

9 Tips to Mastering Investment Management Clientese

“Clientese” is an English language dialect spoken in the Institutional Investment Management business. It is the language favored by Institutional Clients, including Pension Funds, Endowment and Foundations, as well as by Consultants, Financial Advisors, Research Analysts and RFP Writers.



In order to win and maintain business in the financial services industry, Clients must know who you are, understand your investment process and trust you.

Investment Managers who speak fluent Clientese will have an advantage over non-native speakers in conveying the nuances of the investment process, and most important, in developing trust.

Speaking Clientese is a powerful way for Managers and Clients to understand each other, however its distinguishing characteristics must be mastered.

“Now, you are in show business.”

I design presentation books that distinguish a firm’s competitive advantage, and coach the Portfolio Managers on presentation skills. When I first start work with a new Investment Manager, I tell them: “Now, you are in show business”.

Unlike in most other languages, the demeanor of the speaker (including posture, facial expression and tone of voice) is important and can completely change the context of the spoken words.

It has happened to all of us: a Client asks a question that makes you cringe. Perhaps it is embarrassing. Perhaps it pertains to something that occurred many years ago. You wish you could “unhear” it.

It takes practice to get this part right, but it is worthwhile.

First, be 100% truthful. Second, describe what happened in two concise

sentences. Third, apply the **Body Language Guide**, below.

Body Language Guide

Posture:

- Sit or stand up straight
- Hands at your side or in front of you on the conference table
- Gesture as appropriate, e.g., to show a big move

Facial expression:

- Smile

Voice:

- Drop your voice at the end of a sentence and remain silent for a few seconds when you finish a thought
- Resist the temptation to fill in the silence

Rehearse until you get it right, and until it sounds natural.

Do not skip any steps outlined above.

When Clientese is used properly, the Investment Manager can convert a weakness into a neutral and possibly, a strength.

Clientese in Action

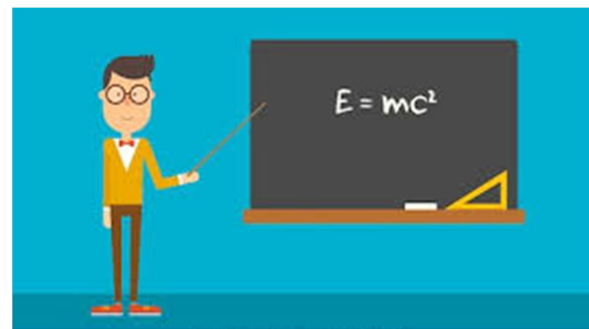
To illustrate the advantages of mastering Clientese, we can explore a meeting with a Client or prospective Client (“Client”). The meeting is typically be set for 30-45 minutes and takes place in the Client’s office.

The information the Manager wants to convey to the Client may be centered on a handout such as a Powerpoint presentation or Fact Sheet, but this does not matter; the dialogue, including the aforementioned demeanor, will supersede the value of any written material in the determination of a successful meeting.

9 Tips

In the spoken form of Clientese, there are three overarching rules:

1. Answer questions directly and precisely, then explain if necessary



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When responding to a question, always begin with a short one-word or one-sentence response that answers the question. Add detail only if necessary.

For example, Q: At what level of assets will you close the strategy?

A: \$10 billion. We use liquid stocks, so we believe we can comfortably manage \$10 billion with no market impact and with the current staff.

2. Emphasize strengths and minimize weaknesses



Q: Your RFI response says you manage money for 937 Clients, with a staff of 10. Is that a typo?

A: No, it's not. Those Clients come to us through long-term relationships with about 20 Financial Advisors, and we leverage the strategy by managing to a model. In reality, we have 20 solid Client relationships and focus on managing the

money instead of on servicing the Clients.

3. Offer examples to explain a complex concept



Q: How do you manage \$1.5 billion in a fundamental strategy with no research analysts?

A: Our philosophy is tied to behavioral finance. We believe that there is enough information publicly available that is actionable and can be profitable if one acts within a specific window of opportunity.

For example, the stock price of XYZ took a huge hit on April 10—it was trading at \$10 and dropped 15%, to \$8.50 after management's largely-unexpected weaker earnings announcement. Management explained that the earnings loss was tied to the opening of five new distribution centers, in other words—it was an investment in future growth.

Our work shows that waiting 10 to 15 trading days after a negative earnings surprise usually gives us a good entry point to buy more of the stock, assuming

we still have confidence in the company going forward, which we did. We bought more shares 10 trading days out on April 24 at an average price of 8.

Since then the stock has recovered nicely, and is today trading at \$11. As you can see from this chart (chart not shown here), buying earlier or later than our preferred window would have resulted in a much smaller profit.

Clientese's written form is a bit more formal. It demands a particular format designed to provide an unambiguous written 'conversation'.



The keys to a successful written interaction, for example a Request for Proposal (RFP) response, are:

4. Answer the exact question asked



Q: What external research service do you think is best?

A1: "We like Smith Research, Jones Research, John Doe, Mary Rogers & Co; they are all good...." is not a good response.

A2: "We think Mary Rogers & Co is the best. The firm consistently gives us timely technical calls, which is important to our strategy's success. They often see things other firms miss." is a good answer—it answers the exact question asked.

5. Answer in context



This next question is in the section on “The Firm”.

Q: Does the firm have or have plans to offer the strategy in a mutual fund format? Describe how this mutual fund fits into your firm’s broader long-term goals?

A1: We have a mutual fund, the ABC Core Fund. The Core strategy is the firm’s flagship product.

However, a much better answer that works harder for you is:

A2: Our new ABC Core Fund allows us to offer our flagship strategy to a wider audience, including smaller institutional investors through its institutional share class and private investors, through its investor share class.

6. Repeat key words



Q: What would you say are the team’s strengths and what are the areas which the team is striving to improve upon?

A: Our Global portfolio management team’s greatest strength is that they have invested their own money alongside our Client’s assets, since the formation of the firm, over several market cycles. This ensures a strong alignment of interests between our Portfolio Managers and our Clients.

We conduct an annual ‘360 Degree Review’ of every purchase and sale in an effort to improve our processes. As a result of one review we learned that we could improve our trading strategy by using fewer brokers, which we have now implemented. Last year, we added 15 bps to the return of our Global Growth strategy by using the new trading guidelines.

7. Details matter: Be precise and be complete



Clientese is precise and complete. This may mean you have to tailor an exhibit. If biographies of key professionals are requested as an attachment, create an exhibit of the bios of key professionals. Do not provide a standard exhibit that includes the bios of all 35 employees.

If a question asks about account turnover with reasons for losses, list each account (broad category is fine, e.g., Endowment) along with the reason for the loss.

8. Check your facts; especially the numbers



Few things are worse than citing two different totals for the same question asked in two different ways.

For example, here is the previous question and abbreviated response:

Q: Your RFI response says you manage money for 937 Clients, with a staff of 10. Is that a typo?

A: No, it's not. Those Clients come to us through long-term relationships with about 20 Financial Advisors....

Later, the same questionnaire may ask about the number of Clients assigned to each Portfolio Manager.

In this case, divide the 20 FA relationships by the 4 Portfolio Managers, and answer correctly: Five, not 234. Know the numbers, and know how they are calculated.

Accuracy and integrity are the two greatest strengths an Investment Manager can project.

Another example...Q: What year did you begin managing assets for this strategy? You answered 2005, but it says on page one the firm was formed in 2010. That needs an explanation.

A: 2005. The International Team worked together at Big Bank where we managed the international strategy from 2005. In 2010, we formed Independent

RIA through a lift-out of the entire team, and we were able to port the track record, since 95% of our Clients followed us. Same team, same investment process since 2005.

Wouldn't you like to have an "unfair advantage"?

And finally:

9. Check them again

Accuracy and integrity are the two greatest strengths an Investment Manager can project.

In a market where millions of dollars in fees can be tied to a single transaction, fluency in **Clientese** confers what I refer to (in jest) as an "unfair advantage", every time.

Wouldn't you like to have an "unfair advantage"?

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