

Understanding the LP Mindset

David Snow, Privcap:

Today, we're joined by Katie Stokel of Abbott Capital, Mike Elio of StepStone Group and David Conrod of FocusPoint Private Capital Group. Everyone, welcome to Privcap. Thanks for being here.

When you're thinking about a fundraising that looks like it can be successful, you say that team and theme really count. What do you mean by that?

David Conrod, FocusPoint Private Capital Group:

It's the strategy additive, to an endowment or foundation or a large family office, because they're the likely investors in a new group. That's how they're thinking. Finding a strategy that's very focused, a team that's been in that space for a long time, a superior track record of delivering high financial returns in that sector and a deep understanding of that space and there's something we would be interested in and doing a lot of work on.

Mike Elio, StepStone:

Once you're into our office we can say, "Great. You check all the boxes, you're institutional quality, it looks like you've surrounded yourself with all the right people, to be here to talk to folks like Kathryn and now the question is what is your differentiator?" A lot of investors already have pretty well established relationships and you not only have to look attractive enough to want someone to invest in you, you have to look better than the guy that they're already with.

Katie Stokel, Abbott Capital:

You've got to kick someone out of their seat. You've got to displace someone many times, which is much harder

Conrod:

If it's a duplicative strategy, and it's a tough one, it's got to be additive to their portfolio.

Stokel:

People don't want to have 100 managers anymore, they want to have 20 or 30. And, if they already have 20 or 30, then they still are in that dilemma of, "Geez, do I want to start a new relationship, add to the number, or kick someone out to keep my number the same?"

Elio: That's said in the world of growing fund sizes—LPs are looking to be more important in the relationships that they do have left. So, if you can rise to that level, those LPs will embrace you and follow because they may be looking for co-invest or some other—

Stokel: Or volume discounts if they have multiple relationships, like the same manager.

Conrod: Right, exactly.

Elio: \$100 million in a \$1-billion fund, you're more important than \$100 million in a \$23-billion fund.