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How Are You Marketing Specialized Expertise To Differentiate Your Fund?



Morningstar has previously written about traits asset managers need to succeed. In addition to having consistent, repeatable performance (which no firm has every year, forever), cost-competitive fees and willingness to adapt to competitive changes in the marketplace, they said a money manager should have a differentiator. Differentiators that they noted an investment firm could have were “specialized expertise in a product, asset class, channel, or geography.” Agreed.

But there are two challenges to this. First, a portfolio manager and team need to have actual expertise in one or more of these things. Next, outsiders must be aware of, acknowledge and then value that expertise.

Let’s give your firm the benefit of the doubt and assume that the first challenge has been met: you have specialized portfolio management expertise with your product offering. Congratulations. Now for the remaining challenge: getting prospects and those who influence them to learn of and buy into your expertise as being a leading factor they consider for allocating to your fund.

Search yourself

Here are two questions to ask yourselves on this subject:

1. What actions have we already taken to increase awareness of our expertise 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?

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

What you say – in pitch meetings

Time and again, 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 a presentation only. Sure, the money manager should be educating the prospects about performance, people, philosophy and process, as well as the role the product can play within an investor's portfolio. Sure, the portfolio manager can show and tell relevant data. But expect to be interrupted with questions and requests for elaboration about different points regarding manager comments made at the meeting or what the prospects have read from or about your firm beforehand. It is in the back and forth of conversation where the savvy, sophisticated investor will seek to gauge the depth and breadth of expertise the portfolio manager does or doesn't have.

So, when prepping and practicing your in-person pitch give thought to how you'll demonstrate your expertise. Here are some suggestions: You could relate a story about a company-specific holding where you detail your research and analysis process. You could give an explanation of steps you take to determine weightings in your basket of holdings. You could run 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.

What you write – content marketing

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

Keep in mind that the more filled these documents are with just a repetition of what happened in the market the less useful your writings will be to sophisticated investors. Instead, portfolio managers should think through how they can best weave their opinions and insights into the written missives; particularly where the point of view given is deviating from the herd. Atypical or contradictory views to 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.

Don't blind side success

Too often, however, the money manager is so close to what she does that she has 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.

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

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About the author

Bruce Frummerman is CEO of Frummerman & 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. Frummerman & Nemeth's work has helped money management firm clients attract over \$7 billion in new assets, yet they are *not* third-party marketers.

Frummerman & 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.

Frummerman & 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 Frummerman & 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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