Marketing To Sophisticated Investors column
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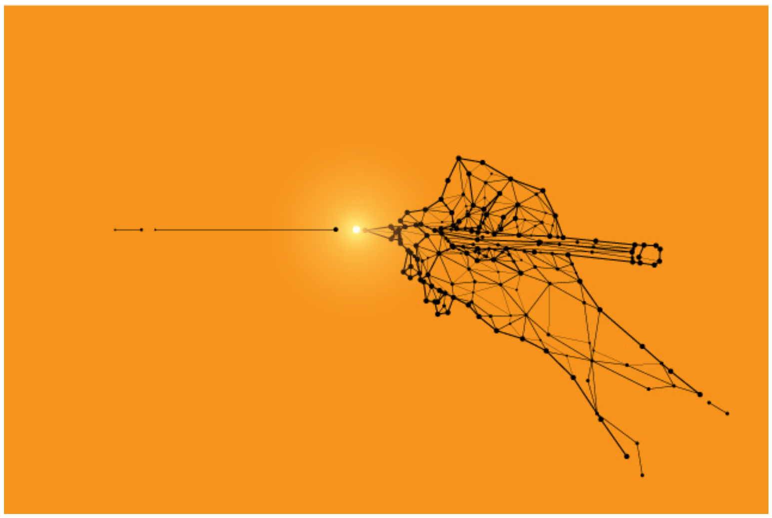
Portfolio Managers — Avoid This Content Marketing Mistake

Tip 14: Preparing For Post-Pandemic Asset Raising



Welcome to the fourteenth 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, recessionary world.

Content marketing is a vital part of the communications and sales marketing campaign to interest prospective investors and win them over to how you run your investment strategy. There are two reasons for this. First, the information you provide is used by sophisticated investors in conducting their due diligence on you, vetting how you assemble and manage your basket of holdings. Second, it takes a selling cycle of two months to two years for an investment management firm to win allocations from family offices, endowments, foundations, plan sponsors and their consultants; as well as some from the independent financial planning/investment advisory wealth management business. Portfolio managers need to be in communication with their prospects over an extended period of time.

Fresh content that demonstrates the intellectual acumen of management is the most important tool for keeping prospects engaged in dialogue, maintaining their interest to continue conducting due diligence, and keeping the investment management firm top-of-mind when the prospect decides the time has come to select a portfolio manager from his or her short list of acceptable candidates.

When it makes an even bigger difference in asset raising

Analysis of a money manager can become even deeper during periods when sophisticated investors recognize that non-company specific risk factors are on the rise and may affect investments over several years. What counts as these times? A pandemic and global recession certainly qualify as factors that could be impacting the valuations and risk exposures of investment holdings over a number of years. Changing risk/return characteristics of portfolio holdings requires active management to monitor and identify such changes and have plans of action for prudently managing a portfolio's basket of holdings throughout such periods.

Market & Sector Commentaries

One of the commonly found examples of content marketing from investment management firms are the portfolio manager's market or sector commentary pieces. From money management firms, this content primarily appears in stand-alone commentary pieces and secondarily appears as a sub-topic in a portfolio manager's monthly investor updates.

Such market or sector commentary content marketing is not just the domain of the portfolio manager seeking to attract investors to his or her fund offering and grow their assets under management.

Take, for instance, brokerage firms and their communications objectives when writing for an institutional investor audience. Brokerage firms tend to employ one or more 'market strategist' analyst to write similar pieces. (Before the tech bubble burst 20 years ago there were far more sell side analysts than there are today, and far more research reports.) The sales objective of the brokerage firm analyst is to stimulate investors' thinking so that they consider making a trade with that brokerage firm. The brokerage firm is looking to grow its assets under advisement.

The typical market strategist report from a brokerage firm restates what the market has been doing, states what they think it might do next and offers generalized recommendations, usually at the asset allocation level. (Stock-specific research is a different category of content marketing and a subject for another day.)

So, what do the equivalent reports from portfolio managers at money management firms tend to be like? From our many years of receiving and reading these, as well as monthly update letters to investors, we've noticed that most restate what the market has been doing and then state what they think it might do next.

Notice the difference? Notice what's missing? If you can answer Yes, then you've been able to spot the mistake to avoid.

What is it that sophisticated investors do not want from a portfolio manager? Not a repeat of 'old news' that they already read earlier elsewhere — what the market or a sector recently did. And not a generalized 'up, down or flat' prognostication about a market or sector. So, what do they want to learn?

The missing link — connecting the dots

The concluding element of every analysis report from portfolio managers must be commentary that answers two very specific questions: *What are they going to be doing in their active portfolio management as a result of what has occurred and what they think is going to happen next?*

After all, the sole purpose of content marketing for portfolio managers is to demonstrate the intellectual acumen of management and to reinforce one or more key selling messages that tie in to *how* they run their investment portfolios.

Portfolio managers who do not include the answer to *What do they plan to do as a result?* in their commentaries leave their readers — their prospective and current investors — hanging. And when your target audience are busy, sophisticated investors, they will resent having spent time reading money manager missives that completely avoid getting to the point of what it all means for how your portfolio managers are running their portfolios.

What you need to connect the dots

In order to deliver on connecting the dots when writing market or sector commentary-focused pieces, the portfolio manager needs to have already crafted and communicated his or her investment beliefs, detail about the investment process and detail about strategy implementation through different market environments.

This content is what Frumerman & Nemeth calls a money management firm's Long Version Storyline. It serves as the playbook from which an investment firm can select which part of the investment process story to retell in drill-down detail to show the planned strategy implementation response to whatever is the current situation. This shows the observations the portfolio manager made about the firm's market or sector analysis commentary is, in fact, built into the portfolio manager's methodology.

For many portfolio managers it is not a second nature skill to be able to craft such marketing content for their investors and prospects. Frumerman & Nemeth often serves as editor and supporting ghost writer, teaming with portfolio manager clients, teaching them how to structure buyer-focused content that does not lose sight of its marketing objective: get people to understand and buy into *how* a portfolio manager invests. It is a competitive advantage when your investment firm delivers content to prospects that is buyer-focused, when your similarly performing competitors simply write a retelling of what a market or sector just did and leave out what they plan to do with their portfolios as a result.

As we teach our money manager clients, and as you should look to emulate, the concluding 'punch line' to every market or sector commentary from a portfolio manager should be highlighting which step(s) within the previously stated investment methodology the manager plans to enact in order to either a) take advantage of what may be a perceived window of opportunity, or b) be a risk management action taken to steer around a perceived 'pothole in the road ahead'.

Reevaluate your past reports

Reread and reevaluate your firm's market and sector reports and commentary. Try to envision things from the perspective of a sophisticated institutional investor. Have your portfolio manager's previous market or sector commentary pieces been written in such a way that, upon reflection, these communications come across like that of a sell-side analyst at a brokerage firm enticing readers to place trades? Not good. Or, do you find they simply restated event driven news about a market or sector and made a generalized comment that does not specifically tie in to strategy implementation? This too is not good.

Lastly, have they connected the dots? Your content marketing of market and sector commentary should always communicate why your firm took the positions it now holds, changed the positions it holds, or why there is no reason to change the positions it has been holding. Do this and your firm will be reiterating important, relevant elements of its investment process and demonstrating the tangible value of the active management in your approach to portfolio management.

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About the author

Bruce Frumerman is CEO of Frumerman & Nemeth Inc., a 33-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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