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

September 2025

Using Your Fund's Risk Management Communications To Win Asset Allocations

When institutional investors decide to dedicate due diligence time and effort looking into a portfolio manager's strategy, significant emphasis is placed on understanding and buying into the risk management protocols within the investment process.

Communicating these protocols effectively, not just verbally in meetings but also in print, can make the difference between securing an allocation and losing out.

Sophisticated investors know that defining and managing risk is a portfolio strategy specific and portfolio manager specific thing. For example, some generally recognized risk factors are considered more important to some managers and less so to others. As a result, portfolio managers can be found to have different risk management related investment process steps; first for analyzing and selecting prospective investments, and then for monitoring and managing their portfolio holdings.

So, due diligence conducting investors are going to be looking to compare and contrast the risk management beliefs and actions by those portfolio managers whose performance they found acceptable enough to warrant further vetting.

As a fund manager, out-marketing your competitors at this level to win those asset allocations requires besting competing portfolio managers in four ways: clarity, persuasiveness, transparency, and credibility.

To accomplish this you need to start by building an explanation, in print, as to how your firm views risk to the portfolio and the steps you take to mitigate it. It should give the reader a cogent, linear walk-through of risk management protocols throughout the investment process. When drafting your copy content on this subject remember to also give thought to what might be examples of risk events and successful mitigation as well as performance during market stress periods.

Many portfolio managers will find that writing with clarity about this topic for skeptical sophisticated investors in a cogent and linear manner to is easier to say than to do.

After you complete a draft have another person read it through and ask them if they felt it was cogent and linear in its explanation. Don't be surprised if the answer is not Yes. When pressed to write this up, many portfolio managers find that as they've never put this information down in print before, let alone for prospective investors to read, they have trouble communicating about this in a way the prospective investor can feel that they are tracking along with how the manager is handling risk management related strategy implementation. So, if need be, take another crack at the copy draft or get some experienced, outsider-perspective eyes to take a look, point out what seems to be missing and help fix it.

Next up is persuasiveness. As portfolio manager you likely have different views than some of your competitors as to what risks you will take efforts to mitigate, which you won't try to mitigate, and the ways and degrees to which you will go to mitigate certain potential risk exposures. To be persuasive you not only need to communicate what, you also should communicate *why*.

Transparency requires you to share enough detail about how risks are measured and evaluated as well as specific actions taken to manage and mitigate risks. There are many ways to be able to keep secret sauce secret but still communicate much of the risk management protocol specifics within the investment process.

A warning: Much more portfolio management transparency is required now compared to years past. Try to keep too much behind the curtain and you will find many prospective investors that you pitched will simply stop conducting their due diligence on you and move on to considering competitors who better help them understand how risk management is being handled with their product.

Once you have built in clarity, persuasiveness and transparency into your written explanation about risk management in your investment process you will find multiple uses for that content. It is not just a script reference for points to make in one-on-one sales meetings and responses to DDQ questions you may get. It is also a playbook point of reference for enhancing credibility for how your firm handles risk management.

Risk management considerations and actions for running investment strategies is always a hot button topic for family offices, endowments, foundations, plan sponsors and their gatekeepers, and wealth management firms for HNW investors. To reach those audiences — going beyond a money management firm's contact list — publishing thought leadership opinion pieces and participating in industry conferences as a speaker are the best ways to build credibility for a portfolio manager's views and approach.

Your firm's newly written explanation of risk management protocols for your investment strategy should provide talking points as you market that could both give sophisticated investor audiences food for thought about what may be better ways for the portfolio manager they choose to invest with to manage portfolio risk, and demonstrate the intellectual acumen of management at your firm. After all, the way your firm will out-market similar performing competitors is for investment committee members to understand and buy into how you handle risk management as you seek to identify windows of opportunity to take advantage of and spot potholes in the road ahead to steer around.

# # #

About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 38-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.