

Articulating Investment Beliefs Affects Capital Raising Success

by Bruce Frummerman, Frummerman & Nemeth Inc.

Pensions & Investments and Oxford University recently published a survey on long-term investment beliefs that has implications for how money management firms market their strategies and get buy-in from institutional investors.

In offering conclusions from their survey results Gordon L. Clark, professor at Oxford University's Centre for the Environment, who led the survey, offered the key observation that managers will increasingly be differentiated by "their strong belief systems and a rigorous investment process that matches those beliefs." P&I reported that he went on to comment that "It's terribly important for managers" to base investment decisions on a clear set of investment beliefs. "The whole logic of their business is premised on being able to articulate beliefs, testing beliefs and being able to revise beliefs in a very uncertain world."

P&I also reported the comments of Rob Bauer, professor of finance and chair of the institutional investments division at Maastricht University, that more investment managers "now focus on the structure of their investment beliefs, how the beliefs translate into the design of the investment framework and how that framework is executed. The more sophisticated investment managers are really trying to have a coherent structure."

Marketing Implications

Marketing a money management firm has become more competitive.

Institutional investors and their consultants have increased demand for more information detailing how a money management firm thinks and how it builds and manages its basket of holdings.

Is your firm communicating an institutional caliber explanation about its investment beliefs and the process behind its strategy? A few bullet points on a flip chart page or two are not enough to communicate this. You have to prove you have a rigorous investment process by delivering a detailed explanation of the most important subjective information that your money management firm has to persuade people to understand and buy into: how it invests.

Reexamine your own communications. Are you truly differentiated from the competition or are your marketing collateral, in-person presentations and responses to essay questions in RFPs and DDQs actually having you come across as a me-too copycat strategy-wise, offering no perceivable added value?

You need to give institutional investors and their consultants easy access to a full, written explanation about your firm's investment beliefs and investment process. Further, you have a communications marketing risk management challenge. One of the important selling missions you have is to reduce the odds that a prospect will mess up retelling the subjective-based part of your money management firm's story to others on the investment committee. Supply them with the written long version story of your firm's investment beliefs and investment process and you will increase your control in how your prospect remembers and retells your story to other decision makers.

A flip chart pitchbook is not the right tool for this communications job. An additional marketing document that delivers this vital story in sentence and paragraph form about how your firm thinks is required. Such content is more suited to brochure format marketing collateral than to bullet point flip charts. If such a marketing tool is not already in your selling arsenal for making selecting your offering a more defensible decision in the minds of your prospects, creating this type of document should be at the top of your communications marketing To Do list.

The job of crafting the story of your money management firm's investment belief system and its investment process is not an assignment your portfolio manager can pass off to others to create with little or no participation from him. Too often, important parts of a money management firm's investment process story have never been fully communicated to prospects and those who influence them. Many portfolio managers, let alone their sales people, find themselves unable to tell their investment beliefs and process story the same way twice. The participation of the portfolio manager in locking down his firm's storyline is vital.

Differentiate your money management firm based on your investment beliefs and a demonstrable, rigorous investment process that matches those beliefs and you will improve your firm's ability to out-market competitors and convert prospects to clients.

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Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 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. His firm's work has helped money management clients attract over \$7 billion in new assets, yet Frumerman & Nemeth is not a third party marketing firm. Bruce has over 30 years of experience in helping money managers to develop buyer-focused positioning strategies to differentiate them from their competitors; create more cogent and compelling sales presentations and marketing materials to better tell their story; and use media relations marketing and industry conference speaking opportunities to help establish a branded identity for their organization by generating third-party endorsement for the expertise of their people, the value of their services and the quality of their products. He has authored many articles on the topic of marketing money management services and is a frequent speaker on the subject at industry conferences. He can be reached at info@frumerman.com, or by visiting www.frumerman.com.