"Marketing Alpha": Actionable Intelligence

Why Most Smaller Managers Fail Raising Private Wealth Assets

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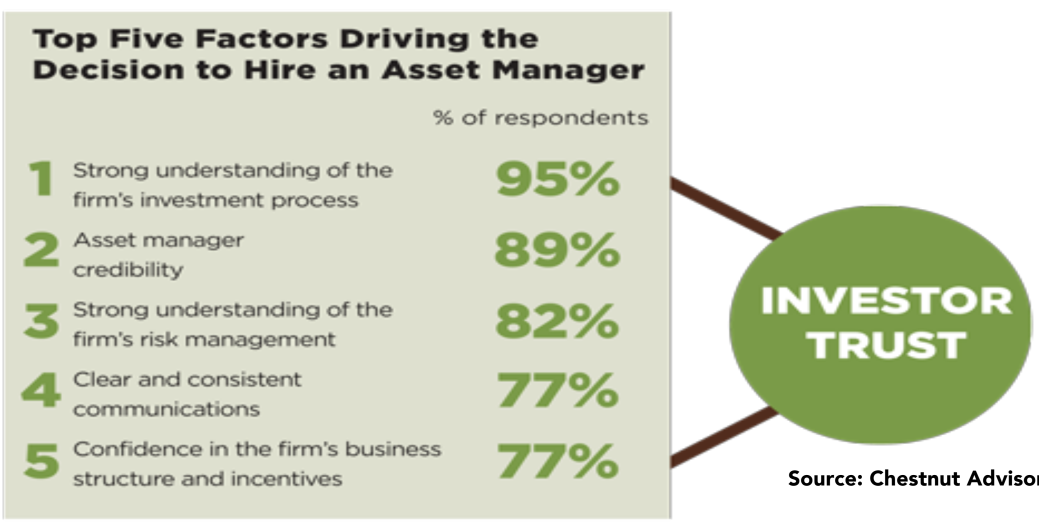
Very few "sub-institutional" ($0-$100 million AUM) and "smaller emerging" managers are "appropriately resourced and operationally-equipped" for institutional assets. As such, their most suitable investor segment for marketing and fundraising is private wealth: UHNW individuals, families and "legitimate" single family offices (SFOs).

However, an extremely small percentage of "sub-institutional" and "smaller emerging" managers succeed raising assets within the private wealth segment. The fact is most smaller managers will likely never effectively source and raise assets in private wealth. In fact, the majority rarely get AUM beyond personal capital and minor investments from "family & friends".

WHY???

The data shows that private wealth as well as institutional investors source managers from "trusted personal and professional relationship networks". Consequently, the most effective way to connect with private wealth is via "introduction from their trusted relationships and highly-trusted professionals they may work with within their eco-system".



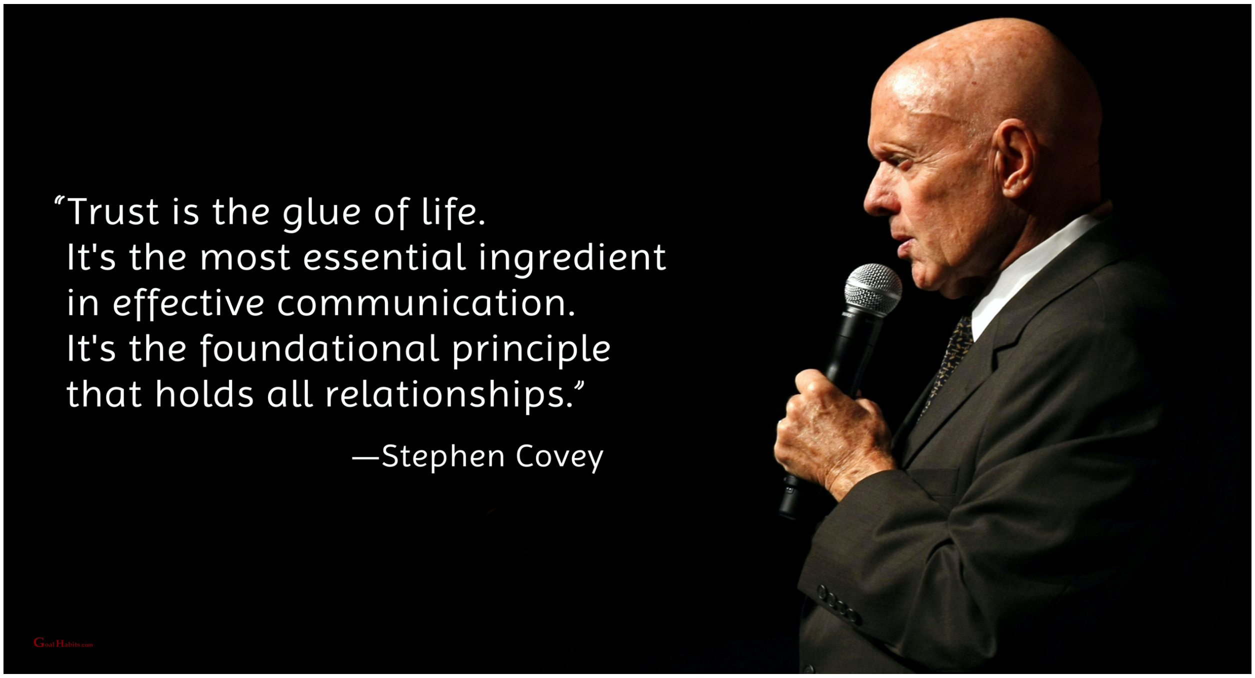
Source: Chestnut Advisory

First, very few "sub-institutional" managers have quality and quantity of private wealth relationships. Secondly and most importantly, they do not invest the necessary critical resources (money, time and sustained + consistent effort within a process framework) to succeed marketing and fundraising within private wealth. The core of private wealth marketing and fundraising is TRUST. Gaining TRUST is a glacial process, it does not happen quickly nor easily and cheaply. With that said, the majority of "sub-institutional" and "smaller emerging" managers complicate marketing and compound failure fundraising with ineffective, inappropriate and improvisational engagement with private wealth.

The most common and egregious mistake smaller managers make:

The belief a TRANSACTION will occur before "TRUST" is firmly in place.

This mindset is pervasive among smaller managers, who often believe "performance brings assets". The fact is "Performance brings attention not assets". Additionally, performance-focused engagement leads to inappropriate marketing execution in its worse form: "Pitching".



E.Q. > I.Q. = Every "Buy", whether product or service, is driven by EMOTION.

Emotional Intelligence (E.Q.) Is crucial in marketing and sales: Closing high-level sales involves "emotionally connecting with prospects". Creating a genuine connection means understanding the emotional drivers of the parties involved to establish the 360 degree confidence that builds stronger relationships and achieves the "actionable conviction" for the marketer/salesperson to "CLOSE".

- **E.Q. is "prospect knowledge", I.Q. is "product knowledge".**
- **E.Q. is about recognizing, understanding, and responding to a prospects emotions in a way that fosters TRUST.**
- **E.Q. is a skill, just like portfolio management and trading, etc.**

The existential importance of raising assets for "sub-institutional" and "smaller emerging" managers puts E.Q. as the most mission critical skill a smaller manager must have.

Despite this, it is common practice for managers to lean almost entirely on I.Q. (product knowledge, performance and expertise) with prospects. Since 2009, the "requirements of fundraising" have significantly increased and expanded. In a "low trust", crowded (+25,000 GPs fundraising) and hyper-competitive capital raising climate with manager evaluation expanded strategically and tactically by highly risk-averse, overly-skeptical, stringently selective and idiosyncratically demanding investors, allocators and intermediaries, marketing as well as raising, retaining and expanding AUM are much more resource-intensive, time-consuming and expensive.

Marketing and raising assets require overcoming objections, breaking down barriers and building relationships with investors, allocators and key intermediaries. The ability to control emotions and respond appropriately is essential.

In a climate of persistent crisis, chaos, conflict and massive change with global geopolitical instability, elevated volatility and greater uncertainty, the skepticism and selectivity of investors is exacerbated. Subsequently, investors are more exacting. There has been a shift by investors to a multi-factor manager evaluation process encompassing qualitative and quantitative criteria that goes far beyond "investment performance" as THE defining metric in the decision to invest. In turn, the difficulty, complexity, requirements and investment related to marketing and fundraising have become heightened.

Plain and simple: E.Q. skill by "sub-institutional" and "smaller emerging" managers is now mandatory for survival and possibly the ultimate determinant of success.

High E.Q. helps smaller managers raise assets efficiently, economically and expediently:

1. E.Q. helps understand delayed gratification.

a. The capital raising marketing/sales cycle is lengthy. It's not "one-call closes for BIG tickets". The time from initial meeting to allocation averages 6.2 months for an "emerging manager" encompassing 42 touchpoints. High E.Q. marketers/salespeople execute by "process" and do the necessary work that leads to the reward (assets). This is delayed gratification and it's a crucial element of process and self-regulation engaging with private wealth.

2. E.Q. helps overcome objections and handle rejection.

a. Each private wealth prospect has a unique set of challenges, needs and concerns. Marketers/salespeople with low E.Q. may see these as negatives and get frustrated and discouraged by the lengthy series of conversations typically a part of the private wealth sales cycle and repeated rejection. Conversely, high E.Q. marketers/salespeople understand the temporal aspects of engagement and time required to gain prospect TRUST, these are viewed as opportunities for deeper quantitative and qualitative prospect discovery that provides clearer insight how to "close" the prospect more quickly, more efficiently and more economically.

3. E.Q. helps build rapport and gain TRUST.

a. There's no one-size-fits-all approach to building rapport and gaining TRUST. High EQ marketers/salespeople develop a deeper understanding of the prospect, enabling them to find an almost "bespoke" approach and communication style that resonates with the prospect. This is key for "investor-centric and prospect-specific engagement", which is now mandatory to build + gain the TRUST necessary for success raising assets. Also, high E.Q. salespeople know when they're coming on too strong and can adjust. The high E.Q. marketer/salesperson has better audio and observational acuity to detect prospect signals and adapt engagement accordingly. For example, if the prospect seems less formal, they can be more colloquial. If the prospect prefers to be addressed by title, the marketer/salesperson can adopt a more formal tone.

The Elephant in the "Sub-Institutional" and "Smaller Emerging" Manager Room:

The Biggest Alternative Asset Firms Have Arrived For Private Wealth Investors.

The race is on to sell alternatives to private wealth. David can slay Goliath! Here's How:

Alternatives have been nearly the exclusive playground of institutional investors (pensions, endowments and foundations) for decades but now a confluence of factors is driving growth to "private wealth". Management consultancy Bain & Company forecast that a quarter of AUM growth within the alternative asset class will come from private wealth (high-net-worth and ultra-high-net-worth individuals, as well as the mass affluent).

Private wealth constitutes 15% of the global alternatives AUM yet it is projected to contribute 26% of the growth in this sector over the next decade, which will be driven by high-net-worth individuals and their increasing interest in alternative asset classes.

Large asset managers who moved early to attract private wealth are reaping the rewards. Blackstone, which started its push 14 years ago, saw $23bn flow into its semi-liquid products last year, accounting for 20% of total inflows. Other big GPs who were late to the party are now gaining ground. Apollo launched its wealth solutions business in 2021 and quickly raised $12bn via the channel. It plans to double its wealth management team.

Despite deep pockets and resources, the larger firms are struggling to find marketers/salespeople that have experience and skill bringing product to market:

> ***"Where I'm seeing the biggest resource constraints is really along the marketing and sales function, getting the right talent is harder."***

Paul Kelly
Global head of alternatives at DWS and former COO of Blackstone's credit business.

> ***"These new investor pools require a holistic approach, encompassing education, distribution, and portfolio management."***

Bain & Company - 2025 Global Private Equity Report

> ***"In the wealth channel, [sales] is a blocking and tackling game, it is hand-to-hand combat as you educate each financial adviser on how to handle it in their portfolio."***

Jenny Johnson, Chief Executive of Franklin Templeton.

> ***"You need strong salespeople who understand the products and to do a lot of education."***

Alexander Blostein, Analyst at Goldman Sachs.

WHAT'S THE TAKEAWAY?

"Sub-institutional" and "smaller emerging" managers that want to survive and ultimately thrive must significantly "step-up" their marketing and sales processes or it's "pack-up and close up" time.

Marketing and fundraising process execution are the Darwinian components of "natural selection" within investment management. it is a simple statement of the fact that in dangerous circumstances, only those individuals and firms most adapted to their environment survive—and the capital markets are always dangerous places.

The "sub-institutional" and "smaller emerging" managers who understand this reality and quickly adapts will be prepared and appropriately-resourced to consistently succeed raising, retaining and expanding private wealth AUM by executing a "marketing process that has high E.Q."

The "FACTS" show investor allocation decisions are now supported and empowered by a variety of sources, which has shaped a new type of investor who is resistant to "typical marketing" i.e. "pitching, posting and partying". As a result, "sub-institutional" and "smaller emerging" managers that want success raising assets must EXECUTE FROM PROCESS.

"Sub-institutional" and "smaller emerging" managers can't assume they will immediately establish **TRUST**. Investors, allocators and intermediaries value relevant insights and "**actionable intelligence**" NOT "regurgitated information" that's generally publicly available. However, "sub-institutional" and "smaller emerging" managers continue to pump out "indistinguishable, undifferentiated content and collateral" with "uninspiring engagement" and "volumes of performance data" to avoid the hard work, investment and complete commitment to the marketing process execution necessary to achieve the key catalyst to succeed raising assets: **TRUST**

TRUST is earned and built slowly.

The clear imperative: A fundamental shift to "process-oriented marketing execution".

"Consistent execution of an investor-centric; prospect-specific marketing process" is not only the difference between success and failure raising assets but ultimately, a matter of survival for every "sub-institutional" and "smaller emerging" manager.

Since 2011, Johnson & Company has been the only specialist providing "Marketing Alpha" to "sub-institutional" (AUM $0-$100 million) & "smaller emerging" managers to optimize success fundraising.

FOR A "NO-BS" MARKETING PROCESS CONVERSATION.

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