

	Traditional PE Fund	Independent Sponsor	Fundless / Broker
Fundraising	Every 4-5 years	Deal by Deal	Shop each deal to other firms
GP Investment	1-5%	5-20%	Limited; May roll a fee
Deal Sourcing	<ul style="list-style-type: none"> • Usually Industry Focused • Outbound calling/conferences • Likely participates in auctions 	<ul style="list-style-type: none"> • Usually Industry Focused • Target deals directly • Rarely competes in auctions 	Opportunistic; Will try to lock up deal and then find funding source
LP Issues	<ul style="list-style-type: none"> • Need to show returns prior to next fund raise may lead to premature sale of port. cos. • High fee content • Focus on IRR not CoC • LP has no discretion on each deal (style drift) 	<ul style="list-style-type: none"> • Size of investment team • History of returns/expertise • Time needed to evaluate different deals versus making one decision to invest in a fund 	N/A
Portfolio Management	<ul style="list-style-type: none"> • Can take a portfolio approach to overall fund returns • Fund size may require a broad approach with limited time to engage with each portfolio company 	<ul style="list-style-type: none"> • Must actively work directly with management to improve operations • Companies are typically less sophisticated • GP needs to have broad experience 	<ul style="list-style-type: none"> • None or limited
GP Pros	<ul style="list-style-type: none"> • Speed to closing a deal • Scale allows for resources 	<ul style="list-style-type: none"> • Direct alignment with investors (discretion / returns) • CoC not IRR focused 	<ul style="list-style-type: none"> • No substantial capital at risk • Fee driven model • Ability to handle multiple deals
GP Cons	<ul style="list-style-type: none"> • Time/Cost to raise a fund • Pooled / European Waterfall • Limited investment period may drive firm to invest rather than terminate LP's capital commitment 	<ul style="list-style-type: none"> • Each deal must perform • More difficult to compete in auctions • Time to raise funds while doing diligence/legal • Broken deal expenses • Variable mgt fee inhibits adding staff 	<ul style="list-style-type: none"> • Dependent on others to fund your deals • Limited ability to influence events/company • Limited upside