**ATTACHMENT D**



**GLOBAL EQUITY EMERGING MANAGER PROGRAM SEPARATE ACCOUNT MANAGER**

**QUESTIONNAIRE**

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**GLOBAL EQUITY EMERGING MANAGER PROGRAM**

**SEPARATE ACCOUNT MANAGER**

**QUESTIONNAIRE**

# SUMMMARY DATA

**Firm**

Name:

Main Address:

**Primary Contact at Firm for this RFP**

Name:

Title:

Phone Number:

E-Mail Address:

# CHECKLIST

Exhibit A. Audited Financial Statements and Management Letter

Exhibit B. SSAE16, SOC1 or 2 or Similar Internal Control Report

Exhibit C. Disaster Recovery Policy

Exhibit D. ADV (Part I, II (a and b))

Exhibit E. Code of Ethics

Exhibit F. Personal Trading Policy

Exhibit G. Placement Agent Disc. and SEC Compliance Form & LACERA Placement Agent Policy

Exhibit H. Organizational Chart

Exhibit I. Employment History of Key Senior Professionals (consolidate to one file)

Exhibit J. Short Biographies of Key Senior Professionals (consolidate to one file)

Exhibit K. Investment Due Diligence Report

Exhibit L. List of Equity-Based Emerging Managers

Exhibit M. List of Firms with Revenue Sharing or Other Shared Ownership Arrangements

Exhibit N. White Papers

Exhibit O. Investment Allocation Policy

Exhibit P. ESG Policy

Exhibit Q. Diversity, Equity, and Inclusion Due Diligence Questionnaire

Exhibit R. Firm’s Compliance Regime and Internal Control Structure

Exhibit S. Policy and/or Procedures to Address Conflict of Interest

Exhibit T. Operational Due Diligence Report

Exhibit U. Monthly Returns of Composite

Exhibit V. Sample Client Reporting (e.g. performance/positioning discussion, risk/exposure)

Exhibit W. Example of Risk Report

Exhibit X. Example of Stress Test or Scenario Analysis Report

Exhibit Y. Marketing Materials or Presentation Decks

***For this questionnaire, an emerging manager is defined by managing external capital for typically less than ten years and having less than $5 billion of assets under management. Additionally, principals or employees of the firm must hold at least 51% of the ownership interest of the company.***

# ORGANIZATION

1. Indicate your firm’s fiduciary classifications:

¨ Bank

¨ Insurance Company

¨ Registered Investment Adviser (Investment Advisers Act of 1940)

¨ Other: (Please Explain)

1. Is your firm willing to act as a fiduciary in the management of LACERA's assets?
2. Firm history:
3. Provide a brief history of your firm including the year organized/founded.
4. In what year did the firm begin advising: a) portfolios including emerging managers and b) customized portfolios of emerging managers?
5. What is the month and year of SEC 1940 Act registration, if applicable?
6. Firm ownership structure:
7. Describe your firm’s ownership structure including specific details with regard to any affiliated companies, joint ventures, and/or employees.
8. Describe the interrelationships and communication lines between the portfolio construction professional staff and any parent-subsidiary, affiliate, or joint venture entities. Provide an organizational chart that diagrams the interrelationships if needed.
9. Firm ownership:
10. Please elaborate on the financial stake that principals and the investment team have in your firm. Include names of the firm's principals and percent equity ownership.
11. Are there any future plans for changes or additions to ownership?
12. Are any of the principals or key staff related? Does the firm have any outside business with relatives of any principals or staff?
13. Firm revenue distribution:
14. How is revenue for the firm divided among its business lines?
15. If an affiliate, what percent of parent firm’s revenue is generated by your organization?
16. How much of firm revenue is generated by investing in: a) portfolios including emerging managers?
17. Does your firm, including entities affiliated with the parent, generate any revenue associated with investment management from sources other than management and performance fees for client-customized portfolios? If so, explain.
18. Financial Condition
19. Discuss the financial condition of the firm based on the most recent audited financial statements and annual report.
20. What is the capital structure of the firm and how is the entity that manages emerging manager portfolios capitalized?
21. Provide a copy of your most recent three years of audited financial statements and auditor’s management letter for your firm (**Exhibit A**).
22. Provide the location and function of each of your firm’s offices related to portfolio management as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Headquarters or Regional Office** | **Location** | **Function** | **Number of Professionals** |
|  |  |  |  |
|  |  |  |  |

1. Business Objectives:
2. Discuss the overall new client business and expansion objectives of your firm.
3. Has your firm added any new products during the past year?
4. Do you plan to introduce any new products over the next year? If so, please elaborate.
5. How many client-customized emerging manager portfolio relationships can your firm manage?
6. Is there an asset capacity limitation for client-customized portfolios? Explain.
7. How is asset capacity determined?
8. What steps would be taken as assets under management approach the capacity level?
9. For client-customized portfolio management, indicate whether your current investment capabilities were developed in-house or through acquisition of another investment firm. If the latter, specify the name of the acquired firm, date when this acquisition occurred and a description of the rationale for the transaction.
10. Whom do you consider to be your major competitors in building portfolios of emerging managers?
11. Regulatory Activity:
12. In the last ten years, has your firm been the subject of an SEC audit or any investigation by a federal or state governmental agency? If yes, please explain.
13. Have any employees been the subject of an SEC investigation while at other firms? If so, explain and provide current status.
14. Please provide copies of deficiency letters, if any.
15. Litigation:
16. Over the past five years, has your organization, its affiliates, parent company, officers, or principals been involved in litigation or legal proceedings? If yes, please explain.
17. Have there ever been any lawsuits or criminal, legal, regulatory, arbitration or administrative proceedings pending or threatened against the firm, its predecessors, or principals?
18. Has the firm or any of its employees had any disputes over non-compete, non-disclosure, or similar covenants? If so, please explain.
19. Has the firm or any of its employees had any disputes over workplace harassment, disparate treatment or similar issues? If so, please explain.
20. Are any employees involved in any litigation related to their prior firms?
21. Internal Control and Operational Risks:
22. Provide a summary of your firm’s internal control structure.
23. Does the firm conduct a periodic risk assessment?
24. Provide a copy of your firm’s SSAE 16, SOC 1 or 2, or similar internal control report, if available, as **Exhibit B**.
25. Are there other operational audits conducted on the firm?
26. Who handles compliance issues and how does that staff report through the organization?
27. Have you had external auditors review your controls? If yes, when and how frequently?
28. Describe the firm’s approach to address the completeness of a manager’s:
    1. Disaster recovery and business continuity risks.
    2. Cybersecurity risks.
    3. Attach your policy (**Exhibit C**).
29. How often are the funds and the firm’s financial statements reviewed/audited by external auditors? Please describe any material issues which were identified in audits in the past 3 years.
30. Provide a complete Form ADV (Parts I and II parts a and b) as an attachment (**Exhibit D**).
31. Describe the levels (dollar amounts) of coverage for SEC-required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
32. Has your firm adopted a Code of Ethics? If so, provide a copy (**Exhibit E**). If not, why not?
33. Is the firm a signatory to the Principles for Responsible Investment (PRI)? If yes, please provide a copy of your latest RI Transparency Report. Identify any formal associations addressing responsible investment or ESG that the firm is affiliated with, if any.
34. Does your firm have a personal trading policy for employees? If so, provide a copy as an attachment (**Exhibit F**).
35. Potential Conflicts of Interest:
36. Describe any potential conflicts of interest your firm may have in the management of this mandate, including any activities of affiliated or parent organizations, brokerage activities, and investment banking activities.
37. Describe any past or prospective involvement by you or a member of your firm in an activity related to a current LACERA employee or board member that may be interpreted as a possible conflict of interest?
38. Does your firm, including affiliates with the parent, hold any equity stakes in investment managers? If so, please elaborate.
39. How has your firm used third party placement agents in the past and what are your future plans for their use? Include comments on any third-party relationships disclosed in LACERA’s placement agency disclosure form (**RFP** **Attachment H**) as **Exhibit G**.
40. Asset Breakdown and History (show data as $ millions).

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| As-of: | | | | **3/31/22** | | **12/31/21** | **12/31/20** | | **12/31/19** | **12/31/18** | | | **12/31/17** |
| Total AUM, firm-wide, all products | | | |  | |  |  | |  |  | | |  |
| Total AUM of portfolios dedicated to only emerging manager1 mandates | | | |  | |  |  | |  |  | | |  |
| Total AUM in individual equity emerging managers1 | | | |  | |  |  | |  |  | | |  |
| Quantity of equity emerging managers1 | | | |  | |  |  | |  |  | | |  |
| 1For purposes of this calculation, an emerging manager is defined by managing external capital for typically less than ten years and having less than $5 billion of assets under management. Additionally, principals or employees of the firm must hold at least 51% of the ownership interest of the company. (If you are unable to answer questions considering this definition of emerging managers, please state your own definition of emerging managers and respond accordingly.) | | | | | | | | | | | | | |
| Total AUM in client-customized emerging manager portfolios2 | | | |  | |  |  | |  |  | | |  |
| 2Custom single-investor portfolios based on specific client objectives with fund selections and weights different from a manager’s standard commingled fund. | | | | | | | | | | | | | |
| **Emerging manager portfolio information by investor type; all data as of 3/31/22:** | | | | | **Quantity of emerging managers1** | | | **AUM; millions ($)** | | | **%**  **of AUM** | **# of Investors** | | |
| **TOTAL EXTERNAL** | | | | |  | | |  | | |  |  | | |
|  | **Total institutional** | | | |  | | |  | | |  |  | | |
|  |  | ERISA pension | | |  | | |  | | |  |  | | |
|  |  | Non-ERISA pension | | |  | | |  | | |  |  | | |
|  |  |  | Total employee benefit / pension | |  | | |  | | |  |  | | |
|  |  | Foundation, endowment & hospital | | |  | | |  | | |  |  | | |
|  |  | Financial institution | | |  | | |  | | |  |  | | |
|  | **Total non-institutional investment** | | | |  | | |  | | |  |  | | |
|  |  | High Net Worth & Family office | | |  | | |  | | |  |  | | |
|  |  | Other - specify: | | |  | | |  | | |  |  | | |
| **TOTAL INTERNAL** | | | | |  | | |  | | |  |  | | |
|  | G.P. (all employees / principals) | | | |  | | |  | | |  |  | | |
|  | Affiliated entities: | | | |  | | |  | | |  |  | | |
| **GRAND TOTAL** | | | | |  | | |  | | |  |  | | |

1. List firm’s five (5) largest clients (for any product) by client type, total assets of the client (plan size) and mandate size as of 3/31/22 (please use format below).

|  |  |  |  |
| --- | --- | --- | --- |
| **Type of Client** | **Plan Size ($USD)** | **Mandate Size ($USD)** | **Type of Mandate** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

1. List your 5 largest clients in client-customized emerging manager portfolios that include equity-based managers by type and size as of 3/31/22 (please use format below).

|  |  |  |
| --- | --- | --- |
| **Type of Client** | **Date of Inception** | **Size**  **($ millions)** |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

1. List all clients in client-customized emerging manager portfolios that your firm has gained and lost within the past five years. Include a reason for all accounts lost during this period (please follow format shown below).

|  |  |  |  |
| --- | --- | --- | --- |
| **Date Client Gained** | **Type of Client Gained** | **Assets**  **($ millions)** | **Assignment** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  | **Number of Clients Gained** |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date Client Lost** | **Type of Client Lost** | **Assets**  **($ millions)** | **Assignment** | **Reason for Departure** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **Number of Clients Lost** |  |  |  |

1. Provide the client name, account type, length of relationship, contact, title, and telephone number of three clients which have terminated your firm’s services that included constructing emerging manager portfolios in the last five years.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Client Name** | **Account Type** | **Length of Relationship** | **Contact** | **Title** | **Phone Number** | **Assignment** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

1. What is the typical timeframe for onboarding a client?
2. Describe the minimum technical requirements for a client to virtually use your platform? Does the software have any dependencies like Java? Do you use a plug-in? If so, are they required to operate the system?
3. Describe where LACERA data is held and how it is secured. Is the data storage US- based? Who owns the encryption rights to LACERA's data?
4. What is the data infrastructure - on premise, cloud, or hybrid?
5. Is core development US-based? Do you use 3rd party developers?
6. Does the client need two-factor authentication to log-in to your platform?
7. Has your firm experienced a significant data breach in the last three years? If so, please describe. Does your firm conduct annual penetration tests?
8. What are the hours of client support? 24/7?

# PROFESSIONAL STAFF

1. List the number of persons dedicated to constructing and supporting emerging manager portfolios.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | **3/31/22** | **12/31/21** | **12/31/20** | **12/31/19** | **12/31/18** | **12/31/17** |
| Investment Staff: | |  |  |  |  |  |  |
|  | Portfolio Managers |  |  |  |  |  |  |
|  | Research Analysts |  |  |  |  |  |  |
|  | Risk Management |  |  |  |  |  |  |
| Non-Investment Staff: | |  |  |  |  |  |  |
|  | Operational Due Diligence |  |  |  |  |  |  |
|  | Executive Management |  |  |  |  |  |  |
|  | Marketing/Client Service |  |  |  |  |  |  |
|  | IT |  |  |  |  |  |  |
|  | Legal |  |  |  |  |  |  |
|  | Administration/Back Office |  |  |  |  |  |  |
|  | Other (Specify) |  |  |  |  |  |  |
|  | TOTAL: |  |  |  |  |  |  |

1. Describe the percentage of time investment professionals dedicate to constructing portfolios of equity-based emerging managers.
2. Provide an organizational chart (**Exhibit H**) with positions and relationships of employees involved in the management of emerging manager portfolios.
3. Provide the information below for each senior investment staff member involved with constructing emerging manager portfolios. Highlight the person(s) who would be responsible for this account.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Title** | **Responsibilities** | **Years of Portfolio Management Experience** | **Education/ School** | **Other Designation** |
|  |  |  |  |  |  |

1. Provide a complete individual employment history for the past 10 years of ALL key senior professionals directly involved in constructing and managing portfolios of emerging managers (**Exhibit I** – consolidate all employment history in one file).

1. Please also attach a biography for each person listed above (**Exhibit J** – consolidate all biographies in one file).
2. Describe the role of the senior professionals in the day-to-day activities of the firm. Please include any of their involvement in investment activities.
3. Are any firm principals involved in any other outside entities? If so, please identify the entity, and explain the nature of their involvement and the time spent. (Please exclude activities for tax-exempt organizations that are exclusively charitable, civic, religious or fraternal).
4. For each portfolio manager, please specify their location, the number of portfolios each manages and include the dollar value of assets under management.
5. Departures:
6. Provide the names of all senior professionals who have resigned, been terminated, or transferred to another department, within the past five (5) years.
7. Provide a brief explanation for each departure.
8. For each departure, please elaborate on the firm’s process of replacement.
9. Was the professional directly replaced? If so, with whom, and how long did it take?
10. Describe any changes that occurred due to the departure, including shifted responsibilities.
11. Please describe the role of any new positions added to the investment team in the past two years.
12. Manager Research Staff:
13. How is manager research organized? (e.g., specialists by strategy, generalists)
14. How many strategies and managers does each analyst cover?
15. Do portfolio managers conduct primary in-depth manager research?
16. Lead Portfolio Manager(s):
17. Name the lead portfolio manager(s) who will be assigned to this account.
18. Do(es) the lead portfolio manager(s) have ultimate decision-making authority and accountability for customized portfolios?
19. Do(es) the lead portfolio manager(s) have equity ownership in the firm?
20. How much time does the lead portfolio manager(s) allocate among portfolio management, client servicing, traveling, manager research and administrative duties?
21. Is the assigned lead portfolio manager primarily responsible for any of the performance track records provided in Section VIII? Who are the key personnel associated with these track records?
22. Describe the availability of portfolio managers for reviews and conference calls with LACERA.
23. Describe the succession plan if a key professional assigned to LACERA’s account should leave.
24. Compensation:
25. Describe the compensation and incentive program for professionals involved in managing the emerging manager portfolios including the percentage of compensation from: base salary, performance bonus, firm profit split, equity incentives, fund general partner share, and any other sources.
26. Please list and indicate the weight of quantitative evaluation factors in determining total compensation. (e.g., asset growth, performance, or other factors)
27. Who is eligible to participate in equity incentives (e.g. firm equity, phantom stock, options)?
28. Employee Fund Ownership:
29. Are the firm’s principals and key investment professionals materially invested in the firm’s commingled portfolios? Please elaborate, including any policy requiring fund investment.
30. Describe current firm initiatives, if any, to address diversity of thought and background across the firm, especially across senior leadership and investment roles.
31. Client Service:
32. Please provide the name and title for the person(s) responsible for the LACERA relationship.
33. Please provide a brief bio(s).
34. How many and which type of clients does a client service professional cover?
35. Which members of the team would LACERA interact with and across what functions?
36. Describe the level of access to IDD and ODD professionals.
37. Describe the level of data sharing and access to analytic systems.

# EXPERIENCE WITH EMP, SOURCING MANAGERS (SELECTION AND MONITORING), PORTFOLIO CONSTRUCTION

1. Describe your experience investing in equity-based emerging managers (include timeline, asset class, and AUM).
2. Investment Manager Progression/Graduation:
   1. Describe your process assisting emerging managers become established institutional quality firms.
   2. Describe your policy on emerging manager progression.
   3. What is your hit-rate of managers graduating from emerging to established investment firms?
   4. What would you say is your value-add or your competitive advantage when it comes to advising emerging firms?
3. Manager Investment Due Diligence Process:
4. Explain any basic screening requirements a manager must meet before it is considered.
5. Detail the process from the formation of the initial universe to the list of invested managers.
6. Describe the approach to identify attractive emerging managers early.
7. What aspects of the investment process and risk management are examined during an investment due diligence? Please list and describe fully.
8. Describe the process for ongoing manager monitoring, including its frequency.
9. Provide at least one example of an investment due diligence report as an attachment (**Exhibit K**).
10. Estimate the number of emerging managers and, separately, equity-based emerging managers analyzed annually and the percentage that are hired.
11. Comment on the level of transparency the firm seeks from its underlying managers. Describe how frequently this level of transparency is provided.
12. Manager Research and Portfolio Construction Process:
13. Is the research process specialized for emerging managers?
14. What fundamental, qualitative or quantitative inputs do you use in your portfolio construction process?
15. Does the process result in certain styles or sub-strategies that you are likely to target or avoid?
16. Describe the product that your firm is proposing to LACERA. Include portfolio construction parameters that you are proposing. Through what structure would LACERA invest in individual investment managers?
17. Investment Committees:
18. Does your firm use an Investment Committee? If not, who has investment authority?
19. Who are its members and what is its role in the investment process?
20. Describe the decision-making process that results in an emerging manager being approved for investment.
21. Describe your views on categories or different types of equity-based strategies.
    1. List the different types of equity-based strategies in your universe and buy list and the size of each category. Provide number of firms and total asset for each category. (E.g. Equity long/short, Regional, Single Country, Style, Equity Options, Single Sector/Thematic)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Category** | **Universe Count** | **Universe Total AUM** | **Buy List Count** | **Buy List Total AUM** |
|  |  |  |  |  |

1. Provide a spreadsheet attachment (**Exhibit L**) containing a schedule of all current equity-based emerging manager investments (fund name, strategy description, amount invested, and terms for fees, liquidity, and capacity) that the firm currently invests in through discretionary mandates.
2. Describe your coverage of U.S. vs. Non-U.S. public equity investments.
3. Comment on the way the firm tracks its universe of public equity managers.
4. Provide three fund managers with which you have passed on the investment opportunity after completing the due diligence and the basis of your decision.
5. To what degree would you seek to diversify a portfolio of emerging managers? How many managers would you seek to have in a mature portfolio?
6. Describe any analytical systems used in portfolio structuring that are distinct from those described later in the risk measurement section.
7. Proposed Sample LACERA Portfolio Composition:

**[**See Investment Policy Statement for Pension Plan description. Refer to the RFP document for approximate market values for the Global Equity Portfolio and the Emerging Manager Program. For this questionnaire, an emerging manager is defined by managing external capital for typically less than ten years and having less than $5 billion of assets under management. Additionally, principals or employees of the firm must hold at least 51% of the ownership interest of the company**.]**

1. Provide a proposed LACERA portfolio composition which could include but not limited to the following equity-based strategies: equity long short, regional, single country, style, equity options, and single sector/thematic strategies. Please provide percentages to actual funds, specifying each fund’s style and strategy. Selected managers should meet LACERA’s definition of emerging managers. Describe how you would approach building a portfolio across types of equity-based strategies.
2. Provide an example of proposed investment guidelines for the mandate.
3. What is your forward-looking return, standard deviation, and equity beta expectation for the proposed portfolio?
4. Please provide details of your process for rebalancing the portfolio. What is your recommended frequency of rebalancing?
5. Provide the fees for the portfolio and underlying managers
6. Do you allow clients:
   1. to customize parameters and guidelines?
   2. select benchmarks?
   3. veto rights?
7. Describe how you approach gaining access and securing capacity rights to emerging managers that are higher in demand.
8. Describe your approach to negotiating terms with emerging managers? As part of your answer, provide examples of fee terms. What would be the expected management and/or performance fee structures and rates for the proposed portfolio?
9. Please describe how your firm provides Assembly Bill Number 2833 (AB2833) services for clients, when applicable.
10. Provide a spreadsheet attachment (**Exhibit M**) containing a schedule of discretionary emerging manager investments made alongside any revenue sharing or other shared ownership arrangements with an investment firm in the past 5 years.

# INVESTMENT PROCESS

1. Emerging Manager Portfolio Investment Process:
2. Describe your firm's investment process as it relates to constructing client-customized equity-based emerging manager portfolios. For example, do you tend to build portfolios with a return enhancing or a risk reduction objective?
3. Describe the characteristics you believe make an emerging manager an ideal candidate for an investor such as LACERA and the portfolio you are proposing.
4. Identify important parameters or characteristics you would focus on when constructing the portfolio.
5. Do you believe emerging manager portfolios will be successful in the future? Why or why not? Provide any evidence or research which supports this belief. A research/white paper may be provided as an attachment (**Exhibit N –** include all white papers in this exhibit).
6. Please attach your firm's investment allocation policy as **Exhibit O**.
7. ESG and DEI Investment Considerations:
   1. Please describe how your firm identifies and integrates material environmental, social, governance (ESG) factors into your investment philosophy and process.
   2. Does your firm have a policy addressing consideration and incorporation of material environmental, social, or governance (ESG) factors in the investment diligence and the investment process? If so, please provide a copy (**Exhibit P**).
   3. To what percentage of your firm’s assets under management does the policy apply?
   4. Please briefly explain your philosophy and approach, if any, for integrating ESG analysis into the investment process, including whether ESG factors present risks to financial performance or opportunities for enhanced financial performance.
   5. Please explain how often exposures to ESG risks are reviewed and evaluated.
   6. Please provide concrete examples of instances where you identified ESG factors that may impact investment merit for an external manager and how the investment team addressed or incorporated the ESG analysis into its investment decisions.
8. What data sources, research, or tools, if any, are used to assess ESG factors?  How is this information incorporated into your investment diligence and process?
9. Describe how diversity, equity, and inclusion considerations are incorporated into investment manager diligence and complete the Diversity, Equity, and Inclusion Due Diligence Questionnaire and Table (**RFP Attachment E and F**) and label **Exhibit Q**.

# OPERATIONS AND OPERATIONAL DUE DILIGENCE

1. Use of Third-Party Service Providers:
2. Please describe the firm’s operations which are conducted internally and those that are conducted by third parties.
3. Supply the firm name, address, contact information, and the year the engagement began for all independent auditors, third party administrators, custodians, external legal firms, and any other third-party service providers used by currently implemented portfolios.
4. Describe all systems used in the operational monitoring process, including those that are external.
5. What controls are in place to separate duties for compliance and investments?
6. What type of audits does your firm perform to ensure there are proper internal controls, accounting oversight, and compliance monitoring within the manager's organization?
7. Attach a detailed summary of your firm’s compliance regime and internal control structure as **Exhibit R**. Identify senior or key personnel in the firm’s compliance process.
8. Please describe the number and type of background checks used for each manager diligence.
9. Does your firm have any written policies or procedures to address conflicts of interest? If so, please attach as **Exhibit S** to your response.
10. Verification/Reconciliation/Valuation:
11. How does your firm verify the assets or exposures reported by the underlying fund managers? To what extent are third parties used?
12. Describe the systems and procedures used to reconcile fund positions with underlying investment managers and other third parties.
13. Describe any performance or NAV verification process.
14. Describe your experience with funds for which you identified valuation problems.
15. Describe your firm’s experience working with State Street Bank, LACERA’s custodial bank on behalf of your clients.
16. Please describe your firm’s operational due diligence process and capabilities.
17. What aspects of the investment manager’s organization and operations are examined during an operational due diligence review? Please list and describe fully.
18. Which individuals are responsible for conducting operational due diligence?
19. Describe in detail how your firm’s operational due diligence process examines the potential for fraud, rogue trading, or unethical activities at a fund. What key factors does your firm focus on to assess the probability for an operational or fraudulent failure at the investment manager?
20. What role does the process play in the overall decision to invest with a manager?
21. Are any third parties used to assist in operational due diligence?
22. Describe how the firm reviews an investment manager’s underlying service providers.
23. Please estimate the amount of time spent on operational due diligence for a new manager.
24. How many managers is each operational due diligence specialist responsible for monitoring?
25. How often is operational risk formally reviewed after an initial investment?
26. Describe the approach to verifying that an investment manager has institutional valuation practices, trade allocation practices and service providers.
27. Describe the approach to helping emerging firms establish institutional policies and practices.
28. Describe your experience helping emerging firms establish institutional quality mid and back-office practices.
29. Provide at least one example of an operational due diligence report as an attachment (**Exhibit T**).
30. Please describe the interaction of investment and operational due diligence professionals.
31. Identify the individuals with veto authority during the due diligence process.
32. Describe the process surrounding the termination of an investment manager.
33. Manager Failures:
34. Provide a detailed explanation of an investment manager in any of the firm’s portfolios that permanently or temporarily ceased business operations or trading activity or was subject to regulatory actions or prosecution. Elaborate on the cause of the situation for the fund.
35. Did any aspect of your due diligence process fail to identify weaknesses in the funds or firms?
36. Describe how your firm responded to the situation.
37. List any changes to policies or procedures that resulted from this situation.
38. Please discuss responses to and communications with clients and managers regarding COVID and the Ukraine situation.

# PERFORMANCE AND RISK MANAGEMENT

1. Submit monthly time series returns, net of proposed fees, for a composite of all equity-based emerging manager funds that, in a discretionary manner, your firm has invested in. Please describe the composite components and, if appropriate, investment guidelines. This information should be provided in an attached (**Exhibit U**) excel file with information formatted to two decimals.
2. For the same composite presented in the prior question, please provide the following, for periods ended March 31, 2022 (rounded to two decimals):

|  |  |  |
| --- | --- | --- |
| **Performance**  **Periods** | **Annualized**  **Total Net**  **Return** | **Realized**  **Standard Deviation**  **(Annualized)** |
| 1 Year | 0.00% | 0.00% |
| 3 Years | 0.00% | 0.00% |
| 5 Years | 0.00% | 0.00% |
| 7 Years | 0.00% | 0.00% |
| 10 Years | 0.00% | 0.00% |
| Inception to date (specify date) | 0.00% | 0.00% |

1. Is the performance history submitted adhere to the Global Investment Performance Standards (GIPS®) of the CFA Institute?
   1. Are these returns audited? If yes, please submit a letter from your firm’s independent certified auditor or a third-party vendor attesting to the accuracy of the information provided in this section and that returns were calculated according to GIPS standards. The letter must indicate that the firm independently verified all data presented in this section.
   2. Who is responsible for calculating performance?
   3. Do you provide daily and monthly return calculations?
   4. Describe the level to which your firm can calculate performance. Down to the security level?
   5. Describe in detail your performance calculation methodology.
   6. For investment managers that report performance with a lag, what is your process for lagging or not lagging performance if desired by the client?
   7. Describe your process of restating portfolio returns.
   8. What systems do you use to calculate performance? Specify what systems are proprietary.
   9. Who is responsible for reconciling performance with the custodian bank?
2. How does this performance compare to a broad universe of equity strategies? Please describe periods that represent under- and out-performance relative to broad markets.
3. Describe how you evaluate emerging managers’ investment performance relative to other managers and markets.
4. What solutions exist for blended benchmarks? For custom benchmarks (e.g., absolute return, 'BM + bps' benchmarks)? For lagged benchmarks?
5. Describe your composite structure. Does your firm create composite of composites for the Total Fund or Composite of accounts?
6. Do you provide universe/peer comparison metrics?
7. Performance Attribution:
8. Describe how you conduct performance attribution analysis, including models or tools used.
9. To what extent are sub-strategy composite returns and benchmarks used?
10. Performance Reporting:
    1. Please describe and provide samples of all reports that are typically provided to investors (e.g., performance/positioning discussion, risk/exposure reports, etc.) as attachment**s** (**Exhibit V**).
    2. Do you produce custom reports for specific investors? If so, please describe these reports.
    3. Is there an online portal where clients can access fund documents (monthly statements, performance reports, estimates, contracts, side letters, etc.) that is gathered and maintained for each investment?
    4. Describe your process for accommodating ad-hoc requests from investors. Please give specific examples of ad-hoc requests and your responses. What is the turnaround time and do clients have access to data?
11. Risk Management Process:
12. Discuss the various types of risk inherent in a portfolio of emerging managers.
13. How are those risks measured, monitored, and managed?
14. How is guideline compliance measured and monitored?
15. Describe the procedures for managing and assessing risk at the underlying fund level.
16. Risk Management Staffing:
17. Who is primarily responsible for risk management?
18. Is staff dedicated exclusively to risk management or is it part of another function?
19. Risk Management Systems:
20. Please describe the firm’s risk management systems and technology.
21. Are these proprietary or provided by third parties?
22. Please comment on the level of firm’s expenses dedicated to technology.
23. List the type of risk reports that LACERA could expect to receive and provide examples as attachment**s** (**Exhibit W**).
24. Describe the level of stress testing or scenario analysis conducted and provide sample output as attachment**s** (**Exhibit X**).

# FEES

1. What is your standard fee structure?
2. What are your proposed fees for this mandate?
3. Identify any additional costs that LACERA would be expected to cover related to your proposed portfolio and structure (e.g., legal, audit, administration, other).
4. Do you offer a Most Favored Nations (MFN) clause? If so, would you be willing to provide an MFN?

# CLIENT REFERENCES

1. Provide the contact information for three references invested in client-customized portfolios including one that includes equity-based emerging managers in the table format below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Firm Name** | **Account Type** | **Length of relationship** | **Contact** | **Title** | **Phone** | **Email** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

# MARKETING MATERIAL

1. Please include any marketing materials or presentation decks that can provide insight into your firm’s proposed services. Attach these materials as **Exhibit Y**.