

Boost Hedge Fund Marketing ROI By Raising Your ROO

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As a money management firm owner you invest your time, effort and war chest budget to raise assets to grow your firm. I'm often asked by firm owners whether there is a way to increase the Return On Investment on their asset raising efforts. The answer is Yes and your opinions hold the key. Have you been taking the steps needed to generate a Return On Opinion?

Sophisticated institutional investors — family offices, endowments and foundations, institutional investors and some of the independent financial planning/investment advisory wealth management firms — generally share some beliefs about the market. Among these are that for the foreseeable future interest rates will not be returning to their old normal level, and that the market is likely to continue to experience swings from unpredictable bursts of volatility to flatter trading periods where spreads are tight and opportunities fewer.

As many markets have continued to achieve higher highs, and with a market correction seeming overdue to some, many institutional investors have become more focused on what the active managers they've allocated to are doing in assessing market conditions and tactically adapting their portfolios, both for mitigating risk and finding windows of opportunity to exploit, all while staying true to their strategies.

This is why when investment committee members of these institutional investors are debating which new manager under consideration should win their next mandate, these same investment process-related issues have become a significant point of focus.

What do *you* think?

This leads us back to the institutional due diligence vetting your money management firm faces, with the interest in how you assess market conditions and seek to tactically adapt your portfolio when needed, without committing strategy drift.

While it is a Yes/No decision as to whether to make an allocation to the asset class in which you invest, the prospective investor who says Yes has multiple investment approaches to choose from for making that allocation. Yours is but one.

When you have acceptable performance and institutional caliber Ops and Admin service providers your firm may warrant a get acquainted sales meeting with prospective institutional investors.

During this meeting is when your firm's story of how you assemble and manage a basket of holdings, and your opinions, come to play in your work to provide clarity and transparency to your investment process and how it is structured to take into account different market conditions and trigger risk management protocols and initiate alpha seeking buy or sell actions.

Institutional investors are actually very interested in your opinions since these are what set the groundwork for your past returns and are the keys to how you will actively manage your portfolio; as the marketplace in which you invest has changes that potentially impact your returns and your risk exposures.

Savvy institutional investors are not looking for prognostication calling a market top or any trend reversal. They are, however, very interested to learn what asset class-specific investment process factors a particular portfolio manager feels are more important than others may realize, or less important than others give credence to, and why. This interest in how the portfolio manager thinks is as true for the quant manager under consideration as it is for the fundamental based portfolio manager.

Raise your ROO

To generate a Return On Opinion (ROO) you need to market your opinions that shape your views of the investment marketplace and how you invest.

The first application of presenting your opinions starts with your detailed verbal presentation at your initial sales meeting and the text based leave-behind marketing collateral that communicates your investment beliefs and investment process story. This is paragraph format content that your pitchbook flipchart is not designed to hold. So, prospective investors should receive this text-based story of how you invest in print in the form of a brochure. This is an important marketing collateral piece that will answer many of the due diligence questions of interest to investment committees, yet most of your competitors lack this marketing tool.

Next, portfolio manager opinion about tactical actions that were recently taken belong in quarterly letters to investors. Last quarter your portfolio's risk/return characteristics may have positively zigged while your competitors negatively zagged, all as a result of you implementing some action based on one or more opinions of yours that you codified within your investment process. This is useful, sales supportive portfolio manager opinion that should be communicated.

Marketing your opinions is also important when it comes to making the most of conference participation as a panelist or stand-alone speaker. It's boring to hear a panelist restate previous marketplace news. It's interesting to hear a portfolio manager's opinions about what she or he thinks is the prudent and profitable way to navigate current or potentially coming market climates. Put in the time and effort to build out this content and you can be one of the few memorable panelists at your next industry conference.

There is a vital, added benefit in taking action to increase awareness of your opinions: you can begin to become known for how you invest, rather than just the asset class you invest in and your most recent returns. That's the difference between being perceived as a brand in the money management business, rather than an easily replaceable commodity.

If you want to add a bounce your money management firm's marketing ROI, take steps to raise your ROO.

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About the author

Bruce Frumerman is founder and CEO of Frumerman & Nemeth Inc., a 30-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. The firm achieves this by helping clients create the ammunition they need to do a better job than their competitors in educating and persuading people to understand and buy into the beyond the numbers story of how they invest. This is the very content investment committees actually discuss behind closed doors and vote on when considering firms on a short list for potential investment. Mr. Frumerman can be reached at info@frumerman.com, or by visiting www.frumerman.com.