Manager selection at IST

Best-in-class manager selection

We guarantee complete independence when it comes to selecting the managers of the different investment groups. The focus of the selection process is on picking managers with an outstanding track record and on securing favorable bulk volume conditions. As a non-profit organization, IST passes on the resulting cost advantages to its investors.

A best-in-class approach proven in practice

In order to avoid conflicts of interest from the outset, we rely on seasoned external portfolio managers to manage the individual investment groups (funds). Following a thorough and detailed analysis, we select for the respective mandates those specialized asset managers we consider to be the best equipped to achieve our targets and those of our investors. This best-in-class approach is based on and supported by research carried out by us independently of product developers and portfolio managers.

1. Definition of strategy, investment guidelines, and peer group

Our independent and transparent manager selection process begins with the definition of strategy and the accompanying investment guidelines. These guidelines include specifications for targets, investment restrictions, regulatory requirements, investment universe, and benchmark index. This is followed by an initial filtering of the investment universe for possible providers, and the subsequent selection of potentially suitable asset managers (peer group). Quantitative and qualitative criteria are applied, drawing on internal and external databases.

2. Analysis of potential asset managers

After a first evaluation, we identify the candidates shortlisted on the basis of a set of predefined criteria. The answers to a detailed due diligence questionnaire complete the second stage of our selection process. The questionnaires are analyzed according to clear qualitative and quantitative criteria and objectively evaluated. Style analyses, external manager research databases and references are also helpful when making a founded recommendation for each manager.

3. Manager selection

In a "beauty contest", the remaining three or four best asset managers present their investment approaches and processes to the "Traditional Investments" and "Alternative Investments and Real Estate" committees of the Board of Trustees. Ultimately, one asset manager is awarded the mandate. To minimize structural and operational risks as far as possible, the selected manager is subjected to an extensive on-site due diligence check. Provided the outcome is positive, the IST Board of Trustees will approve the conclusion of an asset management agreement with the new manager.

4. Implementation of mandates

On completion of the structured selection process, the mandate is exercised in accordance with the pre-defined investment guidelines. The IST Investment Foundation and its partners are tasked with its professional implementation.

Responsible investment – based on proven practice

IST considers it important for its mandated managers to commit to the UN PRI Initiative. For many years now, several of our asset managers have been giving top priority to applying ESG criteria to portfolio analysis and implementation. However, since the complexity and diversity of the approaches adopted make direct comparison difficult, IST – in addition to carefully selecting portfolio managers – has opted to follow the exclusion list of the Swiss Association for Responsible Investments (SVVK-ASIR). This list is currently applied to active as well as indexed equity investment groups. It represents a minimum requirement for portfolio managers and is supplemented by their own analysis.

Multistage risk monitoring

IST strives to promote optimum security and a responsible solution mindset. Investment controlling ensures the efficient, competent and objective monitoring of external asset managers and the decisions they take, which is crucial to long-term investment success. Mandates are constantly monitored against the investment strategy and investment guidelines from both a quantitative and a qualitative perspective. The goal is to meet the defined investment targets while complying with risk specifications.

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Broad-based control mechanisms

Risks are managed at three levels:

- Monitoring of asset managers (including personnel changes, substantial inflows/outflows, organizational structure, corporate actions, etc.)
- Monitoring and analysis of mandates (including risk/return analysis, style analysis, individual positions, focus, competitor benchmarking, etc.)
- Adherence to investment guidelines/compliance (including daily, weekly and monthly checks by internal and external parties)

The following are involved in the monitoring process: the IST product teams, the "Traditional Investments" and "Alternative Investments and Real Estate" committees of the Board of Trustees, the custodian, and the auditors. Personnel and investment risks are continually monitored and minimized by means of standardized reporting processes, regular telephone conferences, and meetings with managers. Constant negative discrepancies between target and actual results will lead to a review of the selected portfolio managers. These checks follow a structured process. The respective asset manager will subsequently be placed on a watch list. If there is no improvement, the mandate will be retendered, and the entire management selection process is repeated. Investment controlling and both internal and external risk monitoring are part of our standard service package.

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