

Stand and deliver

With fundraising slower than ever, perfecting your pitch is crucial. Below you'll find advice on developing engaging, persuasive presentations

By Amy Solas of Solas Communications

GPs know that they should create clear, concise and pertinent presentations for prospective LPs, but this is easier said than done. To address this challenge, Solas Communications presents our guide to persuasive LP presentations.

Use the written presentation to support the speaker

An effective written presentation complements the speaker, reinforcing and supporting their points. It is not meant to speak for itself. It is not a “leave behind” that isn’t opened in meetings. Nor is it meant to be sent to LPs in advance of the meeting as an introduction to the fund. That’s the function of an executive summary (or “teaser”), a two- to four-page narrative summary of the opportunity.

Respect the principles of cognitive psychology

While there is widespread dissatisfaction with PowerPoint, most of us can’t put our finger on why. Stephen Kosslyn, chairman of the Psychology Department at Harvard, says in his book *Clear and to the Point* that problems with PowerPoint stem from presentation writers’ failure to “respect fundamental characteristics of how we humans perceive, remember and comprehend information”.

One of these characteristics is that people are quite limited in their capacity to retain and process information. In fact, most of us are limited to holding four “units” in our short-term memories. Giving your audience a data dump of information will only result in their becoming confused and tuning out. That means you must only provide information that is necessary to your point, and organise it a way that your audience can follow, digest and remember.

Another characteristic of human cognition is that people cannot read and listen at the same time. If your audience is reading or otherwise focusing on what’s on the page, they are not paying attention to you. If they are not paying attention to you, you are missing your opportunity to connect with them.

Therefore, you must be merciless about limiting the content on each page. A good rule of thumb is 6 x 6: no more than six bullets of no more than six words each. Write in phrases rather than full sentences and use large fonts. Avoid complex charts and graphics and ornamental touches. You do not want your audience lost in thought trying to understand a graphic or admiring your slide background.

With these principles in mind, here’s what to do next:

Analyse your audience

For your presentation to be relevant, it must be tailored for different types of LPs. Questions to ask yourself about your audience include:

- At what point in the process are you presenting? Has the LP reviewed the PPM?
- Who will be in the room? What are their roles?

- How well does the LP know you? Have you met with them before?
- How familiar is the LP with your strategy? Do they have an allocation for it?

Next, develop a rigorously thought out and logically structured foundation for your presentation.

The introduction: set the stage and make your point

You have only one chance – and just a couple of minutes – to help the audience form a positive first impression of the presentation you are going to make.

First, build a connection with the audience by getting their agreement on the basics. Start the presentation by briefly reminding the audience of who you are and why you are there. Have a page that sums up the essence of your strategy.

On the next page, provide basic fund terms such as fund size and minimum investment. While our clients are often initially reluctant to do this, it’s crucial. Adam Blumenthal, who was First Deputy Comptroller for the City of New York, and established the City pension system’s allocation for private equity, stated firmly when we worked with him on the LP presentation for his own fund, Blue Wolf Capital Fund II, “You have to tell people what you are asking them for”.

Having gained the buy-in of your audience, you can smoothly transition to the point of your presentation: that the LP should invest in your fund.

The body: create a roadmap around your key messages

In order to lead the audience through your material in a way that does not result in confusing or overwhelming them, the presentation must have a single, unifying point around which it is organised. When a presentation lacks a point, it’s like driving in a heavy fog. The driver (you) isn’t sure of where he is going and neither is the passenger (your audience).

The typical fundraising presentation, like the one below for the Hillhouse Fund, is built around topics. Topics are collections of information and thus this presentation is headed straight into the fog. Not only will the audience become bored and confused, but this type of presentation is difficult to speak to:

Table of contents

- Overview
- Management team
- Investment performance
- Investment strategy and process
- Targeted markets
- Summary

Similarly, putting your point at the end of the presentation, so it unfolds like a mystery novel, will not have the desired effect of keeping your audience in suspense. It will make them impatient.

Replace the Table of Contents or Agenda page with a tracker page. The tracker page uses messages rather than topics to define the presentation's sections. The tracker page should state the essence of why the LP should invest in your fund. It is your pitch at its highest level. It gives you a logical and persuasive structure around which to build your presentation and your audience a roadmap that guides them through the presentation.

Put the initial tracker page after the introduction. Repeat it at the beginning of each section, indicating with a visual cue (such as a box) the section you have moved on to. This facilitates transitions when you are presenting, reinforces your key points and keeps the audience focused.

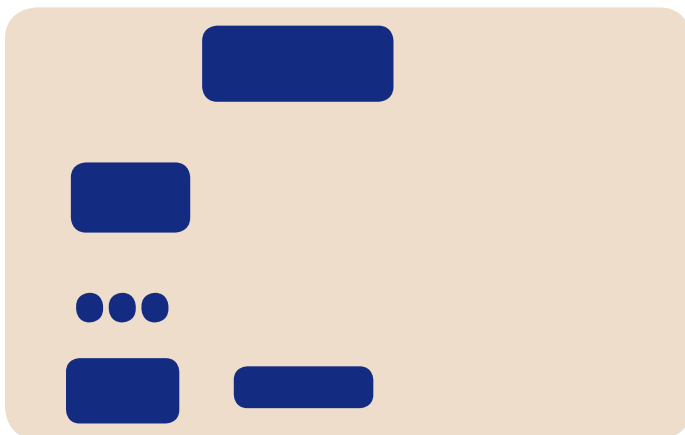
So why should an LP invest in your fund? Ultimately, it's because your fund will deliver the superior risk-adjusted returns the LP expects. Therefore, everything in your presentation should somehow support that assertion.

Certainly, many reasons for why and how you will accomplish this come to mind. The key is to organise and shape them logically. First, write down all the reasons you can think of. Then group those reasons, putting like with like. Determine what those groupings have in common and label them. Next, within those groupings organise the specifics underneath the broader points they support. Keep going until all are organised in hierarchical and mutually exclusive groups, forming a pyramid. (We recommend MindManager software by Mindjet for this or any other brainstorming exercise. Post-It Notes also work.)

For most private equity and VC funds, these reasons will generally fall into four buckets:

- Team - What is it about your people, as individuals and as a group, that will give the investor confidence that you can deliver?
- Strategy - Why this strategy? How will you create value?
- Market opportunity - What is the specific market opportunity upon which the fund strategy will capitalise on during its investment period? Why is your deal flow within this market superior to that of other funds?
- Track record - How have you proven your ability to successfully execute the fund's strategy?

For the Hillhouse Fund, the pyramid in part looks like this:



The resulting tracker page for the Hillhouse Fund looks like this:

The Hillhouse Fund opportunity

- Cohesive and experienced team
- Attractive opportunity in smaller business services companies
- Proven approach to buying and building companies
- Exceptional track record in Fund strategy

Use your pyramid to structure the entire presentation. Your key messages serve as the anchors around which you build your presentation. Once you figure out the sections, each page within the section should support the point of that section. Individual pages should have message headings rather than topic headings as well, and a page's content should support the page's point. If the content veers into another make it a separate page. With your material expressed in this fashion, it's easy to identify what is relevant for a particular audience and what is irrelevant. (To learn more about this methodology, see *The Pyramid Principle: Logic in Writing, Thinking, & Problem Solving*, by Barbara Minto, Minto International.)

Provide adequate detail on and support for the team's track record

Be prepared for LPs to spend a disproportionate amount of time on your track record. Investment performance provides the validation of all of a GP's assertions about how and why their fund will produce the superior risk-adjusted returns they assert it will.

Transparency is critical to building a relationship of trust with LPs and is demonstrated in the way a team presents its track record. LPs will see through a selective or otherwise incomplete presentation of investment results. Be prepared to explain why an investment was not successful, what you learned from it, and how you have since applied that experience.

Start with showing the team's most recent fund – or other investments as a team – and work backwards chronologically. Provide more detail on recent investments than older investments if the track record is quite lengthy. Use case studies – one per page – to make the track record come alive and illustrate the team members' roles in the investment's success.

In addition to showing fund performance demonstrate portfolio company progress. Appropriate metrics include annual revenue and EBITDA since investment. For venture capital funds, qualitative milestones – such as pre-revenue, revenue, and cash-flow break-even – may be more appropriate. Depending on the stage of your discussions, an LP may want deeper detail on the unrealised portfolio to give them greater insight into your new fund's prospects.

Have a strong closing

Conclude your presentation by repeating your tracker page and summarising your key points. Ask for the audience's agreement and suggest next steps.

Rehearse, rehearse, rehearse

There is no substitute for rehearsing. Being well prepared builds both your own confidence and your audience's confidence in you. Rehearse both individually and as a team. Determine team roles in advance, including who will handle which questions. Work to avoid awkward transitions and stepping on each other's toes. ■