

Relationship Marketing: A Key Element In Raising Hedge Fund Assets

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Despite the transactional nature of investing, every component of the hedge fund business is based on **RELATIONSHIPS**. Hedge funds are the ultimate networked and outsourced business enterprise. The need for solid relationships is most crucial when marketing and raising assets. Many hedge funds are started as "lifestyle" businesses with little desire for capital beyond personal finances, family and friends. However, for those funds that decide to seek assets from external sources, non-affiliated investors and allocators, "intelligent marketing processes" are mission critical components in building the necessary relationships to raise assets.

Intelligent processes support enterprise-wide performance, professionalism, patience and persistence, all of which characterize the due diligence and allocation process. However, many newer and smaller funds engage in activities antithetical to relationship building, such as overly-aggressive selling as well as have poor qualitative data about prospects, the marketing/fundraising climate and fail to make sufficient qualitative and quantitative contact with prospective investors and key intermediaries to yield allocations.

Relationship marketing advocates KYC² (Know Your Clients & Counterparties) - who they are and how they act, in different channels at different points in time. The use of that knowledge to make business, marketing, sales or investor relations decisions is vital. When leveraged strategically and consistently over time, relationship marketing efforts create strong bonds between a fund and its eco-system of investors, service partners and market participants. Those bonds help maintain organizational, operational and investing stability through sustained drawdown or underperformance and periods of market volatility/uncertainty.

What is Relationship Marketing all about?

It's about the 360° confidence, which results from knowledge. Relationships start when a fund gets to know an investor or intermediary on an in-depth level and lets them get to know the fund holistically, so that mutual trust and confidence is created to move investors to a conviction point to make allocations. Relationships that grow and get stronger over time lead to organic and acquisitive AUM growth, higher conversion and retention rates, greater revenue and organizational stability.

Are you an intelligent marketer?

An intelligent marketer is someone who knows and relies on the strategic and tactical importance of information for marketing and raising assets. They routinely convert information to intelligence and manage it as a critical business asset, which enables them to develop marketing insights in real time. They use this understanding to improve process in a constant feedback loop, which strengthens communications, solidify relationships and drives real results marketing and fundraising. To the informed marketer, learning and marketing are symbiotic continual processes. He or She must make a commitment to learn and fine-tune the marketing mix to yield a profitably sustainable eco-system to support business management, operational excellence, consistent growth in AUM and high retention rates.

Every relationship takes work

Relationship marketing is multi-discipline, cross-channel, and long-term. It relies on standout inter-personal skills, excellent data and analytics and a sturdy technology platform. For those that practice it as opposed to paying it lipservice, it serves as a point of competitive differentiation. The JOBS Act will be a catalyst for smaller funds to cultivate better and deeper relationships with investors and intermediaries in more efficient and effective ways. Candidly, the days of promoting pedigree and returns as the sole or primary marketing tactics to raise assets are gone. Intelligent processes to gain visibility, increase awareness and build relationships within the most appropriate, suitable investor segments and key intermediary channels given the fund profile are vital and at the heart of marketing and raising assets.

About Us: Johnson & Company is an Austin,Tx-based consultancy, which provides marketing and fundraising advisory services to sub \$500 million AUM alternative asset managers. Our service focus and solutions bring the essential strategic insight and tactical resources to small hedge funds, which provide the basis for economical, expedient, effective and efficient marketing and fundraising execution.

As Founder and Managing Partner, Bryan K. Johnson has 20+ years experience within alternative investments. Previous to launching Johnson & Company, he served as Global Head of Marketing and Business Development for the Alternative Investment Group at Moody's Investors Service (MIS), responsible for the deployment of Operational Quality (OQ) Ratings For Hedge Funds. Prior to his tenure with Moody's, he served as chief expert witness and lead consultant for The Attorney General of Texas and The State of Texas in the evaluation of hedge funds and private equity firms in the acquisition of the assets of Texas Genco in the multi-billion dollar true-up of Centerpoint Energy (CNP:NYSE). He was also Founder, Chairman and Chief Executive Officer of Gotham Bay Partners, a Denver-based Alternative Investment Firm, providing alternative manager selection and analysis as well as asset allocation services to private wealth clients. While at GBP, he raised, managed and allocated 3+ Billion to external managers across hedge funds and private equity as well as operated a \$100 million internal early stage private equity/venture fund.

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