

HEDGE FUND MARKETING

Best Practices for Building
Rapport with Investors



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Strategic marketing and telling a unique brand story are significantly important when raising assets for a new investment management firm. For alternative investment managers, establishing clearly defined, consistent core values and messaging help build trust with investors. Consequently, branding must become a major focal point for firms operating in the alternative investments space.

Keeping messages consistent demonstrates to both prospective investors and potential joint venture partners a willingness to honor and fulfill commitments regarding their financial assets.

Building a strong brand not only establishes you as a financial leader, but it also differentiates you from your peers, creating investor value and market share growth every step of the way.

As the financial services industry becomes more competitive, firms will need to embrace innovation by creating a robust brand development strategy. Their reputations depend on it. Clean, accurate, and high-end branding conveys to prospective investors that an investment manager is serious about building their business, instilling confidence, and ultimately increasing the chances that investors will trust the firm with their money.

The best branding techniques go beyond a logo and showcase a firm's personality and values through design and a coherent brand story. Brand representation should be consistent across all marketing collateral, websites, and social media sites. Proper messaging can help minimize risks and strengthen values such as trust and transparency.

From a regulatory perspective, investment managers should be knowledgeable about what is permitted and prohibited by the various self-regulating bodies. Engaging experienced securities legal counsel and marketing professionals who have a background in investment management will position the firm for success and mitigate potential liability with the Securities Exchange Commission (SEC).

When building a brand strategy as an investment management firm, **keep the following components** in mind:

01 Brand Guidelines:

Establish brand guidelines from the start to build trust with stakeholders. A strong brand guideline encompasses your mission, core values, personality, tone, and elevator pitch, all of which establish the firm's brand identity - making it easier for investors to recognize your business. These guidelines will also define brand assets and the proper way to use brand elements, including logo placement, colors, spacing, fonts, and imagery.

02 Brand Messaging:

This includes everything from how you define your firm's investment approach to how you describe the why behind the creation of the investment firm. Strong brand messaging should be clear and consistent. It should describe your value proposition in a way that fosters trust, confidence, and, ultimately, motivates investors to entrust you with their money.

Tell your unique story in an approachable, authentic way to build credibility with prospective investors. Think through the firm culture: why you chose the firm name, what strengths you and your partners offer, and the significance of setting up your office in a specific location. **In other words, pull back the curtain and give investors a glimpse into who you are as people. Build a relationship. Build trust.**

03 Pitchbook:

It's not about putting a pretty graphic on a slide. It's about telling your story in the right way. It takes time to develop your firm's story or pitch. Consider the storyboard approach. Think about who you are pitching to and put yourself in that person's shoes. What does an investor want to hear?

Investors typically want an understanding of who they will be working with. Yes, pedigree and experience are important; however, showcasing how your background and story shaped your decision to launch a firm is also important. Investors want to understand your investment approach, how you select investments, and how you plan to manage firm and portfolio-level risk. The best rule of thumb is to use the pitchbook slides as a guide. Speak to investors using examples or stories to build rapport.

Most importantly, practice, practice, practice your pitch. Enlist the help of a colleague, mentor, or professional to record you talking through the pitch. Ask them to interject and ask questions to help you learn how to pivot and answer the questions without losing composure. Then, watch the video together and pinpoint areas of improvement. Repeat this process until you feel comfortable and confident walking into an investor meeting.

Steve Jobs, one of the most effective presenters in modern times, turned presentations into an art form by practicing his keynote speeches for days on end. Every gesture, arm movement, and pause were carefully orchestrated until it became second nature. Steve Jobs never needed to use a teleprompter because he practiced and knew the story inside out. Practicing your pitch arms you with the confidence necessary to portray that you are organized, diligent, and serious about your business.

Materials investment managers distribute to investors are where law firms find the most common issues, such as misleading words or phrases, promoting their firm, or a fund managed by their firm, as more than they are, or making promises they cannot guarantee. Below is a list of mistakes, that if not corrected, will undoubtedly put the investment manager on the SEC's radar and, in some cases, bring about enforcement action.

▶ **Embellishing experience or education**

The manager stated in her bio she held a master's degree. However, although she was working towards her master's degree, she had not yet graduated.

▶ **Misleading performance**

The manager included a chart in his pitchbook highlighting past performance. However, this chart was only a hypothetical representation of performance and did not have the necessary disclaimers advising of its hypothetical nature.

▶ **Overuse of disclaimers**

To allow for a wide range of content, including potentially misleading language, the manager added an "all-encompassing" disclaimer, assuming this would mitigate him of risk.

▶ **Examples of misleading language, ambiguity, or implying guarantees**

- "Producing stable and predictable rewards." Instead, say, "that are expected to pay rewards on a specific schedule."
- "One of a kind strategy." It is closed-minded to assume the fund is the only fund in existence that employs a similar strategy.
- Vague source referencing or no referencing at all. There must be a detailed description and location of where this information came from and where it can be accessed.
- Specify, specify, specify. Even if you believe the description seems elementary, do not make this risky assumption. For example, "fees" could imply all fees when it is probably a specific fee, such as performance or management fees.

► Referencing an unaffiliated individual or entity

Warren Buffet may be an underlying inspiration for your investment strategy, but, unless he's part of your management team, he shouldn't be included in your marketing materials - unless it's explicitly citing a direct source.

04 Website:

A simple brochure style website that clearly and compliantly describes your firm's brand promise and investment approach will help build brand awareness. Be consistent with the brand messaging to ensure a cohesive story that is recognizable across all public-facing materials. Content should be brief, concise, and straightforward. Website content detailing your firm's past or present offerings, or any fund-related documents, should only be accessible through a password-protected secure access point.

05 LinkedIn:

Creating a LinkedIn company page is a great way to establish your brand on a networking site used by many of your peers. Today, people go to LinkedIn to view not only a person's profile page but also the company's page. Again, ensuring that messaging and branding are consistent across all outward-facing materials will build brand awareness and trust.

Investment managers often set up their LinkedIn page with an incorrectly sized logo and an overview of the firm that is inconsistent with marketing materials or the one that was filed with the SEC. An individual's personal LinkedIn page may have dates of employment that differ from what is written in the ADV. It is imperative to ensure information is consistent across the marketing materials, website, LinkedIn, the ADV, and any additional documents.

The best LinkedIn company pages provide a brief overview of the firm, the appropriate disclosures, and consistent branding.



The SEC narrowed in on investment management firms and their use of social media due to the increasing popularity of networking sites such as LinkedIn, Twitter, and Facebook. In October 2017, the SEC amended parts of their ADV Brochure requirements, one of which now requires a registered investment adviser to list their firm's website address and all social media site addresses controlled by the investment management firm. The SEC closely monitors the social media content provided by investment firms, especially when it comes to previous client and investor testimonials.

As it stands, testimonials are prohibited under the Investment Advisers Act of 1940, yet this is a consistent violation brought upon investment managers by the SEC. More recently, an investment management firm, HBA Advisors, LLC, and a marketing firm they entered into business with Create Your Fate, LLC, were issued an order by the SEC for violating Section 206(4) of the Advisers Act and Rule 206(4)-1(a)(1), as follows, "...it shall constitute a fraudulent, deceptive, or manipulative act, practice, or course of business for any investment adviser registered or required to be registered under the Advisers Act, directly or indirectly, to publish, circulate, or distribute any advertisement which refers, directly or indirectly, to any testimonial of any kind concerning the investment adviser or concerning any advice, analysis, report or other service rendered by such investment adviser."

This example, among many others, emphasizes that marketing and advertising materials should be prepared by reputable industry professionals that understand the rules set forth by the SEC and other self-regulating bodies. Additionally, investment managers are encouraged to engage their legal counsel to periodically review the manager's marketing and advertising materials, as well as any associated online sites to ensure compliance.

06 Stationery:

Last, but certainly not least, remember to incorporate your brand design on business cards, letterhead, and any other marketing collateral. Again, consistency fosters trust.

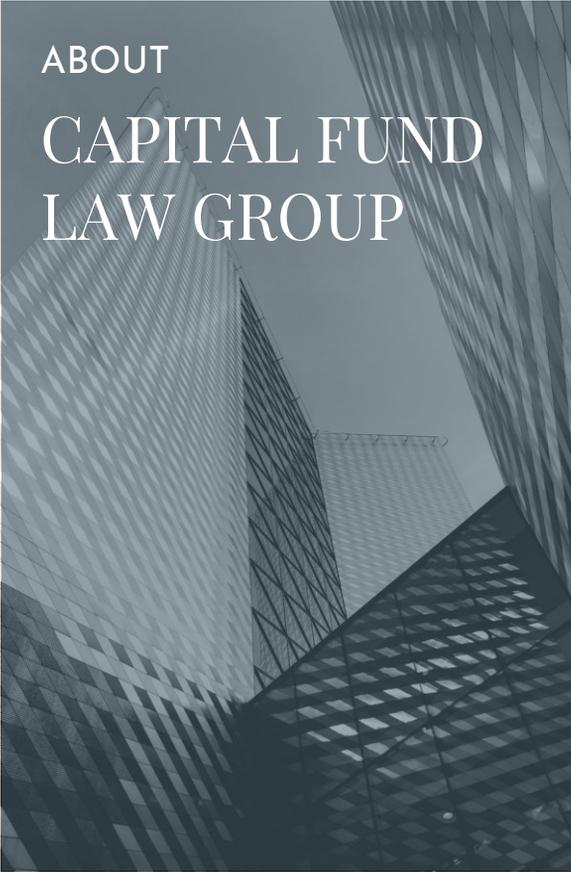
Investment management firms are bound by federal laws regarding marketing and advertising. Therefore, it is essential to abide by the rules set forth by the SEC and have all external-facing materials reviewed by legal counsel prior to publishing.

The right materials and tools help alternative investment firms differentiate and distinguish themselves, add credibility and consistency to their services, and allow clients and partners to identify with the brand easily.

Your brand is a promise to investors and professional connections that your products and services are reputable.

Investors and institutions will clearly understand what makes your firm, team, and investment approach effective and unique to you. The right marketing firm can help you create a strategy that promotes your company's core values, explain your firm's investment approach, and build shareholder value every step of the way. And an experienced law firm can mitigate potential liability with regulators.





ABOUT

CAPITAL FUND LAW GROUP

Capital Fund Law Group is a boutique investment management law firm focused on advising emerging and established investment managers on all aspects of their pre-launch planning, formation, and post-launch legal compliance. Our legal team has extensive experience advising hedge funds, venture capital, and real estate and private equity funds in various structures and strategies, both domestic and internationally. Included in our expertise and flat-fee service is any necessary registrations, state and federal, as well as introductions to and coordination with other key service providers in the alternative investment fund industry.

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LaunchPad Creative partners with financial services firms on tailored marketing, brand design and social media initiatives, launching them into their next phase of exponential growth. We pride ourselves on delivering strategic innovation, creative design and content, crisp execution and marketing campaign analytics to help our clients realize ROI from their marketing efforts. Our unique advantage is that we are solely focused on helping financial services firms develop and execute their marketing strategies. With over twenty years in the industry, we understand the marketplace and speak the lingo.

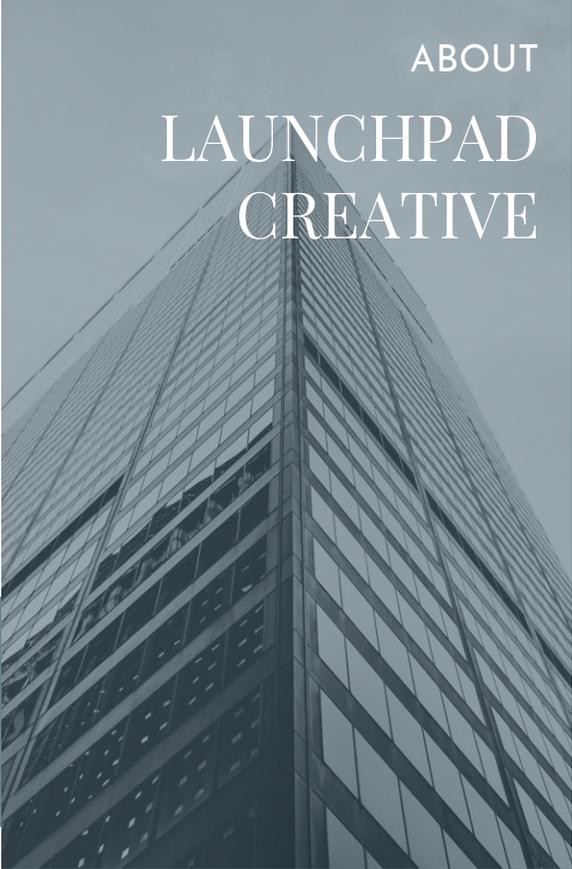
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