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Fundamentals of Fundraising and Fund Structuring

From Blind Pools to Co-Invests: How Structure, Timing, and Strategy Influence Fundraising Execution

AGENDA

WHY THIS MATTERS

- **Fundraising success requires structural clarity and alignment across teams.**
- Different products (e.g., blind pools, co-investments, SMAs, sidecars) trigger different legal, tax, and execution timelines.
- IR, Legal, Tax, and Fund Accounting must coordinate early to avoid costly delays and regulatory risk.
- Inconsistent terminology or misaligned expectations can derail closings and damage investor trust.
- **Every structure choice has downstream impact**—on timing, fees, and documentation.
- As our platform grows, scalable execution depends on consistent, shared language, and clear processes.
- **Everyone at the firm—not just IR—has been involved in fundraising at some point**, whether through co-invests on the deal side, or structuring on the tax side, or operations.

1 UNDERSTANDING PRODUCT TYPES

Overview: Product Types and Why They Matter

- Fundraising products differ by structure, documentation, timeline, and investor expectations.
- Common products include:
  - Blind Pools,
  - Co-Investments,
  - SMAs,
  - Funds of One, and
  - Sidecars.
- Product structure affects everything: governance, fees, legal docs, and tax complexity.
- Early alignment on product type prevents closing delays, legal risk, and investor friction.

These are not interchangeable—using the wrong term can lead to execution issues.

Mental Exercise: Which Product Closes Fastest?

Think about the following fundraising products:

- Fund of One
- Co-Investment
- Blind Pool Fund
- Sidecar

Which do you think typically moves fastest to closing?

Keep your answer in mind. We'll come back to it shortly.

Answer: Co-Investments Move Fastest

- **Co-Investments typically move fastest to closing because they are deal-driven.**
- Blind Pool funds require months of diligence, regulatory filings, and marketing efforts before first close.
- Funds of One and Sidecars can also move quickly but depend heavily on complexity and investor structuring needs.
- Understanding the timeline implications of each product type is critical to setting investor expectations and managing execution risk.

Understanding product types and their timing is key to setting realistic investor expectations.

Blind Pool Funds: Structured for Scale, Not Speed

- **Investors commit capital without knowing specific deals—trust is based on strategy, track record, and guidelines.**
- These funds form the foundation of our platforms. They generate pipeline and feed co-investment opportunities.
- Require a full Private Placement Memorandum (PPM)—comprehensive and slow to finalize.
- Marketing involves multiple closings over months, with supplemental updates as information evolves.
- Example: DBP III, Credit II, both structured with US and Lux sleeves to accommodate jurisdictional requirements.

Co-Investments – Fast, Focused, Deal-Driven

- Typically offered alongside a fund—deal-specific, not strategy-blind.
- Move quickly—timeline is aligned to the underlying M&A process, not the fundraising calendar.
- Investors get enhanced visibility and control, often with reduced or waived fees.
- Disclosure is lighter: no PPM—use a Supplemental Disclosure Statement, CIM, and data room materials.
- Strategic investors may gain governance rights or influence through early participation.

Co-investments move with transaction timelines, not fundraising calendars.

SMAs vs. Funds of One

- SMAs (Separately Managed Accounts) are contractual—no new fund is created. Investments are made under an Investment Management Agreement (IMA).
- Funds of One involve creating a dedicated legal entity, including fund documents and a Limited Partnership Agreement.
- SMAs offer customization without pooled constraints, but Funds of One offer structural separation.
- **The moment you create a vehicle, it's no longer an SMA—it's a fund.**
- A fund of one can be a sidecar, a co-investment vehicle, or even a mini blind pool fund.
- Early clarity prevents legal complexity, tax surprises, and investor confusion.

One investor, two very different structures: Once there's a vehicle, it's a fund.

Fund of One – Structuring Considerations

- Fund of One structures require early coordination with Legal and Tax to manage regulatory and tax implications.
- **Jurisdiction matters**—Delaware, Cayman, and Ontario are efficient; Singapore and others add complexity.
- Increased customization leads to longer negotiations, higher legal costs, and additional operational burden.
- Key Disclosure Document: **Supplemental Disclosure Statement**—short, regulatory-focused, posted just before closing (minimum 2 business days).
- No PPM typically needed, but an LPA and supplemental disclosure statement are required.
- Balancing investor preferences with platform efficiency is critical for scalability.

Sidecars – The Multi-Deal Co-Investment Model

- Sidecars invest across multiple deals, often adjacent to a flagship fund's activity.
- May involve one or multiple LPs—structure can vary based on investor interest and deal pipeline.
- No full PPM required—similar disclosures as co-investments: Supplemental Disclosure Statements, CIMs, and data room materials.
- **Timeline management can be challenging, depending on fundraising cycles for each underlying deal.**
- Early coordination with IR, Legal, and Deal Teams is critical to manage timing, regulatory filings, and LP communications.

Fundraising Product Comparison

Product Type	Speed to Close	Key Docs Required	LP Customization	Typical Structure
Blind Pool Fund	Slow (Months)	Full PPM + Lux/US sleeves	Low	Fund with multiple LPs
Co-Investment	Fast (Deal-Driven)	Supplemental Disclosure + CIM	Low/Medium	Parallel to fund activity
SMA	Moderate (Contractual)	IMA (Investment Management Agreement)	High	No new vehicle
Fund of One	Moderate to Slow (Structuring Needed)	Supplemental Disclosure + LPA	Very High	New fund entity (single LP)
Sidecar	Moderate (Depends on deal timing)	Supplemental Disclosure	Medium	Fund for multiple deals

2 STRUCTURING PRINCIPLES: SIMPLICITY, ALIGNMENT, AND EXECUTION

Why Structure Matters

- Connect with Tax & Legal before making promises. Coordination avoids costly restructurings.
- **Golden Rule: Novelty = Delays & Costs. Reuse existing structures wherever possible.**
- Preferred jurisdictions: Delaware, Cayman, Ontario. Others add complexity and regulatory risk.
- When in doubt on structuring, consult Tax early. They'll help you move faster, not slower.
- AIVs and Feeders: Often used in flagship funds for tax optimization.
- Our Tax team can speak directly with investors as needed.

🟥 **Common Pitfalls**

❌ Overcomplicating a sidecar structure ⟶ Higher legal costs & longer closings

❌ Speaking to the wrong person at the client ⟶ Miscommunications and delays

Structuring Takeaways

- Structure is a strategic choice—it impacts timing, risk, and investor experience.
- Reuse existing structures where possible—novelty adds cost, time, and complexity.
- Early alignment between IR, Legal, Tax, and Deal Teams is critical to prevent downstream issues.
- Use preferred jurisdictions (Delaware, Cayman, Ontario) unless there's a clear reason not to.
- Avoid unnecessary structuring complexity and prioritize simplicity—simplicity scales.

In structuring, complexity delays closing and increases cost.

Additional Structuring Complexity (For Awareness)

- **Fund waterfalls** vary (**American** vs. **European** structures)—affects how and when returns are distributed.
  - Clawbacks also affect fund economics but typically don't apply to co-investments.
- **Special Limited Partner (SLP)** and GP contribution rules differ across fund structures—early coordination matters.
- **Most Favored Nation (MFN)** clauses allow certain LPs to access improved terms—every tweak adds legal and operational complexity.
- **Before discussing currency sleeves or hedging options with investors, engage the Finance team**—operational impacts and costs must be managed carefully

3 FUNDRAISING EXECUTION: AVOIDING COMMON PITFALLS

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The Five Phases of Fundraising Execution

Key Stages from Initial Strategy to Closing

Pre-Launch
- Setting the Stage

Launch
- Getting Market-Ready

Fundraising
- Navigating Investor Discussions

Closing
- Locking It In

Post-Closing
- Wrap-Up and Ongoing Compliance

The Five Phases of Fundraising Execution

- Pre-Launch: Setting the Stage
  - Align on initial fund terms—IR, Legal, and Product Heads collaborate on investment strategy, fees, governance, and structure.
- Launch: Getting Market-Ready
  - Create marketing materials; draft term sheet and PPM; IR drafts business sections, Legal reviews legal sections.
- Fundraising: Navigating Investor Discussions
  - Manage side letter negotiations, marketing updates, and ensure compliance with jurisdiction-specific regulations.
- Closing: Locking It In
  - Complete compliance and regulatory sign-offs, including AML/KYC clearance—no closing without clearance.
- Post-Closing: Wrap-Up and Compliance
  - Final filings, post-closing investor communications, and compliance updates.

🚨 ***Common Pitfall: Assuming AML/KYC is complete—missing it can block closings at the last minute.***

Common Pitfalls

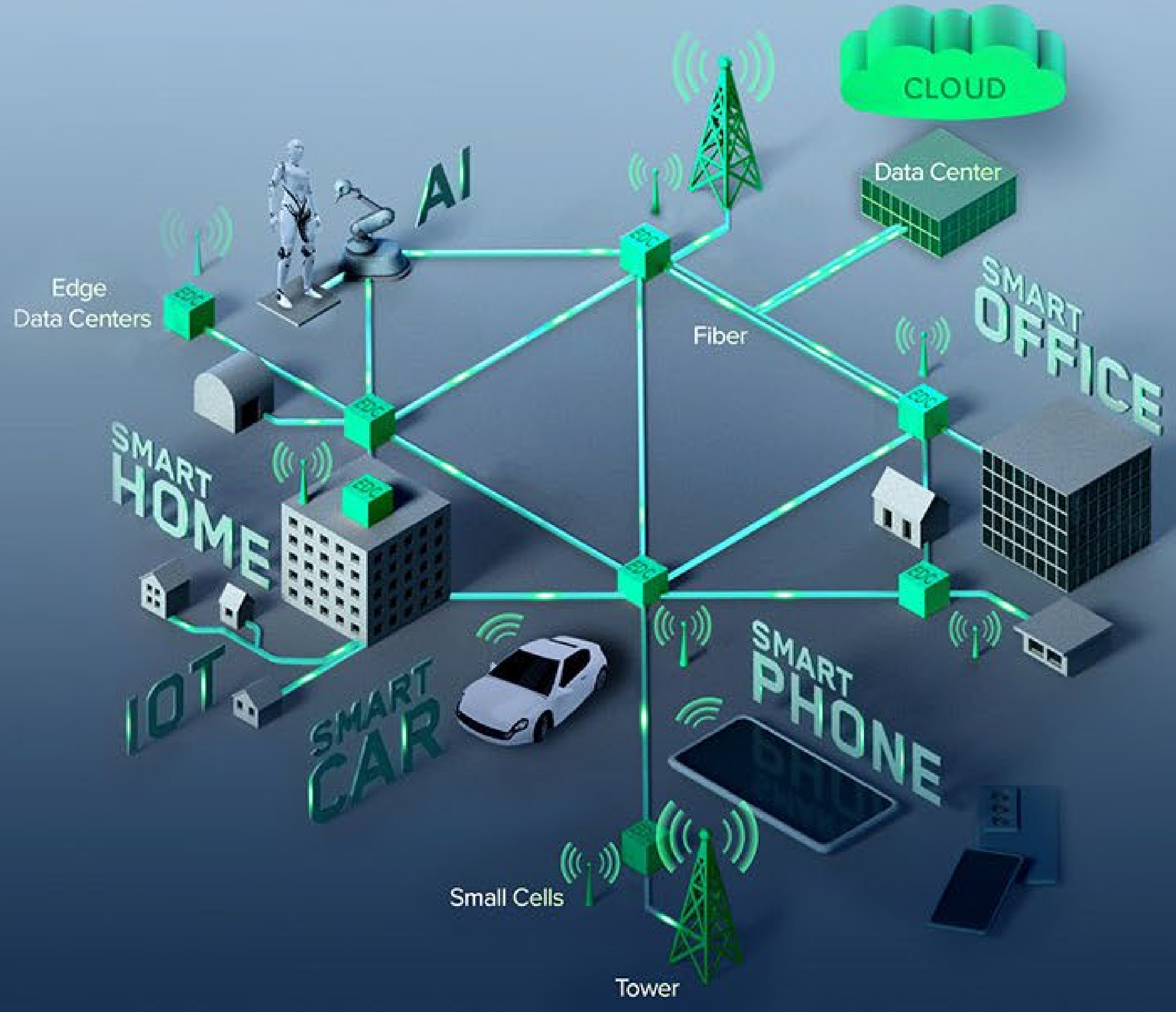
❌ Assuming AML/KYC is complete—missing these checks blocks closings, even when other documents are ready.

❌ Jurisdiction-specific filings missed or delayed—marketing in Europe, Korea, or Japan without proper registration causes regulatory risk and investor frustration.

❌ Side letter negotiations dragging late into the process—customized terms need to be flagged early to avoid last-minute changes to fund documents.

❌ Misalignment between IR, Legal, and Deal Teams—inconsistent messaging to investors creates confusion and slows closing.

4 OVERVIEW OF MARKETING JURISDICTIONS



Marketing Across Jurisdictions

- Fundraising timelines vary dramatically based on where you are marketing.
- **Europe** (**excluding Switzerland**) requires passporting and regulatory filings—often adds 3+ months.
- **Korea** requires PPM filings and approvals—extremely detailed and timeline-sensitive.
- **Japan** is more flexible than Korea but still needs regulatory review and pre-clearance.
- **Early coordination with Legal is critical before any non-U.S. marketing begins.**
- Even in non-strict jurisdictions, some LPs require proof of compliance for their internal diligence.

Key Considerations for Fundraising in Europe

- Fund term sheet must be finalized early—it anchors the PPM, LPAs, marketing materials, and the launch schedule.
- Luxembourg timeline is regulatory-driven, not marketing-driven—plan for at least 3 months between final Lux PPM and fund launch.
- External AIFM must be engaged early—they manage pre-marketing and marketing filings across EEA jurisdictions.
- Initial investor discussions shape final terms—early anchor LP feedback is critical before documents are locked.
- Pre-marketing phase and notification filings are mandatory before full marketing can legally begin.
- Luxembourg entity formation is required early—CSSF filing cannot proceed without it.

Europe Fundraising Timeline

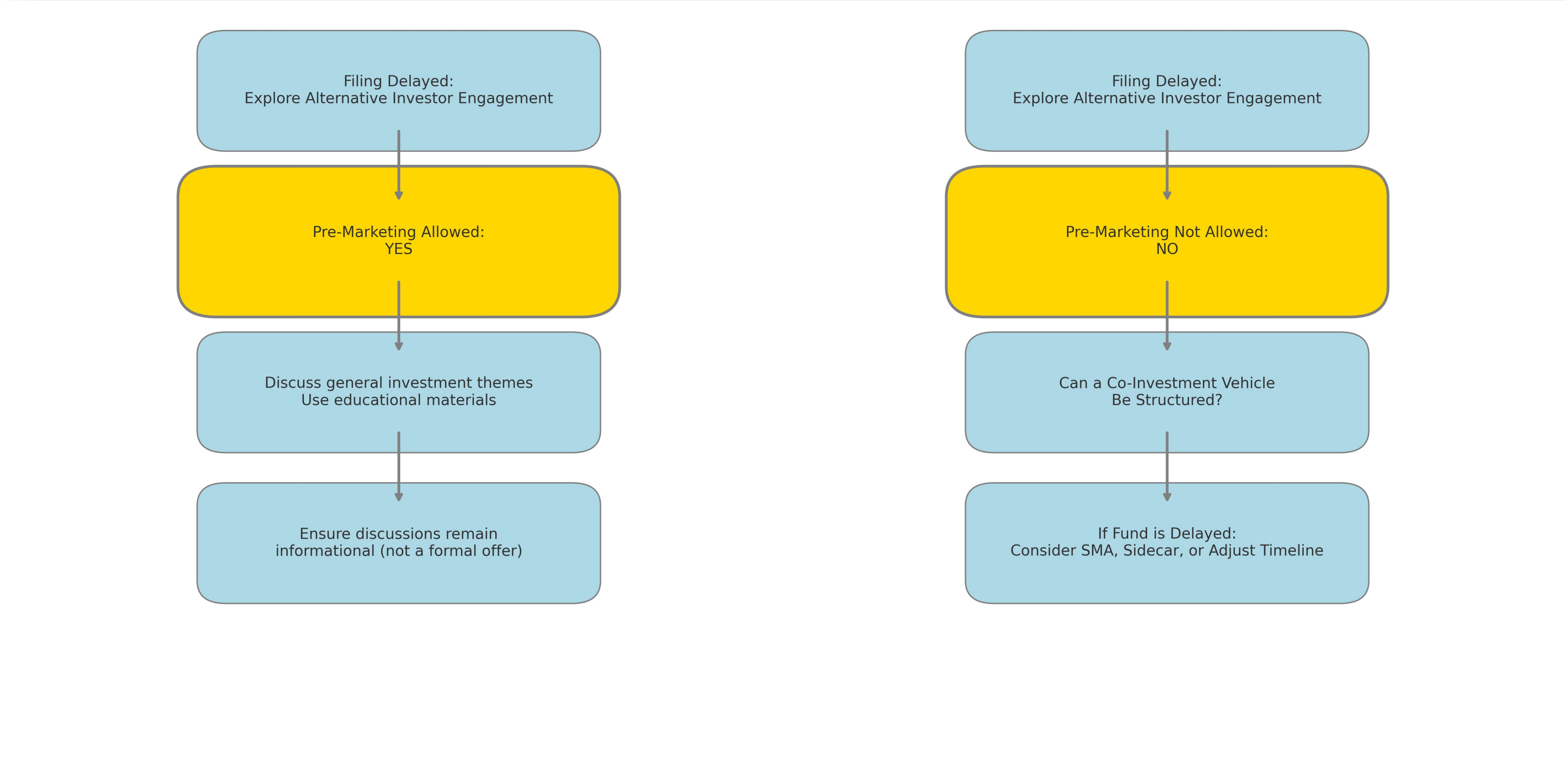
Finalize Fund Term Sheet
↓
Develop Marketing Deck
↓
Engage External AIFM
↓
Pre-Marketing Phase (Notification Filing)
↓
Finalize Luxembourg PPM
↓
CSSF Filing and Review (Minimum 3 Months)
↓
Fund Launch
↓
First Close

Key Considerations for Fundraising in Japan and Korea

- Korea requires a full PPM filing—must be prepared and filed well before marketing can begin.
- Marketing delays are common—Korea filings often require several months of advance planning.
- Japan is more flexible than Korea but still requires coordination with local counsel for proper registration.
- Timing in both jurisdictions must be factored in early—marketing without approval can jeopardize the entire fundraising effort.
- Always flag intended Korea or Japan marketing to Legal early in the process.

In Korea and Japan, regulatory clearance is the gate to marketing—not a step after.

Alternative Approaches When Marketing Filings Are Delayed



KEY TAKEAWAYS

✅ **Structure drives fundraising success.**
Clear, standardized structures prevent delays, reduce friction, and build investor trust.

✅ **Different products = different execution paths.**
Blind Pools, Co-Investments, SMAs, Funds of One, and Sidecars each require unique timelines, documents, and strategies.

✅ **Jurisdiction matters.**
Europe, Korea, and Japan introduce regulatory steps that can add months to timelines—early legal coordination is critical.

✅ **Simplicity scales.**
The simplest structures are often the fastest to close and easiest to replicate—avoid unnecessary complexity unless strategic.

✅ **Closing readiness starts early.**
AML/KYC, regulatory clearances, and required filings must be finalized early to avoid delaying closings.

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5 Questions & Discussion

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