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Johnson & Company

“Marketing Alpha”: Actionable Intelligence

2025 MID-YEAR MARKETING + FUNDRAISING REPORT:

“Sub-Institutional” (\$0-\$100 million AUM)

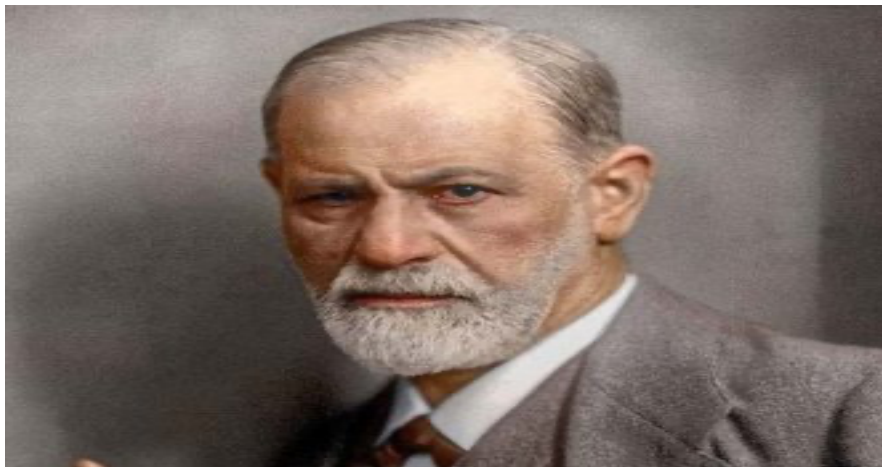
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“Smaller Emerging” Managers

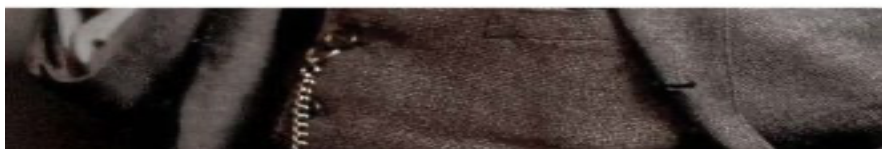
“BRUTAL TRUTH” + “FACTS”:

It’s “Step-up” or “Pack-up” Time For Smaller Managers.

Bryan K. Johnson – Managing Partner



**DELUSION
& DREAM**
SIGMUND FREUD



This mid-year report is published to serve as “actionable intelligence” for “sub-institutional” (AUM \$0-\$100 million) and “smaller emerging” managers to optimize marketing process execution to economically, efficiently and successfully meet the most crucial objectives and critical challenges of every smaller manager: RAISING ASSETS + GROWING AUM.

RAISING ASSETS IS EXISTENTIAL FOR SMALLER MANAGERS.

Most struggle raising assets and fail fundraising.

Why???? = "Dreams and Delusions".

Most "sub-institutional" managers (AUM \$0- \$100 million) have the "firm belief", historical, current and future "performance" is all that's needed to raise assets. This mindset is the primary source of the "**dreams and delusions**" that leads to consistent struggle, frustration and failure raising assets.

The "dreams and delusions" typically are as follows:

Due to current and past performance, the manager's expectation is to rather easily reach the "credibility threshold" of \$100 million AUM and within a "reasonable" time achieve \$250-\$300 million AUM, the "minimum critical mass" for institutional assets and progress to the "global institutional fundraising sweet spot AUM" of \$400 million - \$2 billion. At such point, they will be large enough to optimize fundraising due to the ability to attract assets from all investor segments but also remain "small and nimble" to avoid the dreaded "dis-economies of scale" that characterizes an "asset gatherer" i.e. a firm/fund devoid of the desire and capability of delivering actual performance to investors but existing solely to enrich the manager from a generous stream of fees.

In a short time, the "dream" turns into a "nightmare": After relentlessly, "pitching performance", "posting performance and content" and "partying" (attending conferences) with little success raising assets, the belief AUM growth would occur from "performance" diminishes, as the anticipated acquisition of AUM fails to meet the manager's expectations. For some, an awareness begins that it takes more than "performance" to raise assets. A deeper look reveals investors, intermediaries and allocators now analyze managers more deeply and more broadly, especially "sub-institutional" and "smaller emerging" managers.

FACT: There has been a shift by investors to a multi-factor manager evaluation process encompassing qualitative and quantitative criteria along with substantial idiosyncratic behavior that goes far beyond "investment performance" as THE defining metric in the decision to invest.

In a climate of persistent crisis, chaos, conflict and massive change with global geopolitical instability, elevated volatility and greater uncertainty, the skepticism and selectivity of investors is exacerbated. Subsequently, investors are more rigorous and exacting. In turn, the difficulty, complexity, requirements and investment related to marketing and fundraising are heightened.

Regardless whether a manager is new or seasoned, smaller or large, or "institutionally resourced", AUM rarely grows with speed, velocity and consistency, even when "exceptional performance" is currently present or historically evident on a risk-adjusted, relative, peer or absolute return basis.

BRUTAL TRUTH: "PERFORMANCE BRINGS ATTENTION NOT ASSETS".

FACT: Many "sub-institutional" and "smaller emerging" managers have "performance", some even have consistent exceptional historical returns and fail raising assets.

BRUTAL TRUTH:

Most don't get AUM beyond personal capital + small investments from "family + friends".

The belief "Performance brings assets" leads to:

LACK OF MARKETING PROCESS = INCONSISTENT EXECUTION = FAILURE RAISING ASSETS

The typical "marketing approaches" (I didn't say "PROCESS") of "sub-institutional" managers are "pitching performance", "posting performance and content" and "attending conferences", which tend to be "improvisational activities", DEVOID OF PROCESS: NO structure, NO focus and NO discipline. Most "sub-institutional" and "smaller" managers confuse "activity" with "EXECUTION". As a result, marketing is poorly-strategized as well as inappropriately and inconsistently executed, which wastes time + money. Ultimately, it brings chronic struggle and failure not new assets.

Since 2009, the "requirements of fundraising" have significantly increased. In a "low trust", crowded (+25,000 GPs now actively raising assets), hyper-competitive capital raising climate with manager evaluation expanded strategically and tactically by highly risk-averse, overly-skeptical, stringently selective and idiosyncratically demanding investors, allocators and intermediaries, success raising retaining and expanding AUM is more time-consuming, resource-intensive and expensive.

BRUTAL TRUTH: The vast majority of "sub-institutional" managers are "dreamers" aspiring to raise assets but do not have a structured, disciplined and focused marketing process in place to succeed.

BRUTAL TRUTH: There's a lot of "BS", antiquated behavior, wrong information and just plain scams about marketing and raising assets for "sub-institutional" and "smaller emerging" managers. Almost all of it originates in "FEELINGS" but "**FEELINGS ARE NOT FACTS**".

For "sub-institutional" and "smaller emerging" managers to succeed raising, retaining and expanding AUM it is essential to **eliminate the "BS"** with "**fact-based candor**" i.e. "**BRUTAL TRUTH**".

FACT #1:

"81% of smaller managers do not have a "formal" marketing process".

Source: AIMA/Cowen

BRUTAL TRUTH:

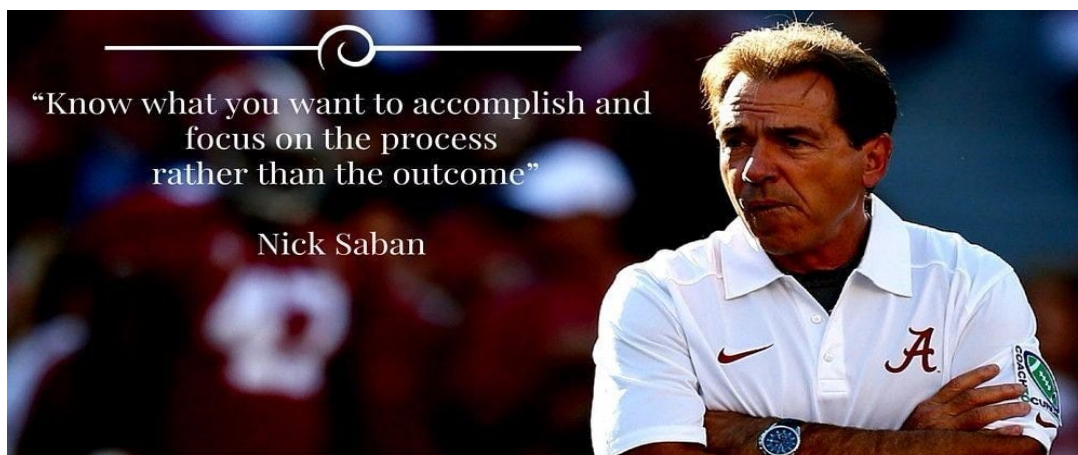
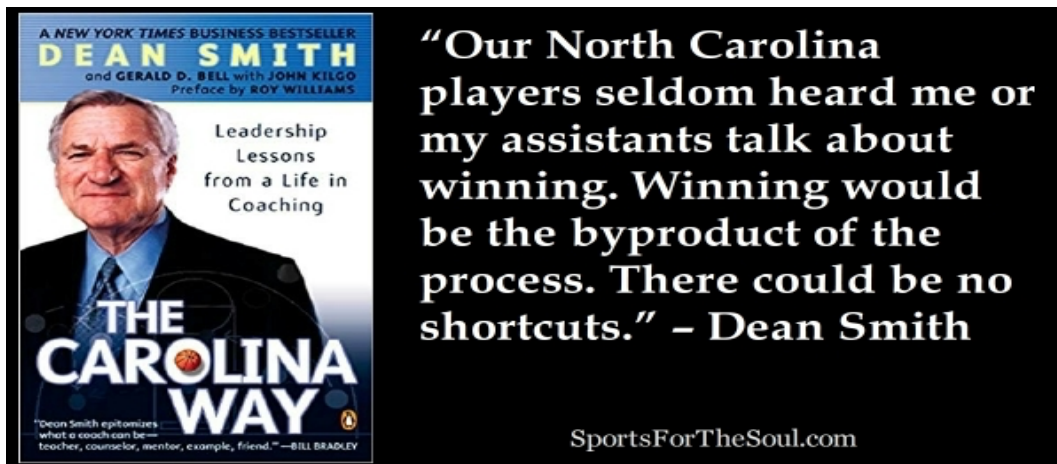
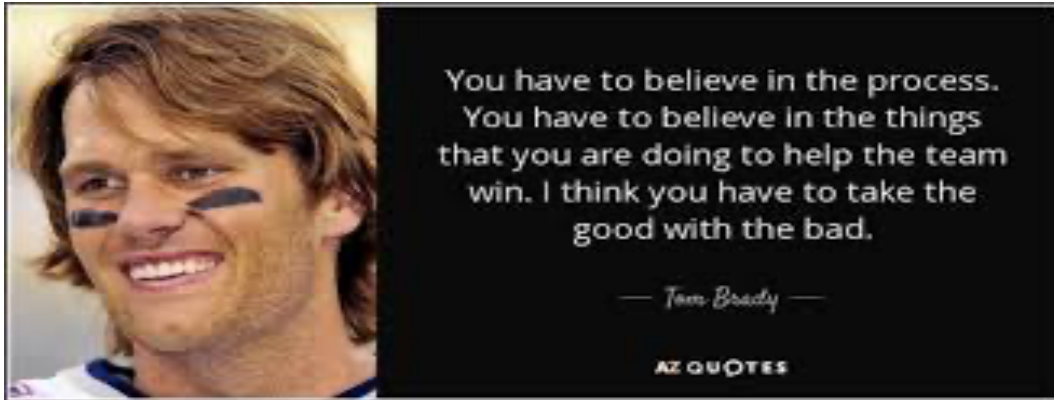
Fundraising success results from: "**A CONSISTENTLY WELL-EXECUTED MARKETING PROCESS**".

"THERE IS NO SUCCESS WITHOUT PROCESS". WINNERS in ANY field execute from "PROCESS".

Show me a person with "NO PROCESS", the result is 100% predictable.



Every G.O.A.T. talks about "PROCESS"!



FACT #2:

"27% OF SUB-\$100 MILLION AUM MANAGERS DO NOT INVEST IN MARKETING".

Source: AIMA/COWEN

BRUTAL TRUTH:

It takes \$\$\$ to raise \$\$\$\$. There's no free lunch.
Most smaller managers are "going broke saving money".

FACT #3:

"6.3 Months: Average time for an emerging manager to obtain an allocation from initial meeting"

Source: AIMA/Cowen

BRUTAL TRUTH:

Investors make decisions SLOWLY; managers want money QUICKLY.

FACT #4:

"42: Average number of touchpoints (calls, meetings, emails, etc.) to obtain an allocation".

Source: Eaton Partners (Leading Global Placement Agent)

BRUTAL TRUTH:

Marketing and Fundraising are "face-to-face + person-to-person" PROCESSES.
Success raising assets won't happen from "zoom calls" and online platforms.

FACT #5:

Most "sub-institutional" and "smaller emerging" managers are highly-skilled in research, trading, investment banking or some form of investing but do not have the necessary experience, expertise, skills and investor relationships for marketing and fundraising. As a result, they lack critical understanding of the FACTS about the demands, requirements, nuances and complexities of the marketing process along with a grasp of the communication, presentation and engagement skills mandatory to be successful raising assets.

BRUTAL TRUTH:

Everyone thinks they know how "SELL": Few know how to "CLOSE".

"Telling" is NOT marketing + "Pitching" is NOT selling. Marketing and Sales are skills just like portfolio management and trading. Unfortunately, most smaller managers find this out too late and the hard way. Marketing and fundraising for a "sub-institutional" manager are completely different than for operationally-seasoned institutional firms with a mature and robustly-resourced execution blueprint coupled with substantial or larger AUM. Failure to completely understand critical distinctions of the marketing process between "sub-institutional" and "institutional" managers along with limited experience with the numerous qualitative and quantitative requirements, nuances and complexities of marketing and fundraising on a "manager-specific" basis leads to mistakes that are expensive and fatal. As a result, most "sub-institutional" managers, chronically fail raising assets.

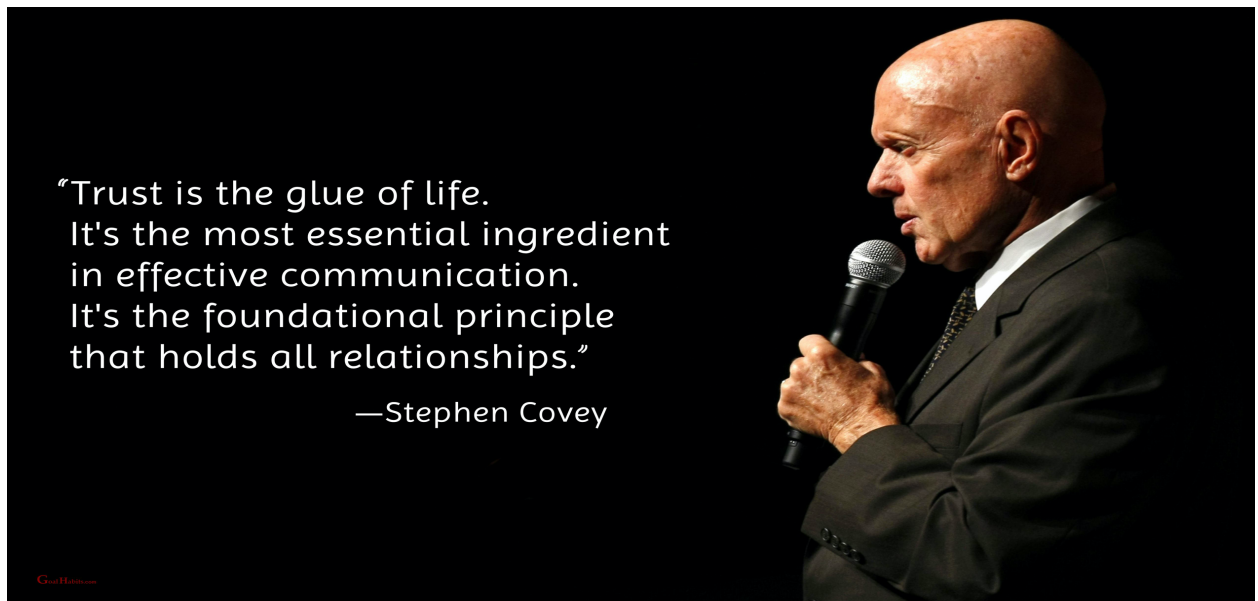
FACT #6:

"People BUY from People They TRUST": THE foundation of ANY allocation is TRUST.

Source: Chestnut Advisory



BRUTAL TRUTH:



The key to consistently succeed fundraising: **AN APPROPRIATE CONSISTENTLY WELL-EXECUTED INVESTOR-CENTRIC, PROSPECT-SPECIFIC MARKETING PROCESS THAT CONTINUALLY CREATES, BUILDS AND SUPPORTS "RELATIONSHIPS OF TRUST" and "ACTIONABLE CONVICTION".**

"PERFORMANCE BRINGS ATTENTION NOT ASSETS".

WHAT'S THE TAKEAWAY?

The headlines about “fast fundraising by certain managers” tend to have a “very simple backstory” that boils down to “*long-cultivated relationships of TRUST with select LPs well in advance of formal fundraising over the course of a manager’s distinguished and distinctive career*”.

“Sub-institutional” and “smaller emerging” managers who understand this reality and adapt accordingly will “**end the dreams and delusions**” in order to become optimally-positioned to win.

FACT: Raising assets is existential for “sub-institutional” and “smaller emerging” managers.

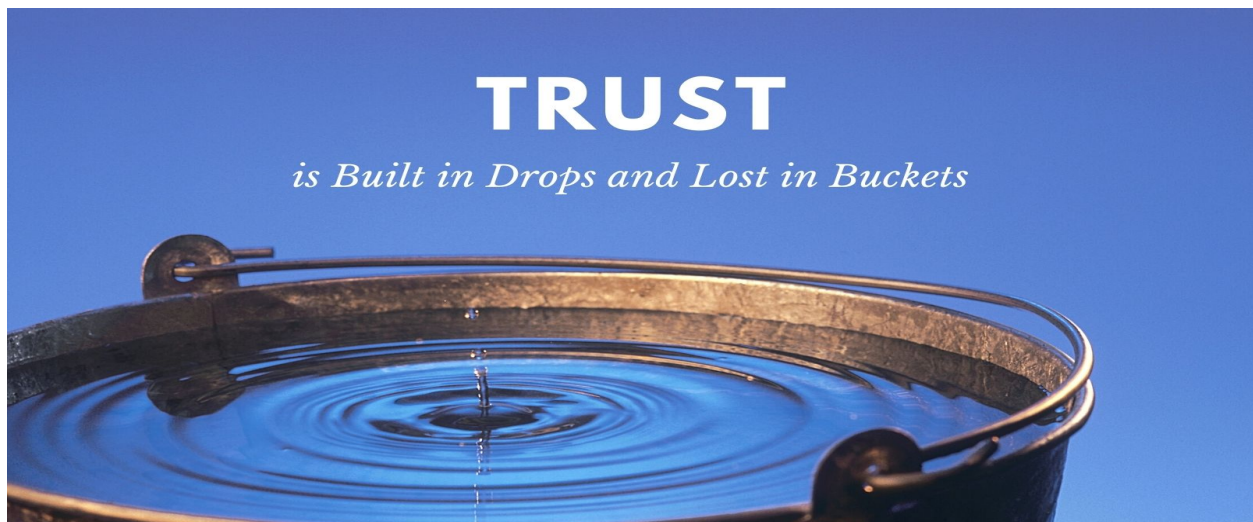
BRUTAL TRUTH: 2025 is “step-up” or “pack-up” time.

The “**FACTS**” show investor allocation decisions are now supported and empowered by a variety of sources, which has shaped a new type of investor who is resistant to “typical marketing” i.e. “pitching, posting and partying”. As a result, “sub-institutional” and “smaller emerging” managers that want success raising assets must change and adapt their marketing: **EXECUTE FROM PROCESS**.

“Sub-institutional” and “smaller emerging” managers can’t assume they will immediately establish **TRUST**. Investors, allocators and intermediaries value relevant insights and “actionable intelligence” NOT “regurgitated information” that’s generally publicly available. However, smaller managers continue to pump out “indistinguishable, undifferentiated content” with “uninspiring engagement” and “volumes of performance data” to avoid the hard work, investment and complete commitment to marketing process execution necessary to achieve the key catalysts to succeed raising assets:

BUILDING RELATIONSHIPS OF TRUST + A PIPELINE FILLED WITH “ACTIONABLE CONVICTION”.

TRUST is earned and built slowly.



The clear imperative: A fundamental shift to “process-oriented marketing execution”.

“Consistent execution of an investor-centric; prospect-specific marketing process” is not only the difference between success and failure raising assets but ultimately, a matter of survival for every “sub-institutional” and “smaller emerging” manager.

Since 2011, Johnson & Company has been the only specialist providing
"Marketing Alpha" to "sub-institutional" (AUM \$0-\$100 million)
& "smaller emerging" managers to optimize success fundraising.

FOR A "NO-BS" MARKETING PROCESS CONVERSATION.

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