

The Top 5 'P's of Evaluating an Investment Manager

The process of evaluating investment managers begins with finding a manager with an identifiable and repeatable edge, followed by a careful examination of a number of important criteria. Glenmede's Manager Research Group believes that assessing the following five 'P's, when evaluating a manager - whether it is a mutual fund or hedge fund - can help achieve this goal:

1. People

Get to know the key people in the organization. What are their backgrounds and experiences? How do they work together to make decisions? How are they motivated? Cohesive teams have often worked together for many years and are capable of backing each other up at critical points in time.

2. Process

In some respects, investing is like manufacturing: the product rolling off the assembly line needs to follow a set of clear rules and be resilient. Is the investment process clear, repeatable and battle-tested? While the day-to-day movement of the financial markets is uncertain, we want to know that a manager is sticking to a well-defined process for sourcing and analyzing investments and operating its business.

3. Performance

Has the manager performed well in the past, including in unfavorable market conditions? While we don't have a crystal ball, strong past performance suggests a successful process and gives clues to assist in due diligence prior to investing. It also helps us monitor investments we've made already.

4. Price

Is the price commensurate with the performance we are getting and the risk we are taking? Investing is inherently competitive - and with the increasing proliferation of ETFs - that competition is accelerating. The "price" of an investment isn't only fees a manager charges, but includes other characteristics, such as liquidity.

5. Partnership

Is the manager easy to work with and responsive to requests for further information? As long term investors, developing a solid working partnership with investment managers is crucial. A mutual respect for each other's business needs and internal processes should be the foundation of the relationship. An alignment of interests, whereby a manager is aligned and invested alongside clients, is also important.

If you have any questions, don't hesitate to contact your Relationship Team or email us at Top5@glenmede.com.

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