

Market Trends in Fund Raising

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On Thursday February 1, in New York City, Mainstream Fund Services, CohnReznick, Lippes Mathias, and HedgePort co-hosted an evening of discussion with Private Equity, Venture Capital, and Hedge Fund Managers.

Guest speaker Michael Elio, a Partner at the StepStone Group, spoke to the group about what institutional investors look for in fund managers. He offered valuable insight into the do's and don'ts of a manager's "pitch". He warned that it is imperative to remember the perspective of the prospect during your interaction. However, if a manager follows his simple guidelines, he believes it will dramatically increase their success rate.

Michael advised that it is important to be able to express what makes you uniquely different at managing money and generating alpha. "While you may have a great product, if you do not communicate it correctly you will be in for a long and potentially lackluster fund-raising process," said Michael. "It is critical to be able to define your edge and know your key differentiators. Keep it simple and consistent." By knowing your audience, you should be able to identify how your strategy will improve their individual portfolio.

Mr. Elio mentioned that it is a red flag if a fund manager cannot identify any competitors. "Everyone has competitors at some level," he stated. "If we are not provided a comparison, we will have to speculate. It is important that the fund manager provides some benchmark so that we can assess where he or she stands next to his peers." In addition, if there is anything questionable in your past, "hair" as he quoted, get it out on the table. Being open and honest is a great way to start a relationship. People allocate assets to managers they trust. Do not leave any important details out.

Lastly, he ended with "Understand the prospect's time line, vetting and approval processes." Do not chase institutional investors if your offering is not going to qualify.

In addition to the discussion around fund raising, experts in attendance discussed the recent Tax Reform, key items for start-up Managers, and the evolving landscape in operational infrastructure.

"We had a great blend of tax, legal, audit, and operational experts in attendance providing current insights and trends in today's environment," said Jay Maher, Mainstream Fund Services, CEO of Private Equity, Venture Capital and Real Estate.

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