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Marketing An Emerging Manager's Most Valuable Differentiator

by Bruce Frumerman, CEO, Frumerman & Nemeth Inc.

There are certain traits that emerging managers hear they need to have in order to succeed. They are told they should have consistent, repeatable performance (which no firm can deliver every year), cost-competitive fees and a willingness to adapt to competitive changes in the marketplace. Also, they are told, a portfolio manager should have a differentiator. The best differentiators relate to executing the investment process. These could be specialized expertise in a product type, an asset class, a sector, or a geographic region. Or better yet, a difference in insights and approach to strategy implementation.

There are two challenges an emerging manager firm faces in claiming its differentiator. First, a portfolio manager and team need to have actual, credible expertise or insights regarding a stated investment process differentiator. Next, outsiders need to be made aware of and acknowledge its value.

Let's assume you have specialized portfolio management expertise with the fund you run. Well done. Now for the remaining challenge: you must get prospects and those who influence them to learn of — and buy into — your expertise or insights as being a leading factor they consider for allocating to your fund.

Differentiation journey through the past

Before undertaking a renewed effort to promote your fund offering based on what you think differentiates you from competitors, pause to analyze what you have been doing up to this point to market what differentiates your fund.

Here are three questions to ask yourselves:

1) What actions have we already taken to increase awareness of our expertise and insights, and parlay that in our one-on-one pitch contacts with prospects during their due diligence cycle?

2) What, exactly have we been communicating about this, and how specific to our firm and different from others has the content of our communications really been?

3) Is what we have in the past claimed to be our differentiator *really* about what differentiates us from the pack, or did we, actually, only make a generic, sweeping generalization type of statement as our claim to being somewhat different (and therefore better)? [NOTE: If what had been stated as being the differentiator might not really be so, your first order of business should be a reexamination of your investment process to identify what points — whether nuance or now more obvious — an outsider can acknowledge as separating your thinking from other portfolio managers.]

These reexaminations should help get you thinking about your next step: How might your firm better demonstrate and communicate expertise and insight?

In pitch meetings

For years sophisticated investors have told portfolio managers that the way they'd like the get acquainted pitch meeting to go is to have a dialogue, not just a presentation monologue. Yes, the emerging manager should be educating the prospects about performance, people, philosophy and process, and the role the product can play within an investor's total portfolio. Sure, the manager should show and tell relevant data. However, expect to be interrupted with questions and requests for elaboration about different points regarding comments the portfolio manager made at the meeting or what the prospects have previously read from or about the firm. It is in the back and forth of dialogue in the pitch meeting where the savvy, sophisticated investor will gauge the depth and breadth of expertise the portfolio manager does or doesn't have.

For this, emerging managers must prep and practice the in-person pitch and consider how they will demonstrate their expertise, substantiating their claim to their differentiator. How might you communicate this? Relate a story about a company-specific holding where you detail your research and analysis process. Give an explanation of steps you take to determine weightings in your basket of holdings. Talk through the risk management protocols you follow to monitor the portfolio and offer an example about when and how you took action to mitigate drawdowns.

In content marketing

The documentation that can demonstrate and communicate your expertise and insights includes your quarterly letters to investors, securities holdings research reports, commentaries, white papers and transcripts from speeches given at conferences. The more of these written communications outlets you use, the more effective you will become in building a stronger brand presence in the marketplace based on how your portfolio manager *thinks*.

But a warning: the more filled these documents are with only a repetition of reporting what happened in the market in general, the less useful your writings will be to sophisticated investors. Instead, portfolio managers need to think through how they can best weave their opinions and insights into their written communications; and the best of that will be where the point of view given is deviating from the herd. Views you can express that are not the norm for thinking about investing in your asset class or in the general style in which the portfolio manager may be classified can work to your advantage.

Here's looking at you

Too often, emerging managers are so close to what they do that they have trouble conceptualizing how to write in such a way as to communicate the intellectual acumen of management and tie it to a clear, differentiated way of thinking about investing in their asset class of choice.

In fact, with over 38 years of experience in helping portfolio managers determine and market what separates them from their peers, I can tell you that it is much more common than you might expect that those who created and run their product's investment process are so close to it that they often miss what, from the sophisticated investor's perspective, are their strategy execution differentiators.

If your portfolio manager struggles with this, or if you find upon reassessment of your marketing collateral that it is really just full of generic-seeming statements that could have come from any other competitor investing in the same asset class as you, then it could be worth looking into getting your manager some expert help in fulfilling her or his communications duties as portfolio manager and creator of the methodology used to run your fund.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 38-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.

Mr. Frumerman can be reached at info@frumerman.com, or by visiting www.frumerman.com.