

In-house Investment Teams

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Disclaimer

This presentation is intended to provide general information only. Where it contains general advice it has been prepared without taking into account any particular person or organisation's specific circumstances.

The views expressed in this presentation are based on the author's judgement at the time of writing and are subject to change.

No furry animal was harmed in the making of this presentation. While the charming characteristics of a number are illustrated in ways that may appear on the surface to have whiff of criticism, the presenter means to offence to any particular species.







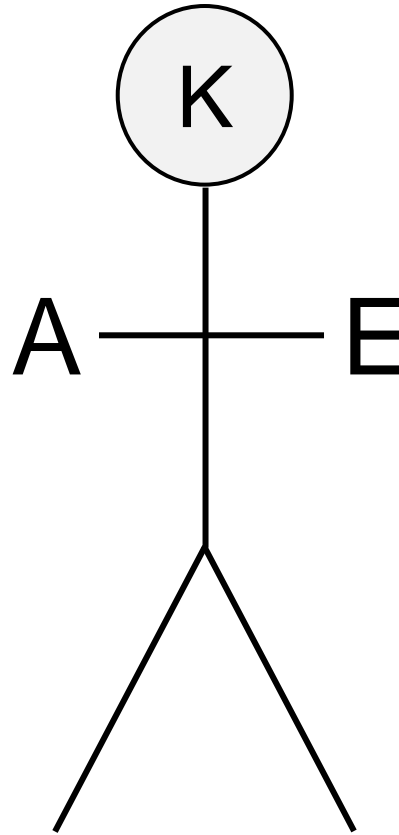




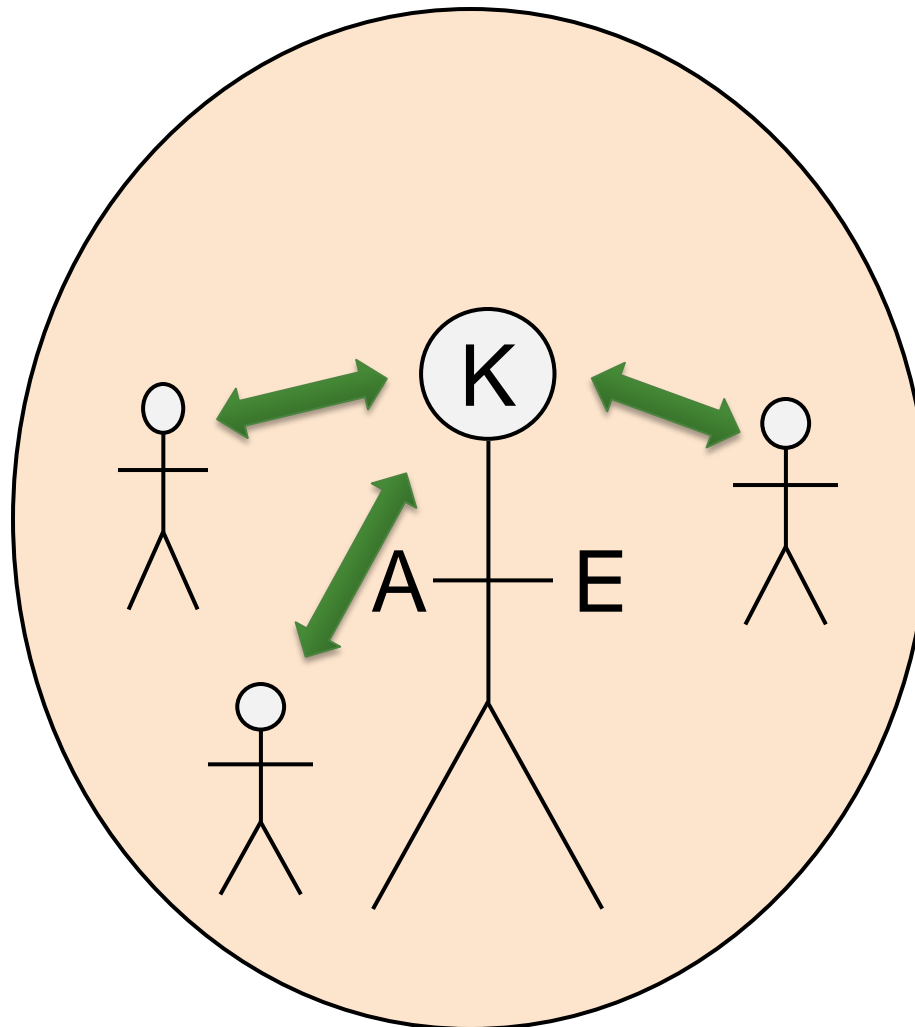
Principle 1: Accountability must be empowered

A ————— **E**

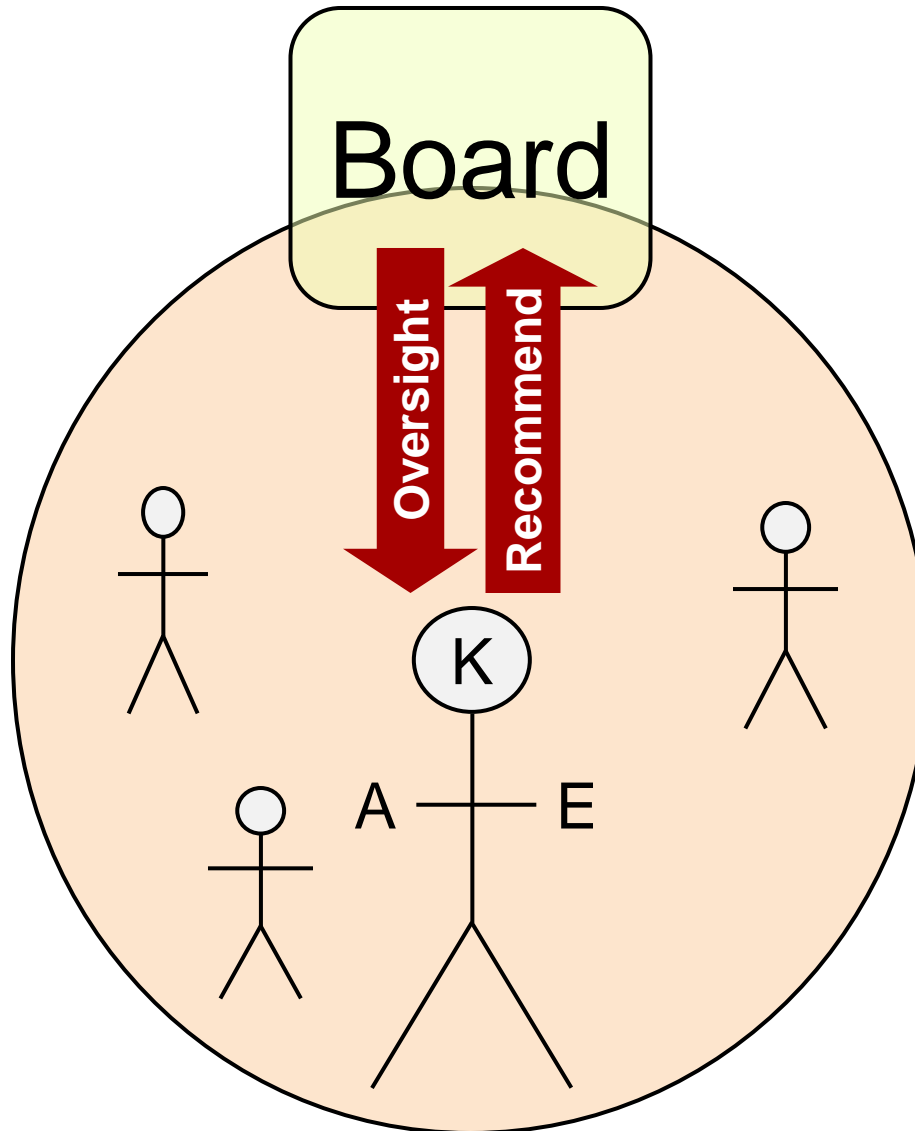
Principle 2: Only empower those with skill and knowledge



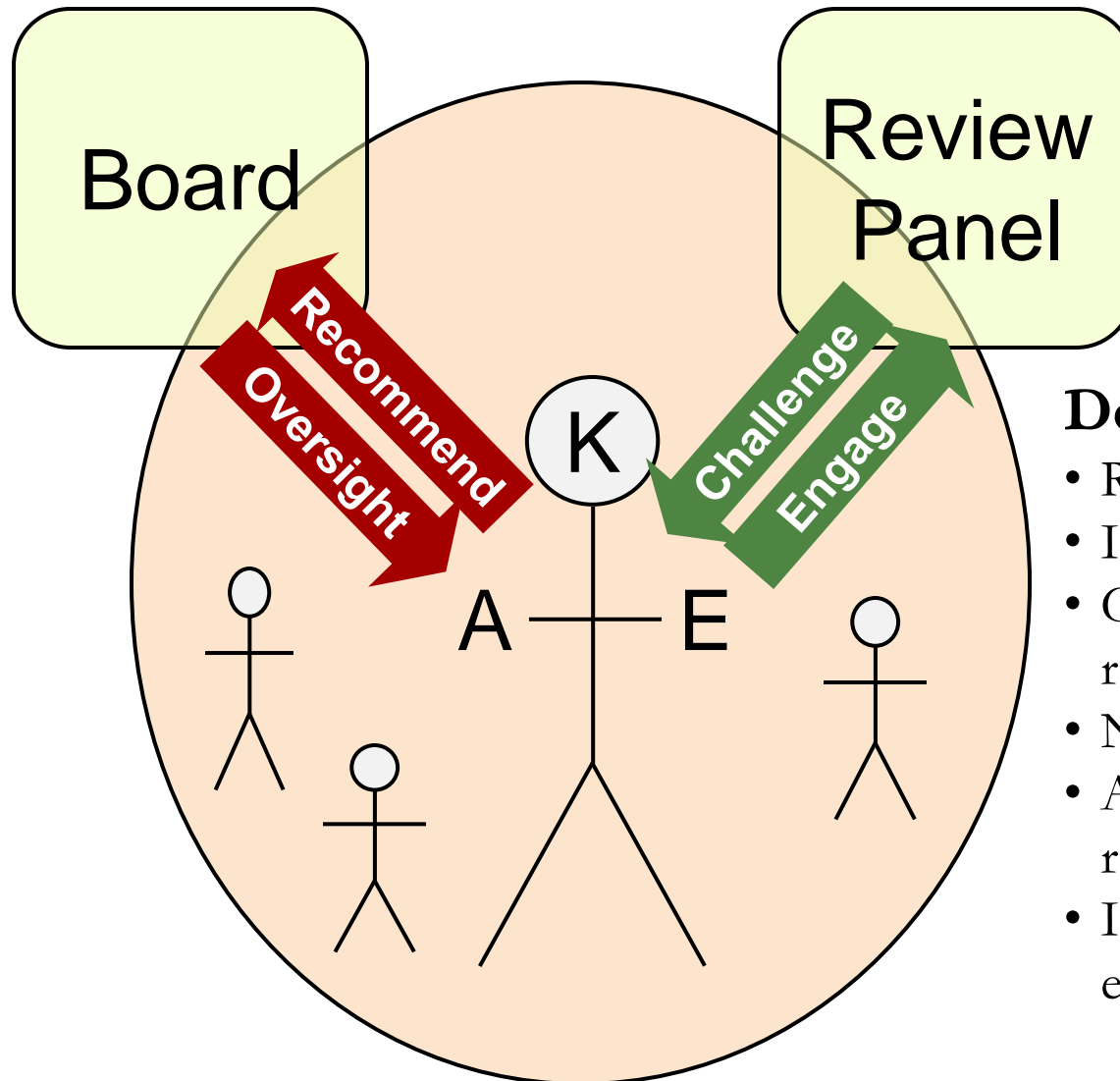
Principle 3: Create a win-win culture



Principle 4: Trust, but verify



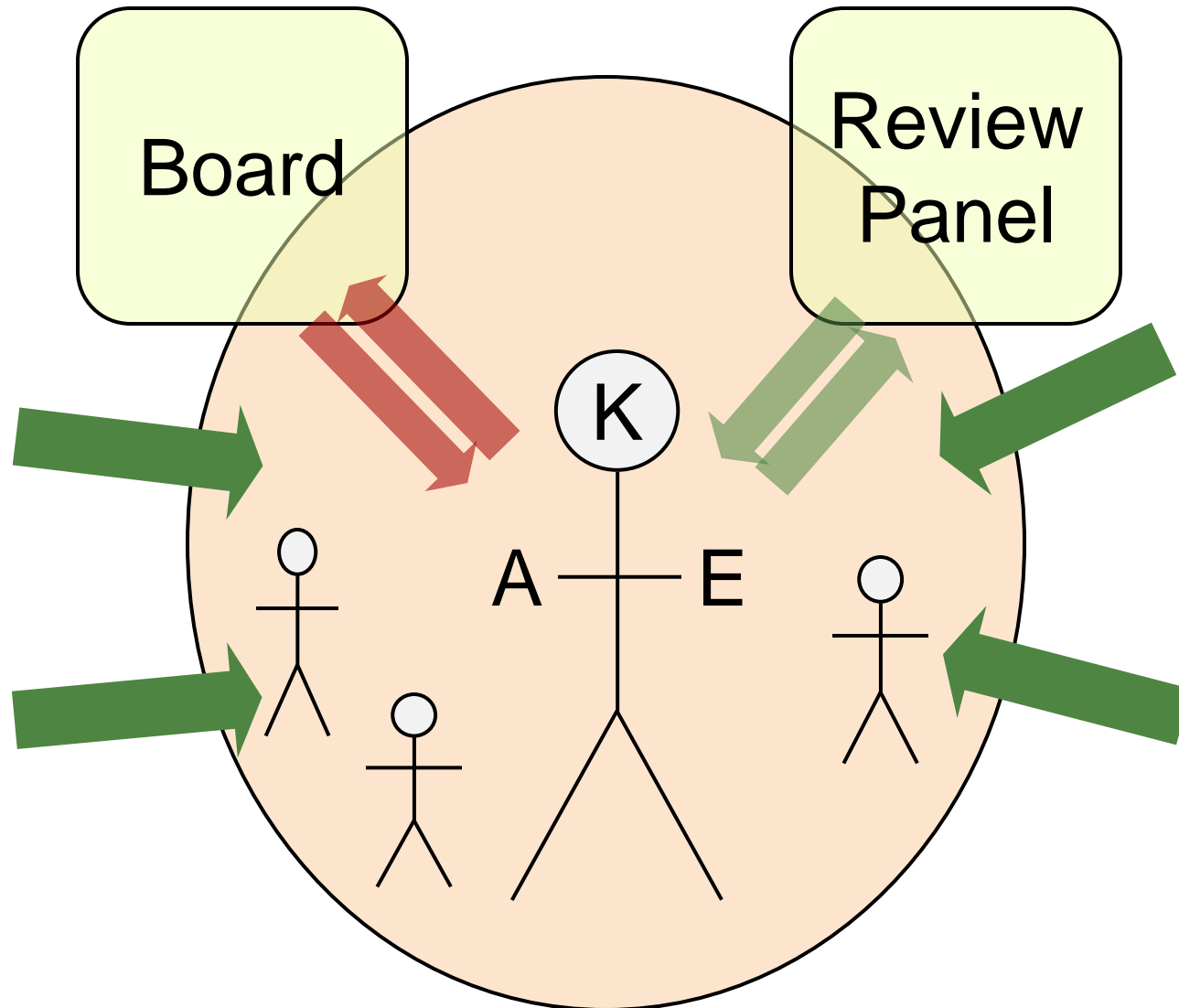
Principle 5: Separate governance from devil's advocacy



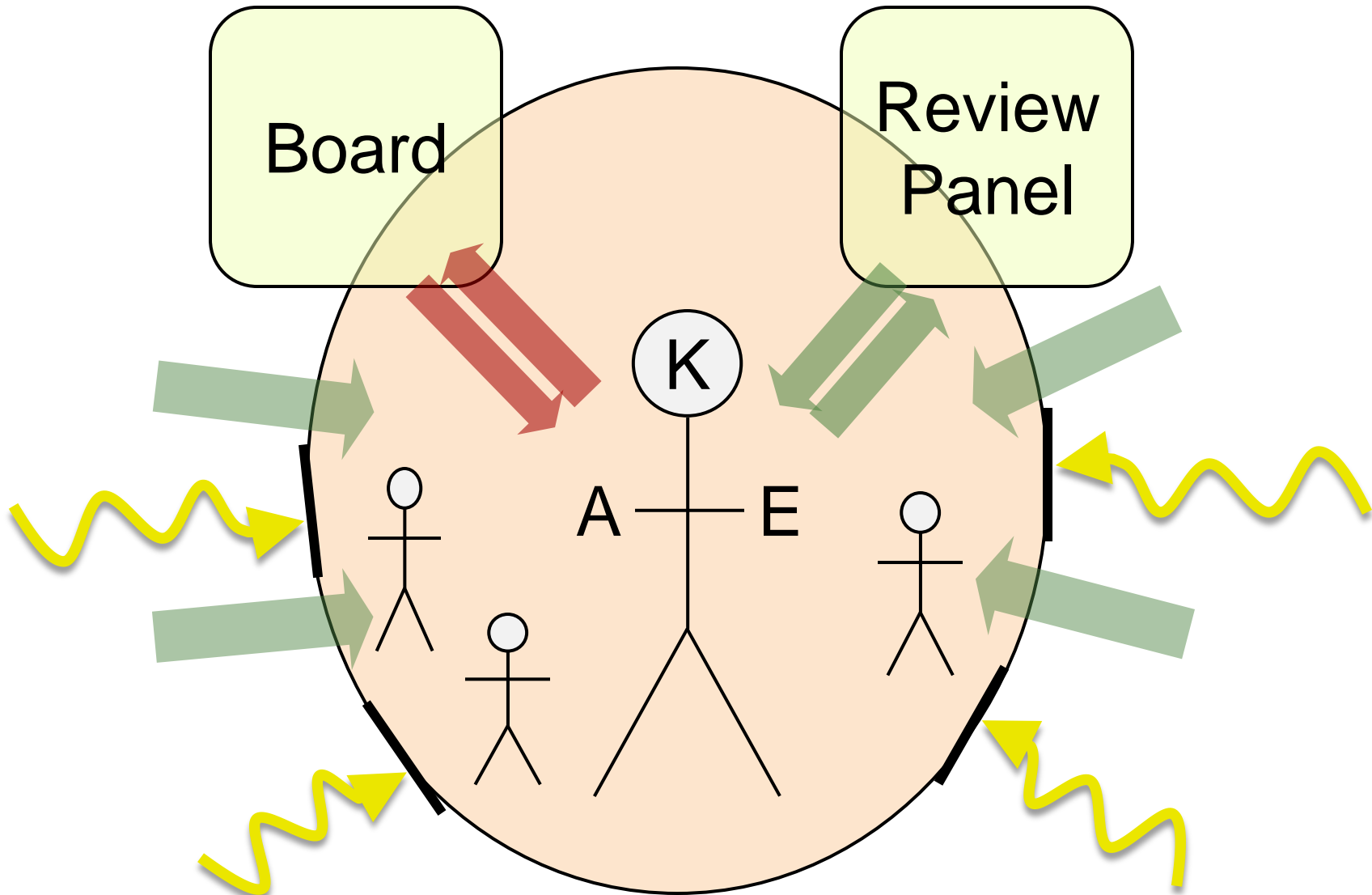
Devil's Advocacy

- Robust debate
- Investment peers
- Consensus not required
- No decisions
- All care, no responsibility
- Internal and /or external

Principle 6: Seek quality external insight

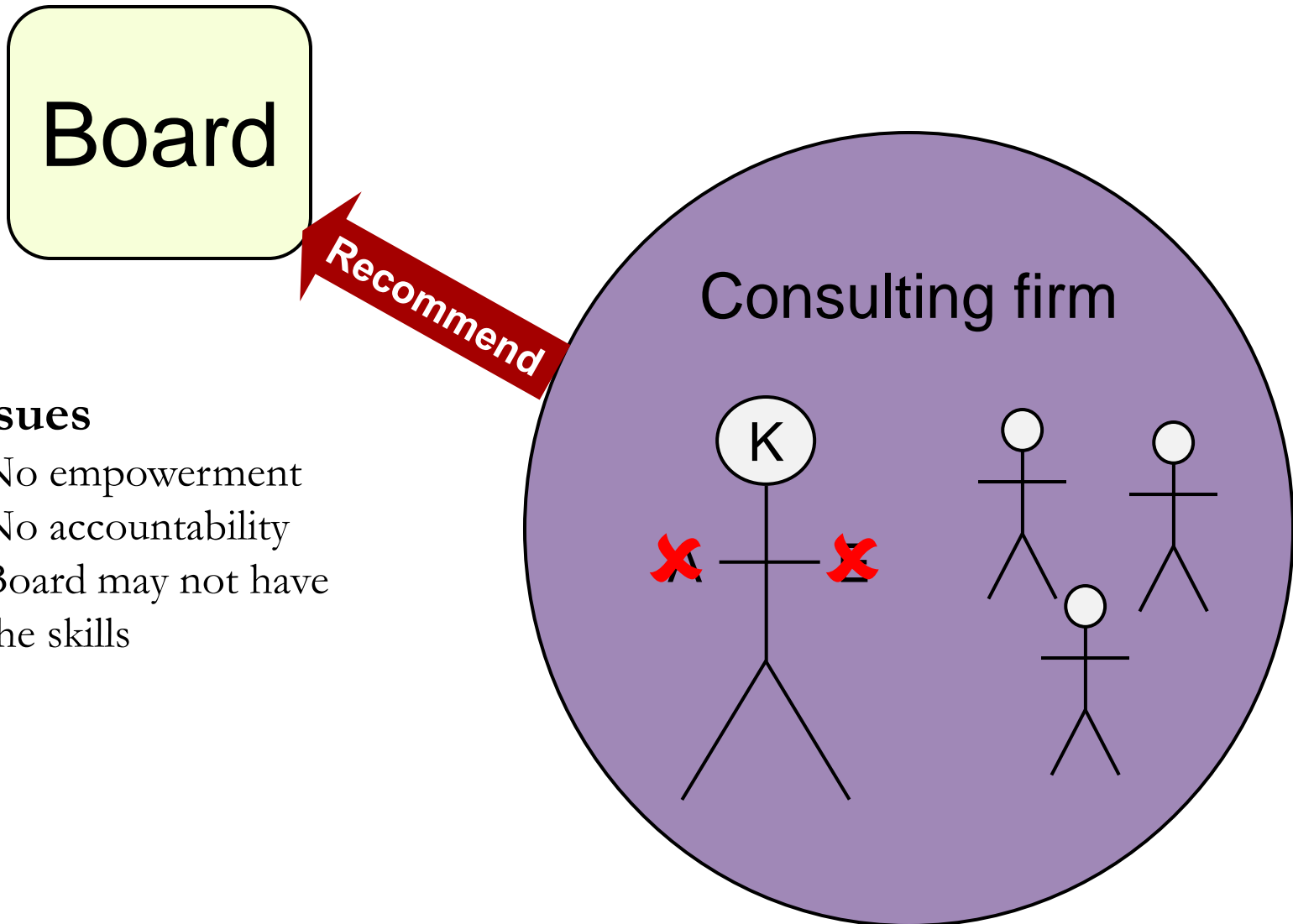


Principle 7: But filter out the noise

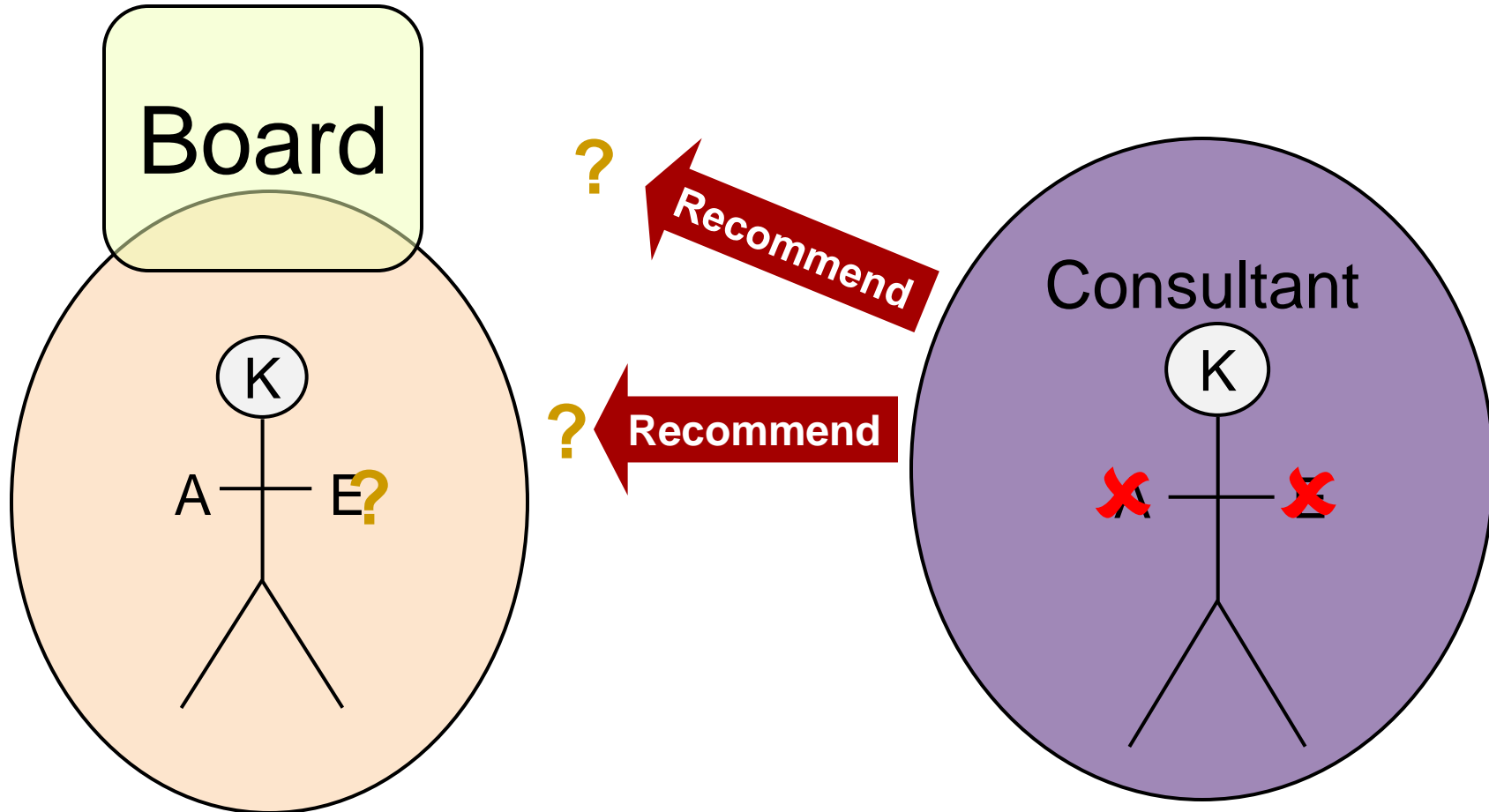


Other Models

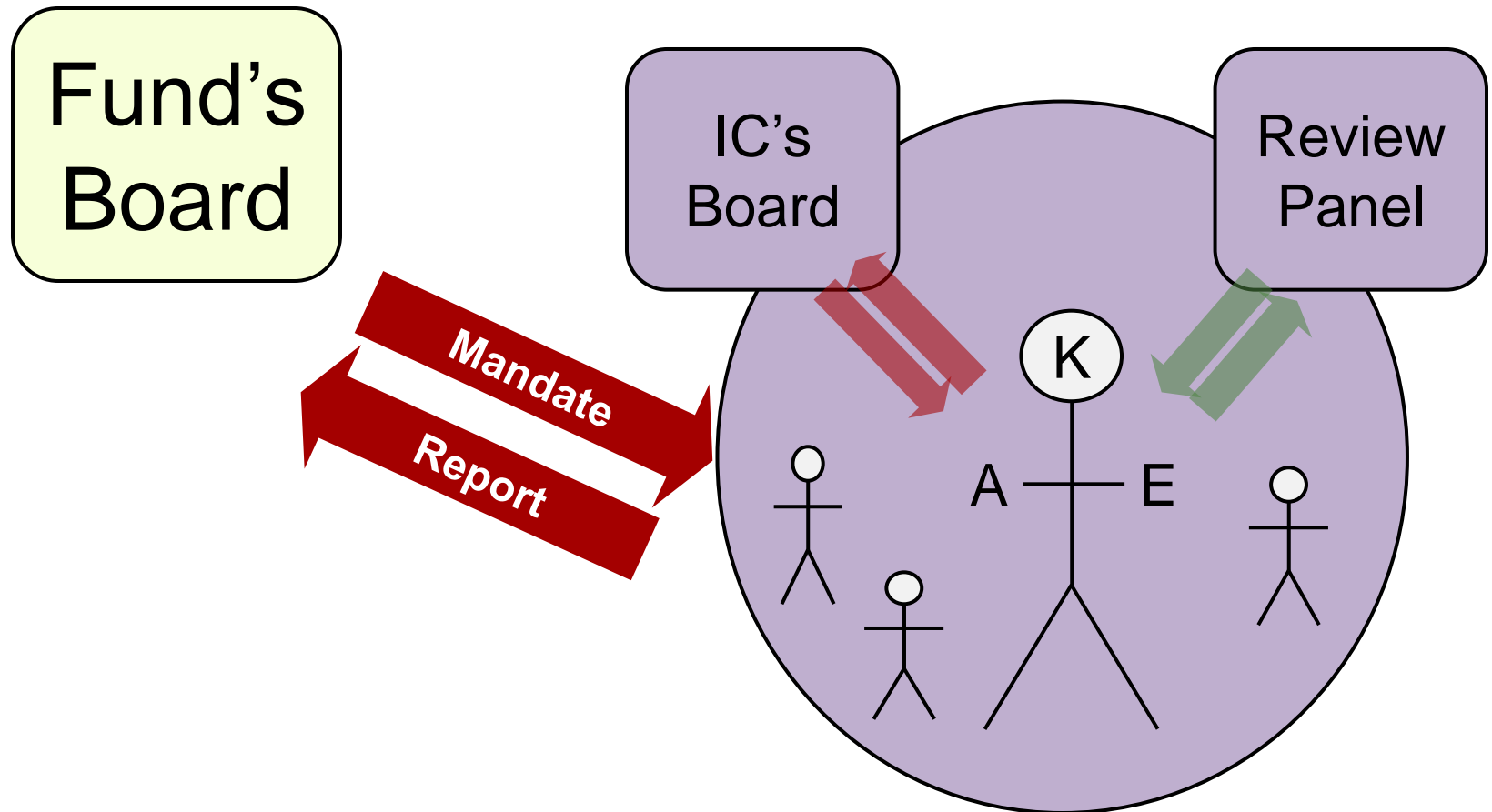
Traditional asset consulting without internal team



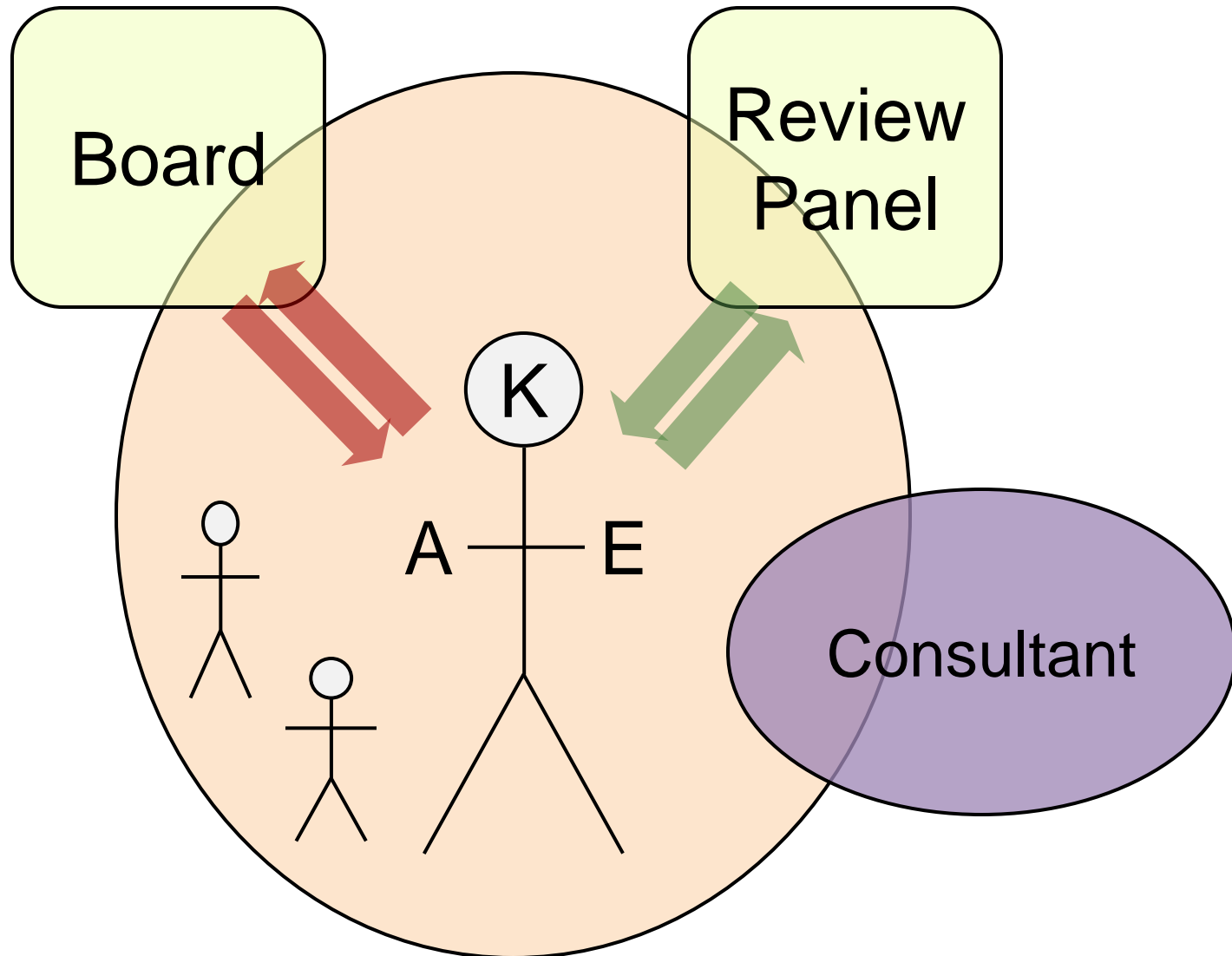
Small internal team with traditional consultant



Implemented consulting



In-house team with deep consulting relationship



Would you hire yourself?

- Investment philosophy
- Process
- People
- Resources
- Organisation ← **especially important**
- Risk management
- Compensation and ownership

Would you fire yourself?

- Separate decision making?
- Legal and HR barriers?
- Cultural / friendship barriers?
- Mandate nonexistent or obscured?
- Political power?

Specific issues with in house investing

Pros

- Holistic
- Context; tacit knowledge
- Alignment
- Investing culture
- Flexible
- External not available
- *(Note “cheaper” is not on the list)*

Cons

- Opportunity cost
- Hidden operational risk
- No deep pockets
- No external client validation
- Firing colleagues
- Retaining excellence
- Seeding compromises
- Rogue risk

Ask yourself:

- What is your motivation?
 - ✗ Cheaper (hidden operational risk and opportunity cost)
 - ✓ Better (holistic, integrated and flexible)
- What is your competitive edge?
- Have you signed a “pre-nup”?
- Will you treat the in house team as though they are external?
- How will you keep them if they are successful?
- Do you meet the 7 principles of good investment decision making?