

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)

REQUEST FOR PROPOSAL (RFP)

FOR

JAPAN EQUITY INVESTMENT STRATEGY

TIMELINE

Date of RFP issuance	February 10, 2023
Deadline for written questions to KCERA	February 17, 2023
Deadline for submission for proposal	March 1, 2023

DELIVERY OF RESPONSES

Proposals and questions are to be delivered electronically via email to:

Aimee Morton at aimee.morton@kcera.org

11125 River Run Boulevard □ Bakersfield, California 93311 □ www.kcera.org

Tel (661) 381-7700 □ Fax (661) 381-7799 □ Toll Free (877) 733-6831 □ TTY Relay (800) 735-2929

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Section I: Background and Critical Information

Introduction

The Kern County Employees' Retirement Association (KCERA) Board of Retirement (Board) is requesting proposals from qualified firms interested in providing a dedicated long-only Japan public equity investment strategy.

Background

KCERA is a multi-employer, defined benefit pension plan in Kern County, California, governed by the County Employees Retirement Law of 1937 (CERL) and subject to the requirements of the California Public Employees' Pension Reform Act of 2013 (PETRA). KCERA is considered a "governmental plan," as defined in Section 414(d) of the Internal Revenue Code. KCERA administers benefits on behalf of approximately 20,400 active, deferred and retired members and their beneficiaries. KCERA retirement plan (Plan or Fund) assets stand at \$5.1 billion as of December 31, 2022. Additional information may be found on the KCERA website at www.kcera.org.

Scope of Services

The purpose of this RFP is to select an investment manager ("Manager") to provide investment management services with respect to a dedicated long-only publicly traded Japanese equity investment strategy. KCERA is considering publicly Japanese equities strategies across the market cap spectrum.

The Manager, will serve in a fiduciary capacity and will acknowledge its fiduciary status and duties in its contract with KCERA. The Manager will have full discretionary authority, as established in the IMA or fund documents, over the assets of the separately managed account or fund the Manager will oversee.

Submission of Proposal

Timeline

February 10, 2023	RFP published and posted on KCERA website
February 17, 2023	Deadline for submission of objections and questions concerning the RFP
March 1, 2023	Deadline for submission of proposals

KCERA will make best efforts to follow the above timeline but reserves the right to amend as necessary.

The deadline for submission of the proposal is 2:00 pm PST, March 1, 2023. Each proposing firm must submit an electronic version via email to:

Aimee Morton at aimee.morton@kcera.org

Format of Proposal

The proposal must be sequentially page numbered, organized and indexed in the following format:

1. Responses to Section II, then Section III in numerical order

The response is to be submitted in Times New Roman, size 10 font, with margins of 1" each top, bottom, left, and right. Headings, titles, headers, and footers, as well as data, charts, and other requested materials are exempt from the formatting requirement.

Response to Questions and Response for Proposals

Be clear and succinct. Ensure that each response is specific to the question asked or information requested. Unnecessary information will be disregarded and will negatively impact the score of the responding firm (Respondent). Incomplete or misleading responses may lead to the rejection of the

proposal and elimination of the Respondent from the search process. At any time during the proposal evaluation process, KCERA may require a Respondent to provide oral or written clarification of its proposal. However, KCERA reserves the right to make an award without further clarifications of proposals received.

Minimum Qualifications and Evaluation Criteria

A Respondent will not be evaluated and will be disqualified from further consideration if any of the following minimum qualifications are not met.

Minimum Qualifications

- Respondent's Proposed Strategy (see Section II: A.1) must meet the following criteria:
 - Be a dedicated long-only Japan public equity strategy
 - Have a verifiable track record of at least 60 consecutive months
 - Key decision maker/s must have been in the key decision making role for the past 60 months
 - 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
 - Proposed Strategy investment team must have a physical presence in Japan
- Respondent's firm assets under management must be in excess of \$1.2 billion

Evaluation Criteria

KCERA will evaluate the proposals in accordance with the evaluation criteria listed below. KCERA will hold conference calls as part of the evaluation process, and may request additional information. Proposals will be scored based on RFP responses, conference calls, additional materials, and references.

Responses will be evaluated based on the following criteria:

- Firm Capabilities
- Investment Team, Process, and Philosophy
- Track Record, Net Returns, and Fees
- Thoroughness and Thoughtfulness of Response

Section II: Questionnaire

Data for all question should be "as of" or "for the time period ended" September 30, 2022, unless otherwise indicated.

A. Proposed Product/s and/or Strategy/s

1. Please list the product/s or strategy/s that are being proposed for the mandate specified in this RFP, hereafter referred to as "Proposed Strategy"

B. General Information

2. Provide detailed contact information relating to this RFP.
3. Provide the firm's name, address, telephone number, and website.
4. Provide a statement that the Respondent meets the Minimum Qualifications for the RFP, as outlined above.
5. Provide a statement acknowledging that all documents submitted pursuant to the RFP shall be subject to disclosure under the California Public Records Act as set forth in Section IV of the RFP.
6. Provide the following statement:

“(legal name of Respondent) agrees to reimburse, indemnify, defend and hold harmless the Kern County Employees’ Retirement Association, its Board members, officers, agents and employees from and against (a) any and all requests, claims, damages, losses, liabilities, suits, judgements, fines, penalties, costs and expenses of any nature, specifically including without limitation, attorneys’ fees, expenses, and court costs (collectively “Claims”) arising from or in any way involving any materials or information in this proposal that (legal name of Respondent) has labeled as not subject to disclosure as a public record; and (b) any and all Claims arising from or relating to KCERA’s public disclosure of any materials or information in this proposal if KCERA deems disclosure to be required by law or if disclosure is required by court order.”

C. Firm History and Ownership

7. Provide detailed information on the firm, including its history, its current ownership (equity ownership and parent/subsidiary structure), organizational structure, and businesses acquired and divested that are relevant to the risk analytics system. Include any other information, including forward-looking information that would be reasonably expected to influence the selection process.
8. Provide the total number of firm employees, and the number of firm investment professionals.
9. Provide a list of firm office locations and number of employees by office.
10. Provide a firm organization chart.

D. Business Risk and Independence

11. Describe the business continuity plan the firm has in place in order to permit it to continue to deliver the described in the RFP.
12. Has the firm or anyone in the firm provided any gifts or other remuneration, or paid any unreimbursed expenses for travel, hotel, meals or entertainment for or on behalf of a Board member or KCERA employee during the past three years? If yes, indicate the amount, recipient, and purpose of the payments.

E. Investment Strategies/Products

13. Please list the Firm’s Asia, Asia-Pacific, and Japan, public equity oriented strategies; indicate the vehicles offered for each strategy, the AUM for each, as well as inception date; indicate where there are different portfolio management teams.
14. Please list the Firm’s Asia, Asia-Pacific, and Japan public equity oriented strategies that have been discontinued/closed/shutdown over the past 10 years.

F. Investment Team, Philosophy, Process, Characteristics

15. Provide an organization chart for all investment professionals involved with the Proposed Strategy. Denote where members are dedicated or shared, and if shared what % of time is spent on the Proposed Strategy
16. Provide bios for the investment team/s for the Proposed Strategy
17. List all employee turnover for investment professionals involved with the Proposed Strategy over the past 5 years.
18. List all decisions makers for the Proposed Strategy over the past 20 years, or since inception of the Proposed Strategy, whichever is shorter.
19. Describe the investment philosophy for the Proposed Strategy.
20. Describe the investment process for the Proposed Strategy, include investment screening/idea generation, security analysis, decision making, portfolio construction, risk management, and sell discipline.
21. What index or indices does Respondent utilize for benchmarking the Proposed Strategy, and what is the rationale for that benchmark selection?
22. Provide key characteristics for the Proposed Strategy including by not limited to expected, (a) tracking error and range, (b) excess return, (c) information ratio, (d) beta to benchmark, (e) upside/downside capture, (f) number of securities in the portfolio and range, (g) annual turnover--

number and dollars, (h) structural--relative to benchmark--bias of factors, sectors, or industries, (i) environments or regimes that will be a tailwind or headwind, (j) market cap exposure, (k) concentration in top 10 positions

23. Provide risk constraints for the Proposed Strategy.

G. Market Opportunity

24. To what extent do you agree or disagree with the following statements (**you must provide the rationale and data to support your view; error on the side of more vs. less data**):

- i. Corporate governance for publicly traded Japanese corporations is structurally improving, and is driving (a) increased corporate profitability, (b) improved balance sheet efficiency, (c) improved capital structures, (d) increased returns on capital, and (e) improvement for minority shareholders, including increased dividends and/or share buyback.
- ii. Regulatory changes are driving improved corporate governance for publicly traded Japanese corporations.
- iii. Corporate activism of publicly traded Japanese equities is increasing in terms of (a) number of Japan focused activist investors/funds, (b) letters written to Japanese public corporate management teams, and (c) proxy fights.
- iv. The fundamental backdrop for publicly traded Japanese equities is attractive.
- v. Publicly traded Japanese equities are attractively valued (a) on an absolute basis, (d) relative to its own history, and (c) relative to public equities in other geographies.
- vi. Publicly traded Japanese equities should be pursued on an active basis vs. passive basis.
- vii. For a U.S. investor, an investment in Japanese public equities should be hedged back to USD yes/no? static-full/static-partial/dynamic/tactical?
- viii. Japan is generally more cyclical than other developed countries (i.e. has a higher beta to global growth).
- ix. Foreign investors have been decreasing exposure to publicly traded Japanese equities over the past 2, 3, 5, 7 years; and foreign investors net flows to Japanese public equities have been negative over the same periods.
- x. Publicly traded Japanese equities are under-owned in institutional portfolios when compared to the weight in the MSCI ACWI.
- xi. Over the next 6-12 months, the macro-economic environment for Japan is favorable.
- xii. Over the next 12-24 months, the macro-economic environment for Japan is favorable.
- xiii. Over the next 12-24 months, JPY is more likely to appreciate or depreciate vs. the USD.

25. Please articulate the key macro risks for investing in publicly traded Japanese equities. Include (a) risk from Japan's large debt-to-GDP, (b) risk from changes in JPY, (c) return to deflationary environment and structural headwinds including demographics, (d) inflationary risk, (e) other.

26. Should a Japanese public equity strategy be (a) large cap, (b) mid cap, (c) small cap, (d) all cap, (e) other.

27. To what extent does a style bias (growth/value) make more or less sense for a Japanese public equities strategy.

28. What is the ownership composition for the Japanese public equity market? i.e. foreign investors, Japanese households, institutional, etc.

29. What are the implications of cross-shareholdings and listed subsidiaries within the context of Japanese public equities?

30. How large is the investible Japanese public equity universe in terms of (a) number of securities, and (b) total market capitalization in USD (provide exchange rate used)? How is "investible" defined?

Section III: Fee Proposal, References, Signature, Additional Materials

H. Fee Proposal

31. Provide a one-page fee proposal, assuming the Japan equity mandate will be sized between \$50 and \$125 million. No tiered fee schedules. For Respondents with an existing relationship with KCERA, a relationship pricing proposal may be included.

I. References

32. Provide three institutional client references who are in and have been invested in the publicly traded dedicated Japanese equities strategy for at least 3 years. **Failure to provide this data will result in the Respondent's proposal being dismissed from consideration.**

J. Signature

33. Provide a signature by an individual who is authorized to contractually bind the Respondent, attesting that all responses and information submitted are true to the best of signatories knowledge.

K. Additional Materials

For questions 34 through 40 please provide information for the Proposed Strategy as specified in Section II: A.1.

34. Standard marketing presentation.

35. Investor letters (monthly or quarterly) for past 2 years.

36. Gross of fees monthly returns for the Proposed Strategy in Excel (indicate assumptions made relating to dividend withholding tax and tax reclaims), and where appropriate provide monthly data. Include monthly returns for the Proposed Strategy benchmark (gross and net of dividend withholding tax).

37. Provide Proposed Strategy monthly exposure by sector and industry in Excel.

38. Provide Proposed Strategy monthly exposure by market cap in Excel (small cap up to \$2bn, mid cap up to \$10bn, large cap >\$10bn, currency in USD).

39. Provide Proposed Strategy monthly AUM in Excel.

40. Provide annual attribution analysis for the Proposed Strategy.

Section IV: Additional Information

About the RFP

How to Obtain the RFP

The RFP may be downloaded from the KCERA website at www.kcera.org, or may be requested from Aimee Morton at aimee.morton@kcera.org.

Addenda to the RFP

KCERA may modify the RFP, prior to the proposal due date, by issuing written addenda. Addenda will be posted on the KCERA website at www.kcera.org. The Respondent shall be responsible for ensuring that its proposal reflects any and all addenda issued by KCERA prior to the due date regardless of when the proposal is submitted. Therefore, KCERA recommends that Respondents review the KCERA website frequently, including shortly before the proposal due date, to determine if they have received all addenda.

Ambiguity and Omissions in the RFP

Respondents are responsible for reviewing all portions of the RFP. Respondents are asked to promptly notify KCERA, in writing, if the Respondent discovers any ambiguity, discrepancy, omission, or other errors in the RFP. Any such notification should be directed to KCERA promptly after discovery, but in no event later than five working days prior to the date for receipt of proposals. Modifications and clarifications will be made by addenda as provided above.

Cancellation of the RFP

KCERA reserves the right to cancel the RFP at any time, and to reject any and all proposals submitted in response to the RFP if it is in the Plan's best interest. The RFP in no manner obligates the Board to the procurement of services until a written contract is entered into, negotiation of which may be terminated at any time by the Board. If negotiations fail, the Board may accept another submitted proposal, at its option. The Board may terminate negotiations at any time prior to the signing of a contract.

Communication During the RFP

Quiet Period, Questions, and Communications Regarding the RFP

The Board has designated an "evaluation period" for the duration of the risk system search and selection process, during which time Trustees and KCERA may not knowingly communicate with candidates, except for official search-related interviews, due diligence and ongoing business. To assist the Board and KCERA in implementing the evaluation period, all questions regarding the intent or content of the RFP must be directed in writing to Aimee Morton by e-mail at aimee.morton@kcera.org on or before February 17, 2023.

Procedure for Objections

Any objections as to the structure, content, or distribution of the RFP must be submitted in writing to the contact listed on the cover sheet of the RFP, prior to the submission deadline for objections and questions. Objections must be as specific as possible and identify the RFP section number and title and include a description of and rationale for the objection. All objections, questions and inquiries must be received on or before February 17, 2023.

RFP Award

Basis of Award

Award will be based on the overall highest ranked Respondent score in accordance with the evaluation criteria, as adjusted. Should the selected Respondent fail to provide post award documents required, the Board, in its sole discretion, may withdraw the award recommendation, and select the next highest ranked Respondent for award. The Board reserves the right to reject all offers.

Procedure for Protests

If an unsuccessful Respondent wants to dispute the award recommendation, the protest must be submitted in writing to KCERA's Chief Executive Officer no later than ten calendar days after announcement of the successful Respondent. Protests must detail the grounds and factual basis and provide all supporting information. Protests will not be considered for disputes of proposal requirements and specifications, which must be addressed in accordance with the above procedure for objections. Failure to submit a timely written protest to the contact listed below will bar consideration of the protest. The name and address for submitting protests is:

Dominic D. Brown, Chief Executive Officer
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

General Terms and Information

Revision of Proposal

A Respondent may revise a proposal on the Respondent's own initiative at any time before the deadline for submission of proposals. The Respondent must submit the revised proposal in the same manner as the original. A revised proposal must be received on or before the proposal due date. In no case will a statement of intent to submit a revised proposal, or commencement of a revision process, extend the proposal due date for any Respondent. If a revised proposal is submitted, the word REVISED shall be included on the cover page, in all cap, and bold font, along with the revision date.

Errors and Omissions in Proposal

Failure by KCERA to object to an error, omission, or deviation in the proposal will in no way modify the RFP or excuse the Respondent from full compliance with the specifications of the RFP or any contract awarded pursuant to the RFP. KCERA reserves the right to waive or permit correction of any minor inconsistencies, errors, or omissions prior to the final evaluation of the proposal, and to ask for clarification on any issues, or to take any other measures with respect to the RFP in any manner necessary to serve the best interests of KCERA and the Plan's beneficiaries.

Financial Responsibility and Ownership of Documents

Any cost incurred in the preparation, submission or presentation of proposals shall be borne solely by the proposing firm. Responses to the RFP and associated materials will become the property of KCERA and may be returned only at KCERA's option.

Governing Laws

The process for evaluating the procurement and selection of services with Respondent that may result shall be governed by the laws of the State of California. Respondent agrees that the proper venue for any such action shall be the Superior Court of California located in the County of Kern or the U.S. federal court for the Eastern District of California located in the County of Kern. Submission of a proposal constitutes acceptance of this provision.

Public Nature of Proposal Materials

All correspondence with KCERA, including responses to the RFP will become the exclusive property of KCERA and shall be subject to public disclosure under the California Public Records Act (Cal. Gov. Code section 6250 et seq., "the Act"). The Act provides generally that all records relating to a public agency's business are open to public inspection and copying, unless specifically exempted under the Act. In addition, if KCERA staff chooses to recommend any Respondent(s) to the Board of Retirement for hiring, such recommendation and the relevant proposal(s) will appear on a publicly posted agenda for a public meeting of the Board of Retirement, pursuant to the Ralph M. Brown Act which governs open meetings for local government bodies (Cal. Gov. Code section 54950 et seq.).

If a Respondent believes that there are portion(s) of the Respondent's proposal, that are exempt from disclosure under the Public Records Act, those portions must be marked as "CONFIDENTIAL" and must include the specific provision in the Public Records Act that provides the exemption as well as the factual basis for claiming the exemption.

There are a limited number of exceptions to the disclosure requirement. Therefore, any proposal that contains language purporting to render all or significant portions of the proposal exempt from disclosure or fails to provide the exemption information described in this section will be considered a public record in its entirety subject to the procedures outlined in this section. Respondents should not mark an entire proposal as "CONFIDENTIAL".

By submitting information with portions marked as noted above, the Respondent represents that it has a good faith belief that such material is exempt from disclosure under the California Public Records Act and agrees to reimburse KCERA for, and to indemnify, defend and hold harmless KCERA, its officers, fiduciaries, employees, board members and agents from and against any and all claims, damages, losses, liabilities, suits, judgments, fines, penalties, costs and expenses including, without limitation, attorneys' fees, expenses and court costs of any nature whatsoever (collectively "Claims") arising from or relating to any period of KCERA's non-disclosure of material designated as "CONFIDENTIAL".

Although the California Public Records Act recognizes that certain information may be protected from disclosure, KCERA may not be in a position to establish that the information Respondent submits is exempt from disclosure. In the event KCERA receives a request for inspection of any proposal submitted pursuant to this RFP, KCERA will review any material marked "CONFIDENTIAL" and determine whether the material is exempt from disclosure under the Act. KCERA will also provide the relevant Respondent(s) with reasonable notice to seek protection from disclosure by a court of competent jurisdiction. It is the responsibility of the organization whose "CONFIDENTIAL" material has been requested to assert any right of confidentiality that may exist. KCERA will not make that assertion on behalf of the Respondent(s) without an order of protection or court order.

