



A GP's Motivation

During a mentoring conversation a few days ago, a young investment research analyst asked me how I determine a GP's true motivations and evaluate whether these motivations are suitable for the long term. These questions are almost poetic in their deep simplicity, but quite complex to excavate. Any analysis of a GP or sponsor is incomplete without a thoughtful assessment of what motivates the people at the helm. The query is undoubtedly qualitative with no concrete rubric to help reach a definitive conclusion. The answers tend to cluster around modesty signaling, idealistic proclamations, humility overtones, and saintly capitalism. When broached in meetings, the topic of motivation never fails to conjure a display of verbal gymnastics that is always fascinating to watch.

But why does asking GPs about what motivates them to be asset managers cause so much visible angst? I think the question is somehow construed by GPs as, "Your main motivation is money, right?" or "Couldn't you have chosen a more noble profession?" or "Are you a money-hungry capitalist?" I will not dispute any assumption that suggests these cynical variants of the motivation question may exist subliminally in the minds of those asking. However, I genuinely believe that allocators are just authentically trying to get to the essence of a GP to understand what makes them tick. Many GPs respond to the motivation question by sharing a modest upbringing story, often portraying themselves and their parents as ordinary people. Others highlight a past epiphany, where they realized that finance and investing can be seamlessly integrated with a lifelong passion, such as science, agriculture, marketing, technology, or building things. Some convey a conventional academic business background that led them to investment banking and then naturally to the world of sponsor-backed investing. One reason I heard from a young investment manager who did not fit the traditional profile of what is often seen was, "I want to build generational wealth from something I am good at, and from my research, running and growing a successful asset management firm is the most effective way to do so." This is one of the coldest (in a good way) and most honest motivations I have ever heard.

The potential to become wealthy is one of the strongest motivators for nearly every human endeavor. If investment managers possess a rare mix of attributes, including guts, skill, perseverance, risk tolerance, privilege, endurance, pedigree, education, or resilience required to manage other people's capital effectively, why is there a perceived stigma surrounding the magnitude of their potential compensation for this undertaking? Of course, some investment managers view what should be a privilege as a birthright. Some aim to focus on the fees aspect without adding substantial value, while others play fast and loose regarding fiduciary duty. However, if a GP seems to have its principles in check, is it not okay for them to get rich while also creating value for investors? Getting rich (or wealthier, if already rich) should be an implied motivation when assessing all GPs. There will undoubtedly be variations to this assertion, but having it as the baseline allows potential investors to start digging to the core to determine if other motivations equal or perhaps even surpass a GP's quest for wealth.

Below are a few other motivations that can be uncovered through probing or investigated (if volunteered) when assessing a GP's core purpose.

- **If you are not winning, you are losing:** Some GPs incessantly strive to be the best at what they do. They want to blow away competitors, naysayers, and benchmarks. They want there to be no doubt or nuance to the fact that they are winning and will do what it takes to keep winning. This can be a good thing, but it can also be a bad thing. It is good when there is a relentless pursuit of efficiency and an unwavering goal

to find and utilize all ways to gain (legally) an edge. It is concerning when the desire to win overshadows decency, morals, emotional intelligence, and sometimes even the law.

- **Scratching an entrepreneurial itch and gaining autonomy:** Some GPs are highly motivated by being their own boss and having the autonomy to execute investments as they see fit, without having a big brother always watching and questioning their actions. This urge is a powerful one and can lead to some very unique and innovative strategies. The concern is whether the GP can self-police itself or create processes that allow others to question decisions or at least play devil's advocate. It is fine for the GP to have a veto vote, but it is vital that some checks and balances exist.
- **Building a quirky ride-or-die tribe:** Related to the above point, some GPs think of investing extremely differently from tradition and want to bring a unique group of investors along for the ride. Such managers are motivated by having a tribe of like-minded investors who provide them with enough leeway to do their thing. Of course, eventually the piper must get paid, but in the meantime, the GP is granted free rein to be as nontraditional as it wants. I have spoken to several such managers, and they seem almost prouder of the loyalty of their day-one investors than the returns they have generated for them or their own individual success.
- **Creating a legacy and building something that will outlast them:** This motivation is usually stated by those GPs who have already been financially successful for a while. Their motivation to keep going shifts to the pride that comes from creating opportunities for others, the example they have set for others to follow, the satisfaction of having built something from scratch that will endure, and the significance of their legacy.
- **Allows goal-oriented people to delve into intellectually challenging scenarios and exercise problem-solving creativity:** Many GPs cherish the challenge of doing things that others cannot do or have tried and failed. They get a rush from using creative means to solve issues as they appear. These GPs use a blank slate to tackle problems and don't see "how things have always been done" as a road map or bottleneck to finding better execution methods. For these folks, investing is just a giant complex puzzle with plenty of missing pieces that welcomes brainstorming and improvisation. GPs who mention their love or passion for the game usually fall into this category.
- **Personal stuff and impact:** Some motivations come from a personal life experience or a selfless goal to improve the world. These motivations are even more complicated to underwrite than those mentioned above because economic rewards do not easily align with the GP's narrative. As unfair as it seems, when these types of motivations are mentioned, economically oriented investors will emphasize prior track records more to assure that the GP is not embarking on a spiritual or charitable journey that might lead to subpar returns.