Siharum Advisors

# Manager First®

## A comparison of our unique investment strategy

| Typical Portfolio Construction | The Manager First® Approach |
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| Formulaically driven, focuses on asset allocation first and we believe includes too many asset classes and investment style categories. | We focus first on the quality of the investment manager without considering asset class categorization or investment style; we will not force ourselves to allocate to an inferior manager because of an asset allocation requirement. |
| Allocations to investments are precise and generally targeted to be within very narrow ranges. These ranges and allocations are based upon risk and return assumptions that are subjective and therefore prone to error —'precision without accuracy' portfolio construction. | Assets are allocated within three time-horizon (short-term, intermediate-term and long-term) based portfolios constructed from our select list of high-quality managers; we partner with each client to determine an appropriate exposure to each 'bucket'. |
| The constructed portfolio will typically be (over)diversified by geography, market cap and number of positions. However, it may be susceptible to other risks, such as concentrations of investment approaches or sectors. | Each time-horizon based portfolio is thoughtfully diversified across several dimensions – including by the more traditional methods of asset class, geography and market cap – but also by considering additional diversification characteristics such as investment processes, philosophies and the underlying portfolio compositions. |
| *Can be costly to clients in several ways:*<br>• The desire for a manager to adhere closely to a benchmark can result in the hiring of managers that produce highly predictable but mediocre investment results. That bias can also result in explicitly avoiding managers that may produce exceptional results that do not closely track those of a benchmark.<br>• The preference for having smaller exposures with smaller bands of tolerances to so many asset classes can lead to increased trading and tax costs that are the results of more frequent rebalancing and, potentially, higher manager turnover.<br>• Managers with similar investment approaches may generate over/under performance at the same time. | *Can benefit clients in several ways:*<br>• Less benchmark constrained managers are more likely to add value over time by generating excess risk adjusted returns over the long-term.<br>• Utilizing a separate allocation strategy for each 'bucket' affords consideration to both the quality of manager and the asset allocation framework.<br>• Having a more in-depth knowledge of a smaller number of meaningful investments can reduce client costs due to the lower manager turnover and less frequent re-balancing.<br>• Diversification across multiple dimensions can help to provide more consistent results over time. |
| The amount allocated to each manager is dictated solely by the asset allocation process instead of the level of conviction in the investment. We view this as a 'plug-and-play', purely model-driven approach intended to create investment portfolios that are easy to manage and that allow a small number of advisors to serve a large number of clients. | Individually customized portfolios are constructed by combining meaningful allocations to high-conviction managers into portfolios that are sufficiently diversified across the three major asset classes. |

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