

The strategy: seven elements, three lengths

Chapter 2. A strategy has to survive being retold by someone who does not care, in under twenty seconds. Write the sentence first; every clause is a claim that needs an exhibit.

Fund		Prepared by	
Reviewed by		Date	

Element	Your statement	The exhibit that evidences it
The inefficiency: why the opportunity exists, and who is on the other side		
The asset type: specific enough to imply a skill set		
The geography: where you can be on site within a working day		
The lot size: who you bid against, how many deals exist		
The business plan, as an operation: relet, refurbish, regear, subdivide		
The hold and the named class of exit buyer		
The return, decomposed: income, rental growth, yield movement, operations		

One sentence: asset type, size band, geography, operation. Nothing else. About thirty words.

One paragraph: adds the inefficiency, the return and its composition, and why this team

One page, contents: constraints, exclusions, evidence references

Activity the strategy requires	Who does it	Evidence at this scale	Needed a year	Team capacity
Origination				
Underwriting and negotiation				
Closing				
Asset management of assets held at once				
Construction or capex programmes				

Fund size from capacity	Deals a year	x equity per deal	x investment period	x (1 + reserve)	= the fund

Chapter 2's own: 5 deals x 13.5 million x 3 years x 1.15 = about 233 million. Raising 350 million on the same team is half as much again, and buys the deals that failed your own filter.

The track record schedule and the gross-to-net bridge

Chapters 3 and 14. Build the schedule first; every document is a view of it and every number must reconcile to it. State the basis at the top, the exclusions on the face.

Fund		Prepared by	
Reviewed by		Date	

Asset, sector, location	Vehicle and its investors	Acquired: date, cost, equity, debt	Plan in one line; capex spent	Exit: date, price, proceeds	Realised?	Gross x / IRR	Net x / IRR	Unusual

Basis of calculation, stated at the top: _____ Excluded, and why: _____

Layer between gross and net	Multiple	IRR	Source in the file
Gross asset-level return, before debt			
Asset-level debt: the gross equity return			
Fund expenses: formation, audit, administration, depositary, valuation			
Management fee: on commitments, then on invested cost			
Carried interest after the preferred return			
Cash drag and timing: calls, early returns, subscription facility			
Net return to the investor, on the amount she set aside			

Check	Done	Where
Presentation choices: each counterpart on the same page		
Weighted by equity invested, not averaged deal by deal		
Realised and unrealised shown separately		
By deployment year, with cohort size		
Complete list, failures included		
Multiple and IRR together, with hold periods		
IRR with the facility stripped out		
Loss ratio by capital: in losing deals, and actually lost		

The attribution schedule

Chapter 4. Split "led" into four claims, deal by deal. The test: who would have been blamed inside the old firm if the deal had failed? Write it as though your former supervisor will read it aloud.

Fund		Prepared by	
Reviewed by		Date	

Deal	Sourced by	Executed by	Managed by	Exited by	Pricing authority	Who else was in the room	Note at closing? Consent?

Team record or individual record, labelled	
Platform capabilities left behind, and how each is replaced	
Written consent from the former employer: dataset, form, date	

The reference call, question by question	What the referee will say	Matches the schedule?
What was this person's actual role, and to whom did they report?		
Which of these transactions did they originate?		
Who had pricing authority? Who chaired the committee?		
Did they run the asset after closing, or was that a separate function?		
Who negotiated the exits?		
Were there deals that went badly, and what was their part?		
Would you invest with them?		

Market sizing, deployment and pipeline coverage

Chapter 5. Count from the bottom up, run the deployment model out loud, and weight the pipeline by stage from your own conversion history, not from optimism.

Fund		Prepared by	
Reviewed by		Date	

Bottom-up sizing	Your figure	Chapter 5
Assets matching type, size band and geography (a count)		
less: owner-occupied, no reason to sell, held by managers doing the same		
Investable universe		
x annual turnover (state the hold period behind it)		
x share that fits: condition, lease profile, vendor, price		
= relevant transactions a year		
Acquisitions the fund needs a year		
Hit rate required (needed / relevant)		

The deployment model and the funnel run backwards	Your figure
Equity commitments, less the reserve	
/ equity per deal (lot size x (1 - loan to cost))	
= deals; / investment period = deals a year	
Closings a year x closings per exclusivity x offers per exclusivity x underwrites per offer	

Asset	Equity required	Stage	Probability (your history)	Weighted	Expected date	Vendor knows?

Weighted pipeline		/ twelve-month deployment		= coverage (aim 1.5x)	
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Chapter 5's own pipeline: 76.5 nominal, 25.9 weighted, 0.37x against 70. Adding names at ten per cent adds bulk, not coverage. Keep a rolling two-year record of every pipeline asset and its outcome.

The house: functions, hires, ownership, key person

Chapter 6. Investors audit whether four functions exist with separate owners, whether every hire has an event as its trigger, and who will still be here in year eight.

Fund		Prepared by	
Reviewed by		Date	

Function	Owner	Second person for a year	Also holds	Same person on both sides of money or judgement?
Origination and investment				
Asset management and execution				
Finance and operations				
Investor relations				
Risk and compliance				

Hire	Trigger: an event, not a date	Cost, fully loaded	Share of the fee
Finance and operations			
Second investment professional			
Asset manager			
Investor relations			

Holder	Role	Holding	Vesting	Leaver: good / bad, valuation, buyer

Key person: named		Trigger: departures needed	
Consequence and cure period		Replacement approved by	

Chapter 6: any one of six fires with a probability near four in five over five years; two of the six, about two in five. Case two on the companion page prices every draft.

Gap	Present?	Credible response
The gaps investors find		
No dedicated asset management		
No finance and operations owner		
Compliance reports to the fundraiser		
One person on both sides of valuation		
Nobody named below the founders		
Fully vested founder equity only		

The management company budget and break-even

Chapter 9 and Appendix C. The fee is a budget for a decade, not compensation. Build the cost base line by line, then run the fee across the fund's life against it.

Fund		Prepared by	
Reviewed by		Date	

Role	Base and bonus	Employer costs	Fully loaded	Hired at (trigger)

Other cost	Annual
Premises	
Systems, data and technology	
Audit, accounting and tax of the manager	
Legal and regulatory advice	
Professional indemnity and directors' cover	
Travel, investor events and marketing	
Recruitment, training, sundries	
Regulatory capital and licence	

Run rate		/ fee rate = break-even commitments		+ GP commitment in cash: (fee - commitment/period)	
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Year	0	1	2	3	4	5	6	7	8	9	10

Rows: fee base; fee; manager cost; margin. Check three things: the first close alone against the budget (a quarter to a third of target), the years after the step-down, and when Fund II must close for its investment period to overlap Fund I's harvest.

The term sheet, and what each term makes you do

Chapters 9 to 14. Settle the commercial terms on five to ten pages before the partnership agreement is drafted. Every point settled here costs an email; in the mark-up it costs three rounds.

Fund		Prepared by	
Reviewed by		Date	

Term	Our position	Investor ask	Agreed
Size and time			
Fund size and hard cap; minimum commitment			
Investment period: from first or final close? Early termination triggers			
Term and extensions: how many, who consents, fee during extension			
Economics			
Fee: rate, base, step-down; first-close discount			
Carry, preferred return (compounded? on all contributions?), catch-up shape			
Waterfall: whole-fund or deal-by-deal; clawback gross or net of tax, escrow, interim test			
GP commitment: cash, waiver, true-up if cut short			
Offsets: percentage, gross or net, carry-forward, co-investment fees			
Expenses: organisational cap, broken deals with co-investors			
Behaviour			
Recycling: what, window, cap			
Leverage: fund or asset level, denominator, what counts as debt, test date, passive breach			
Subscription line: limit, days outstanding, date the preferred return accrues from			
Concentration: basis, test date, cure for a passive breach			
Successor fund: "substantially similar", "reserved", definition of fund			
Governance			
Key person: named, threshold, consequence			
Removal for cause (judgment?) and without cause; GP excluded from votes			
Suspension of the investment period: threshold			
Amendment tiers and the minority protection; unilateral GP amendments			
Advisory committee: composition, consents, meeting without the manager			

Governance and alignment registers

Chapters 12 and 13. Sort every matter by its verb; keep the consent list short; log every allocation decision when it is made, including the declines.

Fund		Prepared by	
Reviewed by		Date	

Matter	Consent / consult / notify	Body and threshold
Related-party transactions and cross-trades		
Affiliate appointments and fees		
Valuation policy and departures from it		
Exceeding a concentration or leverage limit		
Key person waiver		
Extension of investment period or term		

Date	Opportunity	Vehicles eligible (filter)	Allocated to	Rule applied, or exception and who authorised it	Declined? Why

GP commitment	Amount	Funded by whom	Drawn when	If the fund is cut short
Cash from the principals				
Fee waiver				
Management company balance sheet				
Borrowed				

Investor	Side letter provision	Topic	MFN tier and election	Obligation owner

The investor map and the register you are building

Chapters 15 and 16. Filter by permission first, then by capacity and fit. Record the zeroes as zeroes. Decide the register shape before the first commitment.

Fund		Prepared by	
Reviewed by		Date	

Investor	Type: optimising for	Typical cheque	Can back a first fund?	May we market: where, category, from	Tier	Route in	First objection

Target register: investors		Minimum cheque		Maximum holding (vs the 75% vote)	
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Anchor ask	Cost to the budget	Permanent?	Granted
Fee discount			
Advisory committee seat			
Co-investment rights			
Capacity in the next fund			
Share of the manager or of the carry			
A first-close deadline			

Clause	Agreed	Note
Placement agent mandate		
Retainer, creditable against the success fee		
Success fee on new capital; reduced rate on carve-outs		
Tail only on a written, agreed schedule		
Wave plan written into the mandate; anchors held back		
Who pays: the fund with an offset, or the manager		

The weekly pipeline and the committee calendar

Chapter 17 and Appendix F. One pipeline, one owner, a probability applied to the stage and never to the relationship. Age every soft circle. Work backwards from every committee date you know.

Fund		Prepared by	
Reviewed by		Date	

Investor	Stage and its evidence	Indicative	Haircut	Probability	Weighted	Committee sits	Papers due	Weeks at stage

After every first meeting: their process		Committee date		What would stop this	
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Committee date	Papers due	Questionnaire back	Operational file ready	Investors in this cycle

A funnel is a queue: soft circles wait for quarterly committees. Appendix F: the book's 180 names at six meetings a week close 93,750,000 in two lumps, in months 7.6 and 11.3; starting six weeks later closes 20 per cent less by month twelve. Sixty more names beat doubling the travel.

The operational due diligence file

Chapter 18. Build the set before marketing: a policy dated after the request proves the control did not exist. Show twelve months of runway from the review date, assuming no further capital.

Fund		Prepared by	
Reviewed by		Date	

Policy	Approved on	Owner and evidence of use
Policy set		
Valuation policy (independent member, external cycle, override process)		
Conflicts of interest policy and register		
Allocation policy and log		
Personal account dealing, with monitoring evidence		
Anti-money-laundering and know-your-client		
Compliance manual and monitoring programme, four quarters of output		
Business continuity and disaster recovery, last test date		
Information security		
Outsourcing, provider selection and oversight		
Expense allocation		
Complaints; whistleblowing; remuneration; record retention		
Risk register, maintained		
Cash controls and authorisation matrix, payee-detail changes		

Item	Held	Where
Evidence file		
Signed engagement letters, each provider		
Insurance certificates and schedules		
Management company accounts, last two years		
Organisation chart with reporting lines		
Minutes approving the policies		

Cash today		Monthly cost		Fee a month after first close		Runway, months (need 12)	
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The data room, the figures file and the Q&A log

Chapter 19. Diligence rarely kills a fund by finding something bad; it kills it by finding two versions of something ordinary. One figures file, one question log, one owner each.

Fund		Prepared by	
Reviewed by		Date	

Folder	Stage it opens at (1, 2, 3)	Owner	Index line written?
Firm and team			
Strategy and market			
Track record (with methodology note)			
Investment process			
Portfolio and case studies			
Fund terms and legal documents			
Operations and controls; service providers; policies			
Financials, insurance, reporting samples			

Figure	Value	As at	Basis	Documents it appears in	Last walked

Question	Answer	Source document	Owner	Last reviewed

A hard question	
What happened, first	
The number	
What the firm concluded	
What changed in the process	

First close, equalisation and the file deadlines

Chapter 20, Appendices A and D. Onboarding is the critical path to every close. Model the equalisation before the second close, not during it, and say in the agreement who receives each line.

Fund		Prepared by	
Reviewed by		Date	

Threshold test	Result
The fee on it, with committed partner capital, gives twelve months of runway	
Large enough for two or three assets	
Covered today by soft circles with committee dates, plus one failing	

Equalisation line	Amount	Paid to
Capital catch-up: the later investor's share of capital called		
Interest on it, from each call date		
Fee catch-up on the later investor's own commitment		
Interest on the fee catch-up (to the manager, or to the early investors?)		
Total paid by the later investor		

Item (Appendix A)	Months before first close	Owner	Done
Strategy statement, three lengths	9		
Track record schedule with back-up	8		
Attribution statements and consents	8		
Term sheet; marketing permissions analysis	7		
Presentation, case studies, fund model	6		
Valuation and conflicts policies	5		
Offering document draft; data room indexed	4		
Subscription documents; service providers signed	2		

Case three on the companion page: at cost, a second-close investor takes half of any gain the first carried alone; the 6 per cent rate is fair only if the asset rose 2 per cent in those four months.