

Meeting	Trustee Board meeting
Date	24 th June 2021
Title	Investment Manager Review
Agenda item	6
Paper by	Victoria Southwell and David Loudon

1.0 Purpose of paper

To update Trustees on the proposed approach to undertaking a review of Sarasin's management of the investment portfolio, which is due in 2021/22 and gain agreement for next steps.

2.0 Background

As stated in the Risk Register to mitigate the risk of poor performance of investments, investment manager reviews should take place internally every three years and externally every five years. The next review that is due is an internal one that should happen during the current financial year.

3.0 Current situation

Best practice would suggest that reviewing the performance of Investment Managers should occur every 3-5 years. Sarasin were appointed to manage the investment portfolio for Triangle Trust in 2007 through a competitive process that involved 6 investment houses in total.

Since then 2 formal reviews have taken place, one in 2013 and one in 2018 but it is unclear if any 3 year internal reviews have happened. Both reviews that took place were undertaken by an external organisation, Portfolio Review Services (PRS), who undertook a paper based review of Sarasin & Partners based on their standard reporting papers, with the 2018 review looking particularly at performance since the previous review in 2013.

PRS analysed the 5-year and longer performance and current asset allocation of the Fund's portfolio and commented on whether Sarasin & Partners were continuing to meet the Fund's objectives, providing comparative information from other charity portfolios on asset allocation, performance and charges.

A written report was produced for Trustees that was shared at the Trustee meeting held on 6th December 2018. The main conclusions were that the fees charged on the portfolio appeared to be competitive but PRS were frustrated to report for a second time on a period when Sarasin underperformed against their composite benchmark and a number of their major competitor funds. However, PRS believed that Sarasin's stance had been more cautious than competitors and they had shown an ability to grow and to smooth income flow. Due to these factors PRS recommended Trustees strongly consider retaining their investment in the Sarasin Endowments Fund and be cautious about switching at that time to another manager.

With the addition of two new finance Trustees in 2020, a new Director, and the length of time that Sarasin has managed the portfolio, the time is perhaps now right to undertake a more rigorous and competitive process for reviewing the managing arrangements for the investment portfolio.

4.0 Next steps

A two-step review process is proposed to take place over the next 18 months. Firstly a review will be undertaken by an external firm who will be asked to assess Sarasin's performance since 2018. This same firm will also be asked to identify a list of other investment houses with experience of managing charity funds to take part in a more formal beauty parade in 2022. They will additionally be asked to advise us on what we should be looking for with regards to sustainability (ESG) and responsible investing going forward. Secondly, a beauty parade whereby a number of competitor investment houses will be invited to pitch to a panel of Trustees to manage the portfolio (including Sarasin) will take place during 2022.

Subject to Trustees agreeing to the two-step process as outlined above the timings will be as follows. Two companies, PRS and Independent Investment Reviews have already been approached and asked to submit proposals outlining the costs that that a review undertaken by themselves will incur and their approach. Once appointed this work would take place over the next few months with a report being available for Trustees at the October 2021 meeting. We will then embark on a beauty parade in the first half of 2022 and this process will be managed internally. The Trustees who would make up the panel for the beauty parade would include David and Jim plus at least one other and the Director.

5.0 Actions

Trustees are asked to discuss the above proposal and agree the way forward in terms of the process being recommended.