

Establishing Your Firm's Identity

Many fund managers decide to follow the path of least resistance and prepare their marketing collateral in-house. Then they struggle to create compelling, professional pitch books that clearly and crisply present their firm to potential investors. The result is collateral that is ignored and discarded by the very investors it is meant to engage.

Although expert at managing capital and navigating markets, many managers lack the knowledge and internal expertise necessary to create effective marketing materials. Indeed, many try, but they fail to elucidate their firm's message, establish a unique identity or brand, create quality content, and present it in a format that has the institutional look and feel that investors expect.

The main concept managers misunderstand is that a pitch book is a firm's own special narrative—a way of explaining and justifying the firm's existence and place in the alternative industry. The narrative should be a bit on the salesy side because managers are marketing their firms and strategies to potential investors.

Too often, instead of a professional pitch book, investors receive a "prompt book" filled with bullets and graphs. Investors who attend a firm's presentation may be able to make do with this. However, for prospective investors—or worse, decision-makers—who were late to the firm's pitch or missed it, such a pitch book is unsatisfactory. The investors will not understand a 40-page book of bulleted prompts, graphs, and speaking points with no cogent narrative. And they will not be able to piece together the firm's value proposition. Nor will they take the time. A pitch book that is murky is the kiss of death for a fund manager.

This is one reason a pitch book should have a strong voice that logically explains the firm, the team, and the strategy. The pitch book should tell a story that is as clear and effective as the in-person presentation. Marketing collateral that is prepared professionally ensures investors know the all-important takeaways and understand the firm's expertise and added value.

Getting Started

The best way to organize the flow and narrative of a pitch book is to work with the executive who can best articulate why investors should allocate capital to the firm and its strategy. Maybe this person is a portfolio manager or founding partner who understands the subtleties and nuances of what really differentiates the firm. This "storyteller" should work with an outside marketing professional who can draft a cogent pitch and narrative. Every member of the firm will help hone the message, but the process should start with the person who can best express why the firm exists.

Fund managers fail to raise capital when they believe that marketing collateral can be pieced together internally without outside input, opinions, or expertise. Understanding the firm's market position is an ongoing task that is continually tweaked as conditions change and evolve. It is often best to check egos at the door and engage professionals and firms that know best practices for marketing collateral.

Best Practices

From BHA's interviews with thousands of investors and hundreds of leading alternative fund managers, we have identified the most important aspects of creating a pitch book.

Foremost, a pitch book should be no longer than 15 to 21 pages. It should be a simple, lucid, and compelling corporate pitch. It should be a cogent narrative that has a beginning, a middle, and an end. After creating it, everyone in the company—managers, analysts, marketers, and administrators—should know the pitch and be able to give it effortlessly.

A pitch book should have a crisp cover page with the firm's logo. The logo should be relevant—a symbol that investors will associate with the firm and its strategy. In addition to the graphic, the font and colors reflect the personality of the firm as well, so choose wisely. When developing a logo and the cover page of a pitch book, survey 15 to 20 investors to get their opinions and impressions.

After the cover page, many managers make the mistake of filling the first couple of pages with a legal disclaimer, a table of contents, and a list of executive bios. This is not the way to engage investors. Managers risk losing even the savvy investor who makes his cursory way to the middle of the pitch book. He is rapidly losing interest, which can automatically disqualify the firm as a candidate for allocation. BHA hears this unfortunate chain of events every day from investors who have mandates to allocate. They tell BHA that the vast majority of fund managers do not know how to market or position themselves in a compelling fashion.

Instead, a fund manager should use the first two pages of a pitch book to convey the most salient differentiators and value drivers of the firm. Perhaps the firm has a famous portfolio manager with a winning track record or a person who designed a cutting edge algorithm that produced stellar results. That should be your first bullet. Make no mistake about it: the pitch book needs to express compelling details about the firm in order to capture and hold investors' attention. A good rule of thumb to remember is that many investors review a few hundred managers; pitch books must quickly grab investors' interest by differentiating the firm from the competition.

The second bullet should be the firm's "hook." A hook should be a few words—8 to 12 words—that describe the unique value of the fund. For example, BHA's hook is "connecting managers with alternative investors." In five words, that statement gets to the foundation of the company's value to its clients.

The third bullet point is the firm's elevator pitch. It should be clear, concise, and compelling. Our pitch is: "BHA collects valuable alternative investor information through one-on-one interviews with investors. This dialogue reveals investors' fund strategy preferences, fund manager requirements, and allocation timelines. BHA's unique ability to pinpoint where investors are targeting their dollars helps fund managers drastically improve their marketing efforts. BHA is like Match.com for investors and fund managers."

When working through this exercise, it is always important to remember that during a typical week, investors receive a hundred unsolicited phone calls from managers, a hundred unsolicited e-mails, and scores of tear sheets and pitch books via UPS and FedEx. In

essence, 20,000 fund managers are competing for the attention of 30,000 investors, and only the best win.

To be successful and grow, fund managers need to spend capital on services that will position them to take advantage of investor allocations. Step one is investing in a good outbound internal marketer. Step two, from what BHA has observed from the market, is budgeting \$30,000 to upgrade and create a pitch book and tear sheet. Some firms spend into the six figures. Fund managers who do not understand the nuances of outbound marketing and do not invest the significant time and resources to produce quality marketing collateral will not be able to compete and raise capital in this new arena.

BHA recently published *The Inside Edge: Investor Perspectives on Emerging Fund Managers*, which reported the results of BHA's survey of more than 1,000 investors. The survey focused on capturing what investors look for when selecting managers. A manager's ability to market effectively, including experience in developing their brand, messaging, and marketing collateral, was near the top of investors' lists.