

## Selecting an Investment Manager - By Michael Lannon

Perhaps the most often used, but least effective methods of choosing a manager is to base your decision solely on the past performance of that manager. Numerous studies have shown that past performance is a weak indicator of the future performance of an investment organisation. This method fails to take into account staff turnover and risk management procedures that are key to the long-term success for any investor.

The following steps outline the process employed by United Funds Management Limited in choosing fund managers:

### Step 1

The first step is to assess the various manager styles and their capabilities. In order to pass this step a manager is measured against four key criteria.

1. A clear investment process - a clearly defined approach to managing portfolios.
2. Comprehensive up to date research facilities covering the overall investment market.
3. A cohesive investment team - a stable team of investment professionals who are co-operative and disciplined.
4. Consistent returns - due to sound risk management

This creates a shortlist of managers who can demonstrate consistent value added through their investment style.

### Step 2

The second step in the process is to consider the combinations of the short listed managers. By combining managers with different styles it is possible to add value in the various asset classes or sectors. The key is to ensure that the managers have different portfolios and therefore are not subject to the same risks. Since no one investment style is consistently the best, this combination of different styles ensures greater diversity and results in lower risk and volatility.

### Step 3.

The third step in this process is to track the selected managers and evaluate new managers on a continual basis. United Funds Management monitors the investment process, strategies, team stability and performance of fund managers and managers are only retained as long as they are considered likely to deliver superior returns. Essentially this process allows United to "**Manage the Managers**" resulting in consistent and stable returns for their investors.

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