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How To Make Investor Allocations Sticker By Improving Client Experience



Money management firm owners often find they need to allocate more time, effort and funds than they initially thought they could get away with for carrying out asset raising efforts that would be good enough to out-market competitors and win over sophisticated investors.

Attracting investors, however, is just one part of the investor base equation. The other is investor retention. Not all investor types are created equal. Some are much more valuable to your firm and fund.

As opposed to performance chasing investors — where when your performance drops by a quartile, they pull their allocation — sticky asset investors are worth their weight in gold. The greater the percentage of sticky asset investors that you can attract and retain, the more stable your investor base (and revenues).

So, once prospects have been converted into investors you need to take additional steps to improve your odds that they are, and stay, sticky investors. And you need to allocate further time, effort and budget for investor retention purposes.

What should investor retention efforts focus on? Delivering a better client experience than your competitors. For this, there are three areas on which to concentrate.

Written fund communications

Monthly performance updates, quarterly letters to investors and research reports on holdings are among the types of written communications that sophisticated investors expect to receive.

While performance and disclosure reporting comes to mind for the portfolio manager often the other types of communication do not, and so they are given short shrift. Delivering data alone is not enough to turn an investor into a sticky investor.

When writing beyond-the-numbers content (everything other than delivering performance-related data in print) it is vital that the content be well thought out and have enough detail for the reader to either gain further insight into how the portfolio manager thinks or else have reinforcement of the thought *this is why I allocated to this money manager in the first place*. One of the challenges here is that just because someone is a competent portfolio manager that doesn't make them a competent writer of fund communications. Many need help.

Next, written communications should have some consistency as to timing of delivery. This is particularly so for the document types that can be regularly scheduled, such as monthly data reports and quarterly letters to investors. A schedule should be set and followed for disseminating such documents. Become erratic in timing on distributing these documents and the impression can be given that there must be some internal problems at the investment firm.

Verbal contact

There can be a lot of verbal back and forth contact with prospective investors while they are conducting due diligence on you and your firm. Once prospects become investors it is up to the money management firm to make the effort to maintain a 'personal touch' with direct contact. For this you cannot be phoning them up too often, and with little to say. Conversely, you cannot let too long a time pass before reaching out to offer to schedule a catch-up call to share what the portfolio manager has been seeing, thinking and doing. In institutional investor surveys over the years an often-mentioned complaint is about a dearth of contact after they allocated to a manager and strategy. Be the exception to that rule.

Marketplace presence

This relates to what my financial communications and sales marketing consulting firm refers to as participating in the dialogue of the marketplace. For money management firms that target family offices, endowments and foundations, institutional investors and their gatekeepers, this means seeking to participate as a panelist or speaker at appropriate industry conferences and publishing white paper type content that demonstrates the intellectual acumen of management. Notice that being a 'talking head' on cable TV is intentionally not on that list. If you don't know why, and you're curious, ask me.

The more your firm does of this the greater your marketplace presence among institutional investors will become. This, in turn, helps increase the frequency with which your current investor base sees you are respected in the marketplace for your views. This becomes another avenue by which they get reinforcement for the thought *this is why I allocated to this money manager in the first place*. Additionally, the greater your marketplace presence the more defensible of a choice you become for prospective investors and investment committees that are conducting due diligence on you.

Added benefits

Once your investors and prospects can describe you by more than just naming the sector you invest in and your most recent performance, you begin to build a brand identity. You should want to be known for your portfolio management insights that guide your investment process and the higher quality of client experience your firm provides. While you can't deliver top quintile performance from month to month you can certainly do these other things that can help you have sticky asset investors. These areas on which to concentrate.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 37-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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