



Annual Meetings

In private assets investing, although capital tends to be locked up for a relatively long time, and LPs have little ability to alter investment outcomes, “information” remains king, queen, and executioner. I always encourage GPs to embrace their leadership role fully – don’t be overly distracted by LP noise – you were picked for a reason and LPs inevitably must live (at least for that fund’s cycle) with the choice they have made. However, LPs want to be kept promptly abreast with what is going on with their capital. LPs want to have a good sense of the GP’s pipeline, thoroughness of investment theses, fund write-ups/offers/downs, new hires, investment pacing, future fundraising plans, etc. Quarterly reports, periodic webinars, info sessions, and one-on-one client meetings all help with the dissemination of information, but “annual meetings” will always stand tall as the time and place for temperature checking a manager’s ongoing essence. As the name suggests, “annual meetings” occur once a year – they are broadly known to be a gathering of all/most LPs, GPs, fund affiliates (operating partners, advisors, service providers, etc.), portfolio company personnel, prospective LPs, etc. These congregations take on a wide variety of formats, themes, tones, and sophistication levels, depending on the GP’s brand, the focus sector of the manager, and the current economic environment. For example, an annual meeting for a growth manager focused on the consumer sector will exude more energy and excitement than one for a debt manager whose pièce de résistance is a promising opportunity in B-piece real estate.

I have been to some annual meetings that were so invigorating that the topics discussed stayed on my mind for weeks after the event. I have also been to others where it felt like organizers took cues from the folks in charge of purgatory protocol when developing the program. There are numerous ways to skin the proverbial cat when it comes to creating an informative and insightful annual meeting. Using my personal sample size of hundreds of attended annual meetings over a 20-year period, I want to briefly talk about a few things I have liked, and by simple derivation, you will also detect what I disliked. I am sure a few of these will resonate with other tenured LPs.

- **Pre-circulation of materials:** It is very understandable that due to some confidentiality restrictions and ensuring that too much thunder is not stolen from the actual event, certain data points are withheld until the day of the annual meeting. However, pre-circulating useful information like the agenda/speakers, GP (and affiliate) attendees, presentations, etc. facilitates better LP planning around scheduling and prioritization, the shaping of the meeting’s direction/vibe, the formulation of LP questions, and the determination of who an LP would like to speak to directly. Of course, the GP can adjust things as needed on the actual day, but giving LPs information beforehand adds to general efficiency and reduces the shock factor (unless that is what the GP is going for).
- **Succinctness:** The annual meeting occurs once a year, so the instinct is for GPs to pack as many sessions and data points as possible into this one- or two-day event. However, it is also important to hold attention spans and ensure that only the most essential information is being discussed. Over-explaining the current economic state (known by most attendees because they work in the industry) and/or droning on and on about every portfolio company and its idiosyncrasies may not be the best use of time. There are highlights that most investors want to hear – surveying LPs before a meeting to prioritize key information desires is a smart way to prioritize. I don’t recommend glossing over past funds to then overly harp on the newer ones – logically, recency attracts more interest and excitement but if deals are still live in old



funds, respecting the LPs who invested in those should be balanced with paying homage to new and shinier objects.

- **Performance session:** I always like it when the CFO or some other knowledgeable member of the GP's financial team goes through the [performance of each fund](#), highlighting valuation uplifts, declines, drivers, and net returns. I also like it when this person, with all disclaimers laid out, gives the audience a sense of where funds/investments are heading. Important charts that compare where funds are in their evolution (performance-wise) with past vehicles are very effective in portraying traction, regression (due to whatever reasons), and trajectories.
- **Mistakes:** The high-wire act of inspiring optimism and confidence while also [admitting missteps](#) is always on full display during annual meetings. It tends to feel like justification and defensiveness are latently present when faulty deals are being discussed. I think having a session that candidly discusses mistakes enforces trust and integrity. I know GPs don't want bad news to overshadow the whole event, but I have witnessed some GPs masterfully convey hard truths by first facing them head-on, and then underscoring ongoing plans of action to rectify or minimize losses and reminding the audience of the power of portfolio construction (all eggs are not in one basket).
- **Q&A sessions:** I have seen/heard current and prospective LP questions answered in various formats at annual meetings. Some formats include live prompting of questions during presentations, pre-scripted sessions of the GP throwing out information in categories, awkward fireside chats where the GP's staff/affiliates have discussions on stage, prompts to forward any lingering questions to the GP after the meeting, etc. There are merits and drawbacks to each approach, but what I have found most useful is the combination of two approaches: 1) the first is soliciting pressing questions by email ahead of the meeting, categorizing these questions, explicitly explaining (at the annual meeting) how categories were created, and answering the questions in a Q&A session during the meeting, 2) the second is encouraging audience members to ask any questions that arose during the meeting. Ensuring that this session occurs at the latter part of the meeting makes this approach quite potent and extremely useful for LPs.
- **Modesty:** In addition to depicting the current state of the macro/micro economic/investing environment, delivering a comprehensive scorecard of GP activities, and providing a forum for physical interactions between various fund stakeholders, annual meetings also try to show appreciation for LP capital and entice potential future investors. The effort to show gratitude to existing LPs and lure new ones sometimes manifests as overly lavish and self-indulgent affairs that can be justified as the capitalist byproduct of private assets investing or scrutinized as a poor use of money. Regardless of extravagance, there is no denying that organizing an annual occasion that requires the GP to seat, feed, entertain, gift, etc. a large group of people will be expensive. Additionally, many attendees come from important organizations around the world and might expect a certain level of hospitality. However, taking too many spending liberties can send a very wrong message about capital discipline and alignment of interests. After all, the LPs know that the money being spent comes from their fund commitments, so although having a very expensive lunch/dinner at an amazing location, listening to a highly sought-after guest speaker, and receiving an amazing take-home gift, is nice, the knowledge/assurance that a GP is being a fiduciary in all aspects is even nicer.



- **Encouraged mingling:** I always appreciate it when GPs make a concerted effort to create environments, spaces, and time to encourage the mingling of guests during annual meetings. Although intermingling with other LPs is beneficial from a market intelligence, sentiment clarification, and network-building, point of view, interacting directly with the GP's staff/affiliates is particularly rewarding. Sitting at a dinner/lunch table with the GP's personnel (especially the relatively junior ones) allows you to get a clearer perspective of the manager's culture, who is the most respected in the fund's senior ranks, who the rainmakers are, the working environment, the seriousness of the organization, etc. GPs who openly encourage their employees to have uninhibited interactions with annual meeting guests usually have in place cultures, processes, work environments, and organizational equitability that they are proud of. This is always a good sign.

Setting all the pomp, circumstance, pandering, latent optimism, and subtle marketing aside, I believe annual meetings should be mostly about "reflection". This reflection shows authenticity when it is executed with truth and integrity, and without noisy sound bites. At the end of the day, the goal is to reinforce to LPs that they committed capital to people they can trust regardless of the unsettling (if reports are bad or mixed) nature of the news being delivered. Of course, if the news is positive, that is an added cherry on top.

Anthony Kwesi Hagan

Founder and Head of Research, Freedomization™

March 17th, 2024.