



NEPC, LLC

INVESTMENT MANAGER REVIEW & SEARCH

Identifying Superior Investment Managers

Trained to review managers objectively and dispassionately, our researchers carefully scrutinize each firm's philosophy and process, looking for repeatability, consistency, and a clear commitment by its investment professionals to the organization and product. We use a rigorous research process to develop conviction in each of our preferred manager's ability to outperform the market. We focus on identifying and articulating the manager's investment thesis or "competitive edge" that we believe will lead to future outperformance.

A Meticulous and Comprehensive Manager Search Process

NEPC has developed a rigorous four-step search process.

Identification of candidate firms. NEPC analysts scour multiple internal and external databases including the ICC¹, eVestment Alliance (eA), Morningstar, and StyleAdvisor to identify managers that meet minimum criteria established by ourselves and the client. We consult our Due Diligence database, which houses the detailed information we gather in the course of our ongoing due-diligence activities, to flag any outstanding issues with a manager.

Quantitative screen. As an initial screen, managers must meet a set of quantitative criteria we have established for each asset class. Via the eA platform, our analysts research and compare managers using historical data, and export the data into NEPC's proprietary performance-analysis system, PASS (Performance Analytics Statistical Software). Using PASS, our research analysts then validate and compare manager returns across the full spectrum of investment styles.

A distinctive feature of the PASS system is that it breaks out a manager's excess return stream, or alpha, over time. By stripping out market movements and management fees, PASS allows us to isolate a manager's true skill, to evaluate it against other managers, and to determine cross-manager return correlations. Through PASS, we can compare the value added by managers across your program, as well as within categories you designate—for example, the sources and consistency of alpha among managers of U.S. large-cap equity strategies.



We have the information and expertise to find the investment managers that best meet your risk, return, and correlation targets.


Our proprietary manager search database is drawn from many sources:

- Face-to-face meetings with hundreds of investment managers annually as part of our ongoing due diligence
- Portfolio returns and diagnostics, personal contacts, and research shared within the Independent Consultants Cooperative (ICC)
- Subscriber databases such as eVestment Alliance, Morningstar, and Bloomberg
- Diagnostics on managers already working for our clients

Qualitative assessment. If the manager passes the quantitative screen for the mandate, our asset-class specialists then develop an “investment thesis” for the manager. This thesis reflects NEPC’s assessment of the specific ways in which a manager expects to add value, the market inefficiencies it seeks to exploit, and its merits relative to peers. Our specialists meet with key individuals from the firm to discuss its structure, resources, compensation, strategic direction and stability, succession planning, business growth, and commitment to the product. This onsite review may take place as part of ongoing due diligence, if the firm is already known to us. Our specialists then compile their findings and conclusions into a detailed report on the manager.

Review of the specialist’s report by NEPC’s Due Diligence Committee. The specialist presents a written and verbal report on the manager to our Due Diligence Committee, comprised of senior NEPC partners, for its consideration. Any issues that arise from this vetting session are pursued by the research analyst and subsequently readdressed to the Committee. If the manager passes muster with the Committee, it is considered “research-qualified” and added to a list of approved managers.

NEPC then prepares a “search book” for your use that contains information on each of the final candidate firms, and assists you with the interview process.



Our searches are informed by deep insights on managers we have developed over decades.

YOU DEMAND MORE. So do we.SM

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’The Independent Consultants Cooperative (ICC) is a select group of consultancies across the nation, among which NEPC is the lead firm. In partnership with State Street Bank, the ICC produces one of the industry’s most comprehensive comparative databases, composed of actual plan-sponsor portfolios rather than manager-supplied composites.



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