

Talking Transitions *with Penserra*

SERIES 1 | ARTICLE VIII

Transition Management comes in All Sizes

Today, a number of plan sponsors regard transition management as an integral part of their investment process.

The ability to partner with a fiduciary, who can assess and manage risks, lower transaction costs, oversee the execution and report on performance over the transition horizon, can be appealing to a plan's overall cost-saving initiatives.

While transition management may be perceived as a service solely used by the larger-sized plans (i.e., those with assets valued greater than \$5 billion), in reality, any size plan seeking to make changes to their asset allocation or investment manager rosters can benefit from it. From customized trade solutions and strict risk management oversight to comprehensive project management and high-touch customer service, these value propositions are typically offered by transition providers regardless of a plan's size or, for that matter, types of assets being transitioned. This includes the already added benefits of acting as a fiduciary, minimizing costs and providing full transparency from start to end.

► Less Drain on Staff Resources

There is often a belief among the smaller-sized plans that “if we outsource a transition event, we aren’t doing our jobs”. This could not be further from the truth.

In fact, outsourcing a niche function like transition management can help a plan (managed by only a few investment professionals) efficiently ‘fill in the gap’ and remove any undue risk on the plan. By having the many required moving parts in a transition handled by a specialist, who has the core competencies in portfolio management, trading, investment operations and project/risk management, it can relieve an investment staff from the time-consuming efforts to:

- Map and execute the investment changes (including funding, divestment and trading timeline)
- Coordinate and follow-up on the administrative/operational deliverables with stakeholders
- Perform the proper post transition analysis (to inevitably answer questions like “what did it cost?” and “how did it all go?” for their investment committee)

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► Defined Role Delegation

As listed below, there can be more than enough going on in a single event. Relying on an experienced transition manager can help centralize the responsibilities and manage the process -identifying, coordinating and ensuring the execution of all required key steps -in a structured and timely manner. Even more attractive is the fact it can reduce the heavy burden carried by a plan’s staff.

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| <ul style="list-style-type: none"> ▪ Pre-transition cost analysis ▪ Identifying exposure mismatches / cash drag ▪ Understanding and establishing a detailed timeline ▪ Addressing all required paperwork ▪ Trade execution ▪ Handling corporate actions and proxy voting ▪ Reconciliation / settlements monitoring | <ul style="list-style-type: none"> ▪ Asset / cash movements between accounts / custodians ▪ Performance accountability ▪ Post-transition analysis ▪ Project management oversight from start to end ▪ Addressing any residual matters |
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As with all transitions, a well thought out strategy with experience in managing the various elements can be critical to the overall transition success. The appointment of a transition manager to address these challenges (faced by even the simplest of transition events) allows a plan, with minimal staffing levels, to continue focusing on their day to day operations while leaving the complexities to the experts.

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