OfficeBlocks

Top Tips for Investment Committee Success

Investment committees face complex challenges every day to oversee investment funds and meet tough return goals. From governance and oversight to a fast-changing landscape, investment committees need to stay on top of a myriad of complexities, including market and rent performances, economic trends, and human error to name a few. We believe that AI-powered data and analytics will be a game-changer when it comes to making the right investment decisions.

Here are a few **Do's and Don'ts** to guide the way.

Do's

Obtain reliable baseline information

This allows you to make consistent decisions from one deal to the next, across markets, teams, and geographies. It also helps you spot poor deals that might be camouflaged by tailored analysis or florid text.

Target your specific objectives

Each organization has a different objective for its portfolio. Banks typically want to maximize return with minimal risk and correlation to the rest of the bank's operations. Dedicated real estate funds want broad exposure to several markets but judge their performance relative to the overall real estate markets. Specialist funds provide exposure to specific sectors and geographies. The Portfolio Intelligence Platform benchmarks you against your target.

Screen for problematic deals early

Aim to catch problematic deals before it goes too far down the approval process and becomes difficult to challenge. Once a deal has been negotiated, approvals can become a rubber-stamping process to approve deals based on the information given by the deal team. Use the Portfolio Intelligence Platform as part of a daily workflow to quickly check each opportunity against the portfolio strategy.

Access independent local insights

Supporting information that is submitted for deal approvals are usually prepared by the same individuals who are vested in getting the deal approved. Using the Market Intelligence Platform, your investment committee can be empowered with independent information, including information on the neighbourhood, property specifics and comparables, to validate only the best deals.

Take a bird's-eye view over investment portfolios

Portfolios that concentrate on a small set of customers, sectors or geographies can become highly risky. Detect these vulnerable portfolios using high-level correlation analysis to uncover any aggregated effects of individual good decisions. You will also be able to pinpoint risks that may be less obvious, say assets across geographies that are highly correlated, a concentration of lease expirations in the same month, or economic disruptions in markets.

Don'ts

Buy into unrealistic narratives

Too often, investment officers are compensated simply on the number of deals they get through the credit committee. This incentivises them to focus on the deal's strengths and marginalize weaknesses. When risk analysis is standardised, however, investment committees have better visibility into deals that ought to be rejected.

Measure success as quantity over quality

If investment officers are compensated simply according to the volume of deals generated, it is tempting for them to focus on the markets, sectors, and clients that they know well. This creates a portfolio that seems to be the sum of good deals but is highly concentrated. Use the Portfolio Intelligence Platform to check the degree of concentration.

Underestimate worst-case scenario planning

It is tempting to analyse worst-case scenarios but then dismisses the results because 'it would never happen'. Balance conservatism, risk, and reward by knowing the probability of the worst likely case.

Rely solely on personal relationships

Some deals are struck based on personal relationships or the perceived trustworthiness of a customer rather than on deal fundamentals. Have standard financial modelling and easily available independent information sources as the basis for discussion for every new approval.

Ignore models that seem too risky

When risk models indicate that risk is higher than expected, it may not be that the model is wrong. It could be capturing some complication or correlation within the deal that is not immediately obvious in normal financial analysis, or it could be taking into account the form of past crises that happened before the professional memory of the deal team.