

Alternative Investments

How Asset Management Firms Frame Their Funds

corporate
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ABOUT CORPORATE INSIGHT

Corporate Insight (CI) provides competitive intelligence and user experience research to the nation's leading financial institutions. For over 20 years, Corporate Insight has tracked new developments in the financial services industry through our *Monitor* research services and custom consulting services. We are known for our detailed, objective research, unmatched expertise, and emphasis on the actual user experience. There are no assumptions in Corporate Insight's work – we use live accounts at the firms we track to benchmark their effectiveness across all major channels and give our clients unparalleled competitive intelligence.

Corporate Insight is continuously tracking and identifying best practices in online asset management, banking and investing, insurance, annuities, mobile finance, active trading platforms, social media and other emerging areas. In the process, we have helped our clients -- which cover the entire spectrum of financial services -- to stay on top of industry trends and improve their competitive position.

Our research and analysts are frequently cited in financial media outlets such as The Wall Street Journal, Barron's, Bloomberg, CNBC, Forbes and SmartMoney and news publications like the Associated Press, New York Times, Newsweek, TIME and USA Today.

PR INQUIRIES

Corporate Insight is open to having its research cited for marketing purposes. Should your firm wish to cite any of our research, please contact Ben Pousty, Marketing Manager, at 212-832-2002 x-134 or bpousty@corporateinsight.com to coordinate approval.

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Dear Reader,

Thank you for downloading Alternative Investments: How Asset Management Firms Frame Their Funds. At Corporate Insight, our mission is to analyze and understand the trends and innovations that will shape the future of the financial services industry. We place a special emphasis on assessing the online prospect, customer and advisor experience offered by leading firms as well as the mobile and other digital practices that are changing the way financial institutions interact with consumers.

Although much of our research focuses on the financial services technological landscape, we also keep a keen eye fixed on product and marketing trends throughout the industry. This whitepaper is the result of extensive research by CI analyst Fred LaPolla into the promotion and positioning of alternative investment funds, a burgeoning investment product in the asset management space. Inside, we compare alternative investment website content and marketing efforts across four leading providers, offer you key takeaways from our research and provide our thoughts on what's next for these products.

We hope you find this whitepaper valuable. Happy reading!

Sincerely,



Michael Ellison, President
Corporate Insight, Inc.

INSIDE...

Introduction	1
Case Studies	2
BlackRock	2
CNL Securities	4
Deutsche Asset & Wealth Management	5
Eaton Vance	6
Key Takeaways	8
Firms Are Mixed on Education.....	8
Organization of Online Materials Varies.....	8
Opportunities to Avoid Correlation a Common Selling Point.....	9
Closing Thoughts.....	10
What's Next for Alternative Investments?	10
Our Asset Management Monitor Services.....	11
Corporate Insight Thought Leadership	13
About The Author	14

INTRODUCTION

Alternative investments have captured the attention of the asset management world. Recent months have seen increased focus both on asset management websites and in the financial press on alternative funds, especially as low interest rates have increased correlations between stocks and bonds. While buzz around alternatives is growing, asset management firms are only beginning to offer dedicated information on these investments as a distinct class. Part of this may be due to their relatively amorphous nature, encompassing assets as diverse as commodities, real estate, currencies, gold and securities employing hedging strategies. Indeed, alternatives are frequently defined by what they are not: not stocks, not bonds and not cash.

The high level of media attention reflects alternative funds' growing popularity as an investment choice. A recent [survey](#) from *Morningstar* and *Barron's* states that alternative funds experienced inflows of \$19.7 billion in 2012. Additionally, the survey notes that alternative funds have received increasing institutional investment relative to hedge funds, with 45% of institutions using mutual funds to gain exposure to long-short strategies while 26% use hedge funds for the same purpose.

Although alternatives can offer diversification benefits to a portfolio, they also entail risks, especially for investors who do not understand these unfamiliar, often complex assets. This summer, FINRA issued an [investor alert](#) warning that investors may not fully understand the complexity of alternatives. Additionally, a [recent MarketWatch article](#) reports that the Massachusetts' chief securities regulator subpoenaed 15 brokerages to investigate if seniors were being unethically pushed to invest in complex REITs.

This white paper examines how asset management firms are promoting and positioning alternative investments on their websites by assessing the online product and educational content and outreach efforts of four leading firms in the space: BlackRock, CNL Securities, Deutsche Asset & Wealth Management (DAWM) and Eaton Vance. CNL is uniquely positioned in this group as the only company to focus solely on alternatives and real estate investments. Our goal is to provide a comparison of website content and marketing efforts aimed at educating investors and preparing advisors for alternative fund conversations.

METHODOLOGY

We analyzed each firm's Web content, describing key site features for the purpose of comparison. In our analysis, we viewed the following three areas as central to how firms explain and promote alternatives:

- 1. Access** – How easy is it to locate information? Are users likely to find these resources? Will they have to hunt for resources or are they prominently visible?
- 2. Education** – What sorts of information are provided for investors and advisors? Are different types of alternatives explained? Do firms provide sales ideas and tips? Do they address risks?
- 3. Product Promotion** – How well do firms present and promote their alternative mutual funds? Is product information incorporated into educational resources or is it kept separate?

CASE STUDIES

To examine how asset managers present their alternatives funds, we looked at four firms: BlackRock, CNL Securities, Deutsche Asset & Wealth Management and Eaton Vance. Three of these firms focus primarily on general mutual fund management, while CNL is the sole alternatives fund focused company included in our analysis. We aim to provide a comparison of these firms to see what asset managers are doing today to promote alternatives.

BLACKROCK

BlackRock unveiled its [Alternative Investments Education Center](#) in March of 2013, releasing the outlet in conjunction with promotional homepage images.



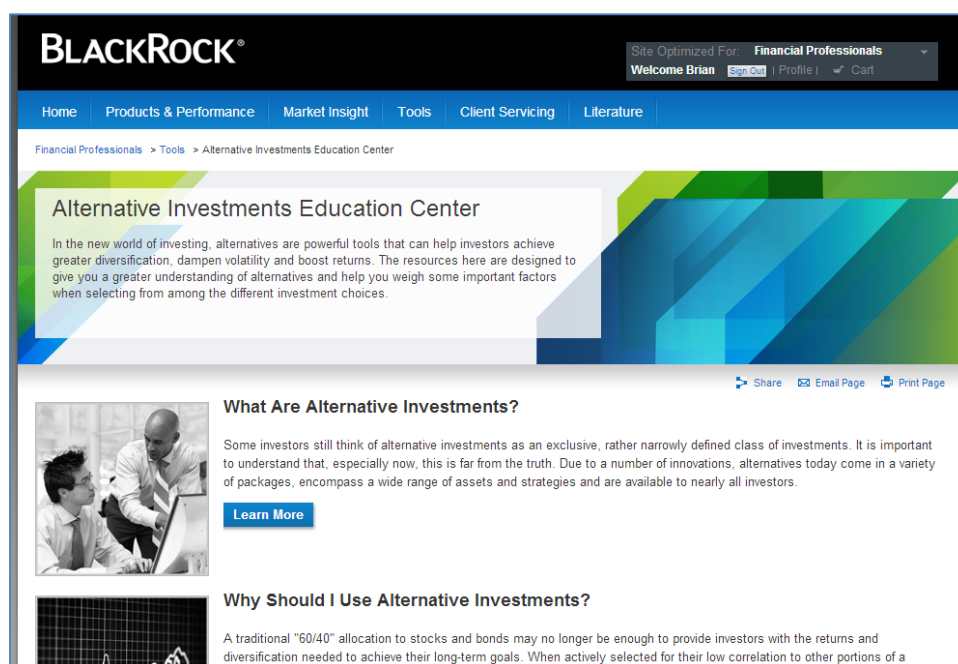
BlackRock's Alternatives Promotions

The Education Center hosts informational pages divided into three main areas:

1. [What Are Alternative Investments?](#)
2. [Why Should I Use Alternative Investments?](#)
3. [How Can I Use Alternative Investments?](#)

Each of these pages offers links to educational articles explaining alternative investments in greater detail, and the center hosts shareable PDF materials that break down key concepts for clients. BlackRock frames alternatives as “[content vs. containers](#)” in order to help clients think about alternatives differently. Basically, this means considering both the underlying assets (“contents”), as well as the legal structure of an investment (“containers”), in order to create a diversified portfolio.

The firm also provides educational pages explaining [myths about alternatives](#), the benefits that they can provide in terms of [diversification opportunities](#) and the opportunity to use them to [capitalize on market inefficiencies](#). The section includes deliverables such as a [Long/Short Strategies](#) flyer, a [Diversifying with Alternatives](#) flyer and a guide, [Alternative Investments: Key Concepts](#). BlackRock takes a smart approach, primarily promoting alternatives as a means of diversifying a portfolio and protecting against volatility.



Alternative Investments Education Center

The main menu’s Products & Performance tab also hosts a dedicated [Alternative Investments](#) page, which is accessible by a Product Finder image on the homepage. Here the firm provides a brief definition of alternative investments and explains how they can offer diversification benefits by providing low correlations to indices. The page includes a list of links of “Funds to Consider,” which includes the firm’s [Commodity Strategies Fund](#), [Emerging Markets Long/Short Fund](#) and [Global Long/Short Equity Fund](#).

CNL SECURITIES

CNL Securities, unlike the other fund firms in this report, maintains a business model exclusively focused on alternatives. The firm specifically deals in REITs, or Real Estate Investment Trusts, and BDCs, Business Development Companies. The firm's website offers main menu tabs for Education, Advisor Resources, Invest with CNL (listing CNL funds), About and Contact, all providing access to information on alternative investing and the firm's capabilities.



CNL Securities Homepage

CNL's dedicated Education tab provides information on alternatives in general as well as in-depth explanations of REITs and BDCs. The tab explains that a [REIT](#) is a "corporation that combines the capital of many investors to acquire or provide financing for real estate," and a [BDC](#) is "a company that invests primarily in the debt or equity of private American companies." CNL offers informative videos as well explaining the benefits and risks of investing in both [REITs](#) and [BDCs](#). These videos explain the structure of alternative investments, noting that risks may not be appropriate for all investors, but that such funds offer the potential for non-correlated returns, which helps to smooth the impact of volatility. CNL stands out for offering the clearest explanations of risks as well as excellent, easy-to-digest educational pieces.

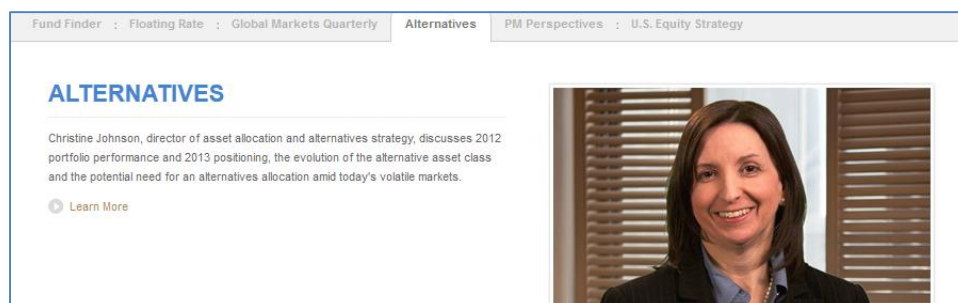
The Invest with CNL tab serves as the site's products center. Here, advisors and investors can access information on specific funds and how to invest. CNL currently offers five funds, though two are closed to

new investment. Opening the profile page for any fund generates a warning lightbox explaining that alternatives funds have significant risks, and investors therefore must view some level of disclaimer before gaining additional promotional information. CNL is also unique among firms we examined for offering distinct websites for each product. Product websites host fund documents, press releases and information about the strategy and positioning of investments. For example, the [Corporate Capital Trust](#) site offers access to risk information, prospectuses, financial statements, SEC filings and share repurchase information, as well as brochures, fact cards and an informational video. Other product sites are available for the [CNL Healthcare Properties](#) and [CNL Growth Properties](#) REITs, as well as the [Lifestyle Properties](#) and [Global Income Trust](#) REITs (which are closed to new investors).

CNL also offers a unique investment process among firms examined in this white paper. The firm's How to Invest page explains that advisors must first confirm that their clients meet suitability standards, as defined by each fund, complete a subscription agreement and submit the agreement with a check for fund investment. The suitability standards for CNL funds are significantly stricter than other funds in this study, typically requiring a net worth of \$250,000 and an annual income of \$70,000, as well as possible further requirements for certain states.

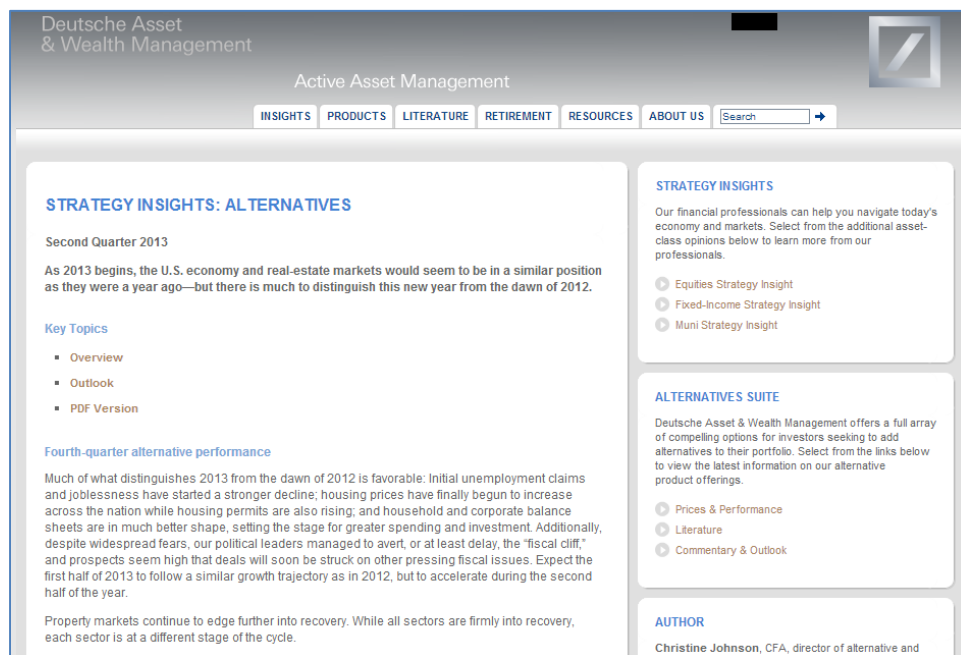
DEUTSCHE ASSET & WEALTH MANAGEMENT

Deutsche AWM disperses information on alternatives throughout their site, hosting resources in sections by type rather than opting for a single alternatives outlet. The firm provides commentaries and literature, and allows users to filter product information to exclusively view alternative fund data. The firm often includes an Alternatives image on the tabbed homepage image display, promoting recent video commentaries, such as April's [Alternative Investment Focus](#).



Deutsche Alternatives Promotion

Deutsche AWM's Asset Class Opinions feature includes a quarterly [Alternatives Strategy Insight](#) piece. The piece provides Deutsche AWM's outlook on alternative investing. As an example, the current edition primarily focuses on discussions of real estate investing.



Strategy Insights: Alternatives

Deutsche AWM provides an [Alternative Asset Allocation Suite](#) brochure, currently promoted with an image on the Products tab dropdown menu. The brochure advertises alternatives for their potential to diversify a portfolio, shield investors from volatility and increase portfolio efficiency. The firm also uses the brochure to promote two individual funds: the DWS Alternative Asset Allocation Fund and the Select Alternative Allocation Fund.

Deutsche also highlights alternatives in its Products and Literature filtering systems. In both tabs, visitors are presented the option of filtering to view only data and documents for specific asset classes, including alternatives. The Products tab's Mutual Funds page does this by providing an Asset Class dropdown menu, allowing site users to select Alternatives for viewing pricing and performance information, as well as expenses, dividends, capital gains and yields. The Literature tab's Mutual Funds page also offers a check box system for filtering documents, providing fund documents and brochures for Deutsche AWM alternative products.

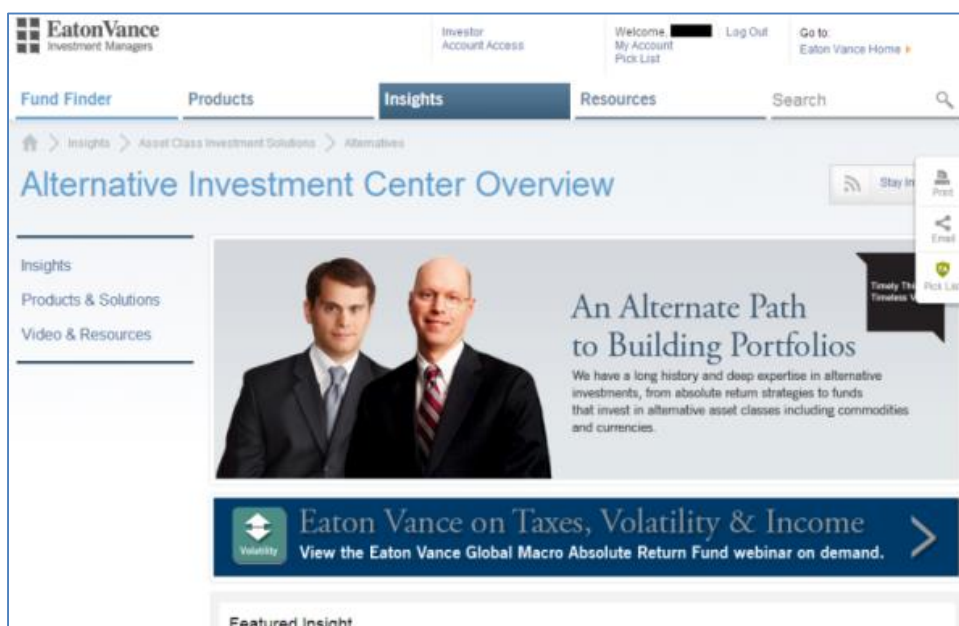
EATON VANCE

Eaton Vance focuses on the firm's alternatives offerings in a dedicated Asset Class Investment Solutions educational module. The website's Insights tab, where most of its market commentary and educational content is hosted, provides access to the firm's Asset Class Investment Solutions resource. Additionally, the firm features alternatives as a separate class in the Products tab and the site's Fund Finder tool.

The site's Insights tab hosts the Asset Class Investment Solutions section, which presents educational information on several asset classes and categories, including the [Alternative Investment Center](#). The Center features a convenient local navigation scheme, allowing users to move between Insights, Products &

Solutions and Video & Resources pages. The firm also provides an overview page hosting featured analysis. The [Insights](#) page links to PDF commentaries addressing issues relating to alternative investments, with titles such as “Currency Allocation and Why It Makes Sense Now,” “Why a Diversified Approach to Currencies Makes Sense” and “Same Challenges, Different Year.”

Eaton Vance uses a broader definition of alternative investments in providing resources than other firms; for example, one piece, A World Turned Upside Down, primarily promotes EM fixed income investments. While the Alternative Investment Center is strong at grouping commentaries and lists of funds, the firm pales in comparison to BlackRock’s educational explanations of the assets.



Alternative Investment Center

The Alternatives Products & Solutions page links to fund profiles sorted into three vertical groups: Absolute Return, Other Alternatives and Parametric Funds (an Eaton Vance subsidiary). When moused over, individual fund names generate a tooltip box providing NAV, symbol and investing goal. This page allows investors and advisors to conveniently access Eaton Vance alternative products in one location. The Alternatives center also hosts a streaming video webinar on the [Global Macro Absolute Return Fund](#) and a [Video & Resources](#) page, currently featuring a single video commentary (Europe: A Debt Problem and a Competitiveness Problem).

Eaton Vance smartly color-codes fund information in its Products tab: blue for equity and hybrid funds, green for fixed income products and burnt orange for alternatives. This color scheme is used both on the Mutual Funds overview page and in individual profiles, allowing for consistency and easy identification of asset class. The Fund Finder tool also employs the same color-coding, giving alternatives high prominence. For both open-end and closed-end funds as well as the firm’s Parametric Funds, alternatives are included as a top-level option for filtering funds. Taken together, investors can easily locate information about alternative funds as an independent investment type on Eaton Vance’s site.

KEY TAKEAWAYS

FIRMS ARE MIXED ON EDUCATION

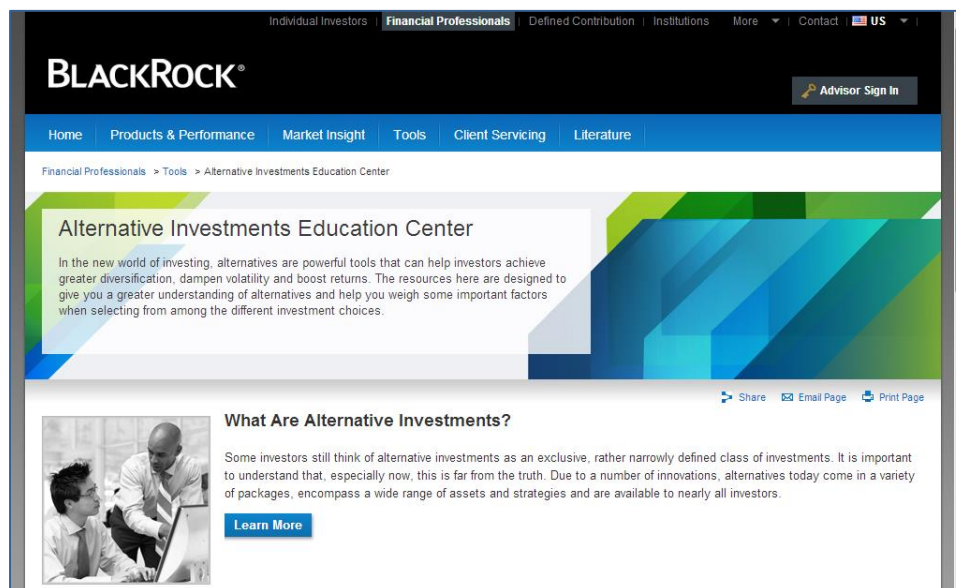
The four sites we examined differ in the educational resources they offer for users. CNL is by far the strongest site for education, with devoted resources helping to illustrate REITs and BDCs. The firm excelled for clearly explaining both benefits such as the ability to offer non-correlated returns as well as the risks involved in holding alternative investments. Additionally, CNL provides resources in multiple formats, offering investors and advisors the opportunity to read articles or watch videos, depending on their preference. BlackRock also stood out for offering a clear and coherent organization of resources on diversification and different hedging strategies. By breaking content into three simple sections – What Are Alternative Investments, Why Should I Use Alternative Investments and How Can I Use Alternative Investments – BlackRock offers a digestible outlet for explaining alternatives to site users.

CNL ...excelled for clearly explaining both benefits such as the ability to offer non-correlated returns as well as the risks involved in holding alternative investments

Eaton Vance offers less in the way of a comprehensive education center. While the firm's Insights page hosts materials that explain diversification benefits and shifting economic realities worldwide, the site's resources do not match BlackRock for offering a comprehensive educational overview. Similarly, Deutsche AWM offers commentary such as the Strategy Insights Alternatives piece, but offers little on-site to explain the assets to advisors or their clients. Instead, Deutsche's site visitors must refer to the PDF Alternative Asset Allocation Suite brochure, which primarily exists to promote two of the firm's funds.

ORGANIZATION OF ONLINE MATERIALS VARIES

Across the four firms, organization was mixed between centralized alternatives outlets and dispersion throughout a site. CNL's entire site is devoted to alternatives, so this issue does not apply to the firm. Both BlackRock and Eaton Vance offer distinct alternatives centers, while Deutsche AWM provides resources diffused throughout the site, offering commentary in the Insights tab, performance data in the Products tab and fund documents in the Literature tab. While it certainly makes sense to include literature and product information in respective areas of the site, the firms that offer a devoted alternatives center perform better at explaining and promoting alternative funds. This can help individuals get a better handle on alternatives, a topic that may be unclear to many.



BlackRock Alternative Investments Education Center

BIG RANGE ON RISK DISCUSSION

Unfortunately, risk is given short shrift on asset management company sites aside from CNL. While this is not surprising, given that firms are in the business of selling funds, it is still important for them to properly educate investors about the risks inherent in their offerings. As was evident in the aftermath of the financial crisis, institutions and individuals often do not understand the assets they are holding, and firms have a responsibility to try to fully explain products, upside and downside.

CNL represents an exception to this finding. The firm offers clear explanations of risks and requires significantly higher suitability standards, which go a long way towards preventing retail investors from making poor decisions. Additionally, the firm's educational materials provide clear discussions of risk, and the topic is given high prominence on CNL product websites.

OPPORTUNITIES TO AVOID CORRELATION A COMMON SELLING POINT

The most common selling point for alternatives investments is their ability to offer diversification. BlackRock, CNL and Eaton Vance all note that alternatives can help dampen the impact of volatility by offering non-correlated returns. Currently, Eaton Vance promotes a diversified portfolio of international currencies, while BlackRock includes educational pieces aimed at addressing portfolio design in the contemporary investing environment. CNL's educational videos on REITs and BDCs mention avoiding correlation, as well as other appeals such as the ability of investments to grow with inflation.

The most common selling point for alternatives investments is their ability to offer diversification

CLOSING THOUGHTS

Amid an environment of high correlation, investors and institutions are likely to continue to seek new ways to cushion their portfolios from turbulent markets. The four firms featured in this whitepaper – BlackRock, CNL Securities, Deutsche Asset & Wealth Management and Eaton Vance – all approach the topic in slightly different ways. As a firm that exclusively deals in alternatives, CNL avoids the challenge of incorporating alternatives alongside other investment types. BlackRock offers a comprehensive education center within the larger fund site, while Deutsche opts for a more diffuse approach, integrating fund data, literature and commentaries into separate site sections. Eaton Vance falls in between, hosting commentaries and fund lists in one location, but also providing a good presentation of alternative assets using color-coded lists in its Fund Finder tool and Products tab.

Educational materials and explanations of risk are weaker with BlackRock, Deutsche and Eaton Vance than might be hoped, but all three firms commendably address a burgeoning topic of investment interest. Resources provided by CNL are decidedly stronger.

WHAT'S NEXT FOR ALTERNATIVE INVESTMENTS?

Outside of the aforementioned four firms, very few asset management companies tracked by Corporate Insight currently present alternatives funds as a separate category for investment. We anticipate that this will change given the increasing focus in the news media and investment sphere. We expect firms to add better explanations of their assets, including risk information, in order to avoid running afoul of regulators and state agencies. Asset management firms would do well to look to experienced alternative managers to provide clear and earnest explanations of the risks and benefits of alternative investing.

OUR ASSET MANAGEMENT MONITOR SERVICES

Corporate Insight's *Monitor Research Services* continuously track the online and offline user experience offered by leading firms across the financial services industry. For asset management firms, we offer our *Advisor Monitor* and *Mutual Fund Monitor* research services which collectively track the public, client and financial advisor websites and collateral materials offered by leaders in the space.

ADVISOR MONITOR

Launched in 2002, ***Advisor Monitor*** was Corporate Insight's first subscription Monitor Service to track and review the online user experience from the perspective of financial advisors. Using live accounts from active financial advisors, *Advisor Monitor* gives you an unprecedented look at the online advisor resources offered by your competitors across the asset management industry. These include sales and marketing materials, practice management resources, product and educational resources and more.

FIRMS COVERED

- AllianceBernstein
- Allianz
- American Century
- American Funds
- BlackRock
- DWS Investments
- Eaton Vance
- Federated
- Fidelity
- Franklin Templeton
- Invesco
- iShares
- J.P. Morgan
- Lord Abbett
- MFS
- Oppenheimer
- PIMCO
- Putnam
- The Hartford

SUBSCRIPTION HIGHLIGHTS

Monthly Research Reports – Comprehensive reports that focus on key aspects of the online advisor experience including product and educational resources, sales and marketing materials, practice management resources and more. Also available as an easily digestible slide deck. Reports include:

- Detailed reviews of each *Advisor Monitor* firm
- Key findings and best practice analysis to help improve your company's offerings
- Handy matrix summarizing your competitors' offerings

Bi-Weekly Update Reports – In-depth review of latest changes and additions to competitor advisor sites.

Advisor Website Videos – Go behind-the-login and take a first-hand look at the online resources your competitors offer their advisors.

Advisor Collateral Materials – All materials and communications that we receive are available for subscribers to view or download online. This includes sales materials, newsletters, marketing pieces, disclosure documents and email communications.

Analyst Support – Personalized research support from our experienced *Advisor Monitor* team.

MUTUAL FUND MONITOR

Launched in 1999, **Mutual Fund Monitor** focuses on the online user experience offered to clients and prospective investors by asset management firms. Using live accounts, *Mutual Fund Monitor* gives you a first-hand look at online capabilities including client account information, transactions, educational tools and account documents offered by your competitors across the asset management industry.

FIRMS COVERED

- AllianceBernstein
- American Century
- American Funds
- Dreyfus
- Fidelity
- Franklin Templeton
- ING Funds
- Invesco
- Janus
- Legg Mason
- MFS
- OppenheimerFunds
- Putnam
- RS Investments
- T. Rowe Price
- Vanguard
- Wells Fargo

SUBSCRIPTION HIGHLIGHTS

Monthly Research Reports – In-depth reports that focus on key aspects of the online customer user experience, account documents, customer service, industry trends and more. Also available as an easily digestible slide deck. Reports include:

- Detailed reviews of each *Mutual Fund Monitor* firm
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- Handy matrix summarizing your competitors' offerings

Bi-Weekly Update Reports – Review of latest changes and additions to competitor public and client sites.

Client Website Videos – Go behind-the-login and take a first-hand look at the online resources your competitors offer their clients.

Client Collateral Materials – All materials and communications that we receive are available for subscribers to view or download online. This includes account statements, newsletters, marketing pieces, disclosure documents and email communications.

Analyst Support – Personalized research support from our experienced *Mutual Fund Monitor* team.

To learn more about our *Advisor Monitor* and *Mutual Fund Monitor* subscription research services, please contact **Jeff Latzer**, head of asset management research, at 212-832-2002 x-123 or jlatzer@corporateinsight.com.

CORPORATE INSIGHT THOUGHT LEADERSHIP



[Next-Generation Investing: Financial Startups and the Future of Financial Advice](#)

Corporate Insight currently tracks over 100 startups that represent a wide range of new ideas when it comes to financial advice and investing. This study will focus on each new idea, analyze how it compares to what established financial institutions offer and examine the potential impact on the investment industry. The preview includes a teaser for one of the topics that will be discussed in this study – algorithm-based investment advice using account aggregation – and a profile of Jemstep, a leading provider of algorithm-based advice.



[Facebook Marketing: Social Media Initiatives in the Insurance Industry](#)

This slide deck highlights some of the engaging Facebook marketing campaigns initiated by *P&C Insurance Monitor* firms this year and offers a few Facebook marketing tips for insurers.



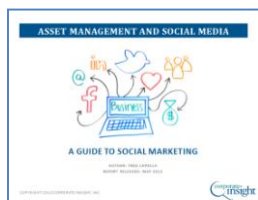
[User Insights Vol. 2: Comparing the Desktop and Tablet Banking Experience](#)

This usability study provides insights to how mobile applications match up against traditional website interfaces, both in terms of usability and functionality across five leading banks.



[2013 Mobile Finance Trends and Innovations](#)

This study includes commentary on mobile developments, key takeaways for financial services firms and thoughts on what's next for mobile finance.



[Asset Management and Social Media: A Guide to Social Marketing](#)

This guide looks at how asset management firms use popular social media platforms such as LinkedIn, Twitter, Facebook, YouTube and Google+ to connect directly with investors and financial advisors. It's also available as a [slide deck](#).



[The Millennial Opportunity Whitepaper](#)

This whitepaper examines the marketing tactics, strategies and online resources leading financial institutions are using to connect with Millennials. It's also available as a [slide deck](#).

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Fred LaPolla is a Senior Research Associate with Corporate Insight's *Mutual Fund Monitor* and *Advisor Monitor* research services. He has conducted extensive research in the fund space, focusing on the online presences of asset management firms and their use of online media to reach investors, clients and advisors. This study is the result of extensive research into the online marketing and education offered around alternative investments.

Fred has authored several thought leadership pieces, the most recent being a social media marketing guide for asset management firms. Fred's expertise has been quoted in a variety of publications including Ignites.

Fred received a B.A. from George Washington University in 2008 and holds a M.L.S. from CUNY Queens College. He has been a member of the Corporate Insight team since 2011.



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