



Arnerich Massena's Investment Governance

Arnerich Massena is known for our thorough, disciplined investment research, manager due diligence, and portfolio implementation. All of that begins with our investment governance process. "Our team covers a lot of research territory each quarter," says Co-CEO and Chief Investment Officer Bryan Shipley, CFA, CAIA. "As fiduciaries, it's critical that our best thinking is codified in such a way that the firm's advisors have clear guidance for portfolio construction, with enough flexibility to accommodate each individual client's needs and goals." Our Investment Governance Process makes this possible.

Systems thinking applied to our investment philosophy

How do investment opportunities move through the process from being just ideas to becoming Approved Managers and products integrated into client portfolio construction? How does the Arnerich Massena research team review the market environment and apply tactical changes to its strategy? Having a strong process in place is what makes it possible for the firm to ensure full collaboration and participation, making the best use of the research team's collective experience and knowledge. "With our process, we know that we are

"Excellence is a continuous process and not an accident."

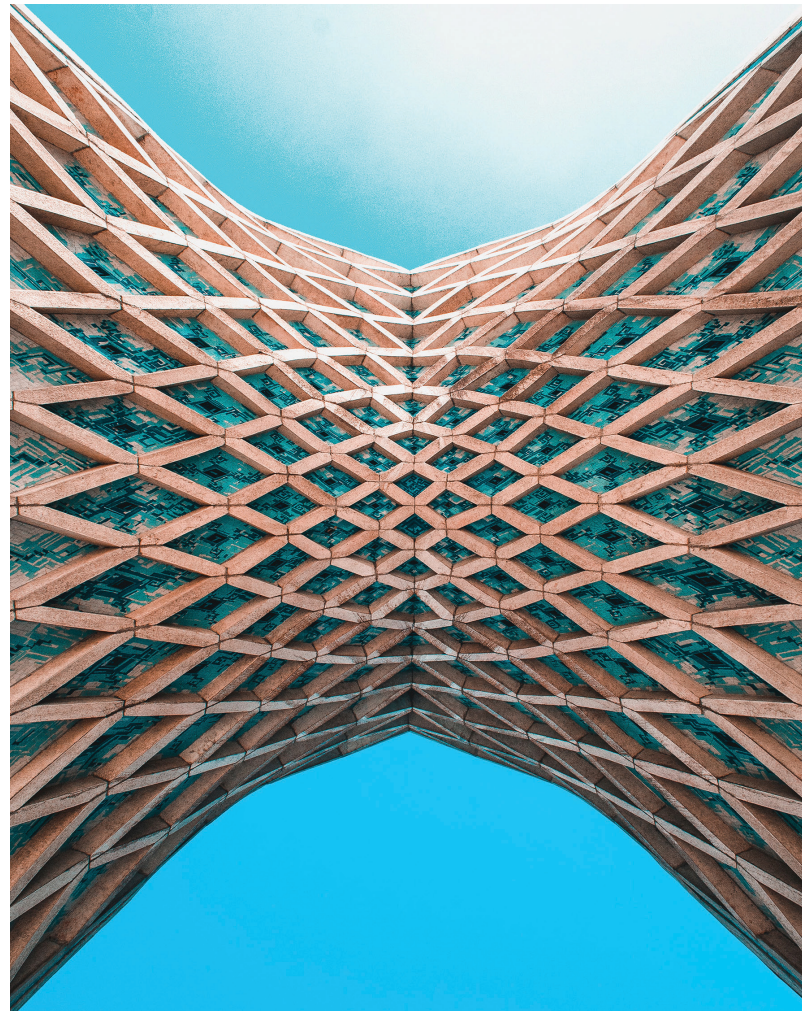
~ A.P.J. Abdul Kalam

creating the right opportunities for discussion and analysis at key points," says Senior Research Analyst Arthur Coyne, CFA. "Our system is built to encourage inquiry and generate feedback loops."

The triangle is the strongest shape

Arnerich Massena's Investment Governance Process is based on three core committees, whose functions cover the range of responsibilities involved in managing the company's investment philosophy and implementation. The Investment Committee has oversight of the big picture and the overall process, while the Portfolio Management Committee and Product Committee are responsible for more granular aspects of execution.

CIO Bryan Shipley explains why the system is arranged around three separate committees rather than one single committee with a long list of duties. "The





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"If you can't describe what you are doing as a process, you don't know what you are doing."

~ W. Edwards Deming

discussions and tasks on which each committee focuses are really different. Even though many of the same individuals may be in all three committees, it's important that we come in with the right preparation and research for the particular types of issues we're working on. Looking at and evaluating specific investment products, for instance, is completely different from a discussion of overall market trends and asset allocation adjustments." Shipley notes that having dedicated committees ensures that enough time and attention is allocated to each part of the process, and that there is a chain of accountability as well.

Investment Committee (IC)

The Investment Committee (IC) meets at least monthly, with an agenda that includes certain standing items but also leaves room to address new topics and market changes. Overall strategy and philosophy are set by the Investment Committee, which establishes the standards and objectives, but turns over the execution and implementation to the other two committees. Most of Arnerich Massena's staff attend Investment Committee meetings at least quarterly, so that even those who are not voting members of the committee have an understanding of what their current discussion topics are and the reasoning behind decisions. "We want to make sure the IC meetings are accessible to all staff members who want to attend," says Research Analyst Melissa Liu, who sets the meetings and manages the minutes. "We make sure materials are distributed in advance and that we provide follow-up afterward."

Portfolio Management Committee (PMC)

The Portfolio Management Committee (PMC) is responsible for implementing IC guidance in the firm's asset allocation process. Though the committee doesn't dictate specific asset allocations for clients, since each client has different factors that affect their unique portfolio construction, the PMC provides guidance for advisors on setting parameters and overall allocation strategy. When special opportunities come up, the PMC looks at how best to incorporate them strategically into overall portfolio construction.

Product Committee (PC)

The Product Committee (PC) is tasked with identifying the best investment products and managers to implement the IC and PMC's strategic guidance. This committee evaluates both new and existing managers, sets benchmarks, and ensures that due diligence standards are being met.

All of Arnerich Massena's Investment Governance Committees follow strict meeting and voting protocols; this helps ensure that all agenda items are addressed and that everyone has the opportunity to weigh in and to ask questions on each issue. Keeping careful minutes also allows us to hold ourselves accountable and continually refine our decision-making processes. The Chief Investment Officer sits on all three committees, representing the Investment Committee and ensuring that decisions and information are shared across committees.

The final step

The last step of the investment governance process is not a committee, but is the most important; the client's advisor. All of the work the committees do is in service of providing each investment advisor with the tools and framework they need to tailor their clients' investment strategies to best meet each individual investor's goals and objectives. The advisors play a key role in the process, bringing client questions and issues to the attention of the Investment Committee and then utilizing the research and guidance provided as they work with their clients to craft a strategy. The process is ongoing, with constant refinements and adjustments, so as to deliver our best thinking and research to each client, integrated into their investment portfolio.





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