NOTTINGHAM ADVISORS
ASSET MANAGEMENT

A Monthly Newsletter from Nottingham Advisors

The Focused Fiduciary

Welcome to the first edition of the Nottingham Focused Fiduciary, a publication aimed at delivering a succinct and valuable message to fiduciaries. At Nottingham Advisors, we understand that monitoring investments can be challenging, so we've intended to create a thoughtful newsletter on a reoccurring basis. This publication will highlight topics relevant & essential in your role as a fiduciary. Topics will include Investment Policies, Fund Objectives, Board Governance and Corporate Ethics. Our goal is to increase awareness and educate our audience of individuals that hold this responsibility within their respective organization.

To begin our series, let's start with an unassuming question: **What is a Fiduciary Duty?**

Being the strictest duty of care recognized by the U.S. legal system, a fiduciary duty is a responsibility in which one party is legally appointed to manage the assets or interests of another. However, we'd like to examine the role of the fiduciary from a general perspective and from that of an investment trustee.

Under Delaware Corporate Law there are three primary components to fiduciary duty; (1) the Duty of Care, (2) Loyalty and (3) Good Faith.

1. ***Duty of Care*** requires that actions are taken on an informed basis with reasonable consideration of alternatives.
2. ***Duty of Loyalty*** requires the fiduciary to act in the best interests of one's clients.
3. ***Duty of Good Faith*** requires the fiduciary to act with complete independence in efforts to avoid conflicts of interest.

Some of the most common examples of fiduciary relationships are between a lawyer and client, and for our purposes, a ***Trustee/Director and Beneficiaries.***

For the Trustee/Beneficiary relationship, the *Uniform Prudent Investor Act (UPIA)* was adopted in 1992 by the American Law Institute, a body aimed at clarifying and restating American common law. As of May 2015, 44 states and the District of Columbia have adopted parts of the Act. The most commonly excluded portion of the Act is the allowance of hiring third parties for investment management.

In general, the UPIA has set some basic standards for this Trustee/Beneficiary relationship involving (1) Investment Loss, (2) Diversification and (3) Suitability:

1. Fiduciaries are not held liable for ***Investment Loss*** as long as the investments, at the time of implementation were consistent with the overall objectives of the portfolio.
2. The UPIA states that ***Diversification*** is a requirement when exercising prudence for a principal's portfolio, no investment type is forbidden when selecting the appropriate investment.
3. ***Suitability*** is one of the most important objectives to consider when constructing an optimal portfolio for your principal. (*We will discuss suitability in further detail in another article)

Now that we've examined the role of the Fiduciary in both the general sense, and from an investment capacity, the groundwork has been set for further discussion into the duties and obligations of today's Investment Trustee. In the next release we will discuss the steps Investment Trustees can take to help manage the balance between investment returns and the accompanying risks.

These publications can be found on our blog at www.nottinghamadvisors.com/blog. They will also be distributed periodically by e-mail. If you would like a specific topic explored, feel free to contact me at brock.wilkinson@nottinghamadvisors.com or 716-633-3800.