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Managers Need Transparency, Integrity: Survey

By Matt Gunn January 10, 2012

How an institutional investor perceives a manager's integrity and transparency rivals the firm's overall investment performance when it comes to getting hired, a new survey from market research firm **Cogent Research** finds.

Indeed, a manager's overall brand perception plays a major role in the hiring process, Cogent says.

"While we expected it would perform very well, what we didn't expect was how well it would perform," says Cogent research director **Linda York**. "It actually rivaled investment performance."

Integrity and transparency as a factor in manager selection was a new category in the latest iteration of Cogent's annual Institutional Investor Brandscape survey; the latest findings are scheduled for release today. Cogent conducted an online survey of 650 institutional investors with \$20 million or more in investable assets, including pensions, endowments and non-profits. Participants were asked to rank more than a dozen potential manager selection criteria, including investment performance, fees, organizational stability, risk management and relationship management.

While the study was initially centered on measurable, objective traits, Cogent added the category of integrity and transparency this year to see how much the more subjective trait matters when it comes to winning mandates.

"Now, not only do we know it matters," York says, "It matters more than pretty much everything else but performance. We found out is it's first and foremost on their minds."

Among pension respondents, the five managers who performed the best on the attribute of integrity and transparency were **Pimco, Vanguard, BlackRock, Dodge & Cox** and **LSV Asset Management**.

Non-profits in Cogent's survey ranked Vanguard, PIMCO, **GMO, Dimensional Fund Advisors** and Dodge & Cox as the five best when it comes to integrity and transparency.

Cogent found that, while stability and investment philosophy continue to rank highly among non-profits, integrity and transparency actually beat out investment among criteria for hiring. Pensions overall rank integrity and transparency just below investment performance, York says. However, for pensions with more than \$1 billion in assets, integrity and transparency are actually more important than performance.

"We were surprised to find that institutional investors consider integrity to be of equal importance to investment performance as criteria for selecting an asset manager," she says. "In fact, among institutions with \$1 billion or more in assets, integrity and transparency was rated more important than any other attribute in their selection criteria."

All of the survey participants in Cogent's study were required to play a direct role in the evaluation and selection of investments or asset managers within their organization, York says. In parsing out the results, Cogent found a common thread among the managers that ranked highly in terms of integrity and transparency: those factors correlated with strong leadership.

“The interesting thing about a few of these players that you see is that they have a well-known spokesperson that really personifies this attitude,” York says, pointing to high-profile investment professionals like **Bill Gross** at Pimco or GMO’s **Jeremy Grantham**. “They’ve got these folks that are out there in a very public way walking the walk, not just talking the talk.”

York says that, while there might be a “halo effect” for those managers that do have strong, well-known personalities at the top, it doesn’t necessarily rule out smaller managers from performing well in terms of perception.

“What’s also interesting is when you look at the top-five list, you do see a combination of the big brands as well as the niche players,” she says. “It is achievable at any level. Some of these brands are very fortunate in that they do have that very public figure who is well known and is walking the walk. But some of these others don’t necessarily have that.”

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