HOLT-MM&K-BUYOUTS NORTH AMERICAN PE/VC COMPENSATION REPORT

October 2021

EXECUTIVE SUMMARY

Current trends in the design and levels of compensation in the private equity and venture capital industry

HOLT Private Equity Consultants

mm&k

Buyouts

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Survey Background

The 2021-2022 Holt-MM&K-Buyouts Private Equity and Venture Capital Compensation Report is a joint effort of three parties. They are compensation consultants Holt Private Equity Consultants and MM&K; and global private equity publisher Buyouts. It is jointly written by Michael Holt, Dan Gunner and Bobby Drysdale.

The report is based on an extensive, two-part survey of private equity firms conducted in the spring and early summer of 2021.

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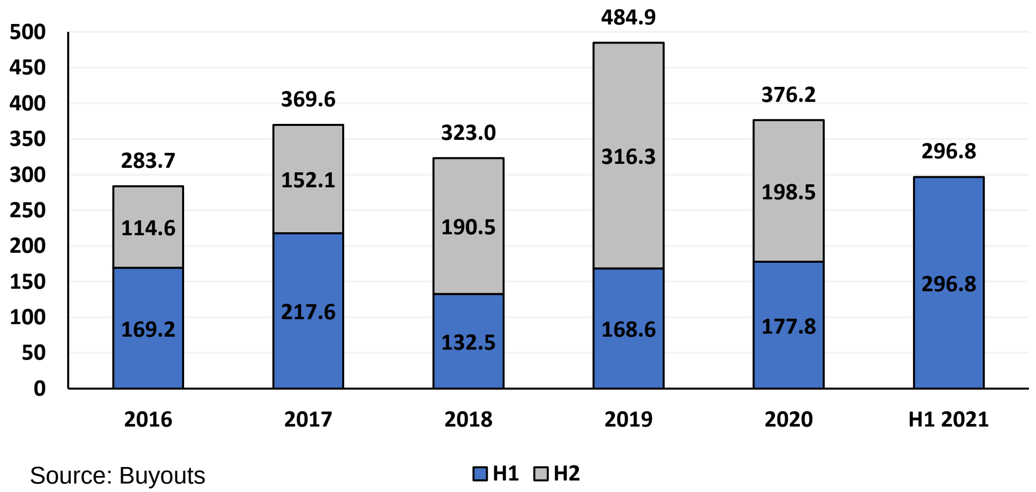
Key Findings

PART 1. Section I. Introduction/Participant Summary

Table 1: Changes in Median Compensation, 2007-2021

	Partner			Non-Partner			All		
	Salary	Salary + Bonus	Salary + Bonus + Carry	Salary	Salary + Bonus	Salary + Bonus + Carry	Salary	Salary + Bonus	Salary + Bonus + Carry
2007/2008	11%	14%	23%	13%	34%	35%	12%	18%	25%
2008/2009	0%	-6%	-12%	6%	10%	11%	3%	1%	-5%
2009/2010	0%	-5%	-9%	5%	7%	8%	0%	5%	5%
2010/2011	1%	9%	12%	4%	7%	8%	2%	4%	10%
2011/2012	5%	11%	25%	21%	27%	33%	10%	15%	26%
2012/2013	6%	10%	16%	6%	19%	24%	6%	13%	16%
2013/2014	5%	14%	30%	6%	22%	22%	6%	18%	26%
2014/2015	8%	15%	23%	10%	23%	24%	9%	19%	24%
2015/2016	9%	14%	23%	9%	21%	25%	9%	19%	24%
2016/2017	7%	15%	27%	14%	22%	18%	11%	19%	22%
2017/2018	0%	0%	4%	7%	15%	27%	14%	22%	9%
2018/2019	11%	13%	30%	16%	21%	22%	14%	17%	25%
2019/2020	14%	18%	17%	12%	25%	27%	12%	23%	23%
2020/2021	11%	28%	36%	8%	22%	25%	9%	25%	29%

Figure 1: North American Private Equity and Venture Capital Fundraising ($bn)



Source: Buyouts

In 2020, the COVID-19 pandemic swept across the globe and impacted every facet of society. In private markets, employees were told to work from home and meetings with investors and portfolio companies took place remotely. Despite these changed working conditions and market disruption, private equity and venture capital compensation continued to grow. This pattern has been repeated in 2021, with even greater growth in private markets compensation in what could be considered one of the healthiest years the market has ever seen.

Fundraising has always been a particularly crucial factor in the compensation of employees as the greater the management fees the more income a fund manager can spend on salaries and bonuses. In the first half of 2021, North American headquartered firms raised a record $296.8 billion, according to Buyouts and as shown in Figure 1. This is a 67 percent increase from last year's H1 figure of $177.7 billion raised. This record-breaking half-year points to the resilience of private equity against the challenges brought by COVID and to a bright future for the asset class and for those who work within it.

While compensation trends, driven by market conditions, continue to climb upwards, our research reveals some notable changes in the rate of growth across some areas.

At the senior level, partners' compensation in the form of bonus has experienced the largest percentage increase recorded since 2008. By contrast, increases in salary compensation have slowed again this year showing that, at the partner level, firms have pushed to create a performance-related variable compensation structure.

For non-partners, the numbers tell a slightly different story. While compensation has increased from last year, non-partners are experiencing a slowdown in the percentage increase of their compensation across the board. One factor may be that 2021 has served as a cooldown year for non-partners after two prior years of large compensation increases.

Key Findings

Sources of Revenue

According to our survey, the median private equity firm devotes 57 percent of its total GP fees/revenues to payroll – see Table 2 below – down from the 62 percent allocation in 2020's study and from 71 percent in 2019. High fundraising figures may have led to a denominator effect as payroll costs increase at a slower rate than firm revenue which will have been boosted by investor fees.

Private equity firms typically charge investors anywhere from 1.5 percent to 2.5 percent as a management fee on committed capital. Those managing smaller funds tend to charge higher percentages. To capture the level of management fees for different funds, we have measured the management fee ratios for a firm's most recent fund and for all active funds. This allows us to see how much firms are charging for management fees and how that fee changes at different points of a fund's life. The data shows that median management fees have stayed low for all active funds at 0.9 percent for LBO firms and 1.1 percent for Venture Capital firms – see Table 3 below. This is the same as last year for LBO firms and slightly higher for Venture Capital firms.

Management fees are higher during the investment phases of funds due to the higher workload compared to when funds are in harvest mode and the manager is often collecting full fees on successor funds. So, median overall management fees as a percent of the most recent fund managed by LBO and Venture Capital managers (2.8 and 3.0 percent respectively) are higher than for all active funds.

In addition to management fees, buyout firms also generate income through deal and consulting fees. However, in the past few years, limited partners have pushed back and so these fees have declined. Specifically, many firms can share 80 or 100 percent with investors by offsetting the management fee.

Table 2: Payroll Cost As % of General Partner Fees/Revenues

Firm Classification	Average Payroll Cost As % of General Partner Fees/Revenues			
	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	61%	52%	63%	69%
LBO/VC/Growth Equity (Small/Mid-Size)	67%	53%	67%	78%
LBO/VC/Growth Equity (All)	**63%**	**50%**	**64%**	**71%**
LBO / Growth Equity (Large)	62%	55%	66%	69%
LBO / Growth Equity (Small/Mid-Size)	65%	54%	67%	70%
LBO / Growth Equity (All)	63%	54%	67%	69%
Venture Capital (Large)	60%	45%	54%	69%
Venture Capital (Small/Mid-Size)	68%	58%	71%	79%
Venture Capital (All)	**63%**	**45%**	**63%**	**78%**
Mezzanine/Debt (All)	48%	46%	53%	65%
Fund of Funds (All)	**50%**	**28%**	**62%**	**68%**
Co-Investment/Secondary (All)	55%	45%	63%	68%
Institutional (Large)	53%	45%	54%	66%
Institutional (Small/Mid-Size)	n/a	n/a	n/a	n/a
Institutional (All)	**53%**	**45%**	**54%**	**66%**
All Firms	57%	45%	62%	68%

Table 3: Management Fee Ratio As % of Funds

Firm Classification	Management Fee Ratios							
	As a % of All Funds				As a % of Most Recent Fund			
	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	1.0%	0.6%	0.9%	1.4%	3.8%	2.6%	3.0%	3.9%
LBO/VC/Growth Equity (Small/Mid-Size)	1.0%	0.0%	0.7%	1.7%	146.3%	0.0%	2.3%	4.0%
LBO/VC/Growth Equity (All)	**1.0%**	**0.4%**	**0.9%**	**1.5%**	**64.1%**	**1.7%**	**2.9%**	**4.1%**
LBO / Growth Equity (Large)	0.9%	0.6%	1.0%	1.3%	3.3%	2.7%	2.9%	3.4%
LBO / Growth Equity (Small/Mid-Size)	0.8%	0.0%	0.6%	1.2%	1.8%	0.0%	1.8%	2.7%
LBO / Growth Equity (All)	**0.9%**	**0.3%**	**0.8%**	**1.3%**	**2.7%**	**1.5%**	**2.8%**	**3.2%**
Venture Capital (Large)	1.2%	0.6%	0.9%	1.6%	4.4%	2.7%	3.0%	4.3%
Venture Capital (Small/Mid-Size)	1.1%	0.4%	1.1%	1.9%	2.8%	1.2%	2.9%	4.3%
Venture Capital (All)	**1.1%**	**0.5%**	**0.9%**	**1.9%**	**3.7%**	**2.5%**	**3.0%**	**4.3%**
Mezzanine/Debt (All)	**1.0%**	**0.0%**	**0.8%**	**1.7%**	**1.8%**	**0.3%**	**1.5%**	**2.4%**
Fund of Funds (All)	**0.3%**	**0.0%**	**0.3%**	**0.5%**	**1.7%**	**0.3%**	**1.3%**	**2.1%**
Co-Investment/Secondary (All)	**0.9%**	**0.0%**	**0.1%**	**1.1%**	**2.2%**	**0.0%**	**0.4%**	**2.0%**
Institutional (Large)	1.0%	0.2%	0.8%	1.5%	2.4%	1.2%	2.8%	3.0%
Institutional (Small/Mid-Size)	0.7%	0.0%	0.0%	1.4%	1.4%	0.0%	0.0%	2.8%
Institutional (All)	**0.9%**	**0.0%**	**0.8%**	**1.6%**	**2.2%**	**0.0%**	**2.6%**	**3.0%**
All Firms	**0.9%**	**0.0%**	**0.8%**	**1.5%**	**2.6%**	**0.4%**	**2.6%**	**3.4%**

Key Findings

Sources of Revenue (Continued)

Private equity firms that raise larger pools of capital tend to underwrite larger deals, which does not necessarily require more resources to transact. With this in mind, we would expect salaries and bonuses paid to private equity employees at individual firms to be highly correlated with assets under management.

This correlation between compensation and assets under management can be confirmed from the data. Firms that manage more money tend to pay more to their employees than others that manage less. To take one example from the report: Senior Partners (our 2nd level investment management position) at large buyout firms ($3.0 billion or more in assets under management). earned a median of $1,235,000 in salary and bonus in the 2020/21 report, compared with $675,000 for their counterparts at small buyout firms (less than $1.3 billion).

In fact, buyout firms in our survey pay more in salary and bonus than do venture firms in part because they tend to manage larger funds. In addition, many buyout professionals hail from the high-paying field of investment banking, and buyout firms compete to some extent with Wall Street for talent. Venture capitalists tend to have operational backgrounds in the less remunerative fields of technology, health care, and consulting.

Table 4: Hurdle Rates to Determine Carried Interest

Firm Classification	Firms Using Hurdle Rates to Determine Carried Interest									
	Preferred return with catch-up		Threshold return, no catch up		Money Multiple return with catch-up		Money Multiple return, no catch-up		Other Method	
	% of Firms	Rate	% of Firms	Rate	% of Firms	Rate	% of Firms	Rate	% of Firms	Rate
LBO/VC/Growth Equity	84%	8%	3%	0%	0%	0	5%	65%	8%	0%
LBO / Growth Equity	88%	8%	4%	0%	0%	0	4%	10%	4%	0%
Venture Capital	73%	6%	0%	0%	0%	0	9%	120%	18%	0%
Mezzanine/Debt	100%	8%	0%	0%	0%	0	0%	0%	0%	0%
Fund of Funds	78%	8%	0%	0%	0%	0	0%	0%	22%	8%
Secondary	0%	0%	0%	0%	0%	0	0%	0%	0%	0%
Debt	0%	0%	0%	0%	0%	0	0%	0%	0%	0%
Co-Investment/Secondary	100%	8%	0%	0%	0%	0	0%	0%	0%	0%
Institutional	87%	8%	0%	0%	0%	0	9%	65%	4%	0%
All Firms	86%	8%	1%	0%	0%	0	5%	65%	8%	8%

Salaries and bonuses comprise two legs of the compensation stool. The third, and most important to investment professionals, are carried interest distributions. This year has seen a rise in M&A and IPO activity, which in turn has led to a rise in exits for both buyout and venture capital funds. This increase is reflected in higher carried interest distributions across much of our survey samples.

Looking at hurdle rates used by firms, we see a similar narrative to the past few years. For LBO/Growth Equity firms, the majority (88 percent) must meet a "preferred return" that typically is 8 percent (followed by a "catch-up") – see Table 4. This strategy and percent rate were the most utilized last year as well. Venture Capital firms that utilize hurdle rates most often use a "preferred return" strategy as well, however their targeted return is lower than LBO firms at 6 percent.

Key Findings

2020-2021 Compensation Trends: Independent LBO/Growth Equity

As mentioned above, fundraising for North American private equity activity is extremely strong in 2021. North American headquartered firms raised a record $296.8 billion, according to Buyouts. If this pace continues into the second half of the year, which looks likely given continued investor confidence in the asset class, 2021 could be the healthiest year on record for the asset class from a capital raising perspective.

Deal-making in the U.S. buyout market increased steadily from 2015 to 2019, when deals totaling $753.2 billion in value closed, according to Pitchbook. In 2020, the market experienced a slight drop as deal value fell to $711.6 billion. Considering the extreme external circumstances, private equity M&A remained robust as firms adapted well and continued to get new deals and exits done while working remotely. 2021 looks set to mark a complete rebound from 2020's drop in momentum. In the first half $456.6 billion in deal value has been reported. Projecting for the full year, 2021 looks to set record all-time highs in deal value.

PE exits historically have had far less of an upward trajectory than deals. Totals have been steady at around $350 billion to $450 billion from 2014 to 2018. However, exit activity then slowed for the past two years. Values fell back in 2019 to $323 billion and started to climb back to $366 billion in 2020, according to Pitchbook. Exits have had the same revival in 2021 as the rest of private markets, where there has been $355 billion in activity in the first half alone.

As we have seen, compensation is strongly correlated to fundraising and deal volume. LBO/Growth Equity compensation has turned around in part due to the levels of activity in the market. After dropping across the board in 2020, median salaries and bonuses have increased or stayed at the same level for senior level employees and dropped slightly for more junior members. The data shows that the largest gainers in median compensation are senior partners $124k (12%) and partners $137.5k (21.5%). Associates and senior associates felt the largest drops in salaries and bonuses. There also is a slightly different mix of survey participants from year to year which can cause a slight variance in the figures.

Table 5: All LBO/Growth Equity, Common Job Titles, Compensation

Job Title	# Firms	Base Salary ($000)				Salary + Bonus ($000)				Carry Distribution ($000)				
		Avg.	25th	50th	75th	Avg.	25th	50th	75th	# .Firms	Avg.	25th	50th	75th
Managing General Pa	49	1,098.9	547.0	750.0	1,350.0	2,203.5	1,200.0	1,604.3	3,510.0	27.0	12,442.8	2,669.3	4,316.0	21,200.0
Senior Partner / Senio	55	704.2	493.8	625.0	800.0	1,276.8	850.0	1,124.3	1,375.0	26.0	2,789.6	500.0	1,047.5	5,947.3
Partner / MD(s) / Por	54	477.0	350.0	430.0	513.8	821.2	589.0	775.0	973.4	16.0	1,268.0	68.0	482.2	2,425.0
Principal / Director	39	299.6	239.5	268.3	362.5	506.1	364.0	485.3	625.0	4.0	571.1	275.0	424.3	837.2
Vice President	46	228.3	180.3	215.0	248.6	376.9	296.6	365.0	422.5	13.0	209.0	19.5	79.5	250.0
Senior Associate	33	188.5	160.0	175.0	190.6	304.0	216.0	275.0	327.6	3.0	191.0	191.0	191.0	191.0
Associate	52	126.6	102.7	122.5	136.3	194.5	144.4	200.0	242.1	3.0	0.0	0.0	0.0	0.0
Chief Operating Offic	23	479.8	235.0	350.0	725.0	837.9	594.5	700.0	1,125.0	1.0	2,115.0	180.0	2,115.0	4,050.0
Chief Financial Office	39	386.7	238.5	350.0	500.0	626.7	477.0	642.0	785.0	16.0	1,017.0	150.0	747.0	2,086.0

Key Findings

Human Capital

The decisions on hiring personnel have changed notably from last year. Looking at last year's survey, we saw that 36 percent of LBO/Growth Equity firms planned to add senior investment professionals to their staffs and 43 percent of these firms wanted to add non-partners to their firm. These figures were a slowdown in expansionary hiring from years previous thought to be mainly due to COVID.

According to this year's survey, firms seem to be in different places with their partner and non-partner levels. At the partner level, we can see that firms are content with the quantity they have, with 71 percent planning on no change in their partner employee count. At the non-partner level, firms look ready to return to more normalcy post-Covid and want to expand. 79 percent of firms are looking to increase their headcount levels and only 7 percent of firms at both levels are looking to decrease their team size.

Table 6: Staffing Changes 2020 and Projected 2021 , Investment Professionals Partners and Non-Partners, LBO/Growth Equity

	Increase				Decrease				No Change	
	2020		2021		2020		2021		2020	2021
	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)	% Firms	% Change (Median)		
Partners/M.D.	36%	13%	21%	14%	7%	21%	7%	61%	57%	71%
Non-Partners	43%	16%	79%	18%	25%	14%	7%	57%	32%	14%

In 2021, the average committed capital per partner is $359.5 million in our sample of LBO/Growth Equity firms for all active funds (see Table 10 below). This is slightly below the figure from the previous year (2020: $366.0 million). However, average committed capital per partner for Venture Capital firms has continued to increase, rising from last year's total of $216.4 million to $276.3 million.

The number of portfolio companies per investment manager has changed from last year. In Venture Capital, they have 14.5 companies per partner (average) and 7.5 per investment professional, up from 11.6 and 6.1 respectively last year. However, LBO/Growth Equity firms decreased their portfolio sizes, reporting 6.3 companies and 2.3 per investment professional compared to 7.5 and 2.5 last year. This maintains the standard of venture capital firms managing more companies than LBO/Growth Equity firms.

Table 7: Investment Manager Ratios

Firm Classification	Committed Capital (All Active Funds) Per Investment Manager - Millions							
	Partner / M.D.				All Investment Professionals			
	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	349.2	676.3	813.2	2,407.5	138.8	71.3	85.8	253.9
LBO/VC/Growth Equity (Small/Mid-Size)	264.0	420.7	797.3	1,171.5	134.2	49.3	93.4	137.3
LBO/VC/Growth Equity (All)	315.9	522.4	838.7	1,688.5	137.4	56.8	91.2	183.5
LBO / Growth Equity (Large)	424.9	899.3	1,866.7	2,732.0	147.0	105.8	219.6	321.4
LBO / Growth Equity (Small/Mid-Size)	244.8	242.7	583.3	915.2	104.0	28.1	67.6	106.1
LBO / Growth Equity (All)	359.5	564.7	1,182.7	1,562.9	133.4	65.9	138.1	182.5
Venture Capital (Large)	281.5	339.6	681.3	788.6	128.8	32.4	65.1	75.3
Venture Capital (Small/Mid-Size)	280.0	1,287.5	1,647.5	2,125.0	173.0	119.5	152.9	197.2
Venture Capital (All)	276.3	490.9	856.4	1,382.4	142.2	49.1	85.7	138.4
Mezzanine/Debt (All)	204.7	164.7	233.4	692.0	60.0	14.8	20.9	62.1
Fund of Funds (All)	662.6	935.9	1,333.3	1,944.4	245.4	97.7	139.1	202.9
Co-Investment/Secondary (All)	173.7	273.0	402.0	775.1	59.9	29.5	43.4	83.7
Institutional (Large)	268.6	773.3	1,016.6	2,229.3	98.2	63.1	83.0	182.0
Institutional (Small/Mid-Size)	212.3	574.6	2,200.0	2,200.0	241.9	143.6	550.0	550.0
Institutional (All)	252.7	553.9	1,079.2	1,760.0	108.7	47.9	93.4	152.3
All Firms	306.3	429.6	871.4	1,648.8	125.9	41.9	84.9	160.6

Firm Classification	Management Fees Per Investment Manager - Millions							
	Partner / M.D.				All Investment Professionals			
	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	3.0	5.5	9.1	21.5	1.2	0.6	1.0	2.3
LBO/VC/Growth Equity (Small/Mid-Size)	3.9	5.2	7.3	14.7	2.0	0.6	0.9	1.7
LBO/VC/Growth Equity (All)	3.3	5.1	8.5	20.2	1.4	0.6	0.9	2.2
LBO / Growth Equity (Large)	4.0	8.1	20.7	26.7	1.4	1.0	2.4	3.1
LBO / Growth Equity (Small/Mid-Size)	2.7	4.2	5.4	7.1	1.1	0.5	0.6	0.8
LBO / Growth Equity (All)	3.7	4.6	12.6	18.4	1.4	0.5	1.5	2.2
Venture Capital (Large)	2.0	4.6	5.5	8.8	0.9	0.4	0.5	0.8
Venture Capital (Small/Mid-Size)	4.8	10.0	25.0	34.0	2.9	0.9	2.3	3.2
Venture Capital (All)	2.9	5.8	6.8	17.3	1.5	0.6	0.7	1.7
Mezzanine/Debt (All)	1.7	2.8	3.1	4.7	0.5	0.3	0.3	0.4
Fund of Funds (All)	2.3	1.3	3.9	10.1	0.8	0.1	0.4	1.1
Co-Investment/Secondary (All)	1.4	0.9	3.8	5.2	0.5	0.1	0.4	0.6
Institutional (Large)	1.9	5.5	6.6	17.2	0.7	0.4	0.5	1.4
Institutional (Small/Mid-Size)	1.1	7.3	7.5	8.4	1.3	1.8	1.9	2.1
Institutional (All)	1.8	5.6	6.8	13.1	0.8	0.5	0.6	1.1
All Firms	2.6	4.6	5.9	15.9	1.1	0.5	0.6	1.5

Firm Classification	Portfolio Companies Per Investment Manager							
	Partner / M.D.				All Investment Professionals			
	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	12.2	20.6	50.8	72.0	4.8	2.2	5.4	7.6
LBO/VC/Growth Equity (Small/Mid-Size)	6.9	10.7	14.4	29.1	3.5	1.3	1.7	3.4
LBO/VC/Growth Equity (All)	10.5	15.3	31.1	58.0	4.6	1.7	3.4	6.3
LBO / Growth Equity (Large)	6.6	18.7	23.3	52.7	2.3	2.2	2.7	6.2
LBO / Growth Equity (Small/Mid-Size)	5.7	4.9	8.3	15.5	2.4	0.6	1.0	1.8
LBO / Growth Equity (All)	6.3	10.0	17.3	36.0	2.3	1.2	2.0	4.2
Venture Capital (Large)	17.3	49.4	69.4	125.0	7.9	4.7	6.6	11.9
Venture Capital (Small/Mid-Size)	8.2	27.0	50.0	56.0	5.1	2.5	4.6	5.2
Venture Capital (All)	14.5	34.2	54.1	130.7	7.5	3.4	5.4	13.1
Mezzanine/Debt (All)	11.2	12.4	14.0	21.4	3.3	1.1	1.3	1.9
Fund of Funds (All)	11.2	17.4	20.8	28.1	4.2	1.8	2.2	2.9
Co-Investment/Secondary (All)	10.0	21.0	24.0	32.4	3.4	2.3	2.6	3.5
Institutional (Large)	12.8	27.2	61.4	148.6	4.7	2.2	5.0	12.1
Institutional (Small/Mid-Size)	5.0	31.5	43.0	43.0	5.8	7.9	10.8	10.8
Institutional (All)	12.0	28.0	63.2	152.8	5.2	2.4	5.5	13.2
All Firms	11.2	20.3	33.6	59.6	4.6	2.0	3.3	5.8

Scope and Methodology

PART 2. Sections II - IV: Strategy and Design

PART 2. Sections II - IV are the qualitative or "How" sections of the report. We collected and analyzed data concerning financial and operations information; human capital practices; and the design of compensation plans including salary, bonus/incentive plans, carried interest plans, co-investment plans, general partner commitment and employee benefits. Although this is 2021 information, we believe it can be helpful in planning for 2022.

PART 2. Sections II - IV Firm Classifications:

We classify firms by type and by committed capital to all active funds. Altogether we created 14 sample groups to complement our discussion of firm-wide compensation issues (Sections II-IV of report). The smaller samples (ie. Large VC or small/mid-size VC) correspond to your peer groups; the larger samples (ie. All Firms) showcase broader industry trends.

- LBO/VC/Growth Capital: Combines LBO / Growth Equity and VC firms into one “Catch-All” category with a standard 20% carried interest

  > Large: firms with $3.0 billion plus in committed capital (all active funds)

  >Small/Mid-Size: firms with less than $3.0 billion in committed capital (all active funds)

  >All Firms

- LBO / Growth Equity – same as LBO/VC/Growth Capital:
- Venture Capital – same as LBO/VC/Growth Capital:
- Institutional – All Firms
- Mezzanine/Debt - All Firms
- Fund of Funds - All firms
- Secondary/Co-Investment – All firms
- All Firms (includes all investment types as described above)

Overall, 120 organizations participated in the survey, who provided information on 4,074 workers, employed in 46 different positions, ranging from analyst to managing general partner on the investment side and receptionist to chief operating officer on the administrative side. The survey questionnaire consisted of two parts. The first gathered data on firm-wide recruiting and compensation practices, such as the structure of carried interest and co-investment programs; the second gathered data on the compensation packages of individual employees.

Sample Characteristics

The table below shows you the number of firms populating each of the 14 sample groups used in Sections II-IV of this report covering firm-wide compensation practices. You can also see the make-up of each sample in terms of assets under management (committed capital, all active funds).

Table 8: Firm Size Statistics

Firm Classification	Committed Capital ($Millions)				
	All Active Funds				
	# Firms	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	33	2,640.90	1,052.00	1,265.00	3,745.00
LBO/VC/Growth Equity (Small/Mid-Size)	23	1,639.37	788.74	1,495.00	2,196.50
LBO/VC/Growth Equity (All)	**56**	**2,229.56**	**864.00**	**1,387.10**	**2,792.50**
LBO / Growth Equity (Large)	17	2,974.13	1,349.00	2,800.00	4,098.00
LBO / Growth Equity (Small/Mid-Size)	11	1,493.16	582.46	1,400.00	2,196.50
LBO / Growth Equity (All)	**33**	**2,392.32**	**1,042.50**	**2,183.50**	**2,885.28**
Venture Capital (Large)	16	2,286.84	543.41	1,090.00	1,261.79
Venture Capital (Small/Mid-Size)	12	1,773.40	1,287.50	1,647.50	2,125.00
Venture Capital (All)	**28**	**2,066.80**	**717.50**	**1,251.65**	**2,020.50**
Mezzanine/Debt/Real Estate (All)	**8**	**1,049.18**	**411.85**	**583.60**	**1,730.00**
Fund of Funds (All)	**10**	**3,533.93**	**1,684.67**	**2,400.00**	**3,500.00**
Co-Investment/Secondary (All)	**8**	**943.12**	**455.00**	**670.00**	**1,291.75**
Institutional (Large)	24	2,238.36	994.30	1,307.00	2,866.25
Institutional (Small/Mid-Size)	7	1,485.88	574.57	2,200.00	2,200.00
Institutional (All)	**33**	**2,068.44**	**692.34**	**1,349.00**	**2,200.00**
All Firms	**120**	**2,126.15**	**677.48**	**1,374.20**	**2,600.00**

Scope and Methodology

PART 3. Sections V - VII: Compensation Data

PART 3. Sections V – VII are the quantitative or "How Much" sections of the report. We collected and analyzed data for various positions on salaries, bonuses, and carried interest distributions. It also covers carried interest as a percent of the fund and as “dollars at work” from both “most recent fund” and “all active funds.”

The table below is an example of the exhibits we provide to summarize data collected on Part 3 of the survey report.

Sample Tables: PE 02. Senior Partner / Senior Managing Director (s) – All LBO/VC/Growth Capital combined (Details in full report)

Job Title	# Firms	Base Salary ($000)				Salary + Bonus ($000)				Carry Distribution ($000)				
		Avg.	25th	50th	75th	Avg.	25th	50th	75th	#Firms	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	30	752	500	613	793	1,326	1,031	1,180	1,375	15	2,979	500	941	5,947
LBO/VC/Growth Equity (Mid-Size)	18	680	500	738	816	1,108	850	1,045	1,200	10	2,751	1,048	1,350	2,795
LBO/VC/Growth Equity (Small)	4	381	344	375	413	802	611	675	866	1	-	-	-	-
LBO/VC/Growth Equity (All)	**52**	**699**	**488**	**600**	**800**	**1,211**	**844**	**1,092**	**1,309**	**26**	**2,790**	**500**	**1,048**	**5,947**

Job Title	# Firms	Carried Interest											
		% of Most Recent Fund				Dollars At Work Most Recent Fund (Millions)				Dollars At Work All Active Funds (Millions)			
		Avg.	25th	50th	75th	Avg.	25th	50th	75th	Avg.	25th	50th	75th
LBO/VC/Growth Equity (Large)	20	1.6%	1.0%	1.3%	2.3%	19.9	8.0	25.0	35.0	48.3	25.9	51.5	64.8
LBO/VC/Growth Equity (Mid-Size)	14	2.3%	1.5%	2.1%	3.3%	14.8	10.9	11.4	14.2	40.8	24.0	32.5	60.2
LBO/VC/Growth Equity (Small)	3	6.5%	5.8%	7.4%	7.7%	10.6	6.7	9.4	13.8	23.9	15.8	18.9	29.5
LBO/VC/Growth Equity (All)	**37**	**2.3%**	**1.3%**	**1.8%**	**3.2%**	**17.4**	**9.9**	**11.8**	**26.0**	**43.5**	**25.9**	**51.3**	**63.1**

Levels Of Compensation:
For each sample statistic we typically show average, 25th percentile, median and 75th percentile. Please bear in mind that the average can be influenced by particularly high or low data points in the sample, especially if the sample size is small. Most firms that use compensation surveys set compensation targets somewhere between the median and the 75th percentile.

Firm-Weighted Data versus Incumbent-Weighted Data:
Compensation reports based on employee surveys may show data on either an incumbent-weighted or a firm-weighted basis. Incumbent-weighted samples simply include all employees in the sample, even if a significant percentage of them all work for the same firm; the results may therefore be unduly influenced by one or more firms and won't be representative of the overall marketplace. We can correct for this potential flaw by calculating the data on a firm-weighted basis. For example, assume there are 10 firms in a survey and nine firms have one incumbent on a position and one firm has 10 incumbents. The firm with 10 incumbents would affect over 50% of the data. However, if we average the 10 incumbents in the one firm and treat them as one, we eliminate this issue. (When we combine all sizes of data for investment managers, we modify between the employee and firm data by weighting small firm data once; mid-size data twice; and large size data three times.)

Mix of Compensation Types:
In our employee compensation tables we show salaries; salaries plus bonuses; and carried interest distributions. However, firms in our samples may view the mix of these compensation components in different ways and give more emphasis to one or the other. Venture firms tend to pay high salaries and low bonuses, while buyout firms, with their roots in investment banking, tend to pay lower salaries and larger bonuses. Most firms see carried interest as the most important compensation component – at least for higher level employees – as it rewards long-term positive performance on behalf of the firm and its investors. In light of this, well-established firms whose partners already have a high net worth may well pay relatively low salaries and/or bonuses. This of course can vary based on the amount of management and other fees that are received as revenues.

Carry Distributions
Historically, we have added carried interest distributions to salary plus bonus. There is a "flaw" in this approach because many firms do not report the distributions. They may consider the data confidential or simply do not wish to take the time to report them. Thus, if 10 firms report salary plus bonus, but only five of them report distribution we previously were dividing by ten to obtain salary plus bonus plus distributions. Starting in 2014, we do not add the distributions to salary plus bonus. We show the distributions separately but only for those that reported a distribution. (From our above example, we divide by five rather than ten). Firms can decide for themselves how to use this data.

Carried Interest Plan Allocation:
Where applicable, we show three carried interest allocations. The first is the **percent of the most recent fund (and not the percent of the carry, as the carry may or may not be 20%) because percent of the fund normalizes the data regardless of the percent of the carry. The percent** allocated to each employee as carried interest also is referred to as **carried interest points**. Employees typically share the 20 or other points of carry allocated to the GP, although a portion may be allocated to a parent company, or held in reserve for future hires and promotions. We also show the **carried interest "dollars at work**" for the most recent fund, which is the carried interest points assigned an employee multiplied by the size of the fund. For example, a partner with 1 point of carry on a $100 million fund has $1 million at work in that fund—in other words, the dollars at work that can result in realized investment gains. We also show the most important feature of carried interest - the dollars at work for all active funds.

Scope and Methodology

PART 3. Sections V - VII : Compensation Data

PART 3. Sections V - VII. Firm Classification: For our analysis of employee compensation starting in Section V of this report we created 20 samples, described below. Institutional firms (groups sponsored by banks or other large parents) are included in these samples unless otherwise noted.

- LBO/VC/Growth Capital: Combines LBO / Growth Equity, and Venture Capital firms.
  - Large: $3.0 billion or more
  - Mid Size: $1.3 billion – $3.05 billion
  - Small: Less than $1.3 billion
  - All Firms
- LBO / Growth Equity – same as LBO/VC/Growth Capital
- Venture Capital – same as LBO/VC/Growth Capital
- Institutional – Large followed by combined mid and small size
- Mezzanine/Debt - All Firms
- Fund of Funds - All Firms
- Co-Investment/Secondary - All Firms
- Canada – All Firms
- Asia Pacific - All Firms

Scope & Methodology

Partial Participant List (Certain firms have requested anonymity)

VENTURE CAPITAL

5 AM Ventures
Abingworth LLP
Ascension Ventures
Bain Capital (Healthcare Unit)
Bessemer Venture Partners
Bond Capital Management, LP
Business Development Bank of Canada
Capricorn Investment Group LLC
CRV, LLC (Charles River Ventures)
Emergence Capital
Forgepoint Capital Management
F-Prime Capital Partners
F-Prime Health
F-Prime Tech
GV (Google Ventures)
Grotech Ventures
Icon Ventures
Inovia Capital Inc.
IVP (Institutional Venture Partners)
Longitude Capital Management
March Venture Capital Management Services LLC
Nextech Invest Ltd
NVP (Norwest Venture Partners)
Pappas Capital, LLC (Pappas Ventures)
RiverVest Venture Partners
Robert W. Baird
Saudi Aramco Energy Ventures
Scale Venture Partners
Silicon Valley Bank
SV Health Investors, LLC
Tecum Capital
Third Rock
Vivo Capital, LLC

LBO/GROWTH EQUITY

Abingworth LLP
Ampersand Capital Partners
Ascension Ventures
Birch Hill Equity Partners
Bregal Investments, Inc.
Business Development Bank of Canada
Capricorn Investment Group LLC
Financial Investments Corporation
Fremont Group
CapitalG (Google Capital)
Great Hill Partners LP
Guardian Capital Partners
HGGC, LLC
Inovia Capital Inc.
Industrial Growth Partners
JMI Equity
Landon Capital Partners
Lovell Minnick Partners
Norwest Equity Partners
NVP (Norwest Venture Partners)
NovaQuest Capital Management
Proterra Investment Partners LP
RCF Management LLC
Robert W. Baird
Sun Capital Partners
Tecum Capital
The Edgewater Funds
TTCP Management Services, LLC
TVV Capital
Vivo Capital, LLC
Waterstreet Healthcare Partners

FUND OF FUNDS

57 Stars
Abbott Capital Management, LLC
BlackRock Private Equity Partners
Bregal Investments, Inc.
Business Development Bank of Canada
C.M. Capital Corporation
Capital Dynamics
Capricorn Investment Group LLC
Glouston Capital Partners
Renassance Venture Capital
Silicon Valley Bank
True Bridge Capital Partners
Twin Bridge Capital Partners

INSTITUTIONAL

Ascension Ventures
BlackRock Private Equity Partners
Bregal Investments, Inc.
Business Development Bank of Canada
Financial Investments Corporation
F-Prime Capital Partners
F-Prime Health
F-Prime Tech
CapitalG (Google Capital)
GV (Google Ventures)
Norwest Equity Partners
Norwest Mezzanine Partners
NVP (Norwest Venture Partners)
Robert W. Baird
Silicon Valley Bank
True Bridge Capital Partners
TTCP Management Services, LLC

CO-INVESTMENT/SECONDARY

57 Stars
Abbott Capital Management, LLC
BlackRock Private Equity Partners
Bregal Investments, Inc.
Business Development Bank of Canada
Capital Dynamics
Capricorn Investment Group LLC
Glouston Capital Partners
True Bridge Capital Partners
Twin Bridge Capital Partners
Vivo Capital, LLC

MEZZANINE/DEBT/REAL ESTATE

Bregal Investments, Inc.
C.M. Capital Corporation
Fremont Group
Norwest Mezzanine Partners
Proterra Investment Partners LP
Silicon Valley Bank
Tecum Capital
Yukon Capital Partners

About The Authors

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Holt Private Equity Consultants specializes in assisting clients with private equity/venture capital organizational and human resources issues, which includes compensation and performance management. The Holt firm has designed numerous carried interest and co-investment plans, as well as annual incentive plans. It also has consulted with various real estate and investment/funds management organizations.

He has been an "expert witness" on numerous occasions.

Prior to founding Holt private equity Consultants in 2001, Mike Holt was a consultant with William M. Mercer, KPMG, and Hay Management Consultants, where among other things he conducted private equity/venture capital compensation surveys. Previously, he was head of compensation and employee benefits at Norwest (now Wells Fargo) and for Pillsbury (consumer products).

Mike received his undergraduate degree at the University of Notre Dame and a Masters Degree in Business Administration from Roosevelt University. He also served as a Lieutenant in the U.S. Army.

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We put into place strategies that ensure client remuneration programs are integrated with business goals. Experience shows us that when a business achieves this integration, the overall competitiveness and value of the business increases substantially.

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