

The Power of a Compelling GP Narrative

The inescapable pressure to craft a compelling narrative ominously looms over the heads of GPs like an existential guillotine. The meaning of the term “narrative” is nebulous enough that LPs and GP fundraising guides can use its ambiguity as a punitive tool, but clear enough that GPs recognize the importance of developing it to stay competitive in a harsh fundraising environment. Although it’s easy to dismiss as superficial hyperbole, the art of storytelling or constructing a narrative has repeatedly proven to be a powerful tool for rallying and maintaining a following. Just look at the most iconic people, companies, and products from the past and present, and you’ll see that the stories surrounding them are sometimes even more powerful than their actual existence. There is no denying that narratives created, transmitted, or assumed tend to become the trampolines of society.

In the world of investing, narratives have been known to make or break asset managers. An investment manager’s narrative tends to be a cunning mix of identity descriptors that includes “a description of origin”, “a reason for existing”, “a track record or proof of credibility”, “thematic positioning”, “value creation methodologies”, “differentiators”, “edge”, “moral north stars”, “portfolio construction ideology”, and “aspirations and plans for longevity”. The main goals of a well-crafted investment manager narrative are to boost investor confidence, bond with investors over shared themes and philosophies, and accelerate GP familiarity in the minds of prospective LPs. Contrarily, a weak narrative can quickly render a GP as mundane, conformist, and non-accretive to an LP’s existing portfolio.

Throughout my many years as an investment research analyst, I have encountered a wide range of narratives. I want to share a summary of some of my views on narrative characteristics, which I hope will be particularly helpful to investment managers but also serve as an interesting read for a broader audience.

- **The initial narrative is mostly aspirational:** Every new manager has a rite-of-passage task of crafting a narrative that can entice and keep the attention of prospective investors. Although emerging managers heavily rely on their personal past to project what a future with them could look like, almost all investors will include a disclaimer somewhere in their investment memo or meeting notes, underscoring the aspirational nature of the GP’s plans – all words are taken with big grains of salt. I have come to believe that the best way for emerging GPs to insulate themselves from being labelled as naïve utopian amateurs is to keep narratives concise, refrain from being too faddish, add nuance to their existence, show self-awareness, especially about the nascence of the product, and express a deep understanding of the opportunity set.
- **A narrative should be expressed with ease:** Fumbling through a narrative is a red flag (or at least an orange one) in the eyes of many investors. If you are asking for the privilege to hold someone else’s money for a relatively long period, the least that is expected from you is a clear understanding of yourself and why you are best equipped to handle this capital. LPs know that the best investors are not always the best speakers. However, regardless of the presenter’s degree of eloquence, there is an expectation that a narrative should be innate and should be practiced and refined. No one is asking for a Broadway or Hollywood performance. This is not a play or a movie. LPs simply want an honest description of what makes a manager tick and why adding them to a portfolio could be accretive from an economic, cultural, and social perspective.

- **You can say whatever you want, but receipts will eventually be checked:** Liberties are usually taken by GPs when expressing their narratives. I would not label these liberties as lies, but the truth is sometimes blurred or assumed to be optional. When describing their organization, culture, or strategy, many GPs strive to put themselves forth in the best light. This is 100% understandable, but it's essential to be aware that fact-checking will eventually occur. You can claim to have a harmonious and collaborative workplace, but high employee turnover will tell a different story. You can claim that most of the value you add to portfolio companies is through operational improvement, but analyses that show a high degree of financial engineering will tell a different story. You can claim to be heavily theme-focused and conduct in-depth studies of particular sectors, but if an assessment of your past investments reveals trend and fad chasing, your narrative becomes null and void. Yes, you can claim to be anything you want – it is primarily a free world – but just be aware that receipts tend to be printed in indelible (and unforgiving) ink.
- **Narratives are easily hijacked:** Related to the above point, one or a few diversions from a stated narrative can hijack the whole thing. Narratives need to be nursed and upheld. A GP can have a picket-fenced narrative used to face the world, but in many cases, the narrative is no longer owned by that GP. With time, a GP's actions (how it wins deals, how it treats people, how it treats LPs, how it exhibits transparency, etc.) in the real world become its narrative. No amount of spin can pry back a hijacked narrative, especially when the hijacker is steeped in reality and truth.
- **The “people” x-factor:** The one true constant about narratives is that the conviction of the people expressing and embodying them is the real x-factor. When individuals in an organization sincerely and genuinely appear to be marching to the same beat, it's hard to miss. I am not saying that investors use groupthink as a positive litmus test, or that uniformity of thought within a GP is a glaring green flag, or that unanimity of thinking will translate into outsized returns, but I am emphasizing that powerful narratives tend to have the ability to rally the masses (particularly the internal ones) in an unignorable, inspiring way.

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