

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

*Asset Class: Domestic and Global Equity
Large, Mid, and All-Capitalization Growth Products*

External Manager Candidate Profile
04/01/2021 (POST)
04/15/2021 (DEADLINE)

PROJECT PARAMETERS

1. Manager Style

The Teachers' Retirement System of the State of Illinois ("TRS" or the "System") is seeking one or more investment managers to manage domestic and global growth equity strategies, which may be large, mid, or all-capitalization, for a portion of the System's approximately \$21 billion public equity portfolio, which is benchmarked to the MSCI All Country World Investable Market Index. Global equity strategies should hold a mixture of U.S. and non-U.S. growth stocks. Strategies which have a primarily value or core style are not being considered in this search. Any product in this search will be evaluated relative to an appropriate global or domestic index which considers product attributes such as regional composition, style, and market capitalization profile.

2. Manager Type

Investment advisers must be registered with the SEC or a bank under the Investment Advisors Act of 1940. Firms that are devoted to managing assets for tax exempt accounts are preferred. If not registered in the U.S., other bona fide regulatory countries and jurisdictions may be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokers, and insurance companies.

3. Investment Manager Diversity

A "minority investment manager" is defined in Illinois state law¹ as a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business," "women-owned business," or "business owned by a person with a disability," as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act². Candidates meeting the "minority investment manager" definition along with the screening criteria set forth in this Candidate Profile shall be identified as eligible. If any such managers are identified, the most qualified candidate shall be invited to present to the Investment Committee of the TRS Board of Trustees.

¹ 40 ILCS 5/1-109.1(9)

² 30 ILCS 575/2

4. Amount to Be Allocated

Potential allocation(s) to the public equity portfolio will be based on conviction and fit. While the preliminary intention of TRS is to hire one or more firms, staff may instead allocate capital among existing mandates if the preferred search candidate(s) are not identified.

5. Investment Vehicles

Assets are expected to be managed within a separate account. Fund structures may also be considered.

SELECTION PROCESS

6. Identification of Candidates

RVK, Inc. (“RVK” or the “consultant”), the System’s investment consultant, will identify appropriate candidates based on product information submitted to the eVestment database by investment managers wishing to be considered for the assignment. Firms can enter product information for multiple strategies.

Current data must be supplied to eVestment by the aforementioned deadline. Please notify RVK when you have completed all data entry by sending an indication of interest to trsi.2021.growth@rvkinc.com. List the name of your firm and product(s) you would like considered, as well as current contact information. Make sure that any product you submit is fully updated in the eVestment system with 12/31/2020 data. It is critical that all data fields are completed. This includes, but is not limited to: investment return series, characteristic data, a description of methodology, firm data, ownership details, and product assets under management. If your firm does not already submit data to the eVestment database, you can sign up for participation on their website at: www.evestment.com. There is no charge for supplying data to eVestment.

7. Selection of Semifinalist Candidates

RVK, Inc. and TRS investment staff will evaluate organizational, strategy, process, and performance factors of initial candidates and will select a group of semifinalists for further evaluation. The consultant will prepare an in-depth analysis of the semifinalists for consideration. Based on this analysis, numerous candidates are expected to be recommended for further review.

8. Selection of Finalists

Consultant and TRS staff will interview the semifinalist candidates and select a group of finalists for further due diligence. The successful candidate(s) will be selected from the finalist pool. All contracts and fee negotiations must be completed prior to funding.

SELECTION CRITERIA

Business and Organizational Factors

9. Total Asset Requirement

Regarding large and all capitalization growth, candidates must have at least \$500 million combined in such domestic and global equity products managed by a substantially similar investment team.

Regarding mid capitalization growth, candidates must have both at least \$500 million in total firm assets under management and at least \$200 million combined in midcap domestic and global equity growth products managed by a substantially similar investment team.

10. Professional Experience

Candidates should have been in business for a minimum of five years; or, if recently established, employ principal decision makers who have ten years of investment experience and possess a documentable track record in equity investing.

11. Stability of Professional Staff

It is essential that candidates exhibit organizational stability and have compensation and ownership programs that provide reasonable assurance of their ability to retain key investment professionals.

12. Geographic Location

TRS does not have particular specifications with regard to geographic location but wishes to build a solid, long-term relationship with the manager. Managers must be able to participate in periodic due diligence meetings and conveniently meet TRS servicing requirements.

13. Involvement with Other Business

The focus of the organization should be institutional money management. Involvement with other businesses will be judged on its individual merits, and any conflicts of interest will be avoided. No placement, broker, solicitors, or any third-party intermediary "finder fees" will be allowed or payable under any circumstances in connection with the selection of managers to manage TRS assets.

14. Financial Well-Being of Firm

Candidates should be able to demonstrate a high probability of continuing commitment to institutional investment management and have the financial resources to weather a poor business environment without significant change in the investment process or organization. Professional liability insurance is required. The ADVs of candidate firms will be reviewed for any past or current securities litigation, securities law violations, or SEC censure. Any such issues will be subject to further questions and clarification by the TRS staff.

15. Long Range Plan

The firm must be professionally managed and have a long-range business plan, demonstrating a commitment to institutional investment management. Candidates should have a controlled growth policy for assets under management and provide reasonable assurance that product capacity will be appropriately managed.

Investment Process Factors

16. Investment Style

Candidate firms must have a growth oriented investment philosophy and strategy that has been clearly articulated and consistently applied over time. Clearly defined buy and sell disciplines are particularly important. Portfolios should be well-diversified. The portfolio(s) will serve as a complement to other TRS public equity mandates.

17. Investment Research

TRS prefers managers that conduct internal research. The research may be either qualitative or quantitative in nature.

Performance Factors

18. Minimum Performance Record

Preference will be given to candidates with a five-year track record of managing domestic and global equity portfolios. If the track record is shorter than five years, the principal managers should have a successful record of managing similar portfolios for five years prior to the inception of the product under consideration. Back-tested returns (in addition to a live track record) may be considered, particularly for a highly systematic process, if properly disclosed. Any questions should be directed to RVK at trsi.2021.growth@rvkinc.com.

19. Preferred Attributes

Performance evaluation will focus on outperformance consistency relative to appropriate indexes and peer groups over longer periods. Consideration will be given to risk-adjusted measures, such as Sharpe and information ratios. Style and correlation with existing TRS mandates will also be reviewed.

Client Service Factors

20. Client Communications and Rapport

The firm must be service-oriented and exhibit high sensitivity to individual client needs. Reports and communication should satisfy TRS investment policy requirements. The ability to communicate in clear, easily understood terms is very important. Portfolio managers should be capable of clearly articulating the investment process and explaining it through favorable and unfavorable market conditions. Candidates should be willing to participate in a meeting with TRS staff annually, at a minimum, and at such other times as TRS requires.

Other Factors

21. Fees

TRS will request fee proposals from all finalist candidates. Fees will be evaluated relative to industry and TRS norms and minimized to the extent possible. Most favored nation status is required. Both asset-based and performance-based fee structures will be considered.

22. Compliance with Illinois State Law and Prohibited Investments

Managers are subject to 40 ILCS 5/1-110.16, as amended from time to time (the “Restricted Company Act”), relating to investments in companies that are designated by the Illinois Investment Policy Board as restricted companies. Managers must comply with the System’s monitoring and reporting requirements under the Restricted Company Act and other applicable Illinois law.

23. Manager Guidelines and Investment Management Agreement

Managers will be required to conform to all applicable TRS manager guidelines and sign the Investment Management Agreement (“IMA”). A sample IMA will be provided to semifinalist candidates. The successful firm must be willing and able to execute an agreement in the form of the sample IMA. Certain provisions mandated by the State of Illinois to be included in contracts with agencies of the State of Illinois are never subject to negotiation. Only Appendices B (Investment Parameters) and C (Fee Schedule) of the IMA are negotiable. Fund structures may be considered, in which case the TRS IMA may not apply. Fund structures remain subject to Illinois law.

QUESTIONS

Please direct any questions to RVK at trsi.2021.growth@rvkinc.com. All State of Illinois and TRS ethics policies apply.