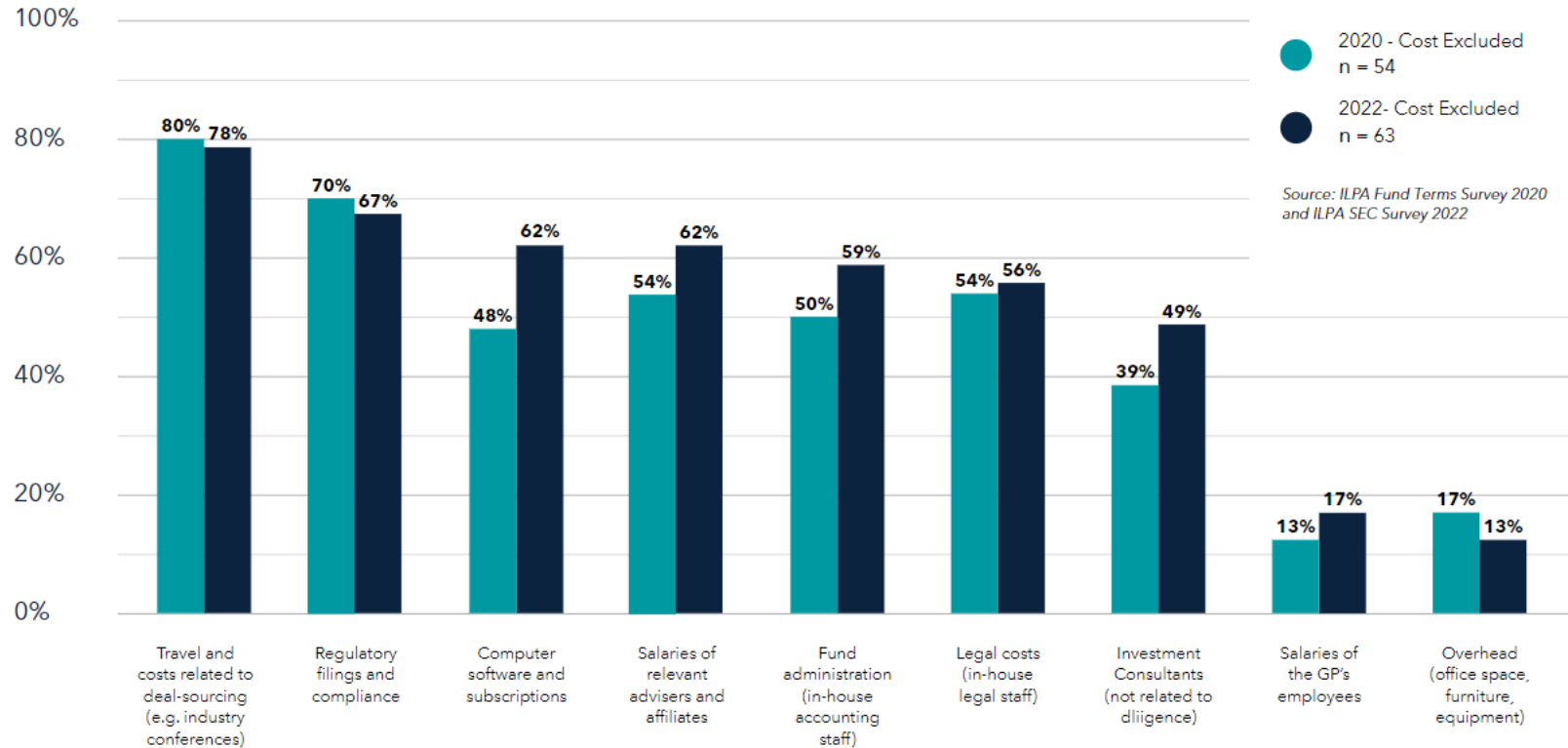
Source: ILPA LCON 2022 - Data Presented by Colmore

- LPs are observing increased prevalence of funds with so-called premium carry, i.e., above 20%.
- While incentive allocation below 20% has remained largely stable over the last decade, the decrease in funds with a 20% incentive allocation can almost entirely be explained by funds with a premium carry.
- Taking the experience with changes in incentive allocation and hurdle rate together helps explain why 34% of LPs ranked terms associated with the waterfall calculation as the term that has most shifted in favor of the GP over the last three years.

# Fees and Expenses



## Costs Excluded From Management Fee Over the Last 12 Months



# Fees and Expenses



## Analysis - Costs Excluded From Management Fee Over the Last 12 Months

- The survey results demonstrate the frustrating trend that LPs have long described of costs routinely being charged to the partnership for activities that squarely fall under the category of benefiting the firm broadly and not solely or primarily the fund.
- This development erodes any potentially beneficial impacts of a reduced management fee rate, given that egregious costs that are excluded from the management fee - travel for deal sourcing (78% in 2022), computer software and subscriptions (62%) and in-house personnel (in-house accounting with 59%, in-house legal with 56% and broad salaries of other GP employees at 17%).
- Even more unfathomable is the notion that, in 2022, 13% of LPs observed overhead (office space, furniture, equipment) being charged to the partnership.
- This is why ILPA wrote in 2021, "The traditional purpose of the management fee - keeping the lights on - increasingly seems like a relic of the bygone era."
- This cost shifting to the partnership underscores the importance of elevated transparency for LPs related to fees and expenses, and the benefits to LPs of the SEC rule proposals that would grant LPs a minimum level of transparency that could obviate the need to advocate for basic cost transparency in fund negotiations.
- This also explains why ILPA encourages a hybrid approach to determining which costs should be covered by the management fee, combining both a principles-based approach as well as express prohibitions on charging certain costs outside of the management fee.



# Fees and Expenses



## Insight Into Questions - Costs Excluded From Management Fee Over the Last 12 Months

- Question for *Costs Excluded From Management Fee Over the Last 12 Months* in 2020 and 2022 - Over the last 12-months, have any of the following costs been excluded from the management fee for the funds you have invested (i.e., allocated to the partnership as an expense)? Please select all that apply.

# Fiduciary Duties

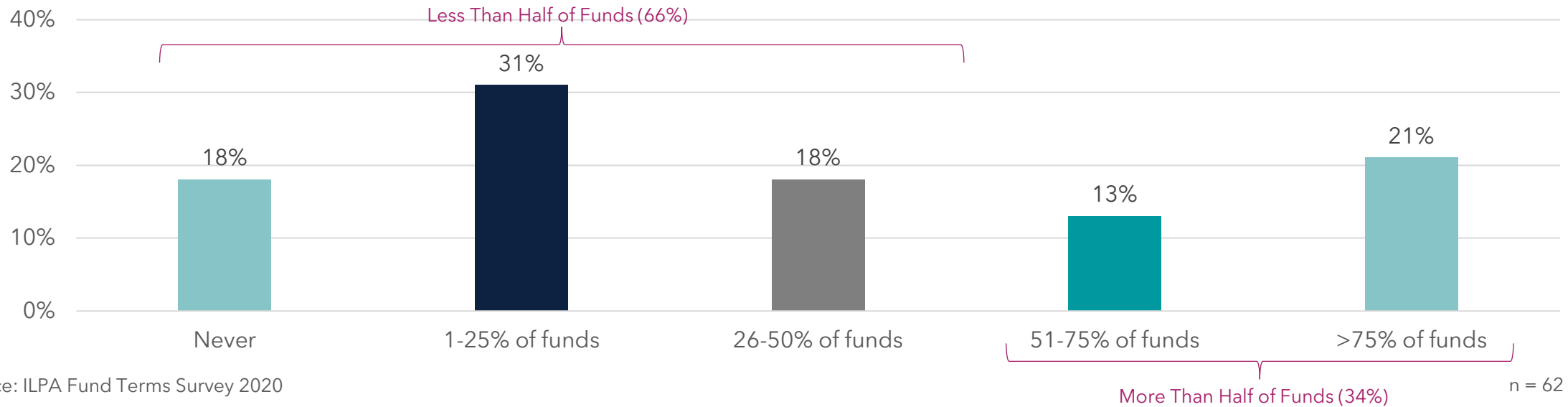
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# Fiduciary Duties



## Ability to Restore or Improve Fiduciary Duties - 2020

Over the last 12 months, when Fiduciary Duties were eroded or eliminated in your funds' LPAs, how often were you able to restore or improve those duties?



Source: ILPA Fund Terms Survey 2020

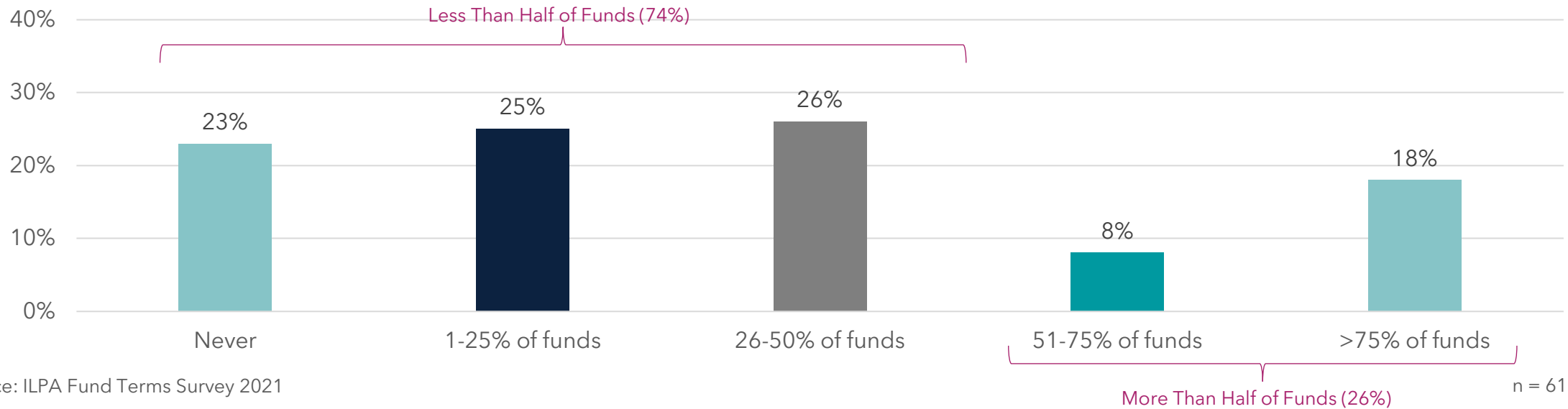
- Only 34% of LP respondents in 2020 identified that they were able to restore or improve fiduciary duties in more than half of the funds they invested in over the last 12 months.
- Nearly 20% of LPs were Never able to restore or improve fiduciary duties.
- This is particularly concerning considering that restoring fiduciary duty was the #2 ranked "must-have" for LPs in negotiations in 2020 at 37%.

# Fiduciary Duties



## Ability to Restore or Improve Fiduciary Duties - 2021

Over the last 12 months, when Fiduciary Duties were eroded or eliminated in your funds' LPAs, how often were you able to restore or improve those duties?



Source: ILPA Fund Terms Survey 2021

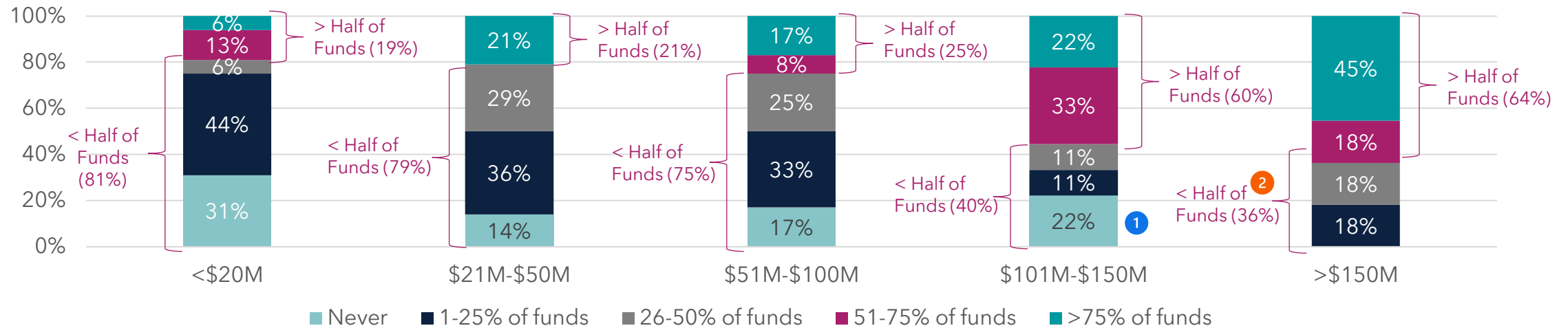
- Only 26% of LP respondents in 2021 identified that they were able to restore or improve fiduciary duties in more than half of the funds they invested in over the last 12 months.
- 23% of LPs were Never able to restore or improve fiduciary duties.
- This is particularly concerning considering that restoring fiduciary duty was the #2 ranked "must-have" for LPs in negotiations in 2021 at 43%.

# + Fiduciary Duties



## Ability to Restore or Improve Fiduciary Duties – By Commitment Size

Over the last 12 months, when Fiduciary Duties were eroded or eliminated in your funds' LPAs, how often were you able to restore or improve those duties?



Source: ILPA Fund Terms Survey 2020

n = 62

- LPs' ability to restore or improve fiduciary duties only moves beyond 25% in more than half of the funds when LPs are writing single checks of greater than \$100M.
- This means that LPs making a <\$100M investment are not able to restore or improve fiduciary duties in more than half their funds 75% of the time.
- Even those making investments between \$101M-\$150M were never able to restore or improve fiduciary duties 22% of the time <sup>1</sup> – and those making investments >\$150M were not able to restore or improve fiduciary duties in more than half their funds 36% of the time. <sup>2</sup>

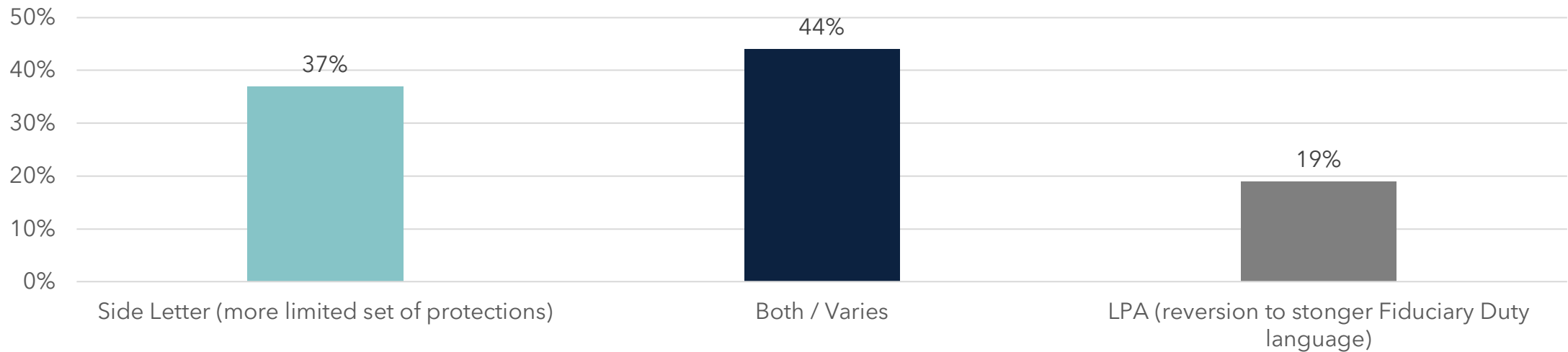


# Fiduciary Duties



## Means For Restoring or Improving Fiduciary Duties

When you have been successful in restoring or improving fiduciary duties, what has been the most typical means for doing?



Source: ILPA Fund Terms Survey 2020

n = 54

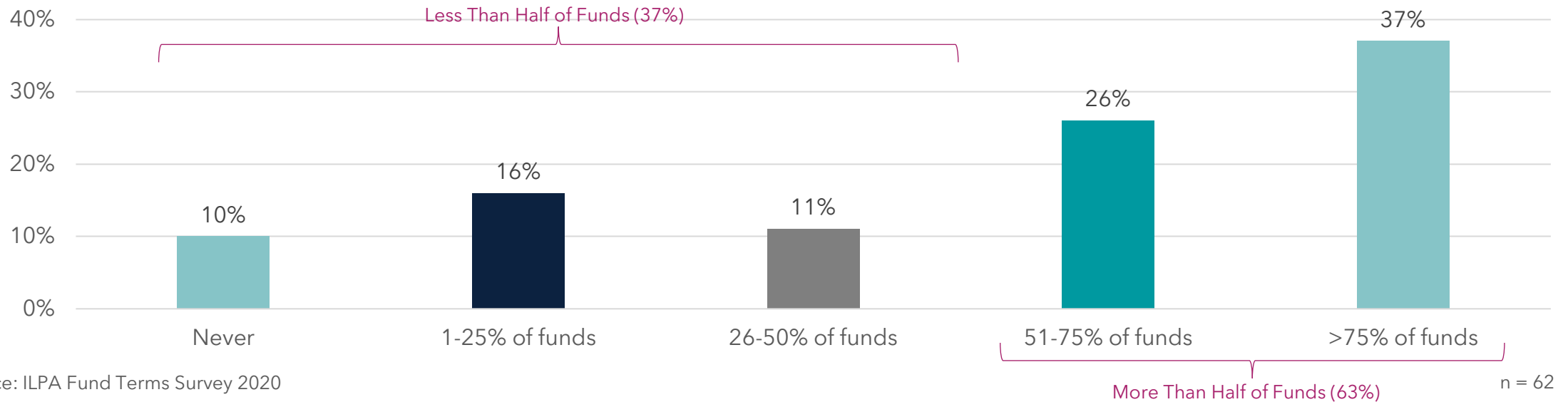
- When successfully restoring or improving fiduciary duties, only 19% of LPs were able to consistently secure the enhancements in the LPA itself compared to 37% that needed to resort to securing a more limited set of enhancements through the side letter.
- LPs would much rather restore fiduciary duties in the LPA itself (thus providing the same protections for all LPs), but GP external counsel will only seldom permit this in negotiations.
- Given restoring fiduciary duty was a “must-have” for 37% of LPs in 2020, this means the process of negotiating for fiduciary duties is time consuming and costly since each LP needs to individually negotiate for this, which is why ILPA believes a minimum standard would create significant market efficiencies.

# Fiduciary Duties



## Fiduciary Duties Contractually Modified or Eliminated - 2020

Over the last 12 months, how often did the LPAs of the funds in which you invested include fiduciary duties that were contractually modified or eliminated altogether?



Source: ILPA Fund Terms Survey 2020

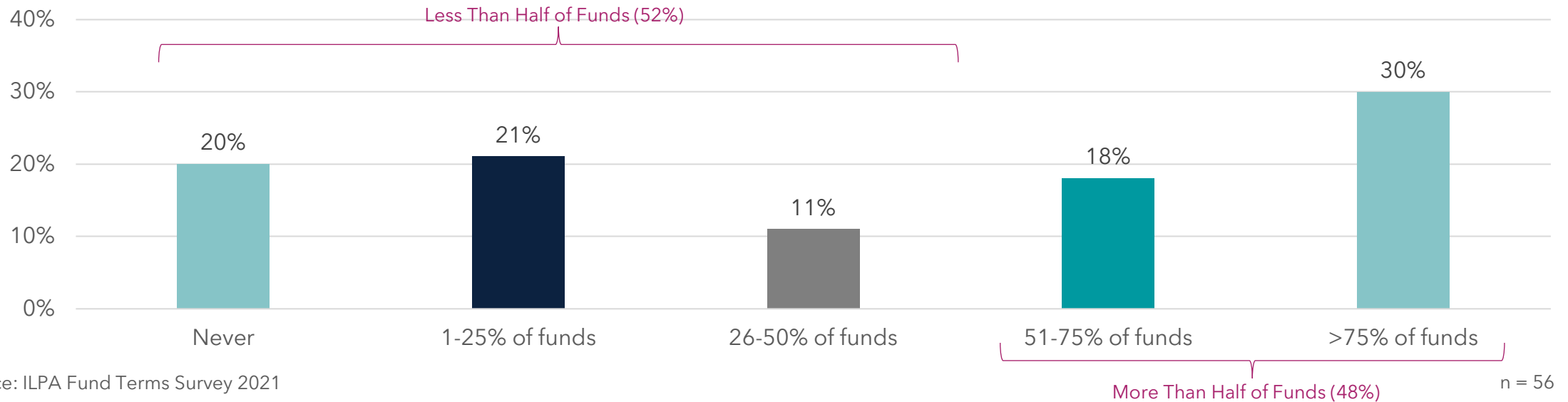
- 63% of LP respondents in 2020 identified that they experienced reduced fiduciary duties in more than half of the funds they invested in over the last 12 months.
- Nearly 40% of LPs experienced reduced fiduciary duties in more than 75% of funds.

# Fiduciary Duties



## Fiduciary Duties Contractually Modified or Eliminated - 2021

Over the last 12 months, how often did the LPAs of the funds in which you invested include fiduciary duties that were contractually modified or eliminated altogether?



Source: ILPA Fund Terms Survey 2021

- 48% of LP respondents in 2021 identified that they experienced reduced fiduciary duties in more than half of the funds they invested in over the last 12 months.
- While there was a decrease between 2020 and 2021, even 48% is a significant number of LPs that experienced a reduction (or complete elimination) or protections against conflicts of interest.
- This points to why ILPA has been vocal about the widespread use of sole discretion language and expansive indemnification and exculpation provisions - and why ILPA has advocated for a minimum articulated standard of care.

# Preferential Treatment

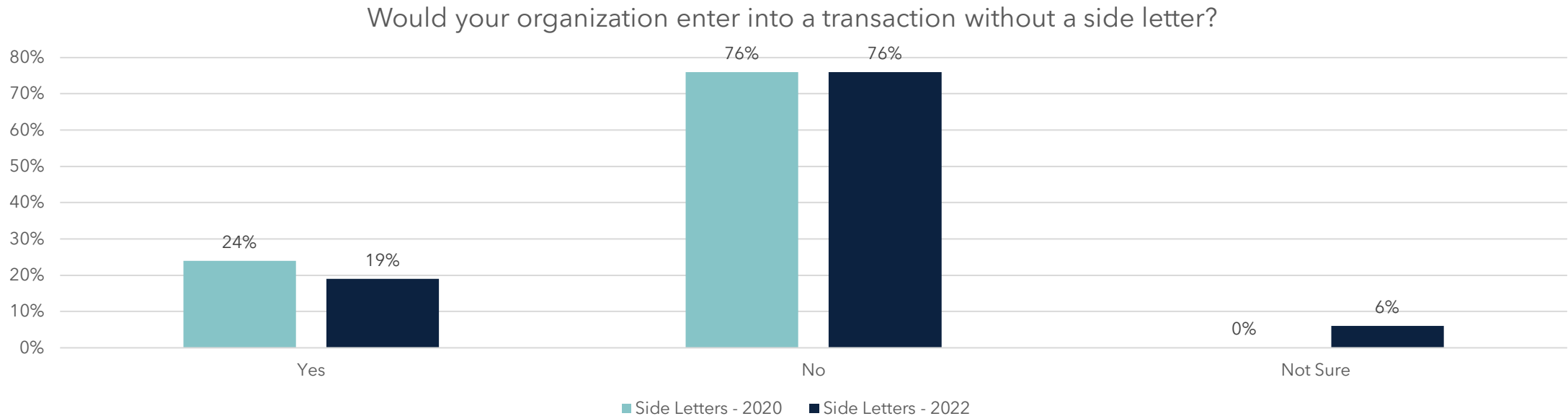
ILPA Private Fund Advisers Data Packet

# Preferential Treatment

Only "Yes" and "No" were provided as options in 2020.  
"Not Sure" was not provided as option until 2022.



## Importance of Side Letters for LPs



Source: ILPA LCON 2020 and ILPA LCON 2022

n = 54

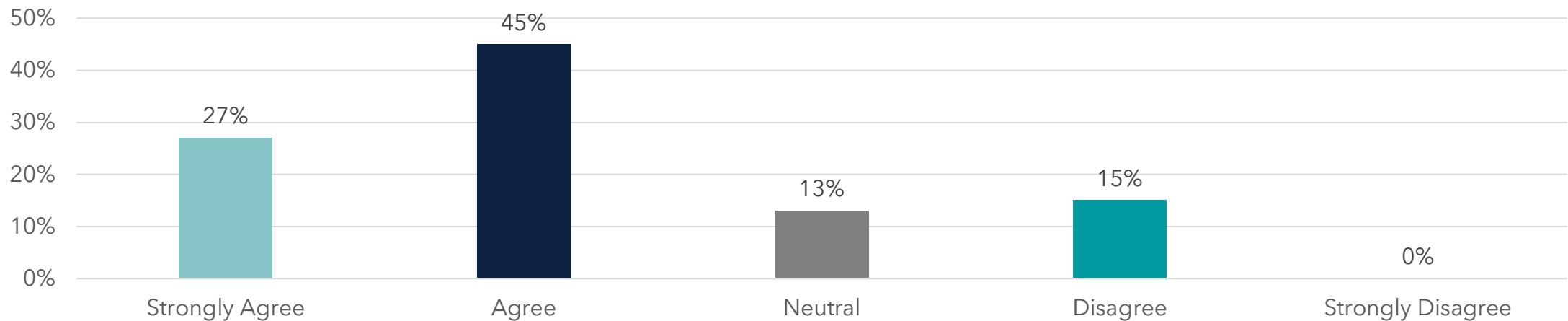
- LPs rely on side letters to secure the required governance, statutory or regulatory protections that are specific to their institution in order to invest in PE.
- In fact, 76% of LPs in both 2020 and 2022 identified their organization would not be able to invest in PE without side letters.

# Preferential Treatment



## Side Letter Terms Do Not Have a Material Negative Impact on Other LPs

How much do you agree with the following statement: Side letter terms that provide LPs with critical governance, statutory or regulatory protections do not have a material negative impact on other LPs in the fund.



Source: ILPA SEC Survey 2022

n = 75

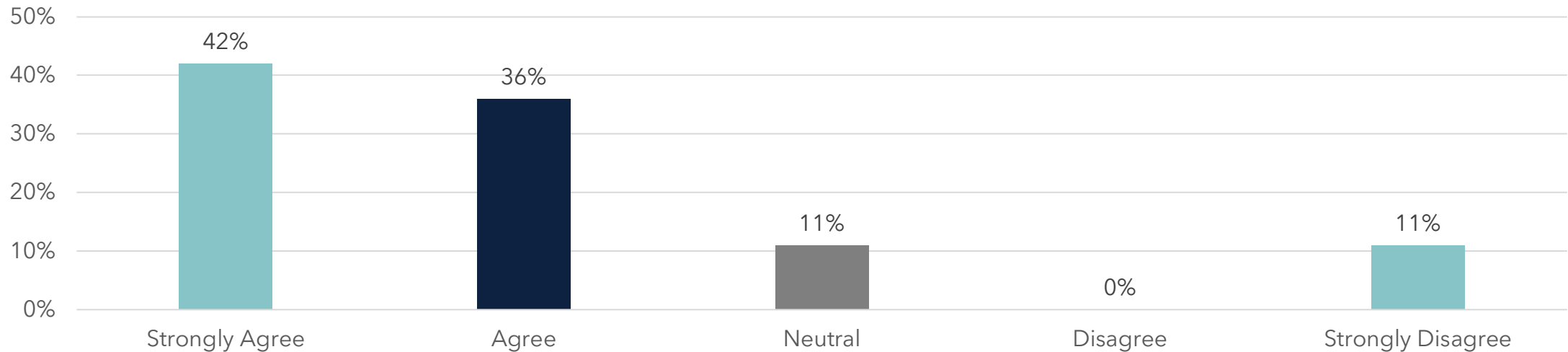
- 72% of LPs do not view these critical governance, statutory or regulatory protections as having a negative impact on other LPs in the fund.
- ILPA's strong support for the continued industry practice with side letters - while also implementing a "best-in-class" MFN to create a minimum standard for transparency - is directly connected to the significant amount of LPs that both require side letters and do not view them as having a material negative impact on other LPs in the fund.

# Preferential Treatment



## Better Picture of What is "Market" - 2022

How much do you agree with the following statement: Having a better picture of what is "market" would help in negotiations with managers.



Source: ILPA LCON 2022

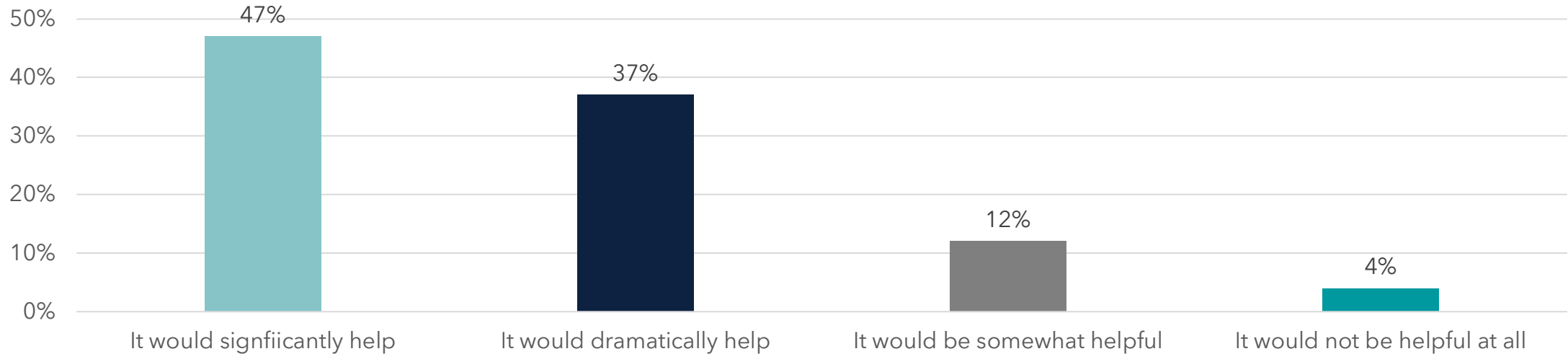
n = 53

- ILPA's members believe that greater transparency in the industry can only be beneficial - 78% of LP respondents identified having a better picture of what is "market" would help in negotiations with GPs.
- ILPA recommendation for a "best-in-class" MFN process would provide LPs with greater insight into what is market and help combat some of the information asymmetry that exists between LPs and GPs and GP external counsel.

# + Preferential Treatment

## Better Picture of What is "Market" - 2021

If you had a better picture of what terms were actually "market," how much would that help you in your negotiations with managers?



Source: ILPA LCON 2021

n = 99

- A similar question was asked in a slightly different fashion in 2021, with 96% of LP respondents identifying that having a better picture of what terms were actually "market" would be at least "somewhat helpful," with only 4% indicating it would not be helpful at all.

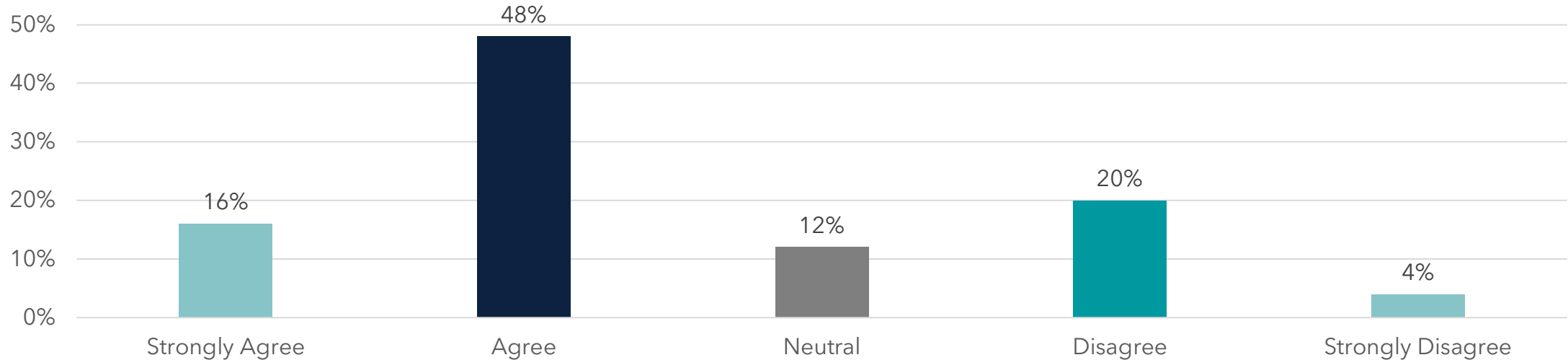


# Preferential Treatment



## MFN Process – Provides Necessary Transparency

How much do you agree with the following statement: A well-run MFN process provides the necessary transparency about the terms being offered in the fund.



Source: ILPA SEC Survey 2022

n = 75

- 64% of LPs agreed that a well-run MFN process provides the necessary transparency about the terms being offered in the fund.
- It is important to highlight that the “best-in-class” MFN recommended by ILPA is directly aligned with practices today among many established GPs and supported by LPs as providing satisfactory transparency.
- A well-run MFN process allows LPs to understand what terms other LPs in the fund have agreed to and how those terms will impact their investment and the governance of the fund.

# Thank You!

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