



Investment committees—Making a difference

Perspectives on what it takes to succeed

Lessons learned from serving as a committee member

John J. Brennan

Over the course of my career, I've had the privilege of serving on and working with a variety of investment committees. Working with professionals from different backgrounds, all united in the support of a common mission.

Most were successful, others less so. What accounted for the difference? I believe it was the upfront work they did on framing the key issues. Things like measuring success, defining risk, and having realistic assumptions about returns. All of that is necessary before an effective investment strategy and implementation plan can be put in place. I've seen that if committees have the right foundation before moving forward, they can dramatically increase the chances of having productive discussions and making sound decisions.

In this video, we ask some of Vanguard's leaders to talk about their experiences serving on investment committees. Uniformly they said it was valuable, not only sharpening their skills, but also forging a strong connection with the organizations they serve.

Alba E. Martinez

Organizations depend on these committees a lot to make good decisions and to exercise good judgment.

Jeff Molitor

The committee has to really define what success is. And part of that is also kind of defining what the rules of the road are in terms of how they look at investing.

Lessons learned from serving as a committee member

William McNabb

So if it's an endowment and you're trying to grow the capital over, you know, some period of time, be really clear about what your specific objectives are. You know if it's a defined benefit plan, and you have an investment return hurdle that you're trying to meet, be really clear about that.

Joel Dickson

One of the big things that I've learned with respect to investment committees is, just like everything else in your life, there is always noise that comes in and sort of clouds everything that goes on at times.

Wendy Simenson

It's really important to focus on the big items—that the minutia can just take you off-track for hours at a time.

Kamila Williams

Serving on an investment committee, I learned to really value others' perspectives and the human aspect in making decisions, not looking always at the quantitative factors but the qualitative factors and making a good investment decision.

Lucy Momjian

In a board, many times there are different cultures and it's wonderful to bring together those different cultures—different perspectives—and harvest that for the benefit of the organization.

Jeff Molitor

The toughest lesson of being a committee member is realizing what you may not know: when you have a manager that's doing something and you realize that you made an assumption about them having risk controls and it turns out they didn't.

Wendy Simenson

Committees need to stay at a normalized size. The more people you get, the more you have a chance of disengaging during a meeting.

Lessons learned from serving as a committee member

Scott A. Conking

You definitely want attendance and naturally you have to have a quorum or many times you will waste everyone's time because you can't get done what you need to get done.

Patrick Burke

Staying connected from one committee to another is essential.

Alba E. Martinez

It's really important to keep an eye on costs and fees because obviously that's part of achieving the returns that the organization seeks. Also important to have an investment manager that the committee and the organization trust, that is transparent in sharing information, and is responsive to the organization's questions and concerns.

John J. Brennan

A fundamental premise, I believe, that every investment committee should have is it's all about candor. And candor, so that if we're performing less well than we should, we tell our constituents in what we're doing and remediate it. Candor about differences in point of view about where the portfolio is and is headed, and then candor from particularly new members. One of the great things about new members is they don't come with any of the historic baggage that goes with the portfolio or the way the committee is run. And so I'm thrilled when somebody asks me how could I have done that better, and I make a point when I'm the chairman to do the same thing.

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