



OPINION

Why meetings matter

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John Forrest

In 1969, when a young George Russell decided he wanted to find the very best investors, he had a very basic question to answer: How?

A big part of the answer to his question is what is known today as the manager meeting. Detailed interviews with managers on a defined set of topics that we believe are critical to assessing whether the manager has a competitive edge.

Russell Investments conducts about 2,000 formal evaluation sessions with managers each year and everyone wants to know what happens at these meetings. So, maybe it's time to lift the lid just a little.

DEDICATED MANAGER RESEARCH ANALYSTS

We don't just send anyone into meetings with managers. We believe that having a team of dedicated research analysts, situated close to the markets they research, gives us a competitive edge.

Our manager research analysts are experts in finance theory; have a genuine interest in markets; are knowledgeable on the investment strategies they cover; are experienced in assessing organizational dynamics; are proficient with data, tools and analytics; they check facts, test theories, follow up on leads and have the conviction to pull the trigger on recommendations. And, of course, they are skilled and experienced at interviewing managers. Our dedicated analysts have a unique blend of skills and attributes that take years to master.

PREPARATION IS EVERYTHING

Before an analyst meets with a manager, significant preparatory work is undertaken. Including a manager in our research database gives our analysts access to historical performance and holdings data, as well as access to a description—derived from a detailed questionnaire—of the manager's investment process. Proprietary analytics transform the manager-supplied information into performance, portfolio-profile and portfolio-risk reports. Previous meeting write ups and assessments are also available for analysts to review on a shared global system that contains more than 46,000 meeting write ups dating back 20 years. Analysts go into meetings already well-schooled on the manager and the strategy, which allows them to focus on a key set of topics relevant to that manager.

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MAKING THE MEETING COUNT

Meetings with managers are always interesting and often entertaining; however, that is not the objective. Analysts go into a meeting armed with a clear agenda and an objective to elicit information that will support an informed judgment about a manager's investment process.

Part of the art of manager research is being able to translate our superior access to key investment professionals into useful and effective ongoing relationships characterized by open dialogue. As part of a continuous research effort, analysts often meet managers in their own offices, gaining exposure to broader teams and observing team dynamics firsthand.

Meeting focus and topics discussed vary depending on the strategy adopted by the manager. But a typical set of questions in an initial meeting with an active equity manager might include:

- › Does the manager demonstrate a thorough understanding of the market it operates in?
- › What anomalies in the market has it identified?
- › Are the anomalies significant and exploitable?
- › Can the anomalies be exploited repeatedly, or will they be arbitrated away?
- › Is the manager's security-selection methodology consistent with an ability to exploit the identified anomalies?
- › Is the research process able to identify securities that fit within that selection methodology?
- › Does the portfolio construction methodology capture the value identified from the security-selection and research processes?
- › Does the discipline in selling securities enable value to be locked in, and mistakes to be recognized early and acted on?
- › Is the manager able to efficiently implement the strategy with minimal value deduction?
- › And, finally, does the organization have a stable environment, allow for sufficient autonomy and provide adequate resources and incentives to support the ongoing effort?

CONTINUOUS RESEARCH

Our analysts document all interactions with managers on a globally shared system and maintain an up-to-date record of our assessments as part of our continuous research effort. These accumulated records prove invaluable for future encounters and are far superior to just tracking basic information on managers such as process descriptions and past performance.

CONCLUSION

Since 1969, we have successfully conducted detailed, bottom-up research on managers, which has reaffirmed our belief that detailed conversations with managers are essential to developing informed opinions on investment strategies. Sometimes managers may not like it, but rest assured, the manager meeting conducted by skilled specialists within a disciplined framework, will continue to be a key feature of the investment process at Russell Investments.

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Call Russell Investments at 800-426-8506 or
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