GETTING FUND MARKETING RIGHT

ANDRE BOREAS OF INTRALINKS AND HOLLY SINGER OF HS MARKETING DISCUSS THE ROLE MARKETING COMMUNICATION PLAYS IN HEDGE FUND MANAGEMENT

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Holly Singer
is president of HS Marketing, a marketing communications, public relations and media planning firm specialised in the alternative investment community since inception in 1994. Her work has enabled numerous clients to be heard, seen and understood.

Effective communication methods are essential to hedge fund managers' processes of marketing funds to potential investors. While there has been progress in marketing efforts over recent years, managers are just beginning to embrace the technological and communications tools available to them. Andre Boreas of Intralinks and Holly Singer of HS Marketing discuss techniques and best practices.

HFMWeek (HFM): What is the current state of marketing communication for hedge funds? What grade would you give the overall industry? Are there any particular trends you are seeing that are worth noting?

Holly Singer (HS): On an anecdotal basis, marketing communication samples among many fund managers appear too verbose and overly focused on performance-based message detail but the dispersion of overall content quality is wide, so I'd give a "B" grade with the observation that the trend is upward. Pitch-type messages are often unstructured and missing a well-defined edge or memorable story. Alternatively, managers should focus on the basic building blocks that their audience needs to know. Begin by addressing three questions: Who are you? What do you do? What sets you apart? Communication alpha requires introspective brand truth and competitive analysis. Graphic presentation of metrics must be accompanied by insightful comments to distill precisely what the manager is attempting to convey. You only get one chance to make a first impression.

Andre Boreas (AB): I think there has certainly been progress in overall marketing efforts from where we were five years ago. However, the industry seems to be more bifurcated than ever in terms of those who 'get' marketing and those who don't. I hear constant frustration from small and mid-sized managers who complain that the majority of assets constantly go to the very largest managers. What seems to be less understood is the fact that large managers have been able to attract assets by executing a well-defined communications programme, not the least of which includes succinct messaging, personnel support and a best-in-class operational framework.

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HFM: You've mentioned the term 'communication alpha' – what do you mean by that?

HS: I have used the term 'communication alpha' to represent the capability and willingness of managers to deliver clear, consistent and frequent messages to investors and relevant industry counterparts. Alpha – typically considered the skill element of returns achieved in excess of benchmarks – is a natural pair with communication. Complex investing and hedging strategies, as well as volatile returns, require heightened message clarity. For example, best practices include return attribution during both positive and negative performance periods in order to build solid trusting relationships while avoiding the perception of fair weather marketing.

Communication alpha encompasses well-planned and executed initiatives to pursue thought leadership and earned media coverage through public relations channels by casting a wider net. For example, white papers, articles and press interviews enable managers to articulate market views and distinctive benefits of a specific investing niche. In addition, managers that choose to avail themselves of the JOBS Act rules (together with requisite compliance and reporting provisions) may benefit in terms of increased visibility from this newfound free speech by taking a deeper dive with further transparency about their fund and firm than pre-JOBS Act.

AB: With institutions allocating more to the hedge fund space, there is a clear need for managers to embrace the concept of 'brand' and related marketing efforts if acquiring institutional mandates is indeed the goal. As managers look to move up the proverbial food chain, investment alpha begins to take more of a back seat to those efforts centred around the who, what, why and how, and ultimately in what way those answers are communicated to targeted investors.

HFM: Should smaller or emerging managers approach their marketing communications efforts differently than larger or established managers?

HS: All firms need to consider budget reality and potential return on investment. Unfortunately, the smaller/emerging managers who are most in need of jump-starting or ramping up their marketing communications are often squeezed financially or challenged to absorb compliance-related overhead while under-emphasising critical marketing efforts needed to grow their business. They can prioritise and allocate budgets to pursue targeted direct mail campaigns and public relations initiatives. Both of these should be viewed not as a potential quick hit but rather an ongoing process requiring dedicated personnel (internal resources and/or external professionals), a sustained timetable, specific objectives and a content strategy including a clear story and a reasonable editorial calendar to disseminate the message with deliberate frequency.

AB: Thought leadership is potentially one area where a manager, regardless of size, can offer value to the market while at the same time highlighting their own value proposition as it relates to the investment process. At the end of the day, investors are always looking for more insight into the markets. Opinion pieces, editorials and articles can be an effective way to gain positive attention from the investor community and help facilitate introductions.

HFM: How can technology play a role in an effective marketing communications strategy?

AB: Fund managers these days have a number of options in using technology as a marketing medium. I broadly define these channels into three distinct types: social media, digital advertising and direct channel. As Holly mentioned, the passage of the JOBS Act has opened a number of doors for managers to leverage the benefits of these types of channels. Social media, such as Twitter and LinkedIn, has slowly started to gain acceptance as a justifiable way to establish or reinforce thought leadership in a market where investors are looking for more guidance. Digital advertising, often very costly, has not yet fully found its way into fund managers' marketing arsenal, but it certainly represents a viable medium that should be taken into consideration given the number of targeted publications available in the market. Perhaps the greatest asset a manager could employ is the development of a central communications hub in the form of a website or investor portal. Paired with broadcast methodology, the establishment of an investor portal that functions as digital headquarters can become a manager's centralised communication medium to establish a direct 'fund-to-investor' relationship.

HS: A holistic view on communication may be the best approach. As Andre states, a thought leadership initiative such as the rationale for a niche strategy, articulated as an article posted on the website, resonates well with investors. If the initiative is supported by multi-media content and disseminated via properly branded press releases leading to media interviews and further broadcast through trackable direct email and media channels (for marketing intelligence), the manager benefits via credibility and awareness building. A mix of technology tools, fully integrated and effectively branded, makes the sum far greater than the parts.

"SIMPLY GIVING WHAT INVESTORS WANT CAN BE THE BEST MARKETING TACTIC OF ALL"

HFM: The use of investor portals to communicate with clients and prospects seems to be gaining traction in the hedge fund space. What are the advantages of using such platforms versus simple email to support a marketing communications strategy?

AB: Email, by and far, has been the communication platform of choice for most hedge fund managers. It's easy to use, has minimal cost and is widely accepted. However, it is by far one of the least secure communication methods, providing zero ability to control information once sent. An investor portal, by definition, can serve as a secure and central communications 'hub' providing both documents and data to clients and prospects. I think one of the greatest benefits of such a platform is that it supports the notion of technology being a great equaliser. Smaller managers can gain access to the same branding and communication tools as larger managers, enabling them to compete more effectively for assets by employing best operational practices. Employing an investor portal as the firm's digital headquarters can go a long way to protecting the intellectual property of the fund manager while meeting the ever increasing transparency requirements of the investor community. And simply giving what investors want can be the best marketing tactic of all. ■