



INVESTMENT CONSULTANCY

Investment Risk Management A Trustee's Perspective

- ◆ The Risks and the Benefits
- ◆ Account Profiling
- ◆ Settlor Appointed Managers
- ◆ Manager Approved Lists
- ◆ Performance Monitoring
- ◆ Fee Issues
- ◆ Gatekeeper Challenges
- ◆ Take Away Ideas

Trustee Challenges

The Myners Report / Trustee Act 2000

- ◆ 62% had no investment qualifications
- ◆ 49% spent less than 3 hours preparing for an investment meeting
- ◆ 77% have no in-house professionals
- ◆ Improved decision making could add £1.5bn to Pension returns
- ◆ Implementation of Policy Statements

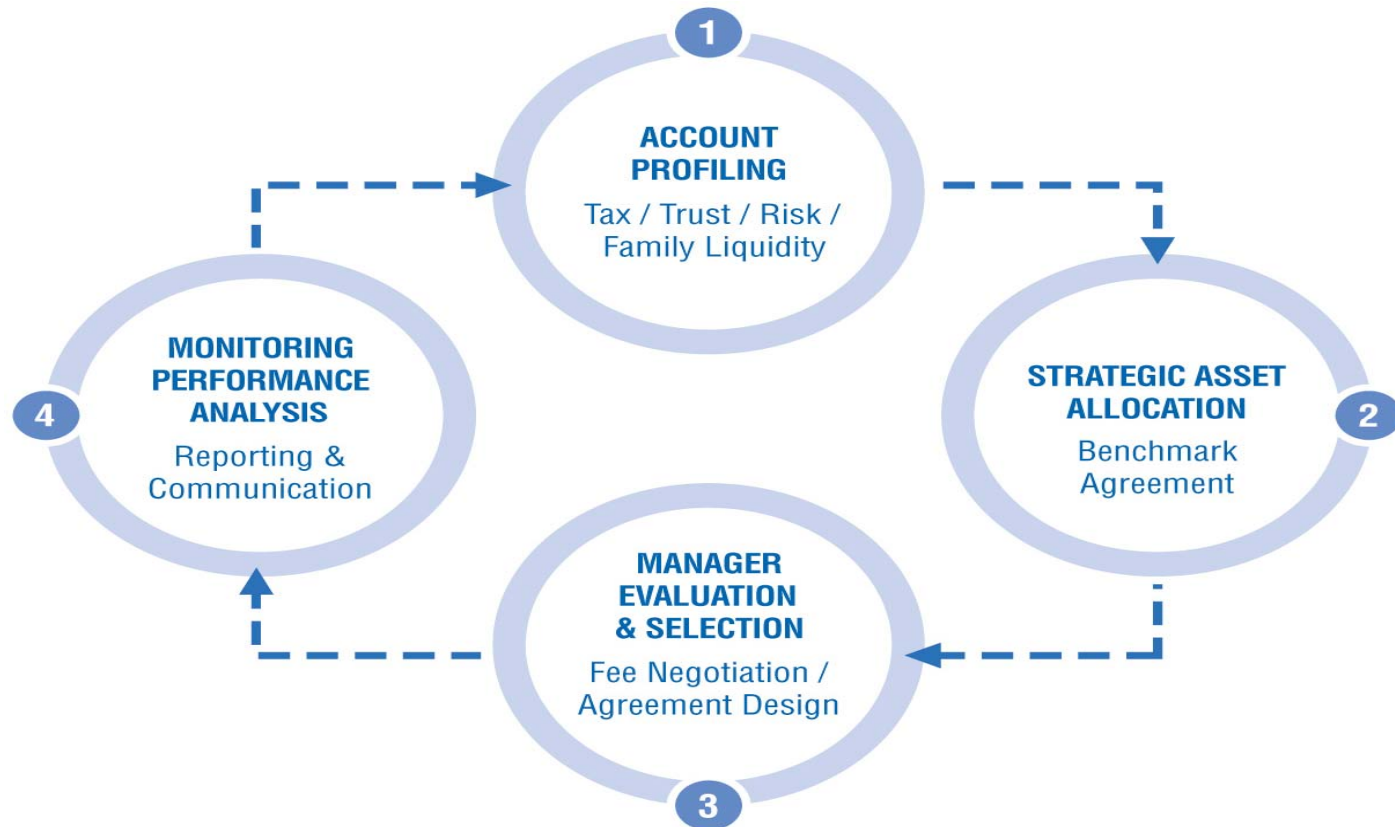
What value would be added to your Clients through superior Investment Practices.

Some Considerable Risks

- ◆ **Performance** Monitoring and fair comparison?
- ◆ **Portfolio** Poorly structured, deviates from objective?
- ◆ **Agreements** Poorly written, unclear, not recorded?
- ◆ **Managers** Not well known, process / team issues. Suitability?
- ◆ **Service** Costs of poor manager service?
- ◆ **Fees** Handling of Fees, Level of Fees. Churning, Terms?
- ◆ **Security** Risk Reviews? Organisation Changes?
- ◆ **Procedures** Design, Implementation, Robustness?

A host of issues to destroy value or enhance relationships.

Trustee Investment Process



Account Profiling



- ◆ Who really knows the Relationship?
- ◆ Misunderstood Profiles?
- ◆ Trustees as Investment Counsellors?

- ◆ Good Customer Database Systems?
- ◆ Annual Reviews
- ◆ Profile Interpretation

Interpreting Account Profiles



- ◆ Interpretation of – Cash, Absolute, Bond, Balanced, Growth needs
- ◆ Investment style? Value or Growth?
- ◆ What suits a Trustee - Fund or Segregated Portfolios?
- ◆ How to manage – Advisory / Execution Accounts
- ◆ Leads to superior Benchmark and Peer Group choice – Risk or Value Added?
- ◆ Investment Mandate Design – Trustee Act 2000

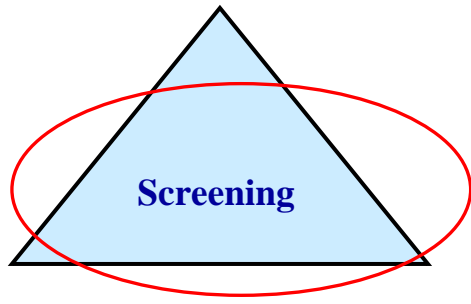
Investment Manager Selection

- ◆ Are Trustees comfortable choosing Managers?
- ◆ Low Risk Strategy to Focus on
 - ◆ Security?
 - ◆ Service?
 - ◆ Fees?
- ◆ Approved and Not Approved List
- ◆ Core List – Focus Quality, Performance, Dynamic Changes
- ◆ When does a Trustee become an Investment Advisor?
- ◆ How many managers, what style mix?

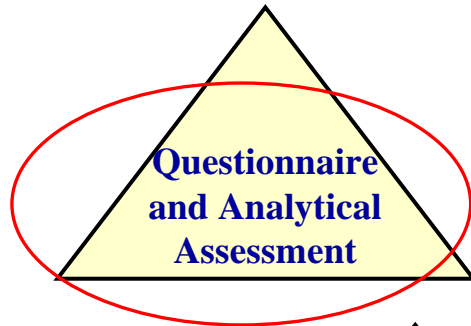


Can provide an early warning signal

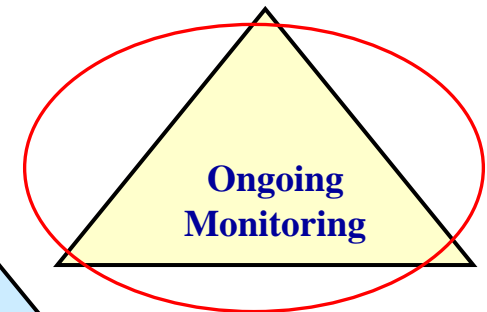
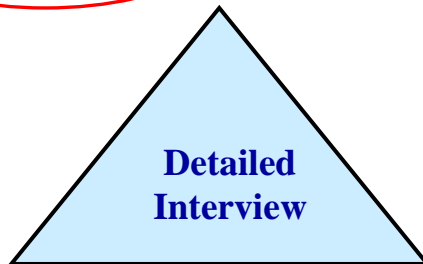
Approved vs Core Managers



- ◆ Identify main purpose – Risk Management, Return Enhancement or both
- ◆ Risk Internal solution, define criteria on security, service, reputation
- ◆ Return Funds – Screening software and external research
- ◆ Return Segregated – Hard Work, time consuming, expensive
- ◆ **BUT** Keep it simple - **Avoid** role of investment advisor



- ◆ Create Screening, Risk, Performance Monitoring
 - ◆ Outsource Core Manager Selection



*Trustees focus on screening areas of risk.
Add value through the design of a Core Manager List.*

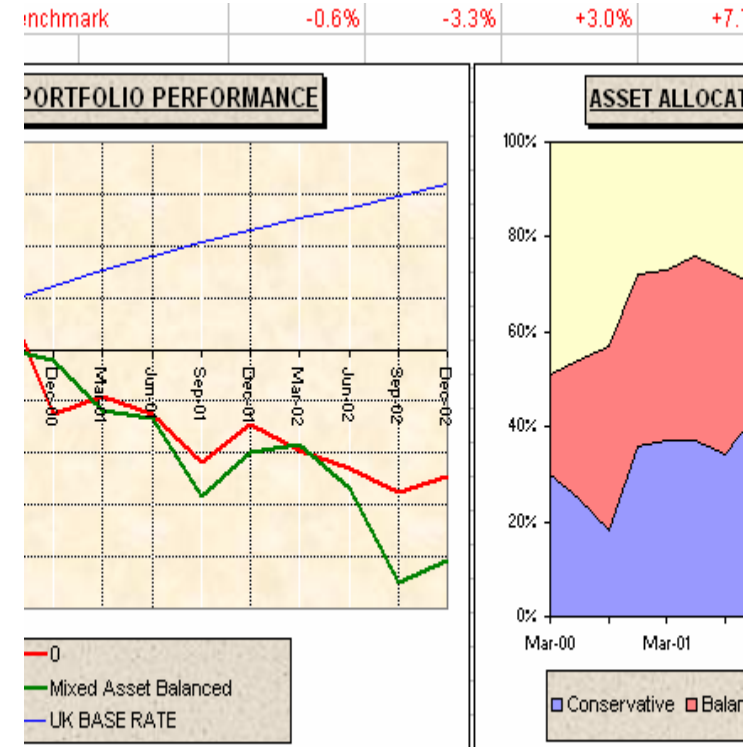
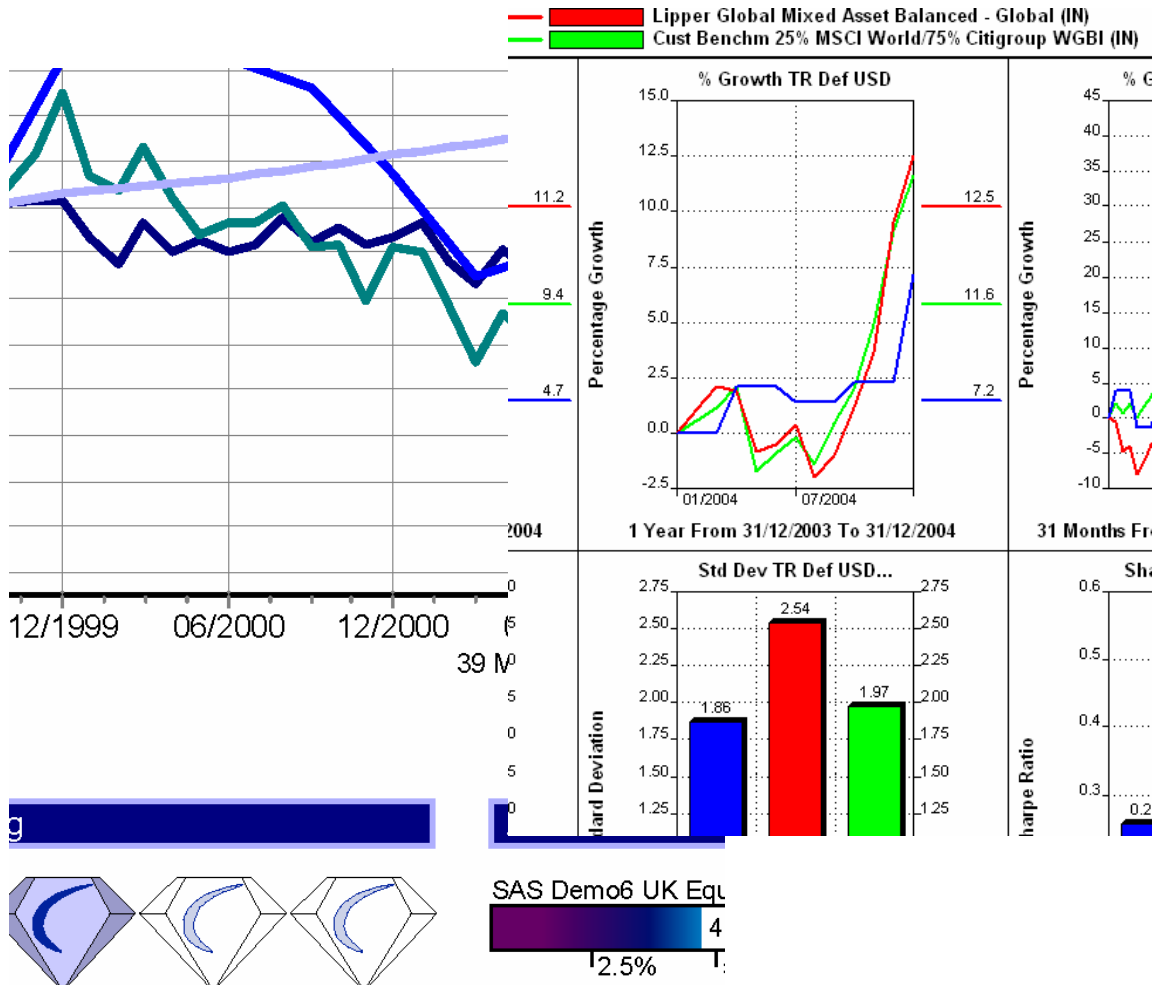
Performance Monitoring

- ◆ Purpose Reduce Risks and Enhance Return?
- ◆ Compare - Benchmarks, Peer Groups, Absolute?
- ◆ Discretionary, Advisory, Execution, Ad Hoc?
- ◆ Robustness - Weak or Strong Reviews?
- ◆ Relegation Criteria – Evidence against us?
- ◆ Settlor Appointed Manager Procedures?
- ◆ Tied to our Parent Company!
- ◆ A multitude of solutions?



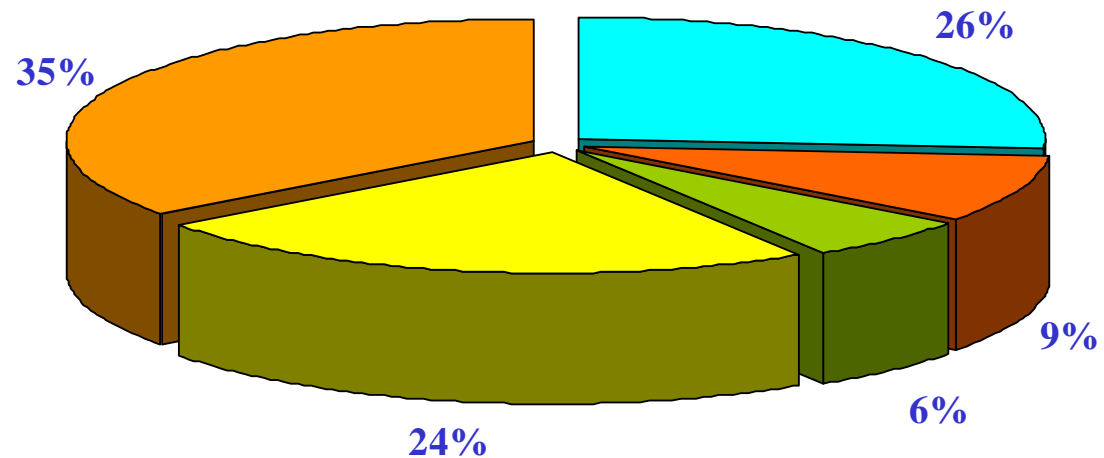
*If you are not formally reviewing all accounts
START NOW*

Performance Monitoring Choices



...re of the **average** performance of all listed fund managers in that currency investing in :

Performance Monitoring by Jersey Trust Companies

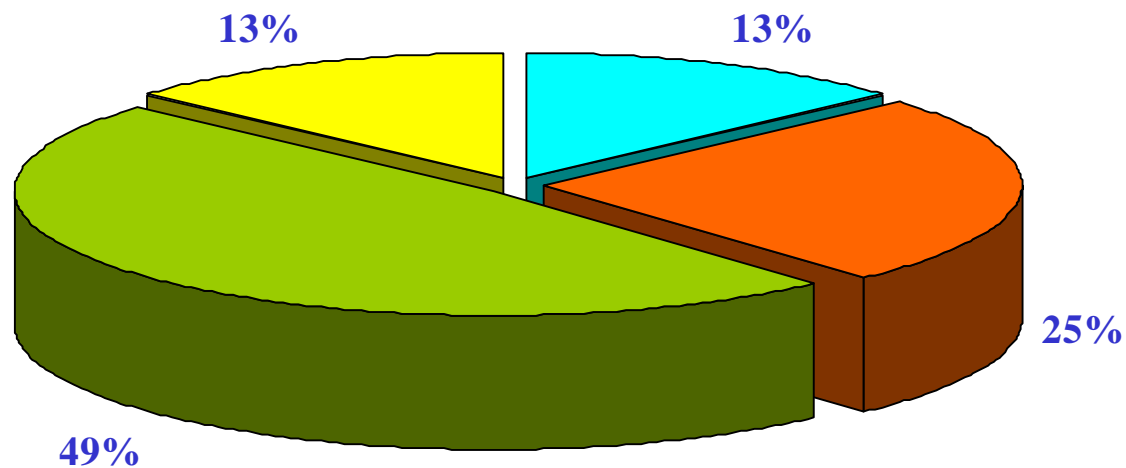


■ No Function ■ Gatekeeper ■ Partial Gatekeeper ■ Outsourced ■ Shared Roles

Other Areas to Consider

- ◆ Policy and Procedure Design
- ◆ Ad Hoc Positions
- ◆ Hedge Fund / Structured Products Approval Process and Procedures
- ◆ Treasury Solutions - Cash Management
- ◆ Annual Reviews - Risk grading and opportunity identification
- ◆ Valued / Complex Clients - Meeting expectations

Handling of Fee Reductions, Rebates and Incentives



■ Not Negotiated ■ Retained by Trustee ■ Retained by Account ■ Offset other Fees

The Role for Gatekeepers

- ◆ Strengths
 - ◆ Increase Discipline
 - ◆ Reduce Investment Risks
 - ◆ Provoke Change and Enhance Processes
 - ◆ Lower Management Fees
 - ◆ Should lead to enhanced Risk adjusted Returns

- ◆ Weaknesses
 - ◆ Marketing to Clients and Stakeholders
 - ◆ Divergence in Trust Solutions
 - ◆ Levels of Impartiality
 - ◆ Resources
 - ◆ Misunderstood

Quis custodiet ipsos custodias.

Take Away Ideas

- ◆ Audit your current practices
- ◆ Risk Grade and prioritise your action points
- ◆ Create an Investment Profile Tool
- ◆ Review your current performance platform
- ◆ Differentiation – Risk, Return – Both?
- ◆ Market the benefits
- ◆ Review your PI cover
- ◆ Revisit your Approved and Core Managers
- ◆ Compliance or Relationship Function

Calculate Revenue and Clients lost

vs

Reputation, Revenue and Service Enhancement

For More Information

- ◆ This presentation is available from the media section on our website www.peritus.co.uk
- ◆ Literature is also available on our website on:

‘How to choose an Investment Consultant’

‘What are the Main Differences between Investment Consultants’

‘Core Manager List Design’



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*Our mission is to enhance the investment experience clients have
in the management of their wealth.*