

Non-Discretionary Absolute Return Consulting Services RFI Questions

- 1. Can you further elaborate on question 9.B.II in the RFI regarding “Absolute Return portfolio structure”? Is this in relation to the implementation of the portfolio?**

The question asks to detail the firm’s process for recommending an overall absolute return portfolio structure. This is in relation to portfolio construction and may include the process of incorporating position sizing, risk sizing, conviction level considerations, exposure overlap with other managers, macroeconomic views, and other considerations to best orient the portfolio to achieve its objectives.

- 2. Has the Maryland State Retirement Agency thought about making changes to the policy benchmark as the portfolio has evolved to include private strategies such as royalties, specialty finance, GP solutions, individual co-investments and sports equity?**

We have not considered changing the benchmark to incorporate exposure to private strategies.

- 3. How does the Maryland State Retirement Agency think about bucketing a hedged equity allocation in the context of the total portfolio? The investment policy statement allows for a hedge fund allocation of up to 20% in the public equity allocation, while hedged equity is also listed as an available strategy for Absolute Return in the Investment Policy Statement.**

The investment policy statement allows for an allocation of up to 16% to hedge funds at the total plan level. Hedge funds may be bucketed outside of Absolute Return. Currently, Public Equity, Rate Sensitive, and Credit have hedge fund exposure. However, the majority of hedge fund exposure is in Absolute Return which targets a low beta profile.

- 4. Are there any beta constraints for the Absolute Return portfolio?**

There are no explicit beta constraints on the Absolute Return portfolio.

- 5. Can you disclose what you are currently paying the absolute return incumbent(s) on an annual basis?**

We are not able to disclose fees.

- 6. What do you expect to commit to absolute return on an annual basis over the next three years? How many funds do you expect to commit to annually?**

The Plan does not utilize a pacing plan for dollars deployed by or committed to Absolute Return. The current allocation to Absolute Return is 6% +/- 4%. The rough expectation is that Absolute Return will make 1-5 new investments per year (ignoring co-investments and closely related funds).

- 7. Over the last three years, how many absolute return managers have you committed to annually?**

Over the 3-year period ending June 30, 2024, Absolute Return has funded 5 hedge funds and committed to 3 private funds (ignoring co-investments and restructurings/continuation vehicles).

- 8. How many meetings do you expect to have in person on an annual basis?**

Over the 12-month period ending June 30, 2024, staff had approximately 330 meetings with both existing and prospective managers. The majority of the meetings have been remote. Going forward, we expect a similar number of meetings and for the majority to be remote.

- 9. What is the size of your senior staff? Do you have any dedicated staff to absolute return?**

Absolute Return has 3 dedicated members of staff and one shared member.