Manager Selection and Monitoring
Enhanced returns for your investment

Aon Hewitt is one of the world’s leading consulting companies for manager research, selection and monitoring. We help institutional investors to identify the best asset managers and investment products. The objective is to outperform the relevant benchmarks after accounting for all expenses. Our global team of more than 80 research analysts covers all traditional and alternative asset classes. In 2014 we made a total of 787 manager selections worldwide and met with 3'484 asset managers. The results of these analyses and the Aon Hewitt manager ratings are recorded in our own global asset manager database comprising more than 4'000 asset managers with over 11’000 investment products.

Our Guidelines

- **Active asset management can generate added value:** many markets are inefficient and offer the best asset managers the opportunity to realize extra returns.
- **Passive asset management is not risk free:** many market weighted indices are not sufficiently diversified and are exposed to a concentration risk. Moreover, there are generally no suitable passive products in alternative asset classes.
- **Many paths lead to success in asset management:** there is no universal law for success - on the contrary, a variety of investment styles can be successful depending on the market environment.
- **Global manager research:** investment possibilities and asset managers are globally available. Confining the choice to local providers only may limit the potential for returns.

We are here to empower results.
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Manager Selection

The client’s needs are always the starting point. These are summarized in the mandate specifications. A long list of potential candidates is prepared using our manager database of buy rated managers. A client-specific questionnaire is then sent to the long-listed asset managers. Experts evaluate their answers and prepare a recommendation for the short list. The client then decides which asset managers to invite for a final presentation.

Our Methodology to Arrive at a Buy Rating

The first step towards a buy rating is one or more initial meetings with portfolio management and the analyst team. If the manager researcher is confident that the manager is of comparable strength to other buy rated managers in the areas of business, staff, process, risk management, operational due-diligence, performance, and terms & conditions, then a 4 hour due-diligence meeting will be scheduled at the manager’s office. All outstanding issues will be discussed in-depth including ODD (as described below). Key investment decision-makers as well as more junior staff will be met in order to gain a deep understanding of the manager’s strategy, areas of concern / interest and finally, whether the information gathered strengthens or weakens the investment case. After the meeting, the manager researchers will submit their conclusions to three senior members of Aon’s respective asset class team to vote on a rating. It is important to note that the manager researcher does not have a vote. If the strategy is buy rated, then it will form part of the pool of strategies from which we select our best ideas.

Operational Due Diligence (ODD)

Operational due diligence is one component of our manager research process. It is a process comprising several steps including operational due diligence questionnaires and the submission of internal operational documents. Our experts closely examine all documents received.

A sample of the items we review include:

- Trading process - demonstration of portfolio management tools
- Trading compliance - pre & post trade
- Maintenance, review, and renewal of contracts with external service providers (custodians, prime brokers, managers, auditors, jurists and lawyers, compliance staff, IT consultants and OTC swap counterparties)
- NAV calculation and verification / pricing methodology
- Cash handling and authorization
- Compliance with current guidelines
- Governance structure of both the manager and the fund
- Business continuity / disaster recovery
- IT and physical security
- HR processes
Communication

For each asset manager the client would like to invest in, we can communicate using four different reports:

- **InBrief**: A short 2-3 page document specifying the asset manager’s rating
- **InTotal**: A longer 5-10 page document providing all the necessary details on the rating
- **InDetail**: A document also detailing the asset manager’s rating but for alternative investments only
- **Flash Report**: A newsletter informing our manager monitoring clients of changes at the asset manager’s organization

Manager Monitoring

Continuous monitoring ensures that the manager’s performance, team and investment process meet expectations. Manager monitoring can also act as an early warning system for decision-makers. The aim is to detect any changes that could affect an asset manager’s future performance. Manager monitoring is not to be confused with investment controlling. Investment controlling is limited to quantitative data and compliance with investment guidelines. Manager monitoring, however, is geared toward the future and helps clients make any necessary mandate adjustments.

The Keys to Our Success

- **Global and local research as well as experience with all asset classes**: We have an integrated global research program covering asset managers in Europe, America and Asia. Our research is carried out by more than 150 investment consultants; 83 of these experts exclusively conduct manager research.
- **Comprehensive research**: We carry out both qualitative and quantitative evaluations.
- **In-depth analysis**: Our team analyses hundreds of portfolios and their transaction histories on a quarterly basis. Our research database comprises more than 4,000 managers with over 11,000 products.
- **Full transparency**: We proactively communicate with asset managers, letting them know how we evaluate and rate their products.
- **Portfolio construction**: We build and monitor portfolios based on their risk and return objectives.
- **Top-down evaluations with a focused bottom-up approach**: Our main criteria include performance, investment process, risk management, personnel and business model.
- **Delivering distinctive value**: We focus on identifying the best asset manager products for our clients.
About Aon Hewitt
Aon Hewitt is the global leader in human resource solutions. The company partners with organisations to solve their most complex benefits, talent and related financial challenges, and improve business performance. Aon Hewitt designs, implements, communicates and administers a wide range of human capital, retirement, investment consulting, health care, compensation and talent management strategies. Aon Hewitt is represented worldwide with 29,000 employees in 90 countries. In Switzerland, 180 employees are at your service in Aon Hewitt’s offices in Neuchâtel, Nyon and Zurich. For more information on Aon Hewitt, please visit www.aonhewitt.ch.

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