Dealing with Clients in Tough Markets: Communicate, Communicate, Communicate

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Jim is the manager of a classic long/short equity fund, and he is not having a good day. His longs are down and his shorts are up, his prime broker is peppering him with irritating questions, and his assistant has just handed him yet another pink phone message slip that says, "Call Mr. Client ASAP—he wants to know what is going on with the fund!" The growing stack of phone messages is the last thing Jim wants to deal with.

"I'll just wait until the market closes," he says to himself, shoving the message slips to the side of his cluttered desk and focusing on the numbers on his computer screen. "Then I'll deal with these phone messages."

The unreturned calls hang over Jim's head as he works. His anxiety builds. He is certain that talking to the clients will be time-consuming and will suck the life out of him. He'll have to explain his performance, review his strategy and defend his positions once again. How come no one calls when performance is up?

"I don't need this distraction," he mutters. "I need to concentrate on my performance—that's what clients pay me for!"

In declining or volatile markets, many investment professionals dread communicating with clients. Yet it is precisely during difficult markets that you should be making those calls. Your clients pay you for performance, but they also pay you for information beyond formal written statements or performance reports. In hedge fund-speak, the client pays for "access" to you, the manager. And, unfortunately, it is when the markets are most volatile that clients want to see value for their fees.

Informing, educating and communicating clearly with your clients are among the most valuable steps you can take to solidify client loyalty and to create enduring client relationships. You know this intellectually, but instead, you find yourself avoiding or procrastinating when it comes to returning client calls.

What are the underlying issues?

What is blocking you from picking up the phone and talking to your clients? For many managers, the underlying dread is that the investor will be angry with you, be disappointed in you or lose confidence in you. In other words, you may be anticipating judgment or criticism of your actions, intelligence or ability. If you are being judged negatively, you will feel bad at the end of the interaction, and if your fund is down, you already feel bad enough.

Investment managers often feel deeply connected to their funds or strategies, almost to the point of associating questioning or evaluation of their management as personal criticism.

But you are not your fund.

Yes, your limited partners conducted criminal and background checks on you, and at the end of the day they looked you in the eye and said, "I trust this person to make me money." Still, it is your fund that is down—not you. Your fund is a strategy that you are managing. If you stand back for a minute and separate your qualms from the reality of the situation, you are likely to find that the client's intention in calling is not to criticize you, but to gather information about the fund and the markets.

Clients need information and reassurance.

The client has entrusted you with his or her money, probably because of the validity of your approach, the role of the strategy within their total portfolio, and/or because they were impressed by the expertise you bring to the management of the fund. In times of market volatility, the client is overwhelmed with potentially alarming information from the media and may be prone to panic.

What the client really wants to know is what is happening with his or her money, and what is happening with your strategy. You are the person who has that information with regard to your fund. In all likelihood, the client wants to come away with knowledge or information that reassures him or her that you have a sound strategy, that you are following the strategy and that you have a plan for dealing with the volatility in the markets. Put yourself in your client's shoes. The client probably doesn't want to attack you or find fault with you, but does want to know that you are in control. The client needs reassurance that can only come from explanation and review.

Remember, it is not about you; it's about them.

If you can reframe your own point of view and see that you are really the key source of information rather than the object of attack, it will be easier for you to make the phone call. Keep in mind that you can guide the conversation, provide your client with the data he or she needs, and lead them to a satisfying conclusion. Then you can get back to managing your fund with a clear mind and focused energy, knowing that your clients have received the service they want and deserve.

Here are some concrete tips to help you make the call more easily, efficiently and successfully:

Just do it.

Procrastinating or delaying the client communication will only irritate your investors and increase your anxiety, so make a plan to return the calls. Schedule 45 minutes after the market closes to make calls from a quiet place, away from your Bloomberg and other distractions. Politely explain to each investor that you are trying to call all of your clients and can't talk for long, but that you wanted to touch base and call each investor personally.

Prioritize.

Before actually calling, make a list of your clients and rank them in order from most supportive to those you most dread calling. Call your most supportive clients first—to warm up, and get a feel for what is on their minds. Listen carefully and make notes. By the time you get down the list to the more challenging clients, you will have rehearsed, practiced and perfected your comments.

Have a plan.

In advance of making the call, write down the main points you want to make. In addition, anticipate the questions your investors might ask and answer them in writing. Your clients might ask questions like: What's happening? How does this affect the fund? What does it mean for my investment? Preparing answers in advance allows you to feel comfortable with your responses and provides you with written notes to which you can refer if you get rattled.

During the call, follow your plan. Cover your main points and then ask for questions. At the end, ask if their questions were answered. Make a note from that conversation of anything you can add to your notes for future calls.

Stand up and breathe.

You will feel better and more confident if you make the call from a standing position. Take five deep breaths into your gut—it settles the adrenaline in your system and clears your head. It will also improve the tone of your voice, which you want to sound calm, focused and in control.

Practice makes perfect.

In advance of the call, create a worksheet with two headings: "Keep" and "Change." After each call, evaluate what worked ("Keep") and what was less effective ("Change"). Using your own feedback, hone your notes so that each call becomes more efficient and successful. Keep these "after-action reviews" to help improve your calling strategy on future calls.

Use technology.

When it is really hitting the fan, and you cannot call everyone personally, schedule a conference call or series of calls where investors can dial in, listen and ask questions. Announce these with a group email that has some detail about your thinking. Even in a conference call, remember to prepare your notes, rehearse, breathe deeply, stand and keep a worksheet for your next call. By adopting these practices, you will find it easier to tackle client phone calls in even the most difficult markets.

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