

News and Views for Asset Management Leaders by Russell Campbell

Third party marketers survey - January 2012

Third party marketers (3PM) are a helpful sales alternative for some asset management firms. Due to their positioning in the industry as independent sales reps, their perspectives on current trends are also interesting to follow.

I recently surveyed ten 3PM firms. All of these firms are currently open to considering, and possibly representing, additional money management firms. Their specific product interests vary somewhat, although there is a strong consensus around two major product areas.

Currently, 3PM's most frequently cited area of product interest is hedge funds, with global/international mandates a close second. Many of the 3PM firms also have an interest in representing managers in a wide range of other very specific product niches. These product sales preferences mirror the asset allocation trends of institutional investors who continue to seek broad diversification.

I also asked the firms for their predictions of the most likely best-selling product categories in 2012. Not surprisingly, they expect strong industry demand for hedge funds, which mirrors their own current interest in representing hedge funds. They are only slightly less optimistic about industry demand for international products in 2012.

3PM firms face numerous challenges, but according to them, the biggest remains finding managers and investment products to represent who can be successful. Finding investors is the second biggest challenge for 3 PMs, as search activity has declined. Also, investors' risk aversion has risen, and this has led to an investor preference for larger asset management firms with robust operational support. Regulatory challenges are the third most-often mentioned concern in the survey, as various federal and state regulators have imposed new requirements in recent years.

Third party marketers are worthwhile considering as an alternative to an in-house sales effort for asset management firms with very strong product capabilities.

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