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

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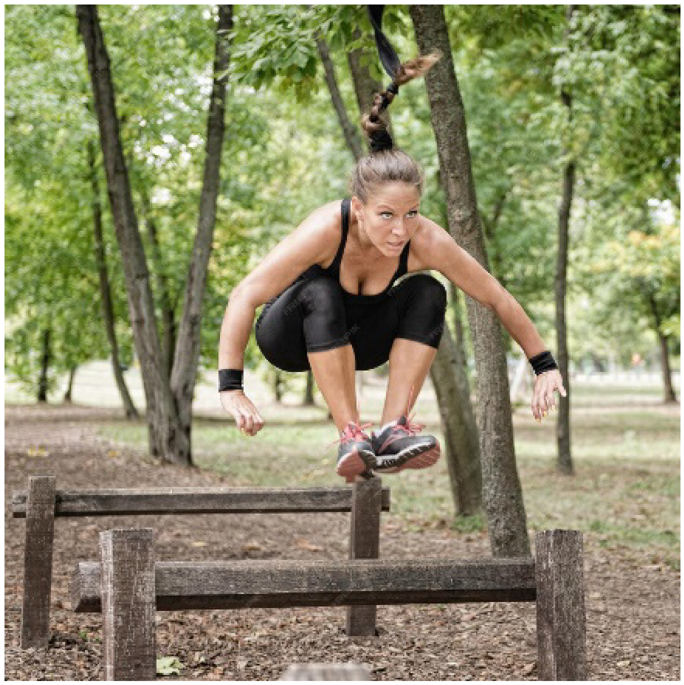
A Family Office's Secret Hurdle For Fund Marketers To Overcome



When catching up recently with a family office investor whom I've known for many years the conversation turned to the interactions he was having at industry conferences with portfolio managers and salespeople pitching him on investment offerings. We were discussing both the 'speed dating' meet the manager events he attends as well as the informal, unstructured strike-up-a-conversation dialogues he has at non-speed dating conferences when he is approached by money manager attendees.

In the midst of our conversation, unprompted, he made a brief, off-handed remark that has significant consequences for money management firms pitching family offices like his. Here was how that off-handed remark was made.

In describing his conference day at speed dating events, he said that the typical amount of time that a portfolio manager is pre-scheduled to sit down with an investor was thirty minutes. He went on to make three observations. He finds that many of the portfolio managers and salespeople who sit down with him do not make effective use of their time and his. Many have shown they do not understand what decisions family offices such as his are looking to make by the end of that first encounter. And many did not grasp an important point: they were not automatically a prospect (prospective investment) for the family office, they were a suspect (potential prospective investment).

So, his family office established an unwritten rule. They set themselves an unspoken time limit granting each portfolio manager or salesperson a drop-dead ten minutes to capture their interest and communicate that their offering is something the family office can see it could consider. If by the end of ten minutes the person pitching them has not succeeded in this, or it becomes clear the offering is not a potential fit, the meeting is halted then and there. Intentionally or not, this is something the money management firm person is not being told at the start of their conversations.

So, while the pitching money management firms may go into the speed-dating encounter *assuming* they have a half an hour to leisurely get the interest of the family office, they really may not.

To increase the odds that your investment management firm makes it past an unspoken ten-minute cutoff mark when beginning to converse with such family office investors, make efforts to give both context and reason for them to want to continue the conversation there at the investment conference.

For that, aim to touch upon the ten following points on these seven topics early in your discussions.

Asset Class

Does the family office make allocations to that asset class?

Are they presently willing to add to that exposure or replace an existing money manager and fund relationship with another?

Role

When added as a holding in a family office's total portfolio, what is the strategy meant to help achieve?

Terms

Liquidity: What is the lockup period?

Fees: Are they competitive versus peers? Is there a hurdle rate, and if so, what is it?

Return Characteristics

Is performance within the ballpark of acceptance?

How much (or little) risk did the portfolio manager take to generate its performance track record?

Who

Who is running the investment offering and what did they do before?

Where

From where, and by doing what, have they delivered, or plan to deliver, their alpha?

How

What is the *beginning* of the fund's Process story? And does it sound like it is worth hearing more?

The better your money management firm becomes in making best use of the *beginning* of conversations with prospective investors who are under some time schedule constraints the more likely you'll be getting enough of their attention, and time, and not be given short shrift. This is what will be required to enable them to feel comfortable in making their next important decision about you: agreeing they are interested enough in your investment offering to be willing to have additional meetings to conduct further due diligence.

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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.

Mr. Frumerman can be reached at info@frumerman.com, or by visiting www.frumerman.com.