Request for Proposal (RFP) - Investment Advisory Services

THE WIKIMEDIA FOUNDATION

Wikipedia is the world's largest and most popular encyclopedia. It is online, free to use for any purpose, and free of advertising. Wikipedia contains more than 30 million volunteer-authored articles in over 287 languages, and is visited by more than 490 million people every month, making it one of the most popular sites in the world.

It is a collaborative creation that has been added to and edited by millions of people during the past twelve years: anyone can edit it, at any time. It has become the largest collection of shared knowledge in human history. The people who support it are united by their love of learning, their intellectual curiosity, and their awareness that we know much more together than any of us does alone.

The Wikimedia Foundation is the non-profit organization that operates Wikipedia and other free knowledge projects. Together these sites are the fifth most visited web property in the world. The Wikimedia Foundation is a 501(c)(3) tax-exempt non-profit organization with offices in San Francisco, California.

The Wikimedia Foundation has $20 million in funds that are currently invested in a short term reserve fund, being managed by two different firms in a variety of fixed income instruments. The Wikimedia Foundation is planning to add a $6 million long term reserve fund.

The investment policy of the Wikimedia Foundation is included with this RFP.
FIRM PROFILE

1. Please provide a summary of your firm. Include the location of your firm's offices, the year formed, number of employees, and ownership structure. Provide the contact information for the primary RFP contact's name, phone number and email address.
2. Provide a synopsis description, by client type, of the assets and number of clients that are under your advisement.
3. How many clients has the firm lost or gained in the past two years. Provide reasons for losses.
4. Describe your firm's core mission, vision and values.
5. Provide biographies of the individuals in your firm who will be responsible for providing services. Include information on their current responsibilities, experience, education, professional designations, and number of years with the firm. Detail their roles and the scope of their involvement with this assignment.
6. Identify your firm's compensation arrangement for staff who will be assigned to this account. Describe any circumstances under which your firm or any consultant in your firm receives compensation or finder's fees from investment managers.
7. Provide copies of your conflict of interest and code of conduct policies.
8. Please describe the financial condition of your firm, parent, or affiliate. Within the past two years, have there been any changes in ownership or restructuring?
   a. If anticipated, describe any future, significant changes in your firm.
9. Is your firm a registered investment advisor under the Investment Advisors Act of 1940? (If so, please provide latest Form ADV). Can your firm provide fiduciary services to its clients?
10. Within the past five years, has your organization or an officer or principal been involved with any business litigation or other legal proceedings relating to your consulting activities? Please provide details with respect to the current status or disposition?

INVESTMENT ADVISORY SERVICES

1. Please provide your firm's investment philosophy.
2. Describe the process you will use to help the Chief of Finance and Administration achieve the following:
   a. Appropriate policy statements and objectives
   b. Asset allocation
   c. Disciplined rebalancing
   d. Tactical asset allocation changes.
3. Explain your philosophy toward utilizing index funds / ETFs.
4. What is your process for assessing risk in any portfolio?
5. If your firm has its own investment funds, how are they evaluated and are they given any preference in manager selection?
RESEARCH / DATABASE / MANAGER SEARCH

1. Provide a general description of your research department. If no separate department exists, describe how this function is performed.
2. Describe your investment manager database. Provide a detailed description of your firm's investment manager evaluation process. How many investment managers do you actively track?
3. Describe the process you will use to conduct manager searches for our organization.
4. Describe your monitoring process.
5. Describe the circumstances under which you would terminate an investment manager.
6. Describe your firm’s experience with socially responsible investing for both equities and fixed income portfolios.

MEASUREMENT AND PERFORMANCE

1. Describe your firm's philosophy and approach regarding the use of benchmarks.
   a. How do you determine the appropriate benchmark?
   b. How is a manager’s performance measured against the benchmark?
2. Describe the performance measurement software your firm uses.
   a. Is this software proprietary, or does your firm utilize the software of an outside vendor?
   b. If your firm uses non-proprietary software, do you have the ability to influence changes to the software to meet the demands of the marketplace?
3. How soon after the quarter-end are your reports typically available?
4. Please provide a sample of a comprehensive client quarterly report.

MISCELLANEOUS

1. Describe the aspects of your firm that distinguish it from competitors.
2. Provide a representative client list.
3. As the Wikimedia Foundation is a financially transparent organization, is your firm open to having the quarterly reports prepared for the Wikimedia Foundation posted in the financial reports section of our website?
4. Do you have any restrictions on working with a single individual (The Chief of Finance and Administration and Treasurer) instead of an investment committee?
FEE STRUCTURE

1. Please outline your fee structure.
2. If hired, will your firm receive any other form of compensation, including soft dollars, from working with this account that has not yet been revealed?
   a. If so, what is the form of compensation?

PROPOSALS

Proposals are due via email as a PDF file to gbyrd@wikimedia.org by July 31, 2014. Questions on the RFP can be sent to Garfield Byrd - Chief of Finance and Administration at gbyrd@wikimedia.org prior to July 31, 2014. Finalists will be asked to present their proposal and answer questions, either at their offices or at the offices of the Wikimedia Foundation at the discretion of the Wikimedia Foundation. Selection of the finalists will take place by August 15, 2014 and if a suitable proposal is presented, a firm will be selected by August 31, 2014.
Wikimedia Foundation Investment Policy

Introduction

This statement of investment policy was adopted by the Board of Directors of the Wikimedia Foundation on April 25, 2014, to provide for the creation of, and guidelines for, the management of various funds held by the organization. These policies supersede any and all prior actions regarding investment policies.

For the purposes of managing investment risk and to optimize investment returns within acceptable risk parameters, the following funds will be created and held as separate investment pools:

1. Operating Fund
2. Short-term Reserve Fund
3. Long-term Reserve Fund

Procedures

The following procedures will be followed to ensure the investment policy statement is consistent with the mission of the Wikimedia Foundation and accurately reflects current financial conditions:

1. The Audit Committee shall review this investment policy periodically.
2. The Audit Committee will recommend any changes in this policy to the Board of Trustees.
3. The Wikimedia Foundation Board of Trustees must approve any changes to this policy.

The following procedures will be used to determine the dollar amounts to be placed in the each of the various funds.

1. The Treasurer will manage the dollar amounts to be held in the Operating Fund, Short-term Reserve Fund and Long-Term Reserve Fund.

Delegation of Authority

The Board of a non-profit organization is ultimately responsible for its investments. The Audit Committee, acting as a committee of the Board of Trustees of the Wikimedia Foundation, authorizes the Treasurer to execute investment transactions directly or via professional investment managers consistent with the “Delegations of Financial and Spending Authority” approved July 11, 2012 by the Board of Trustees which is incorporated into this Investment Policy by reference.
It is anticipated that the services of investment managers and/or advisors may be sought to manage portions of the funds. The Treasurer is authorized to hire, fire or replace investment managers and/or advisors with notification to the Chair of the Audit Committee.

**Restrictions**

In implementing this policy, the Treasurer or designated professional investment advisors may not buy securities on margin, may not incur debts of any other kind, may not leverage and may not sell securities short. Alternative investments such as hedge funds, private equity funds and private real estate funds could involve the use of margin, debt, leverage and short sales, but would be eligible for investment only upon explicit approval of the Board of Trustees on a case-by-case basis.

**Duty of Care**

Assets shall be invested with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investor, acting in like capacity and familiar with such matters, would use in the investment of a like fund.

**Operating Fund**

**Purpose of the Operating Fund**

The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of the Wikimedia Foundation in a timely manner.

**Investment Objectives**

The investment objectives of the Operating Fund are: Preservation of Capital, Liquidity, and the optimization of the investment return within the constraints above.

**Investment Guidelines**

**Allowable Investments**

The Treasurer will invest the Operating Fund as follows:

1. Interest bearing savings account.
2. Insured Certificates of Deposit at registered commercial banking organizations.
3. Registered money market mutual funds.
4. Checking accounts.
5. Direct obligations of the U.S. Government, its agencies and instrumentalities.
Maturity
The maturities of investments for the Operating Fund shall be 12 months or less.

Reporting
The Treasurer will provide a copy of the investment statement(s) to the Chair of the Audit Committee on a quarterly basis with reports available to the Board of Trustees upon request.

Short-term Reserve Fund

Purpose of Short-term Reserve Fund
The purpose of the Short-term Reserve Fund is to meet the expenses occurring as a result of unanticipated activities and to improve the return on the funds held for expenditure for up to five years.

Investment Objectives
The investment objectives of the Short-term Fund are:

1. Preservation of capital.
2. Liquidity.
3. The optimization of the investment return within the constraints above.

Investment Guidelines

Allowable Investments
The Treasurer will invest the Short-term Fund as follows:

1. Domestic fixed and variable rate bonds, notes and bills issued by the U.S. Government or its agencies.
2. Domestic fixed and variable rate bonds and notes issued by U.S. domiciled corporations, non-U.S. based corporations and governments and multinational organizations (e.g. World Bank, IADB, EDB).
3. Instruments issued by foreign issuers may be denominated in U.S. dollars or foreign currencies.
4. Mortgage-backed securities (MBS) issued by U.S. government agencies or government sponsored enterprises (i.e. GNMA, FNMA, FHLMC) or by corporate issuers, collateralized mortgage obligations collateralized by otherwise eligible mortgage-backed securities (“CMOs”), interest only (IO) and principal only (PO) securities are also eligible.
5. Asset-backed securities (“ABS”).
6. Taxable or tax-exempt municipal bonds and other municipal fixed income issues.
7. Cash equivalent instruments including registered money market mutual funds, U.S. Treasury bills, bank certificates of deposit, time deposits or similar depository funds and commercial paper.


**Diversification, Credit Quality, Maturity and Other Guidelines**

1. While there is no restriction on the credit quality of individual holdings, the weighted average credit quality of the fixed income holdings as a whole should be at least investment grade, that is, BBB- or better (Standard and Poor's) or Baa3 or better (Moody's) or the equivalent.

2. With the exception of U.S. Government and agency securities, fixed income issues of a single issuer and its affiliates (defined below) shall at time of purchase constitute no more than 5% of the market value of surplus cash.

3. Derivative securities such as but not limited to MBS, ABS and CBOs shall not contain underlying leverage.

4. For purposes of diversification restrictions, “affiliates” are companies in which one company has an ownership stake of 20% or more in the other company and/or vice versa.

**Maturity**

The Short-term Fund shall have a weighted average maturity of three years or less with no restriction on the maturity of any single security in the Short-term Fund.

**Reporting**

The Treasurer will provide a copy of the investment statement(s) to the Chair of the Audit Committee on a quarterly basis with reports available to the Board of Trustees upon request.

**Long-term Reserve Fund**

**Purpose of Long-term Reserve Fund**

The purpose of the Long-term Reserve Fund is to provide secure long-term funding for the mission of the Wikimedia Foundation. The assets of the Long-term Reserve Fund shall be managed in such a way as to facilitate the organization’s goals and objectives as outlined by the Board of Trustees.

**Investment Objectives**

In order to meet its needs, the investment strategy of the Long-term Reserve Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividends,
interest and other income.

Specifically, the primary objective in the investment management of the Long-term Reserve Fund shall be:

1. Long-term growth of capital - To emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.
2. Preservation of purchasing power - To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve the purchasing power of the assets of the Long Term Reserve Fund. Risk control is an important element in the investment of Trust assets.

**Investment Guidelines**

**General Principles**

1. Investments shall be made solely in the interest of the Wikimedia Foundation and the Long-term Reserve Fund.
2. Investment of these funds shall be so diversified as to minimize the risk of large losses, unless, under the circumstances, it is clearly prudent not to diversify in such a manner. The Wikimedia Foundation may employ one or more investment managers of varying styles and philosophies to attain the Long-term Reserve Fund’s objectives.
3. Cash is to be employed productively at all times by investment in short-term cash equivalents to provide safety, liquidity and return.

**Specific Investment Goals**

The goal of any investment manager(s) selected to invest the assets of this fund shall be to meet or exceed the market index selected and agreed upon by the Treasurer that most closely corresponds to the general principles stated above and the specific assignment of the investment manager.

**Allowable Assets**

The Long-term Reserve Fund requires that all investment assets be invested in marketable securities, defined as securities that can be traded quickly and efficiently for the Long-term Reserve Fund, with minimal impact on market price. It is generally expected that the Treasurer will invest the assets in funds of accounts managed by third party investment firms, and will not be involved in the day-to-day buying and selling of individual securities.

1. Cash Equivalents
   a. Treasury bills.
   b. Registered money market funds.
   c. Commercial paper.
d. Banker’s acceptances.
e. Repurchase agreements.
f. Certificates of deposit and time deposits.

2. Fixed Income Securities
   a. Domestic fixed and variable rate bonds, notes and bills issued by the U.S. Government or its agencies.
   b. Domestic fixed and variable rate bonds and notes issued by U.S. domiciled corporations, non-U.S. based corporations and governments and multinational organizations (e.g. World Bank, IADB, EDB).
   c. Instruments issued by foreign issuers may be denominated in U.S. dollars or foreign currencies.
   d. Mortgage-backed securities (MBS) issued by U.S. government agencies or government sponsored enterprises (i.e. GNMAs, FNMAs, FHLMCs) or by corporate issuers, collateralized mortgage obligations collateralized by otherwise eligible mortgage-backed securities (“CMOs”), interest only (IO) and principal only (PO) securities are also eligible.
   e. Asset-backed securities (“ABS”).
   f. Taxable or tax-exempt municipal bonds and other municipal fixed income issues.
   g. Cash equivalent instruments including registered money market mutual funds, U.S. Treasury bills, bank certificates of deposit, time deposits or similar depository funds and commercial paper.
   h. Repurchase agreements.

3. Equity Securities
   a. Stocks issued by domestic corporations and/or foreign corporations are eligible for investment, including instruments enumerated below.
   b. Convertible notes and bonds.
   c. Preferred stocks.
   d. American Depository Receipts of non-US companies (ADRs).

4. Real Estate Securities
   a. Real estate investment trusts - domestic and/or foreign.

5. Registered mutual funds or privately offered funds that invest in securities that are otherwise allowed in this statement.

To ensure marketability and liquidity, equity investments shall be executed through nationally recognized exchanges such as the New York Stock Exchange, NYSE MKT, NASDAQ or similarly recognized foreign exchanges.
Performance Reporting

The Treasurer will provide a copy of the investment statement(s) to the Chair of the Audit Committee on a quarterly basis with reports available to the Board of Trustees upon request.