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Marketing To Sophisticated Investors column
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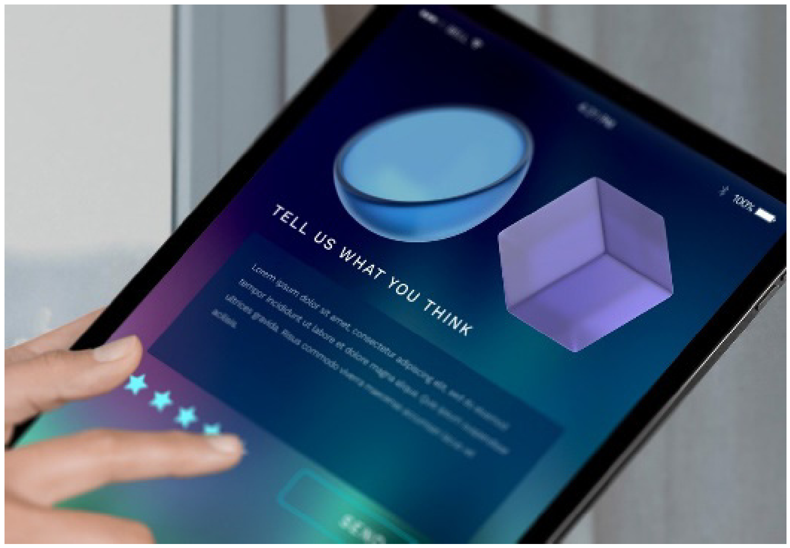
What This Family Office Survey Means For Your Fund's Marketing



Fidelity Investments produces a bi-annual investment survey of family offices about how they are investing. In March 2024 they released their most recent Family Office Investment Study, which surveyed 83 single-family offices with a total net worth of $432 billion. The survey, conducted from May to July in 2023, basically reports on two points: what family offices are invested in and where they get their investment ideas.

What will be interesting to money management firm owners is where family offices say they get their investment ideas as this should be taken into account when planning communications and sales marketing actions. So, that's the part of the survey we will address here.

But how should investment firm owners interpret the data, and are there any family office responses that fund managers might misinterpret?

My financial communications and sales marketing consulting firm has been asked by some money management firm owners as to how to interpret the report's findings. I'll share our thoughts regarding the most relevant responses, including what to do about it and what to not get hung up on, after we take a look at the family office investor responses.

But first a word about survey construction

I'd like to share some observations about surveys and their construction as it has some relevance to my observations and recommendations about this one.

In building a survey, the direction that the series of questions take in covering a topic or topics, wording and semantics of the questions and the multiple choice answer 'choices', matter much more than many people appreciate.

So, how was it done in this case? In this online-conducted survey, only after asking family office respondents a bulk of the questions around PE, VC, private credit, real estate and real assets, did the following question get posed: *Of the following potential sources of information, which do you use most often in generating investment ideas?* That, of course, set up the respondents to be focused not on the subject of management of *all* asset allocations in their total portfolios but on which asset classes they were most recently most involved in looking for ideas.

How family office investors responded

SOURCES FOR GENERATING INVESTMENT IDEAS

Other family offices	69%
Private equity fund managers	43%
Consultants	31%
Conferences	24%
Investment Banks	23%
Long-only investment managers	23%
Subscription services	21%
Hedge fund managers	13%
Other	28%

Other family offices

We have seen this to be so for decades. Family offices are not in competition with each other. They will often share the news, offering a recommendation when they come across a portfolio manager or fund's strategy that was previously unknown to them and that seems of interest. This includes passing on such news to a peer even when the family office sharing the news may not find that offering to be a fit for them at that moment. Similarly, they will share the story of a bad due diligence encounter with a portfolio manager, recommending their peers not waste time with that money management firm. I've seen this latter case play out many times in the hallways at family office investor conferences as family members catch up with each other and quickly share intel on who they met and spoke with that day that others should make a point of avoiding or meeting.

So, what should the money manager seeking to asset raise from the family office world make of this?

First, the obvious: Your marketing outreach should aim to get facetime with as many family office investors as possible. Before doing so, however, you need to be prepared to make it through the full selling cycle with them, which can run from two months to two years. You need a game plan for handling both verbal and written communications over time, and this goes far beyond reporting performance data.

Next, you may want to consider asking any family office investor who says your offering is not a fit for them at present whether they might have a peer who comes to mind for whom an introduction to you and your firm might be beneficial.

Tip: Keeping in mind the survey finding, you need to make it easy enough for one person to effectively tell another about you and your fund. Don't assume that an informal 'telephone game' verbal retelling from family office one to family office two will suffice. (Refer again to the above-mentioned game plan recommendation.)

Private equity / Long-only / Hedge fund managers

I'm combining the three line-item idea source responses here. My firm believes these are the MacGuffans of the survey responses. (Look up Alfred Hitchcock, who popularized the term and its use in many of his films.) In calendar 2023 were institutional investors making more allocations to private equity focused funds, long-only or hedge funds? The answer was PE. The way the responses rank in percentages seem to roughly align with where family office investors claimed they were aiming to allocate most due diligence time asset class-wise, from most to least.

Consider if the survey question was instead posed like this: *When looking into an investment strategy type — be it private equity, long-only or hedge fund — how would you rank portfolio managers and their firms as being a source of investment ideas?* It is very likely that communications from 'portfolio managers and their firms' as a source of investment ideas would have ranked pretty much in second place after fellow family office investors. And where would those fellow investors most likely have gotten those investment ideas of interest? Portfolio managers and their firms!

Tip: Ignore annual articles (or surveys) touting which strategy is most in favor at the moment. This is irrelevant for your investment management firm. The strategy type you run is the strategy type you run. That's what you have to market and win investors over to. You're not going to dump your investment offering to start up another one in the category type garnering the most current attention.

Consultants

For family offices that, like many institutional plan sponsors, use a consulting firm as gatekeeper responsible for vetting portfolio managers and their strategies, they would respond to this choice. A bit under one third of those who responded to the survey use outside investment consulting firms. Anecdotally, I'd say that jibes with what I've seen in decades in the business; and those that do tend to not be the smaller single family offices. So, if your investment management firm is seeking out the smaller family offices you could inch consultants down on your current list of priorities.

Conferences

This one is a two for the price of one listing for money management firms to pay attention to. Nearly a quarter of this survey's respondents say they learn of investment ideas by attending conferences. Who are presenting investment ideas at investment conferences? Panelists or stand-alone speaker presenters, most of whom are investment firm portfolio managers buying pay-to-play opportunities to share their insights and win the interest of prospective investors. But there's more. Conferences provide the chance for in-person mingling between sessions, at a meal or over drinks. Then there is the other type of investment conference: the 'speed dating' meet-the-manager events. And guess what? That means seeing and hearing, if not directly conversing with, portfolio managers running PE, long-only, hedge fund and even other types of investment offerings.

Tip: If your investment management firm aims to market beyond friends and family to sophisticated investors, then conference participation should be part of your asset raising outreach plans.

Investment banks

Assume this is a reference to PE deals specifically. Unless your investment management firm is putting together a private equity deal, you're not going to be marketing to these folks to seek deal distribution.

Subscription services

This Rorsharch Inkblot-like choice was simply a line item's wording for people to respond to. What did the company intend it to mean? Who knows. What did survey respondents think it meant? Who knows. To hazard a guess, it could range from newspapers, magazines and online financial media and trade press to a Bloomberg terminal.

Tip: After you have built out all of the communications content and materials required for marketing directly to individual family office investors, and after you have initiated your action plan for conference participation to expose you to more family office investors, you could look into how to judiciously seek media exposure. Know, however, that going 'more public' than making one-on-one contact and speaking to conference attendees is not appropriate, or advisable, for every alternative investment management firm. The old trope that any publicity is good publicity does not apply here, particularly for any emerging managers. (If you want elaboration, ask me.)

Other

'Other' turned out to include respondents' personal and professional networks, in-house research, family members and endowments. Note how this loops back to other family offices and industry gatherings such as conferences. As for endowments, many of them were launched with money from a single family office. So, by extension, investment offerings research that an endowment's team conducts, may in turn get word back to the family office itself.

In Summary

The more family office investors you can meet and tell your story to over time the more likely some will be prospects you may be able to convert into clients, and some may be potential sources of referral.

For this you need to create the opportunities to reach them directly: first in person and then adding emailed content so as to stay in contact with them over a period of time.

With this type of sophisticated investor, the more you can demonstrate investment insight the greater the likelihood that when they are next asked about where they get their investment ideas from, you and your firm may come to mind.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 36-year-old financial communications and sales marketing consultancy that helps 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.

Frumerman & Nemeth is internationally recognized for its work in crafting for clients the beyond-the-numbers story of how they invest — content that investment committees actually discuss, debate and vote on behind closed doors when considering firms on a short list for potential investment. Importantly, this is required due diligence content that cannot be communicated in pitchbook format.

Frumerman & Nemeth's work also includes providing strategic consulting on product and strategy-specific branding, crafting the required strategy-specific content detail and designing and producing the marketing tools needed to make it through the two-month to two-year institutional selling cycle. Clients also employ Frumerman & Nemeth to help promote the intellectual acumen of management — helping them get speaking opportunities, write and give speeches as panelists or stand-alone speakers at industry conferences, and through media relations marketing services.

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