

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

December 2023

Gaining A 'Following' Is A Crucial Fund Marketing Tactic



Portfolio managers have two key jobs. First, they need to deliver over the long-term performance that is within the ballpark of acceptance. Next, it is their responsibility to educate and persuade people to understand and buy into *how* they run their portfolios. By people I'm counting prospective investors, potential sources of referral, including those who may also serve as gatekeepers for some investors, and, as importantly, a portfolio manager's own staff — from analysts to salespeople.

Family offices, endowments, foundations, institutional plan sponsors, the gatekeepers that serve these organizations, and some in the independent, fee only financial planning / investment advisory wealth management firm world tend not to be quick sells. The sales marketing selling cycle for winning an allocation from such sophisticated investors is the one that can take the longest. It is not uncommon for the selling cycle to run from two months to two years.

Why so? There are two reasons why educated, sophisticated investors may want to follow a portfolio manager for a period of time before they make the decision as to whether to allocate or not. One is quantitative: paying attention to live performance in real time. The other is qualitative: devoting time to further research and understand how the portfolio manager thinks and runs strategy implementation. Such investors spend time gathering and analyzing information about a fund and its portfolio manager in order to make the subjective determination as to whether the acceptable performance they see produced was

more likely due to luck or skill. For this, they both seek to understand what the investment process is and get multiple examples of how the portfolio manager thinks. After all, what an investor is actually buying into is the intellectual acumen of the manager. Good performance is simply a demonstration of the veracity of how they handle strategy implementation with their fund.

The often-unasked sales marketing request

For the above-stated reasons, most sophisticated investors are unlikely to be a quick sell. This is why money management firm owners need to realize that near-term allocation wins might be forthcoming from only a few prospects who they pitch. To win over the majority of a money management firm's prospects, the sales marketing task is more a marathon than a sprint.

Therefore, portfolio managers need to segment their sophisticated investor prospects and characterize them as either a 'likely near-term sale' or a 'likely longer-term sale' prospect. Qualifying a prospect like this can most often be done on the spot at a first in-person meeting; provided the portfolio manager or sales person is attentive and engages the investor in relevant dialogue to make the determination.

For prospects who are clearly not likely to allocate over the near-term a key sales marketing goal — and ask — is for them to be willing to follow you.

Follow Me — Ask them!

It is crucial that a money management firm makes efforts to have their sophisticated institutional prospects follow them. If it doesn't then the likelihood of finding oneself to be at the right place at the right time when such investors and their investment committees are ready to discuss, debate and vote on who wins their next allocation is greatly diminished.

For the quantitative due diligence tracking — where prospects are paying attention to live performance in real time — you supply the prospect with monthly and quarterly performance data. For the qualitative tracking — devoting due diligence vetting time to further research and understand how the portfolio manager thinks and runs strategy implementation — it is much more complicated. It requires your firm to have a content marketing game plan.

But what will they be following?

To make sure you are worth the time of sophisticated investors to be followed, your firm first needs to answer these five questions:

- What types of content should we deliver?
- In what formats should it be?
- How often should our communications be?
- How will we assure that our content is going to be of value to outsiders and not repetition of generic statements?
- How will we use 'Follow Me' content as sales marketing follow-up opportunities?

Based on our decades of experience, my financial communications and sales marketing consulting firm has found that getting prospective investors to follow your firm and fund is the best way to reinforce key selling messages about how you run your strategy. It allows opportunity to elaborate on your thinking, and this is vital because the main thing educated, sophisticated investors understand they are buying into is the intellectual acumen of management. Good performance is the demonstration of the veracity of that thinking. And good thinking is what differentiates one portfolio manager and strategy from the competition.

#

© Frumerman & Nemeth Inc. 2023

About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 36-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.