

## Launch 2025 | The Founder's Perspective Talent & Human Capital

Welcome to Jefferies Launch 2025: The Founder's Perspective. Starting a successful alternatives fund is entirely different than it was 10 years ago. The costs are different, the challenges and potential upside are different. In this series, we leverage expert views on what potential founders need to know *now* before launch.

Today: **Talent and Human Capital**. After financial capital, human capital is critical for building a successful institution over time.

### SKILLS, FIT AND CULTURE

Peter Greene and Ben Kozinn from Schulte Roth and Zabel help us think through the skills, fit and cultural characteristics that are critical for early hires:

- ✓ Skills: finance and reporting, operations, or a generalist athlete?
- ✓ Background: do you want someone who has helped launch a firm before or from a larger, longer standing institution?
- ✓ Structure: how will the investing team be structured? Different verticals or a flat line of analysts under the CIO?

### One Hire; Many Roles

We hit on the importance of your first non-investment hire in an earlier piece. In most cases, funds launching with less than \$1 billion of assets will not hire multiple C-suite employees for Day 1. It would likely be too early to hire a Chief Financial Officer (CFO) *and* a Chief Operating Officer *and* a dedicated Chief Compliance Officer. It's more likely to hire one C-level officer that will manage multiple responsibilities. Often, firms engage with a third party compliance consultant or other outsourced providers, but this first hire will still need to manage and oversee these relationships.

In determining what the organizational structure of your firm will look like, the process of working through the firm's marketing deck can be instructive. New launches typically include org charts – even if the candidates aren't officially on board – and visualizing the structure to identify roles, responsibilities and reporting lines can be helpful.

In each case, the energy, trust and engagement a founder has with their new hires is critical. As with any other start up, the dedication and resources needed to successfully get an organization off the ground are material. Friction among early employees would only cause distraction and additional challenges.

### Comp Talk

After identifying and interviewing candidates – founders need to think about compensation offers to pay their people appropriately.

Founders may want to consider:

- ❖ What are competitive terms for an institutional launch?
- ❖ Is equity or phantom equity on the table in the short or medium term?
- ❖ Will you use a deferral program, and if so, across how many years?
- ❖ Are there tax implications?
- ❖ What types of benefits will you offer?
- ❖ What will the distinctions between investment and non-investment employees be, if any?
- ❖ Will any component of discretionary compensation be required to be reinvested in the fund?
- ❖ Is a partnership stake on the table? Could this create an added incentive for some employees to ensure the firm's success – given how important retention is?
  - If so, is it 'true' equity or synthetic equity?
  - What will our governance structure look like?
  - What responsibilities does this individual have?
  - What do economics look like if they depart?

### Outsourcing

One of the other dominant human capital trends of the last decade has been around outsourcing. As the service provider community has matured and institutionalized, outsourcing has become a common sense solution for many nascent funds. Three of the most frequently leveraged providers include:

- Outsourced Compliance Consultant
- Outsourced Trading
- In some cases, an Outsourced COO/CFO (though more frequently leveraged as a backup for larger, institutional launches and not as a full stand in)

In the current environment, for founders launching with north of \$300 or \$400 million in assets, it is important for allocators and LPs to see there is a dedicated non-investment professional. Especially in the wake of the SVB and First Republic collapses, it is important to show dedicated headcount overseeing counterparties.

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