

Emerging Market Small Cap
(Questions in bold, answers in non-bold font)

1.

1. **Our strategy is GIPS verified for 2013-2016 and we expect 2017&2018 to be completed around the deadline of the July 22nd submission for this RFP. If the audit is not completed until after the submission deadline, would that be an issue?**

There is no flexibility around the GIPS compliance and 5-year track record requirement. Emerging firms with less than a 5-year track record may supplement their track record with one from a prior firm, if that track record can be attributed to the portfolio manager for the most recent 36-month period of the five-year verifiable experience requirement.

2. **Our strategy had \$57m in assets as of March 31st, so satisfies the AUM requirement. However, the requirement that LACERS is not more than 25% of the AUM of the strategy would limit an investment in our strategy to ~\$10m. If so, would we get consideration given that the mandate is for \$230m? We manage ~\$250m between our all cap and small cap EM strategies and our firm has over \$6.5B in equity strategies if that helps.**

The proposal will be considered.

3. **For the client references, are you looking only for clients invested in the proposed strategy or can they be clients of other strategies managed by our firm? If the former, our current clients are all in Europe, so wanted to make sure that meets with your requirements.**

We would like to speak to investors in the strategy

2. • **Would you consider regional managers for the RFP?**

Yes, if the strategy fulfils the requirements outlined in the RFP.

- **Our strategy has 19 years and we are in the process of getting GIPS-compliant (within the next year), would that work or is there an alternative?**

See answer to 1(1)

3. **Regarding the minimum requirement #6 (five years of verifiable GIPS-compliant performance history): our strategy will have a five year track**

record on 8/31/2019, i.e. one month after your deadline, and has an additional 3 years of performance of a model portfolio (non-GIPS) – does this qualify us to participate in this search?

See answer to 1(1). Model portfolio or simulated performance will not be considered.

4. **In order to satisfy, Minimum Qualification # 5, do the assets under management need to meet the requirement at the full mandate of \$230 mil or will the consideration of a split mandate meet the qualification. In other words, is the minimum AUM requirement \$690m at full mandate of \$230m or will a manager with AUM over \$345m in the strategy be considered for a split mandate?**

LACERS may consider placement across multiple managers.

5. **Question #1**
While we meet the minimum AUM requirements as of March 31, 2019 (qualification #4), the question centers around the “expected mandate” size and the 25% limit in product assets inclusive of LACERS as stated in the minimum qualifications #5. With emerging market small cap assets of \$80 million as of May 31, 2019, this may/may not be an issue depending on your allocation methodology. That said, can you provide us with more information on how the approximate \$240 million in assets will be allocated, the potential number of managers, the timing of the allocation and whether we should still move forward in completing this proposal?

LACERS may consider placement across multiple managers.

Question #2

As of March 31, 2019, our emerging markets small cap portfolio has 5.25 years of performance history (inception date January 1, 2014). With minimum qualification #8, we only have 18 quarters of rolling four-quarters of data to look back on, however, 12 of those 18 quarters the information ratio were positive versus the benchmark. Given the fact we don't have 20 quarters would this result in an automatic rejection from participating in this search?

It is impossible to have an inception date of a product with an inception date of over five years and not have 20 quarters of data. Should it be the case that there is not 20 quarters of data, your proposal does not meet the requirement.

6. **Our product had over \$50 million under management as of March 31, 2019. However, depending on the size of the allocation to each**

manager, we're unsure whether LACERS allocation would comprise more than 25% of the strategy.

See answer to question four.

- 7. 1) Minimum Requirement #6: The Prospect must have a minimum of five years of verifiable GIPS-compliant performance history actively managing the proposed product for institutional clients.**

Background: Our strategy has GIPS-compliant performance history beginning March 31, 2017. At the time of this RFP's submission, we would have two years and four months of GIPS-compliant performance history. Therefore, without five years of performance history, we would be unable to sign Exhibit 1, the Minimum Qualification Certification.

Question: Will this disqualify us from the search?

Yes

- 2) Submission Requirements: The Submission Requirements on page 6 stipulate we must fill out all City Requirements, including a Gender Equity Disclosure Form.**

Background: As a privately held company, we generally provide diversity and workforce composition data to clients, or in the final stages of due diligence. We'd be better able to provide this information at that time.

Question: Will this disqualify us from the search?

Yes

- 8. Our track record is over ten years long. Our team's track record goes back 4.5 years through 3/31 (rolling information ratios are positive for the whole period). Can we submit the team's longer running EM all-cap track record as a supplemental track record to meet the performance requirement for the RFP?**

See answer 1(1).

- 9. 1. In Exhibit 3 Question 1, LACERS requests references of "five (5) largest public pension plans (by portfolio asset size)". Could you**

please clarify whether these are the largest public pension plans invested in the proposed product or largest public pension plans at the firm level? Could you please also clarify whether the question pertains to U.S.-based or global public pension plans?

References should be clients invested in the product. U.S.-based and/or non-U.S.-based clients are acceptable.

- 2. In the Minimum Qualifications it states “All minimum qualifications, except for No. 14 – insurance coverage, must be met as of, July 22, 2019, 4:00PM Pacific Time (PT)”. Could you please confirm this is meant to say No. 11 given there are not 14 minimum qualifications listed in the document?**

Correct, minimum qualification number 11 pertains to insurance.

- 3. Could you please confirm that Appendix D (Sample Investment Management Agreement) is not binding and will be subject to review and negotiation with the manager that will ultimately win the mandate?**

Correct, this is a sample only.

- 10. At least 50% of rolling four quarter information ratios (i.e., excess return divided by excess risk) must be positive versus a mandate-appropriate benchmark, gross of fees, for the last five years (10 of 20 quarters) ended March 31, 2019.**

For this requirement, strategy has positive information ratio vs the MSCI EM Small Cap index for 9 out of the last 20 quarters (as of March 31, 2019). We are very close the 50% level, and would like to check if our RFP response would be considered regardless of not fully meeting this requirement.

9 of 20 does not meet the minimum requirement.

- 11. We have a strategy that was incepted in July 2013 but the strategy stand alone does not meet the stated minimum qualifications for AUM. That said, our team currently manages approximately \$2.3B which includes \$1.8B in emerging markets mandates, with over \$420M specifically in emerging markets small cap securities, using the same philosophy and process. Therefore, could the team’s overall emerging markets assets or the emerging markets small cap securities across their platform satisfy your AUM requirements for this mandate?**

No.

12. **The minimum requirement states that the proposed product's assets under management must be of sufficient size such that LACERS' expected mandate size would not comprise more than 25% of the proposed product assets inclusive of LACERS assets.**

Our strategy has approximately \$100 million in dedicated assets as of March 31, 2019. As it relates to the below Minimum Qualification #5, will LACERS consider the firm level EM Small Cap assets (the higher number) when determining if the manager's proposed product is of sufficient size such that LACERS' expected mandate would not comprise more than 25% of the product assets?

See answer to question 5 (1).

13. **• Can you please clarify the minimum assets under management required in the proposed product (as of March 31, 2019), as minimum qualification #4 and #5 appear to conflict with one another?**

See answer to question 5 (1).

• Regarding minimum qualification #5 (proposed product AUM), is LACERS be willing to consider the investment team's total platform assets?

Minimum qualification number five refers to the product.

• Can you clarify the expected number of investment managers LACERS is expected to hire for the mandate, as that will impact the calculation for minimum qualification #5?

See answer to question 5(1).