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FEATURE

Gaining Access to Key Decision Makers

By Stephen Dalton



Gwendolyn Butler

Gwendolyn Butler, Partner and Chief Marketing Officer of Capri Capital Partners LLC, drew upon her 30 years of institutional lending and investment management experience to explain how emerging managers can recognize and gain access to the key decision makers at large pension funds.

Butler has worked at larger firms including SEI, UBS, and Bear Stearns evaluating

portfolio management teams and working on the marketing and client service side of those companies. She also sits as a trustee on the National Association of Securities Professionals (NASP) board and is the incoming chair elect of that organization. One of the primary objectives of NASP is to achieve equal opportunities for minorities and women in the securities industry.

Centers of Influence

Butler explained that there are certain individuals at pension funds that serve as the key decision makers. These are the individuals with the authority to select managers and develop the investment strategy. It is important for emerging managers to contact and maintain a relationship with these centers of influence. The hierarchy of a pension fund consists of a board of trustees and the investment staff, followed by the investment consultants and then to a lesser degree other investment managers who have strong relationships with their clients and can serve as referrals. Butler says, "Often times I will find myself with a prospect where they have checked our firm out with a manager they know well and feel comfortable with. They use them to provide an additional source of insider information on competitors."

The board of trustees, investment staff and investment consultant are the fiduciaries of the fund. They are ultimately responsible for insuring that an institutional pool of assets or fund meets its investment objective. These are the key decision makers. The main objective to be met by a pension plan is its obligations to plan participants and for a foundation or endowment, to meet its spending policy. "As fiduciaries they are the ones responsible and they are the ones that managers need to access to grow their own individual investment management firm", according to Butler.

Ahead of the RFP

Many emerging managers may have met opposition or have not generated positive results from answering RFPs released by pension funds. Butler says the reason for this is because the RFP process is inefficient for managers. By the time an RFP is written and issued, a lot of work has already gone into the process by the fund. The challenge for emerging managers is to be ahead of the RFP process and begin conversations with the key decision makers earlier in the sales process. "Managers need to understand what the fund's investment objectives are, and what challenges the fund faces in trying to meet those investment objectives. Then realizing those two things, develop solutions the manager can offer to help the fund meet those objectives", says Butler.

"At the time of the issuance of the RFP, they've already made the decision about what they need and the process just becomes a beauty contest amongst the managers who are responding to the RFP. You want to develop relationships so you can be another source of information for those key decision makers. You can help them determine what they need and hopefully in the process help them identify market solutions and position your firm as one of those providers."

Butler proposes that emerging managers view this process from a solutions perspective rather than a pure product pitch perspective. A manager needs to be more consultative in their sales approach. Rather than just selling a product, they need to sell a solution. This means the dialogue must begin much earlier in the decision making process, in the problem identification process. Once the RFP has been issued, the problem has been identified and the managers are in a straight up competitive situation.

The other problem is that once the RFP is issued, especially in a public fund setting, there are typically restrictions on contact with these key decision makers. A manager is then precluded from having any direct contact or dialogue with the key decision makers. A manager must position its firm and products before the RFP is issued. A manager must get in front of the RFP process through networking, meetings and providing information.

Meet and Greet

Butler explains how managers can do this, saying "One of the ways to do this is to figure out where these folks are going to be in public environments and meet them. There are plenty of industry conferences you can attend that are focused on public pension plans, corporate pension plans, foundation and endowments, and also the Taft Hartley market. You can certainly participate in those meetings to meet the decisions makers, but in addition, follow-up is very important."

“Emerging managers can stand out from others by providing information on a regular basis that will help these key decision makers in their role as fiduciaries. This can be in the form of a quarterly newsletter that you publish or academic research that is mailed out on a periodic basis to your contact list. A manager needs to be perceived as someone who is knowledgeable about market trends and market conditions that the key decision makers can use as another informational resource.”

Research

Butler says it is crucial to gain information about the plans that fiduciaries are responsible for. There is a significant amount of public information that’s available to managers. This information reveals the structures of the plans, how much money they have, what they are responsible for, what managers they invest with and the funds’ asset allocation.

In the case of corporations, managers can review public filings, 10Ks and annual reports, which contain information about their defined benefit and defined contribution plans. Public funds typically issue a Comprehensive Annual Financial Report (CAFR) that contains a wealth of information about the structure of these plans, the fund’s investment objectives, and the fund’s investment managers. Similar information is available on Taft Hartley funds and foundation and endowment funds.

In addition to these public documents, a manager should access a plan sponsor’s website. These websites tend to have a section, particularly in the public fund market, on their investment policies and strategies, and investment objectives of the fund.

Consultants

Butler feels that consultants are very important in the process because they also have a fiduciary role. Consultants have to feel that they are very knowledgeable about managers and their organizations. Consultants must feel that they know the firm. A client looks to a consultant, not only for advice on asset allocation and how the fund should be structured but also to provide information on their managers.

Each consulting firm is structured differently, but typically there is a research staff whose job is to provide information on emerging managers. This a good place for an emerging firm to start. In some firms the research team greatly controls which managers are shown to clients in search activities. In other consulting firms, the consultant responsible for that client relationship has a much greater influence on firms that are shown to its clients in a manager search. The challenge for an emerging firm is to look at each consulting firm and figure out how it is organized and understand that consulting firm’s internal decision making process. The next task is then to market to those firms in the same way that you would market to a client. Each client is different and each consulting firm is different. Butler adds, “The challenge for firms is to figure out what the decision making process is, who is involved in that process and make your firm’s capabilities known to those decision makers.”

“It is important for emerging firms to be very transparent with consultants. Consultants don’t like to be surprised. As an emerging firm, you want to manage your relationship with the consultant community in the same way you manage your relationship with an institutional investor. You want the consultant to be able to clearly articulate to clients your investment philosophy and process and explain the firm’s strengths and weaknesses. It’s a big challenge, but ultimately you want your consultant to be your advocate with their client.”

Resource Allocation

Butler is impressed by emerging firms. Through her experience she has found these firms to be run by very savvy and seasoned investment professionals. Typically the individuals in emerging firms have worked for large organizations and decide to go off on their own. However, a difficulty for these managers is resource allocation. Emerging firms are typically constrained from a resource perspective. Butler says, emerging managers “must be focused on outreach to the market. They have to clearly understand where the firm’s capabilities would be best placed within the investment management community. It becomes a question of how do you best allocate limited resources vs. making mistakes.”

Butler concludes by saying “I feel emerging managers have to clearly identify the likely target prospects as these are the institutional investors that are likely to do business with them. Emerging firms should focus on developing strong relationships with those prospects and not spreading the firm too thin from a marketing perspective. Gaining a strong cadre of institutional clients can lead to more success. I would also encourage emerging managers not to get discouraged in their outreach to investment consultants. The investment consultants have hundreds of managers that want to get on their schedules to talk about their respective firm’s investment capabilities and strengths. Some emerging firms get discouraged because consultants can be difficult to access. I would encourage emerging firms to continue their very intense focus on the investment consulting community. Clients are demanding that investment consultants present new firms with new niche strategies to them. Because of this, it is in each consultant’s best interest to meet with those firms and to learn about new and interesting investment strategies. This helps the consultants meet their client’s investment objectives.”

Gwendolyn L. Butler, Partner and Chief Marketing Officer at Capri Capital Partners LLC, oversees marketing of institutional advisory services and serves as a key client interface. Butler is also a Member of the Investment Committee. She has 30 years of investment industry experience including serving as Executive Director of UBS Global Asset Management and Managing Director of Bear Stearns Asset Management. Butler holds a Masters of Management with a Finance concentration from Northwestern University and B.A. degree in Economics with Honors from the University of Michigan.