

Contents

Preface	ix
About the Authors	xi
CHAPTER 1	
Investment Sponsors	1
The Investment Committee	4
The Variety of Investment Sponsors	7
Taxable Investment Sponsors	24
Summary	29
CHAPTER 2	
Investment Policy Statement	31
Investment Philosophy and Goals	31
Investment Return Objectives	32
Risk Tolerances	32
Constraints	33
Investment Strategy	33
In-House or Outside Manager	34
Investment Policy	34
Securities Types and Risk Characteristics	35
Asset Allocation Guidelines	39
Evaluation of Performance	41
Benchmark Portfolios	51
Periodic Review	52
Summary	53
CHAPTER 3	
Investment Overview	55
Capital Appreciation versus Current Income	55
Active versus Passive Investment Approaches	57
Investment Styles-Equity Managers	57
International Investing	65

Investment Styles-Fixed Income Managers	65
Summary	68
CHAPTER 4	
Alternative Investment Vehicles	71
Hybrid Securities	72
Derivative Contracts	75
International Investment Vehicles	81
Real Estate Investment Vehicles	91
Investment Vehicles for Accredited Investors	93
Commodities and Collectibles	102
Summary	104
CHAPTER 5	
Return Measures and Reporting Techniques	105
Dollar-Weighted Rate of Return	105
Time-Weighted Rate of Return	108
Annualized Rates of Return	110
Geometric Mean	111
Total Return and its Components	112
Compound Growth	115
Summary	118
CHAPTER 6	
Return-Risk Measurement	119
Return Relative	119
Standard Deviation	121
Portfolio Risk Measure	124
Scatter Diagram	127
Coefficient of Variation	128
Regression Analysis	129
Portfolio Size and Diversification Levels	131
Regression Analysis of Fund I	132
Additional Performance Indexes	133
Summary	134
CHAPTER 7	
Portfolio Performance Evaluation	137
Performance Results	138
Composite Index	139

Return-Risk Analysis	140
Universe Comparison	141
Evaluating the Asset Allocation Decision	143
Summary	155
CHAPTER 8	
Equity Performance Evaluation	157
Equity Performance Criteria	158
Sector Analysis	159
Return-Risk Comparison	163
Market Characteristics	164
Attribution Analysis	169
Summary	171
CHAPTER 9	
Fixed Income Performance Evaluation	173
Asset Allocation Ranges and Anticipated Contributions	174
Issuers of Fixed Income Securities	174
Bond Indexes	176
Bond Prices and Yields	177
Term Structure of Interest Rates	180
Quality of Fixed Income Securities	181
Credit Risk	181
Interest Rate Risk	184
Duration	186
Convexity	189
Maturity Characteristics	191
Return Analysis	191
CFA Institute Standards	195
Fixed Income Management Styles	196
Passive Fixed Income Management	196
Active Fixed Income Management	198
Performance Analysis	199
Summary	202
CHAPTER 10	
Investment Companies as Investment Vehicles	203
Investment Companies	205
Regulation of Investment Companies	207
Types of Investment Companies	208

Selecting Mutual Funds	215
Performance Evaluation	216
Summary	217
CHAPTER 11	
Investment Manager Search Process	219
Search Committee	219
Establishing Goals	220
Number of Managers	220
Candidate Identification	222
Management and Related Fees	223
Firm Size and Ownership	225
Request for Proposals (RFP)	225
Screening of Candidates	230
Candidates Presentations	234
Verification and Reference Checking	236
Cost of Switching	239
Administration of Change	240
Summary	240
CHAPTER 12	
Conducting Investment Committee Meetings	243
Meeting Preparations	243
Agenda and Meeting Materials	245
Setting the Agenda	245
Responsibilities of the Chairperson	246
Investment Consulting Services	246
Investment Performance Review and Outlook	247
Old Business	250
New Business	251
Summary	251
Index	809