



THE CONCORD ADVISORY GROUP, LTD.



**STEWARDSHIP OF
RESOURCES IS
INCREASINGLY
CHALLENGING**

**MEET THE CHALLENGES
BY IMPROVING YOUR
GOVERNANCE**

RESOURCE MANAGEMENT

EVALUATION OF AGENCY RISK

Less than optimal governance procedures will create a large drag on investment performance. In today's low return / high risk environment the need to re-examine your decision making process is paramount. Though most institutions believe they are operating efficiently, many have significant room for improvement.

By delegating the investment of your capital to outside vendors, organizations empower individuals to act as their agents with the expectation that decisions will be made strictly in the organization's best interests. That underlying principle is simple in theory, but the reality is unclear and complex in practice.

Identify Conflicts of Interest	Quality of Advisor	Manager Selection & Strategic Advice
<p>Do you read your advisor's ADV Part 2 annually?</p> <p>Is it easy to understand in order to identify possible conflicts of interest?</p> <p>Has anything changed from last year?</p>	<p>Does your advisor understand in depth, your organization's mission and financial needs?</p> <p>How much industry experience does the individual servicing you possess?</p>	<p>Is strategy reactive to market events, or proactive based on your needs and sound valuation principles?</p>
<p>Have you reviewed your vendor contracts to see what the agency risk may be?</p> <p>Is your custodian also the asset manager?</p>	<p>Has the relationship added value to committee meetings?</p> <p>Have they provided real leadership?</p>	<p>Are allocations too complex?</p> <p>Do you understand why you are invested with each manager?</p> <p>Are selections largely based on past performance?</p>
<p>Is your advisor also a broker /dealer and/or do they provide asset management services?</p> <p>If so, have you identified the areas in which your interests could be compromised?</p>	<p>Has there been turnover of your advisor since you hired them?</p> <p>Are they responsive to your requests, and do you feel comfortable calling them for information?</p>	<p>Do your performance reports include issues or concerns that should be addressed by your committee?</p> <p>Do they aggregate results for the total portfolio versus your policy benchmarks and objectives?</p> <p>Do they clearly illustrate fees across the entire portfolio?</p>

GOVERNANCE PROCESS



A dynamic review process based on changing circumstances is embedded in the Governance process

Questions	Solutions
<i>Who's making your decisions?</i>	<i>Define the organization's decision-making hierarchy</i>
<i>How are decisions being made?</i>	<i>Create a process-driven investment program</i>
<i>How are decisions being implemented?</i>	<i>Develop portfolio operations best-practices</i>
<i>How are conflicts/costs being controlled</i>	<i>Require transparency and gain knowledge on costs</i>
<i>How are results evaluated?</i>	<i>Implement on-going monitoring procedures</i>

KEY COMPONENTS OF SUCCESSFUL INVESTMENT PROGRAMS

SOUND GOVERNANCE

Establish a framework for decision making and accountability

Set a risk budget based on financial tolerance

Document intentions via a formal Investment Policy Statement (“IPS”)

Institute oversight and monitoring of portfolio results versus the IPS and long-term goals

Focus on relevant and productive forward-looking matters

INVESTMENT STRATEGY

Develop appropriate investment strategies which align with the operating needs of the organization

Recognize the importance of risk management

Focus on long-term strategy, while remaining aware of short-term market dynamics

Establish liquidity for demands of the organization

Utilize a combination of assets that attempts to minimize risk and maximizes return

PORTFOLIO EXECUTION

Establish a process utilizing best practice procedures for vendor selections

Implement constant pursuit of “best-in-class” pricing

Provide transparency of portfolio operations

Review benchmarking data to evaluate performance

INVESTMENT PROGRAM ROLES & RESPONSIBILITIES

	Investment Committee	Investment Manager	Organization
Governance	Investment policy statement development & revision Portfolio monitoring & oversight Cost analysis Audit support Board / Committee Reporting & Meetings Board / Committee Education	Investment policy input for specific asset classes or IPS development <i>(if no consultant)</i> Portfolio reporting Audit support Board / Committee reporting & meetings	Set mission based goals Designate responsibilities of management and oversight Investment policy statement approval Daily accounting Quarterly committee oversight
Strategy	Asset allocation modeling & strategy Total portfolio risk management Portfolio customization	Asset class expertise Underlying portfolio risk management	Advise on projected cash flows & liabilities Asset allocation approval Establish risk tolerance thresholds
Execution	Investment manager searches & recommendations Portfolio rebalancing recommendations Document preparation & staff support	Discretionary management of underlying portfolios	Final manager selection decisions Portfolio rebalancing approval Transaction sign off

Board Responsibilities

Establish reporting structure and protocol for investment operations • Establish investment committee • Review and either approve or reject investment committee recommendations

Investment Committee Responsibilities

Recommend investment objectives, policies, and guidelines • Develop asset allocation and risk parameters for the portfolio • Vendor selection and performance evaluation

Staff Responsibilities

Daily oversight of investment operations • Ongoing reporting to board and investment committee