ADJUSTED FOR RISK SMA DUE DILIGENCE FRAMEWORK

A holistic framework for evaluating SMA managers beyond performance.

01 PHILOSOPHY

What does the manager believe?

The foundation.
Where is the inefficiency?

KEY QUESTIONS TO ASK

- Where does the manager believe market inefficiencies exist?
- What is the core investment belief that drives the strategy?
- How has the philosophy held up in different market environments?
- Is the philosophy aligned with the client's objectives and constraints?

A strong philosophy is clear, consistent, and testable.

02 PEOPLE

Who is making the decisions?

The decision-makers.
Who succeeds the PM?

KEY QUESTIONS TO ASK

- Who is responsible for the investment decisions?
- How long has the portfolio manager managed this strategy?
- How dependent is the strategy on one individual?
- What is the depth and experience of the investment team?
- Is there a clear succession plan?

Great strategies need great people—and a plan for the future.

03 PROCESS

How does the philosophy become a portfolio?

The investment engine.
What's the sell discipline?

KEY QUESTIONS TO ASK

- How is the investment universe defined?
- What is the portfolio construction process?
- What risk management tools and limits are used?
- What is the sell discipline?
- How is the process customized for individual clients?

A repeatable process turns belief into disciplined action.

04 PERFORMANCE

Does the evidence support the story?

The proof.
Do risk metrics match the objective?

KEY QUESTIONS TO ASK

- Does the track record align with the stated philosophy and process?
- How has the strategy performed across market cycles?
- Do risk metrics match the objective?
- How does the strategy compare to relevant benchmarks?
- Is performance driven by skill or risk?

Performance should validate the philosophy and the process.

05 PLATFORM

Can the firm actually deliver?

The infrastructure.
Can it scale without sacrificing quality?

KEY QUESTIONS TO ASK

- Does the firm have the resources to support the strategy?
- Can the strategy scale without diluting performance?
- Is the operational infrastructure robust?
- How is technology used to enhance the investment process?
- What are the firm's alignment and ownership culture?

A strong platform supports consistency, capacity, and client outcomes.

THE 5 P's WORK TOGETHER

Alignment across all five areas increases the odds of achieving the right outcome for your client.

PHILOSOPHY — Defines the opportunity and guiding beliefs.

PEOPLE — Drives the strategy with skill and experience.

PROCESS — Turns beliefs into a disciplined approach.

PERFORMANCE — Validates the approach with measurable results.

PLATFORM — Provides the infrastructure to deliver consistently.

THE ADJUSTED FOR RISK TEST

Do the five Ps tell the same story?

- Does the evidence support the stated philosophy?
- Does the portfolio behave as expected?
- Do risk metrics match the objective?
- Is tax management delivered as promised?
- Is there a plan for continuity and scale?

“Don't just ask: “How did it perform?” Ask: “Is this the right manager for this client's objectives, constraints, and risk?”

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With Ryan Nauman