



Responses to questions for the Firemen's Annuity & Benefit Fund of Chicago Search for Investment Advisor (SIA): Liquid Diversifying Strategy

(Please note that similar questions have been grouped together.)

1. The strategy we are considering proposing is long-only investment grade rated global structured credit with any FX exposure hedged back to USD. There are no equities in the portfolio. Would the strategy be "in bounds" for the RFP given its diversifying attributes or would we not be considered for the RFP since the strategy is long only and thus violates the "long biased" rule?

Answer: Your proposed strategy would be considered "in bounds" for the RFP. However, we are looking for diversifying strategies to any of our current strategies, including fixed income. The proposed strategy would also have to be uncorrelated to our current fixed income mandates, which are generally benchmarked to the Bloomberg Aggregate Bond Index.

2. We were seeking clarification to determine if the Firemen's Annuity & Benefit Fund of Chicago would be open to including an absolute return Active Currency strategy (32 currency universe) in the SIA?

Answer: We are not seeking an active currency strategy at this time. The RFP has been updated to reflect that "active currency" strategies are excluded from consideration.

3. We are not an RIA because we don't trade securities. We are registered with the CFTC because of the instrument we trade. Why are you restricting your search to RIAs only? Will you consider investment managers who are registered with the CFTC?
We are a managed futures manager that is not required to be registered under the act of 1940. If you could please let me know if it would make sense to pursue given lack of 40 act registration.

Answer: The Firemen's Annuity and Benefit Fund of Chicago is subject to the provisions of the Illinois Compiled Statutes, specifically Chapter 40, Act 5, Articles 1, 1A and Article 6. As indicated in the RFP, the Fund is seeking an investment advisor. In accordance with 40 ILCS 5/1-113.14, "a person, other than a trustee or an employee of a retirement system, pension fund, or investment board, may not act as a consultant or investment adviser under this Section unless that person is registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, *et seq.*) or a bank, as defined in the federal Investment Advisers Act of 1940."

4. Does a firm qualify as a Disabled Owned Business if one of the firm's two principals has a disability, but is not a majority owner?

Answer: The definition of a disabled-owned business may be found in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2). "Business owned by a person with a disability" means a business that is at least 51% owned by one or more persons

with a disability and the management and daily business operations of which are controlled by one or more of the persons with disabilities who own it.” Your firm does not qualify as a disabled-owned business.

5. Our strategy is only made available via separately managed accounts. We do not have a fund and therefore we do not have an audited track record. Will you accept a Compilation Report?

Answer: Audited financial statements are not required for non-fund proposals. Please include a GIPS-compliant composite report, if available. Third party verification of GIPS compliance is preferable for composite track records.

6. In regard to the management fee plus expenses requirement of less than 1.20%, please provide clarity if the requirement is for a flat management fee structure or if there is flexibility for a management fee + incentive fee share-class (where the total of the management fee plus the fund expenses are less than 1.20%).

Could you please clarify if the total fees are not to exceed 1.20%?

Proposed strategies which charge a performance fee in addition to the agreed upon management fee, so long as the management fee and expenses are below 1.20%, will be considered?

Will performance fees be accepted?

Would you be open to the inclusion of a performance fee or is a flat fee preferred?

Answer: As stipulated in the RFP, total fees should be less than 1.20%. Both flat/tiered fee schedules and performance fee schedules will be considered. Fees will be capped at 1.2%.

7. Please provide clarity on what should be included in the “expenses” noted. For example, shall we include administrator, audit and legal? Are there other expenses that you are trying to clarify, such as to understand if research (e.g., Bloomberg terminal costs) or travel expenses are passed through to the fund?

Answer: Please include administrator, audit, and legal expenses in adhering to the 1.2% maximum fee request in the RFP. As part of due diligence, the Fund will review all expenses of the proposed fund to understand expenses paid by the proposed fund vs. expenses paid by the management company.

8. The RFP asks for GIPS compliant returns. Our track records are not GIPS compliant, but they are calculated based on U.S. GAAP Accounting methods. Furthermore, the NAV’s are calculated by the Fund’s third-party administrator. Is this acceptable?

Answer: GIPS compliance, with verification, is preferred but not required. Please note why GIPS standards are not followed.

9. We run a very unique program this is an active product that trades futures and is funded notionally. It meets all the criteria listed in the RFP details (liquidity, full transparency etc.). I wanted to confirm that such a program would be acceptable for the SIA.

Answer: If the proposed strategy meets the criteria listed in the RFP then it would be acceptable.

10. The SIA explains that proposed strategies should exhibit “low net leverage.” Is this requirement referring exclusively to leverage through borrowing, such as short-selling? Is it correct to assume that there are no such thresholds for futures trading strategies that employ margin? Please provide any guidance that would help us assess if our trend following program may be a suitable candidate for your search.

What is the maximum amount of leverage that the Fund would like for this strategy?

Answer: Leverage includes any economic leverage including the use of derivatives. Maximum leverage has not been defined; we expect net leverage to be low. The stated desire for low net leverage is meant to convey the Fund’s preference for strategies that will not exhibit significant volatility in returns or correlation with existing investments.

11. Would the Fund consider a ‘cash-plus’ - type benchmark (e.g. USD1-month LIBOR) for this mandate similar to the performance benchmark for the Fund’s Liquid Diversifying asset class?

Answer: A “cash-plus” benchmark will be considered. The benchmark will be determined by the selected strategy.

12. Would a US-registered mutual fund qualify as a commingled vehicle for this search?

Answer: Yes

13. Is there a minimum requirement, or lower end bound for the volatility target?

Answer: As stipulated in the RFP, the volatility target should average $\leq 10\%$. A lower boundary has not been established.

14. Does the Fund have a specific return target in mind?

Answer: The Fund has not established a specific return target.

15. You have stated that “Respondents are required to respond to this SIA in the form of a presentation booklet.” Would that mean a word document format converted into a PDF or are you looking for a PowerPoint presentation format converted into a PDF?

Page 6 – Presentation Requirements (5.1): This seems to imply the RFP response should be in a PowerPoint style presentation, is this correct? Or is a MS Word document (PDF) response acceptable?

Formatting states a “presentation booklet” in PDF format. Can you please clarify if this is to be presented in a visual PowerPoint slide type format or a more traditional question and answer qualitative written format?

Answer: As stipulated in the RFP, Respondents are required to provide a presentation booklet in .pdf format that contains the requested information. The requested information may be

presented in a manner that is convenient to the Respondent, be it “Q&A”-type of response or as a Powerpoint-type response or a combination.

16. Page 8 – Investment Team and Strategy: Should this information be as of 3/31/19, as is requested for “Organizational Information” or should it be most recent month?

Answer: Data-specific information should be provided as of 3/31/19 (ie, performance, characteristics, etc). All other qualitative information should be current (team structure, process, etc).

17. Page 35 – Minority Brokerage: Do the MWDBE brokerage requirements apply to commingled vehicles as well, or only separate accounts?

Would the minority directed brokerage requirement apply to the mutual fund vehicle?

Answer: The minority directed brokerage requirement does not apply to a commingled fund or mutual fund vehicle.

18. Related to the Fireman's Annuity & Benefit Fund of Chicago Search for Investment Advisor ("SIA") and the minimum requirement #12 that states “Selected Advisor will document all investment transactions/Fund reporting with the Fund’s master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; the Fund’s current master custodian is Northern Trust.” We have the following clarifying questions:

- Is this referring to trade executions or client directed transactions?
- Is this related to market trades or capital activity?
- What does “document all investment transactions” mean?
- If it relates to market trades is this asking if under best practice there a reconciliation between what the Custodian reflects and the Investment manager?

As it relates to Requirement number 12, please confirm that monthly account statements including performance and transactions (account purchases into and redemptions out of the mutual fund) will satisfy this requirement.

Answer: The concept of “document[ing] all investment transactions with the Fund’s master custodian” refers to ensuring custodian receives

- (for commingled fund investments): investor partner statements/transaction notices for processing at the custodian, etc. Statements/transaction information should be provided to the custodian as often as generated.
- (for separate accounts): trade information, positions, etc

Note: reconciliations between manager/custodian are required on a monthly basis (for separate accounts.) Please see reporting requirements in Statement of Investment Policy.

19. Which type of EEOC chart do you require? Could you include a sample of the format? What is your preferred format for the EEOC Chart?

In section one of the questionnaire, organizational information, could you please clarify whether or not “EEOC chart” refers to the Equal Employment Opportunity Commission? Additionally, would you like to see a breakdown of staff by MFDB qualifications?

Answer: The request for an “EEOC chart” does refer to an Equal Employment Opportunity Commission chart. We do not have a preferred format.
Under Section 2, item #5 Additional Disclosures (item f. p 10) of the RFP, Respondents must disclose staff MWD breakout.

20. Please define the parameters of what you consider to be a global asset allocation strategy. Would a systematic FX Strategy with G-15 futures exposure fall into this category?

Answer: A Global Asset Allocation strategy includes strategies invested across markets and asset classes with higher correlation to equities. These strategies typically have a 60/40 benchmark and will opportunistically shift among asset classes. We are unable to comment on whether an “FX Strategy with G-15 futures exposures” would qualify as a global asset allocation strategy.

21. It would appear that the Callan database defines the categories of diverse ownership differently than the Business Enterprise for Minorities, Women and Persons with Disabilities Act. How should this be addressed for purposes of response? Callan’s database does not allow for combinations.

Answer: Please explain your ownership structure in the Organizational Information section of the RFP. Callan will include combination ownership in identifying MWDBE firms.

22. In regards to page 1, point 1.1 Introduction, please clarify what is meant by 100% transparency?

Answer: The request for 100% transparency refers to 100% position transparency on, at least, a monthly basis.

23. In regards to page 3, point 1.5 Disclosure of Submitted Proposals, are we able to provide a redacted version to meet this requirement?
Should we submit 2 separate SIA Questionnaire responses? 1st SIA response that includes all information we prefer to be redacted and a 2nd “Redacted” SIA response that excludes sensitive information?

Answer: Yes, please provide two responses (a redacted version and an unredacted version). The redacted response will be submitted in response to any FOIA requests.

24. If a Respondent proposes an investment in an institutional class mutual fund (commingled vehicle almost exclusively used by institutional investors), are there specific guidelines in the investment policy statement that are not applicable, as a mutual fund is managed to the guidelines of the fund’s prospectus?
Please confirm if the guidelines listed in SECTION VII pertain only to separately managed accounts and are not applicable to mutual funds.

Answer: The guidelines specified in the Statement of Investment Policy do not apply to commingled fund investments. As specified on page 20 of the Statement of Investment Policy:

During such time as an investment in a commingled fund shall exist, the Declaration of Trust or other document creating said commingled fund shall control, subject to negotiated sideletters to incorporate requirements specified by Illinois law, and the limitations set forth within this document do not apply.

25. Please confirm if the reporting requirements listed in SECTION VIII pertain only to separately managed accounts and are not applicable requirements for mutual funds.

Answer: The reporting requirements listed in Section VIII of the Statement of Investment Policy apply to separately managed accounts and are not applicable to mutual funds.

26. Please confirm if the soft dollar limits stated in the Investment Contracts section of SECTION I pertain only to separately managed accounts. Otherwise, are there any other soft dollar limits to be mindful of if proposing a mutual fund?

Answer: In the “Investment Contracts” section of the Statement of Investment Policy, the reference to soft dollars applies to the Investment Consultant contracts and would not apply to a mutual fund investment. As part of due diligence, the Fund will need to understand the use of commission sharing arrangements or soft dollar arrangements that the proposed strategy utilizes.

27. As related to #5 Additional disclosures on page 9, could you clarify exactly what kind of fees/expenses you’re looking for pertaining to “that may be paid by or on behalf of the Adviser in connection with the provisions of Investment Services to the Fund;”? Are these fees/expenses that are paid by the Adviser or a third party while managing the fund or are they related to fees/expenses payable to the Investor by the Adviser?

Answer: The fee disclosure request relates to expenses paid by the Advisor in managing the proposed fund. Any expenses should be disclosed, including placement fees, consulting fees, legal fees, political contributions charged to the proposed strategy, etc.

28. we are looking to clarify that the language below is suggesting there shouldn’t be any litigation or regulatory actions pending or still in effect at the time of submission, rather than meant include any historical/ past litigation or regulatory actions. “There are no past or present litigation or regulatory actions against the Advisor or any current employees at the time of submitting the SIA.”

Answer: If your firm is unable to certify that there is no present litigation, please modify the certification to disclose what litigation currently exists. Disclosure of litigation is acceptable.

29. We need to make minor changes to the Statement of Certification in Section 1 in order to make our representations factually accurate. Are such changes permitted?

Answer: Yes, minor changes/clarifications are permitted to the Statement of Certification. Please explain any modifications in detail. Changes or modifications deemed significant by the Fund may result in the determination of a failure to meet the certification.