

Outer Banks COMMUNITY Foundation

BOARD OF DIRECTORS

Sharon Elliott
President

Ed Olsen
Vice President

Avery Harrison
Secretary

Robert Muller
Treasurer

John Graham

Deloris Harrell

Mike Kelly

Dorothy Killingsworth

Scott Leggat

Loretta Michael

Teresa Osborne

Chris Seawell

EXECUTIVE DIRECTOR

Lorelei Costa

May 30, 2014

Name
Firm

Dear Name:

I am writing to invite your firm to submit a written proposal for oversight of the Outer Banks Community Foundation's invested endowment.

The Outer Banks Community Foundation was organized in 1982 as a public charity to help meet local needs in Dare County and across all Outer Banks communities, from Corolla to Ocracoke Island. The Community Foundation accomplishes its mission by increasing charitable giving in the area, by managing charitable funds for individuals and agencies, and by targeting grants toward the community's most pressing needs and promising opportunities. Since its founding in 1982, the Foundation has served the needs of our community in distributing over \$4 million in grants and \$1.0 million in scholarships. Please find our mission statement here: [Mission Statement](#) and Annual Report here: [2013 Annual Report](#).

As part of its investment review policy the Community Foundation is soliciting proposals, on a competitive basis, from a limited number of interested and qualified firms, for the oversight of approximately \$12 million of charitable assets, consisting of 130 individual charitable funds established by individuals, families, nonprofit agencies and businesses to benefit the Outer Banks community.

The successful firm, and the primary individual who will be responsible for the account, should have extensive experience in providing strategic advice to endowments and community foundations in the development of an Investment Policy Statement, including strategic asset allocation, spending policy and liquidity policy. Further, the firm and individual should demonstrate success in portfolio implementation and management. Finally, the firm and the individual should have substantial experience overseeing accounts of this size for community foundations.

Our investment objective is to achieve a total return including appreciation, which will satisfy the current financial needs of the various funds, and protect and increase their long-term, inflation-adjusted value. Our Investment Policy can be found here [Investment Policy](#) and we look forward to working with an advisor to integrate those objectives into a cohesive strategy and portfolio. Our investment policy is applied equally to all named, component funds and undesignated assets, unless the fund purpose or donor specification requires a different fund balance ratio.

For ease of sharing the information with the Community Foundation's Finance Committee, all firms should submit their proposal electronically to dwells@obcf.org in PDF format. Completed proposals should be submitted electronically by June 30, 2014. A hard copy may be submitted in addition to, but

13 Skyline Road
Southern Shores, NC 27949
Phone: 252-261-8839
Fax: 252-261-0371
Email: info@obcf.org
Website: www.obcf.org



may not substitute for an electronic proposal. Any hard copy should be addressed as follows:

Denise Wells
Outer Banks Community Foundation
13 Skyline Drive
Southern Shores, NC 27949

The Community Foundation reserves the right, in its sole discretion, to reject any and all responses and to waive any irregularity or informality in any response. OBCF shall not be liable for any losses and/or expenses incurred by the respondents throughout this process. Proposals or promotional materials cannot be returned. Communications with current or past members of the Community Foundation's Board of Directors will be deemed a conflict of interest and may result in the disqualification of a proposal.

The Community Foundation reserves the right to request additional information from any or all proposers to assist in its evaluation process. All representations, including fees, made by the proposer must be in effect for a minimum of 120 days. The Community Foundation will make its choice upon all the information submitted and will not necessarily rely solely on the lowest bid.

The most competitive firms may be asked to make a personal presentation to clarify elements of their proposals. The Community Foundation plans to select an Investment Management Firm by September 4, 2014.

If you have questions about the information included in this communication, please contact me at 252-261-8839 or e-mail dwells@obcf.org.

Sincerely,



Denise Wells



INVESTMENT MANAGER REQUEST FOR PROPOSAL 2014

The following services are the minimum required by the Community Foundation; however, additional services may be requested:

1. Monthly written account activity and performance reporting for the total fund, asset managers, index funds or other investments and oral communication as needed.
2. Performance measurement and attribution analysis for the total fund, managers and other funds considering but not limited to predefined OBCF risks and style benchmarks.
3. Manager recommendations and monitoring including a quarterly written report on each OBCF manager or fund taking into account both quantitative and qualitative criteria.
4. Benchmarking against other foundations of similar size and objectives.
5. An annual meeting and report is required in person each February with the Finance Committee, and more often if requested.
6. Asset allocation review at least annually or as requested by the Finance Committee.
7. Review and provide an opinion on current and future investment policies at the annual meeting in February of each year, or sooner at the Investment Manager's or Finance Committee's request.
8. Advise OBCF on other relevant issues such as spending policies, rebalancing, benchmarking, and new and developing asset classes and strategies.
9. Execution of approved activities of the Finance Committee and/or Board.
10. OBCF will NOT accept a firm's proprietary funds as part of our investment management.

All proposals must confirm acceptance of the following stipulations:

1. The contract for services may be terminated by either OBCF or the institution after 60 days' written notice.
2. The contract for services may be modified at any time by mutual written agreement of the institution and OBCF.
3. The Finance Committee reviews and evaluates the institution's performance quarterly. This evaluation will be based on the institution's compliance with applicable investment policies and direction, accuracy and timeliness of reporting, and other service factors considered appropriate.
4. The institution, in a timely manner, shall notify OBCF in writing of the replacement of any of the key personnel and/or products/managers named in their proposal.
5. If your firm is a separate firm operating under a parent organization and your separate firm will be responsible for the management and servicing of the relationship, any information

provided (unless otherwise indicated) should be specific to your separate firm's practice and not that of your parent organization.

Proposal Content: Proposal requirements and information to be provided by respondent.

A. Firm Ownership and Organization

- (a) Provide the firm name, address (headquarters), primary individual who will be responsible for the account, phone number, email, address of office to service our account.
- (b) Briefly describe your organization including, but not limited to, type of firm, firm history, assets under management, ownership structure and primary focus. If your firm is a separate firm operating under a parent organization and your separate firm will be responsible for the management and servicing of the relationship, please provide this information for both your firm's practice and that of your parent organization. Please describe any significant developments affecting the firm in the last 5 years, such as changes in ownership, restructuring, personnel reorganization or philosophy.
- (c) Please list your AUM for each year over the past 5 calendar years, and note any rationale for large discrepancies (i.e., merger, acquisition, loss of key manager/advisor, etc.).
- (d) Describe key personnel, credentials, tenure with firm, areas and degree of experience/expertise, along with any significant changes in this personnel over the past 5 years.
- (e) Indicate number of years your firm has performed investment management services similar to those you seek to provide to the Foundation, including other nonprofit organizations and community foundations.
- (f) Provide a professional profile and the qualifications of the relationship manager who would manage the OBCF relationship. Where would the relationship manager be located? How long has the relationship manager been with your firm? Describe how and on what basis, including annual bonus, our relationship manager will be compensated. For how many relationships and what total assets will this manager be responsible? Does your firm provide a backup team for when this relationship manager is not available? Please provide details.
- (g) Is your firm a registered advisor with the SEC under the Investment Act of 1940? Please include a copy of your most recent Form ADV and Brochure Supplement.

B. Conflicts of Interest

- (a) Describe your firm's policy on conflict of interest. Do you have any conflicts of interest, or perceived conflicts of interest, to disclose with respect to OBCF (including, but not limited to, OBCF staff, Board of Directors, or their family members with a financial interest, employment, or influence in your firm)?
- (b) Please describe the nature of any revenue sharing relationships, direct or indirect ownership or interest your firm may have with investment managers/products you recommend (other than proprietary portfolios).

C. Firm Employees

- (a) Provide detail on the different positions within the firm (investment analyst, senior investment analyst, principal, investment officer, etc.) Include staffing levels and a description of their roles and responsibilities.
- (b) How long have current senior investment decision-makers been in place?
- (c) Describe any changes in senior management in the last 5 years.
- (d) Describe how your firm preserves continuity in client service and relationships in the event of turnover in staff.
- (e) What has been your staff turnover in the past 5 years?

D. Compliance/Regulatory

Note: If your firm is a separate firm operating under a parent organization and your separate firm will be responsible for the management and servicing of the relationship, please provide this information for **both** your firm's practice and that of your parent organization.

- (a) If within the last 5 years, your firm, a member, or employee of your firm has been subject to any stop order, consent decrees, censure, reprimand, or any other disciplinary action by any federal or state regulatory agency, please describe the action and outcome.
- (b) List any litigation or proceedings to which your firm is a party and which would either (a) materially impair your ability to perform the services enumerated herein and for which this RFP was issued, or (b) if decided in an adverse manner, materially affect the financial condition of your firm.
- (c) Provide a list of applicable insurance coverage maintained by your firm along with coverage amounts.

E. Services Provided to Foundations

Strategic Advice & Management

- Investment Policy Statement
- Strategic Allocation
- Spending Policy
- Liquidity Policy & Analysis
- Client Education
- Stakeholder Interaction

Investment Management

- Capital Allocation (AKA active allocation, tactical allocation)
- Portfolio Construction
- Product Research & Selection
- Product Oversight and Replacement
- Transition Management
- Co-fiduciary or Fiduciary (as needed for separate trusts such as CRT and whether under same fee arrangement)
- Reporting
- Custodial

- (a) What type of information is included in periodic activity and performance monitoring reports? How many types of reports are produced and how often are reports compiled and distributed? How are reports distributed (i.e. hard copy, web-access, email, etc.)? Please provide sample reporting for each type of report (i.e. accounting statement, performance report, etc.).
- (b) Please comment on your firm's ability and degree to which any of these or other reports may be customized.
- (c) How soon are activity and monitoring reports available after the end of the reporting period?
- (d) If there are revisions to statements, how are clients notified? How many times in the past 36 months have statements been delayed and/or revised? Describe the major causes of the delay or revision. Were any of these calendar year-end statements?
- (e) How frequently does your firm reach out to and/or meet with clients?
- (f) Would your firm be able to integrate OBCF historical performance reporting for purposes of continuity and historical reporting? (We have data back to 2003.)
- (g) How does your firm integrate internal and external research? Outline your process for monitoring and reporting on market trends. Describe how this research gets incorporated into the management of OBCF's portfolio.

F. Firm Experience

Note: If your firm is a separate firm operating under a parent organization and your separate firm will be responsible for the management and servicing of the relationship, please provide this information for **both** your firm's practice and that of your parent organization.

- (a) What is the breakdown of your institutional client base among endowments, community foundations, public pensions, corporate pensions, family offices, etc. based on assets under management?
- (b) Provide the following regarding assets under management:
 - i. Total assets under management.
 - ii. Assets under management for endowments and foundations.
- (c) Where your firm provides strategic advice and investment management for an entire endowment, please provide the following:
 - i. Number of clients.
 - ii. A representative list of your endowment and foundation clients, including 3 specific client references including name, title, address, phone, email and length of services.
- (d) What non-profit or private foundation client has your firm lost in the past 5 years and why? What were the assets under management for this client?
- (e) What is your minimum account size, if any? Median and average account size?
- (f) What is the smallest, average, and largest non-profit relationship managed directly by your firm?
- (g) What is your minimum fee, if any?

G. Strategic Advice and Investment Management

- a) Describe your firm's investment philosophy and guiding principles.
- b) Describe your firm's philosophical approach and framework for developing a strategic asset allocation. In general, what is your process by which you would work with the Finance Committee to construct an asset allocation strategy?
- c) Describe the factors you consider when developing a strategic asset allocation.
- d) Who at your firm is involved in this process and exactly how does it work?
- e) How often do you review, recommend, and modify clients' asset allocation and/or investment objectives?
- f) Under what circumstances would you consider making a recommendation to modify a client's asset allocation?
- g) What is your firm's view and process for determining a spending/liquidity policy? How often is this analyzed?
- h) What is your firm's view on rebalancing, the frequency of rebalancing and why?
- i) Describe your firm's philosophy and methodology for tilting the portfolio away from the strategic asset allocation in response to your view of the capital markets.
- j) How does your firm view opportunistic investing, i.e. an allocation based on a unique dislocation in the market?
- k) Describe your risk management process for a portfolio. How do you determine a non-profit's risk and return profile?
- l) How often would you review, and how would you ensure compliance with OBCF's Investment Policy Statement, especially if using funds/ETFs?

H. Investment Management: Portfolio Construction and Proposal

- (a) Describe your view and capabilities on using:
 - i. Individual securities vs. products.
 - ii. Proprietary products vs. open architecture.
 - iii. Indexing or passive vs. active management.
 - iv. Fund-of-funds vs. direct investing.
 - v. Funds vs. ETFs.
- (b) Can you provide an overall broadly diversified global allocation strategy for OBCF without any proprietary products or managers?
- (c) Describe your risk management methodology.
- (d) Provide your specific recommendation for the allocation, securities/funds for OBCF portfolio, including a description of each manager/fund/ETF. With this recommendation also provide any recommendations you would make to our existing Investment Policy Statement. Also disclose any benefits or compensation you receive, directly or indirectly, from any of the individual components of the proposed portfolio.

I. Product Screening and Search Process

- (a) Describe the process used to compile, organize and assess product/manager data.
- (b) Describe your use of qualitative vs. quantitative information.
- (c) Who is involved in this process and exactly how does it work?

- (d) What kind of due diligence is done to verify information provided by the managers initially and on an on-going basis?
- (e) How many products/managers were studied in the last 12 months?
- (f) How many products/managers were removed from your firm's universe in the last 12 months and why?
- (g) How many products/managers are in your active database?
- (h) What is the average holding period for specific products and/or managers over the previous 5 years? List the managers present within your preset recommendations that have been part of your allocation over the last 5 years.
- (i) How do you avoid 'performance chasing' when removing one product/manager in favor of another?

J. Individual Securities

- (a) Describe the process used for selecting individual securities for a portfolio.
- (b) Describe your approach to sector concentration, position sizing, and risk management.
- (c) Describe your process for deciding to exit an individual security.

K. Alternative Assets

- (a) What is the firm's view on the use of alternative assets such as absolute return strategies, hedge funds, private equity, venture capital, distressed debt, natural resources and real estate?
- (b) Describe your firm's capabilities in implementing and managing alternative asset allocations.
- (c) Describe your views on leverage as it relates to alternative investments.

L. Performance Measurement

- (a) Describe the investment performance universes you use and what entities are included in each universe (i.e. total endowment, U.S. all-cap equity, U.S. small cap equity, etc.).
- (b) Why do you believe your universes are appropriate for measuring performance of a portfolio, asset classes and investment product?
- (c) Describe how benchmarks are chosen or developed and how performance is compared to similar portfolios. Can your firm provide custom/style benchmarks and universes?
- (d) How are total portfolio returns calculated? Are returns generated by an independent 3rd party, reported net of fees?
- (e) Do (or can) the reports include risk-adjusted return or risk measures and value added (i.e. alpha, beta, standard deviation, Sharpe ratio, up and down capture ratios, etc.)?
- (f) Please provide a sample of your standard reporting package. Can you provide custom reports? How often is this reporting updated (i.e. daily, monthly, quarterly) and is online access available to these reports? How many days after the end of a reporting period are performance reports available?

- (g) What forms of attribution analysis, if any, does your firm offer? Does the analysis include risk attribution analysis? What are your thoughts on this form of analysis and how risk measurement factors into your view of this type of analysis, if at all?

M. Research and Education

- (a) Describe the educational opportunities provided to client staff and Finance Committee and/or Board members.
- (b) What publications, if any, do you distribute to your clients? How frequently?
- (c) Describe your website's features that are of interest to clients.
- (e) Describe services you provide to inform and interact with client's stakeholders, like donors.
- (f) Describe your willingness to participate in supporting OBCF as a member (and at what level) and/or event sponsorship.

N. Fee Proposal

- (a) Describe your advisory fee structure.
- (b) Estimate product fees, including the costs of third party managers, fund/ETF fees, transaction fees for individual securities, if used, etc.
- (c) Describe any upfront, surrender, withdrawal or deferred sales charges within the products of your proposal.
- (d) Estimate custodial costs. What is your custodial recommendation?
- (e) Disclose any additional costs that might be incurred, such as investment policy review/modification, rebalance or modification of asset allocation, termination fees, distribution/wire/ACH fees, travel fees, etc.
- (f) Are there any limitations on withdrawal of funds or any limitations should OBCF elect to terminate services? If so please describe.
- (g) Estimate the total annual cost of services to OBCF. Over what period of time do you guarantee the fee structure will remain constant? (Feel free to break down the various costs to best address the question if necessary)
- (h) Have total fees for the proposed portfolio increased, decreased or remained the same over the past 5 years? Please provide a breakdown of each type of fee and which ones have changed in what way and in what amount over the past 5 years, and explanations for any large variances.

O. Representative Historical Performance

- a) Provide representative net returns for the endowment and foundation portfolios under your management and their respective portfolio benchmark.
- b) Annual calendar year historical net returns for the past ten+ years.
- c) Trailing net returns as of December 31, 2013 for the 1, 3, 5 and 10-year+ periods.
- d) Provide the up/down capture ratios, standard deviation, Sharpe ratios and Alpha for the endowment and foundation portfolios under your management for the 3, 5 and 10-year periods ended December 31, 2013. Provide the same data for the portfolios' benchmark.

- e) Provide commentary to explain significant variances.
- f) Provide this same information in (a), (b), (c), (d) and (e) above for the specific portfolio you are recommending in Section H(c) above.

P. Other

- a) Define what you believe sets your firm's services apart from the competition and what unique value-added services your firm could provide to the OBCF.
- b) Discuss how your firm would assist OBCF in furthering its strategic plan (one element of which is financial self-sustainability) and mission.