



SunStar FUNDFACTOR

Story Development Media Training Positive News Coverage Reprint Distribution

Distribution, Distribution, Distribution in '09

Nothing sells a house like location. Find one with a great view in walking distance to the best schools on a quiet street and it all but sells itself. But even that great location doesn't matter if there's no realtor sign out front or listing in the local MLS database.



Dan Sondhelm

In the mutual fund world, location equates to distribution. But what's the difference between an actively managed distribution program and luck? In this issue, we offer tips that help leverage your distribution program and ensure it includes more than relying on eye-popping performance and putting selling agreements in place.

Get the Right Selling Agreements.

Without the right selling agreements, you're not even in the game. ICI Research Fundamentals (9/08, Vol. 17, #4), reported a pattern of mutual fund ownership that has been stable since 2000.

"At year end 2007, 56 percent of household mutual fund assets were held through professional advisers. Twenty-four percent were held through defined contribution plans, and 14 percent directly with mutual fund companies. The remaining 6 percent were held through discount brokers and mutual fund supermarkets... Fifty-five percent of households that owned mutual funds outside DC [defined contribution] plans owned funds purchased through a full-service broker, and nearly half owned funds purchased through an independent financial planner."

In 2009, spend some quality time reviewing the selling agreements you have in place. Take a hard look at the results from each distribution point. Use this information to assess where your wholesaling effort should be replicated or reassessed.

- Are there places to expand or even retract?
- Where are the majority of your new accounts coming from?
- Are there patterns for sources of new investment dollars?

To reach the RIA market, ensure you are active on the basic platforms like Schwab, TDAmeritrade, Pershing and Fidelity at a minimum. Yes, they charge but that's the source of most of the flows.

Try Some Channel Surfing.

Mutual funds reach the investing public through five principal distribution channels: 1) the direct channel, 2) the advice channel, 3) the retirement channel, 4) the supermarket channel and 5) the institutional channel. Each has its own benefits and challenges, not the least of which is differing cost structures. A multi-class structure allows you to position your funds competitively within each channel.

Consider where the new money's been going: "No-load share classes of stock, bond, and hybrid mutual funds continued to receive the bulk of net new cash, attracting \$177 billion of the total \$223 billion in inflows in 2007.

Mutual fund sales to investors in employer-sponsored retirement plans account for a large portion of no-load fund sales. Also, no-load inflows likely were boosted by sales of funds of funds, which often invest in underlying no-load funds. Net new cash to load funds amounted to \$21 billion. Front-load and level-load shares received more than the net total of \$21 billion, while back-end load shares had net outflows for the seventh consecutive year.” (2008 Investment Company Fact Book, Chapter 2, Recent Mutual Funds Trends.)

Develop a Story beyond Performance.

Since people are looking for advice, be sure the advice-givers know your story and know it well. To do so, you have to be visible - consistently. A great quarter or year is only that. Having a more comprehensive story to tell, such as your disciplined and repeatable investment process that leads to consistent performance over time, keeps you from falling victim to “so, what have you done for me lately.”

Let’s face it: Even the best performing funds are having a hard time telling a good performance story as 2009 gets going. Investors need the assurance that your approach makes sense in good times and in bad. Focus on how your particular expertise in an asset class or investment style is beneficial over the long-term. Consistency and clarity can go a long way in building and maintaining investor confidence in all market cycles.

Web sites and fact sheets are only the skeleton of a good distribution/communication plan because they are considered passive efforts. Prospects must find you before these tools are useful. On the other hand, whether financial consultants or individual investors are your target, staying top-of-mind requires a proactive distribution such as a news generation program or email campaign.

Generate a Buzz that Permeates the Investing Population.

- Build a target list of media and actively “pitch” your story
- Let the media work for you by making yourself accessible to answer questions
- Invite key financial consultants to your shop or visit theirs
- Commit to a regular, timely schedule of communications with financial consultants, for example:
- Participate in three or four advisor conferences annually
- Send a monthly e-newsletter with ideas advisors can share with clients
- Publish quarterly commentaries on your Website and email them to your clients and prospects to establish your reputation as a thought leader
- Invite financial advisors to participate in quarterly conference calls with portfolio managers
- Leverage your news media reprints in your other sales and marketing efforts

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SunStar: One of Inc. Magazine’s 5,000 fastest growing private companies in America in 2007 and 2008.

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