

Great Thought Leadership

What Successful Asset Managers Do Differently

May 2017

IN THIS ARTICLE

Asset managers are increasingly inundating allocators with thought leadership in hopes of growing their business. Allocators tell us most of these ‘insights’ are not helpful. To determine the key elements of truly great thought leadership we conducted research among over 100 institutional investors and consultants, as well as over 50 asset managers.

Great thought leadership helps asset managers raise capital more quickly and retain it longer. Over three quarters of consultants and almost 70% of plan sponsors say great thought leadership has a big impact in their decision to hire and retain an asset manager.

Most managers don’t understand that Allocators want relevant market insights from their managers, particularly related to the manager’s area of expertise. Most managers instead think details around their portfolio positions — data, not analysis — is what makes thought leadership great.

Although there is no silver bullet for creating thought leadership, **allocators prize a unique perspective shared in a clear and concise manner.**

Great Manager Thought Leadership Drives AUM

Impact of Great Thought Leadership on Decision to Hire the Asset Manager



“Thought leadership is very important, especially when you get to the final cut in the boardroom. If you come in and look like the other guy, you’ve got nothing.”

– Government Plan Sponsor

Great Thought Leadership According to Allocators

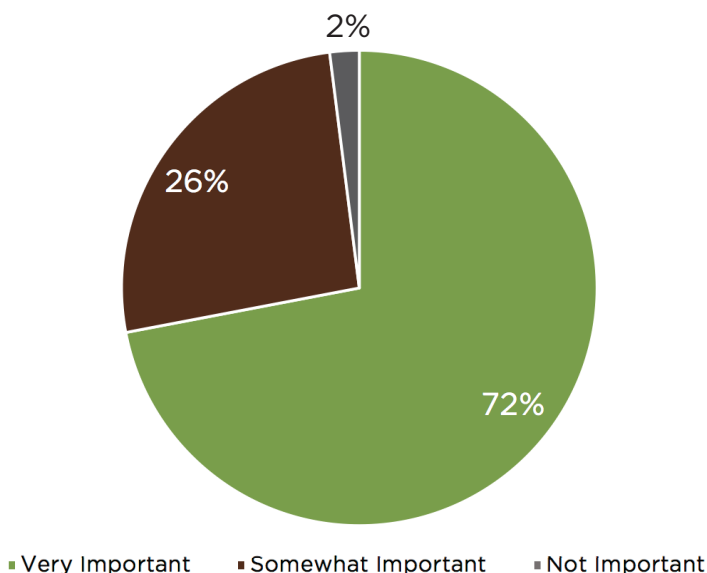
We recently asked over 100 institutional investors and consultants as well as over 50 asset managers for their insights on asset manager thought leadership. While allocators and managers agree that thought leadership is a necessary and valuable offering for a successful asset management business, most managers don't understand — and therefore are not delivering — what their target market values most.

Managers and Allocators Agree: Great Thought Leadership Drives Capital Flows

The numbers speak for themselves: nearly three quarters of asset managers surveyed view a steady stream of thought leadership as a critical element in building their business. This is almost identical to the 70% of allocators who told us that great thought leadership is an important factor in their decision to hire an asset manager. As one Government CIO put it, “we're looking for a compelling investment process and that involves thought leadership.”

While once considered a ‘nice-to-have,’ thought leadership has become an increasingly significant component of an asset manager's value proposition.

Importance of Generating Thought Leadership in Building the Business
(Total Asset Managers)



Thought Leadership is a Differentiator from the “Sea of Sameness”

Great thought leadership instantly differentiates a manager from all of its competitors. As a government plan sponsor explains, “Thought leadership is very important, especially when you get to the final cut in the boardroom. If you come in and look like the other guy, you've got nothing.”

Consultants want to be educated

Consultants are often responsible for tracking literally hundreds of different managers across a wide range of asset classes. Thus, consultants find timely and relevant thought leadership pieces from asset managers to be extremely valuable. Consultants place particular value on thought leadership that they can pass along to their clients. As one regional consultant said, “A valued thought leader is someone who puts out information on a regular basis that's useful for us in our processes and that we can use with clients.”

Allocators Want *Relevant* Market Insight

Plan sponsors and consultants rank relevant capital market insights as the most important element of great thought leadership, cited as most important by 60% of respondents. The key here is the word ‘relevant,’ as institutional investors will value any insight where the manager is deemed to have expertise. As one consultant said, “if the thought leadership relates to their specific strategies, it's very important.”

Unfortunately, only half as many asset managers (only 30%) rate market insight as important. This presents a big opportunity for asset managers to stand out and add value by incorporating this type of insight into their thought leadership.

Plan Sponsors Want Macro Insight, Consultants Do Not

Although 41% of total allocator respondents say they value timely analysis of breaking macro news, only 20% of consultants find any value in this content, ranking dead last for them. Conversely, 50% of plan sponsors appreciate macro news analysis from their managers. We recommend managers who are creating breaking news analysis focus it on plan sponsors and not deluge consultants with it.

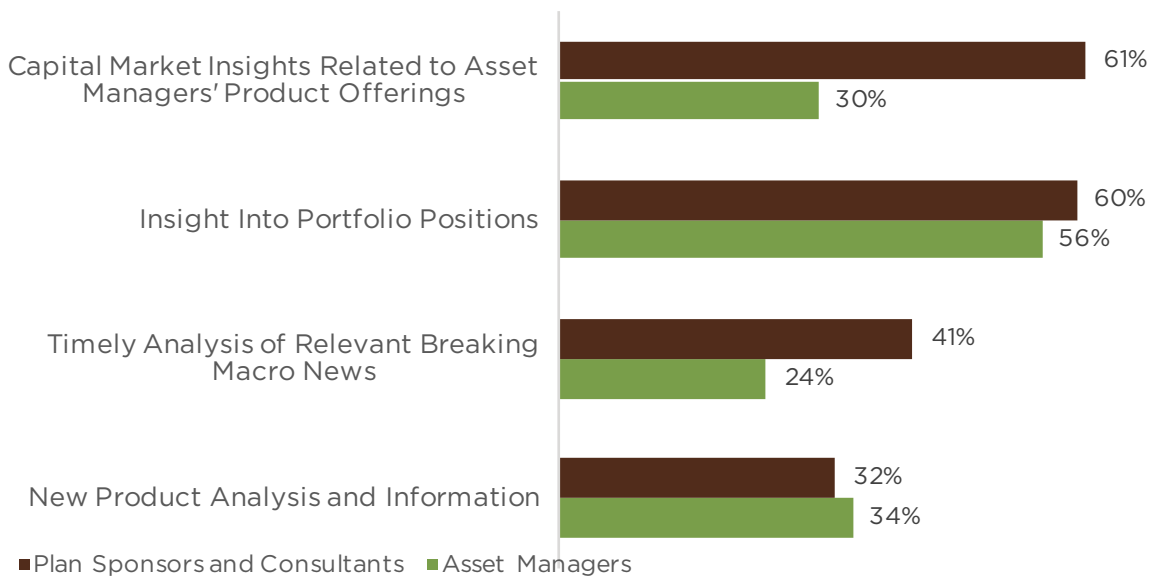
“Thought Leadership that helps us understand is of paramount importance.”
- Investment Consultant

Great Thought Leadership is Unique, Even If it is Wrong

Allocators and managers agree that the ability to demonstrate independent thought – ideally in a context that is related to the manager’s expertise - is the most important factor in positioning a manager as a great thought leader.

It is worth noting that no investors, consultants or managers told us the asset manager’s ideas need to be proven correct. Rather allocators value material that is thought-provoking. As one manager told us, “what makes a great thought leader is one that thinks for themselves and questions their own assumptions.” We have found that the worry about potentially making a wrong call leads many asset managers to avoid ‘leading with their chin’ when going public with an insight. This instinct, although understandable, is incorrect. As one corporate plan sponsor told us, “What we’re looking for are innovative ideas that are not the same old tried-and-true.” As a boutique, long-only asset manager told us, a great thought leader provides “a differentiated, forward-looking point of view, not a recap.”

How Valuable Are Different Types of Asset Manager Thought Leadership



The Best Thought Leadership Pieces Are Concise and Unique

We asked investors and consultants to think of the best written pieces of asset manager thought leadership that they have seen and to describe the characteristics in particular that made those pieces stand out. The top two responses from allocators surveyed define great thought leadership as: 1) clear and concise and easy to understand, and 2) offering a unique perspective.

“A great thought leader provides a differentiated, forward-looking point of view, not a recap.”

– *Boutique Long-Only Asset Manager*

Top Three Factors of a Great Thought Leadership Piece

Plan Sponsors and Consultants

1	Clear and concise	34%
2	Unique Insight	31%
3	Timely	21%

Asset Managers

1	Content useful to plan sponsors and consultants	19%
2	Timely	19%
3	Unique Insight	14%

Keep it Simple ...

Great thought leadership must have a clear message that is easy to understand. It is very important that any investor communication be clear and concise, in a format easily explainable to a financial layman – often the case on the boards of public plans, endowments and foundations. A large, multi-product long-only asset manager put it this way: “It’s critically important to be able to articulate your views clearly and logically. That’s also what people respond to – they don’t respond to overly complex discussions.”

... and Concise

A short piece can be more difficult to create than a longer article or paper, but brevity will increase the chance that investors and consultants read it. As a corporate plan CIO explains, “We want thought leadership that is short, sweet and to the point.” If it’s over two pages, you’re going to have a hard time getting me to read it.”

Conclusion: Action Steps to Become a Great Thought Leader

Great thought leadership is hard to create, but anything that 70% of allocators say is likely to make them hire you is well worth your effort. When you think you have it finished, share it with a lay person at your company to be sure its digestible.

Recommended Action Steps For Asset Managers Best Practices in Thought Leadership

Invest in great thought leadership.

The research suggests to invest in what you are putting out there to your target audience. Be sure you understand what your audience values in terms of thought leadership. If you don't, you may be wasting your efforts.

Create thought leadership that is relevant to your area of expertise.

Don't inundate investors by publishing for the sake of publishing. Create thought leadership that is insightful, and offers a glimpse into your thinking. As a boutique, long-only manager put it, "A great thought leader provides insights that speak to the crux of current issues within a manager's sphere of influence."

Keep it clear and concise

Thought leadership that is clear, crisp and concise, are critical elements of effective thought leadership. We suggest keeping it brief, yet informative and to the point. When you think you have it finished, share it with a lay person at your company to be sure its digestible.

Make it unique.

More than half of peers and investors agree uniqueness is a very important factor in making thought leadership great. According to a large multi-strat manager, "A great thought leader is a manager who thinks for themselves, finds new insights and questions their own assumptions."

Shield consultants from breaking news analysis you publish.

Only 20% of consultants find analysis of breaking news useful. They are overwhelmed with incoming material from managers, and news-related material will simply dilute your message with them.

“Great thought leadership boils things down to concepts that can be fairly easily understood and applied.”

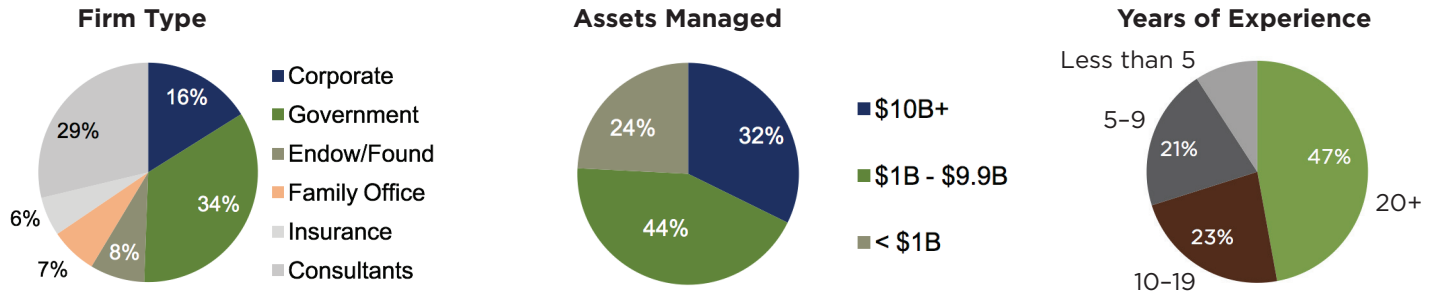
– Family Office

Methodology

The data referenced in this article is based on a research study conducted by Chestnut Advisory Group. We conducted phone interviews with institutional investors, consultants, and we also conducted online surveys with 50 sales and marketing professionals at asset managers from all market segments.

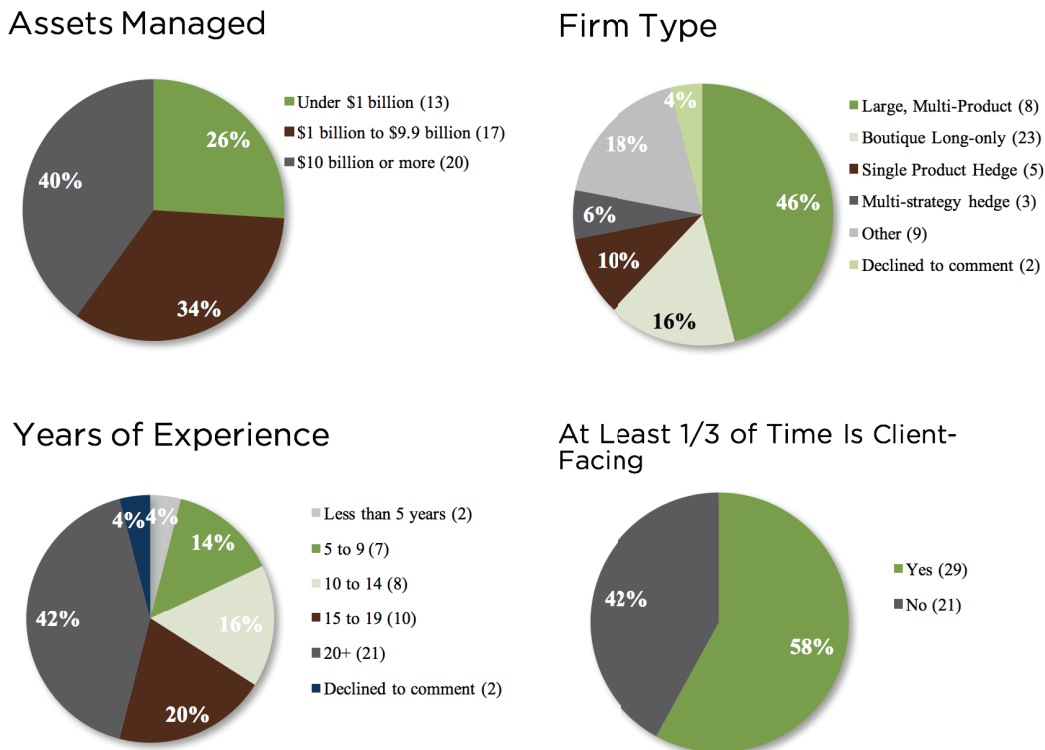
Allocator Respondent Data

Total respondents — 87



Asset Manager Respondent Data

Total respondents — 50



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