

Johnson & Company
"Marketing Alpha" For Sub-Institutional Alternative Managers

An Overview of MARKETING For New, First-time & Sub-\$100 Million AUM Alternative Managers

Eliminating The Hype, Noise, Myths & Fiction About Raising Assets



Bryan Johnson, Founder & Managing Partner • Johnson & Company



Bryan K. Johnson - Managing Partner

- 25+ years experience in alternative asset class.
 - Principal investor, marketer/salesperson, advisor & expert witness.
- Personally raised \$3+ billion.
- Principal investor of \$100 million private fund.
- Global Head of Business Development for the Alternative Funds Group (AFG) with Moody's Investors Service in New York City.
 - Senior Relationship Officer (SRO) actively called on investment executives and board members at endowments, foundations, Taft-Hartley plans, single and multi-family offices, public pensions, broker-dealers, RIAs and institutional consultants.
 - Led deployment of Operational Quality (OQ) ratings for hedge funds, credit ratings for alternative investment securitizations, Collateralized Fund Obligations (CFOs) and debt obligations of alternative asset managers. Clients: Citadel, Fortress, King Street, Marathon, SAC, Millennium, Brevan Howard & Marshall Wace.
- Before tenure with Moody's, served as senior lead consultant and chief expert witness for The Texas Office of The Attorney General and The State of Texas in the evaluation of hedge funds and private equity firms involving disposition of the generation assets of Texas Genco and the multi-billion dollar true-up of Centerpoint Energy (CNP:NYSE).
- Prior to representing State of Texas and Texas Office of The Attorney General, CEO/Founder of Gotham Bay Partners, an alternative investment firm which developed investment policy and asset allocation strategies for 60+ private wealth investors and family offices as well as evaluated single manager and pooled private equity and hedge funds.
- B.A. - Washington and Lee University (Lexington, VA) 1986.

THE FIRM

Since 2010, Johnson & Company has been the **ONLY** firm solely dedicated to the unique marketing process requirements of new, first-time and sub-institutional alternative asset managers with less than \$100 million AUM.

Johnson & Company offers the key ingredient for new and smaller managers to get results raising assets:

"MARKETING ALPHA".

Simply, "**Marketing Alpha**" expediently, economically and efficiently helps new, first-time and sub-\$100 million AUM managers get real and get ready to get results raising assets.

25+ years experience, expertise and skill marketing alternative assets and funds enables providing "**MARKETING ALPHA**" for new, first-time and sub-\$100 million AUM managers. The process employs consultative candor and accountability to quickly stop as well as prevent mistakes that lead to wasted time, effort and money by eliminating the hype, noise, wrong information, myths and fiction about raising assets. Equally crucial is the marketing information, insight and intelligence delivered in combination with the strategic, tactical, operational and financial marketing **FACTS** on a "manager-specific" basis.

This level of "manager-specific" marketing process customization and attention optimally-positions, prepares and equips the manager/fund for **assisted execution** of the marketing process "step-by-step/day-by-day" at the level required to raise, retain and expand AUM consistently, faster, easier and less expensively.

“Performance is of secondary importance to perceived safety and a reduction of headline risk. As such, a high-quality product and strong historical returns are not enough for small managers to attract assets. They need an effective sales and marketing strategy. Managers must realize high-quality marketing is a critical element of a hedge fund's survival and success”.

**Don Steinbrugge
Founder and CEO of Agecroft Partners**

Agecroft Selected by Hedgeweek and/or HFM 13 years in a row as Hedge Fund Marketing Firm of the Year.

THE FACTS

81%: Percentage of new and smaller managers that do not have a formal marketing process.

(Source: Alternative Investment Management Association Research - AIMA)

89% : Percentage of hedge funds never reaching \$100 million AUM

(Source: The Journal of Alternative Investments)

76.4%: Percentage of hedge funds that 'TAP OUT' their network of investors within 1 year.

(Source: Rothstein Kass/KPMG)

Since 2009, almost half of hedge funds are out of business with the majority closed within 3 years.

(Source: Goldman Sachs Prime Services)

2%: The percentage of hedge fund allocations going to managers with less than \$100 million AUM

(Source: Preqin.com)

4%: Percentage of managers with less than \$100 million AUM that secured an allocation via cap-intro.

(Source: Alternative Investment Management Association Research - AIMA)

0%: Percentage of managers with less than \$100 million AUM that secured an allocation via third party marketing.

(Source: Alternative Investment Management Association Research - AIMA)

\$500,000: The annual cost to get "attention" from capital introduction at a "bulge bracket" prime broker.

(Source: Alternative Investment Management Association Research - AIMA)

42: The average number of total touchpoints (calls, meetings, emails, etc) to obtain an institutional allocation.

(Source: Eaton Partners - one of the largest placement agents having raised more than \$130 billion for over 175 highly differentiated alternative investment funds)

7.6: The average number of in-person meetings with a single institution to obtain an allocation.

(Source: Cogent Research)

200: The minimum number of meetings a new or smaller manager must have to gain traction in their segment.

(Source: Agecroft Partners – The #1 Global Placement for hedge funds - 12 consecutive years Third Party Marketing Firm of the Year.)

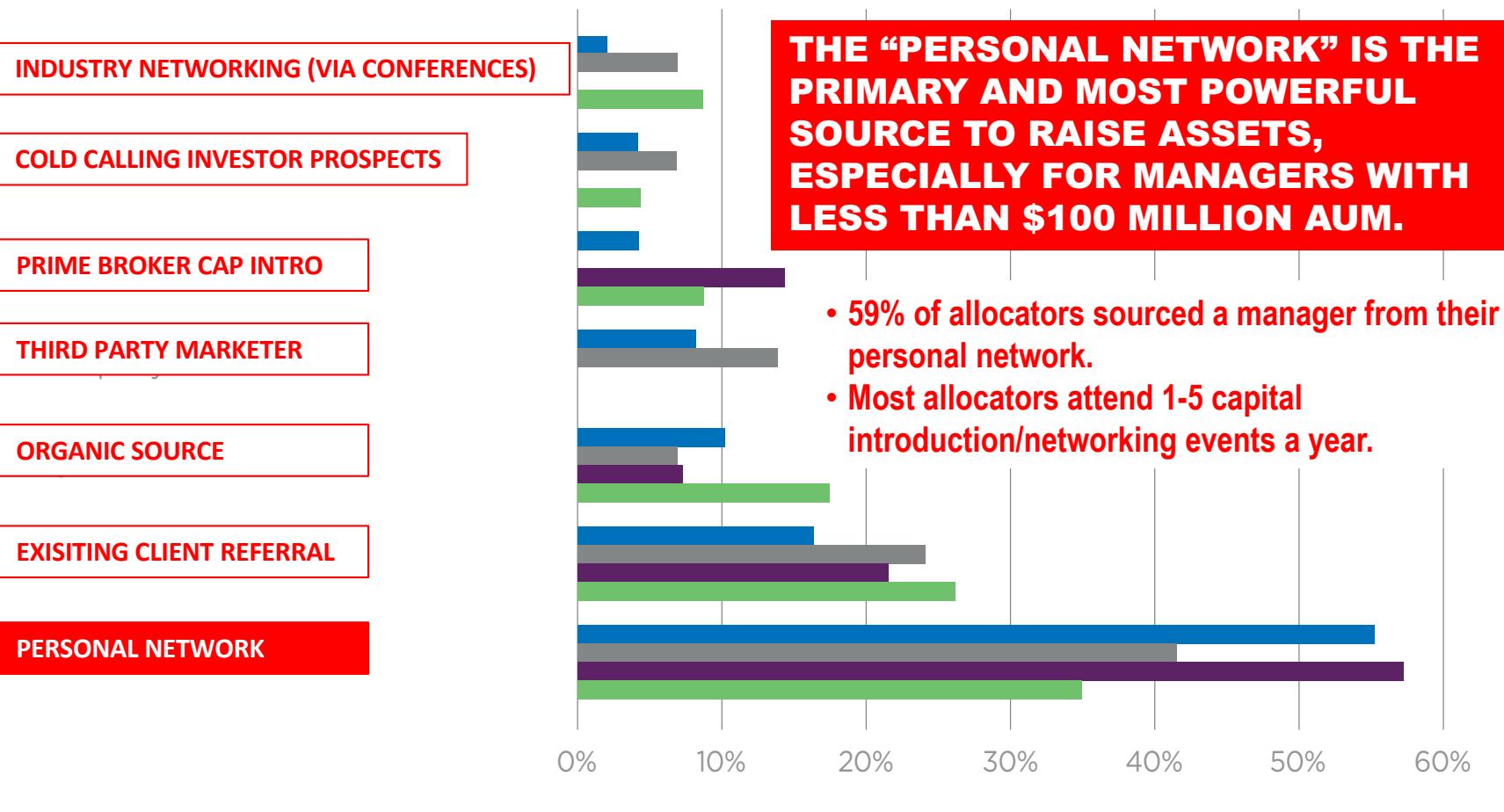
11%: The average percentage of the management fee spent on marketing.

(Source: Alternative Investment Management Association Research - AIMA)

12-18 months: The average time to receive an allocation from private wealth or institution after initial meeting.

(Source: Cogent Research)

WHERE DO MANAGERS SOURCE ASSETS?



THE PROBLEM

The majority of new and smaller managers fail raising assets, even when they have exceptional investment performance.

Most rarely get assets under management beyond personal capital along with small investments from family, friends and a few social or professional relationships. **THIS IS A MARKETING PROBLEM.**

Most new and sub-institutional managers are highly skilled in trading, research or investing but do not have the marketing skills, experience and expertise to consistently execute at the level now required to raise assets. As such, failure raising assets most frequently results from marketing process deficiencies that lead to inappropriate, inadequate, improvisational, ineffective and inconsistent marketing execution.

THE REALITY

For new, first-time and smaller managers, marketing and capital raising are “Do-It-Yourself (D-I-Y)” processes.

Until a manager/fund reaches the minimum institutional AUM level of \$150-\$200 million, marketing and capital raising assistance in the form of prime broker cap intro (Cap Intro) and 3rd party marketing (3PM) are not viable options.

An important note: The marketing process for new and smaller sub-\$100 million AUM managers is completely different than for more-seasoned institutional-level managers and firms with large AUM. Failure to completely understand critical distinctions along with limited understanding of the numerous qualitative and quantitative requirements, nuances and complexities of the marketing process on a manager/fund-specific basis leads to mistakes and failure raising assets.

4%

The percentage of managers with less than \$100 million AUM that secured an allocation via a cap-intro relationship.

Source: AIMA

0%

The percentage of managers with less than \$100 million AUM that secured an allocation via third-party marketers.

Source: AIMA

THE CONTEXT

There is a lot of hype, noise and completely wrong information about what it really takes for new and smaller managers to raise assets. As a result, most new, first-time and smaller managers have the solid belief that raising assets is only a matter of investment performance.

The decision to invest in a new or smaller manager/fund now has higher standards and more criteria, qualitatively and quantitatively. Investment performance is **NOT** the sole metric that determines investment. Research shows the decision to invest in a new or smaller manager is comprised of an expansive and invasive multi-factor evaluation process driven by **PEOPLE, RELATIONSHIPS and TRUST**. Performance merely brings a degree of attention to a manager or fund but rarely allocations. The same is true about pedigree. The data reveals thousands of new and smaller managers with distinguished educational backgrounds, stellar professional experience and exceptional performance on a risk-adjusted, peer, relative or absolute return basis but they still fail to raise assets.

- Raising assets is not about performance or pedigree; it's about **PEOPLE**.
- Raising assets is not about cap intro and conferences; it's about **RELATIONSHIPS**.
- Raising assets is not about pitching and products; it's about **TRUST**.

THE most critical factor to succeed raising assets: **RELATIONSHIPS of TRUST and CONVICTION.**

THE CLIMATE

New and smaller managers and funds with less than \$100 million in assets are in a hyper-competitive capital raising climate. **As of Q1/2023, 18,000+ hedge funds and 4000+ private equity funds are actively fundraising.**

Moreover, investors are more sophisticated and experienced with access to better information and assisted by professionals with deep expertise in evaluating alternative managers. As a result, investors, allocators and intermediaries are hyper-skeptical, idiosyncratically demanding and stringently selective. Pointedly, for institutional investors and family offices, performance is of secondary importance to perceived safety and a reduction of headline risk. As such, strong historical returns are not enough for new and smaller managers to attract assets.

Given the climate, it is mandatory for every new and sub-institutional manager that wants to raise assets to have a **data-driven, structured, focused and disciplined "investor-centric" marketing process** that is consistently executed at a high level in order to deeply penetrate the appropriate investor segments given the manager profile.

Additionally, the "marketing process" must clearly differentiate the manager/fund as having: A clearly identified "edge" with proof of sustainability and operational stability. These aspects must be continually well-articulated in a concise, compelling "prospect-specific" manner with absolute candor, clarity, confidence and conviction to build **RELATIONSHIPS of TRUST and "ACTIONABLE CONVICTION"**, which prove to be **THE** critical catalysts for new and smaller managers to successfully, economically, expediently and efficiently raise, retain and expand AUM.

MISTAKES CAN BE FATAL!

The most common marketing mistakes made by new and smaller managers:

1. The belief that performance alone will bring "consistent" AUM growth and "sticky" assets (retention).
2. "Constantly pitching performance" + inundating prospects with meaningless data and metrics.
3. "Spray & Pray": "Blasting emails" of performance to investors with whom they have no relationship.
4. Incoherent verbal presentations + Inappropriate engagement.
5. Collateral that lacks "investor-centric" content, clarity and conciseness.
6. "Post & Hope" ("field of dreams"): Placing performance on databases/platforms expecting allocations.
7. Engaging the wrong investors and intermediaries given the manager and fund profile,
8. "Chasing mythical unicorns" - Institutional, family offices and ultra high net-worth investors.
9. Attend conferences and events typically filled with more "service providers" than investors.
10. Failure to consistently execute the RIGHT strategic and tactical "manager-specific" marketing actions in an "investor-centric/prospect-specific" manner.

Johnson & Company

GET REAL. GET READY. GET RESULTS.



“Marketing Alpha” For Sub-Institutional Alternative Asset Managers

To discuss this presentation in detail, contact:

**Bryan K. Johnson
Managing Partner**

I welcome the opportunity for a conversation to see how "Marketing Alpha" can help raise, retain and expand AUM.

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