



Second Looks/Chances

The frenetic pace of information synthesizing and the sheer number of arbitrary tasks that make up a research analyst's work life sometimes cause things to slip through the cracks. I have placed considerable emphasis in past articles on the importance of GPs being well-prepared for [intro meetings](#) to increase the likelihood of further LP engagement, but in reality, these meetings often go pear-shaped. Preparedness is one thing, but “the unaccepted” has remained undefeated since the beginning of time.

As we are all aware, human plans are just tools the gods use to amuse themselves. Many factors can lead to ineffective initial interactions between GPs and LPs – these range from unforeseen distractions such as tech issues, the dreaded carousel search for an appropriate meeting room that throws off a planned cadence, an incessant cough by one of the meeting parties, construction noises, a fire drills, etc., to other unpredictable factors like the lack of good vibes at the particular moment of meeting, key strategy elements not getting the intended resonance, inconsequential points derailing the conversation, attendee introductions/backgrounds taking too long, etc. The permutations of things that could go wrong during a meeting are almost infinite. With this in mind, openmindedness should always be embraced when do-overs are requested. Undoubtedly, some meetings go badly for very legitimate reasons – incoherent strategy descriptions, a lack of transparency, inadequate understanding of the ecosystem or competitive landscape, abrasiveness, etc. are all satisfactory reasons for prospective LPs to avoid remedial intro meetings. However, keeping the human aspect of our business (private investing) top of mind, I’m not divulging any ancient secrets when I assert that the redeeming qualities that potentially lie in giving folks a second chance at a first impression can outweigh the downside. Policies and procedures that create a safe environment for second bites of the apple can benefit all parties. Below, I attempt to illuminate my thoughts around second looks/chances from a prospective LP’s and a GP’s/sponsor’s perspective.

Prospective LPs

- **Instincts:** Analysts who have been reviewing managers for a long time develop an instinct for substance. Sometimes the course/cadence of the intro meeting goes contrary to the voice of instinct saying “There is something here worth exploring”. Then, before you know it, the meeting is over. Now, the analyst has to make the hard (and sometimes snap) decision about whether to engage further. The large pipeline of managers seeking an audience, and the volume of other tasks all scream “No, just move on”, but I believe seasoned instinct should always trump the routine drudgery of work. Regardless of the hitches during the initial meeting, if your instinct nudges that there is an interesting thread to pull on, just take a second meeting – it won’t kill you.
- **Delivery Agnostic:** Sometimes all the relevant (and compelling) information exists within the initial pitch, but the delivery is lacking. Clearcut advice to analysts would be for them to ignore delivery style and focus on the substance, but this is easier said than done. A knee-jerk reaction to mediocre delivery would be to wait until the manager masters a way to unite the quality of the strategy with a high-quality delivery. You could be waiting a long time for this to happen, and during this time, great investment opportunities could be missed. I must clarify that being “delivery agnostic” does not mean being open to managers who cannot describe their strategy effectively. I am just trying to shed light on the fact that not all great investors will have the eloquence of Ronald Reagan, Barack Obama, or Winston Churchill,



but average presenters of strategies that show promise, deserve a second chance to be heard.

- **Time:** Most allocator organizations reserve 30 to 60 minutes for introductory meetings. Despite all the “efficiency” rhetoric that proclaims points like “you should be able to clearly and effectively state your value proposition in a few lines/minutes”, the fact remains that trying to hook an LP for further engagement in one hour is difficult. Sometimes, various moving pieces within the strategy need elaboration. Sometimes, a key factor that makes the strategy prime for execution in the current environment needs deeper explanations. Sometimes, something that seems like a weakness on the surface needs to be unpacked to show the positives - the examples can keep going on. These aforementioned scenarios have left many an intro meeting half-baked, and very often the GP/manager does not get another opportunity to make its case fully. I believe GPs that fall into this category deserve a second look.
- **More Eyes/Ears:** Related to the first point about “instinct”, analysts who suspect (after an initial meeting) that a manager has more to offer but can’t quite put their finger on what it is, can call upon colleagues for some help. To be as fair and impartial as possible, prospective LPs try to have more than one person from their side attend introductory meetings with GPs. Although I think this is a very good approach, it does not provide adequate resistance to groupthink and deference to the most senior attending team member. Bringing in a different team member (with or without the ones in the initial meeting) to meet the GP again can help with thoroughness and sanity checking.
- **Sans Pleasantries:** Second chance meetings tend to be effective because the pleasantries have been dealt with in the first meeting. This meeting can get right to the business of thesis testing, targeted clarifications, filling comprehension gaps, deeper devil’s advocate exercises, and further transparency assessments. There is a difference between a pure “second meeting” and a “second look/chance meeting”. A “second meeting” is a clear indication that there is potential interest. A “second look/chance meeting” occurs when the first meeting could have very easily been the only meeting, but the presiding analyst/team greatly values meticulousness so he/she/they decide to look again before officially passing on the opportunity.

GPs/Managers/Sponsors

- **Just Say It:** I don’t have many separate points for GPs seeking a second chance to make their case because all my advice falls under one umbrella. The GPs I speak with who have had several initial meetings with potential LPs without traction tend to have a strong sense of what isn't resonating. Their articulation of the disconnect is clear, and their counterpoints are well thought through. However, this information is seldom effectively used as a means to remake their case with the LPs that initially passed, or underscore these points with new ones. My advice always is that you have to “just say it”. If many folks are turning down your strategy for similar reasons that you emphatically think are wrong, you have to lead (in a deft, non-defensive, and non-abrasive way) with your counterarguments in “second look/chance” as well as new meetings. Even with seemingly difficult-to-rebut rejections like “we don’t do first-time funds/investors”, “your track record is not baked”, “we can’t get over your turnover”, “that one write-off is worrying”, etc., if you believe you have a relatively impregnable response, constructively



communicating this should be a priority.

Generally speaking, LPs and GPs are unified in the quest for strong returns. LPs need to find strong managers to generate these returns, and GPs need the capital to prove that they can create the sought-after returns. Second look/chance meetings can be looked at as a way of enhancing the probability of capital getting into the right hands for the mutual benefit of all parties.

Anthony Kwesi Hagan

Founder and Head of Research, Freedomization™

April 21st, 2024.