**APPENDIX C – QUESTIONNAIRE**

**State Universities Retirement System of Illinois**

Fixed Income Manager of Managers

**I. BACKGROUND & GENERAL INFORMATION**

1. Contact Information:

|  |  |
| --- | --- |
| ***Firm*** |  |
| Name: |  |
| Main Address: |  |
| Telephone Number: |  |
| Fax Number: |  |
| Website |  |
| Additional Office Locations: |  |
| ***Primary Contact Person*** |  |
| Name: |  |
| Title: |  |
| Telephone Number: |  |
| Email Address: |  |
| Location (City/State): |  |

2. Provide an overview of the firm including, but not limited to, its history, its subsidiaries and affiliates, asset class and investment strategy focus, corporate strategy, etc. Please be sure to address growth targets (e.g., AUM, revenues), and new or under consideration investment products over the next three years.

3. Describe any significant organizational developments in the firm during the past five (5) years, such as changes in ownership or reorganization. Do you anticipate any future changes in your firm’s ownership structure or any other significant change in your firm?

4. Specify any lines of business other than management of emerging managers services and indicate the approximate percentage of total firm revenues generated by each along with AUM if applicable.

5. Briefly describe your manager of emerging managers platform and product lineup, including its historical development and any plans to introduce new mandates in the future. Please include AUM by type of mandate.

6. Characterize your existing manager of emerging managers product client/AUM base. What is the current client mix in terms of % public pensions, % E&F, % retail/HNW, % investments by internal employees, etc. Discuss efforts to manage its composition or target certain segments, if applicable.

7. Provide the total number of firm employees, investment staff, research staff, fixed income clients, fixed income AUM, total clients, and total firm-wide AUM for each year-end for the past 5 years.

8. List the firm’s office locations, the main functional responsibilities of each, and the number of staff at each location. In addition, indicate the location(s) of the investment team responsible for managing the proposed products covered by the RFP.

9. List all individuals or entities that hold a 5% or greater stake in the firm along with their respective ownership percentage, the total number of active employee owners, and their aggregate level of ownership. Please distinguish between “full” ownership and non-voting, economic participation-only interests if applicable.

10. Does the firm (or its principals individually) have any loans or other debt outstanding that may be convertible into equity, or whose interest/principal payments are pegged to firm revenues or profits? If so, please describe.

11. List any subsidiaries, affiliates or joint ventures and briefly describe the nature of each relationship, respective ownership structure and any revenue/profit sharing arrangements between your firm and all relevant entities.

12. Is your firm or its parent or affiliate a broker/dealer? Does your firm trade for client accounts through this broker/dealer? Does your firm accept soft-dollars as a method of payment for investment advisory services provided?

13. Provide an overview of your approach to personnel management (e.g., determining staffing needs, recruiting, training, and performance evaluation).

14. If applicable, how are revenues or profits shared between the manager of emerging managers product group and the parent firm, other parts of the organization, affiliates or any third-party that has a claim on your manager of emerging managers product’s economics? What percentage of the profits generated by your manager of emerging managers products are retained by the actual manager of emerging managers product group?

15. Describe your succession and continuity plans for management of the firm.

16. Has your firm ever liquidated, dissolved or otherwise terminated any strategy or product? If so, please provide details.

**II. INVESTMENT TEAM**

17. Identify the key group or multiple distinct groups that are involved in the management of the proposed services, including any distinct groups and their respective responsibilities as well as the functional organization of your portfolio managers and/or research analysts (i.e., generalists vs. strategy specialists, investment vs. operational due diligence). Please be sure to identify any group heads, portfolio managers, etc., that will have decision-making authority within their respective areas. Who has veto authority for the proposed mandate?

18. Do any of the key individuals listed in Question 17 have responsibilities for other investment strategies or additional duties within the firm? If so, please comment and provide an estimate of the percentage of time each spends on the investment activities of the proposed mandate, as well as the AUM of the other investment strategies that they manage.

19. Do you maintain an Investment Committee, Risk Committee or other formal decision-making body? If so provide the name, purpose, participants and meeting frequency of any standing committees. Please detail whether or not any individual (i.e. PM) or group can override the decisions made by the committee, or if any members of the committee have the ability to override the votes of other members.

20. Provide an overview of the compensation structure for the investment professionals involved in managing the proposed mandate. Discuss in detail how bonuses are determined (e.g. are they based on firm-wide AUM, strategy AUM, short-term strategy performance, long-term strategy performance, etc.) Discuss any employment contracts or other retention mechanisms related to the individuals named in response to Question 17.

21. Discuss your succession and continuity plans for the management of the proposed mandate should any of the key individuals listed above leave the firm or be internally redeployed in some fashion.

22. Has the structure of the proposed mandate team changed materially at any point in time? If so, describe the changes as well as the timing and reasons.

23. Are any of the investment activities associated with the proposed mandate fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

**III. INVESTMENT STRATEGY**

*SECTION A. INVESTMENT PHILOSOPHY*

Describe your firm’s investment philosophy and process as it relates to how you construct the proposed mandate. Please be specific to address the following:

24. Provide a brief explanation of the investment process relating to the proposed mandate, including:

a. Portfolio construction methodology. Please make sure to reference how the investment process allocates assets across multiple managers.

b. The quantitative and qualitative aspects of the decision-making process.

c. Comments on how you determine the optimal mix of managers.

d. Decision-making process for manager terminations.

25. Describe any modifications you have made to the investment philosophy or process of the proposed mandate over the last three years and the rationale for the changes.

26. Please describe your firm’s investment manager database(s) as of December 31, 2019, including statistics by mandate.

27. What percentage of the relevant manager universe does the firm actively cover?

28. How do you source investment managers (e.g., what external and/or internal databases are used, conferences attended, etc.)? Which source has typically been most useful? What do you look for as key indicators of quality?

29. Please describe your research capabilities, goals, and processes.

30. Please describe your firm’s initial and ongoing manager due diligence processes in detail, including:

a. What operational due diligence is performed on managers.

b. How often you visit managers and who conducts these visits.

c. What information is shared with clients.

1. Describe the extent of background checks your firm conducts on key individuals at prospective investment managers. What is the process and to what extent are external resources employed?
2. Describe your Firm’s process to identify and manage sources of tracking error.
3. To what extent do you evaluate the underlying manager’s portfolio holdings? Describe any analytics that are used and what factors or metrics are evaluated.
4. Please describe the experience your firm brings to designing a manager of emerging managers program. What do you believe to be your firm’s main competitive advantages or unique features as it relates to the proposed mandate?
5. Please provide a detailed description of your firm’s systems / technical infrastructure and how they support the overall investment process.
6. Describe how managers are allocated and implemented across client accounts. Do you generally “phase in” allocations over time or commit the desired amount of capital at the onset of a relationship with a new investment manager?
7. Discuss expected/historical portfolio turnover levels, the monitoring of manager trading costs and how this facet interacts with the rest of the investment process.
8. How does your firm handle emerging managers who grow their assets to such an extent that they no longer meet your client’s definition of an emerging manager?
9. When sourcing emerging managers, are there minimum requirements for track record, AUM, or number of clients? Please provide any additional clarification on your firm’s view of best practice as it relates to minimum requirements in the context of a strategy designed to target “emerging” managers.
10. How do you evaluate the going concern/solvency risk associated with emerging managers?
11. Do you provide any business guidance to the managers in your program? If yes, please describe.
12. Describe the process your Firm uses to analyze and evaluate the performance of the proposed mandate:

• Describe how your Firm conducts performance attribution analysis, indicating any models or tools used.

• How does your Firm incorporate the results of the performance attribution analysis in the management for the proposed mandate?

*SECTION B. CAPACITY, PERFORMANCE, PORTFOLIO CONSTRUCTION*

1. Discuss the growth of assets for the proposed mandate and whether the size of your Firm’s assets under management is an advantage/disadvantage.
2. Under what types of environments would you expect the proposed fixed income mandate to perform best, and under what conditions would you expect performance to lag?
3. How do you select/structure benchmarks for the underlying investment managers?
4. Discuss your experience with the following portfolio types:
	1. Global Investment Grade
	2. High Yield
	3. Global Bank Loans
	4. Emerging Market Debt
5. Would you prefer to construct a portfolio of single strategy managers or a portfolio of managers that utilize a combination of the strategies listed above? Why? Are there other strategies that you would suggest that we include?
6. Discuss your pipeline of managers for the strategies listed above. Include the name of firms in each strategy and the level of due diligence that you have completed.

**III. RISK MANAGEMENT**

1. Describe your overall risk management framework and process, including a list of the main risks associated with the proposed mandate and a description of how each risk is measured, monitored and managed at both the individual position and aggregate portfolio level.
2. What are the main non-investment risks associated with the proposed mandate?
3. What controls are in place to monitor and mitigate these risks?
4. If not covered in your response to Question #49, describe any third-party or internal risk systems or tools, the output each generates, and how these are utilized.
5. Describe the escalation process when a specific risk metric is outside of the allowable target/range.
6. Has your risk management and portfolio monitoring process changed materially at any point in time? If so, describe the changes as well as the timing and reasons.
7. How are investment guidelines determined for the underlying managers in the portfolio?
8. What safeguards are in place to monitor compliance with investment guidelines?

**IV. REPORTING AND CLIENT SERVICE**

1. How long after month-end are estimated and final values and/or performance available to clients?
2. Describe the standard level of transparency and reporting package provided to investors for the proposed mandate.
3. Describe the level of access clients have to your portfolio managers, research analysts, and other investment professionals.
4. Can we receive custom reports? If so, discuss the range and customization available.
5. Discuss the level of access clients have to your portfolio managers, research analysts, and other investment professionals.
6. In addition to standard reporting and communications, describe any other elements of client service (e.g., white papers, educational seminars, annual meetings) that you believe add value to the relationship.

**V. INVESTMENT VEHICLES, FEES & TERMS**

1. Please provide the five largest separately managed accounts by asset size, as of December 31, 2019.

|  |  |  |
| --- | --- | --- |
| **Client Name or Plan Type (Public, Corporate, Taft-Hartley, etc.)** | **Assets ($Millions)** | **Inception Date** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

1. Please provide institutional accounts (over $20 million) gained and lost in the following calendar years. Do not include assets gained or lost from existing clients, only new relationships.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Assets Gained ($Millions)** | **Accounts Gained** | **Assets Lost ($Millions)** | **Account Lost** |
| 2019 |  |  |  |  |
| 2018 |  |  |  |  |
| 2017 |  |  |  |  |

1. Please provide an explanation for each account lost in the previous question.
2. Provide the proposed fee schedule for the management of the proposed separate account mandate.

**VI. REGULATORY, LEGAL & COMPLIANCE**

1. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm’s ADV Part II. If exempt, please describe the exemption.
2. List all registrations with regulatory agencies or self-regulatory bodies.
3. When was the last inspection by any regulatory body? Were there any findings? If yes, please explain and discuss how they were remedied.
4. Has your firm or any current/prior director, officer, principal or employee ever been the subject of a non-routine investigation or inquiry by a regulatory agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance, regardless of materiality, and indicate if any directives, letters or opinions were issued concerning said inquiry.
5. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of client assets? If so, describe each instance, regardless of materiality.
6. Has any current/prior director, officer, principal or employee ever been convicted of, pled guilty to, or pled nolo contendere to a felony? If so, describe each instance.
7. List the amount and respective carriers of the errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm.
8. Has your firm ever submitted a claim to your errors and omissions, professional liability, fiduciary insurance or fidelity bond carrier(s)? If so, describe each instance.
9. Has your firm or any affiliated individual ever been denied coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bond? If so, describe each instance and provide the reason cited by the carrier.
10. Identify your Chief Compliance Officer and describe the responsibilities, reporting structure and compensation scheme of your compliance group.
11. Does your firm maintain a written ethics or standards of conduct policy? If so, what steps are taken to ensure that employees are in compliance?
12. Does your firm maintain a written compliance manual? How do you ensure/verify that the firm and its employees follow stated procedures?
13. What is your process for escalating and resolving compliance violations?
14. Describe your Anti-Money Laundering (AML) procedures and identify the designated Money Laundering Reporting Officer (MLRO).
15. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

**VII. OPERATIONS & INTERNAL CONTROLS**

1. Describe the organizational structure and main functional roles of your middle/back office and identify all relevant key individuals responsible for executing manager transitions.
2. If applicable, do you audit the NAV and performance records of all manager of emerging managers commingled funds by an independent party every year since its inception?
3. Has your firm ever had to change or restate a previously reported final NAV as a result of an audit? Please explain.
4. Describe your business continuity/disaster recovery systems and plans.
5. Does the firm or any director, officer, principal or employee have an ownership interest, economic arrangement or other affiliation with any organization other than the firm? If so, identify the relevant entities and describe the nature of each arrangement.
6. Do any affiliated firms receive direct or indirect compensation related to the investment, administrative, marketing or other activities of your services? If so, describe each arrangement including the services rendered, an estimate of annual fees paid and the source of these payments.
7. Provide an overview of your policies and monitoring procedures regarding employees’ personal trading activities.
8. Do you take, or have you taken, equity stakes in investment managers?
9. Provide a list of professional counterparts the company maintains a business relationship with and for how long:

• Legal advisors:

• Auditors:

• Banks:

• External Marketers:

• Administrators:

• Prime Brokers:

• Other:

**VIII. Other**

1. Please indicate whether the firm is certified as a Minority, Women, or Disabled Business Enterprise (MWDBE) as defined by the [Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act](http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=550&ChapterID=7). If so, please provide a copy of the firm’s certification.
2. Furnish an organizational chart.
3. How does the firm seek diversity with respect to employees/teams? With respect to ownership? How has this evolved over time?
4. Does your firm have a diversity or inclusion policy? If so, please provide a copy.
5. Is your firm a signatory to the Principles for Responsible Investment (PRI) or a similar organization? Provide a copy or link to your most recent PRI assessment.
6. Does your firm have an environmental, social, and governance (ESG) investment policy? Please provide a copy.
7. Describe how ESG factors are integrated into your investment strategy/process.
8. SURS encourages its investment managers to utilize the services of brokerage firms owned by minorities, women, and persons of a disability (MFDB). Further, it is SURS expectation that the investment managers meet certain minimum levels of MFDB brokerage participation. Please comment on your ability to execute and monitor usage of MFDB brokerage firms.
9. What is your approach to partnering and/or working with diverse firms (such as MWBE) as vendors, partners, and/or clients?
10. SURS is required to testify periodically (usually annually or semi-annually) in front of the Illinois Senate Special Committee on State & Pension Fund Investments. Would you be willing to attend, if requested, and testify on MWBE efforts?
11. SURS conducts a diverse manager week annually to identify and meet with MWBE firms. Would you be willing to participate in the fixed income portion of those interviews?