

demonstrate what is driving alpha generation, and thereby differentiate a portfolio manager from his or her peers in the eyes of prospective investors. But let's back up a bit. There is more data to deliver to out-market competitors and make it through the due diligence gauntlet of sophisticated investors.

How has your firm been going about this task, and could there be a better way?

Two Questions For Your Management Team

There are two questions your executive team should ask itself to help make educated decisions about how to best improve your money management firm's data-driven communications regarding the portfolio.

What enhancements could we make to improve the extent of our firm's investment and risk management reporting?

To answer this 'what to say' question it is important to first have fleshed out in print a detailed investment process storyline explanation about how you run your strategy today. This new documentation, when constructed properly, will be what you need for marketing your investment product. It is content to be delivered verbally in the initial in-person meeting with a prospect, and left behind in print as a beyond-the-numbers, stand-alone brochure format document: a marketing tool separate from and in addition to the monthly performance report and flipchart pitchbook.

This very content that a money management firm requires to educate and persuade people to understand and buy into how it invests should also reveal what elements of the investment process to depict as documentable risk management related steps, expected characteristics for the basket of holdings and performance attribution factors.

With guidance in hand from your newly crafted (or revised) explanation about how you assemble and manage your basket of holdings, and what data reportable factors are important representations about how you implement parts of your investment process, your firm will find itself in a better position to speak with your fund admin firm to see how much of that data they have the capability to generate for use in your performance reporting, your pitchbook and other marketing collateral.

However, you shouldn't stop there. It can be valuable to get consultative input from someone who sees many more of these types of investment firm reports than you do, and who may have more awareness than you do about what others in your peer group might be delivering in their investment related data reporting. There are two main options for finding this counsel: fund admin firms, and SaaS-based portfolio analytics and reporting specialist firms.

Some but not all fund admin firms make available to portfolio managers their more experienced staffers who, with years of experience, can offer insights and recommendations on how to best tailor data reporting content that demonstrates a specific money management firm's strategy's particular characteristics. These folks can offer high value counsel. If you cannot tap into this type of knowledge, evaluate other fund admin firm options as well as SaaS-based portfolio analytics and reporting specialist firms, some of whom are better equipped than the typical fund admin firm for which such a capability may be a sideline service rather than a key focus of service and expertise.

What ability does our firm have to aggregate and curate the right data about our strategy that sophisticated investors will want, and which may help separate us from the competition?

While the previous question was a 'what to say' issue this is a 'how do we produce the content?' issue.

If your firm and/or its fund administrator lack this capability then explore the option to outsource that function to a SaaS-based portfolio analytics and reporting specialist firm, or look for a better equipped fund admin firm.

Also on this topic — there is often a struggle for many money management firms whose process for doing performance attribution and other portfolio analytics, and compiling this into reporting documents, is by manual data entry into Excel spreadsheets. Problems can arise when many people from different departments are having to ‘touch’ these spreadsheet files’ data, increasing potential for errors. This is another reason why it could be more cost effective to improve external and internal reporting capabilities by employing a fund admin with the needed capabilities or going with a scalable software as a service solution.

Bonus tip: Alternative fund managers should keep in mind that their expenses for performance attribution as well as other kinds of reporting would be a fund expense and not a management company expense. (Speak to your compliance people about this.)

More and better data communications can help win new mandates

In these unprecedented times where there is no business as usual, many institutional investors have put their in-the-works portfolio manager due diligence efforts on hold. For a while, money management firms have to take a “Red Light, Green Light” sales marketing pause. Come the post-pandemic marketplace money management firms will not want to find themselves in the position of having to scramble to meet the due diligence data requirements of interested but skeptical sophisticated investor prospects. Such firms will find it much harder to win new business in the post-pandemic market environment.

Now is the time to assemble more and better data that includes performance attribution, risk management and portfolio characteristics. The money management firms that do this effectively will find themselves in a better position to out-market competitors by having superior investor relations and communications marketing ammunition for their sales efforts.

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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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