



SEASON 3 EPISODE #7

JOHN BAILEY
ONEFUND INVESTMENTS

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Gui Costin: This 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, websites, form ADVs, and say hello to a seamless and efficient fundraising experience. Sign up now and see the difference Dakota Marketplace can make for you. Visit dakota.com/dakota-marketplace today. What is up, everybody? It's Gui Costin, founder and CEO of Dakota. Welcome to our latest episode of the Rainmaker Podcast. I am so thrilled to be joined by John Bailey, who is the co-founder of OneFund Investments. John, welcome.

John Bailey: Gui, thanks for having me. It's exciting to be here. I'm really looking forward to this conversation.

Gui Costin: John Bailey is the co-founder of OneFund Investments, a tech enabled fund of funds giving more investors access to top tier venture capital and private equity funds. Before this, John worked at General Atlantic, a growth equity fund, and Simon-Kucher, a global consulting firm. John holds an MBA from the Wharton School and a BA from Tufts University. Great. We're thrilled to have you. So before we get into OneFund, just give us a little background where you grew up, college, and then what you did before you co-founded OneFund.

John Bailey: Yeah, absolutely. We're going all the way back talking about college and where I grew up. Love it. So I grew up in Medford, right outside of Boston. Ended up going to college also in Medford at Tufts University. I didn't think I'd be so close to home, but ended up

loving it. Rowed there for a couple of years. If any of the listeners rowed in college, kind of a grueling sport, and I think influenced a lot of my values today.

I ended up then going working in New York and consulting before eventually working at General Atlantic, which most listeners probably know, a very large growth equity fund based in New York, writing minority control checks across consumer, tech, healthcare, financial services, et cetera. And while I was there, really, really loved the experience.

One thing that always frustrated me a little bit was how difficult it was for most people to get access to truly top tier private equity and venture capital opportunities. So while I was there, I was kind of looking around, talking to folks, and I ended up talking with somebody in my network, not at General Atlantic, actually, but led IR at another large fund. And I said to them, hey, just out of curiosity, what's your guys minimum check size? And they were like, oh, it's \$10 million.

And I was like, oh, have you ever thought about trying to help give more folks access to private equity and venture capital? They were like, oh, yeah, we're actually reducing our minimum check size next year from \$10 million to \$5 million. And I was like, OK, that's great. Does it really move the needle for 99% of people? If you're writing a \$10 million check into Apollo, or if you can write a \$5 million check to Apollo in such an illiquid vehicle, you can probably flex to a \$10 million check if you have enough conviction.

So what we started to realize is that there is appetite out there from these funds to take in smaller investors. But I think fundamentally, the way that the operations were set up, it's very difficult for them. And also fundamentally, it's challenging to bring on a different class of investors. So they really need to be focused on investing.

Gui Costin: Yeah. So give me the history of OneFund and then we'll get into why and how you started it. But just level set with us. So when did it start and where do you guys stand today?

John Bailey: Yeah exactly. So kind of out of those conversations that I was having, we realized that we wanted to try to build a fund of funds that allowed more folks to get access to top tier private equity and venture capital firms. And so we went out two years ago and founded OneFund with the intent of making it so that folks of in that \$2 to \$10 million net worth range could actually get access to really top tier funds.

And so we launched the fund two years ago. We've since raised for a few vehicles and deployed capital into quite a few really top tier blue chip funds. And it's been a very, very, very fun time both building up that company, but also what we're here to talk about today, thinking about how do you structure the go to market? How do you structure building a sales team for a fund that is just getting off the ground for a fund that is brand new? And that's been a very challenging and rewarding experience as we've gone through it over the past couple of years.

Gui Costin: Well, tell us, how have you gone about the distribution of the funds? How is your team structure right now? And what's been the go to market motion?

John Bailey: Yeah, absolutely. So we're a pretty lean team. There's four of us and two people, three people who focus very intently on go to market. In a small firm, everybody wears multiple hats. So the same folks who are often doing due diligence are also the same folks who are managing LP relationships. And I'm sure that's something that probably a lot of the viewers can relate to, a lot of listeners can relate to who work at smaller emerging managers.

So one thing that we always did that I think is very fundamentally different when you're going out and launching a new fund or starting a new venture versus launching a fund or an ancillary fund at a megacap manager is we really had to go out from scratch, build out that book of business. And one thing that you're able to do that is very challenging but also, I think, a really huge opportunity when you're in that situation is you can go out to prospective LPs and you can really get a sense of what they're looking for and what they want. You're not tied down by existing mandates. You're not tied down by, oh, hey, we can't launch this strategy because it overlaps with another strategy that the fund has.

And so one mistake that I've seen some emerging managers make is they go out and they design the product, and then they go and try to sell it, as opposed to going out and talking with prospective LPs and understand what they're looking for, and then trying to design a product that can generate alpha while also meeting your customers where they are, as opposed to trying to convince your LPs, hey, come over to what we've built. Let's build something that they need and that they want.

Gui Costin: And what have been some of the lessons learned from those LPs when you did that? And then how did that influence the construction of your product?

John Bailey: Yeah, absolutely. So our LPs are quite different than a lot of your typical institutional limited partners. A lot of folks who are investing in, say, directly into Bain Cap or KKR, et cetera, mostly coming from an institutional background or an ultra high net worth background where they're trying to fill certain holes in their portfolio or they're trying to take on, hey, we need a certain growth allocation or we need a certain venture allocation or a tech buyout allocation. A lot of our LPs, this is their first time dipping their toes in the water in private equity.

And so what we learned through this experience that was really important to our LPs was having really top tier managers. Obviously, that's a given. Managers with a track record, but also having a diversified portfolio that they're investing into. For most folks who are not institutional, it becomes a nightmare dealing with things like K1s, dealing with reporting. And so in order to build out a truly diversified portfolio of private equity, and that's what we focus on, we focus on venture capital, private equity, you have to be invested across a ton of different asset classes and a ton of different geographies.

And so folks in that \$2 to \$10 million range, they don't want to have to think about that. They want to be able to put money into one product and know that it's going to be diversified and split off across those managers. And so instead of going super niche into, oh, this is our supply chain strategy, this is our North America tech strategy, which is what most of these larger funds do, we went and put together most of our offerings or trying to create an all in one, all inclusive place where somebody can say, hey, this is my alts. This is my private equity contribution. This is my private equity allocation. And so that was one really big thing that we learned from actually going out and talking and listening to what LPs wanted.

And now, of course, we're a little bit more constrained. As we start to launch new vehicles, we've gotten into that position I talked about earlier where now we're having to think, OK, not only what do people want, but also what overlaps and making sure that we don't have conflicts of interest with our existing funds. But going out and launching that first one, I think that was the biggest thing that we did on the fundraising side that set us up for success.

Gui Costin: So one thing that all the listeners are always-- our listener, if you will, I always think of it as the single fundraiser trying to figure it out. Talk to us about how a CRM impacts your business and management of your LPs. And then probably we could also probably ask about on the research side, I'm sure you're using some

mechanism to diligence strategies as well. Maybe you could just talk to us about the importance of a CRM to your business.

John Bailey: It's the backbone of everything we do. And I think for any go to market oriented organization, it has to be. It's where everything lives. And there's a lot of standard stuff that you can do with CRMs that I think are sort of your basics that you have to get down. Automation, obviously, customer segmentation, things like that.

One thing that we try to do a lot of, and you'll probably get a theme based on how it compares to what I just talked about before, but really spending time every few months analyzing our customers, going through the data. How are they interacting with our product? Every time somebody goes onto the website, it's locked. Every time somebody goes into the investor portal, every time they look at a document, every time they open an email, who's actually engaging with products? What are they engaging with? What do they seem interested in?

And understanding what's different about the people who become limited partners versus the people who don't. And helping you really focus your go to market approach and say, oh, this bucket of people are really interested in this type of product. And I can see that in terms of how they're interacting with stuff. Let's reach out to them and talk to them about this stuff and understand why they might be interested. Or these people seem quite annoyed by the fact that they're getting a lot of emails. They're opening them all at once and not clicking anything. Let's slow down, not hit them as much. And so obviously a CRM can be used to structure a lot of your outreach. But one of the things that I love most about it is the proactive data that it gives you on how your relationships and your customers are interacting with your product. Because at the end of the day, in a finance role, your product kind of is those relationships that you have with people.

Gui Costin: And do you guys create a lot of content around the products that people can view and research?

John Bailey: Yeah, we do. So we try to take a bit of a white glove approach to our relationships with folks. And so when we were early on in our journey, we created a lot of content online, videos, articles, newsletters, et cetera. And what we realized a lot was that some folks really liked it, but a lot of folks, it's like you get another newsletter. Ignore.

And so we really shifted our strategy in recent quarters to being very one on one with folks. So we do prepare a lot of content, but very little of it is actually publicly available. We kind of reserve it for folks who we're working with and try to make it very tailored to what they're looking for.

So, for example, whether it's macroeconomic research, whether it is broad overview decks on the offerings, we tend to have a very one to one approach to how we share that and how we talk about it. And maybe that won't scale. Maybe we'll have to change that two years from now, because it just becomes unsustainable. But we found that one to one targeted approach has been really successful for us.

And I think we've seen this also in-- one metric that we track really, really, really carefully, and I think it's really important on the fundraising side to track, track metrics and track to track success. But one thing that we track religiously is cross investment rates. We have multiple products. How many people are invested across multiple products?

And that rate for us is really, really, really high. Well over 50% of our customers are invested in multiple offerings that we have. And considering we're so young, that's even really, really high, because a lot of folks just came in on, say, our most recent offering. So we view that really positively, because we think that's a sign that folks are trusting us, that they're enjoying the process, and also that we're getting the right material to people at the right times.

Because if we have venture and growth and buyout, we don't want to be sending the buyout material to folks who don't want that, who are more venture growth oriented and vice versa. And so that's why that data analysis that I was talking about on the CRM and being super targeted with the material that you send to who I believe has really helped us in that process.

Gui Costin: That's great. And so let's just transition a little bit to some more personal questions. And the first one is how would you-- because so much of co-founding a company-- it's two years old. You have four of you. It's a startup. You're just getting it off the ground. There can be stressful situations. How would you characterize or describe your leadership style?

John Bailey: Yeah. So first and foremost, I've always really believed in leading by example. I alluded to this earlier when you asked about my background, but I rowed in college. And I think rowing, for anyone who's ever done it, just like any endurance sport, whether it's running, swimming, cross-country skiing, whatever it happens to be, it's very honest. You know who is and is not pulling their weight,

because they're literally going further or they're not. And so you can very easily tell. It's kind of the ultimate accountability in a way. And so I've always really appreciated that and have pulled that over into how I do my work.

And so a lot of it is, especially in a startup, it just has to be this way. But you're never too big for any task. I've spent my time having very high level sales calls with different organizations. And then I've also spent my time drafting ad copy and fixating over like where does this comma belong on this disclaimer so that it's an accurate representation. And at a larger firm, you just don't need to do that. You're like, hey, legal team, go do this.

And so I think I would really kind of sum it down to lead by example. And you're never too big for any task. And I'm sure you can relate to that as well at Dakota. You must have your hands in everything. And at the end of the day, you're probably doing a lot of stuff that you're like, this just has to get done. It's gritty work and you shouldn't always pass that off to people, in my opinion.

Gui Costin: What would you tell a young person getting into our industry today, whether it's in a sales role? You've obviously been an investor. What advice would you give to a young individual getting into our business today?

John Bailey: This is a very good question that has a lot of answers. I think first and foremost, especially in financial services, is you need to get behind a product that you believe in, a product that you really, really, really firmly believe in and want to put your own money behind. I've worked at firms before or I've worked with people before where it's like the job is just a paycheck. And they're like, oh, I don't know if I totally think this is a good strategy, but it's interesting and I'm learning a lot.

And at a certain point in your career, that's fine. You need to learn. How else do you know what to have conviction in? But I think for long term happiness and also long term success, working somewhere where you really firmly believe, especially in a sales role. If you're going to be selling anything, really working at a place where you really, really firmly believe in the product and you personally invest in it and have your own skin in the game.

We can talk about other stuff in terms of work with people who you trust and find a good firm that's going to help you grow. But ultimately, at the end of the day, every organization, whether they acknowledge it or not, is product first. And finding a product that you really trust is critical.

Gui Costin: I love it. I love it. Makes all the sense in the world. OK, as we close out, so you're still startup mode. You've built a really cool, successful company. Tell us, what would be one of your biggest challenges you're facing today?

John Bailey: Yeah. So for us, I think the largest challenge today is that we are focusing on introducing a product to a market that does not have huge awareness of private equity and venture capital. It's folks who historically have been closed out of the asset class, haven't been able to invest. And in part because of that, there's just not as much awareness around it. And so that's why we spend so much of our time working on education with folks, helping them understand what private equity is, how it works, if it's a good fit for them. That's also really important to us. Finding folks where it's a good fit for them. We don't want to bring on customers where private equity may or may not be a good solution for them. So really it's about, I think the largest thing that we're working on today is trying to increase knowledge and education in the space so that folks are able to analyze these private equity opportunities for themselves and decide if it's something that they need.

Gui Costin: Right. And will you go-- so all of your education materials will be on the underlying funds that the fund of funds is invested in? Is that right?

John Bailey: Yeah, we prepare a lot of material in terms of how private equity works. It's so fundamentally different from any other asset class, especially that other people are used to investing in. You go into your Fidelity brokerage account and you're like, oh, click Buy. And then you see every day the value changes. Or you click sell and all of a sudden the funds are immediately in your tradable balance. And it's just not like that with private equity. It's much longer term, it's much more illiquid. And you might be able to track it in your Schwab account, for example. We're custodied at Schwab, and so some people can go in and see what their balance looks like there. But it updates quarterly. It doesn't update annually. It's illiquid. You can't sell it. And it's invested in companies entirely different than what's available on the public stock market. And so we prepare a lot of materials, have a lot of webinar calls. We have community deal teams that our LPs join where we talk about different deals that are going on and really just trying to build a community of folks who are learning about this, investing in this, becoming increasingly knowledgeable about it. It's been a very rewarding journey sharing that with more folks.

Gui Costin: Well, John, it clearly is the-- private equity, it's clearly the future of investing. There's just been so much put behind it over the past 15 years. And I can't thank you enough for being on the show and sharing your insights around leadership, CRM. And best of luck to you and continued success with OneFund. And like I said, I can't thank you enough for being on the show.

John Bailey: Yeah, great conversation, Gui. Appreciate it.

Gui Costin: You got it. All right, everyone, that concludes another episode of the Rainmaker Podcast. And we can't wait to see you on the next episode of the Rainmaker Podcast.

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Gui Costin: Hey, thanks so much for joining Rainmaker Podcast. Hope you enjoyed the show, enjoyed the interview. I know I loved it. And hey, if you wake up in the morning and you raise money for an investment firm, you do cold outreach, whether you're a sales leader or sales person, and you don't know about Dakota Marketplace, we would love to show it to you. It's world class. It's used by over 880 investment firms and over 3,600 individual salespeople. To learn more, go to dakota.com and click on a free trial.