

December 2018

## Family Office Investor's Complaint About Your Conference Encounter



Upon stepping down from the stage after speaking on the subject of the art of manager selection at a conference for family offices investing in emerging managers, I was approached by a single family office investor. He introduced himself and said he had a story to share and some questions to ask.

The bulk of his family's wealth was in illiquid hard assets: real estate. He was looking to make an allocation to one or more alternative strategies that would give diversification to their real estate portfolio and their core equity and fixed income holdings. He wanted to meet some emerging managers he was not yet familiar with that met his required criteria, learn about their strategies and investment thinking and decide which to spend further time on in conducting due diligence. He also wanted to make new contacts among fellow family office investors in order to share investment ideas and opinions about portfolio managers and strategies the investors may have already looked into. As he noted to me, he was ready to write a check upon finding the right strategy and investment process.

However, this prospective investor was frustrated by his experiences with the portfolio managers and sales representatives manning their firms' sales tables in the conference's exhibit hall. He told me that at each money management firm's table he approached, he explained that in order to make his time and theirs most productive and focused he wanted to explain what characteristics he was looking for in an investment portfolio and he wanted to know if their strategy met those requirements. If so, he wanted to speak further and learn more. If not, they would not be a potential match. His list of wanted characteristics were a reasonable request about what were his acceptable lock-up time periods, and correlation and alpha requirements, for a prospective investment to be of interest. Everything the family office investor was asking the portfolio managers and sales people about in seeking to make his initial cut of who to speak with further was data based. So, he was rightly expecting a Yes or No response as to whether they met the characteristics he was seeking. But, he got neither.

His first complaint to me was that it seemed that none of the money management firms doing the selling were listening to and absorbing what their potential investor was asking them. They all went off on tangents, he said, ignoring what I asked and talking about whatever they wanted to instead. The portfolio managers and salespeople whose firms paid to meet prospective investors like him at this event apparently memorized a single pitch script, he observed, and were thrown off when asked to deviate from it. That rightfully irked him.

The family office investor's second complaint was that, even when pressed on the point, the majority of representatives of the money management firms there to market to him and his peers did not seem to know off the tops of their heads the comparative performance-related data he was asking them regarding correlations to relevant benchmarks, alpha and the like; or turn to a written resource that contained the answers.

He told me that he found it very worthwhile to have met other family office investors with whom to share news of interesting money managers and strategies. However, he wanted to know, was he not communicating clearly enough with the money management firm representatives there; and was it just him having this frustrating experience in his encounters with money management firm conference attendees?

Funny you should ask, I responded. I told him I'd share a story from earlier in the day at the conference that will make him feel less alone in the experience.

That morning in the conference's money manager expo room, I told my new family office investor acquaintance, I met up with a fellow speaker and we started chatting to catch up. This fellow is an allocator who for decades has vetted and allocated to emerging managers. He was recognized by a salesperson manning a sales table he and I were standing near as we were in conversation. The salesperson stepped forward and started pitching the investment vehicle named on the advertising banner standing alongside the table. My allocator colleague asked what the AUM was in the strategy; his initial screening criteria requirement. Just over \$2 billion, responded the salesperson. That's not an emerging manager, said the allocator. My organization only considers strategies with under \$1 billion AUM, he added. No, we *are* an emerging manager, said the salesperson. A strategy with over \$1 billion AUM is not an emerging manager, responded the allocator, so we cannot consider you. To that the salesperson responded that the firm's portfolio manager *said* that they are an emerging manager. At that point my polite colleague smiled and backed away.

He recognized that this poor salesperson was probably pushed by the portfolio manager to pitch a product that was not a match for this emerging manager conference and its allocator attendees, disregarding what investors in attendance were there looking to find. But the salesperson probably had to report back as to how many prospects were pitched (even if unsuccessfully) in order to justify the boss's spend on the event.

So, as I said to the family office investor, it isn't only you. But that doesn't mean there are not interesting, worthy emerging managers that come prepared when attending industry conferences where they will be networking with prospective allocators. The emerging managers and salespeople much more likely to interest prospects have taken to heart three simple ideas. I will share them with you.

## Three Takeaway Tips

**Pay attention to what prospective investors first ask you, and respond to that.** You want to establish a rapport with them and they rightly want to know that you are listening to them. This will help your firm deliver a good first impression. In industry conference networking environments there is a good chance that prospective investors start off with a data-based question they have to help them determine whether you meet the minimum requirements they are looking for. Respond first to that, explicitly, before switching subjects on them.

**If data about your strategy it is not memorized, have it close at hand in print.** Know your investment product's data, or else have it close at hand to refer to. Do not be the money management firm that shows up at investor conferences without this, or has to respond *I don't know, I'll get back to you.*

**Successful conference networking requires there to be a potential fit.** Does your money management firm have an infinite budget to pay and play participate in every investor conference there is? I didn't think so. Research a conference before committing to send a portfolio manager or salesperson to it. If the characteristics of your product are out of place for what is the focus of the event then that event is probably not for you. Emerging manager investing conferences are appropriate for emerging managers, just as green energy investing conferences are appropriate for strategies that relate to energy efficiency, alternative energy and the like. There, I have just increased your money management firm's free cash flow.

# # #

© **Frumerman & Nemeth Inc.** 2018

### About the author

**Bruce Frumerman** is CEO of Frumerman & Nemeth Inc., a 31-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](mailto:info@frumerman.com), or by visiting [www.frumerman.com](http://www.frumerman.com).