ABOUT THE AUTHOR:

I truly believe that if you spend your time helping others get what they need and want the relationships you build will bring you what you need. In this spirit I’m offering the Hedge Fund Blog Book for free. To date, more than 125,000 professionals have downloaded and read this book.

- Richard Wilson

Richard Wilson, CEO & Founder: is the Founder and CEO of the Family Offices Group and Billionaire Family Office. He is a prominent figure within the alternative investment industry, working daily with hedge fund managers and family offices. Mr. Wilson also founded the Hedge Fund Group, a professional networking association with more than 100,000 members. He lectures frequently at hedge fund conferences and hosts several annual networking events through the Hedge Fund Group and Family Offices Group.

His past work experiences include risk consulting and capital raising as third party marketer to hedge funds. Richard Wilson has a Bachelors degree in Business Administration from Oregon State University, a M.B.A. from the University of Portland, and he completed some masters level coursework on the psychology of influence at Harvard University.

The Certified Hedge Fund Professional (CHP) designation is a 100% online-based hedge fund training and certification program. The CHP program is the industry standard, #1 most popular and trusted certification program built exclusively by and for hedge fund professionals. It is a continuing education and professional self-improvement program. You can read more about the CHP program at [http://HedgeFundCertification.com](http://HedgeFundCertification.com).

The Hedge Fund Group (HFG) is a network of more than 100,000 hedge fund industry professionals from over 80 countries who actively network, partner, and refer resources and leads to each other. Each year, the Hedge Fund Group offers several full-day capital raising and hedge fund marketing workshops. Many investors, including hedge funds, know us for our capital raising resources, including the Family Offices Database. You can join the Hedge Fund Group for free at [http://HedgeFundGroup.org](http://HedgeFundGroup.org).

Investor Contacts: Are you trying to raise capital for your hedge fund? We provide full contact details on more than 3,000 different potential investors. They include wealth management firms, single and multi-family offices, institutional investment consultants, and fund of hedge funds. All of our directories of investor contact details are guaranteed to be updated and accurate. You can learn more about our available packages at [http://FamilyOffices.com](http://FamilyOffices.com).
Wilson Conferences hosts capital raising workshops, family office and investor conferences, and alternative investment networking events around the world. These are exceptional opportunities for private equity executives, investors, and industry professionals who want to expand their network and build relationships while learning from industry leaders. We have conferences and workshops in top global cities including: New York; Miami; Chicago; Los Angeles; San Francisco; Houston; Las Vegas; and more.

To see the latest schedule of upcoming events visit: WilsonConferences.com

**Capital Raising Workshops**

We offer intensive, fast-moving capital raising workshops which allow you to leave with a customized capital raising plan in hand. At these capital raising workshops, fund managers, service providers, and business executives enjoy a full, catered day of training focused on capital raising and investor relations.

In these collaborative seminars, you will learn alongside your industry peers who share your desire to more effectively target investors and market your services. Our capital raising workshops include the following training areas: Capital Raising Core, Marketing Materials & Copywriting, Influence & Persuasion Deep Dive, and Attracting Investors by Constructing an Investor Funnel.

To find a full list of upcoming capital raising workshops and our latest brochure, please visit: WilsonConferences.com/Capital-Raising-Workshops

**Networking Breakfasts**

Wilson Conferences hosts Networking Breakasts in cities across the United States and abroad for alternative investment professionals and investors. These breakfasts are great opportunities to develop your local network and meet potential clients, deal partners, and investors.

Be sure to reserve your seat for our Networking Breakfasts by visiting: WilsonConferences.com/Networking
Family Office Conferences

Wilson Conferences is hosting several family office conferences this year that tackle the biggest issues in the industry including co-investing and direct investments, starting and operating a single family office, and managing a diverse family office portfolio. Family offices are a growing investor group and Wilson Conferences has established itself as the leader in family office workshops and industry gatherings.

We have the largest lineup of single family office and $1B+ family office speakers you will find at any conference this year. If you are looking to form new family office relationships, learn how these investors operate, or identify ways to work together with family offices on co-investments and direct deals, you should consider our family office conferences:

**Single Family Office Summit:** At this May 9th Summit, you will hear from top single family offices on best practices and strategies for investing, operating, and starting a single family office.

**Annual Family Office Chief Investment Officer Summit:** This June 6th program is dedicated to the CIOs that manage family office portfolios. Hear the views of top family office CIOs on market trends, wealth management strategies, and capital preservation in today’s economy.

**Family Office Direct Investment, Co-Investing, & Club Deals Conference:** On September 26th, join us for a full-day program covering a big trend in the investor world: direct investments, co-investing, & club deals.

**Family Office Super Summit:** Join us November 11-13 for a three day Family Office Super Summit in Miami, which brings together top industry leaders, single and multi-family office executives, and wealthy families.

To view the brochures and see the full speaking lineup for each of these conferences, visit: [WilsonConferences.com/Family-Office-Conferences](http://WilsonConferences.com/Family-Office-Conferences)

**Your 12-Month VIP Pass**

If you would like special reserved seating and open access to all of our events (a $12,479+ value) please purchase one of the 100 available VIP One Year Conference Pass for $2,725. Visit the following page to reserve your seat at our events: [WilsonConferences.com/Reserve](http://WilsonConferences.com/Reserve)
PART I: HEDGEOFUNDBLOGGER.COM

Chapter 1. Hedge Fund Careers
- Hedge Fund Jobs
- Double Your Hedge Fund Compensation
- SKAR Development Formula
- Hedge Fund Sales Careers
- 4 Career Tips
- Hedge Fund Networking Event Tips
- The Top 4 Best Hedge Fund Majors
- CHP & Financial Designation Choices?
- HedgeMe Book Review
- Hedge Fund Work – Email Question
- Hedge Fund Recruitment – A Listing of Hedge Fund Recruiters
- Hedge Fund Salary Levels
- Transitioning to Third Party Hedge Fund Marketing
- Hedge Fund Ethics
- Get a Job at a Hedge Fund
- Hedge Fund Designation: Why Complete a Program?

Chapter 2. Hedge Fund Capital Raising
- Marketing Tactics – 5 Unique Fund Marketing Tactics (1 of 3)
- Marketing Tactics – 5 Unique Fund Marketing Tactics (2 of 3)
- Marketing Tactics – 5 Unique Fund Marketing Tactics (3 of 3)
- Hedge Fund Marketing Hurdles
- Email Marketing Best Practices
- Do This if You Want to NOT Raise Capital
- Top 10 Hedge Fund Marketing Mistakes
- Power Words to Raise Capital With
- Institutional Investors
- Hedge Fund Marketing Materials Tips
- Combating a Bettered Image of Hedge Funds
- Hedge Fund Logo: Branding Help
- Hedge Fund Marketing Best Practices – Kick Your Own Ass
- 4 Steps to Investor Pipeline Development
- Bad News: There is No Magic Bullet
- Best Practices of Large Hedge Funds
- Presuppositions: How to Use a Presupposition
- William Edwards Deming
- Emulating Capital Raising Best Practices
- Alternative Investment Marketing & Sales
- Copywriting for Capital Raising
- Fund Marketing License Requirements
- Hedge Fund Seed Capital Marketing
- Hedge Funds to Financial Advisors
- Capital Raising Methods and Focus
- Power of Focus
- Hedge Fund Media Exposure & PR
- Investor Due Diligence & Emerging Managers
- Hedge Fund Advertising & Marketing Ideas
- Hedge Fund Marketing Plan | Tenacity Q & A
- Hedge Fund Marketing in 2009
- Psychology of Sales Call Reluctance Tips
- Hedge Fund Seeding Capital
- Guest Article: Financial Public Relations
- Financial Advisor Marketing Differences Q & A
- Raising Capital – Clues for Success
- Third Party Marketing (3PM) Definition
- Start a Hedge Fund Related Newsletter
- Third Party Marketing Due Diligence
- Press Release Contacts
- Hedge Fund Relationship Building
- Sales Phone Call Tips
- 9 Fund of Hedge Fund Database Tips
- Motivational Sales Quotes
- Using White Papers in Sales
- Financial PR Tips for Hedge Funds
- Marketing & Creativity
- Hedge Fund Capital Introduction
- Hedge fund Investor Types
- Raising Capital with Tenacity
- Cold Calling Tips & Advice
- How to Have a Positive Attitude
- Hedge Fund Outsourcing Trend
- Influence Through Orienting Reflex
- Attracting Hedge Fund Investors
- Are Your Customers High?
- Hedge Fund Third Party Marketing Careers
- Institutional Hedge Fund Marketing
- Targeting CEOs for Marketing & Sales
- Being Detail Oriented
- Investment Sales Jobs Overview

**Chapter 3. Hedge Fund Startup**
- Top 5 Tips for Starting a Hedge Fund
- SPEED of Implementation
- Hedge Fund Business Plan Tips
- Hedge Fund PowerPoint Improvement Tips
- 18 Lessons From Shooting Star Hedge Funds
PART II: THE HEDGE FUND BOOK

Chapter 4. Frequently Asked Hedge Fund Questions
- Hedge Fund 101
- Hedge Fund Operations
- Hedge Fund Marketing & Sales
- Hedge Fund Careers

Chapter 5. Hedge Fund Marketing Pro
- The Bad News
- Public Relations Management
- Educational Marketing
- Forget About Contacting More Investors
- E-mail Marketing Best Practices
- Top 10 Fund Marketing Mistakes
- Copy Writing
- Case Profile
- Interview: Stephen Abrahams, Vice President of Marketing for a London-Based Hedge Fund
- Interview: Pratik Sharma, Managing Director, Atyant Capital.
- Interview: Hendrik Klein, CEO, Davinci Invest Ltd.
- Chapter Summary
- Review Questions

PART III: THE FAMILY OFFICE BOOK

Chapter 6. Family Office Fundamentals
- The Family Office Industry
- What is a Family Office?
- The Family Office Universe
- The History of Family Offices
- State of the Family Office Industry
- Who Uses a Single or Multi-Family Office?
- Why Family Offices?
- More Money, More Problems
- Family Office Industry Conferences
- Conclusion
Hedge Fund Jobs

Hedge fund jobs are in high demand, many MBA graduates and experienced financial professionals now are looking for ways into the hedge fund industry. If you are looking around at hedge fund jobs let me know. I have received a few notices from Hedge Funds looking to fill open hedge fund jobs and I know of a few recruiters that you might want to be speaking with.

I often get email questions about how to prepare a resume for a hedge fund job interview. What is the perfect hedge fund resume for hedge fund jobs? Unfortunately, there isn’t one. While not normally the case, some hedge fund professionals never graduate from high school but make over $1m/year in their job trading or selling for a hedge fund. That being said, some of the factors below are items that can help land you hedge fund jobs:

* Quantitative experience and abilities

* Certified Hedge Fund Professional (CHP), or other finance designations (for ideas see our FinanceTraining.com website)

* An Education - Ivy league, MBA, Quant-focused PhD

* Signs of loyalty, passion, and humility

* Something extra, like PR expertise, asset gathering ability, or information advantage

* High quality names from your last few hedge fund jobs - large wirehouse experience

* Capital raising skills: how much money did you personally bring in to the firm or make for the firm?

* A stomach for a high commission/bonus structure

One highly successful hedge fund manager said that they don't have any hard and fast experience requirements while filling their open hedge fund jobs. They simply look for people who are hungry, humble, and smart.
Double Your Hedge Fund Compensation

We get lots of emails from hedge fund professionals (2k/week) who are looking to boost their career, their compensation and their overall progress in reaching their dream hedge fund job. Below are some quick, practical ideas that take hard work but are proven to greatly increase your chances of doubling your income in the industry regardless of where you are currently at:

1. Map out where you want to go in the next 1, 3, 5 and 7 years on paper in a career or business plan. Dream big and work backwards from there.

2. Switch jobs. If your current employer is not giving you opportunities or avenues to grow, get out and move on to a bigger opportunity. If this is not an option, create "WOW" projects in your job. If you don't know what this means, read Tom Peters books for motivation and instructions on this.

3. Stop thinking about just putting in the time and instead start positioning your own unique value and contribution.

4. Be pro-active in becoming friends with those who are either hubs for industry contacts or are the direct professionals who you want to work for in 3-5 years. Friends hire friends.

5. Invest in yourself. Complete training or certification programs. Seek out a mentor or hire a coach.

6. Create 5 drafts of your resume before showing it to anyone. If possible, create a pitch book on yourself and your career as to why someone who hire you. Provide an estimated ROI, example trades, any work samples that you have permission to share, etc.

7. Read at least 30 minutes of training materials or niche books that directly connect with the skills needed to perform very well at your dream position.

8. Join toastmasters and get comfortable and good at speaking at events, seminars, and conferences. This will position you as an authority and forces you to master some niche topic

9. Work hard. I heard a great quote somewhere: “In life there are two groups: those who take credit, and those who do hard work.” Be in the group that does the hard work; there is far less competition.

I hope these tips help! These are things I have learned in trying to grow my career and coaching members of the Certified Hedge Fund Professional (CHP) Program. Each participant of the CHP Designation receives access to our career coaching, resume feedback, resume template, and over 70 educational videos.
SKAR Development Formula

There is a formula that I have used over the past 7 years to help me build my resume and career, and now my own small business. It called the SKAR Formula. This is not a way to shortcut the hard work it takes to be successful, but rather a map showing where to invest your energy to increase your return on your “investment”.

SKAR Development Formula

Specialized Knowledge + Authority positioning + tangible Results = huge growth opportunities and faster development in your career or business.

Definitions

Specialized Knowledge = Specific knowledge that is practical, functional and very niche specific to the area in you work or the skill or ability you rely on to perform well. Specialized knowledge exists whether you are an airplane pilot, hedge fund analyst, or third party marketer.

The difference between having specialized knowledge or not could mean the difference between spending 18 months to complete a task or project or being able to development strong client relationships and complete the same task in just 3 months. It lets you identify more opportunities, move more quickly on them, and execute with efficiency when once multiplied over several years puts you in a different league of competition. Some ideas on how you can further develop your specialized knowledge include:

1. Read two books each month for the next two years on the area of specialized knowledge that is going to benefit your business or career most.

2. Subscribe to 3 of the best newsletters from blogs or experts in your industry that are NOT re-hashed press releases and garbage news. You learn close to nothing from reading the news - read insights, analyses and white papers in these newsletters instead. There are at least 2-3 valuable free newsletters in each industry.

3. Complete a niche training and certification program specific to your area of specialized knowledge. Having a third party verify that you have obtained a certain level of specialized knowledge is ALWAYS going to be more credible than, I like to read books and email newsletters, here is what I have read lately. Seek out an online certification program and start one in 6 months, this will force you to read and learn more in your niche.

4. Write one article a week on your thoughts, best practices, and lessons learned in your niche area of practice. Write anonymously by creating a free blog at Blogger.com and start synthesizing what you are learning and combining other ideas to create your own original concepts (such as this blog post).

Authority Positioning = Creating structures around your firm or self so that your knowledge and abilities are communicated in a way that positions you as an authority in your niche area. Ideally this area lines up 1-to-1 with your area of specialized knowledge and it can
be the result of gathering this knowledge. Two professionals can hold the same knowledge though, while one write 5 books and completes over 50 press interviews a year the other may be an arm chair critic with a small group of 5-7 consulting clients. The more well-positioned professional will reap rewards from new opportunities coming towards him instead of the other way around. I was a competitive swimmer earlier in my life and the best book I read on swimming was called "Swimming Downhill" it was a way to swim so that your body is tilted forward and you literally cut continually downwards into the water. If you get Authority Positioning right it will be like you are swimming downhill. Jeffrey Gitomer is a great study of authority positioning, he started writing 8 pages a day when he was 46 years old, now in his fifties he has over 10 bestselling books, and charges more than Colin Powell for speeches - the real important detail though is he NEVER cold calls anyone and never scrambles for new business. His phone literally rings off the hook with new opportunities, clients, and joint venture partnerships due to his positioning; he is swimming down a steep hill.

1. Publish your own newsletter or blog - even if you only publish something once every 2 weeks, having it and building it over time is what is important.

2. Interview one professional each month for your own blog or newsletter. Be sure to inform them that you cannot compensate them, but as your website becomes more popular there is an opportunity for some exposure, and they can have a copy of the recorded phone call transcript, Mp3 file, or document that you type up.

Interviewing experts is a shortcut to gaining specialized knowledge and authority positioning quick. Simply telling others that you have interviewed 20 of the top experts in the industry and that, overall you found A & B and most surprisingly C, is very powerful.

The stronger your work here in building specialized knowledge, the more willing these experts will be to connecting with you. Over time, your questions will also evolve into more pointed and refined ones. Have you ever done an interview with a journalist who has never worked in your field? They’re not always fun or fulfilling to answer the basics that can be looked up on Google in 3 seconds.

3. Take what you have written in your own newsletter or blog and self-publish a book, with 60-80 pages of single spaced text anyone can do this for $15 at Lulu.com. Very simple, no more excuses that you do not have a book deal. I got my second big investment marketing contract partially because I had a self-published book in hand and someone gave me a chance based on my dedication to the niche. The book positions you as an authority.

4. Create a 1 page PDF list of all of your past clients. This can show depth, experience, and respect that others have given you by paying for your services and time in the past.

5. Speak at conferences. It is relatively easy to land speaking spots at conference, networking events and seminars. Lots of professionals are looking for others with unique ideas and lessons to share, and again teaching what specialized knowledge you have gained helps you connect and synthesize these ideas. If you are speaking to a crowd you are in an authority position and when you mention your speaking it adds credibility because others have stopped their business days and invested their valuable time to listen to what you had to say.
Tangible Results: The importance of showing real tangible results cannot be over-stated. Finding ways to do this in service businesses, the fund management industry, or in certain areas of extreme confidentiality is challenging. Some types of tangible results that can be shared include:

- An actual printed out version of part of the service or end result of the product or service
- Video or text (not as good) testimonials from past and current clients, the more specific to the immediate need or concern of your potential client or employer the better...the more numerous the testimonials the better.
- The first 15-20% of the product or your service given away for free on a trial basis. $1 first month trial, 4 weeks of free work or time so we can prove our worth to you, etc.
- Diverse and numerous case studies of past clients or employers, this proves that you work with firms with various needs and have found solutions for them, it allows the reader of these case studies to imagine you solving their problem
- A little tip, a quick take-away or lesson in your sales letter or website that provides the potential client with immediate benefit. This proves that you have the goods, are an authority and do have their best interests in mind.

Another related topic is that underneath all three of these items, they have the right habits. Habits have been shown to form 96% of what we do every single day. We tend to eat the same things, walk the same way, watch the same shows, and read the same types of books. As the quote goes, "First, form your habits. Then, your habits form you."

What business habits are you forming? What elements of the SKAR formula are you using each week? When you read this type of advice are you thinking "I already know this stuff" or "how good am I at that, and where could I improve?"
Hedge Fund Sales Careers

Below is a short guest post by Mark Goormastic of Goormastic Executive Search. This is straight advice from someone who works daily with placing hedge fund professionals in the industry. The only thing I would personally add to this post is that you must have multiple forms of proof that you have raised capital before in the form of current investor contacts, referrals, or letters of recommendation.

I get a lot of inquiries from sales professionals. The question is usually "I would like to get a salaried Director of Marketing position at a small hedge fund. Can you help?"

My answer is: maybe. My clients tend to be small hedge funds with investor assets under $100M. When they are willing to pay a salary, they expect results quickly - in six to nine months at the very most.

To bring in say $5M, in this time frame, your book and career history should look like this, from the perspective of a small hedge fund that might consider hiring you:

- You've successfully raised money for another small (<$100M) hedge fund.

- We'll define "successful" to mean that you brought in a meaningful volume of allocations, let's say $10M, in the first eighteen months. Not commitments. Actual checks in the bank.

- The hedge fund you successfully raised capital for employed a strategy such that the investors who allocated to that fund would logically have an interest in the fund that is considering you.

If those conditions are true, then you might be a great fit for a small hedge fund looking for a Director of Marketing.
4 Career Tips

If someone wanted to start a hedge fund career, what are 4 pieces of advice you would give them?

1. As soon as you are committed to the hedge fund industry enroll and begin studying for the Certified Hedge Fund Professional (CHP), and one or two other finance designations programs. If you need ideas on other areas to specialize in related to hedge funds please see our www.FinanceTraining.com website.

2. Figure out if your passion is in trading, analytics or marketing & sales. Choosing your specialty area early will help you more quickly develop the experience and skill sets needed to do well in that type of position.

3. Never do anything unethical. If you are sharp and passionate, you will never have a have need to cut corners. Avoid people that do at all costs.

4. Do your own compliance and due diligence research. Look up your potential or current boss in the FINRA or SEC records to see if they have marks against them. Meet with a compliance lawyer yourself to make sure your activities are all legal with securities laws. Do your own homework because many times nobody is going to do it for you.
Hedge Fund Networking Event Tips

If you're looking to enter the hedge fund industry either working directly for a firm or as a service provider to one, networking events and conferences are a great way to get your foot in the door. Many professionals fail to take advantage of these opportunities, even those who attend. Here are 5 tips that should prepare you for attending a networking event or conference:

1. **Don't Be Shy**: It's a good start to attend a hedge fund event but you do not gain anything if you do not talk to other attendees, speakers, and sponsors. The event is only valuable if you make it valuable, so network and socialize with those around you.

2. **Don't Scare People Off**: Another mistake is to be too forward when approaching managers or service providers, especially those looking to land a job in the hedge fund industry. Instead of sharing insights and thoughts on the industry, many young professionals will focus entirely on their own needs (a job) and ignore those managers or executives that are not currently hiring. This is the wrong mentality.

Assuming you have been following the industry and paid good attention to the speaker, you will have a good starting point for initiating a conversation. Ask questions when appropriate and listen when the other person is speaking. If you are looking for a job, don't start a conversation with that problem. Those who work in the industry are not paying to hear someone complain about not working in private equity. But you should mention it if the timing is appropriate.

3. **Get Your Name Out There**: If you cannot find a hiring firm or no firms are interested in your product or service, don’t despair; get your name out there. It may just be an inconvenient moment or the person you are talking with is not the right person at the firm. For example, if you are marketing your auditing service to a principle in charge of evaluating deals, he may not be interested. Give him your business card regardless. In a quarter the firm may be looking for a new auditor and they may still have your card. Even if you do not directly land a client through this method, it boosts your firm and your own name recognition. If you're looking for a job (from analyst to executives) give your card out. When the firm is eventually hiring they will probably have your name on file.

4. **Prepare an Elevator Pitch**: It may not sound great, but you are a product that needs to be sold. You need to have a great elevator pitch that comes out effortlessly. Whether you are looking to network, marketing to investors, or job seeking, a solid elevator pitch is necessary. Be concise and include only essential information. To learn more about crafting a great elevator pitch see these articles: Developing an Elevator Pitch and Elevator Pitch Essentials (also the title of a helpful book on the subject).

5. **Look and Act like a Professional**: Even though you are not at work when you're attending an event or conference, act like you are. You are meeting potential clients and partners, so you essentially are working. Wear a suit and if it's hot, as many crowded events are, at least make the initial effort and take off your coat once you sit down. Look your best (haircut, shave, and a suit) or no one will take you seriously. It's better to be overdressed than underdressed. Remember your manners, especially if it is catered event. Be sure to use language that you would be comfortable using in the office.
The Top 4 Best Hedge Fund Majors

What is the best major to complete in school to work in the hedge fund industry?

1) **Economics:** Understanding how the economy works and what triggers economic events and valuation fluctuations is key to understanding hedge fund investment strategies. Studying economics also provides the benefit of being able to possibly complete an MBA in the future in Finance or Marketing without repeating the same classes over again.

2) **Finance:** Similar to economics understanding finance well and being able to analyze the financial statements, annual reports, and stock market is key to the majority of hedge fund investment strategies. If you are looking to be an analyst or portfolio manager, understanding both finance and economics is important.

3) **Marketing:** There is a huge need for more hard working, educated, and productive capital raisers in the hedge fund industry. I have never met anyone skilled at marketing in the hedge fund industry without far more opportunities than they could ever commit to. Those with just a few years of industry experience and a marketing degree could work for a hedge fund startup, third party marketing firm, or capital introduction team at a prime brokerage shop.

4) **Programming:** Financial models at both small and large hedge funds are built with relatively simple programming languages or macros, and the ability to edit these or build them from scratch is valuable skill to have. If you combine real industry experience and some hedge fund industry training, this degree could help position yourself as an asset to many managers.
**CHP & Financial Designation Choices?**

Below is a question we received about the CHP Designation.

**Question:** How does the CHP designation compare with other financial designation choices?

**Answer:**
- The CHP Designation costs $975 for both Level 1 and Level 2 when tuition is paid for both levels at once. We also have payment plans available.
- The CHP Designation can be completed in just a few months. With examinations held monthly, both levels can be completed very quickly.
- We are unique in that we are the #1 globally recognized hedge fund certification program built for and by hedge fund professionals.
- Our program costs 50% less than most competing designations while providing more coaching and video-based training modules than anyone else in the space.

I found *Hedge Me* to be a great guide to beginning a career in the hedge fund industry. Some have bought *Hedge Me* simply for the comprehensive list of hedge fund employers and recruiters that is included in the book. The hedge fund industry is a very competitive place to work and by reading this guide, you can increase your chances of getting a job. You may also save yourself by avoiding the mistake of working in the wrong type of hedge fund position.

This book provides insights into the day-to-day activities of hedge fund traders, analysts, and sales professionals. This shows you what their schedules and responsibilities look like, helping to paint a clearer picture that is sometimes hard to piece together through reading articles online and conducting informational interviews.

*Hedge Me* is also great for statistical references on what you can expect to get paid and how large the industry is. If nothing else you will have hard numbers to go off of and if you can negotiate $35 more pay, that alone has paid for the price of this book.
Hedge Fund Work - Email Question

I just got this hedge fund work related email from a hedge fund recruiter who is a member of the Hedge Fund Group (HFG) and based in Hong Kong.

"Hi Richard - Been enjoying all of your informative articles on hedge funds and through those I can see your passion and desire to make a difference. I am a recruiter based in Hong Kong and many investment bankers and finance professionals are seeking hedge fund jobs here. With so many hedge fund managers out there in the industry how do you qualify which type of hedge fund would be good to work for?"

"The easy answer is: it depends. It depends on what your short and long-term career goals are in the hedge fund industry. The better short answer is that it would probably be most beneficial to work with a hedge fund with more than $100M in assets under management, ideally with offices in London and/or the United States. Most of the hedge fund asset raising activity is going on in the EU and America so joining a hedge fund large enough to compensate you well for your efforts while also growing quickly in terms of assets might be your best bet.

Dozens of additional hedge funds will most likely be opening offices in Hong Kong over the next 3-5 years. The trick will likely include the development of relationships with those firms while they are planning who to hire locally."
Hedge Fund Recruitment - A Listing of Hedge Fund Recruiters

I get emails each week from hedge fund professionals looking for new employment opportunities, and many of these are interested in contacting hedge fund recruiters who are focused on hedge funds. Below are my efforts toward compiling a list of top hedge fund recruiters that are dedicated to working with hedge fund professionals and alternative investment clients in general. If you need a hedge fund recruiter please choose one from the list below.

Top Hedge Fund Industry Recruiters:

Marc Goormastic (President of Goormastic Executive Search, United States) - I recruit Sales, Business Development, & Capital Raising (including TPM) talent for private money firms, private equity firms, mutual funds, & hedge funds. Retainer-basis with one year guarantee. SMALL FIRM FRIENDLY. I will accept my fee in up to twelve monthly installments to ease cash flow impact. Excellent industry client references available upon request. Contact Details - marcus@goormastic.com Also see http://www.goormastic.com/

Anthony Solazzo, of Masonboro Partners is focused in on recruiting in the financial services space world-wide (investment banking/private equity, and hedge fund opportunities). You can email him at: anthony@masonboropartners.com or at 240.476.9785

Howard Ross is a leading hedge fund recruiter with BOC Staffing Solutions. BOC is a specialty provider of permanent and consulting staffing to all levels of positions in Middle and Back Office Operations and Front-Office Trade lifecycle support. BOC brings a strength of database and staffing expertise gained over 15+years in providing the talent sought, from the hourly worker providing non-exempt support to senior executives managing departments/divisions.

Our candidates have expertise in such business disciplines such as: CSR, Bookrunners and Sales/Trader Assistants, Confirmations/Settlements/Reconciliation specialists, Market/Credit/Operations/VaR Risk Professionals, Product Controllers, Accounting Tax and Compliance experts, Business Analysts, etc. Howard can be contacted at 212-490-2233 or HRoss@BOCStaffing.com

Ken Murray - Mercury Partners is a leading Hedge Fund Executive Search firm based in NYC. Since 2000 we have executed hundreds on searches for Analysts, Portfolio Mangers, and Traders in Long/Short, Event Driven Equities, Distressed/High Yield, and Quantitative Strategies for blue-chip and boutique hedge funds in the United States and London. We also provide extensive marketplace statistics for and compensation data as well as hiring trends and growth areas for our clients to better understand the marketplace. Ken can be contacted at 212.687.3982 or kenmurray@mercurypartner.com

Sameer Vishwanathan, Partner, Mark Lewis, Inc., Chicago -- we recruit exclusively for hedge funds and proprietary trading firms across the US; a fair majority of our clients utilize high-frequency, black box, algorithmic trading strategies. We focus on quantitative and technology placements of both experienced professionals and recent grads for roles in the front-office and the middle-office; if you are interested in working as a Quantitative
Programmer, Quantitative Analyst, Trader, Portfolio Manager or a similar role, please email a copy of your resume to sameer@marklewisinc.com or call us at 646.257.2568. Please note that we will never share your resume or any other information unless we have your explicit permission. You can also visit us online at http://www.marklewisinc.com/.
Why Work at a Hedge Fund?

While recent market problems mean many in the financial sector will be out of work or taking home smaller bonuses, there’s still wealth waiting for those in hedge funds. That wealth attracts many entrepreneurs, workers, and students to hedge fund employment. So, why work for a hedge fund?

- Working at a hedge fund requires varied skills and abilities. Whether involved in designing a fund, it strategies or its sales, hedge fund work can be challenging and invigorating. Not only will you manage or oversee a portfolio, you’ll have to make sure you’re serving the interests of you clients while ensuring your corporate practices are tight, legal and profitable.

- Hedge funds can cater to your type of experience. Funds require people skilled in accounting, investment banking, economic analysis and business. There’s room for everyone.

- Unique corporate cultures. The smallest funds may be run by one or two busy traders; the largest by hundreds. Seek the one that’s best for you.

- A base salary will start around six figures.

- And the best is yet to come: the real money’s in the bonus, which can reach another six figures.

The downside? If your fund doesn’t earn, you’ll miss out on a large part of your wages. But that incentive is probably the ideal thing for someone skilled in business, dedicated to performance and eagerly seeking profit.
Hedge Fund Salary Levels

There is much talk about astronomical hedge fund salary levels and cases every year where hedge fund managers realize $1B+ in total earnings, but just how well are most hedge fund professionals compensated? I just found some recent hedge fund salary details online by Alpha Magazine. Here are the figures:

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Mean</th>
<th>Median</th>
<th>Normal Low*</th>
<th>Normal High*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Manager Hedge Fund CEO Salary Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Salary</td>
<td>$475,199</td>
<td>$238,462</td>
<td>$310,551</td>
<td>$639,847</td>
<td></td>
</tr>
<tr>
<td>Cash Bonus</td>
<td>$2,568,972</td>
<td>$850,000</td>
<td>$1,617,412</td>
<td>$3,520,533</td>
<td></td>
</tr>
<tr>
<td>Non-Cash Bonus</td>
<td>$5,231,502</td>
<td>$1,550,000</td>
<td>$2,387,625</td>
<td>$8,075,379</td>
<td></td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$3,784,076</td>
<td>$1,320,513</td>
<td>$2,625,768</td>
<td>$4,942,384</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Mean</th>
<th>Median</th>
<th>Normal Low*</th>
<th>Normal High*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Junior Analyst Hedge Fund Salary Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Salary</td>
<td>$93,634</td>
<td>$90,000</td>
<td>$59,555</td>
<td>$127,713</td>
<td></td>
</tr>
<tr>
<td>Cash Bonus</td>
<td>$143,496</td>
<td>$105,000</td>
<td>$91,269</td>
<td>$195,723</td>
<td></td>
</tr>
<tr>
<td>Non-Cash Bonus</td>
<td>$43,711</td>
<td>$13,000</td>
<td>$17,879</td>
<td>$69,542</td>
<td></td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$253,710</td>
<td>$190,000</td>
<td>$161,369</td>
<td>$346,051</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Mean</th>
<th>Median</th>
<th>Normal Low*</th>
<th>Normal High*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Trader Hedge Fund Salary Figures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Salary</td>
<td>$306,085</td>
<td>$145,674</td>
<td>$192,710</td>
<td>$419,461</td>
<td></td>
</tr>
<tr>
<td>Cash Bonus</td>
<td>$548,491</td>
<td>$175,000</td>
<td>$341,599</td>
<td>$755,383</td>
<td></td>
</tr>
<tr>
<td>Non-Cash Bonus</td>
<td>$2,235,573</td>
<td>$32,280</td>
<td>$849,951</td>
<td>$3,621,196</td>
<td></td>
</tr>
<tr>
<td>Total Compensation</td>
<td>$1,633,406</td>
<td>$395,023</td>
<td>$1,028,384</td>
<td>$2,238,428</td>
<td></td>
</tr>
</tbody>
</table>

Data source: Alpha Magazine
Transitioning to Third Party Hedge Fund Marketing

Over the weekend I got an email from a hedge fund professional working for a very well known bank in London. He was looking for advice on getting into third party marketing or hedge fund sales. He specifically asked if I knew of any great books on third party marketing or hedge fund sales and wanted details on typical fee structures/compensation, etc. My response is pasted below as I thought it might answer some other people's questions while looking for information on marketing hedge funds.

Thanks for the email. There are no great books on third party marketing that I am aware of, everyone is pretty close vested in the industry. I haven't found a great book on investment sales either, but I know there are a few of those if you look around on Amazon. If you are looking for great books just on sales, I really like Jeffrey Gitomer’s 3 books: The Sales Bible, The Little Red Book of Sales Answers, and Yes! Attitude. Those books have changed my career.

Hedge fund marketing & sales fee structures vary depending on the type, reputation, and abilities of the third party marketing firm (3PM firm). Some retain only 2-3 clients at a time and charge retainers for this focus of their attention while others might work with 10 money managers (clients) at once and only get paid on commissions. Usually commissions are 20% of both the base fee and performance fee when working with hedge funds.

If you work for a hedge fund you will be restricted to their strategy(s) so if their performance dips or the strategy goes out of favor you might not raise any money and it wouldn't be your fault. If you work for a 3PM firm you would probably get to market 2-3 different money managers in some capacity across diverse distribution channels such as endowments & foundations, broker dealers, and direct to high net worth individuals. If a strategy goes out of favor you just find a new money manager to market as a firm, you avoid that downside of being a hedge fund sales professional. Common compensation for internal hedge fund sales people is 80k-200k with some making 400-800k/year and maybe 3-10 commissions that might trail off over time. Common compensation for a 3PM as I mentioned above is a retainer of 60k-150k (if they get one) and 20% of fees.

I’m not even 30 years old yet so I’m going the third party marketing route because I want to be able to have knowledge of the DNA and powerful relationships in every major distribution channel. I want figure out where the real money and momentum lies. I want to be able to shift my focus to that point. I believe it is harder to get a 3PM job because most want you to have a book of business or solid relationships, but it can be done. To land my first third party marketing position, I worked for free for 3 weeks to prove myself and took a big cut in pay coming in the door, but now I’m in my dream job getting experience that I believe will continue to be more valuable each year.
Hedge Fund Ethics

In the hedge fund industry, you have one name and one reputation. If you ruin that, you could have influential people in the industry refusing to do business with you for 15-20 years after their initial opinion is formed. In such a competitive close vested industry where large profits can be made the temptation to cut corners or look past fiduciary duties is sometimes too much.

The FBI recently had agents posing as a Florida-based hedge fund manager to nab 10 individuals in 5 kickback schemes connected to securities sales. The SEC charged 10 individuals, and the U.S. Attorney’s office charged six, with criminal offenses.

In each case the posing hedge fund manager told the targets that their actions must be kept secret because it violated his fiduciary duties, making it explicitly known that what was going on was illegal and un-ethical. “This case illustrates the Commission’s ability to work together with criminal authorities in creative ways to uncover fraudulent schemes and to protect our markets,” said Linda Chatman Thomas, the head of the SEC’s enforcement division.

*Bottom Line:* If you are smart enough and hard working enough to be successful, you don't need to ever cut corners and blatantly break securities laws. Innovation and relationships are the competitive advantage that should make you extremely profitable, not cheating the system.
Get a Job at a Hedge Fund

I recently wrote a hedge fund career related article for Investopedia.com on how to get a job at a hedge fund. The steps I suggest in this article include:

1. Make sure you really want to get a hedge fund job
2. Become a student of the hedge fund industry
3. Use the 3 circles strategy for your career decision making progress
4. Identify several mentors to help you secure a hedge fund job
5. Complete multiple hedge fund internships
6. Develop your unique value proposition
7. Hedge fund job tips
8. Land the unadvertised hedge fund job
9. Consider hedge fund service provider jobs
10. Apply to hedge fund jobs
Hedge Fund Designation: Why Complete A Program?

**What is a Designation?** A designation or certification program is a educational course on a niche professional skill or industry in which a third party confirms or verifies knowledge and/or experience of candidates looking to improve their career or business in the field.

Many hedge fund professionals complete the CHP hedge fund designation program because it provides an online-based learning system to master the fundamentals of how hedge funds operate and then allows you to specialize in one of three areas of work in the hedge fund industry: Hedge Fund Marketing & Sales, Portfolio Analytics, or Hedge Fund Due Diligence.
Marketing Tactics

5 Unique Fund Marketing Tactics (1 of 3)

This is part 1 of a 3 part series on unique hedge fund marketing tactics that managers should investigate further while attempting to raise capital for their funds. Before taking any of these actions please consult with your compliance and legal counsel for confirmation that you are able to use these methods to market your specific fund.

Public Relations Management - Public relations has to be one of the most ignored marketing tools of hedge fund managers today. I have worked with over three dozen hedge funds on their marketing plans and capital raising efforts. So far, the most intense public relations effort I have seen set forth was a single press release over a four year period. This is not to say that any hedge fund that is not publishing at least 4 press releases a year is doing something wrong. Many could benefit by simply making themselves more available to the press.

The media is hungry for real-time opinions of hedge fund managers, traders, and marketers. They need comments on current market conditions, trends in hiring and firing of traders and portfolio managers and what prospects lay ahead for the industry as a whole.

Many hedge fund managers shy away from contributing to stories in the press. I would strongly encourage you to speak with your legal counsel and see if they would approve of your discussions with the media if you stick to industry trends, general market trends and long-term movements you are seeing in the industry.

Top 4 Tips for Taking Advantage of Public Relations for your Hedge Fund:

1. Speak to your legal counsel to check on exactly what you can say or not say to the press.

2. Develop a list of 10-15 targeted publications that you would like to appear in. Identify the editor of financial columns in that publication or news source and introduce yourself to them as a resource.

3. Speak at public events, conferences, networking events and other places in the industry where you will be heard not only by others in the industry but probably a few members of the press as well.

4. Consider writing a book on your insights and experience. Many professionals in the hedge fund industry are often interviewed on TV after they have published a book on a specific topic in the hedge fund industry, such as regulation or quantitative trading. Yes, writing a book sounds extreme to many who are already working 50 hours a week. That is precisely why it would be so effective to consider doing so. Those who do have the time and skills to write well are often not the same as those who have the experience and insight.
Marketing Tactics

5 Unique Hedge Fund Marketing Tactics (2 of 3)

This is part 2 of 3 in a series on unique hedge fund marketing tactics that managers should investigate further while working to raise capital for their funds. Before taking any of these actions please consult with your compliance and legal counsel for confirmation that you are able to use these methods to market your specific fund.

Educational Marketing - One of the most effective ways you can market your hedge fund is by being 4x more educational and easy to understand than your competition. I wrote here in my blog last year that a recent survey showed that over 78% of institutional investors will not invest in something that they cannot understand, I would imagine that for HNW investors this figure is even higher.

While some managers purposely position their fund to appear "black box" and top secret you could market your fund as being more open, transparent and simple in how you approach explaining your investment process. This does not meant that you ignore advanced methods or models of trading and managing portfolios, but it would require more of a 10,000 foot view and explanation of your investment process instead of the 500 foot views that I often see.

The trick in doing this right is balancing providing enough detail and real meat that an institutional investor or consultant will gain some granularity while you don’t completely overwhelming HNW investors or wealth managers who may be less versed in common hedge fund strategies of portfolio management techniques.

Here is a list of 4 additional ways you may market your hedge fund in a more educational or simple way:

1. PowerPoint - Dedicate 20% of your PowerPoint presentation to educational content. Asterisk all industry terms and note that definitions are provided in the back of the presentation. Explain your investment process so that anyone could understand, at least on a high level how your fund operates. Start with your team, high level investment process and how that all comes together before digging into trading examples or risk management tools.

2. Folder - Many managers use a folder of marketing materials while meeting with clients. This often includes a one pager, PowerPoint presentation, and a recent quarterly market outlook newsletter written by the PM. It is wise to always include some additional reading in the folder as well. Provide 2-3 white papers written by experts outside of your firm that speak to the trends related to the assets your firm invests in or strategy your firm employs.

3. Speaking & Writing - This also came up in the last post in this series on public relations but I would highly recommend writing and speaking every week to help build a presence, brand and network in the industry. Speaking at wealth management conferences and HNW related events can be highly effective.

4. Wealth Management & Financial Planners - One of the most ignored sources of capital
for hedge fund managers are small to medium sized wealth management firms and financial planning groups that serve HNW professionals from time to time but don't manage $1B+ in total assets. Many of these groups work as part of a broker-dealer network or RIA and they may only meet in person with 5-10 hedge funds in any on year vs. larger institutions that may meet with several each week. These relationships take a long time to build into effective sources of capital but I have found that if you approach them in a more educational fashion than your institutional leads they can pay off as very sticky long-term accounts.
5 Unique Hedge Fund Marketing Tactics (3 of 3)

This is part 3 of 3 in a series on unique hedge fund marketing tactics that managers should investigate further while working to raise capital for their funds. Before taking any of these actions please consult with your compliance and legal counsel for confirmation that you are able to use these methods to market your specific fund.

Forget about contacting more investors. Yes, it may seem illogical to forget about contacting new investors while attempting to raise capital, but this may be what you need to do to meet your business goals. Many of the hedge funds I speak to want to be connected with investors, they want lists of family offices, seed capital providers or HNW wealth management firms. While accessing more investor contact details may be a useful resource and improve your marketing efforts it is often not the real constraint that is holding your business back.

No business is perfect, every business has some constraint that if removed would help the business more than anything else. Sometimes this constraint is portfolio management expertise, sometimes it is marketing materials, and many times it is lack of institutionalized processes and tools. Very seldom do I meet with hedge funds that if provided with a long list of 1,000 investors would explode in assets under management.

Most hedge funds do not take the time to write down all of their current business problems or symptoms and ask the “why” questions needed to identify the root constraint in their business model. A good tool that I have seen used by half a dozen management consulting gurus is the "4 Why Process." If you ask why something is happening 4 times you will get to the root cause of the problem.

- Initial Problem/Symptom: Why don't we manage $100M in assets yet? Why?
- Potential Answer: We are not raising capital from wealth management firms as you had hoped. Why?
- Potential Answer: Our marketing materials have not been brought up to part with the competitions, they are light and our investment process is poorly described. Why?
- Potential Answer: We know that you should be paying a consultant or in-house marketer to help with both marketing materials and generating know how but you have not hired one. Why?
- Potential Answer: We do not have the profits available to hire a full time marketer but we get around to creating a system to share equity, grow relationships with third party marketers or build a marketing related advisory board.

The point of this exercise is to identify what the bottleneck is that is slowing down your growth. A hedge fund can be seen a 20 link chain, you must have all 20 strong links in place to keep the business growing long-term. If 19 links can carry the weight of a $300M fund but one link is only up to par for a $10M fund than you will limit your growth and you may never or only very slowly grow into a $300M fund. The biggest return for your investment of time and money will be to focus on that one broken or sub-par link in your operations, marketing, trading or internal business processes, anything else would be a relative waste of money or energy.
This is a unique marketing technique because it is a reminder that the smartest thing you could do for your marketing and sales campaign may have nothing to do with picking up a phone or buying a database of investors. Before spending more money or valuable time try to consider the following 2 tips for improving your ability to attract investors:

Use the "4 Why Tool" to drill down deeper into the top 5 problems that you see your fund facing right now. Often times 3-5 problems will often be symptoms of a single root cause that can be directly addressed.

Ask others including your advisory board, current investors, potential investors and co-workers what is holding your fund back. Do not settle with two word surface answers and try to identify what 3-5 action steps your fund could take this quarter to improve how you are positioned and address the #1 limiting factor in your business.
Hedge Fund Marketing Hurdles

We recently held a 1/2 day hedge fund marketing training seminar in New York City as part of our Hedge Fund Marketing Mechanics series. Here we covered in-depth hedge fund marketing tactics, strategies, competitive edges, tools, and innovative marketing materials. During the event I saw a common trend of what seemed to be tripping up hedge fund managers who were trying to raise capital. Most of their challenges revolved around these two marketing hurdles:

- Not enough time, staff, or interest from third party marketers who have an interest in marketing their type or hedge fund with their level of current AUM

- Not enough checklists, training, internal processes, and best practices developed to make sure the fund marketing process is consistent and will eventually churn out new investor and sources of capital
Email Marketing Best Practices

I worked as a risk consultant and capital raiser for 7 years before starting my own firm. During the last few years of those positions, I was responsible for raising most assets on an email and phone-based system and I have slowly picked up some tips for capital raising since then. I started my own firm 2 years ago and since then I have sent and received over 800,000 emails. Our business is so email-based that we have been forced to study best practices in this space to improve our efficiency at connecting with potential clients.

Most CEO's don't invest their time or put much importance on managing email communications. One of my favorite quotes by Brian Tracy is that, “If you want what to have others don't, you have to do what others don't.” If you invest your time in increasing your effectiveness at email marketing you will have an edge over others.

Tonight, I'm speaking on email marketing for capital raising. I will be sharing best practices in reaching out to potential and current investors through writing copy and using email marketing best practices. While 99% of those reading this will not be able to attend the event we will be posting a recorded video of this discussion to Hedge Fund Premium and sharing some of the tips below in this post:

Email Marketing Best Practices

1. **Understanding the Importance of Copy**: What is the difference between a $1 and a $100 bill? The message on the paper. The message in your email, the message in your investor letters, and the message in everything you write will determine the difference between it being worth $1,000 and $100,000. I think that sales copywriting is consistently under-valued and overlooked by business and investment professionals of all types. One of my best tips for email marketing would be to simply not overlook the power of a carefully constructed email marketing campaign or well written piece of communication.

2. **Use the professional's first name in the email subject line.** The Marketing Sherpa 2008 study showed this increased open rates by 30%, using both the first and last name increased open rates by 22%.

3. **Focus on the Headline**: The most important part of any piece of copy is the headline. Often times over email the headline of the email is a slight variation of the subject line, perhaps the subject line minus the person's first name. Focus on fitting a benefit and then the chain reaction of that benefit into the headline if possible. "Double Your Capital Raising Resources to Cultivate More Investors Each Day" We have found that putting the benefit after your firm name is most effective. Just be careful not to promise benefits that are odds with your compliance department.

4. **Focus on the Start**: Hook the reader in the first paragraph. Make sure the first paragraph is no longer than 2 sentences and provides a very concise summary as to what will be discussed in the following message. If possible try to fit in both what the benefits will be of hearing this information and what the dangers are of not paying attention to this information. Psychology studies consistently show that professionals are almost twice as likely to listen more closely and take action on information related
to a fear or some negative result rather than some potential benefit or positive outcome. This does not mean you should scare clients into working with you, but you should hook readers using framing that mentions the positive as well as negative consequences of not taking action. The recent use of email browsers that let you preview the first 50-150 words of email messages make the start of your email even more important.

5. **Use Professional Email Distribution Services**: Use a professional email distribution services such as Aweber, this costs $10/month or less to start using. By using this service your emails will be delivered more often, your campaigns will be more organized and the service will more than pay for itself through saving you and your time valuable time. Make sure that whatever service you use, you consider opt-in confirmation and enable an unsubscribe link at the bottom of each email you send.

6. **Automate Relationship Development**: Use automated follow up emails. Write a series of 20 educational emails covering industry white papers, industry findings, commonly misunderstood terms, and information about your fund. Once you have qualified an investor, ask for their permission to opt into an email list that will automatically email these professionals once a month for the next 20 months. If you deliver value in each of these 20 emails your further inquiries will be well received. We currently use Aweber to send out automated emails to over 100,000 professionals each month.

7. **Use Stories**: Whenever you are writing an email or sales letter try to incorporate a story of some type. How was this product created? How did your career and experience evolve and bring you to this point? Where have you gained your expertise and knowledge? If you scroll up to the beginning of this post, you will see that I have a short story about my own experience with email marketing that led me to write this article.

8. **Picture & Signature**: End your communication with a picture of the professional on your team that is held out as the communicator or leader. Make sure that a real scanned signature and professional picture are included to help readers connect with your team.

I hope these tips help you improve your email marketing campaigns.
Do This If You Want to NOT Raise Capital

Everyone has advice on how to raise capital. Many times, the advice they give naturally benefits them financially through expensive services, turn-key services, or consulting retainers. While some who sell the following services or provide consulting in these will surely disagree, here is a short list of things that may be stopping you from raising capital.

1. **Trying to outsource all of your marketing activities to some third party firm** who will "handle everything." Why this is a waste: They won't handle everything, and more importantly, your firm won't learn anything. It would be wise at some point to outsource capital raising to a third party marketing firm but you still need to manage the process, constantly help improve the marketing materials, participate in due diligence calls, and review the Master DDQ.

2. **Paying $3k-$10k for "placement" or "promotion" on a popular website** where your firm’s logo or bio is promoted more frequently than other managers. Why this is a waste: Most of the time investors are searching for something very specific and with this same $3-$10k you could meet with some high potential investors in person, develop a video overview of your investment process, or reach out to hundreds of new potential investors directly instead of trying to appear in front of them passively on a website.

3. **Paying for a family office database or hedge fund investor directory and then blanket emailing the whole list** hoping that this shotgun approach will result in a handful of promising responses that will be easy to close on investing in your fund. Why this is a waste: Nobody likes to be spammed and every family offices and investor is different. To raise capital you must approach each high potential investor individually and learn about how they work, how managers get approved by their investment committee, what they look for in managers, and their history of investing in the space. Never spam lists of potential investors.

4. **Planning on the "build it and they will come" model.** Many managers believe that if they build the track record the money will come pouring in, but in my experience this only happens in 5-7% of all fund manager businesses. Most that raise a lot of capital did so consciously through constant effort and daily action towards the cause. I was this morning in a meeting what the real secret is to raising capital for hedge funds and my answer was, "it is simple, work very hard every day." If you have read my blog than you know from past posts that I give a lot of practical advice on what to work hard at each day...but that is at the essence of success in hedge fund marketing.
Top 10 Hedge Fund Marketing Mistakes

Our team provides over 1,600 hedge funds a year with capital raising advice, resources and products. Our team has also helped raise hundreds of millions of dollars in capital as well. Through these two sources of experience we see many of the same fund marketing mistakes made over and over again.

If you can avoid these mistakes you will be more effective than 80% of your competitors in the marketplace.

Top 10 Fund Marketing Mistakes:

1. **Mistake #1**: You have a 3 month capital raising goal. This is un-realistic and the wrong mindset to go out of the gates with. You need to plan, build relationships, educate potential clients, and design high quality marketing strategies and materials for the long term. It takes time to raise lots of capital and usually the more valuable the investor, the longer the sales cycle. Don't try to cram everything into a 1-3 month capital raise.

2. **Mistake #2**: Counting on simply building a track record and then hoping to outsource all marketing to a great third party marketing firm down the road. This puts all of your eggs into the third party marketing basket. Third party marketers have hundreds of potential clients approach them each year, it is risky to assume one will not only take you on as a client but actually raise a sustainable level of capital for you.

3. **Mistake #3**: Spending $8,000 on graphic design and website design but $0 on hiring someone who is an expert at sales letter construction, writing copy, and creating headlines and taglines for your positioning in the marketplace that will be effective. Many times I see fund managers that want to look very professional but there is no meat in what they are saying, or hook to draw in the reader.

4. **Mistake #4**: Not dedicating resources to capital raising is the most obvious mistake that I see in the industry. Many fund managers will act as the CIO, make 2-3 phone calls a week or sometimes per month and then wonder why they have not raised more capital. Performance does NOT market itself, pedigree does NOT swing all doors wide open. You need to have dedicated resources, an internal marketing resource working at least 20 hours a week, investor databases so you can spend your time calling on real prospects instead of always having to qualify them, and have a growing internal CRM or IRM system in place to track this investment in investor relationships.

5. **Mistake #5**: Speaking at conferences full of your closest competitors instead of your highest value potential investors.

6. **Mistake #6**: Under-estimating the value of a first name basis relationship with your top investor prospects. Some professionals, especially those with technical backgrounds think that marketing is a numbers game. Yes, you sometimes have to reach out to many to develop relationships with a few but relationships are at the core of everything that gets done. As Jeffrey Gitomer says, "All things equal, people like to do business with friends. All things being unequal, people still like to do business with friends."
7. **Mistake #7:** Another mistake I see in the hedge fund space is a lack of capital raising training or fund marketing instruction. You do not have to pay to have your marketing staff trained but at the very least you should document your own best practices, processes, investor pipeline development plans so they can be easily communicated to team members, board members and then constantly improved each quarter.

8. **Mistake #8:** Missing the boat on authority positioning, educational forms of marketing, and improving their own pedigree standing in the industry.

9. **Mistake #9:** Writing off PR: Most managers shy away from or completely ignore public relations as an avenue for helping create interest and positioning for experts on their team. Many funds have now successfully employed the media to spread messages about their fund.

10. **Mistake #10:** A mistake that I see 90%+ funds doing today is using a boring, run of the mill Unique Selling Proposition (USP), or worse yet, not having one at all.
Powers Words to Raise Capital With

I was recently at an Eben Pagan training session on marketing and during a session at that event we focused in on power words to use in copywriting.

Copywriting Definition: The use of powerful and persuasive writing in marketing to get your prospect to action.

During this session Eben shows us the results of a college study that showed that the following words are some of the most powerful in the entire human language:

* You
* Money
* Results
* Save
* New
* Easy
* Love
* Discovery
* Health
* Proven
* Guarantee
* Free

How many of these words are relevant for hedge fund marketing activities? Many. The truth is that copywriting is an after-thought at best in our industry so if you can incorporate some of these words in a way that doesn't come off as "salesy" than you could do very well by having far more engaging marketing materials than your competitors. Some practical applications of power words in your marketing could include:

* Team bios
* Pitch Books
* Email subject lines (big one)
* Voicemails
* One pager headline or description pieces
* Book & Whitepaper titles

Obviously throwing words randomly into a title or subject line is not going to increase the response is you sound like everyone else in the industry so as usual it is not a cure-all for raising capital but it definitely can help.
Institutional Investors

SEI recently completed a survey of institutional investors and their perspective on hedge funds. 100 institutions were surveyed and 47 were currently invested in hedge funds. Even the ones who were investing in hedge funds had extra due diligence steps to ensure that each allocation to a hedge fund manager is done in a deliberate and cautious fashion.

The problem I have with this is often selecting hedge funds in a "deliberate and cautious fashion" often boils down to a RFP or due diligence checklist where you are basically looking for those 30 hedge funds that can check every box on your list. This is not a bad thing to have in itself but often it becomes the real life and center if not whole process in selecting a hedge fund manager.

"Headline risk" was named by 37% of survey respondents as their biggest worry, followed by lack of transparency (19%) and poor performance (15%). Institutions also remain cautious in selecting hedge funds, the survey found, devoting an average of seven months to due diligence and 12 additional weeks to approval.

Interviewees ranked "consistent, stable returns," "uncorrelated returns," and "high risk-adjusted returns" as more important objectives than "high absolute returns." Seventy-two percent of interviewees said the investment strategy, rather than performance, is their starting point for hedge fund selection.

Paul Schaeffer, managing director of strategy and innovation for SEI’s investment manager services division, says, “To maintain that growth trajectory, the hedge fund industry will need to branch out from its traditional high-net-worth, foundation and endowment clientele to serve the broader institutional market.” He adds: “But to compete for those assets, the industry must recognize that large institutions have a distinct set of demands.”

Top 4 Factors Institutional Investors Look For In Hedge Funds

1. **Reporting & Transparency** (85% of institutional investors reported that they would not invest in a strategy they did not understand)
2. **Institutional Quality Infrastructure and Operations** (54% of institutional investors pointed out that better managed firms return higher performance)
3. **People.** Build stable hedge fund management teams at all levels the hedge fund company
4. **Disciplines.** Shift away from focusing exclusively on performance to investment disciplines.

The white paper concludes by stating:

*The take-away message is that institutions clearly prefer to do business with institutional-style organizations," concluded Schaeffer. "For hedge funds, the challenge will be to fit the profile of an institutional-quality fund while preserving the performance attributes that attracted major investors in the first place."*
Hedge Fund Marketing Materials Tips

Below is a list of my top 10 tips to those professionals who are looking to create a pitch book for their hedge fund. My advice to both $30M and $1M hedge funds is that you can never start this process early enough. It is an iterative constantly evolving project that will never be complete. Here are the top 10 tips for creating your hedge fund marketing materials.

1. Think long-term. Invest in creating a robust institutional quality pitch book the first time around and complete 5 drafts of it internally before showing it to a single investor.

2. Stress your team, investment process, and risk management controls and how they all interact inside the operations of your hedge fund.

3. Make your competitive advantage clear and do not rely upon canned phrases such as “positive returns in bull or bear markets” anyone who reviews hedge fund materials for a living see these by the hour. Your advantage must be unique.

4. Stress the importance and individual functions of your team, your experiences and pedigree. This should be the foundation upon which everything else is built.

5. Do not send any pitchbook or marketing material out before speaking with a qualified compliance or legal counsel on your team.

6. Create a one page marketing sheet, full 13-20+ page PowerPoint presentation and one page newsletter that would be released monthly providing your view of the markets in your niche area of expertise.

7. Work with high caliber service providers so that you don’t bring extra skepticism upon a relatively new fund that may already be scrutinized by potential investors and advisors.

8. Use your whole team and prime brokerage business partners and other service providers to improve your marketing materials. Professionals who work in prime brokerage or administration see many types of marketing materials and can help provide valuable feedback at no additional cost to your fund.

9. Do not create a PowerPoint presentation that is longer than 30 pages. There are some institutional money managers who run 3 similar funds and will sometimes cover each of these in a single presentation, but this is the exception. 95% of the people who you will send the PowerPoint presentation to will not ready more than 15 pages of the material unless you are walking them through it over the phone or in person.

10. Purchase the rights to graphics, choose a unique, simple and professional layout for the presentation and use the new Windows Vista diagramming tools to create institutional quality presentation. Coming into a meeting with a word document or 25 pages of bullet points is not very effective. It is hard enough to catch an investors’ attention and bring them to the table to discuss your fund, you don’t want to lose them due to the aesthetics of your PowerPoint.
Combating a Battered Image of Hedge Funds

While G20 leaders meet and among other things discuss the global regulation of hedge funds it is important to consider what we as hedge fund professionals can do to help improve the overall image and collective actions of the hedge fund industry. At some point it is in the best interest of everyone in the industry to not only act with the best intentions but to also take it one step further and pro-actively communicate a consistent message of transparency and trust to fellow employees, investors and the general public.

There are concrete things that hedge fund managers can take action on today to help improve their ability to manage their image and their share of the hedge fund industry's image through their investors, press inquiries and the conferences and networking events they attend. A few steps that can be taken could include:

1. Creating a Formal Board of Advisors: I have seen some hedge funds grow not because they have hired the most third party marketing firms or spent the most on face-to-face paid introductions but because they sought advice and advisory from a diverse and experienced group of industry professionals. Building a board of advisors of 4-12 professionals with experience in running the portfolio management, marketing, and operations of a fund can make the difference between making it to the $100M and $1B marks or staying off the radar of most investors forever.

2. Managing Your Public Relations: No, you do not need to spend $12,000 a month on a public relations consultant, but at the very least you should speak with other managers on how they handle inquiries. Talk with your compliance advisor about what you can say and not say, and decide, as a fund, what clear messages you will be trying to send when there are opportunities to speak with the press or at an event or conference. These opportunities are numerous for those who seek them and are ready to execute when the time is right.

3. Creating an Ethics Policy: Every fund, from the three person startup to the 300-employee multi-billion dollar funds should have an ethics policy. This policy should be public, followed and principles-based as much possible since new situations arise daily that may not fit a rigid list of rules and commands.

4. Increase or Emphasize Your Skin in the Game: Many investors, press professionals and consultants I speak with often forget that a good number of hedge fund managers have invested in their own portfolios. If you have 70-100% of your net worth or liquid net worth invested in your fund, explain this to your investors it is surprising how seldom this is mentioned in current industry marketing materials. You need to have something to lose if clients lose, in many cases investors want a group that is motivated to quickly cut potential losses and protect the portfolio above all else.
Hedge Fund Logo | Branding Help

If you are looking to improve the branding for your hedge fund or setup a new hedge fund I would strongly recommend using Design99.com for the work. Here is how it works.

You go to Design99.com and start a new contest for $300, you get dozens if not hundreds of logo proposals from designers all over the world. You provide them feedback as they compete with each other for the $300 payment. If you like one of the logos enough after a week you choose them as the winner and that one designer gets paid $300. It is a very inexpensive way to review dozens of ideas and then pay only for what you like.

I am not an affiliate of Design99. I do not get paid in any way for writing this. I simply have found the business such a valuable resource that I believe this will help many hedge fund managers improve their marketing and branding efforts. Hope this helps.
Hedge Fund Marketing Best Practice - Kick Your Own Ass

Lately I have been meeting with and speaking to many experts in capital raising that collectively have raised over $100B in the hedge fund industry. One thing keeps coming up again and again while we complete these interviews for the upcoming Hedge Fund Marketing Mechanics product.

That is that while there are best practices, time saving strategies, costly mistakes to avoid, and blazed paths to follow part of the winning solution for hedge fund marketing is simply working your face off.

You have to make mistakes, take action, implement what you learn, and try what is being taught. You cannot outsource everything, you have to invest your personal time in doing these things and as Wyatt Woodsmall says knowing plus doing is when learning occurs.

Simply knowing something leads to zero growth and zero progress. You can know everything in the world but without taking action you are not going to raise a single dollar. Jeffrey Gitomer was one of the first "sales gurus" that I was trained by and he always talked about waking up every morning and kicking your own ass. If you do this daily, and with focus you are 20x more likely to eventually succeed and raise the capital you need.

I hope this post is reassuring to those who are reaching out to potential investors daily and constantly improving their marketing materials and a source of motivation for those who have been putting it off for too many months or years without serious attention.
4 Steps to Investor Pipeline Development

I was making my way through some marketing training materials last night from Mr. Frank Kern and came across a marketing process that may seem somewhat like common sense, but helps to think about to ensure that you are presenting a complete marketing message to your potential fund investors. In the marketing training program Kern suggests you follow this process while moving your prospects through different phases of engaging your firm:

1. Interest and Desire: Provide a white paper, speech, update your perspective of the markets that catches the attention of your potential investor.

2. Trust: Develop a relationship with the potential investor, build trust by providing client quotes, industry recommendations, and comparison analytics between your fund and others.

3. Proof: Show proof that your fund has a high degree team, detailed consistent investment processes in place, and an advantage of some type that can be tangibly displayed or confirmed.

4. Sample: Allow the investor to start with a small minimum investment, provide examples of what other investors like them have done in the past, or present case studies on three different types of typical investors that you serve so they can imagine then being in that position.

The descriptions next to each bold word above are less important than the process itself. If you can grab the attention of the investor, build a relationship with them, provide proof of your abilities and performance, and then combine that with a sample you will be several steps ahead of much of your competition.
Bad News: There is NO Magic Bullet

The bad news is there is no magic bullet to raising capital. I spoke with at least a dozen managers this past week at our Hedge Fund Premium networking event in Chicago. Most were looking for capital raising help of some type and we discussed many roadblocks that managers are seeing between them and the AUM levels they are trying to achieve.

Our firm provides some capital raising tools, but I believe that daily action and discipline is the best thing that a fund can do to raise capital. They must take responsibility for marketing their fund and have someone reaching out to new investors on a daily basis. If they do not, they will forever remain in the bottom 20% of the industry in terms of assets. Very few funds gain their initial assets through a super powerful third party marketing firm. Third party marketers typically like to work with managers that have some AUM momentum or foundation underneath them.

To raise capital, I believe managers need to have superior tools and processes when compared to their competitors. This means superior investor cultivation processes in place, superior investor relationships management, superior marketing materials, superior outreach efforts, superior email marketing, and superior focus on investors that actually have the potential of making an investment. Each of those topics mentioned above could be discussed for a whole conference and all of these moving parts need to be in place to compete in today’s industry. While this does not mean you need to out-spend others, you do need to strategically plan your marketing campaign.

There is a good quote that I heard that goes something like “If you want to have what others don’t you have to do what others won’t.” In other words if you want to grow assets you must put in the extra work, planning, and strategy that others skip over.

Every morning I try to listen to a 45-minute, custom MP3 audio session of business lessons, marketing tips, and positive thinking notes. A great quote I hear every morning by Brian Tracy: “Successful people dislike doing the same things that unsuccessful people dislike to do, but successful people get them done anyways because they know that is the price of success.”

This is connected to an interview Brian conducts in which a multi-millionaire says that success is easy. “You must decide exactly what it is you want, and then pay the price to get to that point.”

All of this may sound wishy-washy or non-exact but I think it is very important to realize that there is no one single magic bullet for raising capital. It takes hard work, trial and error, and a superior effort on all fronts to stand out from your competition.
Best Practices of Large Hedge Funds

Below is a bullet point list of some of the best practices I have seen in $1B+ hedge funds that often times are missing in smaller hedge funds.

Giant, well-run hedge funds often have:

1. Better research processes in place. These are constantly being improved in many ways every quarter. They focus on kazien, the act of constantly improving.

2. Documentation. Their compliance processes, operational procedures, compliance checks, internal controls, hiring processes, and risk management techniques are all documented in great detail to help ensure consistent quality and improve what is being carried out.

3. International marketing and sales teams that cover institutional investors and consultants in Europe and the United States, if not also in Australia, South Africa, South America, and Asia.

4. Deep pedigree with larger pocketbooks. The largest of hedge funds are able to retain the most experienced experts not only as adjunct advisors to the fund but full time employees or consultants that provide daily or weekly insights on upcoming investment opportunities.

5. Human Resources strategies. Many small hedge funds do not have any long-term talent development, or Star Employee hiring practices in place. Larger hedge funds do and must to keep their organization moving forward and growing over the long-term.

6. Master DDQs. Every large hedge fund I know of has a very thorough master due diligence questionnaire that is constantly updated. The larger the hedge fund, the more likely it is that their investors will be asking for a very thorough DDQ during the due diligence phase.

7. Superior Marketing. Larger hedge funds have moved to the top of the learning curve when it comes to raising capital. They use multi-modality marketing channels and materials, and they have relationship development processes and goals in place that match up with the long-term growth goals of the fund. They are also more than willing to invest in the best graphic designers and sales copy writers who can provide another edge over those who skimp on their image and marketing presence.

8. More In-House Functions. While large hedge funds still use service providers and rely upon business partners, many of them have large enough staffs and unique enough processes that some work such as some investment research, operations, accounting, or marketing may be done in-house instead of being outsourced to service providers such as administrators or third party marketers.

9. More Verification Points. The largest hedge funds have been asked 500+ times for their holdings, and 3,000+ times for their PowerPoint presentation. They have completed hundreds of due diligence processes and are use to working with consultants who need
to check every fact, assertion, and claim. They are use to operating in the world of providing evidence for everything said, and because of this may quickly meet the requests of investors who ask for such evidence.

10. Long-Term Strategies & Goals. Most large hedge funds I know of plan strategically for the next 3-7 years when evaluating who they hire, who they market their fund to, and where they open offices. In contrast, most small hedge funds are very focused on day-to-day or month-to-month operations and most think in terms of 1-3 year plans. When investors see the fund planning for and investing for the long haul, it shows. That is part of why some larger hedge funds receive more allocations than small ones. They have the infrastructure and mindset more in common with an institutional investor.
Presuppositions: How to Use a Presupposition

Here, we are going to talk about presupposition. This is something that may be used to help write a newsletter, email, or elevator pitch. It comes from the world of Neural Linguistic Programming (NLP) and it is very applicable to day-to-day business, marketing, and sales activities.

Presupposition can be defined as the way of marketing in which you assume that the audience is going to be buying into your ideas. For example, we are coming out with a Capital Raising DVD Training program. Below is a marketing pitch for this using the presupposition approach.

Example: The Capital Raising DVD product consists of 6 DVDs, a workbook, a cheat sheet, 2 audio CDs, and flash cards. After you have purchased the product, we will email you your membership details and you can begin using our training materials online. It will then take approximately 6 days to receive your box of training materials in the mail. Once these materials are received, you will have the option of using the hard copy materials or the digital copies available online.

Note: Many times in the paragraph I referred to actions the person “would take,” I did not refer to actions that the person might take or “might take if they decide to purchase.” The importance here is assuming they will be purchasing your product. If you have something truly valuable, then you will be speaking directly to individuals who will in fact buy your product. The power of this thinking is that it helps build momentum towards making the sale. It moves them closer to completing the order form.

Warning: If you do not have a good relationship with your email marketing list or are you brand new to the industry, the over-use of this tactic can come off as cheap and look like hucksterism; use it lightly. This tactic is not a magic bullet. It does not mean you can ignore standard copywriting, risk removal, product samples, and testimonials. This is one of 20-30 tactics that when all used together, will help raise the response received from traffic on a website or mailings sent to an email list.
William Edwards Deming

An influential person for me in business is William Edward Deming. He has a quote that reads, "If you can't describe what you are doing as a process, you don't know what you are doing,"

I think this also goes along with another popular business quote, "What gets documented gets improved."

Most investment funds and family offices that I have worked with do not have an investor cultivation process or pipeline drawn out as a process. They do not have their ongoing investor communication strategy documented, and in many places the only documentation of their investment process is at a very high level in their marketing materials. I think many hedge funds, portfolio managers, and capital raisers could benefit from using PowerPoint or a free program such as Bubbl to document their processes.

This documenting of critical processes takes little time and costs nothing to do but allows you to step back from the process and evaluate it, improve it, or delegate where appropriate. Our firm recently used Bubbl and PowerPoint together to describe a business process we were completing ourselves. We were able to not only use this internally but also externally as we trained a third party we had outsourced some work to.

The processes I have found to be valuable to document are:

- Investor acquisition process
- Current investor communication strategy
- Hiring new employees
- Managing your portfolio on an ongoing basis
Emulating Capital Raising Best Practices

Last week I completed a presentation on capital raising in Moscow for the Bank Conference event on private banking. While there, I heard Graham Harvey from the Scorpio Partnership speak on wealth management and family offices. Some interesting points from his presentation:

- The financial recession really resulted in 2 levels of losses for HNW wealth managers: The 1st round was real portfolio losses, the 2nd round is reduced % of inflows and slightly lower margins, at this same time there is some inflow opportunity from other private banks and family offices
- Right now many private banks are focusing on developing a higher relationship management focus
- 75% of the top 20 banks have been associated with bailouts or capitalization efforts
- The wealth management market is large with an estimated size of $14.5T in AUM
- Best practices outside the banking industry are very valuable to banks. I see this with hedge funds and family offices.

The last point above is the most important take-away. Graham has consulted with some of the fastest growing and largest banks in the industry. One of his top suggestions is to take lessons learned from other markets, such as luxury goods or fast moving consumer goods, and apply those lessons to the private banking or hedge fund industries. I think that this is an area where hedge funds could take note and pick up some new best practices in terms of marketing and capital raising.
Alternative Investment Marketing & Sales

Yesterday morning I completed my speech on “5 Best Practices for Hedge Fund Marketing” at the Marcus Evans Fund of Hedge Fund Summit in Boca Raton, Florida. I got connected with some great funds that I have never heard of before and also ran into a few followers of HedgeFundBlogger.com and the FamilyOfficesGroup.com.

Below, please find some of the most useful and practical tips that I mentioned during my speech. The full video recording of the speech along with the PowerPoint will be available as part of the training materials in the Hedge Fund Group’s Certified Hedge Fund Professional (CHP) program in the Marketing & Sales focus of Level 2.

1. Focus on Building Authority: The power of true authority in an industry trickles down and puts other influential factors into motion that help you develop valuable relationships.

2. Move the Free Line: Give away your best ideas in press inquiries, books, interviews, articles, white papers and videos.

3. Diverse Investor Case Studies: Have at least two case studies of investors choosing to place capital with your firm for each of the major distribution channels you are focusing on raising capital from. For example have six total case studies if 90% of your efforts are focused on family offices, wealth management firms, and HNW individual selling.

Copywriting for Capital Raising

Before starting this article I want to quickly define what copywriting is. Copywriting is the use of words to promote a person, business, opinion or idea.

Copywriting is the most undervalued and overlooked tool that a marketer or sales professional can develop. Many professionals value cold calling skills, networking, branding, or public relations skills but I think that copywriting skills are the most valuable.

Top 5 Reasons Copywriting for Capital Raising is Important:

1) The headline of your letters, subject line of your emails, and first few words of your speeches are the most important. Crafting a great headline can take hours to complete, but can make the difference when it comes to being shown to others and never being noticed.

2) Many hedge funds, family offices, and private equity groups spend over $20,000 on their marketing materials each year, yet 95% of the money allocated is done so because that’s what has always been done or what sounds good. There is no A/B testing, and no efforts to find what may be more effective.

3) Every investment fund markets itself using emails and investor letters. Without copywriting skills you may not only be failing to connect with your audience, you could actually be turning them off and pushing clients away.

4) Investment funds of all types are started by successful traders and portfolio managers. Very few are started only by marketers. As such, niche marketing practices, like copywriting, are often overlooked or seen as unimportant.

5) 99% of your competitors are not using copywriting best practices
Fund Marketing License Requirements

Below is a recent question that I have received often via email:

What licenses should a hedge fund marketer hold? I have heard that one should have their series 7 and series 66, is this true? Also, what licenses should I hold if I am going to be marketing my firms separate account business and mutual fund as well as their hedge fund? Thanks.

My response:

I don't think you will find many responses to your question online. Most professionals are afraid of being seen as providers of legal or license-based advice over the internet. I would check with a broker-dealer, security lawyer, or compliance officer in the industry for your exact situation.

That said, in the past I have had one employer swear up and down that you hardly ever need a securities license to market the investment funds he worked with. Most professionals that I work with agree that you do need to be licensed for most types of work. The more professional and established a group is, the more likely they will be licensed. Why lose an account or client over not being licensed?

Hope this helps. Good luck and let’s keep in touch.
Hedge Fund Seed Capital

Hedge Fund Seed capital is the money a hedge fund tries to raise to launch or in its first year of operating to try to "get it off the ground" and hopefully raise enough assets to appear respectable to initial investors and provide initial momentum towards breaking even as a business. Hedge fund seed capital is in high demand, there are literally hundreds of investment groups looking for it right now and only three or four handfuls will receive any significant amount of it. Some hedge funds are seeded with as little as $500,00 while others receive up to $350M. From my experience I would guess that 68% of first year hedge fund seed capital levels range from $3M to $25M.

Hedge Fund Seed Capital Sources

1) Hedge Fund Seed Capital Source #1: High net worth individuals (accredited investors) who are familiar with your trading skills, past portfolio management experience, or clearly understand your competitive advantage in the marketplace.
2) Hedge Fund Seed Capital Source #2: Family & friends who are accredited investors.
3) Hedge Fund Seed Capital Source #3: Private equity firms. Many private equity funds have jumped into the space of seeding hedge funds and many will in turn work on raising assets for your fund once it will benefit both your fund and themselves.
4) Hedge Fund Seed Capital Source #4: Hedge funds. Some hedge funds have huge amounts of free cash flow and are looking for ways to re-invest it in strategies they understand and do not directly compete with products that they plan to create on their own.
5) Hedge Fund Seed Capital Source #5: Associated banks or investment networks will often seed new hedge fund products they are launching with significant levels of capital.

Hedge Fund Seed Capital-Related Trends

If you read hedge fund news every day, you will notice several trends emerging in the area of hedge fund seed capital. The most prominent is, as mentioned above: many private equity firms are aggressively placing seed capital with emerging hedge fund managers.

The second is that most of hedge fund seed capital is coming from established hedge funds and private equity groups or investment banks. I believe that banks are succeeding in convincing a small fund to give up 20-40% of equity in return for the funds because they also come with marketing and distribution resources that will make the total pool of available fees much greater. Many hedge fund managers have become millionaires after accepting outside seed money or an equity investment.
Marketing Hedge Funds to Financial Advisors

Almost every hedge fund manager has asset-raising goals and ambitions. I often get emails from hedge fund managers looking for someone who can help them raise capital. In general, hedge funds can raise assets through either:

1. Increasing their effectiveness in current channels of distribution, or
2. Pursuing new channels of distribution

Due to the difficulty in recruiting experienced hedge fund marketing professionals, most hedge funds stick to where they have raised assets in the past and in areas they are most comfortable. Some have seen some success for others or their own firm. Many aren't aware of all the new channels available to them, or how to capitalize on each one.
Capital Raising Methods and Focus

Below is a paragraph excerpt from the Hedge Fund Book, published by Wiley in 2010. It shares some advice on targeting different types of investors. While other consultants in the industry charge $250-$400/hr to provide this advice to hedge fund managers, I give it away here on my blog for free and in the book. I do this because my business is based on being a source of genuine education and valuable resources instead of just press releases and news re-runs.

The method by which Tassini Capital Management was raising capital was not effective. In addition to not using an Investor Relationship Management System the team had somewhat randomly been approaching many different types of investors from large European banks to small seed capital providers. The third party marketing firm consulted Chris and Brian Tassini and found that they were both unwilling to part with equity ownership in the management company of the fund in exchange for capital. They also reviewed past notes and confirmed that all efforts to work through institutional investment consultants had been stalled due to sub $100M AUM levels.

The result was a much more focused method of systematically approaching a mix of investors that included 10% institutional investment consultants, 50% wealth management firms, 20% multi-family offices, and 20% high net worth individuals. While institutional investment consultants were not going to invest any time soon they were kept in the mix so that the team could continue to receive valuable institutionalization feedback from the consultants.
Power of Focus

Below is a quote I used while speaking with an investment fund manager last week that was looking to raise capital. They were doing so by approaching every investor they could possibly reach. They were explaining to me that firm has so little resources compared to their $1B competitors, and I replied with the quote below:

“You can take a $5 disposable camera and take it out of the box, stand 10 feet from a building and take a great picture that will be developed and look good, if not great. You could stand in that same position with a $10,000 camera with every gadget, lens, and a tripod and it will not take as good of a picture if you do not do one thing: focus.”

- Brian Tracy

The point: You can beat your competition with a smaller staff, with less financial resources, and less experience if you learn to focus. Focus on your top prospect investors, focus on local potential investors, and focus exclusively on the types of investors that are most likely to make allocations to your fund. If you can dial-in on these three areas your hot prospect list, local investors and the right investor mix (family offices, wealth management, pension funds, etc.), than you can really cover a lot of ground quickly.
Hedge Fund Media Exposure & PR

In the past, hedge funds were barred from advertising or marketing themselves to the general public but they are often turning up in news stories. A report by Walek & Associates claimed that hedge funds are mentioned in news articles over 100 times/day, and over 39,000 times/year. This analysis was using data from 2005 and it does not include electronic newsletters or blogs. With 2008 numbers and the inclusion of blogs, I would guess that hedge funds are mentioned in ~1,200 articles each day.

Armel Leslie from Walek & Associates recommends that hedge funds heed the following advice when it comes to managing their PR exposure:

- Understand what the press wants and how they operate
- Have your own agenda and message every time you talk to a reporter
- Build and maintain relationships with key media
- Try to avoid “no comment”
- Assume everything is “on the record”

Most of that seems pretty Mickey Mouse but it is good advice as most hedge fund professionals have no PR training or experience and it can be an introduction to new investors or employees if managed right. Some people think that hedge funds are now choosing strategies in part that have a natural ability to gain a lot of attention from the media. It helps them build a brand and find new investors. Who hasn't heard of Citadel?

Third party marketing firms, hedge fund sales professionals and PR consultants who have real proven expertise in hedge fund media relations are worth more than they are usually paid. I would like to start a discussion around hedge fund pr strategies, trends and research. Do you have a few great or painful experiences that others can learn from? If anyone has a comment or question, please share it by emailing me.
Investor Due Diligence & Emerging Managers

My background is in marketing and I know one of the big challenges of raising capital for both emerging and medium sized hedge funds is that everyone wants their 3, 15 or 125 checkboxes to be complete. There are so many investment managers competing for capital that investors must limit who they seriously consider and complete expensive due diligence on to those that have top percentile performance, risk management tools, track records and AUM figures. This can be very frustrating and an ongoing challenge for many managers trying to grow their business and assets under management.

I got this email earlier today from a hedge fund manager:

"It would be interesting for you to post an article on how hedge funds that are doing well in 2009 are not necessarily the ones who will get capital given stricter due diligence requirements. For example, our fund, the XXXX XXXXX Fund was up over 50% through May and is up something in the range of 60% as an estimate through June yet it is still very difficult to raise capital because nobody wants to allocate to smaller funds."

and a follow up email from this same fund later in the day:

_I have come across your page a bunch of times and I figured I would make the suggestion. When you think back to when hedge funds first became popular, having the best of the best portfolio managers manage money for the extremely wealthy was more of a status symbol than anything else. Alternative investments have obviously evolved over time. But the idea was that these investors would take some risk in order to enable their personal portfolio managers to generate outsized returns. People seem to lose sight of the fact that there is still a tremendous amount of talented, brilliant managers out there who have been through many cycles and have the capacity to do extremely in months and years to come. Now is a time when people who take risk will get richer. Yet people are so gun shy that they run the risk of overlooking the best talent and missing opportunities that may, in some cases, only be available to the 200mm or 300mm boutique shops. They lose sight of what the business is about, of what they invested with hedge funds for in the first place. Unfortunately, it has boiled down to investors being more concerned with checking boxes and analysts at institutional investment firms being more concerned with keeping their jobs than truly finding the best talent._

While I don't agree 100% with the statement above, the manager makes a few good points and I would be interested in more feedback that other managers have about overcoming the "checkbox mentality."
Hedge Fund Advertising & Marketing Ideas

There are many restrictions on hedge fund advertising and marketing. Due to the broad mandates and relatively lenient registration and disclosure rules, hedge funds in the United States are only allowed to accept investments from accredited investors and institutions.

While this means hedge funds cannot take out TV or radio commercials, there are many more gray areas where many hedge funds are now “promoting” or “branding” themselves. I never provide financial advice on HedgeFundBlogger.com and this is surely not a recommended or list of “safe” ways to market your fund. No matter what you hear from a consultant or at a conference, always check with your own compliance officer or legal counsel before taking any action. Here is a list of ways in which funds are currently marketing their strategies:

• Websites – Many funds have websites describing their firm and investment strategy. Some go as far as to explain what their strategy is in detail along with their current assets under management and who is on their portfolio management team. These websites may cost between $1,000 and $25,000 to create and generally $30-500/month to maintain. A few hedge fund managers even run blogs.

• Public Relations Professionals – Many hedge funds actively engage public relations firms to help increase the number of quotes or in-story mentions their fund’s executives get placed in mainstream media outlets. These consultants may work on some one-off crisis management projects for a premium but generally prefer $2-12k/month retainers instead.

• Book Publishing – One of the many ways that hedge fund managers are promoting their businesses is through publishing books on the topic of hedge funds. These books may be on industry trends, portfolio management theories or one’s experience in the industry. Many professionals in the wealth management space are hungry to learn more about hedge funds and books that bridge the gap between what can be learned in editorial articles versus an educational book. Some niche publishers will publish books by hedge fund managers but most avoid publishing anyone who doesn’t have a marketing network or a real “media brand” behind their name that has been built up for several years. Due to this fact some hedge fund managers self-publish their own books through programs such as Lulu.com.

• Conferences – One way that hedge fund managers market themselves each week is by speaking at conferences and events in the industry. These events could discuss marketing and sales, hedge funds in general or be on niche subjects related to family offices or activist investing. This strategy can be highly effective because it can support and serve as a direct marketing arm for the strategies mentioned above. Most speaking engagements do not pay, but many firms will at least cover your expenses and display your logo and name prominently at the event. Broker dealer conferences can also be productive events for hedge fund managers to attend. If you can gain a distribution agreement with HNW-focused broker-dealer and obtain a speaking engagement or booth at their event it can be a great way to get your foot in the door with some new face-to-face relationships with HNW advisors with the specific broker-deal group holding the conference.

• External Consultants – While not technically advertising, thousands of funds choose to use the help of external consultants to help market their hedge funds. These consultants could be experts in raising capital in a specific channel, creating marketing materials or creating a
marketing message. Those consultants who take on whole or partial responsibility for raising assets on behalf of the hedge fund manager are often referred to as third party marketers.

- Naturally, it is important to complete thorough due diligence upon any groups that you ask to represent you in the market for both effectiveness and compliance reasons. Do not simply sign-up with someone to represent your hedge fund simply because they promise that they can raise the assets that you have been looking to raise.

- There are many other ways to market and grow your hedge fund that are unrelated to advertising or traditional marketing, but most of these fall under more traditional means or external consultants. If you have any unique ideas or have heard of any other effective methods that fast growing hedge funds have used, please send them by email.
Hedge Fund Marketing Plan | Tenacity Q & A

**Question:** Richard, from a capital raising perspective, what would you say is the time frame to raise money (say $10+ million) for a small, start-up hedge fund with no name recognition and with principals who have no name recognition and no pedigree in the alternative investment world? I would say 12 months at best. What do you think?

**Answer:** Great question. I would say 16 - 20 months would be realistic if they keep their heads down, have a great team, and use solid investment process. Those are big if’s though - it is easy to get distracted or discouraged. The first fund I marketed took 9 straight months of cold calling, emails, and conferences to raise a single dollar, but after 18 months we were raising $1M/week in new assets.
Hedge Fund Marketing in 2009

The right pedigree, strategy and track record is no longer a guaranteed recipe for success in raising or retaining of assets. More so than ever both hedge fund startups and established hedge funds are distinguishing themselves from similar strategies by marketing not only their track record and pedigree but also their operational, portfolio, and regulatory infrastructure.

Funds that fail to address the growing concern over fraud, mismanagement, operational, and regulatory risk may miss out on the opportunity to attract the billions of dollars of capital that has left the industry and may well be reallocated in 2009. Like it or not, the perception of the new world investor is that infrastructure and performance are directly connected.

To be well positioned in 2009, hedge funds must address an investor’s growing concern over operational and regulatory risk. This new level of scrutiny will increase the importance of effective and documented operational and regulatory risk management. Responding to a potential investor’s increasing desire for full transparency will be paramount.

Even if a fund’s AUM is small it can still improve its marketing position with investors in a cost effective manner by communicating a clear, transparent and customized plan to strategically mitigate risk as assets grow. Noted below are just some of the minimum “high risk” areas a successful hedge fund should focus on no matter its size or strategy:

* Portfolio management, investment guidelines, trade allocation, trade errors, best execution;
* Independent and verifiable valuation policies and procedures, and for illiquid securities, strong consideration to the creation of a valuation committee;
* Personal trading policies and procedures, processes and controls; and
* Contingency planning and business continuity.

The tangible benefits of a robust operational and regulatory infrastructure for both start-up and established hedge funds:

* Marketing edge;
* increase investor’s perception of value in management;
* discover unknown risks to mitigate losses;
* maximize absolute returns;
* streamline investors’ due diligence process; and
* increase the likelihood of success in retaining and raising new assets.

Gary Mair is Principal of Fund Advisor, LLC. A former General Counsel, CCO, and Executive to two leading alternative asset management firms, Mr. Mair advises start-up and established hedge funds on operational and securities law matters relating to fund formation, pre-launch marketing, due diligence, infrastructure, best practices or benchmark operational, and regulatory processes and controls. For more information about him and Fund Advisor, LLC, please visit their web site at www.hfundadvisor.com, or contact Mr. Mair directly at 203-653-7159.
Psychology of Sales Call Reluctance Tips

It would be interesting to learn more about the psychology of sales call reluctance. There are some days where I am just "on" and I can make 50 calls and initiate some great relationships. Then, there are days where I make a decent amount of calls but I find myself drifting towards less productivity activities like cleaning out my emails or organizing my past prospect research.

The four tips I can suggest to minimize sales call reluctance are:

1) Have a winning positive attitude as described in my post on positive psychology
2) Write out all of your goals on paper. Keep a running list of all 10, 50, or 500 of these on your computer, reviewing and adding to them each month.
3) Realize that most people do know what they want and even more do not want to pay the price to earn what they want, even if they do know what it is. If your job includes building relationships, chances are you need to be paying the price daily by jumping on the phone for a few hours.
4) Choose a moment of time where you felt completely confident, successful, and rewarded for something that you accomplished and really earned. Picture this moment in your mind and re-live it as if it were happening again right now. Replay it in your mind. Now, try bringing this picture to the forefront of your thinking each morning before you start on your calls. Bring this picture to your mind whenever you are not motivated to jump on your next call instead of searching for a pair of Red Sox tickets on the Internet.

Also, it has been brought to my attention that my title for this blog is also the title of a great book on the topic written by George Dudley. This connection was not intended but I thought it was only fair to cite this book as a resource for those who want more information.
Hedge Fund Seeding Capital

A recent study showed that hedge funds receiving seeding and operational assistance outperform broad hedge fund indexes and average hedge fund performance figures. This study was completed by George Martin and Joseph Pescatore from the University of Massachusetts and Jefferies Asset Management.

Pescatore makes the point that in the past there was a somewhat negative connotation to discussing how a hedge fund may have received seed capital or operational support during their first 3-5 years of operation. Specifically, he said, “The question investors asked a hedge fund manager, ‘if you are any good, why do you need these guys?’ I think not only has it changed, I think that has completely reversed.” It seems that Pescatore now believe that if you are “that good” you should have money being thrown at you from multiple hedge fund seeders.

While some people may not be as positive as Pescatore on seed capital being a good thing, I believe the general feeling is, if you aren’t tied down by stringent terms or pressure that impact your investment process as the result of the seed capital or support, then it is a positive thing. That will only bolster your business, showing a vote of confidence by an outside firm.
Guest Article: Financial Public Relations

Below is a guest article provided by Dukas Public Relations. It focuses on financial public relations and how some hedge funds are using PR experts to help them navigate the waters of mainstream media outlets.

While it is illegal to promote hedge funds, there are ways to indirectly do so. And the SEC is considering new rules that could allow financial PR groups more room to maneuver.

Hedge funds, one of the fastest-growing corners of the financial industry - one insider calls them the new dotcoms - remain an elusive domain for Public Relations experts. Vaguely understood by the public, largely unregulated by the Securities and Exchange Commission (SEC), and dabbled in by only wealthy or institutional investors, the $850 billion hedge fund world does not lend itself easily to publicity.

For one thing, promoting hedge funds is illegal: Only investors accredited by the hedge funds are allowed to get information about them. If a fund is promoted beyond accredited investors, the SEC can halt money going into it and even level sanctions.

Hedge funds are the purview of large financial investors, like investment banks, and the well-connected wealthy who can stomach sharp windfalls. Like mutual funds, their regulated cousins for the common man, hedge funds pool investors' money and then invest in generally high-yield instruments.

Without much oversight, pretty much anything goes - financially speaking - when it comes to this investing, according to the SEC, including speculative practices like leveraging that can amp up the risk of big losses. All such funds have high investment minimums - at least $1 million in many cases - that keep them in the domain of accredited investors legally allowed to play their investments close to the chest. Many now are becoming part of retirement funds.

The SEC estimates that hedge fund assets have exploded 15-fold since 1993. A Factiva search of "hedge funds" turned up 30,720 media mentions in the 36 months from January 2000 through December 2002, but 34,201 mentions in just the last 19 months. Still, hedge funds seem secretive to the public, says one financial expert, and even to the business media.

"I think there's a perception by the general public that hedge funds are opaque, secretive, and mysterious," says George Lucaci, MD of capital markets at hedgefund.net, a web source for hedge fund news and performance data. "And unfortunately, the media has propagated that myth."

"There are rules to how much you can say and when, so they have not traditionally done [Public Relations]," says Howard Zar, IR partner at Porter Novelli, of hedge fund managers.

How, then, do the funds promote themselves? They do, in fact, find ways to use Public Relations - though staying in the bounds of the law is tricky. And if proposed rules by the SEC are passed, they might be using financial public relations firms even more.

Promotional tactics
The promotion of hedge funds is different from other financial public relations efforts and it
demands one rule of thumb, really: They can't advertise or engage in general solicitation. Because only accredited investors can come on board, usually hedge fund managers seek out investors among people they know - family, friends, colleagues - and wealthy people, as well as institutional investors.

Still, hedge funds can take two approaches to, in a roundabout way, promoting themselves.

Hedge funds can publicize the expertise of their portfolio managers if they also manage other registered products. Those managers can talk up the company and the registered products - they just can't talk about any hedge funds the company maintains. "One of the things you often find in hedge funds is people who have a lot of expertise," says Zar. "So they can speak as experts and gain exposure for themselves."

A company also can promote registered products that are similar in management to the hedge funds - but, again, it is not allowed to talk about the hedge funds themselves.

Richard Dukas, President of Richard Dukas Communications, a financial public relations firm that advises hedge funds, gives an example of these promotional approaches in action. A hedge fund manager his firm counsels, Keller DiLeo Cohen & Co., has about $500 million under management. It also handles M&A arbitrage, and its CIO is an expert in M&A. When speculation over a merger between Disney and Comcast swirled in June, Dukas' PR firm touted the CIO to the media for his expertise in M&A. Media reports involving the CIO noted that he worked for a hedge fund manager, and the reports named the firm.

But the key, as Dukas and others point out, is that the hedge fund itself, such as its strategy and performance, was never promoted - only the expertise of its CIO.

This promotion has a two-fold effect. The manager's name is out there, raising visibility and credibility for the hedge fund, Dukas says, and it also bolsters the fund's reputation with existing and potential investors.

But one problem with this approach is the subjective nature of whether a company slides into promoting the hedge fund. Promotion, in this case, is like the classic definition of obscenity: People know it when they see it. The SEC does not define what it means by "general solicitation" or "advertising," And what those terms mean to different hedge fund professionals seems to vary.

"There's no prohibition: Thou shalt not be quoted," says Michael Robinson, director of Levick Strategic Communications in Washington, DC, and a former public affairs director at the SEC. "But you have to be careful what you say."

Without clear guidelines, hedge funds must make their way carefully. "There's not a uniformity of opinion here, but as a general rule, all of these interests and funds are privately placed," says Eliot Rafkind, a partner at Akin Gump Strauss Hauer & Feld, a law firm based in Dallas and New York that works with hedge funds. "There are no sort of black-line tests here under existing laws. So the question is, at what point are you giving so much information to a reporter that you're engaging in general solicitation or advertising? My view is you shouldn't be mentioning the name of your fund; you shouldn't give any of the specifics of the fund."
Financial Public Relations, Financial PR, Financial Services PRTo contact Richard Dukas regarding financial public relations or hedge fund PR services or to answer any questions you may have you may email him at Richard@DukasPR.com or visit his website at http://DukasPR.com. This article was first published here by Tom Acitelli.
Financial Advisor Marketing Differences Q & A

Today I received this question from a New York based hedge fund marketer.

Question: When marketing to financial advisors for your hedge fund, what necessary steps do you need to take dealing with these guys? Is it any different dealing with family offices?

Answer: Marketing to financial advisors is much different than marketing to single and multi-family offices. Here are the main differences between the two that I have noticed:

1) Family offices have more established due diligence procedures, often involving consultants or internal analysts that do nothing but look at hedge funds or alternative investment products.
2) Financial advisors have lower minimum asset levels for what they will consider investing. 90% of family offices only seriously consider investing in hedge funds with at least $75M-$100M, and many require $250-$300M or even $1B in assets under management.
3) Family offices are more tight-lipped. It will take more effort to develop a relationship, meet in person, and get clear feedback on why (or why not) a hedge fund is a good fit for what they are looking for.
4) Family offices are harder to identify in the first place. Financial advisors are easier to find, as there are more of them and they advertise more openly. Some family offices advertise, but many stay below the radar and some purposefully don’t even have a website.
5) While family offices service to high net worth investors almost exclusively many financial advisors work with a broad spectrum of client types - this might require more caution by them and your fund in marketing products to them. It might also mean sorting through more financial advisors to find one with several HNW clients.
6) In my experience financial advisors seem much more sensitive and motivated by how they will earn a commission or income from the transaction whereas many family offices charge rich enough fees that this is less of an issue.
7) While some financial advisors may take 16-24 months to really get "on board" with a relevant hedge fund manager, understand your investment process, and possibly invest, most will come to terms a bit before then. Family offices on the other hand often take 18-24 months just to complete their due diligence and committee meetings. It is a very long sales process.
8) Both family offices and financial advisors require genuine relationship-building efforts and tenacity
9) From a legal standpoint there may be other precautions your fund should take but I am not a legal expert so I can’t provide any guidance in that space.
Raising Capital - Clues for Success

A recent article in the Investment Management Weekly discussed what hedge funds need to do to continue raising capital from institutional investors. The general view of the whitepaper they produced suggested that hedge funds will need to continue to adapt their business models and approach to communicating their investment process to the interests and concerns of institutional investors if their strong growth in raising capital is to continue.

Paul Schaeffer, the managing director of strategy and innovation for SEI was quoted as saying, “The hedge fund industry must recognize that the large institutions have a distinct set of demands concerning issues such as the quality of infrastructure, transparency, and risk.”

Some of the stated differences in raising capital from institutional investors instead of high net worth investors included:

* More attention is sometimes initially paid to strategy offered than the individual hedge fund managers
* Longer hedge fund due diligence processes and investment horizon
* More heavy utilization of outside consultants to help evaluate hedge fund managers
* Growing concern over hedge fund risk management and “headline risk”
* Strong preferences for transparency of the hedge funds investment process and tools applied to it
* More likely to invest in $100M+ or $500M+ hedge funds vs. smaller boutique shops

I think the most interesting part of this article was the fact that it reported that over 85% of those interviewed said they would not invest in a strategy that they don’t fully understand, and 80% said it was critical for managers to focus on the fund’s original strategies.
Third Party Marketing (3PM) Definition

Third party marketing is a type of consulting service offered by consultants to hedge fund managers. These consultants help hedge funds raise their assets under management by introducing them to new investors. The types of services that hedge fund third party marketing firms offer can include:

1. Fully outsourced marketing and sales services
2. Channel or geographically specific marketing efforts
3. Creation of marketing materials including a full PowerPoint presentation, one page marketing piece
4. Assistance in developing a standard RFP and populating major hedge fund database
5. Representation at industry social events, conferences and private dinner parties
6. Advice on how to best move forward in a diverse range of capital raising channels
7. Public relations & media consultation as needed

There are as many types of third party marketing agreements in the hedge fund industry as there are third party marketers, but most of the value provided to hedge fund clients is through one of the activities listed above.
Start A Hedge Fund Related Newsletter

Though most people use email, few firms in the hedge fund industry provide a consistent weekly, monthly, or even quarterly email newsletter. Reason being: it takes a little bit of trial and error and some consistent work to produce the fresh content for each new issue.

Providing an email newsletter can present a competitive advantage for your firm as you are able to keep on top of minds of prospects, be seen as a thought leader in your space, have your newsletter forwarded on to other prospects, and show your level of niche expertise. I have found my email newsletter to be the best way to keep in touch with everyone that I have met through this hedge fund blog, my Hedge Fund Book, and the Hedge Fund Group (HFG).

One of the leading email newsletter management firms is Aweber. Aweber is used by over 1,000 firms worldwide. I have been satisfied with their easy-to-use service and quick online customer service. It is relatively easy to get started. After playing around with settings for 20-30 minutes, most people would be ready to test out their own email newsletter using one of their templates or simply using traditional plain text formatting.

Please recall that certain restrictions apply to email advertisements or newsletters if you are a hedge fund manager or offer certain types of investment advice, recommendations, etc. Please consult a legal expert or in-house compliance counsel for advice before starting your email campaign.
Third Party Marketing Due Diligence

Hedge funds conducting due diligence on a third party marketing firm should always ask questions about the firm and their employees. Evaluating a potential marketer should be as rigorous as completing a RFP for an institutional consultant. A partnership is being formed, and investing time and money with the wrong professionals can be expensive in terms of real dollars and opportunity costs.

Areas to cover while conducting due diligence on a third party marketer include:

* Past work experience
* Current licensing and broker check
* Asset raising history throughout their careers
* Asset raising track record while working together in the firm
* Referrals from past hedge fund clients
* Number of years experience
* Scope of their distribution channel expertise
* Number of total current clients
* Potential commitment of time in terms of hours per week and duration of the contract
* Personality and culture of the third party marketing group

At the same time, third party marketers need to perform due diligence on a potential client. If a hedge fund manager has a poor reputation, it could reflect poorly on the marketer that is doing the promoting.
Press Release Contacts

A few years ago, I knew nothing about press releases. Realistically, today, I still couldn't hold a candle to the knowledge of a public relations professional, but I have learned a lot. One thing I learned was that it can cost a lot of money to obtain contact details for magazines, newspapers, and radio stations. You can get them for free. You can spreadsheets stuffed with media contact details posted on public websites all over the internet.

You can find these by searching for Excel spreadsheets using Google. Try typing in "pr media contacts filetype:xls " in the Google search field. Your first result should be a list of media contacts.

I performed over 300 of these Google searches and compiled a database of over 20,000 potential press release contacts at major newspapers, magazines, radio stations, and television stations.

Is this ethical? I always ask myself two questions to figure out if my actions are ethical or not.

1. Would I mind if my actions were put on display in the NY Times?

2. Would I mind if I was on the receiving end of the action I am about to take

In this case, I would not mind if the NY Times wrote up an article on this tactic and I only intend to contact these media stations and outlets if I have a relevant press release for them.

Why am I sharing this knowledge? Isn't having this list of 20,000 media contacts valuable to keep to myself? Knowing how to do something is much different than going through the dozen hours of work it would take to re-create this process. I hope I can help out a company I work for or a friend with a PR campaign some day with the work I did to create the list. Let me know if you are potentially that person.

- For the basics on writing a press release please see: http://www.publicityinsider.com/release.asp
- For press release newswire services see http://www.PRNewsWire.com
- To search for other filetypes simply add "filetype:txt" or "filetype:ppt" etc. into the search field on Google.
Hedge Fund Relationship Building

The best part about writing in this blog is getting 30-50 emails a day from hedge fund professionals, investors and students in finance. One of the most frequent questions I get is "can you help our hedge fund raise capital from new investors?" I usually refer these people on to others as the firm I am with already has our hands full in raising capital right now for a set number of funds. One piece of advice relevant to everyone though is mentioned here at MajorGiftsGuru.com.

Tom quotes Woody Allen's great saying: "80% of success in life is simply showing up." Show up at your local hedge fund association meetings and conferences. Meet face-to-face with local financial advisors, institutional consultants and foundations. We are looking for something more out of our jobs than a simple paycheck and if your fund offers something in the parameters of what they are allowed to choose, they might choose your product simply because of your relationship.

My favorite sales author, Jeffrey Gitomer, always says that “All things equal, people like to do business with their friends. All things not being equal, people still like to do business with their friends." My quick advice to most funds is to make sure your compliance details are in order and then start showing up everywhere you can to start building long-term multi-year relationships in the industry.
Sales Phone Call Tips

I make an average of 25 sales phone calls every day. I often call 40-60 people. On other days I might only reach out to about 10. What is interesting about making all of these phone calls is listening to how different people sound and react during these conversations.

I am writing this blog entry because today I called someone who was unqualified. It turned out that their company didn't even provide the type of service I was hoping to discuss. I made a joke about sending him a personal check or PayPal payment to provide me with the type of contact I needed to connect with and it worked. I was not trying to be manipulative by forcing myself to be funny to get information. I simply made a dumb joke.

Even after this was obvious, this individual asked me what I needed and ended up connecting me with a very valuable contact. He also asked where I lived, where I grew up, and if I had a wife or any kids. I was shocked after I hung up. In 8 months of making over 600 phone calls, I have never once had someone be so friendly and upfront like that. It was a refreshing change from the monotone burnt-out tone of voice I usually end up listening to. What is important is not what happened during this phone but after; I realized how valuable of a contact he had given me. I felt strongly obligated to thank him or re-pay him in some way.

This has taught me to always see the humor in situations and give value away freely to those in need of help. One un-related sales phone call lesson I have learned is that if you have highly qualified the end person that you are trying to reach they will be happy to talk to you because your service is relevant to them and necessary for their success.
9 Fund of Hedge Fund Database Tips

Purchasing a fund of hedge fund database is not as simple as you might think. If you need a list of hedge fund of funds or are thinking of purchasing a fund of hedge fund directory or database I have a good deal of experience in this area. The following are my top 9 tips for finding hedge fund of funds and directories:

1. Take the time to call or at least email the firm who offers a fund of hedge fund database. These will sometimes be referred to as fund of hedge fund or fund of fund directories.

2. Only work with well-known, reputable firms that specialize in providing hedge fund databases or hedge fund of fund databases. Avoid small shop, fly-by-nighters at all costs.

3. Take the time to really get familiar with the information provided in the database. Ask for a sample of what the information will look like. It really is an investment that could save you literally thousands of hours if you pick the right hedge fund database for your business model.

4. Ensure that the database is updated at least once a quarter. Contact details and firm information gets old very quickly.

5. Expect to pay $750-$3,000 for a high quality hedge fund database. Many cost around $1,800 while others can cost up to $30,000/year. Be sure to know the trade-offs of buying a physical database versus subscribing to one online. If you don't have a hard copy of the data in Excel or Access format you may not be able to use it once a time-based subscription expires. For some firms this is fine. For others, it could be a costly mistake.

6. Make sure the hedge fund database you use is compatible with your systems. Do you use Salesforce? Act? Goldmine? Excel? Word?

7. While you are kicking the tires of your potential new hedge fund database, make sure it has complete information on a firm. You don’t want to call a firm asking if you can send over your PowerPoint presentation only to find out they are really a competitor or a division in another firm you called that same day.

8. Don’t steal a database. This may sound obvious, but it is common for employees to copy parts of a database for later use, or use some other un-ethical means of obtaining database details. Don’t; it is not worth it. Always take the high road and you can stand behind every action you have ever taken.

9. This list only contains 9 tips instead of 10 because this one is worth more than the rest combined. Ask hard questions when you are buying fund of hedge fund database. Ask how often your database details will be updated. Ask exactly how many hedge funds are updating their information. Some databases will say that they have details on 9,000 hedge funds while the reality is that some of them haven't updated their information in 4 years. Ensure all of the data is being updated at least once a year.
Motivational Sales Quotes

I am creating this blog entry to capture all of the best sales quotes that I hear while reading books and having discussions with other sales professionals. I will be updating this blog at least once a month with new entries...let me know if you have any great ones. You might see a lot of quotes from Jeffrey Gitomer. He was my inspiration in writing my first book and I will get to meet him this September when he comes to Boston for a seminar workshop.

"The Harder I work the Luckier I get"

“Every morning in Africa a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed. Every morning a lion wakes up. It knows it must outrun the slowest gazelle or it will starve to death. It doesn't matter whether you are a lion or a gazelle -- when the sun comes up, you had better be running.”

The key is not to "call the decision maker." The key is to "have the decision maker call you."

- Jeffrey Gitomer

Master the web and you will master your universe - and your (on-line) bank account."

- Jeffrey Gitomer

When you begin to give value to the world, somehow the people you affect will find a way to tell you. Even if it takes a couple of years.

- Jeffrey Gitomer

"Writing is a key differentiator. I've used it for 14 years. Writing will not just lead to differentiation. Writing is the credibility you need to create buyer confidence"

- Jeffrey Gitomer

"Your job is to meet the right people and read the right books"

- Jeffrey Gitomer
Using White Papers in Sales

Many sales books and prospects alike say that white papers can help engage potential customers and provide value first while also positioning yourself as an expert in your field. If this is true why aren’t there more white papers on your industry?

1. Most people aren't great writers.
2. Most people don't see the value in writing and sharing expertise.
3. Most people don't believe they have time to write.
4. Some people who are technically qualified on writing white papers aren't experts in marketing and sales so they may not get their work widely distributed.
5. Maybe there are many white papers out there and you haven't seen them yet. First, use Google to make some niche specific searches to see what your competitors have written.
6. Develop unique content and insights for your white paper, but borrow the non-trademarked or copyrighted styling and organizational best practices of the white papers you find for your own use.

This is great news for you. If you are willing to do the hard work you can stand out as an expert and you will in fact become an expert learning more about specific niche topics than many of your competitors.

What is a White Paper? White papers are opinion pieces that educate, state a position, suggest a solution to a problem, or introduce a new technology or process.

Components of a White Paper:
* Abstract
* Problem Description (2-3 paragraphs)
* New class of products
* Product's use in solving the problem
* Conclusion

White Paper Writing Tips:
* If you don't engage the reader in the first paragraph they will never read the rest of your white paper.
* Focus on pains of the reader, describe those pains and explain the further consequences of the current state of business. This will help you connect with the qualified prospects that you are targeting.
* Focus on education and not self-serving press release information
* Write objectively use facts, quotes, statistics, and surveys where possible
* Keep your white paper to between 3-4,000 words. 2,000 words seems too skimpy sometimes, and anything longer most people won't read.
Financial PR Tips for Hedge Funds

I read a recent article by Bill Blasé in the Emerging Manager Monthly Newsletter. Here are the tips that I gleaned from this article:

- TV viewers and interviewers love contrarians, conflicting views make for interesting television
- Take a pass on issues where you are not an expert and don’t have any value-added insight on the issue
- Media appearances might not bring in a windfall of new business but a well coordinated PR plan combined with grass roots relationship develop and an online presence can be very effective
- Michael Barron who is the CEO of Knott Capital Management commented in the article, “Everyone knows the Fidelities, the Putnams and the rest of the larger firms in our industry. For some of the smaller firms, this is away you can build recognition and credibility.”
- Ignore the monitor and the audience, imagine speaking to a single viewer
- Maintain eye contact with the interviewer and not the camera
- Speak slowly and match the interviewers tone and pace
- Short brief 30 second sound bites are ideal for TV appearances
Marketing + Creativity

This chapter presents concise practical methods to help you become more creative. It will cover the creative process and while also suggesting 6.2 practical tools to increase your creative abilities. This chapter uses scientific research studies and direct knowledge from marketing and sales professionals to help you differentiate yourself and your product or service.

Why Study Creativity?
Psychology experts, innovation consultants, and sales professionals all agree on one thing, you can learn to be creative. Most people would agree on a scale of 1-10 that the value of creativity would be rated as an 8, 9, or 10. If asked how creative you are how would you rate yourself? How would your co-workers rate you? (Gitomer, 2004). Research studies have noted that in a group of 20 people only 2-3 participants will say they are a creative person yet this is a learnable skill that virtually everyone values.

Around 10% of us see ourselves as creative, and even those few individuals report a general inability to be highly creative during the 9-5 workday (Mostert, 2007). Part of this problem might be that the extrinsic demands and pace of work does not allow your brain time to look at the big picture and ponder on large challenges at work. This chapter will help you come up with more creative ideas and enable you to discover and refine those ideas faster than you could before.

Psychologists distinguish between two types of thinking: divergent and convergent. Divergent thinking is generally thought of as being closely related to creativity with thoughts diverging into a wide variety of topics or associations. Convergent thinking brings together information focusing on a problem that usually has just one correct solution. The stages of creativity include preparation, incubation, illumination, evaluation, and elaboration. The ability to think in both convergent and divergent fashions is required to maximize the value of your new ideas (Carson, 2007). Switching between convergent and divergent modes of thinking is not easy for most people, but creative aids such as the creative tools suggested below can make the process easier (Parnes, 1975).

Creativity Tools
Highly creative people make more remote associations and come up with more unique solutions that the average person (Gruszka, 2002). These creativity tools can help increase the number of remote associations you make, direct your thinking, save you time, and add value to the final solution you choose to address a challenge. This list of tools is not original or exhaustive but it is valuable as a starting point for increasing your creative abilities as an investment marketing professional.

The tools in this chapter include:

1. Hiring and Managing for Creativity
2. Enhancing Creativity
3. SCAMPER
4. Idea Quota
5. Mind Mapping
6. Future Fruit
6.2 Sharpen Your Saw

**Creativity Tool #1: Hiring and Managing for Creativity**

One way to enhance creativity at your firm is hiring creative people. Common traits among highly creative people include intelligence, intellectual curiosity and preference for complexity, novelty-seeking, unconventionality, absorption in work, assertiveness, drive, self-assuredness, and perseverance. This list of traits can be used to either identify people who are more likely to be creative than the average person.

Once hired, the most effective way to increase each employee’s creativity is to let them work on something they love. Research has shown that intrinsic motivation seems to be highly correlated with a high creativity output (Carson, 2007). Part of their job description should be written by the employee it governs and directs. Allow them to seek out solutions to company or industry challenges that are intrinsically rewarding (Sternberg, 1998). A great example of this idea in practice is Google. This firm allows each and every employ spend 20% of their work week on innovative product, customer service, and sales ideas. This has provided the company with a hard to replicated competitive advantage.

**Creativity Tool #2: Enhancing Creativity**

There are 9 scientifically grounded factors in enhancing creative achievement. These include:

1) Purpose
2) Basic skills
3) Domain-specific-knowledge
4) Curiosity
5) Motivation
6) Self-confidence
7) Willingness to take risks
8) Self competition
9) Creativity aides

Not all of these must be present and they are not of equal importance but each usually plays a role and can contribute to creative results (Sternberg, 1998).

Jeffrey Gitomer is an internationally-recognised sales expert and author. His research and feedback does not come from controlled scientific studies but from trial and error. He was able to perfect his selling techniques while toiling as a low level sales associate for years before his hard work and creative selling techniques earned him millions of dollars as a sales executive and eventually CEO. He has trained thousands of sales professionals on implementing his creative methods of selling. His following 13.5 elements are important factors in your creative success:

1) Brains
2) Positive Attitude
3) Observing
4) Collecting Ideas
5) Self Belief
6) Support Systems
7) Creative Environments
8) Creative Mentors and Associations
9) Studying Creativity
10) Studying the History of Creativity in your Industry
11) Using Creative Models
12) Open to Risking Failure
13) Seeing Your Creativity in Action
13.5) The Ridicule

Factor (Gitomer, 2004)

All 13.5 of these elements directly tie into at least one of the 9 scientifically researched methods of creativity enhancement; confirming that the scientific research on this subject is very relevant to investment marketing and sales professionals in the field. Many of these factors of creativity mentioned by both Sternberg and Gitomer can be changed and addressed individually to increase your creative potential.

Equally as important as enhancing creativity is identifying feelings or processes that may limit creative results. Research shows that the following can block creativity: fear of failure, fear of success, guilt, shame, overcoming fantasies, stubbornness, fear of loneliness, and identify issues (Bernard Golden, 2007 as referenced by Carson, 2007).

“Seeing a great idea is one thing – HAVING a great idea is another. Big difference between the guy that invented a pet rock and the guy that bought one. One (the inventor) is a lot more fulfilled (wealthier) than the purchaser.”

- Jeffrey Gitomer

Creativity Tool #3: SCAMPER

One of the most widely used creativity aides is SCAMPER. SCAMPER stands for Substitution, Combination, Adaptation, Modification, Putting to other uses, Elimination, and Rearrangement. This is a list of different ways you can think about a challenging problem in order to come up with new possible solutions. To use this tool, identify a significant problem that you are facing and apply SCAMPER questions to each step or small module of the problem to see what new ideas you can come up with (Michalko, 2006).

In his bestselling book, *Thinkertoys*, Michael Michalko provides a list of questions for investment marketing professionals who want to use this technique. Consider the task for revamping your overall selling techniques. First, you should break up the topic of selling techniques into 5-6 parts, one of which might be focused exclusively on prospecting. Some SCAMPER questions that might help you come up with new prospecting methods could include:

1. What procedure can I Substitute for my current one?
2. How can I Combine prospecting with some other procedure?
3. What can I Adapt or copy from someone else’s prospecting methods?
4. What can I Modify or alter the way I prospect?
5. How can I put my Prospecting to other uses?
6. What can I Eliminate from the way I prospect?
7. What is the Reverse of prospecting?
8. What Rearrangement of prospecting procedures might be better?

*(Michalko, 2006)*

**Creativity Tool #4: Idea Quota**

Use this tool to tackle your challenges and give your brain a workout every day. Thomas Edison and his employees were always working with quotas. Thomas Edison held over 1,000 patents, his quota was to register a new minor patent every 10 days and major patent every six months. Identify the one problem that you would like to have solved in the next 3 weeks. Next, set a quota of writing down a minimum of three new potential solutions to this challenge each day.

This forces you to do three things. First it concentrates you on what is most important on a daily basis. Second it forces you to come up with possible solutions while you are in different moods, thought patterns, and possibly environments. Third, if you allow yourself to freely write down ideas as they come, it should produce potential solutions that build on previous ideas and would have been difficult to discover without a structured process (Michalko, 2006).

**Creativity Tool #5: Mind Mapping**

Mind Mapping is a graphical technique that represents how your mind organizes information that relates to problem solving. As a creativity tool it may allow you to see the where possible gaps or possible new associations exist. The Mindmap is just for you so it doesn’t matter if the relationships between items are confusing to others who view it. As long as you can make sense of it than it serves it purpose.

4 Steps to Mind Mapping:

1. Identify a problem you are facing and are having trouble solving.
2. Map out your thoughts and current insights on the problem. Focus only on keywords that will help you remember the main ideas that your mind focuses on.
3. Take the point of a critic, analyze and study your map. If no ideas come to mind put it away for two days and come back to it. If you do this a couple of times you will usually experience a moment of insight.
4. Focus on that piece of insight until it develops into a complete idea (Michalko, 2006)

Below is an example of a mind map that a Vice President of a light bulb company drew. He diagrammed the system of 4,000 distributors that his firm worked with as it appeared in his head.

This map showed him where more information might be needed and also where opportunities might exist. This led him to think about his business in many new ways and helped him form his breakthrough idea: energy management. A new division of the
company was created around this theme and it led to a huge increase in sales. The Vice President later remarked, “The map led to a cascade of ideas that motivated us to act and create a whole new division” (Michalko, 2006).

Creativity Tool #6: Future Fruit

“In peace prepare for war. In war prepare for peace.”

- Sun Tsu

In Thinkertoys, Michalko suggests thinking of future profits as future fruit. You should have several alternative plans for the future based on a number of probable and improbable events. Having only one possible outcome of events planned for is like planting only one strawberry. The weather could get too hot, someone could come eat your strawberry, or your strawberry could become diseased. If you plant multiple fields of strawberries you will reap a harvest.

5 Steps to Future Fruit:

1. Identify a particular problem in your investment marketing business
2. State a specific decision that you will have to make
3. Break down what forces will have an impact on the decision. These could include economic, technological, product lines, competition, regulatory, etc.
4. Build five scenarios with drastically different outcomes by varying the effects of each of the major forces of influence.
5. Identify business opportunities in each scenario you create and explore the links of opportunities you identify across different scenarios (Michalko, 2006).

Creativity Tool #6.2: Sharpen Your Saw

Creativity can be learned, become a student of it. Create a one page cheat sheet for creativity tools and other process improvement tips that describes each lesson in 1-2 sentences. This will help you integrate best practices and new methods of thinking and acting into your daily life. Laminate 5 copies of this piece of paper for your desk, bathroom mirror, shower, and anywhere else you consistently spend time so you will be reminded of them.

Summary

“Imagination is more important than knowledge.”

Albert Einstein

The tools listed above attempt to maximize your creative abilities through sparking divergent thinking and revealing remote associations that might lead to new valuable investment marketing ideas. To become more creative identify which areas of creativity enhancement you should be working on, identify current blocks to your creativity, try using a few of the tools and see which ones work well for you, and become a student of creativity.
References


Mostert, N. M. (2007). Diversity of the mind as the key to successful creativity at Unilever. Creativity & Innovation Management, 16(1), 93-100.


Hedge Fund Capital Introduction

Capital introduction is usually the phrase that refers to the introductions that prime brokerage houses will make on behalf of their money managers to help raise their assets under management. Some prime brokerage houses will have several capital introduction professionals in house or a whole team dedicated to the work. The prime broker gets paid through trades made by the manager, so the more assets they have under management the more they will get paid each quarter on those larger trades.

Most capital introduction professionals are paid on salary and bonus on overall trading activity and not on earning a percentage of fees from assets raised like a third party marketer. Capital introduction services have came under some scrutiny lately and there are talks of it going away completely due to a conflict of interests.

If you are looking for a prime broker, capital introduction, or third party marketing services let me know and I can help you network and find a group that might work well for your situation.
Hedge Fund Investor Types

Sometimes I get to speak with other third party marketers and hedge fund marketing professionals about their experiences in working with hedge fund investors. What I find is that in general, most marketers’ experiences are very similar. Each investor is different, just as each due diligence process in different firms will vary. Hedge fund investors typically fall into one of these four categories:

The “Follow Me” Hedge Fund Investor
Most of these investors make up your pool of family, friends, co-workers, and people you interact with regularly. Usually, these people don’t understand how to perform the necessary due diligence in making a decision to invest. This group also tends to make assumptions. For example, if a manager holds a degree from Harvard or has experience from a top financial firm, this aspect alone would persuade investors to follow suit ignoring the probability of fraud. In addition, they heavily rely on personal acquaintance and recommendations from either you or someone you may know. If you ask for a check, and they trust you, this group will most likely give one to you.

The “Send Me a Prospectus” Hedge Fund Investor
This group is a bit more sophisticated by conducting a minimum amount of due diligence into the manager’s performance. Once they are satisfied with the performance on paper, they will meet with and usually shower the manager with questions regarding every aspect of the fund, including returns, performance, strategies, and risks. What is written and spoken by the manager is taken into faith and the information is not properly verified by the investor.

The “Investigating” Hedge Fund Investor
This type of investor is sometimes considered a nuisance by busy professionals who might caught off-guard by their questions. Not only will the investor keep the manager’s number on speed dial, the investor will perform the due diligence above and beyond the type mentioned above and also go far as to understanding the entire operation of the fund as if he or she were the manager. This type would also interview members of the manager’s staff. The investor would also look into the balance sheet, cash controls, reporting, and other functions, not directly related to performance. Nuisance?

The “Independent” Hedge Fund Investor
The due diligence collected by this investor is thoroughly reviewed independently. Investors in this category know that independent opinions are extremely important. They will contact the auditor, custodian and administrator in addition to the SEC and/or state securities agency. They won’t sign on the dotted line until they are satisfied independently verifying everything that matters, including, assets under management, returns, and even a yearend audit. They fully understand the risks that are involved.

Nobody likes to be put in a box, but it is important to realize that the types of investors can vary widely so the array of marketing materials you have should include brief one pagers to very detailed institutional-quality PowerPoint presentations and third party analysis for those most scrutinizing parties. My experience has been that marketing material first built to the highest standard and then summarized into smaller "dumbed down" pieces later can be very effective and versatile.
Raising Capital with Tenacity

Why do most salespeople fail in hedge fund sales? Here's one take:

* 44% of all salespeople quit trying after the first call
* 24% quit after the second call
* 14% quit after the third call
* 12% quit trying to sell their prospect after the fourth call

This means 94% of salespeople quit before the fifth phone call while 60% of all sales are made after the fourth call. This means that the overwhelming majority of hedge fund salespeople probably don't even give themselves a shot at selling their products.

(Source: Herbert True, a marketing researcher at Notre Dame University)

Mid-day Update: Funny story, I wrote this post at 6AM this morning. I just got back from lunch and caught a call back from a financial advisor I have emailed once and left 5 voicemails for over the past 6 months. I had heard nothing and now he is interested in investing in one of our products. Tenacity paid off this time around.
Cold Calling Tips and Advice

1. Don't ask the prospect "How are you doing?" You don't care how they are. If you, cared you would have done some research on the company first and you would have something more intelligent to ask them. This might sound harsh but it is true. Do your homework first.

2. Keep in mind that thousands of people cold call and several people are probably calling the same or very similar prospects as the ones you are approaching. Everyone plays the number game and it is natural to not have your calls or emails returned. The goal is to develop enough perceived value so they will take your call the next time or call you when they are ready to buy your product or service.

3. Shoot for 30-80 phone calls a day. More is not always better but trying to do 6-10 calls an hour will keep you on your toes and always dialing more prospects. Create a game out of the process.

4. Smile while you dial. The tone of your voice and word choice both change based on your own feelings and facial expressions. Be happy and love your job and the people on the other end of the phone will take notice.

5. Call the CEO. Always call the CEO. They are the masters of every other department and if a call or email gets forwarded from them down to a VP or Dept. manager it is much more likely to get responded to then coming in through an analyst or associate with the firm.

6. Set the table. This is a point Brian Tracy makes in the book, "Eat That Frog." Sit down every night and take 20 minutes to plan out your work for the next day. Break the day into 30 minute sessions of complete focus completing your most important tasks before most people even get to work in the morning.

7. Prepare a standard email that you send out before you call. Anyone can send a great follow up email to a phone call; the trick is getting the prospect on the phone in the first place. Don't have them not take your call because they do not know who you are. Email the prospect introducing yourself and why you would like to have a 5 minute conversation in 3-5 sentences or less and call 10 minutes after sending the email out.
How to Have a Positive Attitude

Today, I had one of my best investment sales days ever. I found over a dozen strong leads and possibly landed a couple of new investors for the fund that I am promoting. Why did this happen? Earlier this week my boss had been traveling and I felt like I wasn’t getting anywhere. I completely changed my attitude and now the opportunities in front of me at work are almost overwhelming.

I have studied in my Psychology of Influence class at Harvard that negative thoughts can block creative or even mundane solutions to challenges we face every day. I have also discovered that the unconscious part of our brain grinds away on problems that we are facing and know we have to conquer.

Scientific studies have shown that successful professional athletes use more positive self-talk than non-professional athletes. In one of Jeffrey Gitomer’s books he talks about seeking mentors early on in his sales career. One employee at his company had only started working in the industry 1 year ago and was the company’s second best salesman in a group of more than 200 people. Gitomer asked him how he did and he said that one thing he did differently from everyone else was to tell himself more than 100 times a day, "I am the best. I am the best..."

I don't believe that simply saying these words will make you the top salesman at your company, but I do believe that having that strong of a positive attitude improves all of your relationships. Your positive self-talk will assist you in coming up with creative, win-win solutions on the fly.

Here is how I try to have a positive attitude:

- I have several 3-4 minute motivational podcasts or audio book clips on my iPod that I can listen to on the way to work.
- I workout at least 3 times a week.
- I read 15 pages of attitude changing articles or books every morning while I am eating breakfast. (See Jeffrey Gitomer's Little Yellow Book of YES! Attitude)
- I created a 1-page of the top 50 business and sales lessons I have learned and I have posted it in my shower, on my bathroom mirror, and behind my desk at work. I do my best to read this list twice a day to remind myself of what is important.
- I set BHAGS for myself. BHAGS are Big Hairy Audacious Goals as described by Jim Collins in Good to Great. My current BHAGS? I want to become THE expert in investment marketing and sales, run 50 investment websites that rank in the top 3 slots of Google search results, and become a bestselling author.
- I try to find a lesson to be learned from each "negative experience." If nothing else, a negative experience should always tell you something about yourself.
- I am always learning and exploring something new. It was getting into Harvard and moving to Boston; now, it is learning all I can about investment marketing and sales, the psychology of influence, and web marketing. As soon as you stop being curious and challenged, you become stale and un-motivated.
- I cut off or drastically reduce communication with negative people.
• I don't watch the local news. It is worthless. How often do you see a news story about a generous church donation, a child winning a science project award, or an organ donor saving someone's life? Not nearly as often as a plane crash, fire, or robbery. If you have to get the local news read it online for 5 minutes and save yourself some time.

I am taking a four month course on Positive Psychology this spring that should be very interesting. I will be updating this blog with those details as soon as I can. Let me know if you have any other great tips on keeping positive attitude or using self-talk.
Hedge Fund Outsourcing Trend

Hedge fund outsourcing is growing as competition in the field increases and smaller funds focus more resources on creating a competitive investment process and growing their assets through sales and marketing activities. Outsourcing their office space, operational, trading, accounting, IT, and compliance needs lets small hedge funds act more nimbly and simply deliver results instead of having each employee wear 4 hats or constantly hire consulting firms on an on-demand basis.

Hedge Fund Outsourcing Options

I know of one hedge fund outsourcing firm in New York that offers a full suite of trading, operational, and compliance hedge fund outsourcing services. Let me know if connecting with them would be helpful for you.
Influence Through Orienting Reflex

One way in which people are influenced everyday is through our orienting reflex. The orienting reflex is the process we go through while reacting to something novel, new, or mysterious. It is what makes first dates, roller coasters, and vacations to exotic islands so enjoyable.

When a loud alarm goes off, we stop and ask ourselves why it is going off and if it has any effect on us. If you are in the middle of a movie at your local theater and the fire alarm starts to go off, everyone will look around for a minute before taking action. Each person is orienting themselves to this new situation and combination of variables and they are looking for instructions from other people's actions, their past experiences, or some sort of authority, such as a movie theater employee.

It is at this very moment, while the movie audience is deciding what to do next, that they are most easily influenced. This same rule applies to changes in stock market conditions and the reaction of Wall Street analysts and investment news broadcasters.

If you can be the person to suggest a strategy or provide additional credible evidence when others are still orienting to a new environment you can be very influential very quickly.
Attracting Hedge Fund Investors

I recently received this email:

Richard, I am involved in the management of a new hedge fund that we started last year. Our hedge fund’s strategy is a combination of stock and derivatives. Our goal is 30%+ growth per year, and thus far, we are right on track. What I wanted to ask you is this: Are these types of earnings competitive in the hedge fund world? If we continue with this kind of performance, would this type of growth be attractive to third party marketers?

My response:

John,

If you could sustain 20%+ returns over 5, 7, and 10 years and show positive growth during quarters of negative equity market performance it will help. The incentives in the hedge fund world favor those that are long-term greedy not quarter-to-quarter or year-by-year short term greedy.

The trick is consistency. It is better to have a 28% returns for 10 years than 100% returns for 3. You will be attractive to many groups, including some third party marketing firms if you have a deeply experienced team, understandable and repeatable investment process, solid returns, good portfolio risk controls and a sound business behind all of this. A recent report showed that institutional investors look very closely at the risk management controls in place for both the portfolios being managed and the hedge fund business itself.
Are Your Customers High?

Abstract

In a time where consumers see thousands of advertisements and corporate symbols every day, this article discusses several components of the highly researched area of drug addiction and draws parallels use in the world of sales and networking. The bulk of this article is based on the knowledge and research of Dr. Scott Lukas, Dr. Robert Cialdini, and Dr. Kevin Hogan who are experts in reward circuitry and the psychology of influence and persuasion. By examining the way and reasons why we become addicted to substances and activities, we can discover truths about how the reward circuitry in our brain works and create actionable product positioning and sales steps towards a more profitable business or successful career.

Introduction

Virtually everyone becomes addicted to something at some point in their lives. Many times, it is to drugs like nicotine or caffeine, but it can also be to sex or the feelings experienced while shopping with a group of friends. Our brains are wired to reward positive experiences that benefit us while minimizing those things that create a negative impact or feelings on our life. This reward center pathology is at the core of what creates patterns of use that are very reinforcing and can sometimes lead to negative health consequences or even death. This is because the brain can become conditioned to desire a certain behavior or substance to the point where the logical points of ceasing the activity are ignored (Kuhn 2003).

A good analogy for this is imagining your unconscious mind as a jet engine strapped to the back of your conscious mind, a Mini Cooper. When your unconscious mind fires, it can be difficult to control the steering or to bring it to a halt. It is not often that experts in sales and marketing look directly at addiction for clues on how to gain loyal customers. This means that while most companies profit from our natural reward center pathology, few consciously apply an ethical yet systematic application of these lessons in an attempt to tap the same reward circuits that creates addiction.

This article discusses four components of addiction; initiating use, the environment, a rapid high after use, and the employment of cues. The goal is to introduce specific methods that a company as a whole or individual sales person could use to create an addicting product or service without the use of any drugs. While the use of these methods brings up several ethical issues, these warrant a lengthy discussion in itself and will not be discussed in this piece.

Description of Key Findings

There are three types of drug (or product) users: Experimenters, Compulsive Users, and Floaters.

Experimenters are usually defined as individuals who use a drug from time to time but generally out of peer pressure or curiosity. The equivalent to this might be the individual who only goes to the gym when going along with a friend or to see what cardio classes are offered.

Floaters are those who use relatively sparingly and mostly when provided with the drug from someone else. An example of this could be the individual who only goes to the gym for four weeks out of the year during the times when his friends can get him the two 2-week free gym trial memberships.
Compulsive Users focus a relatively large percentage of their energy to use of the drug. An example of this is the individual who enjoys going to the gym 90 minutes every day. In addition to the workouts, this person might also spend hundreds of dollars and dozens of hours a month on sports supplements and research on how to increase their gains from working out (Dr. Lukas PSYCE-1410).

The point of describing these three types is that individuals can move between the groups. What’s important to note, however: most people who become compulsive users cannot easily downgrade and maintain their drug use at the experimenter or floater level.

A parallel can be seen in product purchasing patterns. Sales people should work towards converting the experimenters and floaters of their product up, into a compulsive user. The point is not to convince someone to do something that is unhealthy financially or physiologically. In the example of the gym members, the movement would be from slightly profitable customers to extremely profitable customers.

Initiating Drug/Product Use

To get someone addicted to using your product or at least to have them experience, some positive reinforcing experiences they will have to at least try your product. The first step is finding an in-road to a new customer. Dr. Lukas of Harvard University has detailed these two learning-based processes that can lead to experimenting with a new drug or product:

1. Your peer group is 2nd only to your parents in their ability to influence your drug-taking behavior
2. If a drug is associated with gaining approval or affection it can be reinforcing (Dr. Lukas PSYCE-1410)

Do we have any reason to believe that this would be different for product purchasing behaviors? The success of Avon, viral marketing firms, Mary K, and websites such as Facebook are great examples of peer groups and families being used for commercial gains. Dr. Robert Cialdini of Arizona State University has done a significant amount of research on this subject of peer and social pressure. He calls it “social proof,” and believes that one of the most powerful ways people make decisions is looking to see what others are doing or believing in that arena. This is even more heavily relied upon in situations of uncertainty or when the individual believes that the others being observed are similar to themselves (Cialdini 2001).

Before you can create an environment to “addict” someone to your product, you will have to educate them. If they don’t know you exist they cannot seek you out. Camel Cigarettes is an expert at making sure everyone knows that they exist. In Fischer’s 1991 study on brand logo recognition, his team found that 30% of 3-year-old and 91.3% of 6-year-old children could match the Joe Camel logo with a picture of a cigarette. Starting a very young age we are exposed to and remember advertisements (P.M. Fischer 1991). Do 3 year olds recognize your logo? Does it matter? The point is, imagery is a very powerful way of raising familiarity with a product and it is the most popular reminder or cue that corporations use today.

Environmental Influence
How do most people act in the library? How about at a dance club? A church? The meek and shy will sing out in church and the overly extroverted vocal individuals will remain quiet in a library. These are direct effects of the environment influencing how we act.

The environment an individual is in directly affects the likeliness and extent to which they will buy and use a drug. There is strong evidence that individuals that have taken a certain dose of a drug in a comfortable familiar environment later overdosed while taking the same amount of the drug in an unfamiliar environment (Dr. Lukas PSYCE-1410). This shows how powerful our environment is on influencing our actions. Dr. Kevin Hogan, author of “The Science of Influence”, believes that changing the environment is the single most powerful way to influence someone’s behavior.

This has two important applications to accessing profitable reward circuits. The first is that you can increase some immediate positive impressions or experiences by setting the right environment. In the same way, you can limit any immediate negative perceptions or feelings by being sensitive to what might set some of those off. The environment can stimulate new behavior and almost instantly changes an individual’s actions when they enter into it. The second important application is that in a new environment the brain is trying to interpret and adapt so enters into what Hogan refers to as a “state of flux” and it becomes influenced much easier (Hogan 2005).

**Smoke the competition**

Smoking a drug is the quickest way for a user to feel a high. The active ingredients enter the lungs where the alveoli capillaries absorb the substance and the blood is quickly pumped through the heart and directly to the brain. Smoked substances are usually the most addictive because of the rapid onset of positive feelings experienced after taking a hit.

One of the best pieces of evidence that something will become addicting is when there is an immediate positive experience following the activity with a delayed or un-associated negative experience. The closer the positive experience is to the action and the farther away the negative experience is, the more likely the drug is to become addicting. Dr. Robert Cialdini and Dr. Kevin Hogan have both conducted extensive research on influencing others by creating a positive initial experience for new customers.

Dr. Robert Cialdini has completed over 30 years of research in the psychology of influence. His most well known book, *Influence: Science and Practice*, details 6 tools of influence and was based on decades of research focused on the logic and mechanics behind influencing others in the business world.

To gain an instant positive first impression Dr. Cialdini prescribes to use the influence tools of *liking and reciprocation*. Below are descriptions of these tools that directly relate to and work with the immediate positive experience components of addiction.

- **Liking: The Friendly Thief**
- **People** like to buy from other people they know and like. Physical attractiveness, similarity, and familiarity are three levers that can be employed to increase this “liking”
factor.

- Reciprocation: The Old Give and Take…and Take
- This deeply imbedded social rule is what makes one feel obligated to repay someone who has provided us with a gift, favor, or concession.

Dr. Cialdini does not research reward pathways or the process by which we become addicted to activities or drugs. His research describes how you can gain a greater ability to influence others or defend yourself against those who might be using these same tools of influence. This is an important distinction because his advice is in line with the lessons that can be taken by looking at addiction and the reward pathways that fuel it.

If you follow Dr. Cialdini’s advice you successfully give something away that your customer believes is valuable and come off as very friendly and likeable you would not only create an obligation on their behalf to repay you with a purchase but you would be triggering their reward center pathways in the same fashion as a drug with a high potential of being addicting. The quicker and more powerful the early positive experience the more “addictive” your product or service becomes (Cialdini 2001).

Dr. Kevin Hogan believes we are constantly undergoing 4-second evaluations. Every time somebody sees us they are evaluating dozens of details about our clothes, body language, hair, facial expression, and movements to categorize us into a general yes or no category. Do they generally like you and associate with you or feel that you completely different or possibly someone with different values and morals? You are placing everyone in buckets of Yes I would like to meet or do business with this person or No, I am not interested.

All of this happens very rapidly and almost completely unconsciously. It is part of how we are wired, relying upon thousands of mini stereotypes that help us make decisions, like deciding whether to trust a company, product, or sales person. One some level this is almost required of us so that we can process all of the information we receive (Bodenhausen, Macrae, & Sherman, 1999, Fiske & Nueberg, 1990). This helps us make sense of everything without having to start from scratch with each observation (Gigerenzer & Golstein, 1996). In The Science of Influence, Dr. Hogan discusses how your first impression is recorded and used again and again later in time. Manage your four seconds (Hogan 2005).

What does your logo, website, customer service reps, store, and product say in 4 seconds of looking at or talking with them? It has been shown that we automatically assign traits such as talent, kindness, honestly, and intelligence to attractive individuals (Eagly, Ashmore, Makhijani, & Longo 1991). While I have not found a specific study on the same effect applying to products I believe that an attractively designed product would create automatic judgments of the products quality, reliability, value, etc. This is a powerful piece of the puzzle because all of these judgments occur so rapidly, if you can make them extremely positive you or your product will be far more attractive. Four seconds happens to be very close to the amount of time it takes for a smoked substance to enter the blood brain barrier and create a high. If you can get your customer to smoke your drug (try your product), do you want them to feel nothing, get sick to their stomach, or really high?

**Bottom line:** Create a rapid and powerful positive experience for your customer. Use the rule of reciprocity, be likeable and friendly, be cognizant of the first 4 seconds, and avoid or delay
any negative experiences or feelings at all costs. Remember, once you have done the legwork to get them to “smoke” your product, you want to make sure that your product creates the most rapid positive experience possible to create an initial advantage over your competitors.

**Cues – Reinforcing Use/Purchases**

One of the most commercially profitable lessons to take from the world of psychopharmacology is the role that cues play in the process of addiction and drug use in general. Cues are triggers, reminders of a drug that makes you think of feelings and experiences associated with a drug. Cues are often what remind users to continue use, immediately seek the drug, or relapse and begin use again. Cues are so powerful that after months in a drug rehab program, a single cue can set someone on edge and induce use. Cues can be odors, symbolic objects, sounds, or people. Activity in several areas of the brain rapidly change after a cue is observed.

An example of a cue for someone who has quit smoking could be the simple smell of a lit cigarette being held by someone walking 20 feet ahead of them on the sidewalk. Just the smell triggers activity in their brain and brings back the old desire and feelings that led them to begin or constantly reinforced smoking in the first place (PSYCE-1410).

Cues are used in the business world all of the time. They are billboards, freshly baked cinnamon rolls placed on a shelf, or a life-sized Oscar Meyer Weiner waving you toward their hot dog stand on the corner. These are things that remind us of the positive experiences we associate with a product.

The following is based on a true story and it provides examples of cues that can be and are commercially employed.

Imagine a 30 year old woman who used to shop at Macy’s 3-4 days a week after work or during her lunch break. It was comfortable, fun, and exciting. For years she continues this “use” of shopping on a weekly basis enjoying new purses, shoes, and perfumes. While this was not going to put her into financial ruin, her husband would like to buy a vacation home and they have been trying to save more money for one. At one point she successfully reduced her shopping at Macy’s to one weekend a month when she would go out with her husband. One day at lunch she eats in a food court and walks past the front of Macy’s on the way there. She can smell all of the perfumes and lotions (Cue #1: Smell) that are just inside the open doors. Several areas of her brain are activated by this cue and she begins thinking about how fun it would be to go shopping for some new spring clothes.

She goes to lunch and all she can think about is how her purse is looking a little out of style and how she wishes she could buy the same shoes the lady is wearing (Cue #2: Symbolic Object) at the table next to her. She resists the urge to shop and tries to forget about the whole thing. Two days later she gets a Macy’s catalog (Cue #3: Image) in the mail, they have a 40% off sale. That same day she takes a two hour break from work and heads to Macy’s. As she searches the racks and tries on each item her brain is being flooded with dopamine and she remembers exactly why she used to shop 3-4 days a week. She ends up spending over $1,000 on products she could have done without.
The golden nugget to take from the use of cues is that through thorough analysis of each type of customer you serve you can inject daily reminders of the high they experienced or could experience from purchasing your product. Analyze your business practices and systematically tinker with using cues that other professionals in your industry have ignored.

**Conclusion**

Hundreds of studies have been conducted on influence and persuasion, and hundreds more on addiction. Very few articles or live experiments have looked for a direct connection between these two areas. This article has detailed four direct ways to learn from the thousands of research studies done on addiction and reward circuitry in the brain and use it to create loyal customers who can’t get enough of your product. These include: Initiating Use, Environmental Influence, Smoking the Competition, and Employing cues. Using these in a systematic fashion will uncover ethical avenues of creating a more profitable customer base.

**References**


Kuhn, Swartzwelder, Wilson, “Buzzed” Copyright 2003 by Cynthia Kuhn, Scott

Lukas, Scott E., “Psychopharmacology lecture notes,” Harvard University. Copyright 2006 Harvard University.

Hedge Fund Third Party Marketing Careers

If you are starting a third party marketing career, you are in good company. Dozens of highly experienced investment and hedge fund marketing/sales professionals are entering the industry each year. In terms of total firms offering services, the industry is growing by over 15% each year. While some professionals may leave an investment manager or hedge fund to start their own third party marketing firm, many more first work or partner with an existing third party marketing firm. There are many benefits to starting or working for a third party marketing firm and either is relatively easy to do.

If you can raise capital and consistently bring in $100m-$200M/year you can typically eliminate most types of political/corporate risks while earning 2-10x more than you would while working for a large institution such as Lehman Brothers or Goldman Sachs. As the economy goes through this rough patch where bonuses are skimmed and 50 year old executives laid off, I see this trend of third party marketing startups and career moves increasing.
Institutional Hedge Fund Marketing

A recent Preqin survey provided some great insight into what is important in marketing hedge fund managers to institutional investors. They surveyed over 1,000 institutional investors and found that the following factors were the most important for determining which hedge fund managers to invest in, with the last 3 points barely having any impact on the decision.

1. Performance Record
2. Risk Management
3. Quality of Personnel
4. Source of Returns
5. Fees
6. Firm Reputation
7. Client Service

What is interesting about this list from a third party marketing or hedge fund marketing perspective is that points 2, 3 and 4 can be improved over a year or two by working on a firm’s investment process, team and risk management procedures. By taking an institutional best practices risk management approach, working with the right vendors, hiring the right professionals and ensuring that your investment process is repeatable and is producing the returns you boast you can increase your chances of winning new institutional hedge fund mandates. I think this is fascinating and this type of deep insight should be another layer of insight that third party marketer can provide to hedge fund clients.
Targeting CEOs for Marketing and Sales

When networking or selling there are many advantages for targeting the CEO as your first point of contact. Obviously, most CEOs are being cold called and emailed on a daily basis, so this is not a new technique to closing a sale or landing a job.

The reason I am writing this blog entry is because I was just reminded of the power of contacting CEOs. I recently sent out 10 networking emails to a very prestigious investment firm on Wall Street. Nobody replied. During the same day I read an article about the president of a major private equity shop leaving his post to start his own company. I emailed him directly and he responded in 24 hours saying to send him my resume and he would give me a call so we could meet.

I believe it was dumb luck that he actually saw and replied to my email but even if all 11 people had replied, this president who will soon be starting his own firm is worth 20x the value of those other contacts I reached out to. I believe 80% of your valuable contacts will be leading executives or CEOs of small and influential, or large and powerful, organizations. It might not make sense for where you are at right now but I will always be asking myself: How many CEOs did you reach out to today?
Being Detail Oriented

While doing third party marketing, I'm finding that being detail oriented doesn't really sum up what you need to do. "Detail oriented" makes it sound like there are 3-4 things you need to watch closely. It makes it seem there is a need to be aware of changes or concerns with your clients.

The reality in competitive sales environments is that you have to be proactively detail oriented. You need to not only be cold calling but also writing, speaking, networking, creating unique marketing pieces, and providing value to others every day in 80 different ways. Many of the people I call receive over 150 emails and 50 phone calls every single business day. To be very successful you almost need a list of 100 ways to be proactively sales detail oriented or you will never rise above the noise.
Investment Sales Jobs Overview

I have found a few great online resources for investment sales jobs. Many investment sales jobs seem to be quickly filled through recruiters or without any announcement of a hiring need in the first place. I would like to find a couple more investment sales jobs listings. My best recommendations are:

* The Ladders
* Hedge Fund Marketing Alliance
* Third-Party-Marketing.com
* Albourne Village (great resource)
HEDGE FUND STARTUP

CHAPTER 3
Top 5 Tips for Starting a Hedge Fund

I recently had a 45-minute conversation with a hedge fund startup related to capital raising, seed capital, prime brokerage, and building a team around your hedge fund during the first few years of operation. After hanging up the phone with this professional I thought it may help to publish a list of tips for those starting hedge funds:

Top 5 Tips for Starting a Hedge Fund:

1. Starting a hedge fund is not a get rich scheme. In 99.9% of all cases, it takes 2-4 years before the hedge fund becomes profitable and stable as a business. I’ve worked with a client in the past that had been running a fund for 7 years and still had not raised enough capital to be self-sustaining.

2. Complete due diligence on your service providers. I heard of a hedge fund last month who was quoted at over $80,000 for their legal formation costs, which is at least $35k above what most other firms charge for this same service. If you don’t shop around you could end up paying twice as much to service providers as you need to. No, you should not select service providers based on price, but you should always sit down or have conference calls at least with three prime brokerage firms, three auditors, and three administration firms before deciding who to work with.

3. Always grow relationships. This is different than “always be selling”. Selling can be spotted from 5 suits away and felt by how someone asks what company you work. It is always best to take the high road, the long-term approach, but always be looking out for those individuals who you should invest a significant portion of your time getting to know. The benefits of doing so could be valuable advice, leads, or an allocation. If you are always looking to close, then no professionals along the way will want to give you feedback on your marketing materials or suggest an alternative path to raising assets.

4. Focus on risk management and your investment process more than high performance returns. Yes, investors want to see strong returns but a top 5 sign of a green hedge fund manager is someone who constantly pushes their extremely high returns found in back-testing or their first 4 months of operating. Doing so ruins much chance of serious consideration as it gives off the impression that your fund will reach for those returns at any cost or risk. Speaking about returns too much takes away from confidence in your fund’s investment process and risk management controls.

5. Invest in yourself. Choose high quality service providers, build a team, break down your investment process into concrete steps, and spend 50 hours creating a solid PowerPoint presentation/pitch book for your fund and don’t show it to a single investor until you have completed 5 drafts of it. Too many times I see hedge funds looking to raise capital who have not yet taken the time to organize their own thoughts, plans, or marketing materials. If your hedge fund is not worth your own investment of time, why should anyone invest their time and possibly capital into it? Investors look for signs of a manager having skin in the game in multiple ways.
SPEED of Implementation

In mid-2009, I attended a business conference with more than 10 guest speakers, all of which were self-made millionaires and business owners. I took over 15 pages of notes and condensed those down to just one single page. While reviewing common themes from the 30+ hours of advice from these professionals, the only piece of advice that each expert mentioned and emphasized was “speed of implementation.” Since that conference, I have developed a deeper understanding of this concept, figured out how to apply it to my business, and defined why it is so important.

In short, focusing my attention on increasing my speed of implementation has brought my productivity, motivation, and sense of progress to another level. Increasing your “speed of implementation” requires that you make decisions faster, receive feedback faster, adjust, and grow further. With everything in life, we move through learning curves whether it is starting a new career, starting a new business, or launching a new product. Speed of implementation is about moving up that learning curve three times faster than your competition so that by the time they have reached the top of that first curve, you have already conquered three new areas of knowledge or ability. That may sound very loose and non-exact but follow along, and I'll provide some examples below.

Ultimately, you can speed up your realized success, but you need to analyze what actions you know will need to be taken, whether you know what the following steps are or not. Many times, we cannot see the full path to success, only a few steps that we could be taking right now. If you seize those first few steps more quickly than others, additional paths of actions will unfold that others who are contemplating the risks of the unknown will never be able to see.

Iterative Processes
Applying speed of implementation requires a fundamental understanding how it will help you reach a level of breakthrough success that surprises even yourself. In the diagram below you see four letters: A, B, and C, followed by a single letter T.

A -> B -> C -> T (Breakthrough Success)

Steps A, B, and C of most projects are obvious. You know what first steps you need to take. Step #20 (T), though, is so far removed from your knowledge and foresight you have now that the project seems unachievable, unrealistic, or risky. Typically, this results in us gathering more information and asking others for their opinion. This has its time and place, but 99% of the time, if you would just start on Steps A, B, and C, by the time those are complete you would have a much better vision and more clarity on exactly what steps D, E, F, and G are. Once you get those next steps complete through G you may even be able to see all the way to step L, etc. Eventually you will get to T, step #20, but there is no way that you can get there without first going through the iterative process of taking the first steps that are clear right now.

In summary, you can evolve faster, meet your goals sooner, and over a short period of time, outpace everyone around you in your industry by just taking massive action in the areas where you have identified the next 1-2 steps to take. Happy implementing!
Hedge Fund Business Plan Tips

Most hedge fund startups I talk with want referrals to respected service providers or advice on attracting seed capital. Almost none have a business plan for their hedge fund and only a few have PowerPoint presentations explaining their investment strategy. If you are a fund manager in this position, that doesn’t mean you have done anything wrong, but you may consider writing both a hedge fund business plan and comprehensive 15-25 page PowerPoint presentation now to make it easier to work with service providers, third party marketers, institutional consultants, and potential investors. Parts of your hedge fund business plan should include:

Management - What team members are required to run the fund effectively? What is the chain of command, how are decisions made, and what happens if 2-3 professionals disappeared tomorrow? Who would take over responsibilities and what would happen to your investor’s funds? The importance of a well-constructed and managed team cannot be overstated.

Investment Process & Risk Management - Managing risk is what running a hedge fund is all about. Meet with your prime brokerage firm’s risk advisory division, speak with your traders and portfolio managers, and network with other managers to pick up some best practices in this space. At the end of the day your risk management approach, investment process and team must be molded into one cohesive group all pointed in the right direction. There is no magic bullet to raising assets or gaining seed capital but getting this combination right is the most important thing you can focus on.

Service Providers - Who are you going to use as your prime brokerage firm, fund administrator, auditor or third party marketer? How will this evolve as your fund passes the $100M and $300M marks? Will you use multi-prime brokerage services? Capital introduction teams? Multiple third party marketers? Your choice of firms in this space can affect the levels of assets you manage, the quality of advice you receive and the reputation of your firm as a whole. Our advice would be to meet and interview at least 3 service providers of each type in person or over several phone calls and go with one that is well experienced yet no so large that your sub $1B account is an annoyance to them.

Infrastructure & Technology - Meet with other local hedge fund managers, your trader, your prime brokerage firm and other service providers to nail down exactly what you will need in terms of reporting, processing and functioning as not only as a hedge fund, but a small business. When you start a hedge fund you become an entrepreneur and you have to face all of the challenges that accompany that distinction in addition those challenges found in managing your portfolio. Many funds under-estimate the costs of some of the technology needed to operate as they grow beyond more simple $1-$5M fund operations.

Marketing - Nothing is traded or managed until dollars come in. Anyone who joins your firm or board will want to know how you plan to grow your business. What channels of investors will you approach? Institutional investors including fund of hedge funds, consultants, large family offices, large pension funds, smaller family offices, wealth management firms, HNW individuals, and accredited investor clubs? Here is a hint: in our asset raising experience the latter should be 80% of your focus if you are managing less than $100M. What resources do you or should you have in place to meet these goals? Third party marketers? Databases of
investors? An in-house marketing specialist? How much does this cost and when should these resources be put in place?
Hedge Fund PowerPoint Improvement Tips

One of the more frequent questions that we get through the prime brokerage firm I am with and through the Hedge Fund Consulting Group is about how to improve PowerPoint presentations so that managers can more effectively raise assets from wealth managers, family offices and institutions. The advice is always different based on the strategy, targeted channel of capital and current state of marketing materials but there are common threads that come up in every conversation.

Below please find a few of the most common tips that I often provide to fund managers looking to improve their PowerPoint presentations:

1. Update your PowerPoint quarterly, most potential investors will have most likely already seen your one pager that is updated monthly. The presentation should mention your performance but the main purpose of it is to present your team’s pedigree, investment process and risk controls. Hire a professional editor to spend 1 hour reviewing the presentation after each major review, this costs less than $100.

2. 3 Areas of Focus: As mentioned in the bullet point above the three areas of focus in your presentation should be team pedigree and experience, investment process and risk controls. Many managers tend to be very high level while describing their investment process and risk controls, often times using terms that are seen too often in generic industry presentations. You have to let out enough of your secret sauce in your marketing materials so that others know there is actually something there. Solid returns alone, even in these recent markets is not enough, you must provide some explanation of your consistent process, system and parameters for operating. Please see the following bullet points for advice on each of the three most important sections of your PowerPoint presentation.

3. Team Pedigree: Take the time to describe all of the relevant experience that your team holds and try to explain those experiences in ways that mesh well with your firm’s investment process and approach to managing risk. Many times certain types of experience can be valuable to managing a portfolio of investments but many times that connection needs to be spelled out in the presentation.

4. If after creating this section you realize that your team consists of just one or two professionals without a long industry track record consider beefing up your close advisory board with industry veterans and experts in risk and portfolio management. Many times investors will ask how much of a fund principal’s own assets are invested in the funds, regardless of the exact dollar amount if 80-90%+ of your own liquid assets are invested in this fund check with your compliance officer about noting this in your presentation materials, many investors turn to hedge funds due to the alignment of interests and providing evidence of this in your fund sometimes helps.

5. It is important to retain capital raising talent as well, but without proper portfolio and risk management professionals or advisory professionals in place you may just spin your wheels. As you expand your team make sure and include a team hierarchy tree to your presentation, this may include your advisory team and a few
service providers or research groups that you work with daily and rely upon for operations.

6. Investment Process: This is the most common area of PowerPoint presentations that needs improvement. I have found it easiest to try to break your investment process into 3-5 steps that could then as appropriate be broken down further during a due diligence phone call or in meetings with potential investors. I would start with a single page displaying the 3-5 step investment process your firm uses, I would follow this by 1-2 pages explaining each step of the process in great detail.

7. Described the tools you follow, the decision making process, research inputs, parameters for refining the universe of potential investments and triggers that may affect how the portfolio is constructed at each step. Following this consider adding another page to the PowerPoint on buy and sell decision triggers, when do you trim a position? When do you sell? When are positions cleared out completely? What stop loss provisions are in place?

8. Providing a few trading case studies in this part of the PowerPoint may be helpful. Use real life examples from the previous quarter and update these frequently so that analysts will be able to read into your decisions in context of the recent market conditions.

9. Risk Management Techniques: Your risk management techniques can be placed in a separate section of the presentation or tacked on to the end of your investment process section in your PowerPoint. It is hard to go over-board on explaining with granularity what risk management techniques your firm employees. Start with the status quo, what tools, research, stop loss provisions and systems do you use? Next move on to proprietary models you may be using, exclusive trading research or experience that provides additional insight into how to manage risk in your portfolio.

10. More is more. It is often better to go overboard with details on your investment process and risk management details rather than not provide enough information. That said, never let your presentation grow to over 25 pages unless you have 3 or more products being presented in a single presentation. Getting your PowerPoint right is about balancing transparency and granularity with confusion and information-overload. Everyone is busy and often getting someone to invest 3 minutes to review your one pager can be a challenge of its own.

11. Creating a solid PowerPoint presentation is a task of continual improvement, but if you start with the tips above it should set you above 50% of the sub $200M hedge funds that we often speak with.
18 Lessons from Shooting Star Hedge Funds

Fast growing hedge funds are unlike most large hedge funds and emerging hedge fund managers. They have figured something out and are positioned to grow unlike 90%+ of the industry. Here are some lessons that can be taken away from some of the fast growing hedge funds we have worked with:

1. They take transparency serious and work to be pro-actively very transparent - more so than their competition.

2. They approach multiple investment channels but mostly ignore those completely out of their reach (example, potential pension fund clients for a $75M fund).

3. They are always developing relationships and they have dedicated internal and some external professionals always selling on their behalf.

4. They not only pedigree on their team but they are always building that pedigree through additional research, hiring of expert staff, and through speaking & writing.

5. They document their operations and make decisions based on what is best long-term for the organization rather than what is cheaper to implement today.

6. They have risk management and trading plans that are closely followed, this helps them improve their actual trading results and provides confidence to investors since their historical trading actually matches up against the decision making rules of their plans.

7. They know that "risk management" while sounding less sexy than "hedge funds" is the business they are in, and they invest in their own business accordingly.

8. They have documented, tested, and third party verified financial controls, compliance processes and audits completed at least quarterly and these reports are sent to at least board members if not investors

9. They invest and improve their infrastructure every year even if the pay-off for doing so could be 5-7 years away, ironically these are sometimes the investments that pay off the soonest though because investors recognize the type of long-term investments being made

10. They are experts at completing due diligence processes with institutional consultants, family offices and other types of institutional investors. They have professionals who are trained for phone-based pitches and sales and hand-offs during these processes are seamless.

11. They have just as good of marketing materials as the $1B hedge funds because after investing $300,000+ in infrastructure, talent, research, and risk management it would be a waste not to spend $20,000 on presenting it in the right light in a professional manner.
12. They have seen the light that investing in the right areas does produce returns so they re-invest their money even faster and often more efficiently than even small hedge funds on a tight budget.

13. They invest in training for their employees and board members who they grow more long-term relationships with than many emerging hedge fund managers might.

14. They are not only aware of the competition but they are watching them. Not in terms of what they are investing in so much as what risk management tools, software, trading tools, and USPs they are employing.

15. While hiring they look for very specific skill sets and a minimum of 7 years of experience in the industry, unless they have a policy of grooming from the ground up. Most fast growing hedge funds we know though like to hire professionals who can hit the ground running and quickly integrate as part of the team. They actually have an HR department or at least one person who is head of talent development and HR related activities, something almost all small hedge funds lack. When they are asked on the phone by institutional consultants if they plan on adding anyone they have a sophisticated intelligent answer instead of the generic, "we may add an analyst in the next 3 quarters."

16. They understand the "trust by verify" mindset of investors and they make it easy to verify everything.

17. They conduct more due diligence on business partners, investors, and potential employees than some retail investors spend on investing in small emerging manager hedge funds.

18. They realize their success is never going to be built on one software program, capital raising process, or investment trend so they constantly are working to build their 1,000 blocks of competitive advantage and ability.
Hedge Fund Startup Example | Why Start Now?

Below is an excerpt from an interesting article released by Dealbook this week on hedge fund startups, why they are launching funds right now, and how they are doing.

This particular article provides an example of a young fund in London ran by very experienced professionals in the industry. I think these types of articles are great as many articles put out on hedge funds today written about the whole industry and not on young hedge funds or about many individual funds, here is the excerpt from this article:

_In a small office in London’s upscale West End, three veterans of high finance are getting ready to start their own hedge fund._

_It’s a scene that was common enough in the world’s financial hubs during the boom years. But in the post-Lehman, post-Madoff and post-credit-crunch world, starting a hedge fund has become harder, riskier and potentially less lucrative. So why do it? That’s what DealBook recently asked Mahmood Noorani, one of the founding partners of the new London-based fund, Gyldmark Liquid Macro Fund._

_“We think it presents an opportunity to finally do things right,” he said about the timing of the new venture. “And it was the events of 2008 that convinced us that the right time is now for what we want to do.”_

_Mr. Noorani, along with his partners, Alastair Hollingdale and George Hatjoullis, may represent the new face of the hedge fund start-up: arrogance and mystery are out; liquidity and transparency are in_ (source).
Raising Capital for a Fund Startup

This article below was first published on HedgeFundStartupGuru.com. Last week I moderated a panel discussion in New York on capital raising and how starting a fund is really starting a small business.

The discussions were great and while everyone knows that capital is hard to raise, some good tips and investor feedback came out of the event. We hope to do more of these in the future. Stay tuned for Hedge Fund Group (HFG) event announcements for Chicago next month and Moscow, Russia this September. Below please find an article on hedge funds:

The gyrating financial markets have proven difficult for even the most experienced alternative-investment managers to navigate over the last year, but startup hedge funds and commodity trading advisors now confront an even tougher challenge: convincing investors to entrust them with their money.

In the wake of 2008 - the hedge fund industry's worst year on record - fledgling funds face gun-shy investors and tougher competition for the assets that are available, amid a fickle market that has made it tough to put up the numbers that made hedge funds famous. Adding to the problem are the effects of ... [source]
Starting a Hedge Fund | Tips

Below is an article about starting a hedge fund and running one over the long-term. This piece is from Tim Sykes, a colorful Wall Street personality with a large online following and experience in running a small hedge fund and then writing a book on the experience, which I have reviewed here. I do not agree with everything noted below but I believe it is valuable as it is rare to read articles by those who have managed a hedge fund about the struggles of running a small hedge fund.

I brought an outline of my strategy and performance to a friend of a family friend, who supposedly had access to many hedge fund and rich clients - he was impressed, but wanted to know the details of my strategy but wouldn’t give me any assurances he simply wouldn’t use it for himself. In addition, he wanted my returns audited and only then would he consider helping me raise capital in exchange for a “slight” fee. I couldn’t trust this guy and I didn’t want to tell him my secrets so I passed. This encounter made me realize that audited returns would be necessary because my success was rather unbelievable. I figured this expense would be crucial to my fund raising, so I found a local accountant familiar with stock trading and spent a college semester’s tuition to have my tens of thousands of trades audited.

After a few weeks of patiently reviewing all my trades with this accountant, the audit was finally finished and the numbers looked good. In fact, the numbers looked too good. Yes, my ridiculous returns might be a problem.

Lesson #1: If you consistently beat the market, you will face endless questions about whether or not you are a fraud.

No matter, I decided to form my own fund and take my chances raising capital. Since I was still in college and had focused solely on trading for the past few years, I had very few business connections and most of my friends and family were not wealthy enough to invest considering the all knowing industry regulations stated my investors would need a net worth of $1 million or more to be worthy of such a “risky investment”. Only my continued performance could attract new money, but, being my cocky self, that was the one part of the equation I wasn’t worried about.

Mutual funds could accept less wealthy investors, but had severe investment limitations. No, I did not want to start a mutual fund because most of them had to be invested at all times and they couldn’t even short sell! Hedge funds were considered the hot new investment vehicle, so I researched the industry nonstop for a few weeks and liked what I saw. I discovered the startup costs to be surprisingly modest and I loved the legal flexibility that would basically allow me to invest in any manner I saw fit.

Before the emergence of discount hedge fund startup shops over the past few years, I found the template for offering documents and lawyer fees could exceed $75,000. Since then, hedge fund boutiques had appeared, offering their administrative and startup services so startup costs did not exceed $10,000. That was some reduction!

I chose the second least expensive boutique I could find (probably something ingrained in me ever since my dad advised to always purchase the second cheapest bottle of wine from
a restaurant’s wine list). Still, I was surprised there were so many forms to fill out and small fees to be paid, but I went along with whatever my fund administrator said because he had set up dozens of firms over the past few years. This was the real world so it would take patience, something never required of me in the trading world.

**Lesson #2: Everything takes much more time in the real business world compared to the trading world.**

The ink on my letters of incorporation was barely dry when it hit me. I had been distracted by my quest for finding outside investors and creating all my companies that my trading had suffered as a result. Successful trading is all about focus, discipline and concentration and these lessons had been consumed by my ambition and greed. I had taken some rather stupid losses and now, with my fund inception just days away, I would no longer have that magic whole number in front of the millions of dollar under management. No, I would have to put a dreaded decimal point and some other numbers before the word million, hurting my credibility from the start.

**Lesson #3: Focus on trading first; never schedule investor meetings during market hours.**

Meanwhile my fund administrator convinced me to switch brokers because my trusty online discount brokerages were simply not used in the hedge fund world. I quickly agreed, but I was in for a rather big surprise. This newly recommended brokerage did not have any electronic trading platform (I was told it would be ready in weeks) and the traders executing my orders gave me some of the worst executions I had ever seen. I called to complain, but they brushed me off. They placated me by saying their new online software was only days away from completion. Almost twenty months later, the software is still almost ready. I switched to yet another recommended brokerage that had online trading software and I became friends with one trader who expertly executed my larger orders.

Still, the commissions I paid were much higher than my previous setup so I asked for and received several price reductions, based on how much trading I did. It quickly became clear that broker I wanted to stay with when the broker without electronic access incredibly upped their commission on a trade without telling me. When I called to complain, the broker told me he knew I was paying more at the other broker and therefore he was entitled to the same rate. He was mistaken on top of the fact that he just had taken matters into his own hands without consulting me. The difference in price on that one trade was only a few dollars, but I lost my temper based on the principle of the situation.

Luckily, I had started chatting regularly with a popular industry commentator and he referred to me another broker that was perfect for short selling. This new broker’s online software, cost, and short-selling list blew away the competition so, I dropped my other brokers and focused on this new guy.

**Lesson #4: Do not feel bad about changing brokers if they are ripping you and your clients off.** They are not girlfriends; there is always somebody cheaper and better out there.

The CEO of the brokerage I dropped called me to see what they had done wrong and ask why I had closed my account. I could not understand why it was so important my small fund stayed
with their firm that supposedly had billions of dollars in accounts. My commissions with them barely touched into the thousands. As ridiculous as this conversation was, I respected this man for his dedication to providing customer service.

Too bad their brokerage services weren’t up to par.

Every fund manager should price as many prime brokers as possible that fit the fund’s strategy. There are many brokers who may trade for themselves, but mainly exist and make money by taking their share out of our online trading commissions. They make their money from trading commissions—that’s the bottom line. There should be no reason to have to pay an individual representative of a major brokerage when we simply use their online software, but that’s the way it is. I am very skeptical when dealing with these people, and I do not feel bad about getting into arguments with them. In fact, I’ve grown to enjoy these fights.

In a few months with my quality broker, my performance moved back to the range of my previous years, crushing the overall market and my investors were very happy. Yes, my parents and a few of their friends were elated. After months of solid performance that consistently beat the market, I still had yet to raise much outside capital. I realize now that it will take a lot longer than I originally anticipated, but I have made so much money in the past and I am confident in my skill as a trader and that is what gives me the faith to go forward. It doesn’t hurt that I make up a large portion of my fund so I can probably go on forever, however unhappily, even without many outside investors.

**Lesson #5: The larger the ‘nest egg’ stake the manager has, with the initial startup—the better.**

When I first started my fund, I moved to New York City because I figured it was the epicenter of the hedge fund industry so I should be able to make thousands of investor contacts. I had met many potential investors and many in this industry, but no matter how many times people said they were interested, no checks were written nor wires sent.

One interesting meeting was with a senior manager of a major mutual fund company who had heard about my performance. I met him at his luxurious house in Florida and we proceeded to discuss my situation. After a few hours of listening to my story, he told me I was very smart and that I should focus on raising capital by changing my strategy around to suit potential investors. He told me in his years of experience, investors would be skeptical of such high returns and would want very low volatility. I told him in my years of outperforming the market I could care less if people accepted my strategy as I believed people will respond to performance. He’s probably right, but I take a certain pride in being a true rebel, a modern-day financial speculator.

**Lesson #6: Focus on what works for you and do not change to accommodate others.**

Next, I attended a few alternative investment conferences and handed out plenty of business cards. I was even part of a panel discussion thanks to my fund administrator’s connections, but my speech sounded naïve and unpolished compared to the more experienced managers and veteran marketers in attendance. In fact, I was mesmerized by one particular fund marketer who had grown his fund exponentially over six months. I do not think he said one useful fact during his presentation, but he delivered an eloquent speech and several people,
including me, approached him afterwards. Ah, the power of marketing skill. We discussed marketing my fund, but he charged some ridiculous fees without guaranteeing results whatsoever. I was just a startup fund; no matter how great he sounded, I wasn’t going to blow upwards of $10,000 all based on his incredibly polished speech. So, I decided to send out my marketing materials to all potential investors. I contacted just about everyone I knew, but the rate of follow-through was ridiculously minimal.

Lesson #7: Raising money does not come easily for a startup hedge fund manager.

There are very few reasons for individuals to take a chance on a new operation unless they have known you for years or if your performance warrants the added risk of being invested in a startup. People in large firms will not want to take a chance on your fund because of the minimal track record, lack of transparency of positions, and the volatility of returns. Their job is on the line with any investments they make, and if they mess up—they are fired. For the most part, they would rather underperform than risk losing big. This is what Warren Buffett once called the “institutional imperative.” It is a herd mentality, where these “institutional lemmings” move together, not necessarily doing what is best or smartest for their clients, but what is best and smartest for themselves. The decision to go with a high performing emerging manager is a risky bet, due to the outside chance of looking like a fool. No fund-of-fund manager will make that decision, because they will be fired or scolded if these risky investments don’t go exactly according to plan. Similarly, these emerging managers’ careers are to be ended if they do not make positive yearly performance each year.

My wonderful broker, who I was almost completely satisfied with after months of moving down commissions, recently baited me by saying one of his fund-of-fund clients might be interested in my fund since he was comfortable with my strategy and my performance had been above average. I had heard this many times before, from brokers trying to lure me to changing to their brokerage services to potential investors whose checks always seemed to get lost in the mail. Simple common sense dictates that when a fund-of-fund hears about me—if they are serious, they will contact me, not through my broker.

Full of doubt, I still met my broker and the fund-of-fund manager for lunch so we could discuss a possible investment. Initially, I grew rather excited because the conversation was surprisingly detailed as this manager actually did know about my fund! In fact, his talk of a possible investment sounded rather concrete and the proposed addition would increase my fund assets by 25-50%. We decided to meet again a few weeks later, so I spent hours creating a new presentation tailored to this fund-of-fund’s style. I never got to meet the fund-of-fund manager again, but my broker said he showed him my presentation and he supposedly loved it. The other day, my broker told me the great news. The manager had agreed to invest in my company without even needing to meet me again. Wow! Awesome! Of course, there was a catch. My broker felt horrible telling me (as he claimed), but he could only transfer the funds to me if the commissions on trades for this new investment were quintuple my normal rate! I felt my heart sink. I anticipated compensating my broker for this capital introduction, but quintuple fees with no hope for a reduction over time over the lifetime of the investment seemed somewhat ridiculous. I said no.

Lesson #8: With capital introduction, there’s always a catch.
My fund is listed on many hedge fund databases, but Hedgeco.net and Hedgefund.net have led to the most information requests by far. After a year of listing my fund, I have had over a thousand hits on my fund’s web pages. In fact, many third party marketers have contacted me through these websites. I have a premium listing on Hedgefund.net that costs the equivalent of a semester of college.

Some third party marketing firms have also contacted me. One marketer said he was showing my PowerPoint presentation to potential investors the day after I emailed him and he would get back to me. Three months later, he has yet to get back to me. Another marketer said he would work for my fund, but wanted 50% of the incentive fee I’d receive on any profits on the investment. Another wanted 30% of the incentive fee. With those kinds of figures, it would take me too long to make it worth my effort even if my returns continued to trample the market. I wanted to pay an upfront finders’ fee to them, but they knew that was not where the big money was. I understood their dilemma; why should they risk their entire reputation on a startup fund with only the chance for a small payoff?

But there was an individual that said he had the connections and was willing to take a job full time with me without taking more than 10% of the incentive fee. I just wanted him to introduce my fund to his connections because I have just a handful of family and friend connections that were wealthy enough to be potential investors. He demanded an exorbitant yearly pay for his services, and would not guarantee he could raise the millions he promised, but he was optimistic after reading my presentation and looking at my returns. I was happy yet skeptical that he did not want to know more about my strategies. It took weeks for him to “write out some contracts” and he insisted I only use his lawyer. Nevertheless, I was optimistic after having talked to him several times. But when I looked at the contracts, I was dismayed.

He wanted to focus on completely overhauling my marketing by creating new expensive presentations. He also tried to sell me on using his buddy as a graphics designer, supposedly the guy who designed the Oakley logo, to design an incredible logo for me that would surely attract investors! I am no marketing genius, but somehow I felt a new logo was not the problem and the Oakley guy was more than a little out of my price range. He also wanted to do a traveling road show to his contacts to present my fund so I could stay put and focus on my trading. Somehow paying for him to jet around the country without me was not my idea of a good investment. I told him no and I designed a simple logo on Microsoft Paint. I still receive many compliments on my simple yet modern logo each week.

**Lesson #9: This industry is full of frauds and con artists.**

Are you seeing the pattern here yet? This industry is tough for the little guy because there are many promises and very little follow through. Not being able to advertise is very difficult and you must rely on contacts and networking for capital introductions. You have to be willing to give up your strategy and any chance at tiny yet consistent profits for a shot at the big time. I chose the other path; focus on what I do best and be content to make some decent money while waiting for more opportunities. I figure there will always be people who want to raise money for me and they will only multiply with time, especially if I keep outperforming the market. I do not want to compromise my trading and investing style and I accept the fact that it might take years for investors to come. Only performance and patience will create the path of success—a journey I am willing to take.
Lesson #10: Results are much slower in the real world compared to the trading world.

Timothy Sykes is a hedge fund manager, star of the reality show Wall Street Warriors, and author of the upcoming book, “An American Hedge Fund”. He can be reached at timothysykes.com.
PART II: THE HEDGE FUND BOOK

The following is an excerpt from The Hedge Fund Book: A Training Manual for Professionals and Capital Raising Executives (Wiley 2010) ISBN#: 0470520639

This book can be purchased from major book retail stores or online at: http://www.amazon.com/Hedge-Fund-Book-Professionals-Capital-Raising/dp/0470520639/
There are three ways to raise capital: having more high net worth friends than the next fund manager, landing early institutional allocations, or hard work. Get to work.

This chapter provides some basic capital raising and marketing tips, as well as a case study analysis of Tassini Capital Management, a California-based hedge fund manager. Tassini Capital Management was attempting to grow its assets from $39.2 million in assets under management (AUM) to $250 million in AUM in a three-year period. The case study outlines the management’s struggles, challenges, lessons learned, and the formula they found for raising capital from new investors. This chapter provides some short interviews on capital raising, as well.

Why important: The capital-raising tips, strategies, and case study included in this chapter are only available due to lessons learned the hard way, through making mistakes, receiving feedback, and adjusting capital-raising strategies until they worked. Studying this chapter carefully can save literally $25,000 or more in consulting fees and, more importantly, double the rate at which you raise capital. If these lessons and tips are ignored, your team will likely repeat mistakes that others often make while trying to grow their AUM.

To watch a video on hedge fund marketing, please type this URL into your Web browser: http://HedgeFundTraining.com/Marketing
BAD NEWS

The bad news is there is no magic bullet to raising capital. I spoke with at least a dozen managers recently at a Hedge Fund Premium networking event in Chicago regarding their capital raising plans. Most were looking for capital-raising help of some type, and we discussed many roadblocks that managers are seeing between them and the AUM levels they are trying to achieve.

Daily action and discipline are the best things that fund managers can do to raise capital. They must take responsibility for marketing their fund and have someone reaching out to new investors on a daily basis. If they do not, they will forever remain in the bottom 20 percent of the industry in terms of assets. Very few funds gain their initial assets through a super-powerful third-party marketing firms. Third-party marketers typically like to work with managers who have some AUM momentum or foundation underneath them.

To raise capital, managers need to have superior tools and processes to those of their competitors. This means superior investor cultivation processes in place, superior investor relationships management, superior marketing materials, superior outreach efforts, superior e-mail marketing, and superior focus on investors who actually have the potential of making an investment. Each of those topics could be discussed for a whole conference, and all of these moving parts need to be in place to compete in today’s industry. While this does not mean that managers need to outspend others in marketing, they do need to strategically plan their marketing campaigns to compete effectively.

There is a good quote which goes something like, “If you want to have what others don’t, you have to do what others won’t.” In other words, translated for hedge fund marketing: If you want to grow assets, you must put in the extra work, planning, and strategy that others skip over.

Every morning, try to listen to a 45-minute custom MP3 audio session of business lessons, marketing tips, and positive thinking notes. One great quote I hear every morning is connected to an interview Brian Tracy conducts in which a multimillionaire says that success is easy: “You must decide exactly what it is you want, and then pay the price to get to that point.” All of this may sound wishy-washy or inexact, but it is important to realize that there is no single magic bullet for raising capital. It takes hard work, trial, and a superior effort on all fronts to stand out from your competition.
PUBLIC RELATIONS MANAGEMENT

Public relations has to be one of the most ignored marketing tools of hedge fund managers today. The Hedge Fund Group has worked with over three dozen hedge funds on their marketing plans and capital-raising efforts. So far, the most intense public relations effort our firm has seen set forth by a sub-$1 billion hedge fund was a single press release over a four-year period. This is not to say that any hedge fund that is not publishing at least four press releases per year is doing something wrong. However, many could benefit by simply making themselves more available to the press.

The media is hungry for real-time opinions of hedge fund managers, traders, and marketers. They need comments on current market conditions, trends in hiring and firing of traders and portfolio managers, and what prospects lie ahead for the industry as a whole.

Many hedge fund managers shy away from contributing to stories in the press. I would strongly encourage you to speak with your legal counsel and see if they would approve of your discussions with the media if you stick to industry trends, general market trends, and long-term movements you are seeing in the industry.

Top Four Tips for Taking Advantage of Public Relations for your Hedge Fund

1. Speak to your legal counsel to check on exactly what you can or cannot say to the press.
2. Develop a list of 10 to 15 targeted publications that you would like to appear in. Identify the editors of financial columns in those publications or news sources and introduce yourself to them as a resource.
3. Speak at public events, conferences, networking events, and other places in the industry where you will be heard not only by others in the industry but probably by a few members of the press as well.
4. Consider writing a book on your insights and experience. Many professionals in the hedge fund industry are often interviewed on TV after they
have published a book on a specific topic in the hedge fund industry, such as regulation or quantitative trading. Yes, writing a book sounds extreme to many who are already working 50 hours a week, but that is also why it would be so effective to consider doing so. Those with the time and skills to write well are often not the same ones who have the experience and insight to write something unique and valuable.

**BONUS VIDEO MODULE**

To watch a video on public relations strategies for hedge funds, please type this URL into your Web browser: http://HedgeFundTraining.com/PR.

**EDUCATIONAL MARKETING**

One of the most effective ways you can market your hedge fund is by being four times more educational and easy to understand than your competition. I wrote in my blog last year that a recent survey had shown that over 78 percent of institutional investors will not invest in something that they cannot understand. I would imagine that for high net worth (HNW) investors this figure is even higher.

While some managers purposely position their fund to appear “black box” and top secret, there are opportunities to market hedge funds which are open, transparent, and simple in explaining the fund’s investment process and risk management tools. This does not mean ignoring advanced methods or models of trading and managing portfolios, but it would require more of a 10,000-foot-view and explanation of the investment process instead of the 500-foot-views that are so often used. The trick in doing this right is to balance providing enough detail and real meat that an institutional investor or consultant will gain some granularity, while not completely overwhelming HNW investors or wealth managers who may be less versed in common hedge fund strategies of portfolio management techniques.

Here is a list of four additional ways you may market your hedge fund in a more educational or simple way:

1. **PowerPoint.** Dedicate 20 percent of the PowerPoint presentation to educational content. Asterisk all industry terms and note that definitions are provided in the back of the presentation. Explain the investment
process so that anyone could understand, at least on a high level, how your fund operates. Start with the team, high-level investment process, and how that all comes together before digging into trading examples or risk management tools.

2. *Folder.* Many managers use a folder of marketing materials while meeting with clients. This often includes a one pager, a PowerPoint presentation, and a recent quarterly market outlook newsletter written by the portfolio manager. It is wise to always include some additional reading in the folder as well. Provide two to three white papers written by experts outside of the firm that speak to the trends related to the assets that your firm invests in or strategies your firm employs.

3. *Speaking and writing.* Speaking at wealth management conferences and HNW-related events can be highly effective. The easily overlooked aspect here is audience: Are there more competitors or potential investors at the events you speak at?

4. *Wealth management and financial planners.* Some of the most ignored sources of capital for hedge fund managers are small to medium-size wealth management firms and financial planning groups that serve HNW professionals from time to time but don’t manage $1 billion-plus in total assets. Many of these groups work as part of a broker-dealer network or RIA, and they may only meet in person with 5 to 10 hedge funds in any one year, whereas larger institutions may meet with several each week. These relationships take a long time to build into effective sources of capital, but if they are approached in a more educational fashion than your institutional leads, they can pay off as very sticky long-term accounts.

---

**BONUS VIDEO MODULE**

To watch a video on educational marketing strategies for raising capital, please type this URL into your Web browser: http://HedgeFundTraining.com/Educational

---

**FORGET ABOUT CONTACTING MORE INVESTORS**

Yes, it may seem illogical to forget about contacting new investors while attempting to raise capital, but this may be what you need to do to meet your business goals. Many of the hedge fund managers I speak to want to
be connected with investors; they want lists of family offices, seed capital providers, or HNW wealth management firms. While accessing more investor contact details may be a useful resource and improve your marketing efforts, it is often not the real constraint that is holding your business back.

**BONUS VIDEO MODULE**

To watch a video on called “What Is a Family Office?” please type this URL into your Web browser: http://HedgeFundTraining.com/Family-Office.

No business is perfect; every business has some constraint that, if removed, would help the business more than anything else. Sometimes this constraint is portfolio management expertise, sometimes it is marketing materials, and many times it is lack of institutionalized processes and tools. Seldom do I meet with hedge funds which, if provided with a long list of 1,000 investors, would explode in assets under management.

Most hedge funds do not take the time to write down all of their current business problems or symptoms and ask four “why” questions to identify the root constraint in their business model. A good tool that I have seen used by half a dozen management consulting gurus is the “Four Why Process.” If you ask why something is happening four times, you will often get to the root cause of the problem. Here’s an example of how the process is used:

- *Initial problem/symptom:* We don’t manage $100 million in assets yet. Why?
- *Potential answer and follow-up question:* We are not raising capital from wealth management firms as you had hoped. Why?
- *Potential answer and follow-up question:* Our marketing materials have not been brought up to speed with the competition’s - they are light and our investment process is poorly described. Why?
- *Potential answer and follow-up question:* We know that you should be paying a consultant or in-house marketer to help with both marketing materials and generating relationships, but you have not hired one. Why?
- *Potential answer:* We do not have the profits available to hire a full-time marketer, but we can get around to creating a system to share equity, grow relationships with third-party marketers, or build a marketing-related advisory board.
The point of this exercise is to identify what the bottleneck is that is slowing down your growth. If a hedge fund can be seen as a 20-link chain, you must have all 20 strong links in place to keep the business growing long-term. If 19 links can carry the weight of a $300 million fund but one link is only up to par for a $10 million fund, then you will limit your growth and may never reach or only very slowly grow into a $300 million fund. The biggest return for your investment of time and money will be to focus on fixing that one broken or subpar link in your operations, marketing, trading, or internal business processes. Anything else would be a relative waste of money or energy.

This is a unique marketing technique because it is a reminder that the smartest thing you could do for your marketing and sales campaign may have nothing to do with picking up a phone or buying a database of investors. Before spending more money or valuable time, consider the following two tips for improving your ability to attract investors:

1. Use the “Four Why Tool” to drill down deeper into the top five problems that you see your fund facing right now. Oftentimes three to five problems will be symptoms of a single root cause which can be directly addressed.

2. Ask others, including your advisory board, current investors, potential investors and co-workers, what is holding your fund back. Do not settle with two-word surface answers. Try to identify what three to five action steps your fund could take this quarter to improve how you are positioned and address the number one limiting factor in your business.

**BONUS VIDEO MODULE**

To watch a video called “What Is Holding Your Hedge Fund Back?” please type this URL into your Web browser: http://HedgeFundTraining.com/Holding

**E-MAIL MARKETING BEST PRACTICES**

I worked as a risk consultant and capital raiser for seven years before starting my own firm. During the last few years of those positions, I was responsible for raising most assets on an e-mail and phone-based system, and I have
slowly picked up some tips for capital raising since then. Our business is so e-mail-based (800,000 messages in two years) that we have been forced to study best practices in this space to improve our efficiency at connecting with potential clients. Here are the e-mail marketing strategies we have picked up the hard way over the past few years.

Most CEOs don’t invest their time or put much importance on managing e-mail communications. If you invest your time in increasing your effectiveness at e-mail marketing you will have an edge over others.

E-mail Marketing Best Practices

1. **Understanding importance of copy.** What is the difference between a $1 bill and a $100 bill? The message on the paper. The message on your e-mail, the message on your investor letters, the message on everything you write makes the difference between it being worth $1,000 and $100,000. I think that sales copy writing is consistently undervalued and overlooked by business and investment professionals of all types. One of the best tips I can provide for e-mail marketing would be simply not to overlook the power of a carefully constructed e-mail marketing campaign or well-written piece of communication.

2. **Use the professional’s first name in the subject of e-mails to them.** Marketing Sherpa 2008 study showed this practiced increased open rates by 30 percent; using both the first and last name increased open rates by 22 percent.

3. **Focus on the headline.** The most important part of any piece of copy is the headline. Oftentimes over e-mail the headline of the e-mail is a slight variation of the subject line, perhaps the subject line minus the person’s first name. Focus on fitting a benefit and then the chain reaction of that benefit into the headline if possible: “Double Your Capital Raising Resources to Cultivate More Investors Each Day.” We have found that putting the benefit after your firm name is most effective. Just be careful not to promise benefits that are at odds with your compliance department or the core of what you are really offering.

4. **Focus on the start.** Hook the reader in the first paragraph. Make sure the first paragraph is no longer than two sentences and provides a very concise summary as to what will be discussed in the following message. If possible, try to fit in both what the benefits will be of hearing this information and what the dangers are of not paying attention to it. Psychological studies consistently show that professionals are almost twice as likely to listen more closely and take action on information related to a fear or some negative result than on some potential benefit or positive outcome. This does not mean you should scare clients into working with you, but you should hook readers by using framing, which
mentions the positive results as well as the negative consequences of not taking action. The recent use of e-mail browsers that let you preview the first 50 to 150 words of e-mail messages make the start of your e-mail even more important.

5. **Use professional e-mail distribution services.** Use a professional e-mail distribution service such as Aweber. This costs $10/month or less to start using. By using this service your e-mails will be delivered more often, your campaigns will be more organized, and the service will more than pay for itself through saving you valuable time. Make sure that whatever service you use, you consider opt-in confirmation and enable an unsubscribe link at the bottom of each e-mail you send.

6. **Automate relationship development.** Use automated follow-up e-mails. Write a series of 20 educational e-mails covering industry white papers, industry findings, commonly misunderstood terms, and information about your fund. Once you have qualified an investor, ask for their permission to opt into an e-mail list which will automatically send them these professional papers once a month for the next 20 months. If you deliver value in each of these 20 e-mails, your further inquiries will be well received. We currently use Aweber to send out automated e-mails to over 50,000 professionals each month.

7. **Use stories.** Whenever you are writing an e-mail or sales letter, try to incorporate a story of some type. How was this product created? How did your career and experience evolve and bring you to this point where you have gained this knowledge? If you read the early part of this chapter you will see that I have a short story about my own experience with e-mail marketing which led me to write this chapter. This helps create a frame of reference for the reader and can be helpful in many cases.

8. **Include a picture and signature.** End your communication with a picture of the professional on the team who is held out as the communicator or leader. Make sure that a real scanned signature and professional picture are included to help readers connect with your team.

Our team provides over 1,600 hedge funds a year with capital-raising advice, resources, and products. Our team has helped raise hundreds of millions of dollars in capital as well. Through these two sources of experience we see many of the same fund marketing mistakes made over and over again. If you can avoid these mistakes, you will be more effective than 80 percent of your competitors in the marketplace.

**Top 10 Fund Marketing Mistakes**

1. You have a three-month capital raising goal. This is unrealistic and the wrong mind-set to go out of the gates with. You need to plan,
build relationships, educate potential clients, and design high-quality marketing strategies and materials for the long term. It takes time to raise lots of capital, and usually the more valuable the investor, the longer the sales cycle. Don’t try to cram everything into a one- to three-month capital raise.

2. You’re counting on simply building a track record and then hoping to outsource all marketing to a great third-party marketing firm down the road. This puts all of your eggs into the third-party marketing basket. Third-party marketers have hundreds of potential clients approaching them each year. It is risky to assume one will not only take you on as a client but actually raise a sustainable level of capital for you.

3. You’re spending $8,000 on graphic design and web site design but $0 on hiring someone who is an expert at constructing sales letters, writing copy, and creating effective headlines and taglines for your positioning in the marketplace. Many times I see fund managers who want to look very professional but there is no meat in what they are saying, no hook to draw in the reader.

4. Not dedicating resources to capital raising is the most obvious mistake that I see in the industry. Many fund managers will act as the CIO, make two to three phone calls a week or sometimes per month, and then wonder why they have not raised more capital. Performance does not market itself, pedigree does not swing all doors wide open. You need to have dedicated resources, an internal marketing resource working at least 20 hours/week, investor databases so you can spend your time calling on real prospects instead of always having to qualify them, and a growing internal customer relationship management (CRM) or investor relationship management (IRM) system in place to track the results of your investment in investor relationships.

5. You speak at conferences full of your closest competitors instead of your highest-value potential investors.

6. You underestimate the value of a first-name-basis relationship with your top investor prospects. Some professionals, especially those with technical backgrounds, think that marketing is a numbers game. Yes, you sometimes have to reach out to many to develop relationships with few, but relationships are at the core of everything that gets done. Like Jeffrey Gitomer says, “All things equal, people like to do business with friends; all things being unequal, people still like to do business with friends.”

7. Another mistake I see in the hedge fund space is a lack of capital-raising training or fund-marketing instruction. You do not have to pay to have your marketing staff trained, but at the very least you should document your own best practices, processes, and investor pipeline development.
plans, so they can be easily communicated to team members and board members and then constantly improved each quarter.

8. You miss the boat on authority positioning, educational forms of marketing, and improving your own pedigree standing within the industry.

9. You write off PR. Most managers shy away from or completely ignore public relations as an avenue for helping create interest and positioning for experts on their team. Many funds have now successfully employed the media to spread messages about their fund.

10. A mistake that I see more than 90 percent of funds doing today is using a boring, run-of-the-mill unique selling proposition (USP) or, worse yet, not having one at all.

**COPY WRITING**

Copy writing is the use of words to promote a person, business, opinion, or idea.

Copy writing is the most undervalued and overlooked tool that a marketer or sales professional can develop. Many professionals value cold-calling skills, networking, branding, or public relations skills but I think that copy writing skills are the most valuable.

**Top Five Reasons Copy Writing for Capital Raising Is Important**

1. The headline of letters, subject line of e-mails, and first few words of speeches are the most important. Crafting a great headline can take hours to complete, but it will make the difference between being shown to others and never being noticed.

2. Many hedge funds, family offices, and private equity groups spend over $20,000 of their money on their marketing materials every year, yet 95 percent of decisions are based on what’s always been done or what sounds good instead of A/B testing results to find what is effective.

3. Every investment fund markets itself using e-mails and investor letters. Without copy writing skills you may not only be failing to connect with your audience but you could actually be turning them off and pushing clients away.

4. Investment funds of all types are started by successful traders and portfolio managers; very few are started only by marketers. Due to this nature of how the business is founded and grown, managers overlook niche marketing practices such as copy writing or see them as something beneath them.

5. Ninety-nine percent of your competitors are not using copy writing best practices.
**CASEPROFILE**

<table>
<thead>
<tr>
<th>Fund name</th>
<th>Tassini Capital Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Long/short</td>
</tr>
<tr>
<td>Track record</td>
<td>4 years and 8 months</td>
</tr>
<tr>
<td>AUM</td>
<td>$39.2 million</td>
</tr>
</tbody>
</table>
| Team          | Brian Tassini, co-portfolio manager  
                 Chris Tassini, co-portfolio manager  
                 John Travis, junior portfolio analyst  
                 Mary Powers, administrative assistant |

In the past, Tassini Capital Management has conducted all marketing efforts in-house, using Chris Tassini’s background in business and marketing to approach potential investors. Over a period of four years their fund grew from just $2 million at inception to $39.2 million. Their current AUM profile is made up of family and friends’ money, high net worth accredited investors, and wealth management firms. Figure 3.1 is a diagram showing this breakdown in assets under management.

![Figure 3.1: AUM Distribution in Millions, Tassini Capital Management](image-url)
In the past, the team only spent a collective 15 hours a week in marketing the fund or promoting their brand in the industry. This was carried out by Chris Tassini, and most outgoing sales calls were to investors he had met at conferences or networking events in the industry.

Tassini Capital Management has recently hired a proven third-party marketing team to help them raise capital from new investors. A third-party marketer is a professional who independently raises capital for fund managers on a contractual basis, often raising capital for multiple funds at any given time (learn more at ThirdPartyMarketing.com). The goal is for Tassini Capital Management to raise a total of $210 million and bring total AUM up to $250 million in three years.

From the very first day of working together, the third-party marketing team started to make changes to the marketing materials, investor relationship management systems, investor databases, execution, and processes followed while raising capital. The first change made was to the marketing materials of the fund. Tassini Capital Management had a new logo developed, its PowerPoint presentation expanded, and one-pager redesigned as well. A one-pager is a concise overview of a hedge fund’s track record, team, performance ratios, and relative performance. The most important changes were made to the PowerPoint presentation, often referred to as a deck or pitch book in the industry. The advice the third-party marketing firm gave to Tassini Capital Management regarding the pitch book included these tips:

- Make the competitive advantage clear—make sure that the hedge fund has a unique selling proposition (USP), not just a selling proposition. Most funds talk about diversification and a unique investment process or team without much meat or real unique advantage presented.
- There should be three main areas of focus in the PowerPoint presentation: team pedigree and experience, investment process, and risk controls.
- Work with the highest-quality service providers possible so that the fund does not get scrutinized more than it already will in the normal course of due diligence.
- Use prime brokerage and fund administration business partners to improve your marketing materials. These two service providers often provide reporting and risk management aspects which beef up the institutional feel of the organization.
- Do not ever let the marketing presentation be longer than 30 pages. It is challenging enough to get the attention of an investor long enough to thoroughly review a one-page marketing piece on your firm.
- Purchase premium graphics for $2 at iStockphoto.com; develop professional logos for your fund at Design99.com.
- Update the PowerPoint presentation quarterly with current performance numbers that have been verified by the administrator or auditor.

**BONUS VIDEO MODULE**

To watch a video on unique selling propositions (USP), please type this URL into your Web browser: http://HedgeFundTraining.com/USP.

Investor relationship management (IRM) systems were the next thing that the third-party marketing firm improved. In the past, Tassini Capital Management used a Microsoft Word investor tracking system, when one was used at all. Now they pay a small amount per month for an account with Salesforce.com which allows them to track the history of their communications with each investor and, even more importantly, alerts the team when another contact point is needed with a potential investor. It took a few months for the Tassini Capital Management staff to figure out how to use everything in Salesforce.com, but ultimately they found it powerful and flexible to adjust as their fund grew.

**BONUS VIDEO MODULE**

To watch a video on investor relationship management (IRM) please type this URL into your Web browser: http://HedgeFundTraining.com/Investor-Relationship-Management.

Investor databases are something that Tassini Capital Management had never used in the past. Through InvestorDatabases.com and with help from the third party marketer, they obtained contact details for over 1,000 potential investors and put together a strategic plan for approaching 200 of them at any given time.

The method by which Tassini Capital Management was raising capital in the past was not effective. In addition to not using an IRM system, the team had somewhat randomly been approaching many different types of investors, from large European banks to small seed capital providers. The third party marketing firm consulted Chris and Brian Tassini and found that they were both unwilling to part with equity ownership in the management
company of the fund in exchange for capital. They also reviewed past notes and confirmed that all efforts to work through institutional investment consultants had been stalled due to sub-$100 million AUM levels. The result was a much more focused method of systematically approaching a mix of investors which included 10 percent institutional investment consultants, 50 percent wealth management firms, 20 percent multifamily offices, and 20 percent high net worth individuals. While institutional investment consultants were not going to invest any time soon, they were kept in the mix so that the team could continue to receive valuable institutional feedback from the consultants.

Despite having hired an experienced third-party marketing firm for assistance in raising capital, Tassini Capital Management consistently faced two main challenges while development relationships with investors. The first challenge was catching the attention of a potential investor. With so many competitors in the industry offering similar strategies, it was hard to stand out from the crowd. Convincing a potential investor to engage in a 40-minute due diligence call was often in and of itself relatively significant. The second challenge the team faced was the noninstitutional feeling that potential investors got while looking at their sub-$40 million portfolio and team of four professionals. The business looked unsteady and unproven to larger institutional firms that typically had expectations of $80 to $150 million as a very minimum needed before allocations are made.

Over two years of trial and error and receiving advice from other managers, Tassini Capital Management adjusted its marketing approach in several ways to meet these challenges. These three changes included:

1. Implementing an institutional-quality multiple-modality marketing approach including e-mail marketing, conference speeches, article writing, phone calls, and traditional mailings. Each team member had a different role in this marketing approach which supplemented the work completed by the third-party marketer.

2. Developing prewritten and scripted responses to questions regarding the institutional quality of the firm’s trading, technology, risk management, and investment research processes. This attention to these specific areas of operations led to consistent improvements in how they are carried out. Many of these changes were suggested by free-to-access institutional investment consultants who had been called upon for feedback.

3. Constructing a sense of authority status around the firm through its presence in the market. The team members matched this awareness in the industry with improved branding and marketing materials and tried to leverage this to meet in person with as many potential investors as possible. Meeting investors face-to-face allowed them to get past the gatekeeper at many wealth management and family office firms.
BONUS VIDEO MODULE

To watch a video on systematic capital-raising tips, please type this URL into your Web browser: http://HedgeFundTraining.com/Systematic.

STEPHEN ABRAHAMS, VICE PRESIDENT OF MARKETING FOR A LONDON-BASED HEDGE FUND

For this chapter’s first interview, I sat down with Stephen Abrahams, who raises capital for a London-based boutique hedge fund manager. Here he shares some lessons and tips on what he has been doing to raise assets for his fund.

Richard Wilson: What tips could you provide to hedge fund capital raisers on developing investor relationships?
Stephen Abrahams: Keep in touch on a regular basis, find out what they are looking for, and ask for as much feedback as possible, good or bad. See if you can help them in any way, and always verify that you are speaking with the right person at the firm.
Richard Wilson: That is good advice. The rule of thumb that I used while raising capital was to keep in touch with my top prospects by mail, e-mail, or phone once every 10 days, or about every week and a half. With lower-priority prospects I would try to keep in touch twice a month in some way. Do you use a CRM system of some type to manage investor prospects?
Stephen Abrahams: We do not right now but I think they are a good idea.
Richard Wilson: I have used SalesForce and found it effective, but I have also used an Excel spreadsheet to simply track investor contact details. I know many professionals, though, simply use Outlook’s contact databases, task manager, and reminder system. How do you track the development of your sales pipeline? Do you rate investor prospects to keep them in priority follow-up order?
Stephen Abrahams: I use an Excel sheet and contact cards along with Outlook tasks and calendar synched to my iPhone.
Richard Wilson: How many investors is your hedge fund approaching or calling in any three-month period—400 investors, 50 investors, 1,000 investors?
Stephen Abrahams: I approach 50 to 100 investors, but it would depend, as I prefer to research and target more likely prospects rather than use a shotgun approach to cultivating new investors.

**PRATIK SHARMA, MANAGING DIRECTOR, ATYANT CAPITAL**

For the next interview in this chapter I met with Pratik Sharma, managing director of Atyant Capital, who has launched and raised capital for several hedge funds in the past, learning some lessons and picking up ways of doing business right along the way.

Richard Wilson: Pratik, can you first share what some of your experience includes?

Pratik Sharma: I’ve launched two funds in the past four years. One is a long-only, deep-value fund focused on middle-market Indian equities. The second one is a precious metals focused L/S fund investing in equities, ETFs, futures, and options. I’ve had to learn foreign regulations from scratch, learn how to work effectively with offshore service providers, and do all the marketing and client relations work. I’m not a portfolio manager, I am a capital raiser with a background in sales and management consulting.

Richard Wilson: What types of marketing materials do you use to market your fund to new potential investors? Anything really unique?

Pratik Sharma: It’s pretty standard. We use a standard pitch book/fact sheet. We are in the process of creating a more dynamic web site that integrates a blog, performance reports, and all of our social networking efforts.

Richard Wilson: Do you use a CRM system? How do you track important investor relationships or potential investor contact details?

Pratik Sharma: Yes, we use Salesforce.com to track our investor relationships and to keep track of important developments over the long term.

Richard Wilson: That’s great. I have used SalesForce as well—it is a tool that, if used right, I think can really improve the long-term ability to raise capital even if it does take some extra time to store everything in the system up front. Does your firm build organic investor databases or purchase investor databases from others?

Pratik Sharma: We build our databases organically over time. Our web site is designed to drive inbound interest and to keep that interest.

Richard Wilson: Some investor databases are not organized for capital raising and can be a relative waste of time. How long is your typical investor sales cycle? Eight months? Twelve months? Eighteen months?
Pratik Sharma: We are focused on high net worth individuals and family offices. When we raise capital from high net worth individuals our sales cycle is two to three months.

Richard Wilson: What is the most valuable lesson you have learned while raising capital over the past few years?

Pratik Sharma: You must have an easy-to-explain and compelling unique selling proposition.

Richard Wilson: I am so glad you mentioned that, because I think it is underestimated. To an investor who sees 100 presentations a month, everyone looks the same, and it is hard to be truly unique and convey that effectively in a meaningful way. Is there any one book, resource, tactic, or tool that has noticeably increased the ability of your firm to reach new investors and raise more capital?

Pratik Sharma: We have found that white papers and webinars are the most useful tools. They serve as a source of knowledge and insight for your investors and help to grow the existing relationship. These tools build credibility and demonstrate value even before a formal relationships starts.

Richard Wilson: That is great. I know that this really works, and our firm uses educational materials such as our free e-book on hedge funds for this same reason. We provide something that benefits our potential clients, and then when they have a capital-raising or training-related need we can be ready for them when they need us. I think that your fund is ahead of 90 percent of the hedge funds I speak to in realizing that if they invest their time and energy into giving away educational content, free training, webinars, resources, and so on, it will come back to them several times over through a greater total and more loyal investors.

What are your top five tips to hedge fund managers who have less than $100 million in assets under management but would like to improve the institutional quality of their fund?

Pratik Sharma: I would suggest investing in your web site. Try to get feedback from trusted contacts. Have a real USP that isn’t just fluff—then you will attract more investors than others in the industry.

Richard Wilson: Besides AUM, What do you believe is most important for a hedge fund to focus on improving when thinking about institutionalizing a hedge fund? Risk management? Trading processes? Research? Pedigree?

Pratik Sharma: Risk management is trading. It is the way one really generates alpha. Also, internal risk management (governance, controls) is key.

Richard Wilson: Agreed. I think that strict, independent governance and controls are something that will be a must-have in five years instead of a nice-to-have, as they seemingly are right now.
Now that your hedge fund has grown a bit and has been around for a few years what do you wish you had known when you first started your hedge fund? What should every new hedge fund start-up know that you wish someone had told you?

Pratik Sharma: This business is the best in the world. It is still all about doing the best for your customers. The arrogance and nonalignment of interests in hedge funds has been atrocious over the last several years. Investors aren’t stupid and they aren’t going to put up with it anymore. Embrace that as a differentiator, but recognize that you have to do it and not just say it.

Richard Wilson: Great to hear that from a marketer. What three tips or pieces of valuable advice could you lend to emerging hedge fund managers or new hedge fund start-ups? What valuable lessons have you learned from starting your fund, trading in the fund, and growing it that others in similar situations could learn from?

Pratik Sharma: Get good service providers. Size is not necessarily better. Some good administrators focus on early stage managers. They can be a tremendous help.

Richard Wilson: I agree. While sometimes the brand or reputation of the service provider may be important, I do think that there are times when large service providers leave small hedge fund clients behind in terms of service.

How long did it take you to launch your fund? About how much did it cost in total, and what was the most difficult or time-consuming part about this process?

Pratik Sharma: We formed an offshore fund for India, which took three months. Regulatory approvals were the most time-consuming part. Onshore U.S. Limited Partnership (LP) took 30 days. The most difficult part is that the manager has to manage the various entities involved. It is a project, and if you don’t stay on top of all the moving pieces, it will result in delays and increased expense.

Richard Wilson: Can you share a few mistakes or setbacks you encountered that were painful and didn’t have to be experienced?

Pratik Sharma: Don’t have a bad or nondescript USP. You will get laughed out of some offices.

Richard Wilson: Definitely worth repeating that point—I agree. What are the top three resources or tools that you use to run your hedge fund that are worth more than anything else? What are the most valuable resources that you could recommend to others?

Pratik Sharma: Salesforce.com and ConstantContact.com are probably two of the most useful tools.
Richard Wilson: What is the critical issue that determines whether you work with a particular consultant, service provider, or marketer? What is the one thing that you always look for? Good service? Recommendations from others? Branding? Experience?

Pratik Sharma: It is a bit hard to describe. The best way I can articulate it is “make sure there is a good fit” in terms of experience, in terms of expectations, and in terms of personalities. These service providers are extensions of your organization. You want to make sure that you feel comfortable having them interact with your clients. Your clients will call them.

Richard Wilson: Exactly. I think that in some businesses you may use a service provider to get Internet, or to find new talent for your team, and they are truly outside of your organization. In the hedge fund industry, though, you are really outsourcing large chunks of your operations and processes to these firms, so this is an important decision, whether it is a third-party marketing, prime brokerage, or fund administration firm.

What is the most challenging aspect of week-to-week or month-to-month operations? How has your firm adapted to this challenge? What tools have you found that help you manage this?

Pratik Sharma: The challenge is not to get sidetracked, and to stay focused. The markets are volatile and you can’t let market volatility and resulting mood swings get you off track. The way to do it is to set firm schedules and to stick to them as much as possible. Plus, raising capital can’t be done on a drive-by basis. You must deliver value in every interaction to truly differentiate yourself. Just because you’re ready to take the capital doesn’t mean that your potential client is ready to make the allocation. You can’t really control that. Make sure that you are delivering value, are seen as trustworthy, and that you have a definable, unique edge. When the client is ready, he or she will write the ticket.

Richard Wilson: Great advice there. I believe that what you just said there will be worth more than 10 times the cost of this book to anyone who is looking to raise more capital for their fund. Over 90 percent of the hedge funds I speak to are not in a life cycle or track record position to attract a third-party marketer, yet they would like to have an outside party complete their marketing for them. This is because they barely have time to do marketing and they are not marketers at heart. What happens is the portfolio manager or trader puts in three to five hours a week towards marketing and, like you said, this becomes a drive-by effort and not much capital is raised. I truly think that most hedge funds need to develop their own internal marketing resources, tools, processes, pipelines, and talent. That is how things finally get done in the majority of cases I have seen. Thanks for sharing that bit.
Do you have any other pieces of advice related to operational hedge fund best practices that you could share with other managers in the industry?
Pratik Sharma: This business is all about raising capital. That is not to say you can’t get anywhere without performance, but what differentiates a hedge fund from a person trading in his gym shorts is the ability to raise capital. Invest your time and money accordingly.

**HENDRIK KLEIN, CEO, DAVINCI INVEST LTD.**

The final interview related to fund operations and institutionalization is with Hendrik Klein, CEO of Da Vinci Invest Ltd., a Zurich-based hedge fund professional whom I also interviewed for Chapter 2.

Richard Wilson: What have you learned that has enabled your firm to raise capital to this point where you are managing a healthy stable level of assets?
Hendrik Klein: It is challenging. Investors want liquidity, return, and no risk. Additionally, you should have a Goldman Sachs partner background with Harvard graduation.
Richard Wilson: I agree that pedigree is very important to investors regardless of their location. In the United States, and at least with my experience in working with UK-based groups, most institutional investors are demanding $80 million to $100 million or more in single strategies managed by fund managers. Is that what you have found as well?
Hendrik Klein: The fund volume should be above $50 million USD minimum, although $100 million USD would not hurt, and a three-year track record. The rest is a numbers game and the discipline to follow up on every lead in 24 hours.
Richard Wilson: How has your firm gotten past the “under $100 million, no institutional-quality operations” objection in the past? Gone to smaller investors who don’t hold this objection? Met with investors face-to-face? Any lessons learned here?
Hendrik Klein: Cooperate with other asset managers, go to family offices, smaller funds of funds, and retail investors.
Richard Wilson: How long is your typical investor sales cycle? Eight months? Twelve months? Eighteen months?
Hendrik Klein: On average, our sales cycle for new investors is eight months.
Richard Wilson: What is the most valuable lesson you have learned while raising capital over the past few years?
Hendrik Klein: Follow up in 24 hours. Keep it simple.
Richard Wilson: What do you see as your main challenge in raising new capital for your hedge fund?
Hendrik Klein: Explaining our compelling strategy in a way so that investors feel comfortable to invest. Getting over the $50 million fund size with every fund that we offer.

Richard Wilson: What types of marketing materials do you use to market your fund to new potential investors? Anything really unique?
Hendrik Klein: Presentation, DDQ, factsheet, references, press releases, articles in magazines.

Richard Wilson: Do you use a CRM system? How do you track important investor relationships or potential investor contact details?
Hendrik Klein: Yes, we use SalesForce, but we want to switch to Emnis in 2010.

### BONUS VIDEO MODULE

To watch a video on the components of a hedge fund marketing system, please type this URL into your Web browser: http://HedgeFundTraining.com/Marketing-System

### CHAPTER SUMMARY

Tassini Capital Management was making several mistakes that emerging hedge funds often make. These mistakes included:

- Not strategically focusing on certain types of investors.
- Not developing a system to track investor pipeline development.
- Not developing or communicating an institutional-quality fund business while speaking with investor firms.

Discovering these flaws, thanks to their relationship with the third party marketer, led to several changes. The most important of these included:

- Updating marketing materials.
- Obtaining investor databases.
- Focusing their investor prospects.
- Communicating a clear competitive advantage.
- Employing a multiple-modality marketing and sales approach.
This chapter covered many additional practical capital-raising best practices, unique positioning techniques being used by hedge funds today, and a hedge fund marketing case study. Here are some key lessons that can be taken from this chapter:

- Develop a list of 10 to 15 publications you wish your hedge fund would be featured in and approach them one-by-one.
- Write for audiences and speak at events full of prime prospects, not competitors.
- Despite the constant search, there is no person or resource that is a real shortcut to raising lots of capital for a hedge fund.
- To employ educational marketing, use folders, white papers, PowerPoint presentations, speaking, and writing, and focus on wealth management and financial planner markets.
- Use the “Four Why Tool” instead of constantly seeking new investors or larger investor databases.
- The difference between a $1 bill and $100 bill is the message on the paper. Don’t underestimate the power of strong sales writing.
- Sales cycles for hedge fund investors may range from two to three months for high net worth investors to eight or more months for institutional investors.
- Webinars are a useful tool, and you must have a USP or you will be ignored.
- Use stories and personalized signatures and pictures in your marketing materials.
- At any one time, target 50 to 150 investor prospects per marketing and sales team member.

Free Resource: Learn more about hedge fund marketing at ThirdPartyMarketing.com.

REVIEW QUESTIONS

1. What percent of institutional investors will not invest unless they understand the investment being made?
   a. 55
   b. 44
   c. 78
   d. 88
2. While employing public relations tactics, target publications in which you would aim to have your hedge fund or principal featured, and begin approaching them.
   a. 10 to 15
   b. 20 to 30
   c. 15 to 25
   d. 70 to 80
3. True or false: Somewhere around 50 percent of your competitors are probably ignoring copy writing best practices.
4. Hendrik Klein suggests that investors want liquidity, returns, and
   a. Tax assistance.
   b. No risk.
   c. Advice.
5. True or false: Large service providers are always better as they provide more stable services and a more experienced team of professionals.
6. True or false: The “Four Why Tool” helps determine the real root cause of a problem so you can directly solve that instead of focusing on symptoms of a core issue your hedge fund is facing.
7. True or false: Multi-modality marketing material sets means having your marketing materials translated into at least two different languages each quarter.
8. The four main focuses of your PowerPoint presentation should be:
   a. Team pedigree, returns, transparency, and risk controls.
   b. Team pedigree, returns, financial controls, and risk controls.
   c. Team pedigree, experience, investment process, and risk controls.
9. Do not ever let your PowerPoint presentation reach more than __ pages in length.
   a. 10
   b. 20
   c. 30
   d. 60
10. The most important part of your speeches, e-mails, or sales letter communications are the:
    a. Conclusions.
    b. Personalized style.
    c. Headlines and introductions.

   Answers: To view the answers to these questions, please see http://HedgeFundTraining.com/Answers.
You are your greatest asset. Put your time, effort, and money into training, grooming, and encouraging your greatest asset.

—Tom Hopkins

This chapter covers the most frequently asked questions about hedge funds. Our company receives over 150,000 emails each year, many of them asking the same questions that are covered here in this chapter.

HEGDE FUNDS 101

Question: What is a hedge fund?

Answer: A hedge fund is a private investment vehicle in which investors in the fund typically are charged a management fee plus a performance-based fee. While this definition has been true for some time now, there are dozens of variations of hedge funds, and many look a lot like private equity funds and venture capital funds. While the hedge fund industry has been organically growing in real size, it is also growing simply due to the application of the name *hedge fund* to an increasing number of investment vehicles. Typical hedge fund management fees are between 1 and 2 percent, and typical performance fees range from 15 to 30 percent. Investors are drawn to hedge funds because they have strong incentives to perform very well in order to take down a large dollar figure as part of the performance fee charged by the fund. While some would say this is a light version of the definition, the truth is that the model has expanded in so many directions that any more details would leave out billions of dollars worth of hedge fund...
strategies and models. The industry truly is defined by the fees the funds now charge and how those are structured to the investor.

**Question:** What is a fund of hedge funds?

**Answer:** A fund of hedge funds is an investment fund that allows a single investor broad access to many different hedge funds through one investment. The fund of hedge funds typically researches dozens or hundreds of hedge fund managers in order to optimize and invest for clients in a basket of well-performing hedge funds. A fund of hedge funds earns fees on top of the hedge fund management and performance fees already embedded in this type of investment. Investors are drawn to funds of hedge funds for the superior research and due diligence conducted and the diversity of hedge fund risk exposures that may be found in these vehicles.

**Question:** What is the difference between a multistrategy hedge fund and a fund of hedge funds?

**Answer:** A multistrategy hedge fund is a fund that runs multiple strategies such as long/short, 130/30, global macro, merger arbitrage, and so on, all in the same fund. This fund will typically charge a single layer of fees similar to any other hedge fund. This contrasts with a fund of hedge funds, which could be focused on one or two hedge fund strategies or many in a diversified model where an additional layer of fees is applied for the research, due diligence, and risk management research that went into constructing the portfolio of unique hedge fund managers in the fund.

**Question:** What hedge fund books would you recommend reading?

**Answer:** We offer a free-to-download 200-plus-page e-book on hedge funds, online at http://HedgeFundsBook.com. We also suggest visiting HedgeFundBookStore.com to review the short list of books that our team has selected for the CHP Designation Program. We reviewed over 55 books on hedge funds before selecting this group of texts for our training program.

**Question:** What is the role of an institutional investment consultant?

**Answer:** Institutional investment consultants are investment advisers to mainly large institutional investors such as pension funds, foundations, endowments, or family offices. Investment decisions are often made with the advice of these consultants, and sometimes parts or whole portfolios are placed under the control and investment decision making of these institutional consultants. Hedge fund managers are typically interested in developing strong relationships with institutional consultants because those managers with over $80 million or $100 million in assets can often build relationships with these consultants and possibly gain allocations from their institutional investor clients.

**Question:** How strong is the industry outside of the United States and Europe?
Answer: The hedge fund industry is diverse and spread out around the world. Australia, Brazil, South Africa, and Russia are all hubs of CTA fund and hedge fund activity. I met with a CTA fund in São Paulo, Brazil, last year for lunch and he mentioned that he personally knew of over 300 funds similar to his which are based in São Paulo. While many international locations may lack more than a handful of $750 million-plus hedge funds, they house thousands of small to medium-size hedge fund managers who together control a lot of assets and hire a respectable number of employees as well.

Question: What is the quickest way to gain more knowledge about hedge funds right now?

Answer: Many times I hear from professionals who have been reading HedgeFundBlogger.com, who have read this book, or who read our hedge fund e-book and they are hungry to learn more. Here are my top tips on moving up the learning curve on everything hedge funds:

2. Sign up for Google Alerts for the terms “Hedge Fund,” “Hedge Funds,” and so on. This will allow Google to e-mail you once a week as new Web stories or blog articles come out on hedge funds.
3. Subscribe to HedgeFundBlogger.com and receive our daily e-mail newsletter about the hedge fund industry.
4. Subscribe to five educational blogs on the topic of hedge funds. Suggestions include HedgeFundBlogger.com, Fintag.com, FT AlphaVille (FTalphaville.ft.com), and the Albourne Village newsletter found at Village.Albourne.com.

HEDGE FUND OPERATIONS

Question: I am a solid trader with a solid back-tested model. Should I start a hedge fund?

Answer: The hard truth is probably not. Most traders do not have the level of pedigree or supporting capital that is needed to launch and grow a fund from the ground up. That said, new hedge funds are launched daily, and many funds do make it to a profitable level of assets under management (AUM) and do very well. It is important to do your research before you spend any money on service providers or legal formation. Work up your budget, write a business plan, write a marketing plan, meet with potential friends and family investors, and speak with other small hedge fund managers. Raising capital and growing a long track record that will attract investors both take a long time and a lot of patience.
**Question:** What is one operational fund management process you could provide me with that I can take away and really use in my business today? I need something low cost as we manage less than $100 million in assets as a fund.

**Answer:** One person who has affected me in business has been William Edward Deming. He once said, “If you can’t describe what you are doing as a process, you don’t know what you are doing.” I think this also goes along with another popular business quote: “What gets documented gets improved.”

Most investment funds and family offices that I have worked with do not have an investor cultivation process or pipeline drawn out as a process. They do not have their ongoing investor communication strategy documented, and in many places the only documentation of their investment process is at a very high level in their marketing materials. I think many hedge funds, portfolio managers, and capital raisers could benefit from using PowerPoint presentations or a free program such as Bubbl (www.bubbl.us) to document their processes.

This documenting of critical processes takes little time and costs nothing to do, but it allows you to step back from the process and evaluate it, improve it, or delegate where appropriate. Our firm recently used Bubbl and PowerPoint together to describe a business process we were completing ourselves, and we were able to use this not only internally but also externally as we trained a third party to whom we decided to outsource some of this work.

The processes I have found valuable to document are:

- Investor acquisition process.
- Current investor communication strategy.
- Hiring new employees.
- Managing your portfolio on an ongoing basis.

**Question:** What exactly does a fund administration firm do? What is the scope of their services?

**Answer:** A fund administration firm helps with the day-to-day operations of running a hedge fund. Activities that typical administration firms may take on for a fund include:

- Monthly accounting.
- Tax preparation assistance.
- Processing of subscriptions and redemptions.
- Third-party controls.
- Audit assistance.
- Anti-money laundering (AML) compliance.
- Investor communications.
- Daily reconciliation of trades.
- Employee Retirement Income Security Act (ERISA) tracking.
- Operational assistance.
- Management company accounting.

**Question:** What are your top five pieces of advice for a hedge fund that is just now starting up?

**Answer:** Our firm speaks with over 300 hedge fund start-ups and emerging hedge fund managers each year. We typically hear from managers when they need help selecting service providers such as a formation attorney or prime brokerage firm, or we get requests to help these funds raise capital for their new funds. Here are our top five tips for hedge fund start-ups:

1. It is harder to raise capital than you think, so get all of your capital-raising processes, investor database resources, and sales professionals in place before you start your fund.
2. Focus on developing a unique investment process and competitive advantage in the industry: What unique edge can you constantly be building?
3. Risk management and institutionalization are key for your fund. Focus on how to be more transparent than your competitors. Decide where you can invest early in technology, research, or pedigree to raise the institutional quality of your fund offering.
4. Investors want to see that you have skin in the game. Make sure you do have some of yourself invested and communicate that to investors.
5. Face-to-face relationships work. Meet with as many potential investors, service providers, and consultants in person as possible. This leads to more trust, momentum, and productivity in everything you touch.

**Question:** Do you have any suggestions on how we could run our hedge fund business better from an operational or business point of view so that we are seen as more of an authority in the industry?

**Answer:** Sure. One way in which people are influenced every day is through our orienting reflex. The orienting reflex is the process we go through while reacting to something novel, new, or mysterious. It is what makes first dates, roller coasters, and vacations to exotic islands so enjoyable.

When a loud alarm goes off we stop and ask ourselves why it is going off and whether it has any impact on us. If you are in the middle of a movie at your local theater and the fire alarm starts to go off, everyone will look around for a minute before taking action. Each person is orienting
themselves to this new situation and combination of variables, and they are looking for instructions from other people’s actions, their past experiences, or some sort of authority such as a movie theater employee. This very moment, while the movie audience is determining what to do next, is when they are most easily influenced. This same rule applies to changes in stock market conditions and the reaction of Wall Street analysts and investment news broadcasters.

If you can be the person to suggest a strategy or provide additional credible evidence when others are still orienting to a new environment, you can be very influential very quickly.

You can apply this in your fund by being the first to address an industry development such as new investor regulations, or an industry-changing fraud event like Madoff. Interpret these events and focus on making sense of what will likely come next. This can be done on a smaller level with events that come up each quarter in the industry.

**Question:** How can I network with other hedge fund managers and industry professionals?

**Answer:** The best way to network with other hedge fund managers and industry professionals is through the Hedge Fund Group, a free-to-join association of industry professionals. This group now has over 30,000 members from around the world, and you may join today by visiting HedgeFundGroup.org and clicking on the “Join” link at the top right-hand side of the home page.

### HEDGE FUND MARKETING AND SALES

#### BONUS VIDEO MODULE

To watch a 45-minute video on hedge fund marketing best practices, please type this URL into your Web browser: http://HedgeFundTraining.com/Capital-Raising-Strategies.

**Question:** What does a typical third-party marketing arrangement look like? What are the payouts like?

**Answer:** Third-party marketing arrangements typically involve the marketer receiving 20 percent of both the management and performance fees on assets raised for five years, seven years, or in perpetuity for as long as the investor remains invested in the fund. In addition to the fee sharing,
most third-party marketers will also charge some level of a retainer, which can range from $1,000/month to $12,000/month, to help cover the ongoing marketing costs of the marketer. If your hedge fund is looking to engage a third-party marketer, please read some of our free advice on this niche area of business at ThirdPartyMarketing.com, a free educational e-magazine on the third-party marketing industry.

**Question:** We are looking for capital. Would a hedge fund invest in my real estate venture or private company?

**Answer:** The hedge fund universe is diverse and there are hedge funds that invest in real estate or in private companies, but these are few and far between. You will need to obtain a specialized database of these types of hedge fund managers, or screen carefully in one of the large hedge fund database providers found online. For further information on databases, both free and paid, please see InvestorDatabases.com, HedgeFund.Net, HedgeFundResearch.com, or FamilyOfficesDatabase.com for more information.

**Question:** How long will it take us to raise capital after we launch our fund?

**Answer:** The sales cycle is 6 to 9 months long in retail channels and 9 to 18 months long in institutional channels. This assumes that your fund has a three- to five-year or longer track record and a high enough level of AUM to approach each of these markets. Raising capital from investors other than friends and family in your first two years is very challenging. The best route of action is to consider seed capital or approach high net worth (HNW) accredited investors for potential investments. Even the most experienced third-party marketers and capital raisers need 9 to 12 months to close on a significant level of assets, and many need two to three years to really work through their contact Rolodex and use all of their methods of attracting capital to clients. It is important to know this up front when you start a fund, both for budgeting and for setting reasonable expectations of anyone you hire or bring on as a third-party marketer for the fund.

**Question:** Can you provide us some tips on how to develop relationships with investors? Is there a process we could follow at a very high level?

**Answer:** Yes, there is. I was making my way through some marketing training materials last year from Mr. Frank Kern and came across a marketing process which may seem somewhat like common sense, but it helps to think about these things to ensure that you are presenting a complete marketing message to your potential fund investors. In the marketing training program, Kern suggests you follow this four-step process while moving your prospects through different phases of engaging your firm:

1. **Interest and desire.** Provide a white paper, speech, update on your perspective of the markets, which catches the attention of your potential investor.
2. **Trust.** Develop a relationship with the potential investor. Build trust by providing client quotes, industry recommendations, and comparison analytics between your fund and others.

3. **Proof.** Show proof that your fund has a high pedigree team, detailed consistent investment processes in place, and an advantage of some type which can be tangibly displayed or confirmed.

4. **Sample.** Allow the investor to start with a small minimum investment, provide examples of what other investors like them have done in the past, or present case studies on three different types of typical investors that you serve so they can imagine being in that position.

The descriptions of these four steps are less important than the process itself. If you can grab the attention of the investor, build a relationship with them, provide proof of your abilities and performance, and then combine that with a sample, you will be several steps ahead of much of your competition.

---

**BONUS VIDEO MODULE**

To watch a video on the strategy of similar others, please type this URL into your Web browser: http://HedgeFundTraining.com/Marketer

---

**Question:** How could we improve our PowerPoint pitch book for investors?

**Answer:** This will depend on its current state, your strategy, and your target investors, but following are a few of the most common tips that I often provide to fund managers looking to improve their PowerPoint presentations:

- **Quarterly update.** Most potential investors will have already seen your one-pager, which is updated monthly. The presentation should mention your performance but the main purpose of it is to present your team’s pedigree, investment process, and risk controls. Hire a professional editor to spend an hour reviewing the presentation after each major review; this costs less than $100.

- **Three areas of focus.** As previously indicated, the three areas of focus in the PowerPoint presentation should be team pedigree and experience, investment process, and risk controls. Many managers tend to be very
high level while describing their investment process and risk controls, frequently using terms that are seen too often in generic industry presentations. You have to let out enough of your secret sauce in your marketing materials so that others know there is actually something there. Solid returns alone, even in these recent markets, are not enough. You must provide some explanation of your consistent process, system, and parameters for operating. Here is some advice on each of the three most important sections of your PowerPoint presentation:

1. **Team pedigree.** Take the time to describe all of the relevant experience that your team holds, and try to explain those experiences in ways that mesh well with your firm’s investment process and approach to managing risk. Many types of experience can be valuable to managing a portfolio of investments, but sometimes that connection needs to be spelled out in the presentation. If after creating this section you realize that your team consists of just one or two professionals without a long industry track record, consider beefing up your close advisory board with industry veterans and experts in risk and portfolio management. Many times investors will ask how much of a fund principal’s own assets are invested in the funds. Regardless of the exact dollar amount, if 80 to 90 percent or more of your own liquid assets are invested in this fund, check with your compliance officer about noting this in your presentation materials. Many investors turn to hedge funds due to an alignment of interests, and providing evidence of this in your fund sometimes helps. It is important to retain capital-raising talent as well, but without proper portfolio and risk management professionals or advisory professionals in place, you may just spin your wheels. As you expand your team, be sure to include a team hierarchy tree in your presentation. This may include your advisory team and a few service providers or research groups with whom you work daily and upon whom you rely for operations.

2. **Investment process.** This is most commonly the area of PowerPoint presentations that needs improvement. I have found it easiest to try to break your investment process into three to five steps, which could then be broken down further during a due diligence phone call or in meetings with potential investors. I would start with a single page displaying the three- to five-step investment process your firm uses, followed by one to two pages explaining each step of the process in great detail. Describe the tools you use, the decision-making process, research inputs, parameters for refining the universe of potential investments, and triggers that may affect how the portfolio is constructed at each step. Following this, consider adding another page
to the PowerPoint on buy and sell decision triggers: When do you trim a position? When do you sell? When are positions cleared out completely? What stop-loss provisions are in place? Providing a few trading case studies in this part of the PowerPoint may be helpful. Use real-life examples from the previous quarter and update these frequently so that analysts will be able to read into your decisions in context of the recent market conditions.

3. **Risk management techniques.** Risk management techniques can be placed in a separate section of the presentation or tacked onto the end of your investment process section in the PowerPoint. It is hard to go overboard on explaining with granularity what risk management techniques your firm employees. Start with the status quo: What tools, research, stop-loss provisions, and systems are used? Next move on to proprietary models you may be using, exclusive trading research, or experience that provides additional insight into how you manage risk in your portfolio.

- **More is more.** It is often better to go overboard with details on your investment processes and risk management details than not to provide enough information. That said, never let the presentation grow to over 25 pages unless you have three or more products being presented in a single presentation. Getting your PowerPoint right is about balancing transparency and granularity against confusion and information overload. Everyone is busy, and often getting someone to invest three minutes to review your one-pager can be a challenge of its own.

Creating a solid PowerPoint presentation is a task of continual improvement, but if you start with these tips it should set you above 50 percent of the sub-$200 million hedge funds that we often speak with.

**Question:** What should we look at while interviewing a third-party marketer we may hire?

**Answer:** Evaluating a potential marketer should be as rigorous as completing a request for proposal (RFP) for an institutional consultant. A partnership is being formed, and investing time and money with the wrong professionals can be expensive in terms of both real dollars and opportunity costs. Areas to cover while conducting due diligence on a third-party marketer include:

- Past work experience.
- Current licensing and broker check.
- Asset-raising history throughout their careers.
- Asset-raising track record while working together in the firm.
- Referrals from past hedge fund clients.
- Number of years experience.
- Scope of their distribution channel expertise.
- Number of total current clients.
- Potential commitment of time in terms of hours per week and duration of the contract.
- Personality and culture of the third-party marketing group.

**Question:** What trends have you seen in terms of the types of investors now out there in the hedge fund industry?

**Answer:** What I find is that overall, while most marketers’ experiences are very similar, each investor is different, just as the due diligence processes in different firms vary. Hedge fund investors typically fall into one of these four categories:

1. *The “Follow me” hedge fund investor.* Most of these investors make up your pool of family, friends, co-workers, and people you interact with regularly. Usually, these people don’t understand how to perform the necessary due diligence in making a decision to invest. This group also tends to make assumptions. For example, if a manager holds a degree from Harvard or has experience from a top financial firm, this fact alone would persuade these investors to follow suit, ignoring the probability of fraud. In addition, they heavily rely on personal acquaintance and recommendations from either you or someone you may know. If you ask for a check, and they trust you, this group will most likely give one to you.

2. *The “Send me a prospectus” hedge fund investor.* This group is a bit more sophisticated and conducts a minimum amount of due diligence into the manager’s performance. Once they are satisfied with the performance on paper, they will meet with and usually shower the manager with questions regarding every aspect of the fund, including returns, performance, strategies, and risks. What is written and spoken by the manager is taken on faith and the information is not properly verified by the investor.

3. *The investigating hedge fund investor.* This type of investor is sometimes considered a nuisance by busy professionals who might be caught off-guard by his questions. Not only will the investor keep the manager’s number on speed dial, but he will perform due diligence above and beyond the previous types and will go so far as to understand the entire operation of the fund as if he were the manager. This type will also interview members of the manager’s staff and will look into the balance
sheet, cash controls, reporting, and other functions not directly related to performance.

4. The independent hedge fund investor. The due diligence collected by this investor is thoroughly reviewed independently. Investors in this category know that independent opinions are extremely important. They will contact the auditor, custodian, and administrator in addition to the SEC and/or state securities agency. They won’t sign on the dotted line until they are satisfied that they have independently verified everything that matters, including assets under management, returns, and even a year-end audit. They fully understand the risks that are involved.

Nobody likes to be put in a box, but it is important to realize that the types of investors can vary widely, so you should prepare an array of marketing materials, from brief one-pagers to very detailed institutional-quality PowerPoint presentations and third-party analyses for those most scrutinizing parties. My experience has been that marketing materials that are first built to the highest standard and later summarized into smaller, dumbed-down pieces can be very effective and versatile.

**Question:** When marketing to financial advisers for your hedge fund, what steps do you need to take dealing with these guys? Is it any different from dealing with family offices?

**Answer:** Marketing to financial advisers is much different than marketing to single and multifamily offices. Here are the main differences between the two:

- Family offices have more established due diligence procedures, often involving consultants or internal analysts who do nothing but look at hedge funds or alternative investment products.
- Financial advisers have lower minimum asset levels for what they will consider investing. Ninety percent of family offices only seriously consider investing in hedge funds with at least $75 to $100 million, and many require $250-$300 million or even $1 billion in assets under management.
- Family offices are more tight-lipped. It will take more effort to develop a relationship, meet in person, and get clear feedback on why a hedge fund is or is not a good fit for what they are looking for.
- Family offices are harder to identify in the first place. Financial advisers are easier to find, there are more of them, and they advertise more openly. Some family offices advertise but many stay below the radar, and some purposefully don’t even have a web site.
- While family offices service high net worth investors almost exclusively, many financial advisers work with a broad spectrum of client types. This might require more caution by them and by your fund in marketing products to them. It might also mean sorting through more financial advisers to find one with several HNW clients.

- In my experience, financial advisers seem much more sensitive to and motivated by how they will earn a commission or income from the transaction, whereas many family offices charge rich enough fees that this is less of an issue.

- While some financial advisers may take 16 to 24 months to really get on board with a relevant hedge fund manager, understand your investment process, and possibly invest, most will come to terms a bit before then. Family offices, by contrast, often take 18 to 24 months just to complete their due diligence and committee meetings; it is a very long sales process.

- Both family offices and financial advisers require genuine relationship-building efforts and tenacity.

From a legal standpoint there may be other precautions your fund should take, but I am not a legal expert so I can’t provide any guidance in that space.

**Question:** Richard, from a capital-raising perspective, what would you say is the time frame to raise money (say $10 million or more) for a small, start-up hedge fund with no name recognition and with principals who have no name recognition and no pedigree in the alternative investment world? I would say 12 months at best. What do you think?

**Answer:** I would say 16 to 20 months would be realistic if they keep their heads down and have a great team and a solid investment process. Those are big if’s, though—it is easy to get distracted or discouraged. The first fund I marketed took 9 months straight of cold-calling, e-mails, and conferences to raise a single dollar, but after 18 months we were raising $1 million a week in new assets.

**Question:** Do you have a quick takeaway lesson that I could apply to my business development work for our family of hedge funds? There is always so much to get done and so little time to do it in. What advice would you give us?

**Answer:** Following is a quote I used recently while speaking with an investment fund manager who was looking to raise capital. He was doing so by approaching every investor he could possibly speak to. He was explaining how his firm has so few resources compared to their $1 billion competitors.
You can take a $5 disposable camera and take it out of the box, stand 10 feet from a building, and take a great picture that will be developed and look good if not great. You could stand in that same position with a $10,000 camera with every gadget, lens, and a tripod, and it will not take as good a picture if you do not do one thing: Focus.

—Brian Tracy

The point: You can beat your competition with a smaller staff, less financial resource, and less experience if you just learn to focus. Focus on your top prospective investors, focus on local potential investors, and focus exclusively on the types of investors that are most likely to make allocations to your fund. If you can dial in on these three areas—your hot prospect list, local investors and the right investor mix (family offices, wealth management, pension funds, etc.)—then you can really cover a lot of ground quickly.

**Question:** For this question and answer exchange I actually went to an outside expert, Richard Dukas from Dukas PR, who works with many medium- and large-size hedge fund managers, and I asked him: Why should hedge funds invest in PR, especially when their ability to speak with the press is restricted by law in many places?

**Answer:** Presently, most new hedge funds are launched with money from friends and family, while more established players can launch new funds from a pool of existing investors. Hedge funds are prohibited from advertising and marketing. (Once contacted by a potential investor, a hedge fund can send out marketing material.) Thus, in order to attract new investors, hedge funds need to find a way to get their name out there. One way, of course, is through the media.

Most financial journalists have contact with a hedge fund manager or two. These managers are excellent sources of information, though much of it is negatively directed towards companies. As such, much of the back-and-forth between the media and hedge fund managers is off the record. The SEC’s new rules, however, are aimed at transparency. With competition among hedge funds fierce, it certainly behooves hedge fund managers to use their investment expertise to help the public, and drum up investors in the process.

Most hedge fund managers are still extremely reticent when it comes to speaking to the media. What I’ve found is that it’s very difficult to solicit managers to work with a PR firm.

Dukas says that the reticence comes from a feeling that hedge fund managers should be secretive and not share their ideas with anyone but their own investors. However, the new SEC regulations, combined with the
movement towards activist investing, may change that. Maybe (hedge fund managers will realize) what they’re doing is not so secretive after all.

As an example of a hedge fund that has embraced the concept of working with the media, look no further than our client Haven Advisors, which has racked up considerable press over the past few years.

I mentioned that competition among hedge fund managers is fierce, and it’s not going to get easier. For example, Janus Capital, one of the world’s largest mutual fund managers, recently launched a long/short mutual fund with the goal of absolute return. In other words, Janus is offering investors access to a mutual fund that acts in the same way that most hedge funds act, but without the stiff management fees. More mutual funds such as the one launched by Janus should hit the market this year, opening up a whole new pool of investors to the idea of hedge funds. The biggest reason, however, I feel that hedge fund managers need PR people is the rise of activist investing.

Activist investing is not new, but for whatever reason, hedge funds ratcheted up what we call “cage rattling” last year. The normal sequence goes something like this:

1. A hedge fund builds up a large stake in a company by buying stock on the open market because the fund feels the stock is undervalued.
2. The fund approaches management and the board of the company and offers suggestions about how to unlock the value of the stock.
3. Management and the board ignore the fund, though in a noncombative way.
4. The hedge fund gets tired of being jerked away, and publicizes its cage rattling through an SEC filing (usually attaching letters that it has sent the company’s management and board).

In some cases, companies capitulate, mostly because other investors have latched onto the ideas put forth by hedge funds and begun demanding change. In other cases, companies will battle hedge funds, hoping to eventually shake them out as investors. Regardless of the eventual outcome, hedge funds need public relations people because companies inherently have a public relations machine built into their organization. While hedge fund managers complain in SEC filings and on conference calls, companies are utilizing their public relations resources to work the media and investors. One good example of the company-versus-fund public relations mentality is Time Warner.

Last year, billionaire corporate raider Carl Icahn built a more than 3 percent stake in Time Warner. In doing so, Icahn began demanding a number of changes, including a massive stock buyback and a better monetization of Time Warner’s AOL asset. Time Warner gave in partly, announcing a $12.5 billion stock repurchase. (Stock repurchases help companies boost
earnings by giving existing shareholders more equity for their shares; i.e.,
existing shares become more valuable because there are fewer shares out-
standing when the company buys back stock.) Time Warner, however, didn’t
do everything that Icahn asked.

When Time Warner announced a wide-ranging pact with Google, Icahn
was seemingly furious, warning the company ahead of the deal that it was
making a mistake. Time Warner, with its PR machine in full gear, basically
blew off Icahn, who was working the media in his own way. The end result
was a deal that Time Warner wanted and was generally hailed for, and a
deal that Icahn apparently hates. At last check, Icahn was having difficulty
finding potential candidates for a reconstituted board that he wants to install
at Time Warner. Negative PR towards Icahn, no doubt, has contributed to
this difficulty.

The main point to take home here is that there are public relations
strategies and campaigns which hedge fund managers can keep in mind and
follow. There are ethical and legal ways to promote or position a fund; it
just takes someone who has been there before to accomplish this.

**Question:** How are in-house hedge fund marketers typically compen-
sated?

**Answer:** There are half a dozen models for compensating in-house mar-
keters, but typically it is structured around a relatively low base salary
combined with a small percentage of fees from new assets raised and trails
from assets raised over the past two to five years. For example, a junior to
mid-level marketer may be paid a $52,000 base salary, receive 5 percent of
fees on new assets raised this year, and receive 3 percent of fees from assets
raised over the past five years. All of this may change drastically based on
the size of the hedge fund, the investor distribution channel targeted, the
track record of the fund, and the typical sales cycle and allocation sizes that
the fund has recently experienced over the past two years. Some marketers,
if deeply experienced, ask for an equity partnership in the hedge fund to be
vested after two to four years, assuming they raise enough capital to push
them past a certain threshold set in the employment contract. This is most
likely the case with small- to medium-size hedge funds, which cannot afford
to otherwise pay for this type of help.

**Question:** I have done a lot of cold-calling for the hedge fund I am
marketing. Do you have any cold-calling-related advice or tips, either for us
as a team or for me individually?

**Answer:** Yes, I do have some tips, seven of which come immediately
to mind:

1. Don’t ask the prospect, “How are you doing?” You don’t care how
they are doing. If you cared you would have done some research on the
company first and you would have something more intelligent to ask them. This might sound harsh but it is true. Do your homework first.

2. Keep in mind that thousands of people cold-call and several people are probably calling the same or very similar prospects as the ones you are approaching. Everyone plays the numbers game, and it is natural to have your calls or e-mails go unanswered. The goal is to develop enough perceived value so they will take your call the next time or call you when they are ready to buy your product or service.

3. Shoot for 30 to 80 phone calls a day. More is not always better, but trying to do 6 to 10 calls an hour will keep you on your toes and always dialing more prospects. Create a game out of the process.

4. Smile while you dial. The tone of your voice and word choice both change based on your own feelings and facial expressions. Be happy and love your job, and the people on the other end of the phone will take notice.

5. Call the CEO. Always call the CEO. They are the masters of every other department and if a call or e-mail gets forwarded from them down to a vice president or department manager, it is much more likely to get responded to than coming in through an analyst or associate with the firm.

6. Set the table. This is a point Brian Tracy makes in the book, *Eat That Frog* (Berrett-Koehler, 2007). Sit down every night and take 20 minutes to plan out your work for the next day. Break the day into 30-minute sessions of complete focus, completing your most important tasks before most people even get to work in the morning.

7. Prepare a standard e-mail that you send out before you call. Anyone can send a great follow-up e-mail to a phone call—the trick is getting the prospect on the phone in the first place. Don’t have them refuse to take your call because they do not know who you are. E-mail the prospect first, introducing yourself and stating, in three to five sentences or less, why you would like to have a five-minute conversation. Then call ten minutes after sending the email out.

What is interesting about making all of these phone calls is listening to how differently people sound and react during these conversations.

I remember one day last year I called someone who was unqualified. It turned out that their company didn’t even provide the type of service I was hoping to discuss. I made a joke about sending him a personal check or Paypal payment to provide me with the type of contact I needed to connect with, and it worked. I was not trying to be manipulative by forcing myself to be funny to get information, I just made a dumb joke. Even after this was obvious, this individual asked me what I needed and ended up connecting
me with a very valuable contact. He also asked where I lived, where I grew up, and if I had a wife or any kids. I was shocked, not while talking to him but after I hung up. In eight months of making over 600 phone calls, I had never once had someone be so friendly and up front like that. It was a refreshing change from the monotone burnt-out tone of voice I usually end up listening to. What is important is not what happened during this phone call but after I realized how valuable a contact he had given me. I felt strongly obligated to thank him or repay him in some way.

This has taught me to always see the humor in situations and give value away freely to those in need of help.

One last unrelated sales phone call lesson I have learned is that if you have highly qualified the end person that you are trying to reach, they will be happy to talk to you because your service is relevant to them and necessary for their success.

**Question:** What advice can you give me about networking with investors and other hedge fund managers?

**Answer:** The best part about writing in HedgeFundBlogger.com each day is getting the 200 to 300 e-mails a day from hedge fund professionals, investors, and students in finance. One of the most frequent questions I get is “Can you help our hedge fund raise capital from new investors?” I usually refer these people on to others, as the firm I am with already has our hands full in raising capital right now for a set number of funds.

I recently read a quote, though, from Woody Allen: “Eighty percent of success in life is simply showing up.” Show up at your local CHP and hedge fund association meetings. Meet face-to-face with local financial advisers, institutional consultants, and foundations. We are looking for something more out of our jobs than a simple paycheck, and if your fund offers potential investors something in the parameters of what they are allowed to choose, they might choose your product simply because of your relationship. My favorite sales author, Jeffrey Gitomer, always says that “all things being equal, people like to do business with their friends . . . and all things not being equal, people still like to do business with their friends.” My quick advice to most funds is to make sure your compliance details are in order and then start showing up everywhere you can to start building long-term, multiyear relationships in the industry. Maybe even join the Hedge Fund Group for free and start networking there.

**Question:** Why is capital raising so difficult?

**Answer:** Here’s one take:

- Forty-four percent of all salespeople quit trying after the first call.
- Twenty-four percent quit after the second call.
- Fourteen percent quit after the third call.
- Twelve percent quit trying to sell their prospect after the fourth call.

This means 94 percent of salespeople quit before the fifth phone call, while 60 percent of all sales are made after the fourth call. This means that the overwhelming majority of hedge fund sales professionals don’t even give themselves a shot at selling their products.

**Question:** Do you have any advice for creating a contract to work with a third-party marketer? This is our first time going through this process.

**Answer:** If you are hiring a third-party marketer for the first time, move slowly. Meet with your legal counsel before you even begin to speak with third-party marketing firms so that you know what questions to ask up front. If possible have a contract you would prefer to work under on hand so you do not have to take their contract and modify it to your needs. Interview and meet face-to-face with several third-party marketers who have references and track records of raising assets so you can start to pick out the smooth talkers from those with real evidence of having successfully raised capital. Typically it is a bad idea to pay front-heavy partnership fees or service initiation fees, but it is relatively common to pay some sort of ongoing monthly or quarterly retainer to those firms that are spending time on marketing your fund every day. If you would like to learn more about third-party marketing before moving forward, please see ThirdPartyMarketing.com for hundreds of free related tips, articles, and resources.

**Question:** What is the difference between brokers, third-party marketers, and capital introduction professionals?

**Answer:** All three types of professionals raise capital for hedge funds. Brokers can sometimes be third-party marketers, but the term usually refers to more generic capital connectors or networkers in the industry who may be accustomed to being paid small lump sums instead of a small percentage of the management and performance fees over time. Third-party marketers are independent capital raisers who use their Rolodex and refined capital-raising processes to raise the AUM levels of several fund managers at any given time. Third-party marketers work with hedge funds, but they also may represent mutual funds, exchange-traded funds (EFTs), private equity groups, real estate investment trusts (REITs), and so on. Capital introduction teams are typically run inside of investment banks, trading houses, and prime brokerage shops. These cap intro teams, as they are often called, raise capital for their fund clients in an effort to keep them on their trading platform. The longer the fund remains trading in the platform, the more fees are generated for the trading firm that supports them.
**HEDGE FUND CAREERS**

**BONUS VIDEO MODULE**

To watch a video on how to start a hedge fund career, please type this URL into your Web browser: http://HedgeFundTraining.com/Career

**Question:** How important is ethics or ethical policies in the hedge fund industry?

**Answer:** It’s important. In the hedge fund industry you have one name and one reputation. If you ruin that, you could have influential people in the industry refusing to do business with you for 15 to 20 years after their initial opinion is formed. In such a competitive, close-to-the-vest industry where large profits can be made, the temptation to cut corners or look past fiduciary duties is sometimes too much.

The FBI recently had agents posing as a Florida-based hedge fund manager to nab 10 individuals in five kickback schemes connected to securities sales. The SEC charged 10 individuals and the U.S. Attorney’s office charged 6 with criminal offenses.

In each case, the posing hedge fund manager told the targets that their actions must be kept secret because it violated his fiduciary duties, making it explicitly known that what was going on was illegal and unethical. “This case illustrates the Commission’s ability to work together with criminal authorities in creative ways to uncover fraudulent schemes and to protect our markets,” Linda Chatman Thomas, the head of the SEC’s enforcement division, said.

Bottom line: If you are smart enough and hardworking enough to be successful, then you don’t ever need to cut corners and blatantly break securities laws. Innovation and relationships are the competitive advantages that should make you extremely profitable, not cheating the system.

**Question:** Is there a professional training or certification program for hedge fund professionals?

**Answer:** Yes, for professional training programs of many types please visit HedgeFundTraining.com. This web site provides information on various hedge fund training programs available, including e-learning, DVD/workbook training, and seminar-based training for hedge fund industry professionals. For the hedge fund industry certification program,
the Certified Hedge Fund Professional (CHP) Designation, please visit http://HedgeFundCertification.com.

**BONUS VIDEO MODULE**

To watch a video on the credibility and global recognition of the CHP Designation, please type this URL into your Web browser: http://HedgeFundTraining.com/Credibility

**Question:** How do I get started working in the hedge fund industry?  
**Answer:** There are many steps to starting a hedge fund career. Here are six of the first ones you should take:

1. The first thing you need to do to start a career in the industry is to read as much as you can about what is going on, how hedge funds operate, and where you may fit in. You will waste your own time and others’ if you do not complete this first step. To learn as much as possible in a single month, read four to five books, subscribe to four or five free newsletters on hedge funds, and register for daily Google Alerts as well. Make sure and read at least two books on hedge fund careers and at least two books on hedge funds as an industry.

2. Find an area in the industry that is a realistic entry point, includes potential work you are passionate about, and draws upon your past work experience and strengths. Gaining employment is a competitive process in this industry, and you will typically need to show evidence of commitment and loyalty to get in.

3. Identify two to three hedge fund industry career mentors. Identify a professor, hedge fund professional, or retired investment industry professional who could help provide you with advice and guidance on everything from crafting your resume to interviewing for open positions.

4. Complete one or more internships in the industry. It does not matter where you are located, there are hedge funds on every continent looking for help in completing their trading, potential investor, or competitive industry research. If you put yourself out there and do not give up, you will get into the industry and gain internships. At the beginning you may have to work for free to gain initial experience.

5. Develop a unique value proposition to potential employers. Reflect on your recently gained knowledge, natural abilities, past work experience,
and education. Decide how you could effectively present that as a great package to the hedge funds or service providers to whom you are applying for jobs. Do not be generic; come up with specific skills and abilities that allow you to stand out.

6. Some skills that stand out to hedge fund managers include quantitative modeling experience, Ivy League or advanced education, signs of loyalty or passion, retention of designations such as the CHP Designation, high-quality names from respected or local hedge funds on your resume, and a stomach for a high commission/profit-sharing type position.

**BONUS VIDEO MODULE**

To watch a video on hedge fund internships, please type this URL into your Web browser: http://HedgeFundTraining.com/Internships

**Question:** What are the top mistakes often made by hedge fund career professionals?

**Answer:** There are five mistakes that our team sees hedge fund professionals and students making while trying to obtain employment in the industry. Our team receives over 50,000 career-related e-mails a year, and these mistakes are what we see most commonly made from this perspective of the industry:

1. **Annoying.** Every week we speak with professionals who are very passionate about working in the hedge fund industry. They will do almost anything to get a job working for a hedge fund, and they are eager to show this while networking and during interviews. The problem is that it can come off as overbearing and desperate. The more successful a hedge fund or any company is, the busier they typically will be, and the better the employer they will probably be as well. This means that the best employers have the least patience for those potential job candidates that send in three to four e-mails a week or leave two voice mails in a single day regarding open jobs or whether their resume has been reviewed.

2. **Overconfident.** One ironic aspect about growing a career or gaining knowledge on any niche subject is that the more you know, the more you realize you don’t know very much. In other words, with each new skills or lesson that you pick up, you are opened to a dozen new skills
or lessons that you now realize you will have to master. Experienced business professionals and hedge fund managers know this, so coming off as all-knowing, or a master at anything, can often be taken as a sign of ignorance or a low tolerance for any teaching or instruction that may be required to complete the job well.

3. *Long resumes and e-mails.* This goes hand-in-hand with point 1 on not being annoying, but it so important that I am pulling it out as a separate point by itself. Many times when you think there are seven or eight important reasons why someone should interview or hire you, you may want to explain all of these in a single two- to three-page email. This is a huge mistake; these e-mails are instantly deleted. Nobody in the industry has time to ready 20 essays by potential candidates on why they should be hired. Keep your e-mails down to three to five sentences at most, and be as concise and clear as possible.

4. *Generic.* Do whatever you can so that you are not generic. Nobody wants to hire someone who is just okay at many different things. You must stand out as being especially detail-oriented, teachable, passionate, or intelligent. Define your skill set and unique skills before the interview so you can ensure that the potential employer remembers them after the interview.

5. *Nothing but passion.* We see many professionals trying to enter the industry with nothing but a business degree and a lot of passion and desire. That is not enough, and you will fail if that is all you have. You must work your way into small internships and research projects. You must always be reading more about hedge funds and the specialized knowledge the job you are aiming for requires.

---

**BONUS VIDEO MODULE**

To watch a video on top five hedge fund career mistakes, please type this URL into your Web browser: http://HedgeFundTraining.com/Mistakes

**Question:** Do you have a system for career development or improvement that you could share with us who are within our first five to seven years of our career?

**Answer:** Yes. There is a formula that I have used over the past seven years to help me build my resume, career, and now my own small business,
and that is the SKAR formula. This is not a way to shortcut the hard work it takes to be successful, but rather a map of where you should invest your energy to increase the results you get in return.

**SKAR Development Formula**

- Specialized Knowledge + Authority + Results

  = Huge growth opportunities and faster development

  within your career or business

**SKAR Definitions**

- *Specialized knowledge* means specific knowledge that is practical, functional, and very niche-specific to the area within which you work or the skill or ability you rely on to perform well. Specialized knowledge exists whether you are an airplane pilot, hedge fund analyst, or third-party marketer. The difference between having specialized knowledge and not having it could mean the difference between spending 18 months to complete a task or project and being able to develop strong client relationships and complete the same task in just 3 months. Having specialized knowledge lets you identify more opportunities, move more quickly on them, and execute with efficiency. When multiplied over several years, this puts you in a different league of competition. Some ideas on how you can further develop your specialized knowledge include:

  - Read two books/month for the next two years on the area of specialized knowledge that is going to benefit your business or career most.

  - Subscribe to three of the best newsletters from blogs or experts in your industry which are *not* rehashed press releases and garbage news. You learn close to nothing from reading the news. Instead, read insights, analyses, and white papers within these newsletters. There are at least two to three valuable free newsletters in each industry.

  - Complete a niche training and certification program specific to your area of specialized knowledge. Having a third party verify that you have obtained a certain level of specialized knowledge is *always* going to be more credible than your own statement that “I like to read books and e-mail newsletters, here is what I have read lately.” Seek out an online certification program and start one within six months. This will force you to read and learn more within your niche.

  - Write one article a week on your thoughts, best practices, and lessons learned within your niche area of practice. Write anonymously by
creating a free blog at Blogger.com and start synthesizing what you
are learning and combining other ideas to create your own original
categories (such as this blog post).

- **Authority** means creating structures around your firm or self so that
your knowledge and abilities are communicated in a way that posi-
tions you as an authority in your niche area. Ideally, this area lines
up one-to-one with your area of specialized knowledge, and it can be
the result of gathering this knowledge. Two professionals can hold the
same knowledge, yet while one write five books and completes over
50 press interviews a year, the other may be an armchair critic with
a small group of five to seven consulting clients. The better-positioned
professional will reap rewards from new opportunities coming towards
him, instead of the other way around.

I was a competitive swimmer earlier in my life, and the best book
I read on swimming was called *Total Immersion* by Terry Laughlin,
and within the book he uses the phrase “swimming downhill.” It was
a way to swim so that your body is tilted forward and you literally cut
continually downwards into the water. If you get authority positioning
right, it will be like you are swimming downhill. Jeffrey Gitomer is a
great study of authority positioning. He started writing eight pages a
day when he was 46 years old; now in his fifties he has more than 10
best-selling books, and charges more than Colin Powell for speeches.
The real important detail, though, is he never cold-calls anyone and
never scrambles for new business. His phone literally rings off the hook
with new opportunities, clients, and join venture partnerships due to his
positioning. He is swimming down a steep hill.

- Publish your own newsletter or blog. Even if you only publish some-
thing once every two weeks, having it and building it over time is
what is important.

- Interview one professional each month for your own blog or newslet-
ter, explaining that you can’t compensate them but as your web site
becomes more popular they may get some exposure, plus they can
have a copy of the recorded phone call transcript, MP3 file, or docu-
ment that you type up. Interviewing experts is a shortcut to gaining
specialized knowledge and authority positioning quick. Being able to
tell others that you have interviewed 20 of the top experts in the in-
dustry and that overall you found A and B and, most surprisingly, C,
is very powerful and carries authority. Note: The more strongly you
have fulfilled your work in building specialized knowledge, the more
willing these experts will be to connect with you and the more pointed
and refined your questions will be. Ever done an interview with a
journalist who has never worked in your field? Not always fun or
fulfilling to answer the basics, which can be looked up on Google in three seconds.

- Take what you have written within your own newsletter or blog and self-publish a book with 60 to 80 pages of single-spaced text. Anyone can do this for $15 at Lulu.com. Very simple—no more excuses that you do not have a book deal. I got my second big investment marketing contract partially because I had a self-published book in hand and someone gave me a chance based on my dedication to the niche. The book positions you as an authority.

- Create a one-page PDF list of all of your past clients. This can show depth, experience, and respect that others have given you by paying for your services and time in the past.

- Speak at conferences. It is relatively easy to land speaking spots at conference, networking events, and seminars. Lots of professionals are looking for others with unique ideas and lessons to share. And again, teaching what specialized knowledge you have gained helps you connect and synthesize these ideas. If you are speaking to a crowd, you are in an authority position, and when you mention your speaking it adds credibility because others have stopped their business days and invested their valuable time to listen to what you had to say.

**BONUS VIDEO MODULE**

To watch a video on authority construction tips, please type this URL into your Web browser: http://HedgeFundTraining.com/Authority

- **Results.** The importance of showing real, tangible results cannot be overstated. Finding ways to do this within service businesses, the fund management industry, or within certain areas of extreme confidentiality is challenging. Some types of tangible results that can be shared include:
  - An actual printed-out version of part of the service or end result of the product or service.
  - Video (preferred) or text (not as good) testimonials from past and current clients, the more specific to the immediate need or concern of your potential client or employer the better—and the more numerous the testimonials, the better.
  - The first 15 to 20 percent of the product or your service given away for free on a trial basis. For example, offer a first month trial for $1, four weeks of free work or time so you can prove your worth to the client, and so on.
- Diverse and numerous case studies of past clients or employers. This proves that you work with firms with various needs and have found solutions for them, and it allows the reader of these case studies to imagine you solving their problem.
- A little tip, quick takeaway, or lesson within your sales letter or web site which provides the potential client with immediate benefit. This proves that you have the goods, are an authority, and do have their best interests in mind.

Another related topic that I don’t have space to go into here is that underlying all three of these SKAR items is having the right habits. Habits have been shown to form 96 percent of what we do every single day. We tend to eat the same things, walk the same way, watch the same shows, and read the same types of books. As the quote goes, “First you form your habits, and then your habits form you.” What business habits are you forming? What elements of the SKAR formula are you using each week? When you read this type of advice, are you thinking, “I already know this stuff,” or “How good am I at that, and where could I improve?”

**BONUS VIDEO MODULE**

To watch a video on the SKAR formula, please type this URL into your Web browser: http://HedgeFundTraining.com/SKAR

**Question:** Could you recommend three books on hedge fund careers?

**Answer:** Yes, to start with you could download a free e-book we offer on hedge funds online at http://HedgeFundsCareer.com. After that I would recommend reading *Hedge Me* by Claude Schwab (Lynx Media, 2006) and then *All About Hedge Funds* by Robert Jaeger (McGraw-Hill, 2002). These books combined will provide you with a good historic background of the industry, different perspectives on trends affecting hedge fund employment, and some tips on networking and connecting with hedge fund managers.

**Question:** I have been trying to get into the hedge fund industry for over four months now with no real progress. I’m about to give up and I just don’t know whether there is any hope for someone like me with no Ivy League education or experience yet in the industry.

**Answer:** I made it into the industry and did well with neither of those resources under my belt. You probably can, too, if you want it badly enough. Here are some tips for building and keeping a positive attitude for when you
are trying to overcome a challenge such as breaking into the hedge fund industry. This is what I do for my own goals and business:

- I work out at least three times a week.
- I have several three- to four-minute motivational podcasts or audio book clips on my iPod that I can listen to on the way to work.
- I read 15 pages of attitude-changing articles or books every morning while I am eating breakfast. (See Jeffrey Gitomer’s Little Gold Book of YES! Attitude [FT Press, 2006].)
- I have created a one-page lamented sheet with the top 50 business and sales lessons I have learned, and I have posted it in my shower, on my bathroom mirror, and behind my desk at work. I do my best to read this list twice a day to remind myself of what is important.
- I set BHAGS for myself—big, hairy, audacious goals, as described by Jim Collins in Good to Great (HarperBusiness, 2001). My current BHAGS? I want to become the expert in investment marketing and sales, run 50 investment web sites that rank in the top three slots of Google search results, and become a best-selling author.
- I try to find a lesson to be learned from each negative experience. If nothing else, a negative experience should always tell you something about yourself.
- I am always learning and exploring something new. First it was getting into Harvard and moving to Boston; now it is learning all I can about investment marketing and sales, the psychology of influence, and Web marketing. As soon as you stop being curious and challenged you become stale and unmotivated.
- I cut off or drastically reduce communication with negative people.
- I don’t watch the local news. It is worthless. How often do you see a news story about a generous church donation, a child winning a science project award, or an organ donor saving someone’s life? Not nearly as often as a plane crash, fire, or robbery. If you have to get the local news, read it online for five minutes and save yourself some time.

**Question:** What would be your advice regarding third-party marketing? Is this trend dying out or growing? I am trying to learn more about the space.

**Answer:** If you are starting a third-party marketing career you are in good company: Dozens of highly experienced investment and hedge fund marketing/sales professionals are entering the industry each year. In terms of total firms offering services, the industry is growing by over 15 percent each year. While some professionals may leave an investment manager or hedge fund to start their own third-party marketing firm, many more first
work or partner with an existing third-party marketing firm. The benefits of starting or working for a third-party marketing firm are many, and doing either is relatively easy to do. If you can raise capital and consistently bring in $100 million to $200 million/year, you can typically eliminate most types of political and corporate risks while having the potential of earning two to four times more than you would with the same experience while working for a large institution such as Morgan Stanley or Goldman Sachs. As the economy goes through this rough patch and bonuses are skimmed and 50-year old executives laid off, I see this trend of third-party marketing start-ups and career moves increasing. To learn more, please see http://thirdpartymarketing.com.

**BONUS VIDEO MODULE**

To watch a video on hedge fund marketing careers, please type this URL into your Web browser: http://HedgeFundTraining.com/Careers

**Question:** I am a 38-year-old insurance executive and I have always wanted to work in the hedge fund industry. Do you believe it is too late to make a career change?

**Answer:** We get at least one question like this each month from professionals who work in investment banking, insurance, or corporate finance. The answer is no, it is not too late. It is an advantage if you have some corporate best practices training and some skill set that will help a fund manager grow their business. Oftentimes hedge fund managers need accountants, financial modelers, capital raisers, project managers, financial analysts, and detail-oriented investment professionals to help move their business forward. If you can’t get an interview or position with a large hedge fund, make sure and try meeting with local service providers and small hedge funds start-ups or emerging hedge funds. A face-to-face meeting is worth 10 phone calls when it comes to networking.

**Question:** I am about to enroll in the CHP Designation Program. What does the program include? What is the process that I will go through?

**Answer:** The CHP Designation is an online self-study training and certification course on hedge funds. Once you join the program you will be sent a welcome letter thanking you for registering and providing you with bullet-point steps on how you can attend our networking events, gain access to our educational video content (over 100 videos and tools), receive our career coaching, acquire the required readings, access the mock exam,
schedule your exam, and take advantage of CHP membership benefits. You then study using the video content, CHP study guide, and required readings, using our team as support when you have questions or get stuck on certain specific subjects. Your exam is conducted 100 percent online from wherever you are based. Over 40 percent of our participants complete the CHP Designation from outside of the United States. Learn more at http://HedgeFundCertification.com.

**Question:** What are your top tips for those who would like to start a career in the hedge fund industry? Anything else unique to what you have already mentioned?

**Answer:** Yes, here are some additional tips:

- Be absolutely sure you actually want to work in the hedge fund industry. As Yoda said, do or do not, there is no “try.” If you try you will fail, because this industry is very competitive and it takes dedication and hard work to do well in the hedge fund industry.
- Become a student of the hedge fund industry. Study the industry every day by reading magazines, e-mail newsletters, books, and white papers. You need to speak the language of the industry.
- Use the three-circles strategy from Jim Collins. Collins suggests to move forward only with decisions that are a good fit with your background, involve something you are passionate about, and have the potential of being highly profitable. I use this strategy in my own life and you should, too, as you look at opportunities in this field.

**Question:** I am attending your Hedge Fund Premium seminar networking event next month in New York. I have never been to a networking event before and I wanted to see if you had a few quick tips on networking for me. Anything you can share?

**Answer:** If you’re looking to enter the hedge fund industry either working directly for a firm or as a service provider to one, networking events and conferences are a great way to get your foot in the door.

Many professionals fail to take advantage of these opportunities, even those who attend. Here are five tips that should prepare you for attending a networking event or conference:

1. *Don’t be shy.* Attending a hedge fund event is a good start, but you do not gain anything if you do not talk to other attendees, speakers, and sponsors. The event is only valuable if you make it valuable, so network and socialize with those around you.

2. *Don’t scare people off.* Another mistake is to be too forward when approaching managers or service providers, especially if you are looking
to land a job in the hedge fund industry. Instead of sharing insights and thoughts on the industry, many young professionals will focus entirely on their own needs (a job) and ignore those managers or executives who are not currently hiring. This is the wrong mentality. Assuming you have been following the industry and paid good attention to the speaker, you will have a good starting point for initiating a conversation. Ask questions when appropriate and listen when the other person is speaking. If you are looking for a job, don’t start a conversation by voicing that problem. Those who work in the industry are not paying to hear someone complain about not working in private equity. But you should mention it when the timing is appropriate.

3. Get your name out there. If you cannot find a hiring firm or no firms are interested in your product or service, don’t despair—get your name out there. It may just be an inconvenient moment or the person you are talking with is not the right person at the firm. For example, if you are marketing your auditing service to a principal in charge of evaluating deals, he may not be interested. Give him your business card regardless; in another quarter the firm may be looking for a new auditor and still have your card. Even if you do not directly land a client through this method, it boosts your firm’s or your own name recognition. If you’re looking for a job (from analyst to executive), give your card out. Then when the firm is eventually hiring they will probably have your name on file.

4. Prepare an elevator pitch. It may not sound great, but you are a product that needs to be sold. Therefore you need to have a great elevator pitch that comes out effortlessly. Whether you are looking to network, marketing to investors, or job seeking, a solid elevator pitch is necessary. Be concise and include only essential information.

5. Look and act like a professional. Even though you are not at work when you’re attending an event or conference, act like you are. You are meeting potential clients and partners, so you essentially are working. Wear a suit. If it’s hot, as many crowded events are, at least make the initial effort and take off your coat once you sit down. Look your best (haircut, shave, and a suit) or no one will take you seriously. It’s better to be overdressed than underdressed. Remember your manners, especially if it is a catered event, and use language that you would be comfortable using in the office.

**Question:** I am looking to work in the third-party marketing space. Do you have any career advice or book recommendations for those who want to work in third-party marketing? Do you have advice for getting a job in this niche industry?
**Answer:** There are no great books on third-party marketing that I am aware of. Everyone is pretty close-to-the-vest in the industry. I haven’t found a great book on investment sales, either, but I know there are a few of those if you look around on Amazon. If you are looking for great books just on sales, I really like Jeffrey Gitomer’s three books: *The Sales Bible* (HarperBusiness, 2008), *Little Red Book of Sales Answers* (FT Press, 2006), and *Little Gold Book of Yes! Attitude* (FT Press 2006). Those books have changed my career.

Hedge fund marketing and sales fee structures vary depending on the type, reputation, and abilities of the third-party marketing (3PM) firm. Some retain only two to three clients at a time and charge retainers for this focus of their attention, while others might work with 10 money managers (clients) at once and only get paid on commission. Usually commissions are 20 percent of both the base fee and performance fee when working with hedge funds.

If you work for a hedge fund, you will be restricted to their strategies, so if their performance dips or the strategy goes out of favor you might not raise any money and it wouldn’t be your fault. If you work for a 3PM firm, you would probably get to market two to three different money managers in some capacity across diverse distribution channels such as endowments and foundations, broker-dealers, and directly to high net worth individuals. If a strategy goes out of favor, you just find a new money manager to market as a firm, and you avoid the downside of being a hedge fund sales professional. Common compensation for internal hedge fund salespeople is $80,000 to $200,000 with some making $400,000 to $800,000 per year and maybe 3 to 10 commissions that might trail off over time. Common compensation for a 3PM, as I mentioned earlier, is a retainer of $60,000 to $150,000 (if they get one) plus 20 percent of fees.

I’m not even 40 years old yet, and I went the third-party marketing route because I want to be able to have knowledge of the DNA and powerful relationships in every major distribution channel, and I want figure out where the real money and momentum are and be able to shift my focus to that point. I believe it is harder to get a 3PM job because most want you to have a book of business or solid relationships, but it can be done. In my first third-party marketing position I worked for free for three weeks to prove myself, and I took a big cut in pay coming in the door, but it was worth it to learn so much in so little time. Invest in yourself for the long term, never take ethical shortcuts in this industry, and you will do well.
The previous section was an excerpt from The Hedge Fund Book: *A Training Manual for Professionals and Capital Raising Executives* (Wiley 2010) ISBN#: 0470520639

PART III: THE FAMILY OFFICE BOOK

The following is an excerpt from The Family Office Book: Investing Capital for the Ultra-Affluent (ISBN# 1118185366). It can be purchased at major bookstores or on Amazon.com: http://www.amazon.com/The-Family-Office-Book-Ultra-Affluent/dp/1118185366/
We often tell our ultra-wealthy clients that they have been in the get-rich business and we are in the stay-rich business.

- Paul Tramontano (CEO of Constellation Wealth Advisors, a top 50 multi-family office who we recently interviewed)

**Chapter Preview:** The family office industry can be challenging to learn about. This chapter will provide you with a high-level, 10,000-foot view of the family office industry. It will cover the basics of how the industry operates and serve as a foundation upon which the rest of the book will build upon.

The family office industry is secretive. While speaking at the Latin American Family Office Summit recently, I was reminded by Thomas Handler (interviewed later in this book) of an adage I hear used often in the industry: “A submerged whale does not get harpooned.” This quote sums up why so many family offices are so secretive and difficult to learn more about. Many family offices and ultra-high net worth individuals see that media attention and press often attracts sales professionals, possibly compliance headaches, and others looking only to harvest ideas or competitive angles on the family’s operating business.

The goal of this book and chapter is to show you exactly how family offices operate, provide their services, and invest their capital.

**WHAT IS A FAMILY OFFICE?**

A family office is a 360-degree financial management firm and personal chief financial officer for the ultra-
affluent, often providing investment, charitable giving, budgeting, insurance, taxation, and multigenerational
guidance to an individual or family. The most direct way of understanding the purpose of a family office is
to think of a very robust and comprehensive wealth management solution that looks at every financial aspect
of an ultra-wealthy person’s or family’s life.

**Single Family Office Definition**: A single family office is a full-balance-sheet 360-degree ultra-affluent
wealth management and CFO solution for a single individual or family.

The Security and Exchange Commission (SEC) recently defined single family offices as “entities
established by wealthy families to manage their wealth, plan for their families’ financial future, and provide
other services to family members. Single family offices generally serve families with at least $100 million
or more of investable assets. Industry observers have estimated that there are 2,500 to 3,000 single family
offices managing more than $1.2 trillion in assets.”

John Gryzmala, a single family office executive we recently interviewed, states: “The definition of the
single family office for me is: an entity or an individual that helps relieve the family members of certain, if
not all, mundane tasks that they would prefer not dealing with, be it investments, be it household staff, be it
insurance, be it handling legal issues, trusts and estates issues, and tax planning. That’s it. So however you
want to structure it to handle and help you, the family member, with those issues is my definition of the
single family office.”

**Multi-Family Office Definition**: A multi-family office is a full-balance-sheet, 360-degree ultra-affluent
wealth management and CFO solution for multiple individuals and families.

Multi-family offices can serve anywhere from two clients to 500-plus ultra-wealthy individuals and
families. In both the single family and multi-family office, what is really being offered is a full balance
sheet financial management solution to ultra-high net worth individuals. The implementation of the family
office model is diverse. In both single and multi-family offices, a very narrow set of services could be offered
so that one family office has just one or two functions, while others can provide a fully comprehensive
solution. Every family’s model is unique as a result of its budget, needs, and wants also being unique.

It is important to note that many hybrid models are very much closed-door single family offices, yet
they serve just two to three families and never accept outside money. This is an exception to the rule, but
important to fully understanding how the industry operates.
Traditional wealth management firms advise on your investments and sometimes help you make insurance-related or budget-related decisions. Most wealth management firms are not specialists in taxation, charitable giving, or even in multigenerational wealth management. Family offices can provide those solutions and more with a single team, allowing several diverse experts to speak with one another in order to create a cohesive plan for preserving and/or growing the wealth of the ultra-high net worth client.

There is a constant debate over the definition of a “true” family office. Some professionals believe single family offices are the only authentic family offices, and multi-family offices are simply wealth management firms in disguise. Others believe that you must have $250 million to launch a single family office, though there are many successful single family offices with as little as $50 million. I believe that a family office is defined by how it operates and what solution it provides to the family, not by its asset size. A hedge fund is a hedge fund and a venture capital firm is a venture capital firm, based on the structure of their investments, fees, and purpose, not by their asset size; the same goes for family offices.

This will be covered in more detail later in this book, but it is important to note that some multi-family offices start out as single family offices and gradually add more clients. The recent rising costs of talent and compliance has driven up interest in converting single family offices into multi-family offices.

**The Family Office Universe**

It is helpful to look at the family office industry and think about how closely aligned different parties are to the central needs of ultra-wealthy clients. The diagram in Figure 1.1 depicts how closely aligned the goals of various parties are to the needs and goals of ultra-wealthy clients.

You can see that there is a symmetrical ring around the ultra-wealthy. That first ring represents single family offices that focus solely on the needs of an ultra-wealthy individual or single family.

The second ring represents multi-family offices that are almost completely aligned with the ultra-wealthy client; at the same time they need to please several or even hundreds of other ultra-wealthy clients as well, so they are not 100 percent aligned with the goals of a single ultra-wealthy client, but close.

The third and fourth rings represent service providers and regulators. The service provider grouping includes consultants, placement agents, traditional wealth management firms, and general accountants or tax attorneys.
FIGURE 1.1 The Family Office Universe

While a tax attorney is surely more focused on ultra-wealthy client needs than is a regulator (as depicted later in this chapter), all of these groups are, for the most part, not focused on and built around the needs of ultra-wealthy clients or family offices.

The stars within the Family Office Universe diagram represent the tens of thousands of fund managers and investment professionals who are constantly trying to seek capital from family offices. They are sometimes connected to multi-family offices or service providers, or they are disconnected from the industry to the extent that they don’t really understand what a family office is or how most of the ultra-wealthy are having their capital managed.

THE HISTORY OF FAMILY OFFICES

Single family offices have existed in different forms for thousands of years. In the article “Family Offices in Europe and the United States” by Dr. Steen Ehler, the managing director of the Ferguson Partners Family Office, noted that the merchants of ancient Japan and the Shang dynasty in China (1600 b.c.) both used multigenerational wealth management strategies.

There are also several accounts of “trusts” being set up for the first time during the Crusades (a.d. 1100). Later, many wealthy banking families of Europe, including the Medicis Bardin and Rothschilds, were said to have used a family office–like structure. These organizations often offered their services to other wealthy families, and in the late 1800s and 1900s they started to look more like modern day multi-family office operations. These operations grew out of single family offices that were asked to serve connected business families and out of private banks and early trust company establishments that were looking to serve more affluent clientele.
Even now the family office industry is relatively obscure and not very well understood. While everyone in the financial industry has a rough idea of what a hedge fund is (or at least knows that they exist), many finance professionals don’t know what a family office is or what it does. When it comes to the general public, knowledge of a family office or its operations is close to nonexistent.

Looking at the growth of the hedge fund industry, I believe the model really started to take off between 1970 and 2000. The family office industry is on a parallel growth track, and our market research and interviews have uncovered that we are just 10 years into a 30-year surge of growth in the family office space. For example, I recently spoke on stage at an event with a wealth management professional who has 17 years of experience; while he was very successful and bright and did know what a hedge fund was, he did not know what a family office was. If someone who works in wealth management is not aware of the family office industry, many of the ultra-wealthy are not either. There are more than 10,000 family offices in the industry; I predict that the industry will double in size by 2020.

The wealthy will continue to expand their wealth, and family offices will continue to grow in numbers. That growth is accompanied by an increasing need and desire among the wealthy for wealth management services. Around the globe, more and more wealthy families are looking for something similar to the family offices seen in the United States and Western Europe.

I was fortunate to recently record an interview with one of the founding fathers of the modern-day family office industry, Charles Grace. Charles is a director at the Threshold Group. He is known for founding Ashbridge Investment Management and for building the first open-architecture platform for family office investment management. Charles not only knows the history of the family office industry but also has helped shape it as well. Here is a short excerpt from that interview:

**Richard Wilson:** Charles, you have been in the family office industry for over 50 years, which is longer than anybody else we are interviewing for this book and our monthly newsletter. So how have you seen the industry evolve?

**Charles Grace:** It used to be that family offices were based in the financial office of the operating company. There was perhaps a dedicated accountant in there that took care of the operating company. So that was the beginning, and then some of the wealthier families set up distinct offices that were not necessarily housed in the operating company, but which were a part of it, and they provided services to the family. Not too long ago, maybe, say, I don’t know, 20 years ago, some of these larger family offices started to provide services to other families and the founding family. And a couple of names that come to mind are us, the Rockefellers, and there were a couple of others that built a multi-family office business on a family office, and so that was the first level of development.

Next came the trust companies. The trust companies were always in this business too, not as family offices, but as a part of the trust work—trust and investment work—and they were always there as competitors in this business and still are. Then along came the brokers; while the brokers were very transaction-oriented in the early days, they found out that they wanted to provide more advice than transactions because transactions were very cyclical. They became involved in the family office’s business and they started selling the family office business model. They provided other services, too, primarily outsourced I think, but some of them are housed in-house. I mean I think Gold- man Sachs and some of those guys provide other services to their wealthy clients rather than just a dozen products. So that is a third level of development.

Now then out of that came people that spun out of the investment banks, the trust companies, and the family offices and started their own multi-family offices. So you can see there is sort of a tree growing here and you see that the branches have now gone out to sort of third, fourth generation, where you have people spinning out of the family offices, the brokerage houses, the banks in order to start multi-family offices.
Richard Wilson: I think that’s a great, brief overview of how the industry has evolved. It was back in the early 1980s that your firm was one of the pioneering family offices that came up with an open-architecture investing platform. Can you talk about that in a little bit more detail since you became well known for offering that early on in the family office space?

Charles Grace: Well that’s another revolution, Richard. We started out by—this was in the old days 25 years ago whereby hedge funds were less developed than they are now. Private equity was there, but less developed. So the investment question was sort of a simple one: a set of asset allocation and manager selection. It was based upon rather simple strategies, I mean various types of stocks—big and small stocks, international stocks—weren’t regularly considered until later on in the industry’s development. Hedge funds came along, I don’t know, not at the very beginning. The investment program developed from, it used to be an asset allocation model, just an efficient frontier which was by definition backward looking.


Then it grew into an emphasis on manager selection and identifying “the best managers,” who generally reverted to the mean, but nonetheless were very good, and so there was lot of work done on the organization and the people themselves, investment managers. Then, [it grew] to a form of a tactical asset allocation rather than just strategic. Strategic asset allocation, manager selection, and now it’s moved into much more emphasis on tactical asset allocation across a very, very broad spectrum of investment strategies. So there has been a lot of change in the way investment advice has been offered and utilized by the family offices.

*Stay tuned for more of our interview with Charles Grace in Part Two of this book.*
STATE OF THE FAMILY OFFICE INDUSTRY


The family office wealth management industry is larger and faster-growing than ever before. Family offices are thriving. Ultra-high net worth families shape our economy and communities; that can be seen all around us through their operation of franchises, apartment buildings, operating businesses, and capital infusions. Family offices are an important source of capital for small and medium-sized businesses and investments, which fuel much of the global economy.

Family offices are often global in their presence and investing. To date, I have spoken in more than 20 countries around the world, and every region shows evidence of a thriving industry that is only just beginning to become more widely understood and defined. Throughout this book, you will have the chance to learn more about these industry hot spots, recent trends, operations, investments, and the future of both single and multi-family offices.

WHO USES A SINGLE OR MULTI-FAMILY OFFICE?

While some family office clients inherit their wealth and others earn their wealth as an athlete or movie star, a high percentage of family office clients have recently taken a company public or sold a business. As a result, their net worth is now $20 million, $300 million, or more, assets they did not have to manage in the past. Family offices try to help manage and preserve that wealth, and the goal of this book is to explore how they attempt to do that on a consistent basis.

Examples of well-known individuals who use family offices are Michael Jordan, Paul Allen, Oprah Winfrey, Bill Gates, and Donald Trump. Almost everyone who runs a single family office has between $100 million and $1 billion in assets, with a smaller percentage having over $1 billion and an even smaller percentage having under $100 million under management.

Most multi-family offices require $20 million to $30 million in investable assets to join their platform, but due to economic conditions and hunger for business growth, some family offices are allowing $5 million and $10 million clients in the door. At the other end of the spectrum, some high-end family offices, including several we interviewed for this book, require $100 million to $250 million in investable assets to participate in their multi-family office. For the purposes of this book, we will be referring to ultra-affluent clients as individuals or families with more than $20 million in investable assets.


While we don’t have room in this book to detail the line item costs or requirements of running a family office, I want to dispel one myth: Many industry studies will tell you that you need $100 million to $250 million or more to set up your own single family office solution. Experts will tell you that running a family office will cost at least $1 million a year. I don’t believe that is true. Due to technology and the ability to leverage taxation and risk management experts and consultants, I have found some successful single family offices with “only” $30 million to $50 million in assets.

I asked one successful single family office executive, Louis Hanna of Corigin Holdings, when it makes sense to consider forming a single family office instead of working with a multi-family office. “I think it’s kind of on a case-by-case basis, but arguably it’s a large subset, but I would say beginning at 50 approaching 100 million, again depending upon the situation. And also obviously it is not based upon just asset level but also investment management experience, level of financial sophistication, and goals of family members.” The amount of assets needed to set up a single family office depends on the type of risk the family has to manage, what they invest in, what global taxation issues they face, and what goals they have for the family and family office, but, as Louis notes, other factors besides assets should be considered before forming a single family office.
I had the opportunity to interview Angelo Robles, head of the Family Office Association, an exclusive association for single family offices. You can hear exactly how he responded to my question on this topic during the recorded audio interview.

**Richard Wilson:** How much in assets do you think that someone needs to have before it makes sense to form a single family office?

**Angelo Robles:** I often think those numbers are thrown about, and some- times I am guilty of that as well. So, why not $67.2 mil- lion, how come $50 million or a $100 million? My views on this issue have also changed in the three years since I launched FOA. A part of the reason for my change was about a year ago, I had a chance to come across a significant wealth owner who noted to me, “You know, Angelo, I’m liquid in the ballpark of about $45 million.” And I said, “$45 million, I mean congratulations, you are successful. But I think you may be a little bit small for creating your own entity, your single family office. And it’s expensive relative to your assets.”

And he leans forward and says, “Let’s get a couple of things straight, Angelo. First of all, don’t tell me what’s expensive. If I have, whatever, $45 million, and I want to create for a couple of thousand dollars a private operating company and hire someone who may be paid a couple of hundred thousand dollars, I have got $45 million. I think I have the resources to do that. And by doing that, I am taking control of my assets and my money. I have talent; it may be one person, but talent that’s going to be exclusive for me. Why do I have to have a billion dollars? Isn’t that a little different than a traditional definition but still a definition of a single family office?” And that really caused me to rethink.

Now, I think, to be optimized to have a multiple of talent inside the single family office, sure, it’s going to be superior to have $200 million, if not even more. But I have come around to the gentleman’s point of view that there really is no clear-cut definition on how much assets someone has to have it worthwhile because a lot of people that want to create a single family office, they are entrepreneurial in nature; they are type A personalities; they are successful on some level; and they believe in the opportunity for control, customization, and privacy. And if they are able to build the governance and the philosophy around that and hire even one person to help them in their initiative, doesn’t that qualify to be a single family office? Just because they are not worth $300 mil- lion, $400 million, or $500 million yet, doesn’t mean that they don’t have the opportunity to build something that we would broadly still describe as a single family office.

There is probably a sweet spot or a medium, $500 million to $1 billion, and we have some families that are Forbes 100, a couple of Forbes 10. Those families have tens of billions of dollars. But we also have some that are “only”—and again I use that word loosely—$50 mil- lion or $100 million or $150 million. So I think the opportunity here is to not define a single family office by too restrictive of a definition. If someone sees value in the benefit of control, privacy, and customization, then I don’t think we could contain their desire to create one or maintain one just because we perceive they don’t have the classic $100 million in assets.

To download the full 40-minute audio interview with Angelo Robles, please visit www.FamilyOfficesGroup.com/audio1.

**WHY FAMILY OFFICES?**

There are many reasons why the ultra-high-net-worth are forming and joining family offices faster than ever before. We will explore the four drivers of growth in the industry within Chapter 10, “The Future of the Family Office Industry,” because you may be wondering, “What are the core motivations of these ultra-wealthy individuals looking to start or join a family office?”
Once you begin dealing with $10 million, $100 million, or $500 million or more in assets, many issues that may sound small become very important to manage closely. These issues include global taxation, risk management, and even things like cash management. A section of this book in Chapter 6 will focus exclusively on cash management best practices; well-managed cash can often pay for most (if not all) of the expenses of using a family office.

**MORE MONEY, MORE PROBLEMS**

It really is true: The more money you have, the more problems and challenges you face, no matter how “high quality” the problem may be seen by some. A good analogy for understanding how small details become more important as wealth grows is the managing of currency risk exposure for Procter & Gamble versus managing that same risk within a $1 million-a-year small business with global clients. Surely the small business does not have a full-time currency risk expert on its team, while Procter & Gamble most likely employs several full-time professionals who do nothing but hedge global currency risks. The same goes for the importance of tax matters for someone with $80 million to invest versus $800,000.

Here is a list of the top benefits of working with a family office instead of a single CPA or traditional wealth management professional:

- Central financial management center for the wealth so more holistic decision making can be made.
- Higher chance of an efficient and successful transfer of family assets, heritage, values, and relationships.
- Access to institutional quality talent, fund managers, and resources that would be difficult or impossible to obtain as an individual.
- Reduced costs in achieving a full balance sheet financial management and investment solution.


**FAMILY OFFICE INDUSTRY CONFERENCES**

Around the world, there is a growing awareness and interest in family office wealth management. Fund managers want to raise capital from family offices, wealth management firms want to convert into family offices, and ultra-wealthy individuals want to learn more about the industry before starting their own single family office or joining a family office. One way to reach family offices is to attend a conference. Like other types of conferences, some are more valuable than others. Some family office conferences are invitation only, some are free to attend if you operate a family office, and most of them are held annually.

These conferences are most useful for family offices that are looking to connect with fund managers, service providers, and fellow family offices to explore partnerships and trends. While it may add to your credibility in the industry to speak at such an event, you will most likely not directly get any new clients for your family office business by attending such a conference. I attend family office conferences every quarter and I’ve spoken at more than 50 conferences now. Please do come up and introduce yourself if you see me at one of these events; it would be great to meet you in person. You can see our upcoming family office conferences at WilsonConferences.com

**CONCLUSION**

Family offices have been around for a long time in different forms, but for only a very short amount of time in their current state. The industry is quickly evolving and provides a critical solution to the ultra-affluent who are willing to pay for more holistic management of their finances. In the following chapter, we will expand on the actual services that many family offices are providing.
ABOUT THE AUTHOR:

Richard Wilson, CEO & Founder: is the founder and CEO of the Family Offices Group and Billionaire Family Office. He is a prominent figure within the alternative investment industry, working daily with fund managers and family offices. Mr. Wilson also founded the Hedge Fund Group, a professional networking association with more than 100,000 members. He lectures frequently at hedge fund conferences and hosts several annual networking events through the Hedge Fund Group and the Family Offices Group.

The Certified Hedge Fund Professional (CHP) designation is a 100% online-based hedge fund training and certification program. The CHP program is the industry standard, #1 most popular and trusted certification program built exclusively by and for hedge fund professionals. It is a continuing education and professional self-improvement program. You can read more about the CHP program at http://HedgeFundCertification.com.

The Hedge Fund Group (HFG) is a network of more than 100,000 hedge fund industry professionals from over 80 countries who actively network, partner, and refer resources and leads to each other. Each year, the Hedge Fund Group offers several full-day capital raising and hedge fund marketing workshops. Many investors, including hedge funds, know us for our capital raising resources, including the Family Offices Database. You can join the Hedge Fund Group for free at http://HedgeFundGroup.org.

Wilson Conferences is a seven-year-old event business which hosts dozens of investment conferences around the world every year. You can reserve your seat for our upcoming Capital Raising Workshops, Networking Breakfasts, and Investor Conferences by visiting WilsonConferences.com.

Investor Contacts: Are you trying to raise capital for your hedge fund? We provide full contact details on more than 3,000 different potential investors. They include wealth management firms, single and multi-family offices, institutional investment consultants, and fund of hedge funds. All of our directories of investor contact details are guaranteed to be updated and accurate. You can learn more about our available packages at http://FamilyOffices.com.