Speakers: MJ Serene, Director, Institutional Investment Solutions, Russell Investments; Joanna Smigaj, Senior Client Investment Analyst, Russell Investments; and Bonnie Fought, Delegate, Section of Science & Technology Law and SOC Liaison to the Board of Governors Investment Subcommittee

SUMMARY OF SESSION

Russell Investments
MJ Serene discussed the Russell Investments handout, “Investing in Today’s Market Environment,” and presented an overview of what is going on in the market. She presented a snapshot of the market through August, with strong returns for U.S. equity and lower returns for fixed income and bonds, which are risk reducers. One of the biggest things Russell is talking to its clients about is moving more to non-U.S. equities.

MJ said that it is important to be a global equity investor. ABA Sections have a bias towards U.S. equities and have done very well because of this; however, it is time to start shifting to non-U.S. equities. For a long-term strategy, you want 50/50 and to be a diversified investor.

MJ continued by saying that a market correction would not surprise them, and it is a good time to be diversified. Sections do not have enough diversifiers and it’s time to lean into diversifiers.

It was noted that only 12 (38%) of Sections have chosen the Auto Rebalance feature for their investments. If you do not check “yes” to the auto rebalance feature, then you need to check in periodically to make sure within range.

MJ said that Sections should consider a multi-asset approach (see reasons on page 7 of presentation). There is a newer option offered called RIIFL Multi-Asset Core Plus Fund. This is a great option if you do not want to be in the business of choosing investments, and it gets you more exposure. It is very diversified and there are long-term strategy benefits of this. It costs more (63 basis points) in relation to current portfolio because most entities have passive management. This is more active.

Questions: A budget officer asked if there could be more than four set trade windows for Sections to adjust its investments. CFO Bill Phelan said that this would have to be approved by the ABA Executive Committee. Someone asked about Brexit. MJ said that U.K. is much more dependent on Europe and Europe is not as dependent. Russell Investments likes Europe. They do not know when global crisis will happen but it is a good time to look at diversifiers. Ask what you can do in anticipation of the next correction. Are you comfortable with 70/30 or 60/40? You do not want to pull out once the crisis has started.
ABA Investment Policy Statement
SOC liaison to the Board of Governors Investment Subcommittee Bonnie Fought presented the ABA’s draft Investment Policy statement. The policy explains that the BOG Finance Committee has established an Investment Subcommittee to oversee the investments, report results to the Finance Committee, and make recommendations to the Finance Committee to modify the investment policy, change the Investment Consultant, or any other matter the Subcommittee deems appropriate. The long-term asset allocation framework (section D) has changed, and there are now only three asset classes. If entities stay within the ranges outlined in Section D, they are fine. If ABA Sections choose to deviate from the Target and Range set forth in the Asset Allocation Guidelines and Re-balancing Procedures, a written policy documenting the investment goals must be established by the entity and submitted to the Investment Subcommittee. Entities are also required to review their investments annually with Russell Investments, if they decide to pursue their own strategy.

The draft Investment Policy will be discussed on an upcoming Budget Officers’ call and Bonnie will take any feedback to the Subcommittee. They are targeting the February Board of Governors Meeting for approval of the new investment policy.

Attachments (2): Investing in Today’s Market Environment
Draft: ABA Investment Policy Statement