

# Infrastructure Investor

In partnership with Proskauer

## How have fund terms evolved since 2015?

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# Remarkably stable

Our sample consists of 18 funds - almost all large multi-billion dollar vehicles - raised by four European and five US managers. Every manager has a fund in each of the two vintage periods: 2015-19 and 2020-22.

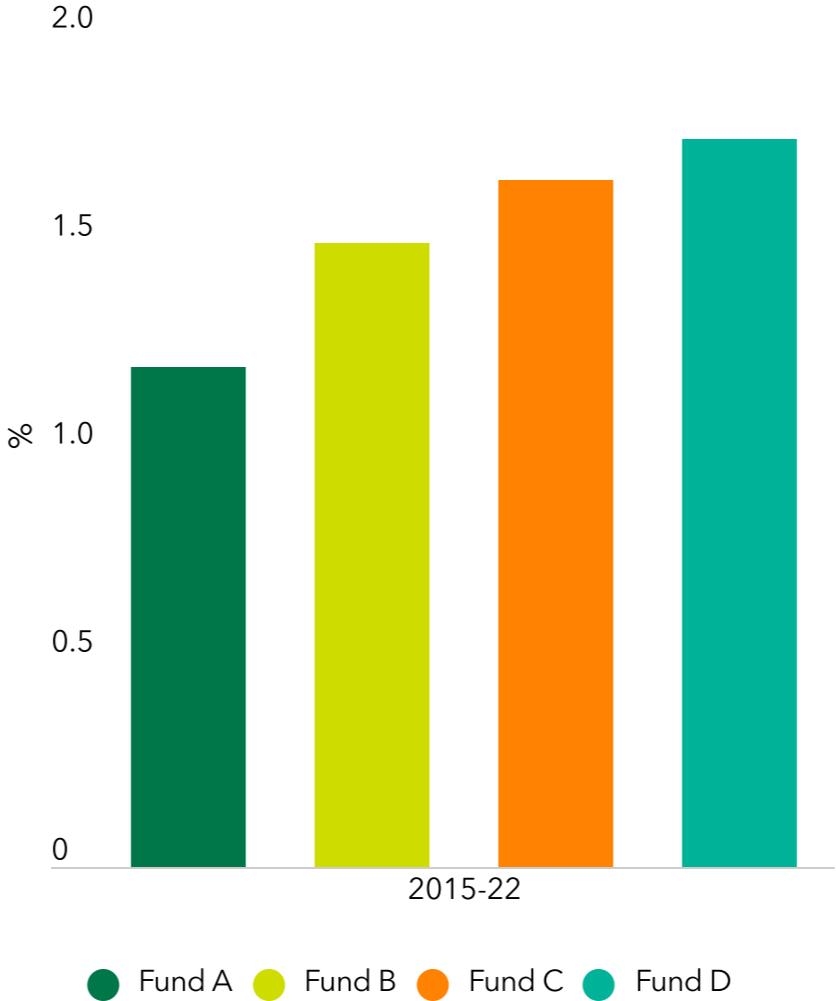
Headline fees of 1.50 to 1.75 percent dominated both regions, with 1.50 percent being the norm in the US and Europe displaying some more variety.

Within each region, there were no changes from one vintage period to the next. Note that these are headline management fees before discounting.

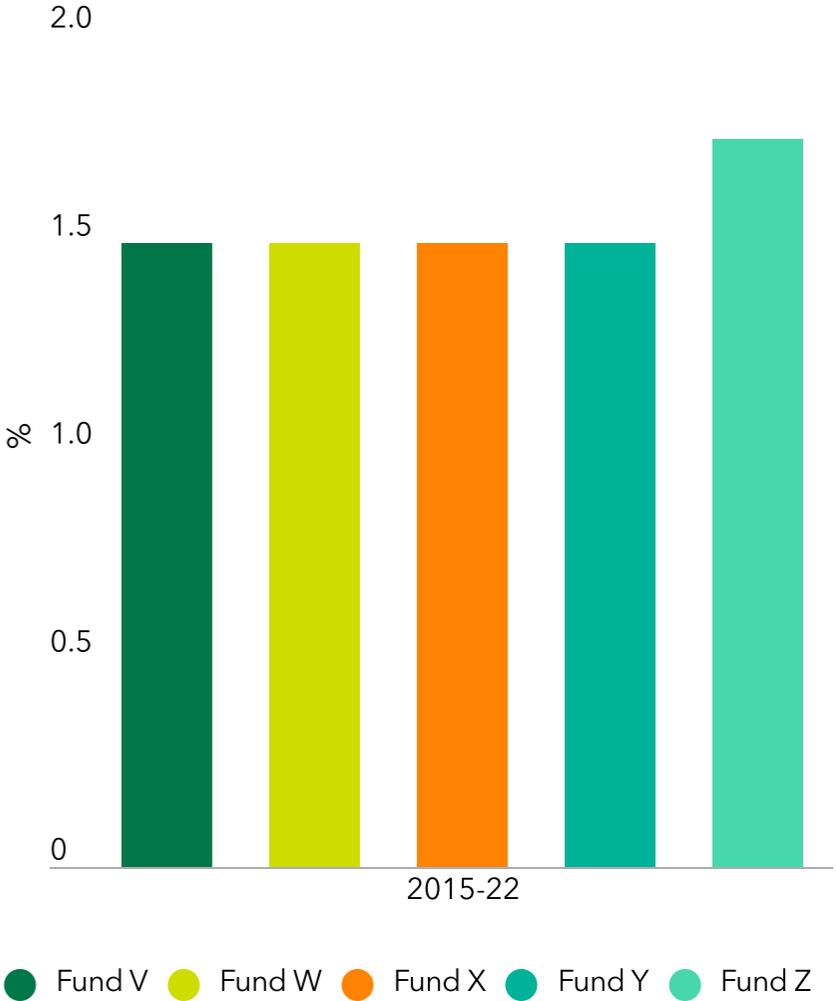
Transaction fee offset was 100 percent for all funds and vintages analysed.

## Headline management fees

### European funds



### US funds



# US offers a variety of discounts...

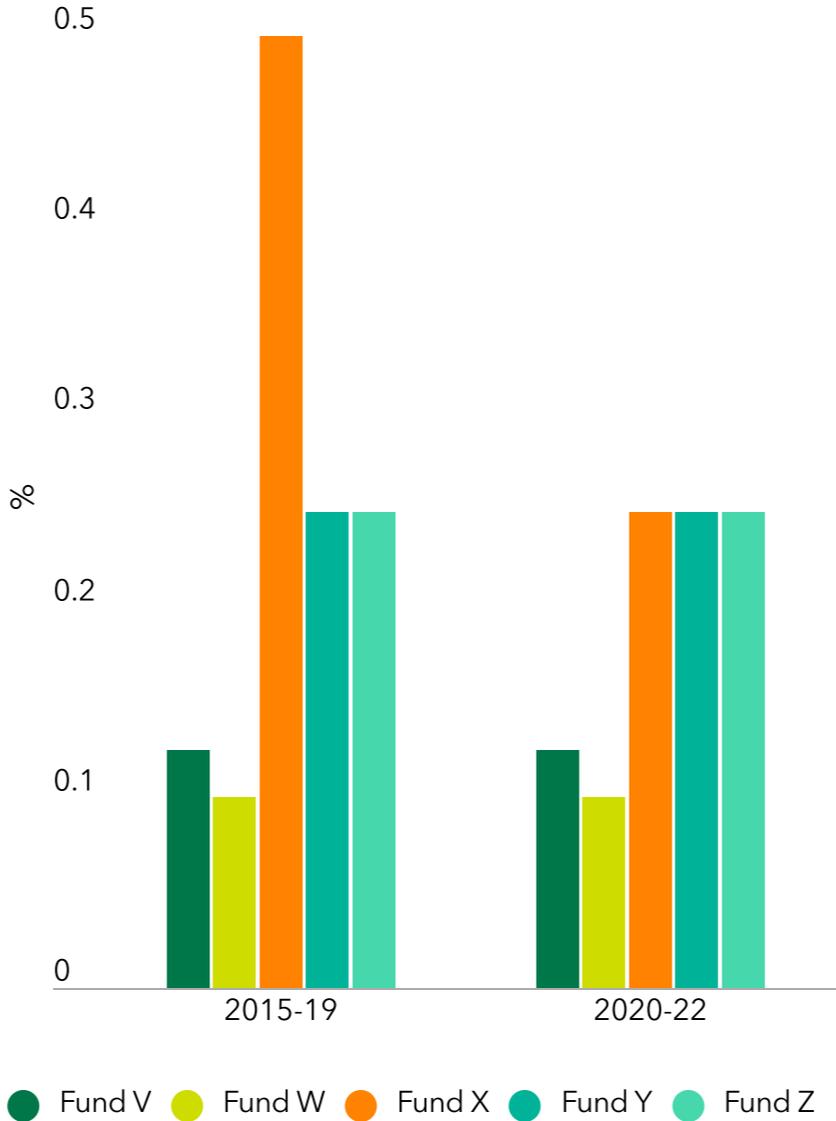
In our sample, a commitment of no less than \$75 million was necessary to qualify for a volume discount in the US. To score the largest discounts, LPs needed to commit between \$220 million and \$500 million.

US discounts varied considerably, ranging from 0.10 percent all the way to 1.00 percent.

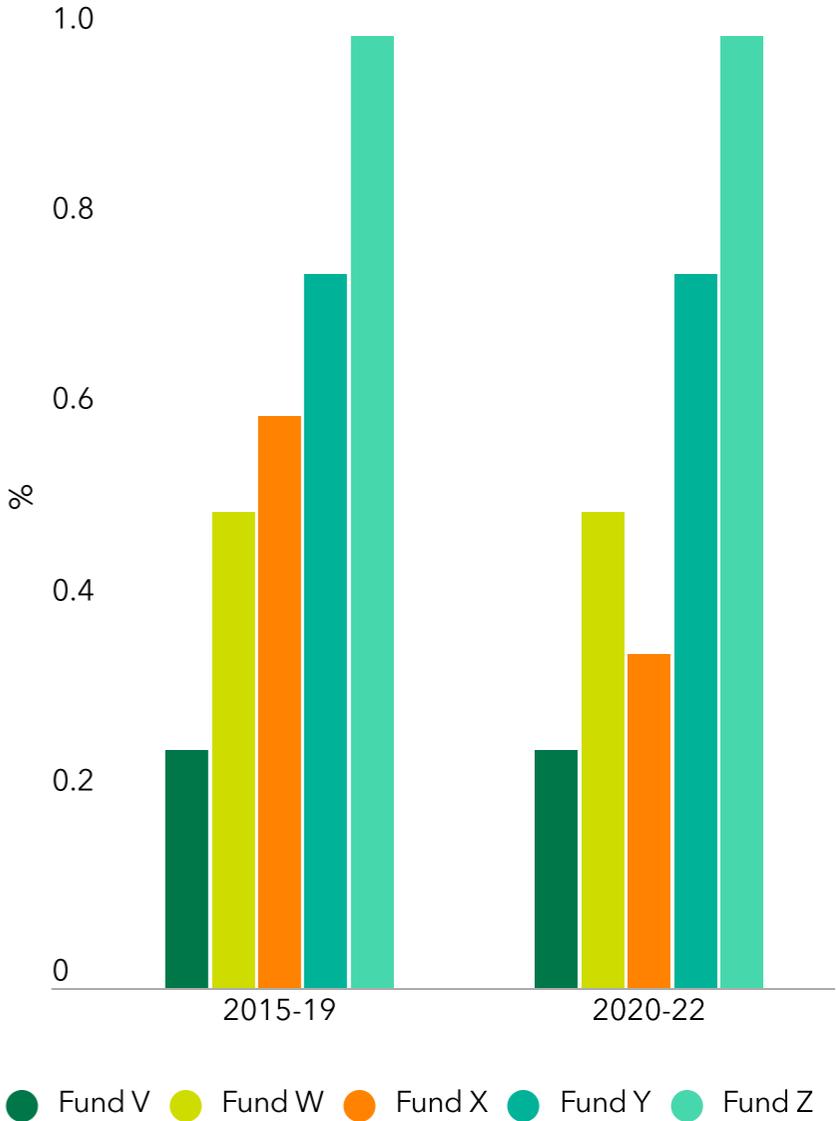
However, the discounts on offer by US GPs were remarkably stable across vintage periods.

In fact, only one GP changed the discounts on offer significantly from one vintage period to the next.

### The US minimum volume discount



### The US maximum volume discount



## ... And favours the early birds

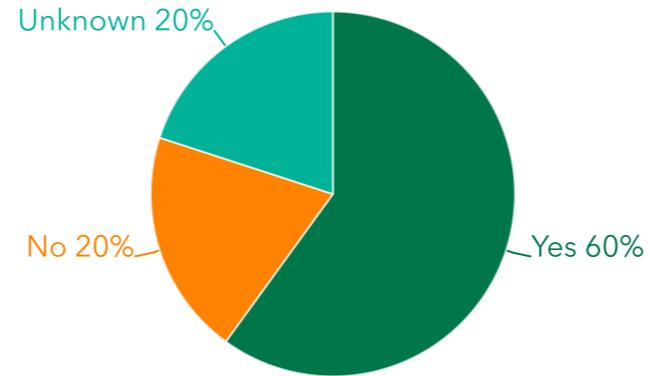
Early bird discounts were always popular with US GPs but they have become omnipresent in the latest vintage period, demonstrating that this type of discount is now a fixture in infrastructure.

This goes against the prevailing trend in private equity.

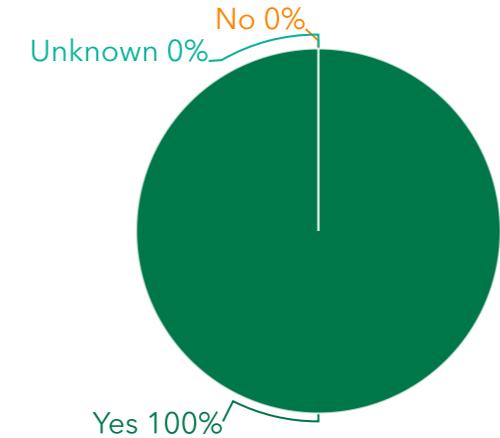
The picture is different when it comes to loyalty discounts. While loyalty discounts have become more widely offered in the latest vintage period, they were not present with the same regularity as early bird discounts.

### US presence of early bird discount

2015-19

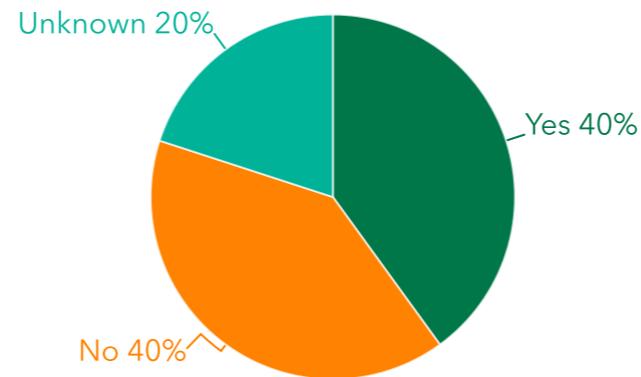


2020-22

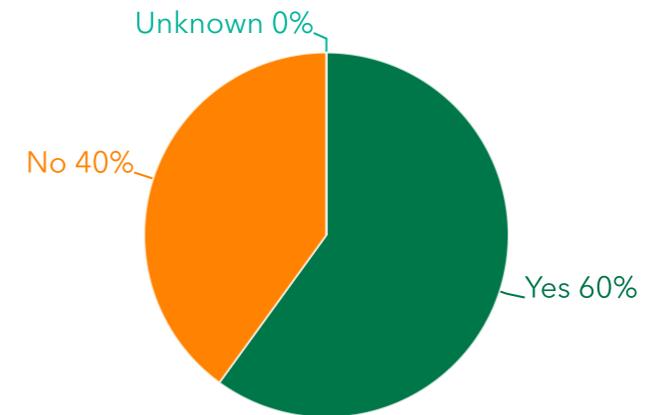


### US presence of loyalty discount

2015-19



2020-22



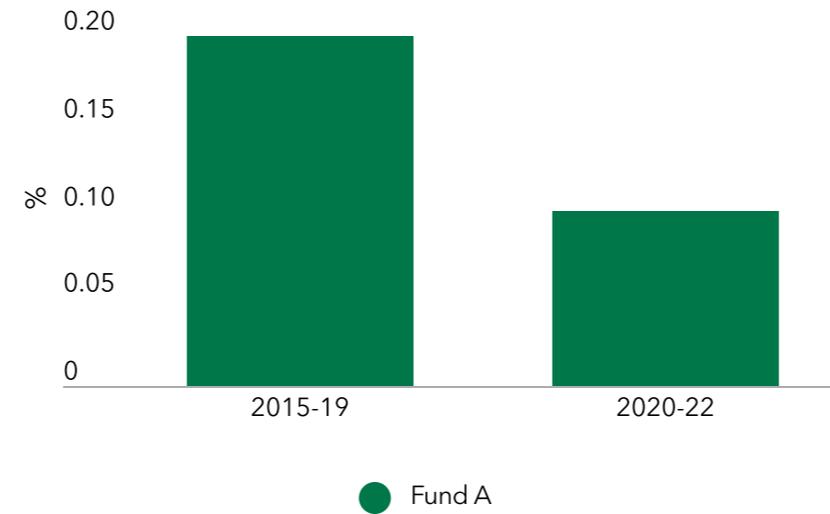
## Europe is all about the side letters

Details on European discounts are thought to be tucked away in side letters. Of the four European managers in our sample, only one disclosed the discounts on offer for their funds in the LPA.

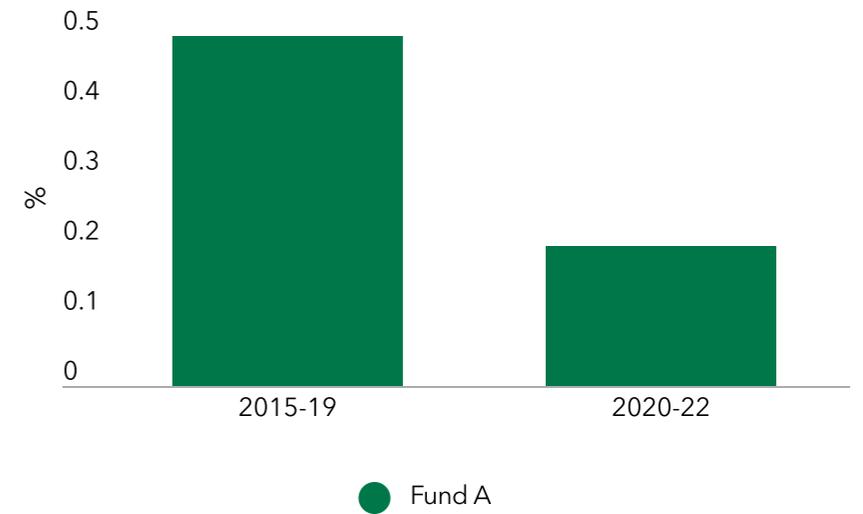
For the one fund available for analysis, all types of discounts were available, although minimum and maximum volume discounts were halved from one vintage to the next.

Early bird and loyalty discounts were offered in both vintage periods for the European manager in question.

### European minimum volume discount

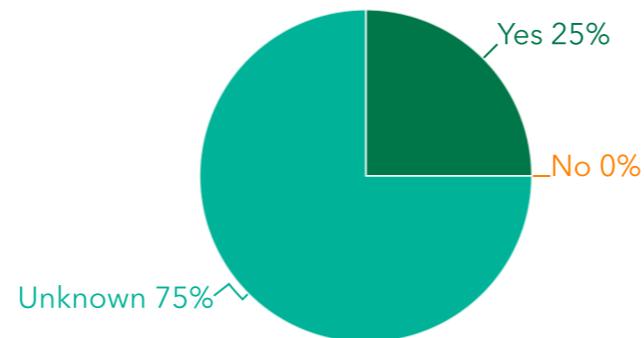


### European maximum volume discount



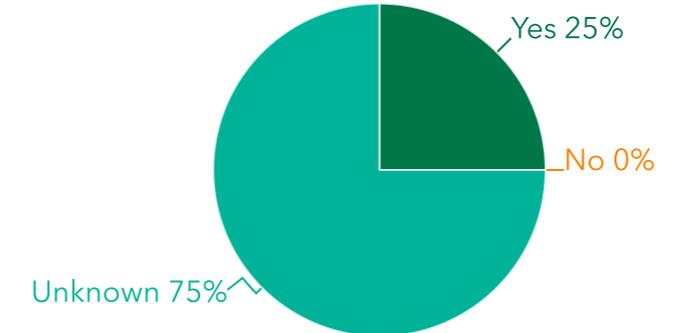
### European early bird discount

2015-22



### European loyalty discount

2015-22



## Str-eight-forward preferences

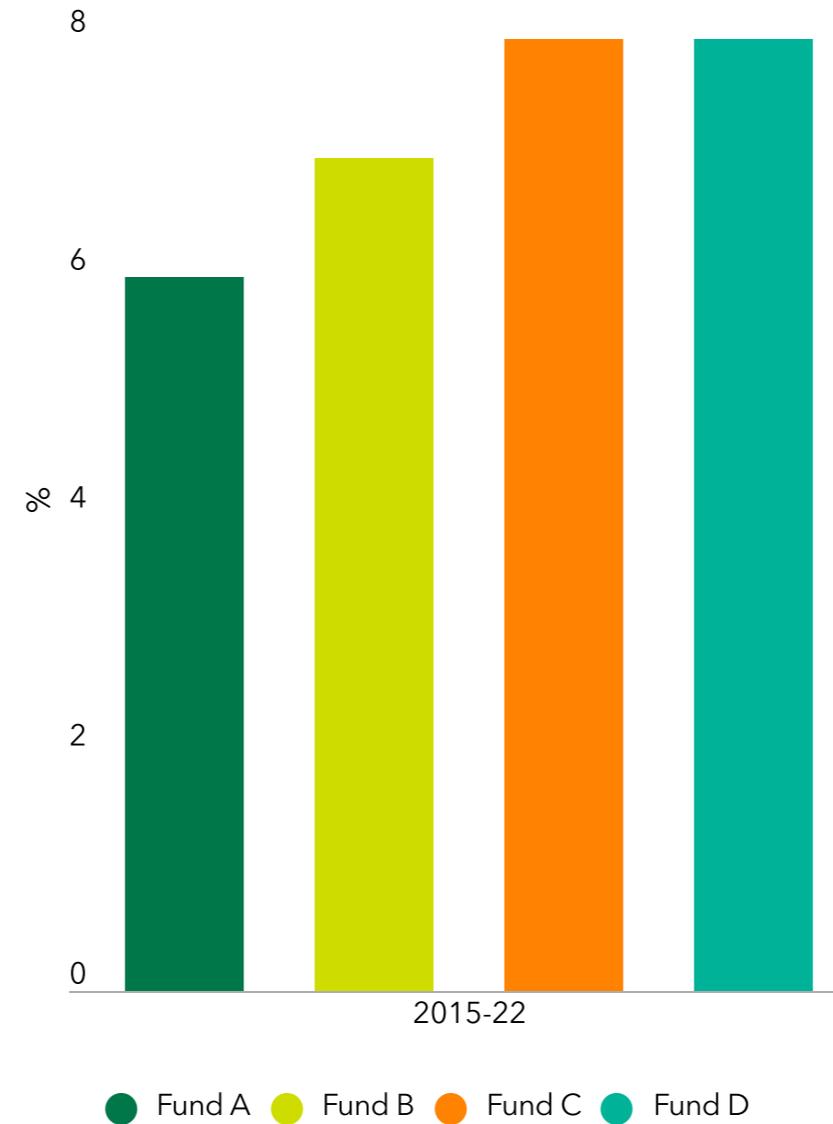
The preferred returns in the sample were unchanged across vintage periods and typically stood at 8 percent.

In fact, all US funds set an 8 percent preferred return across our two vintage periods.

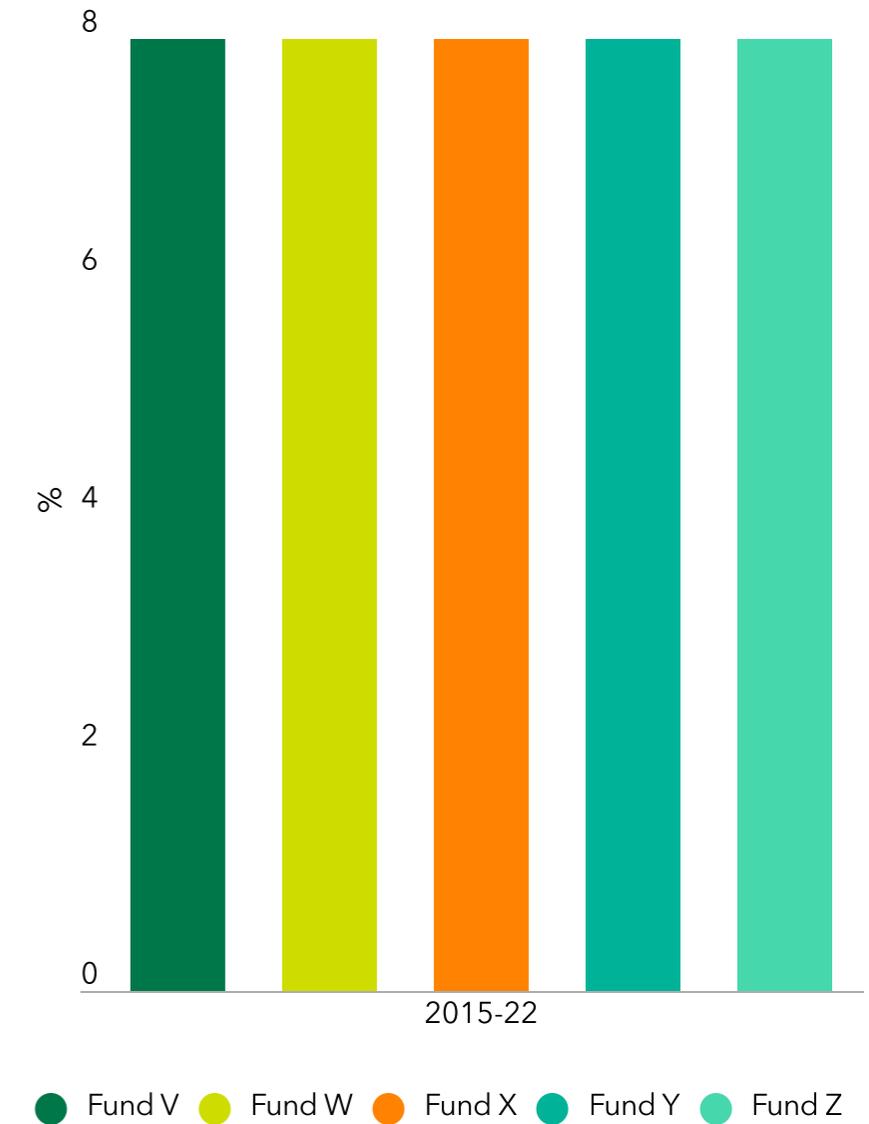
The picture changed slightly in Europe, with half the funds advertising a lower preferred return, although the bulge-bracket funds looked to get 8 percent.

## The preferred return

### European funds



### US funds



## Keep the 2, we'll take the 20

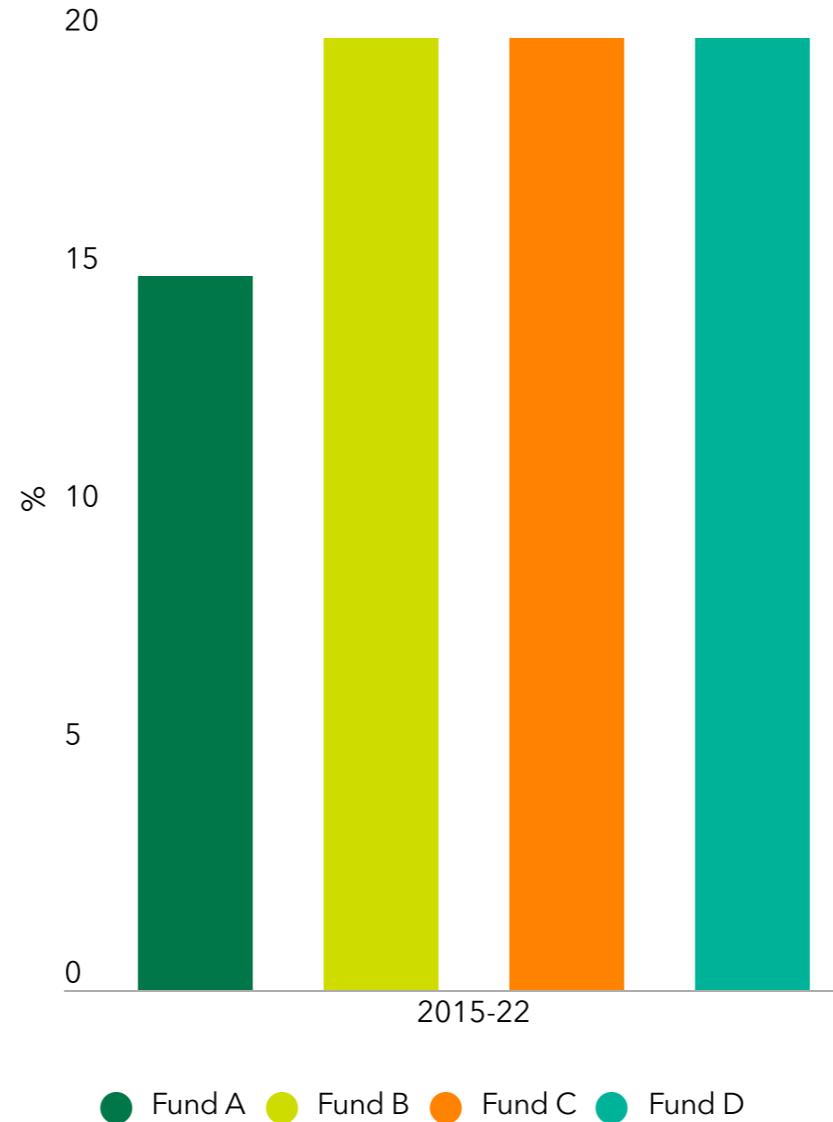
Infrastructure management fees were lower than the standard 2 percent in the '2 and 20' private equity model, but carried interest clung stubbornly to 20 percent.

That goes for both Europe and the US, as well as funds raised across our two vintage periods.

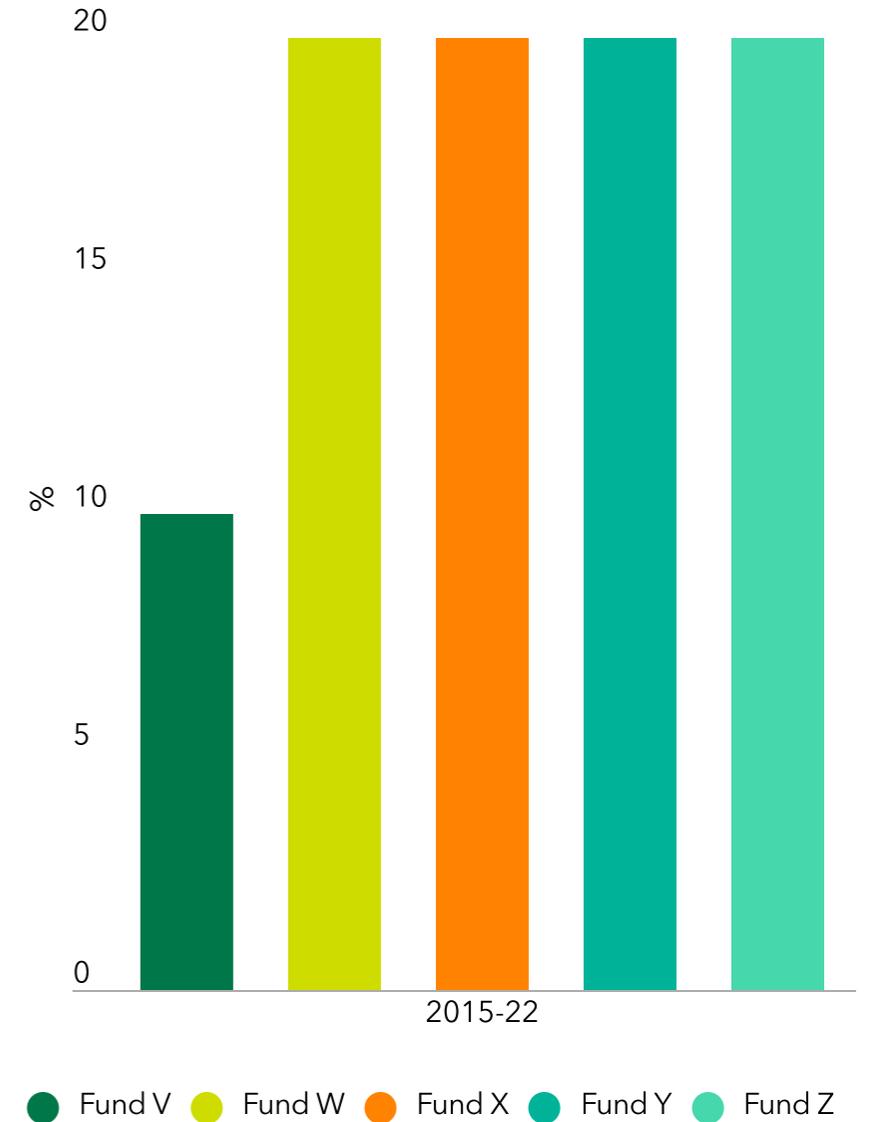
Of the managers in our sample, only one US GP makes do with just 10 percent, and one European GP accepts a 15 percent stable carried interest rate.

## Carried interest rate

### Europe



### US funds



## Chasing waterfalls

The preferred waterfall style varies with the region but seems stable over time.

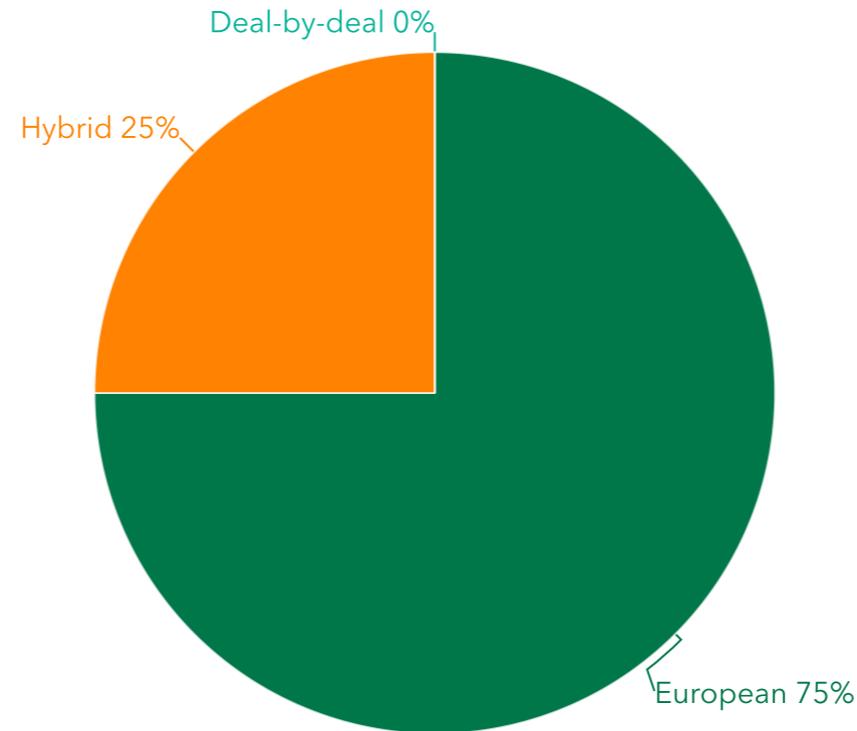
US GPs prefer a deal-by-deal approach in order to access gains sooner and spread the risk over the deals.

Using a deal-by-deal waterfall style approach, GPs collect carried interest from individual successful deals whenever they achieve exits. This provides GPs with some reward along the way.

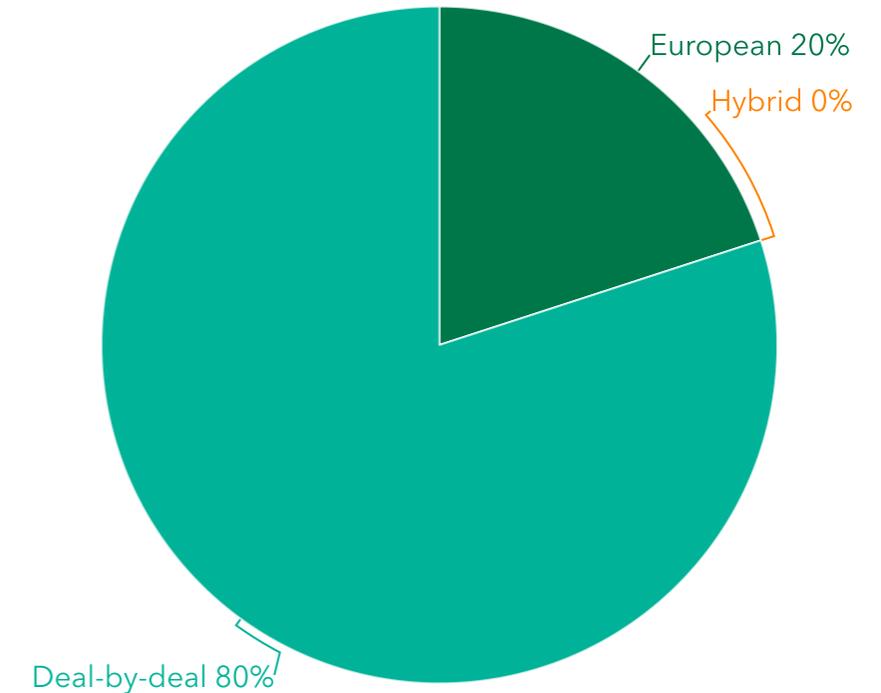
European GPs are mostly happy to wait until the end of the fund's term, when they return the LPs' capital and preferred return before participating in the profit.

One European GP favours a hybrid approach that partially distributes carried interest on a deal-by-deal basis

### European funds 2015-22



### US funds 2015-22



# Catch me if you can

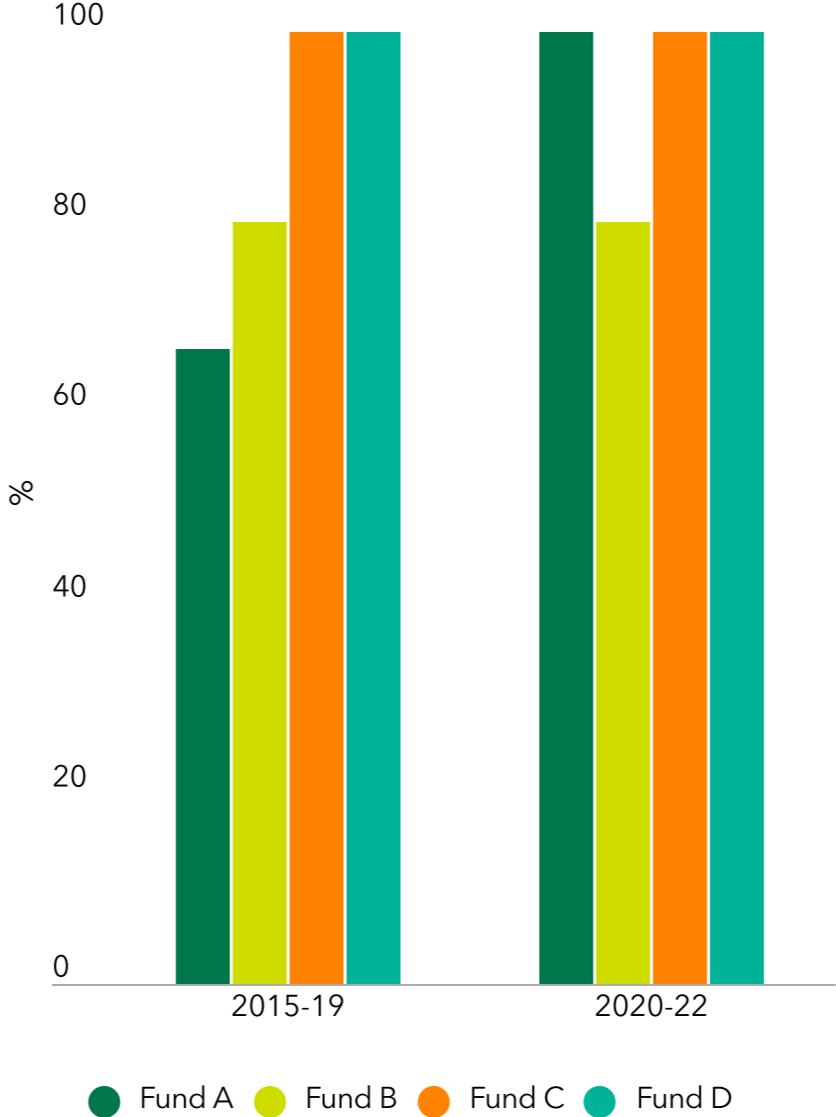
A 100 percent catch-up rate dominated in Europe in the most recent vintage period, with two GPs increasing their catch-up rates from their 2015-19 vintage funds.

In the US, the catch-up rates for the GPs analysed have remained stable across vintage periods.

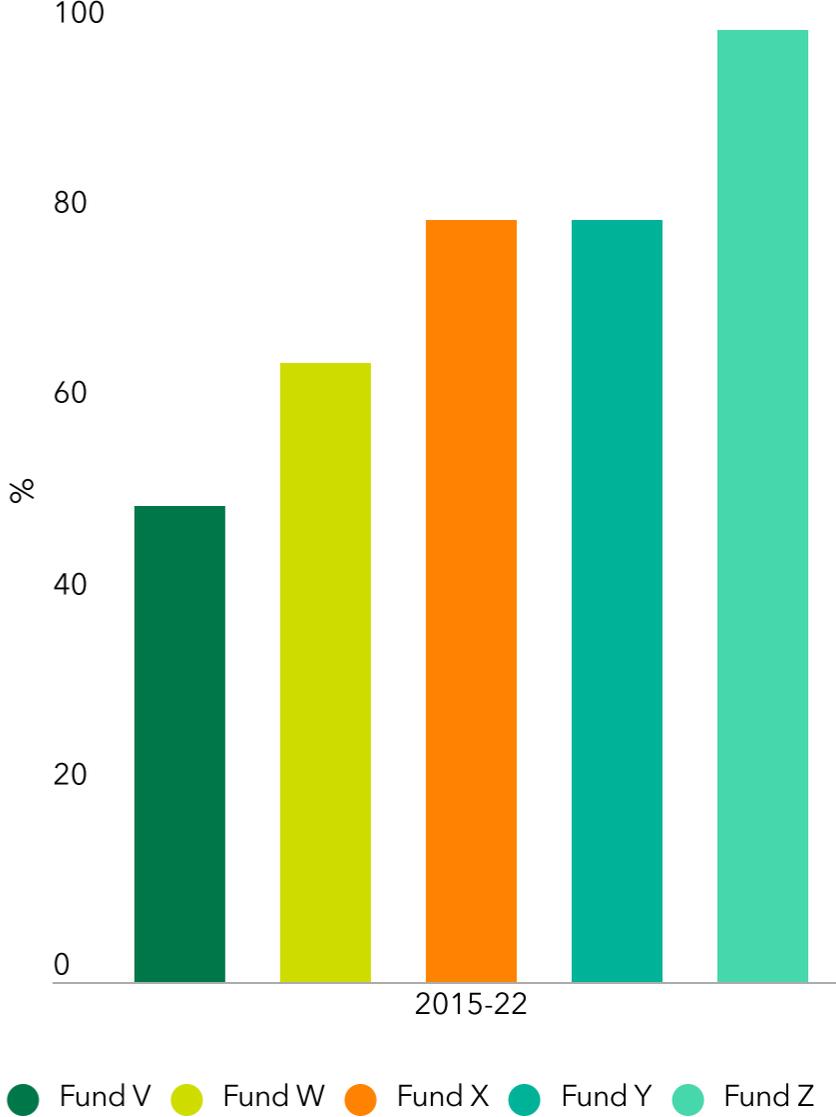
They were also more varied, with a low of 50 percent and a high of 100 percent. Unlike in Europe, only one GP set a catch-up rate of 100 percent, though.

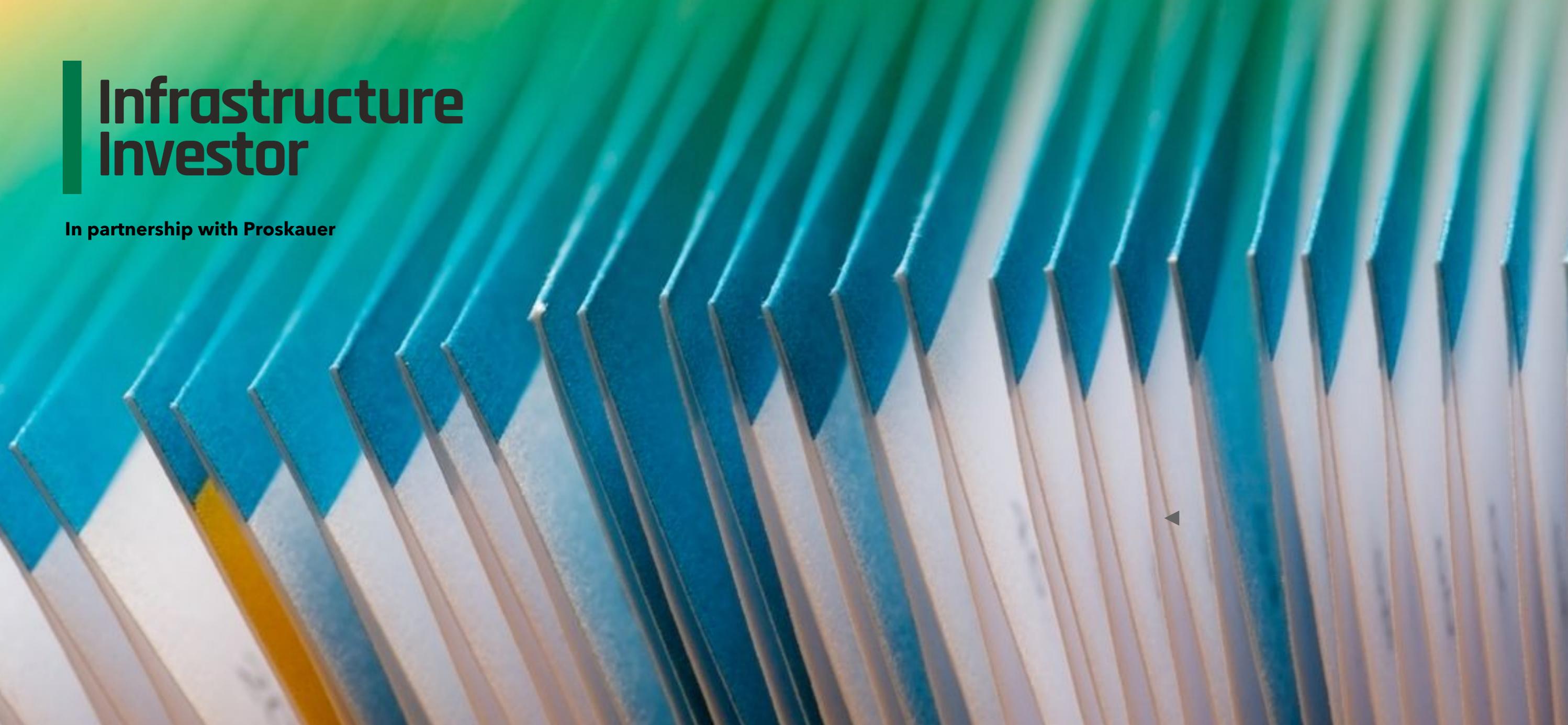
## The catch-up rate

### European funds



### US funds





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