Marketing To Sophisticated Investors column
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Does Your Fund Need To Overcome The Top Complaint Of Investors And Consultants?

Portfolio managers do a poor job in differentiating themselves. That is the top complaint over the years, and from more than one source. Performance data reporting companies such as eVestment say investors and consultants have shared this criticism with them. A seeder discussing due diligence vetting weeks ago with a roomful of emerging managers emphasized how this problem results in rejects, and family office investor panel members reiterated this complaint to an audience of their peers earlier this year.

The fund differentiation they are talking about is not performance related. It has nothing to do with funds having similar performance to their competitors. So, what could trigger this perception shared by so many prospective investors?

Mimicry plays a role.

Many portfolio managers make efforts to mimic in the pitchbooks they produce for their product offering what they see other money management firms that invest in the same asset class as they do have in their pitchbooks. Hence, potential differentiation is diffused.

Undue repetition about the past plays a role.

Repeating the number of years team members have been in the business is another example of 'me too-ism'. Yes, I wrote repeating. The number of investment firms that state this info more than once within a single marketing document such as a pitchbook is, frankly, embarrassing.

Those most guilty of this have been PE investment firms. (I can't tell you why, I can only share what I've observed over the years.) As a result of this repetition — to prospective investors who are viewing high numbers of money management firm marketing materials — these firms, again, seem to be undifferentiated copies of each other. *Yeah, you've done this before. So have countless others. And did you think I didn't comprehend the point the first time?*

Lack of needed detail for sophisticated investors plays a role.

Not attempting to fully articulate the firm's investment philosophy and the process for the investment strategy is probably the biggest area in which portfolio managers are shooting themselves in the foot, so to speak, and coming across as virtually indistinguishable. This is not a matter of whether or not the portfolio managers and their salespeople seem to be good with words; it's a matter of what exactly they are saying, both at meetings and, importantly, in print. Also, the less they say the more generic-sounding what they do say comes across.

Further, the number of firms that state that what makes them interesting is that they take "a Warren Buffet approach to investing" or that they "eliminate human emotion from investing by running a systematic quant model" is endemic. This is 'me too' talk and is not differentiation. It is lazily saying that you are no different from the many other fund management firms who say the same thing!

Speaking of investment process detail being a differentiator, how different are you coming across in your marketing copy? If you remove your firm's name from the pages of your marketing collateral that describe how you invest and you insert the name of any of your top competitors, would the copy points all still hold true? If so, your firm is coming across as a me-too, undifferentiated manager — similar to many others who are trying to win the same prospective clients.

Too many portfolio managers seem to be forgetting that savvy, sophisticated investors want to make a determination as to whether luck or skill played a bigger role in a fund's returns. The less detail about investment process that is provided, and the more generic-seeming that delivered information is, the more a money manager will appear to be undifferentiated from the mass of competitors.

Lack of awareness of the intellectual acumen of management plays a role.

When a portfolio manager is not among the few whose views and insights have been frequently seen and read beyond an initial one-on-one sales meeting, then he or she is perceived — yet again — to be among the undifferentiated firms pitching the prospective investor for an allocation. Becoming a thought leader is no longer just a nice to have credential. In order to grow an investment firm business, it is imperative to use such content marketing to maintain differentiation from peers.

Do the above descriptions of 'lack of differentiation' feel familiar?

If so, take action now to stop repeating these marketing miscommunications and under-communicating mistakes, and gain a competitive advantage over most of your peers.

Gaining recognition as being a firm that does a good job of differentiating itself will make it a little easier to win the interest of, and allocations from, sophisticated investors.

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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.

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