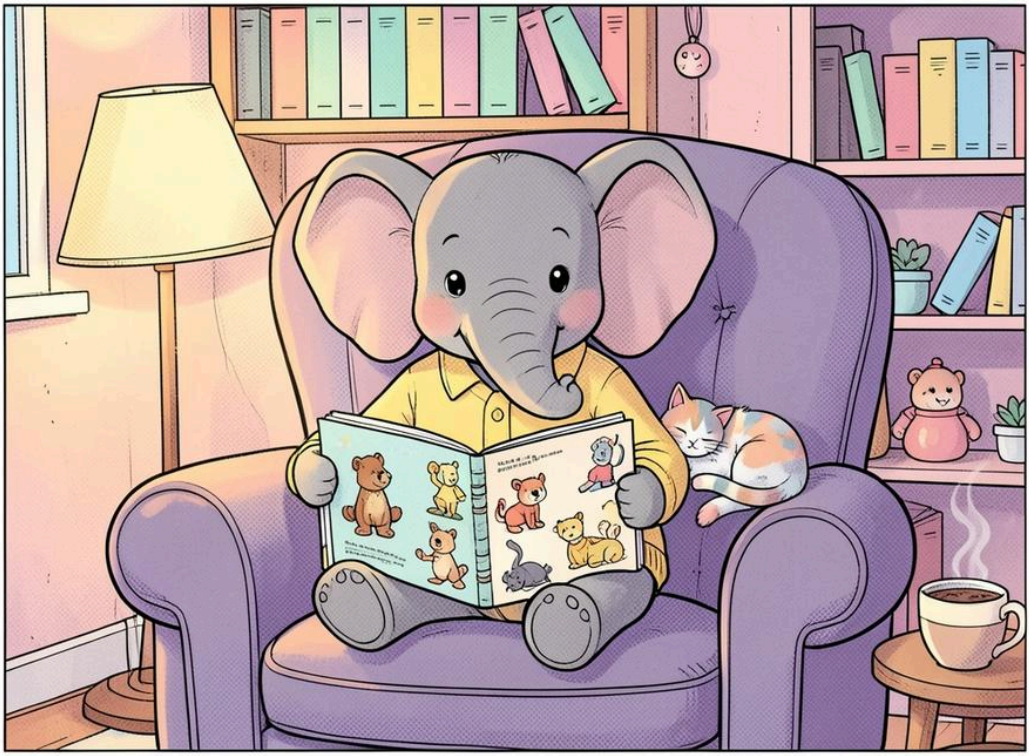
THE ABCS OF INVESTING IN FUNDS



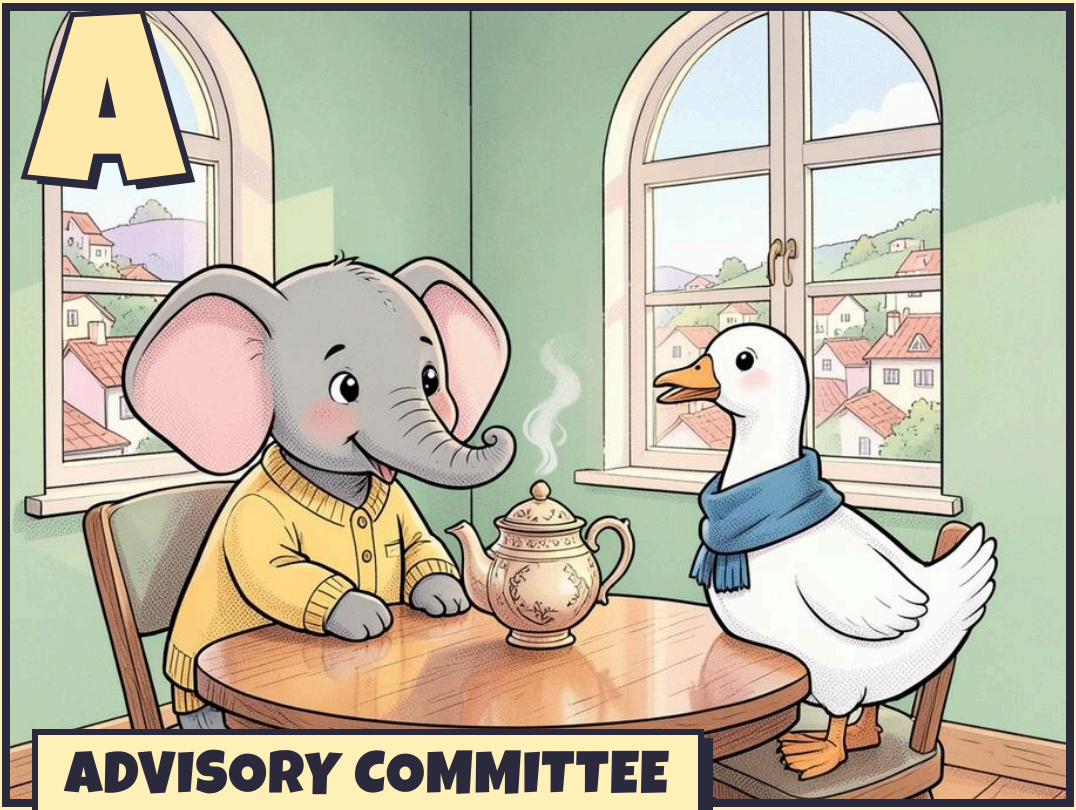
FundOpsHQ

Nell the elephant makes a promise and remembers it



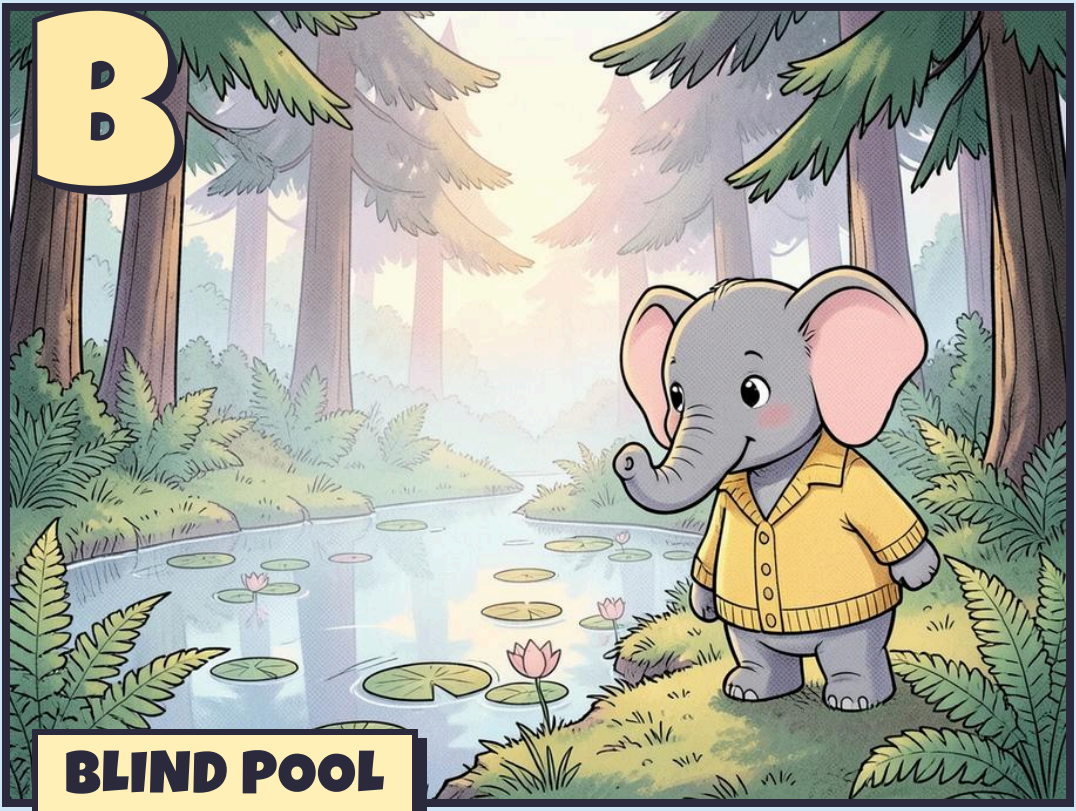
This book belongs to

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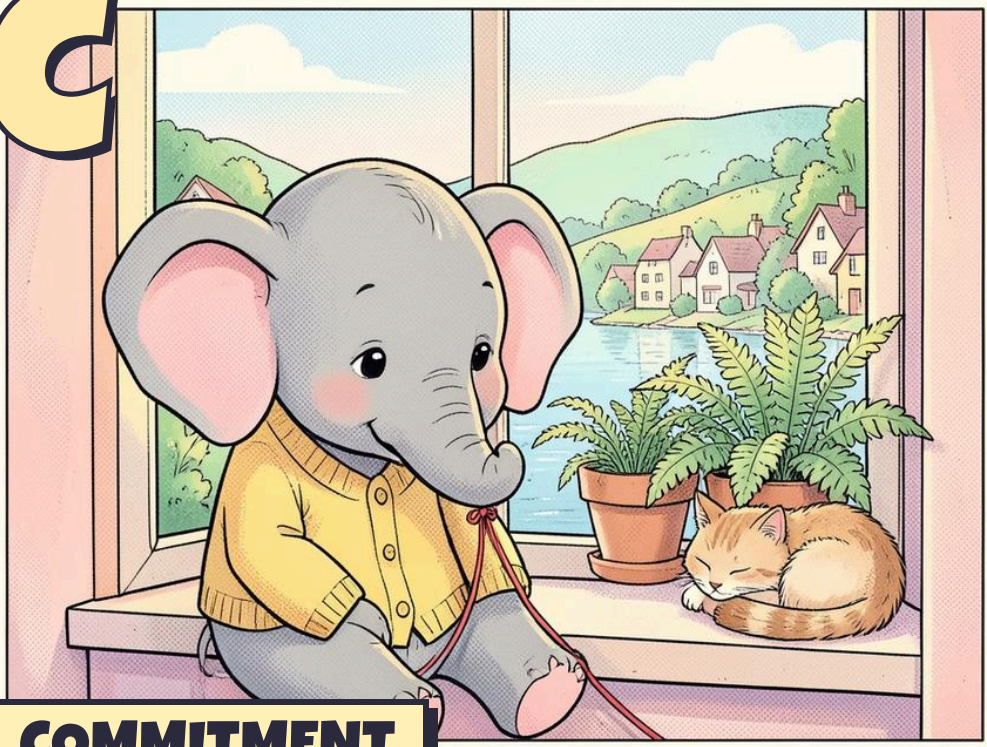
ADVISORY COMMITTEE

A few investors sit on a small committee that the manager can ask about conflicts of interest. That is the advisory committee.



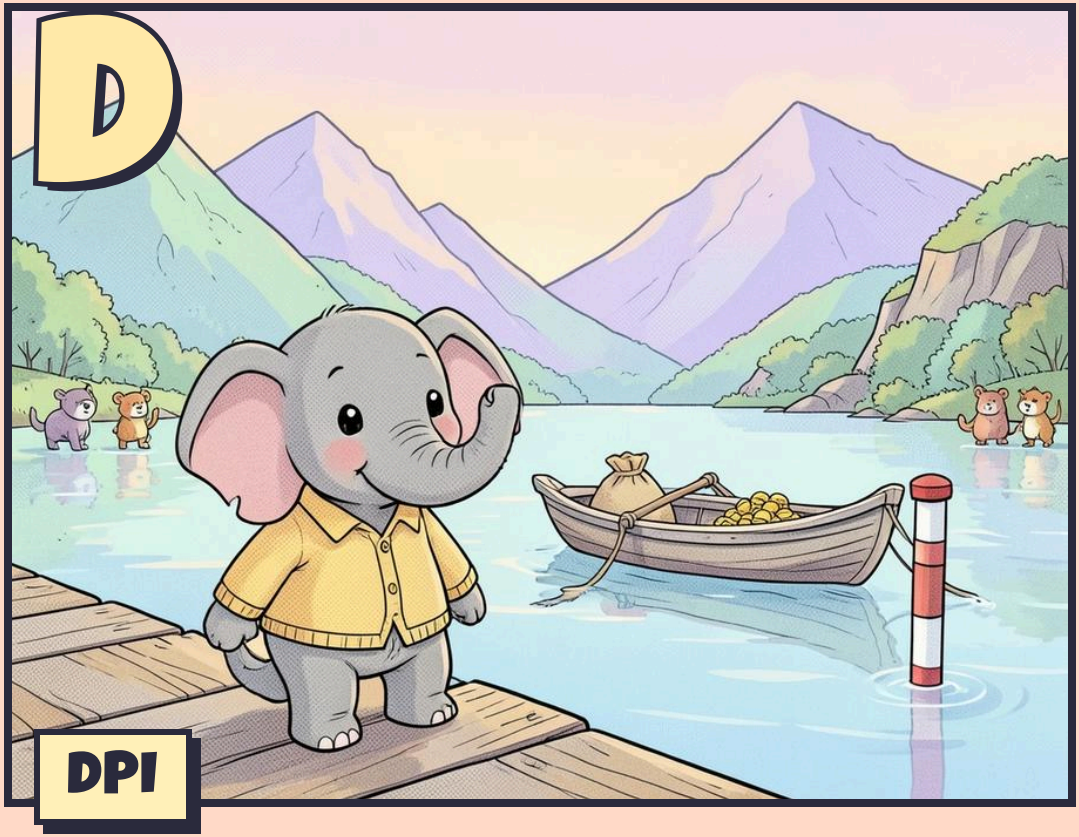
When Nell commits to a new fund, it usually owns nothing yet. She is trusting the plan and the manager. That is a blind pool.

C

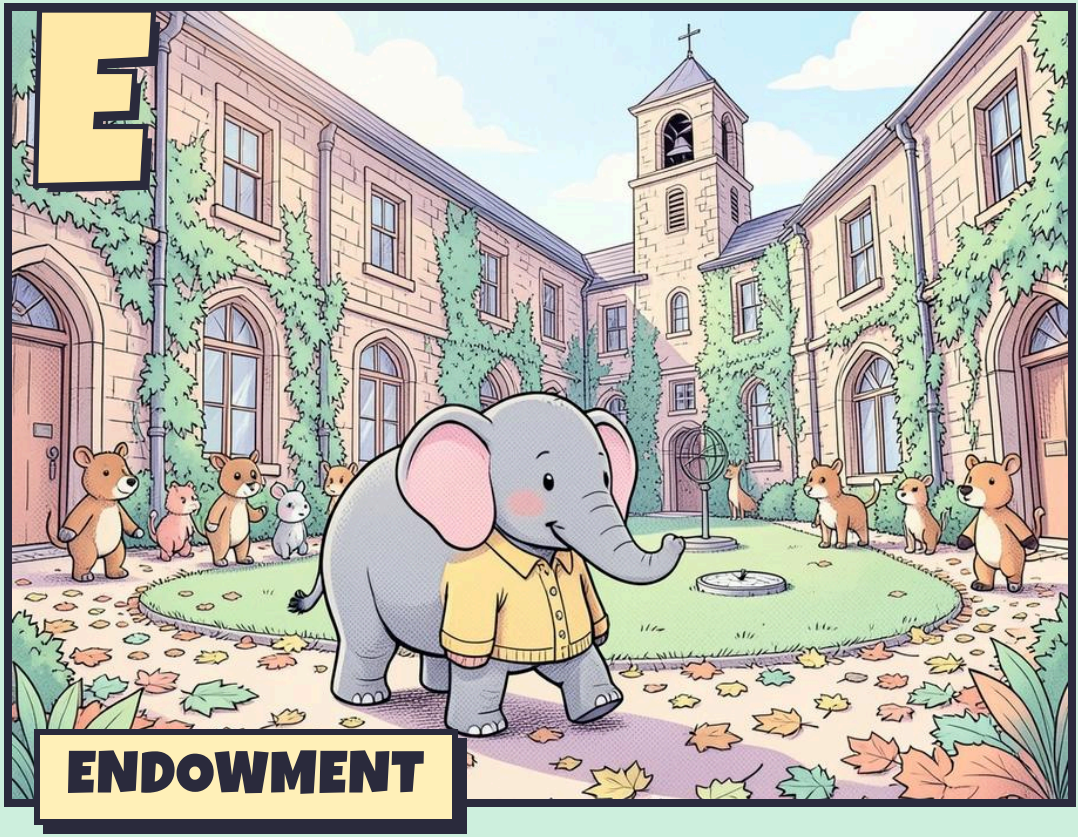


COMMITMENT

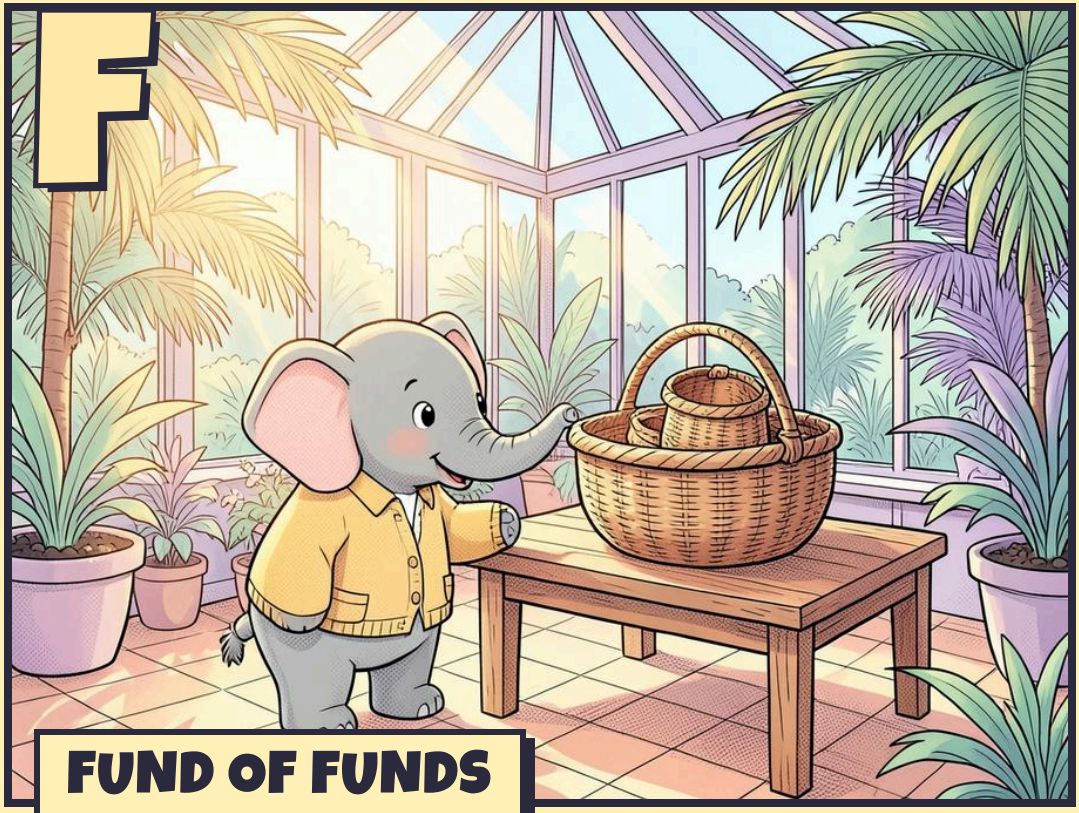
A commitment is the money an investor promises to a fund. It is paid over years, as the manager asks. Nell never forgets one.



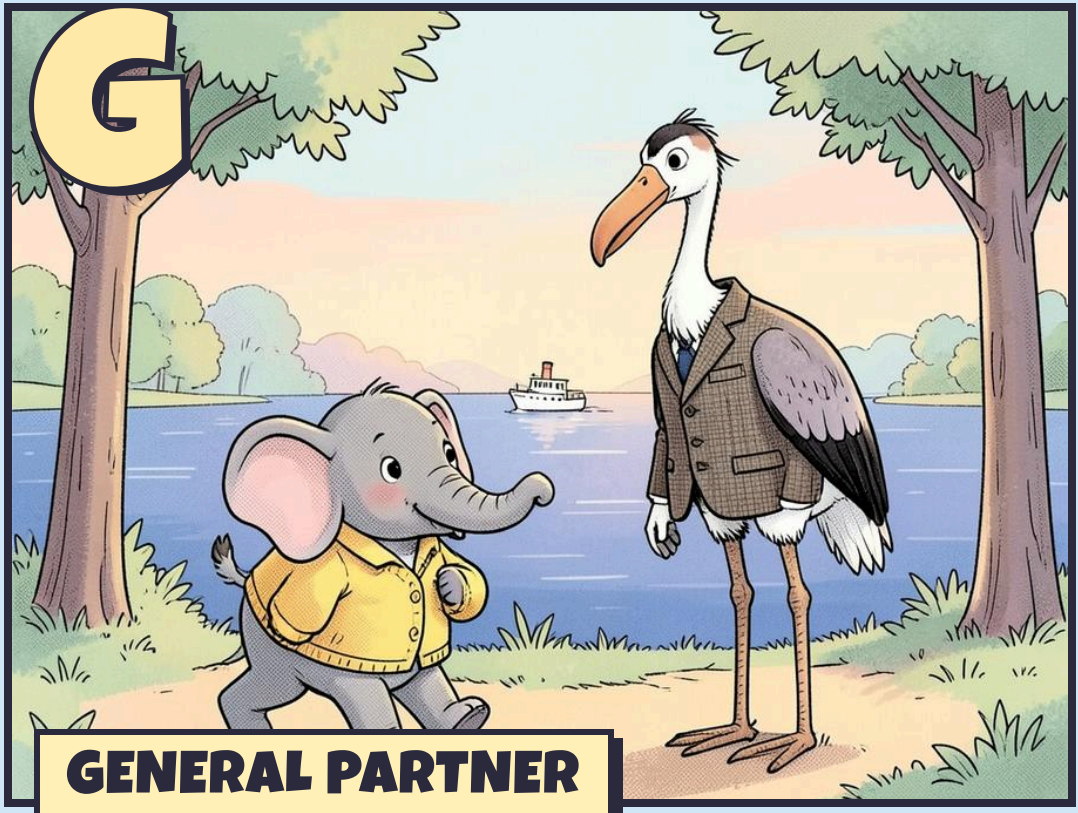
DPI shows how much of the money paid in has come back as cash. At 1.0, an investor has it all back.



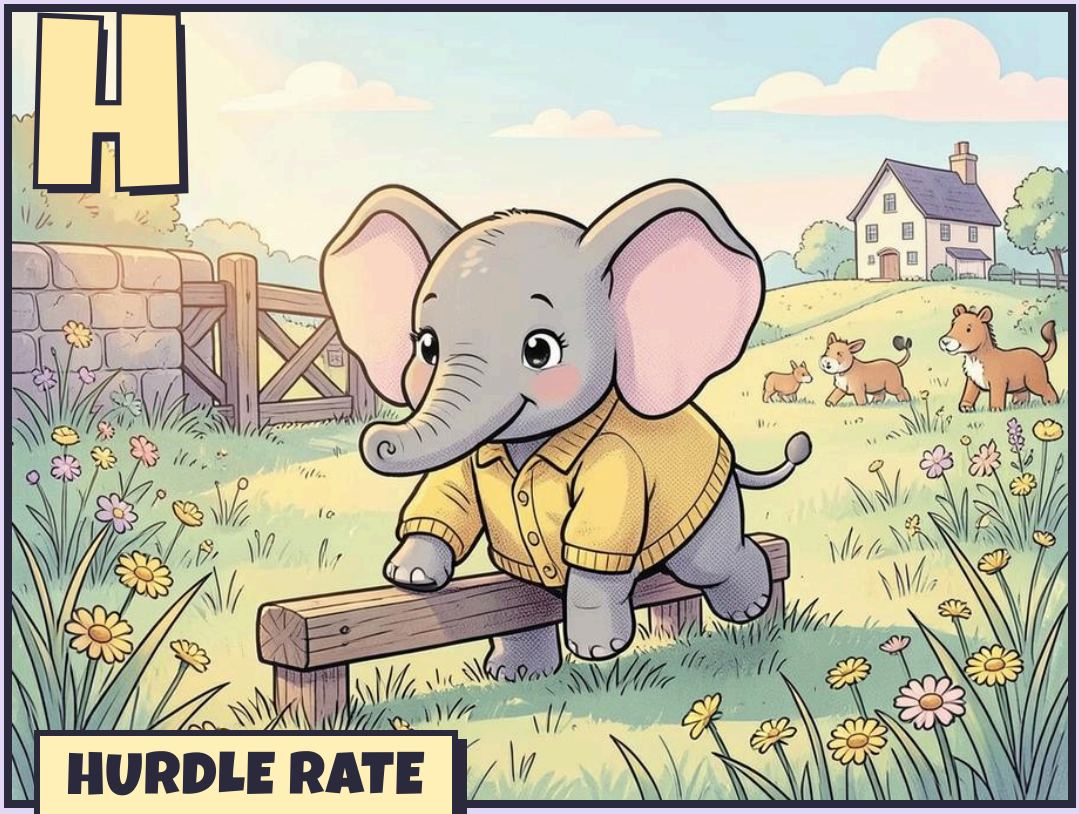
An endowment is money given to a school or a charity and invested for a very long time, so its income can keep paying the bills.



A fund of funds invests in other funds. It gives an investor a wide spread, and it adds a second layer of fees.



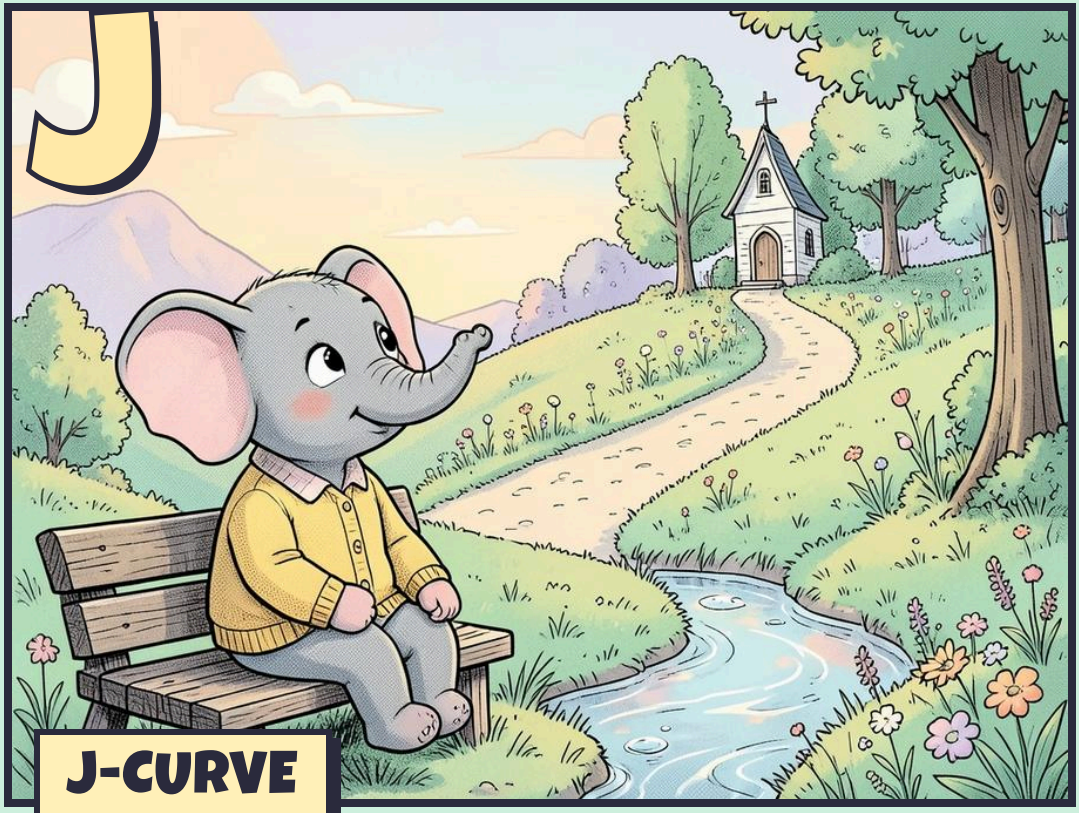
The general partner runs the fund. Nell does not choose the companies. She chooses the general partner.



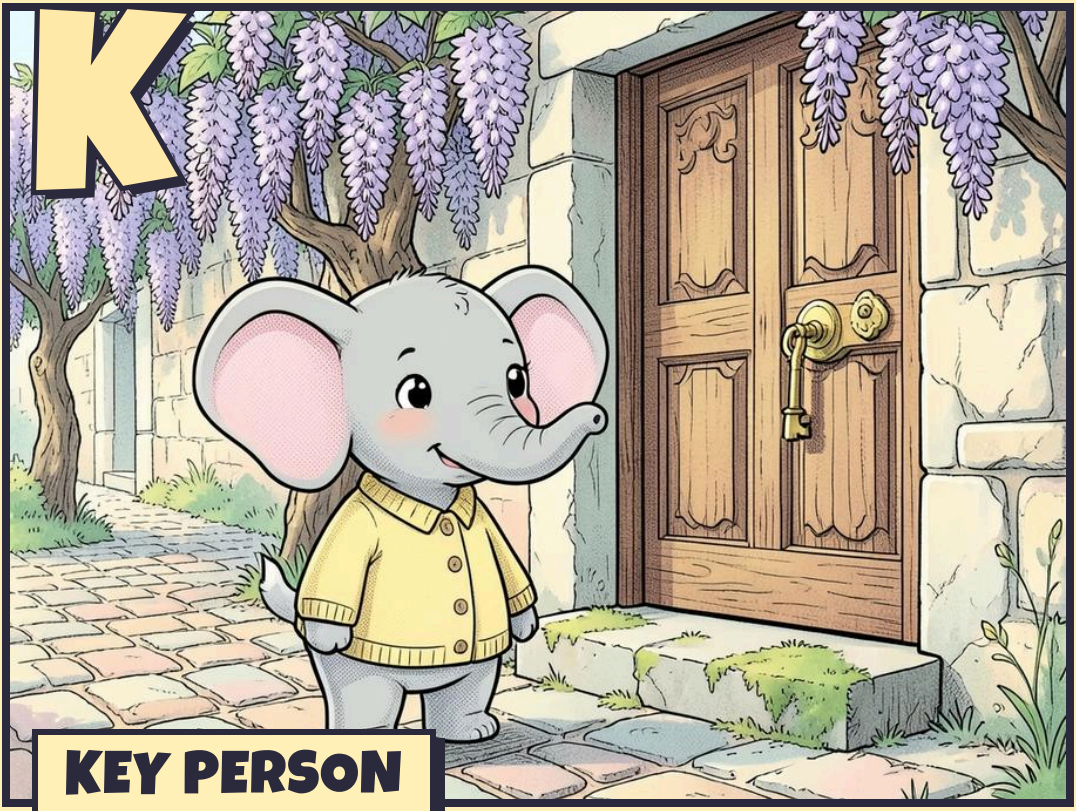
Investors receive a set return first, often 8% a year. Only after that does the manager share in the profit. That is the hurdle.



IRR is a yearly rate of return that counts when money went out and when it came back. Sooner counts for more.



A new fund usually looks worse before it looks better, because fees come first and gains come later. Nell has seen this many times.

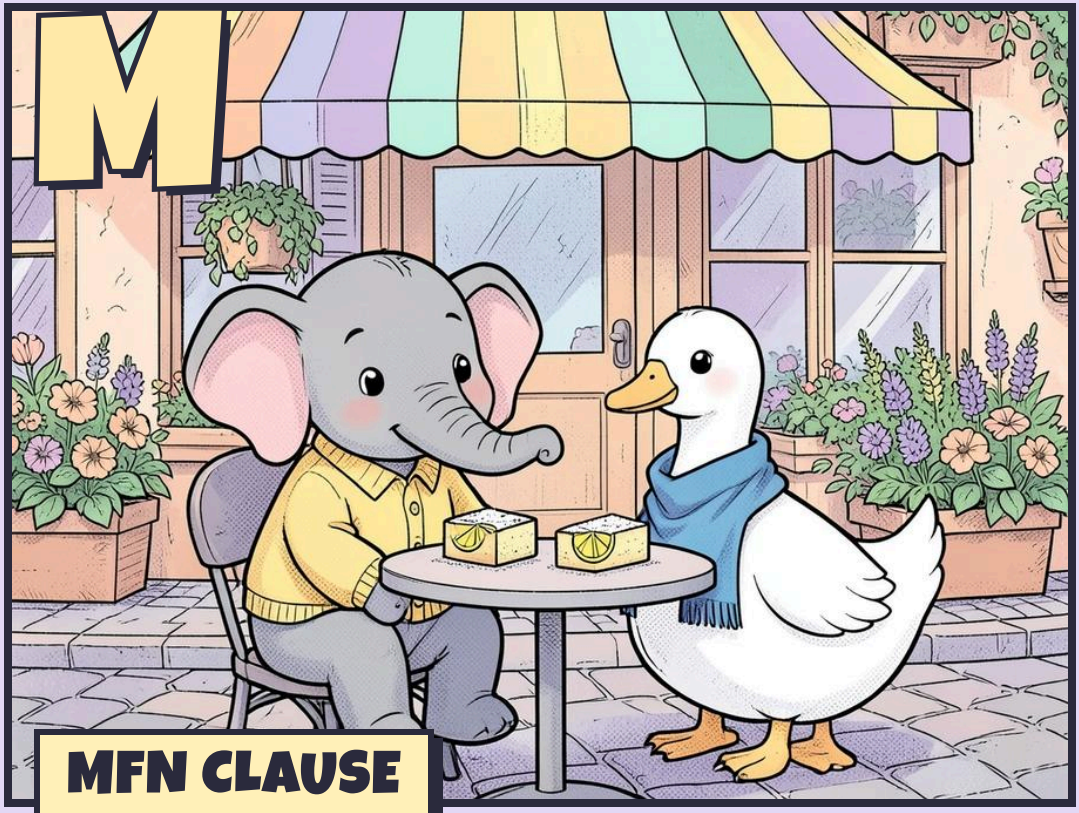


Some people matter so much to a fund that its agreement names them. If they leave, investors often have a say in what happens next.



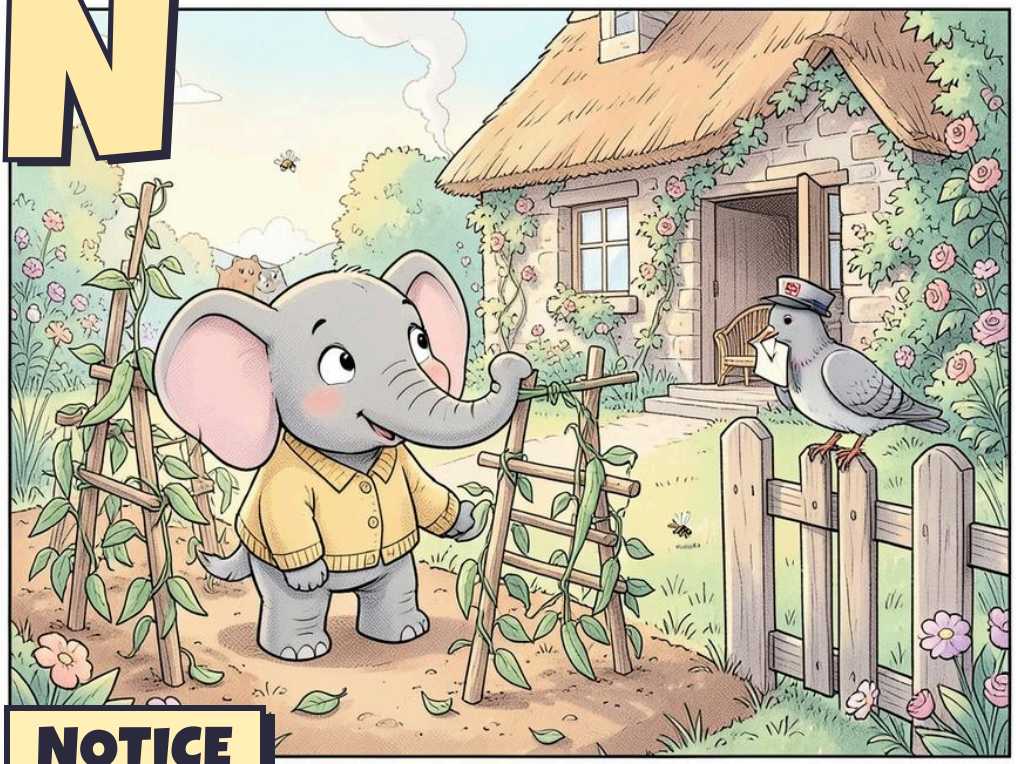
LIMITED PARTNER

A limited partner is an investor in a fund. It puts in money and does not run the fund. In this book, that is Nell.



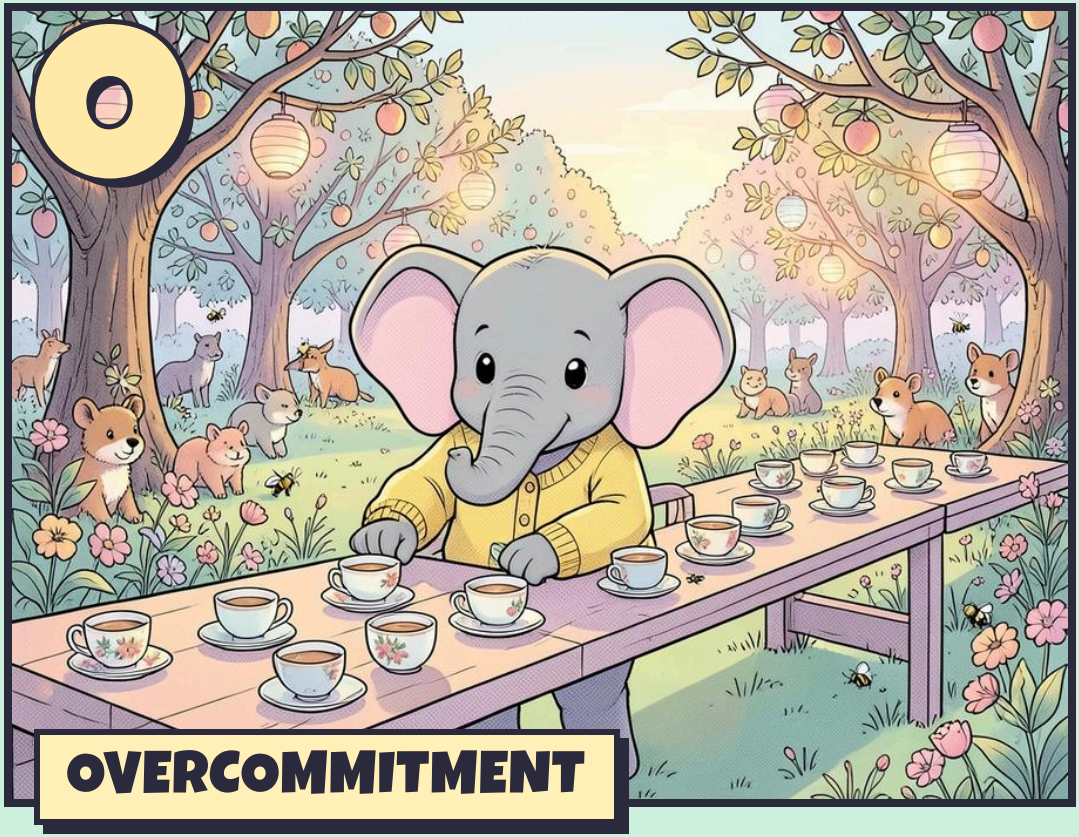
MFN means most favored nation. The clause lets an investor ask for terms given to others, often those who promised the same or less.

N

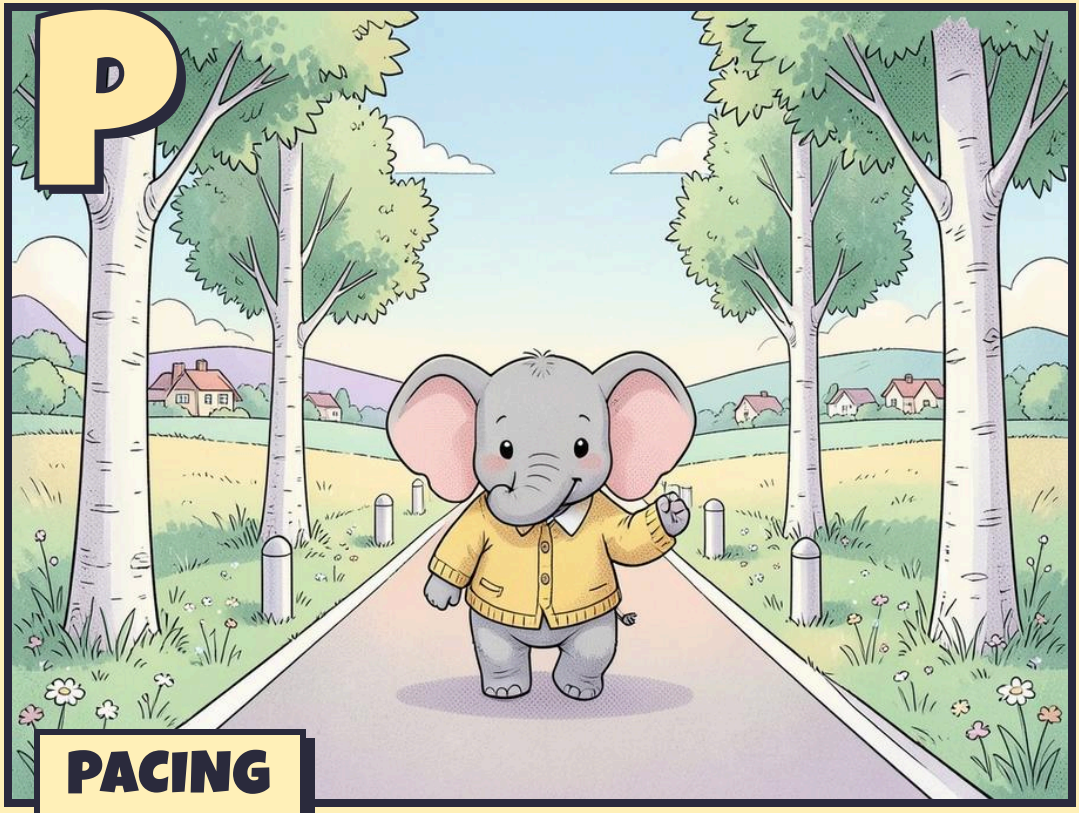


NOTICE

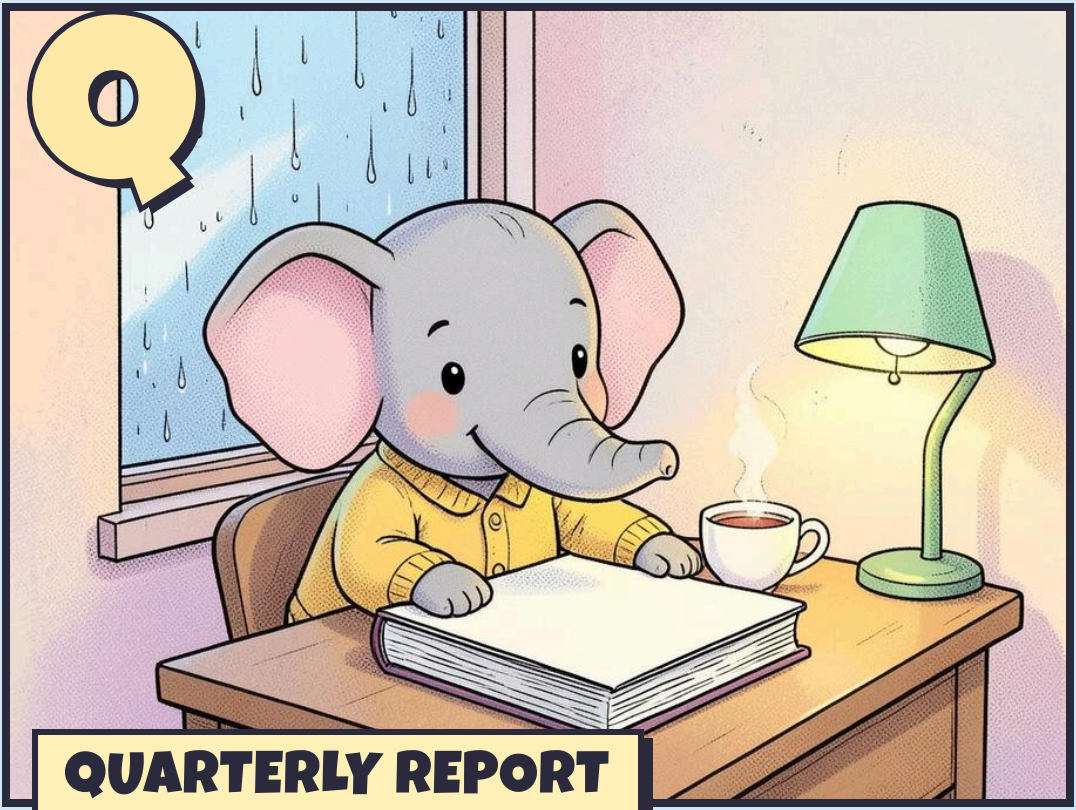
When a manager needs money, it sends a capital call, often with about ten days of notice. Nell keeps cash ready.



Money is called slowly and comes back along the way, so an investor may promise more than it plans to hold at one time. That is overcommitment.

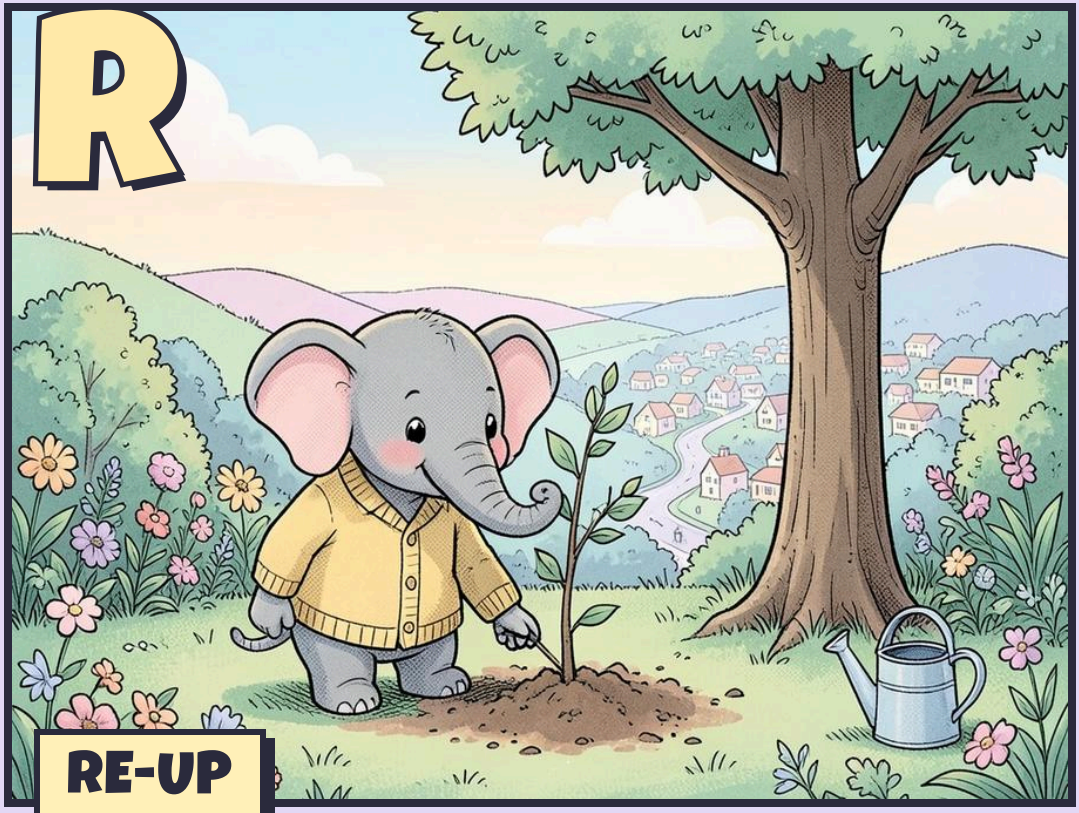


A pacing plan shows how much an investor may promise to new funds each year, to reach the share it wants and keep it there.

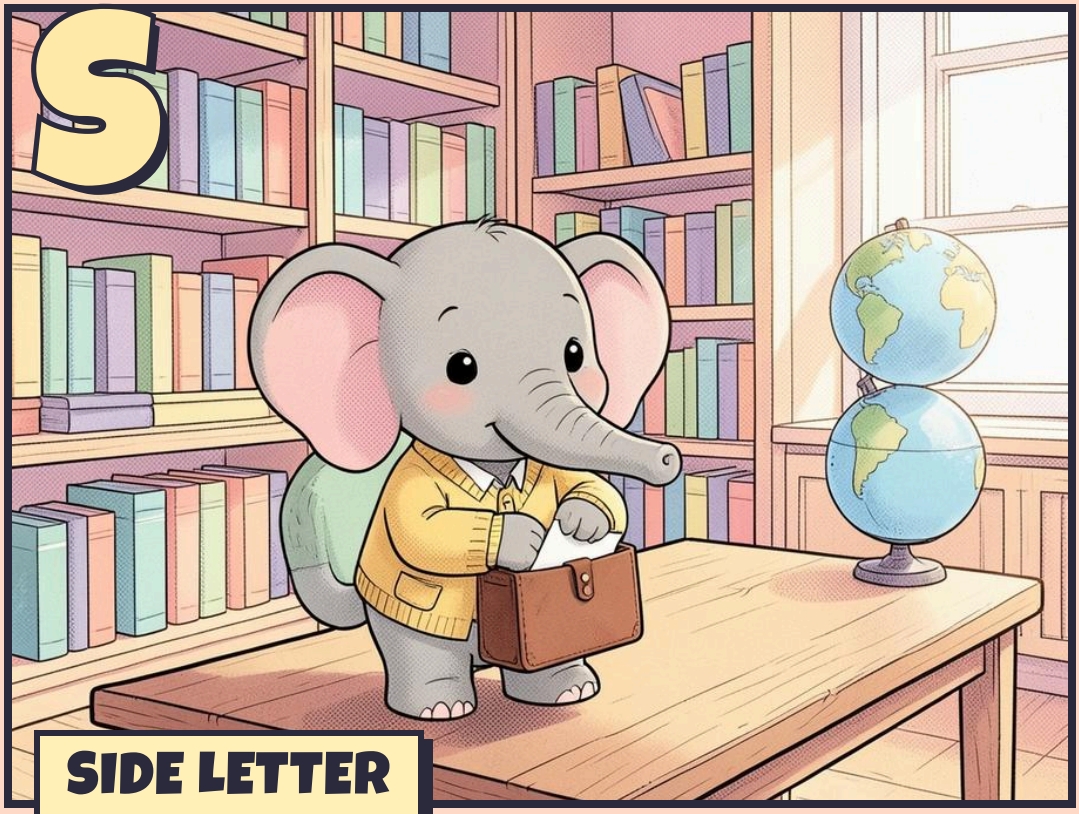


QUARTERLY REPORT

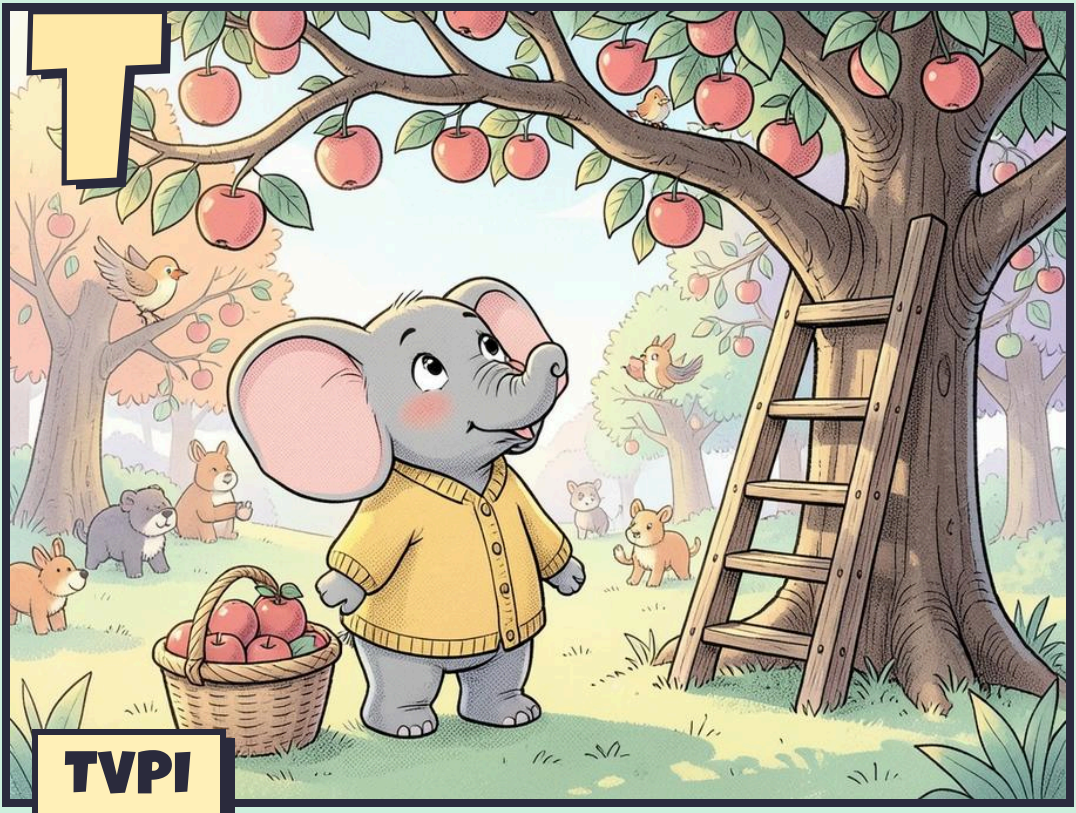
Every quarter, most funds tell their investors what they own and what it is worth. Nell reads all of it.



When an investor joins a manager's next fund as well, that is a re-up. It says the investor still has faith in the manager.

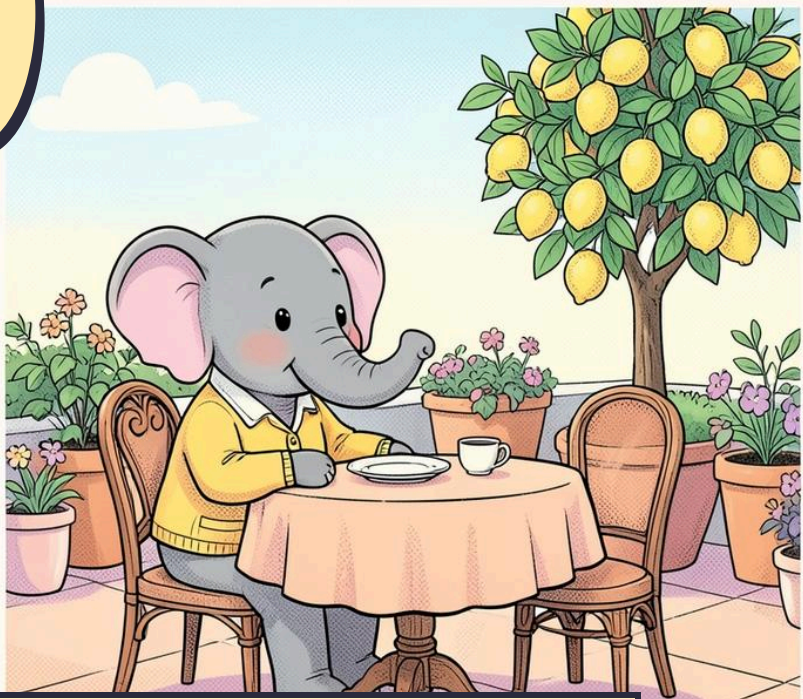


A side letter is a separate agreement between a manager and one investor, adding terms for that investor only.



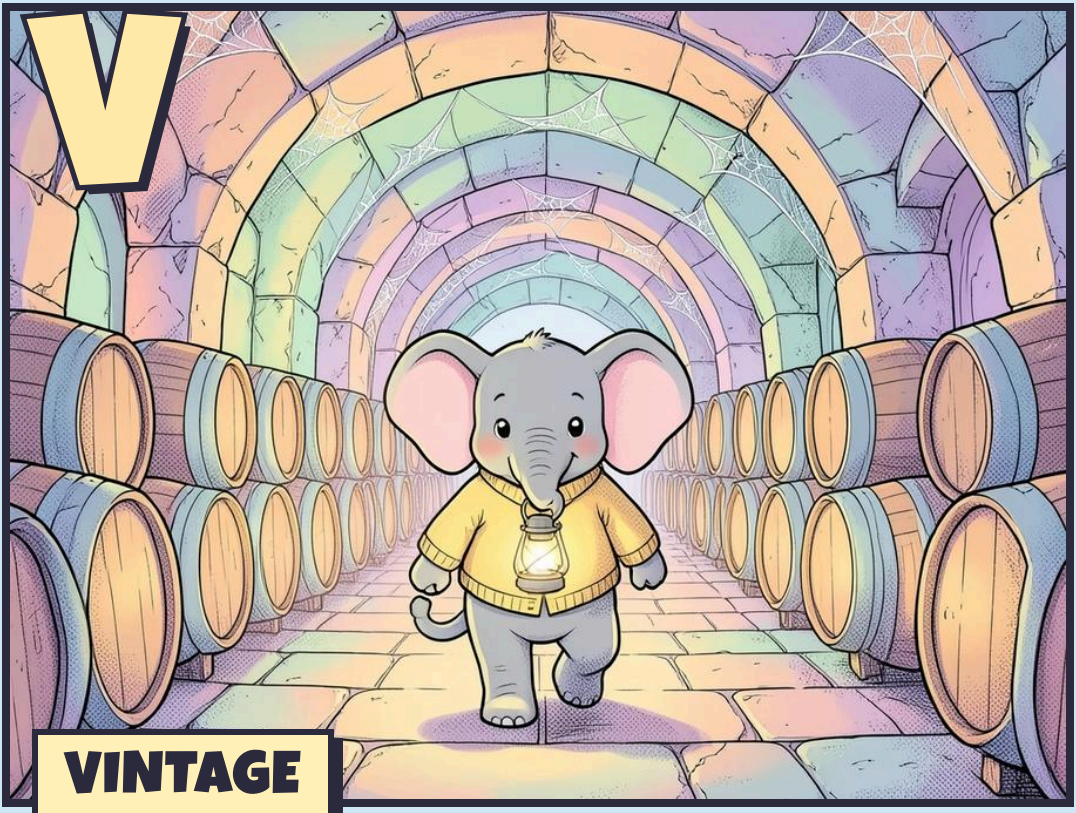
TVPI adds the cash an investor has received to the value it still holds, then divides by what it paid in. At 2.0, it has doubled, at least on paper.

U

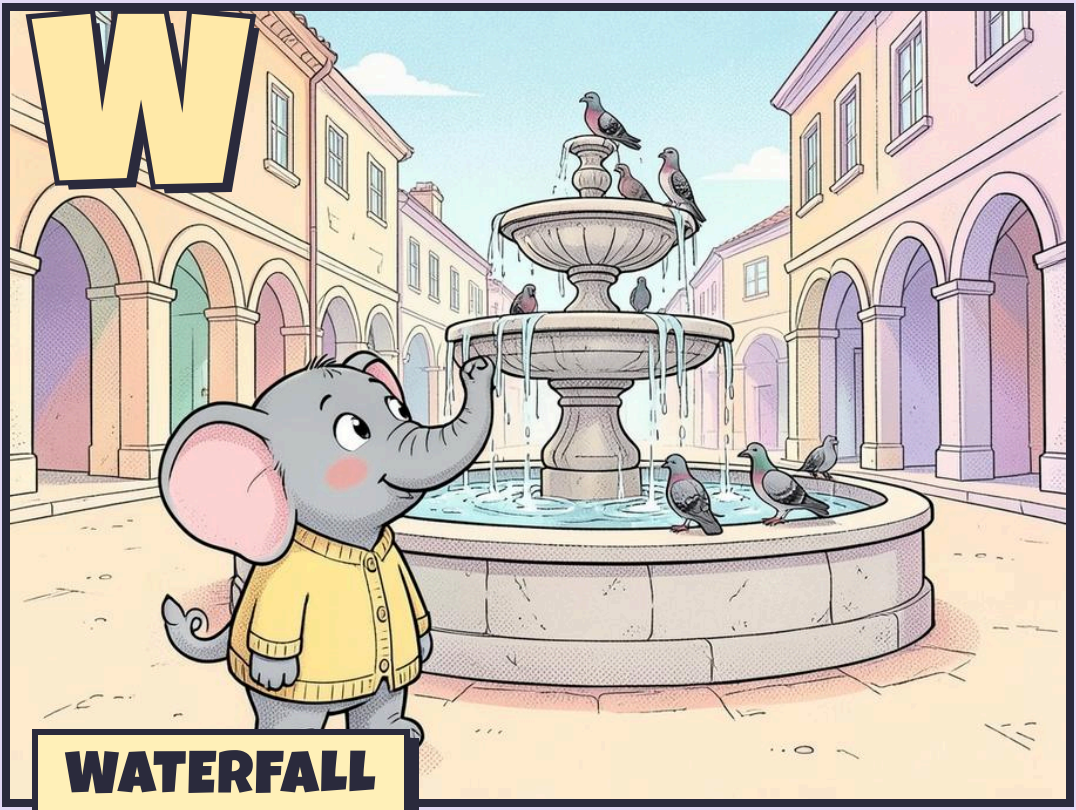


UNFUNDED COMMITMENT

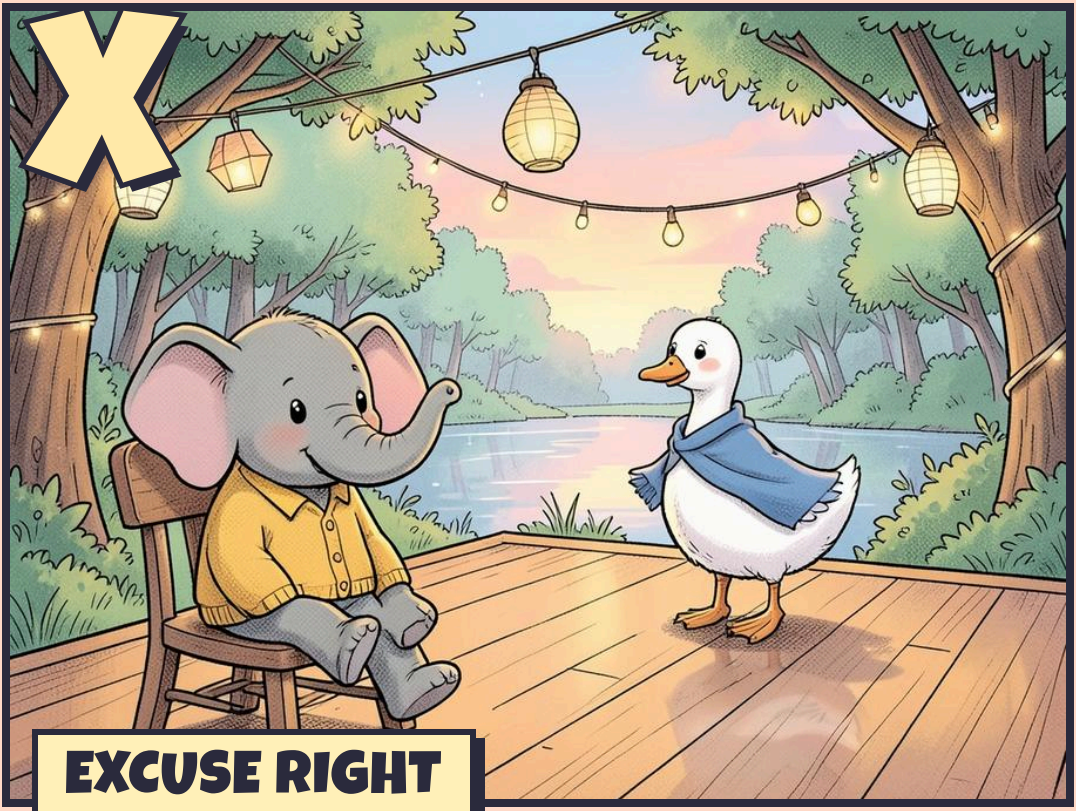
The part of a commitment not yet asked for is the unfunded commitment. The money is not spent, but it is spoken for.



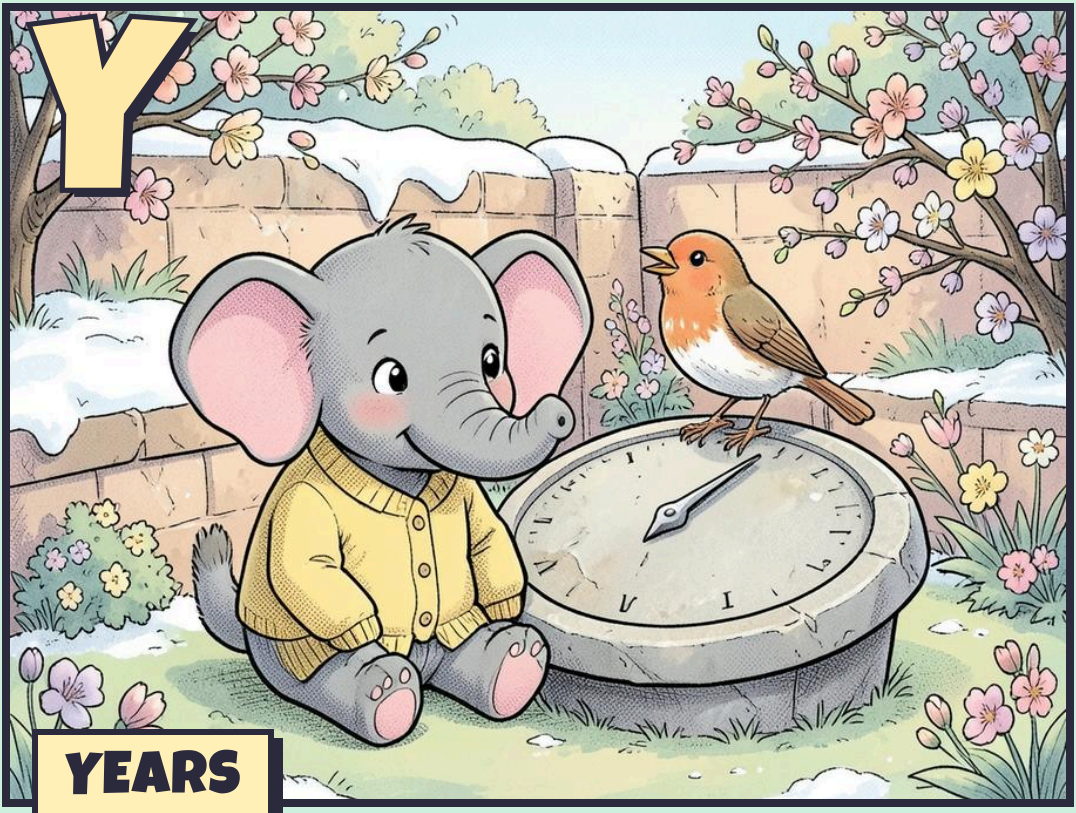
A fund's vintage is the year it began. Many investors commit a little every year, so they are not relying on any one vintage.



The waterfall sets out who is paid what, and in what order. Investors read it carefully, because it decides how the profit is shared.



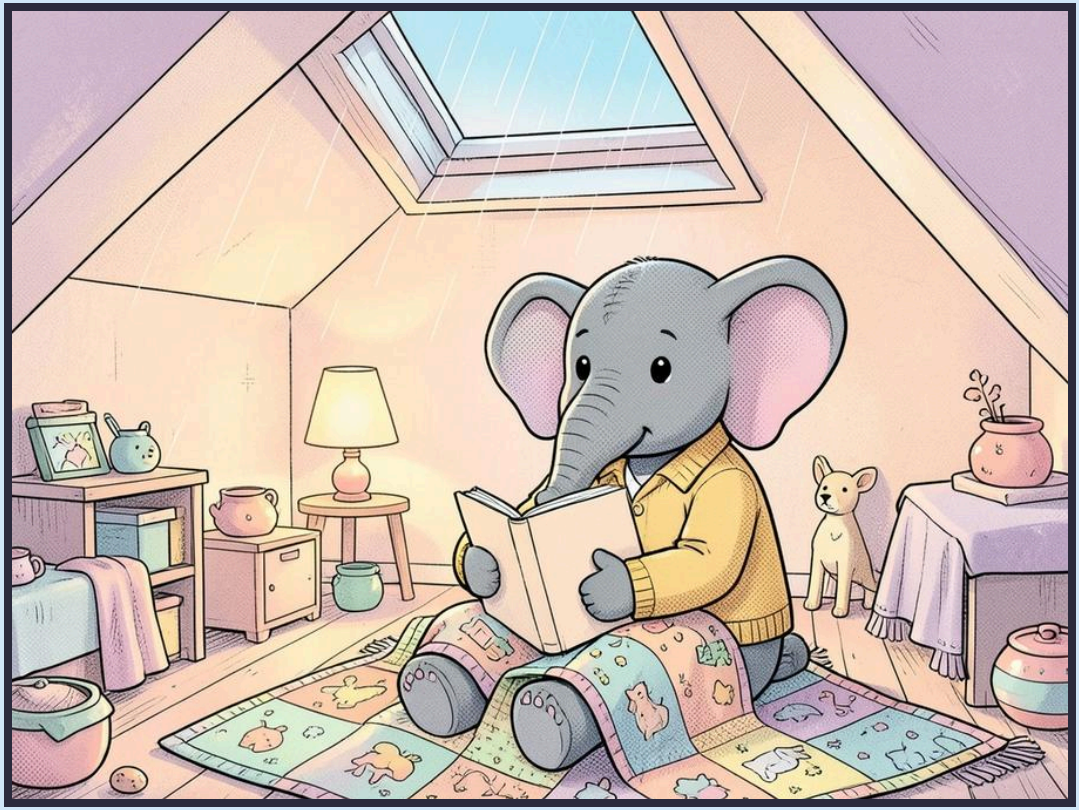
An excuse right lets an investor sit out one deal, usually because of a law or a written policy it must follow. It stays in the fund.



A commitment to a private fund can last ten years or more. Nell is an elephant, and this suits her.



The pensions are paid and the letters are answered. Nell goes to sleep.



A NOTE

The words in this book are real ones, explained simply. The animals and examples are made up, and real terms vary from fund to fund. It is not advice. The pictures were drawn with an AI image model and checked by hand.

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