

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF ILLINOIS**

Emerging Market Debt –Local/Hard Currency

External Manager

CANDIDATE PROFILE

Posted: October 12, 2021

Deadline: November 5, 2021

PROJECT PARAMETERS

1. Manager Style:

The Teachers' Retirement System of the State of Illinois (TRS) is seeking one emerging market debt manager with an active approach to manage to a target range of 5.0% to 8.0% of the \$14 billion global income allocation. Ideal products will be broadly diversified and managed to the JP Morgan GBI-EM Global Diversified, CEMBI Broad, EMLI+, EMBI Global Diversified, EMBI Global or EMBI+ Indices, a hybrid of the aforementioned indices or other agreed upon non-dollar focus benchmark. The allocation will be contingent on the ability of international managers to invest across the emerging markets spectrum, government and credit and frontier markets with less of a focus on government-type bonds. TRS will be evaluating both international and dedicated emerging market debt managers and determine specific allocations based on the candidate pool.

2. Manager Type:

Qualified investment counselor organizations registered under the Investment Advisors Act of 1940 (Registered with the SEC) that are devoted to managing assets for tax exempt accounts are preferred. If not registered in the U.S., other bona fine regulatory countries and jurisdictions may be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokers, and insurance companies.

3. Emerging Investment Managers:

Emerging investment managers are encouraged to submit information. Candidates meeting the definition of "emerging investment manager" as defined by Illinois State law¹ and meeting the screening criteria set forth in this Candidate Profile shall be identified in the screening process as eligible emerging managers. If any eligible emerging managers are identified, the most qualified emerging manager candidate shall be invited to present to the Investment Committee of the TRS Board of Trustees.

¹ 40 ILCS 5/1-109.1(4)

4. Amount to be Allocated:

The mandate is subject to the manager selected but is expected to range from \$450 to \$650 million. TRS intends to hire a single manager in conjunction with the existing debt structure.

5. Investment Vehicles:

Preference is towards a separate account; however, offshore, fund structures and LPA accounts are considered. Fees are to be based on total assets placed.

SELECTION PROCESS

6. Identification of Candidates:

RVK, TRS's investment consultant, will identify appropriate candidates based on product information submitted to the eVestment Alliance database by investment managers wishing to be considered for the assignment. If your firm does not already submit data to the eVestment Alliance database, you can sign up for participation on their website at: www.evestmentalliance.com. There is no charge for supplying data to eVestment Alliance. Current data must be supplied to eVestment Alliance by November 5, 2021.

Please notify RVK when you have completed all data entry by sending an email to TRSI.2021.EMD@rvkinc.com and indicate "2021 EMD Search" in the subject line.

List the name of your firm and product you would like considered, as well as current contact information. Make sure that any product you submit is fully updated in the eVestment Alliance system with September 30, 2021 data. It is critical that all data fields are completed. This includes, but is not limited to: investment return series, characteristic data, and description of methodology, firm data, professional turnover, product assets under management breakdown and policy limits.

For those products to be considered not participating in the eVestment Alliance database, the associated Excel document should be submitted in electronic form to TRSI.2021.EMD@rvkinc.com no later than November 5, 2021 and must include data for the September 30, 2021 reporting period. Please return the document in its original file type (Excel), as the data will be imported into a summary document. **Please note that this document should only be completed by firms electing not to populate the eVestment Alliance database.**

Please direct any questions to Ms. Austin Head-Jones at 503-221-4200 or TRSI.2021.EMD@rvkinc.com and indicate "2021 EMD Search" in the subject line.

7. Selection of Semi-finalist Candidates:

RVK and TRS staff will evaluate organizational, strategy, process and performance factors of initial candidates and will select a group of semi-finalists for further evaluation. RVK will prepare an in-depth analysis of the semi-finalists for consideration by TRS and RVK staff. Based on this analysis, two to four candidates will be recommended for further review.

8. Selection of Finalists:

RVK and TRS staff will interview the finalist candidates and select a firm for internal investment committee and ratification by the TRS Board of Trustees. All contracts and fee negotiations must be completed prior to final hire.

SELECTION CRITERIA

Business and Organizational Factors

9. Total Assets in Non-Dollar and/or Emerging Market Debt:

TRS would prefer to retain a manager with at least \$3.0 billion in pure non-dollar debt, developed or emerging, exposure across their fixed income products and with at least \$200 million in the proposed product. Managers with stable and well-diversified client base that includes other public pension funds of a size similar to TRS are preferred.

10. Years Experience in Managing Tax-Exempt Funds:

Candidate should have been in business for a minimum of five years; or, if recently established, employ principals who have ten years of investment experience and possess a documentable track record.

11. Experience and 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. Key members of the portfolio management team should have been managing non-dollar or emerging market debt portfolios for at least five years and have at least three years tenure at the candidate firm.

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. The manager will be required to attend on-site annual meetings, and an on-site presentation will be required for the finalist candidates. The managers must be able to conveniently meet TRS servicing requirements.

13. Involvement With Other Business:

Each case will be judged on its individual merits; obvious conflicts of interest will be avoided. The focus of the organization is preferably to be money management. 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 the investment management of institutional defined benefit plans and have the financial resources

to weather a poor business environment without significant change in their investment process or organization.

Fiduciary insurance is required. The amount of minimum coverage is provided in the IMA. The ADVs of candidate firms will be reviewed to uncover any past or current securities litigation, securities law violations or SEC censure. Any such issues may be subject to further questions and clarification by the TRS staff.

15. Long Range Plan:

The firm should be professionally managed and have a long-range business plan, demonstrating a commitment to institutional defined benefit plan management. The candidates should have a controlled growth policy (e.g. limits on accounts per manager or assets per product) and provide reasonable assurance that they will be capable of absorbing additional assets both from TRS and other accounts, without altering their basic investment philosophy and approach.

Investment Process Factors

16. Investment Style:

Candidate firms must have a non-dollar debt and emerging market debt philosophy and strategy that has been clearly articulated and consistently applied over time. The risk level relative to the respective indices mentioned in Section 1 should be a consideration in portfolio construction.

17. Manager Guidelines and Investment Management Agreement:

Managers will be expected to conform to all applicable TRS manager guidelines and sign the Investment Management Agreement (“IMA”) and Appendix A (Investment Policy). A sample IMA in the form required to be executed by the successful candidate firm is attached to this Candidate Profile. 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. **Commingled funds, including offshore accounts will be considered, in which the TRS IMA will not apply. preferred. However, applicable Illinois law still applies.**

Client Service Factors

18. Client Communications and Rapport:

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

Performance Factors

19. Minimum Performance Record:

Candidates should have a two-year track record managing emerging markets debt and emerging market credit portfolios. If the track record is shorter than two years, the principal managers must have a successful record of managing similar portfolios for five years prior to the inception of the product under consideration.

20. Performance Screening Criteria:

Performance screening will focus on consistency of returns over time. Consideration will be given to risk-adjusted measures. The candidates should have a risk level, as measured by historical standard deviation that is at least commensurate with the return achieved. Candidates should demonstrate risk-adjusted performance, as measured by Sharpe Ratio, which compares favorably to the indices mentioned in Section 1.

21. Performance Comparisons:

Performance of the selected manager will be evaluated relative to the peer group provided by RVK

Other Factors

22. Desirable Qualities:

- Well-established organization
- Consistent approach
- Disciplined investment process
- Depth of portfolio management and research personnel
- Institutional focus
- Consistent performance over time
- Strong communication skills

23. Fees:

Fees will be evaluated relative to industry norms and minimized to the extent possible. TRS will request proposals for performance-based fees as well as asset-based fees from all finalist candidates.

24. Restricted Company Act;

Firms 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, and must comply with the System's monitoring and reporting requirements under the Restricted Company Act and other applicable Illinois law.

QUESTIONS:

If any questions arise during this process, please contact RVK.