

Agility and creativity give new managers a competitive edge

1. How new managers can access institutional investors

2. Why building resilient relationships sets up long-term success

3. How best-in-class tech and data practices sets a new manager apart

New managers looking to market their funds to investors for the first time can sharpen their offering by embracing new technologies and being creative with their investment targets, Aztec Group's Head of Markets, U.S. [Ore Adegbotolu](#) and Director of Private Equity in the U.S. [Lynne Westbrook](#), report.

For new fund managers starting out in today's challenging fundraising environment, a competitive advantage lies in leveraging technology and embracing innovation. This was the high-level consensus reached during a recent discussion hosted by Passthrough, which dovetailed the release of the 2024 Fundraising Predictions Survey and [The Private Funds CFO Insights Survey](#), for which Aztec is a partner.

As macroeconomic factors shift to create more [favorable fundraising](#) conditions, there are a number of additional benefits available for new managers starting with a blank slate. For one, they have the flexibility to be creative in how they develop their product as they aren't constrained by legacy track records. This means they are free to be innovative with whatever investment concepts they

wish to pursue, to deliver on their strategy. Emerging managers also have the option to pursue cutting-edge technologies, which may provide them with an operational and execution edge over more experienced managers who have existing technology platforms, which may not be so accommodating of innovative technologies.

Smart technology and operational choices could allow an emerging manager to deploy a higher percentage of capital into areas such as deal origination, in particular the opportunity to strengthen research capabilities which would allow the manager to market their funds in a more targeted and focused manner to a more curated target investor base, thus meeting the increasingly [exacting requirements of LPs](#). Having the luxury of building the value chain piece-by-piece, using best-in-class technology could balance out the disadvantage of not having case histories and referenceable relationships to fall back on.

Cracking the institutional investor segment

Among the CFOs who took part in the [survey](#), two thirds said that finding new investors to back the fund was challenging. This can be even more difficult for a new manager looking to break into the institutional investor segment, given the predictable flight to quality, when market volatility persists. This often results in a lack of opportunity to attract commitments from this sought after allocator segment. However, some institutional investors do have dedicated new manager programs to solve this problem and others have a policy of making all the managers in their portfolio - regardless of track record - compete for investment. This ensures that new managers could add optimal investment companies available to their portfolio. It's also a great way for new managers to get in front of institutional investors.

The best way for new managers to get these opportunities is to keep their funnel fresh, ensuring they begin building relationships at the early stages of their firm's creation. This was supported by the experiences shared by a group of prominent CFOs in the private markets who joined a roundtable discussion with Aztec following the release of [the report](#). They agreed that as part of the roadshow process, investors increasingly want to meet with the CFO and get an understanding as to the governance and process frameworks that are in place. This relationship building means that, as you get to know potential investors' needs, you can tailor your product to their requirements for future fundraising.

Building resilient relationships

Market conditions are continuously evolving, and allocators' appetite for the private markets is growing. For new managers, the first step is identifying areas of interest, and then researching prospective partners who are aligned to this. How you complete this due diligence process for suitable partners can take many forms and is dependent on the sub-asset class you are focussed on.

As an example, the analysis of a first-time venture capital manager would look very different from that of a seasoned buyout veteran. In the case of the veteran, a thorough analysis of case studies of historic investments, exploring ways they've added value as well as their ability to consistently source and transact deals in a creative way would be the focus, as well as how they exit an investment.

However, for a VC manager without a track record to fall back on, the process would center on different factors, such as if they have advantageous access to investments or if they have a unique approach to analyze opportunities that can be consistently repeated over time. This is one area where [technology](#) can give new managers an edge, or where an innovative product structure offers exciting possibilities.

A question new managers should be ready to answer might be why an exceptional entrepreneur might be likely to sell an investor a piece of their business? Due diligence processes need to be direct and transparent and should have a time investment that reflects the kind of relationship both parties want to build - long-term and meaningful.

One step beyond - data and AI

For managers striking out on their own, the findings of the two recent reports highlight the ways in which the private markets sector is innovating.

Both the 2024 Fundraising Predictions Survey and the [PEI Private Funds CFO Insights](#) 2024 show that when it comes to the fundraising landscape, and what will lead to the best results, the same factors are high on respondents' radar. These include how technology - primarily data management and AI, followed by blockchain and tokenisation - will streamline and improve processes and outcomes.

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Most opportunities for new managers lie in leveraging [technology](#). How it is reducing the barriers to entry for investors, with innovations such as investor portals that allow people to invest via a digital marketplace and reduce the need for fundraisers to go out on roadshows to raise capital, is one example. This one innovation is changing the outlook on fundraising and increasing the pool size of investors all the time.

With private markets [opening up](#) to more investors, regulators are looking to strengthen the legislation which governs how private funds operate. There's a growing burden on managers to adhere to the growing and strengthening regulation, something which managers may need support with.

Recent developments such as [The U.S. Corporate Transparency Act](#) and the [U.S. SEC](#) reforms, show the direction of travel is towards more robust regulation, so factoring this in from the outset is prudent. Similarly, the need for robust and consistent [ESG data](#) is growing. This is another area of potential differentiation for new managers if they are able to leverage [data](#), or structure their product for co-investing to feed the trend for more transparency and real-time portfolio insight.

There are a number of factors for new and mid-market managers to consider. To discuss these - and the topics raised in this article - in more detail, please contact [Ore](#) directly.

