

## Executive Team

**Dominic D. Brown, CPA, CFE**  
Chief Executive Officer

**Daryn Miller, CFA**  
Chief Investment Officer

**Jennifer Zahry, JD**  
Chief Legal Officer

**Matthew Henry, CFE**  
Chief Operations Officer



## Board of Retirement

Tyler Whitezell, Chair  
Phil Franey, Vice-Chair  
Jeanine Adams  
David Couch  
Juan Gonzalez  
Joseph D. Hughes  
Jordan Kaufman  
Rick Kratt  
Dustin Contreras, Alternate  
Chase Nunneley, Alternate  
Robb Seibly, Alternate  
6th Member (Vacant)

## **RESPONSE TO QUESTIONS FOR JAPAN EQUITIES RFP**

- **Submission Deadline:** KCERA has extended the due date to 2pm PST on March 8<sup>th</sup> 2023.
  - **Question 7** should read "... relevant to the Proposed Strategy." The reference to "risk analytics system" was a typo.
  - **Fee Proposal (Question 31):** Upon further consideration, KCERA will accept a tiered fee structure.
  - **References (Question 32):** KCERA has decided to waive the requirement regarding "three institutional client references" for this stage of the RFP process. For the avoidance of doubt, references do not need to be included with the submission of a Respondent's proposal.
  - **All data submitted should be in USD terms, on an unhedged currency basis.**
1. **The minimum requirements for the search state that the proposed strategy AUM must be in excess of \$500 million each month for the past 36 months, and in excess of \$300 million for the past 60 months. Our Japanese Small Cap Equity Strategy has AUM below the stated dollar amount, but we have clients participating in co-investments in Japan that bring the total amount of assets we advise in Japan closer but still under the stated amounts. Because this strategy is still newer and is small cap assets only, the AUM has been lower in the early periods. Would this requirement be able to be waived?**

KCERA Response: This would not meet our minimum qualifications.

2. **The minimum requirements for the search states that the strategy needs to have a verifiable track record of at least 60 consecutive months. Our Japanese Small Cap Equity Strategy's representative account has 53 months of dedicated track record since launch. We can also provide the carve out performance that was used from a FactSet Japan basket for an additional 15 months prior to the official launch of the representative account. This detailed performance data was used to launch a representative account in October 2018. All of the detailed performance data is available upon request and will be included in the RFP. Will this allow our strategy to qualify?**

KCERA Response: This would not meet our minimum qualifications.

3. **Because of the yen's weakening, firm AUM in USD fluctuated significantly during the year, dropping below USD1.2billion in USD terms. As for your minimum requirement for the participation, would the minimum requirement that the "respondent's firm assets under management must be in excess of \$1.2 billion" be as of September 30, 2022?**

KCERA Response: Firm AUM must be above \$1.2 billion USD as of September 30, 2022.

4. **Our firm's standalone Japan long only strategy was launched July 2021. However we have been managing external capital in a Pan Asia equity long short fund since May 2017 with Japan representing the majority of its exposures and returns. Our Japan long only strategy is a carveout of all the Japan long positions in the Pan Asia equity long short fund. Using historical data from May 2017, we can provide a track record of 69 months that is indicative of the performance of our Japan long investments.**

KCERA Response: This would not meet our minimum qualifications.

5. **Can you confirm the intended allocation amount?**

KCERA Response: \$50 to \$125 million.

6. **The more concentrated version of our strategy does not meet the minimum AUM requirement for 10 months in between January to October 2020, but exceeds the AUM requirement for the remaining months in question over the past 3 and 5 years. Can this strategy still be submitted for consideration?**

KCERA Response: This would not meet our minimum qualifications.

7. **Are you looking for a fund or SMA allocation? If only a fund allocation, will Luxembourg SICAV structures be considered?**

KCERA Response: Preferably SMA, but potentially open to SICAV upon further review.

8. **Is KCERA open to a performance-based fee schedule?**

KCERA Response: KCERA prefers a management fee only structure, but is potentially open to performance-based fee structures.

9. **While we do not have an investment team member based Japan, our partner and partial firm owner is a financial company headquartered in Japan. We have other offices in Asia and our investment team makes regular trips to Asia, including Japan. In 2023, our investment team had over 5,000 meetings with companies in Asia and Emerging Markets, of which almost 400 meetings were with Japanese companies. Would this satisfy the location minimum requirement.**

KCERA Response: This would not meet our minimum qualifications.

10. **If our Tokyo based asset management firm is the participating entity in the Long-Only Japan Public Equity RFP, may we confirm that this entity is considered an external investment manager and is not subject to additional state or local government requirements (other than the Minimum Qualifications and Evaluation Criteria listed on p4 of the RFP)?**

KCERA Response: The Tokyo based asset management firm would be considered an external investment manager, and would be subject to additional requirements, including but not limited to fiduciary requirements like standard of care and prudence, as well as California law like Public Records Act.

11. **If our New York based asset management firm is the participating entity in the Long-Only Japan Public Equity RFP, and outsources the investment management function to our Tokyo based investment management firm, would the New York based asset management firm fall under the definition of "placement agent" resulting in additional state and local government requirements and/or registrations?**

KCERA Response: KCERA defers to Respondent's legal counsel regarding California placement agent statute. In addition, please refer to KCERA's Placement Agent Policy located on the KCERA website. <https://www.kcera.org/files/46bc28186/Placement+Agent+Policy+%28BOR+amended+22-06-08%29.pdf>

- 12. We have been managing Japanese Equities for our institutional clients since 1995, with the majority of these Japan Equity assets managed as a component of our multi-manager, regional strategy. The strategy is regionally structured with individual specialist managers focused on Europe, Asia and Canada. We also have approximately \$50M in dedicated Japan Equity assets beyond the regional strategy. The Japan equity assets in both strategies have been managed by the same portfolio manager for more than 10 years. Would this strategy meet the minimum qualifications?**

KCERA Response: This would not meet our minimum qualifications.

- 13. We offer Yen hedged and unhedged share classes so when submitting risk analytics and performance data and analysis should we be submitting information for Yen hedged or Yen unhedged share class?**

KCERA Response: Please submit data in USD terms on a Yen unhedged basis.

- 14. Does the Plan have more guidance on currency hedging for this mandate?**

KCERA Response: KCERA is still evaluating the currency exposure for this mandate.

- 15. Our Japanese Equities team works to one investment process, with the same philosophy and fundamental research. The output of this process is two products:**

- A large-cap product, with AUM: \$276m.
- A large and mid-cap product, with AUM: \$1.5bn.

Both products hold the same large-cap names, currently and historically, and have had a very high overlap. Although the large-cap product does not meet the AUM requirement on its own, would you be open to us submitting both products for this RFP?

KCERA Response: The large-cap product would not meet the minimum qualifications.

- 16. Our Japanese long-only equity product has been a long-only product since mid-2019 and will continue to be going forward. Prior to this, it used to be a combination of a small number of pair trades, in addition to the long-only portfolio. Would this historic exposure to pair trades rule the product out for consideration for this RFP?**

KCERA Response: This would not meet our minimum qualifications.

- 17. For Section II, F 22, could you please confirm the time period in question?**

KCERA Response: Please provide forward looking expected measures. Provide tracking error and excess return on an annualized basis. For measures that are typically calculated over a period of time assume approximately 3-years.

- 18. For Section III, K (36-40), could you please confirm the time period in question? (Should we assume 5 years)?**

KCERA Response: 36. Since inception. Assume unhedged currency. Present returns in both USD (i.e. the return a US based investor would have experienced; unhedged) and

local JPY terms (i.e. the return a local Japanese investor would have experienced).

37. Since inception or 15 years, whatever is shorter.

38. Since inception or 15 years, whatever is shorter.

39. Since inception or 15 years, whatever is shorter.

40. Since inception or 15 years, whatever is shorter.

