

# Managing Trustee Investment Decisions

Roles	Assess	Plan	Implement	Review
<p><b>Trustees</b></p> <div style="border: 1px solid black; background-color: #f4a460; padding: 5px; display: inline-block; margin: 10px 0;"><b>Decide</b></div> <p>Trustees <b>manage a decision process</b> that:</p> <ul style="list-style-type: none"> <li>• defines an appropriate investment strategy in the context of the trust fund;</li> <li>• ensures an appropriate &amp; reasonable balance between risk &amp; return;</li> <li>• diversifies where &amp; when appropriate; &amp;</li> <li>• reviews the investment portfolio from time to time at suitable intervals.</li> </ul>	<p><b>Initiate a review &amp; consider:</b></p> <ul style="list-style-type: none"> <li>• trust deed, relevant laws, settlor wishes (authority, constraints, discretions)</li> <li>• trust purposes &amp; objectives</li> <li>• existing investment policy</li> <li>• liabilities &amp; distributions</li> <li>• drivers behind the decision</li> <li>• roles &amp; responsibilities</li> </ul> <p><b>Inquire into beneficiary needs &amp; circumstances (present &amp; future)</b></p> <p><b>Appoint Investment Adviser:</b></p> <ul style="list-style-type: none"> <li>• complete due diligence &amp; written service agreement</li> <li>• brief Investment Adviser</li> </ul>	<p><b>Assess the soundness of the advice &amp; proposed strategy:</b></p> <ul style="list-style-type: none"> <li>• trustees understand advice (advantages &amp; disadvantages)</li> <li>• that adviser has correctly interpreted the trustees goals, objectives &amp; needs</li> <li>• do due diligence (investment providers, security of assets)</li> </ul> <p><b>Obtain any further advice:</b></p> <ul style="list-style-type: none"> <li>• e.g. tax, legal, accountancy, etc</li> </ul> <p><b>Consult stakeholders for input required into the investment decision-making process</b></p> <p><b>Refine IPS &amp; Plan with adviser</b></p>	<p><b>Decide to approve the IPS &amp; Plan for the trust</b></p> <p><b>Complete trustee resolutions for any decisions made:</b></p> <ul style="list-style-type: none"> <li>• attach supporting advice &amp; information (“paper trail”)</li> </ul> <p><b>Sign IPS &amp; any investment documentation</b></p> <p><b>Oversee implementation of the approved strategy &amp; Plan</b></p>	<p><b>Receive &amp; review investment reports</b></p> <p><b>Review investment performance periodically:</b></p> <ul style="list-style-type: none"> <li>• asset class benchmark indices &amp; IPS objectives</li> <li>• need to rebalance portfolio</li> <li>• significant variances</li> <li>• Investment Adviser performance</li> </ul> <p><b>Explain significant variances</b></p> <p><b>Review investment costs &amp; expenses</b></p> <p><b>Report to stakeholders</b></p>
<p><b>Investment Advisers</b></p> <div style="border: 1px solid black; background-color: #f4a460; padding: 5px; display: inline-block; margin: 10px 0;"><b>Advise</b></div> <p>Investment Advisers:</p> <ul style="list-style-type: none"> <li>• guide trustees through a disciplined &amp; robust investment decision process;</li> <li>• correctly assesses the goals, objectives &amp; needs of the trustees &amp; the trust;</li> <li>• recommend an investment strategy to meet the objectives &amp; investments to implement the strategy; &amp;</li> <li>• report on investment performance &amp; outcomes against the approved plan.</li> </ul>	<p><b>Establish:</b></p> <ul style="list-style-type: none"> <li>• trustee goals &amp; objectives</li> <li>• beneficiaries needs &amp; circumstances</li> <li>• level of trustees investment knowledge or skills</li> </ul> <p><b>Analyse:</b></p> <ul style="list-style-type: none"> <li>• cash flow needs &amp; timing</li> <li>• capital movements</li> <li>• time horizon</li> <li>• appropriate risk level (ensure care &amp; preservation of capital)</li> <li>• expected return</li> <li>• asset class preferences</li> <li>• tax considerations</li> </ul>	<p><b>Design investment strategy:</b></p> <ul style="list-style-type: none"> <li>• model expected return to ensure it will meet goals, objectives &amp; needs of trustees</li> </ul> <p><b>Draft Investment Policy Statement (IPS):</b></p> <ul style="list-style-type: none"> <li>• contains appropriate detail to define, implement &amp; monitor a specific investment strategy</li> </ul> <p><b>Prepare Investment Plan (Plan):</b></p> <ul style="list-style-type: none"> <li>• recommend investments &amp;/or managers to implement the strategy appropriate for the size of the portfolio</li> </ul> <p><b>Refine IPS &amp; Plan with trustees</b></p>	<p><b>Implement the approved investment strategy &amp; Plan</b></p> <p><b>Report to trustees on progress &amp; confirm implementation</b></p>	<p><b>Report on investment performance against agreed benchmarks &amp; objectives</b></p> <p><b>Explain all significant variances against IPS &amp; Plan</b></p> <p><b>Review &amp; rebalance portfolio</b></p> <p><b>Educate trustees on investment matters &amp; hold to discipline of IPS &amp; Plan</b></p>