
Excess Returns

Insights for Investment Marketing and Sales Professionals

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Performance is key to understanding any investment product. So why is performance often treated as an afterthought in investment marketing materials—buried at the tail end of a pitch book, for example, where it is prone to neglect and misunderstanding? In this issue we consider the question, “Where does performance belong?” along with some of the myths and misinformation that have shaped performance presentation strategy.

With best wishes,



Liz Hecht
Founder and Principal

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Alpha Partners is an investment marketing firm offering custom research, marketing communications and presentation coaching. 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
www.alphainvestmentmarketing.com

When Last Should Come First

I'm on the phone with my friend M, a sales professional, who tells me with some dismay that her boss recently decreed that performance—even top-quartile numbers—should always appear at the end of every pitch book for every product. “Come again?” I say. “Shouldn't strong performance come first? Isn't that what you're selling?” Yes, she explains, but her boss believes that performance (results) must by definition follow philosophy, process and people (the strategy and resources applied to getting results). *I used to agree with this view ...*

... *Flash back to New York City about 15 years ago* when I am having lunch with the Head of Sales, let's call him Z, for a well-known investment company. I am hoping that Z might give our company some business, but Z keeps saying things like, “Let's face it, at the end of the day all that really matters is performance.” “Yeah, right,” I groan inwardly, “until your team underperforms, which, inevitably, it will.” This was back when I, too, believed that the track record must logically come last.

Whether performance comes first or last is an important question with different answers depending on the situation. I've thought about this for years and worked with different companies on different approaches. Here are some key lessons that I've learned:

- 1. Sell your own track record—don't let consultants do it for you.** The received wisdom at certain investment firms is: “We don't present performance up front because the consultant already has covered performance with the prospective client.” Or (a variation on this same theme): “Good numbers are a given; all of our competitors have good numbers, give or take a few basis points. If we didn't have good numbers, we wouldn't be here.” Of course consultants will already have presented your numbers to prospective clients. But you cannot wholly rely on consultants to present what really matters: the story behind the numbers.
- 2. Tell the story behind the numbers.** This is how you not only win business but also create loyal clients who are more likely to stick with you even during those inevitable periods of underperformance. The story behind the numbers proves that your performance results mainly from skill as opposed to luck; it provides context, explaining why your numbers, while perhaps lower than those of a competitor at a given point, nonetheless are more likely to preserve capital over time. Providing context sets expectations, allowing clients to understand why you avoid certain industry sectors and therefore underperform when those sectors are in favor ... or why you are likely to perform better in a down market than in an up market.

3. **Keep the portfolio front and center—do not sacrifice the product on the altar of philosophy, process and people.** An unfortunate by-product of putting a key portfolio attribute such as performance last seems to be that all product attributes—performance attribution, portfolio composition, portfolio characteristics—are lumped last along with performance. In practice, given short attention spans and probable time cuts, this means that many investment presentations only barely touch on or completely neglect what matters most: the portfolio and portfolio performance. As a result, in my experience, the typical final presentation proceeds rather like a waiter who describes the history of the restaurant, the professional biographies of everyone in the kitchen, the chef's beliefs about cooking, the process for preparing the food and then finally, at long last, the specials on the menu that night.
4. **Be flexible.** What shocked me about my friend M's story is her boss's inflexible all-performance-last-all-the-time mindset. Expediting focus on performance is particularly important when your numbers are strong. As in, "If you've got it, flaunt it!" But what about those inevitable periods of underperformance when your numbers require explanation? At such times it may well make sense to lead with philosophy, process and people. In other words, create a foundation for understanding first—as opposed to starting with an out-of-context explanation for recent underperformance. The presentation strategy you follow during periods of underperformance will depend on many different variables: the extent of the underperformance, the reason for it and what's going on with the market as well as with competing managers. As I have discussed in another article ([How to Stay Up When Your Numbers Are Down](#)), under one set of circumstances, you may need to take your product off the shelf for a while; under another, you might credibly position it as the contrarian option.



While performance is paramount, and thus often should come first, the numbers alone should not sell your product. Your marketing literature should capture the story behind the numbers—the ideas, people and processes that distinguish repeatable skill from random luck.

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In the end, Z never gave us any business and M is now happy at another firm with a more flexible, strategic approach. And what about us? Lucky us, we increasingly have the good fortune to work with firms that are happy to put their long-term track record front and center. After all, alpha is the bull's-eye. Why shouldn't it come first whenever possible?

The Performance Guy*

Presenting performance requires understanding diverse metrics ([Jensen's alpha](#), anyone)? So I was delighted when one of our clients told us about David Spaulding of [TSG](#). The [TSG newsletter](#) provides a lucid, engaging look at different ways to think about the numbers. David's January 25, 2011 blog post, for example, poses the question [How many risk measures are enough?](#)



Because many portfolio managers have a hard time saying good-bye (or say good-bye too soon), ineffective selling accounts for significant loss of alpha.

Hasta La Vista!*

Even as risk measures proliferate, relatively few money managers measure one of the biggest risks to portfolio performance: ineffective selling. According to Michael A. Ervolini, a surprising number of managers give all of their alpha and more back by selling at the wrong time. Mr. Ervolini is the founder of Cabot Investment Technology, Inc., a global software company providing analytics to help money managers improve portfolio performance. FactSet bought Cabot in 2021, and until recently Mr. Ervolini served as a distinguished fellow at the company. Mr. Ervolini's research explores the behavioral finance drivers behind ineffective selling, and his newsletter, [Skill Versus Luck](#), explores new ideas for making active management work. In a nutshell, he explains, "buying focuses on the potential for positive future events whereas selling very often focuses on pessimistic past events." As a result, investment companies spend more time, creative energy and marketing copy on buying than on selling. From both an investment and a marketing standpoint, an effective sell discipline thus can become a decisive competitive advantage.

* The Performance Guy and Hasta La Vista! have been updated as of January 2026.

Presenting investment performance is a complex art and science. The way an investment company presents performance will depend on many different factors that cannot be known by Alpha Partners; any performance presentation therefore must be approved by legal counsel for your firm.



ALPHA PARTNERS LLC

1062 Oakridge Road South
Park City, UT 84098

www.alphainvestmentmarketing.com

LIZ HECHT

435.615.6862
435.901.1546 (cell)

liz@alphainvestmentmarketing.com