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## Emerging Manager Database Questionnaire for Diversifying Strategies

The Teachers' Retirement System of the State of Illinois (TRS) Emerging Manager Questionnaire lays the groundwork for TRS to evaluate "the Manager" as a potential provider of investment management services. The information submitted in this questionnaire regarding your firm and relevant investment product(s) will be added to the TRS internal emerging managers' database. For this reason, it is important that the information provided must be complete and in the format requested. Please do not change the format or questions and keep your response to each question brief. Please include all other relevant information including the **pitch book and offering memorandum**. Please send a soft copy of your submission to [EmergingManagersProgram@trsil.org](mailto:EmergingManagersProgram@trsil.org). Additionally, please make sure that all relevant data is up to date and submitted to the Wilshire database through the eVestment alliance.

This questionnaire will be used to evaluate diversifying strategies products in the public market asset classes. If your product does not fall under these classifications, please use the alternative questionnaire for public or alternative markets. Please submit a separate due diligence questionnaire for each product that is being submitted for consideration.

### Contact and Company Information

1. Please provide the following information (print or type):

Name of firm		
Mailing address		
City	State	ZIP code
Phone (    )	Fax (    )	
Web site http://		
Federal Employer Identification Number (FEIN)		

Contact person(s)

Name	Phone (    )
Title	Fax (    )
E-mail	

**Please provide the following information in a typed attachment:**

2. Please provide the name of the investment product for consideration and the corresponding asset classes as well as the name of the appropriate benchmark for your product.
3. Please discuss how this investment strategy integrates into your firm's overall structure and the percentage of firm assets and revenue accounted for by this product.
4. Is your firm currently registered as an Investment Advisor under the Investment Advisors Act of 1940? If "yes," please attach a copy of your most recent SEC Form ADV (tab as Exhibit A). If "no," please explain why and whether there is an intention to register.
5. Is your firm currently registered to do business in the State of Illinois as an Investment Advisor?
6. Please provide the history of your firm, including when and how it was founded (please include mergers or team lift-outs).
7. Please explain why you believe your firm is considered an emerging or diverse manager, including but not limited to, size of firm, assets under management, length of track record, ethnic majority ownership, etc.
8. Please fill out Schedule A regarding demographic information about **full-time staff members** employed at your firm. (Refer to Excel Supplement Schedule A.)
9. Please describe your firm's initiatives for diversity in the Senior Executive/Management and Investment Professional ranks.
10. Is the management entity covered by errors and omissions insurance? If yes, how much coverage do you have? If no, please explain why.
11. Describe the ownership structure of your firm (Please also fill out Schedule A-1 found in the Excel Supplements).
12. A.) Have there been any changes in ownership structure in the last five years? If yes, when? Please describe the nature of change.  
B.) Are there any anticipated changes in the ownership structure, core line of business, or senior staffing of your firm?
13. What safeguards for the investors is your firm providing in the event there is turnover of key people in the firm (*e.g.* limited partner advisory board, key person provisions, and/or no-fault termination provisions)?
14. Provide an organizational chart (attach and tab as Exhibit B). Include the number of investment professionals and non-professionals. Identify your key employees by title, years with your firm, years as an investment professional, years of investment experience and educational background. Also, please provide a short biography of the individuals. Please provide sufficient detail about the length of time and responsibilities at prior firms.
15. Has your firm undergone any significant and/or recent, or do you now anticipate any organizational or structural changes?

16. Give a brief description of your firm’s compensation arrangements for investment professionals (e.g. salary, bonus, group/individual performance incentives, profit sharing, equity ownership, etc.).

Investment Professional	Title/Role	Salary Amount (\$)	Bonus Amount (\$)	Other Incentive Compensation
<b>Total</b>				

17. Is your firm planning to hire any additional personnel, professional or support, in connection with the management of the TRS account?

18. Does your firm do business in areas other than asset management (brokerage, consulting, etc.)? If so, please provide a listing of your firm’s divisions along with their contribution to the firm’s total revenues and expenses (in percentage terms). Is it anticipated that the entity TRS is considering retaining will use the services of affiliate firms? Do you consider this a conflict of interest? Why or why not?

19. Did or will the firm provide or share, agree to provide or share, or arrange to receive, provide or share any payment, compensation, benefit or reciprocal influence, direct or indirect, to any individual or entity for assisting in (a) soliciting, marketing for, or obtaining the engagement; or, (b) maintaining the engagement or performing the services pursuant to the engagement. If the answer is “yes,” provide for each such individual or entity: (a) the name and address of the individual or entity, (b) a description of the assistance provided, and (c) the payment, compensation, benefit, or reciprocal influence. *(In the event the investment manager has agreed to pay a third party any introduction or referral fee in connection with the proposed investment management relationship with the System, Staff shall disclose to the Board in writing before the investment relationship is approved by the Trustees the identity of the payee as well as the terms of any such proposed payment prior to the System becoming obligated to proceed with the investment).*

20. Provide a five-year business plan outlining your firm’s goals and objectives. Attach a Strategic Business Plan (tab as Exhibit C).

21. Describe your financial condition and sources of revenues and expenses in detail. Provide most recent financial statements (tab as Exhibit D).

22. Please provide the identity of your principal banking relationship and the name and telephone number of your account representative.

**Legal Issues**

23. Discuss any/all current or potential securities or regulatory violations, major or immaterial, over the last five years.

24. Has your firm ever been involved in any litigation arising from the firm’s role as an investment manager? Is your firm currently involved in any litigation? Please comment.

- ☐ Has a civil legal judgment of any kind ever been entered against a shareholder, partner, officer or key employee of your firm? If the answer is yes, please provide the details including the date of judgment, jurisdiction and the current status of the proceeding.
- ☐ Has any current shareholder, partner, officer or key employee of your firm ever been terminated or forced to resign from his/her employment for reasons related to professional competence, ethical and/or financial improprieties, and/or unsatisfactory performance? If the answer is yes, please provide the details including the name of the individual and the identity of the former employer, together with an additional copy of the authorization form signed by the identified individual.
- ☐ Has any shareholder, partner, officer or director of your firm ever been charged with and/or convicted of a criminal offense (other than traffic court violations) or charged by any regulatory agency with violations of financial or professional regulations? If the answer is yes, please provide all details including the caption of the proceeding and its disposition and/or status.

### Product Information

- ☐ Provide the total firm assets currently under management as well as the assets under management for the product under consideration. (Refer to Excel Supplement Schedule B)
- ☐ What kind of capacity remains in the products under consideration?
- ☐ Are performance returns AIMR PPS or GIPS compliant? How long have they been compliant? What auditing firm do you employ in this regard.
- ☐ Please provide monthly gross and net returns for the most recent quarter, as well as for the 1-year, 3-year, and 5-year periods (in Excel format). Please provide the same information for the appropriate benchmark.
- ☐ Provide the standard deviation, information ratio, and Sharpe ratio that correspond with the submitted gross and net returns.
- ☐ Provide an attribution analysis for the most recent quarter, as well as for the 1-year, 3-year, and 5-year periods. Make sure to break out security selection and asset allocation effects in this analysis (Tab as Exhibit F).
- ☐ Do you use derivatives in the portfolio management process? If yes, please describe and to what extent.
- ☐ Describe in detail your firm's risk management process and compliance process.
- ☐ Please provide a composite fee schedule for the product to be considered.

### Investment Process

- ☐ Describe the firm's investment philosophy and strategy with regard to this investment strategy.
- ☐ Please discuss portfolio construction guidelines, research efforts and responsibilities, valuation methods and measures, individual security selection process, sector/industry selection and buy/sell discipline.
- ☐ Please describe the typical market capitalization, quality and liquidity criteria you apply in security selection.
- ☐ Please explain security-specific due diligence, including the role of the research analyst.
- ☐ Please list the sectors from which you select securities.

Please describe the risk controls that you employ in the portfolio construction process as it relates to security and sector.

Do you utilize a risk measurement system within your portfolio management process (BARRA, Northfield, et al.)? If so, please describe.

Please identify the method by which your strategy attempts to add value relative to its benchmark: (Please assign % weight to each, totaling 100%). Explain.

**Equities**

Style	_____%
Sector	_____%
Security	_____%
Active Asset Allocation	_____%
<b>Total</b>	<b>100%</b>

**Fixed Income**

Style	_____%
Sector	_____%
Duration	_____%
Yield Curve	_____%
Other (identify)	_____%
<b>Total</b>	<b>100%</b>

- 45. How many issues are typically contained in the portfolio?
- 46. What is the normal amount of cash held in the account and how is it used in the portfolio?
- 47. What modifications or enhancements have been made to the investment process over the last few years?
- 48. Why do you believe your process will be successful in the future?
- 49. In what environments will your strategy be expected to perform well or poorly?
- 50. Please describe how your investment process has evolved over time.

**Portfolio Characteristics**

Please describe your portfolio's sector policies. Do you have any constraints on weightings either on an absolute basis or relative to the benchmark?

Describe your relative risk control techniques.

Provide a capitalization summary of the portfolio. This would include weighted market capitalization, median market capitalization, and preferably a cap quintile breakdown of your portfolio.

Please provide the portfolio's holdings list.

What is the portfolio's current ADR exposure? Do you have a maximum weighting policy in regards to ADR?

Please provide the following portfolio characteristics for the most recent quarter-end:

- Price/Earnings Ratio, Price/Book Ratio, Price/Cash Flow Ratio, Price/Sales Ratio, Dividend Yield, Historical and Projected Earning Growth per Share, and Return on Equity.
- For Fixed Income only: (Refer to Excel Supplement Schedule C )

### Market Outlook

57. What are your firm's expectations in the coming year from an economic and fundamental perspective? How is your strategy positioned to take advantage of this outlook? What is your market outlook over the next 3 to 5 years?

### Operations/Trading

How does your firm minimize trading costs? How many broker relations does your firm have?

How does your firm use soft dollars and directed commissions?

What were the total trading costs for this portfolio (bps and dollars) for the most recent calendar year?

How does your firm monitor compliance?

What trading platform does your firm employ?

What portfolio accounting system does your firm employ?

Does your firm outsource any operational, legal, compliance, accounting or risk-management functions?

### TRS Specific

The System currently has trading goals with minority-owned brokerage firms. Please discuss how your firm would or would not be able to achieve the System's minority brokerage utilization goal. If your firm would not be able to meet this goal, please describe why.

Sudanese Prohibited Assets – By Illinois statute, the System's investment managers are prohibited from owning any securities which generate revenues from Sudan. Please confirm that your firm would adhere to this policy and identify the 3rd party list to be used for claiming divestiture.

Iranian Prohibited Assets – By Illinois statute, the System's investment managers will be prohibited from owning any securities which generate revenues from mining or drilling operations in Iran. TRS will provide the list of prohibited securities. Please discuss if your firm would be able to comply with this statute.

### Additional Information

Provide a current list of references, including other public pension fund clients' users.

Include any additional information that TRS should consider during the due diligence process.

Please include any additional marketing materials or relevant attachments that could assist TRS in evaluating your firm and product.

**Certification**

In the event the Manager is hired by TRS, the Manager hereby warrants and attests that no finder’s fee was paid or will be paid, to any outside entity or person or any persons employed or affiliated by TRS and complies with the prohibition on contingent and placement fees as provided in the Illinois Pension Code, 40 ILCS 5/1-145. Additionally, any misrepresentation provided in this questionnaire, after any funding that may occur, is grounds for termination of the portfolio.

By signing, I certify that this information is correct. I am aware that pursuant to the Illinois Pension Code, 40 ILCS 5/1-135, any person who knowingly makes any false statement or falsifies or permits to be falsified any record in an attempt to defraud the Teachers’ Retirement system is guilty of a Class 3 felony.

Prospective manager name (print or type)	Title (print or type)
Authorized signature	Date

This questionnaire will not be accepted unless it is signed and dated. Please send a soft copy of your submission to [EmergingManagersProgram@trsil.org](mailto:EmergingManagersProgram@trsil.org).

## Schedule A

If a female is also a minority, the employee is listed as an African American, Hispanic/Latino, Asian, or Other Minority, not as a female, and not under both. Other Minorities are classified as American Indian, Alaskan Native, Asian/Pacific Islander.

(Refer to Excel Supplement Schedule A and Schedule A-1.)