

Beyond Investment Returns: What's Driving PE Perception with LPs?

Aggregate Results

2021 Limited Partners Survey on Private Equity Reputation

Methodology

4-market online quantitative survey among

401 limited partners

Canada n = 100

Germany n = 100

U.K. n = 100

U.S. n = 101

Fielded from September 8 to October 2, 2021

PE = Private Equity

LP = Limited Partner

LP Sample Details

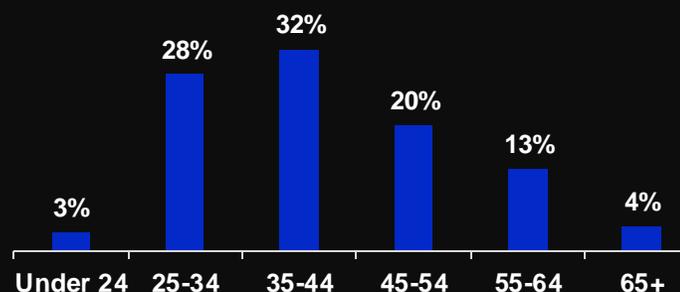
LP Type

Bank	20%
Corporate Pension Fund	19%
Public Pension Fund	18%
Insurance Company	12%
Family Office / Private Trust	11%
High Net Worth Individual	10%
Foundation	5%
Sovereign Wealth Fund	3%
Endowment	2%

Position

42%	39%	6%	13%
Leadership	PM/SVP	Vice President	PE Analyst

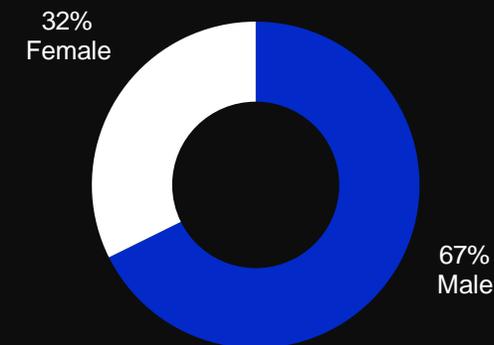
Age



Investment Style

14%	18%	18%	3%	17%	28%
Corporate Buyout	Growth Buyout	Credit	Distressed	Venture	Industry Specific

Gender



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S3. What type of organization do you work for?

S5. How would you best describe your job title? [All respondents that are non HNWI]

S8. What is your current age?

D1. What is the primary investment style for the funds you manage on behalf of your organization? [2% preferred not to disclose]

D4. What is your gender? [1% of respondents selected "Non-binary/ third gender"]

LPs RESET REPUTATIONAL NORMS FOR PE

1.

LP standards for choosing GPs have evolved, as investors weigh reputational criteria in addition to returns.

2.

High quality leadership, transparency, and healthy corporate culture drive LP trust.

3.

ESG factors are as or more important than investment returns for 1 in 3 surveyed LPs.

4.

While most LPs are in favor of stricter regulation, some cite regulation as a catalyst for decreasing allocations to the asset class.

⊥

STATE OF PE REPUTATION

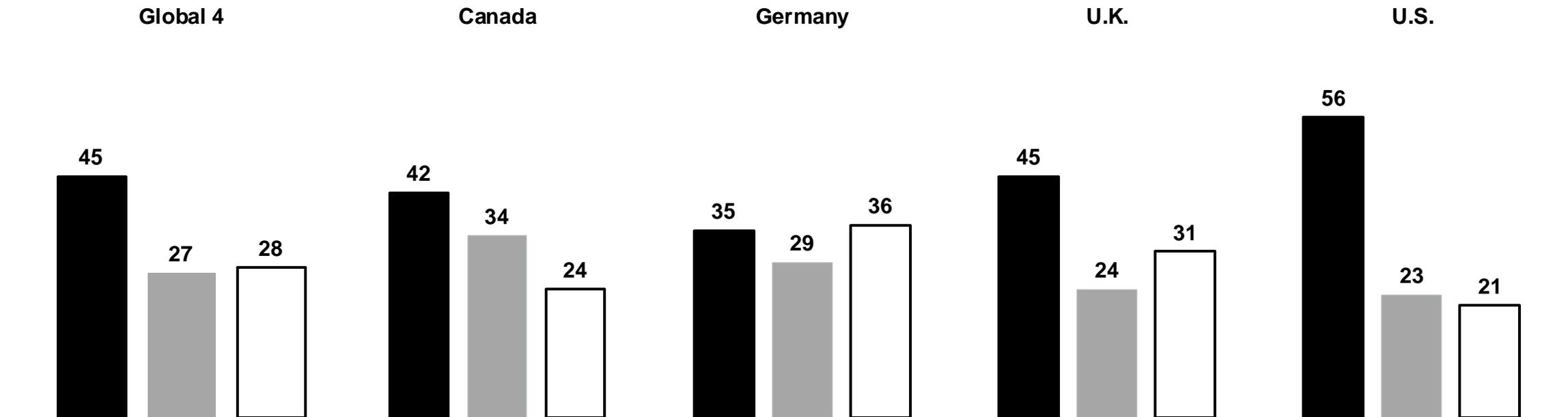
T

A large, semi-transparent grey number '21' is positioned in the background, centered horizontally. The number is rendered in a bold, sans-serif font. The '2' has a rounded top and a thick stroke, while the '1' is a simple vertical bar with a slightly rounded top. The number is partially obscured by the white text 'STATE OF PE REPUTATION' which is overlaid on it.

PE REMAINS A MAGNET FOR CAPITAL, BUT SOME LPs ARE PULLING BACK

Percent of LPs who say their organization recently changed, or planned to change, the percentage of assets under management allocated to PE funds

■ Significantly increasing allocation ■ Keeping allocation about the same □ Significantly decreasing allocation



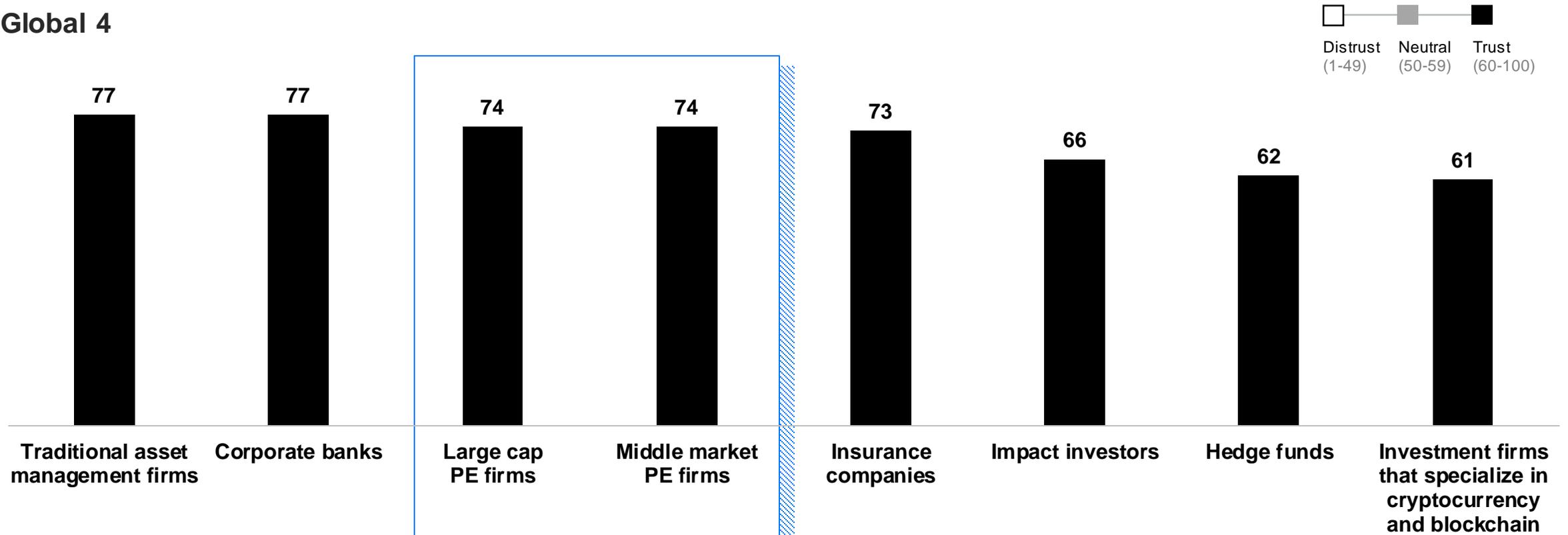
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INV_CHG. Has your organization recently changed, or does it plan to change, the percentage of assets under management that it allocates to Private Equity (PE) funds?

MOST LPs TRUST PE FIRMS TO DO WHAT IS RIGHT

Percent of LPs who trust each institution to do what is right

Global 4

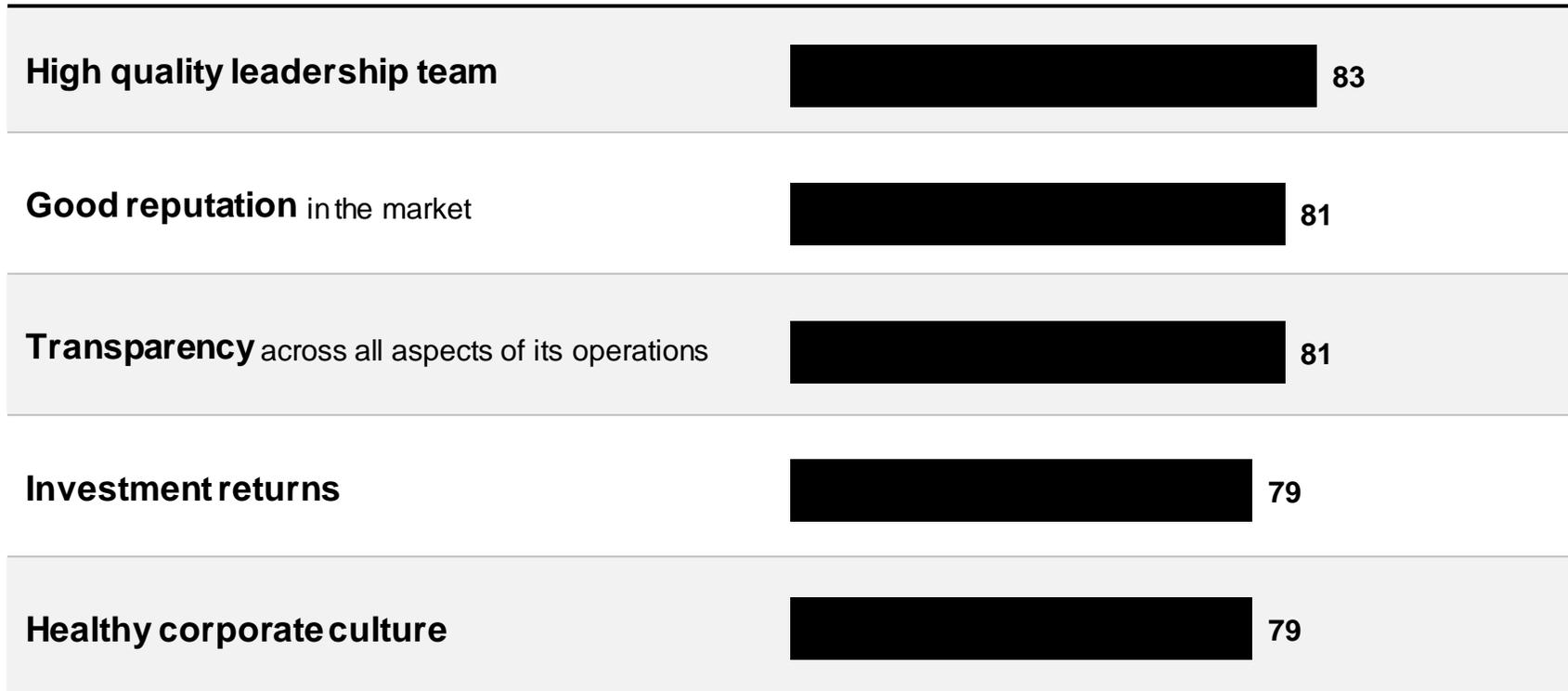


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PE_TRU_INS. Below is a list of institutions. For each one, please indicate how much you trust that institution to do what is right. 9-point scale; top 4 box, trust. 4-mkt avg.

DRIVERS OF TRUST EXTEND BEYOND RETURNS

Percent of LPs who say each of the following positively impacts their trust in PE firms that they are considering committing capital to





⊥

IMPACT OF ESG & REGULATION

T

1 IN 3 LPS SAY ESG FACTORS ARE AS OR MORE IMPORTANT THAN INVESTMENT RETURNS

when deciding which PE firms to
commit capital to

Top five considerations that LPs say are
as or more important than investment returns

That its portfolio companies are held to the same ESG / DE&I standards set out by the GP	35%
The firm's corporate culture	34%
Employee welfare policies	33%
DE&I practices and initiatives	32%
Ethical investment practices	32%

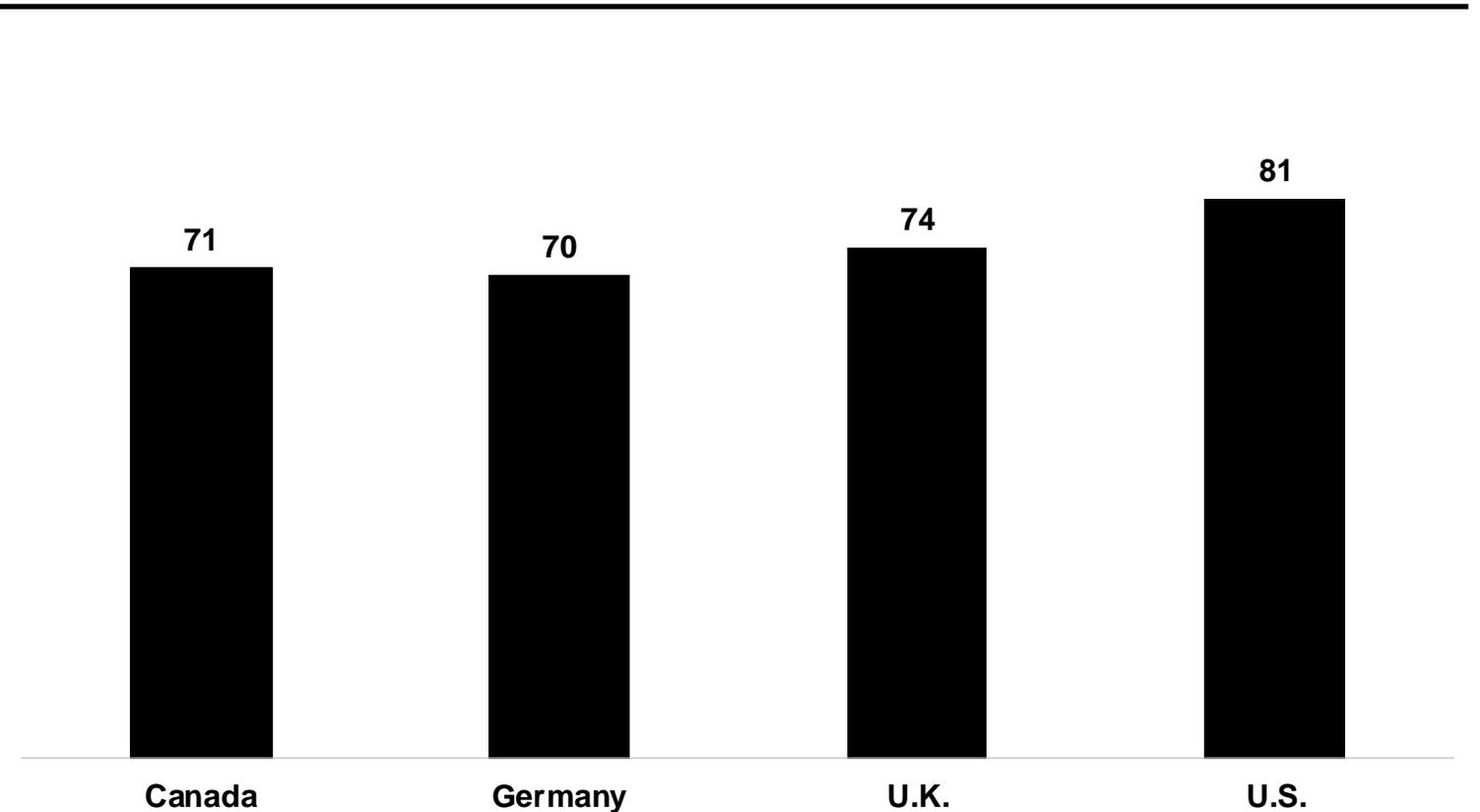
LPs SUPPORT STRICTER REGULATION OF PE

Percent of LPs who agree

In general, there needs to be **stricter oversight and regulation** of PE

Global 4

74%



SIGNIFICANT LP SUPPORT FOR SENATOR WARREN'S "STOP WALL STREET LOOTING ACT"

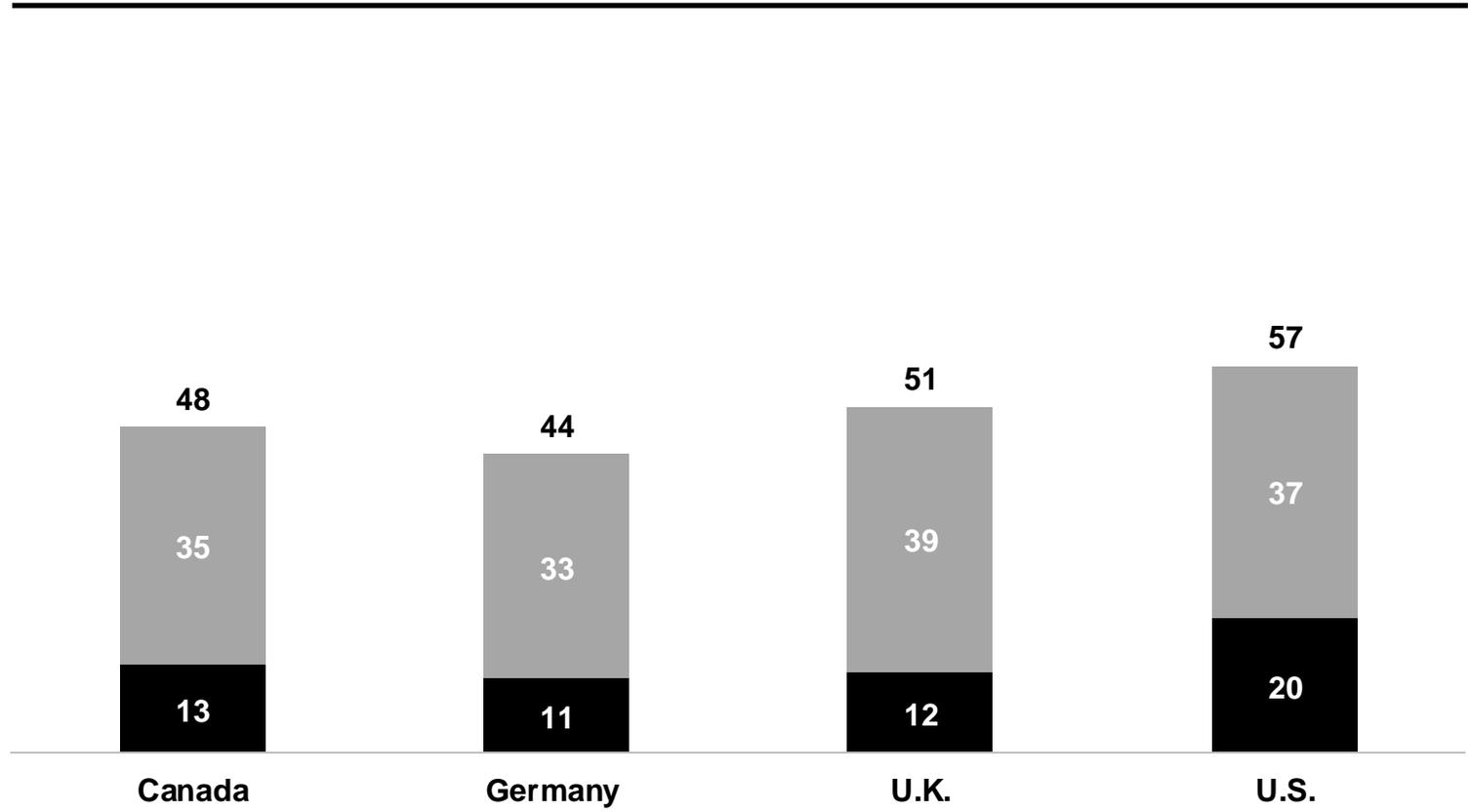
Percent of LPs who say

I approve of the
"Stop Wall Street Looting Act"

Global 4

50%

- 36 I approve with some reservations
- 14 I am wholly in favor



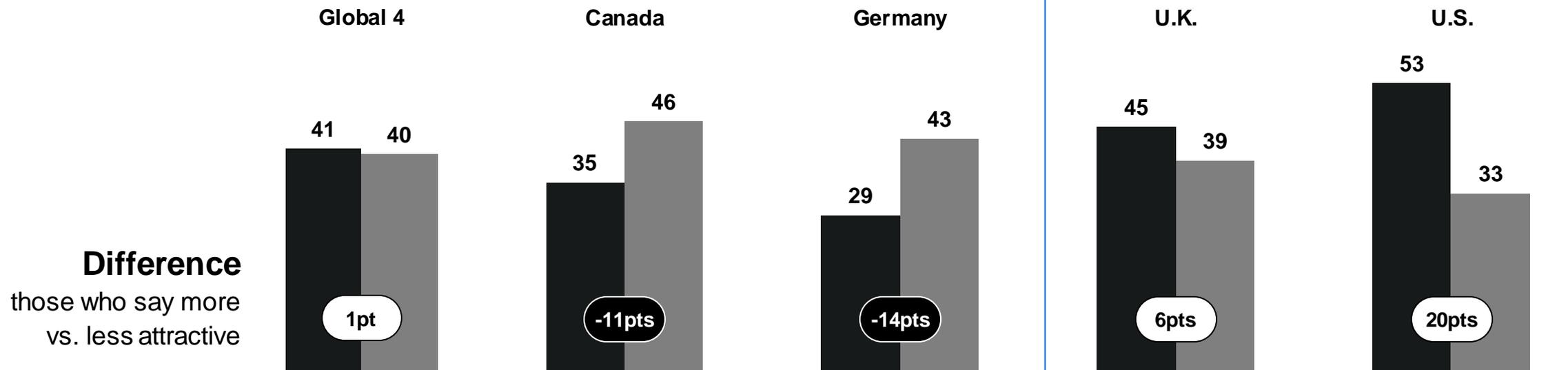
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ACT_PER. Democratic Senator Elizabeth Warren continues to promote the "Stop Wall Street Looting" act she drafted in 2019. If passed, her bill would tax carried interest as regular income, ban dividends in the first two years a private equity firm owns a portfolio company, and hold General Partners (GPs) liable for debt and legal obligations incurred at portfolio companies under their ownership. Do you approve or disapprove of Senator Warren's bill? 5-point scale; code 4, approve with some reservations; code 5, wholly approve.

MIXED VIEWS ON WHETHER "STOP WALL STREET LOOTING ACT" WILL MAKE PE A MORE ATTRACTIVE INVESTMENT

Percent of LPs who say the "Stop Wall Street Looting Act" will make PE investments more versus less financially attractive

■ More attractive ■ Less attractive



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ACT_CON1. If the "Stop Wall Street Looting" act is enacted, what impact do you believe it will have on the financial attractiveness of Private Equity as an investment among Limited Partners (LPs) and others who invest in Private Equity firms?

TAKE CONTROL NOW

1.

THERE IS MORE TO YOUR REPUTATION THAN RETURNS

Factors such as transparency, making a positive impact on society, and articulating your position on ESG are nearly as important as investment returns in driving LP perception. Paint a fulsome picture of your firm and investments as you compete for capital and deals.

2.

YOUR EMPLOYEES ARE IMPORTANT REPUTATION INFLUENCERS

Employee welfare and corporate culture are top ESG factors driving reputation. Recognize that a vocal and widespread employee base serves as a key reputation influencer. Win this population over early.

3.

WORK WITH, NOT AGAINST, THE POLITICAL AGENDA

Most LPs support increased regulation, and the political agenda is clear. Now is the time to show that you are aware of the conversation and prepared for change. Constructive dialogue will be favored over blind resistance.

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