

Wilshire, Russell Win Praise from Sales Pros

By Mariah Summers
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Third in a three-part series.

Russell Investments and **Wilshire Associates** have the most effective due diligence practices among institutional investment consulting firms. That's according to institutional sales professionals who took part in a recent *FundFire* survey.

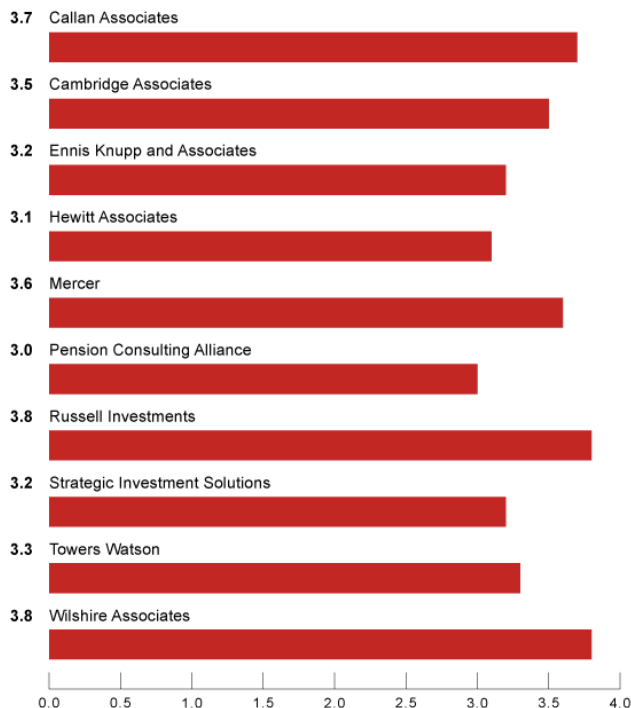
Respondents also named **Callan Associates** as being the consulting firm that's most accessible to managers, with Wilshire and **NEPC** not far behind. The survey responses came from more than 50 professionals at more than 35 firms with in excess of \$2 trillion in combined institutional assets under management.

In subsequent interviews, institutional sales professionals single out Russell and Wilshire for their pre-meeting preparation, the thoroughness of their questions and their clear focus on risk management. One executive says Russell in particular has a reputation for asking "ridiculously tough" questions.

"You have two to three pages of questions before you sit down with them," says this sales professional. "A typical question from Russell would be, 'We see that you sold X,Y and Z stock in October of 2008 and then you bought it back again at the end of the year. Can you give us an idea of why you sold it and why you bought back in?' It can be a very intense way to start a meeting."

FundFire asked survey respondents to weigh in on the effectiveness of the biggest consulting firms, using a five-point scale in which 5 was the most effective. Responses came from 52 sales professionals. Russell and Wilshire both received the highest average rating of 3.8. Callan was just behind with an average score of 3.7, followed by **Mercer** with 3.6 and **Cambridge Associates** with 3.5.

Rate on a scale of 1 to 5 (5 being the most effective) the level of due diligence conducted by the following consultant.



Wilshire Consulting president **Julia Bonafede** says her firm takes a multi-faceted approach toward how they identify a manager's strengths and weaknesses.

"Our manager research due diligence process puts a heavier weight on the qualitative evaluation of the organization and the investment process versus a quantitative analysis of the most recent historical information," she says. "Our scoring process divides the qualitative evaluation into six subcategories including organization, information gathering, forecasting, portfolio construction, implementation and attribution.

"Within each subcategory we focus on different types of risk. At the heart of our due diligence process is a deep understanding of the organization, the investment process, and a rigorous analysis utilizing our proprietary investment analytic software," she adds. "Our goal is to identify institutional quality organizations that we can expect to meet or exceed their stated investment objective consistently in a risk controlled manner."

As for Russell's manager review process, the firm leverages its network of global analysts, who specialize in a geographic area as well as a specific asset class. It also uses an extensive records system that can track the evolution of a manager's strategy over time, says senior research analyst **Megan Roach**.

"We look to evaluate the different characteristics of a manager's portfolio and process and how they evolve over time and over changing market environments. We look to establish a view of the manager's strengths and weaknesses as compared to their peers," she says.

"Some important themes include the caliber of investment decision-makers, differentiation and consistency of the security selection process, the depth and breadth of research and efficient implementation of that work," Roach says. "The goal has always been to identify managers with a competitive advantage."

She adds that profiling tools allow Russell to conduct in-depth reviews of holdings and performance before its consultants meet with managers.

When it comes to consultants being accessible to managers, Callan received the most mentions in the *FundFire* survey with 10, followed by Wilshire and NEPC with six and five mentions, respectively. Rounding out the top six firms were Cambridge, Mercer and **Rogerscasey**, with each receiving three mentions. The write-in question received 47 responses overall.

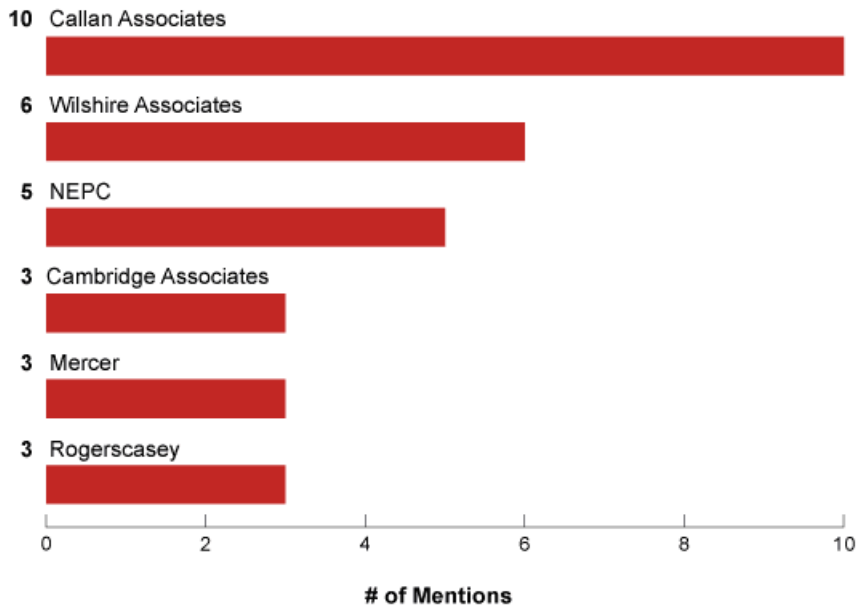
Callan says it strives to reach out to managers at all different points in their careers, and has created an emerging manager program to present managers with the opportunity to meet with the firm.

"We've long supported emerging managers for a lot of our clients, both public and private," says **Kevin Dolsen**, senior v.p. and head of the firm's Chicago office. For example, he says, "We started a program called Callan Connects, which allows emerging managers to sign up for sessions in which they come in and present information on their products and ask questions about how to communicate with us."

Dolsen also says education is a key part of working with new managers and helping explain products to clients.

"One of the other ways we interact with the manager community is an educational forum called Callan College, that is available to clients and the manager community to help them learn exactly what we're trying to achieve on the other side," Dolsen says. "It's really valuable to be completely open about how we do our manager search so managers better understand how to interact with us."

Most Accessible Consultants



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