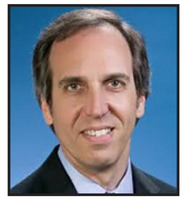
Guest Column

What Can Make Your Fund Marketing Writing Wrong

By Bruce Frumerman, ceo of Frumerman & Nemeth Inc.



Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 36-year-old financial communications and sales marketing consultancy that is internationally recognized for helping financial services firms create brand identities for their organizations and develop and implement effective new marketing strategies and programs. Frumerman & Nemeth's work has helped money management firm clients attract over $7 billion in new assets, yet they are not third-party marketers.

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The first job of emerging managers seeking to grow their investment firms is to deliver performance that is considered to be within the ballpark of acceptance. They have a second job, too. It is their responsibility to educate and persuade prospective investors and those who influence them to understand and buy into *how* they invest. While the first job is data based and evaluated objectively by prospects, the second job calls for the ability to effectively communicate subjective-based, beyond-the-numbers information. This proves to be a challenge for many portfolio managers as it requires clearly communicating detail about the investment process and the thinking behind it, and having the ability to put that into print.

How well have you been doing with the second of these two jobs?

How you write about investment strategy can make or break asset raising efforts

Family offices, endowments, foundations, plan sponsors and some in the independent financial planning/investment advisory wealth management world have, since back when the dot-com bubble burst in 2000, been demanding longer, more detailed explanations about how a portfolio manager invests. This due diligence vetting of how money managers handle strategy implementation increased even further as non-company specific risk factors bloomed over the past few years with global macro factor considerations that included the impacts of COVID-19, global interest rates and inflation challenges and Russia's invasion. Sophisticated investors expect explanations as to how the investment process carries out analysis or risk management weighing such factors rather than ignoring them.

Additionally, when an investment committee meets behind closed doors to consider a short list of managers with similar performance, the members are not dickering over objective factors such as who has the better Sortino ratio or R-squared. Instead, the key questions they discuss, debate and vote on relate to their subjective views: whose investment process seems to them most sensible and repeatable.

This requires the money management firm to prepare and deliver paragraph-based content about how its fund seeks to identify and capture alpha. Such content cannot fit into a flipchart pitchbook. Bullet point copy will not suffice.

No hands raised

When leading an investor-filled industry conference panel a while back about marketing to family offices and institutional investors, I asked the investors in the audience which marketing document they most often get handed that delivers the most content about how the pitching money manager invests. The answer was the flipchart pitchbook. I followed that query with a series of related questions. Had they ever received a pitchbook that contained enough of an explanation about a fund's investment process and strategy implementation so that their investment committees could rely on that marketing piece to fully understand how a fund invested and what differentiated it from its competitors? And could they decide — based on that flipchart document alone — whether they buy into how the strategy was being run and if they thought returns were more due to skill than luck? By a show of hands, the answer to each question was No. I commented to the portfolio managers in the audience that they should make note.

Insights many money managers lack

This vital marketing content mentioned above is beyond-the-numbers information, and this is what money management firms of all types find the hardest to effectively communicate, let alone tell the same way twice.

Further, there are actually two strategy descriptions that any money management firm needs to craft to communicate this and win over sophisticated investors. My 36-year-old financial communications and sales marketing consulting firm calls these the long version storyline strategy description and the short version storyline. The former communication includes more extensive strategy implementation information about the investment process, and should be delivered at the initial in-person pitch meeting, first as verbal presentation and then handed over in print (which most money managers lack the ability to do).

The short version storyline is a brief description of the fund and its investment process. It is the verbal explanation you should give when meeting someone at the coffee urn at an industry conference; and it needs to go beyond simply naming the fund's asset class or investment style. It can also be the brief written description on the monthly performance tear sheet. Too often, however, a short version storyline is all many money management firms have drafted. It is typically presented as no more than a few bullet point phrases; and it frequently comprises the complete text that appears in a flipchart pitchbook for describing a portfolio manager's investment process. Many money management firms make the mistake of delivering *only* this type of a short version storyline explanation as to how the investment process is run, leaving prospects in the dark as to many of the steps actually taken, and the thinking behind the decision making.

There is an additional problem with

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the way this content is typically written by most money management firms: it comes across only as generic-type language that could have been used by any competitor describing their investing in the same asset class. The more that generic-type language is used in communicating about a fund's investment process, the more likely investors see themselves being pitched a commodity-like choice: easily replaceable once performance lags, swapped out for an allocation to whichever is the better performing competitor at the time.

Communicate where the alpha comes from

What money management firms should be providing instead is content that delivers more detailed information about their asset class specific marketplace views and the investment process steps the portfolio manager takes to seek out alpha. This is the differentiated type of communications that makes tangible the personality and character of the portfolio manager's approach and adds subjective-based investment process detail that helps shape the brand identity for the fund. All of this explanation and differentiation needs to be based on how the manager thinks and runs the portfolio. And it's not good enough to simply recite this information once verbally at a sales pitch meeting. It must be delivered in print as well.

Time for self-examination

Is your firm using a good enough written investment process description? This content needs to address investment beliefs and the strategy implementation steps taken to assemble and manage the firm's basket of holdings.

Further, your in-print copy must align with the verbal explanation delivered at sales meetings with sophisticated investors. Why? Sophisticated investors are good at spotting contradictions between written and verbal investment process explanations delivered by portfolio managers and salespeople. This raises large red flags for these prospects and gives them a blatant reason to reject the emerging manager's pitch and cease conducting further due diligence into the fund. (Such contradictions can reveal — or at least be perceived to display — the potential for strategy drift as to how a fund is being run.)

So, the written long version storyline copy about investment process should serve as the script for the verbal presentation of that information.

And this important written content must not be vague or opaque.

Beyond the investment process explanation

Cogent and compelling writing that communicates how a money manager thinks and the process used to run the investment strategy is both a significant differentiator that separates a portfolio manager from his or her peers, and it makes the due diligence analysis job of the sophisticated investor easier.

However, clearly written, properly detailed communications requirements go beyond the explanation of process. Sophisticated investors are also judging a fund on which they are conducting due diligence by reading and analyzing portfolio manager writings about performance reporting analysis in letters to investors, stock research reports, asset class related market commentaries and white papers relating to seeking out investment opportunity or managing portfolio risk.

Sophisticated investors read so much content from so many firms pitching for their business that they do not have much tolerance for poor writing and missing key content points.

Emerging managers who perform well with their second key job — successfully educating and persuading prospective investors and those who influence them to understand and buy into how they invest — are much more likely to be perceived to be better than their competition and win more mandates. This requires being more effective in communicating subjective-based content in print. So, make every effort to see that your fund marketing writing is not wrong.