

# THE MANAGEMENT OF INVESTMENT DECISIONS

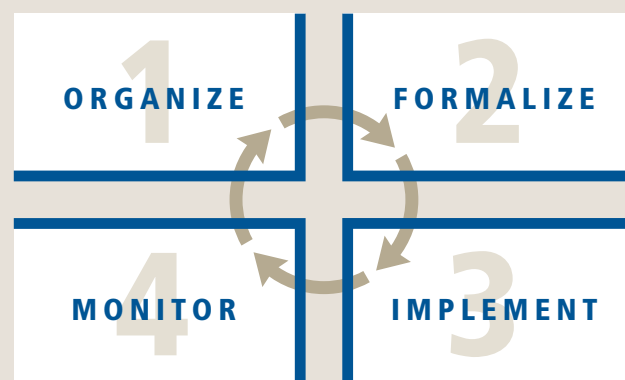
## GLOBAL FIDUCIARY PRECEPTS

1. Know standards, laws, and trust provisions.
2. Diversify assets to specific risk/return profile.
3. Prepare investment policy statement.
4. Use "prudent experts" (Investment Managers) and document due diligence.
5. Control and account for investment expenses.
6. Monitor the activities of "prudent experts."
7. Avoid conflicts of interest and prohibited transactions.

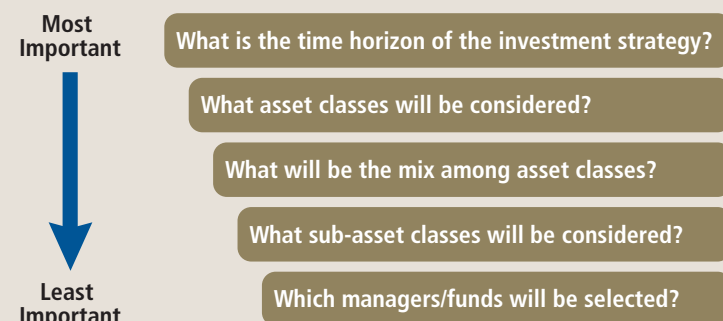
## DUE DILIGENCE SCREENS FOR INVESTMENT MANAGERS

1. Regulatory oversight
2. Minimum track record
3. Stability of the organization
4. Assets in the product
5. Holdings consistent with style
6. Correlation to style or peer group
7. Expense ratios/fees
8. Performance relative to assumed risk
9. Performance relative to a peer group

## FIDUCIARY QUALITY MANAGEMENT SYSTEM



## THE HIERARCHY OF DECISIONS



## ASSET ALLOCATION VARIABLES

- T** Time Horizon
- R** Risk Tolerance
- E** Expected Return
- A** Asset Class Preference
- T** Tax Status

## VERTICAL AND HORIZONTAL APPLICATION OF FIDUCIARY PRACTICES

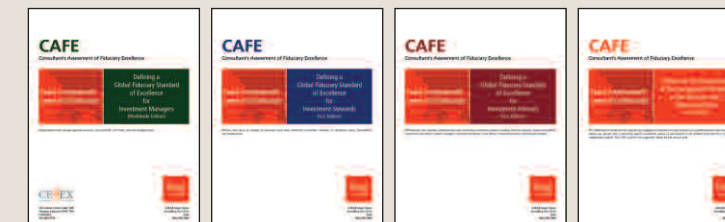


## ASSESSMENT LEVELS

### Level 1 Self-Assessment (SAFE™)



### Level 2 Consultant's Assessment (CAFE™)



### Level 3 Independent Assessment (CEFEX Certification)



# THE PERIODIC TABLE OF GLOBAL FIDUCIARY PRACTICES

<b>Practice M-1.1</b> Senior management demonstrates expertise in their field, and there is a clear succession plan in place.	<b>Practice M-1.2</b> There are clear lines of authority and accountability, and the mission, operations, and resources operate in a coherent manner.			<b>Practice SA-2.1</b> An investment time horizon has been identified.	<b>Practice SA-2.2</b> A risk level has been identified.	<b>Practice M-2.1</b> The organization provides disclosures which demonstrate there are adequate resources to sustain operations.	<b>Practice M-2.2</b> The organization has a defined business strategy which supports their competitive positioning.
<b>Practice M-1.3</b> The organization has the capacity to service its client base.	<b>Practice M-1.4</b> Administrative operations are structured to provide accurate and timely support services and are conducted in an independent manner.	<b>Practice SA-1.1</b> Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).	<b>Practice SA-1.2</b> The roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.	<b>Practice SA-2.3</b> An expected, modeled return to meet investment objectives has been identified.	<b>Practice SA-2.4</b> Selected asset classes are consistent with the identified risk, return, and time horizon.	<b>Practice M-2.3</b> There is an effective process for allocating and managing both internal and external resources and vendors.	<b>Practice M-2.4</b> There are effective and appropriate external management controls.
<b>Practice M-1.5</b> Information systems and technology are sufficient to support administration, trading, and risk management needs.	<b>Practice M-1.6</b> The organization has developed programs to attract, retain, and motivate key employees.	<b>Practice SA-1.3</b> Fiduciaries and parties in interest are not involved in self-dealing.	<b>Practice SA-1.4</b> Service agreements and contracts are in writing, and do not contain provisions that conflict with fiduciary standards of care.	<b>Practice SA-2.5</b> Selected asset classes are consistent with implementation and monitoring constraints.	<b>Practice SA-2.6</b> There is an IPS which contains the detail to define, implement, and manage a specific investment strategy.	<b>Practice M-2.5</b> The organization has a defined process to control its flow of funds and asset variation.	<b>Practice M-2.6</b> Remuneration of the company and compensation of key decision-makers is aligned with client interests.
	<b>Practice M-1.7</b> There is a formal structure supporting effective compliance.	<b>Practice SA-1.5</b> Assets are within the jurisdiction of courts, and are protected from theft and embezzlement.	<b>1</b> <b>ORGANIZE</b>	<b>2</b> <b>FORMALIZE</b>	<b>Practice SA-2.7</b> The IPS defines appropriately structured, socially responsible investment (SRI) strategies (where applicable).	<b>Practice M-2.7</b> The organization has responsible and ethical reporting, marketing, and sales practices.	<b>Practice M-2.8</b> There is an effective risk-management process to evaluate both the organization's business and investment risk.
<b>Practice M-4.1</b> There is a defined process for the attribution and reporting of costs, performance, and risk.	<b>Practice M-4.2</b> All aspects of the investment system are monitored and are consistent with assigned mandates.	<b>Practice SA-4.1</b> Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives.	<b>4</b> <b>MONITOR</b>	<b>3</b> <b>IMPLEMENT</b>	<b>Practice SA-3.1</b> The investment strategy is implemented in compliance with the required level of prudence.	<b>Practice M-3.1</b> The asset management team operates in a sustainable, balanced, and cohesive manner.	<b>Practice M-3.2</b> The investment system is defined, focused, and consistently adds value.
<b>Practice M-4.3</b> Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.	<b>Practice M-4.4</b> There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.	<b>Practice SA-4.2</b> Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.	<b>Practice SA-4.3</b> Control procedures are in place to periodically review policies for best execution, "soft dollars," and proxy voting.	<b>Practice SA-3.2</b> Applicable "safe harbor" provisions are followed (when elected).	<b>Practice SA-3.3</b> Investment vehicles are appropriate for the portfolio size.	<b>Practice M-3.3</b> The investment research process is defined, focused, and documented.	<b>Practice M-3.4</b> The portfolio management process for each distinct strategy is clearly defined, focused, and documented.
		<b>Practice SA-4.4</b> Fees for investment management are consistent with agreements and with all applicable laws.	<b>Practice SA-4.5</b> "Finder's fees" or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.	<b>Practice SA-3.4</b> A due diligence process is followed in selecting service providers, including the custodian.		<b>Practice M-3.5</b> The trade execution process is defined, focused, and documented.	
			<b>Practice SA-4.6</b> There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.				

**LEGEND:**

Practices in gold that begin with an "SA" define a fiduciary standard of excellence for Investment Stewards and Investment Advisors.

Practices in blue that begin with an "M" define a fiduciary standard of excellence for Investment Managers.

"SA" Practices highlighted are best reviewed in conjunction with Investment Managers Practices.