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Your Hedge Fund Marketing, Family Offices and Warren B



You may have read this valuable advice, which made international news in business publications both online and in print, but you may not have thought about how to apply it to asset raising for your money management firm.

In December 2018, sitting in the backseat of a car taking him and Warren Buffet to the Canadian Walk of Fame inductee gala, 22-year old entrepreneur Michael Hood, co-founder of Toronto start-up Voiceflow, pressed video record on his cell phone, aimed it at Warren and himself and then asked Buffet what one tip he would offer to young people in their early twenties just graduating school.

Buffet responded immediately: “It’s very simple. Invest in yourself. The one easy way to become worth fifty percent more than you are now, at least, is to hone your communications skills, both written and verbal. If you can’t communicate, you know, it’s like winking at a girl in the dark. Nothing happens. So, you can have all the brainpower in the world but you’ve got to be able to transmit it, and the transmission is communications.”

Investment firm attrition rates & Buffet’s insight

While this insightful advice is appropriate for people of all ages and professions it is particularly important for money management firms seeking to serve sophisticated investors: family offices, endowments, foundations, institutional pension plans and the like.

Such sophisticated investors — those that follow a money manager vetting process, and have investment committees that discuss, debate and vote on which managers to allocate to — are looking for more than just data. Money managers need to have more than just acceptable performance, an acceptable pedigree and acceptable back office service providers in order to pass muster. Nowadays those characteristics are simply base level requirements to potentially get a hearing. Money management firms have more communicating to do than just that.

The attrition rate is high among money management firms whose asset raising is focused on sophisticated investors. The number one reason such firms go out of business is not because some trade blew up their portfolios, it is because they were unable to convince enough investors to understand and buy into their investment process.

Meeting family office investor needs — Do you have the communications skills?

Consider family office investors, the best candidates for emerging money manager firms (and these comprise the vast majority of investment firms in the marketplace).

It's not just that the market has become more competitive, sophisticated investors such as family offices have become more choosy. Also, they have become less likely to give a money management firm a second shot at explaining itself to them. So, it is imperative to be able to get it right the first time, both verbally and in print.

If your investment firm is like most, you are marketing a strategy, or strategies, that seek to deliver above-benchmark returns. You face the challenge of having to effectively educate and persuade people to understand and buy into how you invest.

If you run a hedge fund your challenge is among the greatest. Charging higher fees than other lower cost investment options is fine. Just expect to have to deliver more information to prospective investors for them to perceive the potential added value you aim to provide them.

Beyond-the-numbers marketing — where you most need to hone your communications skills

This starts with the need to be able to deliver verbally and in print a cogent, compelling and consistent explanation about your investment beliefs — what shapes your views and leads to the approach that you take in running the strategy that you follow — and continues with explaining what goes into the thinking and process you follow for assembling and managing the basket of holdings that comprise your portfolio.

Without sufficient communications skills the smartest of portfolio managers will find themselves highly challenged to win over new investors. Where I have seen investment management firms most often miss the mark is in the communications of the most opinion-based and conceptual thinking that guides the investment process they follow. And there are family office investors who have complained about this to me. They are wanting to find new managers with new strategies worth allocating to, but they often find themselves frustrated when they cannot get the communications they're looking for out of the portfolio manager and firm they are starting to vet in their due diligence effort.

When hedge funds marketing alternative strategies suffer from poor written and verbal communications skills for explaining about these things they can find relationship building efforts with prospective investors will fade into a 'no further interest' response relatively quickly. Essentially, the more alternative or complex the strategy the more information the money management firm needs to deliver to communicate the content required to meet the due diligence needs of family offices and other such sophisticated investors.

You need experience and expertise to take a hard, buyer-focused rethink of what you are communicating and how. Then you need to build that missing beyond-the-numbers content and use it to guide how you tell and sell your story both verbally and in print. Do this and you will have honed your communications skills and improved your ability to out-market competitors and win the confidence, and allocations, from family offices and other sophisticated investors.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 31-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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