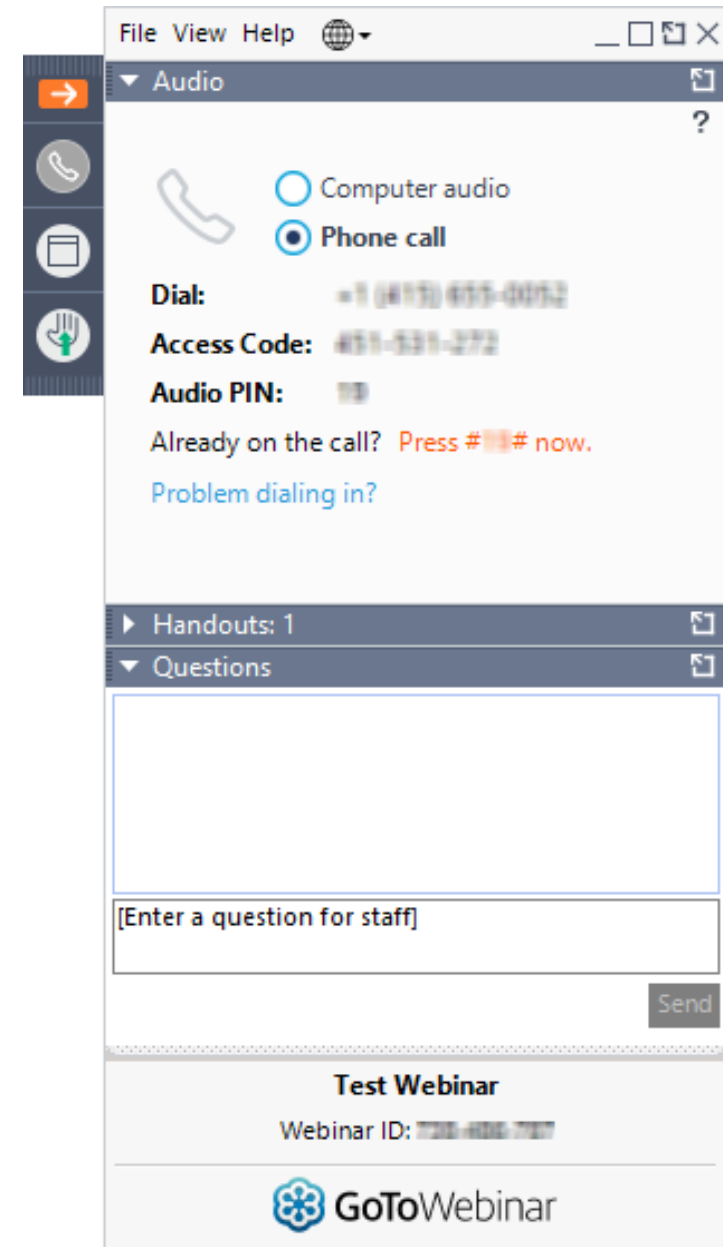


Information about Today's Session

- Select “Computer audio” to join via VOIP
OR
Select “Phone call” to dial in
- All attendee’s lines are muted
- Questions can be asked by typing them into the questions pane on the control panel, and there will be time at the end of the session to answer questions
- Submitted questions will not be visible to other audience members
- Today’s session is being recorded. All registrants will receive a link to the recording following the event.



ADVISOR REQUESTS FOR PROPOSALS (RFPS) FOR ENDOWMENTS AND FOUNDATIONS

Best Practices and Fundamentals

Greg Middleton, Jean Duffy, and Beau Williams



SPEAKER NAME

Agenda

01

Advisor RFP Activity, Trends, and Benefits

02

Step-by-Step Plan to Ensure a Sound Process



ADVISOR RFP ACTIVITY, TRENDS, AND BENEFITS

Why Committees Conduct Advisor RFPs

Potential Catalysts

- Increased complexity of fiduciary responsibility
- General due diligence, fee and service validation, and an understanding of the market
- The need for a formal process
- Speed of information flow (good and bad)
- Increased scrutiny on smaller organizations
- To improve results!

UPMIFA and Fiduciary Oversight

- The Uniform Prudent Management of Institutional Funds Act (UPMIFA) generally governs endowment investments.
- The purpose of the UPMIFA law is to preserve the long-term buying power of endowments.
- Fiduciaries must act in good faith to manage investments.
- Fiduciaries have a duty to the endowed institution's mission, which requires use of investment practices that serve its charitable purposes.

Potential Benefits

- Good governance = strong oversight = more \$\$
- Fiduciary risk mitigation
- Better understanding of fees for services
- Detection of trends
- Benchmarking information
- Inherent fairness of process
- Helps offset board politics

When To Issue An RFP and How Often Is It Needed?

- Change in service personnel or within the organization
- Underperformance of investments
- Lack of service/support
- Change in organizational goals or objectives
- Desired change in approach: discretion vs. nondiscretion

Every 3-5 Years (best practice)

- New services
- Lower costs—fee benchmarking
- Enhanced relationship

COVID Impact

- **Eighty-six percent** of nonprofits transitioned to at least a partially remote workforce. Some organizations could institute remote working only for administrative functions while others transitioned their entire staff. For fundraising organizations, the shift presents challenges with more phone calls and technology enabled video meetings and fewer in-person interactions.
- While nonprofits identified a range of responses, nearly everyone indicated some sort of operational change. Only **7%** of the organizations indicated they maintained business as usual.

Source: CAPTRUST's 2020 Endowment and Foundation Survey

Audience Poll



STEP-BY-STEP PLAN TO ENSURE A SOUND PROCESS

RFP Process

1 PREPARATION

- Determine purpose and key stakeholders
- Gather content and outline objectives

2 IMPLEMENTATION

- Assemble your deliverable
- Identify recipients
- Determine and finalize response structure
- Distribute, intent to bid, and Q&A

3 DECISION MAKING

- Review final responses and determine finalists
- Conduct finals meetings
- Make a decision
- Document your process

RFP Process

1

PREPARATION

Determine Purpose and Key Stakeholders

- Determine who needs to be involved, who is in charge, and who is the primary contact
- Identify the needs of your organization and the goal of this process
- Choose a review/scoring process
- Agree on a timeline
- Reach a consensus

RFP Process

1

PREPARATION

Gather Content and Outline Objectives

Necessary Documents

- Investment policy statement (IPS)
- Spending policy
- Quarterly review
- Current investment manager allocations

RFP Process

1

PREPARATION

Develop RFP Questionnaire

11 Basic Content Categories

- About your firm/team
- Fiduciary status/compliance/conflicts/regulatory
- Client service/relevant experience
- Investment philosophy/resources
- Investment policy/asset allocation/portfolio construction
- Performance evaluation/reporting
- Manager search/selection/due diligence
- Implementation/transition
- Proposed service offering/fees
- Business continuity/security
- Requested deliverables

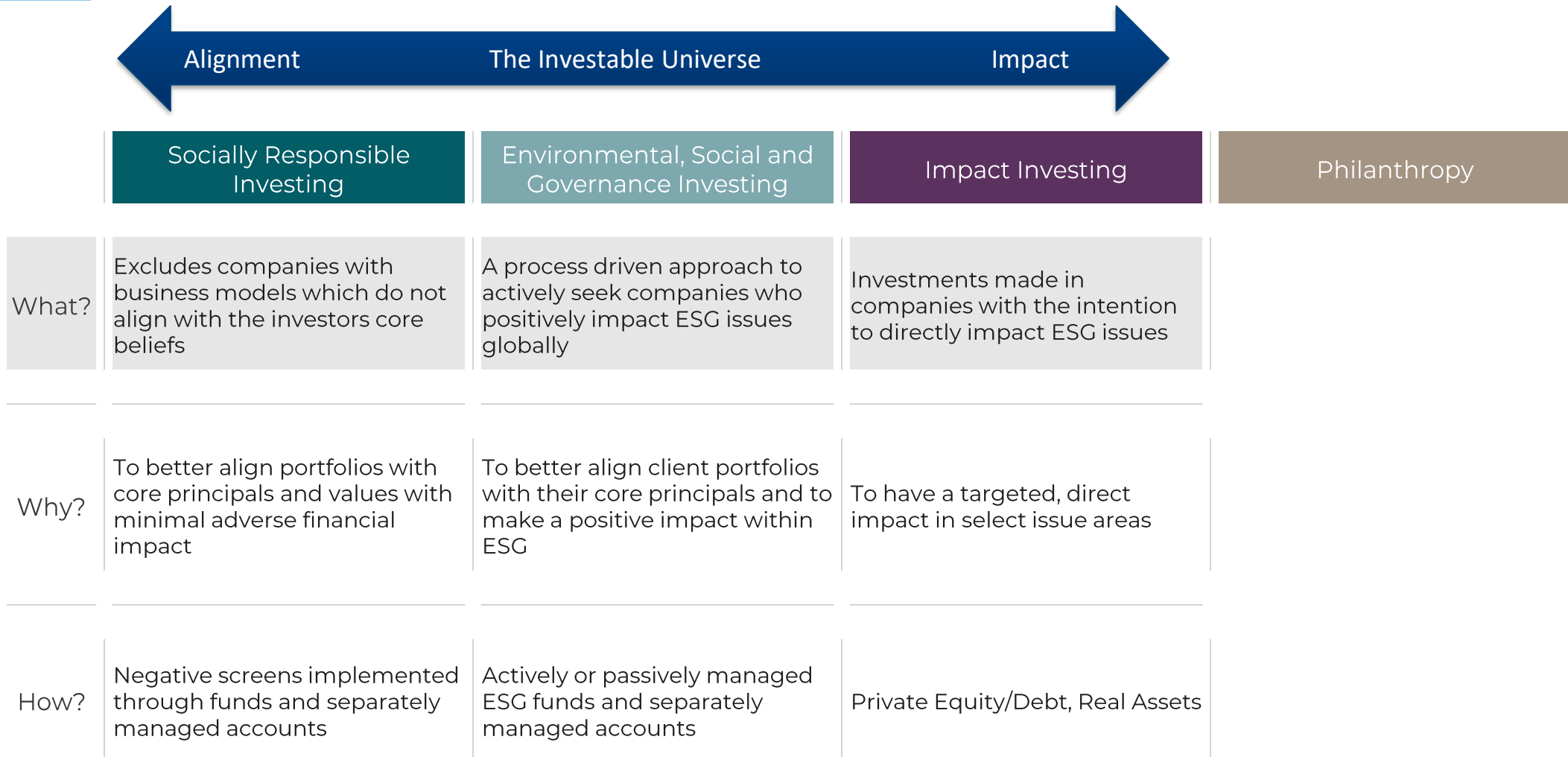
Make sure the questions you ask match the services you are requesting.

Environmental, Social, and Governance Investing

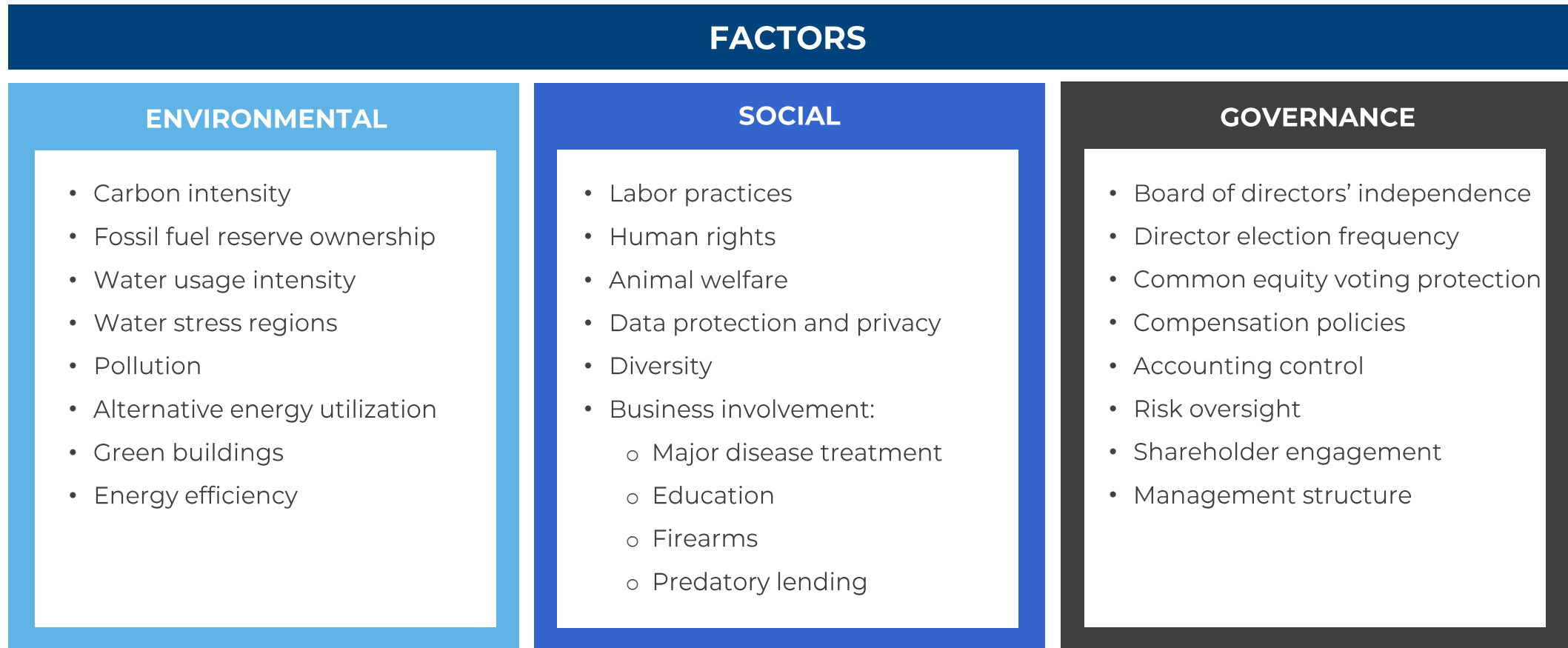
- While nearly a **third (31%)** of nonprofits allocate to ESG investments, lack of education from investment advisors and consultants stands out as the overwhelming factor limiting adoption of ESG, impact, or mission-aligned strategies.
- **Ninety-seven percent** of organizations whose consultants omitted the topic from conversations do not currently invest in or lack awareness of whether the organization utilizes ESG within the portfolio.
- Additionally, the most common impediment for those not allocating to such strategies remains a lack of consideration **(47%)**.

Source: CAPTRUST's 2020 Endowment and Foundation Survey

Environmental, Social, and Governance (ESG) Investing



Environmental, Social, and Governance (ESG) Investing



ESG investment strategies can incorporate one or more of the three factor categories—or even a single component—into their decision-making process. Identifying your priorities will help you determine the appropriateness of an ESG framework and identify a suitable approach to integrating ESG into your portfolio.

Outsourced Chief Investment Officer (OCIO)

- Organizations tactically managing their asset allocations internally, through an investment committee, board of directors, or staff, consistently underperformed those leveraging an external party such as an investment advisor or an outsourced chief investment officer (OCIO).
- The organizations that outsource tactical asset allocation decisions experience median returns 0.5% higher over trailing 3- and 5-year periods and 1.5% greater on a trailing 10-year basis when comparing median responses.

Source: CAPTRUST's 2020 Endowment and Foundation Survey

Outsourced Chief Investment Officer (OCIO)

Two Types of Investment Fiduciaries

Discretionary Investment Manager

Advisor	Investor/Trustee
<ul style="list-style-type: none">• Recommend the asset allocation and Investment policy parameters for the fund• Select the investments for the fund• Monitor investments• Make changes, if necessary• Implement policy• Own liability for investment decisions	<ul style="list-style-type: none">• Select the asset allocation and investment policy parameters for the fund• Monitor CAPTRUST to ensure fiduciary responsibilities are being met

Non-Discretionary Investment Advisor

Advisor	Investor/Trustee
<ul style="list-style-type: none">• Recommend the asset allocation for the fund• Recommend Investments for the fund• Monitor investments• Recommend changes, if necessary• Own liability for tools and analysis used to make recommendations	<ul style="list-style-type: none">• Select the asset allocation and investment policy parameters for the fund• Select all investments for the fund• Monitor investments• Make changes, if necessary• Own liability for investment decisions

RFP Process

1

PREPARATION

Develop RFP Questionnaire

11 Basic Content Categories

- About your firm/team
- Fiduciary status/compliance/conflicts/regulatory
- Client service/relevant experience
- Investment philosophy/resources
- Investment policy/asset allocation/portfolio construction
- Performance evaluation/reporting
- Manager search/selection/due diligence
- Implementation/transition
- Proposed service offering/fees
- Business continuity/security
- Requested deliverables

Make sure the questions you ask match the services you are requesting.

RFP Process

1

PREPARATION

Develop RFP Questionnaire

Make sure you are requesting the following deliverables from respondents

- Form ADV (parts I and II)
- Organizational chart
- Code of ethics
- Conflicts of interest
- Audited financials (last three years)
- Sample investment policy statement
- Sample written manager recommendation
- Sample performance reports
- Market commentary or thought leadership
- Sample proposed service agreement

RFP Process

2

IMPLEMENTATION

Assemble Your Deliverable

Section One: Introduction

Section Two: Instructions and Information

Section Three: Overview and Requirements

Section Four: Questions

Section Five: Supporting Materials



RFP Process

2

IMPLEMENTATION

Determine and Finalize Response Structure

Issues to Consider

- Non-disclosure agreement/confidentiality clause
- Cover letter/executive summary
- Procurement forms
- Hard copy or electronic
- Packaging
- Content limitations
- Pricing separate
- Contract feedback
- Samples or marketing materials
- Third-party service

RFP Process

2

IMPLEMENTATION


Identify Recipients

Questions to Answer

- What is an appropriate number?
- Should you include the incumbent?
- In town or out of town?

Sources

- Key stakeholders
- Industry publications
- Current service providers
- Peers (professional and within the industry)
- Third-party consultants
- Committee members of boards



Don't invite everyone
in town...
...only one winner

RFP Process

2

IMPLEMENTATION

Distribute, Intent to Bid, and Q&A

- Establish a deadline for intents and inquiries
- Summarize all of the questions in one document
- Distribute summary of questions and responses to intended responses



RFP Process

3

DECISION MAKING

Review Final Responses and Determine Finalists

- Let respondents know you have received their response and that you are reviewing
- Try not to get overwhelmed
- Follow your pre-determined process and give yourself enough time
- Know that it is ok to ask follow up questions
- Communicate internally and try to come to a decision quickly

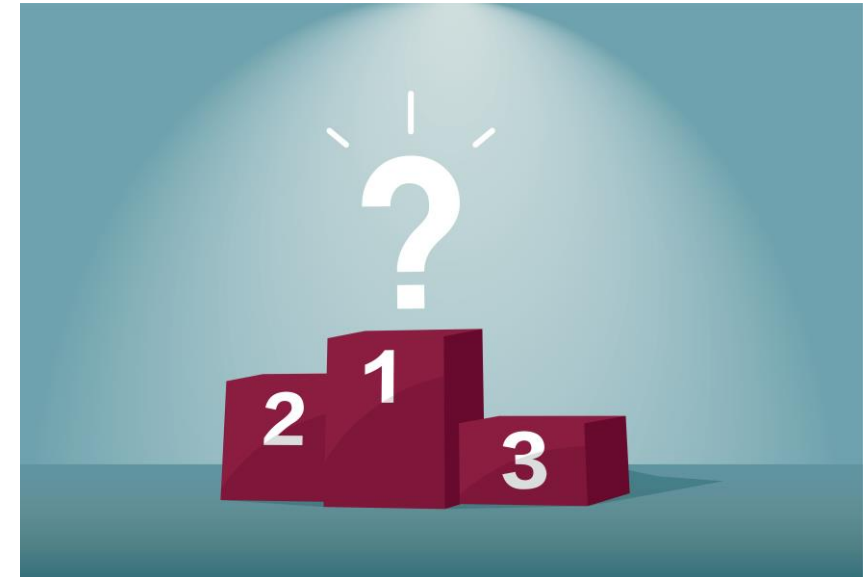
RFP Process

3

DECISION MAKING

Coordinate and Schedule Finals Meetings

- Communicate to both those that were selected and those that were not
- Review key decision-makers' schedules for availability
- Coordinate and schedule presentations with finalists



RFP Process

3

DECISION MAKING

Conduct Finals Meetings and Make a Decision

- Communicate specific expectations, topics to address, agenda, and timing to finalists
- Provide a real-time issue and ask them to respond to it
- Check references
- Make a decision
- Document, document, document

Closing

Summary

- Develop a timeline
- Draft an RFP specific to your mission
- Include important documents: IPS, charter, etc.
- Who to include in the RFP?
- Local politics and the board
- Use this as an opportunity to reaffirm:
 - Your mission,
 - Your process, and
 - Your service provider partners

Supporting Resources You'll Receive

- Recording of today's presentation
- A link to our Chief Investment Officer's Market Update
- CAPTRUST's 2020 Endowment and Foundation Survey Results
- Sample Endowment and Foundation RFP Template
- Sample Endowment and Foundation Dashboard



QUESTIONS?

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