Marketing To Sophisticated Investors column
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Is Your Fund Guilty of Making These Off-color Marketing Mistakes?

Tip 34: Preparing For Post-Pandemic Asset Raising

Welcome to the thirty fourth of a series of articles offering insights and tips to prepare money management firms for improving their abilities to out-market competitors and attract assets from sophisticated investors in the coming post-pandemic world.

There is a range of data a money management firm has to communicate to prospective and current investors in order to pass due diligence muster and keep investors informed on the fund's progress. Much of this fund specific information is conveyed in relation to other data in the form of charts, graphs and tables. This content is most often delivered in monthly performance tear sheet and flipchart pitchbook IR, and marketing collateral.

The formats such data presentation most often take include line, bar, pie, scatter and text: line charts showing performance versus one or more benchmarks, bar charts showing annual performance returns broken out by contribution of key performance attribution factors relating to the fund's strategy implementation, pie charts depicting allocation weightings of exposures within the portfolio, scatter chart graphs depicting where within a risk/return spectrum the fund sits versus others, and text based monthly performance tables versus one or more benchmarks.

Using color thoughtfully in displaying your fund related data can make your selling effort more effective. Misapply it and your 'off-color' mistakes can frustrate readers and hamper your success.

The easier your firm makes it for someone to quickly grasp and absorb what they are looking at with your data presentations, the greater the potential you may find for your firm out-marketing similarly performing competitors whose graphical representation of data make it harder for the reader than need be.

If you want to give your investment management firm the briefest of color use check-ups regarding data presentation, here are three mistakes to look for and correct if you find any of them.

What Not To Do

1) The reusing a color error

Drivers and pedestrians know that red stop signs and red traffic lights mean stop and that a green traffic light means go. People have learned these color coded rules to interpret and follow.

It is your money management firm's job to make it easy for investors to interpret and learn your color-coded communications meanings in your graphical representations of data relating to your fund.

A mistake some investment management firms make in using colors in their charts and graphs is to not have established color usage rules for the firm to follow. What often results, unintentionally, is the use one color to mean more than one thing.

Is a certain shade of green that is used in a pie chart to depict your metals and mining allocation weighting also used in an investment returns line chart to depict performance of the Russell 2000 versus your fund? Not good.

When you have a graphical representation of some data that you use time and again, choose a specific color to represent that data point and use that color for that purpose only.

2) The monochrome error

Is a monochromatic color palette being used for data displays of your fund versus others, and for depicting elements comprising your portfolio?

We've seen this where a portfolio manager used only slightly differing shades of blue in his charts and graphs. It was very hard to interpret and differentiate which in his pie chart was his technology holdings weighting and which was his energy holdings exposure. It was equally hard to decipher his performance over time line chart where his fund was plotted against two market index benchmarks and a peer group of managers benchmark. Four not quite different enough shades of blue made his line chart a frustrating, hard to read experience for his potential and current investors.

Worse, when the fund’s data appeared in print in desktop published printouts of monthly performance tear sheets and pitchbooks his color printer did not have the capability to correctly emulate the color shade tonalities he saw on his computer screen, so the marketing collateral that prospective investors were handed presented them with a further ‘squint to decipher’ challenge. This kept forcing the reader to refer time and again to the chart legends to decode, and try to retain in short-term memory, which shade of blue was representing what. Not good.

3) The fading away error

Has your money management firm chosen to use a light-colored palette? Since the color selected to represent the fund should stand out compared and contrasted to colors around it, that requires the other colors used to be lighter, not darker, than the company color; or else at least of an equal color intensity level.

Money management firms that choose to represent their fund with too light of a color paint themselves into a corner, because the alternative investment options against which the fund is compared or contrasted will likely stand out in the chart or graph more than the product being marketed.

Then there are other fade away mistakes.

In one case an investment management firm was putting its text table numbers in a light gray. The firm’s visually whispering numbers were barely legible. Not good.

In another case, a money management firm suffered from a passel of pastel related data presentation problems. My financial communications and sales marketing consulting firm was brought in to help a money management firm’s owners restructure how they were explaining their strategy to institutional investors. Looking through their data presentation documents I found them hard to read, because they had chosen to use a very light pastel color palette. Discussing this in a meeting with staff members, without the boss present, I found all had recommended to the boss that he reconsider his graphic design choice. They said he responded that it was his choice, and he saw nothing wrong with it. They were merely employees, so they hadn’t pressed further. But I did.

He and I sat down alone. I showed him other color version presentations of his firm’s data where it was easier for a prospective investor to comprehend what they were looking at. I talked him through what made any of these other color palette options better than what he had selected. I then asked him to explain what, exactly, had drawn him to the very light pastel color palette he had chosen, and what he thought made it a good choice for presenting his firm’s data to family office investors (his firm’s desired target audience), who skim read through hundreds of similarly pitched fund performance information each year. His response was unexpected; something he had yet to share with his staff: he suffered from color blindness where he had trouble distinguishing between some colors, and also some colors appeared less bright to him. His choice had looked good enough to him. It hadn’t occurred to him until then that this could have been impacting how others saw his firm. True story.

I have also seen where a fund management firm owner compounded his color usage problems by using only monochromatic color tones of a light pastel color. (Don't do that, either.)

Color your data world

Fully using color to your advantage for graphically presenting your firm and its investment product or products is, of course, more involved than simply recognizing these *what not to do* mistakes to avoid regarding data presentation. However, by not committing these 'off-color' mistakes in your marketing materials you've taken a good first step in making it easier for prospects and current investors to more readily read and understand what you're aiming to communicate in your charts, graphs and tables.

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About the author

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.

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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