



June 25, 2014

GMF LiveChat: Rachel Minard, CEO, Minard Capital on how to sell your hedge fund

Jeanine Prezioso

Ok, Ladies and Gents, a bit early, we have Rachel Minard, CEO of Minard Capital with us this morning. Rachel has helped raise nearly \$11 billion for hedge funds and fund of funds in her career.

Jeanine Prezioso

Please help me welcome her.

Jeanine Prezioso

Rachel Minard CEO, Minard Capital

Thanks so much, Jeanine. It's great to be virtually here.

Jeanine Prezioso

Thank you for taking the time.

Jeanine Prezioso

Ok, you have helped a lot of clients.... In the current climate, how do you advise clients to identify a natural buyer for their fund?

Rachel Minard CEO, Minard Capital

Enormous amounts of focused research largely done in the first person. Given our 20+ years in identifying and vetting global investors, the goals to find the natural buyer based on where one's peers have seen success (by whom and why) and what types of investors would best be served by the scope, risk return premia and solutions-oriented alpha (and imbedded beta) derived by a potential investment. This gives context within their investment guidelines as well -- all of this is required to have clarity on.

Rachel Minard CEO, Minard Capital

One's fund is rarely the ideal fund for every investor -- there are a litany of questions we ask at the onset with the manager and separately with the allocator or pension consultant to determine if the criteria and characteristics of the fund in consideration is the best alternative, the best solution for the need of the investor.

Jeanine Prezioso

Great, thanks for that...

Jeanine Prezioso

If you are starting a fund, what do you need to bring to the table that will set you apart from the rest of the herd?

Rachel Minard CEO, Minard Capital

I'd love to come back with a short and pithy answer but....

Rachel Minard CEO, Minard Capital

there is an entire process one needs employ to set one apart from others. Not just having complete command over the investment process, philosophy and edge, it's knowing the natural buyer, who has already secured market share in those channels (and how with what fund at what terms). It's working to uncover a defensible, verifiable edge that can be consistently delivered upon and reflects the investment acumen of the manager. Often times, most managers tell the story they think will sell the fund, they embellish. The secret to marketing is knowing how to tell the truth in the simplest, most elegant way. It's the authenticity of a story and the investment process that becomes its edge. Anything that deviates from that becomes what we call "taffita" -- it becomes unnecessary and can hinder the brand.

Jeanine Prezioso

What is the entry point to a new relationship? How do you guide clients on that?

Rachel Minard CEO, Minard Capital

It's not starting with one's performance or track record. It's not bragging about being up in 2008. It's not about showcasing how smart your investment team is, how many Ph.D's in applied math you have on staff. It comes down to establishing a personal relationship -- a human relationship -- first. We have an adage that says, "No one will care what you say until they care about you." So marketing or selling starts, in fact, by NOT doing either -- it's about listening well, empathy, interest and better understanding who the investor really is -- what motivates them. How are they paid? What incentivizes them in their job? Where can you find evidence of a strong relationship they've built elsewhere and, using that as a proxy, what are the rules of engagement to build trust.

GMF Guest #1

Hi Rachel, recent Preqin report noted 2/3 of inst. investors seek HF returns of 4-6% p.a. as low vol and non-correlated returns have become more important to manage their portfolio risk. Do you think the market for (relatively) higher vol / higher return strategies is being underserved as more funds try to fit into the low vol box?

Rachel Minard CEO, Minard Capital

The entry point is establishing personal trust. It has nothing to do with the fund or firm and everything to

do with the authentic, credible integrity of the manager. Once that is established, only then can the long term relationship that leads to asset growth can take place. Managers underestimate the power and impact of what we call their "personal currency" . It's all you have.

Rachel Minard CEO, Minard Capital

What one would need to know first before answering this are the investment guidelines and asset allocation of the investor -- many aren't incentivized to take high vol/high return funds to their Board or family. Many are paid on Standard Deviation. While it's true the need to meet R/R targets is paramount, there are many investors open to higher vol strategies assuming the short- and long-term return targets are met. The question any manager will need to answer in this context is how these returns are being achieved -- since alpha is expensive and beta is a commodity -- what risks are being taken to achieve this return and is the vol a result of controlled or uncontrolled consequences of this style of investing? Like anything today, any portfolio construction requires the investment proof to justify how conviction was achieved and if that conviction wanes, what prompts that change.

GMF Guest #1
Jeanine Prezioso
Rachel Minard CEO, Minard Capital
Jeanine Prezioso

Understood, thank you for the insight
thank you for all of your insights.
It's my great pleasure.

Rachel Minard CEO, Minard Capital

You have a couple of books coming out, one of them is called The Art of the Institutional Sale, can you tell us a bit about that?

Absolutely. It's a book I wished existed when I came into the business that I don't think anyone has yet written. It's a step by step tutorial on raising global institutional assets. My hope is any new manager could read the book and have nearly all the ammunition necessary to build the steps toward closing new assets.

Jeanine Prezioso
Jeanine Prezioso
Rachel Minard CEO, Minard Capital

Great stuff
Does anyone have any other questions for Rachel?
Thanks. The only way this would be "taken seriously" by the industry is to have the information validated by

the very allocators the book was written to engage. So we have over 250 allocators reading it and verifying the efficacy and accuracy of our assessments and recommendations.

Jeanine Prezioso

**You really do your homework
to say the least....**

Jeanine Prezioso

Ok, thank you for your time.

Jeanine Prezioso

Thanks again! This has been fun and you
...have been a great audience!

Rachel Minard CEO, Minard Capital

Rachel Minard CEO, Minard Capital

