

Social Media for the M&A and Alternative Fund Professional

2017



Introduction

M&A professionals, private equity managers, hedge fund managers and other service providers such as investment banks are starting to embrace social media. In this paper, we explore why and how to address compliance and other regulatory issues when establishing a successful social media presence.

The tremendous growth of social media over the past decade has significant social, economic and political implications. Embraced by all corners of corporate America, social media has become a catalyst creating tremendous growth for many B2C brands. Employing social media in an intelligent way can lead to increased brand engagement. Brands can tell a story in real-time and engage with consumers on a one-to-one basis.

However, social media isn't just for consumer B2C companies any longer. We are hitting a tipping-point in social media usage where B2B deployment is also increasing at frantic rates. According to the Content Marketing Institute, 92% of B2B marketers use social media as a content marketing tactic to drive revenue. The main advantage cited is the ability to leverage social media to build relationships with current and potential customers.

As social media continues to proliferate, financial services and fund professionals have started to embrace marketing and branding tactics, leveraging social media tools in the process. Approximately 92% of firms in the fund space see the benefit of investing in their brand. Firms are starting to understand that investing in social media is an excellent way to build a brand while influencing existing and potential relationships through a new form of high-powered networking.

Investors are leveraging social media as well. In a recent survey, Brunswick Group found that institutional and private investor interaction with digital and social media is increasing substantially, with deeper online engagement driving investment action. Surprisingly, 28% of investors investigated an issue seen on Twitter, and 24% made an investment decision after reading a blog. Institutional and private investors are increasingly utilizing social media networks to supplement their own investment hypotheses.

However, even though the SEC is now offering itself to the industry and general public via social media, we see the number one deterrent to utilizing social media is uncertainty surrounding regulation. Given the lack of clarity surrounding the SEC and FINRA social media rules, most firms decide to avoid the perceived risk altogether. Existing marketing and advertising rules were developed based on traditional forms of promotional activities prior to the development of social media. In today's world, trying to apply decades-old rules to current practice has produced an opaque regulatory landscape for firms to navigate. This complexity has forced investment managers to avoid using this powerful marketing tool as part of a compliant social media and marketing strategy. "If used compliantly, social media is an effective and economical tool that asset management firms can utilize to build brand awareness and express their industry expertise," commented Joanne Belbey, a Compliance and Social Media SME and Forbes contributor. "Marketing has evolved with digital solutions emerging as a strong influencer across multiple industries," continued Belbey.

The whitepaper, therefore, seeks to not only provide you with clear and concise compliance steps to undertake in launching a social media strategy, but also expands on four compelling reasons why a fund manager should actively utilize social media.



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Four Reasons Why An Alternative Investment Firm Should Adopt Social Media

In addition to the factors described above, we propose the following four compelling reasons to investing in social media as a complement to your business development and marketing strategies:

1

Build Brand Awareness

Social media can be an excellent tool to demonstrate your firm's expertise in a specific sector or investment strategy. On social media, you can share thought leadership articles or whitepapers and highlight your expertise through case studies. Your thinking will be viewed and shared with more people than you may have reached through traditional marketing channels.

Additionally, having a consistent presence on social media will help foster your firm's brand recognition. Your followers will notice your firm's updates on social media and over time, the company name will become synonymous with the investment sector your firm targets.

2

Combine Social Media and Traditional Deal Sourcing for Maximum Results

"Social selling," when business development professionals use social media to interact directly with their prospects, is becoming a crucial way for successful teams to network in a digital age. A key component of this strategy is utilizing intelligent content to attract inbound inquiries. Such content can be published as part of a firm blog and utilized in outbound origination efforts via email and direct outreach. Rather than cold-calling, dealmakers can share custom tailored articles made for the audience they are targeting.

In addition, custom created articles and whitepapers can be socially shared across the major social media channels to improve brand awareness and increase thought-leadership within your sphere of influence.



3

Recruit More Effectively

Competition for the best and the brightest is, in and of itself, a worthy objective around which to develop a social media strategy. Future talent and leadership will be able to quickly ascertain how your firm describes itself and the degree of transparency surrounding the firm's culture from social media outlets. Potential employees and partners want to understand who you are as a firm, and an excellent way to provide relevant information is to proactively share details about your firm's cultural, philanthropic and ideological views and positions. Future employees automatically default to social media to gain a sense of your firm's culture. Real time content helps them answer key questions about whether or not they could envision themselves working with your firm.

4

Research Potential Clients or Investment Opportunities

Social media has emerged into a strong listening tool; however, many in the financial services sector do not utilize its true potential. As outlined earlier, investors are increasingly using social media over traditional sources of information to research investment ideas and companies. These platforms can serve as a powerful research tool to learn more about them – who their contacts are, what information they share, how are they connected with others within your network, and so forth.

In addition, LinkedIn Groups are a great listening tool as they provide people with a forum to discuss questions they have pertaining to a specific industry or topic. For example, an alternative investment manager may start a conversation in a LinkedIn group about a specific trend in a sector. As part of this group, you can actively “listen” to the dialogue that will transpire and gain a better perspective of what others are doing in the space.

Five Steps To A Bullet-Proof Compliance Policy

Compliance is top of mind for every alternative investment manager in today's regulatory-heavy environment. Alternative investment firms, specifically private equity and hedge funds, need to build a strong brand to differentiate themselves in a sea of lookalikes. They, like many other industries, see social media as a good tool to build their firm's brand awareness and reach people they may not have through traditional marketing channels. The good news is that there are five practical ways to roll out a social media strategy compliantly, and remain top of mind.

1 Policies and Procedures

Investment management firms must have policies and procedures that are strong and tailored for their particular business model. Marketing is a key component of the regulations, and social media falls squarely within this realm.

A strong policy should outline the procedures around:

- who can post on behalf of the company;
- which websites are approved and which are not;
- what type of content can be shared;
- what the approval process is for publishing content; and
- what is the role of the company's brand ambassadors.

The policy should also include an incident response plan in the event the company's Twitter account, for example, is hacked or if a rogue employee goes haywire on LinkedIn. This will include a crisis communication protocol so senior management understands the steps that need to take place in a "what if" circumstance. Fire drills are best resolved when there is a pre-determined action plan.

As a general rule, any inquiries should be directed to the Chief Compliance Officer ("CCO"), or a designated principal of the firm.



2

Record Keeping

Record keeping is extremely important with any company communication. The SEC has implemented strict policies around record keeping of employee communications, trades and other operational items. Social media is not exempt from this rule.

It is necessary to capture, archive and be able to make posts, comments and other activity on the company's social media pages available to the SEC upon request. Beginning in October 2017, the SEC will require that firms list all their corporate social media accounts on Form ADV. There is software readily available that will make complying with the record keeping rules simple and straightforward. More likely than not, your firm's compliance software provider will have a social media record keeping solution. If not, you can look at other provider solutions such as Global Relay or Smarsh.

To ensure that what your firm is sharing on social media is compliant, it is best to establish a pre-approval process with the CCO. An example of how this process might look is the analyst drafts a case study, which his manager has reviewed and approved. Before he can publish the case study on social media, he must forward it to the CCO, who in turns reads, approves and logs the content. Once the case study has been documented correctly, the CCO, or a designated person at the firm, can post it to the company's social media sites.

Having appropriate record keeping procedures in place will ensure that you will be able to provide the SEC with the information they are looking for in the event of an exam.

3

Define What Is and Isn't Considered "Advertising"

The SEC is quite direct about what they regard as "advertising." Regulations state that anything going to more than one person is considered advertising. You may be thinking, "*then how do I utilize social media compliantly if this is the SEC's stance?*" We are here to guide you.

First, there are two types of "advertising" to address: (1) static information and (2) interactive information.

When you think of static information, picture your company's LinkedIn profile. The information on your company's profile generally remains constant: number of employees, company name, industry category, etc. Before the profile is made public, it is essential that the CCO review and approve it to ensure that there is no unintentional advertising spin to any information displayed on the page.

Your firm's general counsel or CCO will also encourage that the page has appropriate disclaimers on it to absolve your firm from any misperception from viewers.

Firm employees should consider using the firm-approved description on the company profile on their personal page. This way, the employees are compliant with regulations and their profiles cannot be deemed as "advertising" on behalf of the firm.

Interactive information is slightly different and encompasses all posts your company authors or shares. As we mentioned previously, it is best practice to have all outward facing content sent to the CCO before being published. This will ensure that the correct documentation protocols are followed and the appropriate approval process is in place. This same rule of thumb applies to content that has previously been published. If any updates are made to that information, the CCO should review, approve and document those changes accordingly.

To avoid raising any red flags with regulators, policies should prohibit any firm wide recommendations, advice or opinions in any content on the company's social media profiles or the employee profiles.

4

How to Address Testimonials on Social Media

Testimonials have become fairly popular on LinkedIn. In general, they provide little value but can be misconstrued as a ringing endorsement of an individual's or firm's capabilities.

It is best to make it a firm policy to prohibit receiving and giving testimonials or recommendations on LinkedIn. In fact, it is simple to turn this feature off to avoid any uncomfortable formalities. You may want to consider adding a disclaimer on the company's social media page regarding the firm's policy on testimonials.

The SEC did address the issue of testimonials in 2014 with published guidance on the topic. If these accolades are made available in the public domain, such as through a LinkedIn post, they could be considered advertising. However, there are compliant ways to include third-party, independent testimonials that can help build the firm's image and brand without violating the rules.

5

Understanding Suitability Issues

We live by the adage "less is more." There are a few good ways to adopt this theory. First, leave information on the company's social media page fairly general, so as not to be seen as giving advice or providing potential investors with the impression of how a specific asset class, sector or security is performing.

Second, it is best to put personal bias and interests aside and just report the facts. Black and white in this case is better as any shades of grey can be easily misunderstood or twisted. There can be a separate password-protected area on your firm's website for existing or pre-qualified investor related information. For example, a firm can post their most recent commentary letter or fund factsheet on the company's password-protected website.

Finally, ensure that proper disclosures are displayed appropriately on the company's website and social media pages, just as with regular pitch books or presentation materials.



Conclusion

One in three private equity firms are utilizing social media to enhance their brand. How did these firms and other alternative investment managers get comfortable with navigating the compliance hurdles and launch a social media presence? They took a deep breath and ventured with baby steps. There is no reason to open the social media spigot and frantically publish posts multiple times a day. Instead, take time to plan and organize your thoughts. Understand the purpose for utilizing social media. Understand your audience. Create a framework for the type of content you are seeking to share.

As part of the planning process, it is helpful to draft an editorial calendar that specifies the content you will be sharing and the cadence. The calendar sets the tone for the posts and ensures that the entire team understands your marketing initiatives.

The most important part of any strategy is consistency. This too applies to social media. It takes time to build a following and reap the benefits of a stronger brand. Be patient and consistent!

About The Authors - Carolon Capital LTD

Carolon Capital is a global financial services firm specializing in fund distribution and management, strategic marketing and investor relations support. Established in 2014, Carolon provides asset managers, private equity firms and other service providers the support they need to expand their investor base and improve deal opportunities through a suite of complementary services.

We would welcome the opportunity to answer any questions you may have about the content of this paper or assist with your firm's branding and marketing initiatives.



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About The Authors - Gartland & Mellina Group

Gartland & Mellina Group is a boutique management consulting firm formed by a team of professionals with extensive experience in the Financial Services Industry. GMG provides front office, operations, finance, regulatory, compliance and technology consulting with offices and clients in Canada, the U.S. and Europe. We develop high quality, practical, and cost-effective solutions for our clients and assist them in implementing and maintaining their operating models. GMG has a vast network of affiliates, joint ventures and partnerships that further augment our capabilities and ensures our clients are receiving best-in-class service.

The firm's regulatory compliance practice works with investment advisers in the development and ongoing management of their compliance programs, and is pleased to discuss any items contained herein or other compliance questions that may be of interest to you.



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Case Study

HBM Holdings – St. Louis Based Investment Management Firm

HBM has embraced social media as part of the firm’s comprehensive marketing strategy. The purpose of utilizing social media is to increase brand awareness, stay top-of-mind with intermediaries as well as business owners and to recruit talented employees.

During the strategic planning meeting, we worked with HBM to define a social media plan that encompassed their overall goals. We discussed their purpose for utilizing social media (i.e., purely business development, recruiting or other), the type of information they were looking to share, the social media sites they wanted to utilize and the overall cadence of posts and shares. Below is a snapshot of how HBM is utilizing social media today.



Social Media

HBM Blog, LinkedIn, Twitter, Google+ and Facebook

Purpose

Increase brand awareness, stay top-of-mind of intermediary relationship and recruiting

Information Shared

Both original content and content published through other sources

Cadence

Post twice a week. Aim to publish original content (blog post, whitepaper or case study) two to four times each month and share content from reputable industry publications the rest of the month

Since the firm began utilizing social media as part of their larger marketing strategy, their followers have increased on each social media site and the interaction has also increased. The chart below demonstrates the consistent increase in interaction on HBM’s LinkedIn and Twitter pages. These figures are updated as of April 2017.

	LINKEDIN	TWITTER
# OF FOLLOWERS	29%	12%
# OF IMPRESSIONS	73%	431%
ENGAGEMENT	24%	206%

A consistent sharing of relevant information to HBM’s followers has led to an increase in the number of followers, the number of impressions and the overall engagement on social media.

Social Media Presence - HBM Twitter & LinkedIn

HBM Holdings Leadership is a Series of Actions > <http://bit.ly/2pvXdA4> Talent development throughout our portfolio companies is a strategic priority for us. We don't believe in simply motivating those in leadership roles; we help our portfolio companies directly by crafting and offering programs and strategies to create fully functioning, high performing teams that are all invested in the collective future.



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HBM Holdings The middle market deal landscape remains competitive despite the market slackening in 1Q 2017. Per PitchBook, the media transaction increased to \$238.5 million, compared to the full-year 2016 figure of \$128.3 million. > <http://bit.ly/2pP2K5I> [PitchBook Data](#)



Middle-market PE sees unprecedented surge in median deal size | PitchBook News

bit.ly · Private equity dealmakers are still grappling with how to deploy capital in a competitive, costly environment. Even as buyout flow in the US middle market slackened in 1Q 2017, the median...

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