

Launch 2025 | The Founder's Perspective The First 90 Days

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: **The First 90 Days**. You have left your prior employer. What comes next?

TO AVOID BEING OVERWHELMED, FOCUS ON THREE THINGS

Peter Greene and Ben Kozinn from Schulte Roth and Zabel help us unpack what should be top of mind for the early days of your new firm.

- ✓ Name
- ✓ Marketing and Story
- ✓ Talent and Compensation

Name

Coming up with a name for your firm could be a creative endeavor or an albatross that takes up weeks of your time. Identifying a name is not as easy as just harkening back to a happy childhood place or mythical Grecian concept.

Not only do founders need to identify a unique, resonant and easy to pronounce name, but it has to not run afoul of intellectual property checks.

Things to remember when identifying possible names:

- Is it unique?
- Does it have personal meaning?
- Is there a story behind it I can share?
- Is it easy to spell and pronounce?
- Is it memorable? And
- Will it clear an intellectual property check?

The intellectual property check is critically important because founders can satisfy the first five requirements, and then come up short if another entity is already using it.

Remember: prospective allocators come across literally hundreds of potential funds to invest in annually. Your firm's name won't necessarily hurt your quest for capital, but it could be an asset in staying top of mind for LPs.

Marketing and Story

In the first days, founders will end up delivering their pitch hundreds of times. It is critical to have a succinct and compelling story to outline the firm's value proposition, how it differs from competitors and why the current environment may offer tailwinds to a new launch.

Third parties can help with the crafting of these pitches and the collateral material (pitchbooks) that accompany them. All need to be in keeping with the new Marketing Rule, as well as past regulations governing fund marketing.

Founders may want to consider:

- ❖ What is my specific strategy, and how will I invest and manage risk in the current environment?
- ❖ How is my firm differentiated in the competitive landscape?
- ❖ How does my background fit with what I am trying to build?
- ❖ Why are we launching this fund *now*?
- ❖ What working capital do you have to support the management company, and how much runway do you have to get the firm running smoothly?
- ❖ What will your team look like and how do their strengths contribute to the success of the firm?
- ❖ Why did you decide to launch your own firm, instead of staying at your employer or joining a competitor?
- ❖ What are your terms and fees – and do they align with LP interests?
- ❖ How did you select your fund's name?
- ❖ Have you run all your collateral by counsel for review, to ensure they are keeping within regulations governing marketing and advertisements?

Talent and Compensation

The second most important capital in launching a new alternatives fund is *human* capital. How founders attract and retain both investment and non-investment professionals is critically important to the success of the firm over time.

In fact, while many founders focus their early attention on building out their investment teams, one of the most critical hires they make in the first days is the leader of the *non-investment* side of the business.

Recent history has many examples of founders who are excellent at managing and investing money – but whose talent in building institutional grade infrastructure may be less developed. In fact, this is *such* a critical hire, it may set off red flags for prospective allocators if the lead of the non-investment side of the business is insufficiently credentialed or experienced.

This hire will not only help you get your firm off the ground but will be critically important in helping the firm scale over time. A founder simply does not have enough hours in the day to manage investment, risk *and* the dozens (if not hundreds) of discrete, but critically important tasks required in a fund's earliest days. They are also a signifier of the type of culture the firm will build over time.

Questions related to this hire and their compensation include:

- ✓ What is the profile you're seeking to lead the non-investment side? Are you focused on someone with an operational background, an accounting background or both?
- ✓ Do you want this person to have launched a fund before – or come from a longer standing institution?
- ✓ What responsibilities will this person have:
 - Negotiating contracts
 - Identifying real estate and furniture
 - Selecting systems and technology
 - Managing third party relationships like outsourced CCOs or other compliance functions, dealing with admins, responding to LPs and prospective investors, among others)
- ✓ How will you compensate and incentivize this person?
- ✓ Will it grow over time as the firm scales?
- ✓ How are you thinking about salary, variable compensation, equity, phantom equity, and reporting lines?
- ✓ What leeway and discretion will this individual have in building out their own team?

STAY FOCUSED, STAY ORGANIZED

Leaving one's prior firm can take time, effort and patience. It is important in the next chapter to stay focused and organized, as the founder's to-do list can quickly become overwhelming.

While name, story and human capital efforts will take up much of the founder's attention (given these are decisions only the founder herself can make), additional items to bear in mind may include:

- ✓ Identify real estate. Urban or suburban? How much space do you want? Will you be accessible to visiting allocators? Will you use space to incentivize employees to work onsite?
- ✓ Draft a budget for your first two years of operation so you know how much working capital you have for salaries, signing bonuses or any other forms of compensation.
- ✓ Start an org chart. This may change pending your first non-investment hire but will be helpful in thinking through what expertise your firm may need.
- ✓ Understand middle and back office footprints. How involved do you want to be before and after your non-investment lead is hired?
- ✓ List what systems and resources you had at your prior firm. What are critical to your investment and risk processes vs. which are nice to have?

Launching one's own firm can be exciting, daunting, exhilarating, exhausting and inspiring. With the right planning and strategy, the process can be more effective and efficient than overwhelming.

By selecting the right initial partners, advisors and early hires, founders can be supported early on, and be confident they are building an institutional firm. With a more competitive environment than ever, founders need to be relentlessly focused on building the best firm they can every step of the way.

No one has allocated after just being handed an excellent marketing deck; it is the exercise of preparing these materials that can lay the groundwork for your communications strategy going forward.

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