


# Researching Institutional Investment Managers: A World of Opportunity



Institutional investors – from public plans to family offices, endowments and foundations to professional buyers for wealth-management platforms – all want to identify talented managers. Most have a well-defined methodology for screening long-only and hedge fund managers, but the process may have shortcomings from the start.

Limiting the universe of managers included in the research or relying on manager-reported data without more contextual intelligence can tilt findings toward large, long-established managers.

Smaller, more niche or innovative strategies may be filtered out unknowingly, and emerging investment talent could be excluded from screens all together. These common blind spots can be avoided by incorporating three key practices into the manager research process.

## Key practice 1: Start with the full universe of possibilities

Most investors researching institutional strategies are aware that retail fund databases are not a proxy for institutional datasets, but some do try to “satisfice” with these retail substitutes. Researching institutional strategies by screening retail data necessarily narrows the universe of possibilities, because many institutional strategies are not distributed through retail vehicles. This approach, therefore, restricts the research dataset to only institutional strategies that are also delivered through retail channels, which, in practical effect, over-represents large, long-established managers as a percentage of investment opportunities within a given universe.

In addition, retail information typically includes only limited data points. Without a robust quantitative and qualitative data set for full, multi-dimensional analysis, research findings may be inconclusive or skewed, unless an independent effort to collect additional data is undertaken. This typically proves to be a difficult task without in-house experts in data mapping and QA.

A small number of institutional investors – mostly endowments and family offices – eschew databases all together, taking pride in uncovering undiscovered talent through private networks. This approach is atypical, since the advent of cloud-based platforms that collect and aggregate data on tens of thousands of strategies in one place, but it restricts the number of investment opportunities within a given universe even more severely than the use of retail proxies.

To ensure manager research encompasses the full scope of institutional strategies in a given universe, it’s essential to start with robust institutional data.



## Key practice 2: Seek out the context behind headline numbers

Whether they're engaging with a consultant or conducting manager due-diligence and monitoring in-house, institutional investors receive a lot of data from managers. From bios on portfolio managers to investment philosophy, performance metrics to attribution, this data is informative, featuring the headline metrics investors would expect. At the same time, the data typically lacks much in the way of context, either at the firm or strategy level.

At eVestment, we procure thousands of documents a month from public and corporate plans in the US and UK for our Market Lens library. These include consultant recommendations, program reviews and, importantly for this discussion, manager presentations. As of April 2021, the Market Lens collection included 9,086 manager-authored documents and presentations, providing unique line of sight into the data managers provide to investors – both clients and prospective clients. Samples from the collection show that managers are remarkably consistent from firm to firm in their approach to providing data to investors – and that most fail to provide context. Relying exclusively, or even primarily, on manager-provided data, therefore, fills in only part of the picture for investors and research analysts.

We've learned from our global network of 1,069 investment consultants and institutional investors that they value contextual intelligence on managers and their strategies as a key ingredient for not just recommended lists or manager selection but also for on-going due diligence. This intelligence is used to complete the larger picture in three areas:

### 1 Seeing a strategy in the larger context of its peer group on:

- Performance
- Portfolio characteristics
- Risk metrics
- Style, region or sector allocations for equity strategies
- Equity holdings and weights
- Product health through flows
- Fees

### 2 Understanding how a firm or a strategy is viewed by the larger institutional marketplace, with insight into:

- How the most influential investment consultants view
- Investors who may be hiring, watch-listing or terminating the manager
- Which investor-types and regions are buying into a strategy and which are selling

### 3 Being aware of potential red flags in advance, on risks such as:

- Key personnel departures at the firm or associated with a strategy
- Softening of firm health via significant outflows

## Key practice 3: Establish a regular quarterly rhythm

For most institutional investors, manager research is not a “pre-investment” activity. Though investors do obviously conduct intensive research prior to manager searches and making new investments, their research is more on-going. It encompasses monitoring existing managers in addition to researching new investment opportunities.

Establishing a regular rhythm around monitoring existing managers is easily accomplished through automation, where standardized reporting is pushed to research analysts at pre-defined intervals. Researching new investment opportunities is a more organic process, however, because of the breadth and diversity of new strategies coming to market each quarter.

Each quarter, about 500 institutional strategies are added to the eVestment database on average. In Q1 2021 the number was considerably higher, at 654. This included institutional products from 342 different investment management firms headquartered across 28 different countries, spanning the following asset classes:

	Strategies Added in Q1 2021
Equity	288
Fixed Income	185
Balanced/Multi-Asset	71
Alternatives	26
Hedge Funds	73
Real Estate	11

Note that most of these strategies did not launch in Q1, so their respective track records are in actual fact longer. In other words, these strategies were added with some performance history that could be screened, analyzed and compared. For the most part they were not newly manufactured products, which many investors would not deem to be viable investment opportunities because they lack track records.

As the data shows, it would be difficult to keep abreast of the volume and diversity of investible products being added to databases like eVestment without a disciplined, quarterly process designed to identify new entrants into the marketplace.

## About eVestment

eVestment is the institutional market's most influential database. Founded in 2000 by four investment consultants, eVestment is focused exclusively on creating transparency to power institutional investing. We do that by collecting more data, deriving insights from that data and making it available to institutional investors and consultants worldwide. We think it's simple: More data means more transparency, and more transparency means better outcomes.

We offer a range of right-size solutions for investors, because their needs vary widely. Some firms conduct deep due diligence in-house, while others outsource it to a consultant but value having an independent data source for light research. Some have significant interest in private markets, while others rely on passive strategies and a few well-chosen active managers. Some require an investment book-of-record for intensive board reporting, while others can meet stakeholder expectations with basic reporting.



**For a tour of our investor solutions, please contact**  
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### eVestment by the Numbers (as of April 2021)

Reporting managers **3,261**  
Traditional and hedge strategies **26,236**  
Searchable universes **662**  
Data points collected on each strategy **1800+**  
OCIO indices **10**  
All indices **4,293**  
Consultant ratings and recommendations **12,962**  
Observations of actual, negotiated fees **7,150**

### Capabilities

- Data on long-only managers, hedge funds, private partnerships and real assets
- Robust analytic tools for screening and comparisons of both public and private investments
- Global views of how other institutional investors are investing
- Equity holdings-based analysis to detect closet indexing and understand exposures
- Exportable charts and tables for stakeholder presentations
- Automated reporting
- Excel plug-in to work with data offline
- Library of consultant research, ratings and recommendations
- Storage, organization and tracking of research artifacts from reports to meeting notes
- Investment book-of-record with daily custodian data
- Advanced portfolio analytics, including risk and liquidity, across asset classes