



## LPs Can Do Better

Despite holding positions that champion flexibility of thought, investment analysts on the allocator side still, admittedly (or not), are plagued with several dogmatic habits. Many of my past writings have self-servingly accentuated the [plight of allocators](#) and accusingly cried foul about specific GP behaviors that irk LPs. However, despite the pain it causes, introspectively turning the fault-seeking magnifying glass inward is crucial for growth.

When relationships between an LP and some GPs move beyond the strictly business-driven to the "I actually like you as a person" phase, some unspoken irritations and valid grievances are revealed. Also, after trust has been built over several years, placement agents can be candid conduits of critical feedback to LPs from the other side (GPs). There is a power trip that predictably intoxicates those in the allocator position. This stupor can subconsciously or consciously create a catalyst for bad behavior. The assumption (founded or unfounded) by allocators that fund managers earn astronomical compensations, along with the ego boost that comes with being judge, jury, and executioner when assessing funds, causes them to sometimes treat GPs cavalierly. There are obvious flaws in these presumptions - not all fund managers are rich (yet, hahaha), and the transient power held by prospective LPs should inspire humility in decision-making (and treatment of people) rather than a high-horse dismissive stance. Sadly but truthfully, the world is not fair, and the older you get, the more you are bombarded with subliminal (and direct) messages suggesting that harshness goes hand in hand with rigor and that decency is not necessary when the perceived stakes are high. Notwithstanding the nuggets of painful reality in the previous statement, I remain convinced that a rigorous process that requires discipline and directness can be executed without flaunting an "A\*\*HOLE" name tag.

Due to my long tenure as an analyst focused on private investments, my impulsive reaction is to dole out justifications for some of the bad behavior of allocators described (in confidence) by trusted counterparties on the GP and placement agent side. However, because I also constantly and self-righteously preach open-mindedness, I find it necessary to just be quiet and take the medicine.

Below, I list a few behaviors of LPs that GPs/sponsors/placement agents/etc. would rate as falling somewhere between "inconsiderate" and "egregious" on a theoretical relationship-building scale.

- **False Hope:** During fundraising, capital seekers will take seriously (rightly or wrongly) any actions or information from LPs that suggest positive momentum. Considering this, it is plausible that GPs could inadvertently interpret some innocent LP statements, made from sheer politeness or adherence to an ongoing process, as positive traction. GPs, however, are difficult to fault when blatant misinterpretation-resistant statements like "Your strategy is exactly what we have been looking for" or "Your strategy is tracking very positively internally" spur their high hopes only to be abruptly dropped without warning (or sometimes without a coherent explanation). GPs are staunchly appealing for the recognition that they are mature enough to receive transparent feedback, no matter how harsh it may be. Prompt critical feedback is preferred over the instigation of false hope, which negatively impacts allocation planning and the scheduling of closes.
- **Ghosting:** Considering the sheer number of funds seeking limited commitment capital, GPs are quick to forgive absolute unresponsiveness related to cold propositions. However, GPs are less tolerant of LPs who go completely dark after seemingly positive interactions. "Ghosting" is the most common complaint



I receive about bad LP behavior. GPs are baffled by the prevalence of ghosting across all types of LPs. GPs are particularly aggravated by ghosting when multiple meetings have been held, follow-up information has been requested, and/or nuanced strategy clarification points have been discussed. The issue comes down to respect; closure is deserved by all, despite any potential blowback.

- **Talking Down/Lecturing/Unnecessary Challenging:** Gamesmanship will forever be present in the medieval dance that occurs between LPs and GPs during strategy due diligence. Provocative assertions, psychological baiting, the emphasis of contrary views, etc., are all fair game for LPs testing GPs' conviction and pliancy. However, the situational power possessed by LPs during the courtship phase sometimes introduces a superiority complex that causes talking down, condescending lecturing, and the unnecessary challenging of basic points, all of which can credibly be described as blatant abuse of power. GPs, due to their subordinate position at the time, tend to take the high road during the evident exploitative hazing, but this objectionable behavior does not go unnoticed.
- **Rudeness:** This one is self-explanatory. There are times when GPs are treated with such impoliteness and condescension by LPs that they are left questioning the foundation of the new relationship. I believe that despite the [imbalance of power](#) when a GP is auditioning for capital, both parties are picking up on cues that inform how a long-term relationship would play out. Rudeness from either party at the infancy of a relationship, which if consummated (with an investment) would last at least a decade, is a strong signal to run the other way.
- **Endless Cycle of Information Requests:** GPs' responsiveness to LP requests for additional information and their completion promptness of requests for wide-ranging iterations of fund data provide valuable signals. These signals reveal a GP's preparedness level and the magnitude of its desire to assuage any lingering concerns about its investment strategy. Also, it can be argued that GP data rooms are made stronger with every data-slicing request by an LP. However, many GPs have been dizzied by some LPs' unending carousel of requests that slowly but surely lead to nowhere. GPs understand that different LPs slice and dice information differently, and that providing information in distinct/preferred formats is a fair price to pay to spur investment. But if demands are excessive and tinged with exploitativeness, the wild goose chase becomes tedious.
- **Lack of Empathy:** Many GPs complain about being treated dismissively – it is almost as if they do not matter because they are viewed as being at the epicenter of capitalism. While GPs are not in a corner crying about this treatment, they do wish more effort was made to see their real faces. With full knowledge that this could come off as sounding naïve, unrealistic, and pandering, I believe that empathy should be a prerequisite for all GP/LP interactions. Empathy does not blunt or reduce rigor in any way. Empathy merely ensures that all parties recognize the humanness of their counterparties and prioritize respect.

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