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The Fee Table Has Turned: How GPs and LPs Are Rewriting Fund Economics to Create Alignment

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The “2?and?20” model has long served as the gravitational center of private fund economics. Yet in today's fundraising environment – marked by heightened LP sophistication, extended fundraising timelines and fierce competition for institutional capital – the advertised fee structure and the negotiated reality are diverging more sharply, some LPs and GPs would argue, than at any point in recent PE history. This divergence is not simply a story of fee compression, but is instead a story of strategic economic sharing: GPs deploying management fees, carried interest and co?investment rights as relationship-building tools while LPs leverage commitment size, early participation and reputational capital to extract bespoke terms. The result is a highly customized fee landscape where nearly every anchor relationship involves some form of economic accommodation and where the long-term consequences of those accommodations are only now coming into focus. In a guest article, Troutman Pepper Locke attorneys Stephanie Pindyck Costantino, Heather M. Stone and Paul A. Steffens examine the current state of GP-LP fee negotiations; the economic dynamics confronted by emerging managers; the impact of co?investment trends on fee negotiations; and the strategic calculus that GPs and LPs must navigate as fund economics continue to evolve.

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