



Thoughtful Approaches to Fund Manager Research

August 2020

For Institutional Use Only. Not for Distribution to the Public. Institutions affirm they shall exercise independent judgment in their evaluation.



A 33-year-old investment manager focused on offering talented, institutional-caliber asset managers in pooled vehicles

- Fiduciary culture
- Believers in active management
- Focused on delivering investment solutions to customers

Key Attributes

- Experienced manager research team combining deep quantitative skills with demonstrated qualitative judgment
- Strong relationships with subadvisory partners allows for a high degree of transparency and understanding of their capabilities
- As advisor to funds Harbor is responsible for all aspects of the product including selection and oversight of subadvisors



21

Subadvisory Partners
(avg. partnership 8 yrs.)



27

'40 Act Mutual Funds



17

Asset Classes



\$49B

Assets Under Management



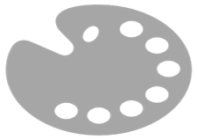
Manager due diligence should not be thought of as a linear approach but dynamic and circular in nature





- Identify trends in the market or themes
- Develop a view as to how the market will react
- Forecast what factors will be favored in the predicted market environment
- Formulate a view as to what type of manager should perform





- Apply market research and views from all available sources both internal and external
- Asset allocation shifts can direct manager screening
- Manager screening can also help form asset class views



Manager Screening



- There is no magic screen to identify who will perform
- Target your screen for what market factors you have identified
- Keep the screen broad enough so managers are not unintentionally avoided
- Smooth the data, i.e. don't just look at the trailing 3- 5- year returns. Those numbers are end point sensitive and do not tell the whole story

	Rel	(Field Name	Operator	Value)
<input type="checkbox"/>						
<input type="checkbox"/>	1	---	Morningstar Category	=	Large Growth	
<input type="checkbox"/>	2	And	(12b-1 Fee	=	NA	
<input type="checkbox"/>	3	Or	12b-1 Fee	=	0.00)
<input type="checkbox"/>	4	And	Prospectus Net Expense Ratio	<=	CAT AVG	
<input type="checkbox"/>	5	And	# of Holdings (Long)	<=	75	
<input type="checkbox"/>	6	And	Active Share (ETF Benchmark Proxy)	>=	75	
<input type="checkbox"/>	7					
<input type="checkbox"/>	8					
<input type="checkbox"/>	9					
<input type="checkbox"/>	10					

View Field Name:
 By Category
 Alphabetically

Include:
 Only Surviving Investments
 User Defined Primary Class Only

Items Searched: 312532
Items Found: 60

Run Search

Help OK Cancel

Source: Morningstar Direct, August 2020



- Meet with as many different managers in the space
- Keep it simple, managers should be able to tell you their story
- Identify what inefficiency the manager is trying to exploit and if they have the resources to do it
- Understand when a manager will do well and when they won't. This ties back to your insights and allocation
- Build an investment thesis
- Does your analysis verify what you are hearing from the manager?





- Set up a regular dialogue to stay informed about the investment team
- Establish clear hurdles or roadblocks that would indicate trouble or need to rebalance
- Identify what it would take for you to lose conviction in the management team





The views expressed herein are those of Harbor Capital Advisors, Inc. investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice. The information provided in this article is for informational purposes only.

Distributed by Harbor Funds Distributors, Inc.