



## Cambridge Offers Advanced Alts Research Tool

By Paul Menchaca  
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Managers and consultants have been focused lately on the outsourced CIO model as a way to give smaller institutional investors access to managers and research that they would typically have trouble obtaining, given their limited investment staffs and smaller pools of assets.

But over the past couple of years, consulting giant **Cambridge Associates** has quietly been building an alternatives manager research tool that targets a much different client base: The firm's most sophisticated institutional investors, those with sizeable assets under management and that often have a seasoned in-house investment staff.

"It's the flipside [of outsourcing] in the sense that these are investors that have the scale [to manage their investments internally]," says **Deirdre Nectow**, director of business development for Cambridge.

The tool, called Research Navigator, tracks over 9,000 private partnerships and more than 2,300 active hedge funds, with plans to eventually have a module for long-only marketable funds as well. Clients, who can access the database through Cambridge's website, are able to build a fund list of current managers, or managers that they are watching and could potentially invest in at a later date.

Cambridge produces detailed due diligence reports on the managers, including the firm's pros and cons, considerations that investors should keep in mind, performance numbers and strategy information. On the private placement side, investors can also access a "forward calendar" that offers details about which managers are raising capital and which ones will likely be going to market in the next couple of years.

"Cambridge has been working with a lot of these managers since the '70s or '80s, so we know them very well," says **Arley Mosher**, manager of platform development in the firm's Research Navigator Group. "We know when they are raising cash based on how they have raised cash in the past."

Although the program launched in 2009, Cambridge has done little to market it; only over the past couple of months has the firm become more aggressive in alerting clients to it, Nectow says. There are only 30 clients now using the tool, but that number will jump to about 350 by the end of the year, Nectow says.

"Part of that is because we really wanted something that was very robust as far as the research library is concerned [before marketing it]," Nectow says.

Although Cambridge has many smaller institutional clients and offers both discretionary and non-discretionary consulting services to them, the firm also has a number of clients that have very mature alternatives programs that the consultant has helped to build over several decades. Cambridge initially beta tested Research Navigator with some of its larger university endowment clients, according to Nectow.

“It had an appeal for those with in-house talent that wanted to tap into Cambridge’s deep due diligence,” she says. “This is not for the retail investor or the small nonprofit.”

Fees for the service can be included as part of the standard consulting fee that a client pays Cambridge; institutional investors that aren’t Cambridge clients can also access it by paying a separate fee. **Andrea Pollinger**, director of client strategy and communications for Cambridge, notes that many of these sophisticated clients use Research Navigator as a support service in addition to working with a Cambridge consultant.

“Even with a sophisticated in-house staff, what they want is an expert sounding board,” Pollinger says. “This is really extending their reach because their location is sometimes not somewhere that attracts a manager to get on a plane to meet them, or [the investor] can’t spend the travel dollars to meet the manager.”

Mosher adds that even clients with their own in-house investment staff are unable to cover the ground that Cambridge can with its manager research. He says, for instance, that the firm has over 2,000 meetings globally with managers in the private partnership space.

Meanwhile, in addition to detailed operational due diligence reports on hedge fund managers, users of the Research Navigator are able to analyze weighted portfolio scenarios that use historical gauges to determine how the portfolio would have performed under different scenarios. This gives investors a better idea of the risk/return profile of a hedge fund after plugging in the relative weights.

The Navigator’s due diligence reports also give clients a clearer picture of what they will be exposed to through a certain hedge fund investment, including specific geographic regions and sectors. The consultant also offers clients access to detailed notes from the meetings it conducts with managers.

Nectow notes that for managers, Research Navigator is a way for clients to learn more about their firms and potentially increases the likelihood that they will make an investment with them. She adds that, as a fiduciary, Cambridge will not recommend a manager for which the firm’s consultants cannot conduct proper due diligence. That means the less transparent a manager is, the less likely it will be recommended to a client.

“The chances of them getting clients’ money go up,” Nectow says of a manager profiled in Research Navigator. “So there is an advantage for them.”

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