



## Designing & Implementing Investment Strategies

Wealth Creation Through Modern Trust & Investments

# Considerations in Achieving a Goal of Sustainable Wealth?

which strives to:

“Meet the needs of the present without compromising the ability of future generations to meet their own needs.”



# Trust and Community Priorities Can Often Be Numerous...



- ✓ *Housing?*
- ✓ *Education?*
- ✓ *Health Care?*
- ✓ *Economic Development?*
- ✓ *Culture & Language?*
- ✓ *Infrastructure?*

*What about Investment  
for Future Generations?*



# Growth & Sustainability

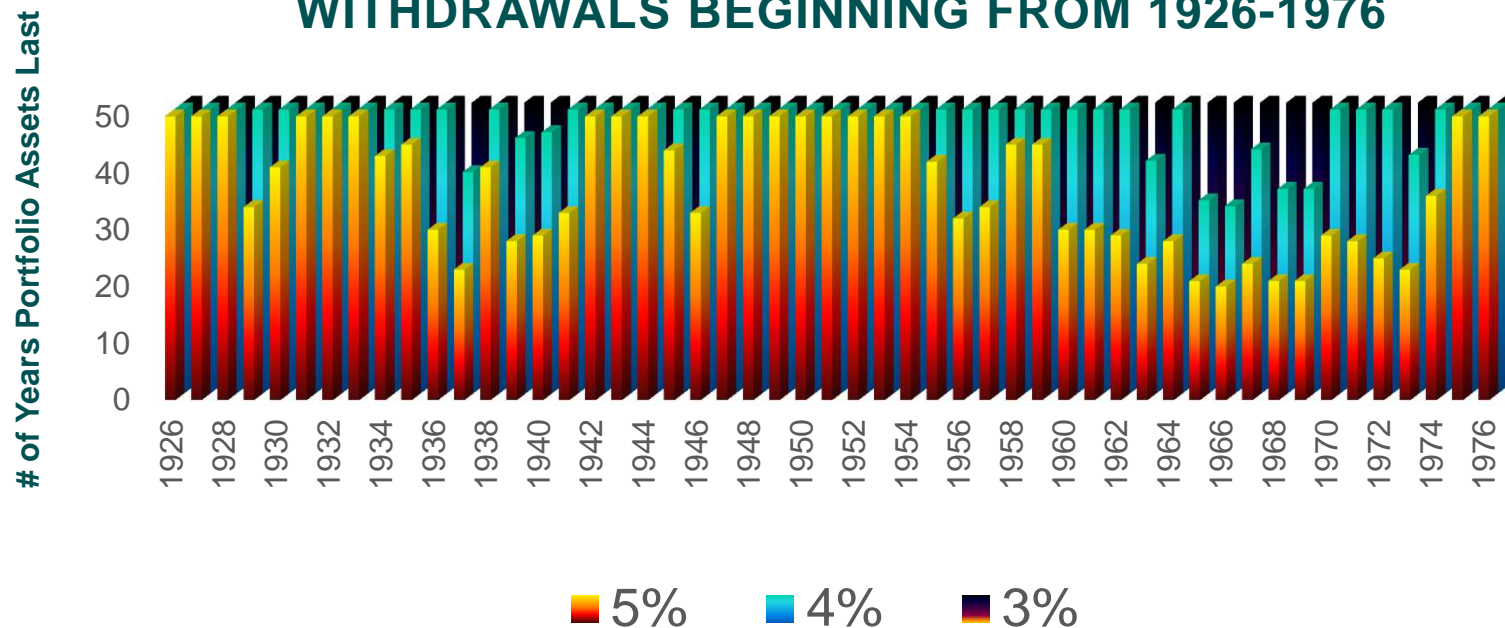
- ❖ **Requires a Commitment** – given the many priorities that can exist today, there is often a need to “*Prioritize the Priorities*”
- ❖ **Requires Time, Consultation and Buy-In** from the beneficiaries to achieve a common vision
- ❖ **Requires Balance** – to live within the sustainability and affordability of current resources in order to balance the needs of today with that of future generations...



# Looking Back...

## Portfolio Sustainability Given Various Withdrawal Rates

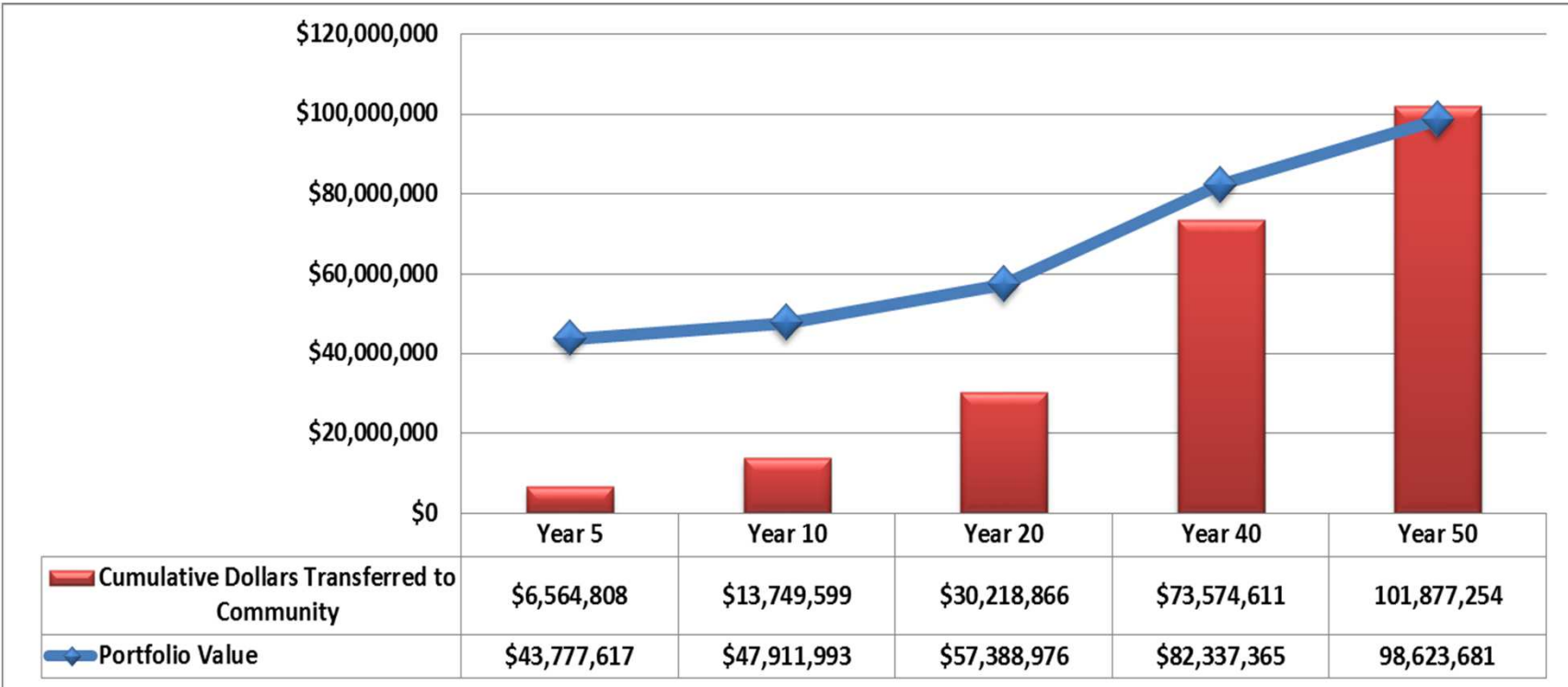
### 50/50 ALLOCATION, YEAR END PORTFOLIO WITHDRAWALS BEGINNING FROM 1926-1976



Source: William P. Bengen, "Determining Withdrawal Rates Using Historical Data" <http://www.retailinvestor.org/pdf/Bengen1.pdf> Oct 1994









# Meeting the Needs of Today and that of Future Generations!

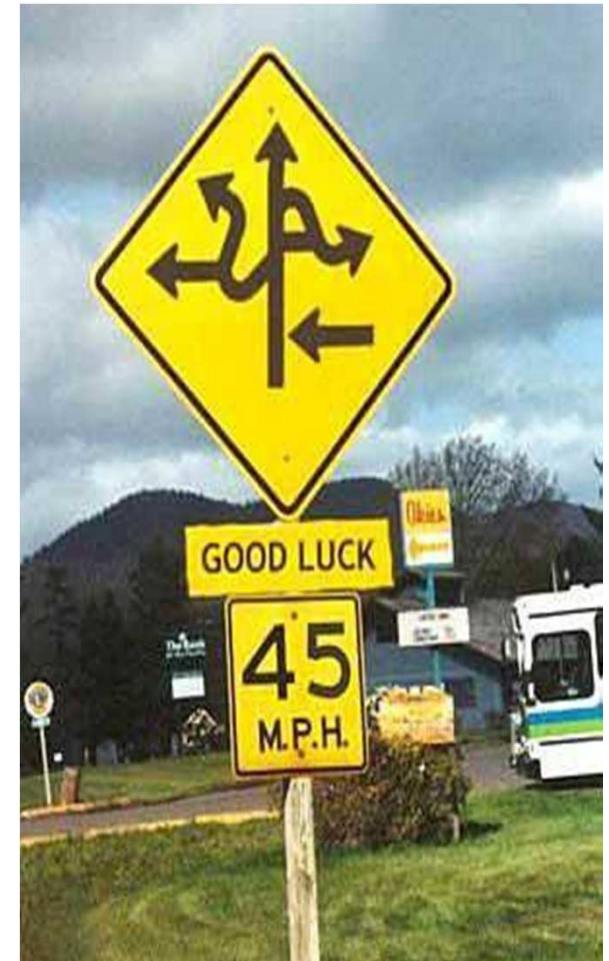


- Initial investment of \$40,000,000
- Return assumptions: CPI + 3.5% OR 5.50% target return with 3.5% (3.0% distributed to Community + 0.5% operating expenses) withdrawn annually with 2.0% added growth for inflation protection
- The red bar chart values are cumulative and assume that 3.0% of portfolio would be transferred to Community annually
- Please note this is a sample only and is no guarantee of future performance



# The Investment Policy: The Roadmap

- Beliefs, Values, Vision
- Purpose and Use of Funds
-  ➤ Specific Return Objectives
- Time Horizon
-  ➤ Income & Liquidity Needs
- Spending Policy
-  ➤ Asset allocation – targets/ranges
- Legal & Regulatory Guidelines
-  ➤ Allowable & Prohibited Investments including *Socially Responsible Investing*
-  ➤ Guidelines for Evaluating Performance
- Conflict of Interest Guidelines
- Roles & Responsibilities
-  ➤ Manager Review Policy

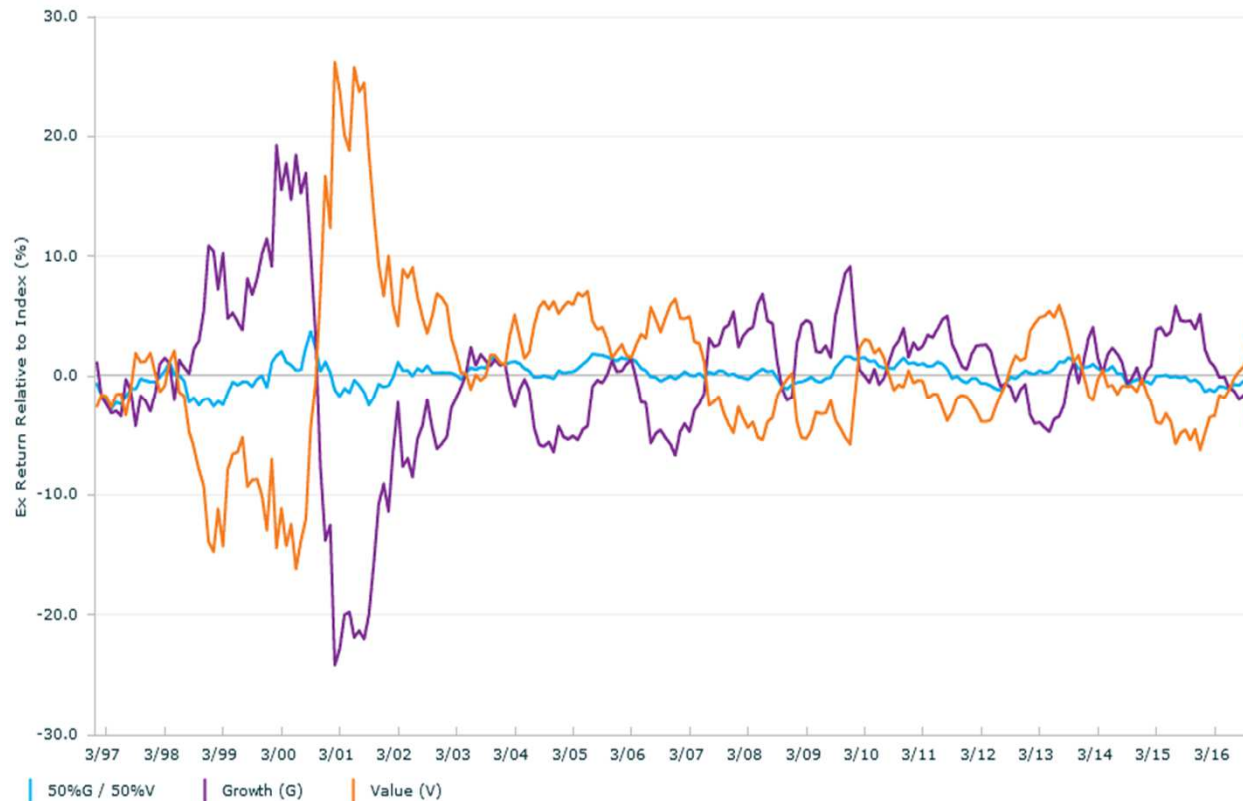


# Portfolio Structure Considerations

## Multi-Manager, Multi-Style Approach

### Style Diversification

Rolling 1 yr Excess Return vs. S&P 500 in \$C (before fees) over 20 yrs ending December-16



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# The Manager Search & Selection Process

*“It’s a Big World Out There!”*

1. All providers exist for a reason but all are not created equal...
2. Diligence is required to understand the scope of providers available, their performance, risk, fees, service and how they fit “**your**” criteria...
3. Hire managers for their strengths and avoid their weaknesses...



# Are Any Of These Terms Familiar?

Alpha

Correlations

Beta

Volatility

Covariance  
Matrices

*Investment managers should communicate in normal language  
and avoid using investment jargon as much as possible*



# Portfolio Performance Keep An Eye On These Investment Manager Tendencies...

- “We were early” → “We were wrong”
- Only mentions the winners in the portfolio and never mentions the losers
- Performance numbers they report continuously change - one report the 4 year return is there the next it is not...
- The benchmark return mysteriously disappears (or worse has never been reported)



***Ultimately you want to see transparency – every manager will struggle from time to time, the key is the reasons why and how they explain it***



# Benchmarking



# Comparing Different Benchmark Options

There are three primary benchmarking tools you can use to assess your manager: Indices, Peer Comparison & Absolute Return

Each of these options have their strengths and can play a useful role:

- Index comparisons best for measuring your investment manager
- Absolute comparisons best for measuring how you are doing versus your goals
- Peer Comparison is good when you are looking to hire a manager or trying to understand chronic poor performance

The choice is yours but be sure to:

- 1) Clearly identify the benchmark in advance
- 2) Be sure it is consistent with the Objective of the Fund

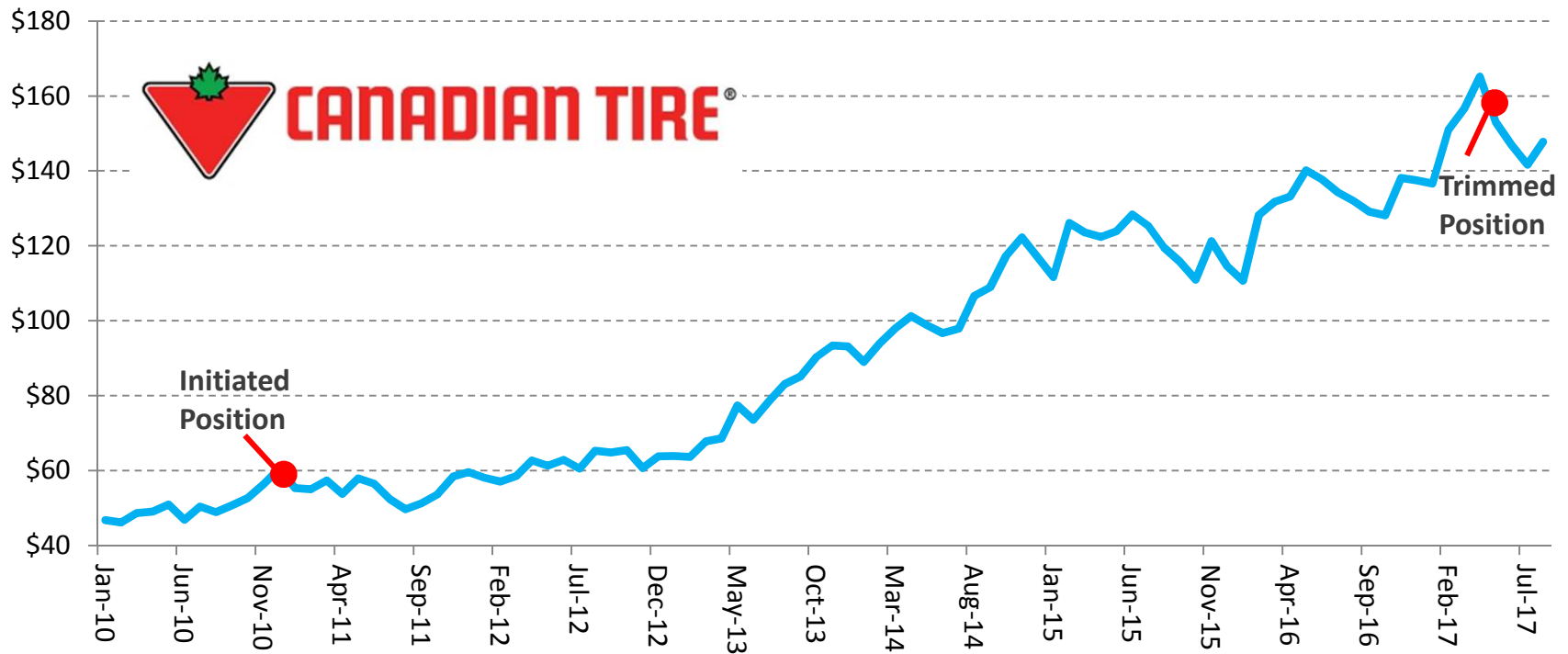


# Key Contributors to Results

- An investment manager should have a consistent approach to their investment process
- Their investment reports and the decisions they are making in the portfolio should reflect and reinforce their approach
- A perfect example can be found in the companies they are adding or deleting in the portfolio
  - Value Manager – the companies they are invested in should be attractively priced
  - Growth Manager – the companies they are invested in should exhibit above average growth potential



# An Example of Value Approach



*Value managers should be very mindful of the price they will pay for any stock*





## Thank You & Questions

