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What Hedge Fund Investors Want to Hear from Their Managers

By Lydia Tomkiw April 8, 2020

Flooded email inboxes and volatile markets sparked by Covid-19 are forcing hedge funds to communicate more than they have ever before and to find innovative ways to connect with their investors and prospects. And while investors say they understand hedge fund managers have a lot on their plates, they do expect an effort to communicate basic updates on a regular basis.

Communicating now is an imperative, not an option for funds, says **Kathy Kohler**, founder of **Crescendo Branding**. “[Investors] don’t want fluff. They want absolute transparency and a show of humility,” she says. While there are concerns about digital fatigue setting in and too many emails, the current environment has brought an acceleration of the digital transformation that some hedge funds had slowly begun in recent years. “We are not going back to the way it was for funds. There is now an expectation that they will be communicating digitally,” Kohler says.

With most investors working from home at a time of great instability in the markets, frequency and consistency of communications is critical, says Christina Bertinelli, a managing director at Vested, a communications firm focused on the financial industry. “All the rules are open right now on figuring out what your audience likes and how they want to engage with you,” she says. “But be careful about too many emails.”

Some hedge funds have been getting creative. Joe Kelly, managing director for institutional at Campbell & Company, a $1.9 billion hedge fund manager, sent an email with the subject line “crazy idea” to colleagues recently, proposing that the firm start taping a version of its investment committee meetings. “Why don’t we create an open IC for folks so they can see once a week the topics… and what themes in the market are impacting our portfolio,” he says.

So far, Campbell has released two taped investment committee meetings to its investors and prospects that last approximately 10 minutes. The firm saw a threefold increase in the number of people watching the full presentation week on week and is considering moving to a live format in coming weeks.

The first half of the recent sessions have shown visualizations and summarized risk management techniques, while the second half focuses on timely themes like measuring the impact of coronavirus on markets, says **Kevin Cole**, CIO at Campbell, who spoke during the second recorded meeting. “This has been a good challenge in terms of how to boil down a very complicated portfolio,” he says. “How do we boil down everything that’s going on to the key salient points?”

Given the “unique and historical situation,” allocators are looking for managers to be proactive in updating them on three main areas – the efficacy and progress of business continuity plans, pending redemptions, and color on portfolio changes, positions, and performance, says **Panayiotis Lambropoulos**, portfolio manager for hedge funds at the $29 billion **Employees Retirement System of Texas**.

“All of our managers have made themselves available upon request for interim phone conversations, so we have been pleased with the level of communication and transparency,” he said in an email to *FundFire*. “In the interim, understanding that managers are focused on the portfolio and risk management, quick, succinct emails with bullet points on key areas of focus or concern would be acceptable.”

In addition to providing details on portfolio changes and performance, Lambropoulos says information on liquidity, counterparty risks, and margin calls would also be valuable, along with any “information regarding opportunities tied to Federal or Treasury programs.”

“Everyone is getting inundated with emails these days so there is a lot of information to go through. Following that, by month-end, conference calls will be helpful for additional detailed information and the ability to ask questions,” he said.

Many managers have increased their communications during this market dislocation to at least weekly contacts, and some have gone daily, says **Tim Ng**, CIO at consultancy **Clearbrook Global Advisors**. Getting a sense of what true factors are driving returns is key, he adds.

“Email updates in regards to asset class and strategy allocations, return attribution from the different portfolio segments, and what are the primary factors driving or detracting from returns,” are examples of good communications, he says in an email. “Portfolio changes in terms of position concentration, leverage, gross and net exposures [are others].”

Communicating now is an imperative, not an option for funds, says **Kathy Kohler**, founder of **Crescendo Branding**. Some funds have gone dark, and that’s not a good idea, she adds.

“[Investors] don’t want fluff. They want absolute transparency and a show of humility,” she says, noting that this is an unprecedented moment in the markets with many potential outcomes.

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