



**Introduction to the Global Standard of  
Fiduciary Excellence**

**Triangle Benefits Forum**

**January 27, 2009**

**Robert R. Patterson, AIF®**

*Fiduciary Advisors to Stewards of Wealth*

# Meeting Overview

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- **Capital Advisory Group**
- **Global Fiduciary Standard of Excellence**
- **Fiduciary Quality Management Tracking System**
- **Summary**
- **Q & A**

# Capital Advisory Group

Founding Member - Focus Financial Partners, LLC

- **Twenty-Five Years of Service to Investors**
  - Founded as Independent RIA in 1983
  - 18 Employees in Richmond Office; 9 Professionals
  - The Callan Connection
- **Specialized Services for Investment Fiduciaries**
  - Objectivity - No Commissions, Finder's Fees, etc.
  - Open Architecture – Customized Investment Solutions
- **Focus Financial Partners**
  - Largest Partnership of Independent Advisory Firms in the US
  - \$26 Billion in Client Assets, Over 18,000 Clients and 500 Employees
  - Added UK Partner in February 2008
  - CapGroup is Director of Focus Consulting Associates

# Global Fiduciary Standard of Excellence

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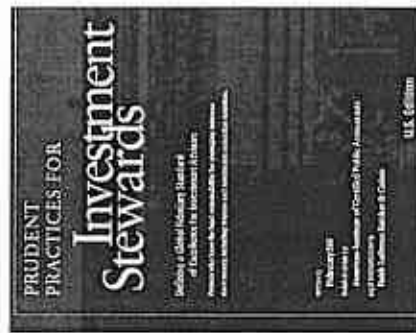
- **Developed by the Center for Fiduciary Studies, Pittsburgh, PA in 2005; based on over two decades of research.**
- **Central Purpose – An International ISO-Type Standard to Encourage the Continual Improvement of Investment Decision Making by Investment Fiduciaries**
- **Adopted by the CEFEX, Toronto, Canada, for ISO-Type Assessments and Certifications.**
- **Comprised of 22 Best Practices defined in Prudent Practices for Investment Stewards.**
- **Assessments are performed by consultants accredited by the Center for Fiduciary Studies and CEFEX – AIFA® &**

# Best Practices as Guideline

<p><b>Practice SA-1.1</b> Investments are managed in accordance with applicable laws, trust documents, and written investment policy statements (IPS).</p>	<p><b>Practice SA-2.1</b> An investment time horizon has been identified.</p>	<p><b>Practice SA-2.4</b> A risk level has been identified.</p>
<p><b>Practice SA-1.2</b> The role and responsibilities of all involved parties (fiduciaries and non-fiduciaries) are defined, documented, and acknowledged.</p>	<p><b>Practice SA-2.3</b> An expected, modeled return to meet investment objectives has been identified.</p>	<p><b>Practice SA-2.4</b> Selected asset classes are consistent with the identified risk, return, and time horizon.</p>
<p><b>Practice SA-1.3</b> Fiduciaries and parties in interest are not involved in self-dealing.</p>	<p><b>Practice SA-2.5</b> Selected asset classes are consistent with implementation and monitoring constraints.</p>	<p><b>Practice SA-2.5</b> There is an IPS which contains the detail to define, implement and manage a specific investment strategy.</p>
<p><b>Practice SA-1.5</b> Assets are within the jurisdiction of courts and are protected from theft and embezzlement.</p>	<p><b>FORMALIZE</b></p>	<p><b>Practice SA-2.7</b> The IPS defines appropriately structured, socially responsible investment (SRI) strategies (where applicable).</p>
<p><b>Practice SA-3.1</b> Periodic reports compare investment performance against appropriate index, peer group, and IPS objectives.</p>	<p><b>IMPLEMENT</b></p>	<p><b>Practice SA-3.1</b> The investment strategy is implemented in compliance with the required level of practice.</p>
<p><b>Practice SA-3.2</b> Periodic reviews are made of qualitative and/or organizational changes of investment decision-makers.</p>	<p><b>Practice SA-3.2</b> The fiduciary is following applicable "Safe Harbor" provisions (when desired).</p>	<p><b>Practice SA-3.3</b> Investment vehicles are appropriate for the portfolio size.</p>
<p><b>Practice SA-3.4</b> Fees for investment management are consistent with agreements and with all applicable laws.</p>	<p><b>Practice SA-3.4</b> A due diligence process is followed in selecting service providers including the custodian.</p>	
<p><b>Practice SA-4.1</b> "Fiduciary's fees" or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.</p>	<p><b>MONITOR</b></p>	
<p><b>Practice SA-4.3</b> Control procedures are in place to periodically review policies for best execution, "soft-dollar," and proxy voting.</p>		
<p><b>Practice SA-4.5</b> "Fiduciary's fees" or other forms of compensation that may have been paid for asset placement are appropriately applied, utilized, and documented.</p>		
<p><b>Practice SA-4.6</b> There is a process to periodically review the organization's effectiveness in meeting its fiduciary responsibilities.</p>		

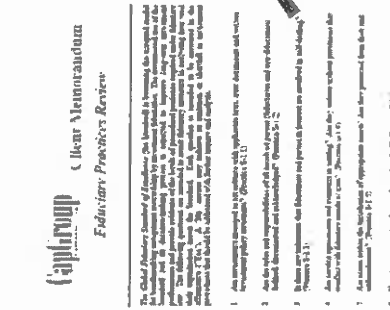
**LEGEND:**  
 Practices in bold that begin with an "SA" define a fiduciary standard of care and are all substantiated by U.S. legislation, regulatory opinion letters, and G  
 "SA" Practices highlighted are best reviewed in conjunction with **Practice SA-4.6**  
 Practices in maroon that begin with an "SA" define a fiduciary standard of care

# Levels of Verification



## Level I

CapGroup Fiduciary Practices Review



## Level II

CapGroup Assessment



## Level III "Certification"



# Self Assessment - Client Questionnaire



## Client Memorandum

### Fiduciary Practices Review

The *Global Fiduciary Standard of Excellence* (the *Standard*) is becoming the accepted model for benchmarking exceptional stewardship by investment fiduciaries. The documented use of the *Standard* and its decision-making process is expected to improve long-term investment performance and provide evidence of the levels of procedural prudence required under fiduciary law. The following questions are intended to assist fiduciary investors in analyzing how well their organization meets the *Standard*. Each question is intended to be answered in the affirmative ("Yes"). A "No" answer may indicate an omission or shortfall in investment procedures that should be addressed with further inquiry and analysis.

1. Are investments managed in accordance with applicable laws, trust documents and written investment policy statements? (Practice 5-1.1)
2. Are the roles and responsibilities of all involved parties (fiduciaries and non-fiduciaries) defined, documented and acknowledged? (Practice 5-1.2)
3. Is there any indication that fiduciaries and parties to invest are involved in self-dealing? (Practice 5-1.3)
4. Are service agreements and contracts in writing? Are they written without provisions that conflict with fiduciary standards of care? (Practice 5-1.4)
5. Are there written the limitations of appropriate courts? Are they protected from the E and embargos? (Practice 5-1.5)
6. Has an investment team been established? (Question C-1)

# Report to Client

## PART I – SUMMARY OF CONFORMITIES TO PRACTICES AND CRITERIA

#	Practice/Criteria	Finding
1.1.1	Investments are managed in accordance with all applicable laws.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.1.2	Investments are managed in accordance with trust documents.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.1.3	Investments are managed in accordance with the written IPS.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.1.4	Documents pertaining to the investment management process are filed in a centralized location.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.2.1	The roles and responsibilities of all parties are documented in the IPS.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.2.2	All parties demonstrate an awareness of their duties and responsibilities.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI <input type="checkbox"/> Non-conformity
1.2.3	All parties have acknowledged their status in writing.	<input checked="" type="checkbox"/> Conforms <input type="checkbox"/> Conforms, OFI

# Letter of Verification



December 8, 2007

Ms. Kathie Scarborough  
Executive Director  
IVMC Foundation  
3130 North Dixie Highway  
Troy, Ohio 43073

Dear Ms. Scarborough:

We have conducted a Level II Consultant's Assessment of Fiduciary Excellence (CAFE) as part of the investment advisory services we provide for the IVMC Foundation. Our assessment was based on the Global Standard of Fiduciary Excellence as set forth in the handbook, Prudent Practices for Investment Stewards, and we are pleased to advise you that we have found the investment practices of the Foundation to be in substantial conformity with the twenty-two practices contained in the Standard.

We believe that conformity to the Standard and its underlying criteria can work to maintain an optimal level of investment governance for the Foundation. To that end, we will use the four-step Fiduciary Quality Management System as a basis for documenting the Foundation's ongoing conformity to the Standard on our proprietary web-based system.

Sincerely,

*Richard Smith III*  
W. Richard Smith, III, CFP®  
President

100 River Avenue, Suite 211  
Boulding Mountain, P.O. Box 100, Boulding, MA 02225-0100  
Tel: 413-541-3333



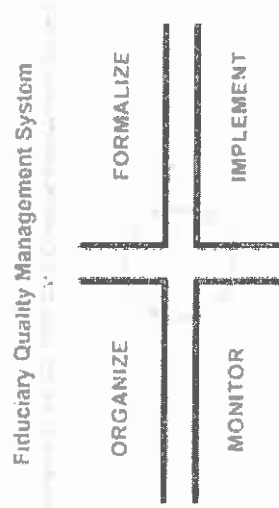
# Fiduciary Quality Management Tracking System (FQMS)



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 By Date  
 By Category

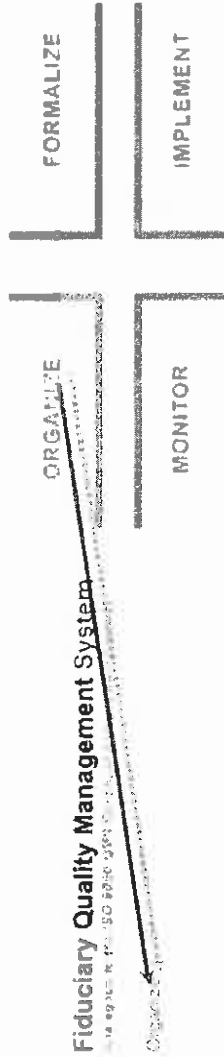
**Welcome Bill Fiduciary (Mid-Atlantic Manufacturers)**

*Our investment consulting services follow the 4-step Fiduciary Quality Management System to promote conformity with the Global Fiduciary Standard of Excellence. You have accessed our automated system for tracking our use of the Standard's best practices in the governance of your investment assets.*



\* footnote: As developed by the Center for Fiduciary Studies and Fiduciary360

# FQMS - "Organize"



## Fiduciary Quality Management System

14 09:15 N 12:50 02:00 03:00

03/25 07:58 PM

### Fiduciary Quality Management System

- Welcome
- Step 1
- Step 2
- Step 3
- Step 4

### Library

- By Date
- By Category



Logout

### CAG Investment Consulting Practice

Submitted By: Robert Patterson

Date: 03/25 07:58 PM

Company: Mid-Atlantic Manufacturers

Doc Type: Organize

### Document Title:

Fiduciary Questionnaire

### Content

Before beginning an engagement, we ask that you fill out the attached questionnaire in revealing the answers together, we can prioritize what needs to be done in order to bring you more quickly into conformance with the Global Fiduciary Standard of Excellence

### Attachments

Click here to view attachment1 (Fiduciary Practices Review.pdf)

If you have a question or comment, please click here to email your advisors  
If you would like to post a response, click here

# FQMS - "Formalize"



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## Fiduciary Quality Management System

- [Welcome](#)
- [Step 1](#)
- [Step 2](#)
- [Step 3](#)
- [Step 4](#)

## CapGroup Investment Consulting Process | Step 2 - Formalize

- Analyze optimal asset allocation strategies
- Consider various manager structures
- Recommend overall investment strategy
- Prepare written Investment Policy Statement

Document	Title	Added
	Investment Policy Statement	03/21/2008 11:32 AM

Library

- [By Date](#)
- [By Category](#)

 Logout



# FQMS - “Implementation”



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Fiduciary Quality  
Management System

- Welcome
- Step 1
- Step 2
- Step 3**
- Step 4

CapGroup Investment Consulting Process | Step 3: Implementation

- Screen and select money managers and/or mutual funds.
- Negotiate favorable account size minimums and fees with money managers
- Coordinate custody services

Document

Subject

Added

Manager Search and Selection Manager Search Report 03/21/2008 10:54 AM

Library

- By Date
- By Category



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# FQMS - "Monitor" Detail



## Fiduciary Quality Management System

- Welcome
- Step 1
- Step 2
- Step 3
- **Step 4**

## CapGroup Investment Consulting Process | Step 4 - Monitoring

- Provide ongoing supervision of investment program
- Rebalance asset classes.
- Evaluate managers
- Evaluate and report performance quarterly.

### Document

Added

Fiduciary Assessment Consultant's Assessment of Fiduciary Excellence 03/21/2008 11:00 AM

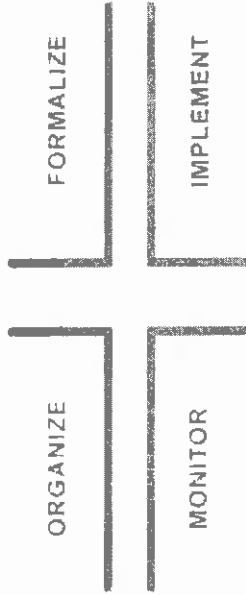
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- By Date
- By Category



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# FQMS - "Monitor"



## Fiduciary Quality Management System

Reference to the 2009 FQMS Continuous Improvement Process

Monitor

### Fiduciary Quality Management System

- Welcome
- Step 1
- Step 2
- Step 3
- Step 4

### CAG Investment Consulting Process

Submitted By: Tim Jester  
 Date: 12/06/2007 04:02 PM  
 Company: Chatham Hall Endowment  
 Doc Type: Monitor

Document Title  
 Investment Committee Minutes October 2007

Content  
 Investment Committee minutes dealing with asset allocation



### Attachments

[Click here to view attachment \(Inv Comm Minutes - 2007 October 12.doc\)](#)

# Summary

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- **CapGroup**
  - International Presence - \$26 Billion of Client Assets
  - Independent Provider
- **Global Fiduciary Standard of Excellence**
  - Emerging “Gold Standard” for Investment Governance
- **Fiduciary Quality Management Tracking System**
  - Organize, Formalize, Implement, and Monitor
  - Annual Review of Conformance