Bridging the Gap

Empowering Trustees
OBJECTIVES

• Greater knowledge and understanding

• Constructive engagement and challenge

• Productive relationship with investment managers
– “There is no sphere of human thought in which it is easier to show superficial cleverness and the appearance of superior wisdom than in discussing questions of currency and exchange”
– Winston Churchill
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Overwhelmed by investment reports?

• Too little time – more productive priorities?

• Confused, exasperated, reluctant to ask?

• Trust more than understand?
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“We are drowning in information but starved for knowledge”

- John Naisbitt
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Issues?

- Volume of information
- Complexity of investment report layout
- Complexity of titles and terminology
- Discretionary management
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INFORMATION

VS

KNOWLEDGE
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What’s needed?

- Time
- Knowledge
- Confidence
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Challenge – acquire adequate knowledge

- To develop a process which will bring Trustees across a confidence threshold
- To continuously empower Trustees to constructively engage and challenge
- To regularise this process

while maximising time efficiency
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How?

KISS – keep it simple (stupid)!

Start at the source - the investment reports
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Investment Manager Reports detail the contents of the portfolios i.e.

• **WHAT TRUSTEES ARE RESPONSIBLE FOR**

• **WHAT TRUSTEES SHOULD INITIALLY KNOW**

• **Start peeling the onion**
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Initially ascertain on two separate pages

- Cost, value, change
- Percentage allocations
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A: Cost, value, change
B: (Percentage 100%)

• Total Fund
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A: Cost, value, change and

B: Percentages allocated for each

Asset allocation:

• Equities
• Fixed Income
• Alternative Investments
• Property
• Cash (no cost)
A: Cost, value, change and 
B: Percentages allocated for each

Category within asset classes:
• Equities e.g. Irish, European, UK, US etc
• Fixed Income e.g. Irish govt, Euro corp, high yield etc
• AI e.g. hedge funds, private equity, absolute return etc
• Property e.g. Irish, UK, European etc
• Cash (no cost) e.g. Euro, GBP etc
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## COST, VALUE, CHANGE

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## PERCENTAGE ALLOCATIONS

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Empowering Trustees

Trustees can now discuss with individual managers on an informed basis

• How money is invested
• What asset classes are making or losing money
• What categories of asset classes are making or losing money
• How much is allocated to profitable or losing investments
• A screen or a filter to identify potential problem areas
• A screen or a filter to identify success stories
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• An initial basis for dialogue with investment advisors and managers

• An ongoing process to regularly stimulate dialogue to enable Trustees ask and learn more

• A two way interaction to enhance relationship
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Single manager – an overview of your fund

Multi managers – apply the exact same process for each manager

A: Cost, value, change
B: Percentages allocated
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# COST, VALUE, CHANGE

## Categories

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Empowering Trustees

Trustees can now discuss on an informed basis

- How all money is invested
- How each manager has invested money
- What asset classes are making or losing money
- What categories of asset classes are making or losing money
- Where each manager is making or losing money
- How much is allocated to profitable or losing investments
- How each manager has allocated to profitable or losing investments
- A screen to identify potential problem areas or success stories

Comparisons between managers
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Results

Enhanced clarity, understanding, knowledge, but also:

- Filter of what you understand
- Identifying what you don’t understand
- List of questions Trustees want answered
- Agenda for constructive meeting with advisors
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In addition Trustees can ask for

- Benchmarks
- Standard deviation
- Peak to trough

for different categories and asset classes
Trustees should also

- Review activity – particularly purchases and sales
- Ascertain any illiquid investments
- Ascertain if there is any leverage in any investment
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Marie Collins: IAPF Investment Conference 2011

Advocated

• Common sense

• Enquiring mind

• Don’t understand – don’t invest
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The more you know – does it follow?

➡ The more Trustees engage
➡ The more Trustees learn
➡ The more Trustees understand
➡ The more choice Members will have
Challenging

Some basic questions

- What has performed i.e. which asset classes, regions, strategies, funds
- Were we there
- What will perform
- Will we be there
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Money and money matters are hugely

• Individual
• Emotional

For both Trustees and members

Trustees will likely have individual and specific requirements
- FACILITATE THEM
KNOW YOUR ONIONS!