

Institutional Investment Management for Charities and Trusts

About Investment Quorum

Investment Quorum was launched in October 2000 with the aim of providing an unrivalled level of service in the areas of financial planning and investment management to private individuals, charities and trusts.

The founders shared a vision of a firm that would combine the very best in client service, technical knowledge and portfolio management to ensure clients had the optimum chances of achieving their financial and investment objectives.

Our services have been rewarded within our industry and we currently are the only Wealth Manager to hold both a 3 Star Investor in Customers Award and a coveted Gold Standard Award for Independent Financial Advice, one of only four ever awarded.



A Portfolio Management Service Designed for Trustees

Building upon the recommendations of the **Myners Review** of institutional investment in the UK (2001) which had the aims of setting out a best practice model for investment decision-making for Trustees. When the **Trustee Act 2000** is also taken into the equation, it can be seen that Trustees now have numerous responsibilities weighing on their investment decisions.

Investment Quorum have deliberately integrated Myners' recommendations into our portfolio management service, finally giving Trustees the institutional level of investment management that they require, but rarely receive. Before outlining our approach in more detail, it is worth outlining our conclusions from Myners.

Investment Quorum, Myners & The Trustee Act 2000

At Investment Quorum we believe that Trustees who have to make investment decisions would benefit from more structure and discipline in their approach to investing, just like institutional investors. Investment Quorum was founded to challenge many of the industry 'rules' that govern the service investors receive and to bring institutional benefits to our clients' portfolios by integrating the conclusions from Myners and The Trustee Act into our portfolio construction process.

Myners Report – The Conclusions

1. Focus on Asset Allocation – Asset allocation should receive a level of attention that reflects the contribution it makes towards returns.

2. Explicit Mandates – Trustees should agree with external investment managers an explicit written mandate covering agreement on:

- The investment objective, benchmark(s) and risk parameters.
- The investment manager’s approach to achieve the objective.
- Clear timescale of measurement and evaluation.

3. Appropriate Benchmarks – Trustees should consider whether the benchmarks they have selected are suitable, and whether active or passive management, or both, are appropriate. If active, targets and risk controls should be set that allow pursuit of genuinely active strategies.

4. Performance Measurement – Trustees should arrange for measurement of the performance of the portfolio. They should also arrange for a formal assessment (and a periodic review) of the performance and decision-making that they have delegated to investment managers.

5. Transparency – A Statement of Investment Principles should set out:

- Who is taking which decisions and why this structure has been selected.
- The portfolio’s investment objective.
- The portfolio’s planned asset allocation strategy, including projected investment returns on each asset class, and how the strategy has been arrived at.
- The mandates given to all advisers and managers.
- The nature of the fee structures in place for all advisers and managers.

Getting the Right Allocation

Asset Allocation essentially means ensuring that the mix of ‘assets’ you have within your portfolio is correct. As Trustees, you need to take into account how comfortable you are with taking risks with the investment capital (your ‘risk tolerance’), the objectives you have, the return you expect to see and your investment time horizon. By assets we mean cash, property, fixed income or bonds (corporate bonds or Government bonds) and equities (shares). Research shows that increasing the number of asset classes within an investment portfolio can reduce the volatility (or risk) and increase long term returns.

Why is asset allocation so important? Despite what many people think about the importance of selecting the ‘right’ stocks and choosing the ‘right’ time to invest, research shows that the largest contributor (91%) to the variability of returns in a portfolio over time is the asset allocation. Myners emphasised the need for Trustees to focus on this aspect of the investment in particular.

Strategic Allocation (setting the strategy to achieve the Trustees’ objectives, taking into account all the information we know about you) comes first, as you might expect. The strategy is then discussed at the beginning of our relationship with the Trustees and reviewed on a regular basis, ensuring adherence to the Policy Statement which the Trustees will have drawn up.

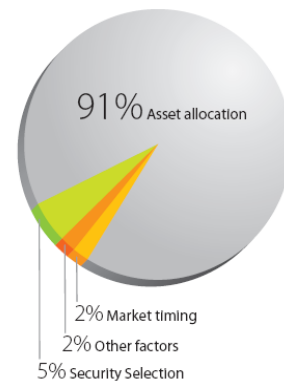
Tactical Asset Allocation comes next – the fine-tuning of the strategic allocation. This is the ongoing management of your portfolio to keep it up to date to reflect not only your aims but also the prevailing investment climate. This combines our expertise with that of the managers we use to choose stocks on your behalf. The Investment Quorum Investment Committee meets monthly to examine and analyse the impact of macro-economic, geo-political, currency, sector and theme changes on our portfolios and make recommendations for asset allocation changes going forward.

Once we have the correct asset mix for the Trust’s/Charity’s investments, we can source the right managers for each of the asset classes and regions within it, to manage the portfolio.

Planning The Right Asset Mix



The Importance of Asset Allocation



Source: Ibbotson Associates Et Al 2000

Reasons for Trustees to choose Investment Quorum

- IQ expertise in ongoing tactical asset allocation
- Independent, institutional investment manager selection
- Specific investment mandates covering investment objectives, benchmarks, guidelines and targets
- Transparent charging structure
- High levels of personal service
- Built for the Trustee – Myners and Trustee Act friendly.

In Summary – How can Investment Quorum assist Trustees meet their legal responsibilities?

Myners Conclusion

Investment Quorum Portfolio & Service

<p>(1) Focus on Asset Allocation</p>	<ul style="list-style-type: none"> ■ Tactical asset allocation decisions relating to global markets are taken monthly and monitored daily ■ Variables considered: macro-economic, geo-political, currency, sector and theme analysis. ■ Disciplined 'institutional' process enables quick reaction to short term threats and opportunities
<p>(2) Explicit Mandates</p>	<ul style="list-style-type: none"> ■ Investment proposal written for the Trustees detailing overall investment objectives, risk profile and benchmarks ■ Stock selection outsourced to institutional fund managers with regional expertise ■ Specific investment mandates agreed with each institutional manager responsible for the stock selection ■ These mandates detail performance targets, benchmarks and investment parameters which must be adhered to ■ Failure to comply with the mandate, or underperformance, can result in the manager being replaced
<p>(3) Appropriate Benchmarks</p>	<ul style="list-style-type: none"> ■ Overall performance of the portfolio is measured against a composite benchmark appropriate to the risk profile ■ This benchmark is a blend of the FT All Share Index and FT Actuaries All Gilts Index
<p>(4) Performance Measurement/ Review</p>	<ul style="list-style-type: none"> ■ Quarterly Reports show progress against agreed benchmarks - over previous quarter and since inception ■ The portfolio can be viewed online – all holdings and valuations are updated daily ■ Written Quarterly Reports include valuation, holdings, income, transactions, performance, Market Review & Preview ■ Qualified and experienced Client Advisor responsible for the relationship management

Service Levels

Reporting

Trustees can access their portfolios online via secure website whenever they wish. Values are updated daily. Paper valuations and full transaction and income summaries are sent quarterly. A formal review will be carried out annually or as and when required by the Trustees.

Staffing

All tactical asset allocation decisions in respect of portfolios rest solely with the Investment Quorum Investment Committee. Performance is monitored and assessed by the Investment Quorum Investment Committee on an ongoing basis.

Custody

Settlement and Custody services are provided by UBS. All client assets are held in accordance with FSA regulations.

Fees

Fees are deducted quarterly, reflecting the success of the investment. The fee will be taken quarterly in arrears and includes all investment management, custody, ongoing review, compliance and administration costs.

To find out more

If you would like to hear more about our approach to discretionary management for Trustees, then please request a 'Draft Proposal' relating to your circumstances. There is no charge for this, nor any obligation to continue any further.

Ideally, an Investment Quorum representative will hold a preliminary meeting in order to establish the investment objectives, timescale, income requirement, investment parameters (including any social and ethical investment constraints) and risk profile. A full written analysis of any existing portfolio and our recommendations for any changes will be prepared and presented. Our asset allocation and stock selection process will be explained in detail, as will our benchmarking and service levels.

If you would like to discuss any of these points or need further information on how Investment Quorum can help you with your duties as a Trustee with investment responsibilities, please contact us on 0207 337 1390 or email info@investmentquorum.com. You can download and print our brochure by visiting our website at www.investmentquorum.com

Important points to note

Full details of the Investment Quorum Service are given in our Terms and Conditions. You should be aware that the prices of investments fluctuate and you may get back less than the amount originally invested. Past performance of investments is not necessarily a guide to their future performance. Please note that telephone calls may be recorded and monitored for regulatory purposes.

We have given a brief outline of the main points that Trustees need to be aware of, especially with regard to investment management. It is not intended to be a comprehensive operational guide and if Trustees are in any doubt, they should seek appropriate legal advice.

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