

# Questions you should ask about a company's investment policy

An important aspect of the services offered by investment companies is their investment policy. Asking questions about their policy will give you an accurate picture of what it entails and whether it meets your specific needs. After all, not all investment policies are alike.

What questions should you always ask your account manager, relationship manager, investment advisor or asset manager to get a better understanding of the investment company's investment policy?

## 1) What is their investment philosophy?

Which principles underlie the company's investment policy and investment process? What distinguishes their investment policy from others?

## 2) Which approach, investment strategy or investment style do they apply?

Does the investment company use models, fundamental or technical analysis, quantitative analysis, or does it base decisions on a feel for the market? When do they make active choices about the services they offer? What are these choices? How does the investment company guarantee consistent implementation of its investment strategy?

## 3) In which asset classes, sectors, regions and type of financial instruments are investments made?

Are there specific asset classes, products and/or type of instruments that are, or are not, traded or invested in? What do they base their choices on?

## 4) If the investment company advises and/or manages the entire portfolio, how do they build the portfolio?

Are there limitations when building an investment portfolio? How are they defined and how are they measured? How does the investment company determine the ratio between asset classes in the long term (strategic asset allocation)? What discretion does the company have in its short-term policy (tactical asset allocation)? What is their policy regarding hedging foreign currencies and the use of borrowed money?

## 5) How does the investment company determine its risk and return expectations?

How does the investment company determine the balance between risk, return and costs? How do the company's expectations influence their investment decisions? Which risk criteria do they apply?

## 6) How can you, as an existing or potential client, assess the company's investment policy?

Which criteria should you, as a client, use to assess the investment policy and investment results? And over what period of time (horizon) is an assessment of the policy and results useful?