

## Assignment II:

Using the hypothetical client profile, develop a comprehensive **Investment Policy Statement (IPS)**. Your IPS should include all standard components: client objectives, constraints, return and risk profile, asset allocation guidelines, and any unique considerations. Assume you are a portfolio manager preparing to onboard this client.

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## Investment Policy Statement (IPS) Assignment – How you will be graded

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### Additional Information on grading

1. Allow flexibility in assumptions, but deduct if assumptions are unrealistic or unsupported.
2. Reward effort in linking return/risk with asset allocation.
3. Encourage diversity in proposed portfolios (some may emphasize SACCOs, others equities or unit trusts).

Section	What to Look For	Marks
1. Client Objectives	Clear articulation of return objectives (e.g., education fund, retirement, business start-up). Shows awareness of competing priorities (short-term vs long-term goals).	10
2. Risk Tolerance and Capacity	Assessment based on age, income, family size, debt levels, and goals. Differentiates between ability and willingness to take risk.	15
3. Time Horizon	Identification of short-term (education), medium-term (business), and long-term (retirement) timeframes. Reasonable classification.	10
4. Liquidity Needs	Identifies cash flow needs (monthly expenses, emergency reserves, children's tuition). Considers available liquid assets.	10
5. Legal & Regulatory Considerations	Notes any relevant tax issues (e.g., capital gains), SACCO rules, or government bonds' tax benefits. Also notes the	5

	lack of major legal constraints if applicable.	
6. Constraints and Special Considerations	Identifies constraints such as debt obligations, dependents, ethical preferences (if assumed), or inflation protection.	10
7. Asset Allocation Strategy	Proposes reasonable allocation (e.g., % in equities, bonds, real estate, SACCOS). Justified based on objectives and risk profile.	20
8. Monitoring & Review Process	Explains how portfolio will be reviewed (e.g., annually, semi-annually), what metrics will be tracked (return vs target, risk level), and when to rebalance.	10
9. Presentation & Structure	Clarity, logical flow, headings, grammar, formatting. Professional tone suitable for a client document.	10
Total		100

Due Date: Sunday Sept 14 at 5.00pm submitted via MUBSEP