Managing LP/ GP Relations

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specialists in alternative investments

What matters most in Investor Relations

Real and “virtual” focus

Planning and execution

Make every “touch” a good one

Two-way engagement

Core business activity

General observations: LP (and adviser) side

- LP's thrive on timely & relevant information, delivered efficiently → this includes dialogue with the right people in the GP
  - Ad hoc communication about significant events is as important as standard reporting
  - LP's expect more upfront information on underperforming deals
- LPs value the personal relationship with the GP
- LPs hate "spin"
- LPs hate senior GP execs delegating their IR duties to others
- GP's give up too easily in the face of fund raising adversity

General observations: GP side

- Investor relations is too often forgotten about in the frenzy of deal generation and execution
- Investor relations is too often sporadic and unstructured
- A GP needs to have a clear understanding of what the investor relations program is meant to achieve
- A GP needs to know what specific audiences need to be reached, why the audience is important, what messages will be conveyed, how the messages will be conveyed
- A GP needs to be aware that each contact with an LP will create an impression over and above the literal meaning of any words spoken or written

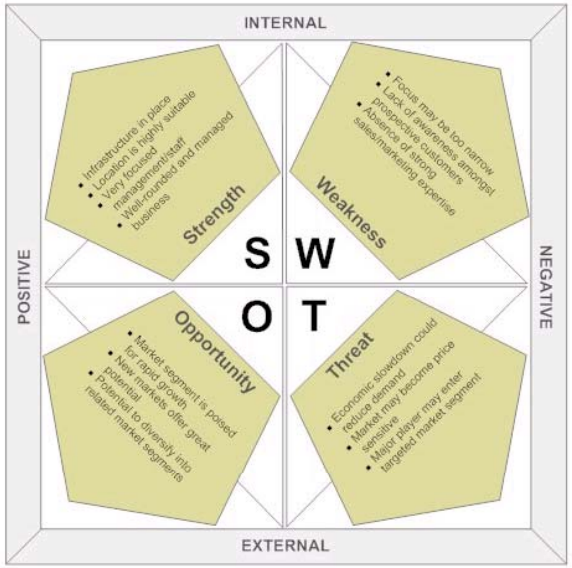
Key risks to an inferior IR program

Key risks to an inferior IR approach, or the failure to implement an IR strategy, are the unravelling of hard-fought achievements to date and weak market positioning:

- Unravelling of what has been achieved thus far:
  - Lack of follow-on support for existing products/ funds
  - Poor capital raisings for new products/ funds
  - Marketing products without clear market need
  - Perception left to investors – complacent, arrogant, take $$ for granted
  - Investors unaware of GP 'ranking' & differentiation vis-à-vis competitors
- Weakly positioned against market challenges:
  - Disengagement of support when adversity strikes
  - Disintermediation by clients &/ or advisors
  - Increased competition from peers
  - Peers with better IR approaches and long-established relationships

Dissect last fund raise

- Planned versus actual/ desired outcomes
  - “Rating” of investor base
  - Level of re-ups from existing LPs
  - Concentration of LP & adviser support
  - Geographic mix
  - Terms
- LP & adviser feedback:
  - Lost
  - Re-captured (re-ups)
  - New
- Scorecard versus same vintage funds
- Insights to market dynamics
  - LP & adviser preferences
  - Competition (direct & indirect)



Think forward to the next fund close

- FUM & timing
- Level of re-ups from existing LPs (% FUM)
- Improvements to LP & adviser support
- Geographic mix
- “Must have” LPs
- Terms
- LP & Adviser feedback at commencement of next fund raise → will they be advocates?

General advice on the IR set-up → Real and "virtual" investor focus

- Personal relationships must be looked after well
- "In between" communication and honest dialogue matters
- A senior team member must "own" the IR program
- Each LP must be "owned" by a senior team member
- Avoid an overly systematised and mechanical approach
- At every opportunity, reinforce the key aspects of the investment proposition
- Make every "touch" a good one
- Treat the IR program as you would the portfolio company deal process:
    - Core business activity
    - Develop a plan and set targets
    - Maintain detailed logs and record feedback
    - Focus on status regularly

Perception is reality

- To continue raising funds successfully a GP's "brand perception" needs to be a sophisticated, professionally run asset management company:
  - Excellent team – well resourced, with sufficient experience, depth & stability
  - High performing – investing profitably, to stated strategy
  - With a compelling investment proposition
  - Broad capabilities – skilled across all dimensions
  - Integrity – sound process for conflicts of interest, governance etc, and true to "label"
  - Trustworthy and aligned – to attract & manage long term funds
- Superior client service is a competitive differentiation

Elements of the IR program

- Standard reporting of a high quality, delivered on time:
  - Deal notices
  - Financial reporting
  - Quarterly reports
  - Newsletters
  - General commentary
- Limited partner “arena” on web-site, with relevant content and functionality
- Appropriate mix of Informal/ Formal and Regular/ Ad hoc engagement
- One-on-ones:
  - Face-to-face meetings (6 monthly → annual)
  - Periodic colour calls & personal emails (→ mass emails not read)
  - Timely engagement on key events
- Group up-dates:
  - Conference calls
  - Roundtables and small group up-dates

Elements of the IR program
(Continued)

- Annual meetings:
  - LP v. "Virtual Investors" v. Adviser v. Service Provider elements
  - Succinct portfolio company reviews
  - Judicious use of CEOs
  - Opportunity to interact with LPs informally
  - Meeting pack
- White papers
- Market studies
- PR & "industry" profile
  - Conferences
  - Sponsorship
  - Press

Make every "touch" a good one → It's all about impressions and messages

- For each LP, a designated point of contact, who is in the investment flow and can talk knowledgably about deals
- Open door policy and standing invitation to visit GP on-site
- Responsive to one-off requests
- Return calls
- Delivery on-time
- Accurate reporting
- Remember names and faces

Dealing with an intermediated market

- No standard formulas → devise an "LP/ Adviser by LP/ Adviser" plan
- It is ideal to have a direct relationship with LPs, but not always possible
- Courteous management of advisers:
    - Be up-front with advisers as to your process
    - Keep advisers informed of contact and engagement with their LPs, and be mindful of the relationships between each
    - Look for opportunities to engage LPs and their advisers together

Advisory Board

- Clear and well understood role and purpose
- Smaller Advisory Boards preferred by LPs
- Real meetings with dialogue and advice, not a one-way up-date
- Need at least 2 meetings per year, with one at year end
- Normal meeting rules apply:
  - Agenda and papers at least 2 weeks in advance
  - Immediate follow-up with minutes
- Informal aspects, particularly discussions before meetings
- Ensure each member is supportive of key business decisions i.e.
  - Pace of investment activity
  - Changes to investment strategy i.e. transaction size
  - Team changes and succession etc

Elements of the IR "function"

- Help the GP understand how the market is viewing the GP, and prepare the GP for Investor/ Adviser behaviour
- Prepare and assist implementation of a rolling 12 month investor relations program, that includes:
  - Comms plan for existing investors, incl. written and verbal communications, co-ordinate quarterly conference calls, co-ordinate onsite meetings, Annual Investors Meeting etc
  - Comms plan for "virtual" investors/ advisors
- Prepare and co-ordinate a PR-plan that profiles the GP in the investor community
- Perform/ oversight the project management requirements of the IR-Program
- Be the resident expert on the "market" → Establish the GP' s competitive positioning and maintain a competitor watch via desk-research and field research
- Track the IR-program incl. all interactions between GP and Investors/ Advisors

About Brookvine

Brookvine was established in 2001 as an independent marketing specialist in alternative investments. We work with a small number of exceptional Fund managers each year to help them raise institutional investment capital and build strong business franchises.

Our services range from the development of an initial fund proposition, through to raising investment capital and the management on-going investor relationships. The latter is critical as it allows managers to spend maximum time on investing and facilitates communication.

To date, we have raised over $6 billion for our investment partners.

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