

DRESS FOR SUCCESS

CHRISTOPHER BODDEN AND LEANNE GOLDING OF HARBOUR DETAIL THE POWER OF IMAGE, AS WELL AS HOW TO GET IT RIGHT



Christopher Bodden is a director of Harbour and serves as an independent director to Harbour's fund clients. He began his career with Goldman Sachs in 1996. In 2012 he joined State Street as a managing director and in 2015 joined the Harbour team. He is a chartered alternative investment analyst (CAIA).

The right wardrobe can help you to project the right image, and allow people to see you the way you wish to be seen. Like it or not, your image can materially contribute to how you are perceived. Often that perception or first impression is quickly formed and difficult to change. Designer labels have long been favoured by those who can afford them, not just for their superior design and fit, but also because they are associated with financial success. Subconsciously we associate these brands with admirable characteristics such as organisation, intelligence, hard work, and discipline. Hence the age-old adage that you should 'dress for success' if you want to get ahead in the world.

There is an extensive body of research on this phenomenon, demonstrating that the subliminal mind uses visual cues and educated guesses to create impressions that seem clear and real to us, but which are largely built on unconscious inferences based on body language, clothing and appearance.

While our subject thus far may be of interest to some, there are likely many readers wondering how this relates to someone looking to launch a hedge fund this year. In the same way that you want to dress to impress for an important job interview or meeting, so too do you want your firm to present in the best possible light when attracting investors. In today's environment it is increasingly difficult for new managers to reach critical mass within their targeted timelines. If you are hoping to appeal to institutional capital, those investors will be reviewing your every detail and accordingly you will want your firm to present well. Institutional investors have an investment universe filled with hundreds of investment managers making it crucial for you to make a good first impression. If not, you may never get a second look.

Investors need to feel that their money is safe in your hands – that you will not only make them money in good times, but also that you will preserve capital in the bad times. To do that you need to demonstrate not only that you have a compelling investment strategy, but also that you have built an institutional quality infrastructure with appropriate checks and balances. How do you do that?

PICK THE RIGHT WARDROBE

Image counts, and it's important that you have a tailored fit. Everything from office space, to IT infrastructure, to service providers and your control environment must be robust and in keeping with the image you wish to project. Part of that fit is in making sure they are appropriate for your strategy. If you're launching a more complex credit or multi-strategy fund, investors will expect to see a higher level of sophistication in your infrastructure, controls, and service providers than if you are investing only in large-cap US equities. Setting up an institutional infrastructure from day one requires a significant cash outlay and a high degree of conviction in your probable success. However, such a leap of faith is necessary – making it crucial to surround

yourself with the best people, systems, and service providers that you can afford from the beginning. You could wait until you have that big ticket in your hand before spending the money to outfit your firm, but that's often a dangerous game of 'chicken and egg'. If you're not willing to invest the money in yourself and your firm, investors will sense that lack of confidence and question whether they should invest in you either.

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KEEPING EVERYTHING IN TIP TOP SHAPE

You've expended a lot of time and money on your new firm, and want it to be cared for in the right way so that it is well run and maintained. That's why you need to hire the best people that you can afford in each part of your business – to ensure that the firm runs in the way that you've envisioned, and in the way investors expect. Somebody has to be responsible for cash reconciliations, trade breaks, and general administration of the office. If you can't afford the people that you need just yet, consider outsourcing. Early stage firms are finding that it can be more cost effective to outsource functions such as the middle and back office, and compliance. This can give you access to the right people and systems for a fraction of the price, and it shifts responsibility for staffing and scalability, not to mention the overhead costs, onto someone else until you're up and running.

ACCESSORISE

Once you've partnered with the best service providers and



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created the most institutional operation that you can afford, you need to put on the finishing touches to ensure that these things get noticed. It is essential that you put together a pitch-book and other marketing collateral that present your firm in the best light, and demonstrate how you are different from the rest. Your materials should convey your investment strategy in a clear and concise manner. Understand what investors' objectives are, and explain how your strategy will fulfil their needs.

Although your materials will necessarily focus on your investment thesis, don't forget to provide information on the non-investment aspects of your firm as well. You've spent a lot of time getting the operational side of the business right, and institutional investors want to know about this as much as they do your alpha-generating capabilities. A marketing presentation that focuses only on your strategy will sell yourself short. Make sure to include operational details as well and ideally prepare your own operational due diligence questionnaire, too. Having it at hand when prospective investors ask for it will save time and impress them with your appreciation for operational details.

ASK FOR A FRIEND'S OPINION

Before stepping out into the world, it's always a good idea to ask someone you trust for their honest opinion. Invest-

tors listen to hundreds of pitches per year, and sometimes you only get one chance, so you want to ensure that everything is perfect before any prospects see it. You won't necessarily get extra credit for having everything right, but you will definitely get deductions for getting things wrong, so you need to nail the basics to get through the first interview and make it to the next round. Reach out to service providers, directors, former colleagues or others to review your materials. Service providers and directors will often see materials from a number of firms. These trusted advisors can tell you how yours' compare. It also helps to practice your in-person presentation on a friendly test subject as well, to ensure that you are comfortable and well prepared before sitting down for the first time in front of a live prospect.

BE COMFORTABLE IN YOUR CLOTHES

At the end of the day, it is important that you still be yourself. Investors will appreciate the sincerity. In the same way that uncomfortable new clothes may make you fidgety, so too can the wrong message or image. Thus, you need to determine who you are, design and execute the firm around this, and ensure that you have the means to properly communicate your message to investors. Oh yeah, and it wouldn't hurt to pull that power suit out of the closet! ■