Marketing

Selling multi-asset products

Sasha Jensen, CEO of Context Jensen Partners, explores the challenges for firms offering products that blur the lines between different strategies and asset classes

Multi-asset is the new buzzword in investment management these days. Many alternative investments firms are launching new products that blur the lines between different strategies and asset classes, with hedge funds increasingly exploring private markets and vice versa.

The trend has become so pronounced that my firm decided to introduce a new category dedicated solely to multi-asset managers in our quarterly newsletter. With 31 marketing moves tracked in the first quarter of 2017, multi-asset managers already represent the third-most active sector for fundraising hires behind only hedge funds and private equity firms.

The rise of multi-asset managers can be linked back to institutional investors hungry for customised products that can withstand different market environments. Faced with an endless array of investment options, asset owners such as pension funds, endowments and insurance companies wanted a way get exposure to multiple asset classes without the hassle of having to invest with multiple managers and constantly shifting their allocations. Today, many institutional investors look to multi-asset strategies that can provide broad exposure to the market and a tactical asset allocation program.

That's a tall ask for any strategy, and that's part of why marketing multi-asset strategies can be so difficult. Below we outline a few of the common questions marketers might face from investors and provide tips on how to best address potential challenges.

Sasha Jensen,
CEO of Context Jensen Partners

What's the investment strategy?

At most firms, this should be an easy question to answer. After all, the 30-second elevator pitch for a strategy has likely been drilled into a marketer's brain since their first day on the job. But explaining a multi-asset strategy is trickier because it's several strategies rolled into one. A firm's approach to equity investing might be completely different from its approach to fixed income investing, even though both individual strategies are part of the same fund.

Ultimately, there should be some unifying theme that brings the strategies together into one cohesive investment product. For example, a strategy that provides steady returns with downside protection in extreme markets. Or, a strategy that is uniquely positioned to generate returns in an inflationary environment. Whatever that theme is, marketers need to show investors that there's a coherent approach that is consistent across asset classes.

What's the benchmark?

Allocators like to invest in what they know and understand. That's why benchmarks play such a significant role in allocation – and redemption – decisions. An investor wants to know that they are getting their money's worth, and a benchmark provides an easy way to measure and evaluate manager performance.

Of course, multi-asset strategies rarely fit into such a neat box. While some strategies may mirror common indices such as the S&P 500 or the FTSE 100, there's likely no exact comparison. That's why marketers should emphasise a strategy's objectives rather than its performance. If a multi-asset strategy is delivering on its promise of, for example, single-digit returns with minimal volatility, then investors should be pleased. Marketers should be careful about promising anything that they won't be able to prove.

How does this fit into my portfolio?

Since multi-asset strategies essentially function as mini-portfolios, it's important that marketers understand how a strategy complements an allocator's existing investments. There's no one-size-fits-all approach when it comes to building an investor portfolio and, although multi-asset strategies can help an investor condense or simplify their other holdings, there's no easy answer on what is the best fit.

Marketers should sit down with their counterparts and try to understand what each investor is trying to achieve and whether a multi-asset strategy makes sense for them. In many cases, an investor may have to redeem chunks of their portfolio to make room for an allocation to a multi-asset strategy. For instance, if a product is heavily skewed towards equities, then an investor may need to first cut down the existing equity portion of their portfolio.

The discussion around fit should also evolve over time, as investors look to adapt to changing market conditions. Multi-asset managers should be aware that needs change, which means they need to constantly communicate with investors to set and maintain realistic expectations. ▪