

**INTEREST RATE SENSITIVE  
FIXED INCOME MANAGEMENT  
QUESTIONNAIRE**

Gregory W. Group

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## Respondent Information

### I. ORGANIZATION

1. Provide the name, title and contact information for the individual that would serve as our primary contact servicing this account. Please provide both client service and portfolio management personnel if necessary.
2. Provide a brief history of your organization, include the year you were established, the general ownership structure, capital structure, specific details of any affiliated companies or joint ventures and/or affiliations with other financial or investment management firms, and the number and locations of your offices and staff levels at each.
3. What percent of your firm do active employees own? Describe the amount owned by each active employee. Does your firm have different classes of ownership? What is the buy/back procedure when an owner/employee retires or otherwise leaves the firm?
4. Explain your plans for expansion, particularly as they relate to accepting new client business and the quality of service to all clients. Is there a limit to the number of new clients your firm will accept? At what point will you hire additional staff?
5. Has there been any litigation involving your firm in the past five years? If yes, provide details. Please detail the status of any SEC or other legal inquiry into your firm.
6. Indicate any potential conflicts of interest your firm may have in the management of this account. Specify any activities of affiliates or past organizations, brokerage activities, investment banking activities or any other potential involvements.
7. Do you accept client direction for brokerage?
8. Are you a registered investment advisor?
9. What year did the firm began managing fixed income accounts?
10. What proportion of your firm's total assets under management are fixed income-only portfolios?
11. What proportion of your firm's account relationships are fixed income-only clients?

12. What year was the proposed fixed income product introduced?
13. What proportion of your firm's assets are in this product?
14. What proportion of your firm's account relationships are in this product?
15. For your proposed fixed income product, indicate whether your current investment capabilities were developed in-house or through the acquisition of another investment firm. If the latter, specify the name of the acquired firm and date when this acquisition occurred.
16. List your primary sources for research, if in-house, provide name(s) and location(s) of individual(s).
17. Provide the US\$ amounts and carriers for your Errors & Omission, Directors & Officers and Fiduciary Liability insurance policies.

## II. CLIENTS

1. Provide the name, address, and telephone number of three accounts in your proposed fixed income product that we may contact as references for your organization.
2. If applicable, provide the name, title, and telephone number of three clients that terminated your firm's proposed fixed income investment services after December 2009.
3. Provide your assets under management in the following format:

	Public	Corporate	Other	Total
<b>Fixed Income</b>				
Separate Accounts				
Commingled Accounts				
<b>Total Firm Assets</b>	\$	\$	\$	\$

4. List your firm's three largest clients (regardless of product) by type and size. (Please follow format shown below.)

<u>Type of Client</u>	<u>Size</u>
<b>Public Pension</b>	<b>\$200 million</b>
Corporate Pension	\$200 million
Foundation	\$150 million

5. List your three largest clients in your proposed fixed income product by type and size. (Please follow format shown below.)

<u>Type of Client</u>	<u>Size</u>
<b>Public Pension</b>	<b>\$200 million</b>
Corporate Pension	\$200 million
Foundation	\$150 million

6. List all fixed income clients (regardless of product) that your firm has gained and lost within the past three years. Include a reason for all accounts lost during this period. (Please follow format below.)

### Clients Lost

<b>Date</b>	<b>Type of Client</b>	<b>Assets (in millions)</b>	<b>Assignment</b>	<b>Reason for Departure</b>
3/1/11	Corporate Pension	\$200	Core	Professional Turnover
5/1/11	Public Pension	\$300	Intermediate	Portfolio Restructuring
<b>Total</b>		<b>\$500</b>		

### Clients Gained

<b>Date</b>	<b>Type of Client</b>	<b>Assets (in millions)</b>	<b>Assignment</b>	<b>Benchmark</b>
8/1/11	Endowment	\$250	Core Plus	LB Aggregate
9/1/11	Public Pension	\$400	Active Duration	LB Gov't/Corp.
<b>Total</b>		<b>\$650</b>		

### III. PROFESSIONAL STAFF

1. Provide the composition of your proposed fixed income product's management team. Include brief professional biographies for each person, their individual roles, location and tenure with the team.
2. Provide the management structure of your entire firm, highlighting the fixed income team's position and relationships.
3. Are the investment professionals on the fixed income team under employment contracts with the firm?

4. Describe any contingency procedures in the event a key investment professional assigned to the account should leave the firm.
5. Discuss the compensation plan (salary and incentives) of those investment professionals.
6. Provide the names of all investment professionals who have resigned, been terminated, or transferred/rotated to another department, within the past three years (proposed fixed income product only). Provide a brief explanation for each departure. List any replacements for these vacancies.
7. Disclose the name of the lead portfolio manager who will be assigned to this account. How much time does this individual allocate among portfolio management, client servicing, traveling and administrative duties? Discuss this individual's account responsibilities, specifically the number of accounts managed, and dollar value of assets under management.
8. Are your employees bonded? If so, provide US\$ amount and carrier.

#### IV. INVESTMENT PHILOSOPHY AND PROCESS

1. Describe your firm's investment process/philosophy including, but not limited to, the following issues:
  - a. Duration Management
  - b. Yield Curve Positioning
  - c. Credit Quality Management
  - d. Sector Rotation Management
  - e. Security Selection
2. In your decision-making process, how would you rank the following in terms of importance (1 is most important):
  - \_\_\_\_\_ Duration/Interest Rate Forecasting
  - \_\_\_\_\_ Yield Curve Positioning
  - \_\_\_\_\_ Sector Rotation/Spread Analysis
  - \_\_\_\_\_ Issue Selection
  - \_\_\_\_\_ Other (specify)
3. What is your product turnover ratio (on average) for the last 3 years?
 

2009 \_\_\_\_\_ 2010 \_\_\_\_\_ 2011 \_\_\_\_\_
4. With the exception of U.S. Government securities, how many issuers are typically included in your portfolios?

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5. Describe your investment decision process, including the role of the portfolio manager. How do you control and review the investment decision making process and your organizational investment goals?
  6. How do you develop your forecast for interest rates? How is this forecast reflected in the structure of the portfolio?
  7. How often is your forecast for interest rates reviewed or reformulated?
  8. Given full discretion, please discuss the minimum and maximum limits to your portfolio's duration. Please indicate the circumstances or market environments that would lead to taking either position.
  9. What is the minimum size a bond issue must have in order for your firm to consider investing in it? Is there a bond issue size (or size range) in which your firm prefers to invest? Why?
  10. How do you manage liquidity risk?
  11. What role do cash and Treasuries have in the management of your proposed fixed income portfolio?
  12. Do you determine "value" among different sectors/industries? How do you implement your assessment of value into the portfolio?
  13. What is your firm's sell discipline? How is this discipline implemented?
  14. Describe your objectives, policies, and practices regarding the use of derivatives. What characteristics must a derivative instrument have for your firm to consider it a viable investment (e.g., exchange based, number of dealers, liquidity)?
  15. What are the trading practices connected with the execution of investment decisions for your firm? Do you direct trades on behalf of your clients? What effect does this have on your investment process and its results? What proportion of your trades are executed electronically?
  16. What is the average rate you pay to have trades executed? Are these rates dictated by your firm or the trading desks of the brokerage firms you are executing through? What electronic trading platforms do you use? Please profile the members of your trading staff detailing their professional history and any area of expertise.
  17. Describe the risk controls you employ in the investment process.
  18. Describe any potential leveraging strategies including but not limited to TBAs and derivatives. Describe how the maximum investable amount for each of

these strategies is determined and what securities would be considered as cash.

19. What is the average annual spread between your best performing account versus your worst performing account?
20. For the period ending December 31, 2011, please provide the following for a typical fixed income portfolio.
  - Average credit quality
  - Average yield to maturity
  - Average modified duration
  - Average time to maturity
  - Average coupon
21. Describe your research process if you have an internal research staff. If your process is reliant on external research, please detail the sources and their method of delivery. What portion of your research is provided by external sources?
21. Describe any strategies included in the proposed fixed income product that are not contained in the system's current Investment Guidelines. Please provide proposed guideline language for any such changes.

## **V. PERFORMANCE**

1. Discuss the return dispersion between the accounts within your separate account composite.
2. Provide quarterly performance, gross of fees, since inception through 12/31/2011. Please provide the data in a Microsoft Excel file included with your RFP response (labeled in the following format):  
  
Firmname\_product.xls
3. Provide 1, 3, 5, 7, and 10 year annualized returns for periods ended 12/31/2011.
  - Provide the following information on the composite presented in this proposal:
    - Source of data
    - Actual performance
    - Equal or dollar-weighted
    - AIMR standards compliance (if yes, which level?)
    - The name of the firm that audits your returns and a copy of their verification letter

4. Are your returns submitted based on:
- \_\_\_\_\_ Composite of separately managed accounts
  - \_\_\_\_\_ Equal Weighted or \_\_\_\_\_ Size Weighted
  - \_\_\_\_\_ Prior Affiliation
  - \_\_\_\_\_ Representative separately managed accounts
  - \_\_\_\_\_ Commingled/Mutual Fund
5. Provide a full description of the composite for which you are submitting performance history, including the asset size and number of accounts.
6. If you are submitting a composite of separately managed accounts, are terminated accounts still reflected in the composite for when they were active accounts?
7. If you manage other dedicated portfolios for the proposed fixed income which are not included in the performance history submitted, state your reasons for excluding them.
8. For each of the last five calendar years provide the following information (follow format shown below):

**Calendar Year 2007**

Portfolio Return: \_\_\_\_\_  
Benchmark Return: \_\_\_\_\_  
Excess Return: \_\_\_\_\_

Positive Contributors to Relative Performance:  
Negative Contributors to Relative Performance:

**Calendar Year 2008**

Portfolio Return: \_\_\_\_\_  
Benchmark Return: \_\_\_\_\_  
Excess Return: \_\_\_\_\_

Positive Contributors to Relative Performance:  
Negative Contributors to Relative Performance:

**Calendar Year 2009**

Portfolio Return: \_\_\_\_\_  
Benchmark Return: \_\_\_\_\_  
Excess Return: \_\_\_\_\_

Positive Contributors to Relative Performance:  
Negative Contributors to Relative Performance:

**Calendar Year 2010**

Portfolio Return: \_\_\_\_\_

Benchmark Return: \_\_\_\_\_

Excess Return: \_\_\_\_\_

Positive Contributors to Relative Performance:

Negative Contributors to Relative Performance:

**Calendar Year 2010**

Portfolio Return: \_\_\_\_\_

Benchmark Return: \_\_\_\_\_

Excess Return: \_\_\_\_\_

Positive Contributors to Relative Performance:

Negative Contributors to Relative Performance:

9. Provide the portfolio distribution information. (Follow format shown below.)

<b>Sector Weightings</b>	<b>12/31/07</b>	<b>12/31/08</b>	<b>12/31/09</b>	<b>12/31/10</b>	<b>12/31/11</b>
Cash and Cash Equivalents					
Government					
Corporate					
Mortgage-Backed					
Asset-Backed					
Other (specify)					
<b>Characteristics</b>	<b>12/31/07</b>	<b>12/31/08</b>	<b>12/31/09</b>	<b>12/31/10</b>	<b>12/31/11</b>
Modified Adjusted Duration					
Average Current Yield					
Average Quality					
<b>Credit Quality</b>	<b>12/31/07</b>	<b>12/31/08</b>	<b>12/31/09</b>	<b>12/31/10</b>	<b>12/31/11</b>
Treasury					
AAA					
AA					
A					
BBB					
BB					
B					
C					
Other					

10. Provide complete portfolio holdings as of 12/31/2010.

11. Provide quarter-end sector allocations for the past three years.

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**VI. RESEARCH CAPABILITIES**

1. Describe your credit research capabilities. What internal and external sources are used to research a security?
2. Review the major responsibilities and sectors covered by credit analysts. On average, how many companies are evaluated by each analyst? How does their input fit in the investment process of your proposed product?
3. Review any diversification requirements such as: limits on industry concentration, issuer, and overall credit rating for your proposed product.
4. How do you monitor the credit quality of holdings in the portfolio? How do you anticipate upgrades/downgrades of your holdings? Do you subscribe to any services that provide news for issues held or do you review your holdings when quarterly reports are produced?

**VII. REPORTING INFORMATION**

1. Provide a sample of your firm's most recent monthly report.
2. Please provide a copy of your firm's current SEC Form ADV (Parts I and II).
3. Discuss your firm's contract and investment policy compliance procedures. What is the interaction between the trading desk, the portfolio manager, and compliance?
4. Describe the process of ensuring portfolios are managed within client guidelines.
5. What pricing sources do you use?

**VIII. FEES**

1. Provide your fee schedule for your proposed fixed income product. Please list fees for commingled and separately managed accounts.
2. Provide the standard fee schedule for public funds.
3. Provide your incentive fee structure.
4. Are fees negotiable?

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**VII. ATTACHMENTS**

1. Provide any additional information that you feel would aid in the assessment of your firm.