

*diffusetap*  
Virtual Event Series

# Building an Investor Network

Guest Speaker:



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Hosts:



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## DiffuseTap: Building an Investor Network

Last time on DiffuseTap, Denny Chared, Founder of DC Finance, talked to us about how to build a strong investor network, where to start building relationships and valuable connections, and what family offices look for when looking for partners.

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### DiffuseTap

This networking session is part of our weekly virtual events series. Networking (you'll bump into at least a dozen high caliber fund managers) meets purposeful (you'll tap into brand-new sources of ideas) ... straight from your armchair like a boss.

### Meet the Speaker



Denny Chared is the founder of [DC Finance](#), an international network of high-net-worth individuals, family offices, and investors, which runs some of the most exclusive events for the world's wealthiest families. With over 20 years of experience in capital markets, tech, and business development, Denny has built a network that currently holds upwards of \$500 billion in assets and has served over 2,000 families. LinkedIn: [@dennyched](#)

### About Diffuse®

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**KENNY ESTES:** The speaker of the day is Danny Chared. Danny, do you want to do a brief introduction on yourself?

**DENNY CHARED:** Yeah, happy to be here. I'm Danny Chared. I am originally from Israel. I live in Rhinebeck, New York, and my office in the city is at the World Trade Center. We built one of the more prominent groups of high-net-worth family offices around the world, doing very high-tier conferences, private dinners, and online sessions. Today, we're well known in Canada, the U.S., U.K., Israel, and soon the UAE.

I used to be a journalist when I started. So when COVID hit, people told me that I should do an online webinar. I followed their advice. I said, well, if COVID does not kill you, then you might as well just try to watch some of the webinars out there. That is what's going to get you going. Nowadays, everybody and their mother can become TV hosts. Humanity really doesn't want to bore itself.

Every week, I interview major families from all around the world, from India to the U.K. and elsewhere, online. It does have its pros, not just because COVID forced us to get here, but these conversations bring about some interpersonal tones. It's a synergetic tool, and that's what we do. We bring families together.

Because we're from Israel, we're also very tech-oriented. While our main events cover everything that's on the minds of the families, from estate planning to philanthropy, to arts, to marrying wealth, to divorcing wealth, to investments and finance, we always open our conferences with a major innovation session. And we also have a sub conference dedicated to technology and innovation with the world's leading legal firms like Baker McKenzie and Shearman & Sterling in London, Herrick Feinstein here, Clifford Chance, Fasken, Osler, Stockman, and others in Canada. The reason I mentioned all of that in this intro is to say that we have an interesting understanding of both worlds — the tech world and family office.

I think we learn a lot more than other groups. I haven't heard about any group that is as tech-oriented as us in the family office space making the mistakes funds typically do, like understanding who is who in our space. It's easy to give a very flexible determination of what the family office is. Many groups would tell you they're a family office, but they actually just have a family and maybe an office, and that's about it. That's a big problem because UBS and Wells Fargo know how to do diligence in this space. They have the tools; they have the experience. You cannot fool them.

Those who aren't in-the-know are easy targets. When you come from outside tech funds or private companies, in most cases, you have no idea what's going on. I'm still astonished by the fact that if somebody attests that he is the leading family office, then that's good enough for many groups to say "okay, we're going to partner with you because you're obviously the biggest."

They don't even understand that the word "big" is wrong in the family office world. Who wants to be big? Who wants to stand in queues, to be in line with 1,000 other people? That does not exist. The terminology that some players in my space use is very revealing. Sometimes I say to myself that these guys should pay the price because they don't even get the very basic idea of what a family office is. I mean, who wants the world's largest conference? What does that mean for family offices?



So unfortunately, I think the groups that come from the outside don't leave this world again, just like how the banks have no idea what is happening, and many times they get burned. And when COVID hit, I was very bored. So I started to do all those videos trying to explain to the world what is going on. So, hopefully that gives you an honest version of who I am.

**AYLA KREMB:** We have a few big important bits here that we can probably follow up into the conversation. Maybe we can start off with one of the key questions. When a new fund manager gets started on their fund, when is it a good time to start building an investor network? It's a long process. Kenny and I do this day in, day out. We have a little bit of an insight on how it works, but we'd love to hear from your side, especially when it comes to family offices. How do you actually start building these relationships? Where do you start?

**DENNY:** That's a great question. And by the way, when I say that is a great question, I'm not like those who work on the questions beforehand and act surprised to get the question. I didn't know what I was about to be asked, and that is a great question you don't often get.

Many people tell me, "We're raising money now, and we're done in a quarter so we need to hit it quickly. That's how it works." I mean, if you have constraints, and you have to brace capital in the corner, do that. But when somebody tells me "We just finished the race, we're good," I say, "No. You're not good." You develop relationships. These are people that you want to get closer to you, and not just when you need them. You want to already have them, and when you need them, they're there. I think that's one thing people should be aware of.

In the past, you always needed to be in touch with the families. Some of them are very slow, and that's the way they like it. I have a family that I always like to give as an example. They are a billion-dollar family from Australia. They invested in a real estate fund. They did a year-long due diligence and put in \$1 million. And basically, they said "okay, let's see what you do with that." You know why? Because it's his money, and not other people's money, which is something completely different. And if he's happy with them, he'll put way more in.

But not everybody is like that. I have a fund from Israel that did an online session with us, and they raised millions within two weeks, so I don't want to generalize it. I'm just saying that it is a long process. You should really decide whether you want to go after this market and then build a strategy, and not just for today.

Obviously, there are pros and cons, but what's great about family offices is that they give a chance even for first time funds, or companies that don't necessarily tick all the boxes. An example of this would be Mobileye, which created a system that checks how far you are from the next car. They had one of the biggest exits from Israel. When I spoke with them, they told me they knew me. I spoke with one of their investors, and he told me no VC would touch them because they didn't check the right boxes. They didn't know where to put them in the box, so they didn't. On the other hand, family offices are going to listen to your story. That is something you will not get anywhere else.



By the way, many of the blockchain crap (pardon my French) in 2018, where I believe most of those who invested in it were cult followers, who just threw money in everything that said blockchain in it. I mean, I read some white papers, and after the third sentence, I'm like, I want to meet the guy that invests in this thing, shake his hand. I mean, why? It's so bad already now. And I can check them and see that they're not real with just a quick Google search.

I think the family offices are very sophisticated folks. And in most cases, they can tell if you're somebody they can trust, and whether you're really going to get there and if you have a good model. I think they would listen. I had a first-time fund from Israel, in agrotech. Now, what can be worse than doing a first-time fund in agrotech? That's probably the worst thing you can think about because it's such a niche, and it's your first time. But the guy's father was the founder of one of Israel's only two publicly traded companies in that space.

So, you say to yourself, "Wait a minute. So this guy is a first time fund, and he's got no track record. I get it. But let's see what we've got. We have a guy who is wealthy, so maybe he's not hungry to make a buck and won't do just anything to convince you to invest. He also has a reputation on the line within the family, so he's probably not going to be doing foolish things. He's got to love agrotech. I mean, his father does, and is still in the business. So the guy must be breathing agrotech since he was born. That's his thing. And he's a go-getter. He needs to prove himself. So, am I betting on that horse, that he's going to get me far."

And many of them will. My point is that family offices will listen to your story, even if your story is not exciting for the more mature investors. And they get it. They understand that to get a better valuation out there, they have to get the risk. But also, this person is somebody they can bet on because they like his story.

I have plenty of more stories of first time funds who have weird stories, but they will actually listen to your story. I even know an investor that not only invested in a fund, but he also sits on the board of the founder's wife's company today. They're also very strategic investors. So again, to answer in a very, very long way to your simple, short question of when you should start, my point is, you always need to be in touch with them, whether you're raising or not raising yet. You have to get as many as you can into your system, because at some point you will need them, and it takes time to develop those relationships.

**KENNY:** Let's pause with that. I'm a first-time fund manager or a startup, and I believe the right investor for me is a family office because they're going to buy into the story. How do I start? What should I do? I don't know those guys. How do I get in front of them? What does traversing that network look like?

**DENNY:** That's a great question. Another great question. But actually, I don't have an answer for that. I'll tell you what I want instead. It's kind of tricky. We have a sort of catch-22 with what we do. Because if you want to come to us, you need to sponsor us, right? We cannot take success fees, which is a problem. Many companies cannot pay for those, especially those first-time funds. So, we mostly work with folks who have wealth behind them, who are maybe running their second company or otherwise. That would



be one way to get to them and to present, etc. But even if you cannot do that, you can attend an event and meet people and shake hands. That could be a great way to meet and start a relationship.

The thing about families is, I don't think pension funds sit at the table with other pension funds and say "listen, I made a great investment in this. You should check it out" unless they're in a really bad investment and they want others to get in so they can get up. They're all fighting on who's got the better ROI. It's a competition. It's a jungle. They're not helping one another.

Maybe someone will say I'm wrong and families are not like that. But what do you do when you're a next gen, and your father is a multi-billionaire? Whatever you do, you're in the shadow of your father. You're like the son of John Lennon. You don't have a chance. You're the son of John Lennon, for God's sake. You're screwed.

Okay, so what do you do? You accept it and say, "Okay, my father's got a billion dollar company." Obviously, I'm giving an extreme example. Many high-net-worth individuals could be 50 million in annual. Whatever you do, everybody is always going to say, "oh, he's the son of the founder." For them to invest in a first-time company or fund could be their thing, because that's theirs. It's their thing. It's their bet. So they're very excited. What do they do? They tell their friends about it. So now, you have somebody who's working for you. That is, if he's happy with you.

Let's go back to that guy I told you about, who invested a million dollars in a real estate fund. I was talking to him about another fund where he was an investor, and he told me how he was happy with that fund. He told all his friends because he liked their transparency. To give another example, I have another publicly traded company called Prism Pharmaceutical, from which we brought an investor to our event to talk about how he ended up investing in the company.

Initially, he was looking for something that his wife suffered from. Then, he saw that one in every 10 employees is handicapped. So, their strategy resonated with him. He fell in love with them. And to date, he has brought 10 other investors into the company. So, I'm not sure how to answer you, but I think that's important information that you guys should be aware of. That investors can be very strategic.

**AYLA:** Yeah. There are so many good questions this time around. One of them that I think is especially relevant is the preference and appetite of families for different kinds of investment segments or verticals. Do they prefer something more conservative, like equity or real estate? And then, the other side of the coin could also be impact investing.

How do the family offices in these spaces differ in their appetites for these kinds of segments? It feels like venture was brand new and unknown a while ago, but it's now becoming more mainstream. And now, crypto is the place where they're a bit scared, and they're just dipping their toes in the water. What do you see in terms of the adoption of different kinds of verticals and family offices?

**DENNY:** I'll give you a very bad answer for this one as well. But I will connect the dots from your last question. You asked me how to get in touch with them, and my point was that if you get one or two to



work with you, if they're happy, they're going to spread the word. That's one way of getting those guys. And of course, if you can get a major family excited about you and to sit on your board, that's another way. That's that.

Regarding their flavors, there is really everything under the sun. They believe in the people. I think most high net worth individuals have a family business, so they know what it means to be an entrepreneur before anybody else. So first of all, they look at the people. Is this just a sneaky Wall Street guy that's just here to make a buck? Or is this a young passionate entrepreneur who is going to do anything it takes to get to places? So I think first of all, they look at the people that they're dealing with in the eye.

I remember, when I first met [Jan Morley](#), the chairman of our London conference, I asked him, "How come all those platforms to do online deals with families don't really take off? How come the family offices are not there?" and he told me, "I want to look them in the eye." That was 10 years ago, when I first spoke with him. Maybe the world has changed, but still, that's a major part.

Now, getting to the flavors, you see that there's a family office for everything. There are families that like to do direct investing and love it. They love to do diligence in the companies. That's their thing. There are also families that hate it. These families will only go to funds. There are some that like niche, weird things, and other topics. There are family offices looking for basically anything under the sun.

You mentioned impact. I think that's a strong point. Even if impact is not your edge per se, but you have something that's [positive in your company](#), you have to stress it. You can hire handicapped people, or ask questions like do you have enough diversification? Do you do philanthropy? Or whatever it is. Because when you make enough wealth, for most people it's not just about making more money. It's also about making the world a better place, and [they care about that](#). To be honest, I don't even remember a conference we've done without an impact investing panel.

What I'm saying is, even if what you do is not impact investments, you might have positive elements in your company that you may want to stress to those family offices, which they'll appreciate. I've even had a fund that opened in an [opportunity zone](#). I did a conference about that last year, which was called "Opportunity Zone for Family Offices".

I also think they are very, very fast. By the time the institutional investors get going on something, it's already dead. When cannabis happened, when opportunity zones happened, or when blockchain happened, the family offices were the first in line. That's because they can act quickly. They don't need investment committees, and they make their own decisions.

They're very careful, and they're experienced in doing due diligence. But having said that, many times, they fall in love with something. And even if it's risky and crazy, they go ahead with it. There is a term for that. It's called [passion investment](#), and it really is the fun part of life. It's investing in art, investing in films, etc. Now, if you go to somebody, to anybody, and you talk about [investing in films](#) or Broadway, they will tell you "You're nuts. That's crazy dangerous, don't go there."

I have a speaker at our Miami conference next month, [Wendy Federman](#). She had a family business for three generations doing cold food storage. Now, I know it sounds exciting, but she wasn't excited about that. It didn't really make her wake up in the morning saying "Gee, another amazing day at the storage



company." So, the minute they sold the company, she went to Broadway because she loved the glamour. She liked the stars. She is now a 10-time Tony Award winning producer who enjoys everything she does.

So, how does that affect you? The point is, family offices can invest in something that could be very, very risky and crazy, just because they like your story. If anybody's into those things, then family offices are for you. Anything goes, and there are really many flavors out there. That's my bad answer to you.





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Corporate Director, CME Group

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CEO & Founder, LionShare Media

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VP/Global Head of Tax, Binance.US

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