



HIGH YIELD BOND FUND

INVITATION FOR TENDER

August 2020

Introduction

Background

This Invitation for Tender is issued by the Madagascar Foundation for Protected Areas and Biodiversity (Fondation pour les Aires Protégées et la Biodiversité de Madagascar), referred to henceforth as “FAPBM” or “The Foundation”. As part of a revision of its Investment Policy, FAPBM is inviting some candidates to submit their offer for the selection of High Yield Bond Funds.

Perennium SA is the Financial Advisor to the Foundation.

FAPBM

With the Malagasy Government, Conservation International and the WWF as the first contributors, the Madagascar Biodiversity Fund is a private Malagasy foundation created in 2005 and declared of public utility.

The Foundation strives for the financial sustainability of Madagascar's protected areas and biodiversity. It carries out numerous actions that relate to the funding of the recurrent managerial costs of the protected areas and of projects that aim at reducing the pressures put on them, while addressing the needs of the populations.

With more than USD 83 million in capital, the Foundation supports 3.5 million hectares of protected areas spread over 36 sites, which cover 1/3 of Madagascar Protected Areas System. Six of the parks are part of the UNESCO World Natural Heritage. Grants of the Foundation also positively impact on 3 million lives through the management of sites or identification of alternative activities.

For more information, please visit <https://www.fapbm.org/en>

Perennium

Perennium SA is a Geneva-headquartered financial advisory firm dedicated to the non-profit world (foundations, endowments...), providing a full service from investment strategy to portfolio management implementation and oversight. Perennium operates in Africa & the Middle East, in Europe and in selective Latin American countries.

Key features

- Size: FAPBM has a strategic allocation to global High Yield, for a current size of approx. **\$14m**
- Benchmark: the allocation can be benchmarked to either the ICE BofAML Developed Markets High Yield Constrained TR (USD Hedged), or a combination of 70-80% US High Yield (e.g. Bloomberg Barclays US High Yield Very Liquid Index) + 20-30% EUR High Yield (e.g. Markit iBoxx EUR Liquid High Yield). Alternative benchmarks are possible.
- Style: both active and passive approaches are accepted. For passive strategies, the key factors will be cost and tracking error. For active strategies, the key factors will be high conviction and outperformance (there will be no TE constraint in this case).
- Sustainability: FAPBM has an SRI policy containing sector exclusions (weapons, tobacco, gambling, pornography, fossil fuels [extraction/production/distribution] and other extractive industries)¹. The SRI policy also mentions norms-based screening (referenced to the UN Global Compact). The adherence to the policy is compulsory for direct investments, but not for indirect ones (i.e. funds, the present situation). However, some degree of alignment will be a plus.
- Offers: your institution may bid for (i) a global fund, (ii) a US fund, (iii) a EUR fund, or (iv) any combination of the previous.
- The financial assets of FAPBM are custodied in Switzerland with Banque Lombard Odier mainly.

Submissions

Candidates are invited to submit their proposal via email to FAPBM (mail@fapbm.org) with a copy to our financial advisor (RFP@perennium.com) and to jranaivo@pt.lu on or before **September 18, 2020** by 7pm Geneva time. We will acknowledge receipt.

Queries

All queries must be submitted by email to RFP@perennium.com, with mail@fapbm.org and jranaivo@pt.lu in copy. Answers will be provided by email. Relevant answers will be shared with known contestants.

Process and timeline

Candidates may be called at any time for additional information. Interviews may take place during the second half of October. The decision of FAPBM will be formalized by early November. Your proposal must be valid for 90 days from the due date for responses to this invitation.

¹ For detailed criteria, the reference is usually the MSCI methodology:
https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Screened_Indexes_Methodology_Jan2019.pdf

Questionnaire

Please kindly answer the questions with detailed information and descriptions rather than standard responses. We appreciate your interest in working with us.

Contact details

- 1- Please provide the contact details of the people who are responsible for filling this Invitation for Tender document.

Organization

General

- 2- Please provide a brief description of your firm and its core business.
- 3- Please indicate the latest key figures of your company.
- 4- Describe the ownership of the firm, including legal structures. Describe any recent and planned ownership changes.
- 5- Please quantify the financial solidity of your firm.
- 6- Which regulatory authority is your company registered with?
- 7- Has your organization, or any officer or principal, been the subject of any regulatory action? If so, provide a brief explanation and indicate the current status.
- 8- Please describe your client base (breakdown by client type and client geographical location).
- 9- Please quantify (in history, number of clients and assets under management) your portfolio management activity for institutional investors.
- 10- What percentage of the firm's assets under management are institutional (separate) accounts? Commingled funds? Mutual funds?
- 11- How did assets under management evolve in the last 5 years? Please complete the following table:

	2019	2018	2017	2016	2015
Total AuM (specify currency)					
% Private Clients					
% Institutional Clients					
AuM in Global High Yield strategies					
% Private Clients					
% Institutional Clients					

- 12- Please describe your organization in terms of Portfolio Management resources (PMs, Analysts, Traders, Admin, Marketing and client services...)
- 13- How did personnel evolve in the last 5 years?
- 14- Please complete the following table:

	31 Dec 2017	31 Dec 2018	31 Dec 2019
Total employees			
of which, Investment Professionals			

Fund Specific

- 15- For how long has your company managed global high yield strategies?
- 16- Please state the name of the lead portfolio manager of the relevant fund and provide a full bio of this person. Please do the same for lead PM back-up person.
- 17- Please identify and describe the team in your company which would be responsible for the management of the relevant fund and how it is related to the other key functional areas. Indicate reporting lines.
- 18- Mention headcount numbers, experience, qualifications, positions and geographic locations. Indicate external providers, if any.
- 19- Please indicate the number of portfolios under the lead PM responsibility and total assets managed
- 20- Please describe your business continuity plan (persons and systems) for the relevant fund.
- 21- Please describe your insurance policies (trading errors, fraud...) related to the management of the relevant fund.

Fund Information

General

- 22- Please indicate the possible share classes and their ISIN, mentioning the minimum investment size for each (reminder: the EUR exposure should be USD-hedged).
- 23- Please indicate the fund's date of inception and total assets under management. Please detail the evolution of the AuM over the last 5 years.
- 24- Please provide the last audited financial statement of the fund.
- 25- Please provide the last monthly factsheet as well as fund presentation material and fund's prospectus / offering memorandum.
- 26- Please provide the detailed view of the current portfolio by positions, ratings, maturities, duration, currencies, countries and industry, effective yield and spreads.
- 27- Please describe the legal structure of the fund and its regulatory bodies.
- 28- Please indicate the auditor, custodian and fund administrator.
- 29- Have the administrator, custodian or auditor been changed within the past 3 years? If so, why?

Strategy and process

- 30- Please summarize in a few sentences your investment philosophy.
- 31- Please argue for your choice of an active or passive approach.
- 32- (For active managers): please explain how you intend to outperform the benchmark.
- 33- (For active managers): please quantify the active nature of your strategy (e.g. active share, concentration...).
- 34- Please explain the investment process as precisely as possible.
- 35- Please describe in detail any changes or refinements made to your investment process over the past five years.
- 36- Please list the different instruments types used in the fund and their related percentage of the fund's total assets.
- 37- If you are using derivatives as part of your portfolio management, please explain for what purpose?

- 38- Do you manage segregated accounts under the same strategy? If so, please indicate AuM and the number of clients.
- 39- What is the maximum capacity of the fund?
- 40- How do you differentiate yourself vs competitors and why should your company be hired on this strategy?
- 41- In which markets environment do you believe your strategy performs the best or the worst?
- 42- What is your policy in terms of redemptions?

Execution & Trading

- 43- Have you encountered position limit problems? If so, please elaborate on your related actions.
- 44- Please describe and quantify the level of liquidity of the current fund's portfolio.
- 45- Please detail your policy in terms of illiquid holdings and defaulted bonds.
- 46- Please describe the valuation policy, especially for difficult-to-price assets.
- 47- Please describe your trading and execution functions related to the relevant fund and particularly your policy and procedures related to best-execution and trade allocation.
- 48- (If ETF) Please give an indication of the recommended way to purchase the relevant ETF on the contemplated size.
- 49- (If ETF) Please quote bid/offer spread for an investment of the contemplated size.

Risk

- 50- Please describe your risk management process (type of risk measured, model used, procedures...)
- 51- Is there a dedicated risk manager for the relevant fund?
- 52- Please indicate your set of risk constraints for the strategy.
- 53- Please provide a risk analysis of your fund compared to the benchmark listed in the Key Features section of this document.
- 54- Please indicate the concentration of your top 5 investors in the relevant fund in % of AuM.
- 55- What were the largest withdrawals in the relevant fund since inception? Date, percentage of AuM, explanations.
- 56- Please provide details of any investment breaches of the fund with regards to its investment policy limits within the past 3 calendar years.

Fees

- 57- Please provide a detailed fee structure for the relevant fund (management fees, performance-related fees, administrative and custodian fees, other operating expenses)
- 58- If available, provide the last audited TER of the relevant fund.

SRI approach

- 59- How important is SRI for you?
- 60- Is your firm an UN-PRI signatory?
- 61- How would your fund comply with the FAPBM SRI Policy? (see the Key Features section of this document).
- 62- Do you plan any changes to your SRI approach in the foreseeable future?

- 63- (If any) Please specify the resources available to analyze ESG factors, including personnel and their expertise, and external research services used.
- 64- (If relevant) Please explain how these personnel interact with the portfolio management team, and how ESG risks and opportunities are incorporated in the investment process
- 65- Do you provide a specific SRI Report? e.g. ESG ratings of all the positions, overall environmental footprint, CO₂ emissions...? If so, what references or dimensions do you use? Do you have any developments planned for the future, in this respect?

Reporting

- 66- Please describe your reporting capabilities for the relevant fund (content, frequency...). Kindly provide samples.
- 67- Can investors have direct access to PMs?
- 68- Do you organize regular investor conference calls, meeting and/or seminars?

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