

# What questions do you ask about investment policy?

An important part of an investment firm's service involves its investment policy. By asking questions about the investment policy you will get a good idea of an investment firm's investment policy. This enables you to decide whether this policy suits you. After all, not all investment policies are the same.

What questions should you *in any event* ask your account manager, relationship manager, asset adviser or manager in order to gain a proper understanding of the investment policy?

## **1) On what investment beliefs does the investment firm base its services?**

What principles form the basis of the investment policy and the organization of the investment process of the organisation? What distinguishes the investment policy from that of others?

## **2) What approach, investment strategy or investment style does the investment firm employ?**

Does the investment firm use, for example, models, fundamental or technical analysis, quantitative analysis, or market sentiment? Where in the service are active choices made? What are those choices? How does the investment firm ensure that the investment strategy is implemented consistently?

## **3) In which investment categories, sectors, regions and (type of) financial instruments is the investment firm invested?**

Are there specific categories, products and/or (types of) instruments that are traded/invested in? What is this choice based on?

## **4) When advising or managing the entire portfolio:**

How will the portfolio be constructed? Are there any limitations to the construction of the portfolio? How are those set and how are they measured? How does the investment firm arrive at a certain ratio between the investment categories in the long term (strategic asset allocation). What freedom does the company have for the investment policy in the short term (tactical asset allocation)? What is the investment policy on the hedging of foreign currencies and the use of borrowed money?

## **5) For statements about expected returns and risks:**

How does the investment firm arrive at these expectations? How does the investment firm make the trade-off between return, risk and cost? How do the expectations influence the investment firm's investment decisions? What risk criteria are used?

## **6) How can you as a (potential) client assess the investment policy of the investment firm?**

What standards should you as a client use to assess the investment policy and investment results? And at what point (horizon) is an assessment of the policy and results meaningful?