

Excess Returns

Monthly insights for investment marketing and sales professionals



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An organic food company recently helped me better understand certain important, commonsense truths about investment marketing. This month's issue of *Excess Returns* shows how education — and not just any education but a very specific kind — builds client loyalty.

With best wishes,

Liz Hecht

Founder, Principal and Director of Research

In This Issue

What's in the Portfolio?

Other?

Steve Jobs, CMO

Alpha Partners is an investment marketing firm specializing in research and presentation strategy. Our goal is to create alpha (excess returns) by helping investment firms win, keep and diversify assets under management.

Alpha Partners LLC

435.615.6862

alphainvestmentmarketing.com

What's in the Portfolio?

As part of a concerted effort to eat healthy, my husband and I recently began learning more about sustainably farmed food options in our area. There is a well-managed volunteer food co-op and then there is [Liberty Heights Fresh](#), a specialty foods store with a weekly share program; one pays approximately \$30 a week for a bag of regionally grown organic produce. The reason I ultimately settled on the somewhat more expensive Liberty Heights option is simple: marketing. Or, to be more specific: marketing through education. Every Thursday morning, the day our family picks up our bag, we now receive an email from Liberty Heights entitled "What's in the Bag?" Here's a sample from March 22:

Meyer Lemons, Cunningham Citrus, California

Meyer lemons are distinct from traditional Eureka or Lisbon lemons: their signature round shape, vibrant yellow peel, oily and especially fragrant skin, and low acid, extra sweet flesh. Use in baking, in vinaigrettes and marinades, or to add a special touch to lemonade and cocktails. Store in a bag in the refrigerator for up to two weeks.

For each item included in the bag — this week, along with the Meyer lemons, we find French breakfast radishes, dandelion greens, golden beets and rainbow carrots — Liberty Heights provides a brief description and history, a link to the farms where the food is grown, how it should be stored and related recipes.

Strategies for Providing Portfolio Education

Many investment companies commit significant resources to investor education. Yet most firms still could do a much better job of answering the following simple, straightforward question: “What’s in the portfolio?”

The portfolio isn’t just a list of characteristics or a summary of allocations. It consists of specific investments representing timeless philosophical beliefs, new ideas about what is going on in the world and diligent field research. By focusing on the much-neglected fourth “P,” the portfolio, investment companies very likely will win business in competition with firms that spend too much time selling all the other “P’s”: philosophy, process and people. (In an [earlier issue](#) of this newsletter, I explain why a fifth “P,” performance, also is often neglected.)

Here are a few suggestions for making the portfolio come alive:

First, describe what is in the portfolio. This seems simple enough, but certain investment portfolios contain so many different holdings and different kinds of positions that even providing a snapshot can be daunting. But through education about investment themes and the rationale behind related allocations, you can provide detail and color without overwhelming or oversimplifying.

Link the portfolio to philosophy and process. Explicitly answer the question, “How does what we are invested in right now reflect what we believe and the advantages we bring to execution?”

Show how the portfolio reflects your current outlook.

Explain how current holdings exemplify your firm’s outlook on the economy and the markets. Sometimes I am told (still!), “We don’t have a top-down outlook; we are bottom-up investors.” Thankfully, the view that bottom-up fundamental research somehow precludes a focus on global macroeconomic factors seems to be changing, giving an edge to firms who can impart understanding of their portfolio from the perspective of the forest as well as the trees.

Teach investors something new.

Find ways to bridge from mere data to education about something new — a profile of a new holding, a feature about an industry or country recently added to the



Photo by Val Stephens

Here’s what’s in the bag for March 22 (with our cat, Bip). We chose Liberty Heights Fresh not only because of the quality of its products, but also because of the education LHF provides about its products.

portfolio or an explanation of a new performance measure. Raw portfolio data is available in abundance, but stories about macroeconomic themes, specific investments and other explanatory detail are still rare.

Tell stories and show pictures. I can count on one hand the number of investment firms that consistently apply the art of storytelling and photography/illustration to demonstrate what's going on in their portfolios. Most firms see anything beyond lists of bullets, pie charts, bar charts and graphs as marketing fluff and, of course, therein lies the opportunity for the minority who get it and are willing to do the work.

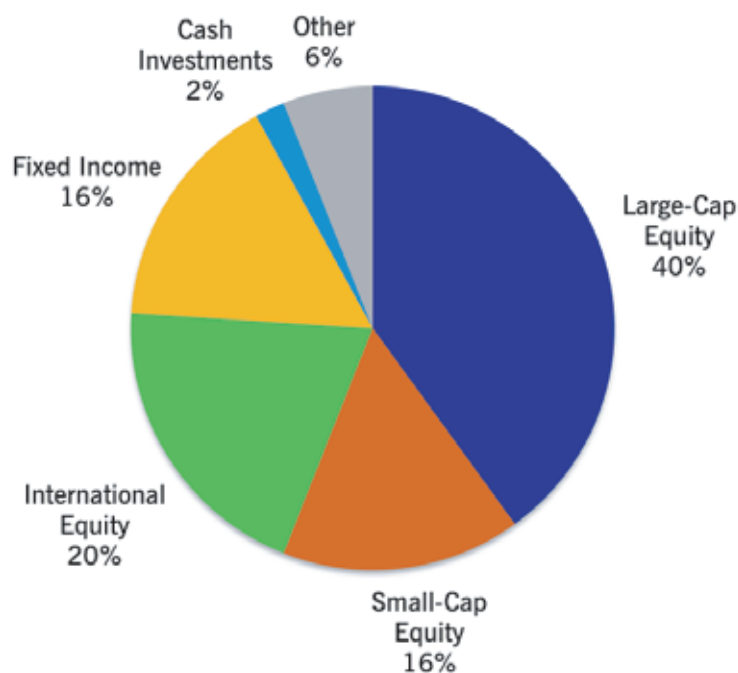
There are a few good and many bad reasons why investment firms fail to provide portfolio education. Some fear portfolio transparency for legal or marketing reasons; others simply fear being wrong about what's in the portfolio. There are many better reasons, however, for providing portfolio education, as investors — and that includes aunt Alice as well as sovereign wealth fund CIOs — are always grateful for a true understanding of what is in the portfolio.

This brings me back to what's in my bag. I did not choose Liberty Heights Fresh because they have the best food (although the food is indeed wonderful). And I did not choose LHF because they had the best price. I chose them because they take the time to provide the most detailed, current, inspiring information about their products. And I likely will stick with them because they regularly teach me something new about what's in the bag and the larger world where the produce in the bag originates. Meyer lemon pots de crème, anyone?

Other

I have been at war against the “other” category for years and I always review our company's research reports to ensure that “other” is clearly defined with a parenthetical description or a footnote. So I was recently perplexed to receive this snapshot of what is in my own portfolio (at right).

Such vagueness about 6% of the portfolio, it seems to me, creates several unwanted perceptions about an investment company: (1) that it has an inadequate portfolio accounting system, (2) that it doesn't mind being fuzzy in client communications about key portfolio details or (3) worst of all, that it does not really understand or care about what's in the portfolio. In this case, “other” turned out to be a market neutral fund which could not be classified by an older, soon-to-be-replaced portfolio accounting system.



Steve Jobs, CMO

By now many of you have probably read [Steve Jobs](#) by Walter Isaacson. The book shows how Jobs, despite his success in playing many corporate roles, was above all a superb Chief Marketing Officer. And what made him hyper-effective as a marketer was his relentless focus on all of the small details that create an excellent customer experience. If you want to indulge in a reading marathon about Jobs, which I can attest is time well spent, you might also enjoy [The Presentation Secrets of Steve Jobs](#), by [Carmine Gallo](#), who in chapters such as “Develop a Messianic Sense of Purpose” and “Make It *Look* Effortless,” deconstructs the many ways in which Jobs excelled as a speaker. Mr. Gallo also recently published another Jobs-inspired book that may be of interest to investment marketers: [The Apple Experience: Secrets to Building Insanely Great Customer Loyalty](#).