



# Placement Agent Survey: Signs of Success and Accessing the Top-Tier

In this excerpt from the 2013 Preqin Investor Network Global Alternatives Report, Bogusia Glowacz examines what placement agents look for in fund managers and their thoughts on how investors can improve their chances of gaining access to potentially oversubscribed funds.

Placement agents play a key role in the alternative assets industry. Fund managers hire placements agents to garner commitments from investors, relying on their fundraising expertise, experience and networking capabilities to reach investors that they may not otherwise be able to secure capital from. Placement agents are also important to investors, presenting them with opportunities they might not usually have access to.

Preqin recently surveyed 72 placement agents from around the world, in order to better inform the investor community about fundraising. This article seeks to reveal what placement agents look out for when deciding whether to represent a fund manager, and what top-tier fund managers look for when deciding which investors to take commitments from in a potentially oversubscribed vehicle.

## Indications that a Manager Will Be Successful in Fundraising

When placement agents were asked which traits are the most important when selecting a fund manager to work with, a large majority (83%) of respondents cited experience/expertise with a specific strategy as being important if they are to represent the fund, as shown in Fig. 1. This is a clear indication of the importance placement agents place on specialist knowledge within a given private equity field. Regarding a successful performance track record, it is interesting to note that a significant 80% of placement agents interviewed require managers to have been successful on a team level, compared to 61% which require a good track record on a firm level.

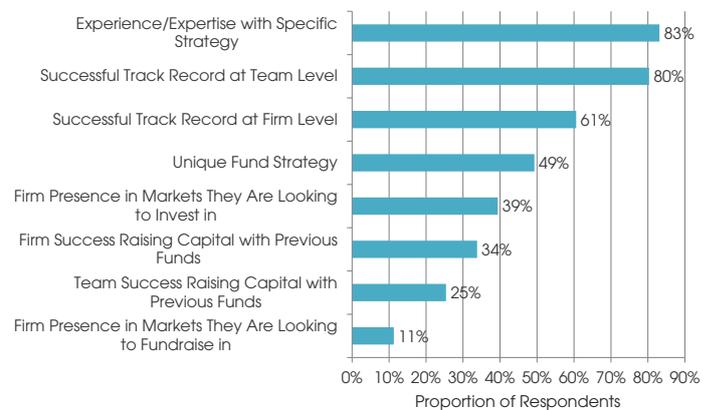
Additionally, several survey participants mentioned characteristics such as low team turnover and stability, with one placement agent valuing “team cohesion and returning base of investors”.

Fig. 2: Placement Agents' Views on the Most Important Traits a Fund Manager Needs to Possess in Order to Meet its Fundraising Target



Source: Preqin Placement Agent Survey, April 2013

Fig. 1: Placement Agents' Views on the Most Important Traits Fund Managers Need to Exhibit for Placement Agents to Fundraise on Their Behalf

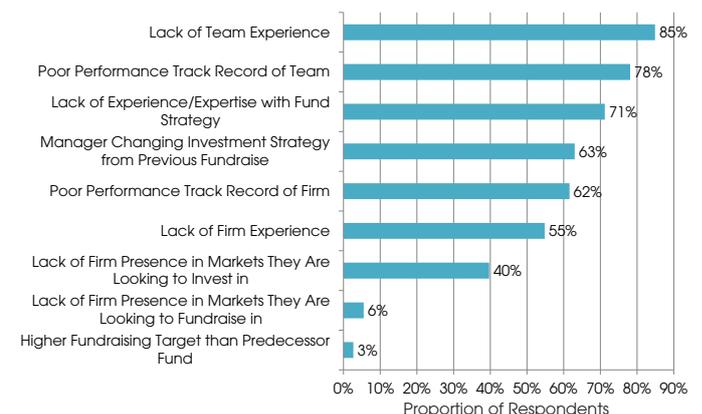


Source: Preqin Placement Agent Survey, April 2013

We also asked placement agents which attributes a fund manager needs in order to successfully fundraise. Experience and expertise with fund strategy were again suggested by the highest proportion of respondents (84%), as demonstrated in Fig. 2. Track record was stated as the next most important factor, with 81% stating that a successful performance track record at team level was a good indication of the manager being able to meet its fundraising target; additionally, 51% of placement agents stated that a successful track record at firm level is an important attribute in fund managers.

One placement agent stated “a manager’s willingness to be flexible on terms and conditions” as important when fundraising,

Fig. 3: Warning Signs Placement Agents Look for that Suggest a Manager Will be Unsuccessful with Fundraising



Source: Preqin Placement Agent Survey, April 2013



while another highlighted that the “first closing is crucial, as are investments, particularly involving commitments from existing investors”.

Conversely, placement agents also look for warning signs that might suggest a manager will be unsuccessful with fundraising, which is certainly something for investors to consider when deciding whether to commit to a fund. As Fig. 3 displays, lack of team experience was mentioned by the highest proportion of respondents (85%). Again, poor performance track record of team (78%) and firm (62%) were other major concerns, as was lack of experience/expertise with the fund strategy they are in market with (71%).

#### Accessing Top-Tier Fund Managers

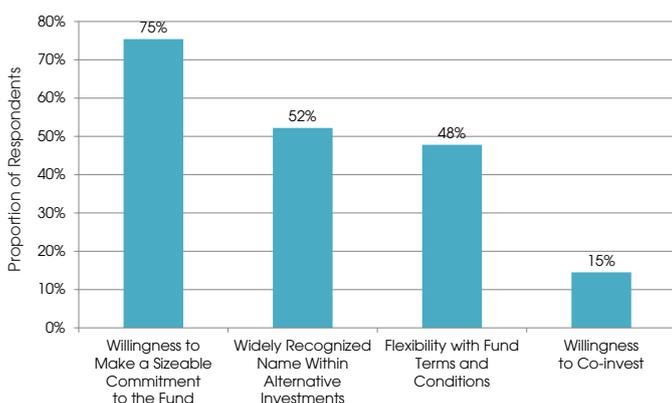
While new managers or those with a less established performance track record may find it challenging to attract investor capital, managers with a proven performance track record may be oversubscribed. Placement agents are divided about how selective top-tier fund managers are when choosing which investors commit to their funds. Forty-eight percent stated that managers are not selective about which institutions they take capital from; however, 52% state that managers are selective about which investors can commit to their funds, as shown in Fig. 4.

When asked what investors need to do to access top-tier funds, 75% of placement agents cited willingness to make a sizeable commitment to the fund, as Fig. 5 illustrates. Some investors not long established in alternatives may have difficulty investing with top-tier managers, with 52% of placement agents stating that having a widely recognized name within alternatives is key to being accepted by a top-tier manager.

Some placement agents cited that top-tier managers seek out long-term compatibility with an investor, seeking potential re-ups in successor funds. One respondent labelled this requirement as the need to find “sticky capital”.

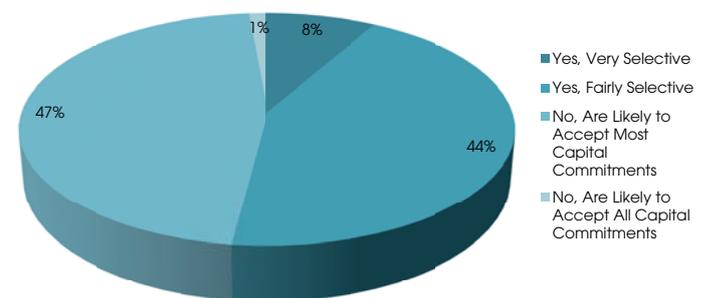
We also asked placement agents about the potential obstacles investors had to be aware of when trying to gain access to top-tier fund managers. As shown in Fig.6, the overwhelming majority (96%) of placement agents told us that top-tier fund managers decline investors if they are too demanding with fund terms and

Fig. 5: Placement Agent’s Views on Attributes Top-Tier Managers Look for from Investors



Source: Preqin Placement Agent Survey, April 2013

Fig. 4: Placement Agents’ Views on Whether Top-Tier Fund Managers Are Selective About Which Investors Commit to Their Funds



Source: Preqin Placement Agent Survey, April 2013

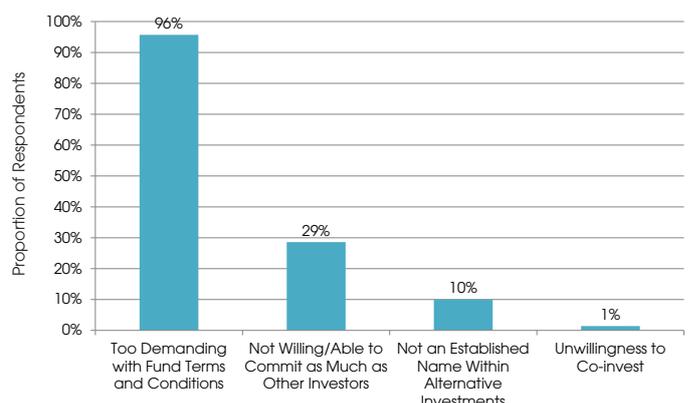
conditions. With investor-fund manager alignment of interest a much discussed subject in the current climate, investors should be aware of pushing fund managers too far when negotiating on fund terms and conditions.

#### Outlook

Positioned between investors and fund managers, placement agents, and their views on the alternative assets industry, can provide an insight for investors into key areas that impact the investment process.

Preqin’s interviews with placement agents demonstrate that experience and track record are of clear importance to both investors and fund managers. Placement agents are often wary of backing a fund manager without a sufficient track record. Many believe that top-tier fund managers may be unwilling to take commitments from investors that are not established investors in alternatives. Other key factors for investors to take into account with top-tier managers are the importance placed on making a sizeable commitment to a fund, as well as the possibility of pushing fund managers too far in attempting to negotiate over fund terms and conditions, a current point of much contention in the industry.

Fig. 6: Placement Agent’s Views on Factors that Lead Top-Tier Managers to Decline Investors



Source: Preqin Placement Agent Survey, April 2013