Q1) Is a blended strategy a must? Or can we propose a local currency mandate?

A1) The proposal states clearly that the Firefighters’ Retirement System (“FRS” or “System”) is soliciting proposals from Emerging Market Debt – blended local/hard currency (long only) managers.

Q2) If a blended mandate is a must, is the strategy you refer to (in terms of track record and AUM) have to be a blended program or can local currency portfolios count?

A2) The proposal states clearly that the Firefighters’ Retirement System (“FRS” or “System”) is soliciting proposals from Emerging Market Debt – blended local/hard currency (long only) managers.

Q3) We look forward to responding and believe the best option is our CIT offering. The fund utilizes local and corporate securities, however it is a hard currency benchmark. The fund structure, fee offering, and lower return volatility fit well with public retirement funds. Before completing the request, we want to confirm that offering is acceptable to submit, or if the lack of blended benchmark is an immediate disqualifier?

A3) FRS has not stated a preferred benchmark at this time. However, if a strategy has a hard currency benchmark because it makes only minimal allocations to emerging markets local currency and emerging markets corporate securities, then the strategy may not fit the search description of “emerging markets debt – blended local/hard currency”.

Q4) Per #3 in your minimum qualifications, one of our accounts makes up more than 50% of the Strategy assets, but is an open-ended commingled UCITS vehicle. It is not a single mandate. Does this exclude us from qualifying?

A4) No. An open-ended commingled vehicle should not be considered as an individual account. If, however, an individual investor in the commingled vehicle makes up more than 50% of all strategy assets under management (the total sum of all investment vehicles for a strategy), then minimum qualification #3 would not be met.

Q5) In addition to being a U.S.-based SEC-registered investment adviser, we are also an indirect subsidiary of a non-U.S. investment adviser. An affiliate investment adviser registered in the United Kingdom with an office in London, is also an indirect subsidiary of this non-U.S. investment adviser. Thus, we and the U.K. based investment adviser share the same ultimate corporate parent.

Would it be permissible, pursuant to the terms of the RFP, if the U.S. based entity responded to the RFP and serve as the investment adviser of record for the mandate and our U.K. based adviser, pursuant to a Participating Affiliate Agreement with the U.S. entity, serve as the day-to-day investment manager for the mandate? The U.S. investment adviser would be amenable to supplying any additional information, as requested, about the U.K. adviser, as part of its RFP Response.

A5) The US based entity may respond to the RFP. However, the respondent is still required to disclose if the ultimate parent of the investment management firm of the proposed strategy is a foreign (non-US domiciled and/or headquartered) entity.

Q6) What is the preferred benchmark or blended benchmark, if any, for this mandate?

A6) FRS has not stated a preferred benchmark at this time. Strategies with standard or custom blended benchmarks that combine emerging markets debt (EMD) hard currency, EMD local currency, and EMD corporate benchmarks will be considered.

Q7) As this mandate will be invested in a US domiciled commingled fund, are there any caps/limits on what ownership this mandate may represent as a percentage of the overall commingled fund? If there are no such restrictions, would the Firefighters’ Retirement System of Louisiana be amenable to investing in an existing, but currently unfunded, US domiciled commingled fund?

A7) Minimum criteria #1 states that the candidate must offer “a commingled fund investment vehicle available for qualified public defined benefit plan investments”. The minimum criteria do not stipulate a minimum size for the commingled vehicle.

Q8) In the [Section V: Cover Letter] section of the RFP, investment managers are asked to disclose if the ultimate parent of the investment management firm of the proposed strategy is a foreign (non-US domiciled and/or headquartered) entity. Is there an implicit preference for a US domiciled manager in the evaluation and selection process?

A8) The information is required to insure full disclosure of information.

Q9) In total, our firm has EMD assets totaling $6.5 billion across vehicles. Specific to a commingled fund EMD blended, we have an open end 40 Act Fund but the balance is $42 million which would not meet your 50% of total asset requirement. I understand that your preference is for a commingled fund, but would you consider using a separate account for this mandate?

A9) Minimum criteria #1 states that the candidate must offer “a commingled fund investment vehicle available for qualified public defined benefit plan investments”. The minimum criteria do not stipulate a minimum size for the commingled vehicle. FRS is not willing to consider investing in a separate account within this asset class.

Q10) Our firm offers both an Emerging Markets Total Return Collective Investment Trust (CIT) that invests across sovereign, corporates and EM local currency debt as well as a dedicated Emerging Markets Local Currency CIT. Based on the benchmark (GBI EM) that was referenced in the investment guidelines section, we would like to ask which product to propose in this RFP?

A10) The proposal states clearly that the Firefighters’ Retirement System (“FRS” or “System”) is soliciting proposals from Emerging Market Debt – blended local/hard currency (long only) managers. FRS is moving away from an EMD local currency mandate to a blended mandate that provides more diversified exposure to EMD hard currency, local currency, and possibly (but not required) EMD corporate exposures. Please only submit proposals for EMD blended strategies. The Investment Policy Statement will be updated appropriately once a new EMD manager is selected and funded.

Q11) Our firm is planning to propose a CIT for this potential mandate. The trustee of the CIT is a Pennsylvania chartered trust company, and the governing law of the Trust is the Commonwealth of Pennsylvania, except where preempted by applicable federal law. The CIT is a pre-existing vehicle subject to Pennsylvania law and any investment in that vehicle would be subject to the same. Given the requirements within the Governing Law section of the Minimum Eligibility Requirements document, does this cause any issues for this potential opportunity?

A11) If your firm is not able to agree to minimum criteria #9 regarding the listed terms related to governing law and jurisdiction, then your firm will not meet the minimum criteria for this search. However, if your firm is willing and able to sign a side letter agreement with the language stated in this FRP, then your firm will meet the minimum criteria.

Q12) Regarding minimum requirement 3: As of September 30, 2019, no individual account makes up more than 50% of the total assets of the strategy being proposed. As of 9/30/2019 our firm does not have any individual client that makes up 50% of the total assets of the strategy, but over 50% of the assets are in the same comingled vehicle (mutual fund). Does that meet your requirement or exclude us from the search?

A12) An open-ended commingled vehicle should not be considered as an individual account. If, however, an individual investor in the commingled vehicle makes up more than 50% of all strategy assets under management (the total sum of all investment vehicles for a strategy), then minimum qualification #3 would not be met.

Q13) In Section IV: Proposal Content, the language reads “The proposal will consist of the cover letter as described in Section II and the data submitted to the eVestment database as described in Section III. The database is located on the internet at: www.eVestment.com. The data fields include but are not limited to the following:” and then lists out a series of questions pertaining to the strategy. Are you expecting written answers to the listed questions in a word document form in addition to the eVestment database submission, or are these questions simply meant to be representative of the type of information that will be included in the eVestment database?

A13) The data field description list is simply meant to be representative of the type of information that will be included in the eVestment database questionnaire.

Q14) For this search, may we submit our firm’s Emerging Markets Debt – Total Return strategy. The strategy invests in a mix of hard and local currency emerging markets debt mainly through sovereign, quasi-sovereign and corporate instruments denominated in hard currency, sovereign and quasi-sovereign instruments denominated in local currency, and derivatives (primarily FX forwards/NDFs, interest rate swaps and CDS). We use derivatives both to express our views on specific markets and to partially hedge the portfolio’s long positions. Will you consider this strategy for your client’s search? Please advise.

A14) Based on the limited description provided, the described strategy appears to be an emerging markets debt – blended local/hard currency (long only) strategy. To the extent that the strategy falls under this asset class definition, candidates are encouraged to submit responses.

Q15) We currently have two strategies, Emerging Market Debt Hard Currency and Emerging Market Debt Local Currency (both of which are GIPS compliant), available in UCITS form. We do not have a blended fund at this stage. Would you consider a segregated mandate for the blended local/hard currency long only strategy domiciled in the US?

A15) Without an EMD blended strategy under management, a manager would not meet minimum criteria #1, #2, #3, #4, or #5.

Q16) In regards to the term “fully invested” defined in the IPS on page 14, does the 5% cash threshold include cash equalization of T-bills or is it just considered hard cash?

A16) For the purpose of the described section of the FRS Investment Policy Statement, “essentially fully invested” means no more than 5% of the investment manager’s portfolio shall be held in cash and/or any cash equivalents.

Q17) Would it be acceptable to submit for a vehicle we do not currently have but would launch for the investor? We currently run a blended strategy via UCITS and 40 ACT funds, however, in order to provide better economics to the investor and meet the requirement that the comingled fund be U.S. domiciled, we believe it would be advantageous to submit for FRS to seed a blended CIT vehicle.

A17) Minimum criteria #1 states that the candidate must offer “a commingled fund investment vehicle available for qualified public defined benefit plan investments”. The minimum criteria do not stipulate a minimum size for the commingled vehicle.

Q18) If the manager would like to propose a customized fee schedule for Louisiana Firefighters Retirement System, are we permitted to include this in the cover letter?

A18) Yes.

Q19) What is the preferred vehicle type?

A19) The preferred vehicle is an open-ended commingled vehicle. This preference does not exclude 40 Act mutual fund vehicles from consideration.

Q20) Are separately managed accounts acceptable?

A20) FRS is not willing to consider investing in a separate account within this asset class.

Q21) Will Louisiana Firefighters Retirement System be open to reviewing EMD blend strategies outside of local/hard blend such as hard currency corporate/government blend? If so, is there the ability to submit two blend strategies?

A21) Yes. FRS is moving away from an EMD local currency mandate to a blended mandate that provides more diversified exposure to EMD hard currency, local currency, and possibly (but not required) EMD corporate exposures. Please only submit proposals for EMD blended strategies. Managers should feel free to submit responses for more than one blended strategy, as long as the strategies meet the minimum criteria listed in the RFP document.

Q22) Qualification 2 states that “As of September 30, 2019, the named firm has, at a minimum, $350 million of invested capital for the specific Emerging Markets Debt – blended local/hard currency (long-only) strategy you are proposing”. Our firm has been managing an Emerging Markets Debt Local Currency strategy since 2006. Our Emerging Markets Debt Blended Currency strategy (a natural extension of our flagship Local Currency strategy) began in November of 2016. The Emerging Markets Debt Blended Currency strategy is roughly comprised of a 50% allocation to our Emerging Markets Debt Local Currency strategy and a 50% allocation to our Emerging Markets Debt Hard Currency strategy. As of September 30th, Mondrian had over $1.6 million of invested capital in both of our Emerging Markets Debt Local Currency and Emerging Markets Debt Hard Currency products.

A22) If your firm’s Emerging Markets Debt - blended strategy itself does not have a minimum of $350 million in assets under management, your firm will not meet minimum criterion #2.

Q23) Qualification 3 states that “As of September 30, 2019, no individual account makes up more than 50% of the total assets of the strategy being proposed.” Please note that our Blended Currency EMD commingled fund assets consists of seed capital; there are no outside investors in the fund.

A23) If an individual investor or investment entity makes more than 50% of the “seed capital”, then your firm will not meet minimum criterion #3.

Q24) Qualification 4 states that “As of September 30, 2019, the named firm has a minimum three-year performance record for the specific strategy that you are proposing. The track record must be calculated in full compliance with the CFA Institute’s Global Investment Performance Standards (GIPS). Simulated or back-tested returns of any kind will not be accepted.”. Our firm has been managing an Emerging Markets Debt Local Currency strategy since 2006. Our Emerging Markets Debt Blended Currency strategy (a natural extension of our flagship Local Currency strategy) has a GIPS composite performance track record that began in November of 2016. Given that the performance for our Emerging Markets Debt Blended Product needed to have a full month’s performance track record prior to be included in the GIPS composite, would you accept GIPS performance that begins November 2016 instead of September 30, 2016?

A24) If your firm’s strategy does not have a minimum three-year track record by September 30, 2019, then your firm will not meet minimum criterion #4. Feel free to footnote on the cover letter response that your firm’s strategy missed the minimum qualification by only 2 months. This may be taken into consideration.