

IDC Task Force Report Examines Board Oversight of Subadvisers

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Washington, DC, January 28, 2010 - Mutual funds are increasing their use of subadvisers as funds seek to expand portfolio offerings for shareholders and enhance existing investment expertise, finds a new task force study from the Independent Directors Council (IDC).

The report, [Board Oversight of Subadvisers](#), highlights the trends in the use of subadvisers over the past decade and offers practical guidance for fund boards overseeing subadvisers. It is the product of an IDC task force of independent directors, in-house fund lawyers, compliance personnel, and other experts with a wide range of experience in working with subadvisers.

“Because there is no one-size-fits-all approach to board oversight of subadvisers, our task force report is designed to provide directors with a resource that explores potential oversight issues and considerations specific to subadvised funds,” said Amy Lancellotta, Managing Director of IDC.

While boards have essentially the same oversight responsibilities under the Investment Company Act of 1940 for subadvisers as for principal advisers, board oversight practices in connection with a subadviser may be quite different than with the principal adviser. The role subadvisers have in the overall business model of the fund complex can vary widely, as does the extent of delegation of the principal adviser’s obligations to a subadviser. The report offers guidance to directors on these oversight practices, starting from when a new subadviser is retained, through board consideration of the subadvisory agreement, and ongoing board oversight of the subadviser.

The report also discusses industry trends in the use of subadvisers. As of April 2009, nearly 40 percent of mutual funds use at least one subadviser to manage at least a portion of the fund's portfolio, compared to 25 percent 10 years ago. Subadvising also has become increasingly common with respect to proprietary variable insurance trusts: in fact, almost half of the nearly 2,000 mutual funds underlying variable insurance products have at least one subadviser.

"As an independent director, I am confident the guidance contained in this report will assist directors in considering subadvisory issues pertinent to the funds they oversee," said Paul Freeman, chair of the task force and independent director of DWS Funds.

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