

**Absolute Return Strategies
(Phase 1)
RFP #I-2023-2
Response to Inquiries**

1. Are there any exceptions to the minimum requirement as stated under C. 2.? For example, I have seen public funds provide for certain RFP exceptions for Service-Disabled Veteran-Owned Businesses.

IPERS does not offer any exceptions to the minimum requirements.

2. If a strategy meets all the requirements but one, will it be considered? In our case, the strategy has a track record of 4 years and 4 months as of December 31, 2022.

See Question 1.

3. Our firm is a \$1.2Bn short-term systematic investment manager, and our flagship program trades only futures contracts. As a futures-only manager, we are registered as a CTA and a CPO with both the CFTC and NFA but are not required to register as an RIA with the SEC (as we don't trade securities). Does IPERS allow for a futures-only exemption to Part 3(A)(1) of the Questionnaire as they do a bank exemption to the same?

Yes, IPERS will allow programs that have CTA/CPO registrations with CFTC and NFA for this search.

4. Is the current \$500M requirement firm? What if we will have \$500M by Q2 2023? Would IPERS consider a Custom portfolio?

See Question 1

5. Are equity long/short strategies being considered for this search? Any details you can provide would be helpful and much appreciated.

Yes, we expect long/short strategies as part of the search.

6. Can you please confirm if a frontier market debt mandate would be considered for this mandate? It has very low correlations with most asset classes.

Yes, IPERS would consider a Frontier debt mandate.

7. We meet all of the criteria for evaluation except for the \$500M AUM (our AUM is currently over \$300M) and the 5-year track record (our firm was started in 2018 but this fund was launched in 2020). I was wondering if IPERS had an emerging manager program which we may be evaluated for?

IPERS does not have an emerging manager program.

8. Our firm has a deep history of Infrastructure investing, beginning in 2013, and continuing through today with the addition of six subsequent vehicles covering value-add diversified infrastructure, value-add dedicated renewables, core diversified infrastructure, and opportunistic non-North American energy via our London-based international energy team. Across the past ~9 years, our Infrastructure Platform has grown to approximately \$15 billion in AUM. We would like to submit based on the platform-level track record of 9 years and are seeking confirmation that such an approach would be acceptable.

Yes, but IPERS prefers the majority of the returns from an absolute return strategy to be delivered through marketable/public market securities.

9. We do not meet IPERS' minimum AUM requirement of \$500,000,000 at this time. Unless you have a program for emerging managers and/or minority owned funds, we will not qualify as a participant. Do such alternative programs exist?

See Question 7.

10. We are in the process of launching a product that we believe would be a fit for Iowa PERS. This strategy has a verifiable track record that dates back to 2013 and has been running live within our flagship multi strategy fund since 2017. Does this meet the 5 year track record? As well, it has not officially launched as a stand-alone vehicle but is expected to in January. While this does not currently meet the minimum AUM of \$500mn, would we still be able to submit for this product?

See Question 1. Carve outs from strategies that have a verifiable track record (for the carve out) and satisfying all the RFP minimum requirements will be considered.

11. In addition to this, we have worked with investors to create a blend of our existing strategies to target specific return metrics. This is not offered as a stand-alone product, rather something we work on with the investor to customize. Would this be appropriate to submit?

Not at this time.

12. If providing a proposal prior to December 31, 2022, should we provide AUM as of end of Q3? Would SMA, Mutual Funds, AND model delivery be included in the AUM amount even though model delivery could be considered AUA?

Please provide AUM as of 12-31-22. SMA, Mutual funds and discretionary assets under other structures may be used to show product AUM.

13. Before submitting our proposal, we would like to understand a little more about the performance-based fee arrangement. Are you able to provide more colour?

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.

14. Our firm is not registered as an investment adviser under the Investment Adviser Act (nor a bank). It is an Exempt Reporting Adviser, therefore we do not have a full Form ADV. Would you be happy for us to participate as an Exempt Reporting Advisor?

Yes, but please see responses to Question 3 and Question 8.

15. Part 3.A.1. requires a Manager to be registered as RIA under the Investment Advisors Act of 1940, unless it is exempt under the bank exemption. Could you please confirm/clarify if firms who are registered as a CTA with the CFTC/NFA (and who are exempt from SEC registration under a different exemption) would indeed also qualify to submit a proposal?

See Question 3.

16. The RFP states that “simulated or back tested results for any portion of this period are not acceptable” and that “the product must have a minimum AUM of \$500,000,000 as of December 31, 2022”. Is a proforma of live returns acceptable? One of the strategies that we would like to propose is a multi-strategy fund that we launched in April 2020. This multi-strat is a combination of various strategies that we have been running live for anywhere from 5-20+ years, and all of the underlying strategies have live returns and AUM that meet the requirements. Does this strategy meet the minimum qualifications? While the specific multi-strat launched in April 2020, we can provide a proforma return stream back to February 2012 (this proforma uses volatility scaled carve outs from various other strategies over their live periods until April 2020 when the multi-strat was launched, i.e. it does not contain any backtested returns).

See Question 10. Please submit the components that meet the minimum requirements, individually, for our consideration alongside the proforma multi-strat performance as supplemental information.

17. For Part 4 Exhibit A, is it acceptable to provide monthly net returns and daily gross returns? Or if we cannot provide daily net returns, should we only submit monthly net returns?

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

18. Part 1, Section C, #2 of the RFP states that the “product” must have a minimum of \$500M in AUM. Part 1, Section B describes “product” as a strategy that can delivered through a collective fund. For AUM requirement purposes, should we think of the \$500M AUM requirement for the “product” at the *strategy* level or the *fund* level?

At the strategy level.

19. Who is the main Wilshire field consultant on point for this search?

Please direct consultant queries to ipers.alpha@wilshire.com.

20. Is there a quiet period? If so, when does it take effect?

Please see RFP language for more details. IPERS will reach out to selected products upon the conclusion of our analysis to discuss further next steps.

21. Our product is a 1940 Act Fund. Are you open to considering an Exchange Traded Fund (ETF)?

We could consider an ETF.

22. Since we are an ETF, there is no incentive fee and only a flat management fee. Would you consider a lower fee vehicle? We are an actively managed ETF so you still get the manager selection and active management. ETFs tend to be cheaper than other absolute return strategies that charge higher management fees plus incentive fees.

We would consider a strategy that has a ETF track record if you are open to other structures/fee schedules if selected by IPERS for implementation.

23. The product was launched in May 2019 and it's a public, listed fund on the New York Stock Exchange. Our firm has a much longer history (since 2013). Can that qualify towards the 5y track record requirement?

See Question 1 and other responses.

24. How are you calculating long term beta and what indices are you planning to use to represent "equity markets, global rate markets, global credit markets and commodity markets"?

IPERS staff will use commonly available investable benchmark indices as proxies for beta calculations.

25. Will pro forma returns (adjusted to reflect the application of the current fee schedule to the historical, actual returns of the Product) be accepted, in addition to providing the actual net returns of the Product? If so, please advise on how to present these returns in the excel file (i.e. a separate tab titled 'Pro Forma').

No, IPERS does not want pro forma track records just to illustrate different fee scenarios.

26. Our firm is an SEC-registered investment adviser, who is also a wholly owned subsidiary of a foreign asset manager. This foreign asset manager has another subsidiary (so under the same owners and control) that can manage US assets under a Participating Affiliate Agreement. Under the Participating Affiliate Agreement, the US based and SEC registered entity uses the resources of the foreign subsidiary as if they were one legal entity. All resources and employees that would be involved in the investment management of the IPER's Absolute Return account are considered to be US's supervised/associated persons. Would it be possible under the terms of this RFP for the US entity to respond to the RFP and serve as the investment adviser of record for the mandate with the foreign subsidiary, pursuant to a Participating Affiliate Agreement, serving as the day-to-day investment manager for the mandate?

Yes.

27. Will this search accept closed-end funds?

No.

28. We have recently began fundraising for our latest absolute return fund. Will this search allow track records and general fund-level information for vintage funds to be used in lieu of other information?

No.

29. Are you willing to be flexible on the minimum track record length and minimum asset size, and consider strategies that either don't meet both minimums, or only meet one of them? For example, we have a couple of strategies that we believe could be excellent, uncorrelated fits, with a 5+ year track record, but don't meet the \$500mm AUM minimum (both strategies have ~\$350mm AUM). We also have a couple of strategies with 1-2 year track records and <\$200mm AUM that we believe would be great uncorrelated options to consider. We would be willing to discuss/offer more attractive economics on these strategies.

See Question 1 and other responses.

30. The RFP requires data as of December 31, 2022. If December 31, 2022 data is not available by the January 20, 2023 deadline, can our team submit September 30, 2022 figures?

No, please provide data until 12-31-2022 to be considered.

31. Question 2 asks for the AUM of all of the firms' absolute return strategies (includes the proposed Product and similar products). Would IPERS like to see the AUM figure for absolute return strategies across the firm level or investment platform level?

Investment platform/Product level.

32. Would multi-manager solutions be considered by IPERS?

Yes.

33. Does IPERS have any specific liquidity objectives and constraints for this allocation? Similarly, any volatility objectives?

IPERS does not have specific liquidity objectives/constraints/volatility objectives. See response to Question 8.

34. Are there areas/investments/strategies IPERS generally avoids?

No.

35. Does IPERS have any specific ESG considerations for this allocation?

IPERS does not have any ESG considerations for this allocation.

36. The RFP highlights the assessment of ‘correlation to IPERS strategic asset allocation and liabilities’ but is there a consideration for correlation to the existing strategies implemented in the absolute return allocation relative to each other?

There is not at this time. IPERS, after selecting strategies will then assess fit and allocation levels in our current portfolio of managers.

37. Separately, given the new search for potential allocation to new absolute return strategy providers, would the plan expect the new allocation(s) to be crafted to complement the existing allocations? Or is the intent for the allocation to be run in isolation?

IPERS initially will look at every strategy in isolation, but will perform a portfolio construction exercise prior to go-live.

38. What is the estimated AUM that would potentially be allocated to each manager?

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

39. The RFP asks if firms are willing to accept performance based fee structures. Do performance-based fees need to be used in the net of fee Excel performance submission?

IPERS prefers to see net returns of the product as it is currently being run.

40. Does IPERS have a preferred structure for performance based fees? For example, a base fee plus performance fee or no base fee and a 100% performance fee?

See Question 13.

41. In regards to the product’s minimum AUM requirement of \$500 million as of 12/31/22, would IPERS accept a submission where the PM Team’s aggregate strategy AUM exceeds the \$500 million threshold across various accounts, but the flagship vehicle is below the \$500 million threshold? For added context, we have a strategy that we think would be an ideal fit – the PM Team manages assets close to \$1bn in total AUM, however, because the team has a greater focus on solutions customized for clients, their flagship multi-strategy fund no longer exceeds the \$500 million threshold. Please confirm whether this AUM level meets your minimum requirement.

IPERS would accept the submission as long as the products run in the fund and SMAs are similar.

42. My question is specific to the requirement of 5 years of performance data. We are launching a new fund with a partner. The primary investment of the fund will be a vehicle that was created by our joint-venture partner 5+ years ago. Monthly performance data is available for the vehicle since inception. Does a look-through to the 5+ years of performance data of the vehicle meet the terms of the RFP?

Yes, please see other responses for clarifications.