

Appendix C – Illiquid Alternatives Questionnaire

Private equity, real estate, real assets and other illiquid strategies (Illiquid Alternatives).

- a. Describe the process and systems utilized to evaluate a portfolio of illiquid alternative strategies. What issues are considered in portfolio construction? Please provide an example of a recent portfolio construction framework.
- b. Describe your deal flow capabilities and process to source opportunities. Please provide a break-down of investment opportunities your firm reviewed, met with, conducted due diligence on, and ultimately recommended (as well as the amount committed) over the last three years?
- c. Describe the level of detail captured on managers. Please discuss systems used to retain information.
- d. Describe your due diligence process and issues considered in recommending an illiquid alternatives manager. Please provide a sample investment manager recommendation. Please also provide an example of a recent decline to re-up with an existing manager.
- e. Describe your process in conducting operational due diligence on an investment manager. Please provide a sample operational due diligence report.
- f. Describe your on-going monitoring process of a manager.
- g. Please list your firm's largest 10 general partner relationships.
- h. What is your definition of an "emerging manager"? Does your firm have any staff dedicated to sourcing and evaluating emerging managers?
- i. Explain why your approach would be the preferred construct for this mandate. What are the advantages and disadvantages of having a single generalist consulting solution vs. a specialist in one or more of the asset classes? If offering a specialist approach, how do you plan to work with other consultants across asset classes?
- j. Does your firm have experience in supporting a governance structure where manager hire/fire decisions have been delegated to an Investment Staff? To what extent are you willing to interact with an Investment Staff regarding asset allocation, portfolio construction, potential managers, performance monitoring, etc.?
- k. Discuss how you would see the role of illiquid alternatives strategies within a portfolio of FPPA's size.
- l. Discuss your firm's expertise with respect to various illiquid alternatives strategies.
- m. What expected risks and return assumptions are you currently recommending clients use for various illiquid alternatives strategies? How have these assumptions changed over time?
- n. In what circumstances do you recommend fund-of-fund structures to clients? How is your due diligence process modified when evaluating a fund-of-funds?

- o. What benchmarks do you utilize to evaluate various illiquid alternatives strategies? What are the challenges in benchmarking these strategies?
- p. Please describe your process in allocating investment opportunities among clients and your own fund-of-funds vehicles (if applicable).
- q. Does your firm advocate allocation of capital to first-time funds?
- r. Describe your firm's view regarding both fund size and capital commitment size.
- s. Describe program-level risk management tools you use to understand and evaluate the various types of risk associated with a client's illiquid alternatives portfolio.
- t. Describe your process and capabilities in recommending appropriate commitment pacing. What consideration is given to total fund liquidity in structuring a client's illiquid alternatives portfolio?
- u. Please describe your preferential approach to implementing a direct/co-investment portfolio. Please expand on your expertise in this area.
- v. What are your views on the Institutional Limited Partnership Association's transparency initiative?
- w. Describe the content and format of your firm's quarterly performance reports for illiquid alternatives strategies. Describe the quality control procedures in place to assure accuracy and timeliness of reports. Are your performance reports and attribution analysis tools available on-line? Please provide a sample report.
- x. Does your firm have capabilities to assume the back office execution of partnership investing on behalf of clients (capital calls, distributions, account statement reconciliation, etc.)?
- y. List all standard services available in a typical consulting and performance monitoring relationship. List any special services that you have provided to meet additional client needs. Which services do you consider your firm's strength?
- z. What are your firm's current views on the following?
 - 1. The use of secondary funds, secondary sales and current secondary market conditions.
 - 2. The use of co-investments, direct investments and direct asset ownership and current market conditions.
 - 3. Working with independent sponsors.
 - 4. Advisory board seats and other means of oversight.
 - 5. International investments including emerging markets.
 - 6. Overall market conditions related to Illiquid Alternatives.
 - 7. Partnership Terms / Fee Transparency
- aa. Please provide any additional information about your firm which was not covered from the previous questions.