

Our giraffe asks.....



On publication of the third edition of the Stevenson James Annual Investor Relations and Fundraising Survey, our resident giraffe talks to Tom Quinnen, Managing Director, about the key highlights from the findings collected from the Limited Partners (LPs) surveyed.

Tom, what prompted Stevenson James to produce the Investor Relations and Fundraising survey back in 2013?

It all started as a concept born out of a lack of hard information. As an adviser we were regularly asked about the best approach to Investor Relations (IR). Whilst the skills and experience needed by individuals entering the industry or moving from one role to another were clearly defined, the needs of the LPs to whom the IR professionals were providing a service were not. We recognised the value of the insight and the absence of available data. So the team took the decision to design our own survey and collect information pertaining to the requirements - and the expectations - of LPs, including the quantum and frequency of communication.

We know from the feedback we receive that our annual survey is seen as an effective means by which LPs can communicate with the GP community, particularly given the absence of regular, scheduled opportunities to provide feedback. Many of the LPs we speak to often refer only to the feedback forms provided at the end of a firm's AGM.

Our core objective remains to produce research which will provide a meaningful contribution to the continued discussion around IR and Fundraising

Unfortunately, these don't necessarily present an opportunity to talk about specific issues or even to provide positive feedback on the service delivered and the broader relationships enjoyed with their GPs. Therefore, by participating in our survey, the LPs we speak to can provide unattributed, candid feedback which we know to be very useful to those firms looking to shape an IR function that delivers what the LPs are looking for.

How valuable is the feedback you receive from LPs and how is it utilised?

The feedback we receive each year is fantastic and provides truly invaluable insight. Clearly the LPs we speak to value the opportunity to air their views, confidentially, and are willing to make the time to talk to us candidly about all aspects of the service they receive. Ultimately the feedback enables our clients to analyse and assess their own requirements and to build IR functions that are structured

and resourced in a way that allows them both to actively engage with their LPs for the purpose of building long standing, sustainable relationships and also to provide what we now recognise to be a competitive advantage when fundraising.

How do you structure the survey and decide what questions to ask?

We have worked with GPs to build and develop their Fundraising and Investor Relations functions for over 12 years and as a result have developed a solid understanding of the differing requirements of firms in the market. This experience is coupled with the market intelligence provided by two members of the team who are former Investor Relations professionals. Kate Goodall who was previously responsible for Investor Relations at Capital Dynamics and then SVG Advisers and Tim McKean who was an Equity Partner with 3i Debt Managers and is now responsible for the Private Debt practice at Stevenson James. Their insight into the role of IR, together with their direct experience of fundraising and managing relationships with investors, alongside our experience of this area of the market has been invaluable in shaping a set of questions which allow us to focus on key components of the role and of the service delivered to investors.

In addition, when planning this year's survey we thought it important to talk directly to IR professionals in the market to find out what they wanted to know from the LP community.

What can you tell me about the LPs you surveyed?

The LPs who participated in this year's survey include Institutions, Fund of Funds, Family Offices and private investors from Northern Europe, the Middle East, the UK and USA. Many of which have been involved in all three surveys.

What were the key highlights from the feedback received this year?

From a market perspective we were pleased to learn that the LPs who participated in the survey remain committed to the asset class. Over 75% of respondents confirmed an increased allocation to Private Equity over the last five years and 50% expect their allocations to increase further in the future.

53% of the LPs surveyed confirmed that the presence of an IR function can materially add value during the fundraising process

One of the responses that interested us at Stevenson James the most is the increasingly important impact a high quality IR function can have on an LPs decision making process. 53% of the LPs surveyed confirmed that when appraising opportunities with GPs who have a similar strategy and focus, if all things are equal in terms of track record and performance, the presence of a well-regarded Investor Relations function would be the deciding factor between competing GPs.

There is evidence of continued support for the IR function and of particular interest was the feedback which confirmed that 50% of the LPs surveyed agreed that investment professionals should not be responding to questions and requests for information, but rather concentrating on investing. One LP commented **“if a firm didn’t have an adequate resource (i.e. someone solely focussed on IR) we would typically suggest they find someone”**.

This year, alongside the findings of the survey, you have included a profile of a leading IR professional, Christiian Marriott from Equistone Partners Europe and an interview with two IR professionals who successfully transitioned from the investment side of the business. What was your rationale for doing so?

Given that this is the third year of producing this survey we felt it only fair to give some leading Investor Relations professionals a voice! As you know Christiian would never describe himself as such, but we are delighted to be able to include the profile of such a well-known IR professional who has seen, first hand, the development of the market and the role of IR and who acknowledges Investor Relations as a career.

The reason for including an interview with two IR professionals who successfully transitioned from the investment side of the business is that over the past three years we have seen a gradual increase in the preference of LPs for IR professionals to have investment experience. But this doesn’t tally with what we are seeing play out in the market. To this end we actually researched this concept and found that less than 25% of IR professionals within the top performing global funds possess investment experience. So, we were keen to understand from those who have made the transition from Investment to Investor Relations, what value they believe their investment experience offers to the relationships they enjoy with their LPs and to the service they are able to deliver. The comments made, which were done so anonymously, provide great insight into the benefits that such experience can have, particularly with respect to the timeliness and efficiency of responses to the growing number of enquiries received from LPs. However, as both note, there are a wide number of very well regarded and successful IR professionals in the market who have not been hindered by a lack of investment experience. Indeed our view is that to be successful in this market people do need a sophisticated technical and analytical background which allows them to understand not only the GPs portfolio but the investment strategy and portfolio of their LP clients. As long as they are capable of this coupled with relationship skills, to date not having Investment experience has not been hugely significant.

Perhaps with LPs becoming increasingly sophisticated and demanding greater levels of information this may become more significant but as yet we have not seen demand to match the perceived requirement.

What are your plans for the next survey?

As a firm, we focus on all aspects of the Private Capital market and having established some key parameters within the Private Equity market we are keen to explore further the impact of Investor Relations and the role it plays in fundraising in other areas of the Private Capital market, particularly Private Debt which is an area in which we have seen substantial growth over the past 12 months.

How do I access a copy of the survey?

If a hard copy isn’t already on the table in the reception area of your office or on the desk of the Managing Partner, you are welcome to download a copy from our website, www.stevensonjames.com. We also have hard copies available which we are happy to send out. To request a copy, please contact myself using the contact information that follows or another member of the team.



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