

## **All responses to questions received including additional questions received from September 7- 10, 2018.**

1. What is LACERA's definition or preferred benchmark for Natural Resources equities?

LACERA's benchmark for the Natural Resources sub-asset category has not yet been finalized but a custom benchmark of 50% Bloomberg Commodity Index and 50% S&P Global Large/Midcap Commodity and Resources Index is being proposed by LACERA's General Consultant to reflect the existing commodities portfolio and the new Natural Resources equities portfolio. If approved by LACERA's Board of Investments, the Natural Resources equities portion of the mandate would be benchmarked to the S&P Global Large/Midcap Commodity and Resources Index.

2. Will LACERA have target allocations for the three real asset categories (Infrastructure, MLPs and Natural Resources equities) and will these target allocations change over time, perhaps as private allocations change over time?

The final policy targets for the recently approved asset allocation study are 4% to Natural Resources & Commodities and 3% to Infrastructure. There is no separate policy allocation to Master Limited Partnerships. The final policy targets are proposed to be reached by 4Q19.

An interim target allocation of 3% to Natural Resources & Commodities and 2% for Infrastructure is proposed to be reached by 2Q19, if approved by LACERA's Board of Investments.

The target allocations will stay in effect until the next asset allocation study. These allocations are intended to include both public market/liquid and private market/illiquid implementation strategies. The initial allocations will be invested in public market/liquid strategies, which are largely the subject of this RFI. Later, as private market/illiquid strategies are approved, these private/illiquid strategies will be funded from the public market/liquid portion of the allocations.

3. Will the manager be tasked with making relative valuation decisions in order to overweight and underweight the three real asset categories (Infrastructure, MLPs and Natural Resources equities) relative to LACERA's target allocations?

LACERA invites respondents to propose a portfolio structure and composition that the respondent believes would best achieve the public market/liquid implementation of the Natural Resources & Commodities and Infrastructure sub-asset categories of LACERA's Real Assets and Inflation Hedges allocation. The allocations to the sub-asset categories may be actively or passively weighted relative to their targets in a prudent manner with an awareness of benchmark returns while mitigating risks.

4. Is LACERA seeking one singular real assets portfolio, comprised of three sleeves consisting of listed Infrastructure, MLPs and Natural Resources or is LACERA seeking one manager to manage three individual discreet portfolios?

LACERA's preference is to seek one manager to manage the public market/liquid implementation of the sub-asset categories of Natural Resources & Commodities and Infrastructure.

5. How will LACERA define global natural resources? What sectors will LACERA include given that LACERA has a commodities allocation?

Natural Resources would possibly include Energy, Materials, and Agriculture, similar to the categories represented by the proposed benchmark. The existing commodities allocation will be managed relative to the Bloomberg Commodity Index.

6. Could you provide a Word document version of the Request for Information?

LACERA will send respondents a Microsoft Word document version of the RFI with an email request to [realassets@lacera.com](mailto:realassets@lacera.com).

7. Does the manager meet the minimum qualification of \$5 billion in total assets under management (AUM) in similar products if the manager's proposal has one team managing the mandate while the firm's assets are managed by two separate teams with two different assets under management amounts?

Managers may look across multiple teams across the same or affiliated firms to satisfy the AUM requirements. As stated in the minimum qualifications, the manager must have a minimum of \$5 billion in total AUM in similar products as the mandate (public market/liquid implementation) for which the manager is hired by LACERA. These assets under management should include the three Real Asset strategy categories: listed Infrastructure, Master Limited Partnerships, and Natural Resources equity securities and any other liquid implementation approaches in these categories. The AUM requirement should not include private fund investment mandates.

**Please note that these are responses to additional questions received on Friday, September 7 through September 10, 2018.**

8. Is there a preferred benchmark for Infrastructure and/or Natural Resources?

LACERA's benchmarks for Real Assets have not yet been finalized. LACERA's General Consultant has proposed the following benchmarks for the sub asset categories that are subject to approval by LACERA's Board of Investments:

a) for Infrastructure - Dow Jones Brookfield Global Infrastructure Index and

b) for Natural Resources/Commodities - a custom benchmark of 50% Bloomberg Commodity Index and 50% S&P Global Large/Midcap Commodity and Resources Index.

9. Can respondents include publicly listed REITS to calculate Assets Under Management (AUM)?

Respondents may include publicly listed REITS to calculate the firm's AUM. The AUM should not include private or illiquid fund investment mandates.

- 10a. Would LACERA prefer that a custom solution to be limited to listed Infrastructure, Master Limited Partnerships, and Natural Resources equity? OR could the mandate include publicly listed REITs?

- 10b. Do respondents have the flexibility to propose additional real asset classes? Are there any real assets explicitly prohibited?

LACERA's RFI considers a new mandate for listed Infrastructure, Master Limited Partnerships, and Natural Resources equity. The new mandate does not require REIT exposure as LACERA gets Real Estate exposure from its private Real Estate portfolio. LACERA's preference is a mandate that will provide immediate access to liquid investments in listed Infrastructure, Master Limited Partnerships, and Natural Resources equity. There are no explicit prohibitions; however, LACERA has existing portfolios consisting of private Real Estate and commodities futures. The initial benchmark for the mandate is likely to be a blend of the Dow Jones Brookfield Global Infrastructure Index and S&P Global Large/Midcap Commodity and Resources Index.

- 11a. Does LACERA want this liquid real assets completion portfolio to serve as a proxy for their private fund investments, and therefore the beta may have to change as the private fund investments occur?

- 11b. Is there an asset allocation component to this mandate, or is there a preference to mimic set weights of future illiquid commitments?

The liquid real assets completion portfolio will provide LACERA the asset allocation benefits of this asset class in an expedited manner. Over time, this liquid portfolio will be used to fund future private investments in these sub-asset categories. The mandate does not require the manager to reflect or complement a future private portfolio but does require flexibility to adjust the sub-asset category weights over time and provide liquidity for funding such investments

12. The respondent is not GIPS compliant currently; however, the firm is expected to become GIPS compliant by the end of the year. Does this disqualify the respondent for this search?

GIPS compliance is required by LACERA at the time of contract signing with the selected manager.