Independent Investment Reviews

Fund Manager Selection Process for Imperial College Union

Decisions of Short-Listing Meeting on 20/03/2018

Summary

Member of the Panel, consisting of Malcom Martin, Tony Lawrence, Neil Sachdev, Rhidian Thomas and Matt Blackett, reviewed the considerable documentation submitted by the longlist of 11 managers, together with IIR's further summary report including statistical analysis that formed the response to the invitation to tender and the questionnaire. The following decision was taken:

To shortlist the charity teams of BlackRock, CCLA Investment Management and Rathbone Investment Management and invite them to send representatives to present to the Panel on the morning of 24th April 2018. The reasons given by the Panel are outlined below.

FUND MANAGERS SELECTED

Fund Manager (Selections in Bold)	Reasons for Selection
BlackRock	The characteristics of Charifaith, the Common Investment Fund put forward by BlackRock, were appealing in most key areas, with the lowest Ongoing Charges Figure of 0.48%, the lowest absolute risk and highest Sharpe Ratio, as well as suitable ethical restrictions.
CCLA Investment Management	CCLA was also seen as a strong candidate with a focus on charities, together with a clear ethical exclusion list, coupled with investments in renewable energy sources. The only concern was the relatively high risk budget, where the target is to have three quarters of the risk of the equity market, leading to a standard long term allocation to equities of around 75%. However, the income yield was 3.5%, satisfying the Union's income requirements, and the OCF was 0.76%.
Rathbone Investment Management	Rathbone's high-quality answers to questions were appealing, and of particular note was their approach to describing risk. Their investment process seemed suitable in terms of diversification, risk profile and ethical criteria, and the customer service on offer was also attractive. However, as a consequence the total ongoing costs were on the higher end of the scale at 1.2% and this would have to be justified in the next round compared to the other two shortlisted.

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FUND MANAGERS ELIMINATED

Fund Manager	**Reasons for De-selection**
M&G Investments	M&G, the incumbent, has produced very good investment performance for the Union, coming first over the last 5 years and 1 year out of the 11 managers longlisted with annualized returns net of fees of 11.6% and 12.1% respectively. However, Charifund invests only in equities and therefore is not able to provide asset allocation within the fund. In addition the fund does not have the ethical restrictions of other options. However the submission was praised for its quality and succinctness.
Sarasin & Partners LLP	Sarasin offered a combined solution of the new Climate Active Fund with suitable ethical requirements, and the Endowment and Reserves Fund, which does not. In the light of other more appropriate options, this led to their rejection.
Standard Life Wealth	Standard Life produced a performance record with the highest level of absolute risk and the lowest Sharpe Ratio. This reduced the attraction of the modest fee for segregated management. The responses to the ethical questions were also considered less comprehensive than others.
Investec Wealth & Investment	Investec's Ongoing Cost Figure was the highest of all in the longlist at 1.33% and discounted them from further investigation.
Newton Investment Management	Newton's submission was appealing to several on the Panel, with its fund having appropriate ethical restrictions and good performance. However the high degree of risk was noted, and this was likely to continue as the firm tends to hold more overseas equities than other managers. This, combined with the lower yield of 2.1% versus the requirement of 3%, ruled them out.
EdenTree Investment Management	Eden Tree's submission suffered from an overemphasis on how ethical criteria drives their investment approach. It was considered too narrow to afford investors with good diversification. Despite this ethical focus, the position on fossil fuel exclusion seemed unclear.
Cazenove Charities	While Cazenove was considered a fine charities house with strong credentials, unfortunately the offering being put forward to the Union is a fund of fund option, where there would be effectively little access to in-house Cazenove expertise. It would also be the second most expensive option in cost terms.
Smith & Williamson Investment Management	S&W was praised for its flexibility and good, customized answers, but they had not used ethical funds so the proposal would not satisfy the Union's expectation of the ethical restriction in both direct and indirect holdings.