

by Bruce Frummerman, CEO, Frummerman & Nemeth Inc.

February 2026

Can You Tell Your Three Types Of Prospective Investors Apart?



There are many investment management firm owners who, based on an initial positive selling experience marketing their fund, make a tactical error. They errantly make the assumption that all prospects are the same. I don't mean they are thinking that plan sponsors, family offices, endowments, foundations, financial planning/investment advisory wealth management firms and retail investors are the same. I mean they fall into the very trap that portfolio managers take great pains to avoid in the running of their investment strategies.

The correlation / causality assumption error

When portfolio managers create their investment methodologies, they select which factors to include and what weight to give them. When performance success results, the savvy portfolio managers will not assume that their factor selection automatically correlates to all future investment portfolio success. Nor will they believe, without further investigation, that their factors used and the weightings given to them were the main reason for their good performance.

However, when it comes to marketing their investment strategies to prospective investors, portfolio managers often miss what made the selling process so relatively easy in their first new customer wins. This can cause confusion when they later find they hit a wall in their asset raising efforts. *Why has it become so hard now? It worked before, and with little effort!*

We find that many investment managers do not recognize that they are marketing in a 'three-not-one' selling environment: they have three types of prospects, not one. When they lack clarity on this, they often make marketing errors in judgement that affect their asset raising ability.

The problem is that such marketing errors can turn off the third and most important type of investor against any money manager looking to grow significant assets and serve the institutional investor world. (More on them soon.)

As my financial communications and sales marketing consulting firm points out to its money management firm owner clients, the three types of investors can be classified based on what the primary driver of acceptance is behind their due diligence vetting of competing investment firms and products. Said another way, where investors are willing to *stop* in their due diligence effort reveals their prospect type.

Type 1 - Pedigree

The first type of investor is the one for whom pedigree makes all the difference. This is the so-called trust buy-in. Here, there is not that much trust building money managers actually find themselves having to go through to land such people as investors.

There are two breeds of pedigree-focused investor. The first falls under the friends and family moniker. They are literally friends and family. Such a person's response to a portfolio manager explaining the strategy offering may very well be: *I don't understand what you're talking about, but I've known your Aunt Ida for years, so here's a check.*

The second breed of this type of investor is one who did not previously know the portfolio manager, so their pedigree focus is different. For them, their *That's good enough for me* decision is based on work or school ties. These fall into the categories of where the portfolio manager works (a big shop that is, therefore, an easily defensible 'buying IBM' decision, in case performance later drops), or where they *used* to work (who their former employer was), or what college the portfolio manager graduated from. All such subjective-based 'investment strategy due diligence stops here' vetting comes from the old *Nobody ever got fired for buying IBM* and the *They must be smart if they were there* schools of thought.

When a money manager hears some pundit proclaim that getting people to trust you is the main factor for convincing investors to allocate, they are *only* one-third accurate prospect-wise.

People who are pedigree-based prospective investors are an investment firm's low hanging fruit prospects. They will be easier to sell than the next two types of investors.

Type 2 - Performance

This second type of investor is the performance chaser. These folks are avid readers of fund performance tables. If you are not currently outperforming your peers, expect the performance chaser to reject any sales marketing overtures. Land in the top quintile of performers for your category and this type of investor will be interested. If they are allocated to a money manager in your category who they bought into when the fund was top quintile, and the performance dipped, this is the type of investor that will dump their current holding and reallocate to you. Of course, once your performance drops — as it will at some point — performance chasers will pull their allocations from your fund and move it on to a higher performing competitor.

The prospective investors whose due diligence decision making starts *and* ends with performance are the least sticky of investor types. The smaller your investment boutique the riskier it is to have performance chasers comprise the bulk of your investors. If they walk, the bulk of your firm's revenue base departs with them.

What about when “pedigree and performance aren’t enough”?

I recently attended an investment industry gathering of around forty fund service providers, the vast majority of whom were back office service providers from law, accounting and fund administration firms. They gathered to share market intel and discuss current observations about, and predictions for, the boutique investment management firms they serve. One observation shared by many that gave concern to all — and about which they could not help their clients — had to do with stalled AUM growth: it was taking many of their portfolio manager clients longer than before to win new allocations. “*What’s there to do when pedigree and performance aren’t enough?*,” one of them asked the group.

These folks did not realize that their fund clients had a relatively easy time marketing to two of the three types of investors and had hit a wall when attempting to sell the same way to the *third type* of prospective investor.

Type 3 - Process

When it comes to who we define as sophisticated investors, in their due diligence vetting it’s not enough for them to come across a good performing, pedigreed portfolio manager.

Family offices, endowments, foundations, institutional plan sponsors, investment consultant gatekeepers and some in the independent financial planning/investment advisory wealth management firm world want to make a decision about something else as well: whether a manager’s performance was more likely due to skill or luck. That is why with this type of investor, performance ranks third in importance, risk management second and investment process first.

What differentiates one money manager from the other for this group? Portfolio strategy implementation with the investment process. Those investment management firms that cannot communicate their process in sufficient detail are often perceived to be marketing ‘me too’ funds. What sophisticated investor would be willing to put in more due diligence time into vetting a ‘me too’ fund?

Further, those money managers that overly push pedigree to this type three audience, while offering little more than a flipchart page of bullet point phrases to communicate investment process, will find the due diligence vetting cut short. What sophisticated investor would be willing to put in more due diligence time into vetting a fund that is making it difficult to evaluate whether its performance seems more likely due to skill or luck?

Build all of your marketing for the type three investor

My financial communications and sales marketing consulting firm strongly advises that investment firms in their asset raising outreach clearly describe the investment process being followed by the portfolio manager as this is the information that the important type three sophisticated investors need in order to make their buy-in decisions.

This requires drafting and marketing content that goes far beyond what many investment management firms do. You should not simply tout the performance data and investment team bios in sales marketing meetings and marketing collateral and under-deliver on content about running the investment process. Supplying little process-focused detail comes across as if strategy implementation information was an afterthought from the portfolio manager (and too little at that).

There are further benefits to building *all* of your marketing — no matter who you are communicating with — to address the expected questions from, and issues concerning, the type three investor.

Active, ongoing promotion of how a firm runs its investment strategy to the type one pedigree buy-in prospects helps make them more educated clients. This, in turn, helps create more satisfied investor clients and increases the potential that some of them may refer people outside of the portfolio manager's own friends and family circle, recommending they take a get acquainted meeting or call with the investment firm.

Additionally, there is always the chance that your firm might convert some performance chaser investors to become stickier by having given them investment process-related reasons to allow your portfolio manager a few more months to recover from performance drops when they occur.

Pursue and diversify your asset raising x3

It makes sense to take steps to diversify your investor base so that your firm does not find itself limited to friends and family investors, or find itself too overweighted in allocations from performance chasers.

Once you decide it's time for your firm to pursue sophisticated institutional investors, do not begin to make contact until *after* you have built out your communications — in detail and in print — about strategy implementation with your investment process. This is the information that will differentiate your beyond-the-numbers communications from the competition. It will help people make the subjective judgement as to whether your acceptable performance was more likely due to skill than luck. And it is the value added information for all three of the investor prospect types considering allocating to your strategy.

Always remember that in pursuing sticky asset investors, success from the marketing efforts for a money management firm is dependent upon its ability to get people to appreciate and buy into the intellectual acumen of the portfolio management team.

#

© Frummerman & Nemeth Inc. 2026

About the author

Bruce Frummerman is CEO of Frummerman & Nemeth Inc., a 38-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. Frummerman & Nemeth's work has helped money management firm clients attract over \$7 billion in new assets, yet they are *not* third-party marketers.

The firm has decades of experience as professional storytellers, content strategists and content creators. Frummerman & 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.

The firm'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 Frummerman & 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.

Mr. Frummerman can be reached at info@frummerman.com, or by visiting www.frummerman.com.