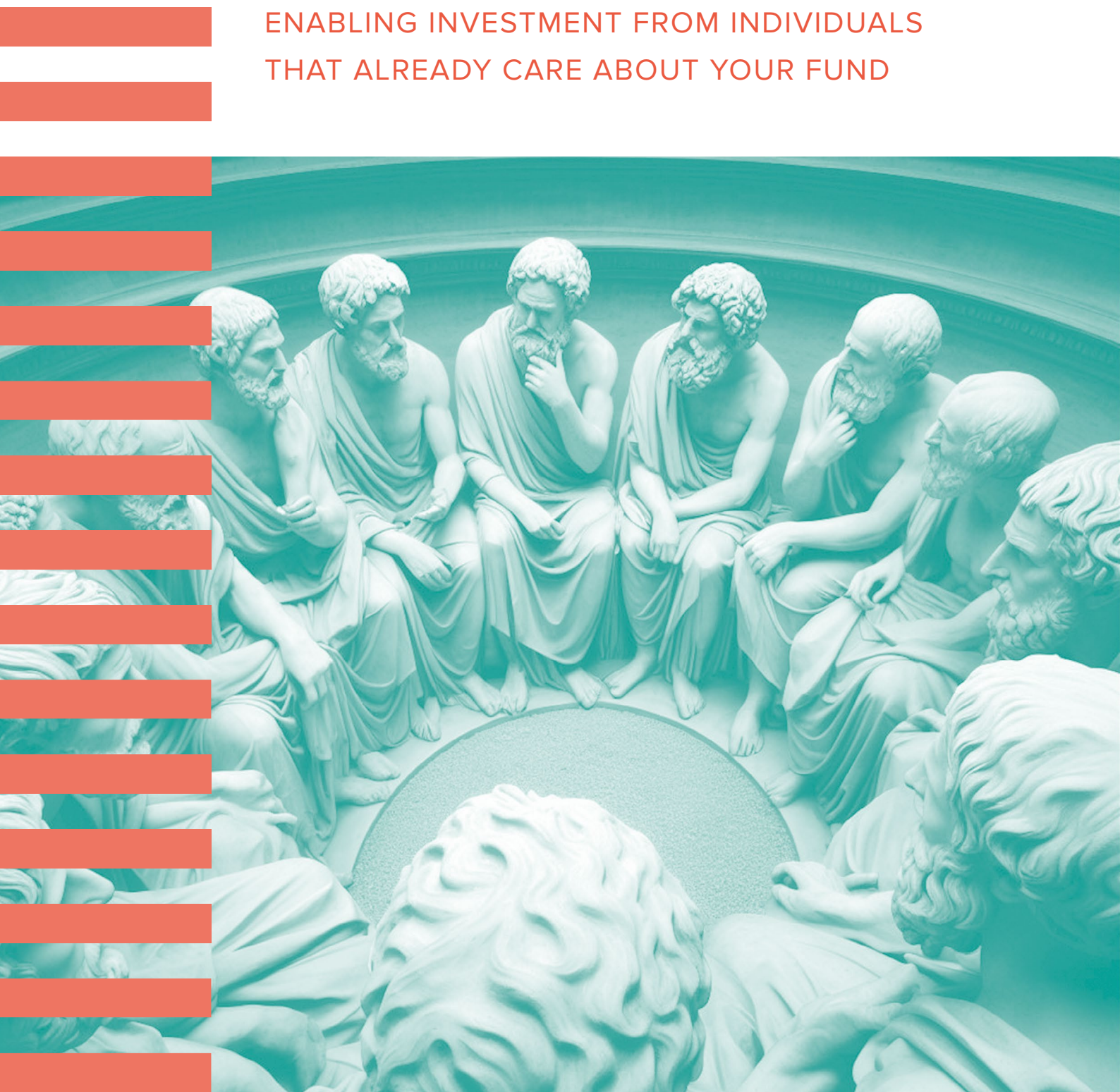


Mara

Partnership capital and the retailisation fallacy

ENABLING INVESTMENT FROM INDIVIDUALS
THAT ALREADY CARE ABOUT YOUR FUND



These days, it is hard to find a conference or private market publication that doesn't play up the opportunity that retail, or more appropriately, individual investor capital, represents for private market fund managers.

Whilst many platforms focus on the opportunity to pick up investors from an unquantified pool of individuals spread across the world, the challenges are significant. It is likely only the very largest of fund managers with the most well-known brands that will be able to successfully attract investment from those who are effectively, strangers.

Even if certain “retailisation” or “democratisation” platforms do manage to attract investors through their own brands, how can mid-market managers expect to stand out on that platform amongst the industry titans? For most fund managers, the idea that they can raise significant capital through retailisation efforts is a distracting and potentially dangerous fallacy.

But what if there were communities of individual investors that were far from strangers? What if mid-market managers could capture the investment intention from groups with a pre-existing relationship with their fund; investors who already care about them? In this whitepaper, we will look at different communities of supporters, friends and other affiliated individuals, the benefits of involving them in the success of the fund and crucially, how this can be done.

How can you raise money from people that don't know you exist?

In its latest *Global Private Equity Report*, Bain highlighted the lack of High Net Worth Individual awareness of even the largest alternative investment managers. When asked to name the top 3 firms, the most popular answer was “I don't know”, followed by Fidelity and Charles Schwab, neither of which would normally be considered a significant alternative assets manager. For GPs without the marketing firepower of Fidelity and Charles Schwab, it therefore makes little sense to charge into the retail market.

Instead, managers should prioritise those pockets of individual investors that have some kind of affiliation to the fund. Once these are secured, and the systems and partners to effectively manage this kind of money have been established, these GPs will have the experience and base to make a larger effort to target the broader retail market.

When a fund manager makes its funds more accessible and inclusive to colleagues, portfolio company executives, industry friends, and service providers, the upside is not just more capital: the manager will capture an array of additional benefits, building valuable alignment, strengthening loyalty, and differentiating itself from peers.

Recent technological and legal structure innovations allow individual investors to be onboarded efficiently and compliantly. The following pages will walk through the process.



The broad opportunity

A report by the Boston Consulting Group estimates that by 2025, individual investors will hold \$1.2 trillion of assets in private equity, 2.4 times more than in 2020¹. Bain & Company estimates that private wealth AUM in alternatives will increase from \$4 trillion in 2022 to \$13 trillion in 2032².

Large private market asset managers with big brands are building out internal private wealth teams to meet this demand. Blackstone, KKR and Apollo³ have all taken this step. Data from executive search firm Jensen Partners shows a 115% private markets hiring rate increase for wealth management professionals, from 2021 to 2022⁴.

But for 99% of private market fund managers, it doesn't make sense to build out these teams. It is expensive and time consuming to do well and the opportunity for most managers will take time to evolve.

Outsourcing is a better option, for almost all managers.

Hurdles to overcome

Of course, regardless of the route chosen, there are challenges.

Technology plays an important role, but the fundamental obstacle is regulatory. For example, there is no point building a shiny individual investor portal if the Luxembourg administrator of a fund cannot get comfortable around the KYC process for individual investors meeting regulatory requirements.

In addition, all but the most sophisticated individual investors need more handholding and customer service than the professional investors that fund managers are used to dealing with. Getting the service element right is essential for a successful private wealth offering. Someone will need to guide investors through the onboarding process and answer any questions they may have about a process that is likely to be unfamiliar.



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SECTION 1

Partnership Capital



Partnership Capital

Whilst the major consultants have identified and somehow quantified the vast capital opportunity constituted by individual investors, there is a big difference between the potential size of the market and the portion of this that could be addressed by any particular manager. And that's before we account for the other managers competing for that capital.

Rather than marketing a blind pool fund to a blind pool of individual investors, it must make more sense to first look closer to home.

There are certain communities that can bring additional synergies to the fund beyond just capital: the staff of the GP; their friends and family; portfolio executives, past and present; advisers and service providers. Many of these groups will be familiar with the intricacies of private markets too, making them much easier to deal with.

Partnership capital is a term that we are using to refer to capital raised from individuals in these communities. It allows those already connected in some way with a fund to participate in its success, either on the same terms as institutional investors or perhaps even on more favourable terms.

Most fund managers will recognise the following communities of potential partnership capital investors into their fund:

Staff/colleagues Retention Capital

There are clear advantages to providing a mechanism through which team members, including those not in the carry pool, can invest in their firm's funds. It can improve employee dedication and loyalty and could potentially become a significant proportion of remuneration. The aggregated investment could be meaningful even at smaller managers, but imagine the potential scale at fund managers with large affiliated businesses, such as investment banks and generalist asset managers.

It also sends a powerful message to institutional investors: "...even our junior staff have real skin in the game ...". Don't forget, this can all count towards the GP commitment to the fund.

The feeling of shared ownership can foster a stronger collaborative spirit, leading to improved morale and retention rates, another key DD point for LPs.

A perk like this can help a GP stand out in the recruitment market too. The competition for high-quality non-investment staff is strong and this could be a trump card.

Wider friends and family

Network Capital

Most GPs have a “friends and family” bucket but it is often kept small due to the administrative burden. The minimum investment level may also be too high for some. But using an SPV structure managed by a third party can remove this burden and also allow greater participation from the wider family and network of the team, by effectively lowering the minimum ticket to low thousands. Fund partners typically have strong networks full of individuals with very relevant experience. Investors from these networks can boost the size of the fund, but they will often be in a position to support in additional ways, such as deal sourcing and customer introductions to portfolio companies.

For smaller / emerging GPs, the friends and family allocation can represent important seed capital to build the momentum required to attract larger investors. These investors can be easy wins for these fund managers, given that investors often back “who they know” and “what they know”, making decisions quicker than larger institutional investors.

On top of this, having a crowd of loyal followers who have a good investment experience with you can lay solid ground for this base of individual investors to grow organically, something crucial for firms wanting to expand their individual investor offering in the future.

“Mara provided me with the opportunity to invest in the fund which my friend worked in, which I had heard great things about. The team was very responsive to all my questions and executed my investment efficiently.”

NINO, INVESTMENT PARTNER, REAL ESTATE INVESTMENT FIRM



Portfolio company executives

Reward Capital

Some funds actively draw their portfolio company founders and executives into their subsequent fund raises post-exit, but why wait until then? Portfolio companies invested in at first or interim closes may harbour individuals with an interest in committing to the fund. This can generate additional momentum towards a final close, assuming the SPV mechanism is there to facilitate this.

For companies that have just received an investment from a private market fund, offering their employees a chance to invest, either with their own cash, or through company sponsored options, can also be used as a reward for additional effort.

“The Mara platform provided an easy way for me to get access to a fund I know well, much simpler than investing directly into the fund.”

WOUTER, CO-FOUNDER AND CEO OF TECH FIRM



Advisers

Alignment Capital

Fund managers are mini-ecosystems, often supported by a wide range of advisers, such as lawyers, fund administration professionals, brokers, placement agents, banking/fund finance, etc. Individuals in those teams likely know a fund intimately well and also have the benefit of being qualified from an educational perspective for regulatory purposes. Few GPs have facilities to enable individuals from these groups to invest in funds, so being an early mover can help to strengthen the relationship with service providers and further align their interests with your fund.

“The Mara platform enabled me to invest with one of our clients as the fund did not have such a facility to handle smaller tickets directly, so I was grateful for the opportunity. The onboarding process was quick and easy and enjoyed the personable nature of the team”.

JOEP, PARTNER AT PLACEMENT AGENT C*FUNDS



Executives in Institutional LPs

Strategic Capital

Individuals that work in pension funds, fund of funds, and other LPs often invest in funds for their day job but have little or no means to access those very funds for their personal investment portfolios. Countless conversations with these individuals have confirmed to us that this is the case.

As with advisers, these investors will already be qualified from a knowledge standpoint and likely require little handholding due to their experience with private funds, making them relatively easier LPs to deal with.

These professionals may be working at LPs that are existing investors of the fund manager, prospective LPs, or they may be completely unknown to the fund manager. Either way, having a facility to cater for these individuals is a smart approach to strengthening the relationship with these individuals. There may be some conflicts to be considered, but these can be addressed on a case by case basis.

“I know from my day job how complex the area of private funds is, particularly for non-institutional investors to access, but the Mara platform provided an easy way for me to sign up to a highly rated fund, with the Mara team very responsive to my questions pre and post investment.”

NIRAJ, FUND OF FUNDS INVESTMENT PROFESSIONAL



Mara network investors

Platform Capital

Beyond these communities, additional individuals may be interested in investing. For example, Mara runs an investment club for individual investors, which reviews funds that Mara supports with feeder SPV solutions. This allows individuals on the platform to find additional funds that interest them – and to invest. Further, the network of the Mara team and its advisers is also present. It is a globally diverse investor pool, most of whom work in and around private markets and the broader financial services industry. Indeed, Mara was founded on the back of the frustrating experience of working at an LP and not being able to commit to interesting funds on a personal basis. These individuals are sophisticated in their understanding but may not have built the wealth required to invest on a more traditional basis. Investment syndicates like the Mara Investment Club are an elegant solution and the number of them continues to grow.

“I’m convinced that private markets are best means of saving for individuals and the Mara platform provided me a quick and easy means for me to get exposure, with the team always eager to help. The fund I invested in is performing above expectations too!”

MICHAEL, DIRECTOR AT PLACEMENT AGENT



SECTION 2

Frequently asked questions for dealing with individual investors



Frequently asked questions for dealing with individual investors

What are the rules for accessing private funds across jurisdictions?

The regulatory landscape for retail access to private funds is a patchwork of complex rules that vary across all jurisdictions. USA, UK, EU, Singapore all have different rules for what defines a qualified non-professional investor. This is referred to as an Accredited Investor in the USA and Singapore, Sophisticated or High Net Worth Investor in the UK, and Semi-Professional within the EU.

Each of these jurisdictions have different rules for the level of knowledge, investment experience, income and wealth required to invest in private funds. The EU has some degree of harmonisation across member states, but these can vary largely, with notable differences between Germany and Luxembourg, for example. Whilst the regulators are generally in favour of improving retail access to private funds, the UK regulator just introduced the New Consumer Protection rules in the UK, which came into force in August 2023. This ruled that fund managers must take greater care to assess the suitability, knowledge and financial situation of investors, which is incredibly onerous if a fund manager does not have the infrastructure. Fund managers will need guidance on these changes from a service provider with practical experience.

What is the impact on our fund's cap table?

Using a feeder SPV can consolidate multiple investors into one single LP, reducing the reporting and administration burden. Emerging managers may also see benefit in an investor register that feels more institutional, with fewer LPs.

Can my fund accept non-professional investors?

A fund manager is obliged to make more disclosures for non-professional investors, so GPs often choose to restrict their fund to professional investors only, which prevents non-professional investors from investing in the fund. In this case, a feeder SPV that has sufficient disclosures, can be set up as an aggregation tool for non-professional investors. This is likely to be much cheaper and less time consuming for fund managers than setting up ELTIF and LTAF structures.

What level of KYC/AML checks do we need to perform?

This is the biggest bottleneck for GPs wanting to onboard individuals. By contrast, institutional investors often have KYC packs on file and prepared. For individuals, a form of ID and proof of address is required. For international clients, these may need to be certified by a notary, accountant or lawyer. If an individual is investing through a personal entity/investment vehicle, often common with Europeans for tax purposes, a vast range of documentation is required on the entity for KYC. Using a feeder SPV can be a way to effectively outsource KYC on these individuals to an entity that has the regulatory capabilities to perform them.

Will individuals be able to understand and complete subscription documents?

For less sophisticated investors, these can be complex to fill in and often lead to mistakes and delays in the run up to fund closes. A typical subscription document can be over 50 pages with lots of legal jargon. This increases the onboarding burden for fund managers, who often have to explain these terms to individuals.

Application forms for feeder solutions can be drafted in a much more concise manner, leading to a quicker sign-up process. The feeder solution provider then signs the subscription document, on behalf of the investors, to appear as a single LP on a fund's cap table.

What level of tax reporting do individuals need to complete?

Every investor, individual or institution, is required to fill in FATCA or CRS reports to confirm their tax status to the relevant tax authority in relation to their private fund investment. The form is the same for each investor but often individuals do not know how to fill these forms in, and have to lean on investor relations teams for help. Categorising individuals can also vary, making the task complex for fund managers and daunting if they decide to open themselves up to individuals. Having a digital method for investors to complete this form is essential, with someone on hand to provide guidance.

How can I deal with the added default risk for individuals?

As individuals' pool of capital may be less certain than that of an established institutional LP. A fixed capital call schedule can be thoughtfully devised to ensure predictability for investors, whilst also giving GPs the certainty that there is sufficient capital within an SPV to meet future capital calls. Often side letters are required that deal with the treatment of defaulting investors within feeder structures and funds' specific terms.

What level of additional client care will these individuals need?

Whatever the industry, no client wants to be palmed off to a technology platform and left to fill in some forms. Individual investors need a high level of customer care. Trust is important in every commercial transaction, but even more so for private funds, where investors are asked to tie capital up for >10 years. Fund managers with limited investor relations resource will likely see benefit in a feeder structure to outsource the administrative side of investor relations work, freeing up their time to focus on building relationships with larger institutional investors.

Is this just for funds? What about co-investments and direct deals? What about fundless sponsors?

Most funds are presented with investments that are too large for the fund and often need to syndicate these out, with the norm now being to offer these to existing investors. Venture capital funds often have pro-rata rights that they cannot fill from their funds. Syndicating these co-investments to specific employees, operating executives and the other communities outlined above, can be a great way to boost alignment for specific deals.

There has been a rise in GPs raising capital for specific deals ("fundless sponsors"), rather than a blind pool fund. This can help to build a manager's track record or help to build up a portfolio of single asset deals that can be rolled into a fund to raise further capital upon: warehousing. Using SPVs to raise capital for these deals can be much more cost effective than using a fund administrator, which often have high minimum annual costs, based on fund-oriented commercial models.

SECTION 3

The Mara platform



The Mara platform

“Feeder as a Service” [FaaS]

Mara’s Feeder as a Service is a low cost SPV that helps GPs navigate the choppy waters of individual investor access to private markets, reducing regulatory risk - and is significantly cheaper than hiring a law firm to tackle each point.

Supported funds

Mara works with all private fund strategies, including private equity, venture capital, private credit, real estate and infrastructure, with certain hedge fund strategies also possible. Mara is able to work with most jurisdictions and has worked with funds domiciled in the United Kingdom, Luxembourg, Delaware, Jersey, Singapore and the Cayman Islands, to date. Mara’s SPVs also have the flexibility to work with direct assets and co-investments.

Supported investors & minimum investments

Mara caters for a wide range of investors, including from the USA, depending on the permissions and restrictions of your fund. Investors must be qualified per the relevant regulatory standards, which is handled during the onboarding process. Through us, investment minimums can be in the low thousands; and we will work with you to determine a commercially appropriate level for your fund.

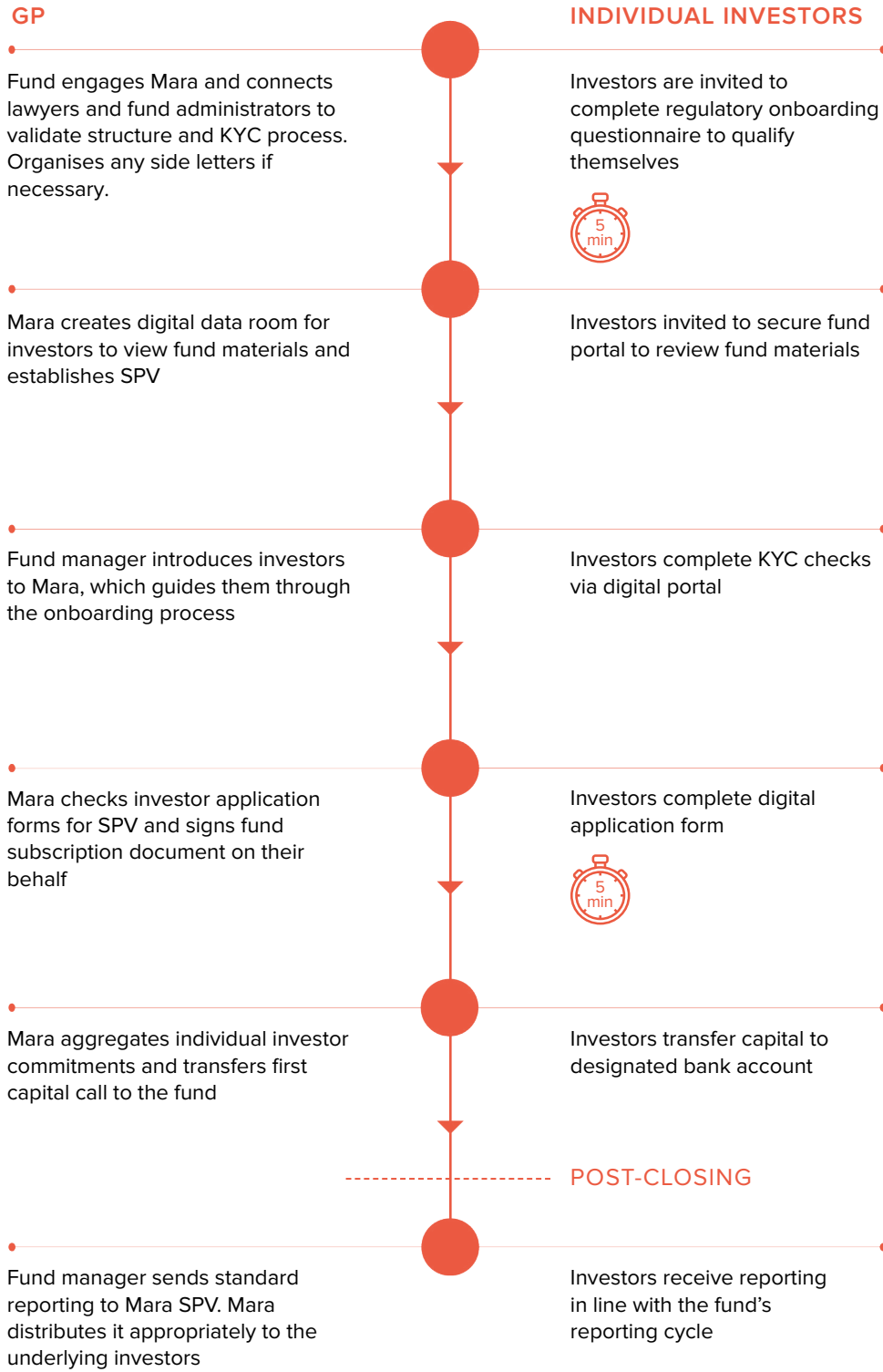
Mara Investment Club

The Mara Investment Club consists of qualified individuals that work in and around private markets. These investors have impressive backgrounds and networks - they deliver more than just capital.

Gaining access to private funds with required commitment levels in the low thousands is a game changer for them and Mara’s efficient, paperless onboarding makes investing easy and fun.

The Mara Investment Club has been growing organically since our launch and we would be happy to discuss your personal membership. We look forward to meeting you!

Process Overview



Appendices

Case studies

Strategy: Secondaries Platform Capital

HOLLYPORT
CAPITAL

Hollyport is a long-established secondaries brand. The Mara team had known Hollyport for many years and helped UK HNW/Sophisticated Investors commit between \$25k - \$75k to the fund via its platform.

Strategy: Growth Debt Access Capital

 **BOOTSTRAP
EUROPE**

Bootstrap needed a solution to help a group of individuals from multiple jurisdictions invest in its Luxembourg domiciled fund. KYC and administration for individuals from multiple jurisdictions can be particularly tricky and we helped these individuals invest €50k-€1m through our platform.

Strategy: Venture Reward Capital; Alignment Capital

NOTION

Recommended by another GP, we were approached by Notion to structure an SPV for its large network of portfolio company executives, with advisers also investing through our platform. Timing was tight, but we worked to execute the SPV before the final close. Investors based in UK, Switzerland and the EU made commitments ranging from €50k- €500k.

Strategy: making various fund investments Access Capital



Forte Securities is an independent firm offering brokerage and advisory in financial services.

Forte also invests in private markets opportunities via syndications. The firm was looking for a service provider that could help structure SPVs to handle multiple ticket investments for professional investors via one entity and chose to partner with Mara.

“The Mara Invest team were able to provide via their SPV platform, a low-cost solution for our syndicated investment. The team also understands that compliance to regulations is of utmost importance and have a can-do attitude to solving challenges, which is very important in such a complex area. It has been enjoyable working with them.”

KINDI ZAKARNI, FORTE SECURITIES

Strategy: Growth Access Capital; Platform Capital



Strategic Year engaged Mara to help bring small ticket investors into its investment vehicle through Mara’s feeder solution, leading to cost savings. Founder Conrad Tsang has a vast network which he wanted to help give access to, having chaired Hong Kong’s Venture Capital Association and held senior positions at Barings Private Equity Asia, leading private equity investor for the APAC region – now owned by EQT. Mara is helping to broaden Strategic Year’s investor base in the UK with introductions to individual investors and family offices.

Strategy: Real Estate Credit Access Capital; Platform Capital



RD Advisors, based in Boston, USA, has much experience with local HNW investors but engaged Mara to help broaden its investor base with UK investors. Founder Sean Kelly-Rand has a large network of UK investors, following time at Lehman Brothers and Madison International Realty, which Mara is helping to onboard compliantly via its UK feeder solution. Mara helped organise the fund's notification with the FCA regarding its National Private Placement Regime (NPPR), as well as its ongoing Annex IV reporting.

The Mara team

Mara's Co-Founders

The Mara team and its advisers have spent much of their careers within private markets. Sasha BatICA, Mara's co-founder, previously worked for Cambridge Associates within its fund manager research team and at Europa Capital, in Investor Relations. Rauf worked in fund accounting for a number of firms including Europa Capital, CBRE, Bain Capital, and Nuveen. Both witnessed first-hand the value of private funds but were not able to invest in any of the great funds they worked with. This experience left them frustrated and determined to provide a solution to drive accessibility and inclusivity for private funds.



SASHA BATICA & RAUF REHMAN

The Mara team started off investing their own capital along with the capital from friends and family into private funds they liked, but realised that private funds themselves had demand for their solutions. Their expertise with the administration and compliance for their own investments enabled them to carefully craft a regulatory and technology solution, with funds now using this infrastructure to help onboard individual investors from their own networks.

The Mara team are not fans of the term democratisation due to it falsely giving the impression of giving investors decision making powers within funds. Yet are extremely excited about the trend of greater access for private markets and see demand from individual investors continuing to grow. Investing hundreds of billions of individual investor capital into private markets would represent a direct injection of capital into the real economy. This primary capital is different to investments in the public markets, where capital is invested on a secondary basis into stock and bond certificates that have been traded many thousands of times over, with little impact on the real economy. Capital invested into a private fund however can be used to invest in startup businesses, create jobs in established businesses, and build affordable housing and critical infrastructure.

The Mara team wants to share its values of saving and wealth creation. Private market funds are the perfect vehicle for long term savings plans that give the opportunity to park capital with experienced managers, providing the opportunity for superior risk-adjusted performance compared to public markets. Public markets with the temptation of liquidity, are not conducive to the philosophy of long term saving for wealth creation.

Finally, Mara believes that it is a matter of survival for funds to open their doors to individual investors. This became evident this year with institutional allocations paring back. But longer term, particularly as defined benefit pension schemes die out, there will be a huge shortfall that the industry will need to plug, with private wealth being a major means to fill this.

Advisory board

We are humbled by the support and excitement for what we are building from our advisers, all coming from some of the most notable private market investors and service providers.

ALLAN MAJOTRA

5CAPITAL

Allan is the founder of 5Capital placement agent, providing fundraising and advisory services to a broad range of private market funds.



DR DOROTHY KELSO

GLOBAL HEAD OF SUPERRETURN

Dorothy heads up SuperReturn, the largest conference producer for private markets, and is Brand Strategy Director for Informa Group, its holding company. Dorothy previously worked at the African Venture Capital Association, EY, Collier Capital, and UnQuote.



MANEKSH DATANNI

NEW COLLEGE CAPITAL PARTNERS

Mankesh is a partner with New College Capital Partners, an investment adviser. Mankesh formerly was a partner within UBS and Deutsche Bank's private equity divisions.



MATTHEW CRAIG-GREENE

FOUNDER OF WAGTAILS PRIVATE MARKETS

Matthew advises private equity firms on positioning, strategy, and investor relations, and was formerly Chief Marketing Officer for MJ Hudson, the listed private markets legal and professional services firm. He is a guest lecturer at the University for the Creative Arts and Head Tutor of the Oxford University Private Markets Investment Programme at Saïd Business School.



MARTIN YOVCHEV

CLIENT MANAGER, ABRDN

Martin is currently a Client Manager for abrdn, the global investment management company, managing relationships with institutions, wealth managers and family offices. Martin formerly worked for Morgan Stanley.



ALEX BAUDIN

VICE PRESIDENT INVESTOR RELATIONS, ISQUARED

Alex is currently at infrastructure fund iSquared fundraising for the firm's funds and co-investment opportunities. Alex was formerly on the investment committee for UBS's infrastructure fund investments and in the manager research team at Cambridge Associates



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PARTNERSHIP CAPITAL SOLUTIONS
FOR PRIVATE MARKETS



Open your fund to the individuals that care about what you do

LEGAL SPV STRUCTURING

KYC / AML

ADMINISTRATION / REPORTING

BANKING / CASH MANAGEMENT

CAP TABLE CONSOLIDATION

SECURE PORTAL / DATAROOM

MARKETING / WEBINAR

OUTSOURCED INVESTOR RELATIONS

Our solutions can help private fund managers reduce their minimum investment from millions to low thousands

Our outsourced feeder solution increases investment capital, forges stronger relationships and saves in-house investor relations and administration teams time and money

