

## HCC Foundation RFP for Investment Advisory and Custodial Management

October 19, 2018

The Houston Community College Foundation (HCCF) has more than **\$11,000,000** in endowed assets and is requesting proposals for investment advisory and custodial management from qualified financial service organizations. Proposals must be submitted to our office **by 5:00 pm on November 15, 2018** in the format provided in the Request for Proposals (RFP).

### Our timeline is as follows:

October 19	RFP posted online at <a href="http://www.hccsfoundation.org">www.hccsfoundation.org</a>
November 15	Proposals submitted to Houston Community College Foundation
November 30	Finance and Investment Committee determines 3-5 providers to invite for presentations
January 17	Presentations from providers to Finance and Investment Committee Finance and Investment Committee recommendation made (Committee Meeting)
February 7	HCC Foundation selects service provider(s) (Board Meeting)
TBD	Notification to advisors
TBD	Contract Effective Date

One original proposal with signatures, and ten (10) printed additional copies, and one (1) electronic copy saved as a PDF file on a USB flash drive for review by our Finance and Investment Committee, must be submitted.

### Please send RFP proposals to:

Houston Community College Foundation  
3100 Main Street, Suite 12B12  
Houston, TX 77002  
Attention: Sylvia Romero



# REQUEST FOR PROPOSAL

## Investment Advisory and Custodial Management

Contact:

**Karen L. Schmidt, CFRE**  
**Executive Director, HCC Foundation**  
**713-718-8596**  
**karen.schmidt2@hccs.edu**

HCC Foundation is a Texas non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. HCC Foundation is accepting proposals to provide investment advisory and custodial services for their Foundation. The value of the Foundation's endowed assets is approximately \$11 million, and the Board will consider having its investments managed by one or two firms.

A copy of the Investment Policy is provided for your review. Please review and answer the attached questions, and submit your proposal **by 5:00 p.m. on November 15, 2018**. One (1) original proposal with signatures, and ten (10) printed additional copies, and one (1) copy on a USB drive for review by our Finance and Investment Committee, must be submitted. Proposals may be mailed to Houston Community College Foundation; 3100 Main Street, Suite 12B12; Houston, Texas 77002; Attention: Sylvia Romero.

HCC Foundation Executive Director, will be the primary contact for any questions or information needed in preparation of your proposal. Executive Director Contact information is set forth on the cover page.

Please respond to each question posed, keeping the questions in the order presented.

## **A. About Your Firm/Team**

1. Legal Firm (Team) Name.
2. Describe the ownership and structure of your firm (team).
3. List your firm's lines of business (including affiliated companies):
4. Briefly describe your firm's history:
  - a. How many years has your firm provided investment management services?
  - b. How many years has your firm provided discretionary portfolio management?
5. What is the total number of employees in your firm?
  - a. Of those, how many employees are directly involved in the investment process?
  - b. Do you use subcontractors? (Y/N)
6. Investment Management as a percent of total firm business:
  - a. What percentage of revenue from investment management and advisory services?
  - b. What is your firm's total assets under management?
    - Amount of individual assets (percentage of total).
    - Amount of endowment and foundation assets (percentage of total).
  - c. What is the total number of clients under your advisement?
    - Number of individual clients.
    - Number of endowment and foundation clients
  - d. How many endowment and foundation clients have you added over the past 12 months?
  - e. How many endowment and foundation clients have you lost over the past 12 months?
    - What drove the decision to leave?
7. Please list and describe the investment management services your firm offers.
8. What are your firm's key strengths, competitive advantages and weaknesses?
9. How does your firm define and measure success of your investment management relationships?

10. Please list the federal, state and other regulatory agencies with which your firm is licensed or registered and the type of license held that would be pertinent to this RFP.
11. Have any individuals from your firm even been disciplined or found guilty by any government regulator for unethical or improper conduct or been sued by a client who was not happy with the work performed by the firm?
12. Has your firm been found guilty of any federal or state security law of regulation and/or paid a fine to a state regulator, SEC, FINRA or other government agency for a violation of a security statute?
13. Is your firm bonded/insured? If so, to what amount?
14. Describe your firm's experience with providing services to foundation and endowments.
15. Please provide three client references, preferably clients similar to our organization in terms of size and needs.
16. Do you provide training and education for the Board and staff of the Foundation? If so, what type of activities do you offer (please provide specific examples).
17. In what other way(s) is your organization prepared to support the mission of the Foundation (please describe any additional services the Foundation could benefit from that are not included in the scope of the RFP)?

## **B. Service Team**

1. Describe the service model applicable for our account (staff, responsibilities, interactions with our account, frequency of in-person meetings, frequency of conference calls, team dynamics).

2. Primary contact for relationship:

Name:

Title:

City, State and Zip:

Phone:

Email:

- a. Overall experience with portfolio management.
- b. Education, honors, designations and other credentials.
- c. Regular activities to stay current on market and regulatory developments.
- d. Area of expertise.
- e. Years with the firm.
- f. Role at firm.
- g. Number of accounts managed.
- h. Average size of accounts managed.

3. Will the primary contact be the only person with whom we will be working?

If no, provide the following:

Contact Name:

Title:

City, State and Zip:

Phone:

Email:

- a. Overall experience with portfolio management.
- b. Education, honors, designations and other credentials.
- c. Regular activities to stay current on market and regulatory developments.
- d. Area of expertise.
- e. Years with the firm.
- f. Role at the firm.
- g. Number of accounts managed.
- h. Average size of accounts they manage.

## **C. Investment Services**

1. Describe your firm's investment philosophy.
2. Describe your firm's investment process.
3. Do you offer investment policy statement support? If so, to what extent?
4. What tools does your firm use to evaluate and monitor your investments?

5. Describe your investment research resources and capabilities.
  - a. Is your investment research proprietary or from a third party?
  - b. How are our investment benchmarks determined?
6. How often do you hold performance review meetings with clients? What reports do they receive?
7. What actions do you take when investments are not performing?
8. What is your termination process?
9. How do you manage risk? Beyond portfolio diversification (in accordance with our Investment Policy), what are some of the strategies or techniques you use to manage market risk?
10. What techniques or strategies do you use to achieve negative co-variance amount investments or asset classes?
11. What do you consider to be the unique challenges faced by endowment funds regarding risk management?
12. Did you or your firm manage endowment funds during 2008 and 2009? If so, how did your risk management techniques work in minimizing losses and/or minimizing the negative effects of liquidations needed during that period, and the several years thereafter? Based on your experience from that period, what, if anything, would you change or do differently with your Endowment portfolios given the current market and economic environment?
13. How would you meet our requirement to “maintain the principal in perpetuity” for the portion of our permanently restricted net assets?

#### **D. Fiduciary Status, Back Office and Compliance**

1. Do you intend to act as a fiduciary?
2. Describe any potential conflicts of interest that may arise if your firm is selected as the winning bidder.
3. Does your firm have a written policy for addressing conflicts of interest? (If yes, please attach.)
4. Do you trade with discretion?

5. Who is your custodian? What additional fees are associated with this service?
6. Do you route trades through a third party?
7. Will the HCC Foundation receive monthly statements? If so, please provide a sample statement.
8. What other relevant issues should we be aware of/focused on?

## **E. Fees**

1. How is your firm compensated for services?
2. What percentage of your firm's revenue is derived from?
  - a. Commission relationships?
  - b. Advisory relationships?
3. Does your firm receive any form of compensation or benefits from companies or individuals whose products or services you may refer or recommend?
4. Does your firm receive any soft dollar benefit for products, services or research used in the investment process?
5. Please describe all fees for services for our account under this proposal.
6. Are you willing to guarantee our fees for a specific period of time?
7. Does your firm provide a written agreement of a letter of engagement detailing services provided to our account?

## **F. Technology Security & Business Continuity**

1. Are there any specific technological applications needed to interface with your firm?
2. Please describe your firm's data security measures.
3. Please describe your firm's disaster recovery plan.

## **G. Sample Portfolio**

1. The Foundation requests that the proposer utilize the current IPS, to develop a sample investment portfolio for the Foundation. Proposers are requested to research and recommend investments that will prudently manage risk in accordance with investment objectives. The sample portfolio should include any currently recommended tactical allocation. Proposers selected for the interview stage should be prepared to discuss their recommendation with the Finance Committee including all associated fees and costs.

*I attest that the information contained in this proposal is true and accurate to the best of my knowledge.*

*Signature* \_\_\_\_\_

*Date* \_\_\_\_\_



**HOUSTON COMMUNITY COLLEGE  
FOUNDATION  
POLICIES AND PROCEDURES  
FINANCE AND INVESTMENTS**

**XVI. Investments**

**1.0 Policy**

The Board of the Foundation shall preserve and augment the value of the funds under its control, thereby sustaining its ability to generate support for both current and future generations of students. To that end, the Board adopts this investment policy to achieve the financial objectives expressed herein. The Board shall review its investment strategies annually and conduct a comprehensive review of this policy at least once every three years.

The Foundation shall invest all endowments, local, or other available funds to optimize return on investment to the extent possible, balanced with the appropriate level of risk.

The Board delegates to the Finance and Investment Committee authority to supervise Foundation investments and manage the Foundation's funds according to the policy and procedures set forth below.

**2.0 Purpose**

The Houston Community College Foundation (the "Foundation") has designed this Investment Policy Statement ("IPS") to establish written guidelines and to serve as a resource for the prudent management of the Foundation's investment portfolio (the "Portfolio"). The purpose of this IPS is to assist the Board in effectively supervising, monitoring and evaluating the investment of the Foundation's assets. The IPS is a working document and as such, will be amended as the Foundation's Board of Trustees or its Finance and Investment Committee deem necessary.

**3.0 Retention of Managers/Advisors**

Investment Objectives

In this Policy, the total investment portfolio will be structured and managed to achieve the following objectives in accordance with the Foundation's goals:

1. To maintain the purchasing power of current assets and all future contributions;
2. To maximize returns within reasonable and prudent levels of risk;
3. To maintain an appropriate asset allocation policy that is compatible with the spending policy, while still having the potential to produce positive real returns;
4. To control the costs of administering the Foundation and of managing the investments;

5. To maintain safety and preservation of principal.

The Finance and Investment Committee is responsible for allocating assets to segments of the market and to managers who will provide superior performance when compared with managers of other educational foundations and with capital markets generally.

The total investable funds of the Foundation may be separated into two categories, Endowment Funds and Operating Funds. Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized in fulfilling the Foundation's mission. Operating funds are restricted only to the purposes specified by the donors or the Board of Trustees. Due to the differences in time horizon, liquidity requirements, and risk tolerances of the two categories, it is appropriate to set different investment structures for each.

The total return of the Foundation's investment portfolio should be evaluated against the federal funds rate, as published by the Federal Reserve, plus two percent (2 %).

For the Operating Funds, the necessity of having the funds available to meet the short-term obligations of the Foundation dictates a very low-risk tolerance. The possibility of any loss should be minimized.

For the Endowment Funds, the longer-term nature of the investment of the principal allows for a higher level of risk to be undertaken. The Board recognizes the difficulty of achieving the investment objectives for these funds in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the long-term investment objectives. There is a greater ability to withstand short and intermediate term variability in this portfolio.

#### Performance Objectives

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy for achieving those objectives.

#### **4.0 Retention of Managers/Advisors**

The Foundation may retain one or more investment managers/advisors to provide, without limitation: investment management or advisory services; consultancy services; asset allocation; research and monitoring of sub-managers/sub-advisors; and investment performance monitoring.

The Finance and Investment Committee is responsible for recommending potential investment managers to the Board. Hiring of investment advisors and managers requires approval of the Board. The Finance and Investment Committee shall work with the designated advisors and managers to implement this policy and monitor investment performance on a regular basis.

Investment managers shall be required to promptly inform the Finance and Investment Committee in writing of any significant matters and/or changes pertaining to the investment of the Foundation portfolio. Investment managers shall provide monthly reports to the Finance and Investment Committee, detailing current holdings and cost and market value, additions and withdrawals, and purchases and sales for the month.

The Board will select appropriate investment managers to manage the Foundation assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
6. Have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.
7. Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Foundation and Endowment Funds with like aims in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.
8. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy and as modified in the future.
9. The Finance and Investment Committee shall annually review the investment manager's performance. The contracted party with the Foundation will be for a term of three years at which time it may be renewed or concluded. Any new selection of an investment manager will be initiated by the Finance and Investment Committee.

## **5.0 Ethical Standards**

All Foundation investment officials and managers having direct or indirect roles in the investment of Foundation assets shall avoid any transaction that might involve a conflict of interest, the appearance of a conflict of interest, or any activity that might otherwise discourage public confidence. Officers, employees, and managers involved in investment activities shall refrain from personal business activity that could conflict with proper execution of the investment program or that could impair the ability to make impartial investment decisions.

An investment officer who has a personal business relationship with the depository bank or any entity seeking to sell an investment to the Foundation shall file a statement disclosing that personal interest. Investment officials shall also disclose any material interests in financial institutions with which they conduct business and any personal financial or investment position that could be related to the performance of the investment portfolio.

## **6.0 Portfolio Target Asset Allocation**

The Board has adopted a long-term strategic asset allocation to satisfy the investment objectives. The strategic asset allocation takes into consideration the Foundation's specific risk profile, current and expected assets, investment return preferences, income and liquidity needs, and expected returns and volatility of various asset classes.

The total investable funds of the Foundation may be separated into two categories, Endowment Fund and Operating Funds. Endowment Fund assets are to be utilized in fulfilling the Foundation's mission while Operating Funds are restricted to the purposes specified by donors or the Board of Trustees.

COMPOSITE	POLICY BENCHMARK	POLICY NORMALS		
		TARGET	MIN	MAX
<b>CASH &amp; MONEY MARKET FUNDS</b>				
Cash and Money Market Funds	Citi 30-Day Treasury Bills	0.00%	0.00%	5.00%
<b>TOTAL CASH &amp; MONEY MARKET FUNDS</b>	<i>Target Weighted Average of Subcomponents</i>	<b>0.00%</b>	<b>0.00%</b>	<b>5.00%</b>
<b>DIVERSIFYING ASSETS</b>				
Sovereign / Government Debt	U.S. Ten Year Treasury Index	10.00%	10.00%	40.00%
Managed Futures / Momentum Following	Barclays US Managed Futures Industry BTOP 50 - Vol adjust?	0.00%	0.00%	15.00%
Emerging Markets Debt	JP Morgan EMBI + Index	4.00%	0.00%	10.00%
<b>TOTAL DIVERSIFYING ASSETS</b>	<i>Target Weighted Average of Subcomponents</i>	<b>14.00%</b>	<b>10.00%</b>	<b>65.00%</b>
<b>GROWTH ORIENTED ASSETS - EQUITIES</b>				
US Equity - Large Cap	S&P 500 or Russell 1000	25.00%	5.00%	30.00%
US Equity - Small - Mid Cap	Russell 2000	5.00%	0.00%	15.00%
International Developed Equity	MSCI EAFE Net USD Index (TR)	10.00%	0.00%	15.00%
Emerging Markets Equity	MSCI EM Net USD Index (TR)	4.00%	0.00%	10.00%
Private Equity	Russell 3000 Index (TR) + 300 bps	3.50%	0.00%	5.00%
<b>TOTAL GROWTH ORIENTED ASSETS - EQUITIES</b>	<i>Target Weighted Average of Subcomponents</i>	<b>47.50%</b>	<b>5.00%</b>	<b>75.00%</b>
<b>GROWTH ORIENTED ASSETS - CREDIT</b>				
Corporate Credit	Bloomberg Barclays US Credit TR Value Unhedged USD	10.00%	0.00%	20.00%
High Yield Credit	Bloomberg Barclays US Corporate HY TR Value Unhedged USD	5.00%	0.00%	10.00%
<b>TOTAL GROWTH ORIENTED ASSETS - CREDIT</b>	<i>Target Weighted Average of Subcomponents</i>	<b>15.00%</b>	<b>0.00%</b>	<b>30.00%</b>
<b>REAL ASSETS</b>				
Master Limited Partnerships	Alerian MLP Index (TR)	8.50%	0.00%	10.00%
REITS / Real Estate	FTSE NAREIT US Real Estate Index	3.00%	0.00%	10.00%
<b>TOTAL REAL ASSETS</b>	<i>Target Weighted Average of Subcomponents</i>	<b>11.50%</b>	<b>0.00%</b>	<b>20.00%</b>
<b>DYNAMIC STRATEGIES</b>				
Globally Diversified - Risk Parity	60% MSCI World / 40% Barclays Global AGG	12.00%	5.00%	20.00%
<b>TOTAL DYNAMIC STRATEGIES</b>	<i>Target Weighted Average of Subcomponents</i>	<b>12.00%</b>	<b>5.00%</b>	<b>20.00%</b>
<b>TOTAL PORTFOLIO</b>	<i>Target Weighted Average of Subcomponents</i>	<b>100.00%</b>		
<b>LIMITED PARTNERSHIP VEHICLES</b> (as approved by Board)	<i>Applicable Asset Class Benchmark from Above</i>	<b>75%*</b>		
<small>*Limited Partnership Vehicles may be comprised of Cash &amp; Money Market Funds, Diversifying Assets, Growth Oriented Assets - Equities, Growth Oriented Assets - Credit, Real Assets, and/or Dynamic Strategies asset classes, or some combination thereof. The Target and Percentage Limits for Limited Partnership Vehicles are not additive to the Total Portfolio percentage, but are inclusive of the Asset Classes as outlined above the "Total Portfolio" line.</small>				

Updated: 4/20/2017

The Finance and Investment Committee may set allocation targets within these ranges, and the actual allocation of assets will be adjusted through additions and withdrawals of funds among managers and investment media to conform to these targets insofar as practical.

## Asset Selection and Allocation

The portfolio may be invested in readily-marketable securities such as domestic or international common stocks, domestic bonds, and cash equivalents. Convertible and preferred securities shall be included with common stocks for purposes of asset allocation.

The Foundation's portfolio shall be diversified by asset class, and within asset classes, by economic sector, industry, and market capitalization. The Finance and Investment Committee shall periodically review overall asset allocation to ensure appropriate diversification is maintained.

The Foundation may invest in equities, including publicly traded stocks, rights, warrants, convertible securities, and American Depository Receipts. The purpose of investment in equities is to earn high real and total rates of return, to provide both long-term capital appreciation and growth in current income that exceed the rate of inflation.

The Foundation may invest in bonds, for the purpose of hedging against deflation or stock market downturn, and to enjoy a relatively high level of current income, a stable source of revenue, and diversification of Endowment assets.

The Foundation may invest in cash equivalents, i.e., fixed income securities having maturities of less than one year from the date of purchase. This category may include Treasury bills, repurchase agreements, certificates of deposit, demand notes, commercial paper, and bank pooled trust funds that invest in maturities of less than one year. The purpose of investments in cash equivalents is to provide adequate liquidity for investment reserves from time-to-time to serve as equity or bond substitutes for defensive purposes in adverse investment conditions.

### **7.0 Rebalancing**

Advisors shall rebalance periodically but not less than quarterly. The Foundation will review allocations on a quarterly basis.

### **8.0 Risk Tolerance**

The Portfolio shall be designed to produce consistent returns through market cycles. Allocations will be made to low volatility assets for income, growth assets for capital appreciation, and real assets for purchasing power protection.

#### Unauthorized Investments:

The following securities and transactions are not authorized unless prior Board approval has been received by the investment manager:

Letter stock, restricted stock, stock in non-public corporations, private placements, and other unregistered securities or any securities acquired upon conversion of the above.

Direct investment in options, futures contracts, commodities or other commodities contracts

Commodities or other commodity contracts.

Participation on a joint and several basis in any securities trading account.

Short sales (except short versus the box) or margin transactions.

Securities lending; pledging or hypothecating securities.

Investments in the equity securities of any company with a record of less than three years of continuous operation, including the operation of any predecessor.

Investment for the purpose of exercising control of management.

Any investment of Title V funds that would violate relevant Title V laws, regulations, or guidelines.

Investments or securities that generate UBTI

Derivatives

Direct investment in equity securities of any organization with a continuous operation record of less than 3 years, including that of its predecessor

Investments identified by the Foundation from time to time as Unauthorized.

Authorized Investments:

Domestic Equities:

Equity holdings in any one company should not exceed more than 10% of the market value of the Foundation's equity portfolio.

Not more than 25% of the market value of the equity portfolio should be invested in any one economic sector.

The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.

The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.

Domestic Fixed Income:

All fixed-income securities held in the portfolio shall have a Moody's Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB" or equivalent. U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality or equivalent, unless the manager has specific written authorization.

The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.

Holdings of individual issues shall be large enough for easy liquidation.

Cash/Cash Equivalents:

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.

Any idle cash not invested by the money manager shall be invested daily through an automatic sweep.

Use of Collective Investments or Mutual Funds

Permissible as to all Authorized Investments, and as to Non-Authorized Investments for which direct investment only is specifically prohibited.

Use of Limited Partnership Vehicles

Upon approval of the Board, permissible as to all Authorized Investments, and as to Non-Authorized Investments for which direct investment only is specifically prohibited.

**9.0 Diversification Requirements**

Single-issuer concentration limit for equity investments not to exceed 10% of Portfolio's total equity holdings;

Single-issuer concentration limit for debt securities holdings not to exceed 10% of Portfolio's total debt securities;



Single-issuer concentration limit for alternative investments not to exceed 10% of Portfolio's total alternative investments;

Single-issuer concentration limit for any combination of equity investments, debt securities, and alternative investments not to exceed 10% of total Portfolio;

No single-issuer concentration limit for investments in mutual funds, diversified asset funds, or other collective investment vehicles, provided no single issuer in the fund's underlying portfolio exceeds the applicable issuer concentration otherwise applicable in this IPS;

No single-issuer concentration limit for notes, bonds or other debt securities issued by the United States Treasury or an agency of the United States government.

## **10.0 Investment Quality Guidelines**

Debt Securities: Minimum rating of "BBB" or equivalent as rated by Moody's Investors Service, Inc., Standard & Poor's Corporation, and/or Fitch Investors Corporation for direct investments;

Cash and Cash Equivalents: Minimum rating of A-1, P-1, as rated by Standard & Poor's Corporation or Moody's Investors Service, Inc.

## **11.0 Portfolio Performance Measurement and Reporting**

Managers and Advisors will provide the Board with monthly reporting. This will include, Aggregate investment portfolio report including asset allocation and performance statistics; The Board shall review its investment strategies annually and conduct a comprehensive review of this policy at least once every three years; Investment Managers will be evaluated at least annually by the Board with reference to their returns against designated benchmarks.