

## Guidance to Managers on Submitting RFPs

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Preparing and evaluating submissions for investment manager selection exercises must be one of the most frustrating, and sometimes baffling, processes for all concerned. This article will explain some of the reasons for this and will also provide an insight into what managers should and, importantly, should not do when submitting Requests for Proposals (RFPs).

It is not unusual to receive around 80 proposals for a global equity manager selection exercise. These then have to be reduced to approximately 10 for the detailed Invitation to Tender (ITT) stage. It is essential, therefore, that managers read and respond with care to the questions in the RFP. Managers often let themselves down by not complying with simple requirements - for example, providing only two references when asked for three. Similarly, if you are asked for details such as the mandate size of the reference then provide that information. When this information is easily available in published reports, it is unhelpful to your application to exclude it.

Be clear on the process for raising questions with the client or their nominee if you need to clarify any issues arising from the RFP. These should be submitted in writing, allowing sufficient time for a reply to be sent, particularly given this reply may be circulated to all managers to maintain the integrity of the competitive process.

The best RFPs stand out from the crowd because they are bespoke submissions that clearly address the questions asked and provide the supporting information requested. The investment process is a key component and should be described and communicated in such a way that it can be assimilated quickly and easily by the evaluator. Bear in mind that when submitting an RFP it is that information which is being reviewed and assessed. For all the grumbles around procurement – and there are many – a key strength of the process is that it opens up the marketplace to all managers and invites competition. You should therefore complete an RFP with the same care and attention as you would a job application. If you have any doubts over the quality of your submission, then look to a third party to review and comment on your proposal. In this way you will maximise your chances of passing the first hurdle.

All manager selection processes will narrow down the field to a group of managers who prima facie have the requirements to meet and deliver the mandate. It is at this stage that the detailed work to differentiate managers will begin. More emphasis will be focused on the investment process, manager skill and background, and – crucially - what differentiates you from others to deliver future returns.

A detailed site visit may also take place. The client will be looking to gain a full understanding of your product, people and processes. They will be looking to identify your strengths and weaknesses, how your product operates over the economic cycle and how it will deliver the returns necessary for the client to meet their investment objective.

At this stage there will also be an examination of comparative fees between managers. Price will be an important part of the final process. Many tender documents set out the weighting of price to quality used when proposals are reviewed. Given the pressure on returns in recent years I would expect an increased weighting to price in the future.

Linked to this will be an assessment of how your product may interact with those of other potential providers. For example, diversified growth funds have been popular recently and yet they vary considerably in style and approach. It is not unusual for two complementary managers to be appointed in tandem on such mandates. Similarly the global equity space covers a wide range of styles and investment approaches and similar considerations will apply. What is important is that you have a clear investment style with the conviction to deliver.

By the interview stage it is likely that the field will have been narrowed to just three or four managers who have been invited to formally present. If you are fortunate enough to reach this stage then you can assume that the client and advisers are content that you can deliver the mandate. The final stage rests on satisfying the trustees or councillors that they can have confidence in you. They will expect to interview the individual responsible for managing their funds, so you should be clear about this well in advance and present accordingly. Finally, keep your presentation straightforward and simple – you may find complex graphs fascinating but I expect your audience may disagree.