

Investment Consulting RFP Questions

1. Are the assets in the endowment made up of mutual funds, individual securities (stocks, bonds, etc.) or a mix of both?

The endowment pool is made up as follows: 1% individual securities, 2% fund of hedge funds, 5% cash & cash equivalents and 92% mutual funds.

2. Are you requesting information about our firm prior to our proposal submission or as a part of our proposal submission?

All information about your firm should be included as part of your proposal submission. Any information about a firm's received separate from the proposal will not be taken into consideration when the proposals are judged.

3. The last sentence of the first paragraph of page 11 should read as follows:

All responses to the RFP must be received no later than noon (Eastern Standard Time), January 11, 2010 addressed as follows:

4. Could you provide the audited financial statement for the year ending June 30, 2009?

The audited financial statements can be located at www.longwood.edu/foundation.

5. Could you provide the Form 990 for the year ending June 30, 2009?

The Form 990 is currently on extension. When it is completed it will be posted to our website.

6. Could you provide the consolidated investment portfolio performance reports for the years ending June 30, 2009, June 30, 2008, June 30, 2007, June 30, 2007 and June 30, 2005?

Such a report does not currently exist and due to time constraints cannot be provided for this RFP.

7. Could you provide a report detailing your current (and specific) investment holdings and allocation percentage?

Refer to our IPS for allocation percentages. We maintain our holdings to within 5 percentage points of this allocation. We do not have a report that details the specific holdings.

8. Define the following terms - Funds functioning as endowment, total assets, endowed assets, "true" endowment funds and "quasi" endowment funds and how they are related to unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Since we are looking for consultants who are experienced in working with endowments for higher educational institutions or their affiliated foundations we will not provide these definitions. We believe that a firm with the appropriate experience will already be aware of how these definitional terms will work in this field.

9. Is Longwood currently utilizing a discretionary relationship with one advisor/consultant providing all services and investment management under one contract?

Yes

10. Would the Longwood University Foundation be inclined to consider separate mandates for the traditional consulting and alternative investments?

Yes, this is the purpose of case scenario five.

11. The current spending policy calls for a rate based on 4% of assets averaged over a three year rolling period. The financials show positive contributions annually. Is the aforementioned expected to continue? Are any capital campaigns planned for the future?

The current spending policy calls for a 4% rate over a 12 quarter rolling average. This provides a slightly different computation than using a 3 year rolling average.

Currently this is expected to continue. However, based on recommendations from the investment consulting firm and research provided by the CFO to the directors this could change in the future. We are currently in the silent phase of the \$65 million comprehensive campaign which could also affect future decisions.

12. 2008 financials reflect that traditional equity and fixed income are in line with the targets but REITS are at the low end with alternatives and cash at the high end. What drives this decision? Is the asset allocation a dynamic process, and how/who makes that decision?

The current allocation mix is being driven by the market conditions. Based on recommendation to the Board of Directors REITS were considered overvalued and therefore, the allocation was underweighted. On the same token due to the market volatility no new monies were invested in the existing funds causing an overweighting to occur in the cash allocation. This decision was based on two factors, 1) a reduction in earnings expected during the fiscal year and 2) a reduction in contributions expected during the fiscal year. The overweighting of cash would prevent any cash flow problems to occur during the fiscal year. The alternative allocation (hedge fund) is currently being liquidated at the recommendation of Russell Investments with the proceeds being placed in the fixed income allocation. A decision has not been made by the Directors on how we will handle the alternative allocation at this time.

13. Education of the investment committee and board of trustees (directors) is a very important component of the decision making process and critical when using discretionary advisory agreements. Are the directors open to semi-annual educational conferences? Would it be practical for the directors to participate in a web based online educational program?

We agree that education of the investment committee and/or the board of directors is a very important component. We have in the past sent 2-3 members of the investment committee to an investment summit. However, in the current economic conditions we have had to forego this practice. A web based online educational program would be a more practical way to supplement the board's educational needs.

14. Does the Longwood University Foundation utilize a master custodian relationship separate from the advisors?

Currently State Street Bank is the master custodian.

15. Are the real estate investments in the fund strictly publicly traded securities or are there private real estate holdings as well?

They are all publicly traded securities.

16. Are gifts in kind taken directly into the fund?

Gifts in kind of securities are generally sold and subsequently used to purchase additional shares of mutual funds based on our asset allocation.

17. We are strictly an independent investment consulting firm and we do not manage any assets. We work with our clients to identify appropriate managers and help them execute their investment programs, but we work with outside investment managers who manage the assets. Is the Foundation interested in considering this type of arrangement?

The Directors are looking at all possibilities of getting the best return and meeting our fiduciary duties for the funds entrusted to us.

18. Would it be possible to get a listing of the current investments and the assets invested in each investment by the Foundation? This would be helpful in order to provide a fee proposal.

This information is not currently available.

19. In Section IV, Scenario Four – you describe three separate investment pools- Long-term, intermediate term, and short-term. Since the IPS provided does not include these definitions, can you provide the documentation that describes these three pools in more detail?

Currently this breaks down as follows:

- a. Short-term pool includes the funds necessary to meet our needs over the next year.
- b. Intermediate-term pool includes the operating funds necessary to meet our needs but the funds will not be needed for over a year (usually 1 – 3 years but could also be for a particular capital project that may take a longer period).

- c. Long-term pool includes the endowed funds which are kept in perpetuity, quasi-endowed funds and excess reserve funds not required in the immediate future (over 3 years).

20. Case Studies, Scenario One on page 6, please elaborate on what you would like our firm to describe or tell you?

In a case where a new allocation is being suggested and the Directors are having a hard time reaching a conclusion (pro or con) what methodology would you use to aid the Directors toward a conclusion? How would you aid them in understanding the subject matter? How would you use continuing education to assist in the endeavor?

21. Section 3, Question L – Please clarify the issue you are trying to resolve when using the term “minimum entry.”

Does your firm have a particular philosophy, based on an institution of our size, (using a suggested allocation percentage and also taking into consideration that some investment firms/managers require a minimum dollar amount to invest in their fund) for adding non-traditional investment assets such as those suggested. At what point should this be considered? We also try to use the same allocation model for our non-pooled endowments. How would this affect the smaller non-endowed funds (the smallest non-pooled endowed fund has about \$350K)?

22. Section 4, Case Study scenario 5-For the second point in this question; are we to assume that the non-alternative investment assets would be managed under the current structure, where individual manager selection is an investment committee decision?

Before I answer the question at hand, I would like to edit the three approaches:

1. Retain our current investment structure by placing the entire asset management function of the endowment in one firm to include the selection and implementation of traditional and alternative investment decisions.
2. Placing the management function of alternative investments only in one firm to include the selection, implementation and investment decision process.
3. Changing to an investment advisory structure to include traditional and alternative investments with individual manager selection remaining an investment committee decision.

Our current structure has the pooled investment assets with one firm and that firm is responsible for manager selection and implementation including the alternative investment allocation. In structure one the individual manager selection will be the responsibility of the firm instead of the finance committee. The thinking in the second structure was to add an additional manager in addition to and separate from the manager in structure one.

23. Please clarify whether the tri-annual meetings with the Finance Committee are held on the same date as full Board meetings or are these meetings held on separate dates?

Generally the committee meetings are held the day prior to the Full Board meeting.

24. What is your overall objective in considering this move?

Due diligence

25. Pursuant to your consolidated financial statement you state the “endowment consists of approximately 300 individual funds established for a variety of purposes.” Are these managed as a single pool of investments, with a unitized fund accounting process, and managed by the single fund IPS? If yes, can you provide more details on the package you use to support the unitized accounting and individual fund tracking process?

Yes, we currently use Sage MIP Fund Accounting software which includes an allocation module that is used to unitize the earnings between all the funds using a weighted average daily balance formula.