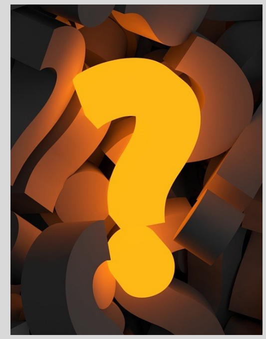
ALPHA CAPITAL'S TOP RFP QUESTIONS

5 OF OUR FAVORITE RFP QUESTIONS - AND WHY TO PUT THEM IN YOUR RFP

For most organizations, an RFP is an occasional (and painful) process. There isn't much value derived from previous RFPs since the intervals are too far apart. Offering this as a service, we have an opportunity to constantly improve and evolve our search process, including the questions in the RFP themselves. It allows us to pinpoint what works and what doesn't. With that in mind, here are five of our favorites.



1 WHAT PERCENTAGE OF FIRM REVENUE COMES FROM INSTITUTIONAL CONSULTING ACTIVITY? IDENTIFY OTHER SOURCES (AND %) OF REVENUE.

Rationale: The lines have been blurred between investment managers, consultants, and outsourced chief investment officer (OCIO) providers – especially over the past few years. Although we typically include many questions in an RFP designed to identify potential conflicts of interest, this question gives us a birds-eye view of the firm's revenue. We use it as a way to gauge the firm's commitment to providing traditional consulting services versus OCIO services and/or investment management services. It also alerts us of existing business lines that we may not have captured in other questions and allows us to clarify this in conversations with the respondent.

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ALPHA CAPITAL'S FAVORITE RFP QUESTIONS

2 WHAT IS THE AVERAGE CLIENT TO CONSULTANT RATIO AT THE FIRM, AND HOW IS IT CALCULATED?

Rationale: It was an investment consultant who clued us into the various ways this question can be answered. Some firms simply compare the number of clients to the number of investment professionals to calculate the ratio (thus including dedicated research professionals and support staff along with client-facing consulting professionals). Others only include consulting team members. One firm differentiated between lead (counted as 1 client) vs. co-lead (counted as 0.5 clients) relationships. In order to compare firms on this metric, it is important to get consistent responses and to understand how this metric is being calculated. We ask several questions about the client to consultant ratio, but this is the primary one we use for comparison.

3 PROVIDE COMMENTS ON THE IPS AS WELL AS ANY ALTERNATIVES OR OTHER APPROACHES.

Rationale: What better way to evaluate a new advisor than to ask for advice in the RFP? When a new consultant is brought on board, the first step is often a review (and possibly, an overhaul) of the organization's existing investment policy statement (IPS). Most of the time, these changes are cosmetic – for instance, a particular consultant may prefer wider bands around target allocations. But we have seen a few cases where prospective consultants identified potentially serious issues in a client's IPS, including internal inconsistencies. Even if the organization stays with the incumbent, this question gives the organization comfort in the integrity of their IPS and documents a thorough review process with input from some of the best minds in the business.

4 HOW DO YOU ENSURE BEST IDEAS ARE SHARED BETWEEN RESEARCH AND CONSULTING TEAMS?

Rationale: The bigger the firm, the more likely it is that there are consultants and researchers spread across different departments and different geographic locations. The best research capabilities in the world won't do a client any good if the consulting team isn't receiving, processing, and funneling this information to the client. Ensuring that there are strong processes and procedures in place to keep these lines of communication open is a way of ensuring the client benefits from the full capabilities of the firm.

5 HOW DO YOU MEASURE YOUR SUCCESS AS A CONSULTANT? PROVIDE DATA AS SUPPORT.

Rationale: Much as our firm is constantly evolving and improving our RFP questions, consulting firms are evolving and improving their responses. They have carefully crafted qualitative answers to show off their skill set to the best of their ability. This question is a way for the client to quantify each firm based on the results of their advice (not an easy thing to do with consultants!). It also provides insight into what the consultants themselves think is important, which can be very helpful in setting criteria.

BONUS: A QUESTION THAT DIDN'T WORK

6 WHAT IS THE AVERAGE CLIENT TO SENIOR CONSULTANT RATIO FOR RELATIONSHIPS IN THE FOLLOWING SIZE RANGES?

Less than $100M, $100 to $500M, $500M to $1B, Greater than $1B

Rationale: Where questions are open to interpretation and gamification (such as the client to consultant ratio), we request different data points and ask for the information in different ways. This allows us to cross-reference the responses and ensure that the answers are consistent. We used this question (unsuccessfully) in a recent RFP.

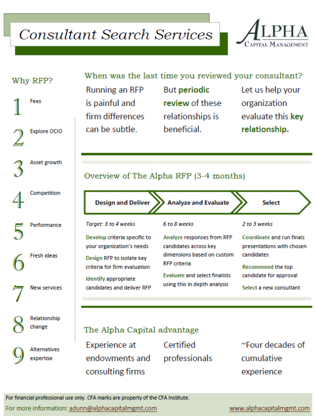
We expected to see a higher client-to-consultant ratio on smaller clients (with AUM representing a crude measure of complexity) and a lower ratio on larger clients. Overall, the measure should be in line with the high-level client-to-consultant ratio.

The result?

40% of the firms we asked didn't track this data and most of the rest didn't provide consistent information in line with expectations. One firm, for example, came back with 1:1 in every category, which we believe signified one senior consultant assigned to each relationship (i.e. the consultant to client ratio, rather than vice versa).

Rather than try to reengineer this question, we simply removed it and rely on other measures to place the client to consultant ratio in context.

ADDITIONAL RESOURCES ON OUR CONSULTANT SEARCH SERVICE


Consultant Search Services


OUTSOURCED CIO: NOT A SILVER BULLET


CONSULTANT SEARCHES SKYROCKET IN 2017

ABOUT ALPHA CAPITAL MANAGEMENT

Our firm was founded in 2006 by Brad Alford. We are located in Atlanta, GA. After spending nearly two decades at large investment firms, Brad wanted the freedom and flexibility to provide customized services to his clients. An independently owned advisory firm with an eleven-year history, Alpha Capital seeks to provide unbiased advice to our partners with our investment-oriented services and solutions.

CONSULTANT SEARCH SERVICES

Consultant Search Services (CSS) grew out of a client's need for independent advice and assistance in running the investment consultant search process for their $100M institutional portfolio. Our principals have experience on both sides of the table, having served as consultants and institutional investors, and we are able to drive a better result for our clients while simplifying the search (RFP) process.