Five Questions for Your Institutional Investment Advisor

SouthCol

The term "investment advisor" is a broad umbrella that can include broker-dealers, insurance representatives, planners, and Registered Investment Advisors (RIAs). As you evaluate an investment advisor relationship for your organization, the initial question might be: "Are you an RIA?"

For institutional investors – such as foundations and endowments – this is especially important. Because RIAs are held to a strict fiduciary standard, they are legally obligated to always act in the best interests of their clients. As legal fiduciaries, they must provide full disclosure of fees and any other conflicts of interest. Many non-RIA investment advisors are not bound by the same fiduciary standard and its duties of care and loyalty to clients.

Duties of Registered Investment Advisors (RIAs)

Regulated by the Uniform Securities Act, RIAs are held to a strict fiduciary standard. Fiduciary duties can be categorized in three ways:

1. **Duty of Care –** Treating the client's property as if it were their own – using skill and caution to protect client assets, while generating a reasonable return

2. **Duty of Good Faith –** Handling money and property with the highest levels of trust and integrity

3. **Duty of Loyalty –** Acting with the utmost loyalty to the client and without self-interest

1. What are the fiduciary services you provide?

While all RIAs are held to the same fiduciary standard, they may not provide the same services. Some examples of fiduciary governance services include: organization of governing documents, preparation of Investment Policy Statement, due diligence documentation, Investment Committee and Board conflict of interest training, and Spend Policy consultation.

2. Can you provide full transparency on all fees?

RIAs are legally required to act in your best financial interest under the fiduciary standard. Most RIAs charge a fee based on percentage of Assets Under Management (AUM). However, there may be additional fees in addition to the AUM fee. Make sure you ask for a clear explanation of all fees and how they are paid.

3. Can you customize the portfolio to align with our organization's mission and values?

Values- or mission-aligned investing is sometimes over-promised and under-delivered. Ask your advisor if they can customize the securities in the portfolio, rather than providing a "one-size-fits-all" solution. Then ask which impact themes they can accommodate and ask them to provide some representative securities that might be included – or excluded – from the portfolio. Transparency here is key – you need to know and understand what you own, to ensure it aligns with institutional mission and values.

4. Do you provide impact reporting to measure how the portfolio supports our organization's values?

RIAs are required to provide regular reports that include short- and long-term investment returns. Organizations with mission-aligned portfolios are often asked "how do we know our investments are working – are they making an impact?" Ask your advisor for an individualized (not aggregated) report of how the organization's portfolio is helping achieve its mission through its investments.

5. How do you communicate with clients to address portfolio needs?

For institutional clients, best practice is that the advisor should communicate at least quarterly and be a participant and subject matter expert for the Board and Investment Committee. They should be proactive – and readily available – to discuss new ideas, market-related fluctuations, and client service needs.

About SouthCol

SouthCol Advisors is an institutional RIA and the only U.S.-based investment advisor to be CEFEX-certified and a B-Corporation. For more information, please contact James.lumberg@southcoladvisors.com or Jeanne.enright@southcoladvisors.com.