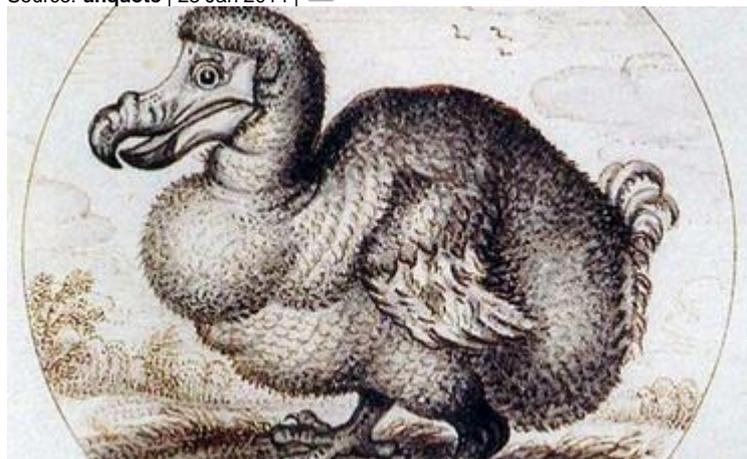


## Placement agents: a dying breed?

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**The placement agent industry has attracted criticism of late, with some labelling it as nothing more than a glorified introductory business. As fundraising becomes more complex, Alice Murray investigates how relevant this advisory service is**

In 2013 a staggering \$365bn was raised by private equity firms across the globe. However, many firms are choosing to raise without a placement agent and are instead developing highly sophisticated internal investor relations departments. This shift reflects the increasing need for a constant eye on a firm's fundraising activity, no matter where in the fund cycle a firm may be, as LPs are demanding continued dialogues with investee firms. Indeed, **Graphite's most recent fund** was closed without the help of an agent. Says Andy Gray, senior partner at Graphite: "Last time we went to market we had excess demand and investors had to reduce their allocations. This time we felt confident in raising with investors we were close to. It was a bit of a gamble but, of the placement agents we met, we felt they couldn't bring anything new to the table."

Antoine Dréan, founder of Palico and Triago, observes how the industry has developed. "When I set up Triago 22 years ago there were only a handful of placement agents, today there are around 300. The industry has completely transformed." He concedes that 15-20 years ago there was value in simply opening doors: "GPs didn't know where to go and they needed help."

Increased transparency in the market means that anyone can access databases of active LPs, via products such as **Investor Source** or **Palico**, essentially accessing the same contacts as placement agents. Furthermore, LPs can easily access performance data and keep up to date with top quartile funds.

### **Strategic stratosphere**

However, today there are nearly 2,000 funds seeking capital from investors. This heightened competition calls for a far more strategic approach to fundraising, as August Equity, which **recently closed its third fund** above target, understands. Following a slight reshuffle of its team and a lack of re-ups from existing investors due to regulation changes, August engaged with Amala Partners around three years prior to raising.

According to Warren Hibbert of Asante Capital: "A placement agent gets LPs to really understand what's on offer. Fundraising isn't just about box ticking, LPs need to understand the strategy, and how the team works together. This is still a private market and it can't be quantified in the same way that public equities can."

A new entrant to the market is Aerius Associates, which has styled itself on more of a private capital markets advisory service. "Our core business will always be fundraising but as co-investing and direct investing is becoming a larger feature of the market, LPs and GPs alike need a more strategic approach," explains the company's founder James Burr.

Indeed, the rising demands of LPs have created a new layer of work for GPs, and for smaller firms that cannot justify an internal investor relations function, placement agents offering a more bespoke service can fill an important gap. "GPs better understand that fundraising is a long-term process," says Dréan. "It's about constant communication with existing investors and potential new investors."

## **Matchmaker**

It was against this backdrop that Dréan set up Palico – an online platform for matching LPs and GPs. "It's essentially a dating service, enabling GPs and LPs to meet based on their tastes."

The real beauty of Palico is that it can be used as a marketing tool by GPs. "With a rapidly growing base of more than 500 LPs on the platform, GPs can market themselves without restriction because every member is qualified to comply with regulatory demands," explains Dréan.

The rise of these online matchmaking services has also attracted a wave of negativity. As Hibbert explained above, this is still a private market and relationships will always lie at the heart of the industry.

Dréan is all too aware that the platform cannot be used for gaining momentum, it cannot provide advice or create a strategy for fundraising: "But it's a necessary tool, especially as LPs have limited resources. It helps them allocate their time to the right groups."

While well-established brands raising their fourth, fifth or sixth fund with a stable LP-base and an internal investor relations function may find themselves happily sailing to final closes within months of launching, smaller firms, or those with new strategies, or changes to their teams, need to engage with placement agents now more than ever.

The dialogue between GP and LP must be constant, especially with the rise of co-investment. The extreme level of competition for capital raising requires an entirely strategic and well thought out approach. Fundraising is no longer a numbers game. A changing world of LPs, with some falling away because of new rules such as Basel III and Solvency II, and others gaining importance – namely family offices and endowments – GPs must pick potential investors wisely to ensure the most efficient process.

This is where the dividing line will fall between placement agents – those that can offer a more bespoke service will find themselves evermore necessary, especially as new and more innovative funds come to market.

However, any agent still hoping to profit based simply on a burgeoning Rolodex may find themselves struggling to stay alive.