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Background to Första AP-Fonden

Första AP-fonden (AP1, the Fund) manages assets with a value of SEK 202 billion (as of June 30, 2008). AP1 is one of the buffer funds assigned by the Swedish Parliament (Riksdagen) to manage the Swedish people's pension funds. Combined with well-balanced financial risks our mission is to achieve the highest possible return on the Fund's invested assets and thereby contribute to a strong and predictable old-age pension for current and future pensioners. More information about our portfolio and how we have built up our management organisation to enable the fulfilment of the set goals is presented on our web-site: www.ap1.se

The risk mandate for the Fund is based on tracking error that is calculated ex ante on a daily basis for the entire fund, as well as for several sub mandates within the Fund. The sub mandates represent different decision levels within the investment process. However, the top level mandate always represents the outer tracking error limits set out by the board of directors.

The Fund's assets are managed both internally and externally. A decisive factor in the choice between internal and external management is the ability to create a higher return (after management costs) compared to the established strategic benchmark. Management areas where the Fund does not possess, or has difficulty in obtaining the right expertise are managed externally.

Since the Fund is a governmental institution (central level) the tender procedure is regulated in the European Procurement legal framework, primarily in Directive 92/50/EEC.

Furthermore, the Fund has an SRI-policy that applies to the entire fund, including externally managed mandates. The complete policy document is available for download at www.ap1.se.

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General instructions

This questionnaire is for the passive US Small Cap mandates only.

The Fund currently uses the following benchmark for this mandate:

* **Russell 2000**
* **Russell 2000 Growth**
* **Russell 2000 Value**

AP1 expects all mandates to be benchmarked against **Total return** indices with dividends reinvested net of taxes. The questionnaire should be responded to according to the listing of the questions and each question should be answered in full (i.e. no cross references to other questions)

All information regarding performance, assets under management, people and process etc. should concern the specific US Small Cap equity mandate unless otherwise stated. All numbers must be quoted in USD as of June 30, 2008 unless otherwise stated.

The investment company must be able to document experience in management of institutional accounts for Passive US Small Cap equities. The manager must be able to show a live GIPS compliant track record for the offered product of at least 12 full months at the time of submission. Expressions of interest must be accompanied by information/documentation in respect of the following:

1. Specification of the mandate you are expressing interest to tender for, Passive and name of the product. (hereafter referred to as “the offered product”).
2. Registration with relevant regulatory authorities.
3. Recent annual report (or similar document)
4. CV's for the CEO and the board members or equivalent for the relevant entity
5. A full list of portfolio holdings for the offered product, including SEDOL identifier, nominal holding and market value of holding as of June 30, 2008, in the Excel spreadsheet provided on AP 1's website.
6. Monthly returns for the composite and the benchmark in the excel spreadsheet provided on AP 1's website.
7. A sample of the reports made available to clients, including performance and risk reports.

Further information can be obtained from:

Email: procurement.200840@ap1.se

Phone: +46-8-566 202 00 (Majdi Chammas or Peder Tiricke)

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Award Criteria

Criteria, which will apply, are stated below. The criteria are not listed according to priority. On the basis of these criteria the offers most economically advantageous to AP1 will be selected.

- AP1's confidence in the candidate’s long term ability to deliver future risk adjusted excess returns

- Candidates fit into AP1 overall investment objectives and service requirements

- Fees

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1. Which strategy are you applying for?
   One RFP per strategy must be submitted.
   - ○ Core
   - ○ Growth
   - ○ Value

2. What is the formal name of the offered product?

3. Is the offered product available in the Mercer GIMD database?
   If not, please motivate why. If yes, enter the name of the strategy in GIMD.

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Company Overview & business management

Enter the following information

4. Legal name of the Asset Management Company

5. Address
(Asset Management Company)

6. Telephone number
(Asset Management Company)

7. Contact person
Marketing or sales representative

Name	
Location (city)	
Telephone	
Fax	
Email	

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Company Overview & business management

This question apply to the parent of the group if applicable.

8. Legal name of the group
if not applicable leave empty.

9. Address

if not applicable leave empty.

10. Telephone number
if not applicable leave empty

11. Is the legal contract counterparty the same as the local entity responsible for the investment management?
- Yes
- No
- Optional

12. If different please provide contact details for the contract counterparty.

13. In the next phase, **if** you are asked to participate the funds expects to visit manager onsite. To which location(s) should we go to
1) get a good view of how the investments are carried out,
2) to see the manager's edge in asset management, and
3) to get a good feeling for the culture characterizing the firm?

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Company Overview & business management

14. Please describe the firm history, including the year the investment management company was established (the full asset management business as well as the investment team specific to the offered product).

15. Please describe your organisation and ownership structure (legal) for the overall group (if applicable) as well as for the asset management company (including relationship with parent company, subsidiaries and affiliates, mergers, acquisitions, spin-offs etc.). Please also send fresh charts by email. Please state any planned changes and changes incurred over the last five years.

16. Please describe your overall strategic business plan over the coming years.
Do you intend to grow your overall business? How?

17. Have you started to develop any new products or strategies or do you have any plans to do so?
If so, please describe.

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Company Overview & business management

18. Please provide the following financial key figures, for the asset management company, for the last three annual accounts
In USD, millions.

	2007	2006	2005
Net EBITDA			
Net earnings			
Assets			
Liabilities			

19. Please specify your three largest products in % of AuM.

20. Which are the most important products for your firms revenues?

21. Please provide a short description of the ethics policy/code of conduct for the investment management company

22. Please list the regulatory authorities that the company is registered with including the asset management company's registration number if applicable.

23. Are there any instances, during the last five years when you (yourself, parent or affiliate company) have had your license revoked, been fined or been disciplined by any relevant regulatory body?
If yes, please provide a short description of the cases and please indicate whether the cases are still pending.

24. Are there any guarantees issued from internal or external parties to cover any liabilities incurred on the Fund as a result of the company's action?

25. Describe the insurance coverage that the company carries, including the name of the insurer. Does the insurance cover rogue trading? If yes, please explain the coverage.

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Product overview & strategy

26. Please provide the following general characteristics of the offered product
Only state raw facts here, i.e no comments on your responses.
** Success ratio is the percent of periods with positiv excess return. e.g. 24 of 36 months with excess return give a success ratio of 67%*

	As of 30 Jun, 2008
Inception year of the product	
Year the current investment team was established	
Location of investment team (if multiple, put location of lead PM first)	
Number of people in investment team (not including shared analyst resources etc)	
Benchmark	
Methodology (Startified sampling, optimisation, full replications etc.)	
Outperformance target p.a. over a cycle (3-5 yrs)	
Expected TE range ex post	
IR target over a cycle	
Number of stocks typically in the portfolio	
Turnover (calc as lesser of buys/sells divided by avg market value)	
Excess return annualized (gross of fees / net of taxes) ex post 1 yr	
Excess return annualized (gross of fees / net of taxes) ex post 3 yrs	
Excess return annualized (gross of fees / net of taxes) ex post 5 yrs	
Tracking error ex post 3 yrs	
Tracking error ex post 5 yrs	
Portfolio beta ex post 3 yrs	
Portfolio beta ex post 5 yrs	
Success ratio 3 yrs*	
Success ratio 5 yrs*	

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Product overview & strategy

27. Do you plan to grow the offered product? How? In which markets? Timetable? Type of customer?

28. Do you forsee any capacity constraints for the offered product?
If so, how will you handle a future soft and/or hard closing?

29. How do you scale your organisation to changes; new customers, number of accounts, and inflow of capital?

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Assets under Management

30. Please fill in the table below for the offered product only

	Total	Institutional specialist segregated accounts	Pooled institutional assets	Retail pooled funds	Carve-outs
Number of clients					
Number of accounts					
Assets under Management (MUSD)					
Number of accounts gained over 3 years (ending 30.06.08)					
Asset value (MUSD) of accounts gained over 3 years (ending 30.06.08)					
Number of accounts lost over 3 years (ending 30.06.08)					
Asset value (MUSD) of accounts lost over 3 years (ending 30.06.08).					

31. Please provide reasons for loosing any mandates mentioned in the previous question

32. Please fill in the table below for the total AuM of the firm.

	Total	Institutional specialist segregated accounts	Pooled institutional assets	Retail pooled funds	Carve-outs
Number of clients					
Number of accounts					
Assets under Management (MUSD)					
Number of accounts gained over 3 years (ending 30.06.08)					
Asset value (MUSD) of accounts gained over 3 years (ending 30.06.08)					
Number of accounts lost over 3 years (ending 30.06.08)					
Asset value (MUSD) of accounts lost over 3 years (ending 30.06.08).					

33. Please provide reasons for loosing any mandates mentioned in the previous question

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Assets under Management

34. Please fill in the table below for the Assets under Management
Aum ($'000)

	2004	2005	2006	2007	30/06/2008
Product, total					
Product, unaffiliated					

external clients only					
Firm, total					
Firm, unaffiliated external clients only					

35. Please fill in the table below for the number of accounts

	2004	2005	2006	2007	30/06/2008
Product, total					
Product, unaffiliated external clients only					
Firm, total					
Firm, unaffiliated external clients only					

36. Please provide the size of the three largest accounts of the firm.

	Size (MUSD)
Largest account	
Second largest account	
Third largest account	

37. Please provide the size of your three largest account for the offered product.

	Size (MUSD)
Largest account	
Second largest account	
Third largest account	

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Investment Philosophy

38. Please describe the general philosophy underlying indexation methodology in terms of cost minimisation, tracking performance and other factors you consider relevant.

39. When was this philosophy implemented?

40. Has there been any major changes to the investment philosophy since the inception of the offered product?
If yes, please describe.

41. Has there been any minor changes to the investment philosophy since the inception of the offered product?
If yes, please describe.

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Investment Philosophy

42. Indicate, if applicable, any areas (other than stock lending) where the portfolio manager may seek to add value and the expected level of added value and tracking error.

43. Please describe the investment style best characterising your offered product.

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Investment process

44. Please describe your investment process in detail. Make sure you cover the following:

- The discretion given to individual analysts and portfolio managers to deviate from the model portfolio (if applicable).

- The buy and sell discipline in place.

- Please describe the main factors in this process that gives your company an edge relative to your competitors.

45. Have you made any major changes to the investment process since the inception of the offered product?
Please describe.

46. Have you made any minor changes to the investment process since the inception of the offered product?
Please describe.

47. Please describe any SRI-screening performed as an integral part of your security selection process. Please describe if and how you would make the SRI-findings available to the Fund.

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People

48. Please list the key decision makers and the individuals responsible for the offered product and describe each person's background, including their year of birth.
Short biographies may be submitted here. Complete biographies including extensive and detailed CV's shall be sent by email.

49. How is the investment team responsible for the offered product is organised? Please provide details of any organisational changes that have occurred within the last five years.

50. Do you foresee any changes among the senior people over the coming years?
If yes, please describe.

51. Please list the office locations from which the investment team operates. If the team operates from more than one location, please describe how the communication/interaction between the offices/teams is organised.

52. Please describe your formal meetingstructure for the offered product.

53. Has anyone within the team changed geographical location within the last three years? From? To? Any changes planned?

54. For each member of the team; state the year they joined the team for the offered product and list all other responsibilities – investment as well as administrative – apart from the offered product and state the year they were given each responsibility.

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People

55. Please list joiners in the offered product over the last five years.

If the number of rows is not sufficient you may send the remaining by email to procurement.200840@ap1.se

	Year	Name	Responsibility	Previous employer
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				

56. Please list leavers in the offered product over the last five years.

If the number of rows is not sufficient you may send the remaining by email to procurement.200840@ap1.se

	Year	Name	Responsibility	Reason	Employment years	New employer	Contact details
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							

57. Please describe the basis upon which investment professionals are remunerated.
(method for determination of bonus etc.)

58. Please describe the corporate culture characterizing your firm and how it differs from other firms. Please share your view on the importance of this culture for your firm and the importance of corporate culture in the fund management industry in general.

59. In what way do you cultivate corporate culture?

60. Who are the most important culture bearers within the firm?

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People

61. Do you see any need for culture related changes in the near future? How?

62. Do you have a plan for succession (in terms of on-going management of the product)?
Please describe.

63. Please list the number of employees in each of the categories
As of 30.06.08

	Total	Offered product

Portfolio Managers – Equity		
Analysts – Equity		
Economists		
Traders		
Management		
Client Service		
Marketing		
Risk management		
Other investment professionals		
Support/Clerical employees		

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Portfolio Construction

64. Describe in detail the methodology used (such as stratified sampling, optimisation, or replication) for indexation of different categories of assets, including, where applicable:
- Any optimisation tools employed for portfolio construction
- Strata used to sub-divide the indices.
- Limitations on stock weight variations from index.
- Limitations on industry sector variations.
- Limitations on capitalisation deviations.
- Methodology employed for sampling stocks within strata and any weaknesses it may have.
- Other criteria employed to minimise risk relative to benchmark.

65. Please describe your treatment of dividend flows, share buy-backs, rights issues and other corporate actions. Detail the approach to handling significant new entrants to the index.

66. Indicate the extent to which purchases and sales on other portfolios (active or passive) can be used to mitigate costs on the indexed portfolio through crossing of trades. Detail any external crossing networks that you use or to which you belong.

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Portfolio Construction

67. Please state how many stocks you would normally hold in your portfolio.

68. Please state the historical average yearly turnover in percent in similar mandates (calculated as the lesser of buys and sells divided by average market value).

69. Please indicate the expected number of transactions per year and how they are normally distributed over the year.

70. Would you normally use derivatives in the portfolio?
If yes, to what extent, which instruments and for what purpose (e.g. hedging, leverage, allocation)?

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Portfolio Construction

71. Among other investment restrictions the Fund has a restriction not to hold more than 10% of the voting rights of the issuing organisation. Please describe how you monitor and report this kind of restriction.

72. The current benchmark for this mandate is Russell 2000 (core, growth or value). Please share your thoughts on this.
Discuss pros and cons.

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Portfolio Construction

73. Due to the Fund's SRI-policy a limited number of companies and/or countries may be excluded from the investible universe. The Fund will be responsible for maintaining this list. Any tracking error arising from the discrepancy between the benchmark and the manager's eligible investment universe will be accepted. Do you foresee any difficulties accommodating these requirements?

74. Have you signed the UN **P**rinciples for **R**esponsible **I**nvestment. Please share your thoughts on why you have chosen to sign/not sign the principles.

75. Do you use ESG (environmental, social, and corporate governance) factors in your investments and how do you incorporaste these in the process of the offered product.

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Implementation

76. How do you ensure best execution?

77. Do you have a policy on soft commissions?
If so, please describe it.

78. What would the consequences be if we deny you to use soft commission for our account?

79. Pease describe your view on directed brokerage/commission recapture programmes.

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Product Performance

80. Please list the client benchmarks that you have in place for existing clients with similar mandates, including restrictions and risk/performance targets applying to the account(s)

	Benchmark	Investment restrictions	Outperformance target pa.	Tracking error range
1				
2				
3				
4				
5				

81. Please describe the composite that you are providing data for:
- official name of the composite and how old it is
- Number, nature and size of accounts
- Benchmarks included in the composite
- Dispersion of tracking error and excess returns across accounts (annual average, maximum and minimum over one, three and five years)

82. Please state if the performance numbers are compliant with GIPS or other standard (please specify).

83. Please comment on the yearly performance numbers.
Please describe for the each year the outcome, reason and potential learning.

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Fee Structure

Please provide your suggested fees. Please provide a flat fee as well as a performance related fee, if available. Please state the fees excluding VAT/sales tax, but please include a statement of the applicable VAT/sales tax rate. Also, please take into account the VAT/sales tax regulations on services provided from countries outside the EEC, if applicable.

84. Please describe your flat fee structure.

85. Please enter fees at different mandate sizes.
Mandate sizes in mUSD. Please state flat/base fee in basis points and performance fee in percent.

	Flat fee
50	
100	
150	
200	
300	

86. Will you be charging VAT or any other sales tax or similar on top of the management fee?

- No
- Yes
- Uncertain, please specify

87. Are you willing to ensure that you will not charge/offer other customers (regardless of client type, geographic location or other client classification), with a comparable investment mandate in terms of size, market and constraints, lower fees without lowering the fees to the Fund accordingly?

- Yes
- No

88. Do you have a “most favoured nation” clause (as in the previous question) in place with any of your current clients for the specific product/mandate?

- Yes
- No

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Administration

89. Transactions shall be confirmed to the Fund’s custodian (BNY Mellon) or clearing agent (for futures, currently JP Morgan) according to the routines and time frame specified by or agreed with the custodian/agent.

Will you be able to accommodate this requirement?

90. The manager must reconcile positions and bank accounts with the Custodian on a regular basis. Open items on positions and bank accounts shall be reported to the Fund. The Fund may require daily reconciliation depending on the activity in the portfolio.

Will you be able to accommodate this requirement?

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Administration

91. AP1 have outsourced the accounting of the mandate to the custodian. The manager must report transactions with full accounting details on trade date to the custodian. The manager will also have to reconcile the valuations of the account per month end with the custodian. The manager will also have to assist the custodian in solving differences, this have to be done within 7 business days after the end of the month.

    Would you be able to accommodate this requirement?

92. The manager shall produce monthly and quarterly reports to the fund. The reports shall include

    - Report with performance and risk figures for the month, quarter, YTD, One year, three years, five years (monthly).
    - Management comments on the period and the upcoming periods. (quarterly)

    The reports should be delivered to the Fund within 10 business days from close of period. The Fund will allow 15 business days for the management comments.

    Will you be able to accommodate this requirement?

93. Please briefly describe how your back-office is organised and how your back-office staff normally communicate/interact with institutional clients similar to the Fund.

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Risk Control / Management

94. Please elaborate on how the risk control unit is organised, how long it has been established and to whom it reports.

95. Please explain the methodologies for risk control of operational-, credit-, market and liquidity risks. The description should focus on how risk is integrated with the portfolio management, restricted and reported. Please specify models and systems.

96. Please give a short description of the models used and provide details of the methodology / formulas you use to calculate the risk and performance measures you report and monitor.

97. The Fund expects to at least annually receive a written audit memorandum (such as SAS70/FRAG21) from the manager's auditors covering any findings related to the management of the mandate. Furthermore, the Fund may want to audit (by itself or through appointed auditors) the records, routines and supporting documents related to the mandate.

    Will you be able to accommodate this requirement?

98. How are the investment directives and limits on e.g. counterparty- or instrument exposure imposed by the Fund monitored, reported and at what frequency? How will breaches be handled? How will you report breaches of limits or restrictions internally and to the Fund?

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Other issues

99. Please list the investment managers you would expect to be your top 5 competitors for this mandate. Comment on each of them in respect of why you would expect to see them.

1

2

3

4

5

100. The fund expects to calculate performance and risk measures on the portfolio **from the first day of funding**. What would be your preferred way of funding?

- Receiving cash, or
- Receiving an index tracking portfolio, or
- Receiving your specified portfolio and the balance as cash

Explain why and – if relevant – state the estimated time needed to get the portfolio fully invested.

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End of RFP

101. We would also appreciate any kind of feedback on this RFP process.
Enhancements?
Missing questions?

102. You have now reached the end of the RFP. To finish entering your responses, click 'Done'. You may also go back to edit your responses.

Thank you for your participation in our search and for completing this RFP!

If you have any additional comments, please enter them here: