

3 ways active managers can survive the remainder of 2020

As we head into the second quarter of 2020, we have seen an increase in market volatility, primarily fueled by the emergence of the coronavirus, leaving the investing world uncertain about the markets and global economy.



By Emilie Totten

Markets have seen their biggest drops since 2008, and managers have lost a significant amount of money. This has especially affected boutique managers. Because market volatility and uncertainty may continue for some time, active managers with a proper strategy will be well-positioned to retain clients and have a better opportunity to capture more assets when the market recovers.

Also, with fewer people investing in active strategies and more options to choose from, competition is extremely fierce.

Due to a generally strong market over the years, AUM, profits and bonuses have grown. Though many firms have seen record-breaking revenue, these signs are a false positive.

"Strong revenues do not guarantee a strong business. Firms need to grow their client base to thrive in 2020," says Dan Sondhelm of Sondhelm Partners, a marketing consultancy. "Firms need strategies that help them truly differentiate if they want to survive."

Here are three ideas asset managers can use to be more competitive going forward.

CHOOSE YOUR NICHE AND FOCUS

Don't fluctuate.

You can't be everything to everybody. You have to choose a niche and focus. Donna DiMaria, founder and CEO of the third-party marketing agency Tessera Capital Partners says the trick is figuring out what you're doing that's a bit different than everybody else.

"Everyone does research and everyone talks about their process. But what's different about yours? For instance, if you're a dividend manager and you're tracking dividends by hand, there you have a differentiating quality," she says.

To determine your niche, step back and interview your senior managers, every PM and every team member.

This will give you a sense of who your organization is and what drives your entity. It will also help unify your firm around brand messaging. It's also important to identify your weaknesses.

"If you have an investment strategy you're not good at, maybe scale down or sell it," Sondhelm says. "If you're a great money manager that doesn't have a strong marketing and sales program, you might partner with a firm through a sale or fund

"Or if you've always been overweight in a certain sector and then all of a sudden you become underweight, they're going to question that," she adds.

"Gatekeepers are looking at this carefully. How much style drift are you having? How true to your process are you, and how complementary are you with the other managers?"

"This is especially important if you're dealing with a manager-manager program or a multi-manager allocation; these style bends become so important," she notes.

Key takeaways

- Know what you're good at and focus there. Interview your team to get a sense of who your organization is and what drives your entity.
- Know what you're not good at and

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adoption."

Figuring out your positioning and messaging is also dependent on the competitive landscape. Ask yourself: How do you differ on structure, messaging or storytelling?

DiMaria offers some suggestions for doing competitive research, including reading the press and investing in industry databases.

She also recommends keeping your investment strategy consistent with the brand positioning you're putting out into the market.

"If you're known for being a concentrated manager and all of a sudden you're adding stocks, people are going to start to question your track record," she says.

minimize or remove those weaknesses.

- Figure out how to position the firm based on the competitive landscape. Once you've identified your niche, be consistent.

RETHINK YOUR CONTENT STRATEGY

Stand out by saying less. To get discovered and stand out from the competition, you must have compelling content. The problem is, there is too much content out there, and readers are tired. In order to capture your readers' attention, you need to say something different and say it quickly.

Sandra Powers, founder and CEO at marketing consultancy Ark Global, says asset managers must rethink how they're

CONTINUED on page 12