



This OCIO group substantially strengthened its understanding of third-party manager skill and investment processes and is using this knowledge to make more effective allocations. The client's success in achieving its business goals was possible due to their collaboration with Cabot, a FactSet Company.



THE CHALLENGE

- Assessing equity manager skills
- Lacked strong analytics that hindered scaling
- Unsure of what skills contributed to portfolio results



THE SOLUTION

- Streamlines, data-driven workflow with clearly defined results
- Access to proprietary metrics that quantify skillsets
- Improved process of finding third-party managers



THE RESULTS

- Proportionate offerings with assessments of managers
- Access to tools that scrutinize subjective manager components
- Increased ability to pursue growth plans

An Outsourced Chief Investment Office (OCIO) Improved Its Manager Selection Process

The OCIO eliminated challenges of identifying skilled equity managers by using Cabot skill and investment process insights.

THE CHALLENGE

A highly successful OCIO business recognized that its analytic approach to assessing equity managers was not as well developed as its method of manager interviewing and basic portfolio review. This analytic deficit presented two business issues. The first was the OCIO group did not possess the analytic rigor they desired in assessing manager skill. The firm knew that by overcoming this deficit, they would gain a new competitive advantage.

The second issue was that the firm lacked strong analytics and relied heavily on human interaction and assessments, making scaling very challenging for the company. They believed that a stronger analytic platform would enable them to assess manager skills more effectively and efficiently, supporting the dual desire to improve and continue to grow.

The managers with whom they worked typically have strong performance histories, clear investment philosophies, great people, and investment

While most results are reviewed via the web-based user interface of Cabot's software, portfolio-level returns and other results are easily passed to the FactSet platform, thereby streamlining workflows.

processes that seemed effective—at least on paper. Despite the OCIOs strong ability in assessing the financial acumen and integrity of management teams, they felt unsure as to precisely what skills were driving portfolio results. This lack of clarity is shared throughout the industry in as much as traditional portfolio analytics measure outcomes and offer little to no direct insights into the decisions or skills that generate portfolio outcomes. Identifying managers who are more likely than not to generate excess returns going forward is, therefore, virtually impossible relying on traditional portfolio analytics.

THE SOLUTION

The OCIO group is now collaborating with Cabot to better understand current and potential equity managers. The OCIO is using Cabot's proprietary metrics that quantify skill (buying, sizing, selling) and assess and visualize the manager's buy process (i.e., context diagram). These metrics, combined with other Cabot innovations like portfolio contribution by age and size of position, is enabling the OCIO group to be better informed and have more effective discussions with managers.

The firm now has the framework to make data-driven decisions and independently consider each manager's talent. The data allows the firm to identify how consistent the manager's buy skill and buy process are and how to monitor their ability at selling positions with unrealized gains and losses. Additionally, they can visualize appropriateness of changes in portfolio turnover, the benefits from higher active share and/or lower position count, measure the effectiveness of adds and trims, and show whether a stop-loss rule might help.

Armed with stronger analytic insights, the client has greater confidence in its ability to sus out strong third-party managers and to work with them more effectively once they are on the equity platform. This greater knowledge about its equity managers allows the OCIO to strengthen its relationships with

its capital source clients. The OCIO now has data-driven support for all its recommendations to add and delete managers from its equity roster, making this process more transparent and valuable to all parties.

An important operational benefit for the client is that portfolio holdings for third-party managers is already managed by the OCIO group on the FactSet platform. This data is readily available through Cabot software requiring no additional effort on the part of the OCIO client. Moreover, while most results are reviewed via the web-based user interface of Cabot's software, portfolio-level returns and other results are easily passed to the FactSet platform, thereby streamlining workflows.

In addition to analyzing portfolios individually, the OCIO is using Cabot's CIO functionality to investigate skills and other management characteristics across multiple third-party portfolios. One common exercise is to examine the buy skill across managers of similar strategies. This adds a new and highly-valuable dimension to peer comparisons.

THE RESULTS

The OCIO client is well on its way to delivering a more balanced service regarding both subjective and analytic assessments of managers. The client has surpassed its competitors with quantifying and understanding manager skill and investment process. Tiebreakers for allocations among managers of similar overall quality and past performance are now decided in large part by which manager possesses the skills and process necessary to generate repeatable results. The OCIO's longstanding excellent ability to judge the subjective components of a manager are now matched with best practices for quantifying their decision-making ability.

The client is now able to continue with its growth plans knowing that analytic insights are robust and operations are now more streamlined and cost-efficient.

DISCOVER SOLUTIONS

FactSet creates data and technology solutions for investment professionals around the world, providing instant access to financial data and analytics that investors use to make crucial decisions.

Reveal and Reveal Plus - Cabot Investment Technology

Analyze buying, selling, and sizing positions.

[Get Started](#)

FactSet Portfolio Analytics

Measure performance, risk, and characteristics for multiple portfolios.

[Get Started](#)