"Marketing Alpha" Intelligence 2025

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THE "REAL-WORLD FACTS" OF MARKETING + FUNDRAISING FOR "SUB-INSTITUTIONAL" ($0-$100 MILLION AUM)
&
SMALLER "EMERGING" MANAGERS.

"ELIMINATE MARKETING "BS" FOR SUCCESS RAISING ASSETS".

INTRODUCTION:

Absolutely nothing is more critical for new and smaller managers than RAISING ASSETS.

Almost EVERY new + smaller manager "feels": "Performance will bring NEW AUM".

FACT: "PERFORMANCE BRINGS ATTENTION NOT NEW ASSETS".

There's a lot of "BS", propaganda and wrong information about marketing and raising assets for sub-institutional managers ($0-$100 million AUM) and smaller "emerging" managers.

"FEELINGS ARE NOT FACTS". The data shows most smaller managers fail raising assets even with exceptional performance. In fact, most sub-institutional managers fail to get AUM beyond personal capital along with small investments from "family + friends".

The belief "performance brings assets" is THE basis for failure raising assets, as it leads to:

LACK OF MARKETING PROCESS + INCONSISTENT EXECUTION = FAILURE RAISING ASSETS

The typical "marketing" approaches of "sub-institutional" and smaller "emerging" managers are "pitching performance", "posting performance" and "attending conferences", which are "improvisational activities" that waste time and money, bringing frustration not new assets.

Since 2009, manager due diligence has expanded strategically and tactically to become deeply, if not overly, invasive qualitatively and quantitatively: The "requirements to raise assets" have significantly increased: it's more time-consuming, more resource intensive and more expensive.

In a "low trust", crowded (+25,000 GPs actively fundraising), hyper-competitive and stringent manager evaluation and selection climate filled with idiosyncratically risk-averse investors, allocators and intermediaries, success raising assets ultimately depends on a:

"FORMAL CONSISTENTLY WELL-EXECUTED PROSPECT-SPECIFIC MARKETING PROCESS".

FACT: "81% of new and smaller managers do not have a "formal" marketing process".
Source: AIMA/Cowen

Most new and smaller managers have very little marketing experience. Subsequently, "appropriate marketing" is grossly-misunderstood and poorly-executed, which leads to "improper engagement" (constantly pitching) with highly-selective investors. As such, failure raising assets is the norm. The "FACTS" show the majority of new and smaller managers are <u>not prepared</u> to execute marketing at the much higher standard now required to raise assets.

This paper offers the "REAL-WORLD OF MARKETING and RAISING ASSETS" that eliminates the "BS" with "FACTS" and actionable guidance for "sub-institutional" and smaller "emerging" managers to optimize marketing process execution and maximize success raising assets.

Continued Success,

Bryan Johnson
Managing Partner

3,315

THE NUMBER OF HEDGE FUND MANAGERS WITH AUM LESS THAN $100 MILLION.

Source: HFR

+50% of hedge fund clients were out of business within 3 years of initial launch despite performance.

Source: Goldman Sachs Prime Services

"Firms lacking high quality marketing and sales strategy may struggle to attract assets and have a higher probability of shutting down"

Source: Agecroft Partners
Top Hedge Fund Industry Trends of 2024

"Performance is of secondary importance to perceived safety and a reduction of headline risk."

"A high-quality product and strong historical returns are not enough for small mangers to attract assets."

"Managers must realize that high-quality marketing is a critical element of a hedge fund's survival and success. Effective sales and marketing strategy are mandatory"

Don Steinbrugge - Founder and CEO of Agecroft Partners
13 years in a row Hedge Fund Marketing Firm of the Year.

27%

PERCENTAGE OF SUB-$100 MILLION AUM MANAGERS THAT DO NOT INVEST IN MARKETING.

Source: AIMA/COWEN

81%
PERCENTAGE OF SMALLER MANAGERS WITHOUT A “FORMAL” MARKETING PROCESS.
Source: AIMA/COWEN

76.4%
PERCENTAGE OF HEDGE FUNDS THAT ‘TAP OUT’ THEIR INVESTOR NETWORK WITHIN ONE (1) YEAR
Source: KPMG

89% of hedge funds never reach $100 million AUM.

Source: The Journal of Alternative Investments

6.3 Months

The average time for an emerging manager to obtain an allocation from initial meeting to allocation.

Source: AIMA/Cowen

42

The average number of touchpoints (calls, meetings, emails, etc.) to obtain an allocation.

Source: Eaton Partners (Leading Global Placement Agent)

200

The minimum number of meetings a new or smaller manager must have to gain traction.

Source: Agecroft Partners

Time to close an institutional allocation has increased from 8 - 12 months to 18 - 24 months for closed end/private equity funds; from 3 months to 6 - 18 months for open end/hedge funds.

Source: Seward & Kissell LLP Memo May 2025

4,084 PE funds actively raising $1.15 Trillion.

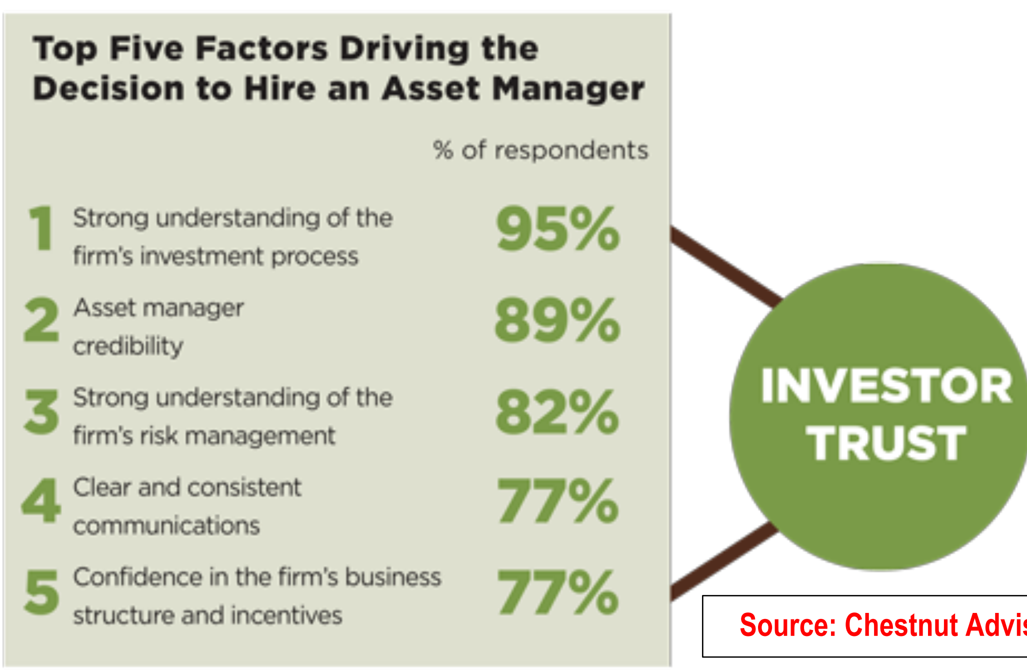
Source: Private Equity International

30,000+ active hedge funds globally
60% (18,000+) in the United States.

Source: Preqin

43,313 Registered Investment Advisors

Source: RIA Institute



Source: Chestnut Advisory

"Even the best-performing asset managers will struggle to win investors' capital if they don't first win their trust."

Source: Institutional Investor - The Thing Investors Value Most in Manager Selection
January 22, 2019

Less than 2%

Percentage of single family offices (SFOs) that source managers via "platforms".

Survey of 83 SFOs with assets of $432 billion.

Source: Fidelity Family Office Group

97%

Percentage of single family offices (SFOs) that source managers via their personal network.

Survey of 83 SFOs with assets of $432 billion.

Source: Fidelity Family Office Group

2%

The percentage of institutional allocations going to managers with less than $100 million AUM.

Source: Preqin

$320 Million AUM

The average AUM size requirement of an institutional hedge fund investor.

Source: Preqin.com

11% of investors target funds with +$5 billion AUM.
38% of investors seek funds with +$1 billion AUM.
36% want funds with $100 million to $500 million.
15% look at funds with less than $100 million AUM.
Source: Private Equity Wire, SS&C Intralinks 2023 LP Survey

+25,000 general partners have raised a fund since 1990.

Source: Pitchbook

Emerging managers saw total funding in the US decline to $17 billion in 2024 from a high of $64 billion in 2021. In 2025, emerging managers have only raised $4.7 billion.

Source: Pitchbook

About 250 of 700 first-time managers who raised funds 2019 to 2021 will not be able to raise a second fund.

Source: Pitchbook

Global PE fundraising declined 35% to $116 billion in Q1/2025 compared to Q1/2024.

Source: Pitchbook May 2025

Venture capital fundraising reached just $18.7 billion, on pace for the lowest VC fundraising year in over a decade.

Source: Pitchbook May 2025

11%
Percentage of management fee allocated for marketing
Source: AIMA

"76% of consultants and almost 70% investors said great thought leadership has a big impact in their decision to hire and retain an asset manager."

Source: Chestnut Advisory Research

"You've got to be highly selective about managers. Everyone's been doing Zoom calls, but it's really not the same thing as building a personal relationship. If you already have an existing relationship with a manager, then a Zoom call works pretty well. But if you're trying to understand what makes a new manager tick, I don't think it's the same thing at all."

Source: Dixon Boardman, CEO/founder of Optima Asset Management fund-of-hedge funds pioneer – Hedgeweek 2020

"Not a single allocator or manager I've spoken to believes that allocations will EVER occur without an in-person meeting. Brand strength will be essential and brand weakness fatal. The two common denominators of strong brands is allocators' viewing the firm as having exceptional client service and exceptionally communicated analysis".

Source: Kip McDaniel, Editor-in-Chief Institutional Investor Magazine - June 2020

"The evidence has been overwhelming that investors are intensifying their focus on enterprise processes. While investment return was once the only consideration for high-net-worth and family office investors, they have now joined with institutional investors in demanding greater transparency in the process behind the performance, everything, including organizational structure, reporting process, technology and service provider relationships, is a factor in the capital-raising effort."

Head of Financial Services Advisory Practice - Accounting/Advisory Firm

"The goal of our due diligence process is to provide the information and insight needed to make the most appropriate manager selection with comfort and confidence. We use a peer review committee to review all the candidates. The client receives a due diligence report for all the semi-finalist candidate firms and then conducts interviews with each of the finalists. A manager's long-term track record is considered, it is not the main driver for selection."

Practice Leader - One of the largest independent investment consulting firms

DE“CAP”ITATED? - PRIME BROKER CAPITAL INTRODUCTION

$500,000

Annual cost to receive "attention" from capital introduction team at a “bulge bracket prime broker”. Source: AIMA

Close Encounters of the Third (Party Marketing) Kind!

Independent 3rd Party Marketing Firms (3PMs)

0%

The percentage of managers with less than $100 million AUM that secured an allocation via third-party marketers - Source: AIMA

3PM raises $50 million (Investor Segment: Private Wealth)

Fund Mgmt Fee ($50,000,000 x 2% of assets)	=$1,000,000
3PM Compensation from Mgmt Fee: ($1,000,000 x 20%)	=$ 200,000
3PM Marketing and Client Svc Expense: 40 bps/million	=$ 200,000
3PM Net Compensation from Mgmt Fee:	$ 0

3PM net compensation derived completely from manager performance!

Typical 3PM compensation: 20% mgmt. fee + 20% performance fee

SEEDING & INCUBATION

1. 60% of seeders are based in New York Tri-State Area (NY,NJ,CT).
2. "Word of mouth" is the biggest source of talent.
3. Strategy and pedigree are ranked the most important characteristics.
4. The typical seeder/allocator meets with 128 managers a year.
5. The avg. seeder/manager relationship lasts about 57 months
6. The avg. amount seeded: $16.5 million.
7. Despite initial seeding, asset raising remains the largest challenge for emerging managers.

INTERMEDIATION: CONSULTANTS & EXTERNAL ADVISORS

ADVERSARIES? ADVOCATES? ALLIES?

Consultants	300
Pension	2,300
Foundations	87,000
Endowments (NACUBO)	1,900
Multi-family offices/UHNW RIAs	7,500
Seeders/First Loss/Incubators	65
Funds of Funds	1,300

ALTERNATIVE INVESTING HAS A HIGH DEGREE OF INTERMEDIATION.

96%

Percentage of U.S. Institutional investors that use an investment consultant for asset allocation and manager evaluation/election/due diligence. Source SSRN

"Institutional clients have a higher bar for what they're willing to invest in."

https://www.institutionalinvestor.com/article/b1zd83jbrbc0d0/Asset-Owners-Turn-to-Investment-Consultants-to-Guide-Them-Through-Market-Volatility

THE TAKEAWAY:

In a "low-trust", crowded and hyper-competitive marketing and fundraising climate filled with risk-averse, idiosyncratic, stringently selective investors, allocators and intermediaries, who perform deeply, if not overly, invasive qualitative and quantitative due diligence that has expanded strategically and tactically, the "FACTS" show most new and smaller managers are not prepared and equipped with an "appropriate marketing process" to be positioned for success raising assets.

Essentially the vast majority of "sub-institutional" & smaller "emerging" managers are:

"FLYING BLIND" MARKETING + "FLYING SOLO" RAISING ASSETS.

2025: AN EXISTENTIAL MOMENT FOR "SUB-INSTITUTIONAL" MANAGERS.

For new and smaller managers, 2025 is the time to "step-up marketing" or "close-up".

"Consistent execution of an appropriate marketing process" will not only be the difference between success and failure raising assets but ultimately, a matter of survival.

Marketing is now mission critical, as fundraising is hyper-competitive and crowded. Thousands of VC, Private Equity and Hedge Funds are now actively raising assets. With +25,000 general partners having raised a fund since 1990, it's more difficult than ever for a new or smaller manager/fund to stand out and get the attention of investors, allocators and intermediaries who are more selective, have limited time and less capital to deploy due to fewer distributions from previous investments as a result of the IPO slowdown and startups staying private longer.

Moreover, older and larger "institutional" managers with experienced, robust and mature operational infrastructure, stronger relationships, trusted brands, longer track records and deep financial resources have multiple advantages that better position them for successful fundraising but new and smaller managers can still win! While many "feel" fundraising is a competition for assets, it is really a competition for INVESTOR TRUST. TRUST is not created, maintained or enhanced by "pitching + posting". TRUST is a PROCESS. New and smaller managers that want success raising assets must have firmly in place an "appropriate, consistently well-executed marketing process" that creates, maintains and enhances INVESTOR TRUST: RELATIONSHIPS of "ACTIONABLE CONVICTION" to INVEST.

Since 2011, Johnson & Company is the only firm providing "Marketing Alpha" for "sub-institutional" ($0-$100 million AUM) & smaller "emerging" managers.

"Marketing Alpha" optimizes marketing to maximize fundraising.

"Marketing Alpha" eliminates the "BS", noise, propaganda and wrong information about marketing and fundraising for sub-institutional ($0-$100 million AUM) and smaller emerging managers.

"Marketing Alpha" is a "PROCESS", grounded in high-integrity independent data/research and catalyzed by +30 years of skilled experience to prepare and equip new and smaller managers with the accurate information, objective insight, experienced frontline intelligence and "manager-specific" instruction that optimally positions a manager/fund for "step-by-step consistent and appropriate marketing process execution" to succeed raising assets.

"Marketing Alpha" is mandatory for new and smaller managers raising assets.

"Marketing Alpha" + "Investment Alpha" = Success Raising Assets

“SUB-INSTITUTIONAL” ($0-$100 MILLION AUM)
OR
SMALLER “EMERGING” MANAGERS
THAT WANT A “NO-BS” MARKETING CONVERSATION
TO SUCCEED RAISING ASSETS & GROW AUM.

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