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EPISODE 119:

Seeding the Next Generation of Private Market GPs with New Catalyst Strategic Partners

Robert Morier: Welcome to the Dakota Live Podcast.

I'm your host, Robert Morier. The goal of this podcast is to help you better know the people behind investment decisions. We introduce you to chief investment officers, manager research professionals, investment consultants, and other important players in the industry who will help you sell in between the lines and better understand the investment sales ecosystem. If you're not familiar with Dakota and our Dakota Live content, please check out our website at dakota.com. Before we get started, I need to read a brief disclosure. This content is provided for informational purposes and should not be relied upon as recommendations or advice about investing in securities. All investments involve risk and may lose money. Dakota does not guarantee the accuracy of any of the information provided by the speaker who is not affiliated with Dakota. Not a solicitation, testimonial, or endorsement by Dakota or its affiliates. Nothing herein is intended to indicate approval, support, or recommendation of the investment advisor or its supervised persons by Dakota.
Today's episode is brought to you by Dakota Marketplace. Are you tired of constantly jumping between multiple databases and channels to find the right investment opportunities? Introducing Dakota Marketplace, the comprehensive institutional and intermediary database built by fundraisers for fundraisers. With Dakota Marketplace, you'll have access to all channels and asset classes in one place, saving you time and streamlining your fundraising process. Say goodbye to the frustration of searching through multiple databases and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakotamarketplace.com today. Well, I am thrilled to introduce our audience today to Demetrius Sidberry, Managing Director at New Catalyst Strategic Partners. Demetrius, welcome to the studios in Philadelphia.

Demetrius Sidberry: Thanks for having me.

Robert Morier: Thank you for being here. It's really a pleasure. And we're very excited to get into the conversation. We have a lot of questions to ask you. Before we do, I want to introduce my co-host for the day, Chris LeRoy. Chris, welcome to the desk.

Chris Leroy: Thanks, Rob.

Robert Morier: Yeah, thank you for being here. Your name may sound familiar to a lot of our audience, not just because of the work you do at Dakota, but because of your prior life as an allocator. You worked with Vanguard, Templeton Foundation, and the University of Delaware for nearly a decade. So, we're very happy to have expertise and insights on the desk today.

Chris Leroy: Thanks for having me.

Robert Morier: Chris is also the co-host of the Dakota Research Podcast and leads the efforts with the Dakota Research Database, which is one of the firm's newest tools to help you transform how you approach private fund investing. By combining private market insights, fundraising intelligence, and contact management tools into a single, cohesive platform, Dakota Research is designed to meet your specific needs and deliver unmatched results. We're actually going to use it in the classroom this spring. We have a venture capital due diligence course. We're going to incorporate the database into our curriculum. So, Chris, thank you again for all your time. Thanks for being here today.

Well, Demetrius, as I said before, we have a lot of questions to ask you. But before we do, I'm going to read your biography for the audience. Demetrius Sidberry is a managing director and investment committee member of New Catalyst Strategic Partners, where his primary responsibilities include the sourcing and execution of structured partnerships in addition to general partner value creation services.

New Catalyst Strategic Partners offers GP seeding and related growth capital solutions to help launch and scale next-generation managers with a focus on private market firms raising their first through Fifth institutional funds, targeting fund sizes of at least $250 million.

Prior to New catalyst, Demetri was a managing director and investment committee member of Hamilton Lane's direct equity team. In this role, his primary responsibilities included strategy oversight, direct deal sourcing and execution, and client management. During his time at Hamilton Lane, Demetrius also served as a senior member of the firm's secondaries team and worked on various strategic initiatives, including serving as the head of public investor relations throughout the execution of the firm's initial public offering in 2017.

Prior to joining Hamilton Lane in 2011, Demetrius was a deal professional with ICV Partners, a lower middle market buyout firm that invests across multiple sectors, predominantly in North America. Demetrius began his career as an analyst in the global consumer products and retail investment banking group at UBS, where he worked on a range of sell side and buy side advisory transactions, acquisition and financings, and equity offerings. Demetrius received a BS in Business Administration from the University of North Carolina, Wilmington. Congratulations on all your success, Demetrius. Thank you for being here.

We always like to start with the beginning on the show, as I mentioned to you before we started recording, in addition to asset managers and asset allocators who tune into the show, we also increasingly have a number of students and educators who are interested about what it was like for you. You're sitting down in Wilmington, North Carolina. You're trying to figure out what road you're going to take, what career you're going to take. So how did that road come to fruition for you when you thought about those days back in Wilmington?

Demetrius Sidberry: Yeah, no. And again, thank you for having me on. In terms of where it started for me, I'd say it was a failed experiment. And what I mean by that, I was a scholarship recipient for the University of North Carolina, Wilmington. The scholarship was really intended for a student who wanted to study medicine. And so, I always joke and say, I was a pre-med student for all of 2 weeks. And then I saw all the science courses that I would have to take and be successful in and that was pretty daunting to me.

At the same time, because I was a scholarship recipient, I actually had extra money left over and I started investing in the stock market. And here's where the failed experiment came in. I looked at 52-week lows and all-time highs and said if I can get stocks that were close to that 52-week low and the high was a pretty big difference between that low, I would make a lot of money.

Needless to say, that was not a successful strategy. I lost all of my money in Global Crossing, which was several thousand dollars for me at the time. It was the most money I'd ever seen in my own account. And it was devastating for all of one day. But what I took away from that was as much money as you could lose, there was only so much money that you could lose in investing in the stock market, which we know that there are some exceptions to that. But there was unlimited upside. And it was also fun for me.

While I didn't necessarily have a lot of money then to play the stock market, I became fascinated with it, obsessed with watching CNBC, getting my hands on whatever sort of financial rags I could get my hands on at the time. And I would sit in this Upperman Center, which is a cultural center at University of North Carolina at Wilmington, and I would watch CNBC all day, learn the lingo.

Fast forward to my junior year in college-- so I had switched my major to finance, probably not surprisingly given that backdrop. Fast forward to my junior year, I applied for this organization called SEO. At the time, it was Sponsors for Educational Opportunity. Now I think it stands for Seizing Every Opportunity, and it is an amazing organization that's responsible for a lot of the diverse talent, junior talent that you see on Wall Street. So got into that program, ended up getting a summer internship with UBS Investment Bank. That turned into a full-time opportunity. It was an incredible experience. It was very, very hard. But I learned a ton about finance and worked on some really interesting transactions in the retail space. And then that ultimately led to my first role in principle investing or asset management, which was a firm, ICV Partners that you mentioned in my bio, which, again, another amazing stop for me. It was and still is one of the few Black-owned private equity firms and has been successful. And at the time, it was on its second fund. And so, when I joined, it was still a young fund. It was still learning, which has played a role today and my decision to ultimately join New Catalyst. But that was really my introduction to asset management and principle investing.

Robert Morier: To our students listening, you mentioned that UBS was hard. What was hard about it?

Demetrius Sidberry: The things that you hear about that I think the banks have tried to do a better job of managing the number of hours that you're working. You have to have a lot of energy. You have to have a lot of stamina, fortitude, whatever word you want to use. But the hours were incredibly difficult.

It was also a very fast pace for someone, and it's not to put everyone in the same category, if you're from the South, things move a little bit slower. At least that was my experience. And so, moving to New York, I think the thing that was hard for me was perhaps outside of the four walls of UBS and adjusting to New York City, but then getting into those four walls and then having it be such a high pace environment, that was very intense. That manifested itself in the hours often. But one of the things is once you got into a rhythm and once I got into a rhythm, I actually had a lot of fun dealing with the complexities of the role. And a lot of it was just dealing with people.

You hear the saying all the time in investment banking in particular, but finance in general, it's not rocket science, and it's true. I do think the part that is really difficult can be some of the personalities. And while I was surrounded by a lot of great people, many of which are still my mentors today, all it takes is one or two difficult personalities. You compound that with the hours and being in unfamiliar territory like New York City when you're from Wilmington, North Carolina, that was pretty challenging for me in the early days.

Robert Morier: No, I understand that. I'm from Wildwood, New Jersey, so I'm from a Beach town. I grew up on an island, so we were definitely on an island--

Demetrius Sidberry: A little different than New York City.

Robert Morier: Yeah. and I remember telling my parents, they asked me how it was in New York. I said, you compete for everything. You compete for your place in line. You compete for your taxi. You compete for your bagel. It's all competitive.

Demetrius Sidberry: It starts when you wake up in the morning.

Robert Morier: It really does. So, it is a big adjustment. But thank you for sharing that. It's very helpful. Well, after ICV, you go to Hamilton Lane. You were there for over 12 years. If I listed everything you did over those 12 years, it would probably be the rest of the show. So how would you talk about those years at Hamilton Lane, maybe your career progression over that time period would be very helpful for us?

Demetrius Sidberry: Sure. So, Hamilton Lane, an amazing experience. And so just to give you some data points, when I joined the firm, I think I was between employee number 150 to 175. I think that firm is at 800 people today. And when I left, it was probably close to 700, and I left almost a year and a half ago. And it was not an easy decision for me because I had such an incredible experience there with the team and seeing how the firm was growing. And I benefited from it a lot. Like you said, I played a lot of different roles while I was there. What I started off doing while I was there was an extension of what I was doing at ICV Partners, which was principle investing, finding a company that was really interesting to invest. And the difference at Hamilton Lane, it was a co-investment product. And so, we would attach ourselves to managers in their areas of expertise and ultimately invest in a number of companies each year, which was a lot of fun. You got to see a lot of deals. You got to see how different private equity firms thought about the markets and the opportunities they were investing in. And you got to pick because it was more of a volume business than when I was at ICV.

I would say that was the most common or that was the experience that I had the most while I was at Hamilton Lane, working on the direct equity team. I started there. And when I left the firm, I was a managing director and investment committee member for that strategy. The in between was really interesting as well. I spent time on a secondary team. I spent time in corporate strategy. I was the head of investor relations when the firm first went public. And that experience was tremendous. And I remember the CEO of Hamilton Lane coming to me when they asked me if I would be interested in doing the head of investor relations role as we were getting ready to go public. And I had worked on the project of taking the firm public with the leadership team. And I was hesitant to do that because I loved what I was doing on the direct equity side. And I remember Mario Giannini, who was the CEO at the time, said to me that you will become a better investor if you do this, and you will know more about the business of private equity than if you just sit in your current seat. And that came to fruition.

And so, I had an incredible time working with the team on taking the firm public, being a part of the team that explained to the public markets why Hamilton Lane was a bit different than Blackstone or KKR. Not better or worse, just different, a different way of accessing the private markets. And that part of my experience was very formative for me ultimately deciding to join New Catalyst. And so incredible 12-year run while I was there. Still respect the team a tremendous amount. And still being in Philadelphia, I'm in touch with them. Often And so I can't say enough nice things about my experience at Hamilton Lane and what that firm has become.

Robert Morier: It's wonderful. Thank you for sharing that. Another episode that we could talk about nothing but that IPL, back when asset managers went public. It feels like that was a long time ago. But what was that process like? So, you're moving over to an IR role for the first time. You're essentially having to understand the entire business soup to nuts and talk about it in a way that was understandable not just to analysts, but to shareholders. So, what was the main thing that you took away from that role? Because it's something that I've heard you talk about before, really understanding that business from the ground up.

Demetrius Sidberry: It was interesting. What I find that practitioners often miss when it comes to financial services is the value, the power of simplification. And I think the reason why the Hamilton landing story has been so successful in the public market is that team has done an amazing job of helping analysts and investors understand that this is a private equity firm, but it's a business too. And it's a part of the theme of New Catalyst. It's one of the core tenets of, I forget, it's a kid's movie where they're-- I think it was Monsters, Inc. where they said, monsters are people, too. And private equity firms are businesses, too, and I think people have to really understand that. And the thing that I took away from that is the easier you make a story to digest; the more people are willing to digest it. And when you're a public company, you want more buyers of your stock. You want more people interested in your stock. And I think the team did an incredible job of simplifying that story. The other thing that I learned from that was what Mario said to me was the business of the business, and that's when I became interested in being a bit more strategic. And I think the deal world is incredibly fun. And a big part of my role at New Catalyst today is focusing on opportunities that we will ultimately bring into our portfolio. However, I am as, if not more interested in the strategy of private equity. And ultimately what we're investing behind, and we're going to talk about. New catalyst in a little bit, but what we're investing behind are people who want to build a business in private equity. And that's very different than just doing deals. And that's a part of the reason why we need to exist as a firm. So, a couple of different things. There were a lot of things that I learned in that process and a lot of friends that I made and parts of the market that I don't think I would have experienced otherwise. But I would say those are the two things that stood out to me most during that process and I carry with me today.

Robert Morier: So, take us back. You're sitting at your desk at Hamilton Lane. Who calls you about the opportunity with New Catalyst Strategic Partners? And what was that call like? And why did you take it?

Demetrius Sidberry: Jason Howard, the founder and managing partner. If you're an emerging manager, you probably recognize the name. I can't speak highly of him enough in terms of the work that he's done in the emerging manager space over the last 14 or 15 years or so. He and I had a long-term relationship dating back close to 15 years. When I was at ICV partners, the firm that he was with at the time invested in ICV partners. He and I got to know each other looking at a couple of deals together when I was there. And then ultimately, we maintained a relationship despite the fact that we were on competitive platforms. So, he was at GCM Grosvenor. Obviously, I was with Hamilton Lane. But he would always reach out to me and just check in. It was never like, hey, trying to get information and reposition or get competitive advantages or anything like that. He was always just call and check in on how I was doing as a person first and then as a professional.
And so, anytime he'd call me, I would take his call. So, in the summer of 2023, he reaches out to me, I think it was probably six months after he left GCM to launch New Catalyst. And he told me, hey, I'm getting closer to having an agreement in place with a strategic partner that will allow me to launch a different way of investing in next-gen managers. And I'm looking for a few good people to potentially join and help build a business.

And he didn't say, hey, would you be interested? He wanted feedback. He wanted feedback on the idea based on the fact that I worked on a different platform, and we view the emerging manager space, had a different perspective on it than perhaps when he was at GCM. That conversation went from a, yeah, I'm happy to give you some thoughts to this sounds really interesting. At the same time, I was transitioning at Hamilton Lane, going back to one of the roles that I played there. I was actually named the co-head of impact and sustainability right before I left. And that was an exciting opportunity for me. It was going to give me a chance to work with a guy who I had known from the very beginning of my time at Hamilton Lane and spend some time with who is leading that platform today. But this stood out to me as if there was ever a chance for me to step out on my own and take entrepreneurial risk with the little E, and I'll explain why it's a little E in a bit, it felt like this was the time.

And so, the other thing m I go back to the IPO conversation. Probably the most powerful experience that I had, and I don't think I ever told the leadership team, this was our last series of meetings. We're in Chicago during the IPO roadshow. And while we were on our way back to Philadelphia, it happened to be the entire firms off site. And while we were in the car together riding to the off-site, they started reflecting on what it was like when they first joined the firm. And these are the architects of now a business that's a publicly traded business that everyone can look under the hood, see how they're performing, how they built the business over time. And the sense of pride that those guys had around building something so special that other people wanted to have a piece of, it was something that really struck a chord with me. And it was at that time that I thought, man, I would love to be a part of building something from the ground up. But as you probably know all too well, scale matters in private equity. So, the idea of entrepreneurship and private equity is almost counterintuitive. I kind of pushed that to the side, continued to do a lot of different things at Hamilton Lane, and build what I believe is a helpful toolkit and what we're doing at New Catalyst not knowing that New Catalyst will come along. So, I took the call because I reflected back to that conversation in 2017 being in that car and listening to the leadership team there talk about what it was like when they were sketching out things on a piece of paper and now it was in a document that the world could see and invest behind.

Robert Morier: It changes a lot. And I part of an IPO, an asset manager that went public in 2010.

And I had started there in 2002-2003. And very similar, so I was one of the earliest employees. We had grown up at the firm. And I remember that reflection. And we would reflect with clients as well who had been with us from the beginning. And I remember clients saying, well, now there's only two ways to judge you, performance and costs because you're an asset manager. So, let's see how you do on those two criteria. So, it a really interesting dynamic, not just from an internal perspective that entrepreneurial bug that may get lessened a little bit, but also the clients and how you would work with them, and speak with them, and how the language would be adjusted as a result. So, thank you for sharing all that. I appreciate it. So, tell us about New Catalyst. So put your IR hat back on. Give us the overview of new catalyst and particularly to those folks who may not be as familiar with it.

Demetrius Sidberry: New Catalyst is in the name. We want to be a catalytic investor in the private markets. And we believe we're providing a solution that exists in bits and pieces but bring that together in a one-stop solution if you want to start your own firm in private equity or if you're looking to grow as your evolving through those early days as an emerging manager. So more specifically, what we do at New Catalyst is we provide seed and growth capital for what we call next-gen managers, so managers on their funds 1 through 5, generally speaking, I think there'll be a meaningful concentration on managers that are a bit earlier, so fund 1, 2, and 3, but the ability to help a manager on a fund 4 or 5 if they're thinking about raising a new strategy or if there's a leadership transition, et cetera. But our goal is to not only arm those teams with capital, which is absolutely paramount, but also value creation resources, operationally intensive mindset to actually help those firms build institutional quality framework around the investment engine.

And so, if you are a manager who's got a great track record of investing often, those who invest have not necessarily led or built a framework around it. They're good at going out and finding deals, executing on those deals, and driving value creation. That's an important part of the equation. But the business of the business of private equity is important as well. And for LPs, there's an increasing appetite for next-gen managers, but at the same time, there's an increasing bar of what that means. And de-risking is not just about what your track record was historically. It's about, again, the institutional quality that's around you.

So, our job is, as a firm, to go out and catalyze that with a $50 to $75 million commitment. We can also do co-invest capital. So, if you have situations where you want to get involved prior to having a fund, build a prefund track record, we can help out with that. We can also provide working capital, which is very important. But we're also going to arm you with resources, subject matter experts who are working with us in a very explicit way to help you build that business.

Robert Morier: I heard you, very effectively, distill the business as a manager selection strategy. Is that how you would categorize it, you're out there sourcing managers?

Demetrius Sidberry: At its core, that's what it is. And if you think about the composition of the team, with Jason being the founder and managing partner and years in the market of being what we refer to as a preconsensus investor, so getting behind GPs before anyone else is, but then also serving as a reference to get other LPs behind them, the key for us is finding the highest caliber managers.

We're going to do that in a couple of ways. One, the capital doesn't hurt, but also differentiating ourselves with the value creation support. The terms in the market, and we'll talk about this later, there's a market standard. But how do you ultimately get more out of that if you're a GP, we think we have a great solution for it. But again, it goes back to are you picking the highest caliber managers that have a great track record that other LPs are going to be interested in getting behind and building with over the long haul?

Robert Morier: You mentioned GP seeding and GP working capital. Can you break down the key distinctions between these offerings and when a manager would need one versus the other?

Demetrius Sidberry: Yeah. So, in virtually all situations, there's always going to be an exception. We want to be a large LP, even in a growth scenario. So even if you're on a fund 3 or 4 and you have a leadership transition that you're working through or a new product that you want to develop, that $50 to $75 million is how we think about putting a meaningful amount of capital to work supporting the manager.

I think the distinction between that capital and the working capital, and when that working capital would be appropriate is the cost of building that institutional infrastructure, that I mentioned earlier. And so, you're a manager who you're in your mid-30s to mid-40s, which we would say average age range, and it's a wide range, but average age range of someone founding their own firm, everyone's had a different experience, and their path has been different in getting there.

And some people have the $5 to $10 million that it takes to launch an institutional quality firm. Some have it, some don't. And so, we want to make sure that the constraint for our GP is not, I can't go out and hire the team to help build the firm that I want to build. I can't pay for the lawyers that I need to write the PPM and to do the things that are necessary in terms of standing up a new firm compliance. All of these things that if you're a deal person, you don't necessarily think about the cost, and the resource, the time drain that comes along with those elements. And so, the working capital will help with that.

I can tell you, if you look at the discussions we're having today, it's split down the middle. Half the folks are, I have the liquidity. I just need the validation and the scale capital to launch the strategy. The other half are, I need the whole package. Co-invest sounds interesting, working capital sounds interesting, and the LP commitment, no one's going to turn that down.

Robert Morier: Can I ask you; it's a more provocative question because I teach early-stage venture. So, we talk to these startup companies all day, every day. And we scrutinize them. That founder needs to know their business inside and out. They need to know every vertical, every aspect. They need to know what the next 5 years looks like in order to receive any meaningful capital. Interestingly, I always found GPs get a little bit of an out. They're deal people. But I've met a lot of them that really don't understand the business but they're asking for a significant amount of money. How do you think about that gap when it occurs? It's not in every GP. But when it does occur, it's an interesting dynamic because I've heard founders, portfolio managers say, I don't know anything about that side of the business.

Demetrius Sidberry: You hit on a very important distinction in seeding a new manager versus providing venture capital for an operating company. Ultimately, we want to have ownership in seeding that manager in the operating company, but our capital, in theory, is de-risked because it's actually going into a fund construct. So, think about this idea of in private equity, and my old firm used to put out a stat all the time, it is rare for a manager to lose money at the fund level. Essentially where our model works is we're getting an economic interest in that manager, that operating company for providing seed capital in the fund that's going to get diversified over, call it, 7 to 12 assets. And so, it is a different risk proposition. And the reason why we need to exist is because the GP is less familiar with all of the other things associated with building a business.
We're actually OK and we feel validated in having a discussion, and we're having several of them now where the manager knows their investment vertical inside and out. Market trends, what companies are more interesting than not, which bankers should access deals through, how to get proprietary deal flow, we don't want to teach them that. That's not the manager that we're going to get behind. But the manager just like, I can do that part with my eyes closed at this point, but I don't really know where to start in building the business, that's a good situation for us to get involved in.

Robert Morier: I'm already regretting the show is only an hour. We could ask you a lot of follow-up questions. It sounds highly collaborative. So, what does a typical structure look like for these types of investments with these analysts?

Demetrius Sidberry: Whether it's in a seeding construct or a growth scenario, we're looking for some sort of economic interest that will differentiate our LP's experience from that of a fund of funds. How it manifests itself in the market, this is not a New Catalyst thing, is a revenue share. It often then converts into an underlying interest in the management company. Now we're trying to thread the needle between being helpful, earning that right beyond the capital to have an ownership interest in the management company, but also not doing it in a way that's going to turn off other LPs down the road or hamstring the manager from doing the very thing that we are backing them to do, which is grow, bring people onto their team.
It's a people business and so it starts with that. It's the costliest aspect of what we do in private markets. And so, there's a delicate balance between having a structure that's compelling for our underlying LPs but also making sure that the manager is equipped to do, again, the very thing that we're backing them to do in the first place, which is grow. So that revenue share is core to what we do. There are other nuances associated with, well, can we warehouse transactions on the co-investment side? The answer is yes. We want to be a flexible capital solutions provider. What I will tell you is that if you look 3 years, 5

years down the road and we will have done a number of these situations, it is unlikely that any of the terms will be the same.

Robert Morier: Earning the ownership is an interesting concept. I think that makes a lot of sense. And I would assume to those LPs who are looking at you all as well, it's a good way to be positioning yourself and your business.

Chris Leroy: Demetrius, what are the core characteristics that you look for when investing in a GP?

Demetrius Sidberry: Yeah. And I mentioned some of these a little bit earlier in some of the other responses, but we're not backing first-time investors. And so, if you're a person that has a great idea, but you've never executed on it before, it's not the situation that we're going to get involved in. So, what we are looking for is a very experienced team and exceptional track record that we believe is repeatable. Some form of differentiation, whether it's in sourcing, value creation. And then the other part that I think is it shouldn't be overlooked and it's super important to us is the culture piece. And it doesn't have to be the same culture. You don't have to mimic the New Catalyst culture. But it needs to be a culture that's rooted in equitable approach to sharing economics and equitable approach to how you're growing your team and developing it over time. And so those are some of the key areas that we're focused on. You can go down a rabbit hole in any one of those and say specifically what we're focused on.
I'd say backing up a little bit, private equity is our predominant focus. And 80% of what we're going to do, 80% to 90% will be private equity situations, so buyout, growth, and special situations. But we do have an opportunistic remit for credit, real assets, real estate because those situations require some of the same benefits that we think we would bring to the managers, but they have a different underlying return profile.

Robert Morier: And interim, you mentioned culture is such a big piece in the people behind the business to driving the business forward and being able to execute as well. But are there any characteristics that would take a manager off the table in terms of that don't meet the criteria that you're looking for?

Demetrius Sidberry: Aside from sectors, oil and gas we won't do. Personality wise, a bad actor, and that can cut across a number of areas. So, one of the things we're doing, especially as we get further into discussions and once we have permission to start having reference calls, we're focused on not only how they drive value in this transaction, but what would they like to work with. That's very important.
I think the other piece is sometimes, managers think it's OK to perhaps do things that rhyme with what they've done historically. And that can be OK in certain situations. But we are looking for managers who have executed on a very specific strategy before and they're just looking to do it in an independent firm that they're standing up on their own.

Because the track record is where the conversation starts and often where it ends. And so that part is important.
But I go back to I've had preliminary discussions with managers that have incredible track records, would need to be validated, but what you see presented looks pretty compelling. But then they say a few things and it's like, is that the person that you want to be tied to for the next 10 years? Because these are long-term partnerships. And in some instances, the answer is no.

Robert Morier: Yeah. I have a friend that always kind of monitors that, too. It's to say to do ratio.

Demetrius Sidberry: Yeah.

Robert Morier: Can you walk us through an example, take us start to finish from underwriting?

Demetrius Sidberry: This could take a decent amount of time. I'll give you the short version. And I'll put it into two categories, the measurables and then the intangibles, which probably not surprising to you, that part is more focused on the people. I'd say on the measurables that you start with, what is the strategy, what is the historical track record, the tenure of the team, the amount of capital deployed across that strategy, the pacing. Because when you're looking at individuals that sit on a platform, they may have done 1 to 2 deals over the last 5 years and now you're asking them to do 8 to 10 deals over the next 5 years. Is that doable? So, we really pressure test the numbers, if you will, around the strategy. And we're doing that on an absolute basis, but also on a relative basis. Because a part of our role is to suss out not only are you a good manager, but how do you stack up relative to other options LPs are going to have from a return's perspective, from a differentiation perspective? And so, we're really, really pushing on those points around diligence from the start to the finish. And then the challenging part about seed investing often, and you probably remember this from your days as an allocator, if you're starting a new firm, the track record discussion isn't easy because you don't get attribution. And so how do you piece that together? And so, we're doing detective work to figure those pieces out. And the team has a lot of experience in doing that. So that part is great. On the unmeasurable or the intangible side, the people. It starts with that first conversation where we're assessing, one, are these people who are good actors in the broader ecosystem of financial services because you're working with bankers, you're working with lawyers, you're working with founders of businesses that it's their baby and they want to make sure they're getting into a partnership with the right partner. But we're also thinking about how that person is going to work with us for 10 years and do they want the real partnership approach or are just looking at us as capital. If you're just looking at us as capital, I can tell you there's a cheaper source of capital than what New Catalyst is going to provide. But we would say it's going to be less strategic and it's still going to be very, very difficult to come by. And so, someone who has that partnership mindset-- and you not only see that reflected in the conversations that I'm saying all the things that trained investment professionals would know what to say in these discussions but how they interact with their team.

So, we've invested a lot. I always say if you look at the operating partners, we have on board with us that are going to work with our managers in a very intensive way, we have a lot of people dedicated to the people aspect of it and assessing different points along the way. How do you recruit, how do you retain and develop, how do you build boards, that is really, really important. And when we're evaluating a manager at the onset, spending a lot of time on people, which private equity firms say it all the time, it's a people business, but think about the last time you saw an emerging manager with an HR focus, somebody on their team that's helping them think about that part of their business. One, it's usually not affordable early days. But two, they don't think about it. So, we're trying to instill a different approach as it relates to that. And the willingness of the manager to accept that is going to be an important part of our diligence in terms of the types of groups we're going to support.

Robert Morier: And so, the team is spending obviously a tremendous amount of time pressure testing the quantitative aspect but then it comes back to the qualitative aspect of the underwriting process in the final decision making. So, people, at the end of the day, can make or break really any type of partnership you're pursuing.

Demetrius Sidberry: Absolutely. And at the intersection of it, did not talk about the sector and those things are important as well. They're qualitative aspects of, are we backing a manager that is in a sector that has tailwinds or headwinds. And if there are headwinds, what is their contrarian view? And is that contrarian view not only sustainable through a 5-year period, but again, 10-year period? And we're also, at some point, we're going to exit our interest in a manager. What does it look like 15--

And no one has a crystal ball. But having somewhat of a view in terms of the repeatability of what they're doing over a long period of time is important because we can't just think about the entry, but we have to also think about going out on the end and whether or not it's going to continue to be interesting to LPs and the next potential strategic investor.

Robert Morier: In today's environment, raising capital for emerging managers, what are some of the key challenges that they're facing today?

Demetrius Sidberry: It's always been difficult for emerging managers to raise capital. I think it's particularly difficult in today's environment when it's also hard for large managers and mega managers to raise capital. And part of it is the system-- a big part of it is the system's gummed up from a liquidity perspective. And so easier to get more money when you've given some of it back.

And I think if you look at all the research and you listen to the pundits in the market-- and we're believers that we're going to see more liquidity this year and hopefully, in the subsequent years, and that will help some of the conversations. I also think, it goes back to a point that I made a little bit earlier around if you're an LP, and you've probably experienced some of this as well, there's a no one's going to blame you for investing in manager X that's been around for 25 years that has $100 billion of assets under management and has this incredible infrastructure in place.

If you step out and you make a call on a manager that no one's ever heard of that's building all of those things, whether they have a New Catalyst supporting them or not, it becomes a bit of a different risk proposition or risk appetite for the underlying LP. And so, I think that part of the-- anytime you see dislocation in a market, people gravitate towards safe bets, if you will, whether that's true or not. And I think that presents an even greater challenge for emerging managers in today's environment.

Robert Morier: And how is New Catalyst helping bridge the gap with those challenges, too, on the capital raising, capital formation side of things?

Demetrius Sidberry: Well, some of it is very tangible. The realization around seeding strategies, and this is not just New Catalyst, is if you're a manager, and you're getting going, and you have $50 to $75 million to actually go out and create proof of concept or demonstration of success, that is a big resource at your disposal. The other part is the validation. One of the things I didn't mention earlier around the New Catalyst platform is we have backing from Apollo. So, Apollo is to new catalyst what New Catalyst would like to next-gen managers. There's a halo effect that comes along with that. I think people view Apollo as very smart, very strategic investors, very unique in terms of how they think about the market. And so when you have a group that is backed by Apollo but then a team that consists of folks that were at GCM, and Hamilton Lane, and APG, and Wafra, these firms that are very credible in the LP universe, it should hopefully send a signal to the market that this is a high caliber manager that is worth backing. And so, we do think there's a tangible benefit of you have the capital to go do the deals. You have this halo effect associated with the Apollo, New Catalyst, New Catalyst consisting of all of these brands coming together.

And then the other part that I mentioned earlier in the description is the value creation stuff is absolutely critical because one of the core areas of focus is capital formation. We work with a woman named Monica Davis and her firm, MFT Advisory, on product strategy, which I simplified as packaging. But it is positioning. It is how do you frame your story. It is how are the markets going to view you relative to other groups out there. And her firm is excellent in delivering on that solution. And we also partner with a woman named Beth Rohn and her firm is focused on distributing to emerging managers the LPs that are interested in emerging managers. So, part of it is knowing your audience and figuring out the right people to talk to and you're going to have a much higher success rate. And so, we have folks that are supporting us as operating partners that will support our managers to make that journey to give them the resources to get through that journey differently.

Robert Morier: Do the criteria change when you're looking at a first-time fund versus fund 3, or 4, or 5?

Demetrius Sidberry: Look, the criteria is going to be the same. I would say probably easier to vet if you're on managers 3, 4-- or on fund 3, 4, or 5 because now you're looking at their track record that's been built as an independent platform as opposed to having to do the detective work around a manager that's just spinning out. And see, the other part that changes are the situation because when we talk about growth investments, it is, again, the manager that is on fund 2 going to fund 3 and may need top up to get to their target for fund 2. You're also dealing in situations where a firm may be growing out of the emerging manager program, and they need a catalyst to help them make that transition. We've had a number of discussions with managers where there's a leadership transition and so we're now evaluating, again, the team elements, the same things that we would go through in a seeding situation, we're going to go through in that growth situation but maybe with a little bit of a different lens, given that, again, you have a team or a firm that has been in place for some time and now we're just assessing how we can help them achieve their growth objectives as opposed to how do we help them get off the ground. And so, there are slight nuances, but the quality, going back to your point earlier, manager selection is at its core. We're going to have more data points in that growth scenario than in the seeding scenario.

Robert Morier: And there's a tremendous amount of work done up front to position for success later down the road.

Demetrius Sidberry: That's exactly right.

Robert Morier: How important, when you think about the underwriting process, sourcing a manager, building that trust, how important is your relationship with other LPs? So, when it comes to thought sharing, you're given references for managers that might be newer to you, how much do you rely on that network?

Demetrius Sidberry: For us to think that GPs aren't watching and seeing how we're navigating the market and the connectivity that we have with limited partners would be a silly approach. So, the short answer to your question is it's really, really important because a lot of the conversations start with capital formation and end with capital formation. I think people can take a lot of when we have the conversation with GPs, it's a two way-- especially if it's what we call a high priority discussion, it becomes a little bit of a two-way pitch. So, this is why you should work with us. I mentioned earlier, Jason, folks in the emerging manager space likely know that name, Jason Howard, that doesn't hurt, someone who's done this over and over again, which means he has not only evaluated the managers, but he's then connected them with the right LPs. And he managed some of the emerging managers program for some of the largest programs focused on emerging managers in the country. And so, there's some embedded goodwill in the LP community that way. But for managers who are less familiar with that, we take them down the roster and say, one, you have, again, the GCM, the Hamilton Lane, the other names that I mentioned that represent the folks that are on our team, you take them down that roster. And you take them through real conversations that you've had in situations that may look like the one that the GP is in where you've been able to get them over the hump in discussions with very challenging LPs. The thing that I think people often-- my father always said this thing to me about real estate where he would say, you don't need 100 people to want it, you just need one person to buy it. In the LP world, you don't need 100 LPs. That could actually be cumbersome. But you need 10 to 15, 15 to 20 solid LPs. And so having a team that 1 experience, one, as an LP themselves, but two, in getting the narrative out there to other LPs I think has really resonated well in the market.

Robert Morier: This is such an interesting point that you just made, too, about having the right connectivity within that network because often, what you'll see is this sort of air pocket of where investors do and don't invest and people that are investing further on down having the connectivity in that network to be able to tap into quickly to get kind of insights there is so important and get the information back quickly.

Demetrius Sidberry: Again, we call it boiling the ocean in the times of emerging managers. And it's like, I have this shiny new toy. I have this amazing story that I want to tell. I'm going to tell it to everyone. I'm going to go to every conference. I want to talk to the largest pools of capital. I'm going to get this fund raise done very quickly. And it rarely ever plays out that way. And it goes back to the numbers game, and where are you spending most of your time, and are you talking to the right people when you're interfacing at these organizations. And that's a part of our role is saying, look, if you were investing on multi-billion-dollar platform and doing your deals, you didn't have time to understand this. Our job is to help you understand that exact point that you just made.

Robert Morier: How about co-sponsoring an investment in a portfolio company? Does that process look any different when you're looking at a co-invest?

Demetrius Sidberry: And this is where I spent a lot of my time at Hamilton Lane. And so, I'm always excited to see a co-investment opportunity come across our desk. There's a high correlation between our assessment of the manager and the underlying asset. I would say the difference is, in many ways, underwriting a co-investment is easier. The risk profile is different. And the reason why I say it's easier, it goes back to the point earlier around transparency. You see a deal you have, generally speaking-- and we don't really do a lot in venture so it's not like you're working with companies that don't have a long history of financials, have a long history of customer relationships, competitive analysis, et cetera.

And so, as we think about the underwriting of these individual assets, we're digging into all of those things, the quantitative, the qualitative, understanding financial trends, understanding the value creation that the manager looks to bring to bear, and the deal to where it's not just buying low and selling high, which we know doesn't work in the market today. But also, particularly if we don't know the sponsor, that part becomes a little bit more challenging because you have to spend time understanding the sponsor, their history around value creation as it relates to this type of asset, their right to own this type of asset. And so, there's a lot of overlap in understanding the manager quality. But then we're running hard on the specifics around the company and whether or not it makes sense for us to get involved there.

Our strategy around direct investing, I say to folks, is not we're just going to build this big portfolio of 20-some odd co-investments and they don't necessarily have to be strategic, or we want to be strategic co-investors so portfolio construction is paramount for what we're doing, but it's also are we potentially providing a broader solution for a next-gen manager on their journey. And so that is a part of the discussion as well. But the mechanics of underwriting a co-investment, you get a lot of folks on the team, including myself, who have done it over the years and have a lot of reps in seeing what makes an interesting investment opportunity in that regard.

Robert Morier: This is actually a question for both of you, the trends you're seeing in the GP seeding and acceleration space. There's been a lot of talk. I know Dakota has brought it up a few times on your own shows. And you're living it day-to-day. So, what are some of the trends, if you're at the top of the Mountain looking down, what are you seeing going on down below?

Demetrius Sidberry: More entrants, which I don't think is the worst thing in the world, to be honest with you. A part of it is normalizing this idea of financing a new private markets firm is supported by other groups coming into the field. And we have some other competitors that are strong platforms, reputable platforms that are doing this and have had some success in doing it. I liken it to what we saw happen and continues to happen in the secondary market. If you think 10-15 years ago, you did a secondary, it was because you had an issue in your portfolio versus it being a portfolio solutions tool. Being sort of offensive around it versus defensive. And I think what you're seeing play out in the seeding world is this idea of it's a conversation that I should have if I'm launching my firm. Whether I do it or not, are we for everyone? The answer is no. But I think we're for a lot of people. When I say we, I mean the collective seeding world. It could be for a lot of people because I go back to the comment earlier, private equity firms are businesses, too. Whether the firms don't get some form of financing and the more institutional you want to be, the more institutional backing you need. And that's what's happening in the market.

So, when we say more entrants, the reality is people have been seeding private markets firms since the beginning of time. What's changing is it's becoming much more institutional, much more programmatic. You have Apollo backing a New Catalyst to go out and do it because they see a great market opportunity. And so, I think it's ultimately a good thing in terms of normalizing this part of the market. It makes it for easier conversations on the GP side, and I think, eventually, even easier conversations on the LP side as to why this is needed.

Chris Leroy: And I completely agree. I think if you segment the market and you look at the top of the market what is that capital really doing, it's solutions capital to introduce maybe new products, new area where it's maybe ancillary to where the core focus of the firm has been. So, it's also a retention tool to help bring on the next gen of talent at those general partners to keep them at the firm. It's very competitive out there. You have tremendous amount of people kind of competing for talent in that way. So, these solutions kind of cut both ways, both retention tool, but also opportunity to expand.
But I think when you look at the lower part of the market, too, where you guys are focused on, it's really thinking about solidifying really the core focus of the firm, and doing what they do really well, and just helping to catalyze that, like, it's in the name, and just focusing there, where I think a lot of more people are focused today further up the market. So, a new product they're introducing or maybe they're just trying to get scale to allow them to compete, maybe it's further up in the middle market going from middle to upper middle market, that type of thing. But further down, I think just it's so important to have the right capital aligned to get the firm on solid footing to get the foundation right, the team right, the capital base right to set that firm teed up for success.

Demetrius Sidberry: Better said.

Robert Morier: Another follow-up for you both. You talk about new entrants, and you talk about the institutionalization of the space. But there's another mountain range off in the distance, and that's retail. And you've got RIAs, wealth managers, this democratization of private markets that's going on while new entrants are coming into places like GP seating and staking and co-investing. Where do you see retail's part in all of this from your seat at New Catalyst?

Demetrius Sidberry: I'll go back to the word that I use earlier, which is normalizing. And a part of what I think-- and a secondary is, for example, to me, secondaries is allowing for retail to play a more active role in private markets. By the way, the overall trend is tremendous. I think more capital coming into the private markets is good. Do I think lower middle market private equity firms are going to see the lion's share of that? No, they don't have the capacity to take that on. But I do think it's signaling to the market that private equity is here to stay. It's going to become more pronounced in more and more portfolios. And eventually what it leads to is a thirst for innovation. And the innovation is happening at our end of the market. There are some mega firms that are doing things that are innovative. But some of them are doing it in a way where they partner with groups like us and then they go out and they access a part of the market that may be too small for them. And so, I think do I read the headlines and say, oh, this is amazing for a New Catalyst specifically today? No. However, we're giving some thought to what our strategy will be around that longer term, especially as the market starts to accept that this is an incredible part of a portfolio. And at the end of the day, we'll start to look for innovation in that market. And I think the seeding market in general will be well positioned to absorb some of that.

Chris Leroy: And in terms of just LP demand, too, I mean, the risk-return profile, I would imagine, too, is one that people are more getting their arms around today just in terms of it being able to achieve private equity-like returns but more of a muted risk profile.

Demetrius Sidberry: Agree.

Robert Morier: Well, I usually ask people what keeps you up at night. But I'm going to ask you, how do you sleep at night? So, we could talk about risk management. So, when you think about the risk management profile of New Catalyst, what gives you confidence in the firm's strategy to be able to manage, monitor, and grow?

Demetrius Sidberry: It will sound like a broken record but it's a people business. And I'll go back to your earlier question where you asked me around what the phone call was like and why did I take the call. When Jason described the strategy to me, and I had some familiarity with it just keeping up with general market trends, it sounded like what he had already been doing without the strategic overlay and certainly without Apollo's backing. And to me, the manager selection question, it comes back to do you feel good about the team that you've assembled to drive execution around this strategy? Because if you did that right, and you have Apollo supporting you and the resources that you can tap into, and you've built the operating partner team that we've built as a firm, you should have a pretty good go at this, especially as this greater acceptance in the market from a GP perspective and LPs are expressing more interest.

And so, I sleep pretty well, other than the fact that I have five and three-year-old boys that sometimes don't care about how daddy sleeps at night. I sleep pretty well at night because I'm excited about the team, the purpose-built team that we've put in place to execute on this. Jason, preconsensus investing in next-gen managers, core to what we do. James Pyo joined our team, spent years at Wafra, built working on their seeding and staking platform.

We have a guy named Curtis on our team who was from Pacific Current working on middle market GP stakes. Alice on our team came from APG, large Dutch pension fund focused on secondaries. And secondaries play an important part in what we're doing and understanding existing portfolios. And then my background as a co-investor. And even the

person that we have on our team as the head of investor relations spent time at an emerging manager and knows a lot about the pain points.
And our team will continue to grow. We're excited to add new people over the next several months. But my point is that it feels like if you're a GP and you have a question around strategic aspects of building your platform, there's someone on our team that has a lot of experience in doing that. And then collectively, we have a tremendous amount of experience on executing on a strategy that is strategic partner oriented.

Robert Morier: What have you learned about yourself through this process? Because entrepreneurship is a tough business, even if it's with a small or a lowercase e, as you had said. What have you learned about yourself?

Demetrius Sidberry: When people ask me what was the most important thing that I took away from Hamilton Lane, I feel like I can answer it in a lot of different ways. But being in this seat now and being a part of building a platform, I'd say it was being comfortable with the unfamiliar.
And I actually think Jason saw that and one of the reasons why he was interested in having the conversation with me early on is, hey, Demetrius was probably good to really good, maybe great at certain things at Hamilton Lane, but the fact is I got parachuted into certain situations and I figured it out. And I had a lot of help. But knowing how to tap resources around you, knowing how to raise your hand when you don't know the answer and leverage people where it makes sense, but also trusting some of the things that the leadership team at Hamilton Lane saw in me that suggested I would be successful in these different roles has been really, really important at New Catalyst. And I think that I said to Jason, he was like, what do you want to do, he asked me when we were having discussions. I said, I want to help you build a business. And the reality is, I didn't really know what that meant at the time. And so, I've learned a lot in that time frame. But I think being comfortable with the unfamiliar is a superpower. I experienced it a ton when I was at Hamilton Lane. And Hamilton Lane does a great job of this where they take known talent and put them in unknown roles. And when you're building a firm, there's a lot of times where you're going to be in a known quantity or a known entity and you get parachuted into situations that are very unfamiliar with you, and that part has been very comfortable for me.

Robert Morier: I suspect after this show; a lot of emerging managers are going to tune in and try to contact you. It sounds like a very interesting and exciting business. And we're excited for your future growth. So, before that call happens, what type of advice would you give to that GP, that emerging manager who's going to call you for the first time? Maybe that relationship isn't quite as strong, at least historical.

Demetrius Sidberry: Yeah. Perhaps what you're asking is if you're going to have a conversation with a potential LP of large scale, what are some things to consider. And

then there's the New Catalyst and the seeding partners that are going to be generally more strategic.
If you're picking up the phone and you're calling any LP of at any scale, or shape, or size, you should know your story. You should start to really think about what would differentiate you in situations and try to unearth that through real life examples. Know your strengths and weaknesses. I think there's a lot of value in lessons learned when GP show up to us and they have a perfect track record and it's cut to show like, if I knew then what I know now, these are the only deals I would have done, that doesn't set you off on the right path in terms of being transparent and pointing to things that would make you a better manager. I think the difference in the conversation with that established LP that is going to evaluate 1,200, 1,400 managers a year, 500 managers, whatever the number is, is that they have to be very efficient, and they have to make a call pretty quickly as to whether or not to spend time and dig in. So, you need to be as buttoned up as possible in those conversations. But with New Catalyst, you don't have to be perfectly buttoned up. Part of our role is helping you get there. But you should still start to put those pieces to the puzzle together. And the further along you are, the more likely you are going to have success in those discussions with us. I'd say the other piece to what we're doing is, what are you conveying around your desire to run a firm versus running a deal or a fund, and they're different. At the end of the day, we're investing behind someone that we believe is going to create a lot of enterprise value over time and we can be helpful in that journey. But you have to want to build that enterprise in order to create that enterprise value. And as a distinction, we've had conversations with GPs where it's clear they're looking for the next dollar to do the next deal. And maybe you can coach that GP to a place where that's not the case. But it's easier to start with someone that's like, I want a firm with this culture that focuses on this and ultimately, I think it can look like this. Knowing that it's probably never going to play out exactly the way the base case suggests but at least they have a vision that you can get behind and understand that it's being more than capital investing in a fund or a deal.

Robert Morier: We've reached the top of the hour, unfortunately. But I don't want to leave before I ask you the people who have been influential in your career, some of the mentors. And since it's Chris's first time on the podcast, I'm going to ask him the same question as well. But we'll have Demetrius go first.

Demetrius Sidberry: At the risk of missing any specific names, I'll give you general descriptions. So started off my career in investment banking. But the reason why I ended up being interested in finance and investment banking was not only because I lost money in the stock market but because when I was a freshman in college, I met this guy who was a VP at what was then Wachovia. And he was very successful. He lived in a nice house. And he seemed to be happy all the time and enjoy what he did. And I grabbed lunch with him at what was one of the fanciest restaurants in Wilmington at the time that I'd never been to. And I was just fascinated by him. And so, I never forgot that conversation. If he's listening, he knows who he is. And I got connected to him by my scholarship donors. So, I cannot forget, I'm going to say her name, Linda Upperman Smith, very, very, very instrumental in the start of my journey. And she's just a wonderful woman. Had incredible mentors through SEO, investment banking. Some of the people who had the toughest starts with because of just miscommunication ended up being some of my biggest mentors. Same thing at ICV. I don't think there was a person at ICV that I wouldn't consider a mentor. And then at Hamilton Lane, I give credit to the entire leadership team there. Folks that I worked with over the years. I had six roles while I was in Hamilton Lane and 12-- 6 different distinct roles and I think 10 managers while I was there 12 years. And I always say, it was either people didn't like working with me or they really enjoyed working with me. And I got to spend time creating different perspectives in the private markets based on that. And so, I say Hamilton Lane as a whole was a big mentor for me. And I've been very appreciative of that. And guess what? Jason was as well. And that was the reason why I picked up the call when he reached out and started to become a little bit more curious about what he was thinking with New Catalyst.

Robert Morier: Sounds like it was a good call to take.

Demetrius Sidberry: I think so.

Chris Leroy: I've been very fortunate to have a lot of help along the way in terms of mentorship and other colleagues, too. So, both in the allocator community too, as well at the John Templeton Foundation, working with Brian Crawford. And at UD, at the University of Delaware, working with Keith Walter and Anthony Bartocci there. And then here, too, talk about walking in the dark and getting yourself into new situations, Keith Austin here is a big believer in that and really benefit from his leadership here and mentorship as well. At University of Delaware as well, I did have one professor that also was a finance professor and really brought me along and got me positioned to start learning a little bit more about what the LP space really looked like and the investment space looked like, too. So, I thank him a lot as well.

Robert Morier: Thank you, Chris. I appreciate that as well. Well, Demetrius, thank you so much for taking the time to be here today. Congratulations on all of your success. We wish you nothing but future success with New Catalyst and the team. Thank you for being here again.

Demetrius Sidberry: Again, thank you for having me. Really enjoyed the conversation.

Robert Morier: As I shared with you prior to recording, I'm a professor at Drexel University. So, I'm lucky I get to teach students about private markets, specifically early-stage venture capital. And one of our students is here today. And he was going to ask you a couple questions if you've got a few extra minutes.

Demetrius Sidberry: Absolutely. Excited about it.

Robert Morier: Thank you.

Alex Zavalny: Hey, my name is Alex Zavalny. I'm a senior computer science student from Drexel University. And thank you, Demetrius, for giving the talk. I really enjoyed it. My first question is when you mentioned how right now for emerging managers, it's harder for them to raise money, what kind of headwinds do you see in the future that makes you confident in believing that they could potentially get easier, maybe a lower interest rate environment or anything like that?

Demetrius Sidberry: Look, in the macro environment, improving or having more certainty around it, which I'm not saying will happen, certainly doesn't hurt. I'd say at a more micro level; a lot of times people assume that emerging equals new equals inexperienced. And I think one of the things that we're focused on in the emerging manager space is educating the market around the fact that emerging does not equal inexperienced. And so I think as the market becomes more and more educated around what that truly means, it means, hey, you're standing up a new firm and you're maybe taking a little bit of a different approach from a cultural standpoint, the economic standpoint but you've done this thing before and you've been very successful at doing it, I think the better off GPs will be in terms of raising capital. But I think your point around the macro, there is an element of that, a big part of that which will drive more success if we're in a more stable market environment.

Alex Zavalny: To talk about that kind of approaches you've seen, are there any specific strategies or sectors you've seen that have worked well? Maybe for smaller managers, they have to use more derivatives or any kind of other vehicles to perform more leveraged investments?

Demetrius Sidberry: Yeah. And I would say what we try to do is stay away from anything that's overly complex. And what I mean by that is not necessarily looking at managers that would use a high degree of derivatives or financial instruments in order to drive some outcome.

What we do focus on, going back to experience and right to own, typically speaking, if you look at the lower middle market, which is where we're going to focus managers that are raising at least $250 million, they're not buying businesses that have billions of dollars of enterprise value. So, by definition, they're buying smaller companies that are $5, $10, $20 million of profitability where they're going to see and where we've seen the most success historically is in managers that focus on specific areas, specific sectors, specific strategies within those sectors. And so, when we have a manager come to us that has a generalist approach, that's a tougher sell in general than it is a manager that focuses on two or three verticals and has a proven right to own assets in those sectors and a track record that supports it.

Alex Zavalny: Right, that makes sense. You have a competitive advantage in the experience to back it up.

Demetrius Sidberry: Exactly.

Robert Morier: If you want to learn more about New Catalyst Strategic Partners, please visit their website at www.newcatalystsp.com. You can find this episode and past episodes on Spotify, Apple, or your favorite podcast platform. We're also available on YouTube if you prefer to watch while you listen.
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