Marketing To Sophisticated Investors column
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What Covid Should Have Taught You About Your Fund Marketing

Tip 36: Preparing For Post-Pandemic Asset Raising

Welcome to the thirty sixth — and final — in 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 post-pandemic world.

What a Long, Strange Trip It's Been

Back when the pandemic hit here in the U.S. in March 2020, it instantly became more challenging for investment management firms to navigate relationship building and passing through the due diligence gauntlet of sophisticated investors. For months investors froze and stopped nearly all money manager vetting activity.

Then, the pandemic's impact triggered changes among the more educated, more savvy, institutional investors at family offices, endowments, foundations, plan sponsors and some wealth management firms: Changes as to what new points they were quizzing portfolio managers about. Changes in how tolerant for how long they were willing to be with the pitching investment management firms that did not deliver the transparency and detail being asked for as to how portfolio strategies were being run. Changes in how they were willing to handle contact and exchange information with money managers during a time when in-person meetings, let alone working from the office, were not an option.

If experienced, educated investors were going to become more skeptical and challenging of money managers during pandemic times, then asset raising was going to become even more competitive once there was some light at the end of the lockdown tunnel.

That is what led to the impetus behind this series of insights and tips from Frumerman & Nemeth Inc. 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.

Before we move on, I have a question for readers who are money management firm owners. What have you learned at your firm during Covid times regarding asset raising that you will be applying in the post-Covid world?

Here are some of the things I think that Covid should have taught you about fund marketing that you can use to improve how you handle your beyond-the-numbers communications in your asset raising efforts going forward.

"Nobody expects the Spanish Inquisition!"

Surprise! I'm starting the list with this *Monty Python* television show sketch from 1970 as it can help you remember not one but two key points. [If you're not familiar with this comedy classic you'll be able to find the video online.]

First point — You cannot predict each unexpected, rare event that may impact your portfolio but you will need to address them once they happen.

Sophisticated investors want portfolio managers to make timely evaluations as to when new news is significant enough to warrant prudent tweaking to your portfolio, or how it is run, and then communicate this clearly and with detail.

Just as the *Monty Python* sketch starts in one direction and then veers to a non-sequitur plotline change, so too did Covid seem to shift from some overseas, regional disturbance to a global threat. Generally speaking, hardly anyone expected the speed and magnitude of the global spread of health problems and its rapid impact on investment holdings of all types.

The number of portfolio managers who, before March 2020, predicted the impact of Covid coming to the U.S. and positioned their portfolios effectively to weather the coming market upheavals, and profit from the turmoil it brought, were very few and far between. (Trivia: One just happened to be a money manager who turned to my financial communications and sales marketing consulting firm for help. His challenge was to explain how this judgement call and selection of stocks came to be, and to also not set expectations so high that anyone would be left assuming he could repeat such an unpredictable investment home run the following year.)

Many months passed. Covid remained but appeared to not be growing as exponentially as expected. Supply chain problems remained an issue, but seemed they might be lessening. Some portfolio managers breathed a sigh of relief and thought they could return the focus of their attentions to company specific risk factors. And then? Russia started a war, invading Ukraine. Another "Nobody expects the Spanish Inquisition!" moment for portfolio managers and investors. Energy prices shot up globally along with global inflation. Macro and geopolitical risks rather than dissipating were mounting.

While reasonable sophisticated investors were not expecting portfolio managers to predict just when another disruptive event would shake up portfolio holdings' returns, risk exposures and valuations, these investors found themselves becoming skeptical of those portfolio managers who were claiming they felt no need to make any modifications to their pre-Covid times investment process.

Lesson: In IR communications and fund marketing you can't ignore a big change in events. You need to acknowledge them and then communicate if and how you may be taking the ramifications of the events into account in running your portfolio. Also, be proactive about this. Once you find yourself having to be reactive to probing questions from prospective investors on such an issue you already will be appearing to be defensive with any response you give.

Second point — Portfolio managers need to get their stories straight about how they run their strategies before they attempt pitching sophisticated investors. Even in pre-Covid times, sophisticated investors were not granting money managers a do over.

Too many unprepared portfolio managers are coming across to prospective investors like the Spanish Inquisition sketch's Cardinal who, in describing factors in their methodology, can't remember his lines and keeps starting over.

Lesson: Practicing your verbal communications before you start speaking with important prospects is a must do task, not a nice if you get around to it task. This is particularly vital when it comes to talking a prospect through how your investment strategy is run. Back up and start retelling some point or other because you realized after you spoke that you left out some extremely important steps in your methodology and you come across as either being a manager suffering strategy drift or a manager who lacks a well thought out investment process.

Know when to revalue and explain

In conversation with a single family office investor in early April 2020, just weeks after lock-down began in the New York area, here is what he told me they were doing: They were in the process of revaluing every direct holding in their portfolio: private equity, VC and private debt. Whatever their valuations were at the end of February 2020 those no longer hold true, he said. Once they set new risk/return valuations they would decide which holdings to sit with as is, which to put more capital into to help keep afloat, and which ones they will "cut line" and close out at a loss.

After they completed this work, he said, they would be reaching out to all outside managers they were allocated to and ask them for communications about the same: Taking into account significant enough new global macro (as opposed to company-specific risk) factors, what did they revalue each holding to? How did they carry this evaluation out? What actions did they then take regarding those holdings? And, what different, additional analysis were they going to be carrying out now when considering new potential holdings to add to their portfolios?

Lesson: Going forward, portfolio managers should be more proactive in their communications as to when non-company specific events have driven them to revalue holdings, and what actions they may have taken as a result.

Your frequency of contact with prospects may have been lacking

Once a money management firm has made initial contact with a prospective investor it is up to the firm to not become an out of sight, out of mind investment consideration. For this, one needs to keep up frequency of contact, both to make it as easy as possible for prospects to conduct their due diligence research and to improve the odds of being at the right place at the right time when they decide the time has come to make a new investment allocation decision.

Pulling this off effectively requires developing and disseminating content marketing communications of value from the buyer's perspective. *Every time there is contact.* No fluff or filler. This takes work to do well. As a result, many portfolio managers put off dedicating the time, effort and thought needed to have the frequency of contact that would serve them well. So, during Covid times when investors were seeking *more* communications many investment firms were creating and disseminating less.

Lesson: Turn this lack of effort by some of your competitors into an opportunity for you to further demonstrate the intellectual acumen of your portfolio manager and give prospective investors further reason for accepting relationship building contact by your firm.

You probably weren't distributing enough content marketing in print

This ties into the frequency of contact problem. Too often money management firms attempt to reconnect with prospects verbally to the exclusion of using print to do so. These firms relegate written communications delivery to performance data. To them, the other stuff — grist from in-house research reports on holdings to thought pieces about marketplace conditions or other things that have the potential to demonstrate the intellectual acumen of management — seemed too time consuming to spend time crafting in print. So, quite a few portfolio managers, slowly restarting prospecting after the worst of Covid, decided to just verbally wing it in phone or Zoom conversations with some prospects.

One of the problems when doing this with an investment committee member is that it is nigh impossible for that person to remember enough detail to effectively repeat it to her or his investment committee colleagues. And that's assuming the portfolio manager delivered worthy enough insights and transparent enough explanations about active management of the portfolio.

What if a salesperson rather than a busy portfolio manager was being tasked to carry this out? More obstacles abound. It often results in a second-hand retelling by a person who only knows what they were told and taught by the portfolio manager (which often is not enough), and who, most likely, does not know portfolio management well enough to speak with a sophisticated investor or the portfolio manager like a peer. Such verbal-only content communication can come across as a non-differentiated, weak outreach on behalf of the money management firm. The sophisticated investor prospect may take this as a signal that the firm doesn't have its act together and so will look to a similarly performing competitor instead.

Lesson: Building out a content creation and dissemination workflow, and selecting the topics to address, has to be a top-down effort with direct involvement from the portfolio manager. These are not tasks that can be completely delegated away to employees, and particularly to those who lack detailed portfolio management knowledge.

Apply these lessons learned and your investment management firm will gain a competitive advantage over similarly performing peers. You will achieve this by making life easier for prospective investors to acquire their beyond-the-numbers due diligence knowledge and form a better understanding about how you run your strategy, by making more tangible the intellectual acumen of management at your firm and by increasing the odds of you being top of mind when those prospects are ready to make a new allocation decision.

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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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