

Request for Information in Connection with Alaska In-State Private Markets Manager Search

Issued January 8th, 2019



This Request for Information (RFI) is solely for informational purposes and should not be construed as a solicitation. Responses to this RFI are not to be considered offers and cannot be accepted by the Alaska Permanent Fund Corporation (APFC) to form a binding contract.

Note Regarding Confidentiality

Because APFC is subject to the Alaska Public Records Act, any records provided to APFC pursuant to this RFI that do not contain information which is required to be kept confidential under state or federal law could be subject to disclosure pursuant to a valid public records request. However, Alaska Statute 37.13.200 provides that “...information that discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record.”

If your proposal contains information which you believe is proprietary as defined by Alaska Statute 37.13.200, please mark such records as confidential and bring this matter to our attention when you respond to this RFI. If, upon review of the documents you have marked confidential we do not believe such records qualify as proprietary information, we will alert you and provide you with an opportunity to resubmit your response without the inclusion of this information.

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1. Purpose, Overview, and Instructions

I. **Purpose and Background**

1. This Request for Information (“RFI”) is issued for the purpose of gathering information to inform and guide the likely hiring of an investment management firm (the “Manager”) to provide investment management services for a private markets-focused investment mandate focused on the State of Alaska. The objective of the contemplated mandate will be to produce returns on invested capital commensurate with the associated risk (taking into consideration factors including leverage, illiquidity, execution risk, etc.). It is anticipated that this activity will have a collateral benefit of stimulating the development of the financial services industry in Alaska.
2. Final sizing and structure have not yet been determined but for purposes of this RFI assume a \$200 million initial mandate. Investment management services that result from this process may be awarded to one or more managers, or not at all.
3. Please take a thoughtful and creative “best ideas” approach to this RFI. The definitions in this RFI are for information purposes and different definitions are welcome. At this stage, APFC seeks to gather information on the capabilities of each manager and understand the range of options that might exist to execute an in-state investment mandate.
4. For purposes of this RFI, unless otherwise requested, please provide data as of September 30, 2018.

II. **Definitions**

For purposes of this RFI, APFC defines “in-state” funds and investments, generally, as private market-focused investments, investment vehicles, or investment firms either: i) headquartered in Alaska; ii) with a material operating presence and key investment personnel based in the State of Alaska; or iii) expected to have a material economic impact in the state of Alaska. APFC has not otherwise defined or restricted the underlying investment opportunity set or strategies.

III. **Overview of APFC**

The Alaska Permanent Fund Corporation (APFC) was created by the Alaska Legislature in 1980 as a quasi-independent state entity tasked with the important mission of prudently investing and managing the assets of the Alaska Permanent Fund (the “Fund”). As one of the first sovereign wealth funds, and the largest fund of its kind in the United States, the Alaska Permanent Fund has gained world-wide recognition as a model for converting a non-renewable natural resource into a renewable financial resource.

The successful stewardship of the Fund, one of Alaska’s treasured resources, is founded on the shared commitment of the APFC Board of Trustees and APFC staff to diligently protect the Fund’s assets, while simultaneously striving to outperform our peers in up and down markets. The APFC operates as a sovereign endowment for the benefit of all current and future generations of Alaskans.

Please visit www.apfc.org for detailed information regarding our strategy, purpose, and portfolio.

IV. Submission Instructions and contact information

1. All responses should be completed in every respect and answer concisely and clearly the questions in the RFI.
2. Responses should follow the order of questions as they are asked in the RFI. Supporting materials should clearly reference the relevant question.
3. Please direct all questions regarding this RFI via email to AlaskaRFI@apfc.org by 5:00 pm AKST on January 15, 2019. The questions will be consolidated and answers emailed to all candidates.
4. **Responses should be submitted no later than 5:00 pm AKST, January 31, 2019.**

Please submit an electronic copy of the response to AlaskaRFI@apfc.org and submit two hard copies (excluding exhibits) postmarked by the deadline indicated above.

Mail hard copies to:
Alaska Permanent Fund Corporation
Attn. Catherine Hatch
801 W. 10th Street, suite 302
Juneau, AK 99801

V. Estimated Schedule of Events

January 8, 2019	Issue RFI
January 15, 2019 (5:00 pm AKST)	Deadline for questions regarding RFI
January 31, 2019 (5:00 pm AKST)	Response Due Date
Review and discussion of proposals	February 1, 2019- February 15, 2019
Mandate award, program launch	TBD

2. Request for Information

I. Ownership and Structure

- 1) Describe your firm's overall business.
- 2) Describe the origins and history of your firm and, if relevant, the business unit that would manage the contemplated investment vehicle.
- 3) Describe the ownership structure of your firm. Please identify any affiliations and joint ventures you have with other firms.
- 4) Describe your firm's strategy and philosophy with regard to discretionary vs. advisory activity and with regard to different underlying investment strategies and tactics (e.g., co-investments, secondaries, hedge funds, fund of funds, real estate, infrastructure, etc.).
 - Please provide a breakdown of your firm's revenues from these different strategies, assets and tactics.
- 5) Describe any significant organizational changes over the past ten years (e.g., ownership, personnel reorganization, new business ventures, etc.) and any potential or planned changes to the business objectives and ownership structure of your firm.
- 6) List the location, headcount, and opening date of all offices and indicate functions performed at those locations.
- 7) Provide a list of at least five clients w contacts for references.

II. AUM, Commitments, and Pacing

- 1) List the following as of 6/30 or 12/31 for the last five years by (1) private capital product line (e.g. primary, fund of funds, co-investments, secondaries, etc.) and (2) in-state or similar mandates:
 - A. Cumulative capital committed to your firm by investors at year-end
 - B. New capital committed to the firm by investors over each of the last 5 years
 - C. Capital committed by your firm to new funds/investments during each of the last 5 years
 - D. Dry powder available for new investments at year-end
 - E. NAV at year-end
- 2) If applicable, list the in-state, emerging manager and similar mandates that you manage. Provide a short description of strategy, the inception date, the total size of the account, the current dry powder for each, and the since inception returns for each.
- 3) Describe your firm's allocation policy for allocating investments among clients and vehicles. Attach a copy of the firm's allocation policy and provide examples of how your policies have been put into practice.

III. Personnel

- 1) Provide a current organizational chart and indicate the professionals who would be primarily involved in managing the mandate. Who would be responsible for servicing this account? Please include his/her/their biography(ies).
- 2) Describe your firm's compensation policy for investment professionals. How does the structure and scale of compensation vary across the categories of activity listed in section II?
- 3) Describe the extent to which investment professionals invest personal capital in your products.
- 4) List all departures from the investment team over the past five years.
- 5) Describe any plans to hire additional staff.

IV. Investment Philosophy and Process

Portfolio Strategy

- 1) Describe changes to your investment philosophy over time. What lessons have you learned and how has your firm adapted?
- 2) What do you consider to be the key differentiators among firms and the key contributors to success with regard to managing an in-state or emerging manager mandate?
- 3) What is your assessment of the investment opportunity set in Alaska?
- 4) What sectors or strategies do you anticipate will out-perform over the next five to ten years? Do you see opportunities in Alaska?
- 5) Are there any strategies that you avoid? Why?
- 6) APFC welcomes your candid perspective on the investment opportunity for private investment funds in Alaska. ***Provide examples of potential approaches to Alaska in-state investing that you believe could meet APFC's stated objectives for this program.*** Consider the following questions:
 - How would you construct an Alaska focused in-state/regional program to generate the best risk adjusted returns? Please detail your proposed portfolio construction, average investment sizes, and pacing.
 - What returns would you anticipate generating through this program?
 - How would you staff the team for this mandate? Where are each of the individuals based?
 - How would you generate deal flow for this proposed mandate?
 - How would you propose to engage with APFC staff for ongoing program management, investment review and monitoring?
 - APFC is currently the largest and most active asset manager in Alaska. Can you identify opportunities or strategies you might pursue jointly with APFC staff?
 - Discuss potential risks related to the execution of this program and how you would approach mitigating these risks? Should APFC consider a different approach?
 - What investments or commitments in your firm's history of geographically targeted vehicles turned out worst? What lessons were learned?

Investment Underwriting

- 7) Provide a graphic representation of how a fund or direct investment becomes part of your portfolio, detailing the steps and personnel involved in the process. At which points are formal committee decisions required? Are decisions based on unanimous consent or another approval mechanism?
- 8) Describe how your firm obtains access to the best investment opportunities. What are your primary sources of deal flow?
- 9) What are the key underwriting criteria you use to select investments? What are the most important items to understand before making an investment?
- 10) How do you assess the fit between the GP and investment opportunity? How do you incorporate the qualifications and experience of the GP into your underwriting?
- 11) Discuss the nature and type of due diligence and research material produced by your firm. What material is made available to clients? What research tools could be made available to APFC staff as part of the contemplated program?

- 12) If your firm might co-invest alongside in-state managers, when do you typically engage with a GP in the deal process (pre- vs. post-LOI, etc.)?
- 13) How do you staff and process opportunities? What is the typical timeline from sourcing to closing? How many investments could you process at one time?
- 14) If your team is part of a broader platform, do you leverage other parts of the organization in the evaluation of investments? How?
- 15) Are fund commitments and co-investments pursued and executed by the same personnel? If different teams, how do they interact and coordinate over the life of an investment?
- 16) Describe circumstances that would disqualify an investment from consideration.
- 17) Please describe your firm's approach to operational due diligence.
- 18) Describe your Firm's approach to providing educational opportunities to LP investment staff, boards and trustees. Describe frequency of interaction with investors with similar programs.

Portfolio Monitoring and Management

- 19) How do you approach investment monitoring? Who is responsible for monitoring and reporting?
- 20) Describe your investment monitoring systems and infrastructure. List the software or services that you use and describe how they are integrated into your monitoring process. What information is made available to clients and how is it delivered?
- 21) If your firm invests directly in operating companies, how often do you obtain board seats? Observer rights? What is your approach to taking and/or seeking these seats? How do you engage with the underlying portfolio company post-investment and how is this different for fund (vs. direct) investments?
- 22) Describe your philosophy and procedures regarding valuation. What role, if any, do you play in monitoring and managing valuations?

- 1) How frequently does your firm calculate and report performance? When is your fund's net-asset-value (NAV) and performance information normally available?
- 2) Describe your existing fee schedules for fund investment and co-investment products. Propose a fee structure for the contemplated mandate.
- 3) Describe the expected underlying fees associated with the individual fund managers. How do you maintain alignment of interest while maximizing the ultimate net return to your LPs?
- 4) Please provide a summary of all your current and prior funds and funds-of-funds, that closely relate to the services for which you are submitting a proposal, including total fund capital commitments, vintage year, total amount funded (including fees), total amount distributed (net distributions returned), residual value, the number of investments made and remaining, and Net Internal Rate of Return (IRR) to Limited Partners (LPs). Please also include a list of the underlying fund managers and co-investments in the relevant funds-of-funds.
- 5) Attach a spreadsheet file or "product sheet" with gross and net performance since inception for each co-investment vehicle you manage. If possible please present return streams for: (1) gross investment performance, (2) performance net of GP economics (if applicable), and (3) net to LP performance. The spreadsheet should contain quarterly cash flows and NAVs since product inception.
- 6) Please include a track record like the table below for all co-investment, emerging manager, or geographically targeted vehicles.

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VI. Legal, Regulatory, Audit and Insurance Issues

- 1) Is your firm registered under the Investment Adviser's Act of 1940 or with any other regulatory agency?
- 2) During the last ten years, has any regulatory agency has conducted an audit or review of the firm or any employees, officers, or affiliates? If such an audit or review was conducted, discuss significant findings by the regulator.
- 3) Describe the insurance coverage that you maintain.
- 4) Describe your firm's compliance policies and practices. Does your firm maintain a code of ethics?
- 5) Has your firm been involved in any litigation? Any known or foreseeable litigation? Please describe.

Exhibits

- A. APFC resolution 18-03, Resolution of the Board of Trustees of the Alaska Permanent Fund Corporation Supporting an In-State Emerging Manager Program

Alaska Permanent Fund Corporation

RESOLUTION OF THE BOARD OF TRUSTEES OF THE ALASKA PERMANENT FUND CORPORATION SUPPORTING AN IN-STATE EMERGING MANAGER PROGRAM

RESOLUTION 18-03

Private equity and venture capital investors combine investment capital with the application of operational expertise and other resources designed to support growth of the underlying operating companies and drive returns on invested capital. Because private equity and venture capital investments typically catalyze investment from other sources and require legal, advisory, accounting and other support services, prudent investment activity in Alaska should have a positive multiplier effect.

To encourage the growth of this positive impact within Alaska, consistent with the requirements of Alaska Statute 37.13.120(c), the Alaska Permanent Fund Corporation should target a portion of its private equity and venture capital investments at opportunities within Alaska that provide a rate of return on investment consistent with the expected risk/return profile of similar investments outside of Alaska.

Because the sourcing, selection, and ongoing active support of emerging private equity and venture capital fund managers is time and resource-intensive, APFC staff should outsource day-to-day management of this program while retaining oversight responsibility.

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to create an In-State Emerging Manager Program consistent with the following guidance:

- 1) APFC staff should conduct a targeted request for information ("RFI") in order to identify and select a discretionary fund-of-funds manager with demonstrable expertise in:
 - identifying capable and promising private investment firms;
 - supporting the growth and development of emerging investment firms; and
 - monitoring and reporting on the activity of underlying managers and investments.
- 2) The RFI should establish expected standards and targeted characteristics of underlying fund managers. Such characteristics are expected to include:
 - an in-State investment strategy designed to deliver returns consistent with similar investments outside of the state;
 - a business presence in Alaska; and
 - an ability to raise additional capital from other institutional sources.
- 3) Following the RFI, APFC staff is directed to design and negotiate an investment management agreement with the selected fund-of-funds manager. The agreement will establish the rights and responsibilities of the parties and govern the manager's relationship with the APFC.
- 4) The initial capital commitments and investments made through this program will be up to \$200 million and will be a part of the Fund's allocation to Private Equity and Special Opportunities, which includes tracking the performance of this program against the benchmarks used to evaluate the performance of this asset class. It is anticipated that APFC will renew its investment commitments to investment partners that demonstrate success during the initial phase of this investment program.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 27th day of September, 2018.

/s/
Bill Moran
Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

/s/
Angela M. Rodell, Corporate Secretary