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# THE LESSONS

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## LESSONS FOR MANAGERS

### Attracting Capital

1. Be thoughtful before you speak to prospects.
2. Reflect often on how you present yourself.
3. Offer incentives to get all-important early wins.
4. Dedicate resources to facilitate the marketing process.
5. Create a brand and leverage the buzz.
6. Be prepared in advance and strike while the iron is hot.
7. Diversify your client base to build a great business.

### Team

8. Investing in people is the best decision you can make.
9. Your organization will evolve, but your culture remains.
10. The two-headed portfolio manager is nearly extinct, so choose a structure more fit to survive.
11. Put your destiny in your own hands.
12. Make the changes you need to thrive irrespective of external perception.
13. Stay connected to the drivers of your success.

## **Investment Strategy**

14. Be true to yourself.
15. When getting started, don't let perfect be the enemy of good.
16. Communicate frequently with clients to sustain a flexible strategy.
17. Anticipate the inevitable ebb and flow of a focused strategy.
18. Pay attention to process and outcomes will follow.

## **Investment Performance**

19. Focusing on the short term is antithetical to achieving long-term success.
20. When you think you have arrived, your next adventure will have just begun.
21. If you fly too close to the sun, you're apt to get burned.
22. Never underestimate the role of luck.

## **Allocator Relationships**

23. Mirror your potential partner to learn who he is.
24. Strive to give more for less.
25. Be frank about the challenges you face—teaching something of value may pay dividends down the road.

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26. Share your honest assessment of the opportunity set in good times and bad.
  27. When you strip away the label, an allocator's job is a lot like yours.
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## LESSONS FOR ALLOCATORS

### Attracting Capital

1. Your time is precious—manage it well.
2. The early bird catches the worm.
3. Putting yourself in a manager's shoes may shed light where others see darkness.
4. Timing matters, so separate your decision to invest with a manager from your timing of when to invest.
5. Hot managers may cause you to gloss over important issues; cold ones may offer opportunities glossed over by others.
6. Follow your own voice when exiting managers.

### Team

7. Prioritize talent development in your manager assessment.
8. Expect some ugliness inside the sausage factory.
9. Avoid marriages of convenience with a co-portfolio manager structure.

10. Don't be alarmed by change in a nascent organization.
11. Scrutinize your assumptions regularly when a firm grows quickly.

### **Investment Strategy**

12. Write down your goals in advance, and make honest assessments of performance against those goals.
13. Investigate the quality of a manager's early results—you may find that some babies are thrown out with the bathwater.
14. Communicate thoroughly and openly with managers to develop a shared understanding of expectations.
15. Pay attention to process, and outcomes will follow.

### **Investment Performance**

16. Your interactions may affect your manager's behavior.
17. You will chase performance, so make sure it is for the right reasons.
18. Focus on what matters most.
19. Recognize the difference between skill and luck.

## **Allocator Relationships**

- 20.** Be your best self in your relationships with managers.
- 21.** Look to start-ups to extract better terms without adverse selection.
- 22.** Adjust your mental model for the particular circumstances at hand.
- 23.** When you fall in love, take your time.
- 24.** When managers call for the ball, listen; when they run for the hills, proceed with caution.
- 25.** Learn from the best by applying your managers' best practices to your investment process.