Dorsey's Private Funds Symposium 2017 – Top 10 Takeaways

1. Investor due diligence—go beyond the typical questionnaire. Investment strategy and analysis are key; more so than a fund manager's track record. Consider asking for snap shots of fund positions and confirm they match provided metrics.

2. Capital raising—maintain an open and continued dialog with investors. It takes approximately 12-13 months to close a single subscription for an average private fund investment, with approximately 26% of investors initially declining to invest. Check out Eaton Partner's statistics on capital raising here.

3. Investor relations—trust remains an important distinguishing factor for manager selection in today's crowded landscape.

4. Branding— know what you are putting out there on the internet. Investors are increasingly turning to google and social media platforms for information diligence. However, social media can be a great tool for building trust. Check out the Lumentus Guide to Digital Reputation Management.

5. Financing independent sponsors—independent sponsors have become more sophisticated, but it remains important for them to "put their money where their mouths are." Trends for deal fees are in the 0.5% - 2.0% range, while management fees are generally subordinated to debt and are a percentage of metrics such as EBITDA (perhaps with a floor). For more trends in this space, check out our related materials here.

6. Private fund adviser regulation—use SEC guidance as a compliance reminder for the business side and take the opportunity to review your policies and procedures for risks and deficiencies identified in the guidance. Sign up here for Dorsey's client alerts to stay informed!

7. SEC exams and enforcement—despite the new Trump administration, OCIE has not slowed down exams and enforcement efforts. Consider conducting a mock examination to detect and remediate potential violations prior to SEC action. Check out recent SEC guidance here.

8. Asian investors—Cayman is still the fund jurisdiction of choice for Asian investors. Although the new beneficial ownership regime of Cayman centralizes ownership information of Cayman-registered entities, ownership information will not be made public. Private funds and limited partnerships are excluded from such new regime if complying with certain exemptions.

9. Cybersecurity—it's not just an IT issue, it's an enterprise issue. Recent SEC enforcement actions relating to cybersecurity were all avoidable. Fund managers should refer to the 7 steps provided in the SEC guidance identified as part of an effective compliance program that would have avoided the issues underlying the enforcement actions. Check out the SEC's cybersecurity guidance and related materials here.

10. Vendor due diligence—cybersecurity threats do not recognize sovereign borders or distinctions between legal entities. Look not only at your own network but also at your dependencies and third-party vendors. Your firm may not be directly hacked, but a vendor's network with access to yours may be hacked with the intention of ultimately reaching your systems.