

## Technology Helps Boost Hedge Fund Marketing

By Andre Boreas, Intralinks, September 26, 2012 – For the bulk of 2012, institutional investors have continued to re-allocate capital away from the traditional asset management space and into alternatives. Both private equity and hedge funds are reaching their pre-2008 crisis AUM watermarks. Record low interest rates, political and economic uncertainty and increasing liabilities are forcing many pension/ERISA plans, foundations, endowments and other institutional investors away from beta driven strategies and into more un-correlated, lower volatility strategies. So far in 2012, over \$20 billion of new capital has flown into the hedge fund space with total assets at approximately \$2.1 trillion, according to July data from research firm HFR.

While hedge fund assets have steadily ticked back up, the majority of these assets are going to the largest managers, much to the chagrin of small to mid-size hedge funds. Year-to-date, 2012 has seen 65% of industry capital allocated to firms that have over \$5 billion AUM. Firms with less than \$1 billion in assets make up less than 11% of the industry.

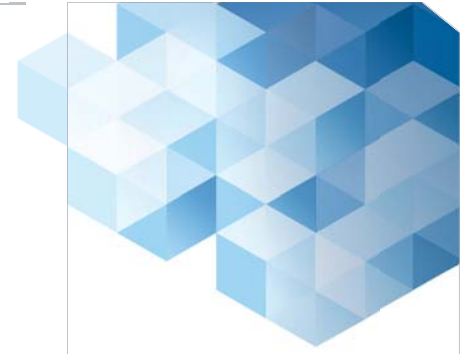
One thing that is abundantly clear is that institutional investors are favoring hedge fund managers that meet two points of criteria: (1) They have established themselves as brand names in the investor community; and (2) they have made a commitment to establishing and maintaining a best-of-breed infrastructure. One of the most effective tools for building brand equity is the establishment of an investor portal. An investor portal is not simply a website, but an interactive platform used to promote a firm's brand while also providing clients and prospects with an efficient and turnkey way to receive fund level and investor specific communications. Ultimately, both managers and clients benefit by having a common platform with which information is disseminated, controlled and organized.

When looking to implement a third-party portal system, a number of key attributes should be taken into consideration:

### Content and Brand Management

The most successful hedge fund managers in the world know that establishing a brand and clearly communicating it in the marketplace is of primary importance in raising assets. "Since the market correction of 2008, a vast majority of hedge fund net asset flows have gone to a small minority of hedge funds with the strongest brands. A high-quality brand takes a long time to develop, but once achieved, it significantly enhances a firm's ability to raise capital and retain assets during a drawdown in performance," says Don Steinbrugge of Agecroft Partners, a prominent third party marketing firm.

An outsourced investor portal system needs a comprehensive private labeling service that gives managers the ability to convey their differentiation to the marketplace via manager-specific content and images. Information delivery methods should be customized accordingly. In this way, the portal's core functions can be personalized and configured to reinforce the brand through all investor touch points.



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## Investor Insight

Across the hedge fund industry, email is the most commonly used communication platform to send marketing and related materials to investors. However, there are a number of drawbacks to using email in the context of raising capital. Sending information via email is a one-way communication medium and does not provide any type of tracking analytics for the sender. It is a blind process with no visibility on what happens to information after it is sent. An investor portal that supports the distribution of documents should, at a minimum, provide the sender with feedback as to who has looked at the information, when this occurred, and for what length of time. A technology platform that provides this insight empowers IR professionals with the ability to instantly analyze and quickly adjust marketing tactics.

## Community

To combat challenges in raising capital and increasing demands from investors, hedge fund managers must offer their clients and prospects familiar and turnkey processes for information capture. Investors are constantly bombarded with presentations, letters from managers and tear sheets. Managing an inbox can become a full time job.

Offering investors a simple process in which to retrieve fund-related communications will win managers' goodwill. Everyone already has too many combinations of login names and passwords to remember across websites and systems. An ideal investor portal platform should facilitate the communications process to investors while also providing a unique branding experience, which, in turn, strengthens the relationship between manager and investor.

Clearly, today's capital raising environment is both promising and challenging. As institutional capital continues to find its way into the hedge fund space, managers must utilize every tool at their disposal to demonstrate a value proposition to the investor community while still meeting the informational demands that arise during due diligence. The establishment of an investor portal can be an effective way to communicate with investors, improve marketing efforts through access to better investor intelligence, and leverage pre-existing CRM systems by integrating connectivity.

*Andre Boreas is the Director of Product Marketing, Alternative Investments for global technology provider IntraLinks, Inc., where he leads the product management efforts in delivering critical information exchange capabilities for alternative investment firms. He started his career at Thomson Financial and worked at Abbott Capital, a private equity fund-of-funds as well as at PFM Advisors, an institutional investment consulting firm where he oversaw all investment research activities. In addition, Mr. Boreas was a senior member at an institutionally-focused fund-of-hedge funds. Before joining IntraLinks, Mr. Boreas was the Chief Investment Officer at a NYC-based family office. Mr. Boreas has a BS in Business Administration with a concentration in Finance from Villanova University and an MS in Information Systems from Drexel University. He is a member of the CFA Institute.*



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