



**Deirdre Nectow**  
**Cambridge Associates**

*Cambridge Associates is a provider of independent investment advice and research to institutional investors and private clients worldwide. Services include investment consulting, outsourced portfolio solutions, independent research and performance monitoring and tools across all asset classes.*

*The firm's annual client retention rate is 95%, and the total collective assets of Cambridge Associates' clients exceed \$2.1 trillion.*

**Infovest21: What is your client breakdown?**

**Deirdre Nectow:** Today, we serve over 825 institutional clients including colleges and universities, foundations, nonprofits, corporations, sovereign wealth funds, and pensions. In addition, we serve 157 private clients. We solely work for the owners of assets and our only source of revenue comes from providing consulting, research, and performance monitoring services to these clients.

**Infovest21: How do you advise clients on their investment policy and asset allocation.**

**Deirdre Nectow:** We take a customized approach to develop-

ing investment policy, asset allocation, and other investment-related recommendations for each client based on their unique investment objectives and goals. We look at each client's investment horizon, risk tolerance, liquidity requirements, and resources to develop a strategy that complements these factors. In general, we believe that a high allocation to equities, which is broadly diversified across asset classes, enables institutional investors to maintain a consistent pattern of long-term returns.

**Infovest21: Do you offer managed accounts or customized portfolios?**

**Deirdre Nectow:** We do not offer managed accounts or funds of funds. We construct customized portfolios for each client based on their unique objectives, goals, and risk tolerance.

**Infovest21: Tell us about your outsourced investment office model. How do you tailor the model to clients' needs?**

**Deirdre Nectow:** Our outsourced CIO model is highly flexible and provides a customized, comprehensive set of services to help our clients develop and monitor a sophisticated investment program. We work with our outsourcing clients in a variety of ways and each relationship is tailored to meet the specific needs of each institution. For example, some clients have a CIO in place and look to Cambridge Associates to act as the outsourced investment staff and support to the work of the CIO and investment committee. Other clients have no CIO or staff in place and hire our firm to act as the outsourced investment office. While some clients seek to retain authority over manager hiring and firing, others look to Cambridge Associates to provide very directive recommendations. There is no one right model for all institutions and we are happy to work with our clients in whatever way proves to be most effective for them.

**Infovest21: Do you invest directly in hedge funds or through funds of funds? How long have you been investing in hedge funds?**

**Deirdre Nectow:** We have been researching and recommending hedge fund investments for our clients for over 30 years and believe we have developed a depth and breadth of resources

No information in this newsletter constitutes or should be interpreted as a solicitation for investment in any of the investments reported on. A prospective client should independently investigate an investment manager before engaging the services of that manager and should consult with independent qualified sources of investment advice and other legal and tax professionals before using the services of a manager.

that is unmatched in the industry. Our clients invest in hedge funds both directly and through funds of funds. While we generally prefer to build direct programs for our clients, we do recommend funds of funds for clients who do not have the scale or the resources to invest directly. We research all hedge fund managers and strategies and today our proprietary database tracks over 2,375 hedge fund products, including 399 fund of funds.

**Infovest21: Do you use alternative investment strategies in that fund? What is your percentage allocation to hedge funds?**

**Deirdre Nectow:** While we build highly customized portfolios for each client, we typically advise our clients to maintain some allocation to alternative assets in order to reduce volatility and potentially enhance returns. We have deep resources dedicated to researching alternative investments in hedge funds, as well as private equity and venture capital. While allocations to hedge funds vary among clients, our clients typically allocate 20-25% of the total portfolio to hedge fund investments.

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**Infovest21: Tell us about the managers that you have selected in the past. Describe them in terms of assets, people, track record, pedigree, and strategies?**

**Deirdre Nectow:** While we do not publicly disclose specific manager names we like, all managers recommended for our clients' portfolios have undergone a rigorous due diligence process that analyzes both quantitative and qualitative factors across investment and operational aspects. We analyze investment process and philosophy, asset size, professionals and team structure, fees, strategy, and track record to determine if a manager is of institutional quality. We also have a dedicated operational due diligence team who focuses on the business operations of managers.

**Infovest21: What is the liquidity profile of your portfolio?**

**Deirdre Nectow:** Because every client's portfolio is customized to their unique situation, their liquidity profiles are also very different. While there have been some very high-profile organizations facing severe liquidity issues, a recent client survey conducted at the end of last year showed that over 90% of our clients were not concerned about liquidity issues in their port-

folios. We emphasize the importance for each investor to understand their liquidity profile and provide various tools such as a liquidity tracker to help our clients monitor their liquidity.

**Infovest21: Have there been changes to your investment and due diligence process since 2009?**


**Deirdre Nectow:** We continue to emphasize the importance of comprehensive and intensive due diligence for all managers recommended for our clients' portfolios, especially in these challenging times. However, we are constantly evolving and refining our research processes based on the changing investment environment.

*We intensified our relationship with Measurisk to provide greater transparency and coverage for a broader universe of hedge funds in our clients' portfolios.*

Over the past 18 months, we have seen a blurring of the lines between long-only, hedge funds, and private investments. We added a dedicated distressed investing research professional to cover these opportunities across all of these asset classes.

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**Infovest21: What is your outlook for hedge fund investing?**

**Deirdre Nectow:** We maintain our belief that hedge funds will continue to play a strategic role in our clients' portfolios, in particular reducing the volatility of the total portfolio and providing equity-like returns in a risk-controlled environment. We continue to see robust client interest in hedge funds. 

## CAMBRIDGE ASSOCIATES

Assets: Exceed \$2.1 trillion  
Locations: Arlington, Virginia  
Boston, Massachusetts  
Dallas, Texas  
London, England  
Menlo Park, California  
Singapore  
Sydney, Australia

### DEIRDRE NECTOW

Title: Managing Director

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