

Managing Trustee Investment Decisions

Roles	Organise	Plan	Implement	Monitor
<p>Trustees</p> <p style="text-align: center;">Decide</p> <p><u>Manage a decision process</u> that:</p> <ul style="list-style-type: none"> ▪ Defines an investment strategy that is appropriate in the context of the trust; ▪ Ensures an appropriate & reasonable balance between risk & return; ▪ Diversifies where & when appropriate; ▪ Reviews the investment portfolio from time to time at suitable intervals. 	<p>Initiate a review</p> <ul style="list-style-type: none"> ▪ trust deed, relevant laws, settlor wishes (authority, constraints, discretions) ▪ trust purposes & objectives ▪ existing investment policy ▪ liabilities & distributions ▪ drivers behind the decision ▪ roles & responsibilities ▪ beneficiary circumstances & needs <p>Appoint Investment Adviser</p> <ul style="list-style-type: none"> ▪ complete due diligence & written service agreement ▪ brief Investment Adviser 	<p>Assess the soundness of the advice & proposed strategy</p> <ul style="list-style-type: none"> ▪ trustees understand advice (advantages / disadvantages) ▪ that adviser has correctly interpreted the trustees goals, objectives & needs ▪ do due diligence (investment providers, security of assets) <p>Obtain any further advice</p> <ul style="list-style-type: none"> ▪ e.g. tax, legal, accountancy <p>Consult stakeholders for input required into the investment decision-making process</p> <p>Refine IPS & Plan with adviser</p>	<p>Approve IPS & Plan</p> <p>Document trustee resolutions</p> <ul style="list-style-type: none"> ▪ attach supporting advice & information ("paper trail") <p>Sign investment documentation</p> <p>Oversee implementation of the approved strategy & Plan</p>	<p>Review investment reports and performance periodically</p> <ul style="list-style-type: none"> ▪ asset class benchmark indices & IPS objectives ▪ need to rebalance portfolio ▪ significant variances ▪ investment adviser performance <p>Review investment costs & expenses</p> <p>Explain variances against IPS & plan</p> <p>Report to stakeholders</p>
<p>Investment Advisers</p> <p style="text-align: center;">Advise</p> <ul style="list-style-type: none"> ▪ Guide trustees through a disciplined & robust investment decision process; ▪ Correctly assesses the goals, objectives & needs of the trustees & the trust; ▪ Recommend an investment strategy to meet the objectives & investments to implement the strategy; & ▪ Report on investment performance & outcomes against the approved plan. 	<p>Establish</p> <ul style="list-style-type: none"> ▪ trustee goals & objectives ▪ needs & circumstances ▪ level of trustees investment knowledge or skills ▪ asset class preferences <p>Analyse</p> <ul style="list-style-type: none"> ▪ cash flow needs & timing ▪ capital movements ▪ time horizon ▪ appropriate risk level (ensure care & preservation of capital) ▪ expected return ▪ tax considerations 	<p>Design investment strategy</p> <ul style="list-style-type: none"> ▪ model expected return to meet goals, objectives & needs of trustees <p>Draft Investment Policy Statement (IPS)</p> <ul style="list-style-type: none"> ▪ background, assumptions, roles & responsibilities, appropriate detail to define, implement & monitor a specific investment strategy <p>Prepare Investment Plan</p> <ul style="list-style-type: none"> ▪ provide recommendations to implement the strategy <p>Refine IPS & Plan with trustees</p>	<p>Implement the approved investment strategy & Plan</p> <p>Report to trustees on progress & confirm implementation</p>	<p>Report on investment performance against agreed benchmarks & objectives</p> <p>Explain variances against IPS & Plan</p> <p>Review & rebalance portfolio</p> <p>Educate trustees on investment matters</p>