

Appendix 2:

# Mission-Related Investing Financial Consultant Request for Proposal

[Candidate Firm Address]

Dear \_\_\_\_\_:

The ABC Foundation seeks to hire a financial consultant to manage its financial assets according to mission-related investing (“MRI”) principles. [Insert Organization Description with charitable mission, governance structure, etc.]

## Financial Resources and Assets to Be Managed

[Insert]

## Financial Advisor Scope of Work

The Financial Consultant is requested to provide the following professional investment services and guidance:

### 1. *Develop Investment Policy Statement:*

- Work with the ABC board of directors to establish an Investment Policy Statement reflecting its risk tolerance, time horizon, financial return objectives as well as the goal of applying MRI principles to the portfolio.

### 2. *Initial Asset Allocation and Advisory:*

- Develop initial asset allocations across an appropriate range of domestic and international asset classes, including but not limited to equity, fixed income, cash, and alternative assets.
- Present appropriate, cost-effective account management options (e.g. separately managed accounts, no-load funds, exchange-traded funds, active and passive management.)
- Identify, screen, and recommend appropriate investment managers/vehicles for each asset class and account management option.
- Identify, report, and apply positive and negative MRI screens to investments in appropriate asset classes according to our investment policies.
- Advise us on community investing opportunities such as certificates of deposit with community development financial institutions, community development venture capital funds, microfinance funds, etc.
- Advise and assist us in participating in shareholder advocacy and engagement through stockholder resolutions and other vehicles and organizations.
- Develop appropriate risk management strategies.

### 3. *Ongoing Monitoring and Reporting:*

- Recommend strategic and tactical changes in asset allocation as appropriate, with face-to-face reviews no less than annually.
- Assess investment performance and submit monthly/quarterly/annual reports to ABC in agreed-upon, easily accessible formats; be available to consult with staff.
- Recommend, evaluate, and, if necessary, replace third party investment managers.
- Review and recommend changes to the Investment Policy Statement as appropriate in light of external changes in the

overall market or changes in the investment and mission goals of ABC.

### **The Financial Consultant Selection Process**

The selection process will be conducted in three further stages. The ABC Foundation has circulated this Request for Proposal (“RFP”) to Y candidate firms. The purpose of this RFP is to help ABC to gain an understanding of the potential financial consultant’s capabilities in investment strategy and client service, as well as basic information on the firm’s size and structure. Initial RFP responses will be used to compare firms and as resource material for detailed discussions with at least two candidates. Finalists will meet with the ABC Investment Advisory Committee.

If your firm wishes to be considered as a candidate to undertake the Scope of Work outlined in the previous section, please respond to the attached questionnaire. We request that you please answer the questions with detailed information and descriptions rather than “boilerplate” responses. Descriptions of your firm’s background, staff, assets under management, and products should include only those capabilities and resources which are relevant to our portfolio and would be readily available to us. This consideration is particularly applicable to candidates from smaller investment units working within large institutions.

We ask you to send either one electronic copy of your proposal or eight hard copies to ABC at the address below for receipt no later than Month/Day/Year.

We greatly appreciate your interest in working with us and look forward to reviewing your proposal. Should you have specific questions about the RFP, please contact [XXX.]

Sincerely yours,

XXXX

## **Financial Consultant Request for Proposal Questionnaire**

### **Organizational Information**

1. Firm Name, Main Address, Other Office Locations;
2. Direct Contact Name of Engagement Leader with Title, Address, Phone and Email; and
3. Direct Contact Name for this RFP with Title, Address, Phone and Email.

### **Organizational Background**

1. When was your firm established? Describe the ownership structure of your firm. Identify affiliated or subsidiary organizations.
2. Clearly identify which office, branch, or subsidiary group within your parent organization would be the primary and lead interface with ABC.
3. How long has your firm provided services such as those described in the Scope of Work?
4. Please attach your firm’s financial statement and describe its financial strength.
5. Within the past three years, have there been significant developments in your organization such as a change in ownership, personnel reorganization, or new business ventures? If so, please describe. Do you expect any changes over the next five years?
6. Over the past three years, has your organization or any officer or principal been involved in any litigation or other legal proceedings relating to your investment activities? If so, provide a brief explanation and indicate the current status.
7. Where are regulatory reports, e.g. SEC, about your organization available for our review?

## **Professional Staff**

1. Provide an organizational chart identifying the key professionals in your organization and identify those who would be working on this engagement. How are client relationships managed and how are specific professionals matched with particular clients?
2. Describe the experience and backgrounds of the key investment professionals who would be working on this engagement. Please provide the individual's or individuals' professional biography, including the length of each individual's tenure in the investment industry and with your firm. If applicable, describe the division of the firm for which these engagement leader(s) work.
3. What is the number and size of other clients that the above-listed personnel serve and in what capacity do they serve them? What is the largest number of clients that any of these individuals or teams serve?
4. Indicate any turnover of professional staff over the past three years. What kind of personnel continuity can we expect? If turnover occurs, what processes are in place to maintain relationship and service continuity?

## **Assets and Accounts Under Management**

1. Provide your firm's total assets under management and number of accounts by asset class for the last three years.
2. Provide your firm's total assets under account and number of accounts for the last three years in the following categories: MRI, Community Investing, and Shareholder Advocacy. Please describe how your firm determines and validates its execution of each of the above three categories.
3. What is the size of your largest account in each of these categories?

## **Investment Strategy and Services**

1. What is your experience and approach in developing Investment Policy Statements for nonprofits with an organizational structure such as ours and consisting of community-based board members? What is your experience monitoring such policies?
2. Describe your firm's overall investment philosophy as well as your specific approach to MRI, Community Investing, and Shareholder Advocacy.
3. Does your firm use positive and negative screens or other approaches to MRI? With which asset classes have you used MRI? What are the appropriate benchmarks for these strategies?
4. Describe your firm's investment decision-making process including sell decisions.
5. Describe the structure and organization of your firm's research capability and how it is incorporated into the process. Also describe the integration of any third party research services. How many buy-side research analysts are devoted exclusively to investment management research at your firm?

## **Investment Performance**

1. Please provide your firm's five-year performance data versus the appropriate benchmarks for the asset classes which you expect to use in this portfolio.
2. Please provide three client references. Include client name, address, and name and telephone number of contact person, portfolio size, and length of time managing the account. Please be advised that ABC plans to interview these references.

## Trading Capabilities

1. Describe your securities trading capabilities and how they would relate to this portfolio.
2. Describe the systems and procedures used to settle, monitor trades, and reconcile accounts with custodians.
3. Describe how your firm minimizes trading costs.
4. Describe your capabilities to structure and execute hedging strategies for concentrated stock positions.

## Reporting

1. Please provide sample reports which your firm proposes to use concerning:
  - Investment Policy Statements;
  - Asset Allocation;
  - Performance and Evaluation of investment managers;
  - Investment Returns reporting formats, e.g. net of fees, etc; and
  - Quantitative assessments of portfolio specific investment risks.
2. Describe the asset allocation and performance measurement software your firm utilizes, and specify if it is proprietary or obtained from an outside vendor.
3. Describe the quantitative and qualitative methods your firm employs to evaluate third-party investment managers.
4. Describe any proprietary or third party databases which your firm uses for screening.
5. Describe the format and means through which reports are provided, e.g. on-line, customized letters, statements, printed bulletins, meetings.
6. Describe your client servicing standards and turn-around times.

## Standards of Conduct and Fees

ABC wants to provide the only compensation that the firm and any third-party investment managers receive related to the Scope of Work.

1. What are your firm's conflicts of interest, or apparent conflicts of interest, with respect to providing the above-described services to us? How are each of these conflicts disclosed to us and then mitigated?
2. Will the firm accept compensation from any source other than us as a result of providing services to us? If so, describe.
3. Will third-party money managers accept compensation from any other source other than us as a result of providing services to us? If so, describe. If not, how will the firm ensure that they do not?
4. Provide the names and asset values of clients whose relationship with your firm has ended within the past three years. Why did these relationships end?

## Fee Structure

ABC is seeking a transparent fee structure that identifies material cost and expense items rather than an "all-in" fee structure.

1. Describe all proposed fees and costs entailed in your firm's provision of the services outlined in the Scope of Work.
2. Attach a detailed Fee Schedule which clearly identifies all transaction fees and differentiates core fees from optional fees for additional services. Indicate which fees are negotiable or otherwise variable. Fees should be presented as a percentage of assets under management.
3. Describe your billing practices. Does your firm offer discounts for non-profit organizations?
4. Attach a copy of your firm's standard consulting contract and

please indicate if the firm is willing to customize the consulting contract to reflect the needs of ABC. Please be advised that a refusal to negotiate revisions to the standard contract is likely to result in disqualification of the firm.

### Sample Portfolio for Fee Calculation

In order to clarify your fee proposal and to compare fees among the candidate financial consultants, we have created the following sample portfolio which represents an estimate of our financial assets. Please provide your **all-in fees** for this portfolio. All fees should be presented as an annual percentage based on assets under management. These fees should also include any expenses for the integration of MRI, community investment, or shareholder engagement strategies.

Source: Godeke Consulting

	Assets Under Management	Advisory Fee	Investment Management Fee	Commissions	Custodial Fees	Other Fees or Charges	Total Fees (BPs)
\$X Public Equities:							
Active Equity Manager (U.S.)	\$X .MM						
Passive Index Manager (U.S.)	\$X .MM						
Active Equity Manager (International)	\$X .MM						
Passive Index Manager (International)	\$X .MM						
Alternatives Asset Classes:	\$X .MM						
Fixed Income:	\$X .MM						
Other Assets:	\$X .MM						
<b>Total</b>	<b>\$XXX .MM</b>						

Source: Godeke Consulting