



# Alternative approaches to fiduciary management

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# Introduction Avida International

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- Independent advisor for institutional investors and pension funds.
- Advises on restructuring, improving and implementing investment organisations.
- Fiduciary Intermediary.
- Client assets currently amount to over €37bn.
- Fresh, unorthodox approach anticipating client needs.
- Access to the top tier providers of investment management services.
- Flexible network organisation with over 40 years' investment experience.

# Observations on the pension fund market

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- Pension funds are increasingly in the spotlight.
- Complexity has increased with a need for active risk management against liabilities.
- The regulator has increasing demands on quality of pension governance.
- Most pension funds have limited access to top talent.
- Market place has become crowded.
- Active return seeking strategies and complex (derivative) instruments gaining ground.
- Pension Boards remain responsible for key investment decisions.
- Pension funds are increasingly rethinking their organisational infrastructures.

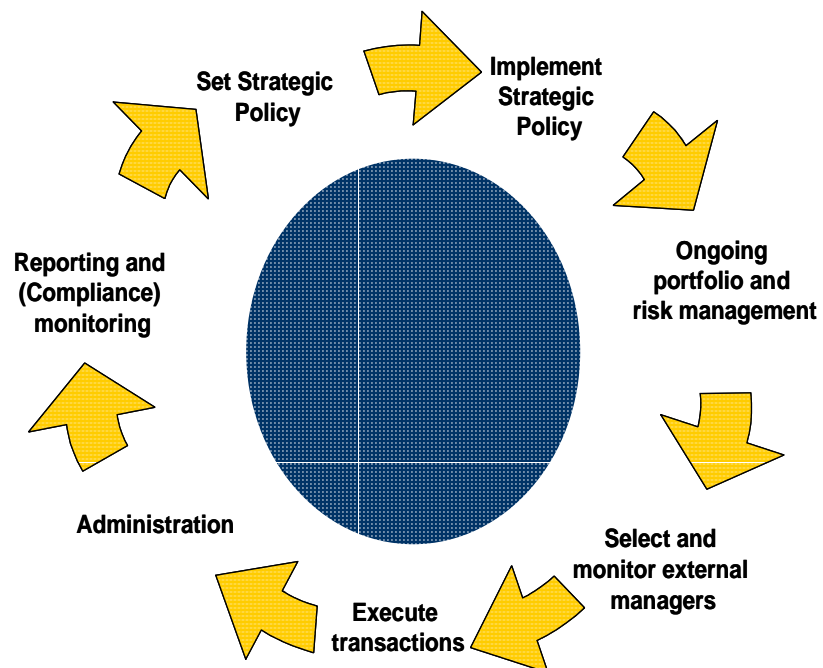
# Fiduciary management

## Definition from a board's perspective

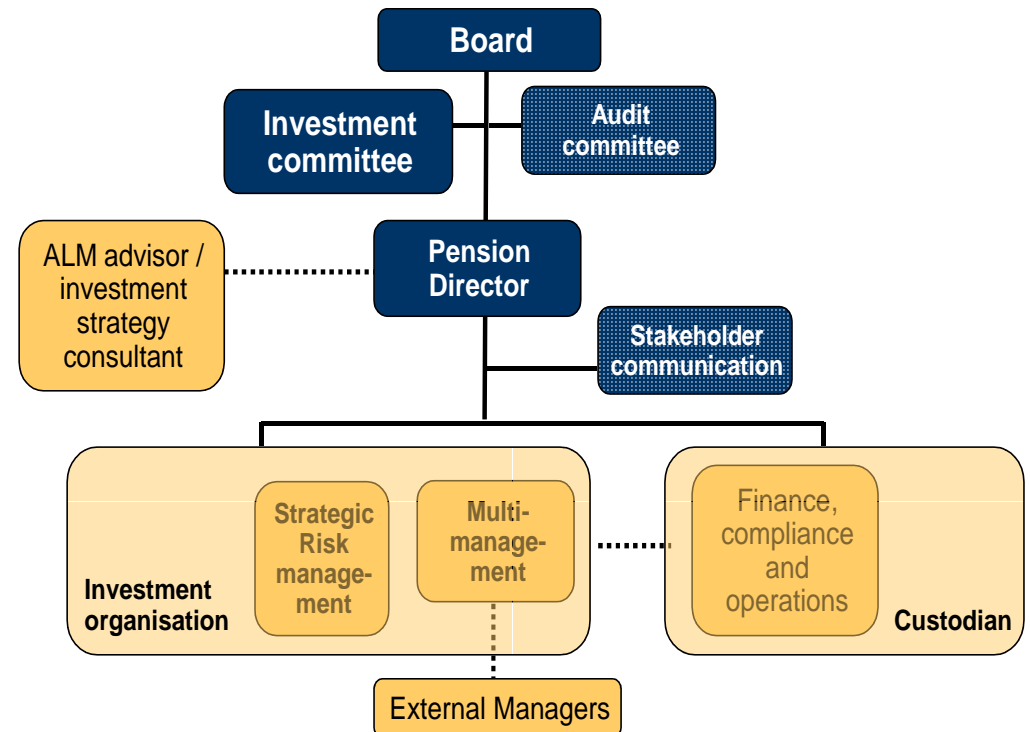
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The optimisation of the overall pension fund infrastructure:

### Key processes



### Example organisation



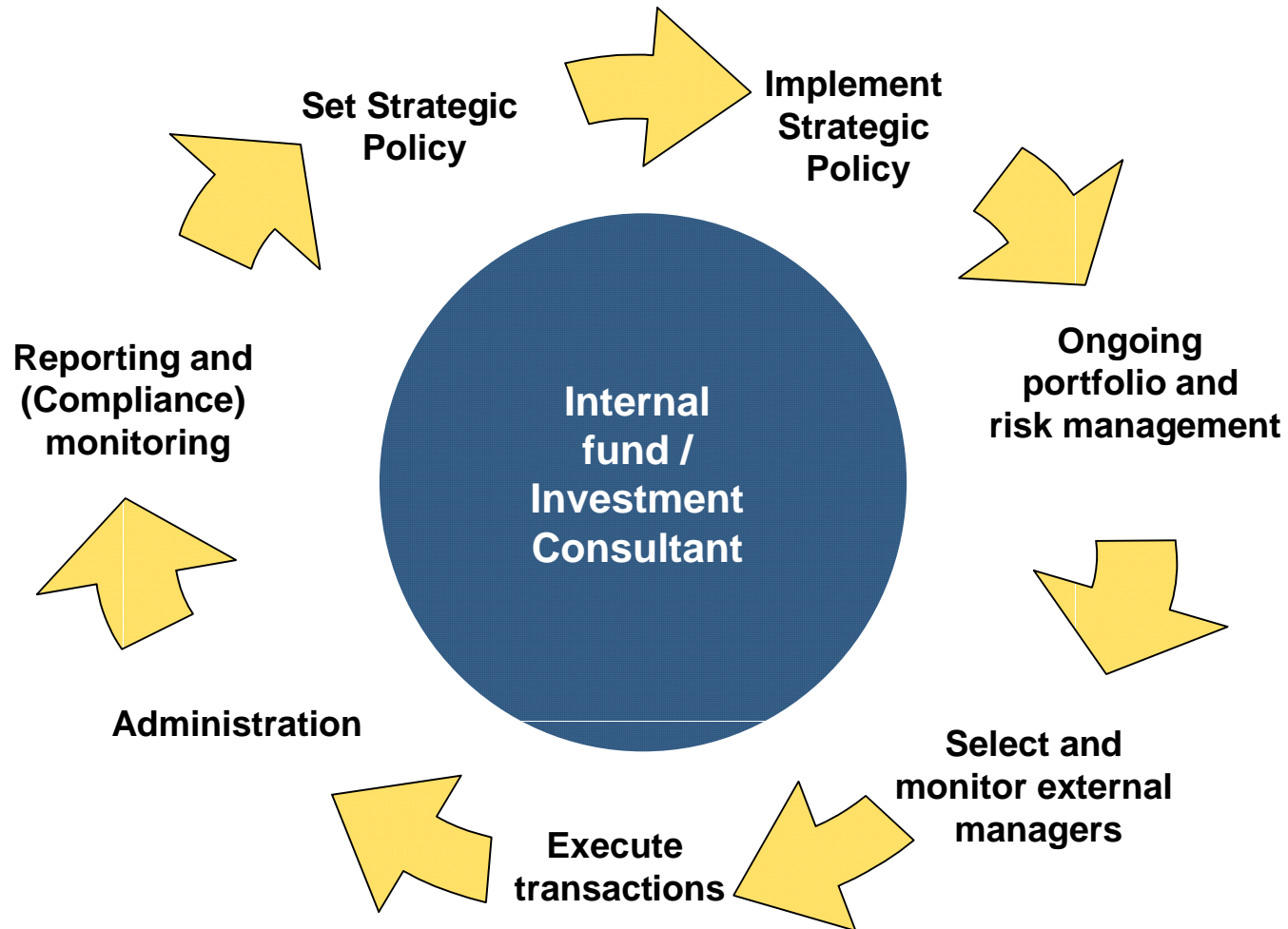
# Typical objectives of fiduciary management

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- Guarantee the continuity of the pension fund's organisation.
- Improve the quality of the advisory role to the fund's board.
- Manage the investment portfolio on a more continuous and pro-active basis.
- Improve performance by including more diverse sources of return.
- Improve the quality of reporting.
- Get more control over the portfolio and to improve liability led risk monitoring.
- Add new sources of knowledge.
- Continue to fulfill requirements from the regulatory bodies.

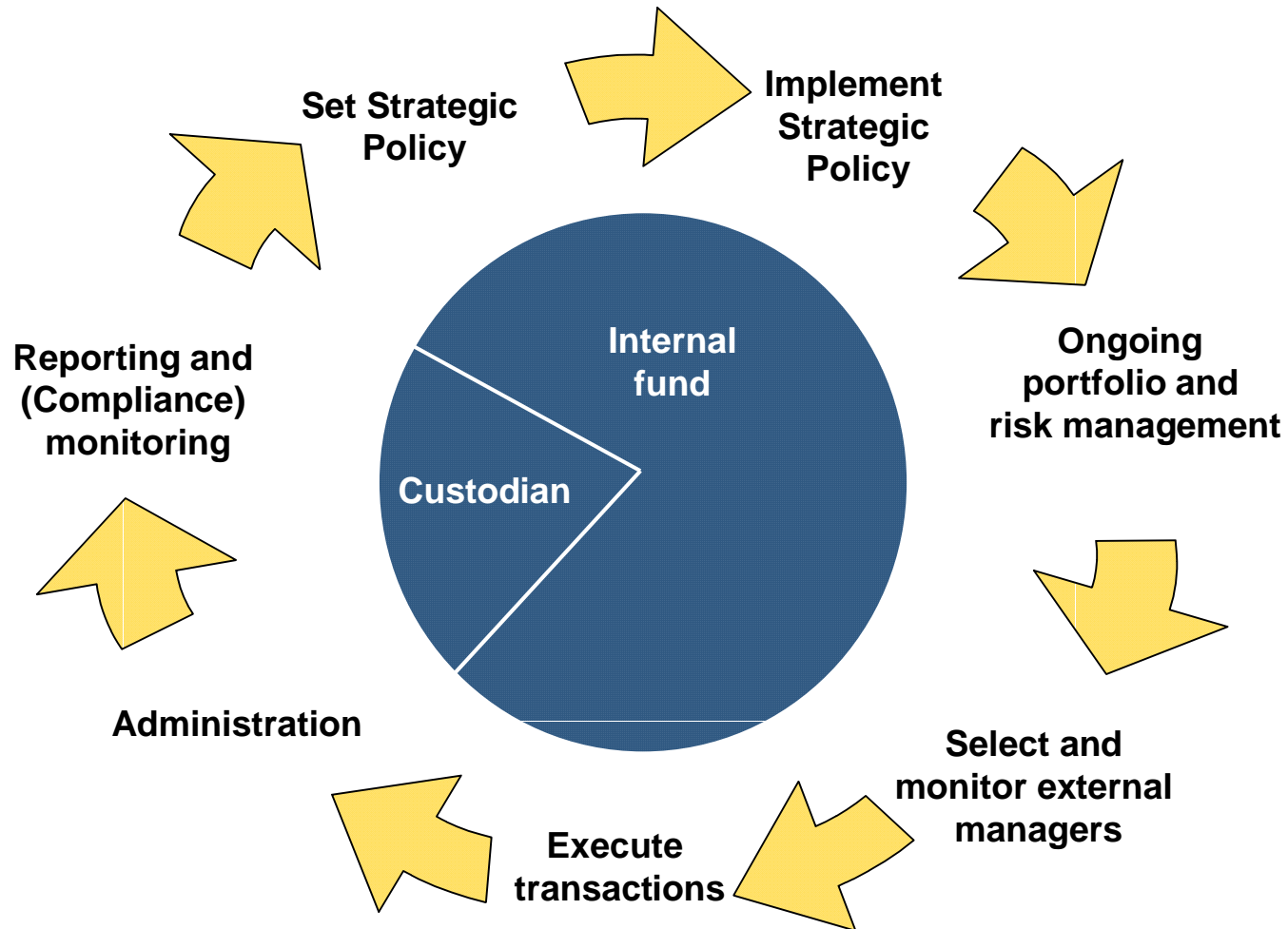
# Example of fiduciary model (1)

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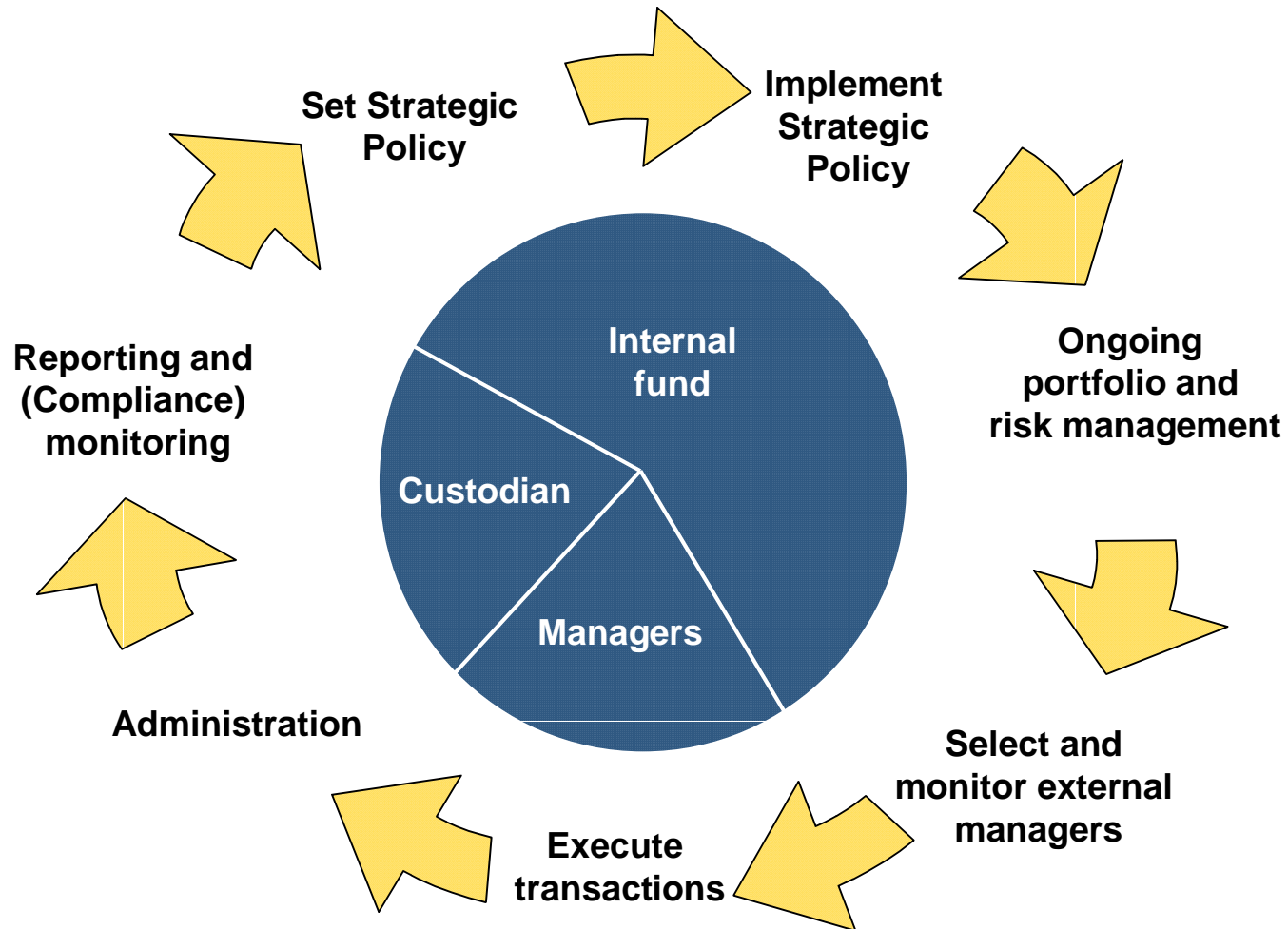
## Example of fiduciary model (2)

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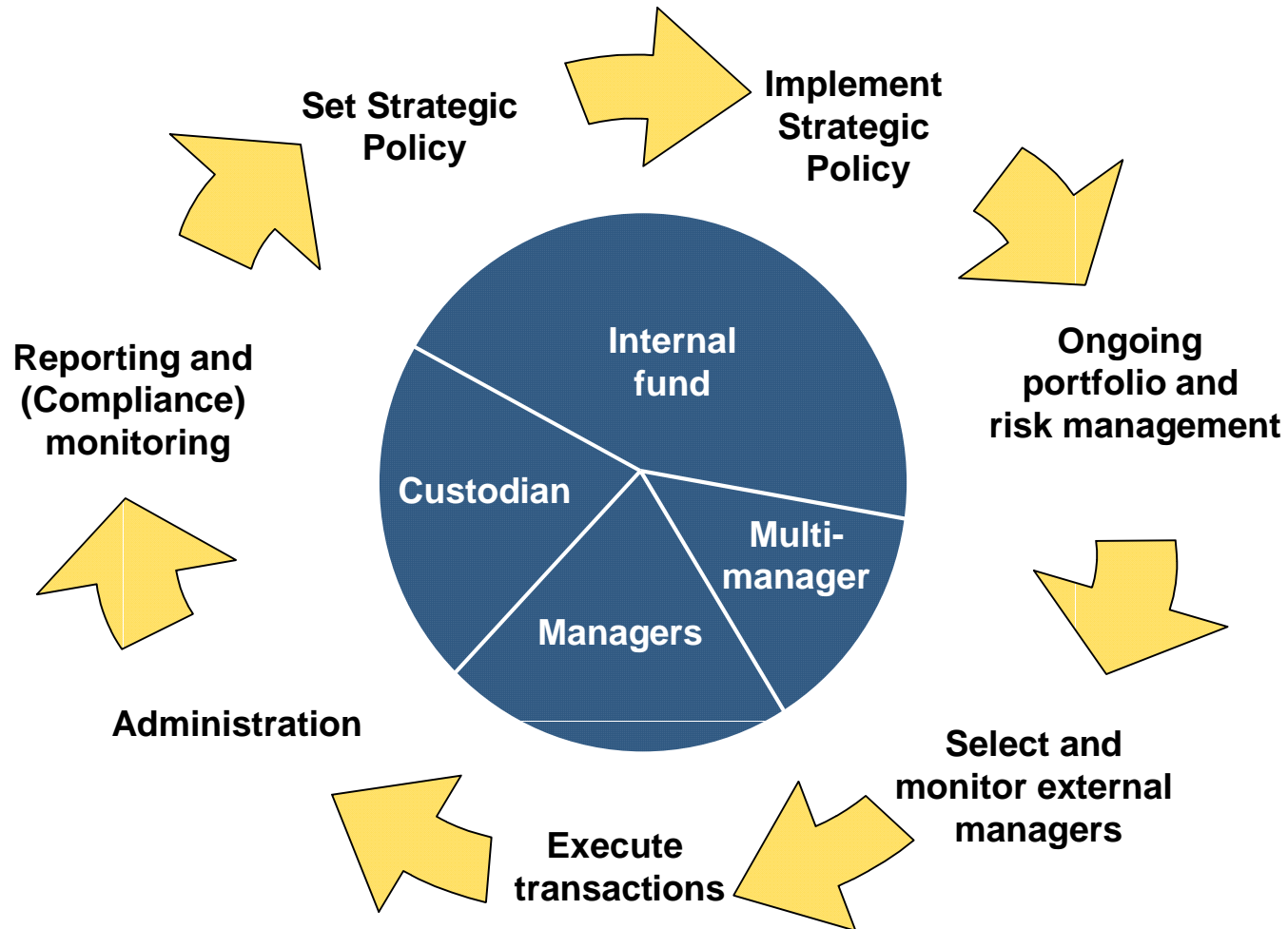
# Example of fiduciary model (3)

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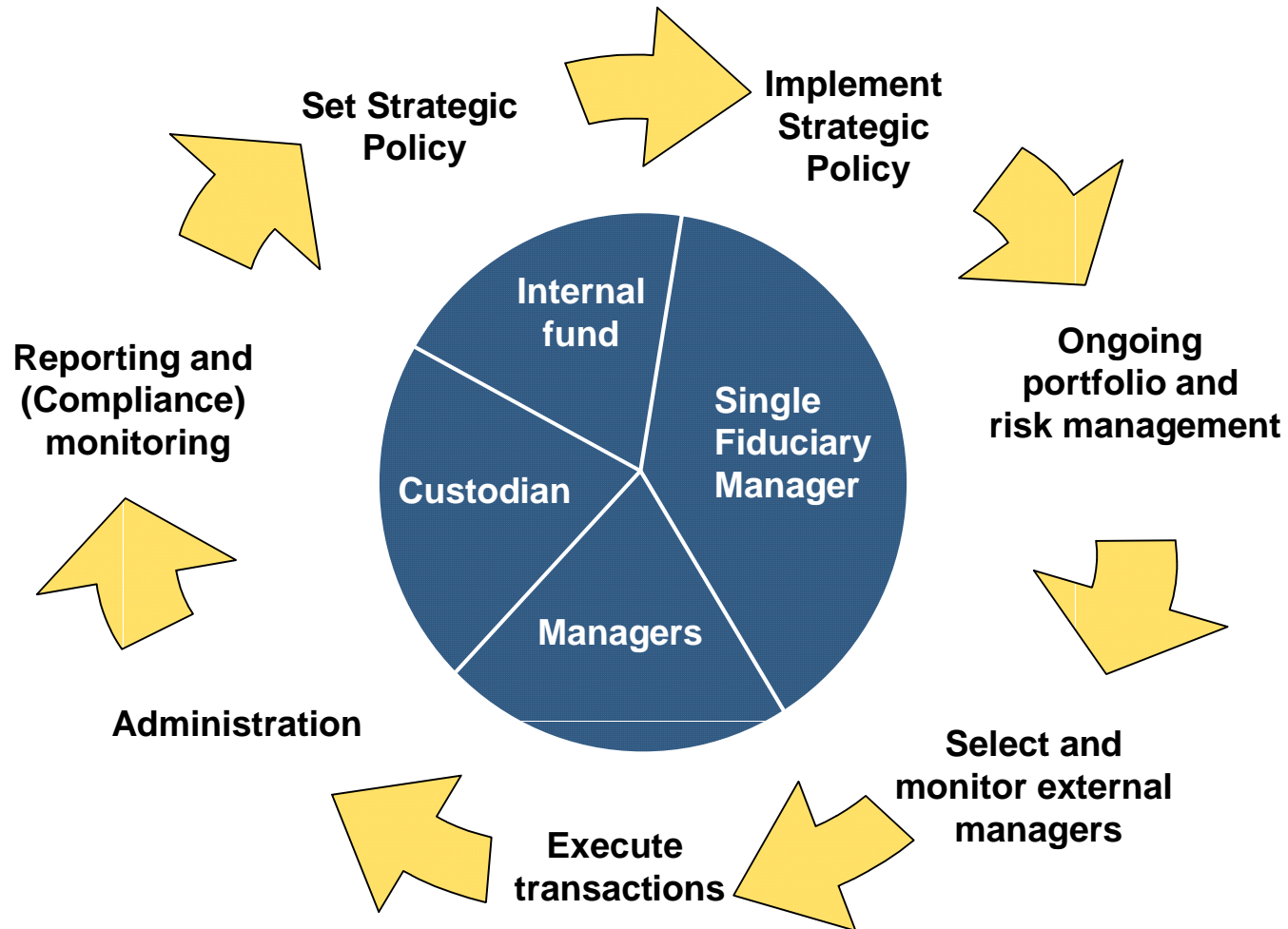
# Example of fiduciary model (4)

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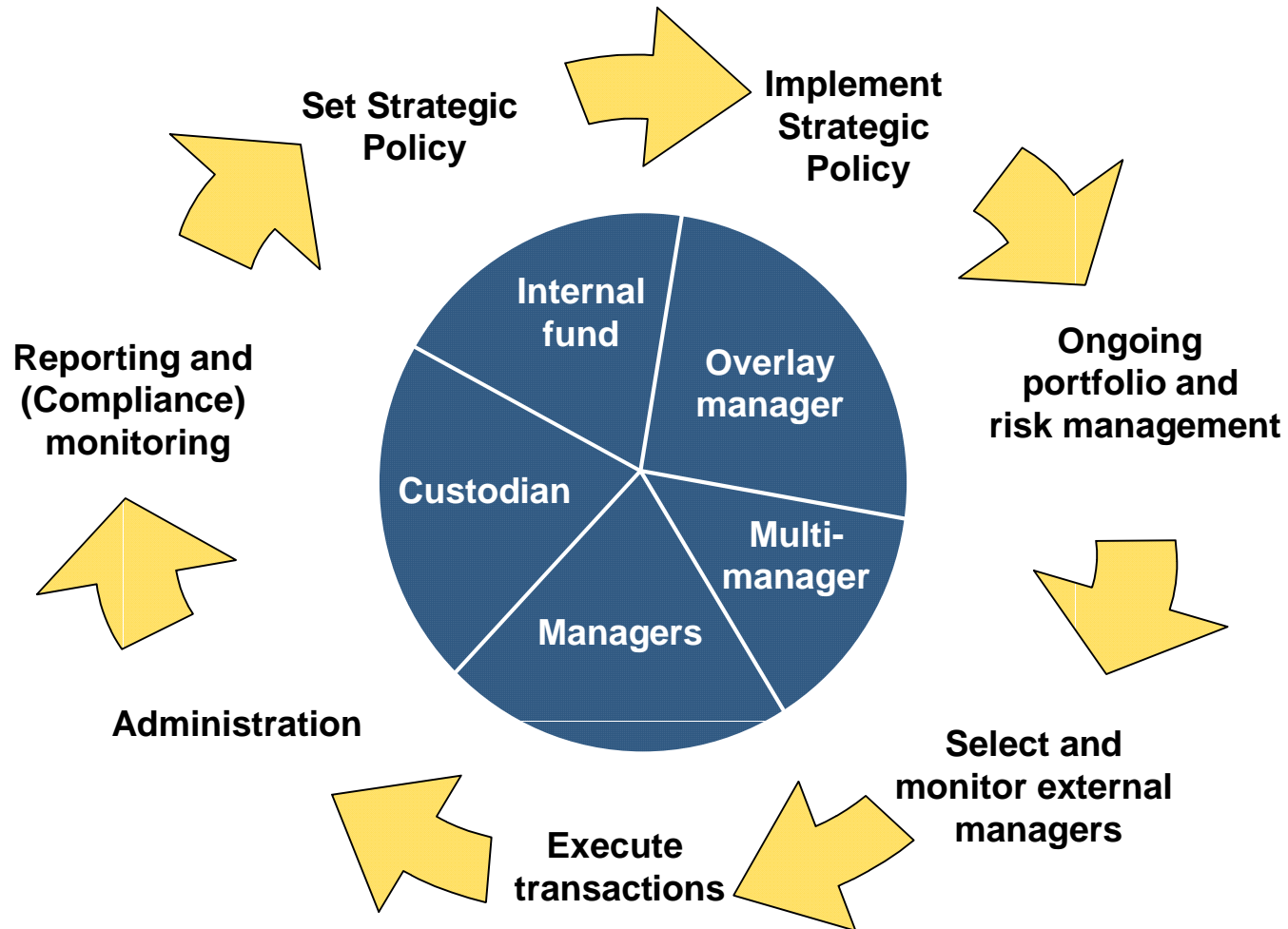
# Example of fiduciary model (5)

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# Example of fiduciary model (6)

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# A few practical cases from the Netherlands

Model	Fiduciary models	Examples
1-3	Internal investment organisation with custodian and (some) external managers	ABP, PGGM, Shell, MN Services
4	Manager selection via multi-manager(s)	Grafische, Volker Wessel
5	Strategic risk management, portfolio construction and manager selection via one fiduciary manager	VGZ, Océ, CZ
6	Strategic risk management and portfolio construction via overlay risk manager. Manager selection via multi-manager	SBZ, SP TNO

**All models are possible with a role for an investment consultant**

## Diverse universe of external fiduciary providers (top rankings are very much depending on criteria)

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Criterion	Client focus and communication	Strategic Advisory role (LDI, SAA etc.)	Integral Portfolio management and risk budgeting	Portfolio construction	Manager of Managers	Risk monitoring and reporting	Staff
%top ranked parties	25%	65%	15%	30%	25%	25%	25%

**Careful selection and use of optimal portfolio of skills ensuring that the overall fiduciary model works smoothly.**

# Main conclusions

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- Different fiduciary models can be considered.
- No-one is excellent at everything.
- A holistic approach is crucial.
- Selection and monitoring of external (fiduciary) parties can be dramatically improved.
- A specialised focused approach in selecting and managing the fiduciaries.
- A structured approach is crucial.
- Stakeholder support and involvement is vital.
- Management of the interface with external (fiduciary) parties is crucial.

# Contact details

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