What does it take to persuade investors?

A White Paper for Private Equity Firms

Based on Conference Panel Sessions chaired by Benjamin Ball

SuperReturn China
Beijing, 2012
Executive Summary

Experienced GPs and LPs have strong views about what it takes to be successful in fund raising. The good news is that there are many common themes in what they all say. And, their advice is consistent internationally.

Benjamin Ball Associates has distilled fund raising best practice into an essential 7-step checklist:

1. Know your LP – do your research beforehand
2. Be clear about what you are offering – have a simple message
3. Make it easy for the investor – structure your story well
4. Keep the PowerPoint short
5. Be honest, be straightforward
6. Make sure you look good as a team
7. Aim for a long-term relationship

Benjamin Ball Associates are presentation experts who help asset managers and companies look and sound impressive when communicating with investors. They do this by creating powerful investor stories, clear presentation materials and engaging performances in pitch meetings.

Background to this paper

Benjamin Ball chaired a series of Panels at SuperReturn China 2012. The theme was Fund Raising for Private Equity Firms. Taking part in the panels were some of the most successful and respected funds managers in Asia as well as two of the most interesting LPs who have significant funds committed in the region.

Those participating in the panels included:

**Tina Wei of Flag Capital** a $4.4bn Fund of Funds that invests $350m pa
**Tom Chandos of Esmée Fairbairn Foundation**, a £1.3bn grant-maker
**Conrad Tsang of Baring Private Equity Asia** which closed the $2.46bn Fund V in early 2011
**Stuart Schonberger of CDH Investments** described as China’s most respected PE firm, who will be raising their 5th fund by the end of the year
**Lucian Wu of Paul Capital**, voted PEI Secondaries Firm of the Year in Asia, currently managing their 9th generation global fund

Other people quoted were also speaking at SuperReturn China.
The problems of private equity fund-raising

Starting the fund-raising process is the toughest part.

Too many firms spend too much time creating lengthy, and frankly, irrelevant PowerPoint documents.

At Benjamin Ball Associates we prepare PE firms for international fund-raisings using an intensive system that adds huge value to the process of fund-raising. This includes:

1. Developing powerful investor messages
2. Creating high-impact documents, and
3. Training the team to look impressive in LP meetings.

And all before first contact with the investor.

During SuperReturn China we quizzed both GPs and LPs to check if the rules for best practice fund-raising were any different in Asia. The conclusion is that a good investor pitch is the same, anywhere in the world.

This paper summarises best practice advice for Private Equity fund-raising.
Step 1: Know your LP – do your research beforehand

In the process of fund-raising, the investor presentation is only a small part of the process. To look and sound impressive, there are fundamental rules that need to be obeyed. One of these rules is that you must research your LP before your meeting.

The checklists that we produce at Benjamin Ball Associates help you identify exactly what information is most useful before each meeting. For example, you should establish what similar investments that LP currently holds and know the professional background of each person you are meeting. In many cases you need to address the investor and their advisors.

On this first piece of advice, everyone is clear. **To be successful, you need to know to whom you are pitching.** By doing this research, you can have a proper conversation with that investor, rather than just pitching yourself.

“Every LP is different, and the better you know them, the better you can connect with them” says Stuart Schonberger of CDH Investments. This sentiment is echoed by Tom Chandos of Esmée Fairbairn Foundation: “You need to understand what we LPs are looking for and how we work.” says Tom “For example, all our initial screening is handled by Cambridge Associates, so you need to impress them first.”
Step 2: Be clear about what you are offering – have a simple message

Too many funds over-complicate their investor proposition. A fundamental part of the work Benjamin Ball Associates does is to transform complicated stories into simple clear messages. Ideally, one simple clear message.

Once developed, this message then underpins all elements of fund marketing and communication.

A consistent theme from LPs and GPs we spoke to is the importance of making it easy for the investor. Conrad Tsang of Baring Private Equity Asia sums it up perfectly when he advised, “You want a single short memorable message. It makes it much easier for the LP. For example the line ‘A Chinese Private Equity Healthcare Fund’ it’s clear and simple”. This point is emphasised by Tina Wei of FLAG Capital “You need to be clear what it is you are trying to sell. You must have one simple core message.”

For first time funds, the messages are equally clear. For example, Alice Chow of Squadron Capital expresses a common sentiment “We’re happy to see first time funds, but not first time investors.” As Bernie McGuire of 57 Stars says “you need to be able to draw a connection with the past.”

Stuart Schonberger is clear about the value of a placement agent. “For a first time fund, you will need to get out and tell your story on your own” warns Stuart, “and a placement agent can’t replace these efforts.”

“Have a clear story.” says Sherry Lin, of Mousse Capital. “You might even do some PR so that people have heard of you beforehand.”

“Remember,” reminds Lucian Wu of Paul Capital “the goal from your first meeting is to get another meeting. No more than that.”
Step 3: Make it easy for the investor – structure your story well

Structuring a powerful and simple story is not easy. But it is the essence of a strong successful pitch. One piece of advice we give is to keep first pitches at a high level. They should be more about the What, the Why and the Who of the fund rather than the How. And, so that you start with the right messages, the more you can demonstrate the alignment of interests between the LP and the GP the better. An LP is looking for drive, hunger and stability. So this needs to come across. In later pitches you need to reinforce these attributes.

In his talk, Benjamin Ball stresses the importance of understanding the basic psychology of persuasion, including audience attention levels. “Using these ideas to structure your pitch, you can be much more persuasive.”

![Working with Audience Attention Levels in a Pitch](image)

Stuart Schonberger reminds us that fund-raising is no different from marketing. “You need to have a conversation with the LP and connect with them.”

Stuart is positive about the value of pre-marketing to LPs before you start formal fundraising. “You should go out early with a 5-10 page book. LPs don’t want to see you only when you are fund-raising.”
Step 4: Keep the PowerPoint short

A common mistake we see from our clients is a long and complex pitch book. There is a misconception about the use of PowerPoint and how best to get a powerful investment story across. There is no point creating good looking but lengthy and unfocused documents. At Benjamin Ball Associates we create powerful focused documents that make a real impact.

“Keep your pitch books light” advises Lucian Wu of Paul Capital. “Leave the detail to be discussed in the second or third meeting.”

Benjamin Ball Associates puts a lot of effort into creating high-impact visual aids so that the fund and the team stand out. “It’s all about avoiding that dreadful feeling of someone turning the pages of a PowerPoint document” says Benjamin Ball.

Step 5: Be honest, be straightforward

Although it seems an obvious point, many funds fail to understand this. Because the fund-raising process is all about building trust and showing integrity it is more important than ever to be completely open and clear with your potential investors.

Tina Wei of FLAG Capital is clear what impresses her: “So many people are reluctant to talk about their mistakes. One fund stood out when we met them. They started by talking about the mistakes they had made and what had been learned from them.”

“Make a lasting impression in your first meeting” says Alice Chow, of Squadron Capital. She also recommends: “Beware of overused hype, such as talking about your ‘good deal flow’. A good PE fund does not have deal flow; it goes out and finds its own deals.”

Tom Chandos knows what he prefers “What I like to see is a low bulls**t quotient. For example, I’ve seen a lot of people trying to create an artificial differentiation about their fund. LPs can see through this.”

Conrad Tsang has an interesting angle. He suggests taking along your deal list. “The deal is the essence of the PE fund. LPs love talking about your deals. Then if you say you need so much money to close this particular deal, it is very real and tangible.”

“When in doubt, tell the truth.” Tom Chandos recommends.
Step 6: Make sure you look good as a team

Because investors are assessing the management team, its ability to execute the strategy, and how well they work together, you need to show how effective you are: individually and as a group. That is why at Benjamin Ball Associates we do a lot of our delivery training with video cameras. As well as improving individual performances, we also analyse how the team interacts and what to change to make a more powerful impression.

“What I look for is team dynamics,” says Tina Wei of FLAG Capital. “For example, body language is important. You can tell a lot if just one person in the team does all the talking.”

Research by Professor Amy Cuddy at Harvard Business School shows the importance of likeability in professionals pitching to financiers. A lot of the work Benjamin Ball Associates does with asset managers is to ensure likeability by creating engaging documents, messages and personal interaction.

Step 7: Aim for a long-term relationship

Because the first meeting with an investor is bit like a first date, it is critical to get that meeting just right. Which questions you ask, how you interact, and how you tell your story all adds up to an impression that will determine whether you get a second meeting or not. That is why at Benjamin Ball Associates we spend so much time with our GP clients role-playing all types of LP meeting. In this way, when the first real meetings happen, the GP team is fully prepared.

“I hate seeing GPs who think fundraising is a waste of time” says Tom Chandos of Esmée Fairbairn. “We are an important part of the process.”

Leeong Li of Commonfund Capital says “We like to see thoughtfulness. We track people through a few funding cycles; then we can see how they work.”

“This is a long term business. You will be in touch with LPs for 5, 10 or 15 years” says Stuart Schonberger of CDH. “It’s about connecting and making it personal.”
About Benjamin Ball Associates

Benjamin Ball Associates are a team of presentation experts who help companies pitch, present and persuade. Based in the UK, they work throughout the world.

They add value by advising alternative investment managers how to be more effective with their fundraising communications and investor presentations.

They improve valuations of portfolio companies on exit by helping the management get their story across powerfully.

They do this by creating powerful investor stories, clear presentation materials and engaging performances in pitch meetings.

Ben and his team have worked with senior management of many private equity firms including Coller Capital, Doughty Hanson and Deutsche Private Equity as well as service providers Olswang, Deutsche Bank and SJ Berwin.

To discuss how we can help you with your fund-raising or investor communications contact:

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