



SunStar FUNDFACTOR

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Survival Tactics for Small Funds

Tough Choices

Small funds have tough choices to make to ensure survival. First, you can choose to grow through acquisition, picking and choosing among the many funds looking for an exit strategy. A second option, is to sell your own fund, or let it be “adopted,” retaining management, but allowing another entity to take on the responsibilities of distribution, operations and accounting.

Commit to Growth

The third option is to commit to growth. When you do so, you enhance your visibility in the marketplace, while generating additional income to manage ever-increasing costs. A recent MarketWatch article by Chuck Jaffe featured six under-the-radar funds with great potential. In it, Walter S. Frank, chief investment officer at Moneyletter said, “If you have a fund with a good long-term record that hasn’t ever been discovered, chances are that it never had the one or two great years needed to sell it to the public.”



Dan Sondhelm

Maybe, but again, its hard to sell something no one knows about. Our experience at SunStar shows that, unfortunately, many smaller firms resist proactively telling their story. Too often, we hear, “It’s too expensive,” “we’ve tried ‘it’ before and it doesn’t work” and “we’re money managers, not marketers.”

Of course, not all funds are good candidates for growth. The best candidates, in my opinion, have a strong one- and three-year record at minimum. Ideally, the fund has beat the S&P, had the same manager the entire time, is independent and has expenses comparable to competing funds that are selling well. You’ll notice I didn’t say lower than average expenses. Many managers think this is important, but many funds with lower-than-average expenses don’t sell. What does matter is how your fund compares overall to other funds that are selling.

Taking a hard look at your fund will help you determine if, in fact, if option 3, committing to growth, is the best alternative for you. If so, consider a strategy that incorporates SunStar’s “Seven Steps to Organic Growth.”

Seven Steps to Organic Growth

- 1) Position yourself to compete: Your goal is sales, so compare your fund to competing funds on the Schwab select and other preferred lists rather than to other well-known funds in your asset class. Look at performance, volatility and expenses. See how you compare. If you are at a disadvantage, be prepared to make changes.

- 2) Add the easy assets: If you manage a small fund but you also manage separate accounts, consider switching the principals' personal money into the fund. This will make the fund larger, adding credibility and allowing the fund to begin to appear in advisor screens.
- 3) Set up the right infrastructure: Partner with major platforms such as Schwab and Fidelity and make sure your 800 number and Web site are easy to track down.
- 4) Develop a clear, concise story that differentiates your firm and investment process from other similar funds: Use your story consistently in all of your written communications and client meetings. Practice telling your story. Give your portfolio managers the edge by simulating live interviews and client meetings in front of a camera and critique for improvement. Enroll them in SunStar's interview training.
- 5) Work with reporters who act as gatekeepers to the financial community: Don't be afraid to ask for in-person meetings where you can share your expertise and develop relationships.
- 6) Reach out to advisors: Participate in advisor conferences, host advisor conference calls and contact new advisors when they invest in your fund.
- 7) Keep passive marketing vehicles up-to-date: Ensure fact sheets are timely and fresh information appears regularly on your Web site.

Smart Marketing

At SunStar, we work with our clients to develop smart marketing strategies that integrate your communications efforts to advisors and the public. We have the expertise to help CEOs and CIOs develop a concise, hard-hitting story that truly differentiates your fund from the thousands with whom you compete. We help portfolio managers weave your unique story into every opportunity they have to speak to the press or financial community.

Call us at 703-894-1046 to discuss how SunStar can help you achieve recognition in this competitive environment.



SunStar works with retail and institutional investment managers and mutual fund firms to attract investors, strengthen distribution and build brands through structured news generation programs and smart marketing. We know the industry and the reporters who cover it. We also understand the often challenging legal, regulatory and compliance issues facing clients.

**Find more about smart marketing and
successful public relations campaigns in our blog:
FundFactor.net**