

Winning Over More Institutional Investors With Your Hedge Fund Marketing **by Bruce Frumerman, Frumerman & Nemeth Inc.**

It's one thing when people who are not part of the hedge fund investor universe say hedge funds are money management firms that reveal too little about themselves. It's another thing entirely when those folks investing in hedge funds are complaining about this.

In January SEI released part one of its results from its fifth annual survey of institutional hedge fund investors, conducted in collaboration with Greenwich Associates, *The Shifting Hedge Fund Landscape*. Three of the recommendations the report offers hedge fund firm owners give a glimpse into where surveyed investors are asking hedge funds to "provide more windows into investment processes and decision-making," as SEI put it.

SEI says hedge funds need to:

- **Go The Extra Mile To Make Strategies Understandable.**
Thoroughly explain the strategies and processes [you] are using to generate returns.
- **Keep Articulating And Reinforcing The Value Proposition.**
Demonstrate exactly how [your] strategy and methods are enhancing [your] clients' risk-adjusted portfolio returns.
- **Clarify Performance Expectations.**
Work to help clients understand the tradeoffs between risk and reward, and how [your strategy] can be expected to perform under varying market conditions.

All of this points to a specific failing: most hedge funds are not communicating enough detail about how they think and how they invest. It's not enough for a hedge fund manager to know this in his head. Further, it's not enough for a hedge fund sales person to believe she is able to recite all this required information in a verbal presentation at a pitch meeting with a prospect. Institutional investors need to have this in writing. After all, they'll be referring to a hedge fund's marketing collateral when, months after a hedge fund has made its in-person presentation, the institution's investment committee finally gets around to discussing the hedge fund firm and its strategy.

As SEI's survey makes clear, hedge funds are not building out their storyline content enough to fully explain how they invest, differentiate themselves from competitors and communicate appropriate performance expectations. I've identified a reason why this is too often so: taking the wrong starting point. Many hedge fund firm owners go about their internal process of creating their storylines about how they invest by trying to think in bullet points, because that's what goes into a flip chart pitchbook. That is the wrong starting point and the wrong point of reference. Think this way and you will end up leaving out too much detail about what you do that prospective investors want you to be communicating. Market this way and you may leave some prospects thinking your firm lacks transparency and others that your firm lacks the competence to pull off what you claim you aim to do.

Savvy hedge fund firms recognize that a flip chart pitchbook is *a* marketing tool, not *the only* marketing tool. They know that they have to deliver marketing collateral into the hands of institutional investor prospects who may take months before looking at those documents again when discussing the hedge fund and its strategy in an investment committee meeting.

A flip chart pitchbook is not a leave-behind piece whose copy retells on paper the detail of what a fund manager presents verbally at a pitch meeting regarding the full story of his fund and its investment process. The people you pitch have learned from experience that bullet points in the typical flip chart pitch book rarely tell the full story. In a meeting, the portfolio manager or salesperson usually "fills in the blanks", adding more information as they elaborate about their firm and its investment process. If you assume all of your prospects are attentive enough to absorb and recall this non-documented content months later, when investment allocation decisions might be made, you are mistaken.

So, how can you do a more effective job of thoroughly explaining your fund's strategy and process in writing?

Here's a recommendation for giving your firm a fresh start in this new year: begin by putting onto paper a clean, rethought long version storyline that explains your investment beliefs and details the process you follow to implement your strategy. Once you've written this out in sentence and paragraph format reread what you wrote, and try to do so with the critical eye of a skeptical prospect, because you need to construct a storyline to sell with that is buyer-focused, not seller-focused.

Your words need to be cogent and compelling. Keep in mind that people will not be able to follow you if your explanation about how you invests jumps around, so see to it that you build and tell a linear story.

With your new, long version storyline copy in hand you'll have the baseline content that can be applied to a range of marketing tools. This content can serve as the meat of an in-person verbal presentation. Highlights of the long version storyline can be excised to be added to the data presented in a flip chart pitchbook, and to a fact sheet/backgrounder piece. Importantly, the full content belongs in a document of its own: an "evergreen" brochure that just addresses investment process. This evergreen document should retell in print what you communicate verbally at a pitch meeting for educating and persuading people to understand and buy into how you invest.

How useful is adding a brochure format marketing piece as a selling tool to provide, as SEI puts it, "more windows into investment processes and decision-making"?

Here's a recent case example from a hedge fund client of my communications and sales marketing consulting firm. Having presented his pitch to a university endowment officer, the fund manager was complimented on his evergreen brochure leave-behind because, as the prospect noted, it fully retold the fund's investment process that was given in the verbal pitch. That endowment officer added that nine out of ten times he only gets a flip chart pitchbook from those who pitch him, so he often lacks the investment process detail he needs, in an easily accessible marketing piece, for his due diligence. Another endowment team the hedge fund manager met with echoed that feedback. After telling the hedge fund manager they liked how his investment process was clearly spelled out in his 12-page, brochure-format leave-behind, they complained to him about getting too many 50-page pitchbooks from other money management firms.

So, if you want to be in a better position to attract new investors this year, look into how you could do a better job of articulating and reinforcing your value proposition; both with the story you tell and the range of marketing collateral in which you deliver it. Make it easier for your institutional prospects to remember and recount to fellow investment committee members how your firm invests and you will have created a competitive edge in your marketing.

#

© 2012 Frummerman & Nemeth Inc.

Bruce Frummerman is CEO of Frummerman & 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 Frummerman & 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@frummerman.com, or by visiting www.frummerman.com.