

## MEMORANDUM

**TO:** Oakland Police and Fire Retirement System (“OPFRS”)  
**FROM:** Meketa Investment Group (“Meketa”)  
**DATE:** January 29, 2025  
**RE:** Core Plus 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 Plus 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 Plus Fixed Income portfolio on behalf of PFRS. As a result of the RFP, Meketa received responses from 32 firms for 34 Core Plus Fixed Income strategies 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 Plus Fixed Income managers as finalists to be interviewed by PFRS Investment Committee, based on our review of the managers’ RFP responses.

Recommended Finalists <sup>1</sup>	Product
Income Research & Management	Core Plus
Reams Asset Management <sup>2</sup>	Core Plus
Wellington Management Company <sup>3</sup>	Core Bond Plus

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

<sup>1</sup> The manager list is sorted alphabetically.

<sup>2</sup> Reams is an incumbent manager with a Core Plus Fixed Income mandate

<sup>3</sup> Wellington is an incumbent manager with a Core Fixed Income mandate.

### Manager Search Process

The following table contains the list of respondents (32 firms) and their proposed products (34 strategies).

Firm	Product	Firm	Product
Amundi Asset Management	US Core Plus	MetLife	Core Plus
Belle Haven Investments	Taxable Plus	MFS Investment Management	Core Plus
Brandywine Global Inv. Mgmt.	US Fixed Income	Neuberger Berman	Core Plus
Brown Brothers Harriman & Co.	Core Plus	Newfleet Asset Management	Core Plus
DoubleLine Capital	Core Plus	Northern Trust Asset Mgmt.	Core Plus
DoubleLine Capital	Total Return	Nuveen	Core Bond Plus
Ducenta Squared Asset Mgmt.	Core Plus	Pacific Asset Management	Core Plus Bond
Federated Hermes	Core Plus	PGIM Fixed Income	Core Plus Fixed Income
Fidelity Institutional Asset Mgmt.	Core Plus	Pugh Capital Management	Core Plus
Fort Washington Inv. Advisors	Core Plus	Reams Asset Management	Core Plus Fixed Income
Income Research & Management	Core Plus	Sit Investment Associates	Return Plus
Insight Investment	Core Plus	Sit Investment Associates	Total Return
Johnson Investment Counsel	Core Plus	Victory Capital Management	Core Plus Fixed Income
Longfellow Investment Mgmt.	Core Plus	Voya Investment Management	Core Plus
Loop Capital Asset Management	Core Plus	Washington Capital	Core Plus
MacKay Shields	Core Plus Opportunities	Wellington Management Company	Core Bond Plus
Manulife Asset Management (US)	US Core Plus	Xponance, Inc.	Yield Advantage Opportunistic Core

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 Plus Fixed Income Managers

Brown Brothers Harriman & Co.

Fidelity Institutional Asset Management

Income Research & Management

Longfellow Investment Management Co.

Loop Capital Asset Management

PGIM Fixed Income

Reams Asset Management Company

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 million<sup>4</sup>.

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

### Finalist Manager Candidates<sup>5</sup>

	IR&M	Reams	Wellington
<b>Firm Location</b>	Boston, MA	Indianapolis, IN	Boston, MA
<b>Firm Inception</b>	1987	1981	1982
<b>Ownership Structure</b>	Employee-owned	Publicly Traded	Limited Liability Partnership
<b>Strategy Name</b>	Core Plus	Core Plus	Core Bond Plus
<b>Strategy Inception</b>	July 2017	June 1981	March 1990
<b>AUM (Firm)</b>	\$102.2 billion	\$10.1 billion	\$1.3 trillion
<b>AUM (Strategy)</b>	\$1.5 billion	\$8.1 billion	\$17.6 billion

<sup>4</sup> 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).

<sup>5</sup> The manager list is sorted alphabetically.

**Finalist Manager Candidates Performance (Gross of Fees), as of June 30, 2024<sup>6</sup>:**

	IR&M	Reams	Wellington	Benchmark <sup>7</sup>
<b>Trailing Period Returns (%):</b>				
YTD	0.2	-0.4	0.5	-0.7
1 Year	4.2	2.9	5.0	2.6
3 Years	-2.2	-1.9	-2.2	-3.0
5 Years	1.1	2.1	0.9	-0.2
7 Years	---	2.8	1.9	0.9
10 Years	---	2.8	2.3	1.3
<b>Calendar Year Returns (%)</b>				
2023	7.1	6.9	7.5	5.5
2022	-13.1	-11.7	-13.8	-13.0
2021	0.1	-1.4	-0.5	-1.5
2020	9.9	17.0	9.7	7.5
2019	10.1	8.7	10.6	8.7
2018	0.0	1.3	-0.2	0.0
2017	---	3.7	5.4	3.5
2016	---	4.4	4.8	2.6
2015	---	0.4	-0.1	0.5
2014	---	3.8	6.2	6.0

**Finalist Manager Candidates: Fees and Terms**

	IR&M	Reams	Wellington
<b>Vehicle Type</b>	Commingled (Private Investment Fund) or Separate Account	Separate Account	Commingled Fund
<b>Liquidity</b>	Daily	N/A	Daily
<b>All-in-Fee</b>	19 bps	20 bps	20 bps (15bps Management Fee and 5 bps capped Operating Expense) <sup>8</sup>
<b>Peer Group Percentile Rank<sup>9</sup></b>	2 – Commingled Fund 4 – Separate Account	5 – Separate Account	1– Commingled Fund

DS/PN/JLC/mn

<sup>6</sup> Manager performance displayed as gross of fees composite returns provided by manager.

<sup>7</sup> Benchmark is Bloomberg US Aggregate Bond Index.

<sup>8</sup> Wellington Operating Expenses are capped at 5bps but was about 1.4bps as of 09/30/2024

<sup>9</sup> 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 Plus Fixed Income Universe for mandate size of \$70 million.