



**Employees Retirement System of Texas
External Advisor Program
Global Public Equity
International Small Cap Search
August 2016**

Announcement

Employees Retirement System of Texas (ERS), a \$25 billion public pension plan, is searching for active long only international small cap strategies. ERS is currently expecting to make multiple investments for a total allocation of at least \$600 million. Allocations per investment strategy are expected to be between \$50 million and \$200 million. ERS has previously not allocated to the international small cap space. Although other benchmarks will be considered, preferred benchmarks are the *MSCI ACWI ex-US Small Cap Index*, the *MSCI EAFE Small Cap Index*, and the *MSCI Emerging Markets Small Cap Index*.

To be eligible for the search, please register with ERS and complete an *ERS Short Form*:

<https://advisorsearch.ers.state.tx.us/InvestmentAdvisoryQuestionary>

The deadline to complete the *ERS Short Form* is September 14, 2016 at 5 pm CST. During Stage 1 ERS will review every *ERS Short Form* that is submitted by the deadline. Subsequently, ERS will request selected managers to complete an *ERS Due Diligence Questionnaire* as Stage 2 of the search. ERS' investment consultant, Aon Hewitt, will be assisting with the search but the search will be led by ERS internal staff. The three preliminary requirements for Stage 1 are as follows: (1) the firm is registered and in good standing with the SEC; (2) the firm has been in business for three years; and (3) the firm has submitted information on the proposed strategy to eVestment as of June 30, 2016. Please contact iscsearch@ers.state.tx.us with any questions.

Selection Process

As detailed below, ERS will manage the selection process for international small cap managers in multiple stages.

Exhibit 1: Selection Process

Stage	Activity	Deadline/ Completed By	Notification By
Stage 1:	Submit <i>ERS Short Form</i>	09/14/16	09/30/16
Stage 2:	Submit <i>ERS DDQ</i>	10/26/16	11/18/16
Stage 3:	Due Diligence Meetings-Round 1 (Via Phone/ERS)	December	12/30/16
Stage 4:	Due Diligence Meetings-Round 2 (Onsites)	February	02/10/17
Stage 5:	Selection	March	03/10/17
Stage 6:	Funding	April	03/31/17

In the first stage, managers will register with ERS on the *ERS External Advisor Website* and complete an *ERS Short Form*. An example of an *ERS Short Form* can be found in Exhibit 1. Exhibit 2 is a document detailing *Frequently Asked Questions (FAQs)* that should help with the registration/form process. The deadline to register and submit a short form is September 14, 2016. The *ERS External Advisor Team* will review all submissions and determine which managers qualify to move to the second stage of the selection process. Managers will be selected on the basis of both qualitative/quantitative analysis and the needs of the ERS Trust. If selected to move to Stage 2, managers will be notified by September 30, 2016.

Note: ERS requires that you complete a new *ERS Short Form* on the website. If you have submitted a form in the past, please return to the website and complete a new form with updated information as of July 31, 2016. Please email iscsearch@ers.state.tx.us if you need assistance with log on information.

After you have submitted an *ERS Short Form* on the website, send an email to iscsearch@ers.state.tx.us with indication that you would like the strategy to be considered for the search. Please include the following:

Contact Name:	
Contact Email:	
Contact Phone Number:	
Firm Name:	
Strategy Name (as found in eVestment):	
SEC Number:	
Firm Inception Date:	

The managers that are selected to move to the second stage will receive an *ERS Due Diligence Questionnaire (DDQ)*. The deadline to complete the DDQ is set for October 26, 2016. The *ERS External Advisor Team* will review all submissions and determine which managers qualify to move to the next stage of the process. Managers will be selected on the basis of both qualitative/quantitative analysis and the needs of the ERS Trust. If selected to move to Stage 3, managers will be notified by November 18, 2016.

The next stage (Stage 3) in the process is to conduct a due diligence meeting (via telephone or at ERS' office) with each qualified manager. If the firm is approved to move to the next stage (Stage 4), another due diligence meeting will take place at the manager's place of business. The *ERS External Advisor Team* will then evaluate managers and prepare recommendations to the *Internal Investment Committee (IIC)*. The managers that are approved by the IIC will be placed into the *Select Pool* and be considered for funding. Discussions regarding contracting, operations, and trading will begin during the third stage of the process.

Please note that:

- All dates are tentative and subject to change.
- A manager must be approved by ERS to move from one stage to the next.
- ERS can eliminate a manager from evaluation at any stage in the process.
- Managers that are placed in the *Select Pool* may or may not be funded.



Public Equity_ERS_Sample Strategy

General Information

Company Information

SEC Registration Number: 801-00000
Company: ERS
Address: 200 E. 18th Street
City, State, Country, Zip: Austin, TX, USA, 78701
Telephone (Extension): 512-000-0000
Other offices:
Website:
AUM at the Firm Level (\$ millions): 0

Contact Information

Name: Test User
Telephone (Extension): 512-000-0000
Email: lauren.honza@ers.state.tx.us

Person Completing Form Information

Name: Test User
Telephone (Extension): 512-000-0000
Email: lauren.honza@ers.state.tx.us

Referral Information

Referral: Other

Firm

1. Please indicate AUM - Strategy Level (\$ millions): 0.00

2. Please indicate AUM - Product Level (\$ millions): 0.00

3. Please describe the firm's current ownership structure:

Answer

4. Please indicate number of full time employees: 1

5. Describe the firm's relative competitive advantage:

Answer



Portfolio Manager

First Name: N/A **Last Name:** N/A

Title: N/A **Year Joined Firm:**

Responsibility: N/A **Years of Experience:**

Background Information:

Analyst

First Name: N/A **Last Name:** N/A

Title: N/A **Year Joined Firm:**

Responsibility: N/A **Years of Experience:**

Background Information:

Analyst

First Name: N/A **Last Name:** N/A

Title: N/A **Year Joined Firm:**

Responsibility: N/A **Years of Experience:**

Background Information:

Analyst

First Name: N/A **Last Name:** N/A

Title: N/A **Year Joined Firm:**

Responsibility: N/A **Years of Experience:**

Background Information:

Strategy / Product

8. Please describe the investment strategy employed and indicate the investment style for this product:

Answer

9. Briefly describe your portfolio construction process and indicate how many holdings are expected to be part of this product:

Answer

10. What is the most appropriate benchmark for this strategy?

Answer

11. What do you think are reasonable performance goals and over what time frame?

Answer



Fees

12. What is your fee schedule for the product?

Answer

Attachments

13. Please attach your net monthly return numbers since inception (For your convenience attached is an Excel template).

14. Please attach any marketing materials, e.g., quarterly reports, strategy reports, presentations (Maximum 5 attachments):

Attachment 1:

Attachment 2:

Attachment 3:

Attachment 4:

Attachment 5:

Additional Information

15. Please use the section below if you would like to provide any additional information about your firm or strategy.

Emerging Manager

Services

Please select the type(s) of service(s) your firm provides (select all that apply):

Investment Advising (Public Equity and Fixed Income)

Private Equity Fund Management

Hedge Fund Management

Real Estate Investment

Brokerage Services

Consulting

Are you a qualified Emerging Manager (*)?

By Gender

For Firm, please indicate the number of employees that are Male and Female.

For Ownership, please indicate the percentage of the firm that is owned by Males and Females.



	Firm (#)	Ownership (%)
Male	0	0.00
Female	1	100.00

By Races

For Firm, please indicate the number of employees that are in each Race category.

For Ownership, Please indicate the percentage of the firm that is owned by each Race category.

	Firm (#)	Ownership (%)
Asian		
Black or African American		
Native Hawaiian or Other Pacific Islander		
Hispanic or Latino		
Native American		
White	1	100.00
Mixed Race		
Other Race		

By Ethnicity

For Firm, please indicate the number of employees that are in each Ethnicity category.

For Ownership, Please indicate the percentage of the firm that is owned by each Ethnicity category.

	Firm (#)	Ownership (%)
African		
American Indian or Alaska Native		
Australian		
Chinese		
European	1	100.00
Indian		
Latin American (Mexican, Brazilian, etc.)		
Middle Eastern		
South Asian (Malay, Taiwanese, Thai, etc.)		
North Asian (Japanese, Korean, etc.)		
Mixed Ethnicity		
Other Ethnicity		

DATA COLLECTED FOR THIS QUESTION IS STRICTLY USED FOR APPLICABLE STATUTORY REPORTING OF VENDOR DEMOGRAPHICS. DATA FOR THIS QUESTION WILL NOT BE USED IN ANY WAY IN THE SELECTION PROCESS OF VENDOR SERVICES, AND THIS DATA WILL NOT BE PROVIDED TO ANYONE ON A SELECTION COMMITTEE PRIOR TO A VENDOR SELECTION OR TO ANYONE IN ERS' INVESTMENT DIVISION DURING A VENDOR SELECTION PROCESS.



Employees Retirement System
Investments Division
External Advisor Program

(*) Emerging Managers: Pursuant to Section 815.301 of the Texas Government Code, an emerging manager is a private professional investment manager that manages assets of not more than \$2 billion.

FAQs

Employees Retirement System of Texas (ERS) External Advisor Website Frequently Asked Questions

Q: Whom should I contact if I have questions about the website?

A: Email any questions or issues to iscsearch@ers.state.tx.us with “External Advisor Website” in the subject line.

Q: Why am I doing this?

A: Registering with ERS and completing a *Short Form* gives staff the opportunity to learn about your firm and strategy.

Q: Does my firm need to be in business three years in order to register on the website?

A: Yes, ERS requires a three year history. Please contact us if the firm is new but has a portable track record.

Q: Does my firm need to be registered with the SEC in order to register on the website?

A: Yes, ERS requires that public equity firms be registered and in good standing with the SEC.

Q: What is the correct format for an SEC number?

A: Please use 801-XXXXX.

Q: I completed the Pre-Registration Form. Now what? Is there another step to the process?

A: Once you have completed the *Pre-Registration Form*, you will receive an email with log on information from advisorsearch@ers.state.tx.us. Please use that information to log on to the system and complete a *Short Form*. Your registration is not complete and your firm will not appear in our database unless you complete a *Short Form*.

Q: What if I did not receive my log on information?

A: An email with log on information will be sent from advisorsearch@ers.state.tx.us. If you do not receive it, please check your “spam” folder”. If you still cannot find the email, then you can do one of two things:
(1) Click [Forgot password?](#) on the log on page and enter the email address of the contact person as the “User Name”.
(2) Write an email to iscsearch@ers.state.tx.us with a request for us to retrieve it.

Q: Where are the instructions posted?

A: Once you log on to the system, you will be directed to the “Instructions” page, which is the first tab in the upper left-hand corner.

Q: What is a *Short Form*?

A: The *Short Form* is a short introductory questionnaire about your firm and strategy. There are five main sections (General Information, Firm, Management, Strategy/Product, Fees) and a section to provide return numbers and five attachments (e.g., marketing materials, quarterly reports, strategy reports). In addition, we give you the opportunity to designate the firm as an “emerging manager” (defined as firms with less than \$2 billion in AUM) and enter demographic information if the firm qualifies.

Q: What is a *Monitoring Form*?

A: The *Monitoring Form* is only used for managers/advisors that we have funded. It does not apply to prospective managers/advisors.

Q: What is a Long Form?

A: ERS currently requires DDQ (Due Diligence Questionnaire) responses by mail and email when we conduct advisor searches for public equity. The *Long Form* might be used as an online alternative for these searches in the future.

Q: How do I change the contact information?

A: You can go under the "General Info" tab in the system and change company and contact information.

Q: I am having issues with the Management Section.

A: If you are having issues with the Management Section, then make sure you complete each field within a role (i.e., CEO, Portfolio Manager, Analyst). For instance, if you are completing the CEO information, you must enter First Name, Last Name, Title, Year Joined Firm, Responsibility, Years of Experience and Background Information. If even one of those fields is blank, that section will not save. Therefore, please use "Not Applicable" or "NA" (not "n/a") for those fields that you do not have data for. Also, we discovered that validation is only taking "greater than 1900" for the date field. Therefore, please use "1901" for any date fields without actual data. If you do not have a CEO, then just leave that entire section blank.

Q: Some of my information did not save.

A: Please save your form frequently. Autosave will only save your information if all of the data is in the correct format.

Q: How do I delete a form?

A: At the top of the form on the right-hand side is a place where you can Delete this Form.

Q: I misspelled the name of the fund? How do I change?

A: Unfortunately, you cannot change the name of the fund once the form has been started. You can submit as is or Delete this Form and began a new form.

Q: How do I change something on the form after submission?

A: Unfortunately, you cannot change or delete a form once it has been submitted. You will need to start a new form and submit. We always look at the most recent form for a strategy.

Q: I have previously submitted a Short Form to the database. Do I need to do this again?

A: Yes, ERS would like to see an updated *Short Form* to be considered for this search.

Q: What should I do if I am not able to attach documents?

A: Please feel free to send any attachments that will not upload to iscsearch@ers.state.tx.us and we will add it to your electronic folder.

Q: What is the purpose of collecting Emerging Manager data?

A: ERS is committed to building relationships with and providing opportunities for emerging managers. Legislation passed by the 81st Legislature states that the ERS Board of Trustees shall make a good faith effort to award contracts to acquire services from qualified emerging managers. The legislation defines an emerging manager as a private professional investment manager that manages assets of not more than \$2 billion. In financial services, these include consulting, investment advising, brokerage services, hedge fund management, private equity management, and real estate investment. In addition, staff must report to the Board on the methods and results of our efforts to hire emerging fund managers, including data disaggregated by race, ethnicity, gender, and fund size.