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What is GRID®?

Manager Search Cases

In addition to historical analysis, policy development, objective setting and ongoing monitoring, Yanni Partners also assists in manager search cases for new client assets, or if the need arises, to replace an existing manager. The first step in this process is a quantitative screen of the GRID® database. As mentioned previously, the performance results, related statistics and product-specific profile questionnaires are used in combination for database screening. Very specific parameters can be set for the searching criteria. For example, investment style, capitalization, portfolio concentration, maturity, duration, quality and types of issues used are all factors that could be used in the screen. Generally, performance and statistical results are reviewed over a three to five year period. Once a list of candidates has been found, a qualitative review of the managers is conducted. The managers are thoroughly assessed regarding relative performance results, risk characteristics, adherence to style,

repeatability of investment process, etc. The consultants and analysts evaluate the information collected on the candidates, review the debriefings and contact the managers to confirm information. Typically, the client is shown a list of three to five managers, from which they choose finalists. These candidates generally make a presentation to the client, who then makes the final decision. All managers who maintain up-to-date information in our GRID® database are eligible for manager search cases. If a client submits a manager candidate for consideration, we do have the ability to include them in our database for review. We do not maintain a separate “focus list” or “stable” of managers for searches. We believe strongly that there are a number of excellent investment management firms available and it is our responsibility to get to know them better, understand their process, and analyze their results, so we can determine an appropriate fit for each of our client needs.

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If you have any questions or comments concerning this issue of “Measuring Up,” please contact:

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Mark Your Calendars



Yanni Partners provides a full range of consulting services vital to the management of various portfolios. Our ultimate goal is to offer a basis for improved investment monitoring and performance.

Yanni Partners is registered as an investment advisor and as a NASD registered broker/dealer. Yanni Partners is also a member of the Securities Investors Protections Corporation (SIPC).



YANNI
PARTNERS

DELIVERING
THE PROMISE

IN THIS
ISSUE

A description
of the
attributes and
benefits of our
proprietary
database —
GRID®

What is GRID®?

Yanni Partners is one of a select group of investment consulting firms that maintains its own proprietary database of investment manager performance, statistics and distinguishing product characteristics. GRID® (Graphical Ranking of Investment Descriptors) contains data from nearly 1,200 investment management firms, representing more than 5,000 products.

Flexibility, control and timeliness are key reasons for maintaining our own database. Since we have direct contact with the firms we follow, we can easily ensure, confirm and inquire about investment results. While it is critical that we have accurate performance data from these firms, we also have marketing contacts that provide us with the most up-to-date, firm-wide and product-specific information for our own reference and to share with our clients. We are convinced that the relationships we have garnered with these firms have supported and enhanced our efforts as an investment consulting firm. A proprietary database allows us to be more proactive and timely in delivering information to our clients. We are able to provide performance results 30 days after receiving our client statements and data.

GRID® has a history nearly as long as the firm's 25 years and has continued to grow and expand over time. Historical performance data is monitored from small boutique specialty firms to worldwide multi-product organizations. There is no charge for managers to participate in the GRID® database. Investment products tracked include various domestic and international equity and fixed-income mandates. The database is so extensive today that the data is collected through our dedicated website at grid.yannipartners.com. Personalized user names and passwords are issued to managers so they can update their results on a quarterly basis. This format also allows them to submit new products, revise data and delete terminated products. In addition to performance results, we also ask managers to complete firm-wide and product-specific profile

questionnaires. These questionnaires help us to properly identify the products within the database, while providing us the flexibility to screen on specified criteria for client accounts. Yanni Partners has a dedicated person who is responsible for the database administration. Extensive files are maintained on the managers we follow. We require these firms to submit narrative materials on their individual products, biographies on their key professionals, fee schedules, AIMR compliant disclosure statements, Form ADVs, sample portfolios or asset listings, marketing materials and any other documentation that would clarify our understanding of their organization and product offerings.

GRID® Universes

Absolute performance results and related statistics are only part of the equation when evaluating a manager's track record. The product profile

questionnaires are used in conjunction with historical results to generate universes for peer group comparisons. Widely-used market indices alone are not always a true measurement of a manager's ability to add value. The GRID® Universes are used extensively for setting goals with the managers of our client portfolios and serve as a "report card," illustrating their rankings relative to an appropriate universe of their peers. Trailing and calendar year performance, standard deviation, alpha, beta, Sharpe ratio, up/down markets and other statistical measures are all factors in performance measurement for client accounts. Currently, the GRID® Universes available for comparison are shown on *Figure One*.

Relative performance rankings can be displayed graphically as shown on *Figure Two*. This illustration represents the GRID® Large Cap Equity Universe for the trailing year periods ending March 31, 2001.

FIGURE ONE

GRID® Universe Summary

Equity

- Convertibles
- Large Cap Equity
- Large Cap Growth
- Large Cap Value
- Mid Cap Equity
- Mid Cap Growth
- Mid Cap Value
- Small Cap Equity
- Small Cap Growth
- Small Cap Value

Fixed Income

- Core Fixed
- Enhanced Cash
- High Yield
- Intermediate Maturity
- Long Maturity
- Short Maturity

Mutual Funds

- Balanced
- Core Equity
- Core Fixed
- International Equity
- International Fixed
- Large Cap Growth
- Large Cap Value
- Municipal Funds
- Small Cap Equity

Balanced

- All Balanced
- Core Equity Balanced
- High Equity Balanced
- Low Equity Balanced

International/Global

- Emerging Markets
- Global Equity
- Global Fixed
- International Equity
- International Fixed

Real Estate

Customized
CASH™

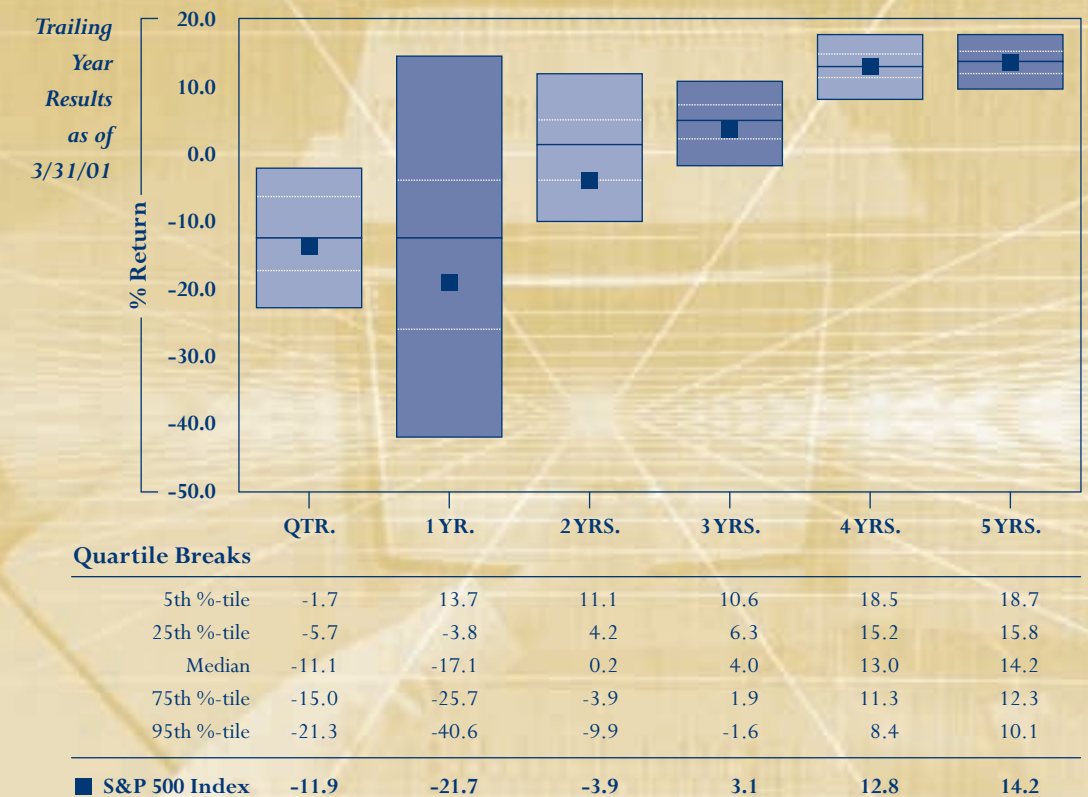
Quartile break points are listed at the bottom of each time period measured. The chart reflects the broad disparity of returns for the one-year period, ranging from -40.6% to +13.7%, with the S&P 500 Index return at -21.7%. The graph also shows that the median manager outperformed the Index by 460 basis points on a gross of fees basis.

Manager Meetings

Another benefit of maintaining a proprietary database is the opportunity to meet face-to-face with the managers we follow. Investment management firms are encouraged to come into our offices to visit periodically. The meetings provide us with valuable insight into how a manager's performance results were achieved. While we are very proud of the extensive GRID® database we maintain, it is difficult to assess a manager through numbers alone. Investment management firms are qualitatively evaluated for their consistency and clarity of investment philosophy and process, ownership structure, decision-making process as well as the tenure, stability and credentials of their investment professionals. Yanni Partners has a dedicated person on staff who coordinates and documents over 400 meetings a year. This structure also provides managers a key contact for sharing time-sensitive information regarding their own organizational

FIGURE TWO

Total Large-Cap Equity Universe



and personnel changes or new product offerings. This information can be passed on quickly to our consulting staff and then directly to our clients.

Non-Traditional Asset Classes

As a complement to the more standard asset classes and style biases we follow, Yanni Partners has an ongoing effort to enhance our separate database of managers within the alternative asset class. Areas of interest include, but are not limited to, venture capital, hedge funds and private equity, with a concentration on a fund of funds approach. These managers and products are both qualitatively and quantitatively evaluated by our senior professionals in order to determine the suitability of these firms and their underlying product offerings for particular client accounts.