

**Absolute Return Strategies
(Phase 1)
RFP #I-2025-1
Response to Inquiries**

1. Will FoHF strategies be considered for this RFP?

Response: No

2. In order to assess available capacity, what is the expected amount in USD IPERS seeks to deploy per manager/strategy?

Response: IPERS does not currently have a set amount of expected allocations. Allocations will vary depending on uniqueness of returns, volatility levels, capacity etc.

3. Given the definition of the "Product" on page 4 ("The strategy return can be delivered through a collective fund, separately managed account, linked note or a custom index.") can assets as at 31 December be aggregated across all vehicles delivering the strategy?

Response: Yes

4. Do they have representative benchmarks for calculating the betas to global equity markets, global rate markets, global credit markets and commodity markets?

Response: IPERS uses a variety of publicly available benchmark indices for our calculations.

5. Is the performance-based fee arrangement a performance only model or would they consider a "1 or 20" type of model?

Response: IPERS prefers that all/the vast majority of the fee outlay remain performance based.

6. Is there any requirement in terms of liquidity (daily or monthly)?

Response: IPERS does not have defined liquidity objectives or constraints. Since these strategies will be housed in our public market portfolio, we prefer strategies that predominantly trade liquid instruments.

7. Is there any requirement in terms of access point, i.e. "the strategy can be run through a collective fund, separate managed account, linked note or custom index". Are all these access points acceptable solutions?

Response: Yes

8. Any restrictions on pass-through (full or partial) models?

Response: While IPERS is willing to consider a strategy with a pass-through structure, IPERS generally prefers that all/the vast majority of the fee/cost outlay remain performance based.

9. Do trend following strategies fall under your definition of Absolute Return?

Response: Yes

10. We can offer a product with a performance fee. However, our standard reporting is with a flat fee. Do we need to submit a simulated track record with a performance fee?

Response: Please feel free to provide daily gross (of management and incentive fee, but net of commissions and other expenses) returns alongside monthly net returns.

11. Question on monthly returns: our private credit strategy calculates returns on a quarterly basis rather than monthly. Is that permitted with this RFP?

Response: No

12. Are you open to accepting proposals from fund of hedge funds?

Response: No

13. We have a strategy which we believe would be interesting for IPERS, although it has a 4.5 year track record instead of the full 5 years. Would we still be able to apply?

Response: IPERS does not offer any exceptions to the minimum requirements.

14. Our fund is currently set up as management fee only, there are no performance or incentive fees charged, would this structure be considered or disqualified on that basis?

Response: See response to Questions 5 and 10

15. We note your minimum requirements state, "The Product must have a minimum AUM of \$500,000,000 as of December 31, 2024". We manage over \$1bn in strategy assets; however, no single fund has AUM above \$500,000,000. Would proposing a fund that is below the \$500,000,000 minimum, while having strategy assets above \$500,000,000 meet your requirement?

Response: Yes

16. We note your minimum requirements state, “The firm must be willing to accept a performance-based fee arrangement”. Would you consider a fee arrangement that includes both an AUM based management fee as well as a performance-based fee, or are you only considering performance-based fees and will not consider proposals that include an AUM based management fees?

Response: IPERS is willing to entertain a combination of management and incentive fee at this point. IPERS generally prefers that all/the vast majority of the fee outlay remain performance based.

17. Do you envision a hurdle on performance-based fees? If so, do you envision a fixed hurdle or a cash-based hurdle?

Response: Yes, after a cash or an appropriate market beta hurdle is achieved.

18. Do you require the Product returns to be GIPS verified?

Response: No

19. Is a regulatory risk transfer (synthetic risk transfer) strategy acceptable?

Response: Yes

20. I’m reaching out to ask whether Iowa PERS is considering funds of hedge funds for the absolute return mandate?

Response: No

21. Could you provide further information as to the types of strategies you will consider for this mandate? We understand that you are looking for strategies that have low beta to other asset classes and provide diversification for your program. Are you willing to look at strategies that are dedicated to a specific area (corporate credit for example), and may be more directional, with minimal shorting?

Response: IPERS is open to directional strategies as long as the excess created after backing out a market beta (corporate credit index in this case) is attractive.

22. Our question is: We aren’t able to provide a USD composite of our absolute return strategy given the base currency is GBP. Are we allowed to upload a net of fee track record for the SICAV mutual fund (USD share class) with the intention of launching a separate account?

Response: Yes

23. If we do not have daily returns from the product’s inception, but they are available from a different period, would you like for us to provide the daily returns from that available period?

Response: Please provide monthly returns if the strategy meets the minimum requirements, you may provide the daily returns back as far as possible.

24. Is there any leeway with Minimum Requirement numbers 2 and 4, pertaining to the Product's minimum AUM and track record, respectively?

Response: IPERS does not offer any exceptions to the minimum requirements.

25. Can you please provide further clarity regarding the following minimum requirement? "The firm must be willing to accept a performance-based fee arrangement." Can you please clarify if this means management and performance fee, or performance fee only?

Response: See response to Question 5.

26. My firm is interested in submitting a proposal, but we typically execute an NDA with prospective investors before sharing our performance history in excel. Is this something IPERS would be amenable to considering in advance of submission?

Response: IPERS is not able to negotiate and sign NDAs with individual firms as part of this RFP. Please refer to section titled "DISCLOSURE OF PROPOSAL CONTENT" and if satisfactory, provide the returns with and without redactions.

27. It is our current expectation that our firm will file to register as a registered investment adviser with the SEC in the coming months. Would this ongoing process be sufficient to satisfy Section C., Minimum Requirement #1? Please note that our firm is also authorized and regulated by the FCA, and currently files as an exempt reporting adviser with the SEC.

Response: Yes, IPERS can invest with offshore managers and offshore vehicles and the manager must be registered with an equivalent governing authority in their country of business.

28. For its absolute return search, would IPERS consider a private credit strategy focused on NAV finance? Our firm offers two strategies: the first targeting unlevered returns of 9-10% net IRR / 1.3x net TVPI through senior secured loans to private equity funds, the second targeting unlevered returns of 12-15% net IRR / 1.5x net TVPI through senior preferred equity investments with private equity GPs. These strategies are differentiated from traditional private credit and may help to diversify sources of return in an absolute return portfolio.

Response: IPERS prefers most of the returns for an absolute return strategy to be delivered through marketable/public market securities.

29. We note that the RFP asks for monthly returns, but we are only able to provide quarterly returns. Would quarterly returns be acceptable?

Response: No

30. can you please confirm if a management and performance-based fee arrangement for the Product would be acceptable?

Response: Yes

31. As it pertains to the product's minimum AUM requirement of \$500 million as of 12/31/24, would IPERS accept a submission where the most appropriate investment vehicle is materially below the \$500 million threshold, but the PM Team's aggregate strategy AUM that utilizes the same alpha and risk models exceeds the \$500 million threshold across various accounts?

Response: Yes

32. Is it okay to submit a proposal in which the combined basket of strategies is simulated (blended in the back test tab) but the underlying strategies (presented in the monthly returns tab) have greater than 5-year live track record?

Response: No, IPERS will not accept simulated track records. Please present the underlying strategies for consideration if possible.

33. We would like clarification on what it means to have our proposal "placed in the public domain". Where would the proposal be located? Will it be online? Please provide more details as to where and how the proposal can be accessed.

Response: Proposals will not be freely available in a physical or digital location. The redacted version of the proposals by will be subject to disclosure, for example, upon receipt of FOIA requests.

34. Can performance-based fee arrangements include a management fee in addition to a performance fee?

Response: Yes

35. We directly manage a CLO focused Structured Credit Fund and has been doing so for almost 20 years. To our knowledge, it is the longest continuously managed fund of its kind and extends back to the early days of CLOs. The fund focuses on CLO management, by taking both controlling stakes in the equity tranches, as well as owning debt across the CLO capital stack, investing where we believe value is greatest. The fund has served well as both a return enhancer and a diversifier for our clients as it has delivered a high total return, from a diversifying, floating rate source.

Given the floating rate nature of CLO's, the fund provided diversification relative to the MSCI ACWI and Bloomberg Global Agg in 2022 when inflation fears pushed rates higher. Since inception, it has demonstrated equity like returns while also having a low correlation to the equity market.

How will you compute beta, and would a strict interpretation of the beta expectation preclude you from selecting our strategy? Based on what we described, would this strategy qualify under the guidelines of the RFP? See table below for context.

Response: IPERS calculates rolling betas across various indices over various time frames and is only one of the many considerations in the Phase 1 quantitative screen.

36. Are there risk or volatility considerations, or are you open to a higher volatility product (assuming high Sharpe) that you would manage via smaller sizing?

Response: IPERS does not have specific volatility objectives/constraints. Yes, IPERS routinely sizes mandates based on tracking error or other measures of volatility.

37. For the \$500m aum minimum, does the minimum apply across the individual SP or the strategy as a whole? For example, our ingredients between the multi strats aggregate over \$2bln, but the individual SP does not. This is due to sovereign wealth funds and other pensions accessing our strategies through SMAs and Fund of Ones.

Response: The strategy as a whole.

38. May we kindly inquire if it's possible to obtain additional clarification or detail on the below item as a part of the submission:

Page 4 – 'The firm must be willing to accept a performance-based fee arrangement.'

Response: See response to Question 5.