Responsibilities of Investment Managers

Name of Student

Name of institution

Investment managers have to look after the investments of their clients to make sure that their return is maximized. These managers may work individually or in the form of a firm. There are incidences where law enforcing agencies charge these individuals or firms because they are not able to perform their duties properly. On August 27, 2019, the US Securities and Exchange Commission took action against some of these businesses because they used some sub-standard methods to measure or calculate value of investments. The models did not work as intended according to the SEC.

There was evidence received by the SEC that all of these companies did not check their models to be working as intended before offering them to their customers. These deals were also publicized without showing any risks associated with them. The investment manager has to show the risks associated with any investment opportunities. In this case, the major issue with these options was that the models applied by investment agents had some flaws which were not initially disclosed by firms. The firms also failed to show the role of research analyst in developing these models. The investors thought that a person in the capacity of investment manager managed their funds which were managed by the model in reality. The volatility overlays were also wrongly explained by the firms which meant that they will choose different assets in different parts of the world. The payments o dividends from some of these funds included some expected return on investment. The discussion has shown that investment managers have to give all the information to their clients so that no single aspect is hidden from them. This is especially true about the amount of income and methods of investment undertaken by these managers. Any loss to the clients due to lack of knowledge will lead to legal action (Cohen, Marshall, C. Yacker, & A. Zinman, 2019).

A special and important form of investment is the funded pension where retirement income is generated with the help of accumulated financial assets. The investment managers have manifold responsibilities when they are handling the pension funds because future retirees and some long-term economic benefits are at stake. There is a considerable difference among the investors in different countries regarding their stance towards investments. In many countries, the investment managers have to follow the guidelines provided by the employers because they are the ones who invest this money. The investment in pension funds is affected by the behavior of agents. The investments in pension funds are long- term when repayment is considered. Some researchers expected that pension fund investments will be made in risky equity funds. The major role of an investment manager will be to minimize the risks associated with these investment. The second major responsibility of an investment manager will be to let the investors know every aspect very clearly. The difference in pension fund investment has been shown recently by different researches. The investment managers have to inform their clients about the nature of markets and what particular funds will be used to invest their money. The investment managers will have double responsibility in this regard because any mistake will not only affect the employers but the employees as well who will be in huge numbers. Thus, the second major responsibility of investment managers is to allow their clients to know about the formation of their portfolios so that they can have a very clear idea about the expected returns. This is more appropriate in case of pension funds because additional people are affected by bad decisions taken by investment managers (Gelepethis, 2019).

The last responsibility of investment managers is to make sure that interests of all stakeholders have been saved by them. This means that the investment managers should not be allowed to provide high returns to their clients at the expense of some other stakeholders. In this regard, these managers have to measure the environmental and social performance of any firm in which they intend to invest. This will mean that some of the stakeholders will force these actions to be taken. Some of these actions may help the companies to minimize some risks associated with these investments. The investors should force the companies to invest more and more in these activities so that all stakeholders can benefit. These institutional investors can be a big driving force in forcing the firms to invest more in these activities. In today’s world, it is very much possible that clients of investment companies or an investment manager asks for investment in such companies which try and protect all stakeholders. There is a significant and meaningful relationship between the firm activities in environmental and social aspects and institutional investment in these companies. The investors who only needed a higher financial return, will not force companies to perform better in terms of environmental and social aspects. Sometimes there are investors who belong to other countries and they force local companies to invest more in activities which will benefit all the stakeholders. The institutional investors who have invested in the US are pushing these companies to improve themselves regarding the corporate social responsibilities (Dyck, V.Lins, Roth, & Wagner, 2018). Thus, the last responsibility of the investment manager will be to consider all the stakeholders while making an investment decision. This will benefit the investment manager in long run because his reputation will be that he considers all aspects while suggesting an investment opportunity to the client.

# **References**

Cohen, W. E., Marshall, R. D., C. Yacker, A., & A. Zinman, L. (2019). SEC sues asset managers for using untested, error-filled quantitative investment models. *Journal of Investment Compliance*, 44-46.

Dyck, A., V.Lins, K., Roth, L., & Wagner, H. F. (2018). Do institutional investors drive corporate social responsibility? International evidence . *Journal of Financial Economics*.

Gelepethis, M. (2019). Re-assessing the role of financial professionals in pension fund investment strategies. *Journal of European Public Policy*, 1-20.