

Mutual Fund Distribution to the RIA Channel



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Strategic Insight hosted in July its second live SI Forum conference, for which we invited several outside industry observers to present. This article is adapted from Richard Sincere’s presentation (the full set of slides is available to SI clients [here](#) at our Web site). Sincere, who founded Sincere & Co. in 1997, serves as an expert conduit between fee-based advisors and the fund companies that serve them.

Mutual fund distribution to the Registered Investment Advisor (RIA) channel is a difficult business. The RIA channel resists the tactics that work for the retail and broker-dealer markets.

What fund firms need to serve the RIA market:

Product/Portfolio Manager – *Good product is key; a great portfolio manager (PM) is critical.* The major challenge is that most PMs believe RIAs will flock to their fund if it has strong performance. Experience, however, suggests that most funds have “pimples” (high expense ratios, short track record, changes in management, etc). The marketer must clear them up, or at least explain why the fund will be successful.

Audience – *RIAs are entrepreneurs, and objectivity is one of their most important assets.* Most RIAs have at some time in their career risked their net worth to start their business. If that business is successful, they aren’t willing to risk investing in a fund that could “blow up” or, at the very least, under-perform against its peer group. Part of the RIA’s due diligence process is their use of proprietary screens to find a fund. If a fund doesn’t hit their radar, it won’t get their attention. The fund firm’s job is to get the fund inside the screens or to explain why it is appropriate to go outside the proprietary model.

Relationships – *RIAs focus on two types of relationships - clients and employees.* If there is a choice between meeting a PM vs. a current or prospective client, the PM will likely be the second

choice, unless the PM/wholesaler/firm has a special relationship with the RIA. The same holds true for RIA employees who serve as the gatekeepers between the client and the firm. Product providers must gain trust with those relationships to get past the gate.

Manager Meetings – *Even the best PMs need to learn how to communicate with RIAs.* Before investing a significant amount in a fund, most advisors want to meet the PM: in person, at a conference, lunch and learn, by phone, etc. PMs who are shy or aren’t great speakers do well with RIAs as long as they are smart and insightful. Still, the PM may need some coaching on public speaking.

RIAs Have Varied Practices

Wealth Manager

- Institutional Fee/Hybrid
- Multi-faceted business
- Family office model

Transitioning RIA

- Broker/fee hybrid
- ‘Breakaway’ broker
- Platforms facilitate move

Asset Manager

- Money manager only
- Provides services for other RIAs

Financial Planner

- Focus on client life goals
- May outsource investment management

Source: Sincere & Co.

Materials – *Quantity without quality doesn’t fly.*

Marketing to RIAs isn’t about inundating them with glossy marketing pieces, promotions and premiums, but creating product materials that are truly useful. Without a compelling story, supported by attribution analysis that clearly shows the differences between the fund and its peers, intelligent white papers, fact sheets, blogs, etc., RIAs can’t get a clear understanding of why they should invest in a firm’s product.

Integrated Marketing – *Earning RIAs’ trust takes more than booth duty.* “Integrated marketing” in the RIA channel employs a combination of events, advertising, direct mail, in-person meetings, conference calls, and public relations. Many advisors are active in professional associations such as the FPA (Financial Planning Association), NAPFA (National Association of Personal Financial Advisors) and others, and so it can be wise to support these organizations beyond a few conferences a year.

Serving the RIA marketplace is a long-term proposition; firms need to invest a minimum of three years just to get started. Strong product and committed services makes the task easier.