Guest Column

5 Tips For Successful Asset Raising In 2023

By Bruce Frumerman, ceo of Frumerman & Nemeth Inc.

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 35-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.

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If you want to improve your investment management firm's abilities to differentiate itself from similarly performing emerging managers, and attract more sticky assets from sophisticated investors, there are five specific actions you can take to help achieve this.

1. Be more transparent about how you invest

What portfolio managers have *thought* was being transparent enough versus what sophisticated investors may think are often two different things. Could this be a marketing obstacle for your firm?

Many portfolio managers do not recognize how easy it is to turn off sophisticated investors, convincing them to *stop* dedicating their due diligence time and effort looking into a firm and fund. These are the investment managers who put up barriers that make it too difficult for prospective sticky asset investors to understand what the investment process is that has driven returns. They deny these prospects the detail they're looking for to support reasoning as to why they should have confidence that acceptable past returns were more likely due to skill than luck.

To market more effectively against such competitors, put in the time and effort to reexamine how you have been explaining the investment process for your fund and how transparent you have been.

Start by seeing yourself as a sophisticated, skeptical prospective investor might: Reread your marketing collateral that explains how your strategy is run. Now imagine some portfolio manager, whom you didn't previously know, handed you that same content and then asked if you would be comfortable, based on that degree of transparency, in allocating $10 million to their product. If your answer is "No" then you need to rework how you explain your investment process with more detail and transparency.

2. Address Covid, Russia, global inflation & you

Institutional investors recognize that the troika of concern regarding the impact of the Covid pandemic, Russia (from war to energy prices) and inflation, both here and abroad, is not going away any time soon. These non-company specific risk factors are going to continue to cause sophisticated investors to want the portfolio managers whom they are vetting to share thoughts about how the managers reassess valuations and risk exposures for their individual holdings, and explanations of any changed risk/return characteristics on their portfolios as a whole.

To address these investor concerns, be sure to include in investor relations communications, and sales marketing content that you share with prospects, your portfolio manager's research and opinions about these factors. With these, also provide examples of strategy implementation to manage these categories of portfolio risks.

3. Communicate your risk management thinking (beyond the troika)

Publishing commentary about the Covid/Russia/Inflation non-company specific risk factors that could impact your portfolio does not eliminate the need to thoroughly explain what specific risk management protocol steps are built into which parts of your investment process, that address everything else beyond these event-driven factors.

This needs to be put in print and not just left for a verbal explanation at one sales meeting with a prospect. This type of content needs to be reiterated in quarterly letters to investors and in research reports on holdings, communicating how prudent analysis was made. It also belongs in planned for and scripted remarks your portfolio manager makes at speaking engagements and meet the manager events.

Repetition about risk management thinking and implementation is a requirement for any emerging manager that seeks to differentiate its portfolio manager from peers.

4. Write better research reports

In writing research reports on holdings, it is not enough to just write a company description, its publicly available data points and who its competitors are. Sophisticated investors are looking for more than what they could see from a quick Internet search.

So, your research report content detail should be rethought and built out, particularly regarding the thinking behind your manager's current valuation, and determining fair price and the arbitrage spread opportunity. I've seen too many two-page research reports that seemed to have covered only around one-third of what institutional investors and their gatekeepers are looking for to decide whether they like how the money manager thinks.

Your research reports are more than a defense to an investment decision already made; they are an opportunity to demonstrate the insights of your portfolio manager.

5. Make beyond-the-numbers marketing your priority in communications

If I were to hand your portfolio manager a tear sheet or pitchbook of a manager running a strategy in the same category as theirs, it would take no more than 90 seconds for him or her to decide whether the other manager was a competitor. But this decision would be made only based on the numbers presented. What can't a portfolio manager glean by only reading a tear sheet or pitchbooks? [Take a minute to think about this.]

Your portfolio manager would be hard pressed to intuit exactly what the competitor did to produce his or her returns. This is the very problem that sophisticated investors conducting due diligence on your fund face. Many are very well versed on general details of equity and fixed-income investing, PE or VC company selection, and the like. But that doesn't make them mind readers.

The secret to what makes a portfolio manager's brand is how management thinks and how they do what they do. It is this intellectual acumen of management that is the most valuable asset a money management firm owns and is what needs the most attentive care in communicating.

Therefore, put more effort toward selling people on your story of how — how your money manager thinks and runs strategy implementation. This belongs in both your marketing collateral communications and sales marketing efforts.