

Manager selection checklist

Appendix A, stage by stage: who checked each line, and the evidence. An unresolved operational finding is a veto, not a negotiating point.

Manager and fund		Prepared by	
Commitment		Date	

Item	Done	By	Evidence or note
Stage 1: screening			
The fund fills a defined slot in the target portfolio			
Strategy, geography, size and vintage checked against pacing capacity			
Fund size matches the deal sizes the team executes			
The two or three claims of edge that diligence must test are named			
Pass or fail recorded, and by whom			
Stage 2: investment diligence			
Full deal-by-deal schedule for every prior fund, losses included			
Returns rebuilt from source data, not the summary page			
Returns separated: multiple expansion, leverage, revenue growth, margin			
Performance attributed to individuals still at the firm and still investing			
Net returns benchmarked against a public market equivalent and peers			
The forward strategy is the one that produced the record			
Stage 3: people			
Carry splits, vesting, GP commitment funding and management company ownership mapped			
At least two partners interviewed alone, without the fundraising lead			
Who has left, why, and what happened to their companies			
A succession path with names, dates and decision rights			
Off-list references, including a losing seller and a leaver			
Stage 4: operational			
Independent administration, audit and custody confirmed; latest audit read			
Cash controls walked end to end, from call authorisation to wire release			
Valuation policy tested against two marks you consider genuinely difficult			
Cyber, continuity and insurance assessed in proportion to firm size			
Registrations, examinations, litigation and enforcement history reviewed			
Stage 5: terms			
Net-to-gross modelled under a base and a downside case before negotiating			
Fee base, offsets, waterfall, hurdle, catch-up and clawback security confirmed			
Key person, no-fault divorce and successor fund restrictions tested			
The three side-letter provisions you will actually insist on identified			
Terms compared with the prior fund's most favoured nation disclosure			
Stage 6: decision record			
Falsifiable expectations for the next re-up decision written			
Committee dissent recorded verbatim			
Conditions precedent logged, each with an owner and a date; model, memo and source data archived			

The investment committee memo

Appendix B, in the fixed order. The order never varies between managers: it is the only way a committee can compare them. Each section says how it usually goes wrong.

Manager and fund		Author	
Committee date		Amount	

Section	Your text
Recommendation and size Goes wrong when the number appears last, after the argument is over.	
The thesis in three sentences Goes wrong when it describes strategy instead of claiming edge.	
Fit with the portfolio and pacing Goes wrong when fit is asserted rather than shown against current holdings.	
The manager and team Goes wrong when firm history substitutes for the individuals doing the work.	
The track record and what drove it Goes wrong when quartile labels replace a decomposition of returns.	
Strategy and forward opportunity Goes wrong when the market section is macro commentary unlinked to sourcing.	
Key risks and what would have to be true Goes wrong when no listed risk could plausibly defeat the recommendation.	
Operational and terms summary Goes wrong when it says diligence was done without saying what was found.	
Conditions and monitorable items Goes wrong when conditions carry no owner and no date.	
Falsifiable expectations to test at re-up Goes wrong when they are loose enough that no result could contradict them.	

Due diligence question bank

Appendix C. Ask the question, then write down the answer as given, not as you would summarise it. A refusal to answer is itself the answer.

Manager and fund		Prepared by	
Commitment		Date	

Question	Answer as given	Asked of, date
Strategy and edge		
Which competitor beats you most often, and how?		
What deals do you decline that peers accept?		
If your edge disappeared tomorrow, what caused it?		
What changed in the strategy since the last fund?		
Describe a deal where your thesis was wrong throughout.		
Sourcing		
What share of the last fund was proprietary rather than intermediated?		
Who introduced your three best deals, and are they still active?		
How many sellers said no last year, and why?		
What does the team do before a company reaches market?		
How would sourcing change if your best-connected partners left?		
The deal-by-deal record		
Show every investment, including write-downs and sales below cost.		
Which exits came from your decision rather than the market?		
What were entry and exit multiples on your five largest gains?		
How much NAV sits in companies held past plan?		
Which deal would you not repeat at the same price?		
Portfolio construction and risk		
What is your largest allowed position, and has it been breached?		
How correlated are holdings to one end market or customer?		
What breaks at a twenty per cent revenue decline?		
How do you decide to stop funding a struggling company?		
What concentration does this fund carry that the last lacked?		

Question	Answer as given	Asked of, date
Team and economics		
How is carry allocated by individual, and when did that change?		
Who funds the GP commitment personally, and who borrows?		
What must a junior partner do to earn more carry?		
Who has left recently, and may we speak with two?		
Which decisions need unanimity, and when was the last disagreement?		
Succession		
If the founder stopped tomorrow, who signs the next investment?		
What is the written plan, and who has seen it?		
How is management company ownership passing to the next generation?		
Which partners remain when this fund ends?		
What happens to prior-fund carry when a partner retires?		
Operations and valuation		
Walk us through a capital call from authorisation to wire release.		
Who can move cash alone, and what stops them?		
Show the two hardest valuations of the last cycle.		
What did the auditor challenge most recently, and why?		
What would a regulator find if they examined you tomorrow?		
Conflicts		
Where do your funds and accounts compete for the same deal?		
How are transaction and monitoring fees charged and offset?		
Which service providers are affiliated with the firm or partners?		
How do you allocate a deal that fits two vehicles?		
Which investor received a term we were not offered?		

Question	Answer as given	Asked of, date
ESG		
What has sustainability diligence caused you to decline?		
Which company has the worst profile, and what follows?		
What do you actually measure, and who verifies it?		
How does sustainability affect exit pricing in your sector?		
Which commitments are contractual rather than aspirational?		
Terms		
What in the agreement protects us when the fund underperforms?		
How is clawback secured, and by whom personally?		
What triggers key person, and what happens next?		
Which fee base applies after the investment period?		
What have you conceded to other investors this fundraise?		
Reference calls		
What would make you not back this team again?		
How did they behave when a company was failing?		
Who at the firm did the real work?		
What do they overestimate about themselves?		
Would you sell your own company to them?		

Operational sign-off and the findings log

Chapter 12. The workstream that can only say no: it must be independent of the deal team and able to stop the commitment. Every finding is classified: a red line, a condition, or a monitorable.

Manager and fund		Reviewer (not on the deal team)	
Tier of review		Date	

Seen before sign-off	Seen	Source (a different one each time)
The bank mandate and payment authorisation matrix		
The administration agreement and its scope		
The valuation policy, plus evidence of a challenge		
Two years of audited financials with a clean opinion		
The compliance manual and last examination outcome		
Insurance certificates		
Management company financials or budget		
Direct confirmations from the administrator and the auditor		

Finding	Red line / condition / monitorable	Resolution or owner and date

Red lines written in advance: no independent administrator or valuation challenge; single-signatory cash control; a qualified or persistently late audit opinion; undisclosed regulatory action; a management company that cannot fund itself; refusal to provide evidence a peer manager provides routinely. Any change of payment instructions is verified through a second, independent channel.

Terms: where to spend the leverage

Chapter 11. Keep the must-have tier to three to five items, and mean it. Log every request, the response and the reason given: the log is evidence for the next negotiation.

Manager and fund		Prepared by	
Commitment		Date	

Provision worth real leverage	Proposed	Asked	Obtained	Tier
Size and funding of the GP commitment (cash, fee waiver or loan?)				
Waterfall type; if deal by deal, an escrowed, pre-tax, guaranteed clawback				
A complete fee offset, clean definitions, credits carried forward				
A capped organisational budget and a bounded expense clause				
A key person clause that suspends automatically and needs a vote to restart				
Standardised fee, expense and look-through reporting with stated deadlines				

The clawback: five questions	Answer
Joint and several among carry recipients, or several only?	
What share of distributed carry is escrowed?	
Is there an interim true-up, tested annually against a hypothetical liquidation, with mandatory repayment?	
Is repayment computed before or after tax?	
Is it personally guaranteed, and does the guarantee survive departure and death?	

Request	Tier: must-have, want, noted	Response and reason given

Capital account reconciliation and the watch list

Chapter 13. Rebuild the statement yourself every quarter: it is a bill and a balance sheet at once, produced by the party being paid. Then run the watch list at a fixed meeting and force a decision on each entry.

Fund		Quarter	
Reconciled by		Date	

Line	Your figure	Statement	Note
Opening balance			
+ Contributions			
– Distributions			
– Management fee allocation			
– Partnership expenses			
± Realised and unrealised gains allocated			
± Carried interest allocation			
= Closing balance, rebuilt			
Closing balance, as stated			
Difference, and why			

Also check	Yes / no
Fee base right after the step-down (invested, not committed, capital)	
Negotiated offset credits applied	
Ownership share current after later closings	
Distributions characterised the same way in every document	
Unfunded and callable kept as separate fields	

Manager	Trigger that put it here	Test that would resolve it	Level: monitor, engage, act	Owner	Review date

Liquidity: the stressed forecast, the indicators and the breach protocol

Chapters 5 and 7. Size the buffer against the worst plausible twelve months, not the expected ones. Indicators without triggers are decoration: write the action next to each threshold.

Programme		Owner of the funding calendar	
Report date		Buffer held	

Twelve-month line	Base	Stress	Stress assumption
Capital calls, bottom-up by fund age			
Distributions (haircut the managers' guidance)			
Net cash need			
Buffer: tier 1 cash			
Buffer: tier 2 short-duration paper			
Committed facility			
Shortfall, to be met by selling liquid assets			

Early warning indicator	Now	Amber	Red	Action at red
Unfunded commitments ÷ liquid assets, monthly				
Coverage: buffer ÷ stressed twelve-month calls				
Trailing four-quarter distributions against forecast				
Share of unfunded in funds under two years old				

Breach protocol, written before you need it	Your policy
The band; and that a breach caused by a falling denominator is treated differently from one caused by over-commitment	
The permitted period above the band, and who may extend it	
The remedies in order: reduce commitment sizes, hold pace but shift mix, pause new relationships, sell secondaries (justified in writing)	
The report to the board separating the mechanical cause from any discretionary one	

The re-up, and the annual calendar

Chapters 14 and 15, and Appendix D. Treat the re-up as a new decision with a new written thesis. Write the disqualifiers down when you set the year's pacing, before the manager's pitch.

Manager and fund		Prepared by	
Commitment		Date	

Before approving a re-up	Done	Note
The original memo's expectations marked against outcomes		
The fund size step-up explained and consistent with team capacity		
Departures and carry changes since the last close known		
Unrealised marks tested against actual exits (exit price ÷ last mark)		
The disqualifiers were written before the pitch		
Someone in the room argued the decline case aloud		

Quarter	Portfolio work	Governance	Manager work	Owner, done
Q1	Refresh pacing with last year's flows and marks; set the budget; test the pipeline; policy and drift review; audited statements read	Annual plan to the board	Re-up calendar published	
Q2	Liquidity stress test; unfunded forecast; co-investment capacity review; benchmarks and PME refreshed	Policy review	Annual meetings; site visits	
Q3	Re-ups for managers raising within twelve months; tail-end and secondary candidates; valuation oversight review	Mid-year performance report	Watch list review	
Q4	Remaining commitments; next year's budget confirmed; fees, offsets and total programme cost reviewed; operational refreshes due	Programme self-assessment	Next year's pipeline agreed	

Continuous: fund calls, reconcile capital accounts, monitor the buffer; maintain the pipeline, the screening log and the decision record; track advisory committee items, consents and side-letter obligations; log manager news, departures and breaches of monitorable expectations.