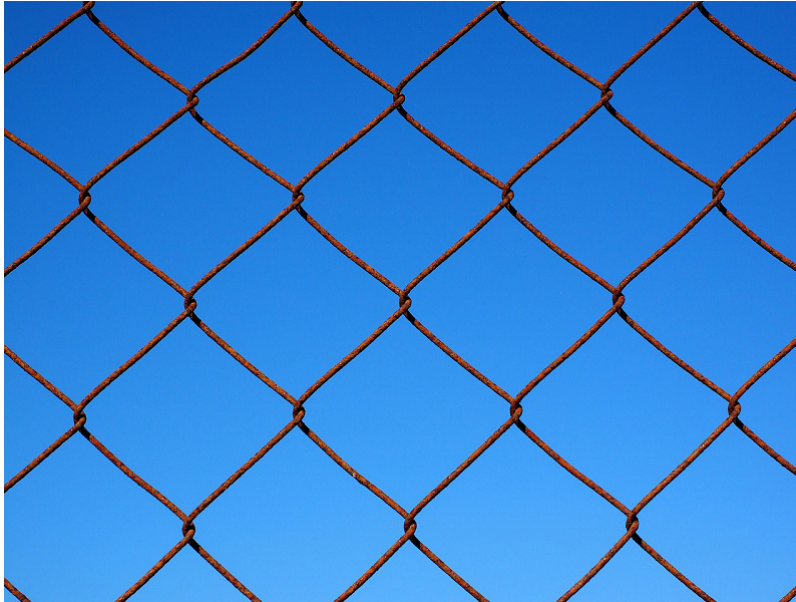


May 2024

## Overcome What RIAs Say Is A Barrier To Investing Clients In Your Fund



When investment boutiques running alternative investment strategies look to expand their client base and grow their AUM, one audience they should consider are RIA wealth management firms that serve HNW and accredited investors. The slice of the accredited investor market that they serve may be most easily reached through those wealth management firms that handle the financial planning and much, if not all, of the investment allocations in traditional asset classes for this retail investor segment.

As with fund of funds, these wealth management firms are the intermediaries between the end user investors and your firm. Unlike fund of funds, however, allocations from RIA wealth managers have the potential to be more sticky assets for the money manager. Contrast this with most fund of funds, which tend to be performance chasers. Given a choice, your investment boutique would be better served pursuing wealth management firms for potential sell-through to their accredited investor clientele.

Of course, you will need to give these gatekeepers reason to see that putting their clients in your LP is more than just a performance chasing move. And you'll need to address the problem that Fidelity uncovered.

## What Fidelity found

In 2024, Fidelity Investments reported in its survey of RIAs at wealth management firms that 26% of them had exposure to alts, compared to 86% of institutional investors.

Importantly, Fidelity also found that over half of the advisors polled concurred on two key challenges they faced to begin or expand their usage of alts in client portfolios:

- Investment manager research and due diligence of underlying strategies and managers
- Communicating the strategy to clients — a barrier when investing in alts

To help with the research issue, Fidelity announced that on its platform for advisors it is broadening its existing research offering of its alts research to include research notes on third-party registered alternative investment strategies. It also said that to help RIAs determine how to incorporate alts in their portfolios it will write articles for RIAs focused on customer exposure to alts. This, however, will be generalist information.

What all of this won't do is market *your* specific fund and the *particular way* in which you handle strategy implementation, which is what differentiates you from your competitors.

## Understanding the RIAs' second challenge

The pain point challenge for RIAs to communicate with *their* clients about the specific strategies of the alternative investing portfolio managers and funds they would recommend is a real one. After all, analysis by the likes of a Fidelity is more than likely going to be a numbers-only comparison of performance and volatility of one fund versus another, with little or no explanation as to what the portfolio manager did or didn't do investment process-wise that resulted in generating the returns. That is bound to be left to the investment boutique to communicate and promote.

If wealth managers for accredited investors are going to effectively display their consultative value-add, these RIAs will need to demonstrate that they know more about a hedge fund or other LP vehicle beyond just the manager's bio and past performance.

These RIAs need to be able to have conversations with clients of theirs where they can communicate *why* they decided they prefer your offering to that of a competitor with similar data characteristics. This requires them to understand and buy into *how* you assemble and manage your basket of holdings. And on that they need to establish a view — and be able to communicate to their clients — that your investment process is more sensible, repeatable and defensible than the processes of competitors of yours that they also looked into.

No brokerage firm, or any platform or fund performance table list on which your fund product might appear, is going to address the 'communicating the strategy' issue. That's your job.

Realize that many of these RIAs would even find it challenging to describe a particular mutual fund in much detail to a client. For convincing their clientele to allocate to a specific alternative investment fund, there is a whole lot more education and explanation that is called for. Their customers will expect to have multiple direct conversations with their wealth managers before agreeing to commit to a less than fully liquid allocation to your fund. The RIAs will need to have their clients buy into the idea of your portfolio manager and her or his approach and methodology as being a sensible new allocation to make.

### **Five steps your investment firm should take**

Build an action plan to make and maintain contact with investment advisor heads at wealth management firms.

#### ***Find the right person***

Each RIA firm will have its own investment committee member or team head who either performs the firm's in-house vetting of investment offerings or else oversees the function. While you may be able to buy a list of wealth management firms you are probably going to have to hunt out which of the firms would allocate to alts and who the right person is to be in touch with.

#### ***Seek to make both written and verbal contact***

Pitching and relationship building is not an email only activity. Early on, you want to aim to get at least 45 minutes of an advisor's time by phone or in person to start to explain what you offer and how it likely helps round out the rest of a portfolio. Also, you need to determine if this RIA wealth management firm suspect is a potential prospect. For this, you need to craft your verbal delivery and your supporting marketing collateral.

#### ***Explain, compare and contrast – the verbal delivery***

Prepare to deliver verbally at an in-person meeting, or by Zoom or phone, the role your alt fund plays, how you run your fund's investment process and how it compares/contrasts with other options the wealth managers may have to recommend to their customers. Keep in mind that you not only want to begin to educate them so that they can appreciate the value of your approach, you also need to prep them to make them wanting and able to retell *Why You* when recommending to their clients an allocation to your fund.

#### ***Have initial use marketing materials***

A performance tear sheet and flipchart pitchbook are the 'cost of entry' door-opener documents needed to introduce your firm in print, but you will need more than just these. The big reason why is that neither document meets the need of thoroughly communicating strategy and implementation. (Hence, the above-mentioned survey finding, and the barrier to recommending alts to accredited investor clients.) While monthly tear sheets and pitchbooks are good for displaying performance and data-based characteristics, for explanation of strategy implementation these document types only support bullet point content rather than a full paragraph-based communication that, for a thorough explanation, may need to go on for pages.

## ***Put into print your explanation of How — the script an RIA can follow***

A *how we invest* piece is the must-have marketing document you need to craft in order to equip RIAs so that they both agree internally to recommend clients of theirs allocate to you, *and* can converse with their clients about why in their subjective due diligence on you they feel yours is the most sensible, repeatable and defensible investment process they've reviewed for prudently profiting from doing the type of investing you do. This is portfolio manager communications *beyond* the fund's performance data and the generic reasons to allocate to the asset class.

Not only do you need to arm RIAs with this *why you* information, you need to reduce the odds of them messing up retelling your story when you are not there. This is enough of a challenge when marketing your fund to institutional investors. When marketing to RIA wealth manager intermediaries who will be retelling your story to each client they are recommending make the allocation this challenge magnifies and multiplies. The RIAs not only have to educate people about your offering, they have to show that they put in effort to understand and buy into the strategy implementation of the alternatives fund they are recommending.

Supply the wealth advisor with a clearly written, detailed explanation of your investment process and they should see in print why, beyond-the-numbers, you are a good asset allocation choice. Without needing to tell them so, they should recognize that your firm and fund has gone out of its way to make it easy for them to communicate the strategy to their clients. You will have removed that perceived barrier to investing their clients in alts. Further, your in-print explanation of investment process will become the point of reference 'script' for the RIA to teach the client about your offering and why they believe it to be a prudent allocation choice.

## **Make your fund offering the exception**

Take those steps and RIAs should find no barriers for communicating about your alts strategy to their clientele.

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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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