

December 10, 2018

Request for Proposal

The AJL Charitable Foundation

Investment Advisor Search

By Impact Finance Center

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Introduction

Background

This Request for Proposal (“RFP”) is being issued to gather information to assess the current marketplace and evaluate selected investment advisors/consultants as potential Investment Advisors for The AJL Charitable Foundation (“AJL”) investment portfolio (“Investment Portfolios”).

The objective of this RFP is to ensure:

- The information and advice provided to the AJL Finance & Investment Committee is proactive and reflects industry standards and best practices.
- The Investment Advisor supports a strong fiduciary process and governance structure including to but not limited to decision-based attribution evaluation and impact*.
- Fees are appropriate for the type and quality of services provided.
- The AJL Investment Committee satisfies its obligation to conduct appropriate due diligence by periodically assessing Investment Advisors.

AJL engaged Impact Finance Center (“IFC”) to assist with issuing this RFP, evaluating the responses, and advising on next steps.

IFC will use the information collected through this RFP to provide AJL with an assessment of your organization’s capabilities and a comparison of projected annual fees. Information previously provided through the Expression of Interest (“EOI”) has been used to screen potential candidates. Where this RFP requests information already provided through the EOI, you may either repeat your previous response or provide updated information with both your proposal and a newly submitted EOI.

Based on the evaluation of proposals submitted in response to this RFP, AJL will select a subset of candidates for further consideration as finalists.

AJL Organization Overview

The AJL Charitable Foundation helps at-risk Colorado youth and families by supporting educational and humanitarian programs that provide the tools to help them succeed in life. AJL recognizes that in order to increase impact and better serve more Colorado youth and families, the foundation has a responsibility to align its portfolio and investments more closely with its mission and prioritize both social impact and financial returns. AJL was established on March 17, 2011, by Amy S. and John E. Lawton who were lifelong philanthropists. Philanthropy is part of their family heritage, which has been passed down through the generations, and the Lawton family believes every person deserves respect and the opportunity to be empowered to improve his or her life.

AJL will be engaging an investment advisor to partner with its Executive Director, Finance & Investment Committee and board of directors to advise on the management of the Foundation's financial assets. AJL is a \$15 million perpetual private foundation and currently supports investments in companies who score well in the following focus areas: Human Rights, Diversity, Community and Politics, Workforce, Pollution, Environmental Innovation, Climate Change Disclosure, Environmental Policies and Disclosure, Board Oversight and Structure, and CEO compensation.

Learn more at <https://www.ajlfoundation.org/>.

About This RFP

This RFP is being issued to the following Investment Advisors:

- **Natural Investments LLC**
- **Syntrinsic**
- **The Caprock Group**
- **Sonen Capital**
- **Cornerstone Capital Group**
- **BSW**
- **Tiedemann Advisors**
- **Abacus Wealth Partners**
- **Pathstone**
- **Graystone Consulting**
- **Innovest**

The tentative schedule for the RFP is as follows:

RFP Issued	December 10, 2018
Responses Due	January 4, 2019
Update Candidates on Next Steps	Mid-Late January
Hold Finalist Presentations	Late January - Early February
Announce Decision	Mid-Late February

The above timeline is approximate and subject to revision. Finalist presentations are anticipated to be held during early February. IFC will provide the date for these presentations within the next two weeks. Finalist presentations will be held in Denver, CO.

Evaluation of Investment Advisors will be based on the following criteria:

1. *Organization*
 - a. Demonstrates stability, strong ethical standards, transparency, and commitment to the business.
 - b. Ownership, partnerships, affiliations, and business structures are aligned to minimize the potential for conflicts of interest.
 - c. Acceptable terms and conditions are offered and fiduciary role is acknowledged.
2. *Experience and Staffing*

- a. Demonstrates experience with not-for-profit asset pools similar to AJL, supported with well-qualified staff.
 - i. Team assigned has deep industry experience, relevant client experience, long tenure, and sufficient capacity.
 - ii. Exhibits strong communication skills and professionalism, fostering a collaborative approach.
 - iii. Demonstrates a consulting culture that continually strives to enhance the value that the Investment Portfolios deliver in supporting AJL’s mission.
 - iv. Team is accessible and responsive.
 - v. Experience and philosophies surrounding impact*
3. *Services*
- a. Demonstrates knowledge of the unique investment characteristics of perpetual Private Foundations.
 - b. Philosophies are aligned with AJL and reflect industry best practices on key issues relevant to the success of the Investment Portfolio.
 - c. Reports are well organized, easily understood by individuals with varying levels of investment sophistication, clearly articulate views and recommendations, and provide thorough documentation.
 - d. Resources include technology that provides access to broad and deep data, and supports critical analysis.
 - e. Does the firm have shareholder action relationships with organizations such as the Interfaith Center for Corporate Responsibility or Nathan Cummings Foundation? If yes, which ones.
 - f. What steps does the firm take to ensure they consider women and people of color managers?
 - g. Does the firm have supply chain policies for internal and external hiring of employees, consultants, and managers that include consideration of women and people of color.
 - h. Services support and reinforce strong governance and due diligence.
 - i. Demonstrates knowledge of and services that support Decision-Based Attribution Evaluation
 - j. Demonstrates knowledge of and services that support Investment Beliefs

4. **Impact*

AJL and IFC believe that philanthropy is an investment with a -100% financial return and that all investments have impact, both positive and negative. Because there is so much confusion around terms such as “impact investing,” “environmental, social, governance,” “sustainable investing,” etc. we are attempting a new approach for us to think about impact. Throughout this RFP, “impact” shall be defined using the framework and terminology of the [Impact Management Project](#), which includes the following: the impact of any effect is its performance across five dimensions: what (outcomes and importance to stakeholders), who (stakeholders), how much (scale, depth, and duration of outcome), contribution (relative to absence; depth and duration), and risk (type, level, and mitigation). Impact* measurements include, but are not limited to: Environmental, Social,*

and Corporate Governance (ESG) as well as the UN's Sustainable Development Goals (SDG). More information regarding impact* can be found [here](#).

- a. [Impact* Measurement Matrix](#) (link)
 - b. [Sample Report](#)
5. *Fees*
- a. Fees are justified, competitive, predictable, and transparent.
 - b. Services covered are comprehensive.
 - c. Terms and conditions related to fees are favorable to AJL.
6. *References*

Please note these criteria have NOT been ranked in order of importance.

Instructions for Responding

All communication regarding this RFP should be directed to IFC using the contact information provided below. **DO NOT CONTACT ANY INDIVIDUAL AT AJL REGARDING THIS RFP. DOING SO IS GROUNDS FOR ELIMINATION FROM FURTHER CONSIDERATION.** We expect that you will treat all information in this RFP as fully confidential. AJL reserves the right to reject all offers.

- Provide answers to the questions.
- ***Keep your responses succinct.***
- Do not provide any hardcopy. All material should be submitted in electronic form.

The deadline for returning the completed RFP is end of day at 5:00 PM MST Friday, January 4, 2019. Your response should be directed **via email** to:

Stephanie Gripne
Impact Finance Center
stephanie@impactfinancecenter.org
303-900-2060

When submitting your proposal via email, please copy (Cc) Christine Sanwald at christine@impactfinancecenter.org and Drew Hackman at drew@impactfinancecenter.org.

Questions will be taken by either phone or email. If any question raised by a candidate indicates an omission of critical information or misinformation within this RFP, our reply will be distributed to all candidates invited to respond to this RFP.

Should Stephanie Gripne be unavailable, you may contact Christine Sanwald at christine@impactfinancecenter.org

If your organization chooses not to respond to this RFP, please notify us as soon as possible.

Information About the Investment Portfolios and Case Study

Attachment:

[The AJL Charitable Foundation Investment Policy Statement that includes the Investment Beliefs and Values Statement](#)

Case Study:

[The AJL Charitable Foundation Investment Beliefs and Investment Advisor Case Study](#)

Questions

1. Firm Profile

- a. Provide a general overview of your firm, including the year it was founded, the number of individuals you employ, the location(s) of your offices, the core services you provide, and your target clients. Please include a description of or a chart showing the organizational structure of your firm, and include a brief biography highlighting the background and experience of each member of the senior management team.
- b. Describe your firm's core mission, vision, and values, as well as how you differentiate yourselves from your competitors. What makes you uniquely qualified to work with The AJL Charitable Foundation?
- c. Describe the financial condition of your firm, parent company, or affiliate. Please include the levels of relevant insurance coverage (e.g. E&O).
- d. Describe your firm's ownership, partnerships, affiliations, and business structures, and how they are aligned to minimize the potential for conflicts of interest.
- e. What is the succession plan for your firm? Within the past five years, have there been any changes in ownership or restructuring? If any are anticipated, please describe.
- f. Does your firm have a written code of conduct, ethics, and conflict of interest policy? Please disclose all conflicts of interest within your organization, including those that might potentially affect The AJL Charitable Foundation.
- g. Does your firm, or any person at the firm, have any past or pending litigation matters? If so, please describe.
- h. Describe your firm's business, operational, and compliance risk management processes and resources.

2. Investment Consulting Services and Staffing

- a. Who will be on the team supporting AJL, what is their experience with private foundations and impact*?
- b. Describe in detail your process for developing, monitoring and maintaining investment policy guidelines, including the factors you consider.
- c. Discuss your firm's investment philosophy and process around strategic and tactical asset allocation, portfolio construction, and ongoing revisions and rebalancing.
- d. AJL's current Investment Beliefs are attached. For each Investment Belief, state whether or not you agree or disagree. If you disagree, state why and provide supporting evidence for your answer.
 - i. Do you have any additional Investment Beliefs?
 - ii. Describe your process in both educating the Trustees and updating new Investment Beliefs. What do you do when your investment beliefs differ from those of your client's?

- e. Describe your philosophies on Decision-Based Attribution Evaluation? Does your reporting have the ability to show the value added or subtracted from tactical changes and manager selection? Please provide an example. If you currently do not offer Decision-Based Attribution Evaluation, would you be willing to learn and implement it?
- f. Describe the resources and processes that your firm employs in the development of your investment thinking, recommendations, collaboration, and communication (including accessibility).
- g. Describe how you distribute knowledge about impact* across your firm. How many of your investment consultants have impact* expertise?
- h. Provide detail on how you select investment managers for client portfolios, including the staff and resources you have dedicated to the process, as well as the research, both proprietary and third party, that you employ.
- i. How do you currently evaluate an asset manager's ability to incorporate impact* factors in valuation or portfolio composition as part of your overall assessment of investment managers? Please provide detail on the criteria used to evaluate managers based on their impact* approaches. How much weight do you assign to this as part of your total evaluation or ranking?
- j. Are impact* issues considered in manager evaluation and asset allocation recommendations regardless of specific client demand?
- k. Do you have a manager impact* questionnaire for understanding the level of impact* integration by managers and the main drivers for doing so? If so, please provide an example
- l. How many of your recommended managers explicitly integrate impact* or other thematic sustainability considerations?
- m. What is your firm's approach and criteria for placing a manager on a watch list? Under what conditions is a manager removed from the watch list and fully reinstated? Under what conditions is the manager terminated?
- n. Describe your preferred arrangement for custody of client assets and relationship to banks and their associated impact* commitments.
- o. Describe how you plan to foster a consulting culture that continually strives to enhance the value that the Investment Portfolios deliver in supporting AJL's mission.
- p. Provide documentation demonstrating a depth of knowledge of the unique investment challenges of perpetual private foundations
 - i. How would you help us align our long term investment and impact focus with our strategy and need to earn returns and maximize impact?
- q. What would be your firm's investment strategy for a perpetual private foundation?
- r. Provide your recommended investment portfolio and implementation strategy with regard to public markets, private markets, and direct investments.
 - i. Can you place the recommended portfolio in the impact management project matrix?
- s. Given AJL's Investment Beliefs and Values, how do you maximize the probability of success?

3. Client Service & Other Services

- a. Describe all services that you provide to private foundations.
- b. Describe the transition and implementation process for a new client.
- c. Provide an overview of your regular client meetings, including what is typically covered, how often they are held (e.g. quarterly, semi-annually, annually, etc.), whether they are conducted in-person or via phone, and if in person, where they take place.
- d. Provide your firm's average client retention rate over the last five years (%). Also, how many clients have left your firm in each the last five years? Please provide the total assets associated with each relationship at the time of termination, and a brief description of the client and the circumstances surrounding each departure (no client names, please).
- e. Provide detail on the technologies your firm leverages to provide deep data dives and critical analyses?
- f. Describe how your firm seeks to impact the local community in Colorado with investments or philanthropic and community service?

4. Impact Investing & Reporting

- a. Can clients access performance reporting on a secure website?
- b. What is your firm's definition of impact* investing?
- c. Provide an overview of how impact* considerations are incorporated into your client service and research processes.
- d. Describe your firm's approach to impact investing. Be sure to detail the resources and processes you have in place, and how they might differ for traditional (i.e., non-impact) investments. If you have a policy that incorporates impact* matters, please provide. If there is no specific attention to impact* issues, explain why.
- e. Do you offer Separately Managed Accounts (SMAs) that AJL can customize in both equity and fixed income asset classes?
- f. Do you provide a mechanism to track, report, and measure the impact* returns of a client's impact investments?
- g. Discuss your views on shareholder engagement.
- h. What kind of educational support do you offer clients on topics related to impact investing?
- i. Describe your commitment to field building.
- j. Provide a sample of a comprehensive client report issued by your firm. How often are these issued to clients? Are they customizable? Is the content firm- or advisor-controlled, and can you manually enter performance statistics into the report? Is your performance reporting software proprietary, or does your firm utilize the software of an outside vendor (if the latter, please provide name of provider)?
- k. Provide a comprehensive report on impact* investments (e.g., public securities, private funds, direct deals).

- l. Do you develop or include impact*-related clauses in your investment management agreements? If so, please provide several examples
- m. Is your firm active in any impact* or sustainable investing investor groups? If yes, please list and provide detail about your involvement. If not, why?
- n. Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide examples.
- o. What sources do you rely on for your impact* data? Can you provide an example of an impact* data public security? For example, do you have access to scores or reports?
- p. Do you use the UN Sustainable Development Goals (SDGs) to measure impact* and how?
- q. How do you believe impact* investing strategies fit within the framework of fiduciary duty?
- r. How do you believe impact* investing strategies perform relative to other investments? What evidence can you cite?
- s. Do you have any evidence that your recommendations have added value to client portfolios?

5. Fees

- a. How would you charge the Foundation for your services? Please specify all applicable fees and expenses (consulting, custodial, management, etc.)
- b. Are your fees affected by the client's choice of investment products, asset allocation or other factors?
- c. Do you accept commissions, fees or other payments from funds, managers or other third parties? Explain why or why not. Do you accept soft dollar arrangements? If so, what is the percentage of revenues that comes from soft dollar arrangements?

6. References

- a. Provide us with the names and contact information for three clients who are similar in size and scope to this prospective client.

(End of Document)