



New York City Alternative Investment Summit Provides Guidance to Managers on Raising Capital

Whether you're a one million dollar new launch or a fund that has a billion dollars under management, capital raising is one of the most important and challenging aspects of running a successful fund. With thousands of funds competing for the same capital, it is crucial to understand what investors and money allocators are looking for when making decisions.

At Richey May & Co., we have served clients in the financial service sector for over 25 years. Not only do we provide assurance, tax and business advisory services to clients in this industry, but we also support financial professionals with education and networking events focused on significant trends in the marketplace. The NYC Investment Summit brought together leaders from a variety of financial backgrounds to talk about challenges of getting in front of investors and raising capital for fund managers. The event consisted of a panel discussion regarding capital raising held from the perspective of investors, fund managers, and service providers. Co-sponsors of the event include Tower Fund Services, Hedge Connection, Riveles Wahab LLP, M.S. Howells & Co. and Midland IRA. For information on the panel members, please [click here](#).

So what are the best strategies for getting in front of allocators and distinguishing your fund from your competition? The panelists shared the following expert insight for successful capital raising:

It's a numbers game

The panelists recommended that fund managers take advantage of as many opportunities as possible to get in front of allocators. With so many managers contending for a limited amount of capital, it's critical that managers are consistently and constantly out in the market, making contacts and developing relationships. Panelist advised that fund managers should focus their outreach in the following areas:

- **Databases** – These might be the most passive marketing approach, but make sure you're listed in at least 5-6 databases.
- **Conferences** – You must be out there, attending industry functions and making contacts. But remember, "Effective visibility is more than going to cocktail parties. Setting up one-on-one meetings at these conferences should be your priority," said Holly Singer, President and Founder of HS Marketing, LLC.
- **Media Exposure** – Your focus should be on developing valuable thought leadership, not simply pitching your product.

Build relationships based on trust

"It's all about relationships." Michael Harris, Director of Marketing at Caerus Investors

Successful capital raising comes from building trusting relationships with allocators who ultimately believe you are going to provide value to them and/or their end investors. According to the panelists, this begins by making a great first impression and ensuring you are using allocators' time wisely. Be quick and to the point in your initial communication or first meeting. You only get one chance; there are plenty of fund managers behind you waiting for their opportunity.

The panelists also discussed the need to focus on the content in your communications to investors, and using your outreach to add value through thought leadership. Simply communicating with the intention of selling is a clear way of closing the door on a potential relationship. Instead, consider your communication as an opportunity to educate and provide value-add information to allocators. As Holly Singer suggested, "Consider thought leadership as a PR tool to achieve valuable visibility opportunities. Become a go-to contact for your particular expertise, enabling you to build brand equity."

Given the number of communications they receive on a daily basis, managers must ensure the content they send is capable of capturing investors' attention. According to Eric Hoerdemann, Partner and Chief of Research and Risk at Stride Capital, "Allocators are overwhelmed with requests. Add value in every point of contact to cut through the noise. A nugget of insight in a communication can spark their curiosity and interest and make them take a second look." Lisa Vioni, CEO and Co-Founder of Hedge Connection, followed up, "It is important to remember that investors are busy. If you are going to take time out of their day, make sure to share information that makes them smarter and better at what they do."

Don't underestimate the importance of a dedicated, professional marketer

The panelists were asked their opinions on the best approach to marketing: internal marketing or utilizing a third party marketer. They were very clear that marketing is a full-time job – and just as critical to success as portfolio management. So unless you have the requisite skill set and the time to dedicate, look to outside, third party marketers to fulfill this role. But if you do use a third party marketer, consider the following:

- **Make sure they know your product cold.** They are selling on your behalf, and if they can't successfully answer questions about your product and strategy, they are doing you more harm than good.
- **Understand your arrangement.** Make sure you have an out in your contract if they are not successful within a certain time frame (such as six months).

Be prepared

Panelists recommended that before you reach out to allocators (whether through internal marketing resources or by utilizing a third party), and especially before your first meeting, you need to have concise and polished answers to the following questions:

1. **What's your story?** Lead with the qualitative, support with the quantitative
2. **Who are you?** Your pedigree, your team
3. **What do you do?** Describe your strategy
4. **What's your edge?** Why should investors listen to you?

"Being prepared with a succinct story gets our attention. We review 200-300 managers per year and we allocate to 1-2." Eric Hoerdemann, Stride Capital.

Once you've answered those questions and have the opportunity to meet with an allocator, the importance of being clear and direct does not diminish. The investors on the panel all agreed that fund managers should bring a 1-2 page tear sheet to that first meeting, nothing more. The content should focus on both qualitative as well as quantitative information about your fund.

And when the allocator is ready to take the next step? The panelists conveyed that it's critical to understand and be prepared for the due diligence process that your fund will be subjected to. This will include:

- Background checks
- Private investigators
- Qualitative and quantitative research
- Reference checks
- Verifications

How to make the most of that initial meeting

The panelists shared some great tips on how to take advantage of the opportunity to get in front of an investor:

- **In first meeting, ask what the allocator is looking for in their portfolio so you can understand how you can help them.** Investors aren't all looking for the same strategies. Some may be looking for conservative options while others may be seeking riskier strategies with higher yields.
- **Follow up after your first contact.** Investors on the panel were surprised by how many investors do not engage in proactive, value-add follow up following a first meeting. A great follow up suggestion was a slide deck, but no more than 20 slides. Again, be straightforward and to the point.
- **Ask about the process and next steps.** This shows your interest and eagerness to follow through.
- **Call.** Email might feel more comfortable and efficient, but there is no substitute for picking up the phone.

Opportunities exist for emerging managers

While it's true that many allocators are looking for managers with long track records, emerging managers are sometimes favored by certain investors. According to Sherry Pryor Witter, Partner, Co-Founder and Chief Investment Officer of the Witter (Dean Witter) Family Offices, "We really like emerging managers. They are very focused on performance. Big hedge funds aren't always delivering the returns we're looking for."

About Richey May & Co., LLP

Richey May & Co. hosts forums such as this one throughout the year in order to support the financial services sector in our community. We bring together panels to provide fund managers with an opportunity to learn more about best practices that can help them succeed and to network with many of the investors and asset managers that are critical to their growth. If you've missed the summaries of our past events, please find them here: the [Music City Summit](#), 2016; and the [Rocky Mountain Summit](#), 2015. And watch for announcements of upcoming summits in the future.

As a public accounting firm with hundreds of Alternative Investment clients in over 40 states, and relationships with many of the top service providers and specialists in the country, Richey May is dedicated to providing expert audit and tax services to the industry. Our team combines the dedicated expertise found in a national accounting firm with the hands-on approach to client service you'd expect from a boutique provider – a unique model that allows us to bring expert solutions and strategies to your specific business needs.

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