Dealing with Not-for-Profit Clients

Perpetual Private

Emily Barlow, CFA – Investment Director

July 2023

Trust is earned.

Perpetual

What we are talking about today

How do not-for-profit investors compare with retail investors?

How does that impact the advice they need?

How do you successfully win and on-board a not-for-profit client?

How do not-for-profit investors compare with retail investors?

Family or Individual	Not-for-Profit
Retail	Wholesale
The same people through time	Investment Committee or Board (who change regularly)
Their own money	NFP’s money (so typically more conservative)
Tax status changes through time	Usually tax exempt

How does that impact advice?

Family or Individual — **Not-for-Profit**

Family or Individual	Not-for-Profit
1. Fact find	1. Cash flow assessment and projections
2. Risk profile	2. Risk capacity v risk tolerance
3. Other investment considerations	3. Other investment considerations
Statement of Advice	Investment Policy Statement
Implementation	Letter of Engagement & Implementation
Regular Reporting and Reviews	Regular Reporting and Reviews

Why have an Investment Policy Statement?

Alignment

Continuity

Corporate governance

Philosophy and portfolio objectives

Focus

Independence

"The most important duty of the fiduciary or trustee is the **development and ongoing maintenance** of Investment Policy Statement (IPS)"

The Management of Investment Decisions
Donald Trone et al 1993

Cash Flow Assessment

What are their essential and non-essential income requirements?

Do they have any known in-flows?

Do they have any planned capital expenditure in the short to medium term?

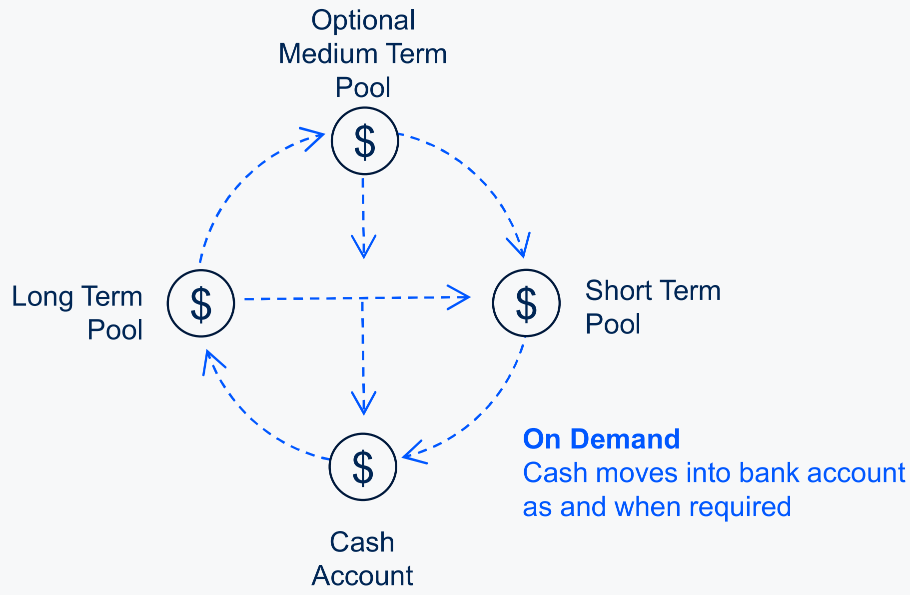
What is the tolerance for variability?

How much of this will need to come from their investments?

Create a Spending Policy

Spending Policy

A Spending Policy dictates distributions from the Long Term Pool



The basis for calculation of **how much is distributed** over time

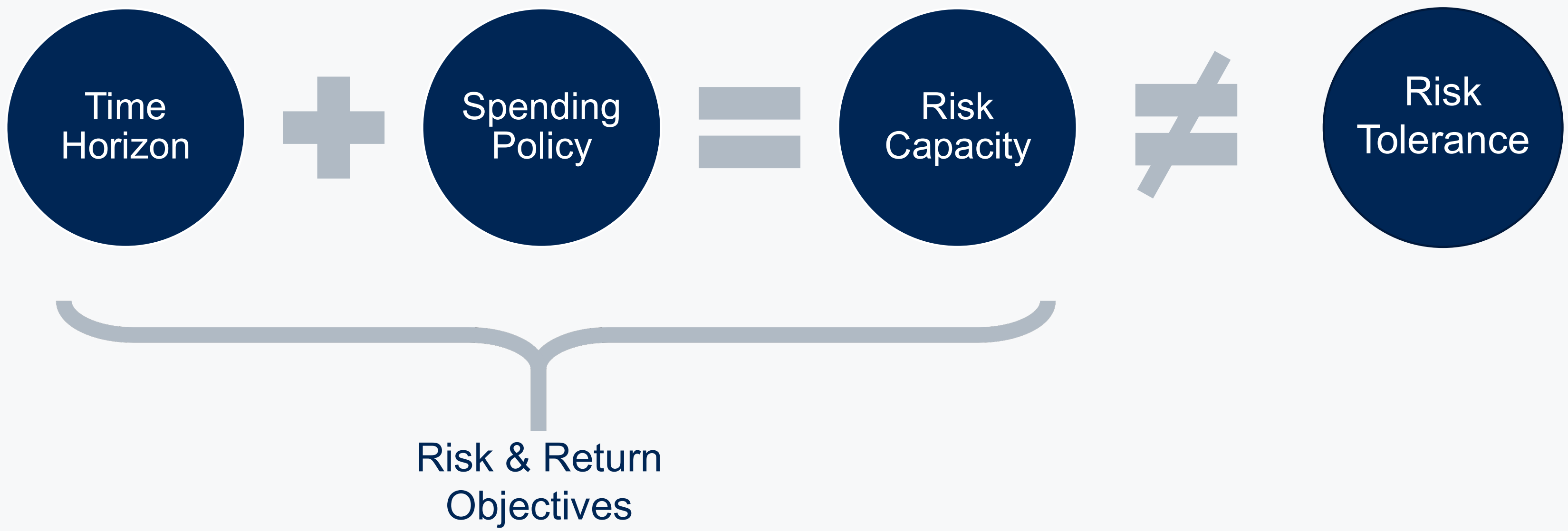
Alignment between the **objectives** of the portfolio and the **mission** of the organisation

Reflects **both current and future** needs of stakeholders

Helps **control the balance** between competing and urgent demands

Maintains real value (after inflation or other measure) of the portfolio for future beneficiaries

Establishing Risk and Return Objectives



Portfolio Liquidity Requirements

Cash

Listed Equities

Fixed Income

Liquid Alternatives

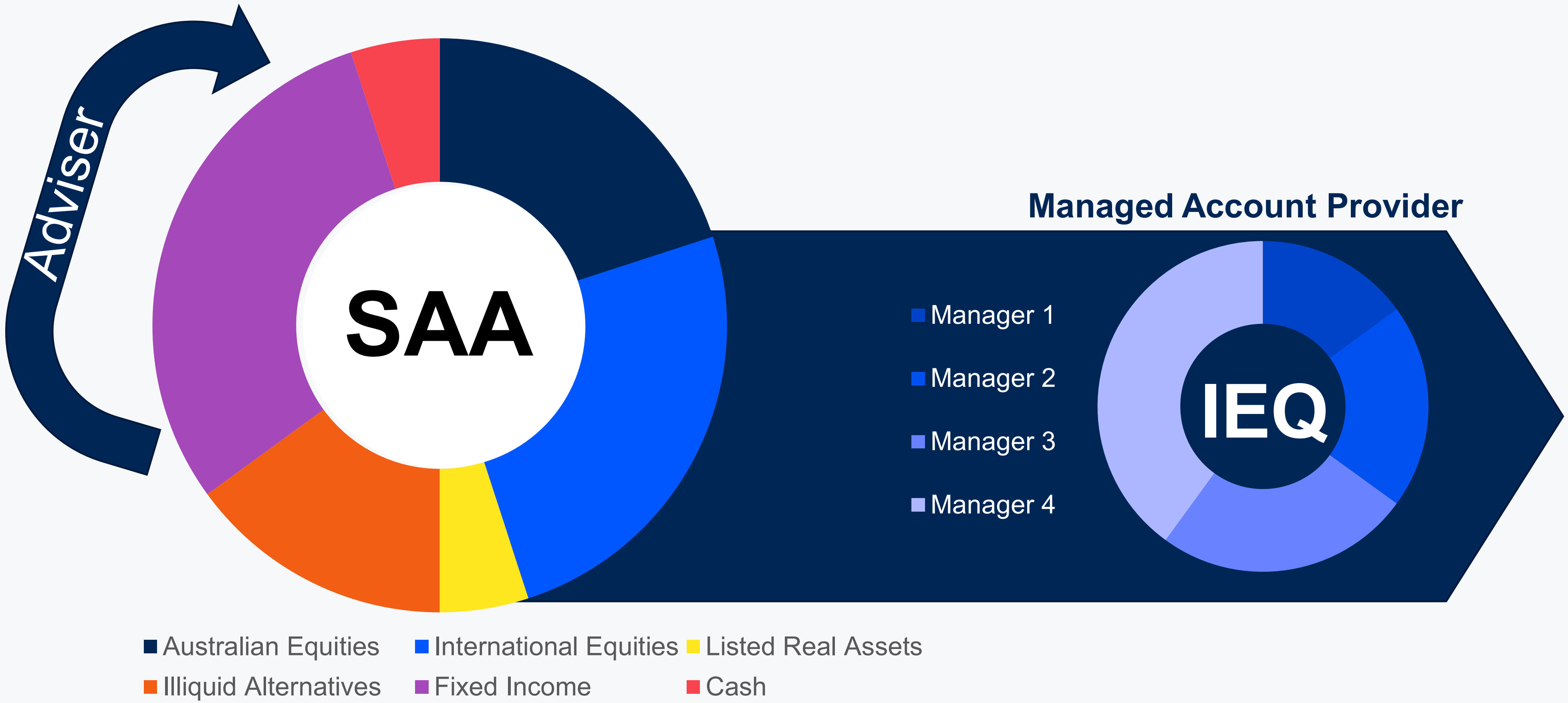
Term Deposits

Illiquid Alternatives

Most Liquid

Least Liquid

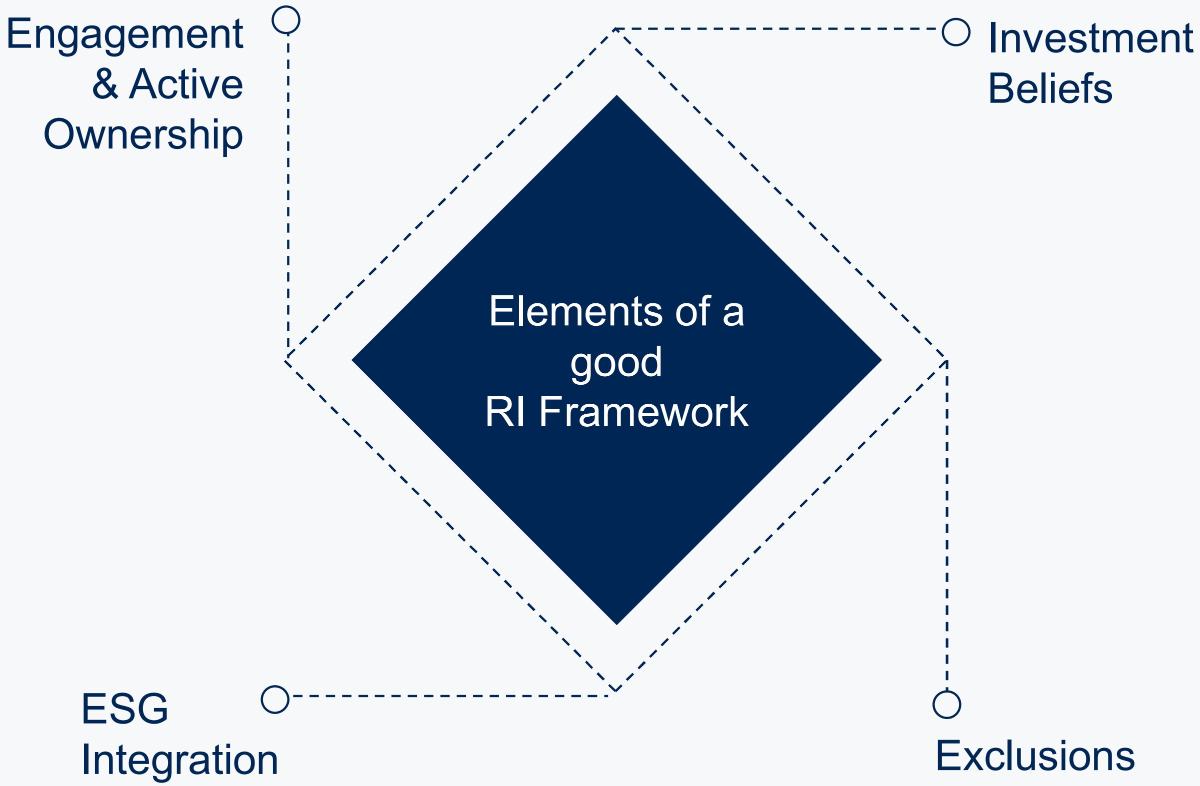
Do Managed Accounts work for this sector?



Responsible Investment
A spectrum of capital

Conventional Investing	ESG Investing	Impact Investing		Philanthropy	
No ESG Consideration	Financial market return focussed on long term value	Impact Investing	Social Investing	Venture Philanthropy	Traditional Philanthropy

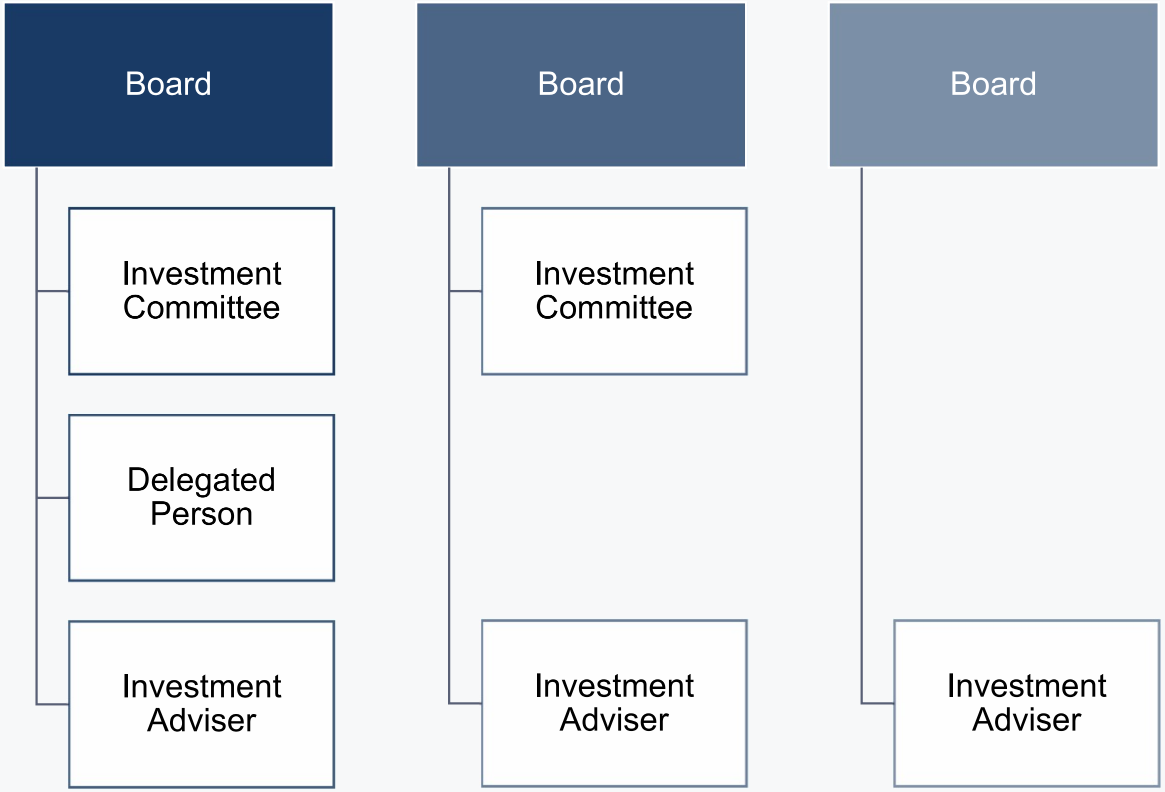
Responsible Investment Framework



Establish **what Responsible Investment means to your NFP client** and how that should be incorporated into their IPS and investment strategy

Governance structure

Who is responsible for what?



Good Governance

- Oversight & Management
- Fiduciary Responsibilities
- Best Practice

Next Steps

Develop Spending Policy
If needed

Create IPS for Board Consideration

Investment Selection and Implementation

Ongoing Governance and Reporting

To Wrap Up

Governance and initial set up is critical for success

Ongoing advice will be dictated by the IPS

Tailored approach, value add services including fundraising support are high value

Thank you.

Trust is earned.

Perpetual