



Manager Selection Process

FINDING GENIUS: Separating Luck from Skill

Frontier looks for a variety of traits in our “genius” investment managers. Some of our managers meet all of our criteria; some meet a variety of important factors. The main goal of our selection process is to identify true investment geniuses who will act in the best interest of our clients, manage assets in a unique specialty, and outperform in the future.

Independent Thinkers – Managers should act in an independent manner that has the best interest of their clients in mind.

Attributes we look for:

- Firms that are owned independently, by management
- Managers that invest in their own portfolios
- CFA Charter Holders or otherwise proven investment specialists with strong ethics

Specialists – Managers should be considered specialists in a specific field; we will invest in the firm’s single best portfolio.

Attributes we look for:

- Firms that offer portfolios in one strategy and/or few products
- Advantage in that specialty – Example: PIMCO has a large amount of fixed income assets, therefore they get offered better deals

Unique Investment Strategy – Managers should offer a unique investment strategy that has been proven to add value.

Attributes we look for:

- Investment strategies that are different from the mainstream, yet empirically effective

Experience – Managers should be experienced in their specialty

Attributes we look for:

- Management has 10 years experience in their specialty
- Firm has managed the recommended portfolio for at least 5 years

Flexibility – Managers should be able to adapt to changing market environments.

Attributes we look for:

- Historic style drift relative to a single index

Track Records – Track records should represent true client experiences, as well as management’s current specialty.

Attributes we look for:

- CFA Institute compliance and disclosures
- No splicing, back testing, hypothetical, or linked track records
- Prior track records on various products by current management

Proof of Skill – Managers should have consistently added value in the past, with evidence that this added value will continue in the future.

Attributes we look for:

- Consistent performance over a majority of time periods. We prefer to avoid managers whose track records come from one or two good years
- Nearly all of the 3-year rolling multi factor alphas are positive
- Most calendar year returns are better than the best multi-factor benchmark

Performance in Down Markets – Managers should perform extremely well in negative market environments.

Attributes we look for:

- Performance that is historically good in poor markets

Good at All Strategies – If managers offer more than one strategy, we look for expertise across the board.

Attributes we look for:

- “Genius” attributes across all of the firm’s strategies

Reasonable Fees for Specialty – Managers should charge a reasonable fee relative to their specialty.

Attributes we look for:

- Fees below the average of comparable funds
- Account minimums that meet our search criteria