

Measure Your Manager

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Measure Your Manager

Overview

- Investment manager job description
- Perspectives and responsibilities
 - Investment committee chair
 - Investment consultant
 - Staff
- Questions

Investment Manager Role

What can we expect from our investment managers?

- To follow the investment policy
- To understand our investment needs
- To be true to their style
- To have expert knowledge
- To share insight into the market
- To support the work of the staff and committee

Investment Manager Role

What can our investment managers expect from us?

- Well developed and clearly communicated investment policy
- Benchmarks accurately reflect our risk/reward profile
- Selection of and a commitment to long term managers
- Stay the course
- Meetings well planned and managed
- Advised of how their performance will be measured and reviewed

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Evolution to Multi Manager Model

Community Foundation of Ottawa established 1987

- Single investment manager
 - \$500,000 to over \$70M in 2006
- As approached the \$100M asset level it was time to diversify our management model
 - Risk
 - Specialization possible at higher asset level
- Survey Canadian foundation practice
 - All foundations surveyed over \$50M had multi managers

Adding an Investment Consultant

Determined a need to hire an investment consultant to support and guide:

- Search for and hire an international investment manager
- Review of investment policy
- Monitor and evaluate managers
- Consolidate reporting of overall portfolio with all managers

Adding an Investment Consultant

Hiring an investment consultant

- Consulted other foundations to see who were well regarded consultants
- Invited 9 firms in the RFP process
- Reviewed proposals and narrowed down to 3
 - Interviewed and ultimately hired Mercer Investment Consulting based on:
 - Depth of knowledge and resources
 - Experience with foundation sector
 - Price
 - Fit with committee

Hiring Investment Manager

Hiring a new manager

- Quantitative analysis done by Mercer to narrow down choices
- Interviewed 4 firms
- Chose value approach with deep research capabilities
- February 2007 moved 18% of portfolio into international non-US pooled fund

Investment Policy Review

Investment policy review

- Asset mix analysis
- Geographical diversity in equity
- Defined long term objectives of portfolio – spending policy
- Investment objective of a 5% real rate of return over the long term (10 years) before active management

Investment Policy Review

Defined performance targets

Annual return objective, after fees, to exceed the return of the investment benchmark for each asset class over a moving 4-year period by the following:

Canadian Bonds (SM Universe):	0.10%
Canadian Equities (S&P/TSX):	1.50%
U.S. Equities (S&P 500):	1.00%
International Equities (MSCI EAFE):	1.50%
<i>Total portfolio</i>	<i>0.75%</i>

Investment Committee

Past performance

- Discussions with managers
- Performance
- Market analysis and discussion

Review consolidated report

- Measure the overall performance of the portfolio
- Relate it back to the investment policy targets
- Policy is the board's tool for performance

Investment Committee

Future strategy

(committee and investment consultant only)

- Policy review
- Asset class discussions
- Currency hedging
- Comparison with other foundations
- Other

Investment Manager Review

Formal review of managers every four years

- Qualitative and quantitative
- If performance sub-par for several quarters committee would focus greater time and attention to drill down deeper leading potentially to dismissal and replacement

Investment Committee

Keys for the investment committee in monitoring investment managers are:

1. Comprehensive investment policy outlining asset allocation and performance targets
2. Clear reporting from each manager at regular meetings
3. Consolidated report of overall portfolio performance and attributes
4. Responsiveness from Managers to queries from committee, staff, custodian and consultant

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Investment Manager Review

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Investment Manager Review

Every four years for each manager:

- Administrative procedures
- General knowledge, policy compliance and advice
- Fund performance

Investment Manager Review

Administrative Procedures

- Reporting
- Facilitation services
- Accessibility and responsiveness
- Fees
- Custodial relationship

Investment Manager Review

General Knowledge, Policy Compliance and Advice

- Knowledge
- Policy compliance
- Advice

Investment Manager Review

Fund Performance

- Total fund performance
- Asset class performance
- Value added for active management