



Placement Agents

I have always pondered the difficulties placement agents must face while pursuing excellence in their jobs. There are, however, so many placement agents in existence, enough evidence of capital raised via placement agents, and tangible evidence of financial reward as a result, that it jolts me selfishly back to thinking about the difficulty of my own job, and whether my compensation matches my hustle – I kid, I but I am also being quite serious.

Nonetheless, the balancing act that placement agents need to constantly navigate looks strenuous – this is an opinion formed after watching placement agents from an allocator’s perch for over 20 years. In addition to making sure managers/GPs are ready for prime time from a fund material, message delivery, brand, tone, data room, etc. perspective, they must also entice potential LPs to engage with them. Essentially, placement agents are salespeople, albeit a very nuanced kind. They may be transactional in nature, but you could say that about almost anything in life. Placement agent interactions almost always have a looming transaction shadowing them, but bonds are also being built - some of my most enduring friendships in the industry have been with placement agents.

I have learned that with placement agents, a transaction (an LP eventually investing in one of the agent’s clients’ funds) is not the only goal or prize, because market intelligence is just as valuable – a detailed “No” to an agent’s pitched name, or a clear description of what you are looking for (returns-wise, strategy-wise, fund-size-wise, geography-wise, diversity-wise, etc.) is precious information that they can use to scout new funds, inform existing funds about demand dynamics, refine client pitches to make them better matched to LP desires, etc. If private investing were a circus, I would say placement agents are the best acrobats or contortionists because they are a very flexible (and generally likable) bunch.

My long-term dealings with placement agents have helped develop some opinions about what I believe to be their strongest attributes as well as some aspects I do not find particularly favorable - a list of these can be found below. As I always underscore, I am not an oracle of all things private investing, but I truly believe that many in the private/alternative investment community will be able to relate to what I have to say.

Favorable

- **Herding cats:** Placement agents are experts in converging the sometimes-conflicting desires and needs of the various constituencies of LPs and GPs. Their ability to deftly parse GP and LP minutia that seem like unnecessary bottlenecks on the surface but are crucial to the parties involved. I can recall many occasions where a particular fund term threatened to completely capsize a due diligence process, only for the assigned placement agent to step in as some sort of a magical mediatory fairy godmother to restore harmony.
- **Prescreening:** When you build strong rapport over time with selective (with consistent verification) placement agents, they become a great prescreening tool. As I have mentioned in the past, the top of an LP’s fund sourcing funnel is a very treacherous place. Any resource that facilitates quicker initial reviews is highly welcomed. As placement agents learn the unique requirements of LPs and as LPs identify the inclinations of placement agents, mutually accretive bonds can be created that speed up processes and increase the likelihood of achieving what both parties deem as success. Placement agents



really earn their keep when they can demonstrate that their LP introductions to GPs are “very warm” and not just “let’s see how it goes” type leads.

- **Your baby is cute but**: A good number of placement agents have built enough industry credibility to tell hard truths to GPs whose myopic biases causes them to think that their strategy is infallible or lacks competition (only strategy in a specific niche). This truth telling, backed by credible/long-tenured experience and pertinent feedback from LPs, is priceless, especially when told before a manager starts speaking to prospective investors. Snapping GPs back to reality with tangible proof, saves the GP from the embarrassment of looking ill prepared or ignorant when talking to prospective LPs (who meet with hundreds of managers a year), and makes prospective investor interactions more efficient.
- **Institutional IR functions**: Good placement agents are well versed in what institutional LPs expect when they commit to fund. This is critical for bootstrapped funds that are making the transition to a more institutional audience. As an LP, it is nice when you don’t have to handhold/tutor a manager regarding standard expectations/practices you are used to but are very new to a burgeoning GP. On many occasions, I have witnessed managers use skilled placement agents to initially build the groundwork for an effective IR function, and then eventually take the reins when comfort and understanding has been attained.
- **Effective translators**: Related to the first point, placement agents can act as efficient translators between LPs and GPs that at times seem to be speaking different languages. Experienced placement agents tend to be fluent in the various dialects spoken by diverse sects of LPs and GPs. Having a middle person who can translate or explain the sometimes-cryptic language around an LP’s rejection of a GP, a GP’s place in the investment ecosystem, the relative risk/return dynamics of a fund, a GP’s faux pas during meetings, GP strategy, etc., can speed up the journey to finding middle ground.

Unfavorable

- **No?, What about this?:** Placement agents who don’t have a discernible personality or clear preferences are hard for me to get comfortable with. With these folks, making the sale seems more important than what is being sold. These types of placement agents do not help my top-of-funnel in any way because their goal is to have something for everyone - I found it unnecessarily challenging to discern their selectivity parameters. In the end, this is all a business, and their business thesis is valid, but I think it's preferable to form relationships based on shared values.
- **Who are you again?:** The explosion in the number of funds has consequently caused an upsurge in the number of placement agents. This has made it difficult to nurture relationships and build rapport with a large group of placement agents. I have found myself constantly trying to remember the idiosyncrasies of each the ones I speak to. The competitive playing field makes the work of placement agents even harder in the present day. To overcome this obstacle, placement agents should utilize strict selectivity parameters to build a tribe of highly curated GPs and match them with well-understood LPs.
- **Turnover**: Tangentially related to the above point, the growth in the number of funds seeking capital and



the consequential rise in firms dedicated to facilitating capital raising has led to numerous job opportunities for experienced individuals in this field. Additionally, placement agents are highly sought after by maturing funds seeking skilled folks to come in-house and create an IR function. Due to these reasons, there is a lot of job hopping in the category – individuals at placement agencies designated to serving your LP organization keep changing so it becomes exceedingly difficult to build real relationships.

In the intricate private assets ecosystem comprised of multiple moving parts, placement agents play an essential catalytic and symbiotic role. Net-net, placement agents make the industry better – their educational, guidance, mediation, and translational efforts greatly contribute to institutionalizing and advancing industry standards.

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