

AIMSE Boot Camp

Consultant Relations

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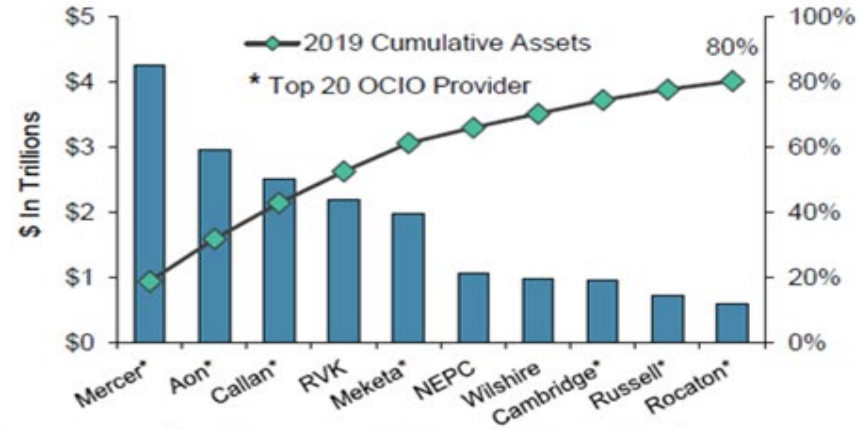
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Consultant Relations: Why it Matters

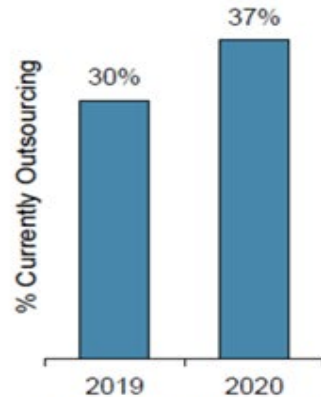
Global Institutional Consultant Utilization



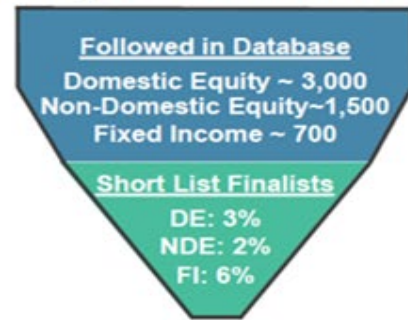
U.S. Investment Consultant Market Share



OCIO Utilization



Manager Selection Funnel



Source: Greenwich Associates Global Institutional Investor Studies-2019, 2020; P&I Investment Consultants Special Report-2019; AI-CIO Outsourced-Chief Investment Officer Survey-2019, 2020; Greenwich Associates US Investment Consultant Study 2020

Greenwich Associates

Evolving Business Models

- Discretionary Management and OCIO
 - 24 consultant firms have discretionary management businesses of significant size

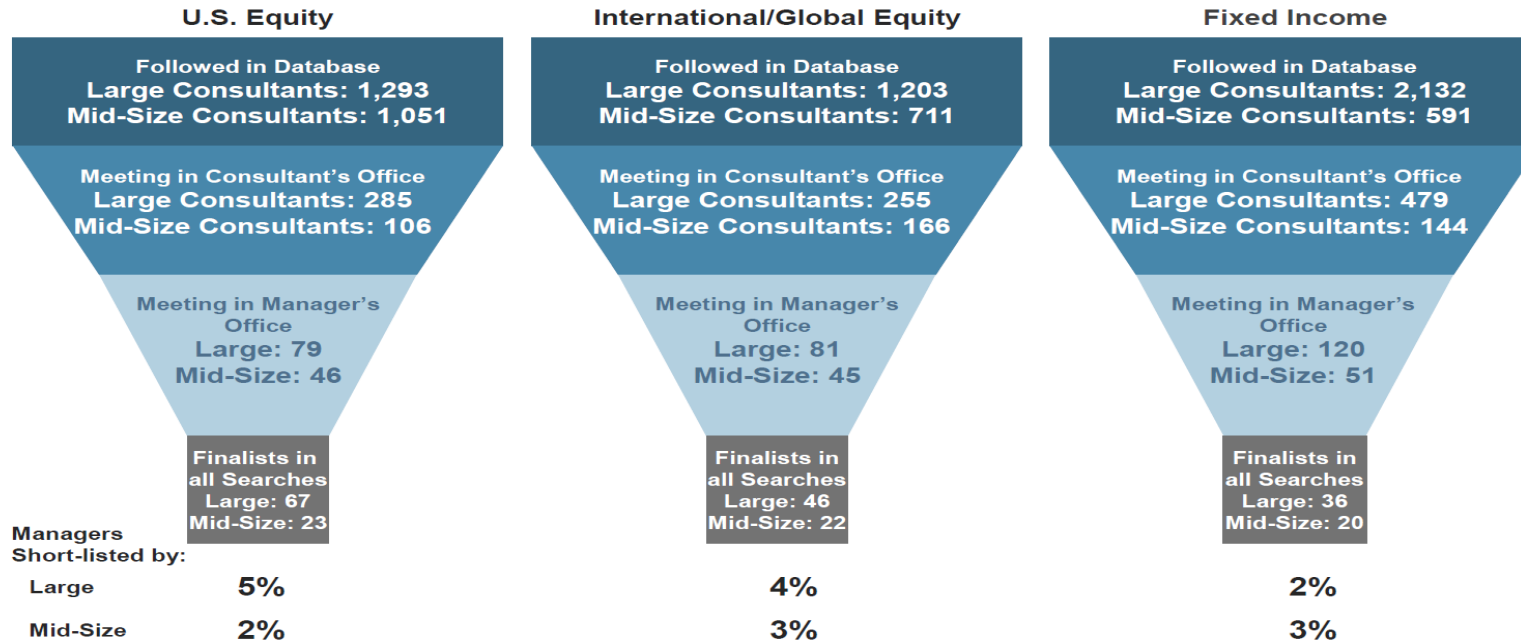
- Expanding revenue sources as industry matures
 - Wealth channel and retail clients
 - DC
 - Non-Profit
 - Even Pension (Cambridge)
 - Insurance

- Consolidation and ownership changes
 - AndCo (Bogdahn +)
 - Mercer (Hammond, Summit, Pavilion, Slocum, EAI)
 - Aon (Hewitt, Ennis Knupp)
 - Segal Marco (Rogerscasey)
 - CAPTRUST (Ellwood +)
 - Verus (SIS)
 - Meketa (PCA)
 - Wilshire

The ability to get selected is extraordinarily difficult

Manager Selection Pipeline

Consultants remain extraordinarily selective, shortlisting at most 5% of managers followed in their databases.



Source: Greenwich Associates
Greenwich Associates

What comes next? CR after (and during!!) COVID

What will be our new normal? Virtual meetings, hybrid work arrangements and WFH may be permanent

- Scheduling inefficiencies
 - Some firms will maintain a WFH policy
 - Others will have a modified WFH policy—throwing a curve ball into stacking meetings for a productive day in a city
- Is it better to have shorter meetings?
 - Will there be more coffees or lunches in a WFH environment? Might not open up a pitch book in a restaurant
 - Consultant time is valuable and they have more demands on their time than ever before
- Where has the relationship gone?
 - Less casual interactions with consultants
 - The formality of informality! While everything feels informal, is it really?
 - Much harder to build new relationships during COVID over ZOOM! Fatiguing, less personable, sometimes awkward
 - We are in a de-personalized world—almost everything is done via email with few opportunities for those casual conversations and opportunities to get to know someone
- How can you get that in-person meeting!?!
 - Know your product and positioning
 - Do some of the lift for the research person—positioning, style, performance, demand, fit
 - Perseverance! Follow-through!

Coverage Models and Communication

- Coverage models vary WIDELY
 - Dedicated consultants relations team cover:
 - Both research and field consultants
 - Only research—field covered by sales and service
 - One firm nationally (i.e.: Callan in NJ, Chicago, Atlanta, Denver, and SF)
 - Regionally (i.e.: all firms on the east coast)
 - Hybrid coverage where marketers cover prospects and consultants
 - Multi-boutique firms with internal boutiques covering only their brand
 - Asset Class model

- Global coordination with all internal groups: Service, Sales, CR, CPMs, Portfolio Managers

- Institutionalization of retail; retailization of institutional

Leveraging Tools

- Tool Benefits: upcoming searches, joiners and leavers, market data and flows, analysis of clicks, directories of contacts, documents from plan sponsors and consultants

News

Ignites
FundFire
P&I
FinDaily
CityWire
Chief Investment Officer
Business Insider

Directories

MMD
IC Research
MandateWire
Preqin
FinSearches
Pitchbook
FINTRX

Portfolio Positioning

eVestment Market Lens
MandateWire
Investment Metrics "Characteristics"
Callan PEP
FinSearches Documents

- Competitor Intelligence
 - Research the **buy rated managers** per product per consultant
 - Know competitors' firm headlines, style drift, year product added to specific consultant buy list (if only 1-3 yrs, too early to remove)
- Content Packaging
 - White papers, podcasts, views on market shocks—deliver via email, LinkedIn, your firm's website
- Database population tools
 - Timely data more important than ever
 - It's not manual anymore! Many automated choices
- CRM system—your IT department likely dictates. Salesforce, Satuit or SalesPage are most popular

Ratings

- Formal Approved List or Customized per Search?
- Influential or Informative
 - (long, long lists vs. focus lists)
- Disclosed or Revealed Preference?
- Factors to earn positive ratings:
 - Demand (Product in demand with consultants' clients)
 - Harder to get a buy rating if the asset class or style is not in demand in client portfolios
 - Macro (Firm Level)
 - Firm stability, ownership, culture, compensation
 - Strategy: is the firm targeted, clear, or scattered
 - Focused on their clients or their share price? Investment focused vs. asset gathers
 - Micro (Product Assessment)
 - Process (repeatable, understandable, explainable to other)?
 - People (investment team chemistry, tenure)
 - Performance (as it illustrates the process; consistently in top 35% valued more than top decile one year, bottom next)

Ratings



- Not all products will obtain a positive rating, *sometimes ever!*
- Many consultants cut their Buy universes to focus on strategies their clients demand—there are fewer slots
 - NEPC FPL list
- ESG is increasingly important to the salability of a strategy. DE&I has grown in importance
 - Know what questions are asked and how your firm responds
 - ESG – a shift to more granular questions re: PM team composition instead of firm ownership only
 - DEI – questions on how your firm utilizes MWBE service providers
 - Consultants with ESG ratings: Mercer, Callan, Wilshire, NEPC, Meketa
 - Importance of integration into investment process, greenwashing
- How to work effectively in this environment:
 - Do your homework to understand consultant research demands and priorities
 - Partner with sales teams to build advocacy with clients to influence consultant priorities
 - Advocate! Requires in-depth product knowledge and competitive universe to position strategy

Approach

- Tier consultant firms based on opportunity, not total AUA only
 - Some big flows come from mid-size consultant firms. Zeros flows can come from large firms.
 - Focus and don't hit your head against a wall
- Do *you* need to cover all types of consultants? Does your firm?
 - Large firms with multiple products and vehicles need to cover all types, but who covers will vary
 - Small firms: be judicious with your resources! Do you have vehicles that match the minimums for the consultant's clients?
- Customize each individual meeting starting by type of consultant
 - A 3rd **research meeting** with a PM: 90 minutes, lots of confirming questions, indication or a due diligence meeting as next step = success
 - A generalist **field consultant** meeting: 25 minutes, having them understand your top products, being able to tell her husband at dinner what your firm stands for = success
- Comprehensive, customized strategy for each consultant firm
 - Specific individuals at each firm identified, goals articulated

Measuring Success

- Qualitative metrics matter—but more is not better with consultant meetings!
 - Number of consulting **firms** met
 - Number of meetings
 - Number of consultant invited RFPs, due diligence meetings, semi-finals, finals, wins
 - Ratings changes
 - Revenue through consultants

- Qualitative metrics matter too
 - Brand perception of your firm with consultants
 - Moving sequentially from RFI to semi-finals to finals for searches
 - Subjective contributions to your firm including input to investment teams, product knowledge
 - Management success, if a CR team leader

- Sales associates and RFP teams
 - If team reports to you, timely completion of data
 - Shadow searches occur daily, underscoring importance of databases

Appendix

Structure at Consultant Firms

- Large consultant firms, their personnel structure
 - Researcher
 - Specialist, historically not revenue generating. Today, senior researchers have direct conversations with prospects to win business and clients to demonstrate expertise
 - Field consultant
 - Generalist, revenue generating

- Smaller consultant firms, no dedicated research role
 - Often a total of 5-15 professionals, all generalists who meet managers and clients

- OCIO / discretionary investment teams: separate teams or integrated

Questions for Discussion

- Do consultants read blast quarterly commentary emails? Technology tracking
- White papers? Short is best
- What's the best day to email / call for meetings?
- What's the best approach for an initial intro meeting? For a meeting where you haven't had any movement / contact for a while? Is it a 15 minute coffee or a full PM overview?
- Segmentation: What are your top 1-2 best products, truly?
 - Equity products? Alternative products? Low tracking error? Which clients buy those products and which consultants advise to those clients?
- What's the best way to add value / build a relationship if your strategy just doesn't look like a buy at the moment?
 - Perhaps it's macro (i.e. no searches in that asset class, no need to add to the bench), or performance issues, or team turnover, etc.