

FAIR[®]
TERM ALIGNMENT
BENCHMARKING SERVICES
BY COLMORE



EXECUTIVE SUMMARY



PAUL O'SHEA, CAIA
Senior Vice President

COLMORE

For a Limited Partner, deciding which private capital funds to invest in, or even to spend precious time researching, requires data. Once a manager has been selected for Due Diligence, a complex and time sensitive process commences, with the requirement for in-depth analysis to uncover and empower responsible investment selections.

Often, when it comes time to analyze and negotiate the Limited Partnership Agreement "LPA", investors need to choose carefully which points to negotiate on, as fund counsel will position that most terms are market.

At Colmore, we believe that the days of accepting terms without the context of "what is market" are now behind us.

We have built a solution for Limited Partners and allocators to harness the power of Colmore's LPA term library to provide clarity on fund economic and incentive terms in the form of an alignment report.

OUR TERM ALIGNMENT SERVICES HELP LPS:



COMPARATIVE ANALYSIS

Understand how a selected fund's terms and economic incentives benchmark compare to a selected peer group



ACTIONABLE INSIGHT

Provide actionable intelligence on market trends on terms



EXPEDITE DUE DILIGENCE

Review the appropriateness of certain expense categories



DRIVE ALIGNMENT

Easily understand the alignment of terms which favor the LP vs. GP

THE OUTPUT OF OUR SERVICES WILL ENABLE LPS TO HAVE:



- A fully automated committee ready report to show that market due diligence has been performed on the fund under consideration
- Actionable data to empower legal negotiations and challenge Fund Counsel's assertions of what is "Market Standard"
- Focus on key questions to fund counsel

It is time to bring more clarity and confidence to your LPA due diligence process. Let Colmore empower your due diligence process through data and legal expertise, and regain that valuable time as you undergo manager selection.



With non-traditional investments now making up more than a quarter of the SIC's portfolio, it is imperative the Council be able to analyze exactly what we are paying for those investments, and to ensure that those costs are accurate and appropriate from a risk/return perspective," said State Investment Officer Steve Moise. "We believe Colmore will provide the Council with information critical to New Mexico's investment process.

STEVE MOISE

New Mexico State Investment Officer, NMSIC

PRODUCT OVERVIEW: TERM ALIGNMENT REPORTING

The Term Alignment Report involves the extraction of LPA Legal Terms of a given fund by lawyers in Colmore's Fee Services legal team, and a comparison of these terms to comparable funds within Colmore's database of over 1,100 invested fund LPAs. Clients who are in the final stage of a Pre-Investment Due Diligence will often be best fit for this service in order to gauge of how the fund's terms compare with the market. The service, however, can be provided at any time in the fund's lifecycle

LEGAL TERMS

- LP/GP alignment – Is the GP committed to the fund and if so what % of TFS
- GP Removal with and without cause and what LP threshold needed for removal
- Most Favored nations provisions
- Key man provisions
- Reporting provided by GP including when they need to be delivered after Quarter/Year End
- Key Dates and Duration of Investment Period and Term Length
- Additional Key Terms
- LP specific terms through a side letter

ECONOMIC TERMS

- Management Fee Terms and rebates applied
- Partnership Expense terms, what is included through management fees and what is charged to LPs through fund expenses
- Carry Terms including hurdle, catch up rate, waterfall type, carry % and info related to premium (2nd hurdle) carry
- Clawback provisions
- Organizational expense caps
- Fees funded inside/outside commitment
- Credit Lines

COMPARATIVE ANALYSIS

- For Economic terms the benchmark shows Average Rates, Range of rates, Mode average, funds with higher, smaller, and same fees
- For non-economic terms, i.e. threshold to remove GP, it shows what percentage of funds in the benchmark has the same threshold
- Once the extraction and benchmarking are complete, the lawyers will flag areas of potential concern, specifically where the term is significantly different from market standard and where the term favors the GP more than the LP
- Additionally, they will provide an overview of the fund's terms and highlight any areas of interest
- Where we have sufficient data, we can provide a numerical value to a given term based on its difference from the benchmark, the time period a given rate is applicable for and the commitment size. For example, if a fund has a mgmt. fee rate inside the investment period of 2.25% of commitment, if the benchmark is 1.75%, the investment period lasts 5 years and the LP plans to commit 50m, over the length of the investment period the fund will charge \$1.25m more to the LP than if you invested in a "market standard" fund



OUR TEAM AND HOW YOU WILL WORK WITH US:

MEET OUR SENIOR LEADERS

PAUL O'SHEA, CAIA

Paul is a Senior Vice President at Colmore and leads Colmore's fee services and ODD department, he initially created Colmore's Fee validation product FAIR and lead the design and development of our new Term products. Paul has written various white papers around fee reporting, including providing a chapter to the PEAI Global Carry Directory. Additionally, he has been a guest/expert speaker at events hosted by ILPA, P2F2 and PEAI. Paul has been with Colmore since its inception in 2017 and prior to that worked as a VP at the Fund of Fund Capital Dynamics



HEATHER HEYS

Heather is a Senior Associate at Colmore and leads our Legal Review team, is product manager for Colmore's term benchmarking product lines and provides training and legal expertise to our Fee Validation and Product Development teams. Last year she joined Paul as a guest speaker at both ILPA's 2021 Summit and Legal Conference. Heather joined Colmore in early 2021 and prior to that spent 15 years working on M&A and LPA analysis for Deloitte, Dentons and Vinson and Elkins

ALEX TARANTINO

Alex Tarantino is the Commercial Director of Colmore. In 2017, Alex led the spin-out of Colmore from a global asset manager and has been responsible for growing the firm's global client base of limited partners. He has led Colmore's industry efforts promoting and developing fee transparency initiatives and frameworks globally. He is a frequent speaker at industry events on Fee Transparency and Validation, and an active participant in regulatory framework development in the US and EU with respect to fee transparency.



HOW THE PROCESS WORKS:

Client provides the LPA of a prospective fund they are considering



Colmore's legal team will then review the LPA, extracting key terms, flagging potential areas of concern before storing this information in our bespoke Fee/Legal Term database



The fund's terms are then benchmarked against the terms of similar funds in the dataset, with the client able to benchmark based on Fund Vintage, Geography, Strategy and Fund Size. Our database, made up of up-to 200 points data points for each of our 1,100+ funds, is used to compare the fund's terms to the market.



The six page report generated is then reviewed by our legal team who will flag terms in the LPA which we consider to be non-market or where the terms favor the GP more than the LP. Where additional analysis is required, our Lawyers will utilize the expertise of our accountants/analysts from Colmore's Fee Validation product team.



The report then receive a final review from our head of Fee Services or her deputy, who will provide a high-level summary of our findings in the report.



Once the report is issued, through our secure document repository service Helios, the client is given the option for a one hour call with the lawyer assigned to the review to discuss findings

FINALLY UNDERSTAND WHAT IS MARKET

EMPOWER YOUR DUE DILIGENCE AND NEGOTIATIONS



Free your investment management and legal team from the onus of labor-intensive, tiresome data collection from LPAs and put your critical resources where they are needed most – in analyzing data rather than collating data.

Streamline your due diligence process with committee ready reporting that shows how the prospective fund's terms compare to market. The Term Alignment services by Colmore are the smart, time-saving way to engage with the latest fund manager data at your disposal and power better investment decisions.

**CONTACT US TODAY TO SIMPLIFY YOUR PRE-INVESTMENT LPA DUE DILIGENCE
AND ANALYSIS TASKS**