



## Odd Ducks Preferred

I will always be the first to proclaim that in the drudgery of private assets research and investing, anything that disrupts the mundane is a good thing. The year-in and year-out slog of endless pitch meetings, financial model dissections, never-ending data requests, and diplomatic rejections can become extremely draining on one's psyche. Occasionally, the vacuum is broken with an opportunity that provides a breath of fresh air. These intermittent moments are widely cherished because they justify the grueling wheat/chaff separation process that has caused many to question their career choice at least once a year (or more, wink wink).

In the current utopia-seeking era of impelled positive affirmations sprinkled with persistent instructions to manifest destiny, I hesitate to forcefully stress my opinion about the investment selection conundrum because it could seem like "pandering". But I have to say it - labels be damned – "In my educated opinion, I am convinced that expressing your true identity without catering to the norms of what others have done, are doing, or expect, is the surest way to get noticed and eventually win". This applies to most things in life, but I am talking about fund managers (GPs, particularly emerging GPs) in this context. I am not saying that your purest authenticity will grant you a one-and-done fund close with your wish list LP base, but I am asserting that with authenticity, investors that do close will most likely be "ride or die" and the ones that don't, unwittingly saved you a lot of future heartache and unnecessary stress.

To some degree, every person, entity, and investment strategy has idiosyncrasies, but categorization forces most to forgo uniqueness to fit neatly into boxes. These boxes are boring and largely serve the purpose of justifying prejudice and providing feedstock for bureaucratic purposes. There is no dynamism in these boxes and there is also very little critical thinking because pre-classification allows for relatively unchallenged projections of outcomes. I am vehemently opposed to the dronelike adherence to classification or box-filling because it reduces the art (and science) of investing to an administrative exercise laced with splashes of intellectual jargon (for good measure). This is why I, and many of my peers, am always on the hunt for and very embracing of "odd ducks". Odd ducks don't look like the rest of the flock, and they consciously or just naturally are comfortable with being different. These rare birds offer benefits that should be proudly flaunted by themselves (the GPs) and openly welcomed by LPs. Below I talk about the appeal of odd ducks from the GP and LP perspectives.

### Odd Duck GPs

- **Embrace the weird:** On countless occasions, I have had managers ask me variations of questions related to their adequacy, such as "How do other GPs talk about this?", "Are other GPs saying similar things to us?" or "Is our approach different from others you are speaking to?". In benefit-of-the-doubt land, these questions can be trivialized as mere curiosity or the understandable sizing up of peers/competitors, but in the real world, the askers' angst around potentially not fitting in is unmistakable. I always giggle a little when confronted with these questions because they put in clear view the differences in LP and GP insecurities. I always provide the answers to what other GPs are doing or saying, but also try to assure the asking parties that "different" is okay, as a matter of fact, "different" is preferable and more memorable. I think this phobia of being too different most likely has the allocator community to blame – we (the allocators) have inadvertently signaled to GPs (new and old) that due diligence is formulaic and chases trends, so anything that looks too outside the predefined boxes is probably a no-go. I am not advocating for GPs to put forth warped versions of themselves as a ploy for attention. Contrarily, I (with shameless overstepping bravado) am permitting GPs to fully delve into their authentic uniqueness that



does not comply with industry norms or expectations. There will always be specific nomenclature/phraseology and regulatory boundaries that have to be upheld, but these should not affect the accentuation of attributes that go against the accustomed grain.

- **Reduced capricious messaging:** Another powerful reason for a GP to fully embrace its oddness is the benefit of message consistency. Said a little differently, when authenticity is the guide, messaging around strategy does not have to be tweaked for every LP interaction or meeting. I have periodically received pitchbooks from the same GP at different times where some aspects have been altered to the extent that it looks like the manager is pursuing a totally different strategy than before. In most cases, these tweaks have been done to align the strategy with a trend du jour. I understand the marketing advantages of seeming like your strategy is uniquely poised to exploit a prevailing market opportunity or sentiment, but any LP paying attention views this ploy as annoyingly insincere and will likely avoid further due diligence. Message enhancements are always a plus, but blatant zeitgeist matching comes across as overly thirsty/desperate.
- **Word is spreading:** Informed (the ones you want on your side) LPs have realized or are starting to realize that portfolio building is a fool's errand without real diversification. This diversification can be found in the diversity of several factors including, those investing, investment strategies, industry sectors, differing correlations, and the inclination to assess odd ducks that don't fit any pre-determined specifications. GPs who can live in their truth with well-thought-out evidence that their investment pursuits have the potential to yield outsized benefits will undoubtedly eventually find a home. It might take longer than preferred, and the journey will certainly be grueling, but your tribe surely awaits.

#### Odd Duck to LPs

- **Reward potential:** For LPs, the potential rewards of going your own path are alluring. Many investors use the private assets portion of their portfolio as the main alpha (excess return) generation engine. This makes sense because, with the long lockups (relatively higher illiquidity) and active value creation promise of private investing, relatively higher compensation is expected. Investing the same way and in the same things as everyone else does not bode well for the amount of excess return – it just means you are participating in segments and strategies that are getting more efficient/competitive by the day and hence the potential alpha is being eroded. Objective and thorough due diligence executed on odd ducks at least offers unconventional performance potential.
- **Makes work more fun:** Looking where most are not and meeting GPs that don't look like the norm provides intellectual stimulation that pervades all aspects of investment research. Different perspectives provide useful ammunition to challenge status quo arguments brought forth by run-of-the-mill GPs or LP colleagues/peers stuck in their old ways. When your mind is being broadened in new ways and your preconceived notions are being contested with plausible counterarguments, work becomes a lot more invigorating, especially when you add in the potential of finding a diamond in the rough. The frog-kissing process is demanding, but when odd ducks are allowed into the fray, this prince-finding (or princess-finding) exercise becomes a lot more fun.



- **First mover advantages:** Being among the first to give just due to odd ducks enables an LP to develop and hone heuristics for assessing such unusual opportunities. Additionally, investing in misfit managers who are generally shunned by the broader investor base due to their deviation from the norm, brings long-lasting goodwill. This goodwill manifests in different forms including preferable terms for being a first mover, consistent or even increased allocation to successive vehicles as straggler investors start to catch on, market recognition for unique thinking, and first dibs at initial low-hanging fruit returns.

There is no denying that the willingness to assess odd ducks can lead one into dizzying mazes and bottomless labyrinths. However, I staunchly believe that the learning, excitement, and high potential of finding something truly unique, that comes with hunting odd ducks make every dead-end and all the extra effort worth it.

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