



## **Investment Committee Agenda**

### **SPECIAL MEETING**

**WEDNESDAY, JULY 8, 2020**

**TIME: 9:00 A.M.**

### **MEETING LOCATION:**

In conformity with the Governor's Executive Order N-29-20 (March 17, 2020) and due to the concerns over COVID-19, the LACERS Special Investment Committee's July 8, 2020, meeting will be conducted via telephone and/or videoconferencing.

**Important Message to the Public**

**Information to call-in to participate:**

**Dial:** (669) 900-6833 or (253) 215-8782

**Meeting ID#** 942 4043 7642

**Instructions for call-in participants:**

- 1- Dial in and enter Meeting ID
- 2- Automatically enter virtual "Waiting Room"
- 3- Automatically enter Meeting
- 4- During Public Comment, **press \*9** to raise hand
- 5- Staff will call out the last 3-digits of your phone number to make your comment

**Information to listen only:** Live Committee Meetings can be heard at: (213) 621-CITY (Metro), (818) 904-9450 (Valley), (310) 471-CITY (Westside), and (310) 547-CITY (San Pedro Area).

Chair: Sung Won Sohn

Committee Members: Elizabeth Lee  
Nilza R. Serrano

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counselor: City Attorney's Office  
Public Pensions General  
Counsel Division

**Notice to Paid Representatives**

If you are compensated to monitor, attend, or speak at this meeting, City law may require you to register as a lobbyist and report your activity. See Los Angeles Municipal Code §§ 48.01 *et seq.* More information is available at [ethics.lacity.org/lobbying](http://ethics.lacity.org/lobbying). For assistance, please contact the Ethics Commission at (213) 978-1960 or [ethics.commission@lacity.org](mailto:ethics.commission@lacity.org).

**Request for services**

As a covered entity under Title II of the Americans with Disabilities Act, the City of Los Angeles does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.

Sign Language Interpreters, Communication Access Real-Time Transcription, Assistive Listening Devices, Telecommunication Relay Services (TRS), or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. For additional information, please contact: Board of Administration Office at **(213) 855-9348** and/or email at [ani.ghoukassian@lacers.org](mailto:ani.ghoukassian@lacers.org).

**Disclaimer to participants**

Please be advised that all LACERS Board and Committee Meeting proceedings are audio recorded.

[\*\*CLICK HERE TO ACCESS BOARD REPORTS\*\*](#)

- I. PUBLIC COMMENTS AND GENERAL PUBLIC COMMENTS ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION AND COMMENTS ON ANY SPECIFIC MATTERS ON THE AGENDA – **THIS WILL BE THE ONLY OPPORTUNITY FOR PUBLIC COMMENT - PRESS \*9 TO RAISE HAND DURING PUBLIC COMMENT PERIOD**

- II. [FINALIST FIRMS OF THE ACTIVE EMERGING MARKETS SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION](#)
- III. OTHER BUSINESS
- IV. NEXT MEETING: The next Regular meeting of the Investment Committee is scheduled for Tuesday, July 14, 2020 at 10:30 a.m. or immediately following the Board Meeting, in the LACERS Ken Spiker Boardroom, 202 West First Street, Suite 500, Los Angeles, CA 90012-4401 and/or via telephone and/or videoconferencing. Please continue to view the LACERS website for updated information on public access to Board/Committee meetings while public health concerns relating to the novel coronavirus continue.
- V. ADJOURNMENT

## **Board of Administration Agenda**

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President: Cynthia M. Ruiz  
Vice President: Michael R. Wilkinson

Commissioners: Annie Chao  
Elizabeth Lee  
Sandra Lee  
Nilza R. Serrano  
Sung Won Sohn

Manager-Secretary: Neil M. Guglielmo

Executive Assistant: Ani Ghoukassian

Legal Counsel: City Attorney's Office  
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- V. ADJOURNMENT



**REPORT TO INVESTMENT COMMITTEE**  
From: Neil M. Guglielmo, General Manager

**MEETING: JULY 8, 2020**  
**ITEM: II**

*Neil M. Guglielmo*

**SUBJECT: FINALIST FIRMS OF THE ACTIVE EMERGING MARKETS SMALL CAP EQUITIES INVESTMENT MANAGER SEARCH AND POSSIBLE COMMITTEE ACTION**

ACTION:  CLOSED:  CONSENT:  RECEIVE & FILE:

**Recommendation**

That the Committee:

1. Interview the following three firms as finalists for the Active Emerging Markets Small Cap Equities Mandate Search:
  - Macquarie Investment Management Advisers
  - RBC Global Asset Management (U.S.) Inc.
  - Wasatch Advisors Inc
  
2. Recommend one or more finalists to the Board for contract award.

**Executive Summary**

The Board-approved request for proposal (RFP) for active emerging markets small cap equities investment managers opened on June 10, 2019, and closed on July 22, 2019. A total of 19 proposals were received, representing 19 firms, including two emerging investment managers. Following review of the proposals by staff and NEPC, LLC (NEPC), LACERS General Fund Consultant, 18 of 19 firms met the minimum qualifications and four firms were recommended to advance as semi-finalists. Staff and NEPC conducted further due diligence on each semi-finalist. Of the four semi-finalists, three firms are recommended to advance as finalists.

**Discussion**

*Background*

The Board approved an RFP process to evaluate the current marketplace for active emerging markets small cap equities investment managers on October 23, 2018. Based upon the asset allocation targets approved by the LACERS Board on April 10, 2018, approximately \$230 million (1.35% of total fund assets) will be allocated to this mandate. LACERS seeks one or more qualified investment

management firms to actively manage a publicly-traded emerging markets small cap equities investment strategy. LACERS will consider separately managed accounts and fund-of-funds.

The search opened on June 10, 2019, and closed on July 22, 2019. The search was advertised in the Pensions and Investments and Emerging Manager Monthly publications. The RFP was published on LACERS' website and the websites of NEPC, Association of Asian American Investment Managers, and New America Alliance. Further, the RFP was emailed to all contacts within the LACERS Investment RFP/RFI Notification System database.

#### *Search Results*

A total of 19 proposals were received, representing 19 firms, including two emerging investment managers. Following a review of the minimum qualifications (MQs) required to participate in the search, 18 of 19 proposals met the MQs, including the proposals of the two emerging investment managers.

On January 14, 2020, the Committee reviewed NEPC's candidate evaluation report and concurred with the staff recommendation to advance the following four firms as semi-finalists in the search:

- Copper Rock Capital Partners LLC
- Macquarie Investment Management Advisers
- RBC Global Asset Management (U.S.) Inc.
- Wasatch Advisors Inc

#### *Additional Due Diligence Activities*

Staff and NEPC conducted due diligence meetings with all four firms to obtain a better understanding of potential investment and organizational risks. Staff and NEPC interviewed various professionals on topics including, but not limited to, overall business strategy and growth, organization and reporting structure, staffing and compensation, investment philosophy and strategy, trading, risk management, compliance and controls, and technology. Staff also conducted reference checks and conferred with NEPC's manager research team.

Based upon these due diligence activities, staff recommends the following three firms as the proposed finalists to consider for hire:

- Macquarie Investment Management Advisers
- RBC Global Asset Management (U.S.) Inc.
- Wasatch Advisors Inc

These firms exhibit organizational stability, strong management teams, well-articulated investment strategies consistent with LACERS' objectives, well-defined risk management and compliance practices, and track records of adding value. Staff also received positive feedback from references for these firms. NEPC concurs with staff's recommendation.

## **Strategic Plan Impact Statement**

The RFP for active emerging markets small cap equities investment managers assists LACERS with optimizing long-term risk adjusted investment returns (Goal IV). Implementing a competitive bidding process by issuing an RFP upholds good governance practices which affirm transparency, accountability, and fiduciary duty (Goal V).

Prepared by: Eduardo Park, Investment Officer II, Investment Division

RJ/BF/EP:jp

Attachments:

1. Finalist Information Matrix and Performance Returns
2. Presentation by RBC Global Asset Management (U.S.) Inc.
3. Presentation by Wasatch Advisors Inc
4. Presentation by Macquarie Investment Management Advisers