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BATTLE OF THE BRANDS

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Brand strategy drives hedge fund growth

With an average of three new hedge funds hitting the streets every day, managers are beginning to understand that it takes more than performance to attract assets. Visibility, differentiation and credibility are becoming the new watchwords of the hedge fund industry as global assets under management (AUM) pass US\$1 trillion.

Ironically, many a City or Wall Street trader struck out for the hedge fund world thinking they could get away from marketing or "branding." Just put up the numbers and the assets will follow. But with the proliferation of hedge funds and inconsistent performance, fund managers are discovering the need to articulate what distinguishes them from others. Recognising this, managers are launching marketing campaigns more akin to automobiles than high-end investments.

A strong brand strategy is a key ingredient for a successful hedge fund business – regardless of how small you are or how big you want to be.

expect only an 8% annual return from hedge funds. Further, given an equally perceived ability to deliver returns, these investors said they required prospective managers to possess traits including business management, a culture of integrity, operational excellence and sophisticated client interface.

That's where brand comes in.

So what is a brand...and how do I get one?

A brand is a name that stands for something or that is made to stand for something positive in a prospective client's mind. In automobiles, "Volvo" has been made to mean "safety." "BMW" means "driving." For hedge funds, the question is – "What do you mean?"

A brand – communicated by a name, logo, tagline, presentation deck, road show, media, advertising, and related tools – helps build marketplace awareness and understanding of your company. For hedge funds, you need to fashion a name and market position that means something positive for your existing and potential clients.

As you consider your brand and your market position, think about what you want to be known for in today's crowded marketplace, how potential investors can think positively about you in that way, and why investors should be drawn to you. It starts with what you do best and how you want to grow – a narrow focus, a global strategy, a fund family, etc. Your ongoing marketing will then have a direction and logic for you and your investors

New developments – new opportunities

A changing regulatory environment – especially the US – is opening the way to new marketing tools needed to help build your brand.

More and more firms are using the media to help build visibility, credibility and differentiation. The accompanying chart shows a steady rise in media articles about hedge funds. And in each one of these cases, the managers talking to the press or being talked about need to understand how the process works and what they can get out of these important media interactions.