

Bridging the Gap



Empowering Trustees



OBJECTIVES

- Greater knowledge and understanding
- Constructive engagement and challenge
- Productive relationship with investment managers



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- *“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?



“We are drowning in information but starved for knowledge”

- John Naisbitt



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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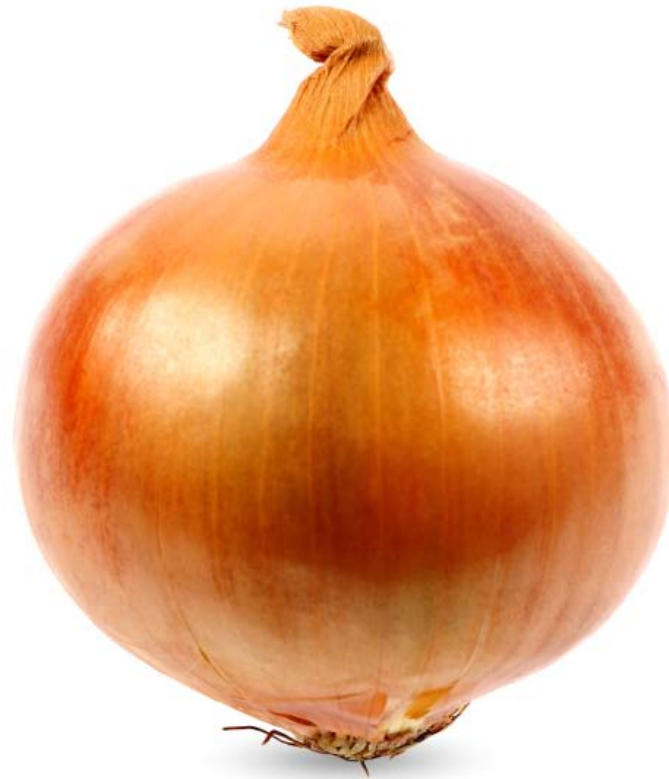
Investment Manager Reports detail the contents of the portfolios i.e.

- **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)



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A: Cost, value, change and

B: Percentages allocated for each

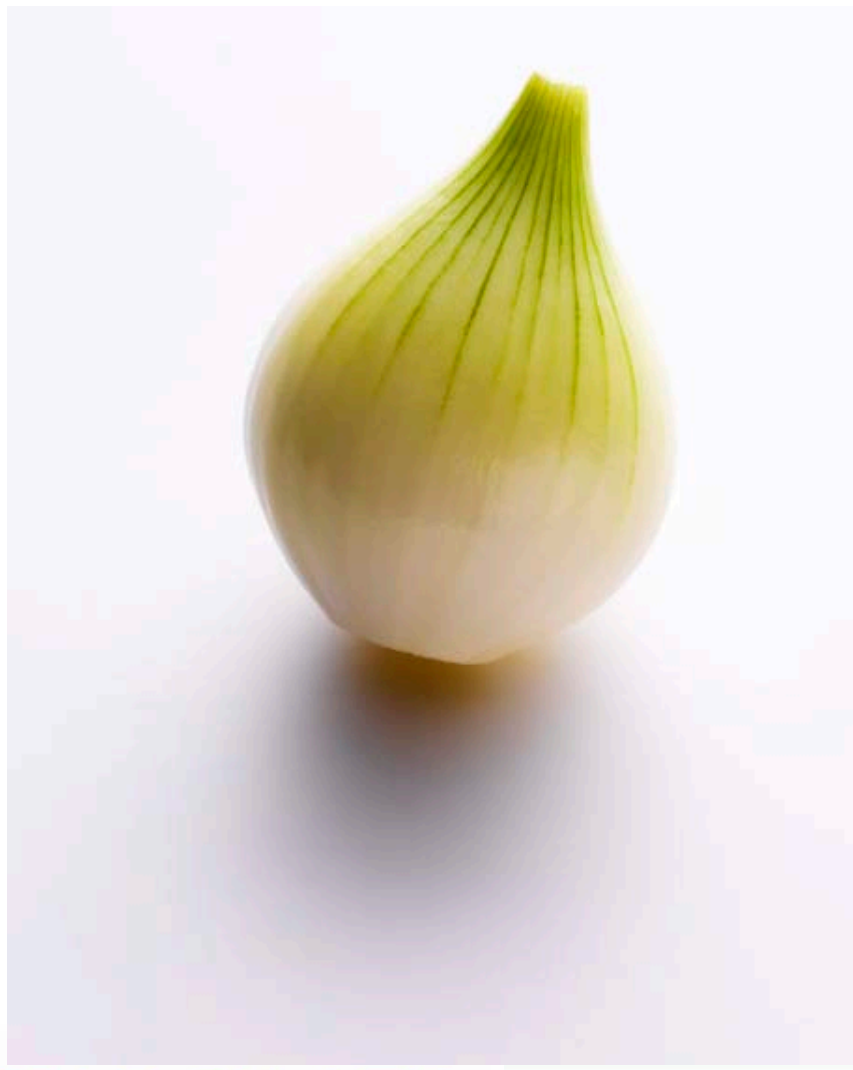
Category within asset classes:

- 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

Categories	Total portfolio		
	Cost	Value	Change
EQTY			
EURO			
US, etc			
FI			
GOVT			
CORP, etc			
AI			
HF			
PE, etc			



PERCENTAGE ALLOCATIONS

Categories	Total portfolio		
	Value	% of Class/Cat	% of Port
EQTY			
EUR			
US, etc			
FI			
GOVT			
CORP. etc			
AI			
HF			
PE, etc			



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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	Total portfolio			Manager A			Manager B			Manager C etc		
	Cost	Value	Change	Cost	Value	Change	Cost	Value	Change	Cost	Value	Change
EQTY												
EUR												
US, etc												
FI												
GOVT												
CORP. etc												
AI												
HF												
PE, etc												



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PERCENTAGE ALLOCATIONS

Categories	Total portfolio			Manager A			Manager B			Manager C etc		
	Value	% of Class/Cat	% of Port	Value	% of Class/Cat	% of Port	Value	% of Class/Cat	% of Port	Value	% of Class/Cat	% of Port
EQTY												
EUR												
US, etc												
FI												
GOVT												
CORP. etc												
AI												
HF												
PE, etc												



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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



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



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



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**



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KNOW YOUR ONIONS!