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## The Fund Audit That Could Improve Your Asset Raising Potential



Money management firm owners are familiar enough when it comes to budgeting and scheduling to have an accountancy audit of their numbers and a compliance audit to assure that statements they make in IR and marketing communications are not in conflict with regulations from the SEC and CFTC. Firm owners understand that it is not enough for them to *think* they're doing a good job, they need the outsider's eye to check and verify, and to identify potential filing errors or misstated or missing information.

While legislative entities care about investment firms following their rules and regulations, they do not care whether or not prospective investors find those firms to be interesting enough and differentiated enough to be worth dedicating extensive due diligence time to getting to know and buy in to.

Become complacent regarding keeping compliant with regulatory agencies and your investment management firm could find itself the target of a regulatory audit; having to dedicate many days' worth of time and expense to get that over with, and potentially being fined as well.

Become complacent — or lack an understanding — about how you come across to prospective investors in your communications for your marketing outreach and the penalty paid is different: assets under management grow less than they could, or even not at all.

Just as back-office recordkeeping benefits from external fund administration reports, and accounting firm audits of their data, so too can the front office of a money management firm benefit from an audit of its communications and sales marketing for growing the firm.

## **A communications and sales marketing audit may be called for**

A communications and sales marketing audit for an investment management firm that serves sophisticated institutional investors faces challenges that are different from, say, a consumer products company looking to grow 'brand awareness' among retail consumers for its new soft drink.

Evaluating a money management firm's marketing of investment strategies to such an audience requires expertise and experience that is quite different because of the specialized, specific challenges faced in making it through sophisticated investors' two month to two-year due diligence gauntlet. For one thing, this audience of prospective investors is on the lookout for any red flags that give them reasons to reject a money manager's pitch. So, a communications and sales marketing audit needs to be able to identify any such red flag situations and have recommendations to eliminate them. Next, the audit needs to identify what is not being communicated that needs to be, what is being miscommunicated and what is not being communicated in the right formats.

### **The outsider's eye**

Having a productive communications and sales marketing audit requires your auditor knowing portfolio management in detail and being able to speak with your portfolio manager as a peer. It also requires your auditor having knowledge of how sophisticated investors think and vet. The person or people best equipped to run your communications and sales marketing audit would have had this information shared with them firsthand from investors.

The resulting audit should give the money management firm a road map for improving what it says, how it says it, and in which documents and verbal communications that information is delivered.

What would savvy sophisticated investors who were interested but skeptical and ornery prospects have to say about their assessment of your communications and sales marketing efforts to win investment mandates from them?

### **A check-up list**

Here is a starter list of some of the topics and marketing collateral to assess in a communications and sales marketing audit for your fund.

- Which content you are sharing when with prospects within the selling cycle
- Your monthly performance reporting
- Your pitchbook
- Your detailed investment process explanatory copy
- Your research reports on holdings
- Your letters to investors
- Your thought leadership marketing, from white papers to your conference participation
- Your salesperson's in-person pitch

- Your portfolio manager’s in-person pitch
- How you handle prospect hand-offs from salesperson to portfolio manager
- What unintended contradictions might savvy, skeptical prospects find in your communications
- What holes can be found in your investment process storyline
- Are your communications claims about differentiation actual differentiation or not

Using an audit to learn what not to do (and stopping) and what to add to your efforts (and starting) can set you on the direction to running more effective communications and sales marketing efforts and improving your abilities to out-market competitors and grow your AUM.

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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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