

Key Investment Activities

Investors put their systems and systems-related strategies into effect through a variety of key investment activities—in particular, through use of investment beliefs statements, security selection and portfolio construction, corporate engagement, targeted investment programs and manager selection.

These activities are not new to investment. Most are already well-established as part of mainstream portfolio management. Many organizations, for example:

	<p>Have formal investment beliefs statements addressing issues such as the efficiency of the market, the relationship between risk and reward, and the value of diversification. These investment beliefs statements are sometimes stand-alone documents and are sometimes included in an investment policy statement.</p>
	<p>Employ security selection and portfolio construction techniques that involve disciplines such as investment approach (e.g. value or growth), themes (e.g. trends in technology or consumer taste), or regional focus (e.g. emerging markets).</p>
	<p>Engage with portfolio companies on their business strategies and models.</p>
	<p>Create funds or targeted investment programs for particular sectors (e.g. health care, energy).</p>
	<p>Set guidelines for their manager selection and monitoring processes (e.g. buy/sell discipline, style drift).</p>

The difference between the conventional implementation of these activities and their use in systems-level investing is that, with the latter, investors incorporate these activities into the management of risks and rewards at the portfolio level and, in addition, seek to positively impact—or avoid harming—the environmental, societal, and financial systems upon which all portfolios are dependent.