

Conducting an Investment Manager Review for your Charity

Overview

Once your investment policy has been finalised, you may well be looking to select an investment manager. But, with a number of different managers out there, where should you start?

Selecting an investment manager can be time consuming for all those involved, so you will want to ensure that you get the most out of the exercise. Most charities will undertake a tendering process including a written proposal and presentation stage, before selecting an investment manager. Taking a structured approach like this can make the task easier and more efficient, and can help demonstrate fiduciary responsibility to the wider board and regulators.

Preparing your long list of investment managers

When considering your initial 'long list', it is important that you identify firms that can accommodate your investment policy. Some will be more suited to your needs than others. For example, if you are seeking a pooled product, you will want to seek out managers with a suitable array of funds, including managers that offer Charity Authorised Investment Funds (CAIFs). You'll also want to understand the level of service provided, and whether or not the manager is providing investment advice or not. CC14 states that when making financial decisions Trustees should take advice from someone experienced in investment matters, unless they have a good reason for not doing this. For example if you can have expertise within your Trustee group or you have low value investments.

Other things to consider are:

- Whether you are seeking a discretionary or non-discretionary agreement
- Whether you are looking to take an active or passive approach
- If you are looking to invest through a pooled product or on a segregated basis
- How much you are looking to invest, and the minimum investment requirements for particular products offered by managers
- Your responsible investment requirements / restrictions and if the products offered by the manager are suitable for your charity

Sending out requests for proposals (RFPs)

Having put together a long list of managers, charities will typically ask each manager to complete a proposal document before meeting with a 'short list' who will present their proposition.

It can be useful to ask prospective managers specific questions in your review process. While this isn't essential, it helps you to make fair comparisons between managers. Remember that past performance is important however, it is not necessarily an indicator of future performance. You should therefore also consider factors such as corporate background, experience, relationships, service levels and fees. Below are some points that may help to guide you when putting together a list of questions for an RFP:

- Corporate history and background to the firm
- Experience managing similar mandates
- Investment philosophy and process
- Investment team and points of contact
- Recommendations for managing the mandate
- Past performance and any necessary benchmarking
- Reporting and services
- Costs and charges – look out for the total expense ratio and the manager's service fee

You may want to ask for examples of reporting documents so that you can ensure they fit with your charity's requirements. Each charity will have different needs and priorities; when sending out an RFP, consider what is particularly important to your organisation.

Interviews with a shortlist of managers

Having reviewed the proposals, you may want to invite a shortlist of investment managers (typically 3-4) to present their propositions in person, and offer an opportunity to ask you questions. If there are any specific topics that you want to know more about, you should ensure your interviewees are aware of these. Again, this can be useful for comparisons. This stage can be time consuming for Trustees, so it is a good idea to provide a time limit for each presentation.

The decision

This part of the process is not always black and white, but it is important that you feel at ease with the investment managers that you entrust with your assets, particularly given the long term nature of investing. They should truly understand your charity's needs and requirements, and be able to offer investment solutions that align with these. Remember to bring the decision back to the priorities of your charity.

Key Tips:

1.

Have an informal chat with the firm/s you are considering to ensure they can offer products that are suited to you. This could save a significant amount of time in the future.

2.

Remember to include an outline of your requirements, a deadline, and whether you would like the prospective manager to submit their proposal as a soft or hard copy.

3.

There are legal requirements that you will have to meet if appointing an external investment manager – this includes a written agreement which will detail the remit and relationship.

Contact us

WIM has been managing charity assets for over thirty years. We aim to achieve an in-depth understanding of our clients' requirements; an approach that results in long term, positive working relationships.

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