

Marketing Innovations Boosting Closed-End Fund Promotion



Theresa Barrows,
Patricia Baronowski-
Schneider, James
Roberts – at a client
Bell Ringing at the
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Investor Spotlight



The mutual fund industry is a crowded field. According to the Investment Company Institute, there were some 7,581 mutual funds in operation in the U.S. market alone, as of 2010. That's excluding foreign markets, and excluding so-called "funds of funds." If you include just the funds focusing on stocks, there were still 4,585 of them - all competing for a limited supply of capital.

What's more, mutual funds don't just compete against other funds:

Investment companies and their financial advisor representatives also have to compete for scarce dollars with the insurance industry - which has been giving mutual funds a run for their money with increasingly competitive annuity products, including equity-indexed annuities. And then there's gold and precious metals, real estate, direct ownership of securities, managed accounts, master limited partnerships, private equity and closely-held business opportunities - all competing for a finite number of investor dollars.

With so many possible destinations for every dollar of investment capital, selling investments to capitalists is a bit like selling ice cubes to Eskimos!

That doesn't bother Patricia Baronowski, CEO of Pristine Advisors. An IR/ PR industry veteran with over two decades of experience, Baronowski struck out on her own in 2010 to start her own company, Pristine Advisors. The premise: Pristine Advisors is currently the only company to handle investor relations, public relations, media relations and, increasingly importantly, social media relations, all under one roof, according to Baronowski. Many companies successfully combine the PR and social media, of course, and often handle the advertising and some special events for clients, as well. But there is almost no one in the market who can also provide comparable expertise investor relations, as well.

To Baronowski, it's not a matter of selling ice cubes to Eskimos. It's a matter of solving an Eskimo's ice-related problems. Master that, she says, and get that message out in front of enough of them, and you'll be rolling convoys of refrigerated trucks to the Arctic Circle faster than you can say "salmon sushi."

Closed-End Fund Focus

Over the years - chiefly as a Managing Director working with mutual funds and corporate accounts alike for over 23 years, Baronowski gained particularly deep experience with the closed-end fund industry. This is ►

◀ a specialized segment of the mutual fund industry in which shares aren't bought and sold from the investment company directly, as is the case with traditional open-end funds. Instead, investors buy and sell shares from each other over the exchanges, just like shares of stock.

This architecture simplifies the fund managers' job, because they don't have to worry about sudden massive inflows or redemptions nearly as much as open-end fund managers do. They are therefore free to hold less in cash as a reserve against redemptions, and to invest heavily in relatively small or illiquid markets. Many closed-end funds, therefore, specialize in emerging markets.

Closed-End Funds - The Unsung Heroes of Emerging Market Investing

Closed-end funds are vastly underutilized by the investment industry, argues Baronowski. The proof? Closed-end fund shares routinely trade at significant discounts from the net asset value of the underlying portfolio. This means that a dollar's worth of stock frequently trades for 90 to 95 cents in the closed-end world. This is a major differentiator from both open-end funds, which always trade at the NAV as of the end of the day, as well as exchange-traded funds, which generally have extremely narrow discounts, if any.

Sure, it's tough to just turn around and sell a closed end fund share you bought at a discount for full price right after you bought it. But meanwhile, you still get the full benefit of all the interest income or dividend income the CEF kicks out. "This makes closed-end funds an ideal vehicle for income-oriented and value-oriented investors," explains Baronowski.

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Cutting Through the Noise - Innovations in Fund Marketing

"Historically, closed-end fund managers have had trouble cutting through the noise to get their story out", Baronowski explains. "Industry and media events frequently lump them in with their ETF cousins. But because of the active management component and the frequent substantial discounts to NAVs, they are a very different animal. There are conferences right now that merge the two investment vehicles together and the CEF's get lost in the mix. It was for this reason that we've created the only venue whereby CEF's can tell their stories in an audience that is exclusively interested in only closed-end funds," posits Baronowski. She believes CEFs deserve their own separate venue, as they are completely different from ETFs. "We didn't do this as a moneymaking venture. We are not conference organizers. We did this because we felt it was imperative that closed-end funds have their time on stage."

In the Works - Upcoming Innovations

Baronowski and her team have a lot of things in the works. Pristine

Advisors just completed a closed-end fund analyst roundtable, which they plan to make a quarterly event. They will be hosting a CEF retail investor webcast later this year, and then another closed-end fund conference towards the end of the year for the institutional Investors, brokers, analysts and the media. "We are excited for our clients!" exclaims Baronowski.

Investor Relations and Management

Liaising with several proxy solicitation companies, Baronowski became very familiar with the unique concerns of activist investors - and the sometimes-beleaguered managers struggling to keep them happy. Unfortunately, relations between company management and shareholders would occasionally sour - and not always for sound reasons. "Sometimes managers should have done better. But often management was quite competent and diligent, but there were breakdowns in communication between the corporation or fund and its more activist shareholders," Baronowski says.

When she founded Pristine Advisors, Ms. Baronowski decided to get out in front of that curve with an innovative solution: "We wanted a way to help investors be heard without causing friction with the funds," she explains. "So we organized a webcast - entitled Putting Shareholders First. We identified three of the more well-known closed-end fund activists, and brought them on the panel. We invited investment managers to sit in, and the shareholders got to be very direct about what they want from their fund managers - but without pointing fingers at anyone."

The result: Both sides got a better understanding of each

◀ other's' position. And fund industry participants got a chance to interact with important potential sources of capital. "It was a very positive experience for everyone!" exclaims Baronowski.

Beyond Closed End Funds

Pristine Advisors' client list doesn't end with closed-end funds. The team alongside Ms. Baronowski consists of IR/PR veterans Pam O'Brien and Theresa Barrows, as well as 6 other team members that focus on everything from social media, research and sales. Their focus on CEFs spills over into particular

expertise with companies from a variety of emerging markets from the U.S., China, Jamaica, Mexico - and all across the globe. They all come to Pristine Advisors with one key driving need: To get their story in front of American retail and institutional investors.

"We don't want to be pigeonholed into the closed-end fund industry," says Ms. Barrows. "Our clients are companies in all shapes and sizes. Our core competencies are centered on helping companies connect with investors - both existing owners and new ones."

Selling the Flavor, Not the Ice

And so we come full circle to the Pristine Advisors concept. Trying to sell ice cubes to Eskimos doesn't necessarily work as much anymore - if it ever did. Today's marketers need to be much more subtle, and the message more finely delineated. So maybe the Eskimos won't buy blocks of ice just because you offer it. But if you can be creative and innovated the way the folks at Pristine Advisors have been and show how to sell coconut, passion-fruit and mango-flavored sno-cones, don't be surprised if they don't mush their way to your door in droves. ■