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First Annual AIMSE/P&I Hedge Fund Marketing Conference Straight from the Buyer's Point of View

AIMSE and Pensions & Investments announce their partnership in a new annual Hedge Fund Marketing Conference exclusively for sales and marketing professionals to be held March 1-2, 2006 at the Grand Hyatt in New York.

Designed by hedge fund marketing professionals and AIMSE board members **Andrea Bollyky**, *Aetos Capital*, **Colleen Casey**, *Angelo Gordon*, **Rachel Minard**, *Corbin Capital* and **Doreen Mochrie**, *Cyrus Capital* in partnership with P&I, this conference is the first of its kind to exclusively focus on the challenges of selling in the alternatives space. AIMSE and P&I are advised by a board of leading hedge fund investors including:

Rob Arnott, Chairman, *Research Affiliates* & Editor, *Financial Analysts Journal*

Glenn Dubin, CIO, *Corbin Capital Partners*

Joel Katzman, CIO, *JPMorgan Alternative Investment Management (retired)*

Alex Klikoff, Founder/CIO, *Fintan Partners*

Bruce MaGuire, Esq., President, Connecticut Hedge Fund Association

Phil Maisano, CEO, *Evaluation Associates Inc.*

Daniel Stern, Managing Director, *Cliffwater*

AIMSE *Advisor* Editor **Jane Abitanta** talked with Bollyky, Casey, Minard, and Mochrie to get an insider's view of the environment for hedge fund marketers and the need for a conference devoted to the challenges of selling hedge funds.

AA: What was the impetus for this conference?

RM: There are over 8000 hedge funds and funds of funds globally. Selling in this space is very different from more traditional asset management sales. We believe it is important to focus exclusively on what it takes to be successful and AIMSE/P&I have created the appropriate forum.

We all know that the interest is really in hearing the consultant and the buyer and learning about their attitudes on hedge funds, both historically and looking forward. The business is so competitive and there is so much empty space, how do we effectively learn from each other and from peers? How do we create best practices and then share them?

CC: The key component is that the agenda is from the buyers' points of view. And, as we do at all AIMSE events, the attendees are all our peers. The difference here is that participants will be able to network with experienced salespeople in the space—that is a huge asset in the hedge fund world as so much is done through networks. In order to be successful selling hedge funds, you must really know the community.

AA: Did the environment for hedge funds have anything to do with wanting to do the conference? Or the pressures in the pension arena?

AB: There are some very interesting develop-

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Annual Conference Preview

AIMSE Members “Get a Plan” in Orlando

AIMSE members will join forces for success at the **AIMSE Annual Conference at Champions Gate in Orlando, Florida April 23-26, 2006.** With the theme **“Commitment to Success; What’s Your Plan?”** conference participants will hear from plan sponsors and consultants on best practices in sales and marketing of investment management services.

Attendees are in for a very special evening at the outset of the conference when **Ed Bernbaum**, addresses the group. Author of the award-winning *Sacred Mountains of the World*, the basis for a photographic exhibit at the Smithsonian Institution, he designed and co-leads leadership seminar treks in the Himalayas and the US for the Executive MBA and Executive Education Programs of the Wharton School.

Bernbaum holds a B.A. in Mathematics from Harvard College and a Ph.D. in Asian Studies from the University of California at Berkeley, where he is a Research Associate. In a dramatic presentation illustrated with spectacular photography, Bernbaum explores the many different ways mountains around the world can inspire us to reach the heights of leadership and teamwork.

Jeremy J. Siegel, *Russell E. Palmer Professor of Finance, The Wharton School, University of Pennsylvania*, a world-renowned expert on the economy and financial markets, will also address our attendees. Professor Siegel is a Senior Investment Strategy Advisor at WisdomTree Investments, serving on a consulting basis, advising the company on investment strategy regarding its proprietary stock indexes. He also serves as a member of WisdomTree’s Board of Directors.

Siegel is the author of the award-winning investment classic *Stocks for the Long Run*, now in its third edition. He recently expanded that book’s ideas in *The Future for Investors: Why the Tried and the True Triumph Over the Bold and the New*. A frequent guest on CNN, CNBC, NPR, and other networks, he is a regular columnist for Kiplinger’s and Yahoo! Finance and the winner of dozens of awards for his research, writing, and teaching. Professor Siegel served for 15 years as head of economics training at JP Morgan and is currently the academic director of the U.S. Securities Industry Institute.

As always the conference highlight will be the **Plan Sponsor and Consultant Roundtables** where key

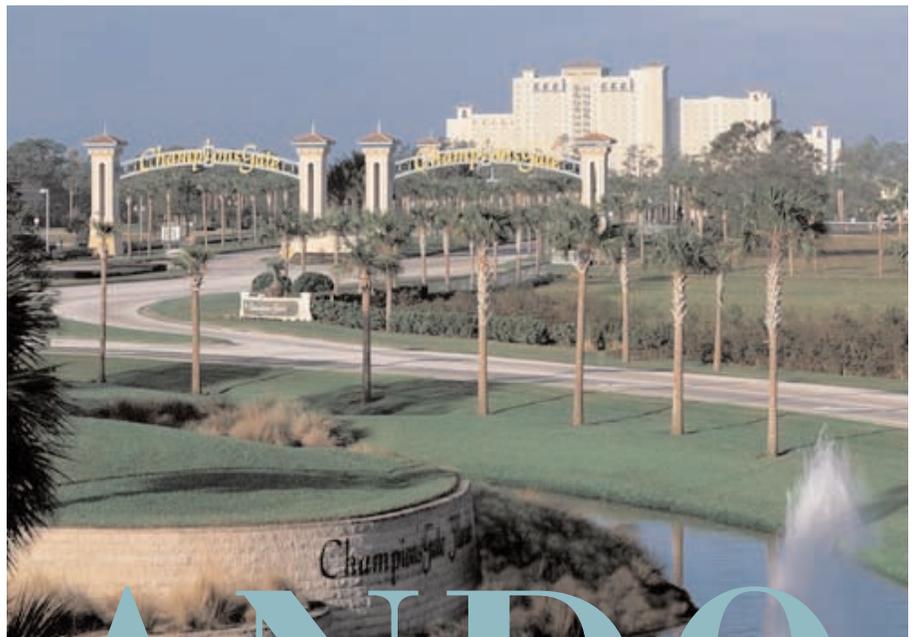
industry decision makers rotate among 10 tables of 12 conference participants to share their perspectives in a very intimate setting. The Roundtables always are standing room only and are a great way to learn the organization structure, key personnel and most effective ways to approach these consultants and qualified prospects.

A general session will feature **Fernand Schoppig** of *FS Associates, Inc.* who will present the results of a recently completed survey of 70 asset managers from the US and Europe on the issue of **“Cross Border Distribution of Asset Management Services.”** A panel of marketing heads from both large and mid-size firms will discuss their success in broadening their client base beyond North America.

Finally, attendees will be able to choose among workshops on **Best Practices for Boutiques** and **Best Practices for Multi-Asset Firms** as well as workshops for new comers offering practical advice from industry veterans.

REGISTRATION MATERIALS WILL BE SENT SOON!

Watch the mail for your registration packet. It’s also simple to register online or by fax at 202-371-8977. For more details, check out the AIMSE Web site at www.aimse.com. Send registration forms with payment to: AIMSE, 1320 19th Street, NW, Suite 300, Washington, DC 20036.



ORLANDO

Entertaining in Orlando

Orlando, Florida is well-known to AIMSE members not only for the Annual Conference, but members travel there frequently for business and for pleasure. The AIMSE *Advisor* would like to offer up a few entertainment suggestions from a local perspective but this local will tell you that there will be no need to stray far from the Omni Orlando Resort at Champions Gate.

- Two Distinctive Greg Norman Designed Golf Courses
- David Leadbetter Golf Academy World Headquarters
- The Champions 9, a lighted par – 3 course
- 24 hour access health club
- 10,000 sq/ft European Spa
- 850 foot lazy river
- Camp Omni for kids age 3-14
www.omnikidsrule.com
- You can find much more at
www.omnihotels.com/FindAHotel/OrlandoChampionsGate.aspx

Orlando offers a number of great golf courses including those at **Grand Cypress**, **Disney** and **Bay Hill**. A few noteworthy suggestions near the hotel include:

Orange County National (www.ocngolf.com) was the final stage of the 2003 PGA Tour Qualifying School. *Golf Digest* ranks **Panther Lake** Top 50 for course condition and pace of play. Panther Lake is not a meek course (7,295 championship yards).

Crooked Cat is the other 18-hole course at OCN and is a challenge as well.

Southern Dunes Golf & Country Club

(www.southerndunes.com) is a lengthy course with rolling hills and undulating greens.

Golfweek rated it 51st among “America’s 100 Best Modern Golf Courses”.

Downtown Disney is seven miles away and the parks are 13 miles to the east of the resort. Local suggestions for dinner:

Wolfgang Puck Café – Downtown Disney,
www.wolfgangpuck.com

Seasons 52 – 7700 Sand Lake Road,
www.seasons52.com

California Grill – top of Contemporary Hotel in Disney, www.californiagrill.wdwanatic.com

Roy’s – Hawaiian fusion – 7760 Sand Lake Road

Timpano’s Italian Chop House – 7488 Sand Lake Road

For those of you looking for nightlife, try **Universal City Walk** and **Downtown Disney**. If you aren’t playing golf, try the new **Mall of Millennia** (www.mallatmillenia.com).

Entertaining or being entertained in Orlando is not a difficult task. We look forward to seeing you this spring.

The AIMSE Advisor is grateful to Kurt Wood for this summary. Wood is a nineteen-year Orlando resident, AIMSE Vice President and Chairman of AIMSE’s Communication Committee.

Can DB-Oriented Boutiques Survive?

By Susan B. Weiner, CFA

The traditional defined benefit pension safety net has developed big holes. There's evidence everywhere:

- *The New York Times Magazine* posed the question, "The end of pensions?" in an Oct. 30, 2005 article by Roger Lowenstein
- Firms such as Verizon, Hewlett-Packard, I.B.M., and Motorola have frozen or otherwise scaled back their defined benefit (DB) plans
- The Pension Benefit Guaranty Corp. announced in Nov. 2005 a shortfall of almost \$23 billion
- The U.S. Senate passed a bill requiring companies to contribute more to their DB plans
- Defined contribution plans, which shift investment risk to employees, are chosen by most firms starting retirement plans

"Firms that have focused on DB plans need to diversify, or they won't grow as much as they'd like"

These gloomy news items prompted the *Advisor* to ask, what's the outlook for boutique investment management firms that have focused on managing assets for DB plans? We turned first to industry veteran **John Casey** for his insights.

DB business will persist

"Defined benefit is what you refer to as a 'market share business,'" says Casey, chairman of *Casey, Quirk & Associates*, a management consultant to investment management firms. Defined benefit assets are flat, or perhaps even declining. As a result, investment managers are competing for pieces of the existing pie rather than grabbing for pieces of brand-new DB plans.

On the other hand, "It'll take a long time for the DB market to go away," says Casey. Even if few new plans start, most existing plans are likely to continue, at least for the near term.

Casey's assessment is supported by a recently published summary of the results of a 2004 survey conducted by Fidelity Management Trust Company. The survey results "underscore a commitment among plan sponsors to continue to offer DB plans to both new and existing employees," said Fidelity. They also show that the number of underfunded DB plans dropped from 69% in 2002 to 50% in 2004.

Nonetheless, the long-term trends aren't encouraging. "There's the desire of corporations to reduce overall earnings volatility and liabilities," says AIMSE Board Member **Tom Barron**, director of marketing & client relations at *Harris Associates*. "Even public funds are trying to limit their liabilities and the volatility of funding requirements," he adds.

Who will thrive?

Casey figures that skillful investment managers have nothing to worry about, even if they're focused on DB business. "If you're good, clients or consultants will find you," he says.

Sam Ballam, partner with *Cooke & Bieler* of Philadelphia says, "As long as we have competitive performance, we have not seen any shrinkage in the DB pension business." Indeed, as the firm has grown from \$2 billion to \$7.5 billion over the past four years, it has experienced "many client wins in both the pension and endowment/foundation area."

Nor is size an obstacle. Casey doesn't believe that being big or having resources guarantees that a firm will manage money well. Indeed, he believes that roughly half of the world's top money managers, as ranked by assets, won't exist in the same form five years from now.

What will distinguish boutique money managers who'll thrive in the current environment for DB plans? "Money will flow to quality firms," says Casey. That's quality of investment management and of client service. During the bull market of the 1980s and 1990s, quality didn't matter much. "It was all about performance."

Still, performance does count for DB plans struggling to meet funding requirements in an era which expects single-digit stock market returns. "A typical plan . . . would need 11% asset growth per year (with no change in the discount rate) to bring funded ratio back to 100% over the next 10 years," according to *Review and Outlook 2005: U.S. Corporate Pension Financial Performance*, a report from JPMorgan Asset Management. The typical DB plan isn't achieving anywhere near that. "We estimate that an average asset allocation . . . would have so far in 2005 generated a return of approximately 4.0% (non-annualized)," says the

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MESSAGE

FROM THE PRESIDENT

Dear AIMSE Members:

2005 has come and gone with several successful conferences. You can be sure that your Board of Directors is working hard to make 2006 a success on many fronts. We continually work to give you a variety of programs and enhance our educational offerings.

We continue to read about scandals in the financial marketplace and want the markets to know that our members do go about their business endeavors with strong ethics and business practices. To that end, last year the Board adopted a Code of Ethics. We felt that it is important to have stated guidelines for the conduct of AIMSE members. Your Board members are being held to the standards put forth in the Code of Ethics and we ask all of you to adhere to the high standards that our business demands.

Looking forward, I am very pleased to announce that the first co-sponsored Hedge Fund Marketing Conference will be held on March 1-2, 2006. Pensions & Investments and AIMSE have come together to provide you with an excellent opportunity to hear and learn from leaders in the hedge fund arena.

Wharton is another success with many of you taking advantage of the opportunity to attend this bi-annual week long session. We also will be expanding the regional seminar series. The second regional seminar in Chicago was very well received and we expect to have similar sessions in other cities around the country. These seminars will be a combination of timely subject matters and dialogues with consultants and plan sponsors. The Canadian Conference is very strong and I suggest that those of you who may have business in Canada should try to attend. We are very pleased with the reception our AIMSE International programs have received and look forward to the 2006 conferences. You will also see an expanded and updated website in 2006.

As you can see from the plans for 2006, we are always looking for ways to make your membership in AIMSE a more valuable tool in your career development. Don't worry, we will also have an excellent Annual Conference in Orlando in April and our Fall Conference in New York in addition to the new initiatives.

I still believe that in order to get the most out of your membership, you need to become involved in the Association. The Board needs your input and ideas to move AIMSE forward. We are always looking for volunteers for the many committees we have that bring ideas and plans for the future to the Board. Please contact a Board member or committee chair and ask how you can help AIMSE.

I wish you all a healthy and prosperous 2006 and look forward to seeing you all in New York, Orlando and the various regional seminar cities.



Safe travels!

A handwritten signature in blue ink that reads "Guy J. Anderski". The signature is written in a cursive, flowing style.

In the Buyer's Seat



Who is NAGDCA and What Are Its Plan Sponsor Members Saying About Us?

A news article recently – and mistakenly – reported that one industry group recommended that plan sponsors abandon the traditional request for information (RFI) in favor of getting information from other plan sponsors of comparable size. “There is no such policy,” says **Della Williamson**, president of the National Association of Government Defined Contribution Administrators, Inc. (NAGDCA), who also serves as TexaSaver Program Administrator for the Employees Retirement System of Texas.

However, plan sponsors do share information, so the *Advisor* decided to look at NAGDCA members’ approach to information-sharing and to consider whether NAGDCA membership might be worthwhile for our members.

NAGDCA resources

At the organizational level, NAGDCA offers resources including a collection of RFI and RFP documents (blank requests, NOT documents filled out by vendors). According to a list provided by NAGDCA, its online clearinghouse covers topics such as:

- 2005 409a Proposed Regulations
- 2005 Review Performance of Eliminated Funds Versus Replacement Funds
- Loans from a Qualified Employer Plan to Plan Participants on Beneficiaries
- Consultants Guide to Stable Value
- Self-Directed Brokerage Accounts
- Limitations on Benefits and Contributions Under Qualified Plans
- A Guide to Understanding the State of Illinois Deferred Compensation Plan (102 pages)
- Market Timing Policy
- Guide of 457 & 401(k) Plan Provisions
- 2005 409a Proposed Regulations
- Plan Documents

- Brochures and Publications on topics such as Investment Advice, Retirement Plan expenses (uncovered), Asset Allocation, Issues in Retiree Health, Federal Income Tax Withholding/Reporting, Mutual Fund Scandals, Catch-up Contributions, and Hardship Distributions

NAGDCA runs a listserv where members can post questions. A consultant, **Jayson Davidson** of *Arnerich Massena*, says the NAGDCA listserv isn’t as active as those of more local organizations, such as the California Society of Municipal Finance Officers. That group describes its listserv as “Another resource where you can pose a question to the group about RFPs, vendors, city ordinances, or anything else you need a group response for.”

There are also closed-door, plan sponsor-only sessions at NAGDCA’s annual conference. “We talk about what we’re seeing. This year there was a lot of head banging on stable value products. Also, many people are going to age-based lifecycle funds,” says Williamson.

Those closed-door sessions are typically divided by plan size, based on the assumption that plans of similar size face similar issues. On a related note, Williamson suggests that it’s the smallest plans – those who lack funding to hire a consultant – which rely most heavily on informal sharing of information with their peers. Davidson, the consultant, notes that “those smaller retirement plans rely very heavily on their retirement plan providers.”

Discussions of investment management

How much do investment management topics pop up in NAGDCA conversations? They arise mainly at a generic level, rather than as discussion of specific firms, says **Mindy Harris**, deputy chief financial officer,

Multnomah County, Oregon. “Investment topics discussed at the conference include updates on the economy, diversification, retirement income management, fees and revenue sharing, and market timing.” Williamson says, “I don’t see investment management information shared very often.” Also, she adds, it’s rare to see investment management fee information shared. That’s due partly to confidentiality agreements.

Harris says, “In our bundled plan, we require our investment providers to disclose all fees, including those charged for investment management.” The fees charged by The Hartford and ING are posted on the Multnomah County website.

A worthy investment?

Would it be worthwhile for an investment management firm to visit NAGDCA’s annual conference or to become a member?

Yes, says Williamson. It’s a good way for asset managers to win recognition from plan sponsors. Moreover, her association’s members benefit from participation by asset managers, particularly when they’re guest speakers at conferences. Harris agrees that this is mutually beneficial for investment managers and plan sponsors.

Davidson cautions that managers shouldn’t expect to pick up business simply by attending a conference. In fact, it’s probably more important for the managers to get their products into the platforms of a leading third-party administrator (TPA). He identified National Retirement Services, The Hartford, ING, ICMA Retirement, Great-West Retirement and CitiStreet as key players.

However, he says, NAGDCA is a worthy investment if a firm simply wants to learn more about the public sector and get a feel for how managers are selected.

AIMSE Canada

13th Annual Canadian AIMSE Conference Preview



The weather may be cold, but Canada is hot. The markets are opening and AIMSE members will be the first in the know on how to take advantage of new opportunities in this changing environment when AIMSE Canada holds its **13th Annual Conference** at the Toronto Club in Toronto, Ontario on January 25, 2006.

Back by popular demand—Having wowed the audience at the 2004 AIMSE Annual Conference in Tucson, AZ, **Peter Ricchiuti** takes his act north with an opening keynote address. Ricchiuti is the finance professor you wish you had back in college! He teaches finance at *Tulane University's Freeman School of Business* and his insight and humor have been recognized by the school's students who have twice named him the school's top professor. After a successful career on Wall Street, Peter served for five years as the assistant state treasurer and chief investment officer for the State of Louisiana. There he skillfully managed the State's three billion-dollar investment portfolio.

Attendees will also have the opportunity to meet with top plan sponsors and consultants in the ever-

popular "roundtable" sessions. **Jeff Horbal**, *Fidelity Retirement Services* will moderate an intimate and interactive plan sponsor roundtable. **Michael Gillis**, *SEAMARK Asset Management* will moderate the consultant session with **Linda Grendon**, *Frank Russell Company*; **Peter Arnold**, *Buck Consulting*; **David Service**, *Towers Perrin*; **Sadiq Adatia**, *Mercer Consulting* and **Wendy Brodtkin**, *Watson Wyatt*.

Participants will be able to brush up their skills during "The Art of the Sale." **Simon Heath** of the *Humphry Group* will explore a new approach to presentations that moves beyond the classic "information dump." This model underscores the importance of a single message. It shows that all aspects of the talk — its structure, language, visuals, and delivery — should help convey this central idea.

This is a can't miss event!

For more information, please contact AIMSE at 800-343-5659 or 202-296-3560.

AIMSE Regional Education Seminar

Chicago

How do you rise to the challenge of "taking a lighthearted look at the blatant, subtle and surprising violations waiting to trip up the hard working sales professional?" How have consulting firms' business practices and models changed in response to the SEC's review of their industry?

Chicago Regional Education Seminar, hosted by Northern Trust did just that. **Tony Wilkins** and **Jack Boyce** co-chaired two panels that took a look at the impact of regulation on marketers and consultants.

The first panel, "**Marketing Do's and Don'ts**" featured *Northern's* **Fred Devlin** and compliance officers **Phil Hausken** from Northern and *William Blair's* **Terry Hankins**. Phil and Terry "gently interrupted" industry veteran Fred as he presented two mock sales pitches filled with various blatant, subtle and questionable practices... all of which were fairly close to home for many of the attendees. This first session gave AIMSE members a chance to reflect on their own marketing tactics and strategies. Members left the session with a host of ideas for getting their marketing messages across in a more "compliance friendly" way.

The second panel – "**Regulation's Impact on Consulting Practices and Business Models,**" featured a Blue Ribbon panel of consultants who described how industry regulation has affected their businesses. **Matt Beck** of *Callan*, **Tom Mitchell, Sr.** of *Marco*, **Tim Fallon** of *Marquette Associates*, **Brad Blalock** of *Mercer*, **Howard Crane** of *WatsonWyatt* and **Ivory Day** of *Gray & Co.* answered questions from the audience ranging from entertainment policy to the trend toward investment outsourcing... to consultants. This session gave the panelists an opportunity to clarify their firms' vision and mission with AIMSE members and gave members access to six of the top ranked consulting firms in the world in one 75-minute setting.

Participants and panelists were treated to light refreshments at the event and eight inches of a real Chicago blizzard afterward.

The AIMSE Advisor is grateful to Tony Wilkins of Northern Trust Global Advisors for this summary.



2005 Review

AIMSE International has enjoyed an eventful and successful 2005. The first event held this year was the annual conference on February 3, entitled **“Looking Forward – Learning from the Past.”** Topics included raising the performance bar – key challenges facing asset managers, case study sessions, dos and don’ts of marketing hedge funds and media messages top tips and pitfalls.

The June roundtable discussion called **“Body Language in Business – Instinct or Extinct?”** was a lively discussion including role play scenarios on the importance of your own body language and of those to whom you are presenting.

In September, the annual two-day advanced negotiation skills workshop took place. This workshop was developed by the Harvard Business School and has practical exercises on negotiation at all levels.

On October 20, over 100 participants attended our Annual Consultants Conference in London, entitled **“The Challenges Facing Asset Managers and Consultants in the Rapidly Changing Pensions World?”** November 23 saw another roundtable discussion, titled **“Unconstrained Mandates – Alpha Liberation or Controlled Chaos?”** This was a popular evening session, where representatives from two major consultancies discussed unconstrained mandates – variations on a theme, benchmarks and monitoring.

Coming up in 2006

Our next event will be the AIMSE International Annual Conference on February 1-2, 2006. This will be held in London and will start with an educational seminar for sales and marketing professionals with up to five years experience. This first day will be followed by dinner with a guest speaker. On day two there will be a full day’s program for all attendees entitled **“Know Your Clients; Know Your Market?”** and will cover various topics including market trends, a European perspective from France and Germany, cultural change in asset management, case study sessions and women in fund management.

Membership Update

We are currently undertaking a membership drive for 2006 and hope to significantly increase the membership for next year. AIMSE International is an exceptional forum for anyone wanting to get involved in the European asset management industry.

We are always looking for other exciting ideas for events and for speakers so we would be delighted to hear from you if you have any thoughts on this. In the meantime, we look forward to seeing you at an AIMSE International event in the near future.

For more information, contact AIMSE International Director John Gee-Grant by telephone at 020-7743-2121 or by email at john_gee-grant@ml.com or visit www.AIMSE.com.

Hedge Fund Conference

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ments in the pension world. One is liability management. It started with the UK, moved to Canada, and now is starting to pick up in the States. Another is the practice of separating out alpha from beta and the whole concept of leverage. We should also note the recent change in a number of traditional mandates, for example CALPERS is now allowing a number of their “traditional” managers to short portions of their portfolios. The interesting part to that is, gone will be the days where you can charge 2 and 20 and still be net long and short just a little bit.

DM: Well, for many of the large plans, the issue is how they actually look at

hedge funds within their entire portfolio. Do they put hedge funds in the equity component, in the bond component, or put it into the 5% alternatives allocation? Many plan sponsors are not distinguishing “alternatives” per se and including, for instance, long/short equity within the equity bucket. Marketable alternatives are being added within the so called “traditional buckets.”

CC: I think there is an expertise to shorting.

DM: And those skills can be mutually exclusive, especially for long only managers accustomed to managing assets relative to a benchmark. But mediocrity will

fall by the wayside across the whole business.

AB: Clients are not going to pay alpha fees for beta performance and with over 8,000 hedge funds – how many of them will really be able to perform?

DM: I started gravitating over to alternatives probably about 7 years ago and I think once you move to this space you don’t turn back because of the talent. What is missing however is the kind of marketing and client service infrastructure we are accustomed to in the traditional business. Many hedge fund managers still believe that “hedge funds are bought, they are not sold.” And while

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CHECKLIST

Sales Success—It's More Than Just Selling Skills

The strong bull market of the 90's seemed to make Woody Allen's maxim — "Ninety percent of success in life is just showing up" — all the more true for investment management firms. Whether it was launching a new mutual fund, starting a hedge fund or going after baby boomers, it seemed that success came from "just showing up" as failures seemed few and the sales easy. The experience of the past few years has challenged Allen's notion, as many firms are not seeing reruns of "that 90's show."

When sales go south, the first reaction of many in senior management is, "let's replace the sales staff." However, obstacles to sales success may not lie with sales personnel or their skills. Many organizations have broken processes or other organizational dysfunction that hinders sales success. An organization needs to examine eight critical components of sales effectiveness to determine what's really hindering sales. They are:

- ✓ **A well-defined market and offerings.** Prior to designing a sales strategy or trying to fix one that isn't working, this is the first area to evaluate. Most firms overlook this and don't associate it with a sales strategy. For instance, for many investment firms performance or client service are lead "differentiators." However, both are simply the entry hurdle to being in the game at all, and don't pass the "So What?" test in today's hyper-competitive market. Define why your firm and offerings are truly unique, what differentiates you and what your positioning is.
- ✓ **Identifying the most fruitful sales distribution.** Many investment firms wonder why they're not realizing the success everyone projected when a distribution deal was made, but it's because they failed to pay attention to the process details. For example, while eager for sales resources or outlets, they forget that these sources need training and ongoing support like any other client would. Another mistake is when major cultural differences between the manufacturer and distributor are not recognized and addressed.
- ✓ **Identifying the "right" talent and designing compensation that motivates.** First, behavioral interviewing and assessment is crucial: how someone will fit and be motivated within your unique culture needs to be determined before the hire is made. Using behavior style assessment tools such as DISC bring science to the art of hiring by highlighting role vs. candidate disconnects. Second, sales execs must know if their performance, qualitatively as well as quantitatively, is helping or hurting the firm. Aligning salesperson's goals with the firm's business objectives is key.
- ✓ **The type and quality of sales support.** This is a broad topic that covers culture, technology and personnel, but the key is having the necessary support in place allows reps to focus wholly on selling. Many firms consider the "key" to success in having the right person but without the right tools, no salesperson can be fully effective. Analyze what you have and what you need.
- ✓ **Selling to existing clients.** Current clients often represent an untapped or ignored opportunity for additional sales. While clients may get good service, ill-defined responsibilities or compensation plans may leave additional sales on the table. Again, behavioral role-fit is important: don't leave client selling to portfolio managers, whose skills and style generally aren't strong in salesmanship.
- ✓ **Contact and client relationship management technology.** Reviewing business processes and understanding users are keys to success. Before buying, first ask, "Is our technology broken or is our process broken?" Understand that the best system won't make up for process or personnel gaps. And, since sales execs aren't known for their love and use of sales systems, establish usage-related incentives in compensation plans and performance reviews of personnel critical to system success.
- ✓ **Solving the qualifying conundrum.** Having answered the "So What?" question, how do you now define the target profile, know the questions to ask, and determine who has the real power to buy your products? Many salespeople need to be taught that not everyone is a "good" prospect. Saying "No" as the salesperson can be just as important.
- ✓ **Ensuring effective internal communication.** Salespeople are the key informational link to the outside world – both to and from your prospect and market. Determine whether the necessary feedback technology and processes are in place to build relationships, motivate the team and create a sales culture.

The Advisor is grateful to Michael Slemmer, CFA of The Collaborative for this checklist. Mike can be reached at 888-580-9473 or Mike@The-Collaborative.com. The Collaborative website is www.The-Collaborative.com.

DB-Oriented Boutiques

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report, which analyzed the financial statements of the U.S.-listed companies sponsoring the 200 largest corporate plans, ranging from about \$1 billion to \$100 billion in size.

That's forcing DB plan sponsors to look more seriously at alternative investments. Asset management firms that offer only traditional stock and bond management aren't likely to do as well as competitors that are skilled at developing innovative new products, says Casey.

However, the need for higher returns doesn't rule out traditional investments, says AIMSE Board Member **Cathy Alsop**, a senior vice president and institutional relationship manager for *Franklin Templeton Institutional*. She points to strong performance results recently delivered by international and emerging markets.

Harris Associates' Barron notes that high returns aren't the only desirable feature. DB plans are also looking for ways to lower the volatility of investment returns, he says. Any manager that can help DB plans solve their problems should do well. Some of that problem-solving might fall under client service, rather than performance, he says. He includes strategizing with clients and providing white papers under the heading of client service.

Other new business sources

Firms that have focused on DB plans need to diversify, or they won't grow as much as they'd like, says Barron. Endowment and foundation (E&F) business might seem like the closest fit. After all, it's also institutional business. But there are a couple of problems.

First, Casey estimates that the E&F business is only 15%-20% the size of the DB business. Second, endowments and foundations have led the move into alternative investments, so they're already well-positioned in those assets.

Alsop agrees that endowments and foundations have moved into alternative investments more aggressively than pension funds. "If you want to be in that market, you need alternative strategies that they'll find interesting," she says. "I think some of the leading global managers as well as boutiques are there already or have niche products that could suit endowments and foundations."

The investment industry's largest firms have already made big moves into mutual funds, defined contribution plans, and high

net worth business. There probably aren't easy wins to be made in those areas.

However, Barron identifies some distribution channels that may still be receptive to boutique products, including:

- Private labeled mutual funds for insurance companies or banks
- Variable annuities for insurance companies
- Wrap and other subadvisory programs for large intermediaries such as broker-dealers

The future of DB plans

DB plans and the boutique managers who have focused on them may not be headed for extinction. But the yielding of DB plans to defined contribution (DC) plans has some professionals concerned for social reasons.

Casey speaks passionately about the decline of DB plans. DB plans are better for employees than DC plans, he says, because DC plans place too much responsibility in the hands of unsophisticated employees. He fears that when his grandchildren retire, they will criticize him for not doing more to preserve the DB safety net.

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For more information on how you can become involved in a committee's work, please contact AIMSE at 800-343-5659 or 202-296-3560 or visit www.aimse.com.

On April 5, 2005, the Board of Directors adopted a Code of Ethics for the AIMSE organization.

AIMSE CODE OF ETHICS

As investment professionals and AIMSE members, we are committed to conducting business with the highest ethical standards. Trust and integrity are the foundations of the investment management industry, attributes that takes years to establish and just days to destroy. Promoting and sustaining a "fiduciary culture" is a business imperative.

Accordingly, AIMSE members have a special obligation to:

- 1) In all endeavors, act with honesty, integrity and professionalism, avoiding actual or apparent conflicts of interest between personal and professional relationships.

The interests of our clients always come first.

- 2) Commensurate with your responsibilities, ensure your firm is in full compliance with the law, all applicable rules and regulations, and company policy, in accordance with the letter and spirit of the law. It is critically important to be aware of state and local laws, particularly when dealing with public pension funds. Fully disclose any third party business relationships to current or prospective clients.

- 3) Promote fair dealing with all clients, fellow employees, vendors and competitors.

Never malign your competition.

- 4) Always maintain the confidentiality of information entrusted to you by your employer, clients, prospects and their advisors.
- 5) Strive to be experts in the services you offer to clients, prospective clients and consultants. Always present truthful information.
- 6) Take ownership and responsibility for all actions.
- 7) Conduct client entertainment in a prudent and ethical manner.
- 8) Sustain AIMSE's role as the respected leader within the investment management industry worldwide.

Hedge Fund Conference

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that perhaps was true earlier in the alternatives world, it certainly is not true today.

CC: With so much competition, sales professionals need to become much more solution oriented. For institutional investors, the issue is beyond investment performance. One of the reasons we put together this program is to emphasize the consultant's role and learn how they are allocating to hedge funds. We want to encourage AIMSE members to think more innovatively. Our clients are looking for guidance on how to work through their investment objectives. After all, that is our job as the investment community to help deliver solutions to problems. We want-

ed to provide sales professionals the opportunity to access leading plan sponsors and consultants not only to understand how to be more effective, but to get them thinking about what the real issues are in the marketplace.

DM: I don't think any of us experienced marketing professionals sell a product, we sell a solution. And, we understand what the clients needs are, we understand where our products fit within their overall asset allocation or if it is an endowment within their endowment or foundation. Or, rather where our products may not fit. I think we view our job as a marathon, not a sprint. It is building long term relationships with the ultimate buyers, whether they are

pension funds, consultants, endowments and foundations, and having them use us as resources.

AA: The implication of what you just said is that people who have sold traditional long only asset management would be really good in this space because they understand that they need to be solution oriented, build relationships, focus on client servicing and get into the head of the buyer, etc., all skills that have been emphasized for 25 years in traditional asset management marketing.

Why haven't we seen more success for people transitioning from tradi-

Continued page 12

ditional to alternatives investment management marketing?

DM: There are so many hedge funds out there. They may be very good at what they do, some have great absolute returns, but they are not institutionalized in their organization. So I think as a traditional marketer when you go into an organization and you are thinking about marketing to institutional clients, you really have to understand whether the hedge fund management is committed to institutionalization of the organization. And that is the big challenge. To go in and do your research and talk to the managing partner and find out whether s/he is committed to client service, committed to institutions coming in and digging down deep into the organization.

RM: Not just the due diligence processes.

DM: Filling out detailed RFP's and really peeling the onion to determine how that alpha gets generated and so on. I think that if you go in and uncover a great strategy and great returns and a good team of people, that is not enough to be successful. In order to be successful you have to determine whether or not the organization is committed to institutionalizing and growing and making that commitment.

AA: I find that many hedge fund managers do not have the stomach for it.

AB: That is important, as is being flexible enough that the strategy that they have hired you for today will still be appropriate or can be altered as circumstances change.

CC: And that is exactly why hedge fund capacity is such a big issue. Institutions don't want to make manager selection decisions more often than they have to.

RM: To get back to the question of the ability of the traditional marketer to transition to alternatives—we need to think about the marketing process. First there is a search. And generally, you find those managers that you would expect to see. Then you are selling the company, the brand, the asset class itself: the product, the person, and then the sale. In contrast, hedge funds need to do the research on who the actual

client would be, educate them as appropriate, mitigate the fears they have about hedge funds, etc. You need to build credibility through your client list and track record, detail your approach to risk and compliance, all before you ever get to the actual product. That is “upside down.”

And like any good fiduciary, our clients want to be assured that the manager is not going to fail and is going to perform in the way that is expected. That, of course, gets to the integrity of a brand name. And generally, branding has been relatively new for all investment firms—let alone hedge funds.

AA: Let's get back to the AIMSE/P&I conference. Do you anticipate this conference being a good place for traditional long only marketers to go and learn what they need to know? Who is the audience for whom this program is designed?

RM: I think everyone needs to know what is going on in the hedge fund space because it affects the long only business in terms of where client allocations are going.

CC: In addition, we plan to discuss how to break into this business. It will be a great venue to meet peers and really learn what the alternatives space is all about.

DM: Yes. And the tradition of AIMSE is important here. I have met a lot of my mentors through AIMSE. I have developed a lot of friendships through AIMSE who have helped me and continue to help me in my career today. I think that there needs to be a forum for the emerging hedge fund investor relations crowd to meet experienced investment management sales mentors. One major advantage to coming to the hedge fund arena from more traditional investment management marketing is that most of us are professionally trained salespeople. That frequently is not the case for marketing people who have come from other areas to hedge funds. I think this conference will help those people enormously in their roles within their respective hedge funds or fund of funds.

AA: Andrea, what has been the biggest

surprise going from a more traditional fund management firm to a more broad-based hedge fund/fund of funds?

AB: I came from a mid-size traditional firm and I called on everyone: domestic and international public and corporate plans, endowments/foundations and consultants. I have always employed a consultative approach to business development and I believe this approach is even more important in the alternative space. Being able to deal with different types of buyers with different levels of understanding is critical. And most people coming to alternatives now find themselves no longer part of a sales force of many but a sales force of 1 or 2.

AA: So a marketer needs to know the market.

AA: The marketer needs to know the market. And the marketer needs to know what the client is thinking.

DM: And you need to know how to focus your time. The biggest challenge is that there are so many different buyers and distribution channels. One of the most obvious is the family office which can operate as a large institution. So where you focus your time and resources is key.

AA: What was the impetus for getting P & I involved in this conference?

RM: Obviously, P&I has great experience in running successful conferences. They had a great way to help distribute in terms of running ads and culling their list and they want more exposure into the space. And P&I has been around for 30 years, we have all known P&I as the premier publication for our industry. More and more AIMSE members are active in the hedge fund arena so it is good timing for both groups.

AA: There is no shortage of conferences, what differentiates this one?

RM: This one is tailored exclusively for sales, marketing and client service executives.

DM: And takes the buyer's point of view.

CALENDAR ADVISOR

AIMSE Events

January 25
The Ontario Club
Toronto, ON

**13th Annual
Canadian AIMSE
Conference**

February 1-2
London, UK

**AIMSE
International
Conference:**
"Know Your Clients,
Know Your Market?"

March 1-2
Grand Hyatt Hotel
New York, NY

**AIMSE/P&I Hedge
Fund Marketing
Conference:**
"Straight from the
Buyer's Point of
View"

April 23-26
Omni Orlando Resort
ChampionsGate, FL

**AIMSE 29th Annual
Marketing and
Sales Conference**

Published quarterly in Washington, DC as the official publication of the Association of Investment Management Sales Executives, this publication is free of charge to AIMSE members.

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Hedge Fund Conference

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CC: I think those are the key components. This conference takes the buyer's point of view and the attendees are all our peers: It will be a great opportunity to network. And as we AIMSE members well know, collaboration with our peers is a huge asset to our success.

To be successful in alternatives marketing, you really must know the community. So much business gets referred from hedge fund to hedge fund—it is perhaps counterintuitive, but it is a fact and perhaps one of the most important differences between traditional sales and hedge fund sales. To be able to meet and hear from industry leaders in the space, their thoughts on the industry, how to approach it, what works, and what doesn't is absolutely critical to success.

AA: Can I get you to talk about some of the speakers that were chosen, why they were chosen and what is exciting about having them?

DM: When you look at our first panel, Rachel has put together a great list of

panelists including **Peter Kiernan** from *Cyrus Capital*, **Glenn Dubin** from *Corbin Capital Partners*, **John Angelo** from *Angelo Gordon*, **Joel Katzman** formerly of *J.P. Morgan*, and **John Meyers** from *GE Asset Management*. We wanted people that obviously were very well known in the industry and very seasoned. All had experience, obviously, in putting together different types of businesses, but really, we are going to have different points of view, and none of these guys is afraid to voice an opinion and to challenge each other.

CC: We're also going to have a special panel produced by the **Greenwich Roundtable**—a leading resource in the hedge fund world.

AB: This conference is going to give sales and marketing professionals access to the top third that are active in the hedge fund space. Colleen has gathered some of the leading consultants including **John Lake** from *Summit Consulting*, **Alan Lenahan** of *Fund Evaluation Group*, **Roger Fenningdorf** from *Rocaton*, **Peter Gerlings** from

NEPC, **Dave McMillian** from *Hammond Associates*, and **David Shukis** from *Cambridge Associates*.

AA: Will attendees have an opportunity to meet those people?

RM: Yes, during the networking session. I think the speakers were excited to be included knowing who the audience was going to be, that was a great response. They view this as a great platform for them to really talk about what they do, how they are approaching the business and having room to be able to compare notes with the attendees. The people we have selected, and it is quite an elite group, are looking at both direct hedge fund allocations and hedge fund of fund allocations and so will be able to touch all who attend.

Mark your calendars for March 1-2, 2006 for the First Annual AIMSE/P&I Hedge Fund Marketing Conference at the Grand Hyatt in New York. Visit www.AIMSE.com for more information.