The Placement Adviser Effect: First-Time Fundraising Outcomes

Mandate scope, fee design and limited-partner meetings, diligence and commitments in a constructed experiment

Authored by Chennakeshav Adya

Independent Researcher

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Abstract

A debut fund manager must decide what a placement adviser will do and how to pay for it. This paper tracks qualified meetings, formal diligence and signed commitments across five fee designs and three scopes. Industry guidance, U.S. regulation, empirical research and incentive theory inform the framework.

A simulation of 3,000 first-time managers and 400 candidate limited partners per manager compares adviser effort and hours across the fifteen designs. Each pay design matches its scope's reference fee in expectation at the baseline allocation. The experiment compares self-placement and an aligned ceiling, tests stresses and measures selection bias.

At 18 months, self-placement averages USD 7.4 million in commitments, with a first close in 4% of cases. The full-process hybrid averages USD 39.3 million; the ceiling is USD 49.1 million. Commitments vary by USD 16.6 million across scopes, which have different reference fees, and USD 10.9 million across fee forms. Diligence entries per meeting fall to 39.6% under the meeting fee. The success-only adviser declines 22% of managers. A crude comparison misstates the average effect by USD 20.7 million or USD 20.2 million under two hiring rules.

The simulation contains no observed fundraise. Its results depend on assumptions about preparation, process management, reputation and planning. A field study would need several hundred funds and a documented selection rule. The review of Gulf rules on arranging and marketing funds is limited to the DFSA definition of arranging deals.

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1. The decision: what scope and what fee for a first-time placement adviser

A first-time manager raising a debut fund has one scarce resource, the attention of institutional limited partners, and one early decision about how to borrow someone else's. It can retain a placement adviser to introduce the fund, or to prepare it, or to run the whole process, and it can pay that adviser a retainer, a fee linked to progress, a fee on commitments, or a combination. This paper asks how the scope of the mandate and the form of the fee relate to the number of qualified meetings, the number of limited partners that enter formal diligence and the commitments signed by a first close.

The question is narrower than the debate about whether advisers are worth their fees. Two managers can pay the same fee and obtain different work, because the adviser decides how many hours to spend on reaching more investors, on choosing better ones and on repairing the evidence that investors will ask for. Fee design affects that choice. A mandate that excludes preparation cannot deliver it whatever the fee. We therefore treat scope as what the adviser is permitted and engaged to do, and the fee as what steers the use of its hours.

The evidence base is documentary. Industry guidance describes what limited partners ask about placement arrangements. [1, 2] United States rules and enforcement describe how payment for introductions is policed. [3, 4, 5] Empirical studies describe adviser use and first-time funds. [6, 7, 8, 9] Economic theory describes what happens when a measured fee meets unmeasured work. [10, 11] None of these sources tests a mandate design against fundraising outcomes. We hold no observed fundraise, and we say so plainly.

Our contribution is a constructed experiment that shows how scope and pay interact under stated assumptions, how the adviser effect would be distorted in an ordinary dataset, and how large a study would have to be. Every number from the experiment is a model result. None is an observed outcome, a market rate or a prediction for any manager.

2. Define meetings, diligence and commitments before comparing advisers

A comparison of advisers needs outcomes that cannot be satisfied by activity alone. We propose three counted stages for each limited partner approached: a qualified meeting, an entry into formal diligence and a signed commitment. Table 1 states when each is recorded, the evidence that supports it and the date at which it is counted. The definitions follow the order in which a limited partner commits resources, from an hour of senior time, to a team's work on the manager, to capital.

The definitions matter because a loose measure rewards the wrong behaviour. If any call counts as a meeting, a fee per meeting pays for courtesy calls. If any questionnaire counts as diligence, a fee per diligence entry pays for requests that were never meant to progress. A commitment is the only stage that is binding, but it arrives last and is affected by the market. Section 9 sets out what each stage measures and which distortion each fee invites.

Table 1. Outcome records proposed for each limited partner approached

Stage	Recorded only when	Evidence retained	Date counted
Qualified meeting	A person with authority to advance an opportunity attends, has received the mandate summary and confirms that the fund falls within a mandate it can act on	Calendar record, attendee role, summary sent, written confirmation of fit	Date of the meeting
Diligence entry	The limited partner issues a questionnaire, requests data-room access or schedules operational diligence	Questionnaire or access request, requesting team, list of documents requested	Date of the first request
Commitment	A subscription agreement, side letter or equivalent binding step is signed for a stated amount	Executed document, amount, closing in which it counts	Date of signature
Exit without progress	The limited partner declines or lapses, with a stated reason where one is given	Written reason, coded to evidence, mandate, size, timing or relationship	Date of the decision

Proposed transaction record. Entries describe information to obtain; they are not findings about a particular manager or investor. [1, 2]

The outcome window also needs a date. We count outcomes at 18 months from launch and distinguish the fee window of a 12-month contract plus a stated tail. Commitments signed after the tail earn no success fee but still count toward the outcome. This difference is material to the incentive and is tested in Section 17. The window is a modelling choice, not a market convention.

3. Limited partners expect the placement arrangement and its payer to be disclosed

Limited partners do not treat the adviser as invisible. The ILPA Principles 3.0, published in 2019, state that the economic arrangement between the manager and its placement agents should be fully disclosed in the due diligence materials given to prospective limited partners. They state that placement agent fees should be borne by the manager, that placement expenses should be borne by the fund, and that any fee allocated to the fund should be fully offset against the management fee. [1] These are recommendations of an industry body, not law.

The ILPA Due Diligence Questionnaire 2.0, updated in November 2021, turns the principle into questions. It asks whether placement agents will be used, how they will be used, whether any is unaffiliated with a FINRA member broker-dealer, unregistered as a municipal advisor or unregistered as a lobbyist in California, and, in an appendix, for each agent used in the last five years, the services provided and the payment structure or amount. [2] The document states that it is not intended to be a required document.

These sources establish what a well-informed institutional limited partner may ask. They do not establish what any particular investor requires, whether a Gulf investor uses the same questions, or what fee level is normal. For the design in this paper the consequence is direct. Whatever scope and fee the manager chooses, the arrangement becomes part of the evidence file, so a design that cannot be explained in a short, plain answer to the questionnaire carries its own diligence cost.

4. Check the applicable rules before engaging a placement adviser

Check the solicitation activity, the parties and the payment terms. Under U.S. Rule 206(4)-5, covered advisers and their covered associates generally may not pay someone to solicit a government entity for advisory services on the adviser's behalf, unless that person is a regulated person or has a qualifying role with the adviser. The rule defines a regulated person and sets conditions for registered advisers, broker-dealers and municipal advisers. [3]

The adopting release, effective 13 September 2010, explains the reason. The Commission was concerned that contributions to officials had been funnelled through placement agents and solicitors, with a substantial fee paid for what might be no more than an introduction by a well-connected person. [4] The release also records that many commenters, including placement agents and some government officials, opposed a ban and argued that solicitors provide valuable services to advisers and to public pension plans, and that a ban would harm smaller plans that lack the resources to search for advisers on their own. [4] The rule applies to government entities, defined to include states and their political subdivisions and the pools of assets they sponsor, such as public defined benefit plans. [3]

Table 2 maps the documents. A separate line of enforcement concerns transaction-based pay. In March 2013 the SEC announced settled charges against a private equity firm, an executive and a consultant who solicited investors for the firm's funds for fees without registering as a broker. The release states that soliciting investments for transaction-based compensation requires broker registration. [5] The findings were neither admitted nor denied. These sources establish that a success fee can engage broker regulation in the United States and that payments for introductions to public plans are restricted. For the investment activity discussed here, the DFSA General Module in the DIFC describes Arranging Deals in Investments as making arrangements with a view to another person buying, selling, subscribing for or underwriting an Investment, including arrangements that do not themselves bring about the transaction, and excludes a person that is or proposes to be a party to the transaction. [14] We did not review how that definition applies to a particular placement adviser, or the ADGM, SCA or CMA texts, and managers need local advice before choosing a fee form.

Table 2. Documents that govern or inform the engagement of a placement adviser

Document	Date and status	What it establishes	What it does not establish
ILPA Principles 3.0 [1]	2019; industry guidance	Arrangement with placement agents disclosed; fees borne by the manager; fund-borne fees offset	Any legal duty; any fee level
ILPA Due Diligence Questionnaire 2.0 [2]	Updated November 2021; not required	Questions on whether and how placement agents are used, their registration and payment structure	That every limited partner uses it
SEC Rule 206(4)-5 [3, 4]	Effective 13 September 2010; binding in the United States	Restricts payments for government-entity solicitation; qualified persons and roles excepted	Any limit on solicitation of private investors
SEC settled order, March 2013 [5]	Press release; findings neither admitted nor denied	Solicitation for transaction-based fees without broker registration charged	A general rule for every arrangement
DFSA Rulebook, GEN 2.9.1 and 2.9.2 [14]	Module version VER72/07-26; binding in the DIFC	Arranging includes arrangements that do not themselves bring about the transaction	How the definition applies to a particular placement adviser
DIFC Data Protection Law, Article 12 [13]	Consolidated July 2025; binding in the DIFC	Consent must be a clear affirmative act and demonstrable	Rules for other jurisdictions

MatchPoint analysis of the documents cited. Status as at 14 October 2026 on the evidence read. Beyond the DFSA definition of arranging deals, rules of the DFSA, ADGM FSRA, SCA and CMA on arranging and marketing funds were not reviewed.

5. Evidence on placement agents is mixed, and first-time funds are the exception

The closest empirical study to our question is by Cain, McKeon and Solomon. Its authors report a sample of 32,526 investments in 4,335 private equity funds and find that funds employing placement agents have lower net internal rates of return on average. They also report higher returns for first-time funds that use an agent and for funds that use a top-tier agent, which they read as evidence of certification. [6] They further find that returns to a limited partner are lower where its relationship with the agent is stronger, which they read as a sign that a subset of agents capitalise on those relationships to the detriment of investors. [6]

The study differs from ours in three respects. Its outcome is net return to investors, not meetings, diligence entries or commitments. Its sample consists of funds with recorded investments, so raises that never closed are absent by construction. Its agent variable records use, not the scope of the mandate or the form of the fee. We read the authors' own summary and the abstract of the published version, not the full text, and we therefore cite no coefficient. [6, 15] The published version, in the Journal of Financial and Quantitative Analysis in 2020, refines the summary: it reports lower abnormal returns for venture and real estate funds that use agents, and higher returns for buyout funds with top-tier agents and for first-time venture and real estate funds with agents. [15] The result that first-time funds are a group for which agents may add information is nevertheless the reason this paper concentrates on debut managers.

A second strand concerns the limited partners who receive the introduction. Lerner, Schoar and Wong report large differences in returns across classes of limited partner and weaker results for funds picked by investment advisers and banks. [9] That finding concerns investor-side gatekeepers rather than manager-side placement, and we do not equate the two. It does support treating limited partners as heterogeneous, which the experiment does by giving each a fit to the manager.

6. A first-time manager has little to show except evidence of readiness

Established managers raise capital on the performance of their existing funds. Barber and Yasuda find that interim performance has large effects on fundraising outcomes, strongest when backed by exits and for low-reputation general partners, and that managers appear to time their raises to those peaks. [7] Kaplan and Schoar find that better-performing partnerships are more likely to raise follow-on funds and larger ones, with a concave relation, and that funds started in boom periods are less likely to raise follow-on funds, which the authors link to weaker subsequent performance, mainly among new entrants. [8] Both studies concern follow-on funds.

A debut manager has no fund to report, so we infer that limited partners weigh other evidence: the attributable record of the team, the operational set-up, the legal terms and the quality of the answers to the questionnaire. This is an inference from the structure of the problem, not a finding of the cited studies. It leads to a variable we call documented readiness, the share of the evidence that a limited partner will request that the manager can already supply in verifiable form. The constructed experiment gives readiness a strong role in diligence and commitment, and varies it across managers.

The inference has a consequence for scope. If readiness limits what an adviser's introductions can achieve, a mandate that excludes preparation caps the return on every introduction, and a pay design that rewards introductions alone will not repair it. The cited studies do not measure this. They justify the experiment's structure, not its parameters, and none supplies a number for the effect of readiness on diligence.

7. A measured fee draws hours away from work that is hard to measure

Holmstrom and Milgrom analyse an agent with several tasks whose performance is measured with different precision. In their model, paying for one activity redirects attention from others, so the desirability of incentives for an activity decreases with the difficulty of measuring performance in competing activities. A fixed wage can then be optimal even when output is measurable. [10] Their illustration of piece rates that raise volume at the expense of quality has a direct counterpart in placement, where volume of introductions is easy to count and the quality of preparation is not.

Baker analyses the related problem in which pay depends on a measure that differs from the principal's objective. Such contracts generally fall short of first-best incentives even for a risk-neutral agent, and the loss depends on how closely the measure tracks the objective. [11] A meeting is a measure that tracks a commitment imperfectly. A commitment tracks the manager's objective better, but later, with more noise from the market and with a cost to the adviser of waiting.

These sources establish a mechanism and a way of reasoning about it. They do not establish that placement advisers behave this way, how much they would shift hours, or whether a particular manager should prefer a fixed fee. For the design, they imply that scope and pay must be analysed together: a fee per meeting is harmful in proportion to the unmeasured work that the scope also requires, and a retainer is harmless in proportion to how well the manager can monitor effort directly.

8. Scope defines the tasks, so it sets a ceiling that no fee can lift

Table 3 sets out three scopes in terms of tasks. Introductions only means that the adviser builds the list, ranks it and arranges meetings, while the manager supplies the materials and runs the data room. Introductions and materials adds drafting of the deck, the summary and questionnaire answers from facts the manager supplies. Full process adds a readiness diagnostic with a remediation plan, and management of requests through diligence. The scopes are descriptive and are not drawn from any industry classification.

Table 3. Mandate scope as a set of tasks the adviser is engaged to perform

Task	Introductions only	Introductions and materials	Full process
Limited-partner list and targeting	Adviser builds and ranks the list	Adviser builds and ranks the list	Adviser builds and ranks the list, reviewed against the manager's evidence
Introductions and scheduling	Yes	Yes	Yes
Deck, summary and questionnaire drafting	Manager supplies	Adviser drafts from the manager's facts	Adviser drafts and tests against likely questions
Readiness diagnostic and remediation plan	No	No	Yes, with owners and dates
Data room and follow-up through diligence	Manager	Manager	Adviser manages requests and responses
Reporting to the manager	Meetings held	Meetings held	Stage conversion, reasons for exit and next actions

Proposed mandate record. Task names are descriptive and do not follow any regulatory or industry classification.

We translate the scopes into three model features. The first is whether hours can be spent on preparation at all: not under introductions only, up to 35% of hours under materials, and without limit under full process. The second is how effectively preparation raises documented readiness: not at all for introductions only, at half strength for materials, which polishes but does not remediate, and at full strength for full process. The third is a process effect on later stages, present only under full process, because an adviser that manages diligence responses can shorten and improve them.

These mappings are assumptions. They express the idea that scope sets which levers exist and how strongly they act, and they allow the experiment to separate a scope effect from a pay effect. The reference fee is higher for broader scope, because more work is bought, so the comparison between scopes is not an exercise in free additional service.

9. Each pay design measures a different stage and invites a different distortion

Table 4 lists five designs. A retainer pays for time and leaves the adviser free to choose the allocation of hours that serves its own interest, which includes its reputation for placing funds. A fee per meeting pays for the cheapest event to produce. A fee per diligence entry pays for a stage

that signals interest from a limited partner and is observable within weeks. A success fee pays on commitments, the outcome the manager values, but only after months. A hybrid combines a retainer with a success fee.

Table 4. Compensation designs, the quantity each measures and the distortion each invites

Design	Measured quantity	Observable to the manager	Distortion invited	Natural check
Retainer only	Months of service	Immediately	Low effort; no link to outcome	Stage reporting and a right to terminate
Retainer and fee per meeting	Meetings held	Immediately	Volume over fit; courtesy meetings	Qualified-meeting definition
Retainer and fee per diligence entry	Formal requests from limited partners	Within weeks	Pressure for early, thin requests	Count only requests that reach a second stage
Retainer and success fee	Commitments signed	After months	Reliance on warm relationships; short horizon	Tail period and attribution record
Success fee only	Commitments signed	After months	Selection of mandates; neglect of weak managers	Reporting of declined mandates

MatchPoint analysis of documented incentive theory. [10, 11] The distortions are predictions for testing, not findings.

The designs also differ in who bears risk and who chooses which mandates to accept. A success-only adviser carries the whole risk of failure and can be expected to decline mandates in which the expected fee does not cover its time. The decline is informative to the manager, but it also means that the managers with the weakest evidence receive no adviser. This is a selection mechanism, and it reappears in Section 19 as a source of bias in any comparison of advised and unadvised managers.

Within each scope, rates are set so the mean planned fee at the baseline effort and allocation equals that scope's reference fee. The variable share is 30% for the meeting and diligence designs, 50% for the hybrid and 100% for success only. The model uses different reference fees across scopes. Realised fees can differ as adviser choices and outcomes change.

10. The experiment gives an adviser a fixed number of hours and lets the fee steer them

The experiment constructs 3,000 first-time managers, each raising a fund with a target of USD 100 million and facing a universe of 400 institutional limited partners. Each manager has an observable evidence score, an unobserved edge that is correlated with it, and a documented readiness between zero and one. Each limited partner has a fit to the manager, a ticket size and, for the adviser, a warm or cold relationship. The population is generated with a fixed seed and is shared by every design, so differences between designs are not sampling noise.

A manager is advised under one of fifteen mandates, formed from three scopes and five pay designs, or places the fund itself. The adviser has a budget of 480 hours for each mandate and chooses, for each manager, how to split them among three activities: volume, the number of limited partners approached; targeting, the precision with which the list is ranked by fit; and preparation, the work that raises documented readiness. It also chooses its effort level between 0.5 and 1.0. The self-placed manager has 220 partner hours, spends 80% of them on volume and the rest on targeting, and has no preparation capacity and no adviser network.

Table 5. Input register for the constructed experiment

Input	Value	Role
Managers and universe	3,000 managers, each with 400 limited partners	Constructed population; fixed seed 1384
Fund target and first-close line	USD 100 million; USD 40 million	Stated scale; first close at 40% of target
Windows	12-month contract, 6-month tail, 18-month outcome window	Fee and outcome windows
Adviser hours and effort	480 hours; effort 0.5 to 1.0; cost USD 400k at full effort, quadratic	Capacity and opportunity cost
Self-placed capacity	220 partner hours, 80% volume and 20% targeting	Comparator
Meeting log-odds	Constant -2.5; fit 0.7; warm 1.0; evidence 0.25; adviser credential 0.3	Stage 1 of the funnel
Diligence log-odds	Constant -1.7; fit 0.7; readiness 2.4; evidence 0.45; unobserved edge 0.5	Stage 2 of the funnel
Commitment log-odds	Constant -2.1; fit 0.5; readiness 1.8; evidence 0.35; edge 0.7; warm 0.7	Stage 3 of the funnel
Process management	Full process adds 0.4 to diligence and 0.4 to commitment log-odds	Scope effect beyond hours
Materials only	Preparation converts to readiness at half strength; at most 35% of hours	Scope effect
Reference fee, USD k	Introductions 450; materials 525; full process 600	Fee level at the default routine
Variable share of fee	Retainer 0%; meeting 30%; diligence 30%; hybrid 50%; success 100%	Pay designs
Reputation weight	USD 4 per USD million of commitments	Adviser interest in the outcome beyond the fee
Adviser network	20% of universe warm; manager network 5%	Access

MatchPoint analysis. Every value is an authored assumption chosen to give a working funnel; none is a market estimate.

Table 5 is the input register. Every value in it is an assumption chosen to give a working funnel, not an estimate. Section 18 varies the inputs that carry most of the weight. The experiment is intended to expose mechanisms and to show how a real study would need to be designed. It does not estimate the effect of any adviser or the probability that any fund closes.

11. The funnel turns approaches into meetings, diligence entries and commitments

Each approached limited partner passes through three stages, drawn with the same uniform random numbers in every design. Equation 1 states the meeting stage and the commitment stage. The probability of a meeting rises with the limited partner's fit to the manager, with a warm relationship, with the manager's evidence score and, when an adviser makes the introduction, with an adviser credential. The probability of entering diligence, given a meeting, rises with fit, with documented readiness, with evidence and with the unobserved edge. The probability of commitment, given diligence, has the same form and also rises with a warm relationship.

Under the full-process scope an additional term raises the diligence and commitment log-odds, representing an adviser that manages requests through diligence. A cold market subtracts a constant from the commitment log-odds. Timing follows a similar structure: approaches are spread over nine months in rank order, and each later stage adds a lag drawn from a log-normal distribution that is shorter for warm partners and longer for larger tickets. Commitments are counted if signed within 18 months, and the success fee is counted if signed within the contract plus the stated tail.

The generating model is deliberately favourable to the idea that preparation and fit matter. Outcomes depend on readiness and fit because the paper asks how pay and scope change the adviser's allocation of hours, given that they do. The experiment cannot show that readiness or fit matter in practice. Its results are conditional on that premise, and a real study would have to test the premise itself, as Section 21 specifies.

$$\text{logit}\Pr(M_j = 1) = \alpha_0 + \alpha_f f_j + \alpha_w w_j + \alpha_q q_m + \alpha_c \quad (1a)$$

$$\text{logit}\Pr(C_j = 1 \mid D_j = 1) = \gamma_0 + \gamma_f f_j + \gamma_R (R_m - 0.5) + \gamma_q q_m + \gamma_u u_m + \gamma_w w_j + \gamma_s \pi_s + \gamma_k \quad (1b)$$

In Equation 1, j indexes the limited partner and m the manager. The variable f is fit, w is the warm indicator, q the manager's evidence score, u the unobserved edge, R documented readiness after any preparation and π the process indicator for the scope. The last term of 1a is the adviser credential, present only when an adviser makes the introduction, and the last term of 1b is the market shift. The diligence stage has the form of 1b without the warm term. The coefficients are in Table 5.

12. An adviser maximises fee and reputation less the cost of effort, which sets the allocation

Equation 2 states the adviser's choice. Utility is the fee under the pay design, plus a small reputational value of commitments, less a quadratic cost of effort whose value at full effort is the adviser's opportunity cost. The adviser plans with an approximate expectation of the funnel, using lookups of the fit and warm share obtained at each number of approaches and each targeting precision, and takes a noisy read of the manager's unobserved edge. It then chooses the allocation and effort level that maximise utility within the scope. The plan is approximate and the outcomes are drawn from the full generating model, so the adviser can be wrong.

Equation 3 states the production side. The number of approaches is the hours given to volume divided by the hours needed per approach. Targeting precision rises with hours given to targeting at a diminishing rate. Readiness rises with hours given to preparation, scaled by the scope's strength. A reputational weight above zero means that even a retainer-only adviser prefers the allocation that raises commitments, but it does not make that adviser work hard. This is an assumption about professional behaviour and is varied in Section 18.

Two benchmarks make results interpretable. The floor is the self-placed manager. The ceiling is an aligned adviser under the full-process scope that works at full effort and allocates hours to maximise the manager's expected commitments, ignoring its own fee. The ceiling is the best the model allows for the given hours, not a feasible contract. A design's share of the ceiling gain is its commitments less the floor, divided by the ceiling less the floor.

$$U_m(a, e) = \text{Pay}_m(a, e) + \theta \text{E}[C_m(a, e)] - \kappa e^2 \quad (2a)$$

$$\left(a_m^*, e_m^*\right) = \arg\max_{a \in A_s, e \in \{0.5, \ldots, 1\}} U_m(a, e) \quad (2b)$$

In Equation 2, a is the allocation of hours to volume, targeting and preparation, e is the effort level, θ the reputational weight, κ the opportunity cost at full effort and the set under the arg max is the set of allocations that the scope permits. The adviser accepts a mandate only if the maximised utility is not negative.

$$n = \min\{N, \lfloor eHa_v/h \rfloor\}, \rho = \rho_0 + (\rho_{\max} - \rho_0)(1 - \exp(-k_t a_t eH/100)) \quad (3a)$$

$$R_m = R_{0m} + \lambda_s(1 - R_{0m})(1 - \exp(-k_p a_p eH/100)) \quad (3b)$$

In Equation 3, H is the hour budget, h the hours per approach, ρ the correlation between the adviser's ranking score and fit, with a lower and an upper bound, and k the rates of diminishing return to targeting and preparation. R with subscript 0 is the manager's documented readiness before the mandate and λ is the strength of preparation under the scope: zero, one half or one. The pay schedule completes the specification.

$$\text{Pay} = 12r + vM_{12} + dD_{12+\tau} + s\sum_j T_j 1\{t_j \le 12 + \tau\} \quad (4a)$$

$$\overline{\text{Pay}}(a^0) = F_s^* \quad (4b)$$

In Equation 4, r is the monthly retainer, v the fee per meeting held in the contract, M the count of meetings, d the fee per diligence entry, D the count of entries, s the success fee rate, T the commitment of a limited partner signed at time t, τ the tail in months and F* the reference fee for the scope. Each design sets the rates that are not part of it to zero and calibrates the rest so that the mean planned fee at the default allocation equals F*.

13. In the model, scope sets the range of outcomes and pay moves the result inside it

The self-placed manager reaches 14.1 meetings, 4.4 diligence entries and USD 7.4 million of commitments within 18 months, and reaches the USD 40 million first-close line in 4% of the constructed cases. The aligned ceiling reaches USD 49.1 million and a first close in 47%. A full-process mandate paid by retainer and success fee reaches USD 39.3 million, a gain of USD 31.8 million over self-placement with a standard error of USD 0.70 million across the paired managers, and captures 76% of the gap between floor and ceiling. Table 6 sets out the full-process designs and Table 7 the fifteen mandates.

Table 6. Outcomes by pay design under the full-process scope

Design (full process)	Approaches	Meetings	Diligence entries	Commitments, USD m	First close reached	Fee, USD k	Fee per USD m	Share of ceiling gain
Self-placed	117	14.1	4.4	7.4	4%	0	n/a	0%
Retainer only	73	17.0	9.0	25.6	21%	600	23.4	44%
Retainer and fee per meeting	148	27.5	10.9	28.1	23%	578	20.6	49%
Retainer and fee per diligence entry	101	22.1	11.7	33.6	28%	564	16.8	63%
Retainer and success fee	96	22.0	12.8	39.3	34%	616	15.7	76%
Success fee only	110	24.9	14.8	45.0	43%	724	16.1	90%
Aligned ceiling	129	28.6	16.7	49.1	47%	695	14.2	100%

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Mean per manager at 18 months. Fee and fee per USD million committed in USD thousand.

Commitments vary more across scope scenarios than across pay designs. The scopes differ in tasks, assumed process effects and reference fees; this comparison does not hold those fees constant. Mean commitments across the five pay designs are USD 17.7 million under

introductions only, USD 19.0 million with materials and USD 34.3 million under the full process, a range of USD 16.6 million, against a range of USD 10.9 million between the mean of the retainer designs and the mean of the success-only designs. Even the retainer-only full-process mandate, at USD 25.6 million, exceeds the best introductions-only mandate, at USD 20.4 million, by USD 5.2 million. In this model a better fee form does not rescue a narrow mandate.

Table 7. Mean commitments and probability of first close by scope and pay design

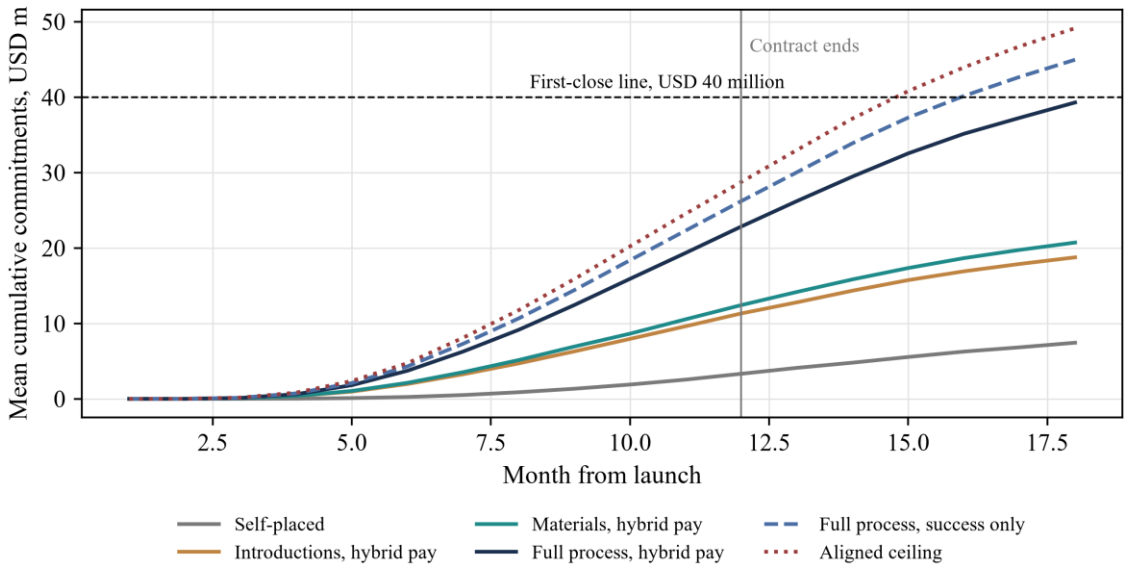
Scope	Retainer only	Retainer and fee per meeting	Retainer and fee per diligence entry	Retainer and success fee	Success fee only
Introductions only	15.1 (11%)	16.4 (12%)	17.6 (13%)	18.8 (14%)	20.4 (17%)
Introductions and materials	15.5 (11%)	16.8 (12%)	18.7 (14%)	20.7 (17%)	23.5 (21%)
Full process	25.6 (21%)	28.1 (23%)	33.6 (28%)	39.3 (34%)	45.0 (43%)

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. USD million at 18 months; probability of reaching the USD 40 million first-close line in brackets.

Two cautions apply. The step from materials to full process is large because the full process carries the assumed process-management effect in addition to unrestricted preparation, and Section 18 shows that removing the effect reduces the full-process gain to USD 18.2 million. And the materials-only scope adds little over introductions only, because it caps preparation at 35% of hours and applies it at half strength. These are consequences of the stated scope mappings, not market observations.

Figure 1 plots cumulative commitments by month. The curves stay close to zero in the first months and separate as meetings convert into diligence entries and commitments. The hybrid full-process mean of USD 39.3 million sits just below the first-close line, and the probability of reaching it is 34%. The mean hides a wide spread, and the first-close line is a threshold that fewer than half of the constructed managers reach under any design.

Figure 1. Cumulative commitments by month under selected mandates



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Mean over 3,000 managers; USD million.

The implication for a manager is that the scope decision should be taken first. If the manager's documented evidence is incomplete, a design that excludes preparation puts a low ceiling on every fee design, and the only sensible pay question is how to secure the preparation separately.

14. In the model, a meeting fee buys volume and a retainer buys the right work at half the effort

Table 8 shows how each pay design changes the adviser's choices under the full process. The retainer-only adviser chooses an allocation of 45% volume, 28% targeting and 28% preparation, close to the ceiling allocation of 40%, 28% and 32%, because the reputational weight points it at commitments. It chooses effort of 0.51, at the floor of the range, because the retainer does not reward more. The retainer therefore buys the right work at roughly half the effort, and it delivers 44% of the ceiling gain.

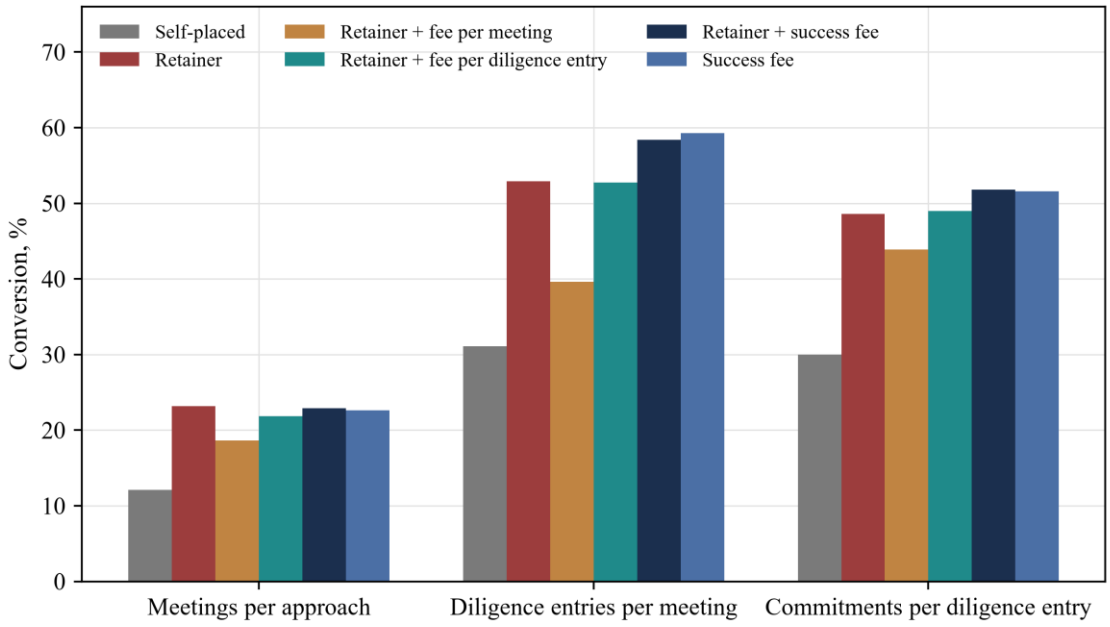
Table 8. Adviser allocation, effort and funnel signature by pay design under the full process

Pay design (full process)	Effort	Volume	Targeting	Preparation	Meetings per approach	Diligence per meeting	Commitments per entry
Retainer only	0.51	45%	28%	28%	23.2%	52.9%	48.6%
Retainer and fee per meeting	0.54	86%	12%	2%	18.6%	39.6%	43.9%
Retainer and fee per diligence entry	0.58	53%	24%	22%	21.8%	52.7%	49.0%
Retainer and success fee	0.67	43%	28%	30%	22.9%	58.4%	51.8%
Success fee only	0.79	42%	27%	31%	22.6%	59.3%	51.6%

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Shares of adviser hours; conversions are ratios of means across managers.

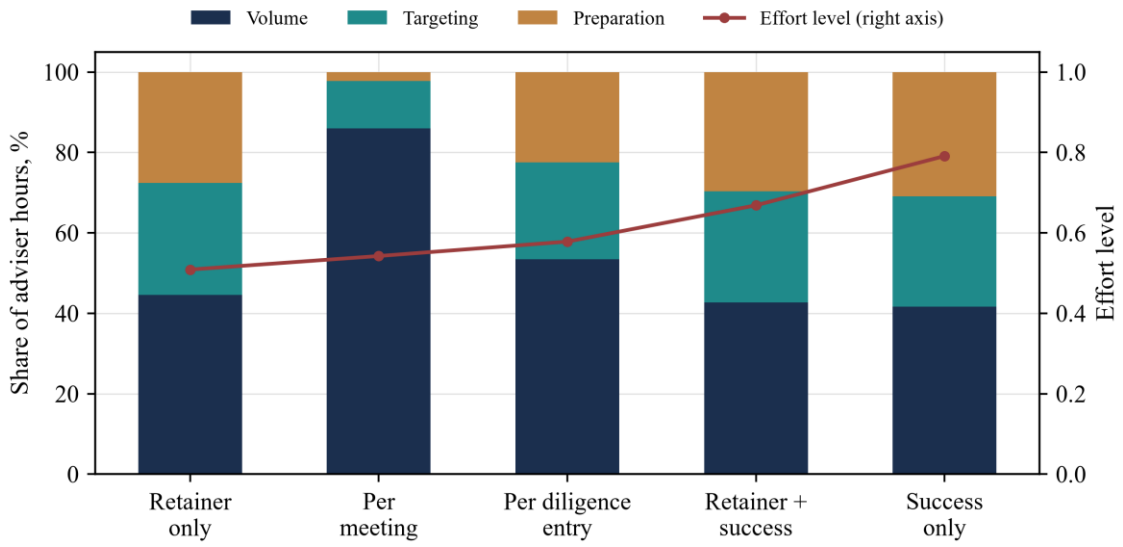
The fee per meeting moves 86% of hours into volume and leaves 2% for preparation. Approaches rise to 147.6 from 73.2 and meetings rise to 27.5 from 17.0, but diligence entries rise only to 10.9 from 9.0. Meetings per approach fall to 18.6% and diligence entries per meeting fall to 39.6% from 52.9%, which is the signature to look for in a real engagement: a count of meetings that grows while the proportion that proceeds falls. Figure 2 shows the conversion rates by design, and Figure 3 shows the allocation of hours.

Figure 2. Conversion at each stage by pay design under the full process



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result.

Figure 3. Allocation of adviser hours and effort level by pay design under the full process



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Mean over managers.

The fee per diligence entry is a better proxy for the manager's objective, and the allocation moves toward preparation (22% of hours) and effort rises to 0.58. Success-only pay produces the highest effort, 0.79, and the lowest concentration of commitments in the three largest investors, 69% against 83% under the retainer. Total adviser compensation per USD million committed is 16.1 thousand in the success-only design and 23.4 thousand in the retainer design. The higher simulated commitments make total compensation greater in the success-only design. The measured fee rewards the stage it measures, and the later the stage, the less the allocation is distorted.

15. Success-only pay looks best until the mandates it declines are counted

A success-only adviser accepts a mandate only if its expected fee and reputational value exceed its cost of effort. Under the full process it accepts 78% of the constructed managers and declines 22%. The acceptance rate depends on documented readiness: 60% of managers in the lowest third are accepted, 82% in the middle third and 92% in the highest. The hybrid design accepts 100%, because its retainer covers the adviser's cost for every manager in the model.

The declined managers are not a random loss. If a declined manager falls back on self-placement, mean commitments under success-only pay across all managers are USD 44.1 million, not the USD 45.0 million that Table 6 reports on the assumption that every manager is accepted, and the hybrid design stands at USD 39.3 million. Success-only pay still leads in this model, but the lead narrows. The managers declined would have raised USD 0.7 million on average on their own, so the decline is close to a verdict that the fund is not yet ready.

The same mechanism produces a statistical problem. A comparison of advised and unadvised managers under success-only pay compares a group that an adviser selected with a group that it did not, and the selection depends on the evidence the adviser can see. Section 19 measures the resulting bias. The implication for a manager is practical: a success-only offer should be read as a screen, and a decline should be asked for in writing with the reason, because it states which evidence the adviser believes is missing.

16. In the model, documented readiness decides where preparation earns its fee

Table 9 divides the managers into thirds by documented readiness before the mandate. Self-placed commitments rise from USD 3.1 million in the lowest third to USD 12.7 million in the highest, which confirms that the funnel gives readiness a large role. Under introductions only with hybrid pay, the gain over self-placement is USD 3.5 million in the lowest third and USD 21.8 million in the highest. Introductions are worth far more to a manager whose evidence is already in order. Figure 4 plots the gains for all three scopes.

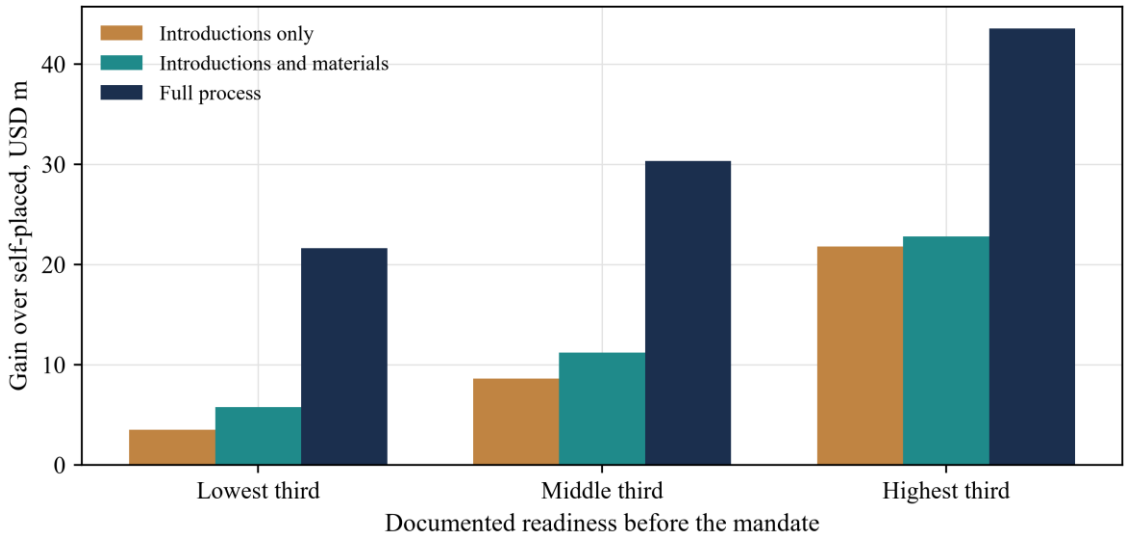
Table 9. Gain over self-placement by documented readiness

Documented readiness	Self-placed, USD m	Gain, introductions only	Gain, with materials	Gain, full process	No diligence entry, self-placed	No diligence entry, introductions only	No diligence entry, full process	Mandates accepted, success only
Lowest third	3.1	3.5	5.8	21.7	23%	15%	6%	60%
Middle third	6.5	8.6	11.2	30.3	10%	6%	2%	82%
Highest third	12.7	21.8	22.8	43.6	3%	1%	0%	92%

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Hybrid pay. Commitments in USD million at 18 months; managers divided into thirds by documented readiness before the mandate.

The full process changes the picture for the weakest managers. The gain in the lowest third rises to USD 21.7 million, and the proportion that never enters formal diligence falls from 23% when self-placed, and 15% under introductions only, to 6%. The gain in the highest third is also larger, at USD 43.6 million, so the full process does not equalise outcomes. The materials-only scope gives USD 5.8 million in the lowest third and USD 22.8 million in the highest, and offers little to either.

Figure 4. Gain over self-placement by documented readiness and mandate scope, hybrid pay



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. USD million, mean over managers in each third.

The finding is conditional on the premise that readiness limits diligence. Within that premise, introductions alone are the least useful service for the managers who most need help, and a placement mandate for a debut fund should begin with an assessment of readiness before any fee for introductions is agreed.

17. Five stresses each leave a different mark on the funnel

Table 10 holds the full-process hybrid mandate fixed and applies five stresses. The first three are market-side: the adviser plans with base-case beliefs and the outcomes are drawn under the stressed conditions. The last two re-optimise the adviser's allocation, because a shorter fee tail and a smaller capacity are contract and capacity terms that the adviser knows. A cold market lowers commitments to USD 29.4 million, and the signature is in the last stage: commitments per diligence entry fall to 38.7% while meetings and diligence entries are unchanged at 22.0 and 12.8.

Table 10. Five stresses applied to the full-process mandate with retainer and success fee

Case	Meetings	Entries	USD m	First close	Entries per meeting	Commitments per entry	Warm share	Signature
Base case	22.0	12.8	39.3	34%	58.4%	51.8%	39%	Reference
Cold LP market	22.0	12.8	29.4	26%	58.4%	38.7%	39%	Last stage falls; earlier stages hold
Weaker adviser network	15.0	8.9	24.6	22%	59.1%	47.9%	18%	Meetings per approach fall
Lower documented readiness	22.0	12.0	35.3	31%	54.7%	49.8%	39%	Both later conversions fall
No success-fee tail	19.4	11.0	33.4	27%	56.7%	51.5%	41%	Volume falls; conversions hold
Adviser capacity halved	11.3	5.4	15.0	10%	47.3%	47.7%	46%	Volume and preparation fall

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Entries are diligence entries; USD m is commitments in USD million; warm share is the warm share of approaches. Market-side stresses leave the adviser's plan at base-case beliefs; the last two re-optimise the plan. Mean per manager at 18 months.

A weaker adviser network lowers meetings to 15.0, with meetings per approach at 15.7% against 22.9% in the base case, and with diligence per meeting little changed at 59.1%. The warm share of approaches falls to 18%. Lower documented readiness lowers diligence entries per meeting to 54.7% and commitments per entry to 49.8%, and commitments to USD 35.3 million. Under introductions only, the same stress lowers diligence per meeting to 29.8% from 37.2%, which shows that readiness can fail a funnel where introductions are the only service.

Removing the success-fee tail lowers the adviser's effort, and approaches fall to 83, with meetings at 19.4 and commitments at USD 33.4 million. Stage conversions barely move, so the signature is a fall in volume without a fall in quality. Halving the adviser's capacity cuts approaches to 50 and commitments to USD 15.0 million, and it lowers diligence per meeting to 47.3% because less time is available for preparation. The ordering of pay designs survives: success-only pay yields more than the retainer in every stress, for example USD 28.2 million against USD 15.7 million with a weaker network and USD 18.1 million against USD 12.4 million with halved capacity.

The stresses offer a diagnostic order for a live engagement. A fall in meetings per approach points to access, a fall in diligence per meeting to evidence, a fall in commitments per diligence entry to market conditions or terms, and a fall in approaches to capacity or effort. A single headline number, such as commitments to date, does not distinguish these.

18. The adviser gain depends on hours, access and the process effect more than on fee form

Table 11 varies one input at a time for the full-process hybrid mandate and re-optimises the adviser each time, holding the contract rates at their base-case values. The gain over self-placement ranges from USD 7.6 million to USD 51.6 million across the cases, and the share of

the ceiling gain captured ranges from 45% to 85%. The advised mandate remains ahead of self-placement in every case.

Table 11. Sensitivity of the advised gain to single inputs

Input varied (full process, retainer and success fee)	Self-placed, USD m	Advised, USD m	Gain, USD m	Share of ceiling gain	Effort level	Volume share
Base case	7.4	39.3	31.8	76%	0.67	43%
Adviser hours 240	7.4	15.0	7.6	45%	0.54	57%
Adviser hours 720	7.4	59.1	51.6	85%	0.72	40%
Reputation weight zero	7.4	33.3	25.9	62%	0.58	44%
Fixed share of fee 25%	7.4	42.9	35.5	85%	0.74	42%
Fixed share of fee 75%	7.4	33.2	25.8	62%	0.58	44%
Adviser network 8% of universe	7.4	26.9	19.5	64%	0.61	42%
Cold LP market	4.9	25.4	20.5	67%	0.60	40%
No process-management effect	7.4	25.6	18.2	64%	0.60	39%
Opportunity cost USD 550k	7.4	34.6	27.2	65%	0.60	43%

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Full process, retainer and success fee; adviser re-optimised, contract rates held at base values. USD million at 18 months.

The largest movements come from capacity and access. With 240 hours the gain is USD 7.6 million, and with 720 hours it is USD 51.6 million. With an adviser network of 8% of the universe the gain is USD 19.5 million. In a cold market it is USD 20.5 million. Removing the process-management effect gives USD 18.2 million, so a substantial part of the full-process advantage rests on an assumption that we cannot test here.

The fee form matters less than these inputs, but it matters. A fixed share of 25% of the fee gives a gain of USD 35.5 million and a share of the ceiling gain of 85%, against USD 25.8 million and 62% with a fixed share of 75%. Without a reputational weight the gain falls to USD 25.9 million and the effort level to 0.58. A manager should therefore ask first how many hours the adviser will devote and how many of the target investors it can reach, and only then negotiate the fee form.

19. A naive comparison of advised and unadvised funds misstates the adviser effect

Any real dataset of advised and unadvised funds will be affected by who hires and who is accepted. The experiment has the counterfactual for every manager, because each manager is simulated both self-placed and advised with common random numbers, so it can measure the error that selection introduces. Equation 5 states the problem. The naive difference in means equals the effect on the advised plus the difference in what the two groups would have achieved without an adviser. The weighted comparison uses fitted probabilities based on the evidence score and documented readiness. The model clips those probabilities to 0.05 and 0.95 and normalises the weights within each group before comparing weighted means. A causal interpretation requires overlap and no unmeasured confounding conditional on the fitted covariates. [12]

$$\Delta_{\text{naive}} = \mathrm{E}[Y \mid A=1] - \mathrm{E}[Y \mid A=0] = \mathrm{ATT} + (\mathrm{E}[Y^0 \mid A=1] - \mathrm{E}[Y^0 \mid A=0]) \quad (5a)$$

$$\hat{\tau}_{\text{IPW}} = \frac{\sum_i A_i Y_i / \hat{\pi}_i}{\sum_i A_i / \hat{\pi}_i} - \frac{\sum_i (1-A_i) Y_i / (1-\hat{\pi}_i)}{\sum_i (1-A_i) / (1-\hat{\pi}_i)} \quad (5b)$$

In Equation 5, A indicates that the manager was advised, Y is commitments at 18 months, Y with superscript 0 is the outcome without an adviser, ATT is the average effect on the advised, and $\hat{\pi}$ is the estimated probability of being advised given the evidence score and documented readiness. Table 12 applies four hiring rules to the full-process hybrid design, and to the success-only design in the last rule.

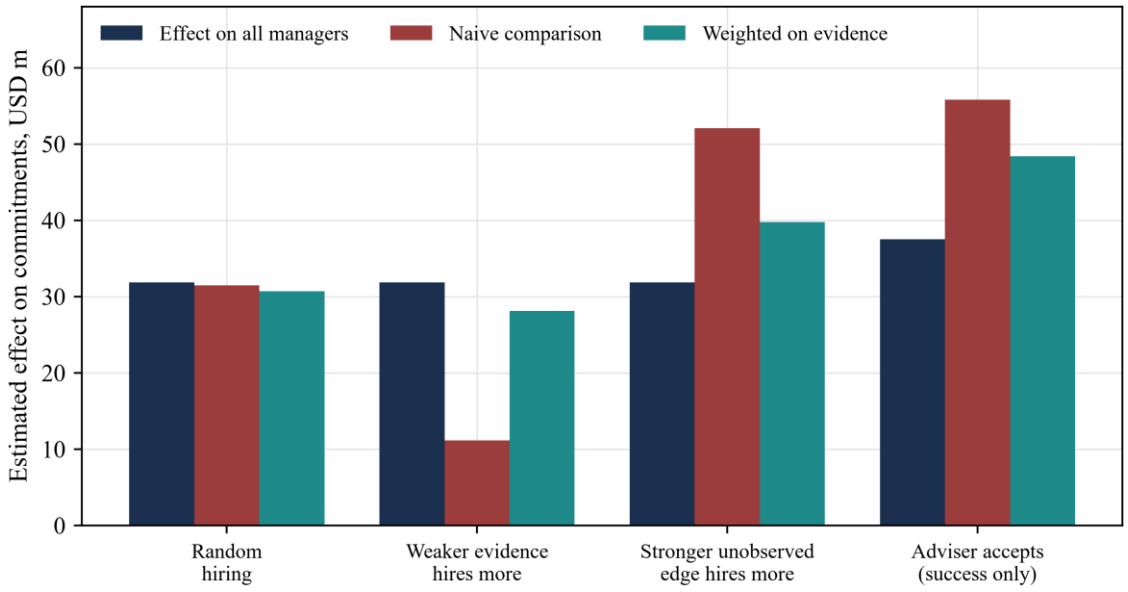
Table 12. Estimates of the adviser effect under four hiring rules

Hiring rule	Advised share	Effect on all managers	Effect on the advised	Naive comparison	Weighted on evidence	Naive error	Weighted error
Random hiring	36%	31.8	31.3	31.5	30.7	-0.3	-1.2
Weaker evidence hires more	35%	31.8	17.2	11.1	28.1	-20.7	-3.7
Stronger unobserved edge hires more	36%	31.8	45.7	52.1	39.8	20.2	7.9
Adviser accepts only if success-only pay clears cost	78%	37.5	47.1	55.8	48.4	18.3	10.9

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. USD million of commitments at 18 months. The last rule uses the success-only design; the others use the hybrid design. The weighted estimate under the last rule is unstable: its weight-sum check fails.

Under random hiring the naive comparison is close to the average effect, at USD 31.5 million against USD 31.8 million. When managers with weaker evidence hire more, the naive comparison is USD 11.1 million against a true average effect of USD 31.8 million, an understatement of 20.7 million, and weighting on evidence recovers USD 28.1 million. When managers with a stronger unobserved edge hire more, the naive comparison is USD 52.1 million, an overstatement of 20.2 million, and weighting leaves an error of 7.9 million because the edge is not in the weights. Weighting repairs 82% of the error in the first case and 61% in the second. Figure 5 shows the estimates under all four rules.

Figure 5. Naive and weighted estimates of the adviser effect under four hiring rules



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. USD million of commitments at 18 months.

Where an adviser decides whom to accept under success-only pay, the naive comparison is USD 55.8 million against USD 37.5 million, and weighting reaches USD 48.4 million. The weights in that case are unstable, because acceptance is close to a deterministic function of the adviser's own read of the manager, so few comparable managers exist on both sides, and the model's check that the weights sum to about the number of managers fails for this rule. The weighted figure should not be read as a reliable estimate. The result is a warning that an observed adviser effect can be larger or smaller than the truth, and the direction depends on who selects whom.

20. Even a well-designed study needs several hundred funds, and more funds do not remove bias

A study of documented fundraises would have a limited number of funds. Table 13 draws repeated samples of 40 to 640 funds from the constructed population, 1,000 samples at each size, under two of the hiring rules, and reports the 95% range of the naive and weighted estimates. The code has a fallback for simulated draws with fewer than five funds in either group: it forces the first five draws into the advised group and the next five into the unadvised group before computing outcomes. The fallback never activated across the 10,000 sample-by-rule evaluations in the reported run. Equation 6 gives the approximate precision and the number of funds needed to estimate an average effect to within a stated fraction.

$$\mathrm{SE}(\hat{\tau}) \approx \sigma \sqrt{\frac{1}{n_1} + \frac{1}{n_0}} \quad (6a)$$

$$n \approx \left(\frac{2 \times 1.96 \sigma}{c \tau} \right)^2 \quad (6b)$$

In Equation 6, σ is the standard deviation of commitments, n with subscripts 1 and 0 are the numbers of advised and unadvised funds, τ is the average effect and c the tolerated fraction of it. With the pooled standard deviation of USD 34.7 million, an average effect of USD 31.8 million and c of 25%, Equation 6b gives about 293 funds in total for a balanced, independent randomised

design and a 95% confidence interval with the stated half-width. This is an approximate design benchmark. A field study with correlated outcomes would need its own power calculation.

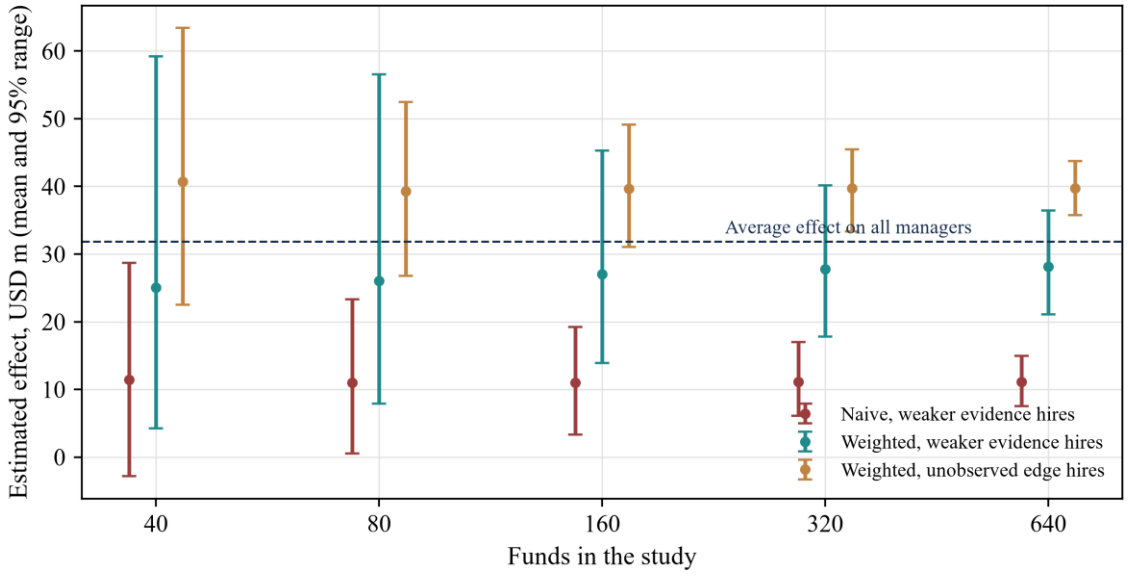
Table 13. Spread of estimates by number of funds in the study

Funds in the study	Naive estimate, 95% range (weaker evidence hires)	Weighted estimate, 95% range	Weighted within 25% of the average effect	Weighted estimate, 95% range (unobserved edge hires)	Weighted within 25% of the average effect (unobserved edge)
40	-2.8 to 28.7	4.3 to 59.2	35%	22.5 to 63.4	46%
80	0.5 to 23.3	7.9 to 56.6	42%	26.8 to 52.5	53%
160	3.3 to 19.2	13.9 to 45.3	55%	31.0 to 49.1	53%
320	6.1 to 17.0	17.8 to 40.2	70%	33.4 to 45.4	52%
640	7.5 to 14.9	21.1 to 36.4	85%	35.7 to 43.7	51%

MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. 95% range over repeated samples of the constructed population, in USD million of commitments. Average effect on all managers shown in the text.

Under the evidence-driven hiring rule, the weighted estimate at 40 funds has a 95% range of 4.3 to 59.2 million, and only 35% of estimates are within 25% of the average effect. At 640 funds the range is 21.1 to 36.4 million and 85% are within 25%. Weighting costs precision, so it needs more funds than random assignment. The naive estimate has a range of 7.5 to 14.9 million at 640 funds, which excludes the true value of USD 31.8 million: more funds make the wrong answer more precise. Figure 6 plots the means and ranges.

Figure 6. Estimated adviser effect by number of funds in the study



MatchPoint analysis of the constructed population. Model output under stated inputs; not an observed result. Mean and 95% range of 1,000 samples at each size.

Under the unobserved-edge rule the weighted estimate settles near USD 39.7 million at 640 funds, a gap of USD 7.9 million above the average effect, and the share within 25% stays near half at every size, at 46% with 40 funds and 51% with 640. A study that is large enough to be precise still reports the wrong value if the selection is not measured. The design in Section 21 therefore needs a randomised slice or a recorded reason for every hiring and acceptance decision.

21. A real study needs consent, timestamps, outcome definitions and a randomised slice

We propose the evidence design that would turn this framework into a test. The unit is the pair of a fund and a limited partner, with the date of each approach, the adviser who made it, the scope and fee terms in force and the date of each stage defined in Table 1. The study should also record the manager's documented readiness before the mandate, assessed against a fixed checklist by someone who does not know the outcome, together with the reason each adviser accepted or declined each mandate.

Consent and data protection must be settled before data are collected. The data subjects are the identifiable people in the relationship records, including contacts and representatives of limited partners and managers. Institutional entities are not themselves data subjects under the DIFC law. Under the DIFC Data Protection Law, consent relied on as a basis for processing must be freely given by a clear affirmative act and the controller must be able to demonstrate it. [13] Managers and advisers should consent to aggregate reporting by contract, and individual limited partners should not be identifiable in published results. The law of the relevant jurisdiction, and the rules of the ADGM and Saudi Arabia where those apply, were not reviewed for this paper and need separate advice.

The design needs a randomised slice to break the dependence of hiring on unobserved edge. Where an adviser has more mandates than capacity, it can offer a random subset of the accepted managers a mandate in the current quarter and the remainder in the next, which creates a comparison group that the adviser itself has judged acceptable. The analysis plan should state the primary outcome, which is the proportion of managers that enter diligence with at least three limited partners within 12 months, and the secondary outcomes of commitments by 18 months and first close. Section 20 shows that several hundred funds are needed, so a single placement firm will not produce the sample, and an industry body or a regulator would have to host the study.

Data and automation can help with the records but not with the design. A system that logs each approach, meeting request and diligence request with a timestamp makes the stage counts reproducible, and a model that suggests the next limited partner can be evaluated against the logged outcome. Neither removes the selection problem. A tool that is trained on the outcomes of past hires will learn the selection rule, and its predictions will be wrong for any manager that the rule did not choose.

22. Report stage conversion and reasons for exit, not meetings held

The manager's board needs a report that connects the adviser's activity to the stages in Table 1. We propose a monthly report with five lines: approaches, qualified meetings, diligence entries, commitments and exits with reasons, each by limited-partner segment and with the date and the owner of the next action. The report should state the conversion between stages, because Section 17 shows that the pattern of conversions identifies the problem. A report of meetings held alone would reward a fee per meeting and would hide a fall in diligence per meeting.

The report should also state what the adviser has not done. Under an introductions-only scope the adviser is not preparing materials or managing diligence, and under a materials scope it is not remediating the underlying evidence. The report should list those tasks and the person

responsible, because the effect of scope in the experiment depends on the tasks that are actually performed. A mandate that names the full process but performs introductions would be recorded as full process in a naive analysis.

The report to limited partners is a separate document. The ILPA principles state that the arrangement and its economics should be disclosed, and the DDQ asks for the services provided and the payment structure of each adviser used. [1, 2] The manager should be ready to describe the scope, the fee form, whether any part is borne by the fund and how any government-entity solicitation is handled under the rules in Section 4. [3, 5] A fee design that cannot be described in two sentences invites questions that cost time in diligence.

23. Use a decision rule that fixes scope first, then hours, then fee form

We propose a decision rule for a live mandate with four steps. First, assess documented readiness against a checklist before any fee is agreed. Where the assessment shows gaps in verifiable track record, valuation policy, governance or legal terms, a full-process scope or a separate preparation engagement is required, because Table 9 shows that introductions alone have the lowest value for the weakest managers. Where the evidence is complete, a narrower scope may be adequate.

Second, fix the adviser's hours and reach in writing: the number of hours, the number of target investors the adviser can credibly introduce, and the stages it will manage. Table 11 shows that these inputs move the gain by more than the form of the fee. Third, choose a fee form that rewards a stage the manager can verify and that cannot be satisfied by volume. A retainer with a success fee, or with a fee per diligence entry, performs well in the model, although the model counts every diligence entry and a manager would want a stricter definition. A fee per meeting performs worst among the variable forms.

Fourth, require reporting of the stage conversions and exits, agree a tail period so that late commitments are not a dispute, and record the adviser's reasons if it declines. The rule gives no fee level and no guarantee. It is a sequence of questions whose answers the manager can test against the evidence in its own file. The rule applies equally to a manager that raises capital in the Gulf and one that raises it elsewhere, subject to the local rules on soliciting and arranging that this paper did not review.

24. Limitations, reproduction and the next decision

The constructed experiment shows how scope and pay interact under stated assumptions. It does not show that real advisers behave as the model advisers do, that readiness has the assumed effect on diligence, or that any fee is appropriate. The generating model was written with the premise that preparation and fit matter, so the result that preparation and fit matter is built in. The scope mappings, the process effect, the reputational weight and the adviser's planning approximation are authored. The sensitivity table shows which of them matters most, and the process effect and the adviser's hours are the two that a study should measure first.

The model omits several features of a real fundraise: investor-side committee calendars, the fund's strategy and track record beyond a single score, the advisers' competition for the same investors, the possibility that an adviser's introductions crowd out the manager's own, and the legal costs of a fee form. It also treats the limited-partner universe as fixed and independent across managers. Beyond the DFSA definition of arranging deals, we did not review the DFSA,

ADGM, SCA or CMA rules on arranging and marketing funds, and the regulatory evidence in this paper is mainly from the United States and from an industry body. The empirical literature on placement agents concerns returns to investors, and we read only the authors' summary and the published abstract of the closest study. [6, 15]

The experiment is reproducible. The model fixes the seed, asserts 77 identities and boundary tests, and regenerates every table, figure and number in the paper. Table 14 lists the controls. The next decision for a manager is not which fee form to choose in the abstract, but whether its evidence file is ready for the mandate it proposes to buy. The next decision for an industry body is whether to host the study described in Section 21.

Table 14. Reproducibility controls

Control	Expected result
Fixed seed	Seed 1384; a second generation reproduces the population and every self-placed outcome exactly
Fee calibration	For each of the 15 scope and pay cells, the mean planned fee at the default routine equals the reference fee
Candidate grid	Every allocation sums to one; scope caps hold; introductions-only mandates carry no preparation hours
Funnel nesting	Commitments within diligence entries within meetings within approaches, manager by manager, in every cell
Probabilities	Every stage probability lies strictly between zero and one
Ceiling	Planned commitments at the ceiling are the maximum over all candidates for every manager and exceed every scope-F design
Fee reconciliation	Realised fee equals fixed fee plus meeting, diligence and success components
Timeline	Cumulative commitment curves never fall and end at the 18-month total
Stress identity	A stress with no change reproduces the base case exactly; each case moves the stage its signature names
Selection identity	The naive comparison equals the effect on the advised plus the selection term, in every hiring rule
Weights	Each group's inverse-probability weights sum to within 10% of the number of managers under the three set hiring rules; under the success-only acceptance rule this soft check fails
Sample size	The 95% range of the adjusted estimate narrows at every step from 40 to 640 funds
Checks asserted in model.py	77 identities and boundary tests passed

MatchPoint analysis. Hard controls are asserted in model.py and the run stops if one fails; soft checks are reported, and the one soft check that fails is stated in the Weights row.

Frequently Asked Questions

Does the placement adviser effect show that advisers raise more capital for first-time funds?

In the constructed experiment it does, by design: outcomes were generated from fit and documented readiness, the adviser's hours act on those inputs, and the full process carries an assumed process-management effect and an assumed reputational weight, so a full-process mandate with a retainer and success fee reached USD 39.3 million against USD 7.4 million for self-placement. That shows how scope and pay interact when the premise holds. It is not evidence that the premise holds in a real market, and the paper holds no observed fundraise.

Should a first-time manager prefer a success-only fee?

Not on the strength of this paper alone. In the model, success-only pay produced the highest effort, 0.79, and the highest mean commitments, USD 45.0 million if every manager were accepted and USD 44.1 million once declined managers fall back on self-placement, but the adviser declined 22% of managers, and the declined managers were concentrated among those with weaker documented readiness. A success-only offer is better read as a screen on the manager than as a fee that suits every manager.

Why is a fee per meeting a weak design?

A meeting is the cheapest stage to produce and the easiest to count, so the fee moves hours toward volume. In the model it raised approaches to 147.6 and meetings to 27.5, but diligence entries per meeting fell to 39.6% against 52.9% under the retainer. The fee is harmful in proportion to the unmeasured preparation and targeting work it displaces. A stricter definition of a qualified meeting reduces the problem but does not remove it.

What should a manager check before choosing the scope of a mandate?

The manager should check its documented readiness: whether the attributable track record, valuation policy, governance, operations and legal terms can be supplied in verifiable form. In the model, introductions alone added USD 3.5 million for managers in the lowest readiness third and USD 21.8 million in the highest, while the full process added USD 21.7 million and USD 43.6 million. The comparison is conditional on the assumption that readiness limits diligence.

How many funds would a study of adviser effects need?

The approximate benchmark is 293 funds in total for a balanced, independent randomised design, using a 25% relative half-width at the stated variability. The required size for a field study depends on its design. When hiring depends on observed evidence and the estimate is weighted, 85% of estimates at 640 funds were within 25%, against 35% at 40 funds. When hiring depends on an unobserved edge, adding funds did not repair the bias. A recorded hiring rule and a randomised slice matter more than sample size alone.

Do the rules on paying introducers apply to a manager raising capital in the Gulf?

This paper does not answer that question. It reviewed the United States rule on payments to solicitors of government entities, the related adopting release and a 2013 settled order on unregistered solicitation for transaction-based fees, together with industry guidance. Beyond the DFSA definition of arranging deals, it did not review the rules of the DFSA, the ADGM, the SCA or the CMA. A manager should take advice on the rules that apply to the adviser, the manager and the investors in each jurisdiction before choosing a fee form.

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About the Author

Chennakeshav (CK) is a corporate finance and investment banking executive with 25+ years of global experience in deal origination, structuring and execution across M&A, growth capital and corporate strategy. He has led value-creation mandates for founders, corporates and funds — bridging the boardroom view to hands-on execution and close.

His career spans Morgan Stanley, HSBC, Lloyds Banking Group, EWEC, ADQ portfolio companies and Emirates Growth Fund, across TMT, real estate, fintech, deeptech, cleantech, infrastructure and energy. He has partnered with C-suite leaders, private equity and venture funds, sovereign wealth funds and family offices to finance complex fund raises and scale-up ventures, and has led M&A due diligence, post-merger integration and business-transformation initiatives to create value.

At Matchpoint Partners he is Managing Partner, leading the firm's corporate finance, M&A and capital-raising practice. He holds an MBA from London Business School, an engineering degree from VTU and a Master of Laws (LLM, in progress) from UCL London.

An active start-up mentor, CK mentors at Techstars, DIFC FinTech Hive, Startup Grind, Founder Institute and IN5, serves as Entrepreneur Mentor in Residence (EMiR) at London Business School, and judges the Entrepreneurship World Cup.

https://www.linkedin.com/in/ckadya/

https://www.matchpoint-partners.com/team/ck-adya.html

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