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Dan Sondhelm, VP & Partner

On Schwab, Slow Sales, Now What?

One of the key questions asked by new and smaller funds is "how do we increase our market share on Schwab?"

Dan Sondhelm

Doug Hanson, VP Schwab

You would think managing a good fund and being on the $200 billion platform is enough to attract investors given OneSource's massive influence with advisors and retail customers. But that's usually not the case. It's important to make your funds stand out by effectively navigating the platforms, services, and people at Schwab.

For this issue, we spoke to Doug Hanson, Vice President for Schwab Investment Management Services, who is in charge of the Schwab's Mutual Fund MarketPlace™ and Mutual Fund OneSource® platforms. In this Q&A, Doug explained how a fund company can use Schwab resources to start getting noticed by investors and advisors.

What are the first steps?

The majority of the flows go to OneSource (NTF) participants, so while the transaction fee platform is potentially less expensive for the fund firm, growth is more likely if you are on OneSource, given its premier positioning. Once you've selected to be a part of the OneSource or the transaction fee platform, be sure you accurately select which customer groups you want your funds to be available to - such as individual investors and/or advisors. Cast as wide a net as possible, unless you have specific limitations.

Get to know your Schwab Relationship Manager. He or she can guide you through the opportunities and potential hurdles at Schwab. And, make sure all your information on Morningstar is accurate, as it is used initially to help determine eligibility for review on advice tools such as our Select List and Schwab Managed Portfolios.

How can a fund qualify for the Select List and Schwab Managed Portfolios?

Once a fund has determined how it will participate on our platform, it may be eligible for screening in certain of our advice tools. For example, funds that are added to the Select List become one of an elite list of approximately 120 funds. Flows among Schwab's individual investors are highly concentrated into Select List funds, and a fair amount of advisor dollars flow to those funds too, although the list wasn't originally built with them in mind. Charles Schwab Investment Advisory's research experts apply rigorous criteria to create this quarterly recommended list of pre-screened, no-load, no-transaction-fee funds, which span the array of Morningstar style categories.

To be considered for the Select List, your fund must generally have a three year track record. Generally, the funds are in the top third of their Morningstarcategory and have low expenses vs. their peer group. There are asset size criteria, but it varies by style and asset class and, of course, we overlay a qualitative review after the quantitative work is complete. The list is fairly stable in number and movement on and off tends to be relatively infrequent. It is used by individual and advised investors, and occasionally by advisors as a "purchase" list for new investments.

Schwab Managed Portfolios are for investors that are not interested in evaluating, selecting, and monitoring their individual investments. This set of portfolio solutions uses OneSource products based on an investor's timeframe, financial goals and risk tolerance. Unlike the Select List, this solution is built for investors who would prefer that someone else manage their assets on an ongoing basis; it is very competitively priced.
Funds that are added to the Select List and Schwab Managed Portfolios may benefit from greater visibility and fund flows from advisors and retail investors.

What type of reporting do you provide and what can firms do with this information?

All asset managers with funds participating in OneSource have access to monthly holdings and transaction activity provided to them via one or more secure web portals. You can see which business channel conducted the transaction, typically at the firm level/location. If you don't have your username and password for the system, you can get it from your Relationship Manager. Most of our fund companies have a third party database where they can cross reference specific advisors at the firms. Generally, they've conducted active marketing and over time have built a database of names as well. Fund managers can contact and thank, survey, or offer advisors additional ways to communicate such as participation in Webinars.

Webinars?

Webinars, a bit higher tech and typically lower cost than the traditional conference call, is an excellent way to communicate with advisors in a timely way. Either allows you to share your strategy, thoughts on the market, and answer advisor questions. We can give funds broader visibility to hopefully get more advisors to attend by listing upcoming events on our Advisor Services Website. You can contact your Relationship Manager for help promoting them.

Can you help funds get face time with your advisors?

Some small funds can benefit by developing relationships with our Advisor Services sales team in their region. They can help firms understand the RIA landscape, and there can be mutual benefits to understanding what is happening in local markets. Schwab's Regional Teams are in 13 locations with 7-10 people in each office. They understand local markets and are responsible to manage relationships with the local advisors and their end clients. They set up regional events. Some are educational. Others are client appreciation like a baseball game where sponsorships may be available.

Additionally, if you choose to be a part of the OneSource program, you'll benefit by the additional programs and educational events Schwab sponsors for its clients, advisors and own financial consultants. For example, we offer annual Alliance Marketing programs from which fund managers can pick and choose what's most appropriate for their firm. They are organized along different client sets, such as RIA, retirement business, investor services and general purpose activities. Included in that are conferences, such as **Schwab IMPACT** for advisors where OneSource firms can exhibit and potentially present. It's both an opportunity to better understand advisor needs and to showcase the manager's expertise. Other events include our **Explore** and regional **Connect** meetings as well as ad hoc opportunities to network.

What's new on the horizon?

We're very close to launching a new, Web-hosted service. Fund managers can send white papers and other intellectual capital. No sales materials, please! This facility will give fund managers a great way to provide information to both individuals and advisors and will be up and running in the first half of 2010. This will complement our top-notch ***On Investing*** magazine which publishes the Select List, offers editorials and advertising space and is sent to more than three million Schwab clients.

So what's the bottom line for a smaller, undiscovered fund to gain market share on Schwab?

I'd recommend being a part of the OneSource platform. You'll have the most opportunities and potential for growth. Then,

- Get to know your Relationship Manager
- As possible, participate in regional and national conferences - look for exhibit and speaking opportunities
- Promote conference calls and Webinars to advisors on the Schwab system
- Monitor your sales data and communicate with advisors
- Leverage your public relations and media opportunities

And if you have more questions, contact: Doug Hanson, VP Investment Management Services, doug.hanson@schwab.com

Learn more about how SunStar can craft marketing strategies specifically tailored to your company or your funds, implementing all of the latest cutting-edge trends in interactive and multimedia marketing, including video.

SunStar can help you grow in this competitive environment. Call us at 703.894.1046 or visit www.isunstar.com

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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