

MEMORANDUM

TO: Oakland Police and Fire Retirement System (“OPFRS”)
FROM: Meketa Investment Group (“Meketa”)
DATE: January 29, 2025
RE: Core Fixed Income Manager Search Update & Finalist Recommendations

This memorandum provides the PFRS Board with an update of the Request For Proposal (RFP) process for active Core Fixed Income managers along with an overview of the recommended finalists for further consideration.

Background

At the July 2024 meeting, the Board approved a search process to identify the most attractive candidates to manage PFRS’s two Core and two Core Plus mandates. These managers will be benchmarked to Bloomberg US Aggregate Bond Index with an allocation range of approximately \$25 to \$100 million each.

Meketa released an RFP in October 2024 with a due date of November 1, 2024 for all prospective manager responses. The RFP contained a wide spectrum of questions that seek specific answers from the manager candidates on several topics related to the investment management of an active Core Fixed Income portfolio on behalf of PFRS. As a result of the RFP, Meketa received responses from 39 Core Fixed Income managers including the incumbents in the PFRS portfolio.

Meketa evaluated the RFPs and analyzed performance, risk data, and other qualitative factors from each of the responding firms. Based on both qualitative and quantitative analysis, Meketa narrowed the field to a shortlist of eight managers for further consideration. Upon further analysis, the shortlist is narrowed down to three finalists for consideration and an interview by PFRS. Additional details on this process, including the list of all respondents, are included in the following pages.

Recommendation

Meketa recommends that the PFRS Board select the three following Core Fixed Income managers as finalists to be interviewed by PFRS Investment Committee, based on our review of the managers’ RFP responses.

Recommended Finalists ¹	Product
Loomis, Sayles & Company	Core Disciplined Alpha
Loop Capital Asset Management	Core
Ramirez Asset Management ²	Core Fixed Income

Upon completion of the search process, Meketa recommends that the Investment Committee select two managers. Each Core Fixed Income manager will be allocated approximately between \$25 and \$100 million.

¹ The manager list is sorted alphabetically.

² Ramirez is an incumbent manager with a Core Fixed Income mandate.

Manager Search Process

The following table contains the list of 39 respondents and their proposed products.

Firm	Product	Firm	Product
AFL-CIO Housing Investment Trust	Housing Investment Trust	Manulife Asset Management (US)	US Core
Allspring Global Investments	Core Fixed Income	Merganser Capital Management	Core Aggregate
American Century Investments	US Core Fixed Income	MetLife Investment Management	Core Fixed Income
Brown Advisory	Sustainable Core Fixed Income	MFS Investment Management	Core Fixed Income
C.S. McKee	Aggregate Fixed Income	Neuberger Berman	Core Fixed Income
Columbia Threadneedle Inv.	US Core Fixed Income	New Century Advisors	Core Bond
Diamond Hill Capital Management	Core Bond	Northern Trust Asset Management	Core
Dimensional Fund Advisors	US Core Fixed Income	Nuveen	Core Bond
Federated Hermes	Core Aggregate	PGIM Fixed Income	Core Fixed Income
Fort Washington Inv. Advisors	Core Bond	Principal Global Investors	Core Fixed Income
Galliard Capital Management	Broad Market Core	Ramirez Asset Management	Core Fixed Income
Garcia Hamilton & Associates	Fixed Income - Aggregate	Sage Advisory Services	Core Aggregate
Income Research & Management	Aggregate	Sawgrass Asset Management	High-Quality Core
Insight Investment	Core	Schroder Investment Management	Value Core
Johnson Investment Counsel	Core Fixed Income	SLC Management	Core Fixed Income
Lazard Asset Management	US Core Fixed Income	T. Rowe Price Associates	US Core Bond
Longfellow Investment Mgmt.	Core	Vaughan Nelson Investment Mgmt.	Core Fixed Income
Loomis, Sayles & Company	Core Disciplined Alpha	Washington Capital Management	Core Fixed Income
Loop Capital Asset Management	Core	WEDGE Capital Management	Core Aggregate Fixed Income
Manulife Asset Management (US)	US Core	Wellington Management Company	Core Bond

To narrow the list to the eight managers below, respondents were removed for the following reasons:

- Consistency with scope of manager search,
- Ownership structure,
- Level of conviction in manager strategy/process,
- Track record and consistency of risk-adjusted returns, and
- Correlation with existing manager and/or other candidates.

Eight Shortlisted Core Fixed Income Managers

Income Research & Management

Longfellow Investment Management Co.

Loomis, Sayles & Company

Loop Capital Asset Management

MFS Investment Management

Ramirez Asset Management

Schroder Investment Management

Wellington Management Company

These eight firms were then analyzed on a quantitative and qualitative basis to determine a recommended list of finalists. The major areas of focus for each considered manager were:

- **Organization:** Focuses on the capacity of the firm to provide the required services. Also includes consideration of issues that may impact a firm’s operational stability, such as litigation brought against the firm.
- **Investment Professionals:** Explores the experience, capacity, and depth of the firm’s professionals, particularly with respect to the mandate under consideration.
- **Investment Strategy:** Review of investment philosophy, approach, strategy, and risk management to ensure they are consistent with the considered mandate.
- **Client Base/Services:** Seeks to identify whether the manager has experience servicing mandates similar in size and type to the one considered by OPFRS.
- **Quantitative Analysis of Historical Performance and Characteristics:** An analysis of portfolio performance and characteristics to determine whether actual management of the portfolio has been consistent with results expected under the considered mandate and if the proposed strategy is complementary to the plan’s existing investments.
- **Fees:** The costs of implementing the mandate deserve separate consideration and can vary substantially across a subset of candidates. Fees were computed based on an assumed mandate size of \$70 million³.

All three of the recommended finalists were identified as possessing the ability to provide PFRS with the appropriate services.

Finalist Manager Candidates⁴

	Loomis	Loop	Ramirez
Firm Location	Boston, MA	Miami, FL	New York, NY
Firm Inception	1926	1985	2002
Ownership Structure	100% Parent Owned	100% Parent Owned	100% Parent Owned
Strategy Name	Core Disciplined Alpha	Core Fixed Income	Core Fixed Income
Strategy Inception	August 2010	January 2009	September 2008
AUM (Firm)	\$359.7 billion	\$9.3 billion	\$11.4 billion
AUM (Strategy)	\$13.4 billion	\$3.6 billion	\$2.7 billion

³ The assumed mandate size of \$70 million is approximately a quarter of the total dollar allocation amount of PFRS’s allocation target for Fixed Income and Credit component (61%) applied to the Total Plan market value as of 12/31/2024 (\$463 million).

⁴ The manager list is sorted alphabetically.

Finalist Manager Candidates Performance (Gross of Fees), as of June 30, 2024⁵:

	Loomis	Loop	Ramirez	Benchmark ⁶
Trailing Period Returns (%):				
YTD	-0.4	-0.2	-0.2	-0.7
1 Year	3.2	3.0	3.2	2.6
3 Years	-2.7	-2.8	-2.7	-3.0
5 Years	0.4	0.1	0.2	-0.2
7 Years	1.4	1.1	1.5	0.9
10 Years	1.9	1.5	2.1	1.3
Calendar Year Returns (%)				
2023	6.1	6.0	6.2	5.5
2022	-12.9	-13.2	-12.9	-13.0
2021	-1.1	-1.6	-0.3	-1.5
2020	9.3	8.1	7.1	7.5
2019	9.2	9.4	9.7	8.7
2018	0.2	-0.5	0.2	0.0
2017	3.9	4.5	5.0	3.5
2016	3.7	4.8	4.0	2.6
2015	1.1	-1.2	1.2	0.5
2014	6.5	6.5	6.9	6.0

Finalist Manager Candidates: Fees and Terms

	Loomis	Loop	Ramirez
Investment Vehicle Type	Commingled	Separate Account or Commingled	Separate Account
Liquidity	Daily	Daily	Daily
All-in-Fee	22.5 bps	20 bps	22 bps
Peer Group Percentile Rank⁷	28 – Commingled Fund	11 – Separate Account; 17 – Commingled Fund	22 – Separate Account

DS/PN/JLC/mn

⁵ Manager performance displayed as gross of fees composite returns provided by manager.

⁶ Benchmark is Bloomberg US Aggregate Bond Index.

⁷ Peer group rankings displayed represent lowest fees as 1 to highest fees as 100. Rankings compare effective fees from manager RFP responses against the eVestment US Core Fixed Income Universe for mandate size of \$70 million.