

# The Value a Placement Agent Can Bring to a Fundraise

## Capstone Partners' Michael Keaveney on how placement agents can be a valuable strategic partner to both emerging and established managers

Fundraising is not easy; it is one of the more exhausting, humbling and frustrating processes GPs encounter. In perusing industry periodicals, one might conclude that anyone can raise a private equity fund and it can be done easily. The reality is quite different.

Well-known managers that have a clean story with strong existing LP support – and spin-out groups with extraordinary stories – do get in and out of market quickly, but for the majority of managers, fundraising remains a difficult, unwelcome task with plenty of risk. A high-quality, full-service placement agent can play a valuable role and be a resource to GPs during the fundraise.

The benefits are more obvious for emerging managers or those with complex stories as agents can develop a strategy for the raise, help position the story, anticipate objections, process feedback, and take the bulk of the documentation work off the GP's plate. Agents can also play a role with high-quality or high-demand offerings as they can de-risk the raise by providing guidance on optimal timing of launch, sequencing of LP approach, managing logistics, driving an efficient process, and advising on the allocation process (particularly as it relates to the negotiation of commitment sizes).

### Emerging Managers (First-Time Funds/Spin-outs)

Hiring a placement agent is a critical step for an emerging manager looking to avoid the pitfalls inherent in any first-time fundraise.

### Fundraising Strategy & Diligence Preparation:

The planning stages for a fundraise can be just as important as the raise itself. If the GP doesn't have a tight story and documentation is not well prepared, it can be detrimental to the raise. Placement agents can advise their clients on all aspects of the fundraise strategy (including identifying and highlighting the key attributes and differentiators of the strategy). The



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Project Management team can help write the marketing materials, including the presentation, PPM, DDQ and supplemental diligence materials. The placement agent has a lot of experience working with LPs on diligence requests; therefore, they can anticipate diligence questions and topics before they become a hurdle in diligence.

In some cases, agents can be helpful in identifying and choosing counsel and outsourced back-office providers, which has become an important factor as LPs have increased their due diligence on fund operations.

**Distribution:** Equally as important to the planning process is meeting the right LPs in an efficient manner. LPs can be an enigma as it relates to understanding what drives decisions, whether they have capital to invest, and who is the right person with whom to initiate dialogue. The placement agent is constantly speaking with the LPs – both to understand their current portfolio and to gain a view as to what they are wanting to add in the way of new GP relationships. Agents also know which LPs are realistic supporters of emerging managers.

### Established GPs

Established GPs may not need the same level of assistance as emerging managers; however, there are still many ways a placement agent can be a valuable resource.

**Fundraising Strategy & Diligence Preparation:** An agent may not need to provide as much assistance with document preparation for an established GP, but there can be items that come up between fundraises that need to be addressed during the upcoming raise (issues may range from team turnover to performance issues). An agent can help a GP articulate lessons learned or how these issues have been mitigated for the new fund. In other cases, a GP may want to consider seeking premium terms or potentially expand their platform by raising a fund with a different strategy. A placement agent can seek early market feedback or, based on experience, provide guidance as to the likelihood of success in achieving desired goals.

In a high-demand offering, a placement agent can de-risk a raise by providing advice on timing and sequencing and by acting as an intermediary during difficult allocation discussions. Historical knowledge and experience provides an agent with greater insight into LPs' realistic expectations for fund allocation, which can result in a smoother process. Lastly, the placement

agent can take over the logistics of the raise and allow the GP to focus on investing. A GP in a high-demand situation should view their agent as an insurance policy to prevent an efficient raise from becoming more difficult.

**Distribution:** A GP may have a dedicated Investor Relations team tasked with managing LP relationships and securing new commitments. Despite the depth of the team's contacts, a placement agent can be helpful in gaining access to LPs in different geographies and can potentially be a resource, alongside counsel, in managing regulatory compliance in Europe and Asia.

If the GP doesn't have an Investor Relations team, it can be time-consuming to organize follow-on meetings with LPs while still tending to the important day-to-day tasks of managing the firm and the portfolio. A placement agent can screen the LPs and present the best list of targets as well as manage efficient meeting schedules, which often coincides with travel related to deals.

In sum, placement agents can be an invaluable strategic partner to both emerging and established managers to help the GP achieve their desired goals and complete the fundraising in an efficient manner.

## Capstone Partners

Founded in 2001, Capstone Partners is a leading independent placement agent focused on raising capital for private equity, credit, real assets and infrastructure firms from around the world.

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