



# The Investment Policy Statement

Giving institutional clients clarity with a clear plan.

Before launching a new investment program, an institution should outline its goals, time horizon, investment methodology, leadership structure and oversight process in an Investment Policy Statement (IPS)

An IPS is a plan for creating an investment program, but once the program is underway, it also acts as a resource to refer to for objective guidance. With it, the institution and its advisor can follow a comprehensive course of action during periods of market uncertainty, for example, or when there is a change in the institution's fiduciary team. A comprehensive IPS for institutional clients typically includes the following sections:

## SCOPE & PURPOSE

This section serves as an executive summary that defines the institution and the structure of its investment fund. The scope and purpose covers key information about the investment fund, including its type – private foundation, public foundation, endowment or other nonprofit for example – its charitable intent, its objectives, its spending policy and its assets currently held in the fund. The scope and purpose section should provide enough information so a third party could easily understand the institution's fund and objectives.

## GOVERNANCE

The purpose of this section is to clearly define all parties involved with the fund's investments and to summarize their respective responsibilities. In the event of a change in fiduciaries or other disruption, this section should be structured to prevent misunderstandings when a new member joins the team.

## INVESTMENT OBJECTIVES & RISK MANAGEMENT

This section defines how the institution plans to meet its fund's objectives by outlining eligible asset classes, target weightings and the representative index for each class. In addition, this section should set the criteria for selecting an investment portfolio, guidelines for measuring portfolio performance and risk against an appropriate benchmark, and describe any investment restrictions or liquidity needs unique to the fund.

## ONGOING REVIEW & MONITORING

An IPS is a living document. It provides the framework for evaluating the fund's success in meeting its stated goals and objectives. This section outlines the rules and responsibilities for regularly reviewing the IPS and how to amend it.

The schedule for rebalancing the asset allocation of the fund's portfolio back to the established target weights is documented in this section, as well as a schedule to review all associated costs.

## INVESTMENT POLICY STATEMENT CHECKLIST

Best practices suggest every IPS should, at a minimum, include the following elements:

### SCOPE & PURPOSE

- Executive Summary (Type of fund, charitable intent and current assets)
- Background (Date fund was established, number of accounts and purpose of each, and contributions/withdrawals)
- Intent/Mission of the IPS (Investment program procedures, compliance requirements, etc.)
- Objectives of the Fund (For example, growth, income, total return expectation and time frame)
- Spending Policy (Unique to institution type)

### GOVERNANCE

- Committee Responsibilities
- Consultant Responsibilities
- Investment Manager Responsibilities
- Custodian Responsibilities

### INVESTMENT OBJECTIVES & RISK MANAGEMENT

#### *Asset Classes*

- Description of Asset Classes
- Target Asset Class Weightings (Including min-max ranges)
- Representative Indices
- Investment Restrictions

#### *Investment Managers*

- Minimum Requirements for Selection
- Defined Performance Criteria
- Performance Monitoring (Including associated time frames)
- Conditions for Termination

### ONGOING REVIEW & MONITORING

- Time Frame for IPS Review
- Monitoring Costs
- Parameters for Rebalancing
- Approval Verification (Signature and date)

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