

March 28, 2018
Request for Proposals
from Investment Managers

(Response Date: April 30, 2018)

I. General

The Rotary Foundation of Washington, D.C., a 501(c)(3) charitable organization (hereinafter, “the RFW”), which is affiliated with the Rotary Club of Washington, D.C. (hereinafter, “Washington Rotary”), is seeking proposals from qualified financial investment professionals to invest and manage its assets and regularly advise its officers and directors on account progress and financial planning strategies. Both the RFW and Washington Rotary are located and incorporated in the District of Columbia and are longstanding affiliates of Rotary International. As it is on the world stage, Washington Rotary is a service organization consisting of successful professionals and business executives of good will who come together regularly as a network of community leaders. The Policies and Procedures of the RFW require that the RFW request proposals for investment management at least every five years.

II. RFW Assets and the Breadth of Investments

As of February 15, 2018, the value of all RFW assets was \$7,523,880, divided among three separate funds: the Permanent Fund, the Jelleff Fund, and the Eccleston Fund, as follows:

- \$5,491,587 in the Permanent Fund, comprising 73.0% of the RFW’s assets;
- \$1,979,019 in the Jelleff Fund, comprising 26.3% of the RFW’s assets; and
- \$53,274 in the Eccleston Fund, comprising 0.7% of the RFW’s assets.

III. Annual Distribution and Expenses of the RFW

Distributions from the Permanent Fund are made annually to various charitable organizations in the Washington metropolitan area and overseas. Distributions are also made in support of other beneficial activities in the metropolitan area. Pursuant to a continuing resolution of RFW’s Board of Directors, the amount available for distribution in each RFW fiscal year (July 1 through June 30) is calculated in July of each year, at the beginning of RFW’s fiscal year, and is equal to 5% of the average of the Permanent Fund’s assets at the end (i.e., on June 30) of the three preceding fiscal years. In the current RFW fiscal year, the Permanent Fund is budgeted to distribute a total of \$242,250.

The Jelleff Fund is structured such that all of its annual distributions go to the Boys and Girls Clubs of Greater Washington. Similar to the Permanent Fund, distributions from the Jelleff Fund are made annually pursuant to a continuing resolution of RFW’s Board of Directors. The amount available for distribution in each RFW fiscal year is also calculated in July of each year and is equal to 4.5% of the average of the Jelleff Fund’s assets at the end of the three preceding fiscal years. This number is also calculated in July of each year, at the beginning of RFW’s fiscal year. In the current RFW fiscal year, the Jelleff Fund is budgeted to distribute \$86,100 to the Boys and Girls Clubs of Greater Washington.

The Eccleston Fund is restricted to buying the children’s dictionaries/reference books needed each year for Washington Rotary’s Dictionary Project. Both principal and earnings are used for this purpose. The amount spent is the total cost each year of the dictionaries needed. In this current RFW fiscal year, the Eccleston Fund is budgeted to spend a total of \$15,500

In addition to making the distributions described above, the RFW incurs some administrative fees (i.e., for investment management, office management, bookkeeping, insurance, the annual audit, etc.). This year's administrative expenses are budgeted at \$87,250, of which the biggest portion (\$56,000) is for the investment manager. Bank fees are taken directly from RFW's bank account and are not reflected in these administrative fees.

IV. RFW Investment Strategies

The RFW presently retains the services of one investment management firm which handles both the RFW's equities and the RFW's income.

V. RFW's Instructions/Guidelines on Investment Management

The investment management guidelines by which our investment management firm is now governed are spelled out in the attached "Funding and Investment Guidelines for Rotary Foundation of Washington, D.C." It is the desire of the RFW's Board of Directors that the investment manager provide a "hands-on" approach and follow policies that are prudent and based on sound investment practices. The Foundation's main objective is moderate growth to cover inflation and an annual distribution of 5% from earnings (rather than from principal). The investment manager should follow the investment guidelines and provide input and advice to the Board when a change in the guidelines would be deemed to be in the best interest of the RFW.

VI. Representations and Warranties

- A. Each respondent warrants that it will not delegate its fiduciary responsibilities.
- B. Each respondent warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents or examinations required by government or governmental authorities.
- C. Each respondent warrants that it meets all of the minimum qualifications applicable to the firm under Section VII.A of this RFP as follows (list each and describe specifically how your firm satisfies each requirement):
 1. Be a Registered Investment Advisor as defined in the Investment Company Act of 1940;
 2. Agree to act as a "fiduciary" with respect to the RFW;
 3. Have been in business for a minimum of ten years; if the firm has not been in business for at least ten years, the senior principals of the firm must have at least ten years of experience with institutional clients at an investment consulting firm;
 4. Have provided similar investment consulting services to other nonprofit or educational institutions of similar asset size to that of the RFW;
 5. Employ a professional team or department dedicated to investment manager research and analysis; and
 6. Have individuals assigned to the RFW with a minimum of five years' professional experience in the investment consulting field, and disclose all conflicts of interest, all sources of revenue, and all affiliations.
- D. Each respondent warrants that it has not paid and will not pay, has not given and will not give, any remuneration or thing of value directly or indirectly to the RFW or any of its board members, officers,

employees, or agents, or any third party except as disclosed to the RFW with its response to this RFP or otherwise, including, but not limited to, a finder's fee, a cash solicitation fee, or a fee for consulting, lobbying, or otherwise.

VII. Questionnaire

Responses to the following questions should repeat the question and be answered in order. Responses should be limited to no more than one half page, if possible. If a respondent has preprinted material that answers the question, that material may be submitted in lieu of an answer.

A. Product (e.g., All Equity; Equity derivatives; 40/60 Equity/Fixed Income; Growth; Value; etc.)

1. Provide the specific name and the inception date of the product under consideration.
2. Describe the investment objective of this product.
3. What benchmark is most appropriate for this product and why?

B. Firm

1. Provide a description of your firm's investment management organization, including history, ownership, and percentage of revenues derived from investment consulting and investment management for nonprofit organizations. If you are a large firm with branches in several cities, you may provide this information for your branch only.
2. List the names, experience, academic credentials, and background of the investment management personnel in your firm (or branch of your firm). Describe your firm's (or branch's) Succession Plan for a Portfolio Manager.
3. Provide your firm's (i.e., your clients') record of investment performance. If you are a large firm with branches in several cities, provide this information for your branch only. Indicate whether results are net or gross of all investment management fees.
4. Provide a description of your firm's/branch's key strengths, competitive advantages, and weaknesses.
5. Provide the Central Registration Depository number of your firm showing that you are registered with the SEC, and provide a copy of Form ADV (Part I and Part II).
6. Indicate whether your firm, its principals, or its affiliates has ever been (a) the focus of a non-routine SEC inquiry or investigation or a similar inquiry or investigation from a federal, state or self-regulatory organization, or (b) a party to any litigation concerning fiduciary responsibility or other investment-related matters. If the answer to either of the above is "yes," please provide details.
7. Describe the client turnover (gains and losses) of your firm over the past three years, with reasons for termination of relationships.
8. Provide contact information for three current clients for which similar investment management services are being performed, preferably with nonprofits similar in size to the RFW.
9. Confirm that your firm (or branch) will accept fiduciary responsibility relative to the services listed in this RFP.
10. Describe your firm's knowledge of and experience in specific asset class(es) or strategies, including equity, fixed-income, private-equity, real-estate, and alternative investments.
11. State how much money your firm (or branch) manages.
12. Include your auditing certificate for the year and the name(s) of your firm's (or branch's) accountant(s).
13. Provide a listing of applicable insurance coverage maintained with relevant coverage limits.

14. Discuss your firm's investment philosophy, strategy, and screening processes and how you decide to buy or sell a security.
15. Describe your portfolio construction methodology and how you would compare the RFW's current portfolio to an indexed portfolio.
16. Describe your firm's online portal and reporting capabilities.
17. Describe how your firm controls portfolio investment risk.
18. Describe how your firm currently measures/tracks risk for this product (e.g., standard deviation, beta, other).
19. If your firm stress tests your portfolios, describe how it does so.

C. Services

1. List all of your firm's standard services provided in a typical investment management relationship, including the firm's investment management philosophy and the approach that would be utilized for fulfilling this RFP.
2. Describe your firm's method for recommending modifications and monitoring the investment policy and strategy.
3. Describe your firm's asset/liability modeling capability and portfolio structure analysis.
4. Describe your firm's method for recommending modifications and monitoring the investment policy and strategy and how this would be communicated to the client.
5. Describe the types of qualitative and quantitative factors you use in evaluating a portfolio manager.
6. Describe the firm's process for evaluating a client's investment performance and how this is communicated to the client.
7. For your existing clients, provide samples of investment performance reports, stocks and bonds separately: stocks against the S&P 500 Stock Index and bonds against Bloomberg Barclays US Aggregate Bond Index. The performance should be shown both before and after the fees and how it adheres to AIMR Standards for performance. At a minimum, reports of your investment portfolios for the following periods should be included: (a) since inception, (b) for the last ten years, (c) for the last five years, (d) for calendar year 2017, and (e) for the first quarter of calendar year 2018.
8. Please fill out the following tables for a representative account similar to the RFW's portfolio.

Strategy

Current average number of holdings for a representative account similar to the RFW's portfolio	
Turnover range for this position	
Realized long term and short term gains mix over last 3 years (If applicable, please provide a note)	
Current cash average position	
Historical range in cash for this position	

Representative Account Fundamental Characteristics

Current dividend yield	
P/E (trailing 12 months)	
P/E (forward 12 months)	
P/B	
5-Yr ROE	
Average weighted market capitalization	
Earnings growth (past 5 years)	

Earnings growth (next 3 years)	
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Please fill out the following **Allocation Table** depending on the practice or preference of your firm: S&P/MSCI Global Industry Classification Standard, Excluding Cash (Invested Portfolio Only)

Industry	% of Portfolio
Consumer discretionary	
Consumer staples	
Energy	
Financials	
Health care	
Industrials	
Information Technology	
Materials	
Telecommunications	
Utilities	
Others	
TOTAL	100%

Show the distribution of your portfolios managed in this investment approach according to the following capitalization ranges (in U.S. dollars) for the last five years.

Range	% of Portfolio by Year				
	2017	2016	2015	2014	2013
\$0 to \$250 Million					
\$250 Million to \$500 Million					
\$500 Million to \$1 Billion					
\$1 Billion to \$5 Billion					
\$5 Billion to \$10 Billion					
\$ 10 Billion +					
	100%	100%	100%	100%	100%

Attach a chart detailing your firm's performance for this product for at least the past 5 years (or the life of your firm), including as much detail as possible beyond merely performance data, OR fill out the following table.

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Dispersion (%)	Total Composite Assets	Total Firm Assets
2017							
2016							
2015							
2014							
2013							
Total							

If your firm uses a custom benchmark, please describe the benchmark and the process and rationale behind the creation of this benchmark.

Provide information regarding policies for calculating and reporting returns.

When presenting net of fees returns, disclose exactly what other fees are deducted in addition to the investment.

Include a measure of the dispersion used for each composite, including the reason why that measure of dispersion was chosen.

Disclose your firm's treatment of withholding tax on dividends, interest income, and capital gains.

VIII. Hypothetical Portfolio

Include in your proposal a hypothetical portfolio based on the current portfolio, with recommendations for asset allocations and investment products. Describe how the hypothetical portfolio would perform in an up market and in a down market. Include in detail how your firm would propose to use this hypothetical portfolio to meet the objectives as stated in Section V. The respondent should include recommendations regarding long-term objectives and risk, diversification, and illiquidity controls.

IX. Fees and Reporting Requirements

State all services you propose to provide with their associated fees and terms. Discuss the frequency in which such fees will be evaluated and the maximum amount of any increase to be expected. Also include the billing frequency. Services must include submission of periodic (monthly, quarterly, and annual) written reports of the performance of all portfolio funds, presented in a clear, easily understood format acceptable to the RFW Board. Provide samples of these reports. Principals must be available to meet with the RFW Board of Directors at its bi-monthly reviews (normally in July, September, November, February, April and June of each RFW fiscal year) to discuss recent portfolio performance and at such other times as deemed necessary by RFW's Board of Directors or its Investment Committee.

X. Reserved Rights of the RFW

The RFW Foundation has the right to:

1. Reject any or all proposals.
2. Cancel the entire RFP process.
3. Remedy the technical errors in the RFP.
4. Negotiate with any, all, or none of the respondents to the RFP.
5. Solicit the best and final offers from all or some of the prospective firms.
6. Contract with any respondent based solely on the qualifications and capabilities of the firm and its investment advisors/consultants.
7. Solicit follow-up information as deemed necessary.

XI. Other Considerations

The RFW will not be responsible for any costs incurred by any firm responding to the RFP.

XI. Deadline for Receipt of Proposals Is April 30, 2018.

Four copies of the proposal must be received by the deadline, directed to:

David Klaus, Secretary and Chair of the Search Committee,
Rotary Foundation of Washington, D.C.
3030 Klinge Road, N.W.
Washington, D.C. 20008-3347

Also email your document to OIonici@gmail.com.

Prior to the deadline, questions regarding this RFP can David Klaus at 202-265-2085, DavidAKlaus@aol.com,
or to Octavian Ionici, RFW Treasurer, at 202-250-9832, OIonici@gmail.com.