

Questions and Answers for Request for Proposals 2012-03 Investment Manager Services

Question 1:

- a. Can you offer some visibility on the mandate's size?
- b. In other words, do you expect to award this mandate to one manager or will it likely be split?

Answer:

- a. The total current portfolio, consisting of multiple accounts, is approximately \$345 million, although this amount could vary.
- b. The RFP gives Florida Housing the flexibility to choose one or more investment managers. Florida Housing currently has contracts with two investment management firms.

Question 2:

What benchmark will you be using to assess the various manager candidates' investment performance?

Answer:

The benchmark is identified on page 11 of the RFP in Section Six, Item 14.

Question 3:

The RFP requests 5 years of performance history for both a low duration and intermediate strategies. Can a firm respond to the RFP to compete for just one of these strategies?

Answer:

Yes.

Question 4:

With regards to Question 15, Page 11: Our company does not have SAS 70 audits performed. However, we do maintain policies required by Rule 206(4)-7 under the Investment Advisers Act of 1940 and would be happy to share or discuss any particular topics. Is this acceptable, or would this eliminate our company from consideration for this mandate?

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Answer:

The RFP states that, at a minimum, a SOC 1 Type 2 report addressing controls at the organization relevant to the organization's processing for Florida Housing must be provided annually during the contract term. The RFP directs respondents to provide the most recent attestation report. While this is not a threshold item, it will be considered as part of the evaluation of the response.

Question 5:

"All securities purchased must be investment grade. Investment grade securities include those securities rated in the four highest categories by a major rating agency"

We interpret this statement to include all credits rated AAA, AA, A, and BBB including both the + and – indications. (i.e. All credits down to BBB- are included.) Please confirm if our interpretation is correct.

Answer:

This is correct.

Question 6:

- a. Agency Mortgage Backed Securities: Would an Agency Mortgage Backed Security fall under your US Agency Securities provisions or under your Asset Backed Securities provisions?
- b. Additionally, are Collateralized Mortgage Obligations allowable securities as part of an Agency Mortgage allocation?

The RFP language for both US Agency and ABS securities is included below:

U.S. Agency Securities

1. Notes, bonds, and other obligations of agencies or Government Sponsored Enterprises of the United States.

2. The duration of any security shall not exceed five years.

Concentration Limit: None

Asset-Backed Securities (ABS)

1. Obligations of U.S. issuers backed by the monthly cash payments associated with consumer and business receivables.

2. Only ABS rated in the highest rating category may be purchased.

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3. *The effective duration of any Asset-Backed Security shall not exceed five-years.*

Concentration Limit: 25 percent

Answer:

- a. An Agency Mortgage Backed Security would be considered an Asset-Backed Security under the Guidelines.
- b. Collateralized Mortgage Obligations are allowable and would be considered Asset-Backed Securities under the Guidelines.

Question 7:

Question 14, page 11 requires us to provide five years of quarterly performance for two composites; our Short Duration Composite vs. Bank of America Merrill Lynch 1-3 Year Treasury benchmark and our Intermediate Duration Composite vs. Barclays Intermediate Government benchmark.

Will Florida Housing Finance Corporation seriously consider a response that only includes the Short Duration composite performance as our firm does not maintain an Intermediate Fixed Income composite against an Intermediate Government benchmark. Our Intermediate Fixed Income composite is managed against the Barclays Intermediate Government/Credit Index and by a different investment team than would be presented in our Short Duration response.

Answer:

Florida Housing will consider a response that includes only a Short Duration composite performance. All responses will be evaluated according to the criteria outlined in the RFP.

Question 8:

Please state the name of the current custodian for the assets held for Florida Housing.

Answer:

The current custodians are USBank and Bank of New York Mellon.

Question 9:

Is the account in question considered 'Public Funds?'

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Answer:

According to the Florida Department of Financial Services, Bureau of Collateral Management web page, public deposits are defined as follows:

"Public deposit" means the moneys of the state or of any county, school district, community college district, special district, metropolitan government, or municipality, including agencies, boards, bureaus, commissions, and institutions of any of the foregoing, or of any court, and includes the moneys of all county officers, including constitutional officers, that are placed on deposit in a bank or savings association and for which the bank or savings association is required to maintain reserves, including, but not limited to, time deposit accounts, demand deposit accounts, and certificates of deposit. All certificates of deposit, whether negotiable or nonnegotiable, shall be considered deposits and shall be subject to the provisions of this chapter. Moneys used in repurchase or reverse repurchase operations are investments and are not public deposits as defined in this subsection.

and

"Public Deposits" are those funds defined in Chapter 280, Florida Statutes.

Question 10:

Do you have additional information/guidelines regarding the Florida State statutes?

Answer:

No.

Question 11:

Can you provide a current statement of holdings?

Answer:

Please email Sherry Green at sherry.green@floridahousing.org to request a listing of holdings.

Question 12:

Is custody paid by the investment manager or the Corporation?

Answer:

Custody fees are paid by Florida Housing.

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Question 13:

The Florida Housing Finance Corporation's Investment Guidelines (Exhibit A), Permitted Securities section allows Corporate and Asset-Backed Securities with a concentration limit of 50% and 25% respectively. Additionally, there is no limit to Government Sponsored Enterprises (US Agency) securities. However, your benchmark, the Bank of America Merrill Lynch 1-3 year Treasury Index or Barclays Intermediate Government Index does not seem to be indicative of your risk tolerance. The BAML 1-3 year Government/Credit index or the Barclays Intermediate Government/Credit Index appears to reflect your investment appetite given its inclusion of the aforementioned security classes. Is this a state mandated benchmark and/or does the possibility exist that the benchmark may be changed?

Answer:

This is not a state mandated benchmark. Florida Housing may consider changes to the investment guidelines.

Question 14:

Is the RFP available in a word document format?

Answer:

Yes. Please email sherry.green@floridahousing.org if you would like a copy of the RFP in a Word document format.

Question 15:

Please provide the name of the firm(s) currently providing investment management services to FHFC.

Answer:

The firms currently providing investment management services are Logan Circle Partners, LP and PFM Asset Management LLP.

Question 16:

If possible, please provide the current fee structure charged by the manager(s).

Answer:

The current fee structure is:

1. Base fees:

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- a. Fee on first \$100 million under management – 0.18%
 - b. Fee on balance over \$100 million – 0.05%
2. Additional Fee on balance over \$100 million if the Investment Manager outperforms the benchmark index – 0.05%

Performance is evaluated net of fees.

For certain accounts, a flat 0.10% fee is applied.

Question 17:

Please verify that the investment manager is required to provide a SSAE 16, SOC1, Type II report. Do the existing manger(s) provide this report?

Answer:

The current contracts do not include this requirement.

Question 18:

Can you please provide your most recent quarterly or monthly investment report so we can evaluate your current portfolio holdings, performance and characteristics?

Answer:

Please see the answer to Question No. 11.

Question 19:

Who are the current managers that Florida Housing is using?

Answer:

Please see the answer to Question No. 15.

Question 20:

What are the managers' mandates?

Answer:

Please see the answer to Question No. 1.

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Question 21:

What portion of the portfolio is currently managed in-house?

Answer:

None of this portfolio is managed in-house.

Question 22:

Could you please send Florida Housing's detailed portfolio holdings?

Answer:

Please see the answer to Question No. 11.

Question 23:

How does Florida Housing plan to allocate its assets among its selected investment managers?

Answer:

We do not have a specific allocation plan at this time. The number of managers selected will be a factor in determining allocation.

Submitted by:

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