

What goes into a well-written IPS?

A well-written Investment Policy Statement (IPS) can help guide an organization's investment decisions and ensure that those decisions are consistent with the organization's goals and objectives. Here are some best practice items that should be included in a well-written IPS:

OBJECTIVES AND GOALS

The IPS should clearly state the organization's investment objectives and goals. These might include objectives related to risk tolerance, return on investment, and liquidity needs.

INVESTMENT GUIDELINES

The IPS should provide guidance on how investments will be selected, monitored, and evaluated. This might include guidelines related to asset allocation, diversification, and investment manager selection.

RISK MANAGEMENT

The IPS should outline the organization's risk management policies and procedures, including strategies for managing investment risk and steps to be taken in the event of a significant market downturn.

PERFORMANCE MEASUREMENT

The IPS should establish performance measurement criteria to evaluate the success of the investment program. This might include benchmarking against relevant market indices or other performance metrics.

ASSET ALLOCATION

The IPS should provide guidance on how the organization's assets will be allocated across different asset classes, such as stocks, bonds, and real estate.

INVESTMENT MANAGER SELECTION

The IPS should outline the process for selecting and evaluating investment managers, including criteria for evaluating investment performance and monitoring investment managers' adherence to the IPS.

MONITORING AND REPORTING

The IPS should establish procedures for monitoring investment performance and reporting on investment results to stakeholders, including regular reports to the organization's governing board and other stakeholders.

By including these best practice items in a well-written IPS, organizations can establish clear investment policies and procedures that align with their goals and objectives, and help ensure that their investment decisions are consistent with their mission and values.