Marketing To Sophisticated Investors column
by Bruce Frumerman, CEO, Frumerman & Nemeth Inc.

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When Family Office Investors Voted Against Money Management Firms

A little while ago at an emerging manager investor conference, attended primarily on the investor side by family offices, I led a panel on Marketing to Family Offices and Institutional Investors: What They Want & Mistakes Managers Make. My panelists were a single-family office investor, a multi-family office investor and a consultant gatekeeper for endowments and foundations. Among the topics they discussed with the audience of fellow investors and money managers was what kinds of information, beyond the data, they looked to compile and evaluate when conducting due diligence on a manager and his or her strategy. As they concurred, performance ranked third in importance, risk management second and investment process first when considering which new manager and strategy to add to their portfolios.

The problem, they noted, was getting enough of an explanation out of the portfolio managers to make educated decisions about the risk management and investment processes they claimed they were deploying. A portfolio manager or salesperson might say a few sentences at a meeting but that tends to be it, one panelist commented. So, the prospective investors were forced to try to prod that important content out of the pitching money management firm. When the money managers could not deliver to these panelist investors the required detailed explanations on how they ran their strategies, the due diligence efforts on them stopped and they were rejected.

That was what the investor panelists shared, but do you think the experience of all of the investors in attendance at the emerging manager investing conference that day might have been different?

To answer this question, I asked the investors in the audience, by a show of hands, to indicate which marketing document they get that delivers the most content about how a money management firm invests — no matter its size or age. (I intentionally asked the question to encompass all money management firms, not just emerging managers.) The answer from the investors in the audience was the flipchart pitchbook. Next, I asked for a show of hands for any investor whose family office, endowment, foundation or plan sponsor ever had a single instance where a pitchbook contained enough explanation about investment process and strategy implementation for their investment committee to rely on that document's copy to fully understand how a fund invested and how its thinking differed from its peers, and to be able to discuss, debate and vote on whether to allocate using just that flipchart as reference point. Not one hand went up.

These investors, attending the conference with the specific aim of meeting money managers they might not already be aware of and might have interest in, just gave a no confidence vote to every money manager there seeking to meet and pitch them.

The experiences all these investors were sharing with the portfolio managers and their salespeople in attendance that day was clear. The investors were not seeing enough time and attention spent by the portfolio managers and their teams on creating and delivering the full content about how they invested. Instead, money managers were relying too heavily upon abbreviated flipchart pitchbook copy and their one-time verbal telling at a sales meeting about their investment beliefs, investment process and risk management protocols built into their strategy implementation.

The content these family office, endowment, foundation and plan sponsor investors sought out to understand and evaluate one money manager's strategy implementation versus another is paragraph-based content, *not* bullet point content. Those money management firms that craft and deliver this due diligence requested information in print, as well as verbally, position themselves to out-market competitors that deliver similar performance, but make it difficult for potential investors to understand and buy into the methodologies on which they are betting their livelihoods.

Communicate this strategy implementation information and increase your odds of garnering a Yes vote from the investment committees you seek to win over as new clients.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 32-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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