

investment governance

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A paradigm shift
IN CONSUMER PROTECTION

*Adventure is just
bad planning”*
Roald Amundsen





what is good governance?

a process of optimising investment decisions within a framework that is compliant with statutory and common law fiduciary duties



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what is good governance?

a process of optimising investment decisions within a framework that is compliant with **statutory and common law fiduciary duties**



characteristics of good governance

- ~ accountable
- ~ transparent
- ~ responsive
- ~ equitable & inclusive
- ~ effective & efficient
- ~ follows the rule of law
- ~ participatory
- ~ consensus oriented



so what does this mean in practice?

- ~ know what you are doing
- ~ apply your mind
- ~ understand your members' needs and objectives
- ~ develop a framework for making good decisions
- ~ stick to the framework
- ~ know your limits

the governance challenge

~ investment strategy aligned to long-term horizon of members

but ...

~ resilient to short-term pressures that occur from time to time

key elements for good outcomes

The Pensions Regulator in the UK highlighted 6 key elements for achieving good outcomes:

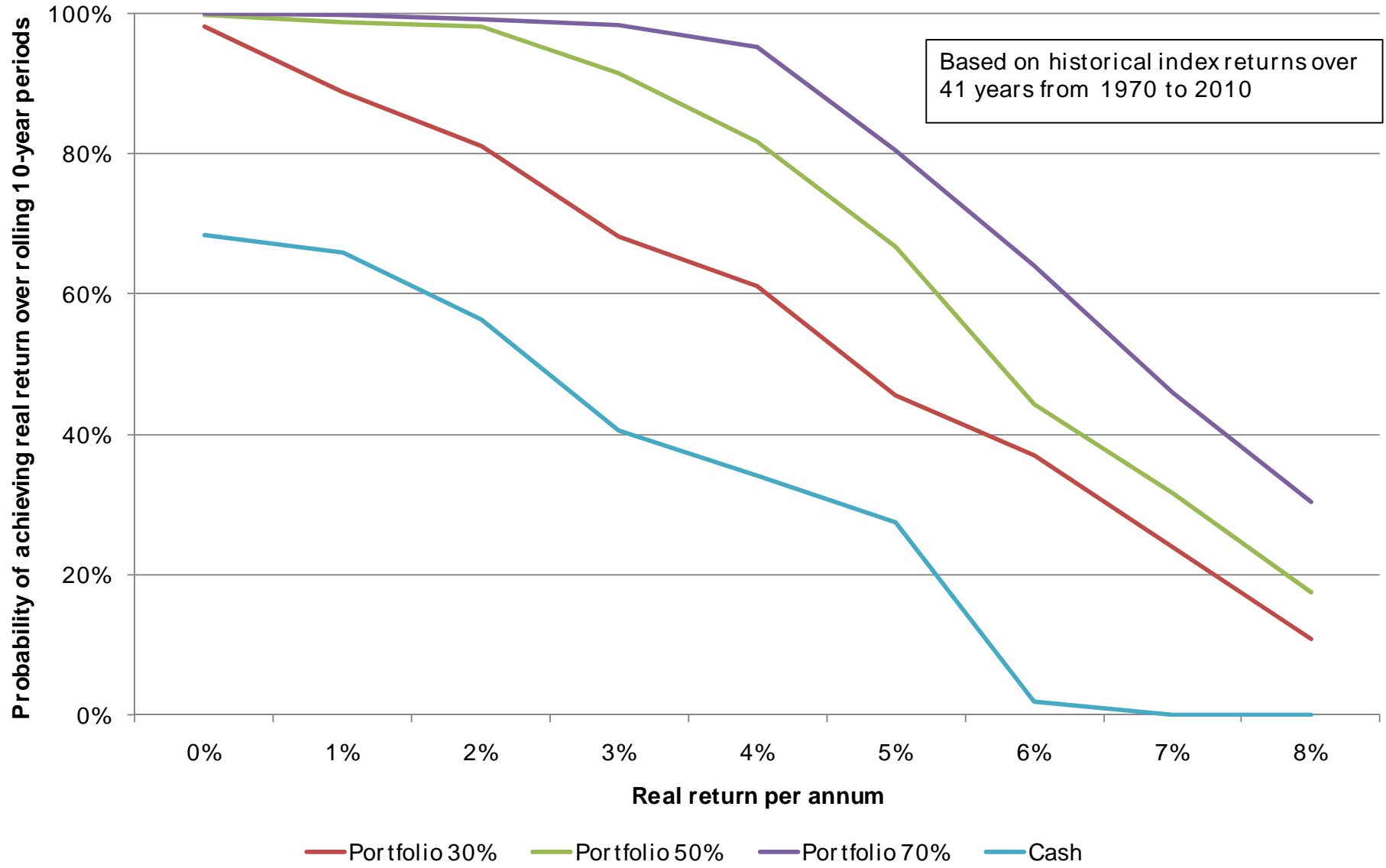
- ~appropriate decisions with regards pension contributions
- ~appropriate investment decisions
- ~efficient and effective administration
- ~protection of scheme assets
- ~value for money
- ~appropriate decisions on converting pension savings into a retirement income

“October: This is one of the peculiarly dangerous months to speculate in stocks. The others are July, January, September, April, November, May, March, June, December, August and February.”

Mark Twain



not taking risk can be risky



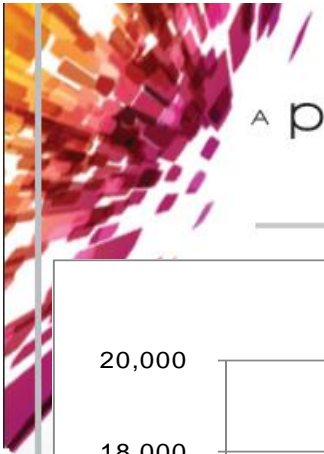


why do you need an IPS?

- ~ protects the fund, trustees and members
- ~ sets a sound framework for decision making
- ~ serves as a reference point for decision making
- ~ helps avoid unnecessary reinvention of the wheel
- ~ helps improve quality of decision making
- ~ ensures clear responsibilities for functions in investment process
- ~ shows that trustees have applied their minds
- ~ enables new trustees or service providers to understand the strategy

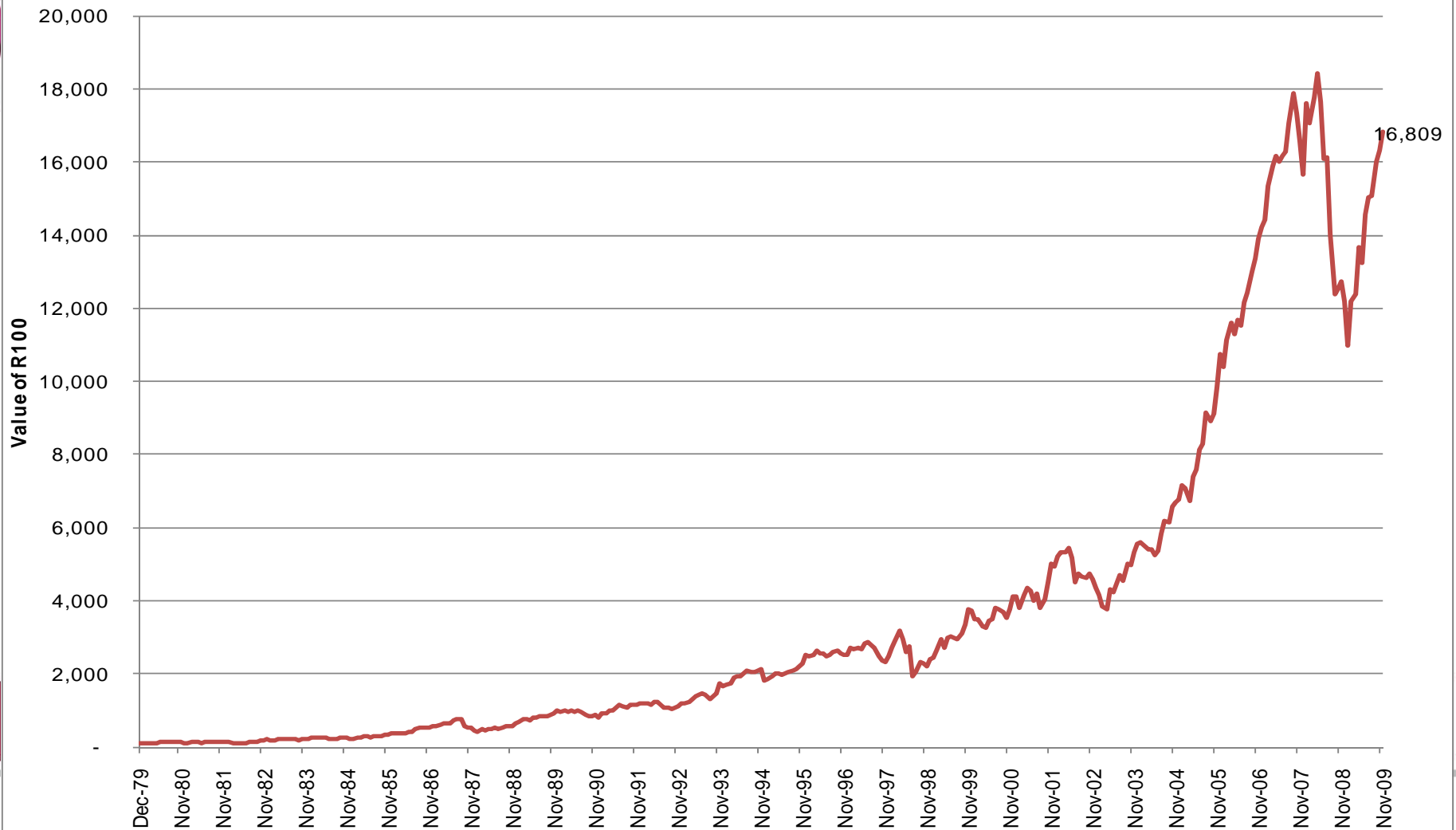
the importance of reports

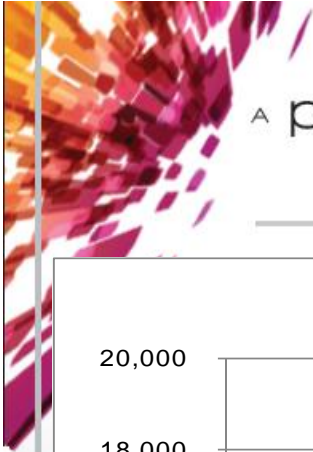
- ~ agree what should be measured
- ~ define reports clearly up front
- ~ reports must compare to previous
- ~ reports must always be the same
- ~ check the key criteria
- ~ query ALL anomalies
- ~ frequency



free smoothing

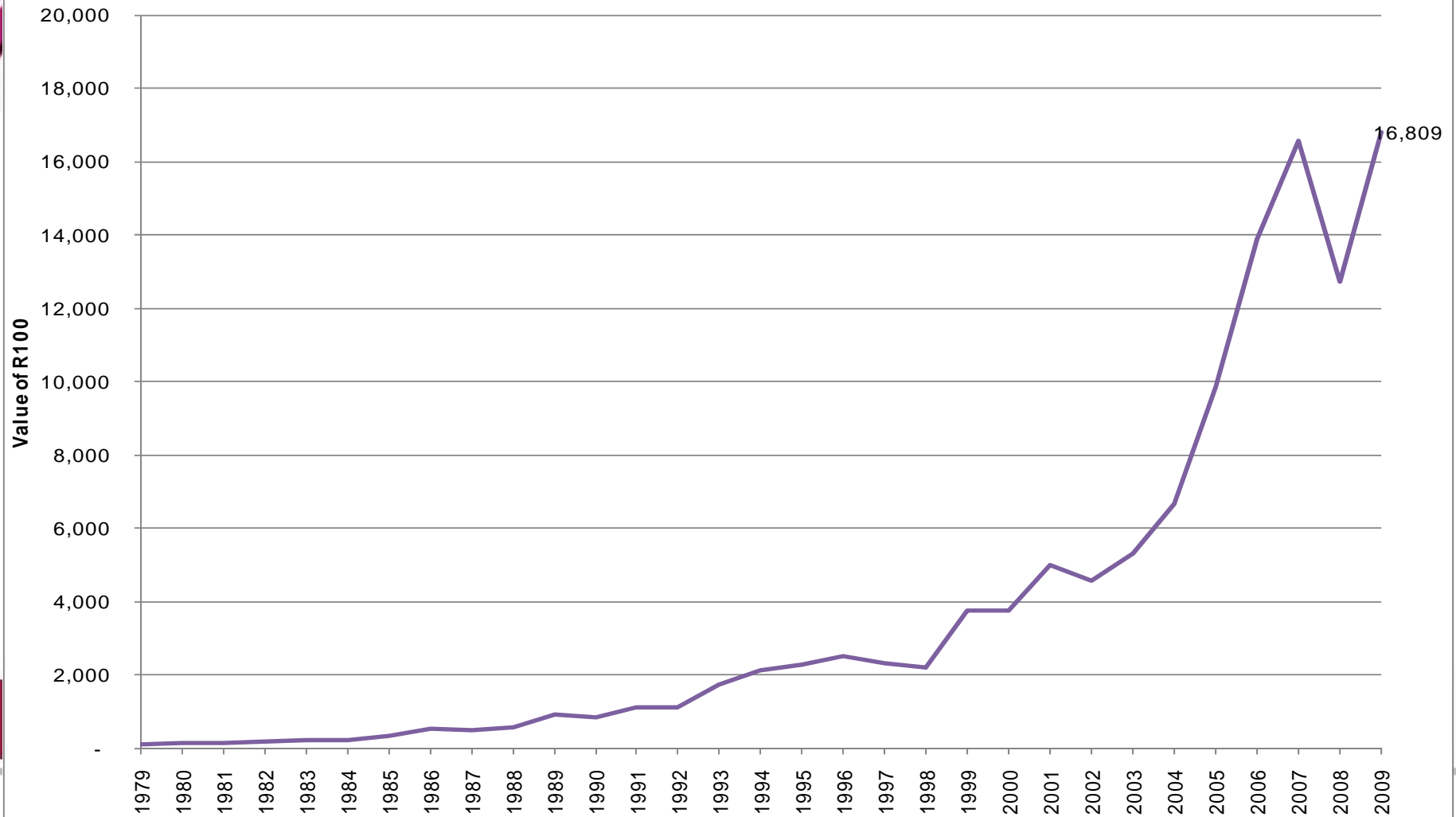
Monthly statements





free smoothing

Annual statements





develop a framework

- ~ spend time developing your investment framework
- ~ identify key decisions ... focus time, cost and effort on these
- ~ make sure it's *your* framework
- ~ document it
- ~ stick to it
- ~ revisit it from time to time

developing an investment strategy





- ~ complexity of investment strategy must take account of:
 - ~ *resources,*
 - ~ *time and*
 - ~ *skills*of the board of trustees
- ~ does not mean complexity should be introduced along with expensive expert advisors
- ~ keep it simple and manageable

governance leads to success

- ~ in order to succeed your fund needs ...
 - ~ *a clear strategy*
 - ~ *your dedication and commitment*
 - ~ *your time*
 - ~ *your skill*
 - ~ *you to make good decisions*
 - ~ *you to keep them on track*



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“Even if you are on the right track, you will get run over if you just sit there”

Will Rogers

