



Ingredients for a Harmonious Limited Partner (LP) and General Partner (GP) Relationship

With 48 weeks of weekly writing under my belt, I now feel like a DJ who's played some old crowd favorites, some new weird stuff that the kids are currently vibing to, and his own collection of underground bangers. Although there remain several unplayed jingles that could keep the party going, we now seem to be at the requests phase of the night. As with most respectable disc jockeys, I reserve the right to respectfully reject requests that I deem too prejudiced, too archaic, or just not my jam/style. However, one common request, which could also be viewed as a fair critique of my writings, is “You keep talking about things that go (or could go) wrong between LPs and GPs, can you talk about what a real-life healthy relationship between the parties looks like?”. Ouch! and point taken! This week, I highlight some ingredients that have made for the most harmonious relationships with GPs I invested with.

- **Engaged Investor Relations (IR) individual/s:** An engaged IR (or designated LP interactions) person who keeps investors abreast with organization and fund happenings, especially during non-fundraising periods, creates an atmosphere of true partnership. Quarterly letters and annual meetings serve crucial update functions but tend to be understandably sanitized for various reasons. Informal check-ins, on the other hand, have a human aura that supersedes transactional and obligatory motivations.
- **Access to key personnel:** Funds that encourage an environment of open access to key team members build lasting trust. Of course, this access should be managed to limit abuse, but it is quite easy to identify funds that are genuine about making personnel available for investor interactions. While LPs and GPs will always agree that a fund's team members' time is best utilized for value creation, carving out some time for capital providers can help invigorate fiduciary responsibility.
- **Openly acknowledging the exceptional deeds of team members:** Funds whose culture encourages teamwork but also highlights individual excellence (regardless of rank) exhibit very appealing meritocratic and low-ego characteristics, which contribute to overall resilience. The funds I've re-upped with the most have all showcased the incredible work of individual team members at different times as a reason for their aggregate/cumulative success.
- **Genuine curiosity about the inner workings of LPs:** GPs who are genuinely curious about the uniqueness of how the proverbial sausage is made at each allocator organization have a tangible advantage over their peers. Understanding the organizational idiosyncrasies related to missions, risk parameters, decision-making protocols, timelines, asset allocations, etc., provides powerful information for substantive conversations and bond tightening.
- **Proactive feedback solicitation:** In the same way as most people in the world, LPs like to feel seen. The now-common saying “go where you are appreciated and not just tolerated” comes to mind. When a GP comes to an LP, regardless of whether or not that LP sits on an LPAC, for feedback on important matters, that LP cannot help but feel 4K-seen. This feeling is further enhanced when feedback is seriously considered or even implemented. A partnership encompasses a lot more than just transferring capital and potentially receiving a return on that capital; it includes sharing ideas, compromising, and soliciting feedback.



- **Outwardly expressed introspection:** GPs who can proactively course-correct without shame tend to breed loyalty amongst their LPs. I am not referring to GPs that engage in blatant strategy drift or a wholesale change in investment philosophy, but rather those that apply intellectual assessments and tweak investment strategies (as needed) due to ongoing market conditions, flaws in their original theses, or discovering their unique ability to exploit niche opportunities. Clear communication of in-process investment adjustments paves the road for continued LP buy-in.
- **Adherence to stated fund dynamics and timelines:** In a dynamic world, it is unrealistic to expect granular accuracy from projections or estimations. Most LPs give enough grace to GPs when things unexpectedly change – the world is messy and inflexibly holding people to minute details of forecasts is unfair. However, it is fair to assess the general direction or arc of a GP's actions with a realistic margin of error in mind. Fundraising timelines, the size of subsequent funds, and the creation of new product lines fall into categories that can be comparatively scored based on what was originally stated. GPs who stay in the general vicinity of initial promises score highly on trustworthiness, integrity, and discipline scales.
- **Sharing industry insights with authentic excitement:** Authentic excitement is generally very contagious. Even the most nerdy and intricate things can be made appealing when they are delivered with genuine enthusiasm. LPs are suckers for GPs who are fully immersed in what they do and are willing to share this passion through conversation or literature. There is no doubt that GPs are cognizant of the nuisance factor or the over-infusion of brain-damaging details, but I believe relevant data is always valuable, as long as it is used as learning nuggets rather than as decoys or fluff.
- **Transparency:** Once again, this does not warrant too much explanation as I have written at length about transparency in the past. A long-term relationship is systematically built when LPs feel (and are shown) that their committed capital affords them an unblurred view of a GP's inner workings.

The ingredients for harmonious relationships depend on circumstances, parties involved, and incentives. A lack of EQ, empathy, or plain common sense can inject toxicity, power struggles, and passive aggressiveness into a union that was initiated to be mutually beneficial. The GP and the LP should guard against taking one another for granted to prevent resentment, and consequently, a break-up (aka no re-up).

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