



Latin American Private Capital

FUND TERMS & COMPENSATION

AVERAGE FUND TERMS IN LATIN AMERICAN PRIVATE CAPITAL

Fund Terms

62% of the surveyed general partners (GPs) indicate that their term for their Latin American private capital funds is 10 years, with 13% indicating 9 years and 2% indicating 8 years. This results in line with the traditional 10-year term for most private equity funds. The average number of years for this term is 10 years. (RE GPs) 60% of the surveyed managers indicating 10 years for their term.

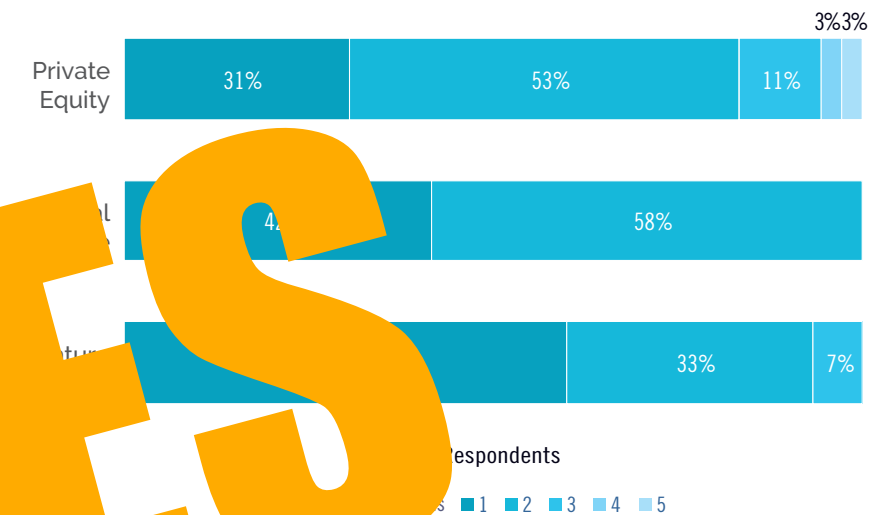
Average Term of Latin American Private Capital Funds (excluding extensions)



Number of Extensions

70% of the surveyed general partners (GPs) require extensions for their Latin American private capital funds, with 31% requiring one extension, 53% requiring two extensions, and 11% requiring three or more extensions. 3% of the surveyed managers that require extensions are followed by 3% of the surveyed managers that do not require extensions. RE GPs (Real Estate) have done so more often than VC GPs (Venture Capital), as compared to only 7% of VC GPs.

Number of Extensions of Latin American Private Capital Funds



Management Fees Charged

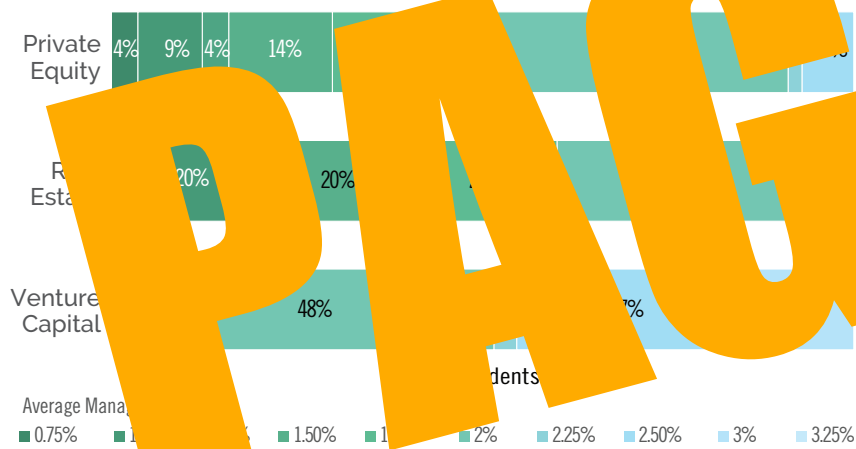
46% of respondents cited 2% as the most management fee charged by the most recent private capital fund during the period. The next highest was between 0.75% and 1%, and 2% between 2.25% and 3%.

60% of respondents cited 2% as the most management fee charged by the most recent private capital fund during the period, while 15% of respondents cited 1% and less than 2%.

Half of respondents cited 2.25% as the most management fee charged by their most recent fund.

According to Cambridge Associates, management fees charged by VC firms have developed a more varied structure on the VC class. Across private equity and VC, the management fees normally range from 1.5% to 2.0% depending on asset size, fund size, and fund sequence. Meanwhile, average management fees in venture tend to be slightly higher, ranging between 2.0-2.5%, dependent on the same factors aforementioned.

Management Fee Charged by Private Capital GPs (according to their most recent Latin American fund during the period)



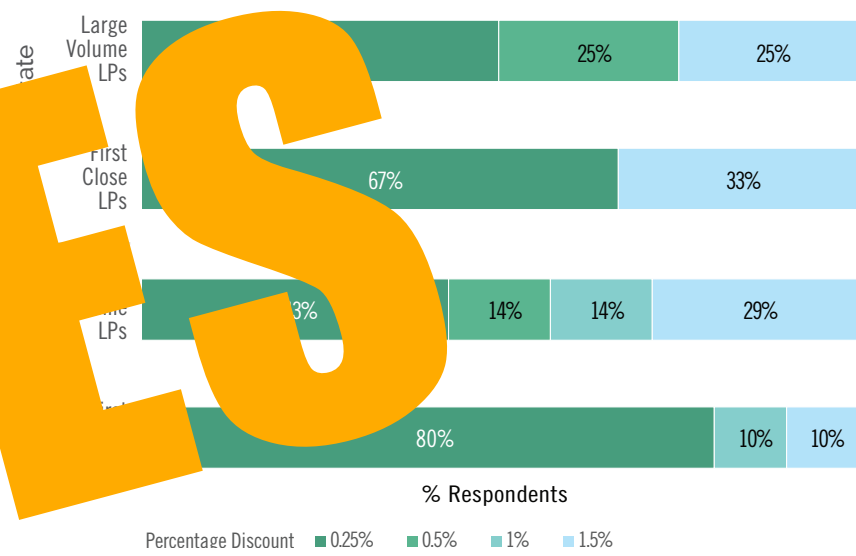
Management Fee Discounts

One management fee structure offers a management fee discount for first close or large volume LPs that grant at least two thirds of RE LPs or more a 1% discount in management fees with terms offering discounts ranging between 0.25% and 1.5%.

and VC firms managing mid-size funds between US\$200m to US\$500m most often offer discounts. 70% of these firms offer management fee discounts for first close LPs, while 60% offer discounts for large volume LPs.

Overwhelming majority of VC firms (91%) do not offer management fee discounts to first close or large volume LPs.

Management Fee Discounts for First Close or Large Volume LPs



PERFORMANCE FEE CALCULATIONS FOR LATIN AMERICAN PRIVATE CAPITAL FUNDS

ALIGNMENT OF INTERESTS (GP Commitments, Hurdle Rates, and Carry) for Latin American Private Capital Funds

Performance Fee Model

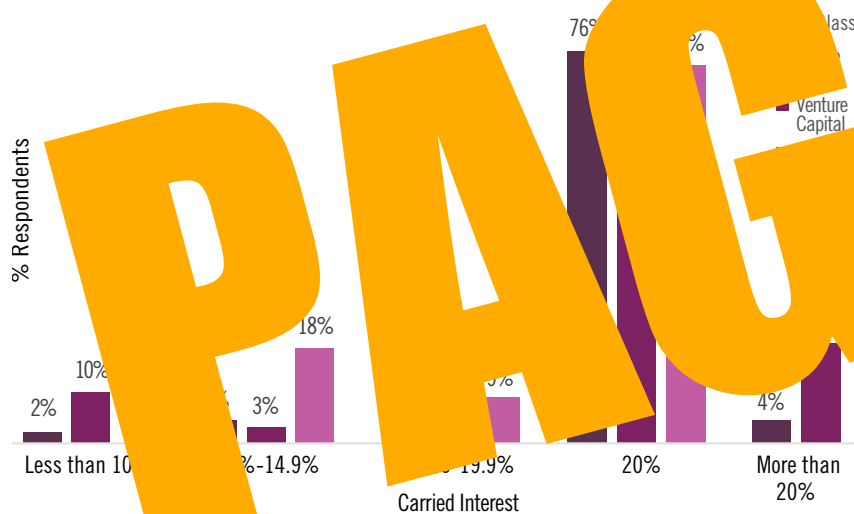
83% of GPs indicated they calculate the carry on a whole fund basis (often referred to as “European style” carry) for their private capital funds. Under this scheme, GPs collect the carry on the fund level. LPs have the right to distribute the carry to the fund manager. The fund manager then distributes the carry to the LPs. LPs have the right to obtain the carry if they meet a hurdle rate. Hurdle rates have been attached to the carry in high-growth private equity market trend of funds using carry on a whole fund basis.

When using an American-style carry model, PE firms favored a carry of 20%. Real estate firms did not manifest a preference for a specific carry range.

Only 14% of respondents use a deal-by-deal basis (often referred to as “American style” carry) as the method to collect the carry. In this case, GPs can collect carry on a deal-by-deal basis. LPs have been paid back the contribution to the fund. The hurdle rate required for these exited investments.

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Performance Fees for European Carry Model



Commitment

LPs in a whole fund model that have the game in order. The commitment of funds with GPs. LPs have the right to make commitments of 1% and 1% of the fund size or more. LPs manage the fund. LPs are interested in developed markets. LPs are interested in their interaction with managers.

Third-party respondents make GP commitments of 5% or more of fund size. 40% of RE firms commit 5% or more, while 30% of PE and VC firms commit 5% or more.

Size of GP Commitment

