

**Request for Proposal (RFP)**

**RFP #04102023**

**Investment Advisory Services**

**Q&A ADDENDUM #1**

1. There are a few questions related to investment consulting and selection of external investment managers (if applicable).  Are you looking for a firm that provides investment consulting services in addition to investment management services?

**Although the University’s portfolio is currently essentially an SMA, the University does desire a collaborative, consultative relationship with its investment manager. The University expects to engage in regular conversation with the firm selected to discuss strategies, timing of future cash flows, possible enhancements/edits to its operating funds investment policy, industry trends, etc. We also expect to be able to discuss the University’s working capital strategy given that these portfolios are a large portion of that strategy. These are primarily the types of “investment consulting” services to which we refer.**

1. If we only provide investment management services, will we be eligible to participate in the search?

**Please feel free to clearly identify which services your firm does (and doesn’t) provide in your response in order to help the committee understand the full scope of your response.**

1. Is the intent to select one manager for all three pools?

**Yes, the intent is to select one manager for all three pools.**

1. Would it be possible to obtain historical balances of cash for Tier 1 pool? We would like to see if there is any seasonality to the balances given the tuition payment flows over the course of the year.

**There is seasonality to UAF’s cash balances. During the last fiscal year, cash balances ranged from a low of $50 million to a high of $120 million. We expect cash balances going forward to be slightly lower. The peaks are as they are for many other institutions of higher education… beginning of each semester and the end of fiscal year. Low periods are end of semesters and just after debt service in fall and spring.**

1. Would the manager of the three pools receive the directions on how much money to allocate across three pools (i.e. if there is seasonality in cash flows in Tier 1 pool, will the money need to be reallocated from time to time from Tier 2 and Tier 3 to replenish Tier 1 pool). Per guidelines, the allocations to individual tiers may be changed periodically in response to market conditions or anticipated liquidity needs.

**Decisions regarding allocation across the three tiers will be made jointly by UAF and the selected manager. UAF does not add/draw down funds frequently. We usually send funds to be invested when we have large excess balances (>$15 million) and we draw down only for (typically) short-term liquidity needs. Sometimes these needs can be met by cash existing in the portfolio or drawing down funds right after individual securities mature. When we have excess balances to invest, we will discuss with the selected manager the best option(s) for investing based on anticipated cash flow needs of UAF.**

1. Is US-denominated debt of foreign GSEs (Government Sponsored Enterprise) permitted?

**Please refer to the University’s Operating Funds Investment Policy for permitted investments.**

1. Are Agency MBS TBAs (To Be Announced MBS) permitted?

**Please refer to the University’s Operating Funds Investment Policy for permitted investments.**

1. Is the funding going to be in-kind assets or cash?

**If a new manager is selected, funding will be in-kind assets. We do not expect to liquidate and move cash. If UAF retains its existing custodian, assets will not need to be moved. We will simply assign a new manager/advisor.**

1. Is there a gain/loss budget per year or quarter?

**The University does have an overall investment income budget for the year, however, there is no specific “gain/loss budget”.**

1. Are you open to negotiating any of the benchmarks? The stated asset allocation for Tier 3 shows a deviation from the Bank of America Merrill Lynch 1-20 Year Treasury Index, more in line with an Intermediate Government/Credit Index.

**Please note there is one minor update to the benchmarks that is forthcoming, and we should be able to advise on that later this week. We are open to discussing benchmarks, however that requires a policy change and therefore review by the investments committee.**

1. The current Tier 3 portfolio appears closest to an Intermediate Government/Credit Index, based on the duration limit and asset allocation of the current portfolio. Is the expectation for the proposed portfolio to be similar?

**We expect to work closely with the selected manager to determine the ongoing structure of all tiers of the portfolio and any recommended changes or strategy adjustments.**

1. Does the investment manager have discretion over which securities can be bought or sold, or will members of the University’s Investment Advisory Committee or its staff need to approve each trade?

**The selected manager does have discretion over which securities can be bought or sold as long as the individual securities comply with University policy both separately and as part of the larger portfolio.**

1. For each of the tiers, are they actively managed or are they buy and hold? And, if actively managed, is there a realized loss budget over a certain period of time?

**Currently, the tiers are actively managed… to an extent. Within Tier 1, we tend to buy and hold given the limited time to maturity. The other tiers are more actively managed to take advantage of opportunities to gain additional yield, de-risk, etc. The University has an overall investment income budget on an annual basis, however there is no gain/loss budget for any specific time period.**

1. What are the projected average monthly, quarterly and/or yearly flows, in and out of each tier?

**During FY2022, UAF invested approximately $125 million and drew down approximately $42 million. The majority was in Tier 1 with a portion in Tier 2.**

1. Would the University be receptive to custody recommendations from the manager or does the University already have a custodian in place, and if so, can the University disclose the custodian?

**The University may be receptive to recommendations from the selected manager regarding institutional custody services. Please note that an RFP for institutional custody services will be released as soon as an intent to award is announced for this RFP. As such, we will not disclose the name of the current custodian.**

1. Is the University receptive to suggestions regarding investment policy changes and would it be appropriate to include them in the response to the RFP?

**The University expects to work closely with the selected manager in all aspects of University investment management, including policy discussions. You may feel free to include any recommendations in the RFP. Please note that any policy changes must be reviewed/approved by the investments committee and general counsel of the University.**

1. Can the pricing proposal be submitted as a basis point fee per assets under management or does the University want a hard dollar fee proposal as implied by the table on page 21 of the RFP?

**Respondents may submit pricing in whatever way they choose. Currently, the University pays based on assets under management rather than hard dollar fees. We apologize for any confusion regarding the pricing table.**

1. The Investment Policy states that “Any firm engaged by the university to provide investment services shall: Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the state of Arkansas.” Does this list need to be approved by the University or does the investment advisory firm have discretion?

**The investment advisory firm has discretion over this list. The University wants assurances that the selected firm is actively and consistently reviewing its lists of creditworthy issuers and broker/dealers.**

1. Can the University disclose the current investment management fees for the operating funds?

**The University will not disclose the current investment management fees for the operating funds.**

1. How long has University of Arkansas been with your current advisor?

**Seven years.**

1. Are you currently experiencing issues with that provider?  If so, what are they?

**The University is bidding for these services because the current contract is ending.**

1. Does you current advisor also custody the assets?

**No.**

1. If so, who is the custodian?

**The University plans to release an RFP for institutional custody services as soon as we publish an intent to award for this RFP. As such, we will not provide the name of the current custodian.**

1. What is the portfolio size break down in assets of the three tiered portfolios?

**Tier 1 is approximately 13% of assets under management, Tier 2 is approximately 58% of assets under management, and Tier 3 is approximately 29% of assets under management. Current total assets under management are approximately $430 million.**

1. What amount of the assets are in cash?

**The figures above represent amounts under management and will include minimal cash balances (funds from recent maturities, funds recently deposited, etc.) The amounts/percentages above do not include any cash held in depository institutions.**

1. Are the Operating pools managed internally by the University or is an external provider being utilized?

**The operating pools are being managed by an external provider.**

1. If the cost of managing the Operating pools is available, can that be shared?

**This information will not be provided at this time.**

1. Is there a preference towards continued use of individual securities for the Operating pools ? (Taking into consideration other Authorized Investments, Mutual Funds, ETF’s as listed in the Investment Policy.)

**The current preference is for continued use of individual securities. However, the University will work closely with the selected provider regarding strategies moving forward, including any selection of mutual funds, etc.**