

BRIGHTON HOUSE a s s o c i a t e s

Connecting Fund Managers With Investors

Brighton House Associates Strategic Executive Summary

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OVERVIEW

Brighton House Associates is a family of three companies that fund managers use to acquire up-to-date information on alternative investors' allocation plans. Through one-on-one phone interviews, BHA researchers and marketing executives determine *where the institutional investor capital is and where it's going to be invested*. BHA summarizes these investor interviews and creates Investor Mandate Profiles. BHA updates the profile of each investor every 90 days.

A Business Built on Investor Mandates

Alternative investors perform market analysis and determine an investment strategy based on the types of funds they think will produce the best return on their investment. They then create a list of requirements or preferences prospective funds must meet to be considered for investment. With this "mandate" in hand, they begin their search.

BHA employs 25 research analysts to capture this mandate data through one-on-one interviews with the primary contact at the investment firm who owns the mandate. Primary contacts include the CEO, CIO, portfolio manager, or senior analyst.

During a mandate interview, BHA analysts gather investors' criteria for prospective fund managers, including type, strategy, and the amount of assets under management. After the interview, the researcher writes up the mandate and sends it to the investor to ensure accuracy. After the researcher receives approval, he or she submits that mandate to the BHA database, making it accessible to BHA's fund manager clients.

A Contact Database Versus a Mandate Database

Institutional investor data comes in two states: out of date and very out of date. Current and accurate information on alternative investors is difficult to keep updated in the changing global and economic landscape. Consequently, sourcing investors is the prevalent challenge for fund managers in the alternative market. Similarly, investors have difficulty finding managers who fit their current mandates.

The noise created by fund managers through outbound "blind" solicitation only adds to the dilemma. Typically, a manager procures a contact database to canvass investors. There are about 600 commercial investor contact databases and another few thousand spreadsheet lists that are available for purchase or barter.

An entry in a contact database is a "company snapshot" *from the present backwards*. It typically covers generic information, such as historical transactions, employee contact information, address, the amount of assets dedicated to alternatives, and a company summary. It is not mandate specific.

A BHA mandate profile includes all the contact information, but it also details the information BHA analysts gather during one-on-one investor interviews. This second layer of mandate information reflects *present investment plans*, which makes the BHA profiles extremely compelling as the marketer is able to determine a precise fit for their fund and strategy just by reading the BHA investor profile.

BHA Mandate Profile

First Layer of Information: Investor Contact Data

Sancus Capital Management Updated on Oct 7, 2011. [in Contacts](#)
Analyst contact: Benjamin Kelsey

AUM: **\$100 M** Category: **Family Offices**

[Back to search results](#)

[Log a call](#) [Fix](#) [Add to list](#) [Notes](#) [Web search](#)

Contacts

Verified Unverified Consultants

Verified contacts

✦ Peter Simpson, Investment Director ★ Investment Area: Not Assigned Email: [redacted] Phone: [redacted]

Company summary

Sancus Capital Management, based in Naples, Florida, was founded in 2008 as a multi-family office for Latin American clients. The firm manages a total of \$400 million and prefers to gain exposure to hedge funds through multi-manager vehicles. The firm currently has about \$100 million dedicated to alternative investments.

Company Data

- Name
- Address
- Phone
- Website
- Company summary

Employee Data

- Name
- Title
- Email
- Phone

Allocation information	
Target allocation date:	Q1 2012
Search information	
Strategy:	CTA/Managed Futures, Long/Short Equity, Multi-Strategy
Current sector searches:	General
Current geographical searches:	Europe, Global, USA
Volatility:	0-6%, 7-12% Note: Funds should offer low to moderate volatility.
Expeded return:	5-10% Note: Funds should provide returns of at least 10%.
Manager requirements	
Min. manager AUM:	70-200M USD
Min. length of track record:	2 to 4 Years
Current investment criteria	
Managed Accounts vs. Funds:	Funds
Fund domicile:	Offshore, US Domestic
UCITS:	No
Redemption:	Quarterly Note: Funds must offer at least quarterly liquidity.
Leverage:	Leverage at the fund of funds level is not acceptable
Lock-ups:	Yes Note: A hard lock-up of up to one year will be tolerated.
Typical due diligence duration:	4-6 months
Typical allocation:	3-5 million USD
Transparency requirements:	Yes Note: The firm must have complete knowledge of all underlying funds in the portfolio, as well as various exposure levels on a monthly basis.

It takes a BHA research analyst 10-15 calls to obtain and validate this contact data.

Investor Data

- AUM dedicated to alternatives
- Type of investor

BHA Mandate Profile (cont.)

Second Layer of Information: Mandate Data

Sancus Capital Management																			
AUM: \$100 M Category: Family Offices																			
Updated on Oct 7, 2011. Analyst contact: Benjamin																			
Back to search results																			
Mandate description	<p>Allocation information</p> <p>Sancus remains active in the fund of hedge funds space and is currently looking to evaluate funds in anticipation of 3-5 allocations over the next six months. Typical allocations are in the \$3-5 million range.</p> <p>Search information</p> <p>The firm is currently most interested in diversified multi-strategy funds, but would also be willing to evaluate single strategy funds in the long/short equity and CTA spaces. Funds should only have exposure to developed markets in the US and Europe, as the firm is currently avoiding exposure to emerging markets. In addition, funds should be diversified across a number of sectors. The firm is targeting funds that can offer at least 10% returns with low to moderate volatility.</p> <p>Manager requirements</p> <p>Sancus does not have strict rules regarding the size and track record of prospective funds, but prefers to work with experienced management teams. Ideally, funds will have at least \$100 million in assets in addition to a track record of at least three years.</p> <p>Current investment criteria</p> <p>Sancus' clients are able to invest both domestically and offshore. Although it would prefer funds without one, a lock-up period of up to 1 year is acceptable; quarterly redemption thereafter is required. The firm must have knowledge of all underlying funds in the portfolio, as well as various position and exposure levels provided on a monthly basis. Leverage applied on the fund of funds level is not acceptable. The due diligence process is expected to take 4-6 months, and will include conference calls and at least one on-site visit. Qualified managers should reach out to Investment Manager Peter Stimpson by email at peter@sancuscapitalmanagement.com and include a reference to Brighton House Associates.</p> <p>Investor Commentary</p> <p>Peter asks that funds reach out to him by email with all pertinent marketing documents. Managers should follow up with a phone call after two weeks.</p>																		
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Allocation Plans

- Allocation date
- Allocation size

Search Information

- Strategies of interest
- Sector preferences
- Geographical exposure preferences

Manager Requirements

- Minimum track record
- Minimum AUM

Current Investment Criteria

- Liquidity, leverage, domicile preferences
- Length of due diligence

Investor Commentary

- Further qualifications
- A chance for investors to send a message to fund marketers

It takes a BHA research analyst 10-15 calls to obtain and validate this contact data.

It then takes 5-7 calls every 90 days to maintain the contact and mandate data.

The Market Dilemma

Alternative investors regularly reevaluate their strategies and reshuffle their portfolios based on changing market conditions. This renders most alternative investor lists useless, as they contain historical, not current data. Fund managers who rely on these contact database lists do not have the current information they need to find investors who are a fit for their fund today. As a result, 20,000 fund manager firms are taking a shot gun approach via mass canvassing and so are effectively *spamming* 50,000 alternative investor firms.

In an average week, some alternative investors have reported receiving as many as 100 unsolicited e-mails, 100 unsolicited phone calls, and stacks of marketing collateral from a bevy of fund managers. This untargeted marketing activity creates a ton of “noise” in the industry. The net-net: it is extremely difficult for investors and fund managers to source and connect with each other.

Furthermore, the cost of having marketing staff maintain and update an internal alternative investor list or database is a non-starter as it takes 90 minutes a year per investor record. Marketers should be developing relationships, scheduling calls, and setting up road shows. The BHA mandate database enables marketers to spend more time on the road, in front of investors, instead of sitting around the office dialing for dollars maintaining and updating out-of-date investor records.

PHASE I: BRIGHTON HOUSE ASSOCIATES AND WHITEHALL FINANCIAL DATA

BHA was founded to improve the process by which fund managers market their funds to investors. At that time, the industry's marketing paradigm was *manager* focused: managers marketed their funds by blindly canvassing investors through cold calls and e-mails. This proved inefficient and time consuming since the contact databases they used—whether proprietary or purchased from a third party—were out of date.

BHA changed the marketing paradigm to be *investor* focused. We accomplished this by compiling an up-to-date database that contained not only current investor contact information but also current *investor* mandate information. We also built a Web-based software platform called MandateConnection, which lets alternative fund managers easily access the investor database. Today, managers who subscribe to the BHA mandate database can quickly find those investors who are actively looking to make allocations, review their mandates, and determine if those investors are a fit for their funds. With this service, BHA removed a major obstacle that was impeding the efficient operation of the alternative investment marketplace.

In Phase I of our development, BHA never represented fund managers nor introduced them to investors. Rather, we researched investors' requirements and preferences, documented this information, and made it available to fund managers. We strictly focused on understanding the alternative investments that institutions were pursuing and then making this information accessible in a timely fashion to fund managers.

Originally, BHA focused on hedge funds and funds of hedge funds. Today, we also collect mandates for private equity, venture capital, and real estate funds, and related funds of funds. More than 450 fund managers—located in the Americas, Europe, the Middle East, and Asia—have subscribed to the BHA database. Our research analysts interview investors on six continents.

BHA's clients are as diverse as the industry it serves. They include large global banks and asset managers as well as small early stage venture capital funds and most everything in between.

BHA's Value to Institutional Investors

As BHA enters its fifth year, we have a clear understanding of the value we bring to the alternative marketplace: *BHA knows where institutional investors' capital is and where it's going to be invested.* We not only catalogue active investor mandates but also analyze these searches, which reveals current investment trends in the alternative industry.

The main reason BHA is able to compile an extensive database (5,485 active mandates currently) is that we provide alternative investors with a compelling and free service: an efficient and effective way to find qualified fund managers. Sourcing managers is a dilemma for many investors and one that is not addressed by the numerous meeting requests investors receive from managers that are not a fit for their mandates.

Over the years, a mutually beneficial relationship has grown between BHA and the alternative investor community. Investors have come to realize that taking the 15-minute quarterly phone call from BHA research analysts and providing them with their investment plans is an effective use of their time.

BHA's Value to Fund Managers

The main reason fund marketers subscribe to the BHA platform is that it relieves them from performing a necessary but time-consuming task: maintaining their investor database. According to our analysis, it takes 90 minutes a year to keep one investor record current. In other words, an investor list of only 500 records requires 750 hours or almost *94 days* of a person's time to keep it up to date. Fund marketers rely on BHA's service to keep current not only investor contact information but also—and most importantly—investor mandate information, and we do this for fund managers' existing investors as well as investor prospects.

Another reason fund marketers find BHA's mandate database invaluable is because it is comprehensive, covering 15 categories of alternative investors. In the past, family offices and wealth advisors with assets of \$500 million to \$1 billion or more were not on funds' radar screens. Second- and third-tier pensions, endowments, and foundations with assets of \$1 billion to \$10 billion were similarly overlooked.

Times have changed. No longer do managers target only investors with \$10 billion or more in assets. Today, most fund managers have a keen interest in any and all relevant investor categories, and many marketers find themselves playing catch-up. Rather than start from scratch, fund marketers turn to BHA to identify the investors in these categories that have active mandates.

BHA's Research Analyst

BHA offers more than a mandate database, however. As part of our premiere service, research analysts help fund managers get in front of the right investors. Upon subscribing to the BHA service, an analyst is assigned to the manager's account and generates a list of investors that have active mandates for the manager's type of fund or strategy. Analysts also perform the following functions on behalf of our clients:

- *Supports Business Trips.* Whether clients are planning a road trip or are on one, they can enlist the help of their analyst to identify all potential investors in a particular geographic area. The analyst then interviews investors and passes along the result to the fund marketer, who in turn, can canvass the investor for potential meetings.
- *Vets Database Lists.* Clients can send internal databases of contacts to their BHA analyst for evaluation. The analyst cross-references the client's database with BHA's live database of investor mandates, which instantly updates the client's investor profiles. If the list contains investors that have not been interviewed by BHA in the past 90 days, the analyst will call to profile those investors.
- *Screens Conference Attendee Lists.* Many BHA clients attend a variety of conferences throughout the year. Clients often send conference attendee lists to their analyst. The analyst calls and screens investor attendees to identify those who have an active interest in the respective client's fund.
- *Customizes Investor Lists.* At times, clients want to target particular types of investors or those that have a certain amount in assets. BHA analysts compile investor lists based on categories or asset size and then qualify them based on interest in the client's fund.

Most of BHA's fund manager clients choose the premiere service, so they have access to the mandate database and the services of a research analyst. A research analyst typically manages five fund manager clients.

Fund managers subscribe to BHA's premiere service for the practical marketing benefits, but they also realize that they benefit from the ongoing relationships BHA has with alternative investors. Managers know firsthand how difficult it is to reach investors and yet the wealth of information that can be obtained from investor conversations. Therefore, they also value working with BHA and our analysts because we maintain an ongoing dialogue with investors regarding allocation plans.

The Market

There are approximately 10,000 hedge funds worldwide. We divide them into two groups. The first consists of established hedge funds with more than \$125 million under management going up to a billion plus. There are approximately 3,000 managers in this group, and they are the primary audience for BHA's premier service. These funds typically have a full-time marketer who needs the tools that BHA provides to make better and efficient use of their time. Marketers tell us that they regularly receive two or three allocations per year based on our investor mandates.

The second group of hedge fund managers consists of emerging managers; BHA estimates there are about 7,000 worldwide. These managers are a diverse group ranging from first-time fund managers to experienced and seasoned managers striking out on their own. These funds typically do not have a full-time marketer, and they have no marketing budget. The salary of a full-time marketer can be in the low six figures to the mid six figures, depending on experience. To prepare a pitch book and tear sheet, purchase a current database of alternative investors, and make a few road trips—the minimum start-up requirements—usually requires an investment of \$70,000 to \$90,000.

Mostly because of the formidable amount of marketing education that's required, and sometimes because of low budgets, capital introduction desks, third-party marketers, and placement agents have shied away from engaging emerging managers as clients. BHA responded to this glaring market need and formed a company called Whitehall Financial Data with products dedicated to the emerging manager market.

Whitehall Financial Data

The goal of Whitehall Financial Data (WFD) is to provide the rudimentary marketing tool set that emerging managers need to begin their marketing efforts. Developing investor relationships and raising capital is a challenge for all managers; however, it is particularly difficult for emerging managers. They have tight budgets, limited marketing experience, and busy schedules. WFD provides these managers with cost-effective and efficient ways to find investors.

The main feature of this tool set is a Web-based contact database of alternative investors. Many emerging managers purchase, trade, and barter investor information only to find the data inaccurate or out of date. Bounced e-mails and unanswered calls waste both time and money.

WFD's contact database is a derivative of the BHA MandateConnection database. This "light" version provides emerging managers with an accurate and continuously updated contact database that they can use to source investors and at a price they can afford. Using WFD's database, a manager can begin to identify investors who have an interest in the firm's strategy—which is key to securing funding.

In addition to the low-cost contact database, WFD offers a book on marketing and raising capital and a report that details exactly what investors are looking for and how they evaluate emerging managers.

The WFD Contact Database

Emerging managers can purchase access to the database through WFD's website, which puts the most up-to-date information at their fingertips at all times. Each investor profile in the database contains the following information:

- *General Investor Information:* Firm or organization, investor category, address, general phone number, fax number, general e-mail address, and website.
- *Individual Contact Details:* Name, position, phone number, and personal e-mail address; this information is provided for all verified contacts at a firm.
- *Company Summary:* Some introductory information on a firm or organization, including the amount of assets under management dedicated to alternatives.
- *Mandate Information:* Manager type, strategy, fund size, and AUM requirements that an investor is *currently* researching. Managers are able to sort by the fund type and strategy that the investor is looking for. However, managers cannot see the individual that BHA researchers interviewed, and they will not have access to the information gathered during that interview, as that is the value of the BHA mandate database.

Access to the database is available on an annual subscription basis. The subscription rate depends upon the database package selected. Managers can choose to purchase access to the full database, a specific investor category, or a preselected group of investor categories. All packages offer a collection of profiles that provide the most cost-effective way to find investors and launch a fund.

The Book: The Fund Manager's Marketing Manifesto

The Fund Manager's Marketing Manifesto is a book for emerging managers who need to understand the marketing process. It is a comprehensive "how to" manual on executing a soup to nuts fundraising campaign. It covers branding and messaging, vetting and qualifying an alternative investor list, phone and e-mail canvassing, arranging road trips, and running and following up on investor meetings. In short, it includes everything a manager needs to know to get started in marketing their fund.

The Report: The Inside Edge: Investor Perspectives on Emerging Hedge Fund Managers

The report provides emerging managers with a precise understanding of how investors evaluate and allocate to the emerging manager sector. The BHA research team analyzed 821 open investor mandates seeking managers with less than \$125 million in assets and conducted more than 120 investor interviews. The result is a comprehensive report on how investors view the overall emerging manager investment opportunity.

WFD has created a suite of products to help emerging managers get their arms around the dynamics of marketing in the alternative arena. We have an introductory database package that features family offices, wealth advisors and fund of funds that they can purchase for \$2,800.00 dollars and when you throw in the book (\$24.95) and the report (\$595.00), this suite is well within the budget of this nascent group of managers.

BHA Publications

Also started in Phase I were two free publications: The BHA Investor Monitor and the BHA Quarterly Research Report. The Investor Monitor is a newsletter that has built up a readership of 3,000 in three years. As the title suggests, the Monitor is a weekly recap of the phone conversations taking place between the BHA analysts and alternative investors around the world.

The second publication is the BHA Quarterly Research Report, which summarizes investor trends and interests on a quarterly basis. Because the BHA research team is in constant dialogue with the global investor community, we tend to identify first hand where the alternative investor market is heading and what the hot buttons are for investors. BHA is always far ahead of the curve in terms of what strategies are in vogue with investors at any given time. For instance, in the first quarter of 2011, event-driven strategies took center stage. In the second quarter, discretionary commodity strategies were hot because they serve as a hedge against inflation and are uncorrelated with equity strategies. In the third quarter, global macro strategies were in high demand as investors looked for managers that could profit off of volatile global markets.

Because BHA is in constant dialogue with investors and BHA research has its collective ear to the ground, we are able to synthesize investor mandate information faster than any other entity in the alternative arena and we are usually the first to report it. All the number-crunching and metrics that follow the end of a quarter always prove that BHA observations were right. As a result, many financial information portals publish our report on their websites.

PHASE II: PARKER POINT CAPITAL

BHA provided a game-changing business model in Phase I, which was built on an alternative investor mandate database that allows fund managers to easily discover where investors are looking to put their capital and if their fund is a fit. This business model launched the company and set the stage for Phase II.

The Market Opportunity

As the economy began to recover from the 2008 financial crisis, alternative fund managers began seeking investors and investors began researching managers and returning to the marketplace. As managers geared up their marketing efforts and evaluated the BHA offering, we began to receive requests for investor introductions. As one manager put it, “Since BHA speaks with investors quarterly and understands their mandates, why not introduce them to the appropriate managers? That would be a valuable service—for us and for them.”

We knew that implementing such a service was easier said than done. BHA would have to get a broker-dealer license and form a new company. And we would have to keep a clear line of distinction between the two companies. The bar was high, but the market need was clear. So we secured a broker-dealer license and formed Parker Point Capital (PPC), a company that manages marketing campaigns and makes investor introductions.

Rather than simply follow in others’ footsteps, however, we evaluated the current market. What we found was that the traditional third-party marketing business model was not manager friendly. Traditionally, third-party marketers:

- Required long-term contracts
- Created “do not call” lists that restricted the ability of managers to market their own funds
- Charged high success fees
- Managed the investor relationship
- Set up meetings with investors that were not a fit for the fund
- Were not responsible to managers in terms of time and effort

These practices benefited third-party marketers but not fund managers. For example, third-party marketers often set up introductions but typically are not involved in the sales process, but do get paid “commission-like” dollars. So they are paid extremely well over a lengthy period of time for doing little more than an introduction. Additionally, these marketing entities typically do not have a lot of staff and are resource constricted. As a result, managers that are the easiest to “sell” get the majority of their time and effort.

This is precisely where the traditional third-party marketing model breaks down. *The effort needed to canvass the globe for a certain category of investor that is a good fit for a certain category of manager takes a massive amount of research and effort.* Few—if any—third-party marketers and placement agents have the needed bandwidth.

A PPC Marketing Campaign

When BHA created PPC, we decided to change the model to a “short-term, fixed-fee” model. We coordinate 12-week campaigns with no ongoing success fees for \$25,000 per campaign. A typical campaign consists of 30 to 40 introductions either by phone or as part of the two road trips that the PPC marketer coordinates with the fund marketer.

The PPC model relies upon the fund marketer, the PPC marketing executive, and a BHA researcher forming a team. A crucial part of the service is the PPC campaign management software that allows the fund marketer to log in and monitor the progress of the campaign. The marketer can see all the calls that the PPC marketer has made and review the notes from those calls.

The PPC business model is a 12-week, three-step subscription service that covers the full spectrum of a marketing campaign:

- The first step involves identifying a global target list (GTL) of investors, which the PPC marketer uses to canvass and vet all of the investors that are a good fit for the manager type and strategy. The targeted investor list is sourced directly from the comprehensive BHA mandate database and encompasses investors that are likely prospects based on current strategy interest, geographic region, category, or size.
- The next step is for the PPC account executive to begin an e-mail and phone-canvassing campaign of those investor targets. When an investor is contacted, the account executive sends along marketing materials and provides other introductory information through phone and e-mail dialogue.
- Finally, if there is a fit, and the investor is interested, the PPC account executive sets up a conference call or meeting between the client and the investor. PPC basically performs all the back office sales and marketing support that is necessary to start and finish a fundraising campaign.

One of the major benefits of the PPC service is that in a typical campaign, the global target list of investors will be pinged with two emails and two “introductory message” phone calls. Of course many more phone calls are made trying to connect with an individual investor, but we leave only two messages to avoid overkill. This visibility and getting a fund’s name out into the global market to all the investors that are a good fit is vital to the branding effort of any fund serious about raising assets. The fact that PPC can get a firm’s name out to so many relevant and potential investors is a huge win for the hedge fund marketer and a pretty good deal to boot!