



# BEST PRACTICES TO LAUNCH AN ALTERNATIVE INVESTMENT FUND

TEN THINGS TO CONSIDER BEFORE  
LAUNCHING A FUND IN THE NEW  
ERA OF REGULATION





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# ABOUT

Akram & Associates is a full-service accounting firm providing assurance, advisory, and tax services for the financially savvy, especially hedge funds, cryptocurrency funds, investors, traders, family offices and ultra high net-worth individuals.

**AKRAM & ASSOCIATES**

Riveles Wahab is a boutique law firm representing hedge and private equity funds, investment managers, startups, creative businesses, technology companies, and other ventures.

**RIVELES WAHAB LLP**

Fund Associates is a provider of professional fund administration for hedge funds, funds of funds and other investment partnerships. As a professional fund administrator, we cater to emerging manager funds as well as established funds.

**FUND ASSOCIATES**



# **TEN TIPS FOR A SUCCESSFUL LAUNCH**

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- 1. Build a Fund Like You're Building a Business**
  - 2. Act "Institutional" From the Outset**
  - 3. Structure Your Fund Strategically**
  - 4. Consider the Tax Implications of Key Decisions**
  - 5. Communicate Your Value Proposition Clearly**
  - 6. Control Your Capital Raising Process**
  - 7. Be Transparent**
  - 8. Outsource Strategically**
  - 9. Tap Your Network for Knowledge**
  - 10. Make Sure Your Launch Time is Realistic**
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# Build Your Fund Like You're Building a Business

The "if I build it, they will come" mentality is no longer a viable option. Fund managers must take the time to create a real business plan with realistic projections of operational and cash flow needs. One way to do this is to get granular and make an itemized checklist of requirements and costs including, but not limited to:

- Staffing
- Office space
- Benefits
- IT infrastructure





# POLLING QUESTION





# Act "Institutional" From The Outset

The most successful funds build out their infrastructures with an eye for detail and a focus on quality that will pass muster with institutional investors from day one. That doesn't mean buying the most expensive options or building out the biggest infrastructure. What it does mean is:

- Putting in place strong business practices, partners and processes that fit your needs today, and can scale as your fund grows in the future
- Taking a hard look at enterprise risk management, identifying exposures, and documenting processes that will help mitigate them
- Vetting partners and service providers, and having an understanding of their industry expertise and how they will add value to the process (as opposed to just checking a box)



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# Structure Your Fund Strategically

Contrary to some opinions, determining a fund's structure is a strategic exercise, not an administrative function. When considering what structure makes the most sense, managers have to take a hard look at their:

- Strategy
- Fee structure
- Trading frequency
- Liquidity profile

Whether that structure is a side-by-side, master feeder or segregated portfolio companies, managers should land on a structure that aligns operationally with their investment strategy and also makes the fund more attractive to targeted investors



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## Consider the Tax implications of Key Decisions

From estate planning to business structure to trading strategies, there are tax implications associated with nearly every key decision a fund makes. Whether it's structuring to maximize the tax efficiency of a management company or creating a trust for estate planning purposes before launch, fund managers need to be aware of all their options, and the costs and tax implications associated with them.

If you make the wrong decisions early, it can be very costly to make changes later. Therefore, it's important to partner with experts who can provide valuable insights and give you the full picture to make informed decisions. This will put the fund complex in the best position from both a tax and business standpoint, both today and in the future.



# Communicate Your Value Proposition Clearly

This is perhaps the most important – and often most overlooked – aspect of starting a fund. Whether you call it a value prop, elevator pitch or investing strategy, managers need to be able to tell a tangible and succinct story to investors about who they are, how they will generate alpha, and minimize risk.

We're talking about significant sums of money, and it's important for investors to understand how your fund is different from, and better than, other options. When developing your pitch, focus on coming up with provable differentiators, and position them in the context of competitive offerings.



# Control Your Capital Raising Process

Funds need to look at what they're trying to accomplish from a business standpoint and align themselves with investors who share those goals.

There are a variety of potential funding sources – from friends and family to family offices, to institutions and seed capital. Accordingly, there are a seemingly endless number of questions fund managers need to ask themselves with regard to approaching potential investors and gathering capital, including:

- Should I use third-party marketers or cap intro groups of prime brokers?
- What are the right conferences to attend to find potential investors?
- What is the critical number I'm trying to achieve from a capital standpoint, and what am I willing to give up to get there?



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# POLLING QUESTION





# Be Transparent

Transparency has become more than a buzzword; these days it's a key requirement for investors and should be embraced by fund managers. It's essential that you document and communicate your processes, and disseminate all offering materials, agreements, memoranda, advertisements, marketing materials, etc., with consistent messaging.

In addition, you will find that investing in state-of-the-art risk management tools will reassure potential investors of your commitment to transparency and to complying with securities laws and regulations. This investment will be well worth the cost.



# Outsource Strategically

The best fund managers know their limitations and aren't afraid to outsource areas outside of their expertise. That doesn't mean you should outsource everything, however; nor does it mean giving up oversight.

It's critical for funds to prioritize essential functions and determine what they need to keep in-house and what they can outsource. All funds are different and there's no one-size-fits-all answer. Some smaller firms may decide to outsource part of the chief financial officer (CFO) function; others may consolidate the CFO and chief operating officer (COO) roles and keep that in-house.





# Tap Your Network for Knowledge

Don't be afraid to ask questions. Talk to friends, colleagues, experts or influencers who have been doing this for a while. Get the benefit of their successes and, equally important, their failures.

You'll find that people are more than happy to share their experiences and insights, and you'll probably find they wished they'd asked more questions when they started. Remember, knowledge is power. So put your pride aside, tap the power of your network, and put yourself in a stronger position to succeed.



# POLLING QUESTION







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# Make Sure Your Launch Time is Realistic

It takes longer than some people realize to launch a fund. From identifying quality service providers, to preparing and filing the proper documentation, to raising capital, there are many resource and time-intensive steps to getting a fund up and running.

Take a hard look at how long you think it will take to complete those critical tasks and then add a little extra just in case. The more realistic you are on a launch timeline, the less likely you are to rush through key steps and create operational shortcomings that will plague the fund for a long time.





**THE NUMBERS DON'T LIE; THE LANDSCAPE FOR HEDGE FUND STARTUPS IS AS STRONG AS EVER. SUCCESS SIMPLY REQUIRES LOOKING AT THINGS A LITTLE DIFFERENTLY. FUND MANAGERS THAT CAN IDENTIFY STRONG PARTNERS, BUILD OUT INSTITUTIONAL-QUALITY INFRASTRUCTURES, ARTICULATE CLEAR ROAD MAPS FOR GROWTH, AND THINK ABOUT OPERATIONAL ALPHA AS MUCH AS INVESTING ALPHA WILL BE THE ONES THAT ATTRACT THE CAPITAL – AND THRIVE IN THE NEW ERA OF REGULATION.**





# POLLING QUESTION





# THANKS FOR LISTENING!



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