



## **THE DISTELFINK - Qualifying and Monitoring Investment Managers**

April 23, 2009

First of all, for those of you who don't yet know who Susan Boyle is, I invite you to enjoy the following YouTube link: <http://www.youtube.com/watch?v=glpoIWv8QZY> and then please come back here. For the rest of you, who know about this singing sensation from the current season of "Britain's Got Talent", indulge me in my premise for this piece.

I was powerfully moved by this incredible woman when I first heard her sing a week ago. I was awed by the exquisite beauty of her voice, and her ability to instantly capture and captivate the judges and audience with the purity of her sound. Most importantly though, I was inspired by her pluckiness, her quiet comfort in who she is, and her desire not to change for the sake of broader commercial appeal. In my opinion, these are the qualities that would serve her incredibly well as a portfolio manager. So too would her Scottish frugality and practicality, her consistency of performance (you should hear her rendition of "Cry Me a River" recorded in 1999!) and her sense of personal integrity, not to mention her self confidence. When asked who she would like to be as successful as, prior to singing herself, she responded - Elaine Page. I wasn't familiar with Ms. Page at the time, but apparently she is an attractive, petite, blonde dynamo of the British stage, and beloved in the U.K. Give Susan credit for aiming high, and then totally delivering the goods.

So what lessons can we learn from Susan Boyle? It is human nature, especially capitalistic human nature, to seek out the best and brightest, and seemingly most successful, to invest our money. We value first impressions. But we should know better. There is so much more to the process of identifying a great money manager than listening to cocktail chatter, or being overly influenced by schools attended and accomplishments at previous employers. Fancy offices and tailor-made suits do not necessarily equal consistent or sustainable investment performance. In fact, they may indicate just the opposite. Therefore, if I were going to delegate investment management for a portion of my portfolio to anyone, they'd better have as many of the personal qualities of Susan Boyle as I could find - enthusiasm, honesty, common sense, and a passion for delivering great performance.

There was a time in my career when I thoroughly enjoyed the process of qualifying and monitoring managers for clients' investment programs. I even made a presentation at a conference sponsored by the CFA institute on the topic of monitoring managers, the transcript of which has recently been republished in a research book titled, Investment Performance Measurement: Evaluating and Presenting Results (CFA Institute Investment Perspectives) now available on Amazon. Great managers can be found in the most intriguing places, and they don't have to be on Park Avenue, Mayfair or Sandhill Road. They exist on dairy farms in Illinois, office complexes in central Florida, and a high rise building in downtown Omaha. They have developed solid strategies; they remain true to their style; they surround themselves with highly motivated

and dedicated personnel; and they strive for consistency and continuity in their practices and performance.

As exciting as it is to find these managers, it is only the beginning of the experience. Monitoring the ongoing investment activity is crucial, and never a responsibility to be taken lightly. As I wrote at the close of my transcript, "If we are to be valued as consultants, we must see our roles as questioners, skeptics, and also advocates for exceptional managers. We feel strongly that asking good questions and constantly seeking better answers are vital aspects to the manager-selection and monitoring processes." There are no full-proof ways to avoid scandals like those related to Bernie Madoff, or Allen Stanford, or even Donald Young, just announced this week, of Acorn Capital. But if we look a little harder for Susan Boyle-like qualities in the investment managers, or indeed any other advisors we hire, we might just find we are a lot better served. Cheers to Susan for being such a positive inspiration in so many ways!

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