The JOBS Act at Year One:
A Changing Hedge Fund Communications Landscape

The private world of hedge funds is looking more like Madison Avenue.

Hedge funds today are everywhere – in daily headlines, social media, public web sites, live TV coverage, and even highly visible Las Vegas bashes. They are also increasingly in the portfolios of institutional and retail investors.

Once a shadowy, inaccessible and little understood part of the asset management world, hedge funds are growing, diversifying, extending product lines, acquiring competitors, targeting new markets, stepping up client relations – in short, acting more and more like the large, sophisticated businesses they've become. Driving and supporting this business transition is a changing attitude toward and approach to marketing communications. As hedge funds have grown to $2-trillion-plus in assets, they are tackling issues and opportunities like brand, visibility and reputation, all in the face of stiff competition.

September 23, 2014, marks the first anniversary of the enactment of the Jumpstart Our Businesses (JOBS) Act, and provides an opportunity to look at how hedge fund communications have evolved. The JOBS Act was designed to spark U.S. economic growth in part by allowing hedge funds to solicit accredited investors. As a result, hedge funds are now allowed to employ tactics such as engaging the media, building accessible web sites, advertising and even social media.

And while neither we nor others point to the JOBS Act as the sole driving force behind the implementation of new communications strategies by hedge funds in recent years, no one denies that these changes are taking place.

So what has changed in hedge fund communications since the JOBS Act went live? Here's a run-down of the key areas that are most affected, including social media, web sites, traditional media, advertising and executive hiring.

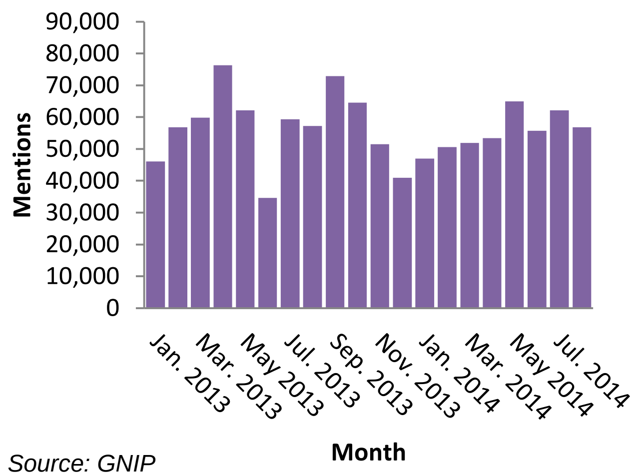
Hedge Funds Go Social

Live blogging from hedge fund conferences. Activist managers Tweeting about dinners and deals. Long-form YouTube videos explaining the economy. Hedge fund marketing decks posted to LinkedIn.

Today's conversations are moving online and the hedge fund industry is following suit. Though the pace of change is deliberate rather than dramatic, it's nonetheless real change as hedge funds begin the transition from being a topic of conversation to leading the conversation.

To illustrate this trend consider this chart from GNIP, a leading social data provider, which tracks monthly mentions of the term "hedge fund" on Twitter. Mentions over the last two years have peaked at nearly 80,000 per month and have rarely fallen below 40,000.

Hedge Fund Twitter Mentions



Source: GNIP

We are seeing a similar trend on the hedge fund conference circuit, one of the few places where fund executives have been known to shed their cloaks of secrecy and share economic and strategic insights. A relatively new element at these major conferences is that they are now social media friendly, leading attendees to live-Tweet their experiences. As a result, audiences have expanded from the select group in attendance to anyone with Internet access.

For example, the use of the #DeliveringAlpha hashtag increased by 9.4% from 2013 (5,053 Tweets) to 2014 (5,527 Tweets) on the day of the event. Similarly, there was a 62.6% year-over-year increase in the use of #IraSohn. The #DeliveringAlpha hashtag was even briefly trending on Twitter in July with 53.5 million estimated impressions.[1]

But how are hedge funds themselves using social media? Two recent examples: Carl Icahn's Tweet about his dinner with Apple's Tim Cook was retweeted nearly 500 times[2], while Bridgewater's Ray Dalio YouTube video explaining how the economy works has been viewed more than a million times.[3]

For a more comprehensive gauge, we looked at the 292 members of *Absolute Return's* list of hedge funds with at least $1 billion in assets.[4] Peppercomm research shows that 10% of the largest 292 hedge funds are on Twitter. Of these 29 funds, six have protected accounts. The remaining 23 have an average of more than 15,000 followers and average about 11 Tweets per month.

HEDGE FUNDS ON TWITTER	
% on Twitter (29/292)	9.9%
Average AUM	$8.97B
Average Followers	15,149
Average Tweets/Month	11
Min. 1 Tweet/Month	10
Min. 10 Tweets/Month	7

By removing the three firms with the largest following—PIMCO, BlackRock and J.P. Morgan Asset Management—all of which have expertise and products well beyond and including hedge funds, those numbers drop to an average of 515 followers, with just four Twitter accounts generating new content more than once a month. In total, 10 hedge funds Tweet at least once a month and seven hedge funds Tweet at least 10 times per month.

The lack of participation among 22 of the 29 hedge funds on Twitter suggests a lack of a strategic plan for how to use social media. Indeed, all but four of these Twitter accounts were launched prior to any JOBS Act legislation.

Hedge funds are slowly coming to terms with the importance of social media. Many fund managers are shocked to find out how often their firm is mentioned on Twitter, yet they lack the experience to engage. “We can no longer keep our head in the sand,” said the manager of a billion-dollar credit fund who plans to join Twitter.

HEDGE FUNDS ON LINKEDIN	
% on LinkedIn (188/292)	66.1%
Average AUM	$6.60B
Average Followers	2,305
Min. 1 Post/Month	6
Min. 10 Posts/Month	4

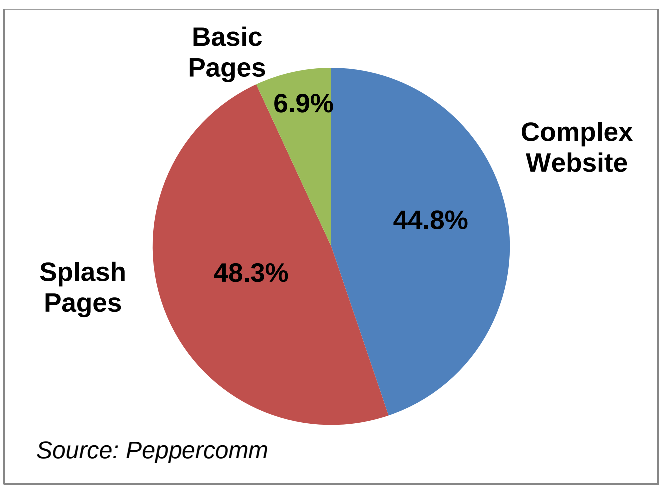
We also looked at LinkedIn, where hedge funds are more visible. Here, 66% of the largest hedge funds have a LinkedIn page. Of these 188 funds on LinkedIn, only six have posted any updates, and only four post more than 10 times a month. The 188 funds collectively manage $1.24 trillion and have an average of 2,305 followers—each one representing a prospective investor, employee or journalist. Every decision not to post content is a missed opportunity to engage—a wasted opportunity to establish expertise or deepen a relationship.

Social media can be an effective tool if used properly. We expect to see more hedge funds using social media platforms to establish thought leadership, share insights and improve their digital profile.

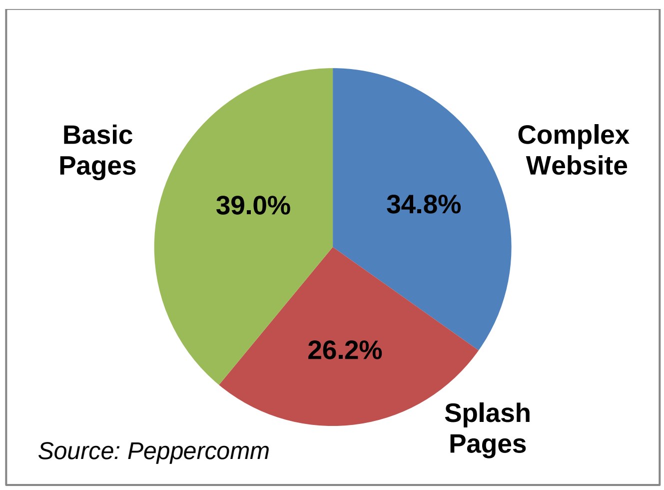
An Expanding Web Presence

A website should be a focal point of any organization’s communication strategy. This includes hedge funds, which have grown accustomed to operating in secrecy. Thanks to the JOBS Act, that is now showing early signs of change.

Top U.S. Hedge Funds (87)



U.S. Hedge Funds w/ $1-5 Billion (141)



We looked at *Absolute Return’s* 2014 rankings of the largest 100 hedge funds in the world and found that 91% of them now have websites, including 90.6% (87/96) of U.S.-

based hedge funds.[5] Among these 87 funds, 48.3% have closed or simple splash pages[6] and 6.9% have basic or very simple pages.[7] That means a majority of U.S. hedge funds, 56.2%, have simplistic websites that provide little more than a logo. Extending this sample size to look at hedge funds with $1-5 billion in assets, 77.5% (141/182) of U.S. hedge funds have websites. Again we see the majority of them, 65.2%, have simple websites.

However, change is happening. In 2013, only 44 out of the 185 global hedge funds with $1-5 billion in assets had websites (23.8%).[8] By June of 2014, an additional 39 funds launched websites for the first time and 11 more moved from a closed site to a more open site, according to a Peppercomm survey.

Although these mid-sized funds may not have as many marketing resources, they are beginning to understand the importance of a website.

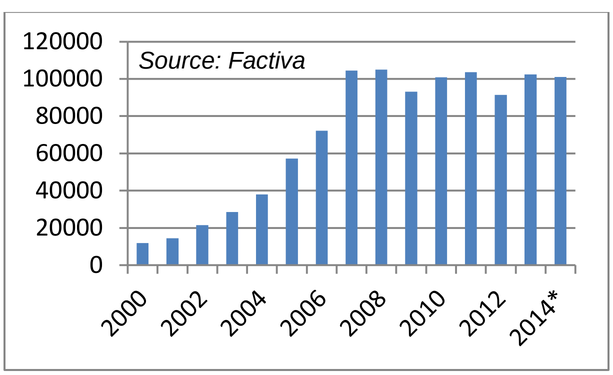
In addition to basic firm information and team bios, websites can also provide a controlled means to distribute content relevant to a firm's strategy, thus helping to establish the firm as a thought leader. Of the 87 largest U.S.-based hedge funds with websites, 37.9% had newsroom components and 31.9% showed indications of thought leadership. Hedge funds in the $1-5 billion range are also generating content—23.6% have newsroom components and 15% are acting as thought leaders.

Read All About It – Tracking Hedge Fund Media Mentions

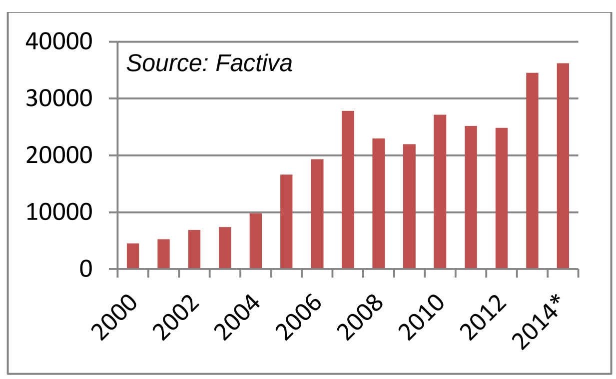
Media attention towards hedge funds is at record levels.

We forecast "hedge fund" mentions in all media will top 100,000 articles in 2014 and will reach a record high above 35,000 mentions in top-tier financial media.[9] That's up nearly 5-fold over the last decade and holding at record levels over the past few years.

Hedge Fund Mentions – All Media



Hedge Fund Mentions – Top Media



The media have always been fascinated with hedge funds. Big performance numbers, blow-ups, insider trading, big compensation, colorful characters, aggressive investment strategies and the mystique of the industry make for a potent media cocktail.

Part of this growth can be attributed to the media's endless demand for content. But the growth is also a clear reflection of the hedge fund industry's increasing importance and visibility. As hedge funds diversify business lines, launch more mainstream products and initiate activist programs—and as their AUMs grow—more press follows.

"It's massively different working with hedge funds than it was 10 years ago," said one veteran reporter. "And I'm seeing changes in the last year—a little more open to talking with the press and a more strategic interest in engaging—though certainly that's not across the board. Some managers continue to have zero interest in engaging with us."

But for others, the way is clear. According to one well-known firm: "Institutional investors are headline risk sensitive so building a strong brand is necessary to play defense. The more successful you are the more headline risk you have, so it's important to be proactive."

Advertising – Look Closer

The JOBS Act opened the door for hedge funds to advertise. Ad sales executives and the media expected a deluge. Save for Balyasny Asset Management breaking the ice in February, advertising by hedge funds one year into the JOBS Act seems like more of a trickle than deluge. But is that the whole story?

A closer looks reveals that it's asset management firms and intermediaries that advertise, much less by the hedge fund firms themselves. Recent issues of *Pensions & Investments* magazine, for example, contain numerous advertisements that market hedge fund – or alternative – strategies and expertise from Invesco Advisers Inc., Voya Investment Management, J.P. Morgan Asset Management, PIMCO and Manulife Asset Management.

Similarly, in the intermediary distribution channel, alternatives are showing up in advertisements, but, again, not ads from hedge fund companies themselves. Recent issues of *FA Financial Advisor* magazine, for instance, contain ads from Principal, Pensco and Steben specifically referencing alternatives. Editors and publishers point to a "huge increase" in interest among readers for hedge fund-linked liquid alternatives content, but expressed being "surprised by the fact that more firms have not taken advantage of the opportunity to market themselves." One publisher is even in the process of launching a hedge fund supplement featuring sponsored profiles and commentaries – so-called native advertising – "from various firms who heretofore may have been restricted from participating."

The dramatic growth of retail-oriented liquid alternative products is behind some of this advertising and is a big factor driving change in the hedge fund communications landscape.

Marketing Gets a Seat at the Table

Behind these changes in the application of marketing tactics is a new attitude toward marketing communications strategy among hedge funds executives.

Recent hires in newly created communications positions at firms including Two Sigma, Pine River, Davidson Kempner, Black River and others underscore the growing importance of this function at hedge funds, and especially at larger firms. We have also directly witnessed a significant pick-up in business at Peppercomm—from hedge funds large and otherwise—implementing brand and communications programs to help strengthen client relationships and grow new assets and markets.

“The passage of the JOBS Act has created a lot more internal discussion about the firm’s brand, communications with investors, expanding the branding digitally, and related topics,” said one newly hired hedge fund communications executive, adding that engaging with target audiences via thought leadership, content and social media might help further the firm’s brand.

New Environment. Next Steps.

One year into the JOBS Act and the hedge fund communications landscape is evolving to include social media, web sites, traditional media, advertising and bigger issues like brand and visibility.

However, the JOBS Act is only a piece of a larger trend. New competitive pressures, new products like liquid alternatives, and a desire for client relationships built on more than performance numbers are pushing hedge fund executives towards greater acceptance of new and developing communications channels.

In this new environment, hedge fund executives should:

Take a Brand View – Hedge funds need to be aware of their position in the marketplace. Every hedge fund has a brand, defined as the way that their stakeholders (investors, media, partners, etc.) view them. Hedge funds should define what they stand for and take actions to define, build and support that brand.

Be Strategic – Hedge funds considering building a website or engaging with audiences via traditional or social media or other means need to think strategically. What are the communications goals? Who are the target audiences? How will investors react? These are all important questions to ask before exploring new communications channels.

Engage your Audiences – The JOBS Act may not tell hedge funds what to do, but it does help allow them to explore new ways of communicating. For some hedge fund firms, this may mean no change at all. For others, it provides opportunities to engage current and prospective investors in strategic, controlled and impactful ways.

[1] Source: https://twitter.com/DeliveringAlpha/status/489393615391961088
[2] Source: https://twitter.com/Carl_C_Icahn/status/385047418284158976
[3] Source: https://www.youtube.com/watch?v=PHe0bXAIuk0
[4] Source: http://www.hedgefundintelligence.com/Article/3323406/AbsoluteReturn-Research-and-Rankings/Billion-Dollar-Club-American-hedge-fund-assets-hit-all-time-peak.html
[5] Source: http://www.hedgefundintelligence.com/Article/3323406/AbsoluteReturn-Research-and-Rankings/Billion-Dollar-Club-American-hedge-fund-assets-hit-all-time-peak.html
[6] A "closed" page is site that prohibits entry to anyone without a user name or log-in.
[7] A "basic" page is site with only a few simple pages such as "About," "Contact Us" or "Team."
[8] Source: http://www.hedgefundintelligence.com/Article/3250820/AbsoluteReturn-Research-and-Rankings/Billion-Dollar-Club-Adage-AQR-JP-Morgan-excel-at-asset-arms-race.html
[9] Top-tier media include: *The Wall Street Journal, Dow Jones Newswires, The New York Times, Bloomberg, Reuters and Barron's*