



Selection Criteria Scorecard

30 Key Factors to Evaluate Investment Managers

Part 1 of 5 - ORGANIZATION + FIRM STRUCTURE

1. Ownership

- 3= Independent, 100% owned by key decision makers
- 2= Substantial ownership by professionals (> 50%)
- 1= Insignificant ownership by professionals or 75% by one person

2. Number of investment professionals

- 3= 5 or more investment professionals
- 2= 2-4 professionals with plans to increase staff when assets grow
- 1= one person show

3. Culture of firm

- 3= defined and strong leadership structure, promote from within, succession plan
- 2= steady as you go, no internal issues, flat organizational structure
- 1= need to work through leadership, succession, morale

4. Reputation and integrity

- 3= No regulatory issues, strong compliance, clean ADV, recent SEC audit with no findings
- 2= clean or resolved minor issues, no recent SEC audit (past 5 years)
- 1= legal actions, fined or censured

5. Financial strength

- 3= cash on balance sheet, profitable, constant reinvestment in firm
- 2= "breaking even", limited capacity to invest in firm now
- 1= not profitable, high burn rate

6. Manager location

- 3= major city, easy access, geographically desirable
- 2= within 1–2-hour drive from major city
- 1= remote location

7. Portfolio manager "pedigree"

- 3= Blue chip background, well recognized, strong references
- 2= solid background and credentials, lesser known institutionally
- 1= not distinguishable or recognized



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Part 2 of 5 - PRODUCT & STRATEGY

8. Asset class activity

3= high demand with limited supply of quality managers, capacity constrained

2= consistent activity or increasing demand

1= occasional interest or limited demand

9. Performance

3= top quartile with consistency over 5+ years, low dispersion

2= top 50% of peer group, with consistency over most time periods

1= below median numbers over long term or too short a track record to be marketed

10. Assets under management

3= \$200+ million small cap, \$1+ billion large cap, \$400+ million hedge fund

2= less than the above, but something to work with

1= less than \$100 million

11. Available capacity

3= significant, virtually no limit

2= > \$1 billion

1= limited capacity, <\$1 billion

12. Client breakdown

3= diversified institutional clients (5+)

2= fewer than five institutional clients

1= no institutional clients

13. Investment vehicles

3= separate accounts, commingled vehicles, mutual funds, SMA/wrap, UMAs, LPs

2= primarily separate accounts, willing to start new vehicles

1= separate accounts only



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Part 3 of 5 - INVESTMENT PROCESS

14. Disciplined process

- 3= clear and easy to put on paper, consistent, repeatable
- 2= clear and easy but needs to be developed
- 1= complex, hard to articulate

15. Competitive advantage

- 3= clearly identifiable anomaly to exploit, sustainable advantages can be demonstrated
- 2= some elements of uniqueness, must be “drawn out” from manager
- 1= more commodity, advantage on pricing

16. Identifiable style

- 3= fits easily into an existing style/cap box
- 2= good fit with some exceptions
- 1= difficult to box into institutional category

17. Attribution analysis

- 3= holdings-based attribution confirms story with consistent value added
- 2= conclusions positive but not consistent
- 1= inconsistent conclusions and questions

18. Distinctive story

- 3= easy to distinguish from competitors
- 2= unique parts of the process exist, but need to be identified
- 1= story is hard to distinguish from the crowd

19. Portfolio manager presentation skills

- 3= Polished, knowledgeable, articulate, and persuasive
- 2= credible but lesser presence, average confidence
- 1= limited presence, less confident



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Part 4 of 5 - INFRASTRUCTURE & COMPLIANCE

20. Compliance Program

- 3= state of the art, comprehensive internal controls, and procedures
- 2= policies and procedures in place but could improve processes for oversight and updates
- 1= templates “off the shelf”, outdated, inconsistent process for ongoing updates

21. Internal Non-Investment Professionals & Support–

- 3= Full-time CCO, dedicated risk manager, analytics and trading systems in place
- 2= Part-time compliance and risk professionals in place
- 1= overlapping responsibilities by investment professionals, compliance, and back-office personnel

22. Trading

- 3= dedicated trader, fully automated, straight through processing, systems for checks and balances
- 2= part-time person, limited automation, manual checks and balances, spreadsheet-based
- 1= lack of dedicated resources, little or no automation

23. Performance and other data

- 3= GIPS compliant and verified, updated annually, high quality composite
- 2= in process of getting verified
- 1= no verification or plans to get verified

24. Portfolio accounting and other service providers

- 3= well recognized institutional quality, superior infrastructure
- 2= serviceable systems, enhancements needed to broadly pass due diligence inspections
- 3= major system upgrades needed



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Part 5 of 5 – MARKETING TERMS & CONDITIONS

25. Commitment and accessibility of the professionals to market

3= committed, proactively looking to invest in dedicated marketing resources

2= stated desire to grow but skeptical and unsure on how to proceed

1= not able/willing to commit additional resources

26. View of 3PM business

3= committed to 3PM model

2= desire to learn more

1=skeptical of outsourcing model

27. Contractual 3PM terms and conditions

3= understand model: exclusivity, retainer/expense budget, incentive compensation

2= open minded but need to learn more about 3PM business

1= Skeptical of 3PM relationship

28. Marketing history

3= Inconsistent or limited institutional presence but positive reputation

2= modest recognition in marketplace, neutral reception

1= over marketed firm with history, hurdles to overcome

29. Marketing materials and information requests

3= manager “pushes a button” and data arrives within 1-2 days

2= not turn-key, labor intensive processes but potential for improvement

1= new systems and processes needed

30. Website

3= current site, lots of material, professional brand, ongoing content development

2= existing but outdated site, limited web presence but desire to do more

1= static/limited website, no interest in market presence



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Composite Scoring

People & Organization	_____	of total 21
Product & Strategy	_____	of total 18
Investment Process	_____	of total 18
Infrastructure & Compliance	_____	of total 15
Marketing terms & Conditions	_____	of total 18
Total Score	_____	of total 90

Total Score

78+	Ready for institutional marketing strategy
69 - 78	Building blocks in place
61 – 77	Significant investment/work to be done
Below 60	Headwinds for growth