PEER ROUNDTABLE

Communicating During Volatile Markets

Alleviating Investor Anxiety

SUNSTAR STRATEGIC®
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Communicating During Volatile Markets

Alleviating Investor Anxiety

INTRODUCTION

Following a month of stocks bouncing around the market's most recent bottom, SunStar Strategic clients participated in a Peer Roundtable to share their collective wisdom on how to best address investor concerns. This edited transcript of the conversation omits specific participant and firm names, thus references to "we" represent multiple speakers/firms.

When the market drops, investors get nervous and interact more with their financial advisors.

- Do you have a communication strategy?
- What do you say to calm investors and advisors?
- How can you be a step above the competition?

1 | HELP IS NEEDED

Advisors want help and fund firms are stepping up. In a recent interview in Money Management Executive, Mark McKenna, Putnam's Head of Global Marketing, said, "It's a crucial moment to provide a driving manual for anyone selling your product....[D]istributors are large organizations, but ...[are saying], 'Help us package this information and help us put it into an understandable fashion for advisors.'"

There is definitely increased anxiety. We're getting calls from advisors that want a little color on the quarter and on what we think is going on in the market right now. It's picked up considerably just in the month of January.

2 | STICK TO YOUR MESSAGES

We're trying to do our best job to educate investors and keep our messaging consistent. We're emphasizing that fundamentals are what's important, even in a market right now where fundamentals are not reflected.

We know the businesses in our portfolios and feel comfortable with what we own, despite the fact that the market is not rewarding fundamentals.

We believe fundamentals will eventually matter.

3 | ADDRESS EMOTIONS

There's a lot of emotion that people experience at times like this. People just are so full of emotion. We generally manage balanced portfolios, so where appropriate, we say, "Your overall portfolio is preservation oriented," but some people can only hang in so long. If you just try to go back and forth with them, they feel like they're trapped and have no options. At that point, we say, understandably, some people can't take this.

We don't recommend that you get out of the portfolio that we put you in, but if you're at the end of your rope, it can be done.

That gives them ownership of the situation- often taking the level of emotion down so that they at least feel like, "Okay, I'm not being forced to stay here," and perhaps take the longer view.

4 SEIZE OPPORTUNITIES

Many clients are concerned about the markets and the big picture. However, each manager typically is just one slice of the asset allocation of a large portfolio.

Once diversified, as they generally are, the messages that we stress, whether in difficult times or in good times, are that quality matters. The quality of your holdings is critical. Valuation matters dearly. What you pay for those assets is critical.

Moreover, we tell them that active management is the best way to get to those things.

As active managers, we can be a bit opportunistic and separate the fundamentals from the hysteria. It's just this sort of time that we're able to capitalize on that and try to assure clients that this is just a short-term thing. The businesses and their values, their intrinsic values today are just what they were yesterday.

The market is just giving us a little better opportunity to step into their stocks.

5 OFFER HISTORICAL PERSPECTIVE

We stress that in the market, there are ups and downs and, unfortunately, things don't just go in one direction.

Volatility is a part of the world we live in. We try to put it into a historical perspective. This has happened before, it will happen again.

We know our companies well and we just tell a story. We start talking about a specific business and why it's trading beneath its intrinsic value and how we're really focused on individual companies.

We talk about market timing and then the different statistics. We try to show historically why market timing is so challenging, getting in and getting out at exactly the right times is nearly impossible.

In March 2000, the market felt good, and then the NASDAQ went down 70 percent plus from that point. Looking at March 2009, everything felt terrible, yet that would have been the best time to have invested. Presenting that history helps people understand. We just have to hold investors hands through this volatile time.

6 BE PROACTIVE IN YOUR OUTREACH

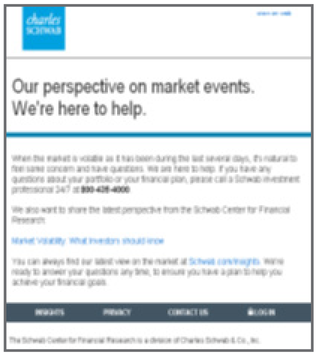
We have been calling clients, advisory firms, or consultants and offering to do a conference call with one of the portfolio managers. Those have been really well received.

We are always evaluating our ideas for insightful thoughts that we can turn into content.

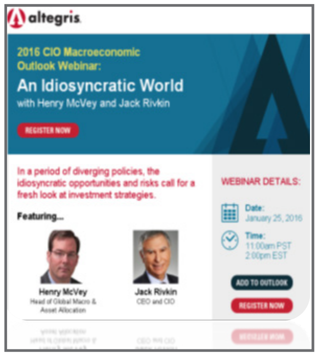
One of our managers made a few internal comments about the types of stocks that shine toward the end of a bull market. He paired that with thoughts about the first thing that moves, historically, as we exit a bear market. That's the kind of thought process we can use to put together a communication to our clients, noting, "This is the way we see things and we're looking for any sign that a change is imminent."

7 CONSIDER THE FULL ARRAY OF COMMUNICATION TOOLS

Emails: Some of the larger firms like Schwab do a good job of communicating with their shareholders, their advisors, through regular e-mail communications to let people know their perspectives. Another smaller firm that does a good job of communicating is U.S. Global.

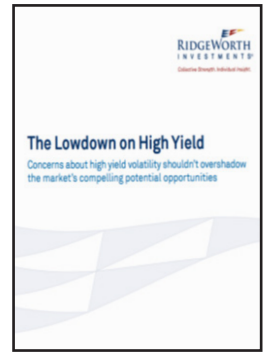


Emails



Webinars

Podcasts



White Papers

Webinars: Webinars are a great way to get in front of a number of your shareholders to tell them what's going on in your portfolio, your thoughts on the markets, and where you can add value. Financial advisors need to talk, they're getting the same calls that your firms are getting from them, but from their clients.

Podcasts: James Investments does a daily segment on their local radio station, which they turn into a podcast and post to their website. Vanguard and JP Morgan did podcasts highlighting some of the risks today and talking about volatility.

White papers: While some studies show that there is a decreased demand for white papers, a well-written one can still be an excellent way to show the basis for your thinking.

Videos: Some video hosting websites also produce your video, such as Asset TV, which has become very popular. If you can do it on your own, we suggest that you do so regularly and send them out to your advisors.

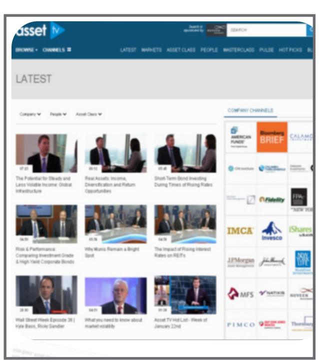
Commentary: Get as much content on your website as possible. If you have thoughts and views on the markets, let people know what you're thinking and what's going on in your portfolios.

Blogs: Blogs can be time consuming. To be effective, you have to contribute regularly or people won't be visiting your blogs. Some companies found this to be an excellent tool to keep the advisors engaged.

Media: Being in the media is an important tool. So is leveraging your media, your TV appearances, online quotes and other media mentions. As you try to alleviate some of the anxiety that people have about this market, a media presence keeps you in front of your investors and can provide another touch point via email.

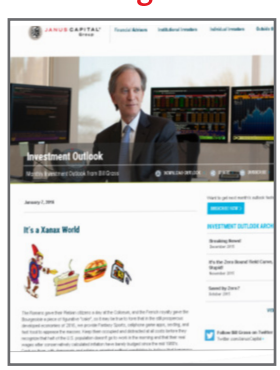
Social: This can be a tough nut to crack for smaller firms. Nevertheless, follow some of the larger firms that are on Twitter, Facebook, and LinkedIn. They may not be creating new content for social media, rather, they typically repurpose content they have or send out some of their media appearances.

Video



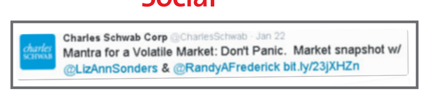
Commentary

Blogs



Media

Social



8 DIG DEEPER

It is important to lead with empathy and use a very personalized approach. During past volatile periods, we have sent out some canned messages. We have also tested different messaging and put together quick "white papers." But, we found that advisors said they got that kind of communication from everybody –what they really were looking for were companies that empathized with and acknowledged the concerns they had.

This time, we are developing thought leadership, sending out market memos periodically as circumstances warrant.

Often, they are for internal use primarily, but serve as talking points for our sales staff. They include market commentary updated regularly. We might pull from them to send mass emails to clients. We try to look for the reasons behind the volatility and share that insight.

We publish video Q&As with our portfolio managers. Part of the video is free form, part typical quarterly commentary. In times like this, we emphasize not only our role as a stock picker, but also our role as a person to guide you in asset allocation.

We've written almost every client a letter describing their asset allocation. While performance of late may be troubling to many, we stress that down markets are often followed by sharp rallies and you don't want to unnecessarily panic and get fully out of equities.

9 RELY ON AN INFRASTRUCTURE

Many fund firms of the thousands out there don't have a communications infrastructure set and are hoping to get discovered through good performance. Many may not have a way to develop content, to develop a story that resonates, or to get the story to the right people.

During difficult markets like this one, firms struggle if there is no process in place to create content.

One thing that I think that those of us who are fairly well prepared have in our favor is the ability to get something out there when we have something to say. For example, with portfolio managers that are accessible, I think you can really stand out by taking advantage of that regularly, not just waiting for the quarter-end cycle when everyone expects a commentary.

It's effective to publish content at unusual times, or maybe in a different format. That's the way we've been able to capture advisors' attention.

The most heartening thing is when an advisor uses your piece and then comments, "You really helped me write a letter to my clients, because I got that piece of content from you, repackaged it and used it with my clients."

We've gotten some traction in those off-cycle, unusually timed commentaries or ideas. To me, that's a great opportunity for all of us right now.

10 MAKE A STATEMENT

This is a very emotional time for clients. They're scared. There's emotion running through them.

If an investor or advisor gets a good piece of advice that ends up being correct, they'll never forget you.

They'll never forsake your relationship, because they'll always remember you helped, because that emotional scar is so deep. I really try to point out what we believe: this is an opportunity to take advantage of and that the smart money is buying. Investors did not sign up for selling low.

To participate in future Peer Roundtables or to receive regular ideas for PR and Smart Marketing in your inbox, contact

Kathryn Morrison

703.299.8390

kmorrison@sunstarstrategic.com

SUNSTAR STRATEGIC®
strategic pr . inspired marketing

SunStar Strategic | 300 N. Washington Street | Suite 505 | Alexandria, VA 22314

t 703-299-8390 | f 703-299-8393

Offices | Washington, DC | New York | Chicago

www.sunstarstrategic.com