

How to Develop an Investment Story



A recent article in [Institutional Investor](#) claims that investors are more interested in the stories asset managers can tell than in data about their track record. Perhaps it is just a reflection of an extended bull market – now running in its 10th year – and shows that performance is being taken for granted. Yet Peregrine’s experience suggests there is something in this.

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Around three in four consultants, according to the story, say their top search criteria in manager databases is investment process and portfolio construction. eVestment, for example, says manager narratives in its database get 3,000 views every month. That certainly suggests that managers need to take considerable care in the wording and concepts they use to appeal to investors.

It is our view that managers should make this positioning specific. Too often funds seek to raise capital from anybody. The result is an investment proposition that is too general and doesn’t address the very specific

needs that each investor will have. In other words, use a rifle, not a shotgun approach.

Being consistent is another necessity. Entries in performance and consultant databases as well as website, investor presentation and media messages must be deftly aligned. Not only should the messages be richly descriptive and specific, they need to link together to tell a pithy and coherent story.

Peregrine has found that both emerging and established investment managers can benefit from periodic rethinks of their investor pitch. Does the marketing convey the manager's research capability? Does it offer perspectives outside of day-to-day to portfolio management? Major institutional investors will occasionally allocate to a manager to tap into their perspective and research. In these cases, performance really is a second order concern.

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What Peregrine does is help investment firms focus their story on a handful of key themes. Doing so will help a firm communicate its unique story in a meaningful and effective way. Getting this right won't on its own catapult a manager to \$1bn AUM, let alone beyond, but ignoring the need to develop a story will hinder asset raising and the development of the business.

In our experience, an investment story develops three interlinked themes:

- Compelling Opportunity
- Differentiated Strategy
- Expertise and Experience

The first thing managers must communicate succinctly, but powerfully, is the investment opportunity. Every allocator is focused on this and what it can offer to help fulfil their investment goals. In most cases, the allocator is looking for something beyond performance, often unique research perspectives or knowledge transfer. In these areas, the quality of the manager's story is paramount.

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The next step in telling the story is conveying the manager's investment strategy to take advantage of the opportunity. Here it is vital that a manager can articulate a strongly differentiated edge. It is impossible to overstate the significance of getting this concise, clear and convincing. This applies as much to entries in investor databases like eVestment and HFR as it does to capital raising presentations, RFPs, brochures and websites.

The third part of the story – expertise and experience – is the final piece in the narrative that drives a manager's story. Think of this as the credibility glue to fuse an opportunity set in the market with the differentiated edge to unlock it.

As the Institutional Investor story emphasises, most allocators really are looking to unlock a story. Increasing competition for capital and heightened demands on allocators' time makes a logical and convincing story essential to help a manager stand out from the crowd.

To learn more about this Peregrine and Cerulli Associates are conducting a study into how leading investment managers communicate their story. To **attend a briefing on November 13** about the study, please register here.

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Peregrine London

+44 20 3178 6868
35 Inverness Street
London NW1 7HB

Peregrine New York

+1 646 274 1422
535 Fifth Avenue
New York NY 10017

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