4. Firm Questionnaire

for

EMERGING MARKET DEBT INVESTMENT MANAGEMENT SERVICES

January 21, 2020

State of Connecticut
Office of the Treasurer

Deadline: February 7, 2020

Firm Questionnaire

The following must be incorporated and included with your response to this RFP. Submit your responses in the same order as the questionnaire, listing the question first (including the letter and number) followed by your answer.

a. **Firm Overview**

1. Provide your firm's complete name and primary address.
2. Provide the name, title, address, telephone number and email address of a primary and an alternate contact person who is authorized to act for the firm for this RFP.
3. Briefly list the other geographic locations of your offices and describe the functions performed in each of those offices.
4. Provide a brief history of your firm, including any parent organization.

b. **Firm Ownership**

1. Describe the firm's ownership structure. Detail the percentages owned by employees and its distribution. Please provide the name, relationship and percentage ownership of:
   a) Each parent organization
   b) Other affiliated organizations
   c) The three largest owners
2. Describe the concentration of the firm's voting ownership by listing the percentage voting interest owned by the three largest owners.
3. Describe any significant ownership changes, restructurings or personnel reorganizations over the past three years. Are any significant organization changes anticipated? If yes, please describe.
4. If your firm is part of a larger company, provide the parent company's credit rating.
5. Is your firm a separate legal entity? Does it have a separate credit rating?
6. If your firm is part of a larger company, how are profits remunerated to the asset management group?
7. Is your firm considered a minority or emerging investment manager?

c. **Organization – Legal, Insurance, Audit and Data Security**

1. Within the last five (5) years, has your organization, or an officer or principal, or any key personnel that would be assigned to this engagement, been involved in any business litigation or other legal or regulatory proceedings? If so, provide an explanation and indicate the current status or disposition.
2. List substantive issues raised by independent auditors in your Form ADV, SAS 70 / SSAE 16 and issues published in your annual audited financial statements or Form 10K (if applicable). Provide a copy of the most recent Form ADV, annual report, Form 10-Q (if applicable) and SAS 70 / SSAE 16 and label appropriately.
3. Please describe the level of coverage for errors and omissions insurance, professional liability insurance, and cyber insurance. List the insurance carrier(s) supplying the coverage.
4. Does the firm carry fiduciary liability insurance? If so, what is the level of coverage?

5. Describe anti-fraud and security measures that are currently in place to ensure the integrity of the firm's database, transfer and storage of electronic information, and the protection from unauthorized access.
6. Who is the firm's auditor? Has the firm changed auditors in the past three years? If so, explain.

d. **Clients:**

1. Quantify the number of public pension fund clients in total and the number that have over $1 billion in assets.
2. Please provide the following information for assets under management (AUM) in U.S. dollars and number of clients for each of the past three (3) years ending December 31, 2019:
   a) Firm-wide
   b) Total emerging market debt assets under management in U.S. dollar amounts. Please specify active versus passive
   c) The total assets under management in U.S. dollar amounts of the proposed strategy
3. Quantify emerging market client accounts both gained and lost in emerging market mandates over the past three years. Provide both the number of clients and U.S. dollar amounts, identifying the benchmark used for each mandate.
4. Provide the number of clients who have terminated an emerging market mandate with your firm in the past three years ending December 31, 2018. Detail reasons for terminations.
5. List any business or product offerings in incubation or recently closed.

e. **Personnel – Qualifications, Roles and Compensation:**

1. Provide an organizational chart. Please include the firm's executive management, senior investment officers, and the emerging market team. Denote geographic locations. Describe experience, education, training, and certifications. Include number of years of industry experience and firm tenure for each employee listed in the organizational chart.
2. Supply information on any programs and/or initiatives that the firm has in place that supports minorities and/or women in the workplace.
3. Identify any emerging, minority, and/or woman-owned brokers or other businesses that are utilized in the management of the proposed product. Describe these relationships and provide an indication of the volume of business conducted through these firms.
4. Quantify the number of fixed income investment professionals employed by the firm across all strategies. Provide a table listing fixed income investment professional turnover (hires and departures) for the past three (3) years, specifying roles and responsibilities. Please ensure that this list includes all the decision-making professionals in portfolio management, research, and trading.
5. Quantify the total number of employees dedicated to emerging market debt strategies. Provide position descriptions for each of the investment professionals dedicated to emerging market strategies and detail how they are organized. To what extent do you leverage other teams within your organization (if applicable)?

6. Describe the roles of the portfolio managers and analysts and how they interact. Include analyst coverage of sovereign bonds and corporate securities as well as regional and country coverage.
7. What other duties do research analysts have? Do they provide input into strategies besides emerging market? If so, please explain.
8. Please describe how the firm's compensation structure for key persons related to the strategy aligns their interests with that of the State of Connecticut.
   a) Is any part of compensation deferred? If so, what proportion is deferred and for how long?
   b) How do you measure the performance of research analysts? And how is it reflected in their compensation? What is the link between bonus pay and performance?
   c) If equity ownership is possible, on what basis is it determined and distributed? How is the departure of a shareholder treated?

f. **Investment Process/Strategy:**

1. Please describe your firm's philosophy and strategy for managing emerging market debt assets.
   a) What market anomaly or inefficiency are you trying to capture?
   b) Why do you believe this philosophy will be successful in the future? Provide any evidence or research that supports this belief.
   c) How has this philosophy changed over time?
   d) Under what, if any, circumstances would you deviate from the disciplines associated with this philosophy?
   e) To what extent do you consider ESG factors in your investment process?
2. Please describe your firm's competitive advantage in managing emerging market debt mandates and why you believe that advantage is sustainable.
3. Please explain your firm's research and decision-making process as it applies to emerging market debt mandates. State the location(s) where such research is carried out and what specific research is conducted at each location. Have there been any changes to the research process within the last 24 months? Please explain.
4. Describe the portfolio construction process for your typical emerging market debt mandate.
5. Where applicable for your full-discretion mandate: describe your investment decision process, valuation approaches, and historical and ongoing management of the following:
   a) Asset allocation
   b) Country selection
   c) Sovereign/corporates selection
   d) Sector selection
   e) Security selection
   f) Duration/curve strategy
   g) Currency/hedging
   h) Credit quality
   i) Portfolio and individual holding liquidity
6. How are investment strategy views constructed and how are these views translated into portfolios? Do the views translate into a model portfolio? If so, are all portfolio managers required to adhere to the model?

7. Which market factors drive performance? Please describe the inputs and processes you use to determine your views on interest rates, spreads, country yield curves, currency values, etc. Describe how you anticipate and react to market changes.
8. Are country and currency decisions made separately? Explain. What is your maximum limit on country and currency exposure in existing mandates?
9. Please indicate what fundamental/quantitative factors are used to analyze a security and indicate their relative importance in the decision-making process. How are fundamental and relative value ratings determined and integrated into the process? How is ESG integrated?
10. What investment screening tools or models do you use, if any? What factors are the screens based on?
11. What is your preferred benchmark? Do you generally favor the "diversified" or the "broad" versions of the underlying indices?
12. Given today's environment, what is your optimal emerging market blend allocation? Do you prefer hard or local currency?
13. What are your views on opportunities outside your preferred benchmark (for example, frontier markets and emerging market linkers)? Are they an integral part of your strategy? What has been the trailing 3-year average of out-of-benchmark positions in percentage terms?
14. Are there any sectors, regions, or securities that you strategically choose not to invest in? If so, please describe why.
15. What is/(are) the expected excess return target(s) for your emerging market strategies? Quantify the expected alpha contributions by the different sources (corporate exposure, currency, security selection, etc.).
16. Over what time horizon would you expect your strategy to meet performance objectives? Has your alpha target changed over time? If so, why?
17. How do you manage liquidity and volatility in emerging market debt portfolios? How frequently do you conduct stress-testing and scenario analyses?
18. What is the expected tracking error of your emerging market product? What has the actual tracking error of each product been over the past five years? Please explain any deviations versus expected tracking error. Has your tracking error changed over time? If so, why?
19. In what market environments does your strategy perform the best/worst?
20. What is the total asset capacity for the subject strategy? At what level would you consider closing the product to new clients?
21. Describe the decision process used to make sell decisions for securities and/or currencies. When would your firm deviate from its sell disciplines? Identify those who have ultimate decision-making authority.
22. Describe the annual portfolio turnover for this mandate over the past three years and the sources of that turnover.
23. How many country and/or company visits do you conduct on an annual basis and with whom do you meet?
24. Rate your firm's reliance on the following sources of research (average rating should approximate 3):*
    a) Internal
    b) Broker-Dealer
    c) Third Party Fundamental Research
    d) External Economists
    e) Company Visits

f) Other (state)
** 1=very import, 5=unimportant*

25. Describe your firm's trading functions. Who would be responsible for trading this portfolio? Include securities trading and foreign currency trading. (Individuals should be listed on organizational chart and their qualifications highlighted.)
26. Describe your firm's use of derivatives and the types of instruments used in full discretion emerging market mandates. Please complete the table below.

Quarter	Gross derivative exposure	Net derivative exposure	Maximum Gross exposure within quarter	Maximum Net exposure within quarter
1Q19				
2Q19				
3Q19				
4Q19				

27. Does the strategy utilize leverage in the form of cash borrowing? If so, please describe and complete the table below. What is the expected and maximum leverage employed in the strategy?

Quarter	Market Value	Leverage (%) at end of quarter	Maximum Leverage (%) within quarter
1Q19			
2Q19			
3Q19			
4Q19			

28. Describe your firm's risk management processes and the personnel involved. Include discussion of investment, compliance and operational risks and procedures.
29. For Investment Managers, provide the following General Policy Limits:

	Guidelines (Y/N)	Range	Absolute or Index Relative?
Cash Position			
Sovereigns			
Corporate securities			
Developed Markets			
Frontier Markets			
EM Linkers			

30. Does your firm propose utilizing soft dollars in the management of this account? Can your firm manage this account without the use of soft dollars? Please explain.
31. Does your firm trade with any affiliated broker/dealer? If so describe the relationship and the safeguards in place to maintain fiduciary responsibility for managing funds.
32. What guidelines and practices does your firm employ in managing its counterparty risk?
33. Please provide any additional information on your investment process/strategy that you believe is pertinent to your selection for this mandate.