

Risk Mitigating Strategies for the Alternative Investment Fund RFP

Response to Submitted Questions:

Question: A number of forms require a notary public. Please confirm this is required given the current market situation.

Answer: During the pandemic, the OTT will accept whatever notarization requirements apply in your entity's state of residence.

Question: Under the "Clients" section there is reference to "Investment consulting clients." How should we define this term?

Answer: Clients that you assist with respect to reviewing and managing client's investments.

Question: The CRPTF intends to employ a non-discretionary advisor for manager selection, monitoring and portfolio construction with the CRPTF retaining a right of veto for each investment. Will the non-discretionary advisor be precluded from offering managed account services for the AIF portfolio in the future?

Answer: Yes, the non-discretionary advisor would be precluded from managing any assets in the AIF portfolio while acting as an advisor.

Question: Does the responding firm have to accept the PSA as drafted or is the State of CT open to negotiations?

Answer: If Respondent cannot provide this statement, please note any provisions in the PSA which are unacceptable to the Respondent.

Question: In Section V – Minimum Qualifications, it states: "At least five (5) years of experience by the firm's key professionals and the firm in providing oversight and advice on risk mitigating hedge fund strategies and portfolios to pension funds with a minimum of \$10 billion in assets." Does the "\$10 billion in assets" apply to the pension funds for which we manage the capital or our AUM?

Answer: Requirement applies to the pension funds that are managed.

Question: In Section V – Minimum Qualifications, it states: "During the last five (5) years, the firm has provided these services to at least five (5) public pension plans with hedge fund assets with market values of \$1 billion or more as of June 30, 2020." Does each of the five public pension plans' hedge fund assets have to exceed \$1 billion or is it the total hedge fund assets aggregated across the five public pension plans that has to exceed \$1 billion?

Answer: Requirement refers to each of the five public pension plans' hedge fund assets exceed \$1 billion.

Question: In Section V – Minimum Qualifications, it states: "During the last five (5) years, the firm has provided these services to at least five (5) public pension plans with hedge fund assets with market values of \$1 billion or more as of June 30, 2020." Could a governmental

workplace insurance agency count as a public plan for which we provide these services, or must it be a pension fund?

Answer: Yes, a governmental workplace insurance agency can count as a public plan.

Question: • If we completed and submitted to the State a set of compliance attachments for the relevant contracting entity in July 2020, does that satisfy the compliance attachment requirement for the purpose of this RFP?

Answer: Yes, the compliance attachment requirement would be satisfied, as long as the July 2020 submission contains all necessary compliance forms, and those forms relate to the contracting entity now responding to the RFP. Further, Respondent must represent that there are no material changes with respect to that prior submission. If there are any material changes to a particular form(s) previously submitted, then Respondent should update that particular form(s).

Question: Are there any HF fee constraints (e.g., no pass-throughs, or capped to a certain effective fee rate, etc.)?

Answer: Constraints can be discussed in guideline negotiations.

Question: Under Minimum Qualifications, will you consider an MWDBE manager that has the requisite experience and public fund clients but may not meet all the details requested?

Answer: We will consider all submitted risk mitigating strategy proposals.

Question: Regarding Connecticut specific requirements and considerations, is a presence in CT required or just a consideration?

Answer: It is a consideration.

Question: How many new investments do you anticipate, on average, for the consultants to underwrite in a year?

Answer: There is not a predetermined number of managers anticipated for underwriting on an annual basis. The portfolio of managers is expected to be concentrated anywhere in a general range from the upper single digits to low teens. Beyond initial portfolio construction, annual underwriting frequency would largely be a function of exiting manager performance and operational quality as well as prevailing market and overall asset allocation conditions.

Question: We currently do not meet the minimum qualifications set in item 2 of your RFP. We would like to request your approval to proceed with providing our proposal to you?

Answer: We will consider all submitted risk mitigating strategy proposals.

Question: Are you accepting responses from fund of funds?

Answer: We will consider all submitted risk mitigating strategy proposals.

Question: Is there a target tracking error budget vs. your benchmark? Is there a target annual volatility for the program?

Answer: The CRPTF IPS contains a stated correlation target for the AIF. Other quantitative metrics are monitored internally by CRPTF staff.

Question: Given the pandemic and related travel restrictions, what are the expectations for onsite due diligence?

Answer: Under normal circumstances, onsite due diligence is preferred, however, given current pandemic conditions, as well as unforeseen future considerations, any onsite due diligence requirements are and would be subject to negotiation as conditions evolve.

Question: Is this RFP for a pure consultant/advisor only or would the State of CT be open to engaging with a firm that will advise on its RMS allocation while also managing a discretionary mandate that meets the objectives of the RMS?

Answer: The CRPTF intends to employ a non-discretionary advisor for manager selection, monitoring and portfolio construction with the CRPTF retaining a right of veto for each investment.

Question: If the State of CT is open to the provider managing a discretionary mandate, would the State of CT consider a commingled offering (that would meet all objectives of the RMS allocation) or just a separately managed account?

Answer: The CRPTF seeks to maintain a concentrated portfolio and prefers to invest via managed account whenever possible but may evaluate expanding into other diversifying strategies. The CRPTF intends to employ a non-discretionary advisor for manager selection, monitoring and portfolio construction with the CRPTF retaining a right of veto for each investment.

Question: Will the non-discretionary advisor be required to review existing managers and strategies currently within the AIF portfolio today or only prospective/new managers for the AIF portfolio?

Answer: The non-discretionary advisor will be expected to review existing managers and strategies currently within the AIF portfolio today as well as prospective/new managers for the AIF portfolio.

Question: Are there liquidity constraints at the Manager / portfolio level? Are there constraints to negative carry at the Manager level? Will the portfolio be fully constrained to the 5 sub-strategies that encompass the RMS bucket (Long Volatility, Long Term Treasuries, Trend Following, Global Macro, and Alternative Risk Premia)?

Answer: Portfolio constraints can be discussed in guideline negotiations.

Question: To lower operating expenses on fund vehicles, may the managing partner use commingled managed accounts?

Answer: The CRPTF seeks to maintain a concentrated portfolio and prefers to invest via managed account whenever possible but may evaluate expanding into other diversifying strategies.

Question: May the managing partner use internally managed solutions for some of the strategies? May the managing partner use a third party hedge fund owned by the same parent company (affiliates)?

Answer: Affiliates may be used for non-discretionary advisor services, however the State reserves the right to negotiate parameters around the use of affiliates. The advisor would be precluded from managing any assets in the AIF portfolio while serving as an advisor.

Question: What is the target size (\$mm) of the portfolio?

Answer: Currently, the target size of the portfolio is approximately \$1Billion.

Question: Will the new risk mitigating strategies be funded by redemptions from the existing HF Strategies in the AIF? Is opining on AIF redemptions part of the scope?

Answer: Yes

Question: What is the timing to ramp up the RMS portfolio to your stated target size?

Answer: The timing to ramp up the RMS portfolio to target size is contingent upon a number of factors including the liquidity of the existing HF Strategies in the AIF currently.