

Questions & Answers for ACERA’s International Emerging Markets Manager Search 2017

<u>QUESTION:</u>	<u>ANSWER:</u>
<p>Instead of allowing ACERA to review the latest 3-5 years of the Firm’s audited financial statements, would it be acceptable to:</p> <ul style="list-style-type: none"> • Provide unqualified opinion letters (for the latest 3-5 years and annually going forward) from our firm’s auditor? • Provide a written certification from an executive regarding our profitability and that our financial strength poses no risk of bankruptcy for the foreseeable future? • Certify that certain financial ratios* exceed (or do not exceed) certain minimum/maximum thresholds? (*Sample financial ratios: Debt to Equity ratio; Interest coverage ratio; Current Ratio; etc.) • Review just our firm’s audited Balance Sheets? 	<p>The same requirements apply to all firms responding to the Emerging Markets Equity Manager RFP. Accordingly, none of the alternatives listed can be used to substitute for the review of the audited financials.</p>
<p>Is ACERA agreeable to executing a Non-Disclosure Agreement (“NDA”) with respect to the review of our firm’s financial statements?</p>	<p>As a public agency, ACERA is required to comply with the California Public Records Act (Cal. Gov. Code §§ 6250 et seq.) and relevant case law related to non-disclosure. (See RFP Section II.G.6).</p>
<p>If we indicate ‘No’ any of the minimum requirements, will our firm be excluded from further consideration for this search?</p>	<p>Yes.</p>
<p>What is the scope of the financial statements you would like to review? We provide a summary of financial information to our parent organization which is made public, this includes net income, assets, and liabilities, would this be sufficient?</p>	<p>The context of asking to see audited financial statements is to confirm the financial soundness of the fund and/or the management company. A summary of financial information of the strategy in combination of the audited financial statements of the parent company will be sufficient. We will not request a copy.</p>
<p>Please describe the process and expectations for completing a background investigation.</p>	<p>For this RFP, ACERA intends to conduct a background check of the Finalist Firm (See RFP, Section III. Part B, ¶ 10(b)). However, ACERA reserves the right to conduct background checks as needed (See RFP, Section II.H.13). ACERA background checks are conducted by an outside firm and focus on the investment advisor firm/entity and its key principals (portfolio managers in the product being proposed or senior executives in the firm).</p>
<p>What personal details of the subjected employees will ACERA require to complete the background investigation?</p>	<p>The complete package usually includes employment history, educational background, credit reports, DMV Reports, Regulatory Agency Reports (FINRA, SEC, etc), litigation reports (civil and criminal litigation review) and Media. The intent is to use this information contained in these reports to identify potential risks/red flags. Much of</p>

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	the information can be obtained using publicly available information, but for the remainder a consent form is completed by the key principals in advance to facilitate gathering of information.
We contract with third-party companies to perform extensive background checks on all employees, including, but not limited to, the following areas: past employment and education verification, criminal background and financial history. Employees are then monitored on an ongoing basis in accordance with our Compliance Policy. In lieu of a background investigation, would providing our Compliance Policy and a statement verifying we’re current in our practice suffice?	ACERA will not substitute for its standard background investigations. ACERA's Investment Staff would be reviewing the background investigations.
Is ACERA agreeable to executing a Non-Disclosure Agreement (“NDA”) with respect to the review of a background investigation?	As a public agency, ACERA is required to comply with the California Public Records Act (Cal. Gov. Code §§ 6250 et seq.) and relevant case law related to non-disclosure. (See RFP Section II.G.6).
Who within your organization (or outside of your organization) will complete the background investigation? Who within your organization (or outside of your organization) will have access to the results of the background investigation? Are results of the background investigation available via a Freedom of Information Act like request?	The background investigations are completed by an outside third party. ACERA Investment Staff will be completing the reviews. As a public agency, ACERA is required to comply with the California Public Records Act (Cal. Gov. Code §§ 6250 et seq.) and relevant case law related to non-disclosure. (See RFP Section II.G.6).
We note that the preference is to invest in a commingled/pooled fund – please confirm that there is an understanding that if investment is eventually made via a pooled vehicle, the IMA will no longer be applicable (given that the prospectus of the pooled vehicles will set out the terms of the investment) and that a side letter may be concluded to confirm the reporting requirements and the agreed fee.	Not all situations result in the same approach. If unique situations arise, they will be addressed in negotiations.
We would like to offer a separate account as well as a commingled fund. The fund is a Bank-maintained collective investment fund for which the Bank acts as trustee and discretionary investment manager. The Fund is managed by employees of the Proposer, in their capacity as dual officers of the Bank. Could you please confirm whether this form of investment/relationship is acceptable?	We would consider this form of investment/relationship.
Is ACERA willing to seed a Collective Investment Trust?	We would consider this form of investment/relationship.

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<p>Will ACERA consider performance fee proposals?</p>	<p>Yes, performance fee proposals would be considered. Please also include a flat fee option.</p>
<p>It has been our experience that sometimes different terms are used to describe the same type of insurance. Accordingly, we are looking for clarification with respect to the type of coverage you are looking for under your Fiduciary Liability insurance requirement. While we have what is denominated as a "fiduciary liability" policy, this policy only applies to our role as a fiduciary to our own retirement plans. We also have a Financial Institution Bond (or a Fidelity Bond) that would cover intentional bad acts. We assume this is the type of coverage you are interested in, but want to confirm.</p>	<p>Insurance requirements are subject to change upon final contract negotiation.</p>
<p>Regarding Minimum Qualification #11, can you clarify what is meant by Fiduciary Liability Insurance (4th bullet)? We understand Errors & Omissions insurance would cover breaches of fiduciary duty (assuming no fraud or willful misconduct). Does this refer to an ERISA bond that complies with Section 412 of ERISA?</p>	<p>Insurance requirements are subject to change upon final contract negotiation.</p>
<p>Regarding this RFP we received one question of clarification from our insurance broker regarding Section I.E.11, insurance requirements. For Commercial General Liability can you confirm this \$4,000,000 requirement is for \$2,000,000 per occurrence and \$4,000,000 in aggregate?</p>	<p>Yes, this requirement is for \$2,000,000 per occurrence and \$4,000,000 in aggregate.</p>
<p>We are a foreign investment firm registered as an investment advisor under the Investment Advisers Act of 194. We note, however, that Paragraph E of the RFP paragraph 2) and page 13 of the Investment Policy go further than this requirement and state that investment managers must be qualified to perform investment management services under state law, including the law of California. Please confirm that foreign investment managers located outside of the US, will not be required to comply with the law of California nor any other US state law.</p>	<p>We cannot provide legal advice as to which laws you must follow. It is the expectation that companies doing business in California with ACERA will follow all legal requirements for our jurisdiction.</p>
<p>The client has a preference for a commingled fund, please confirm if and how the IMA and ACERA Policies will be considered with respect to this commingled vehicle, specifically the Specific Investment Guidelines and ACERA Policies (including the Investment Guidelines, Policies and Procedures and for example, Section X, Section XII and Section XVI), where commingled funds have their own investment guidelines for all investors.</p>	<p>Not all situations result in the same approach. If unique situations arise, they will be addressed in negotiations.</p>

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Will these Guidelines and controls only apply to a separate account?	
Does the definition of “Agents” in the IMA include brokers and other counterparties with which the Proposer will be required to contract to fulfil its duties under the mandate?	The contract term "Agents" can be further defined during contract negotiations, as needed, based on the facts and situation presented.
If a responding investment manager has an existing investment management agreement with ACERA, could that manager expect that the existing agreement, rather than the template IMA, be used as a starting point for negotiation?	No, not necessarily.
If we are proposing a commingled fund (also listed as the preferred vehicle), would the manager need to comply with the Standard IMA terms since a Fund structure would be in place?	Not all situations result in the same approach. If unique situations arise, they will be addressed in negotiations.
If selected would the manager have the ability to negotiate certain agreement terms once ACERA reviews Manager Fund documentation?	Any exceptions to the Standard Investment Management Agreement template shall be included in the Proposal as outlined on page 29 of the Request for Proposal.
As we are a non-US investment manager (registered as an adviser under the Investment Advisers Act of 1940) we have certain regulatory requirements which we must meet in our investment management agreements. Should we add these to the terms of the investment management agreement, or would ACERA’s preference be to deal with these in a separate letter?	Any exceptions to the Standard Investment Management Agreement template shall be included in the Proposal as outlined on page 29 of the Request for Proposal.
Will ACERA consider splitting the mandate amongst multiple managers?	At this time, ACERA is looking for a single manager for this particular mandate.
Can [Investment Manager X] submit multiple strategies?	ACERA is looking for a “core” emerging markets equity product benchmarked against the MSCI Emerging Markets Index. Managers may submit multiple strategies/products in their Proposal, however, ACERA seeks a single strategy that best fits this objective.
Will you consider fund of hedge funds with quarterly liquidity for this RFP?	No, we won't be making any exceptions to the Minimum Qualifications.
Can you please clarify what exactly is required for the incumbency certificates stated in Part A: Letter of Transmittal? Would an authorized signatory list signed by the Chairman suffice?	An authorized signatory list signed by the Chairman satisfies this request.
As it relates to item 7 in the minimum qualifications, the portfolio management team responsible for managing our	ACERA is looking for experienced portfolio managers/teams and some institutional representation. If

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<p>blended research emerging markets equity strategy has extensive experience managing institutional assets across global and non-US equity strategies that include allocations to emerging markets. That said, their dedicated emerging markets composite does not currently have any institutional clients. The strategy otherwise meets all of the qualifications. Would you consider such a strategy given the broader institutional experience of the portfolio management team?</p>	<p>the EM equity strategy does not have both, then the product does not meet the minimum qualifications.</p>
<p>Would ACERA be willing to consider a proposal for a fundamental strategy where the Lead Portfolio Manager (LPM) departed recently, provided that the senior investors and remaining researchers on the team had, and will, continue to have meaningful decision making authority over investments in the portfolio? One of the newly named Co-LPMs is, and has been, the named Co-Portfolio Manager on the Mutual Fund as well. There's a deep bench of senior leaders and talented investors in our fundamental emerging markets team. We feel extremely confident in the well-resourced team to continue our time tested investment philosophy, process and portfolio construction as well as continue generating strong alpha for our investors.</p>	<p>We are looking for a five-year continuous performance history managing the emerging markets product by the existing portfolio manager or portfolio management team. If the EM product has met this requirement despite the departure of the LPM (i.e. the portfolio management team has several other members with significant decision making authority), then we would consider the proposal.</p>
<p>We would like to propose two of our Emerging Markets Equity strategies for this search. Only one of the strategies has a 5 year, continuous performance history. The other strategy will reach 5 years in December 2017. Both strategies are managed by the same portfolio management team. Since the minimum qualifications state “The Firm” must have a 5 year, continuous performance history in an EM strategy, it is our understanding that both strategies qualify under this criteria.</p>	<p>To be qualified to participate in this particular RFP, we are looking for a five year performance track record as of the date of the actual RFP submission.</p>
<p>Within our institutional commingled vehicle, we would be able to provide an estimated value on a weekly basis, which should be reasonably accurate; however official, reconciled figures will be available on only a monthly basis. If official weekly reporting is mandatory, we would be able to offer that within our separate account vehicle. Is the official weekly reporting a mandatory requirement and, if so, would a separate account vehicle offering put us at a disadvantage?</p>	<p>Official weekly reporting is not a mandatory requirement. A preliminary value provided weekly with official monthly reporting is acceptable.</p>
<p>If a responding investment manager has existing reporting standards for investments with ACERA, could that manager expect that these reporting requirements are sufficient for purposes of this investment allocation?</p>	<p>Yes.</p>

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<p>Regarding the item E.9 regarding “monthly GIPS-compliant performance reports”, we are proposing a commingled trust, for which we prepare a monthly performance update. Our firm updates GIPS Disclosure pages quarterly. Will this monthly performance report accompanied by a quarterly GIPS Disclosure meet ACERA’s requirements?</p>	<p>Yes.</p>
<p>Would an official GIPS-compliance composite presentation be required if a commingled trust was selected as the investment vehicle?</p>	<p>A minimum requirement is that the firm's performance history be in compliance with CFA Institute (CFAI) Global Investment Performance Standards (GIPS).</p>
<p>Please define what an “illiquidity event” means to ACERA (Question 61).</p>	<p>The term "illiquidity event" is referring to any period of market dislocation where liquidity is severely impacted.</p>
<p>Is it possible to have a word version of the investment management agreement so that we can provide our drafting comments, or do you require these all to be set out in a separate table?</p>	<p>Any exceptions to the Standard Investment Management Agreement template shall be included in the Proposal as outlined on page 29 of the Request for Proposal.</p>
<p>Would a Word version of the RFP be available or at minimum Part B- the questionnaire?</p>	<p>Yes, the RFP in Microsoft Word will be posted shortly.</p>
<p>Can a copy of Exhibit I and Exhibit G referenced in the IMA be made available?</p>	<p>Yes, these two Exhibits will be posted shortly.</p>
<p>ACERA indicates in its RFP that it retains the right to include proposals in a qualified list of candidates. Does this mean that the Proposer’s response will be distributed to the qualified list of candidates?</p>	<p>No.</p>