

## Memorandum

To: United Way Board of Directors

From: Board Restricted Fund Committee

Date: June 15, 2017

Re: Board Restricted Fund

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The purpose of this memorandum is to update you on the work of the Board Restricted Fund Committee (the "Committee") which has been formed to manage investment of the proceeds from the sale of 1 Lafayette Court in a Board Restricted Fund (the "Fund"). The following is a summary of the Committee's activities since our last report:

- On May 11-15, the Committee conducted in-person interviews with the following investment management firms: Fieldpoint Private, Brown Advisory, Pathstone Federal, Vanguard Institutional, Tocqueville Asset Management, LP, First Republic Bank and Clear Harbor.
- After we met the firms, members of the Committee ranked each of the firms interviewed based on objective criteria such as investment performance (40%), management team (20%), fees (20%), firm (10%) and RFP response (10%).
- The Committee members unanimously agreed (though in different order) on the top three firms: Brown Advisory, Tocqueville Asset Management, LP and Vanguard Institutional.
- Vanguard Institutional offered the lowest fees and best 10-year investment track record of the firms interviewed; however, the Committee determined that Vanguard's lack of an active portfolio management team, for an account of our size, would not best serve our needs.
- The Committee concluded that we wanted a full-service investment manager to assist us in the development of an investment policy statement, asset allocation strategy and to provide continuity to the Committee whose composition will change over time.
- The Committee subsequently selected two firms as finalists: Brown Advisory and Tocqueville Asset Management, LP.
- We conducted second round, in-person interviews with Brown Advisory and Tocqueville Asset Management, LP at the United Way offices on June 7<sup>th</sup>. All members of the Committee were in attendance except Pamela Fornero who was traveling outside the US.
- After interviewing the two finalists, the Committee voted unanimously to select [Brown Advisory](#) ("Brown") to manage the Fund.
- Brown Advisory is an investment advisory firm established in 1993 as an affiliate of Alex. Brown & Sons. In 1998, prior to the sale of Alex Brown to Deutsche Bank, the current management and investment team led a buyout to establish Brown as a private, independent investment advisory firm.
- As of December 31, 2016, the firm had over \$53.7 billion in assets under management, with clients in all 50 U.S. states and 34 countries worldwide. Brown has approximately 500 employees with offices in Austin, Baltimore, Boston, the Carolinas, Delaware, London, New York, and Washington, D.C.
- Brown has extensive experience managing non-profit portfolios. As of December 31, 2016, Brown managed approximately \$4 billion in assets (7.4% of AUM) for 287 non-profit institutions across a broad range of asset sizes and scopes. Brown employees also hold board positions on over 200 non-profits with many on investment and finance committees focused on managing the organization's portfolio.
- Brown is employee-owned with 70% of the firm's equity held by employees, with no employee owning more than 4%; the remainder of the equity is held by clients and board members.

- Our engagement team will be led by portfolio manager, [Erika Pagel](#). Erika is a partner of the firm and is based in Brown's Boston office. She has been with Brown for 5 years, and has over 20 years of investment management experience.
- We selected Brown based on their investment track record, focus and experience working with non-for-profit clients, and quality of people we met.
- Brown is also recognized as a leader in sustainable investing, also known as environmental, social and governance ("ESG") investing. It has been demonstrated that companies that embrace this type of good management outperform their peers. The Committee wishes to allocate a portion of the Fund to investment in ESG strategies which we believe is in line with our mission and can also generate good investment returns.
- A copy of Brown's RFP response, firm presentation material and annual report is available at this [link](#).
- We are in the process of conducting reference checks, background checks and due diligence on Brown and Erika Pagel. Our initial diligence has been positive.
- Subject to the satisfactory completion of our due diligence, review and approval of an Investment policy statement, and entering into an investment management agreement with Brown, we plan to engage Brown by June 30<sup>th</sup> and start investing the Fund starting July 1<sup>st</sup>. We would expect to have the Fund fully invested by September 30<sup>th</sup>.
- If any Board member is familiar with Brown, we would welcome any feedback.
- The Committee would be happy to share any additional information on our process, information on the managers interviewed and answer any questions.

Submitted by:

Patrick J. Sullivan