What Works in Hedge Fund Marketing and Investor Relations

who, together with a team, raised $2 billion in five years from professional investors worldwide

Part 1: How to Attract Prospects

1.2 What Are the Target Groups for Your Hedge Funds?

1.2.1 Categories of Investors

In what categories do investors in hedge funds fall? There are several:

- **Personal** – Wealthy friends you know personally and are qualified to invest in hedge funds.
- **High Net Worth Investors** – Qualified individual investors.
- **Private Banks / Wealth Managers** – Private banks are typically located in Europe and advise wealthy clients. A wealth manager may work for a bank or may operate independently.
- **Family Offices** – Single or multi-families with a standalone office for wealth and family management.
- **Fund of Hedge Funds** – Money management firms with a product that invests in a basket of hedge funds, i.e., K2 Advisors, Ermitage Asset Management.
- **Endowments and Foundations** – Educational endowments and foundations, i.e., Yale University, Robert Wood Johnson Foundation.
- **Public Pensions** – Government, state, municipal, and NGO pension plans, i.e., Texas Teachers, World Bank.

- **Private Pensions** – Corporate pensions, i.e., GM Asset Management, Verizon.
- **Consultants/Gatekeepers** – Typically provide due diligence and approval services; a few also recommend hedge funds to clients, i.e., Cambridge Associates, Consulting Services Group.
- **Banks / Asset Management Companies** – Investment banks and asset management companies, i.e., Deutsche Bank, JPMorgan.
- **Corporations** – Private corporations.
- **Unions** – Policy, fire, and other union pension funds, i.e., Dallas Police and Fire, Seattle Public Employees Pension Fund.
- **Insurance** – Insurance companies, i.e., AIG, Endurance.

Isn't that list impressive? Finding the target groups is easy using directories for pension funds, fund of funds, banks, etc. The harder part is identifying the right person within these organizations and building a trusting relationship with them. This book will help you with this job.

1.2.2 Suitable Target Groups

The number one marketing task for a growing hedge fund business is creating a steady stream of prospects that you, step-by-step, convert into investors. Each stage of your fund's development has a different potential target investor group.

- For a start-up fund, you may look for seed capital from venture capitalists or seed providers (discussed in detail below). At the same time, you may look for smaller, aggressive investors often found in family offices of wealthy entrepreneurs in Geneva, New York, London, and around the globe.
- The next target group is funds of hedge funds that specialize in emerging fund managers. They often operate on the theory that talented managers in their first years will perform better than they will as the fund grows its assets under management. In the later stages, they are not just managing money, they are also managing a larger, multifaceted team.
- Large institutions (funds of hedge funds, banks, endowments or foundations, pensions) generally consider making an investment once your fund has $100 million to $500 million AUM and a three- to five-year track record.
  Given the size of the allocations that these institutions make, it makes sense for them to invest only if they are able to make a sizable allocation. Moreover, such institutions typically do not want to have a position in your fund that is more than 10% of your assets under management (AUM).

We advise you to focus on the investor groups that make the most sense for the current stage of development of your fund. At the same time, you should treat all prospects alike, nurturing the seeds for future, larger investments. Small prospects may grow and connect with larger investors at any time, now or in the future.

At the same time, avoid spending too much time with those who may be more inclined to engage in „discussions“ with you for hours, days, or months and never invest. One way to handle such people is to ask them what they need to make a final decision and deliver their request according to an agreed-upon agenda.

Ullrich Angersbach

Ullrich Angersbach

About the Author

Ullrich Angersbach

Mr. Angersbach, a consultant on hedge funds, was the head of marketing support and investor relations for a start up hedge fund management company. During his tenure of five years, assets under management (AUM) grew from a seed capital of approximately $8 million to about $2 billion. In 1979, Mr. Angersbach received a master degree in business administration from Ludwig Maximilians University, Munich, Germany (Diplom-Kaufmann). Thereafter, he was a lecturer in accounting and finance and worked for an auditor. In 1982, Mr. Angersbach became vice president of a real estate investment company. Two years later, he joined Germany's then largest independent wealth management company. After four years, he became vice president of their branch office in Atlanta, Georgia. Since 1992, Mr. Angersbach has worked for two banks (CL and DZ) in Frankfurt, Germany. From 1995 till 2001, Mr. Angersbach was the CEO of a family office in Zurich, Switzerland, investing in private and public equity. In 2002, he joined the aforementioned hedge fund management company.