

# Investment Management & Research



Strategic Solutions Built  
On Discipline & Experience



**FundQuest**

A BNP PARIBAS company 

# FundQuest Investment Management: Supporting Advisors to Help Investors Meet Their Goals

## FundQuest's Investment Philosophy

FundQuest is dedicated to adding value to investor portfolios through active investment management. Our goal is to construct diversified portfolios featuring quality investments by utilizing our well-defined, rigorous research process to balance return objectives and volatility considerations. Ultimately, our goal is for investors to realize their financial goals while minimizing risk.

## FundQuest Investment Management — By the Numbers

- Over **18,000** mutual funds are screened
- More than **11,000** separately managed account strategies are screened
- **Nearly unlimited** investment product flexibility is offered
- Over **1,000** models are managed
- **30** professionals worldwide conduct qualitative and quantitative analysis
- **\$43** billion in assets under management and administration in the combined US and European operations of FundQuest

## Substantial Global Resources Can Extend Your Reach

FundQuest's team spans the world, with portfolio managers and affiliated investment analysts across FundQuest's operations in the U.S. and Europe, offering a breadth of investment opportunity including:

- Equities and fixed income
- Domestic and international investments, representing developed and emerging markets
- Mutual funds, separate accounts, ETFs
- Overlay portfolio management for Unified Managed Accounts (UMAs)
- FundQuest managed mutual fund and separate account portfolios with profiles ranging from conservative to aggressive
- Tax efficient portfolios
- Income portfolios
- Blended combinations of actively and passively (indexed) managed investments

## Our Innovative Investment Tools Help Advisors to Construct Investor Portfolios With Confidence

Using FundQuest's web-based tools, the advisor completes an **Investor Profile Questionnaire** to input client data such as financial objectives, level of risk tolerance, time horizon, and liquidity needs that will drive the recommended investment strategy.

The data entered into the Investor Profile will be processed to automatically generate an **Investment Strategy Report** that includes:

- Suggested allocation and historical data on asset classes
- Explanation of screening & investment process
- Degree of risk associated with recommended portfolio
- Recommended investment strategies and/or securities for each asset category

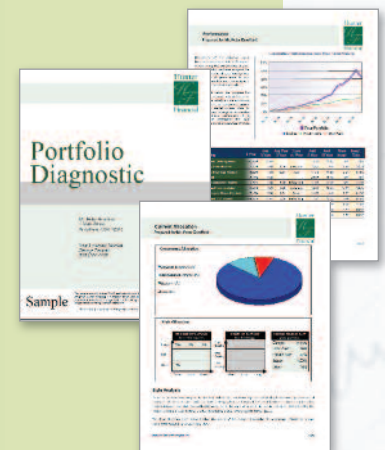
FundQuest's **Portfolio Diagnostic Report** presents an analysis of the investor's current portfolio and identifies any areas in which the investor may be over or under diversified or exposed to market risk.

This advisor-initiated report addresses:

- Current asset allocation
- Performance of current investments over time
- Correlation analysis of existing holdings
- Analysis of investment style and risk of current investments
- Expenses and tax efficiency of current investments
- Comparison of current versus recommended portfolio

FundQuest's **Consolidated Quarterly Performance Report** provides detailed information on the asset allocation and performance of all investment programs within the investor's portfolio. Quarterly Performance Reports provide the following information in a clear-cut format including charts and graphics for visual context:

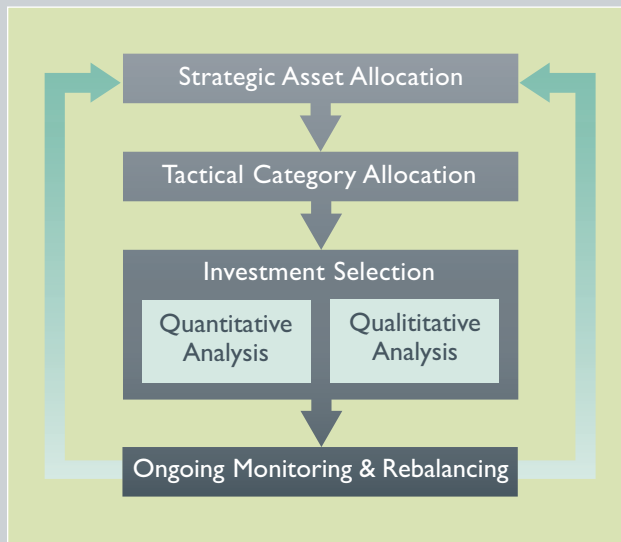
- Investment commentary and outlook
- Risk-return analysis
- Portfolio performance
- Current period, year-to date, and since inception returns
- Current asset allocation and portfolio holdings
- Transaction history



## Dynamic Investment Selection and Recommendation Process

### Strategic Asset Allocation

The foundation of FundQuest's investment process is asset allocation – the amount of a portfolio allocated between the broad asset classes of stocks, bonds and cash.



A diversified portfolio can help to:

- Mitigate the ups and downs of market performance
- Reduce risk
- Eliminate dependence on any single type of investment
- Potentially enhance portfolio returns

**Asset Allocation is the greatest contributing factor to overall performance, accounting for more than 90% of the period-to-period variation in returns.** (Ibbotson Associates, Inc.)

### Tactical Category Allocation

In addition to diversification by asset class, FundQuest further diversifies each portfolio's stock allocation by style and market capitalization. The stock allocation may also be diversified geographically with exposure to international companies. The bond allocation may feature bonds issued by: U.S. government agencies, foreign government agencies, state and local municipalities, and/or U.S. and foreign corporations.

### Investment Selection

Using both quantitative and qualitative analysis to identify appropriate securities in each category or style, FundQuest follows a disciplined research process to select best-of-breed money managers and fund families for FundQuest managed models. We maintain a **Recommended Manager List** for separate account strategies and a **Screened Fund List** for advisors who wish to construct and manage investor portfolios.

## QUANTITATIVE ANALYSIS

Using both proprietary and external tools, managers are evaluated against benchmarks and peers on criteria including:

- **Risk** — traditional alpha and beta, & standard deviation
- **Performance** — 1-, 3-, 5-, 10-, 15-year and since inception; how managers perform in up/down markets
- **Sector Weighting** — neutral or biased
- **Security Concentration** — over or under diversified
- **Style Consistency** — adherence to investment philosophy and process
- **Portfolio Attribution** — what is driving the returns

## QUALITATIVE ANALYSIS

Understand who and what contributed to past performance by evaluating:

- **Experience** — investment team qualifications and depth
- **Fees** — manager and trading costs
- **Asset Size** — appropriate for strategy
- **Buy/Sell Discipline** — buy and hold or active trading
- **Philosophy** — does the manager's process support it
- **Compliance** — reporting and controls

## Ongoing Monitoring and Rebalancing

The FundQuest Investment Committee reviews portfolio composition, performance and security change recommendations on a continuous basis and maintains a **Watch List** of investment strategies and securities that have recently shown signs of underperformance or trends that warrant further scrutiny. FundQuest managed portfolios are monitored for variance from their target allocation and are rebalanced to be brought back in line with the target asset allocation. FundQuest conducts ongoing analysis to review the relative valuations and historical returns of domestic and international equity and fixed income investment categories. Based on this analysis, tactical allocation changes can be made to our investment programs.

## Sophisticated Research

In addition, FundQuest conducts an ongoing study on the benefits of active and passive investment management and the applications of Exotic Beta, which has gained significant interest across the investment industry. Based on the study's findings, FundQuest launched a family of mutual funds and mutual fund model portfolios.



# A Flexible, Innovative, Strategic Partner to Accelerate Your Business

**Experience and Innovation:** Founded in 1993, FundQuest is the best partner to help advisory firms grow their business. FundQuest provides open architecture investment services and the most innovative advisor productivity tools to advisory institutions

**Best Services and Support:** FundQuest is the most flexible service provider with the best overall support services for both management and advisors

**The Choice of Leaders:** More than 110 institutions including RIAs, insurance companies, independent broker dealers, banks, and trust and wealth management firms partner with FundQuest

**Investment Management Expertise:** FundQuest's investment management team has more than 30 analysts in the combined US and European operations performing in-depth quantitative and qualitative investment due-diligence

**Retirement Income Management:** FundQuest has created the first comprehensive advisor-based platform for the integrated planning, implementation, and monitoring of income distribution

**Proven In the Field:** Institutional partners make FundQuest's web based platforms available to a national network of 49,000 financial advisors

**Operational Scale:** FundQuest has \$43 billion under management and administration in its combined US and European operations

**Financial Strength:** FundQuest is part of BNP Paribas, one of the world's largest financial services firms

Services are offered in the U.S. through FundQuest Incorporated, a Registered Investment Advisor

## For more information

please contact FundQuest at **888.253.9169**, visit **[www.fundquest.com/usa](http://www.fundquest.com/usa)**, or email us at **[info@fundquest.com](mailto:info@fundquest.com)**

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