So You Want To Raise Assets in 2013? "Go Thou and Sin No More"!

Meeting the Capital Raising Challenge in a Climate of Fear, Volatility, Uncertainty & Doubt.

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All small hedge funds are focused on expanding AUM. Having witnessed firsthand, the disappointment and frustration of numerous small funds who have failed to attract assets despite exceptional investing skills, considerable effort and significant time, the common thread in their failure is lack of an intelligent marketing process.

Most small hedge funds ignore marketing in the belief that "great returns alone will attract capital". That's a **cardinal sin**! The majority tend to spend the bulk of their resources, energy and time myopically discussing and displaying their returns. In the current environment, **RETURNS ONLY ATTRACT ATTENTION; ENTERPRISE PERFORMANCE GETS ALLOCATIONS** and if a fund does not meet the necessary qualitative standards, then no quantitative metrics will be enough to get allocations. As such, it is crucial to effective marketing and efficient fundraising to understand the highly idiosyncratic qualitative and quantitative criterion that investors and consultants use in evaluating and selecting hedge fund managers.

In assessing your marketing and capital raising approach give some thought to the following questions:

- Have you obtained key investor information (investing experience, background, asset allocation, etc.) **BEFORE** presenting your fund to a potential allocation?
- Have you identified and profiled intermediation points (presence of consultants and key external advisors) by segment as well as on a case-by-case investor basis **BEFORE** presenting your fund to a potential allocation?
- Have you attained a deep understanding about the way an investor/intermediary conducts due diligence **BEFORE** presenting your fund to a potential allocation?
- How well does your marketing process, presentation and material reflect the profiles you have constructed?

"**BEFORE" = "PRIOR PROFESSIONAL PREPARATION PREVENTS POOR PROCESS PERFORMANCE".** A hedge fund marketer must first have an acute and accurate awareness of the prevailing investing climate to develop a comprehensive understanding of aspects affecting behavioral responses (investor sentiment), which influences allocation activity. Secondly, holistic detailed investor profiles need be developed to not only determine if the fund is "**RIGHT**" (suitability!) for the investor but supports execution of a customized strategic and tactical approach that ensures an exceptional client service experience **BEFORE** and after the allocation by consistent timely delivery of the **RIGHT** information in the **RIGHT** manner and format.

One of the biggest marketing obstacles funds face is the ability to construct comprehensive profiles of investor segments and prospects. In a recent survey of 500 investors with at least $50 million in investable assets, we learned that many funds fail to understand (adequately profile) prospects **BEFORE** presenting their fund. This is illustrated by reasons respondents gave for not investing:

A. **91.1% said the marketer did not understand them**.
B. **81.7% said the marketer did not sufficiently identify the fund edge (alpha) and explain the strategy clearly**.

In a climate of fear, unprecedented volatility, uncertainty and doubt, a marketer must have a broader understanding of what it takes to succeed raising capital beyond promoting pedigree and track record. **Process is now the "new" performance!** The sales adage, "**ABC: Always Be Closing**" is valid and true. However, in the post-credit-crisis/Madoff climate, "**ABC**" means…

1. **Always Be Calm.**
2. **Always Be Confident.**
3. **Always Be Communicating.**
4. **Always Be Collaborative.**
5. **Always Be Consultative.**
6. **Always Be Consistent.**
7. **Always Be Compliant (regulatory).**
8. **Always Be Concise.**
9. **Always Be Candid.**
10. **Always Be Clear.**

About Us: Johnson & Company is an Austin,Tx-based consultancy, which provides marketing and fundraising advisory services to sub $500 million AUM alternative asset managers. Our service focus and solutions bring the essential strategic insight and tactical resources to small hedge funds, which provide the basis for economical, expedient, effective and efficient marketing and fundraising execution.

As Founder and Managing Partner, Bryan K. Johnson has 20+ years experience within alternative investments. Previous to launching Johnson & Company, he served as Global Head of Marketing and Business Development for the Alternative Investment Group at Moody's Investors Service (MIS), responsible for the deployment of Operational Quality (OQ) Ratings For Hedge Funds. Prior to his tenure with Moody's, he served as chief expert witness and lead consultant for The Attorney General of Texas and The State of Texas in the evaluation of hedge funds and private equity firms in the acquisition of the assets of Texas Genco in the multi-billion dollar true-up of Centerpoint Energy (CNP:NYSE). He was also Founder, Chairman and Chief Executive Officer of Gotham Bay Partners, a Denver-based Alternative Investment Firm, providing alternative manager selection and analysis as well as asset allocation services to private wealth clients.

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