



## PRESS RELEASE

### MARATHON CLUB PRESENTS LESSONS FROM THE CREDIT CRUNCH

**London, 2 December, 2008** - The Marathon Club (“the Club”), a collaboration of investment organisations, representing combined fund assets in excess of £170bn, has today updated its practical guidance for trustees with a paper entitled: *Behavioural Aspects Of Investment Management: Lessons From The Credit Crunch*.

The paper seeks to offer trustees help in aspects of investment management, which should be revisited, in light of recent events, when reviewing the performance of investment managers and advisers.

Yusuf Samad, Secretary to The Marathon Club, commented:

“Long-term investors need to look to their investment managers to protect them from loss of capital arising from incomplete analysis, misaligned incentives and distortions in corporate reporting. The recent dramatic failures of financial institutions and the stress suffered by some of the icons of the corporate world have shown that an investor’s investment considerations need to be broader and more inclusive in their scope. Investors are duty-bound to seek out ‘submerged information’, not simply to be spoon-fed by companies.

“While long term in their nature, trustees must have sufficient confidence in established investment beliefs to be able to withstand short-term market movements. Trustees may wish to consider how they best test to what extent their investment managers are sufficiently seeking out such information; considering the appropriateness of a portfolio company’s structure in a recessionary context; and looking critically at how a company is setting incentives for company executives and monitoring the accountability of non-executive directors.”

The paper raises key considerations for trustees in respect of issues for long-term investors highlighted by the credit crunch:

- **Investment professionals may not be capturing enough of the available information.** Investment managers may be too reliant on normal channels of information, e.g. company reporting, EPS, preliminary result announcements, etc. and fail to capture relevant information that may be outside normal channels- “submerged information”. The Marathon Club defines long-term investment as a fundamental, research-oriented approach that assesses all risks to the business.
- **Misaligned incentives are widespread throughout the economy and stock-markets.** It may be possible in such cases to create shareholder value through divestiture or restructuring.
- **Company reporting may have distortions due to framing.** A consistent interpretation of this data that is assumed to underlie market efficiency.
- **Quantitative and passive approaches would have little protection if securities are mispriced.** Given that securities could be mispriced due to the misaligned incentives, lack of thorough research and distortions in company reporting, passive investors have little protection from loss of capital.

The Marathon Club would welcome feedback on the issues highlighted by this paper which can be found at [www.marathonclub.co.uk](http://www.marathonclub.co.uk).

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**Notes to editors:**

**About the Marathon Club**

The Marathon Club is comprised of institutional fund trustees, senior executives or senior specialists who have a proven track-record in playing a relevant leadership role in public and private institutional funds and endowments. The members' represent schemes combined assets exceed £170 billion. Yusuf Samad CFA, FSIP is currently Secretary to the Club.

The overall goal of the Club is to stimulate pension funds, endowments and other institutional investors ("Institutional Funds") and their agents to be more long-term in their thinking and actions, and place more emphasis on being responsible and active owners with a view to increasing knowledge about how their investment strategy and process can improve the long term financial and qualitative buying power of fund beneficiaries.

The Club has four core objectives:

1. Publish and disseminate a series of practical "how to" (and "why to") briefings which explain how trustees and consultants can foster a more long term and responsible approach.
2. Develop and promote templates or blueprints for mandates that encourage long-term, responsible and active investment approaches.
3. Encourage Institutional Funds to award new mandates or adapt existing mandates and reporting processes accordingly.
4. Supplement other approaches to continuous professional development of trustees, investment consultants and critical other players so they are better able to contribute to the goal.