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Guest Column

A Proven Distribution Option For Boutique Managers

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Just like snowflakes and sunsets, no two investment managers are the same. Every firm, from boutique startups to established, have key differentiators that set them apart from their peer group. Today, these differentiators could include hot button topics such as ESG focus or DEI within the firm and strategy. That, in addition to the unique characteristics of the portfolio, risk management and overall profile of the investment team, provides managers with the core nuggets to highlight their distinct edge in a compelling manner. This is especially important given the highly competitive nature of raising capital in asset management and the transformation that has occurred in the industry over the last decade.

It is imperative that boutique managers find a way to develop and articulate their unique “message.” Fifteen years ago, managers could simply call an institutional gatekeeper or intermediary to discuss their performance, competitive edge and “proprietary research process.” And yes, they would answer their phone because they did not have access to information at their fingertips like they have today. Central repositories, such as eVestment, were not an industry standard. Today, the databases have “real time” core firm and strategy information, resulting in very few investors picking up the phone and since you can be easily screened out by e-mail, you better have something compelling to say to start a conversation. If fortunate to schedule a video call, which have replaced in-person meetings, your initial discussions focus on in-depth philosophy and process. Follow up calls with investors typically entail recent market and portfolio performance that support your approach and relevant firm and strategy changes. Operational and risk management due diligence has become as important as investment due diligence, thereby lengthening the institutional sales cycle. What used to take 6-12 months for an allocator to get comfortable can now take 2-3 years. In addition, most of the long-only mandates are “replacement searches,” so new funding opportunities are not likely. In this high stakes environment, it is imperative to have a targeted and focused marketing strategy and team to ensure your firm’s message is consistent and timely.

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Simply put: Differentiation in both investment strategy and marketing and sales tactics are more important now than ever.

Using a Dedicated 3PM to Secure Assets

Boutique investment managers should focus their efforts on what has made them successful. The increasingly inflated costs of operating an investment advisory business from both a regulatory/compliance scope and general overhead perspective often results in resources that are stretched thin and portfolio managers and other employees wearing many hats. The cost of hiring, training and managing employees with ex-

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perience in marketing, investor relations, operations and compliance can be cost prohibitive and very time consuming if managed properly. Many investment managers have seen the benefit of developing partnerships with various providers - (i.e.) back-office ops, legal, compliance and marketing - as an effort to keep overhead low and focus on their core competency: investment management.

For this reason, a solution for boutique fund managers is a dedicated business partnership with a third-party marketing firm (3PMs) that possess a combination of industry knowledge, proven processes and access to decision makers to effectively position the manager.

Established and successful 3PMs not only know how to extract and leverage an investment manager's story but they also have a finger on the pulse of the current market landscape. Successful 3PMs have relationships to effectively connect with and the ears of various gatekeepers and intermediaries.

An Objective Determination of Your True Competitive Advantage

The unfortunate truth is that many smaller undiscovered managers still cannot see the forest through the trees regarding distribution. Ironically, the demands of a successful portfolio management team create an environment that is great for identifying investment opportunities and market anomalies, but often are not as effective when it comes to crafting a holistic sales and marketing strategy. A successful 3PM's key role is to bring the story of a manager's competitive advantage to light as well as continuously evaluate and assess market demand and feedback from potential buyers — it all starts and ends with an objective analysis.

3PMs have extensive insight into what gatekeepers are looking for when evaluating and selecting an investment manager. There are still standards for every RFP, marketing package and finals presentation, but each institutional investor will evaluate these materials differently. This is where an experienced 3PM can provide their investment manager an edge and insight.

For a boutique manager to reach the top of the prospect pipeline means developing a cohesive strategy that aligns all marketing materials with the unique story of the manager. Many asset management firms make the mistake of delivering inconsistent messaging throughout the sales cycle, with underlying data and documentation not supporting the high-level differentiators. This is a sure-fire way to lose the interest and trust of institutional gatekeepers. Third-party marketing professionals work with investment managers to ensure that every piece of business development and marketing material is centered around a consistent message through the entire sales process.

Forming a Successful Long-Term Partnership

There are a wide range of firms in the third-party marketing industry. It takes time to accurately assess fit and develop the right kind of 3PM partnership, but it can pay significant dividends by cost-effectively growing AUM and reducing overhead. Third-party marketers run the gamut with regards to their profile, from established players to disruptive startups and everything in between. Some third-party marketers focus on industry segments, asset classes or geographic regions. While most firms are comprehensive sales and marketing partners, others are merely appointment makers. Investment managers should understand what their needs might be and then clearly define the roles with their 3PM. Once those roles are defined, alignment of interest, strong chemistry, consistent communication and trust are of paramount importance for success. The alternative is a disjointed transactional relationship where the manager's attitude is "I am the manufacturer, where are my assets?"

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Arrow Partners is a third-party marketing firm with more than 30 years of institutional investment experience. The firm works with a limited roster of client to provide a decicated, comprehensive sales and marketing function that helps investment managers achieve their long-term goals for asset growth. Visit www.arrowpartners.com for more information.