

How to RFP the RFP Provider: Consultant and OCIO Search Firms

WHY HIRE A SEARCH FIRM

Are you thinking of engaging a search firm to help you run a consultant search or OCIO search? You're not alone. More than one-third (34%) of institutions and plan sponsors polled in a recent industry survey by Cerulli used a search firm, and this number continues to grow.

Although practically unheard of five years ago, the outsourced CIO ("OCIO") model, in which a committee hires an investment manager to oversee the portfolio rather than soliciting advice from an investment consultant, has exploded onto the institutional landscape and has garnered significant interest from a wide range of institutions. The investment world has gotten increasingly complex, and more and more boards, committees, and organizations are unsure of their ability to truly fulfill their fiduciary obligation to the assets they oversee (at a time when fiduciary lawsuits are on the rise). OCIO models offer a solution for organizations struggling with a lack of internal resources, a desire to improve governance process, and the need to improve risk-adjusted returns. The traditional investment consulting model has evolved to fill these needs, but at the same time, it has complicated the investment advice landscape.

This added complexity has led to a new niche service provider: the consultant or OCIO search firm. These are sometimes referred to as "OCIO Search Consultants," but we believe this terminology is confusing as consultants historically provide investment advice while OCIO search firms provide very targeted services to enable organizations to vet investment advice and implementation providers. We like to say, "don't call us a consultant!" OCIO search firms exist to guide organizations through the search process, everything from designing the RFP and developing search criteria to identifying candidates and analyzing the responses. They manage the entire project from start to finish, greatly simplifying this important fiduciary process for institutions.



AUTHOR

BRAD ALFORD, CFA

Founded Alpha Capital in 2006. Over 28 years of investment experience. Former Managing Director of the Duke Endowment and Director of Endowment Investments for Emory.

ABOUT THE FIRM

ALPHA CAPITAL MANAGEMENT

Leading provider of OCIO and investment consultant searches for institutions. Co-creators of the AlphaNasdaq OCIO Indices. Mission to improve the outcome for investors.

CONTACT

ballford@alphacapitalmgmt.com
www.alphacapitalmgmt.com

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TEN QUESTIONS TO ASK SEARCH PROVIDERS

It may seem silly to go through an RFP process to hire a firm to run your RFP process, but as a leading search firm, we often receive “mini-RFPs” with a handful of questions designed to compare us against our competitors. As RFP architects, it makes sense to us from a due diligence perspective. We encourage firms to consider this exercise, and to help, we compiled 10 sample questions that organizations can use to learn more about search firms.

1. Briefly describe your firm’s history and ownership structure.
2. Describe your core business focus.
3. What are the primary client types for which your firm provides consultant search services?
4. How many searches have you performed in the past 2 years and for what type of asset pools? Provide 3 references from recent searches.
5. Do you have any compensation agreements with any investment consultants, OCIOs, or money management firms that you include in searches? Are any such firms clients of your firm in any capacity?
6. Do you provide investment consulting or OCIO services to institutions?
7. Provide an overview of how you propose to lead our organization through the process, including identification of potential candidates, development of the RFP, and the review and evaluation of responses. Include a timeline.
8. Provide brief biographies of key professionals that would be responsible for working with our organization.
9. Describe your client service philosophy.
10. What are your competitive advantages? What are your limitations?

What do we believe are the keys to a high quality search firm?

1. Lack of conflicts of interest
2. Independent — no OCIO or consulting services offered
3. Investment experience
4. Deep understanding of the industry
5. Owned by key professionals

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.