

SMA MANAGER DUE DILIGENCE CHEAT SHEET

The 5 Ps: Philosophy | People | Process | Performance | Platform

ADJUSTED FOR RISK PRINCIPLE | Don't select the manager with the best story or track record. Select the manager whose philosophy, people, process, performance and platform align with the client's objectives.

01 PHILOSOPHY

What does the manager believe?

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| ☐ What is the manager's investment philosophy? | ☐ Where does the team believe market inefficiencies exist? |
| ☐ Is the philosophy consistent across market environments? | ☐ How does the manager behave when the strategy is out of favor? |
| ☐ Does the team's expertise align with the client's objective? | ☐ Do holdings align with the client's objectives and values? |
| ☐ What is the manager's sell discipline? | ☐ Are fees clear, transparent and fully understood? |

RED FLAG | The manager's stated philosophy and actual portfolio don't match.

02 PEOPLE

Who is actually making the decisions?

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|---|---|
| ☐ How long has the portfolio manager managed the strategy? | ☐ Is the strategy managed by an individual or a team? |
| ☐ How dependent is the strategy on one individual? | ☐ Is there a documented succession plan? |
| ☐ Who are the key investment professionals? | ☐ How many research analysts support the strategy? |
| ☐ Has there been meaningful investment-team turnover? | ☐ Is the team adequately staffed for current and future AUM? |

RED FLAG | Historical performance depends heavily on a portfolio manager who is no longer running the strategy.

03 PROCESS

How does the philosophy become a portfolio?

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| ☐ How are investment ideas generated and securities evaluated? | ☐ How are positions sized and risk managed? |
| ☐ What triggers a sell decision? | ☐ How much discretion does the portfolio manager have? |
| ☐ What is systematic versus discretionary? | ☐ How are portfolio changes implemented? |
| ☐ How does the SMA differ from the firm's other vehicles? | ☐ How are client restrictions, customization and tax management handled? |

RED FLAG | The process is difficult to explain, inconsistent or overly dependent on judgment without a repeatable framework.

04 PERFORMANCE

Does the evidence support the story?

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| ☐ Is performance appropriately presented and, where applicable, GIPS compliant? | ☐ Does the history represent the strategy being evaluated? |
| ☐ Do risk analytics align with the client's objective? | ☐ Review drawdown, downside/upside capture and downside deviation. |
| ☐ Review tracking error and active share where appropriate. | ☐ Is the strategy truly active, or is it a closet index? |
| ☐ Is the strategy style-consistent? Are there unexplained outliers? | ☐ How did it perform across cycles, drawdowns and versus appropriate peers? |
| ☐ Have you read the performance disclosures and footnotes? | |

RED FLAG | Performance, risk profile or portfolio characteristics don't match the manager's stated objective.

05 PLATFORM

Can the firm actually deliver?

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| ☐ Are there material regulatory, compliance, legal or disciplinary issues? | ☐ Has there been significant senior-management turnover? |
| ☐ How committed is the firm to the SMA business? | ☐ How accessible is the investment team? |
| ☐ Does the firm have adequate trading, technology and operational resources? | ☐ Can the platform support tax management and customization? |
| ☐ Can the firm handle an influx of new assets and accounts? | ☐ Can it scale without sacrificing service or investment quality? |

RED FLAG | The strategy is strong, but the firm lacks the infrastructure, resources or commitment to deliver it effectively.

THE FINAL ADJUSTED FOR RISK TEST

Do the 5 Ps tell the same story?

AREA	CORE QUESTION	ADVISOR ASSESSMENT
Philosophy	Clear, repeatable investment belief?	Strong / Neutral / Concern
People	Experience and resources to execute?	Strong / Neutral / Concern
Process	Disciplined process from philosophy to portfolio?	Strong / Neutral / Concern
Performance	Evidence supports objective and risk profile?	Strong / Neutral / Concern
Platform	Can the firm consistently deliver?	Strong / Neutral / Concern

DON'T JUST ASK: "How did it perform?" ASK: "Is this the right manager for this client's objectives, constraints, and risk?"

Which manager gives my client the best probability of achieving their objective for the amount and type of risk they are taking?