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# Best Communication Practices for Fund Marketers – Private Equity, Real Estate and Infrastructure

October 2013

## Competition and Pitfalls for Fund Marketers

We examine the main reasons unsolicited fund proposals do not make it through the initial filtering stage based on our survey of leading institutional investors in alternative assets.

## How Can Fund Marketers Improve their Initial Marketing Efforts?

How satisfied are investors with the information provided to them by fund marketers? We explore which aspects of initial fund marketing documentation investors view as needing the most improvement.

## Do Investors Have the Right Tools to Assess Fund Opportunities?

As investors scrutinize fund marketing documentation more closely, what tools and data are they missing? We explore what investors need to assess fund opportunities at the first cut.





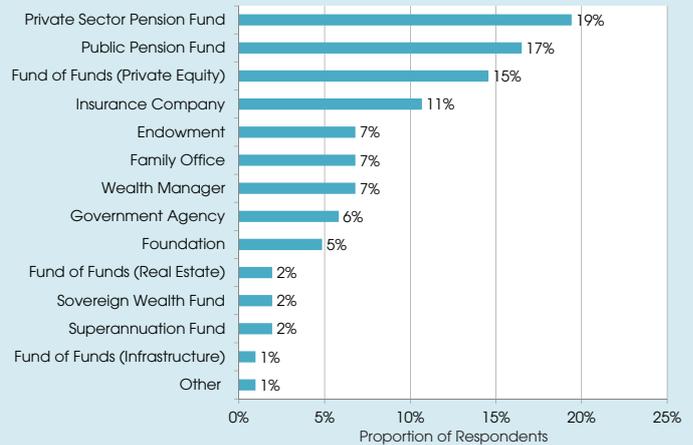
# Foreword

With a record 1,990 closed-end unlisted private equity, real estate and infrastructure funds in market, one of the biggest challenges private equity, real estate and infrastructure fund managers and placement agents face is securing investor commitments in a highly competitive space. Fundraising managers need to ensure their fund is in front of the widest audience possible; not just existing investors or the ‘usual suspects’. Furthermore, with investors increasingly proactive but also ever more diligent, fund marketers need to ensure they are getting the right information to investors, in the correct format. This report looks at the best practices fund marketers should adopt during the initial contact stages of discussing potential commitments with investors. It draws on the results of Preqin’s extensive survey of over 100 accredited institutional investors in August 2013.

Crucially, Preqin’s conversations with investors reveal that they want clear and standardized information from fund managers when receiving initial fund marketing documentation. Furthermore, the industry does not provide investors with what they need to undertake effective first-cut due diligence: the ability to compare key fund metrics in a standardized format.

Preqin has identified these emerging investor trends and has stepped in to improve the flow of initial fund documentation between fund marketers and their target audience. Over 5,000 investment professionals across 3,000 investing institutions already access key fund overview data from

Breakdown of Survey Respondents by Firm Type



Source: Preqin Investor Survey, August 2013

fund managers on Preqin Investor Network. Now, fund marketers can gain even further benefit from the Network. The Enhanced Fund Listings service lets investors make direct requests to fund marketing teams for all the vital information they need to consider each fund opportunity. Fund Marketers can also generate incoming leads by making their fund even more visible and accessible to the largest and most proactive database of investors in the world. To find out more, please visit:

[www.preqin.com/enhancedfundlistings](http://www.preqin.com/enhancedfundlistings)

## Key Findings

**51%** of institutions surveyed by Preqin use their own internal investment team to research new opportunities (page 3).

**35** is the average number of fund documents received by investors surveyed each quarter; only an average of six funds make it through the initial filtering stage (page 4).

**54%** of unsolicited fund marketing documents received by investors do not match their investment criteria (page 4).

**72%** of investors considered initial communication by fund marketers on performance track record to be average or worse (page 5).

**51%** of investors surveyed want to be able to directly compare initial fund marketing documents, but only 14% consider it possible to do so at present (page 6).

**56%** of investors stated it was difficult or very difficult to be able to compare fund opportunities against each other using initial marketing documentation (page 6).

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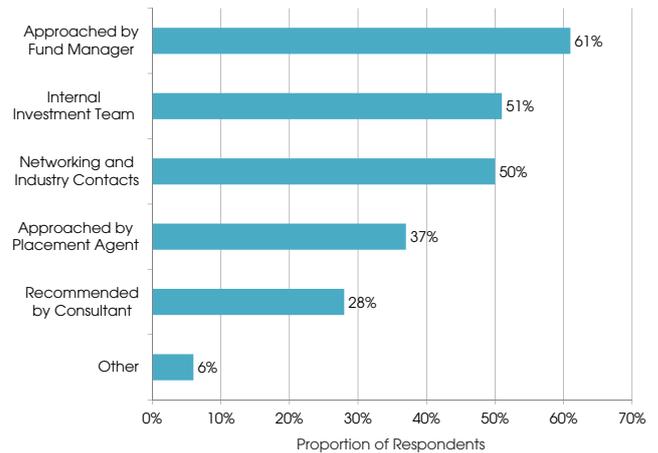
# The Changing Investor Landscape: The Universe Fund Marketers Find Themselves In

With over 3,000 institutional investors subscribing to Preqin Investor Network, it is clear there is a thirst for alternative asset fund information from an increasingly well informed investor universe; but does this appetite for knowledge translate into a more proactive investor base? Fig. 1 shows that investors in alternative assets source new opportunities in various ways. The most common way investors find new opportunities is via a direct approach from a fund manager, with 61% of institutions using this approach as part of their investment process. This is a decrease compared to the 72% of investors surveyed by Preqin in 2012 that named being approached by a fund manager as one of their main means of sourcing new opportunities, suggesting that more investors are adopting a proactive approach to sourcing new alternative asset investments.

Another source of investment opportunities comes via introductions to funds from the placement agent community, with 37% of investors stating they utilize this avenue as part of their selection process. This is a decrease compared to 2012, when 55% of investors considered approaches from placement agents to be one of their primary methods for sourcing new funds.

Over half (51%) of institutions surveyed in August 2013 used their own internal investment team to source new opportunities, while half of respondents stated they utilize networking and their industry contacts to find suitable investment opportunities. This further demonstrates that a significant number of investors are keen to devote time and resources into proactively finding the best and most suitable funds to invest in. In a different study in April 2013, Preqin asked investors if they had a proactive, passive, or mixed approach to sourcing new investment opportunities. Half of those surveyed said they were proactive, predominantly

Fig. 1: Main Methods Used by Investors to Source New Private Equity Investment Opportunities



Source: Preqin Investor Survey, August 2013

sourcing new investment opportunities themselves, while a further 19% used a mix of both proactive and passive methods to source funds. Less than one third (31%) relied predominantly on third parties to suggest new funds, for example using consultant recommendations or direct approaches from fundraising managers.

With over 6,700 institutional investors active across private equity, real estate and infrastructure, fund managers need to consider ways to appeal not just to investors expecting and relying on approaches from managers and their representatives, but also to the substantial and growing body of investors actively trying to find the best funds themselves.

## Are you listed on Preqin Investor Network?

Don't miss out on the opportunity to get your fund in front of **thousands of accredited investors** looking to make new alternative investments.

Over **5,000 investment professionals** across **3,000 accredited investing institutions** use **Preqin Investor Network** and the number is growing all the time. This global base of investors represents **\$40tn in assets under management**.

**Preqin Investor Network** is a vital tool for fund managers and placement agents looking to attract new investor capital for their alternative funds.

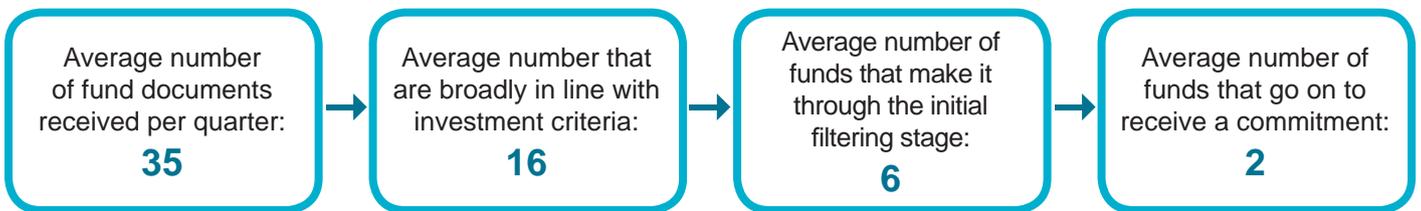
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# A Crowded Marketplace: Competition and Pitfalls for Fund Marketers

Fig. 2: Average Number of Unsolicited Private Equity Fund Documents Received per Quarter



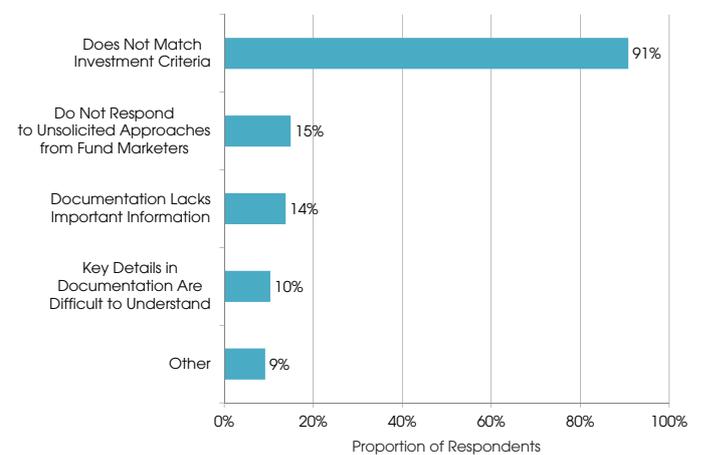
Source: Preqin Investor Survey, August 2013

While incoming leads remain a common source of new opportunities for investors, there has been a decline in investors' reliance on this source of opportunities since 2012. This, coupled with a crowded marketplace of 1,990 funds, means that fund marketers must ensure that when they make an approach, the investor is given all the data required for analysis at this early stage. Making it through the first cut can be one of a fundraiser's most difficult tasks.

On average, institutional investors in alternative assets receive 35 closed-end private fund marketing documents per quarter (Fig. 2), up from 31 in 2012. Some investors receive significantly more than 35 documents, with 10% of the investors surveyed by Preqin in August 2013 receiving fund marketing documentation for over 100 funds each quarter. With many investors inundated with marketing materials, even good opportunities that fit their investment criteria can struggle to be heard above the noise. Only 17% of funds that send unsolicited marketing documentation to the investors surveyed typically make it through the initial filtering stage of the due diligence process. On average, just two of these funds go on to secure a commitment, meaning less than 6% of funds that make an approach are successful. Interestingly, less than half (46%) of the marketing documents sent to investors are in line with the investors' investment criteria, meaning that the majority (54%) of proposals are immediately discarded from the process at this early stage. It is therefore not surprising that 91% of accredited investors surveyed stated this lack of alignment as the most common reason for rejecting funds at the initial filtering stage (Fig. 3).

As well as positioning a fund in front of a wide audience of institutional investors, it is also important that marketers display the right fund information clearly and effectively in order to maximize the chance of securing commitments. A number of respondents cited problems with the fund documentation provided by marketers as a key reason for rejecting funds during the early stage. Fourteen percent of investors found that the documents provided by the fund marketer lacked important information, and 10% of investors felt that key details, while included, were not explained clearly (Fig. 3). Fifteen percent of investors stated that they will not even consider unsolicited approaches from fund marketers.

Fig. 3: Main Reasons Unsolicited Fund Proposals Do Not Make it Through Initial Filtering Stage



Source: Preqin Investor Survey, August 2013

This highlights the importance of providing quality information in a simple format to investors – failing to do so can cause an opportunity to be rejected at an early stage, regardless of alignment with the investment criteria. Furthermore, fund marketers must find a balance between quality and quantity, and ensure that only the most relevant information is shown. One government agency told Preqin that documents in excess of 20 pages were less effective and contained too much unnecessary detail.

As we have seen, it is important for fund marketers to address the growing base of proactive alternative asset investors when seeking capital. These investors include those that do not respond to unsolicited approaches from fund managers, and those that overwhelmingly reject funds at the first-cut because they do not match their investment criteria. To reach these investors, fund marketers must rely on reverse solicitation: investors coming to them. Preqin Investor Network provides the tools to facilitate such leads, allowing investors to search all private equity, real estate and infrastructure funds in market for those that fit with their investment strategy, and then request the fund documentation directly from the manager via the platform. This allows fund marketers to focus some of their time on investors that have shown a specific interest in their vehicle, enabling a more efficient use of their time and resources.



# Attention to Detail: How Fund Marketers Can Improve Their Initial Marketing Efforts

Investors surveyed by Preqin in August 2013 were asked to rank how satisfied they were with the information provided to them by fund marketers at various stages in the fundraising process. This is shown in Fig. 4, where one represents the lowest satisfaction and five is the most satisfied. Investors were generally positive about the later stages of the process, but the first filtering round, interacting with initial fund marketing materials, received a lower average ranking of three out of five (Fig. 4). This clearly demonstrates that institutional investors see fund marketing materials as the area where the biggest improvements can be made, but what actions can fund marketers take to increase the quality of these initial documents?

Fig. 5 shows how investors rated the different sections of typical fund marketing materials. While there were a number of positive responses indicating the skill of many managers at communicating this information, there is certainly room for improvement from the industry. The fund overview was the only section rated as good or very good by 60% of investors surveyed, with all other areas rated by the majority of investors as average or worse.

The full terms and conditions and performance track record sections were the areas initial fund marketing materials investors were least satisfied with. Sixty-six percent of investors surveyed rated the full terms and conditions sections as average or worse and 72% of investors considered initial communication on performance track record to be average at best. One family office stated that poor and imprecise performance track record information was the leading reason it rejected opportunities at the initial stage. Various other institutions surveyed by Preqin stated that there was a lack of credibility regarding the reporting of track records; data provided can be inaccurate and manipulated to show the fund manager in the best light, with a common complaint surfacing about fund marketers providing just

gross performance records when net figures are essential to the consideration process. Investors want clear performance data delivered in a standardized format.

One public pension fund that receives over 100 fund proposals per quarter commented that some basic structural information, such as fund size, type, liquidity provisions and net return expectations, should be provided up front. Without this information, it said it will not proceed to analyze performance or strategy further. With constraints on investors' time, access to key information in a straightforward and uniform manner is vital during the decision-making process, and a manager with fund documentation that is lacking sufficient information or is obscuring important points of consideration will fail to make it through to the next round.

## Preqin's Industry Leading Investor Data

Preqin's online services track in-depth information on over 7,900 active investors in alternative assets, including vital data on their current areas of interests and how they prefer to be approached about new opportunities, as well as key contact details for individuals at each institution.

Preqin's investor profiles also feature details of investors' current and target allocations and how they expect them to change in the future, any known previous commitments they have made, and much more.

To find out more about how Preqin's investor data can help you, or to arrange a demonstration, please visit:

[www.preqin.com/services](http://www.preqin.com/services)

Fig. 4: Investor Satisfaction with Information Provided by Fund Marketers Throughout the Fundraising Process (5 - Most Satisfied; 1 - Least Satisfied)

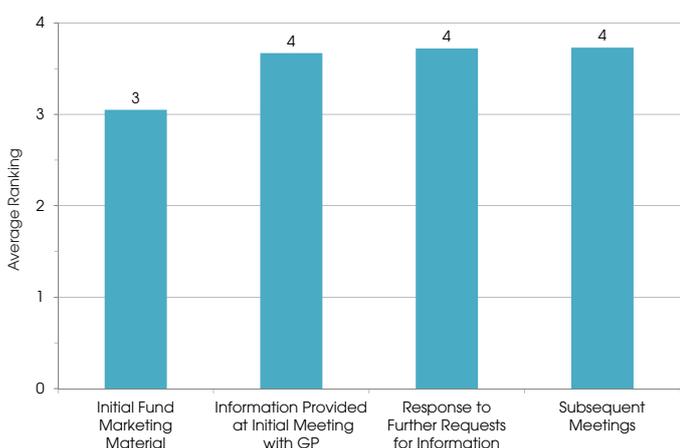
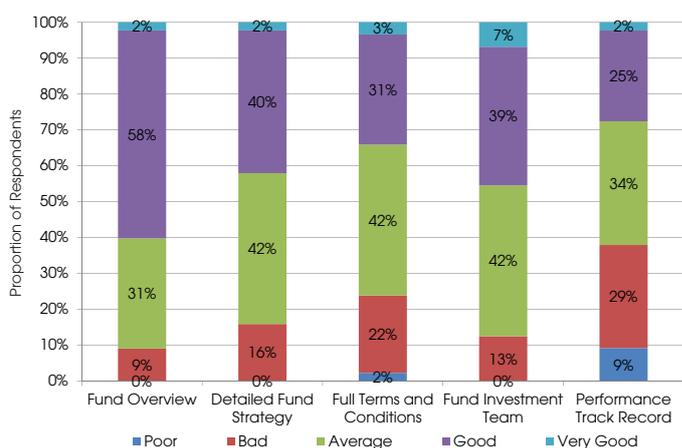


Fig. 5: Investors' Ratings of Typical Sections of Initial Fund Marketing Documentation



# The Deep Dive: Investors' Need for the Right Tools to Assess Fund Opportunities

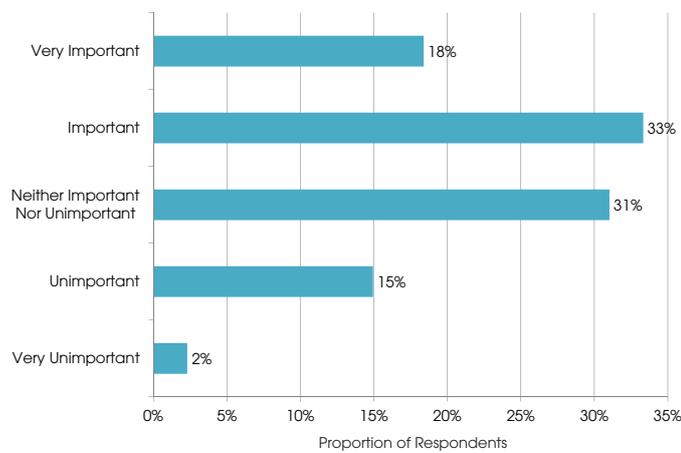
Once fund marketing documents have gained the attention of an institutional investor, they will then dive more deeply into the materials provided by the fund marketer. At this early stage, being able to make comparisons between the key metrics of similar offerings is necessary for many investors. Fig. 6 shows that only 17% of investors consider it unimportant to be able to directly compare funds, whereas more than half (51%) say that it is an important or very important part of the due diligence process.

Investors may be initially impressed with a number of funds, but as they scrutinize these opportunities in more detail, they want to assess which of these funds best align with their investment criteria and, quite simply, which funds represent the best opportunity when considering them in the context of other similar funds in the marketplace. For example, a group of funds may align with an investor's general investment criteria, but the investor then wants to be able to quickly decipher which vehicles

have the most suitable fee structure or perhaps which fund managers have the most experienced investment team.

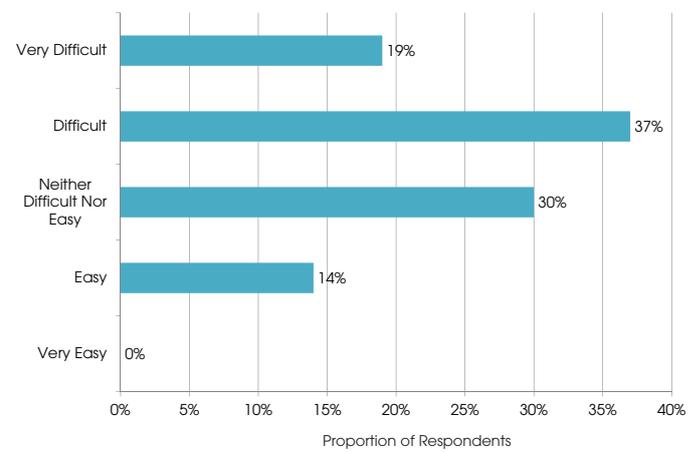
Despite half of the investor universe wanting to be able to directly compare funds during the initial filtering stage, only 14% of investors feel that it is currently easy to do so (Fig. 7). The majority of investors (56%) stated it was difficult or very difficult to be able to compare fund opportunities against each other using initial marketing documentation. As the investor landscape becomes more proactive, tools that enable investors to perform due diligence more efficiently will be welcomed. Clearly there is a considerable discrepancy between what investors need in order to assess fund opportunities at the first cut and what they feel they currently have at their disposal to do so. A vital innovation offered by Preqin Investor Network is the Key Fund Metrics that help investors make precisely this kind of comparison across and between funds.

Fig. 6: Investors' Attitudes Towards the Importance of Comparing Fund Opportunities During the Initial Filtering Stage



Source: Preqin Investor Survey, August 2013

Fig. 7: Investors' Attitudes Towards the Difficulty of Comparing Funds Using Initial Marketing Documentation



Source: Preqin Investor Survey, August 2013

## Navigate the Fundraising Market with Preqin

Preqin understands fundraising. Over the past 10 years we have helped thousands of clients raise billions of dollars by providing data you can use to:

- Proactively **identify** investors with an active interest in funds like yours.
- **See** which deals investors have exposure to.
- **Benchmark** your fund against its peers and see how the competition is performing.
- **View** typical fund terms and conditions offered by funds like yours.
- **Analyze** the current market and keep up to date on all the latest developments in the industry.

For more information, about how Preqin's online services can help you, or to arrange a demonstration, please visit:

[www.preqin.com/fundraising](http://www.preqin.com/fundraising)



# Outlook: New Developments to Help Fund Marketers and Investors

The investor landscape is changing, with more investors proactively sourcing and analyzing new closed-end private fund opportunities than ever before. Investors are increasingly approached by fund marketers with initial fund documentation, but at the same time are increasingly averse to exploring unsolicited fund opportunities. Many investors want to undertake the initial groundwork in regards to sourcing new funds and even those that rely on incoming leads from fund marketers are tiring from offers that are clearly not aligned with their investment criteria. Crucially, both proactive and passive investors want clear and standardized information from fund managers when receiving initial fund marketing documentation.

Many fund marketers fail to get past the hurdle of initial fund documentation because their marketing materials are lacking crucial data, overloaded with unnecessary information and, particularly in relation to track record, are often viewed as misleading. Furthermore, the industry does not provide investors with what they need to undertake effective first-cut due diligence, the ability to compare fund marketing metrics, something many in the investor universe are actively calling for.

Preqin has identified these emerging investor trends and has stepped in to better improve the flow of initial fund documentation between fund marketers and their target audience.

Funds have long been able to present fund overview data to Preqin's base of 5,000 investment professionals across 3,000 investing institutions, but now fund marketers can gain further benefit from Preqin Investor Network.

The Enhanced Fund Listings service lets investors request key marketing materials from fund marketers. Investors make direct requests via the platform for funds that align with their investment criteria, generating a source of incoming leads for fund managers from genuinely interested and serious investors. Furthermore, the service provides clear initial fund metrics on fund marketers' vehicles presented in a uniform way so investors can make sense of the data and easily compare all opportunities. Funds list, investors request, fund marketers decide which requests are approved to see their fund materials. Solid leads are generated and fund marketers can do what they do best – secure commitments from interested investors. Investors need help assessing good investment opportunities and the delivery of this help by fund marketers and Preqin will see a smoother, more streamlined and ultimately better serviced fundraising environment.

## Looking to generate incoming leads from accredited investors?

Preqin's [Enhanced Fund Listings](#) service can help. Allow investors to make direct requests to your marketing team for all the vital information they need to consider your fund opportunity through [Preqin Investor Network](#), the largest and most proactive network of accredited investors in the world. An Enhanced Fund Listing offers a number of additional benefits:

- ▶ A **preferential rank** in investors' searches of funds in market.
- ▶ An **easy way** for investors to request and view your confidential fund documentation - you approve/reject.
- ▶ A **link to fund documentation** to allow all approved investors easy access whenever they want.
- ▶ Your fund is **added to approved investors' portals** - containing key fund metrics displayed in a uniform way, investors' portals allow them to assess and compare funds of interest.

For more information about Enhanced Fund Listings, please visit:

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# Best Communication Practices for Fund Marketers

## Private Equity, Real Estate and Infrastructure

## Preqin Investor Network

Preqin Investor Network is a complimentary online service available to accredited investors focused on alternative investments: private equity, hedge funds, real estate and infrastructure.

The service provides investors with access to data, tools and intelligence to assist them with the following:

- Sourcing new fund investment opportunities
- Conducting due diligence on potential investments
- Making asset allocation decisions

Preqin Investor Network is used by more than 5,000 investment professionals across 3,000 institutions worldwide, with more signing up each day.

### Preqin Investor Network: Leads for Fund Marketers

All alternative investment funds open to new investment are listed on Preqin Investor Network. Key information about each fund is provided, including fund overview and direct contact details for fund marketers.

Investors proactively use the service to search for new investment opportunities, providing a source of leads to fund marketers.

A basic listing on Preqin Investor Network is free. To ensure your fund is listed, please visit [www.preqin.com/sharedata](http://www.preqin.com/sharedata).

### Enhanced Fund Listings: Making Your Fund Stand Out

Almost 2,000 private equity, real estate and infrastructure funds and more than 10,000 hedge funds are listed on the service.

An Enhanced Fund Listing on Preqin Investor Network ensures your fund stands out and offers a number of additional benefits:

- A preferential rank in investors' searches of funds in market.
- An easy way for investors to request confidential fund documentation.
- A link to fund documentation to allow all approved\* investors easy access whenever they want.
- Your fund is added to approved\* investors' portals: containing key fund metrics displayed in a uniform way, investors' portals allow them to assess and compare funds of interest.

\*You choose whether to approve or reject each investor, thereby retaining full control over who sees confidential data on your fund. Enhanced Fund Listings are designed to work alongside your existing fundraising activities and pose no regulatory issues.

Enhanced Fund Listings make it easy for investors to find out about your fund and maximize your chance of receiving incoming leads from these investors.

To find out more about **Preqin Investor Network** and **Enhanced Fund Listings** and how they can help you, please visit:

[www.preqin.com/enhancedfundlistings](http://www.preqin.com/enhancedfundlistings)

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#### New York:

One Grand Central Place  
60 E 42nd Street  
Suite 630  
New York  
NY 10165

**Tel:** +1 212 350 0100  
**Fax:** +1 440 445 9595

#### London:

Equitable House  
47 King William Street  
London  
EC4R 9AF

**Tel:** +44 (0)20 7645 8888  
**Fax:** +44 (0)87 0330 5892

#### Singapore:

One Finlayson Green  
#11-02  
Singapore 049246

**Tel:** +65 6305 2200  
**Fax:** +65 6491 5365

#### San Francisco:

580 California Street  
Suite 1638  
San Francisco  
CA 94104

**Tel:** +1 415 635 3580  
**Fax:** +1 440 445 9595

**Email:** [info@peqin.com](mailto:info@peqin.com)  
**Web:** [www.preqin.com](http://www.preqin.com)