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Why Some Funds' Asset Raising Efforts Fail
Part 2 of 2

In Part 1 of this article, we began addressing how the tales of woe some portfolio managers tell about their lack of asset raising success among institutional investors is often due to them missing what should be obvious. Issues we covered included explaining how not every suspect is a prospect: that understanding what a suspect's investment policy statement is will help define whether that suspect can, indeed, be a prospect. If you missed that article, you can find it here: https://bit.ly/498tMtK.

Now, let's pick up where we left off and address what my financial communications and sales marketing consulting firm often sees are additional 'missing the obvious' asset raising points.

Are you meeting a suspect's needs?

Once you have acceptable performance, *and* your AUM size and track record length meet minimum requirements in investment policy statements, you move on to the next obvious consideration. The characteristics of your offering must meet one or more of the needs within the potential investors' total portfolios: either to improve returns or mitigate risk within their portfolios.

It is surprising the number of emerging manager firm owners that have not put the time and effort into determining what role or roles their strategy could play for potential investors, and how to explain this to them.

An often clear (to me) cause for an emerging manager's tale of woe in not being able to win over a particular investor is where the characteristics of what the fund strategy delivers does not fit an unmet or underserved need in the portfolio of the organization they pitched. For example, say yours is an alternative yield generating strategy and the prospective investor says they're full up on income generating exposures and they do not plan on spending any due diligence time now considering competing products. Even though you may have a good product offering the timing is off. The suspect is not currently a prospect. Move on. Keep qualifying others. Return to this suspect some time down the road and look to requalify them then.

Are you thinking in sweeping generalizations that deter your asset raising?

There are single family office investors who are interested in identifying and allocating to smaller emerging manager firms. Just because your money management firm may not yet have come across any such investors, it does not mean they are not out there.

I find myself often having to explain this point when money management firm owners claim that there are *no* family office investors who care at all for firms of their size or strategies of their type. Balderdash. They comprise a smaller universe than those that only allocate to $500 million-plus or $1 billion-plus sized money management firms, but they are out there. Unfortunately, you cannot buy a list of them.

Are you making the most of your finite selling time?

To run a more effective sales marketing effort, your time management must always have these three points in mind:

1. Identifying a member of a family office, endowment, foundation, institutional plan sponsor, investment consultant gatekeeper, or wealth management firm does not make him or her a prospect. *Such people are suspects*.
2. You have to qualify your contact and your contact's organization to determine whether you even meet the base criteria required for the investor to be allowed to consider you and your firm's investment product. If you do not meet an investor's base criteria, she or he is not a prospect for you now. Likewise, if you cannot currently fulfill an institutional investor's unmet portfolio allocation need in regard to the characteristics your strategy offers today, then *your suspect is not a prospect for you now*.
3. Spend no more of your finite number of sales marketing hours on such suspects. Dedicate that freed up time to *seek out, qualify and actively pursue those potential investors who are truly prospects for your investment management firm*.

Once your prospect is in your sights

Identifying actual prospective investors for your fund is just the start for converting investors from prospects to clients.

There is one other key 'missing the obvious' set of points that arise time and again. Many portfolio managers underestimate the amount of time required for the pre-pitch preparation: the necessary effort needed to craft both verbal and written content that effectively communicates a fund's characteristics, as well as the manger's ideas and insights regarding how the strategy is being run. Do not short-change your preparation time.

Further, your communications need to be more compelling than the pitches made by your competitors. This is true for when you are marketing on a rifle-shot basis to individual suspects who might be prospects, as well as when you participate as a speaker at an industry event where there are potential prospects in attendance, and through white paper content dissemination seeking out readers who may be prospective investors for the investment product you are selling.

Use your time wisely, put in the full effort needed to make your investment management firm's communications complete and compelling, and leave tales of woe to your competitors!

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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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