



The Unbearable Lightness of Being a Fund 1 (Part 2)

A few weeks ago, I posted [Part 1 of the “Unbearable Lightness of Being a Fund 1”](#). As promised, I am delivering Part 2 of what I hope is helpful guidance, or at the very least, interesting and concise reading material for current and future Fund 1 managers to ponder, challenge, and compare to their ongoing/planned course of action. Based on the positive and humbling response to Part 1, I endeavor to make this an ongoing series where I periodically provide historical learnings, newly acquired insights, and random epiphanies about the Fund 1 fundraising and management journey.

As mentioned last time, I have encountered hundreds of Fund 1s throughout my analyst career. While these managers can all be lazily lumped together as folks embarking on their maiden journey, there are easily and quickly discernable stark differences in vision, resilience, perspective, and confidence between them. As I have stressed in many of my writings, there is nothing wrong with being authentically yourself. However, problems arise when your authenticity is channeled incorrectly, and people on the other side overlook your unique qualities because they predominantly use some form of pattern recognition for Fund 1 managers.

Below, I continue my list of observations (seasoned with sprinklings of subtle advice) about Fund 1 managers.

- **Avoid defensiveness:** The Fund 1 journey tends to be long, perilous, and at times, demoralizing. Constantly hearing about what you are lacking does not make for delightful banter. However, every meeting is a new opportunity. You may be tired of repeatedly telling your story over and over again for what seems like an eternity but never make despair so legible on your face that it can be read a mile away. To prospective investors, your demeanor is just as important as the viability of your strategy. Interpreting each skeptical question as a personal attack is the quickest way to get relegated to the “let's wait till Fund 2” bucket. I have seen defensiveness expressed in various forms by many Fund 1 managers. I never took it personally because I was empathetic to what had likely led to the managers’ current attitude. However, despite my empathy, facing defensiveness was never endearing. I never once returned from a meeting where a Fund 1 GP was overly defensive thinking “Can’t wait to dig deeper into that manager”.
- **Learn the competitive landscape of your space:** Although it can be argued that the onus of being aware of investible options primarily falls on prospective investors, I can make a strong case that GPs must also know (or at least have a decent sense of) their competitive landscape. Knowing which other GPs are in the market focused on similar sectors or executing a comparable strategy can be invaluable to honing a narrative and reinforcing differentiative attributes. Most capital allocators, even ones with just a few years of experience, have heard and seen it all. As a Fund 1 GP, you don’t want to be out there chest-beating about your unique strategy, insight, or approach, to an analyst who has heard eleventeen variations of the same pitch.
- **Build a catalog of frequently asked questions:** I apologize for stating the obvious here, but it is worth stressing that Fund 1 GPs must have succinct answers to categories of questions that tend to be asked the most. Surprisingly, seemingly basic, but very consequential questions, stump far too many new fund managers. “What is your North Star or guiding philosophy?”, “What are your organizational views around DPI?”, “Which existing managers do you aspire to be like?”, “What about your personality, past, or insights predispose you to be a successful fund manager”, etc. Such questions will be asked in different forms



throughout your Fund 1 raising journey, so your answers must be authentic, clear, and devoid of cheap pander.

- **Aspire to be institutional (even in the smallest ways):** Expending resources to present an institutional, institutional-leaning, or institutional-aware organization will go a long way to inspire confidence from prospective LPs and build the foundation for general longevity. The quality of pitch decks, the meticulousness of data rooms, the caliber of service providers, the backgrounds/pedigree of team members and advisors, etc. are all swatches that combine to create a mosaic of a manager’s institutional profile. Investors know that most Fund 1 GPs are juggling finite resources to get to a finish line, but how the limited resources are utilized, tells a valuable story.
- **Why should we take a chance on you?:** The overarching problem that all investors, particularly ones brave enough to consider first-time fund managers, are trying to solve, is tangled up in the question, “Why should we take a chance on you?”. This question is really hard and borderline unfair, but it is the fundamental “big bang” reason we showed up to the party in the first place. I don’t think there is a foolproof way to answer this – answers will inevitably be case-by-case and quite personal. However, Fund 1 managers have successfully loosened my purse strings when they provided compelling and detailed descriptions of their “hunger” and relentless fixation on winning in the face of adversity.

Part 3 is coming soon.

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