Osborne Clarke's 2022 Future of Financial Services week

How to be a successful VC

26 January – 3 February 2022

Interview with Mark Sims, Director, Funds – Venture Solutions | **British Business Bank**

ELY PLACE
PARTNERS

Placement & Advisory

January 2022

Ely Place
PARTNERS

About Ely Place

Ely Place Partners Limited ("Ely Place") is a specialist adviser in alternative assets based in London and Paris

GP Advisory

- Specialist advice on fundraising planning and LP engagement
- Fundraising strategy, DD support, intra-fund investor relations

Secondary Advisory

- Intermediary on secondary transactions
- Adviser to GPs in the restructuring of funds and the raising of co-invest capital

Placement

- Fundraising for PE, credit, infrastructure and venture GPs

Our Emerging Manager Clients

Hohnhaus & Jansenberger Gruppe

BLACK SWAN EQUITY PARTNERS

BRADDA CAPITAL

FUSE VENTURE PARTNERS

Forestay Capital

passion capital

OXX

PRIVET CAPITAL

REDRICE

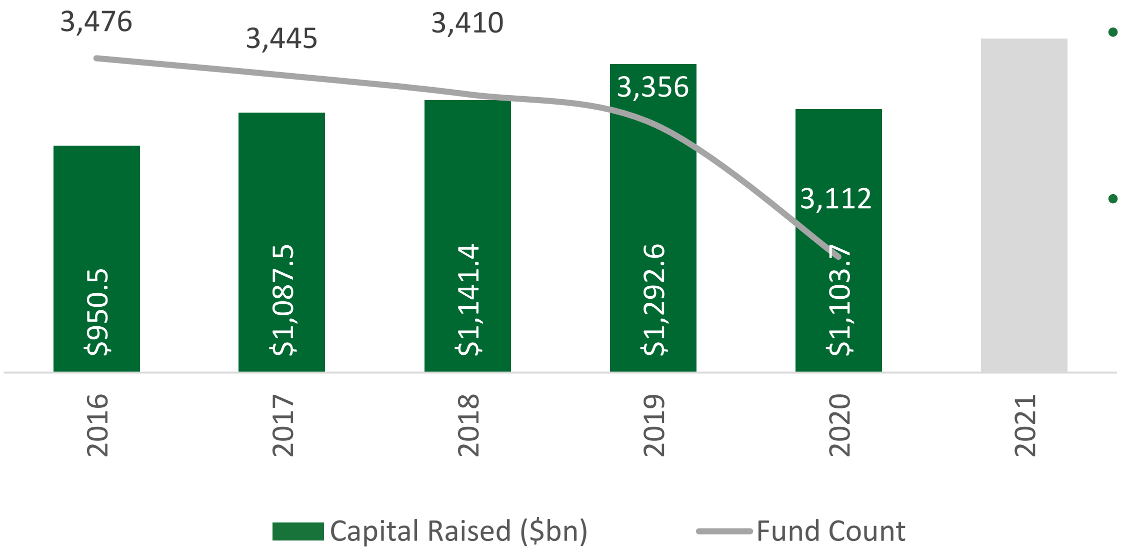
VANTAGE INFRASTRUCTURE

TRISPAN

Some Context: The Fundraising Market

Fundraising is at an all-time high. However, capital is increasingly flowing to a smaller group of larger, established managers

Private Capital Fundraising Activity[1]



Capital is becoming increasingly competitive

- **Average time between funds has halved** from around 5 years to 2-3 years
- **15 of the largest 16 PE managers globally** are back in the market now or plan to be in 2022
- **43% of LPs say they will not invest in first time managers,** up from 29% last year

1 Source: PitchBook as of Q3 2021 / Geography: Global, Other sources: Campbell Lutyens, PEI Media

Get Every Stage of the Fundraising Right

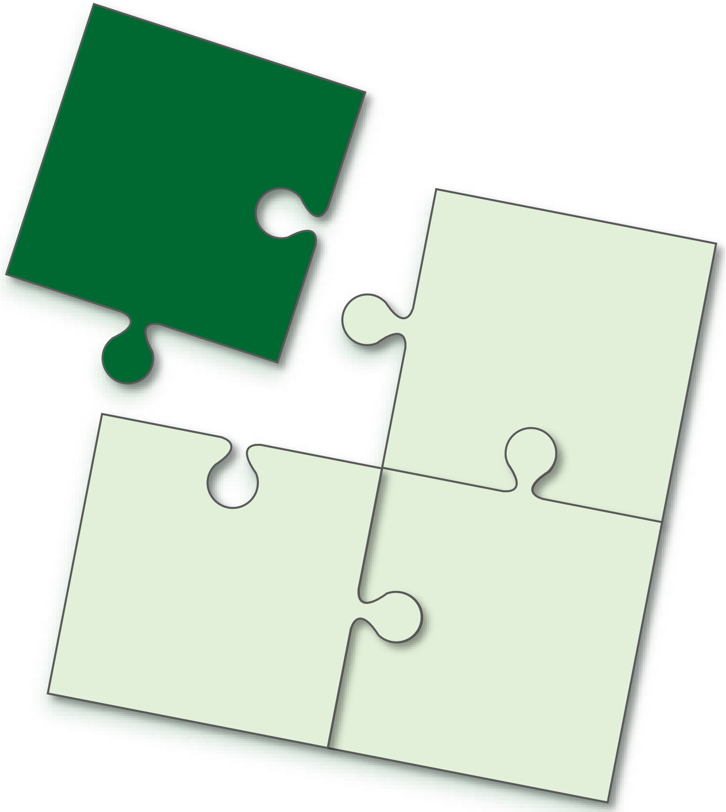
A successful fundraising campaign begins long before the first investor meeting

Your positioning	Marketing/DD materials	GP Profile	Pre-marketing to followers / First movers
• How do you position yourselves vs. the competition? • What are your key differentiators?	• A clear, concise message backed up by a high quality data room	• Invest in PR • Brand building	• Have a clear fundraising plan • Work out who are your first closers, and who are the followers

Fundraising Strategy

Securing your cornerstone

- **Government sources of capital**, e.g., BBB/EIF will usually require matching capital
- **HNWIs** close to the team, entrepreneurs, advisory board members
- **GP commitment**. LPs will expect managers to have meaningful skin in the game
- **Strategic investors**, e.g., investors active in your underlying sector/strategy
- Commitments linked to a **co-invest or a secondary deal**
- **Early mover preferred economics**. Fee discounts and/or co-invest rights but keep in mind MFN



Fundraising Strategy (cont.)

Determine they type of investor before approach

- **Large institutions**, e.g., pension funds, are driven by conservative board policies and will tend to back more established managers
- Many **funds of funds** have mandates to source smaller, less established groups often below a certain threshold, but will often monitor a manager over a fund cycle before committing
- **Family offices and individuals** can be more opportunistic, but also opaque, difficult to access and fickle in their investment decisions
- Some LPs have **dedicated emerging manager programmes**, but the competition is strong

Other considerations

- **Size of fund:** consider a smaller fund with larger fist close – create scarcity
- **It’s a long-term game:** when fundraising for Fund I you are also fundraising for Fund II
- **Research LP before you visit them:** tailor your pitch for each investor. At the meeting, let them intro their firm first and tailor your pitch accordingly
- **Listen to the LP’s feedback then find reasons to give an update:** don’t hound the LP for no reason, but do give periodic updates on new deals, team updates, etc.
- **Offer LPs ‘deals’** as opposed to a fund: think creatively in coming to a bespoke arrangement with the LP to make your offering stand out (more on the next slide)
- **Make sure you deliver** on what you say you will do. Go back in 6 or 12 months and demonstrate you have done exactly what you said you would

Fundraising Strategy (cont.)

Capitalise on alternative sources of capital – some ways that we have helped managers grow AUM include:

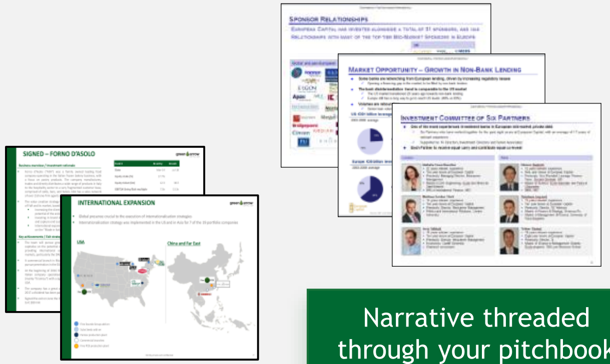
- **Deal by deal funding/co-investment:** many LPs have the means to fund individual deals, as well as make primary commitments
- **Tender offer to earlier investors by an established institution:** liquidity is provided to first investors of a GP, typically HNWIs, building up the LP base of the manager with long term institutional capital
- **Warehoused assets:** some managers have the means to warehouse deals which can then be rolled into the fund or sold to an SMA funded by a single LP
- **Staple transaction:** most secondary buyers have the means to allocate primary capital alongside a secondary transaction
- **Continuation vehicles:** single or multiple assets in previous funds sold to a new vehicle, funded by new LPs. Additional capital can be raised in the vehicle, either in the form of primary commitments, or recycled proceeds
- **Strip sales:** more common in credit, whereby a ‘strip’ of the largest loans in an existing fund can be sold to a new vehicle funded by one or more LPs. The proceeds in the original fund can be reinvested into new deals
- **Preferred equity:** additional capital to an existing fund, to support an existing portfolio secured against the assets in the fund

ELY PLACE
PARTNERS

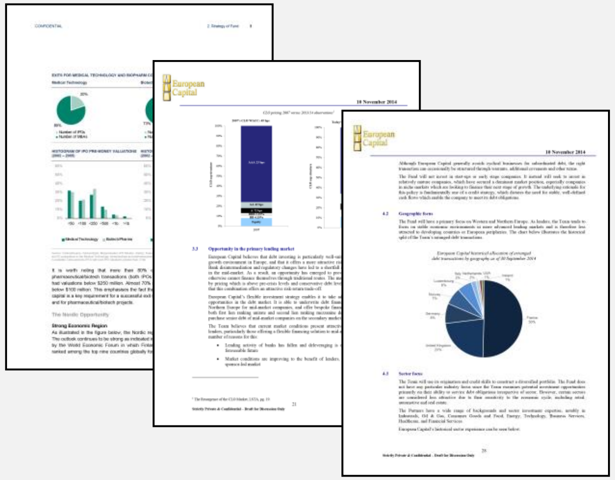
Marketing Documents

Don’t underestimate the importance of investing in your marketing and DD documents before launch

- **DDQ**:
  - Take time to fill it out before you launch
  - Get sign-off from each Partner on each DD question and agree the party line
- **‘Key themes’**: the narrative you want to thread through your documentation
- **Track record**: this is often difficult to document when bringing together the track record of a new team from members’ previous careers
- **Presentation**:
  - 9 times out of 10 we tell our clients to cut down their decks
  - Tell a story: work your narrative into your slides
  - Practice and feedback: dry runs, ‘friendly LPs’, adapt the deck depending on what works most effectively in your meetings
- **Data room**:
  - Complete it in advance of your launch: don’t lose momentum preparing it mid-raise
  - Data room essentials: DDQ, track record, investment case studies, quarterly/annual reports, reference list



Narrative threaded through your pitchbook



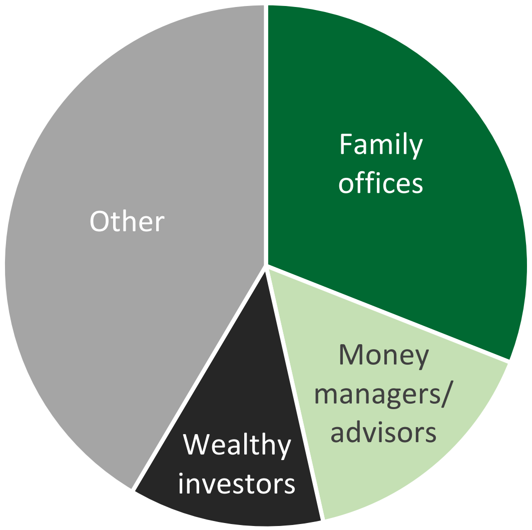
Articulating the market opportunity and your competitive advantage

Common Mistakes

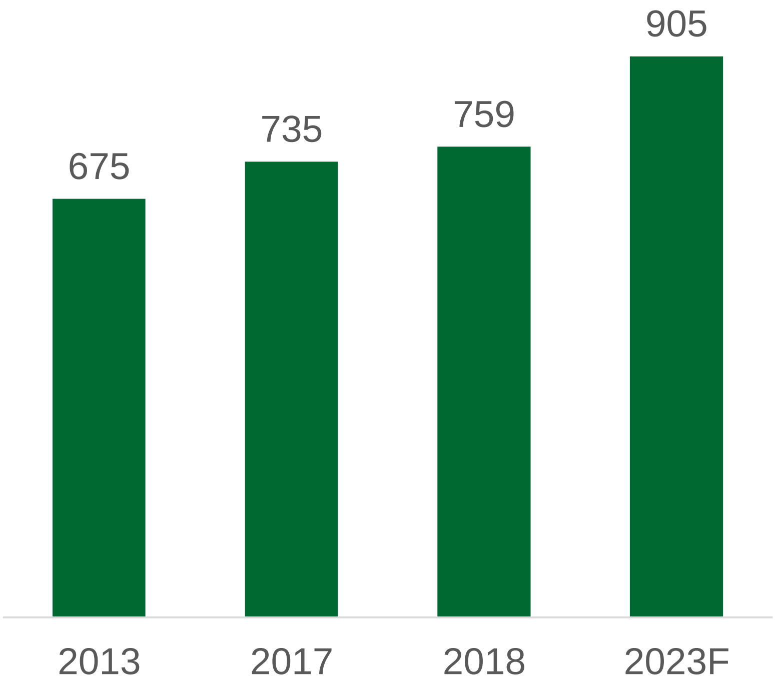
- **Rushing out the door when not yet ready** and engaging with investors too soon in the process
- **Inconsistent messaging:** e.g., pitch decks not matching PPMs/DDQs, website content out of step with other marketing collateral
- **Under-investing in back office**, operations and compliance. Reassure LPs that all operations, policies, support infrastructure is taken care of
- **Badly compiled reference lists.** Especially important for emerging managers
- **Failure to present a clear, transparent track record.** Do not cherry-pick deals retrospectively that paint you in the best light. Rather, be open and honest about what didn't work
- **Unrealistic performance targets.** More likely than not the LP will ask you to come back once you have achieved those returns and you will lose credibility if you have not done so
- **Deviating from standard/plain vanilla fund terms** for anything other than an extremely good reason
- **Poor engagement with LP.** Every LP meeting is useful. Take notes, listen to feedback, be courteous, write to thank them for their time. Follow up with them mid fund cycle – don’t wait until you are next back in the market!
- **Unrealistic timeline for fundraising.** It always takes much longer than you think it will!

Source of Emerging Manager Capital

Circa 60% of emerging manager capital comes from HNWIs, family offices and wealth managers



Individuals with Over $1m Net Worth in the UK
Number of individuals, thousands

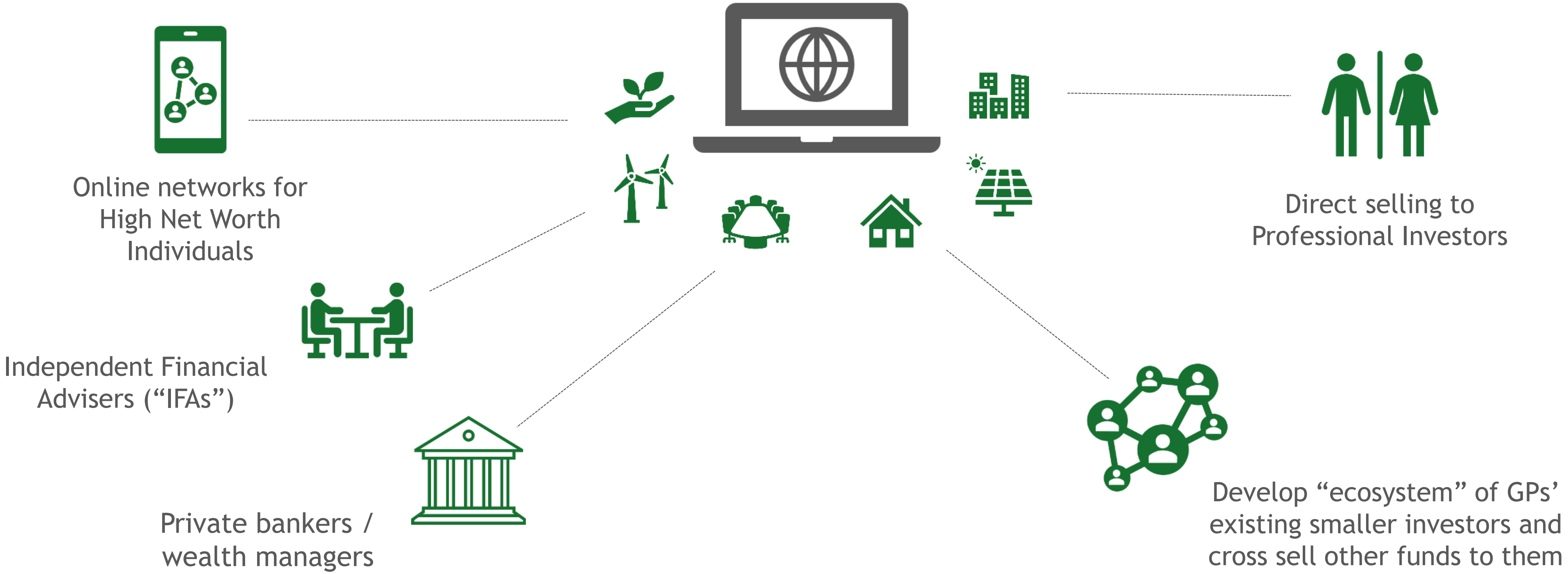


Investments into illiquid/ alternative investments by UHNWIs is expected to increase at an annual rate of 8% up to 2024 – *Oliver Wyman*

Source: Statista, and Oliver Wyman

Future Means of Raising Capital

Technology-led growth in private markets is opening up new channels of fundraising



Disclaimer

The information in these slides and in this presentation is being provided by Ely Place Limited (the “Company”) solely for evaluation and information purposes to a limited number of persons of the kind described below. The information in these slides has not been verified.

These slides and this presentation have not been approved by a person authorised under the Financial Services and Markets Act 2000 (“FSMA”). Accordingly, within the United Kingdom these slides and this presentation are directed solely at persons who are believed to be persons who (i) have professional experience in matters relating to investments being persons who fall within Article 19 (1) (a) of the FSMA (Financial Promotion) Order 2001 or (ii) are high net worth persons falling within Article 49 (2) (a) to (d) of the FSMA (Financial Promotion) Order 2001, or (iii) are persons to whom these slides and this presentation may otherwise be lawfully communicated. Persons who are not of the kind mentioned should not act or place any reliance upon the matters discussed.

This presentation does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any securities. This presentation is not intended to provide the basis of any investment decision, financial promotion, or any offer or invitation in relation to any investment. Each person to whom this presentation is made must make their own independent assessment of any potential transaction after making such investigation and taking such advice from a suitably qualified adviser as it is deemed necessary. No reliance may be placed for any purpose whatsoever on the information contained in these slides and this presentation or on assumptions made as to their completeness.

No representation or warranty, express or implied, is given by the Company or any of its shareholders or subsidiaries or any of their respective advisers, officers, employees or agents (including those of their parents or subsidiaries), as to the accuracy or completeness of the information or opinions contained in these slides and this presentation, and, save in the case of fraud, no liability is accepted for any such information or opinions or for any loss howsoever arising, directly or indirectly, from any use of these slides or this presentation or their contents.

The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. The information in these slides and this presentation is subject to updating, revision and amendment.

The distribution of these slides in certain jurisdictions may be restricted by law. Recipients of these slides should inform themselves of and observe any such restrictions. Neither these slides nor any copy of them may be taken or transmitted directly or indirectly into the United States, Canada, Japan, the Republic of Ireland or Australia or passed to US Persons (as defined in Regulation S of the United States Securities Act of 1933 (as amended), save pursuant to an applicable exemption. Any such distribution could constitute or result in a violation of the law of any such jurisdiction.

Ely Place Partners Limited is a company registered in the UK under company number 11427265 whose registered office is at 170 Clifford’s Inn, Fetter Lane, London, EC4A 1BY. It is an appointed representative of Resolution Compliance Limited, which is authorised and regulated by the Financial Conduct Authority (FCA reference 574048).

Contact

Daniel Roddick

+44 7752 307 433
daniel@ely.place

Ely Place Partners Limited
111 Camden Street
London NW1 0HX