

ATTACHMENT D



HEDGE FUNDS, CREDIT, REAL ASSETS CONSULTANT QUESTIONNAIRE

LACERA is requesting proposals for three separate non-discretionary consulting service mandates in the following asset categories: 1) hedge funds, 2) credit, and 3) real assets (excluding real estate). The firm may bid on one, two, or all three mandates. **Please specify on the Executive Summary page of your proposal which mandate(s) your firm is responding to.**

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**HEDGE FUNDS, CREDIT, AND REAL ASSETS
CONSULTANT QUESTIONNAIRE**

I. SUMMMARY DATA

Firm

Name:

Main Address:

Primary Contact at Firm for this RFP

Name:

Title:

Phone Number:

E-Mail Address:

II. CHECKLIST

_____	Exhibit A	Form ADV (Part I & II and accompanying schedules)
_____	Exhibit B	Audited Financial Statements and Management Letter
_____	Exhibit C	Proof of Insurance (Liability, Errors and Omissions, etc)
_____	Exhibit D	Diversity and Inclusion Questionnaire (Attachment G)
_____	Exhibit E	Supplemental Questionnaire (Tables 1-9)
_____	Exhibit F	Client Portfolio Structure Report
_____	Exhibit G	Sample Due Diligence Report(s)
_____	Exhibit H	Authored White Papers
_____	Exhibit I	Example Risk Reports
_____	Exhibit J	Sample Operational Due Diligence Report
_____	Exhibit K	Internal Compliance and Control Regime
_____	Exhibit L	Code of Ethics
_____	Exhibit M	Policies and Procedures related to Conflicts of Interest
_____	Exhibit N	Allocation Policy
_____	Exhibit O	Fee Proposal



Note: The questions below that include the wording “hedge funds, credit, and/or real assets” require a separate response for each of the three mandates in this RFP. If your firm is responding to more than one mandate, please ensure that your response to those questions separately address each mandate your firm is responding to.

III. ORGANIZATION

1. Indicate your firm’s fiduciary classification:

___ Bank

___ Insurance Company

___ Registered Investment Adviser
(Investment Advisors Act of 1940)

___ Affiliate of Fiduciary
(Name and Classification): _____

___ Other: _____

2. Please provide the month and year of your firm’s organization. Please provide the month and year of SEC 1940 Act registration. Please provide a copy of the firm’s most recent Form ADV (Part I & II and accompanying schedules) and attach as **Exhibit A** to your response.
3. Will your firm act as a fiduciary (as the term is defined by the Employee Retirement Income Security Act of 1974) to LACERA with respect to the services sought in this RFP? Please explain if your firm will not act as a fiduciary.
4. Describe the financial stability of your organization, including whether your firm has the ability to meet its expected financial obligations. Is your firm (i) in breach of or in default under any agreement, or (ii) aware of the occurrence of any facts which, with the passage of time or the giving of notice, could result in breach of or default under any such agreement. Please provide copies of the firm’s most recent audited financial statements and auditor’s management letter attached as **Exhibit B** to your response.
5. For the past ten years ending December 31, 2023, has your organization or any of its affiliates or parent, or any officer or principal been involved in any business litigation, investigations, regulatory or legal proceedings, including involving the SEC? If so, provide a detailed explanation and indicate the current status. Please include any anticipated litigation, investigations, regulatory or legal proceedings known at this time.



6. Describe the levels (U.S. dollar amounts) of coverage for employee errors and omissions insurance and any other fiduciary or professional liability insurance your firm carries. Supply proof of insurance from the firm's various insurance carriers, outlining the extent of liability coverage, and errors and omissions coverage and or other coverage in **Exhibit C**.
7. Please provide the locations of all of your firm's offices, the primary functions performed at each of these locations, and the number of employees that work at each of these location.
8. Please describe your firm's history, covering any material developments (changes in ownership, personnel, business, etc.) over the past five years ending December 31, 2023, in detail. Include any planned or anticipated material developments known at this time.
9. Please describe your firm's five to ten year horizon business plan/strategy, including your firm's reinvestment in the firm as measured by your firm's overall commitment for enhancements/improvements.
10. For the firm's past five fiscal years, please list your firm's lines of business and contributions, expressed in dollars and percentages, of each business to your firm's total revenue.
11. Please describe the ownership of the firm, including but not limited to, affiliations, subsidiaries and employee ownership. List all owners and describe ownership by percentage. Describe the process for decision-making as it relates to firm governance and strategy.
12. Provide an organizational chart of the firm and describe the relationship between each component and the consulting group. The chart should include the positions and functions of all professionals in the organization.
13. Please complete LACERA's Diversity, Equity, and Inclusion Questionnaire in **Attachment F1 and F2** of the RFP and attach as **Exhibit D**.
14. Is your firm a signatory to the United Nations-affiliated Principles for Responsible Investment and/or other responsible investment associations
15. Does your firm outsource any aspect of your investment advisory/consulting services? If so, please describe in detail the names of the third party providers, the services they perform and business arrangement.
16. Does the firm have a written code of conduct or a set of standards for professional behavior? Has the firm adopted the CFA Code of Ethics and Standards of Professional Conduct? How is employee compliance monitored? Please describe findings of the most recent compliance review. Include a copy of the firm's written code of conduct if the CFA Code is not used.



17. What are the firm's specialties and strengths? What differentiates the firm from its competitors? What are the firm's limitations? Why should LACERA hire the firm rather than its competitors? Whom does the firm consider to be their top five (5) competitors?
18. Please complete **Table 1** as of December 31, 2023 with respect to **hedge funds, credit, and/or real assets** advisory/consulting client relationships, and attach as **Exhibit E**.
19. List the names of consulting clients lost during the past three (3) years ending December 31, 2023, including consulting assets under management (AUM) or assets under advisement (AUA). Provide the firm name, contact person and title, phone number, and reason for termination.

IV. PROFESSIONAL STAFF

20. Please explain how the firm will structure the team dedicated to LACERA for each mandate proposed.
21. Please complete **Table 2** as of December 31, 2019, providing all employees within the firm's **hedge funds, credit, and/or real assets** team and attach as **Exhibit E**.
22. Please complete **Table 3**, providing the names of the proposed LACERA consulting team, including the lead **hedge funds** consultant(s), the lead **credit** consultant(s), and/or the lead **real assets** consultant(s), their back-up, and support services staff and attach as **Exhibit E**.
23. Do any members of the proposed LACERA consulting team(s) named in the firm's preceding response have responsibilities in other asset categories or have outside duties/responsibilities? If so, please list which asset categories and/or their respective outside responsibilities.
24. Describe the firm's succession plan in the event the key personnel in this assignment should leave the firm, are unable to serve, or are able to serve in a reduced capacity? How does the firm consult with the client for their input when considering replacements?
25. Does your firm engage contractors to fulfill analytical, investment or research-related functions? If so, please describe how and why and complete **Table 4** as of December 31, 2023 and attach as **Exhibit E**.
26. Please complete **Table 5** as of December 31, 2023 to describe employee turnover and attach as **Exhibit E**.
27. As of December 31, 2023, please indicate your firm's client to advisory/consulting staff coverage ratio. How is the ratio calculated? Does the firm have a limit on this ratio as well as a limit on the number of accounts per individual consultant? Provide this ratio for each member of the proposed LACERA account and include the names of clients currently being served by these individuals.



28. Describe the compensation and incentive program for your firm's professionals. How are they evaluated and rewarded? What incentives are provided to attract and retain superior individuals?
- Identify the percentage of compensation by title which earns base salary, performance bonus, performance bonuses, and/or other.
 - Do you offer direct ownership, phantom stock, profit sharing?
 - Who is eligible to participate?
 - On what basis are these incentives determined? Is compensation tied to success factors such as account growth, performance, or other factors?
29. Given your knowledge of LACERA and its governance structure, please describe what you think would be an optimal way of working with the LACERA Board of Investments and Staff, including communication method and frequency, availability to meet in Pasadena, California, and overall approach to information sharing. Please compare and contrast your proposed operating approach with that of models in-place with three of your existing clients.
- V. **TECHNOLOGY** (Approach and efficacy in the use of technology such as proprietary databases, research analytics, and portfolio and manager risk analytics)
30. Describe your approach to utilizing technology to incorporate into your research and due diligence process.
31. Describe your firm's prior investments and future plan for investing in technology to enhance your research, due diligence, and client servicing capabilities.
32. Does your firm have a client portal? If so, please describe its capabilities and functions.
33. Would LACERA's portfolio details but available for view on the client portal? If so, please describe (e.g., performance, risk, underlying holdings, liquidity, etc.)
34. Does your firm have a manager research database that's available to your clients. If so:
- a) Please describe the types of content that would be available to LACERA.
 - b) How many hedge funds, credit, and/or real asset managers and funds existing due diligence reports would LACERA have access to?
 - c) How many hedge funds, credit, and/or real asset managers are actively covered in the manager research database?
35. Would LACERA have access to the firm's analytics (e.g., manager research, risk) to run its own reports or would the firm run queries for LACERA?
36. Risk Management Systems:
- d) Please describe the firm's risk management systems and technology.
 - e) Are these proprietary or provided by third parties?
 - f) How is it incorporated into recommendations for your client's portfolio decisions?
 - g) Please comment on the level of the firm's expenses dedicated to technology.



37. Risk Management Staffing:
- a) Who is primarily responsible for risk management?
 - b) Is staff dedicated exclusively to risk management or is it part of another function?
 - c) Explain any steps taken to separate the risk function from the investment decision makers.

VI. SERVICING CAPABILITIES (includes investment/market research, operational due diligence, and middle and back-office services)

Investment/Market Research

38. How does the firm go about analyzing a client's existing or desired **hedge funds, credit, and/or real assets** portfolio and determining a course of action?
39. Client portfolio construction process:
- a) What fundamental, qualitative and/or quantitative inputs do you use in your investment process? Please include descriptions of each aspect of the process.
 - b) Who is involved in the portfolio construction process?
 - c) Who developed and maintains the model(s)?
 - d) How do you measure its effectiveness?
 - e) Provide a sample of an analysis of a client's portfolio structure report and attached as **Exhibit F**.
40. Investment Committees:
- a) Does your firm use an Investment Committee Structure?
 - b) Who are its members?
 - c) Describe its role in the investment process.
41. What is roughly the number of managers you would envision for a **hedge funds, credit, and/or real assets** portfolio? How do you guard against 1) concentration and 2) over-diversification at the portfolio level?
42. How does your firm respond to "atypical" fundraising processes, such as relatively short due diligence timeframes or limited access to data through conventional channels, i.e., data rooms?
43. Are your firm's recommended investments specific to individual clients or the same for all similar clients?
44. Do clients participate in your investment process? How and at what stages?
45. For the proposed fee, what is the maximum annual number of opportunities on which due diligence would be conducted on behalf of LACERA for those managers not currently on your approved manager list?



46. Describe your firm's ability to negotiate more favorable liquidity, transparency or fee terms with the managers. How much value does this add to your client's portfolios?
47. Briefly describe how a new client would transition to the firm? Does the firm backload transaction and/or investment performance data? Please describe any problems the firm has encountered in transitioning a new client from their previous consultant?
48. If your firm manages a discretionary **hedge funds, credit, and/or real assets** portfolio, please complete **Table 6**. Provide the name of the fund(s), strategy(ies), and historical returns/performance, and submit as **Exhibit E**.
49. Describe the firm's philosophy and experience investing in **hedge funds, credit, and/or real assets**.

Please provide the firm's view of the current alternative asset markets. Provide a comment for **hedge funds, credit, and/or real assets**.

50. What are the current risk return expectations for the following sub-asset classes? Based on the expectations, what is the near term investment thesis?
 - a. Hedge Funds
 - i. Multi-Strategy
 - ii. Relative Value
 - iii. Hedged Equity
 - iv. Macro/Tactical Trading
 - v. Hedged Credit
 - vi. Event Driven
 - vii. Other strategies
 - b. Credit
 - i. Direct Lending
 - ii. Bank Loans
 - iii. High Yield
 - iv. Asset Backed Debt
 - v. Structured Credit
 - vi. Private Credit Hedge Funds
 - vii. Distressed Debt Funds
 - viii. Real Estate Debt
 - ix. Infrastructure Debt
 - x. Multi-strategy Credit
 - xi. Other strategies
 - c. Real Assets
 - i. Timber/Farmland
 - ii. Oil and Gas Partnerships
 - iii. Metals & Mining



- iv. Natural Resources
- v. Infrastructure
- vi. Other strategies

51. Please describe the firm's process for sourcing **hedge fund, credit, and/or real asset** opportunities.
52. Comment on the way the firm tracks its universe of **hedge fund, credit, and/or real asset** managers.
53. Please provide the number of managers of **hedge funds, credit funds, and/or real asset funds** in the firm's database(s) by strategy as categorized in tab in **Table 7** and attach as **Exhibit E**.
54. **Hedge Funds, Credit, and/or Real Assets** Manager Investment Due Diligence Process:
 - a) What aspects of the investment process are examined during an investment due diligence? Please list and describe fully.
 - b) Which individuals are responsible for conducting investment due diligence?
 - c) How has this process evolved over time?
 - d) Explain any unique methods utilized during the process.
 - e) Does the process result in certain styles/strategies/sub-strategies that you are likely to target or avoid?
55. Identify the individuals with veto authority during the manager due diligence process.
56. Please attach as **Exhibit G** a sample **hedge funds, credit funds, and/or real asset funds** manager due diligence report.
57. Manager Leverage:
 - a) Please explain the firm's philosophy of minimum, maximum, and average levels of leverage for **hedge funds, credit funds, and/or real asset funds**.
 - b) Describe your definition of leverage and elaborate if different measures or levels are used for different strategy types.
58. Describe your firm's philosophy on liquidity of **hedge funds, credit funds, and/or real asset** funds. Elaborate if different levels are used for different strategy types?
59. Does the firm advocate allocation of capital to first time funds or new funds?
60. Does the firm have a position on the use of large strategic or separate accounts with select managers?
61. Describe the firm's capability to address the underwriting needs of custom mandates for the client (e.g., customized separate accounts with asset mixes that are not currently offered by the manager. Please provide an example referencing an existing client. Does the firm have experience working with/evaluating dedicated managed account structures?



62. Describe the firm's capacity and resources to research and assess environmental, social, and governance (ESG) factors that may be material to specific investment strategies and mandates. How does the firm assess the materiality of ESG factors? What staffing resources does the firm utilize? What research sources does the firm utilize to assess ESG factors?
63. For the past ten years ending December 31, 2023, provide a list of **hedge fund, credit, and/or real asset** managers that have failed (e.g., ceased operations as a result of financial issues, operational issues, or fraud, or returned capital to investors due to unprofitability) subsequent to your firm investing in the manager and/or recommending the manager to your client(s). What lessons were learned?
64. For the years ended from 2016 through 2023, please complete **Table 8** to list all of your firm's **hedge fund, credit, and/or real assets** investments/funds recommended to your clients, with corresponding allocations. Attach as **Exhibit E**.
65. Please provide examples of white papers authored by the firm, if any, related to **hedge funds, credit, and/or real assets**. Attach as **Exhibit H**. If white papers authored by the firm are posted online, please provide the website location.

Operational Due Diligence

66. Please describe your firm's operational due diligence process and capabilities.
 - a) What aspects of the fund manager's organization and operations are examined during an operational due diligence review? Please list and describe fully.
67. Describe in detail how your firm's operational due diligence process examines the potential for fraud, rogue trading, or other unethical activities at a **hedge fund, credit fund, and/or real asset fund**. What are the key factors your firm focuses on to assess the probability for an operational or fraudulent failure to occur?
68. Describe the way the firm interacts with the underlying managers' service providers.
69. What weight does operational due diligence process play in the overall decision to invest with a manager?
70. How often is operational due diligence formally reviewed after the client's initial investment in a fund?
71. Which individuals from your firm are responsible for conducting operational due diligence?
 - a) Are any third parties used to assist in operational due diligence?
 - b) Please estimate the amount of time spent on operational due diligence.
 - c) How has this changed in recent years?
 - d) How many managers is each operational due diligence specialist responsible for?



72. Discuss the various types of operational risks inherent in **hedge funds, credit funds, and/or real asset funds**.
- How do you help your clients measure, monitor, and manage those risks?
 - Which portfolio level exposures do you monitor for your clients and how frequently are they measured?
73. Transparency of **Hedge Funds, Credit Funds, and/or Real Asset Funds**:
- How you define transparency?
 - Comment on the level of transparency the firm believes is adequate from managers.
 - How does your firm use the transparency it receives?
 - How does the firm aggregate the risk of a client's portfolio with varying levels of transparency?
74. Case Study Question:
- Provide one brief case study of a fund that your firm terminated after investment due to reasons identified in your firm's ongoing investment monitoring process.
 - Provide one brief case study of a fund that your firm terminated after investment due to reasons identified in your firm's ongoing operational monitoring process.
75. List the type of risk reports that LACERA could expect to receive and provide examples in **Exhibit I**. What level of disclosure would you expect to provide to LACERA? Are these reports customizable?
76. Provide at least one example of an operational due diligence report for each mandate your firm is responding to. Please attach as **Exhibit J**.

Back and Middle-Office Capabilities

77. Does your firm offer the below middle-office and/or back-office services for **hedge funds, credit, and/or real asset** client portfolios? If so, please describe:
- Back-office services/portfolio fund administration
 - Performance book of record
 - Shadow performance book of record
 - Independent performance reconciliation of client's official book of records
 - Manager fee aggregation
 - Manager fee reconciliation or validation (comparing client fees paid to contract terms)
 - Portfolio guideline compliance monitoring and reporting
78. If your firm provides middle-office and back-office services to your clients, describe your firm's staffing resources, infrastructure, and technology dedicated to providing these services.



VII. CONFLICTS OF INTEREST

79. Attach a detailed summary of your firm's compliance regime and internal control structure as **Exhibit K**. Identify senior or key personnel in the firm's compliance process.
80. Does your firm have a written Code of Ethics? If so, please attach as **Exhibit L**.
81. Does your firm have any written policies or procedures to address conflicts of interest? If so, please attach as **Exhibit M** to your response.
82. Does your firm have a personal trading policy for employees? If so, please describe.
83. Does your firm have a policy on receiving gifts from investment managers? If so, please describe.
84. Are there any circumstances, specifically related to your investment advisory activities, under which your firm, its officers or employees receive direct or indirect compensation from investment managers or general partners? If so, describe.
85. Does your firm manage funds or fund-of-funds? Has or would your firm evaluate a "competing" fund or fund-of-funds managed by another firm?
86. If your firm seeds managers, how does your firm manage the conflicts between seeding the managers and recommending those managers to your clients?
87. Please attach your firm's allocation policy for strategies with limited capacity for which you have preserved capacity for your clients as **Exhibit N**.
88. Does your firm receive carried interest on any of its discretionary accounts? If so, how much and above what hurdle(s), if any?
89. 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.
90. Does your firm hold or sponsor investment manager or client conferences? If so, please describe the type of conferences held and whether the costs of such conferences are borne by the firm or event attendees.
91. Describe in detail any potential conflicts of interest your firm may have in providing the services sought by LACERA. Include any activities of affiliated or parent organizations, brokerage activities, or any past or current relationships with Board members and staff. Include any other pertinent activities, actions, or relationships not specifically outlined in this question.



VIII. FEE PROPOSAL

92. Please submit a one-page fee proposal for a non-discretionary **hedge funds, credit, and/or real assets** consulting relationship based on the Scope of Services described in this RFP. If the firm is bidding on more than one mandate, please provide a fee proposal for bundled services AND fee proposals for services broken out by individual mandate. Please also indicate if the firm passes through costs to the client on client requested manager due diligence, outside third party services, client access to firm's risk/research technology, background investigations of investment manager personnel, or other associated services. Attach as **Exhibit O**.

IX. REFERENCES

93. Provide a list of five (5) public fund clients with target commitments or investments of at least \$75 million to which the firm provides **hedge funds, credit, and/or real assets** investment consulting services in **Table 9** and include in **Exhibit E**. LACERA may contact any of these clients for reference purposes.

