62% of the surveyed general partners (GPs) indicate that the average term for their Latin American private capital funds, excluding extensions, is ten years, a result in line with the traditional standard for closed-end private capital limited partnerships in developed and emerging markets.

Ten-year funds are the most popular in the venture capital (VC) and private equity (PE) asset classes, with 71% of VC investors and 67% of PE managers expressing a preference for this term.

The average term for real estate (RE) funds is shorter, with 60% of fund managers indicating terms of nine years or less for their RE vehicles.

70% of respondents have required extensions for their private capital funds, with 42% extending these funds two one-year terms.

33% of the managers that required term extensions were PE firms, followed by VC investors (27%) and RE GPs (20%). 11% of PE firms requesting extensions for a given fund have done so more than twice, as compared to only 7% of VC investors and none of the RE GPs.

### Average Term of Latin American Private Capital Funds

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>% Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Equity</td>
<td>31%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>53%</td>
</tr>
<tr>
<td>Venture Capital</td>
<td>11%</td>
</tr>
</tbody>
</table>

### Number of Extensions of Latin American Private Capital Funds

- **Private Equity**: 33% of respondents requested one extension, 58% requested two extensions, and 7% requested three or more extensions.
- **Real Estate**: 33% of respondents requested one extension, 33% requested two extensions, and 7% requested three or more extensions.
- **Venture Capital**: 27% of respondents requested one extension, 27% requested two extensions, and 27% requested three or more extensions.
Management Fees Charged

46% of respondents cited 2% as the annual management fee charged by their most recent private capital fund during investment periods, while 33% charged between 0.75% to 1.75%, and 21% charged between 2.25% to 3.25%.

60% of RE GPs charged management fees of less than 2% in their most recent fund during its investment period, while 44% of PE firms and only 3% of VC investors charged less than 2%.

Half of VC investors charged 2.25% or more in management fees in their most recent fund.

According to Cambridge Associates, management fees charged by firms in developed markets can vary considerably depending on the asset class. Across private equity and real estate, the average management fees normally range from 1.5% to 2.0% depending on factors such as team 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 Discounts for First Close or Large Volume LPs

One fourth of respondents offer management fee discounts for first close or large volume LPs. Within that group, two thirds of PE and 57% of RE GPs offer a 0.25% discount in management fees, with the remaining firms offering discounts ranging between 0.5% to 1.5%.

PE and RE firms managing mid-sized funds between US$200m to US$500m are most likely to offer discounts. 78% of these firms offer management fee discounts to first close LPs, while 60% offer discounts for large volume LPs.

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

Management Fee Charged by Private Capital GPs

(according to their most recent Latin American fund during the investment period)

<table>
<thead>
<tr>
<th>Private Equity</th>
<th>Real Estate</th>
<th>Venture Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
<td>20%</td>
<td>48%</td>
</tr>
<tr>
<td>9%</td>
<td>20%</td>
<td>14%</td>
</tr>
<tr>
<td>14%</td>
<td>48%</td>
<td>15%</td>
</tr>
<tr>
<td>14%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>9%</td>
<td>14%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Average Management Fees

- 0.75%
- 1%
- 1.5%
- 2%
- 2.25%
- 2.5%
- 3%
- 3.25%
Performance Fee Model

83% of GPs indicated they calculate the carry on a whole-of-fund basis (or “European style” carry) for their Latin American private capital funds. Under this scheme, GPs have the right to collect the carry only when a fund has distributed at least capital contributed plus the fund’s minimum hurdle rate in order to obtain their contributed capital back. Once this hurdle rate has been attained, this allows for the alignment of interests between private and LPs, as LPs will have a share of the profits.

When using a European-style carry model, an overwhelming majority of GPs across the asset classes of PE, VC and RE use a carry of 20%. Only 14% of respondents cited a deal-by-deal basis (or “American style” carry) as the methodology they use. In this case, GPs can collect carry after each portfolio exit, but only once LPs have been paid back the contributions made and preferred rate required for these exited investments.

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.

**Performance Fees for European Carry Model**

- **Private Equity**
  - Carried Interest: 76%
  - More than 20%: 6%
  - Less than 10%: 18%
  - 10%-14.9%: 4%

- **Real Estate**
  - Carried Interest: 76%
  - More than 20%: 6%
  - Less than 10%: 18%
  - 10%-14.9%: 4%

- **Venture Capital**
  - Carried Interest: 78%
  - More than 20%: 9%
  - Less than 10%: 13%
  - 10%-14.9%: 42%
  - 15%-19.9%: 47%