Invitation for tenders for the asset management of the Pension Reserve Fund of the European University Institute

The European University Institute needs, on the basis of it Financial Rules, to renew the Asset Manager of its Pension Reserve Fund.
It is therefore necessary to select the Asset Manager to entrust, either exclusively or with other managers, with the asset management mentioned above according to the Institute's particular requirements.

The call for tenders can also be found on the EUI website:
www.eui.eu/About/Tenders.aspx

The legal provisions to which this call for bids refers are the Institute's own internal regulations and in particular decision 8/2009 of the High Council which establishes the Institute's Financial regulations and decision 8/2010 of the President of the Institute regarding the implementation of regulations concerning Procurements.

The European University Institute ("The Institute") is an international organisation with its headquarters in Florence, established with the 19/4/1972 Convention, ratified by 20 of the European Union member states. Its academic activity began in the month of September 1976.

At present there are approximately 160 members of staff in service at the Institute, whose pensions are financed by the budget funded by the member states. In order to obviate the possible difficulties of financing pension liabilities, a pension Reserve Fund was created at the end of the 1990s. Its investment directives are proposed by a Supervisory Board set up by the High Council and approved by the latter.

The assets of this fund at present amount to around 25 million euro and it is expected that this value will not diminish substantially in the course of the period foreseen for the duration of the contract.

Duration of the contract

The management mandate will have a duration of a minimum of one year extendable to a maximum of seven years and can be cancelled by one of the parties without penalty with notice of not less than three months.

Submission of bids

Bids, accompanied by all the requested documentation, should be sent by registered mail (in this case validity will be given to the date of postmark), by courier or presented by hand, to the Institute's Protocol Office (from Monday to Friday during office hours 8.30/13.00 – 14.00/17.00), in a closed, sealed envelope countersigned on the edge of the envelope flap, no later than **17.00 h** on **2 July 2010** at the following address:

European University Institute
Ufficio del Protocollo
Select procedure "Asset Management Pension Reserve Fund"
via dei Roccettini, n. 9
50016 San Domenico di Fiesole (FI)

The packet must contain two envelopes, each one sealed and countersigned on the edge of the envelope flap.

These envelopes must be sent together inside a larger envelope, on which the following text must be written:
"**Response to an invitation to tender. Not to be opened by the mail service."**

- the first envelope, on the outside of which should be written **"Envelope n. 1 – Technical Proposal"**, must contain all the documentation requested in Appendix 1, duly completed and sent in original plus two copies.
- the second envelope, on the outside of which should be written **"Envelope n. 2 – Economic Proposal"** must contain the form in Appendix 2 duly completed and sent in original plus two copies.

The bids must be signed legibly and in full on every page by the legal representative of the credit institution/ SIM / SGR together with a photocopy of the identity document of the same.

Exclusive responsibility for sending the envelope lies with the sender if for any reason it should not arrive before the deadline.

An envelope that does not arrive within the specified time limit will not be taken into consideration.

Responsible Service

The Service responsible for the management of this tender is the Accounting Service of the European University Institute, with the consulation of Secofind, SIM S.p.a. with headquarters in Milan.

Taxation regime

As regards taxation, the Institute, on the basis of Article 5 of the Agreement on Privileges and Immunity (Law n. 920 of 23/12/1972) and Art. 12 of the Headquarter Agreement (DPR n. 990 del 13/10/1976 G.U. N. 47 of 19/2/1977), is exempt from all taxation pertaining to the Italian State.

Data Protection

On the basis of the Decision of the President n. 32/2008 relative to the data protection policy of the European University Institute, the data provided by the credit institutions will be used by the Institute and by its advisor solely in order to contact them and/or to draw up the contract. The data will be handled using computer systems protected by adequate safety measures, so as to ensure their correct and legal handling. (http://www.eui.eu/AboutTheWebsite/DataProtection.aspx)

Characteristics of the mandate:

The main purpose of the mandate is to increase the real purchasing power of the assets with the constraint of avoiding capital losses on a 2 years horizon, but without precluding any opportunities deriving from a positive trend in financial markets. It will be possible to define a drawdown limit (maximum cumulative loss) with the selected portfolio manager.

The mandate will therefore be of the Total Return type, paying special attention to the relation between expected yields and risk management skills. Therefore the portfolio manager will not be driven by a specific benchmark or a predefined asset allocation; portfolio management will be subject to risk guidelines. The manager will be informed regularly of any changes in the investments directive decided by the Institute's High Council, with whom the manager must comply.

Benchmark:

Over the relevant period (5 years) the mandate has the objective to realise an average annual return, net of the management costs, higher than the Italian CPI (Italian Consumer Price Index) +200bps. Should exceptional market conditions exist (i.e. a negative CPI) the effective target, in terms of spread above the Italian CPI, will be agreed upon annually with the managers. As a mere indication, this margin will be a function of factors such as:

- expected CPI level
- real interest rate level in the euro area
- expected volatility of financial markets and VAR level agreed with the manager.

Investment limits:

The principal risk limits are implicit in the constraint to avoid a decrease in the patrimony on a 2 years horizon and, not to exceed the eventual maximum drawdown agreed with the manager.

The mandate ("the reserve fund") must be managed according to the following investment guidelines, as defined in the High Council Decision No. 1/06 of 8 June 2006:

1. Securities acquired from a single issuer should not, as a rule, exceed 5% of the assets of the fund, except for debt securities issued by European Union Member States and / or their institutions, where the limit is 20%. The reserve fund may not hold more than 5% of its assets in debt securities which have no rating or where the rating would be below the minimum level of "investment grade".

2. In addition to individual securities, the reserve fund may invest in investment funds and unit trust companies harmonised within the EU and similar products.

3. The reserve fund may invest up to 10% of its assets in hedge funds and in funds of hedge funds. However, it may not invest more than 0.5% of its assets in a single hedge fund.

4. Derivatives designed to cover the risks on investment funds may be used. Derivative instruments must be contracted on liquid markets and with counterparties having a good credit rating.

5. Investments may be made in currencies other than those of the Member States of the Institute, but in this case the positions not covered against exchange risk may not exceed 25% of the amount invested in currency.

6. In no case more than 30% of the assets of the reserve fund may be invested in stocks and shares with a risk level similar to the stock markets. This ceiling shall be reduced by the amount of any investment in hedge funds.

7. No investments may be made in works of art and non-financial assets.

In addition to these guidelines, the mandate must follow these limits:

8. Investments in below investment grade bonds can be done up to the B rating class and implemented only through well diversified instruments, such as mutual funds.

9. Currency exposure. The reference currency is Euro. Exposure to currency exchange risks may include exclusively the currencies of the European Union member states, the US$ and the JPY. The exposure to other currencies will be allowed only for a limited portion of the portfolio and only to those currencies whose countries' rating is not below B and only implemented within well diversified instruments, such as mutual funds

10. Financial leverage equals 1

11. Indicative maximum risk budget: monthly Value at Risk -4% (95% confidence, monthly data on a 36 months time horizon).

A portfolio duration limit is not predefined, thus it may change subject to manager decision. However, it must always be coherent with the mandate maximum time horizon (5 years) and subject to the portfolio risk guidelines.
Further investment guidelines could be defined and agreed with the selected manager before the implementation of the portfolio.

The candidates must meet the following requirements:
1. registered office in a country belonging to the EU area – with the exception of the off-shore centres – with at least one branch in Italy;
2. management of borrowed capital, or activity covering the technical reserves of the life branches, of not less than 1.000 million Euro.
3. proven competence in asset management for an institutional clientèle.
4. proven competence of portfolio management for mandate with total return objective and active risk control
5. definition of a clear and transparent policy regarding conflict of interests (i.e. rebates / marketing agreements with third parties, etc).

The bid must be accompanied by a declaration that the information presented is true and exhaustive.

Procedure and timing of the awarding of the contract

The selection phase could foresee the request for further information from the advisor with a view to acquire more detailed information or clarifications.

The selection of the managers will be made on the basis of evaluation criteria established and communicated to the bidders, as indicated in Appendix 3.

This selection will be made on the basis of the most convenient economic offer: i.e., the best offers in economic terms cannot prevail in the choice, but the best qualtiy/price ratio will be considered.

The present inviation and the receipt of a bid do not place the Institute under any obligation or commitment to entrust the aforementioned service to potential bidders, nor do they give the latter any rights.

The decision, which is final with regard to the assigning of the contract, will be made by the High Council of the Institute, at its meeting of December 2010.

The conditions contained in the bid must therefore be valid until the end of December 2010.

The Institute expressly reserves the right to propose to the High Council:

- not to assign the contract if, according to its unquestionable judgement, no reply is found to be satisfactory
- or, if only one offer has been made, to assign the service to this bidder
- or, if for any reason the stipulation of the subsequent convention with the contracting company does not take place, the Administration reserves the right to tender the said service to the second best bidder.

Presentation of a bid does not give any right to win the contract.

Disputes

Any dispute arising from the award of contracts or the application of the contracts signed can be transmitted, within a period of 10 days from notification of the result of the selection by the Institute, to a Mediator.

The Institute and the complainant shall jointly appoint the Mediator. A decision will be taken by the Mediator within 5 working days.

The Mediator is asked to conduct the mediation in an effective, impartial and competent way, regardless of the denomination or profession of that third person in the Member State concerned and of the way in which the third person has been appointed or requested to conduct the mediation.

The European Code of Conduct for Mediators applies.

If the decision by the Mediator is considered unsatisfactory, any party to the mediation may activate the arbitration procedure foreseen in the following article within four weeks.

The costs of the mediation procedure shall be borne by the parties.

Arbitration

In order to start an arbitration procedure, each party shall appoint one arbitrator and the two appointed persons shall nominate a third arbitrator.

The decisions of the arbitration body will be taken by majority.

The costs of the arbitration procedure shall be borne by the party that loses the case.

Marco DEL PANTA

Appendix 1

Elements of the bid:
The bid must include:

1. Company Structure	
• Years of activity	
• Equity capital (also of the Italian company if applicable)	
• Company and Parent Company rating	
• Asset under management (last 36 months evolution and asset class distribution of Italian assets under management)	
• Structure of the activity; type of clientele (retail, HNW, institutional) and its evolution in the period 2007-2008-2009	
• Number of portfolios > EUR10 million	
2. Organizational structure	
• Descriptions of the company's principal organizational features	
• Main departments and operational offices	
• Depositary bank	
• Disclosure of the conflict of interests policy	
3. Investment process	

• “Decision-making process”	
• Portfolio management style	
• Changes in the team in charge of investment decisions during the last 24 months	
• Typologies	
• Dimensions	
• Internal research team	
• Risk management (key personnel, tools, monitoring of positions within third parties mutual funds, etc.)	
• Experience in alternative investments management (i.e.. hedge funds, UCITS III long/short). If the manager intends to use its own group instruments, insert track record indications on these funds during 2006-2009 period: net performance, volatility for each year (standard deviation) and maximum drawdown.	

• Description of the third parties product selection activity, key personnel, access to multimanager platforms (i.e. AllFunds Bank) and the selection process. Average turnover within the products selection.	
4. Specific capabilities of the "Total Return" portfolio management	
• "Decision-making process"	
• Description of the investment style (i.e. stock picking, high frequency trading, etc.) and applied methodologies	
• Experience on portfolio management with downside risk focus;	
• AUM in total return mandates	
• Specialised team: portfolio managers' curricula. Show any change in the team during the last 24 months and any eventual retribution system for the portfolio manager connected to the specific mandates' performances	
• Specialised team in third parties product selection (also hedge funds); curricula for key personnel	

• Risk management procedures specific for total return mandates. Examples of periodic reporting to clients, with focus on the portfolio risks analysis.	
• Number of managed total return portfolios > EUR10 milion and average size	
• 2006-2007-2008-2009 track record, certified if available, for total return portfolios > EUR 10 milion. Results must be expressed in euro, net of fees, with volatility measures and maximum drawdown analysis.	
• Historical turnover of the total return mandates and, if available, of macro asset allocation changes during the last 36 months.	
• Indication of institutional investors with similar mandates for references	

Appendix 2

1. **Economic aspects of the offer**	
• Management fees and any additional charges for the mandate described.	
• Brokerage costs	
• Annual performance fees, allowed only for positive results above the target return and net of management fees. The annual performance fee will be due only if the cumulative performance of the mandate will be positive and above the cumulative value of the target return since the inception date	
• Any exclusions and/or exemptions of costs usually charged (eg. fees on mutual funds of companies belonging to the group of the offering manager, processing of rebates from third parties' products, etc.)	•
• Other charges (i.e. depositary bank)	

Appendix 3

Weight			
40%	**Qualitative variables**		Scale 1-4
5%	Company Structure	Evaluation of the corporate structure; this criteria is based on variables such as its experience in investments, equity capital (also of the Italian company if applicable), rating, AUM and its historical evolution, experience on institutional investors, number of managed portfolios > EUR10mn. Evaluation of the conflict of interest procedure (i.e. marketing agreement with third parties, primary market activity, etc).	
15%	Total return management team	Evaluation of the total return management team; this criteria is based on variables such as investment process (decision making process), experience, downside risk focus, AUM in total return mandates, specialised team and its turnover, third parties' product selection team, access to multi-manager platform. Evaluation of the experience in selecting alternatives investment (i.e. hedge funds); track records of the group alternative products (returns, volatility, max drawdown, reduced liquidity events, etc.)	
15%	Track record	Evaluation of the total return management team track record; this criteria is based on variables such as realised returns, volatility, max drawdown, asset allocation turnover.	
5%	Risk Management	Evaluation of the risk management system; this criteria is based on variables such as professionalism of the team, control and monitoring systems, independence from the management team. Evaluation of the periodic reporting, with a particular focus on the portfolio risk exposures analysis.	
60%	**Economic variables**		
50%	Management fee	Evaluation of the proposal management fee	
10%	Performance fee	Evaluation of the proposal performance fee	