Twitter Thread by Elizabeth Yin



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Last week, I wrote a thread about generating momentum for startups.

Today's thread is on how emerging fund managers can generate momentum for their fund.

Whatever you do, momentum is so impt to get ppl onboard -- for hiring, for sales, for fundraising.

Read on >>

1) First, why does momentum matter?

Think about it from the "buyer's perspective" -- it is almost ALWAYS better to wait and get more information if you can get the same deal. Right?

More info on a potential investment. More info on a new product. Etc.

2) There are few situations where it's impt to be a first mover.

If you're a product buyer, it could be you have a dire situation at your company that alternatives can't handle.

But if you have a decent alternative (alternative product or alt investment), it's better to wait.

3) That means it's YOUR JOB to create momentum. Whether for fundraising, sales, or hiring.

So with that in mind, how do you generate momentum for fund fundraising?

4) In a prior tweet about generating momentum for startup fundraising, essentially I said to limit your supply (the amnt you are raising) in tranches AND to increase demand by packing in mtgs.

Unfort this doesn't quite work well for funds.

5) This is because when you are you trying to raise a $10m fund and have $0 committed, how do you get ppl to invest $100k or $1m checks?

Larger raises have this problem.

6) There is a technique that some ppl use that I don't think works well for EMs. And that is to charge fees to later investors -- essentially the equiv of raising the valuation on a later tranche.

However, most LPs would just walk away from a first time fund.

7) One of the things we did for @HustleFundVC was to increase the min commit which is the fund equiv of scarcity.

We will only take a limited # of small checks. Starting at $25k. Then $50k. Then $100k. Then $250k. Later $1m event.

8) I had a few ppl say they wanted to know how long we were raising for (and since the answer was months), they wanted to know if they could wait until a later close. And telling them yes, but the min check size was going to increase worked!

9) This is how we were able to get a number of smaller checks signed within a week.

We got small checks in. Then used that to build momentum for larger checks.

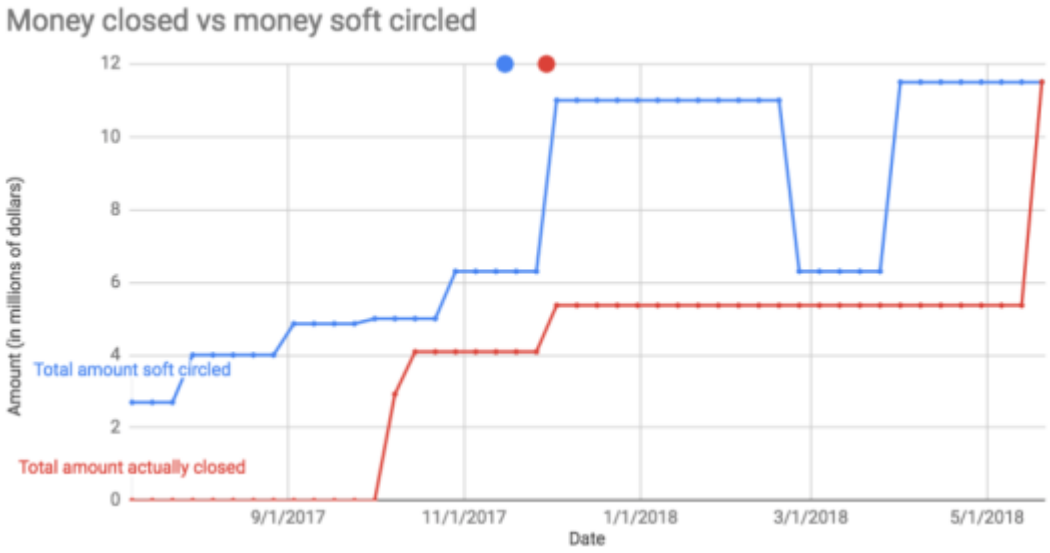
10) In addition, small check writers were incredibly helpful in doing intros which is the #1 thing that is impt for EMs. ■

@chudson gave me great advice for my fund 1 - "Don't run out of leads". One of the best ways to get leads is from ppl who are already invested.

11) Everyone, of course, would prefer bigger checks, but I'm so thankful to our small check writers for helping us get that momentum -- such an impt component to fundraising that most ppl overlook (whether for startups OR for funds).

12) As you can see here - this is what our @HustleFundVC Fund 1 fundraise looked like (see red line) -- most of the money was signed in the last few weeks of a 9 month raise!

Momentum is everything.



13) Aside for limiting the number of checks at smaller sizes, other ways to build momentum incl relentless updates on a scheduled cadence. Get ppl excited about the deals you are seeing / funding.

@ericbahn sends ours on the 1st of every month on the dot.

14) @MacConwell does a deal-breakdown w his LPs. Background of the founders. Why they will win? Why the biz is interesting?

Investors want to be part of something that is moving fwd, & updates that show you're doing this with or without them is a great way to show momentum.

15) Lastly, show momentum on OTHER THINGS that are impt to LPs. Angel LPs invest for all kinds of reasons - def ROI AND also to network w/ others, to learn new things, to get deal flow, to support founders, etc.

You won't have returns to show but you can move other things fwd.

16) Things we did on Fund 1 to move other things fwd incl doing social events (open to our LPs). We shared deal flow (still do). Etc.

So the sooner an LP commits, the sooner someone will be able to access all those other things which is a forcing fx for signing earlier.

17) One of my biggest learnings over the yrs - since this doesn't come naturally - to me is to now think in terms of forcing functions. How do you create urgency to overcome natural, logical reasons to wait for more information?

That's how to build momentum.