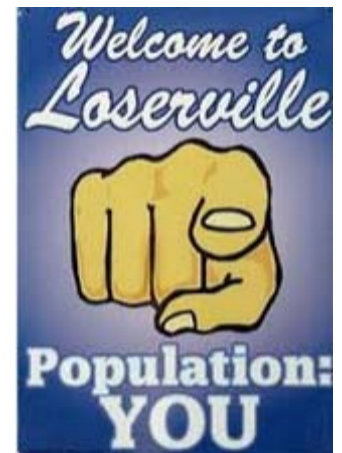




## Blame Advisors for Investment Manager Failures Because They Evaluate Performance Relative to a Bunch of Losers

2014 was an awful year for active investment managers, with more than 80% failing to outperform their benchmarks. See for example the [Dog Ate the Alpha, Other Excuses for Why Your Fund Stinks](#). All the blame is being placed on the managers, but investors need to remember who recommended those managers. For the most part, investors rely on intermediaries to select investment managers, namely financial advisors, fund-of-fund managers, and outsourced chief investment officers (OCIOs).

More light needs to be shed on the issue of [consultant quality](#). Specifically, consultants are to blame for hiring inept investment managers. Active manager success or failure is a consultant quality scorecard. Consultants get low scores because they use antiquated evaluation tools that don't work, like indexes, peer groups, and pay-to-play. For example, most consultants use peer group comparisons but we know now that more than 80% of the managers in peer groups have failed. Consequently, investment managers are evaluated relative to a **bunch of losers**. Beating the losers is not a win.



That's why I wrote "[A Call to Investor Action: Demand Better Investment Manager Research](#)" and posted an infographic with [Paladin Registry](#) that explains "[Why Investors Don't Get What They Paid For](#)." Bottom line, investors need to shop more intelligently for their advisors, especially advisors who choose investment managers. Fool me once, shame on you. Fool me twice, shame on me.

The articles above arm investors with some important questions that reveal consultant quality. Does your investment advisor use contemporary investment manager due diligence? Does your advisor even know what that is? **Indexes and peer groups don't work; they never have, and they never will.**



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