



Bogner/Fernandez

**RESOLUTION NO. 6372**

**WHEREAS**, On November 27, 2019, the District's investment consultant, Segal Marco Advisors, downgraded to "Not Recommended" the Retirement Fund's international small capitalization core equity manager Lord Abbett; and

**WHEREAS**, in February 2020, the Trust Selection Committee, assisted by Segal Marco Advisors, initiated a search for an international small capitalization equity manager for the Retirement Plan using criteria set by the Board of Directors; and

**WHEREAS**, the Trust Selection Committee reviewed the three leading candidates in this asset class resulting in interviews with two investment managers; and

**WHEREAS**, Global Alpha Capital Management met all of the Statement of Investment Policy consideration criteria for an investment manager; and

**WHEREAS**, the Trust Selection Committee recommends the appointment of Global Alpha Capital Management as international small capitalization core equity investment manager for the OPPD Retirement Plan.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Omaha Public Power District as follows:

1. That Global Alpha Capital Management is hereby appointed as an investment manager for the OPPD Retirement Plan, subject to the execution of an acceptable contract.
2. That District officers are hereby authorized and directed to execute and attest all documents that are necessary and proper to complete the appointment of the new investment manager.



# Board Action

## BOARD OF DIRECTORS

May 12, 2020

### ITEM

Retirement Plan – Appointment of Investment Manager

### PURPOSE

Approve the appointment of an Investment Manager for the OPPD Retirement Plan

### FACTS

- a. On November 27, 2019, the District’s investment consultant, Segal Marco Advisors, downgraded to “Not Recommended” the Retirement Fund’s international small capitalization core equity manager Lord Abbett. Due to this downgrade, the Trust Selection Committee (TSC), assisted by Segal Marco Advisors, initiated a search for a new international small capitalization core equity manager to replace Lord Abbett using criteria established by the Board.
- b. The TSC reviewed the three leading candidates and held interviews with Barings LLC located in Charlotte, North Carolina and Global Alpha Capital Management (Global Alpha) located in Montreal, Quebec.
- c. After the interviews, Global Alpha was selected for recommendation to the Board of Directors (Board). Global Alpha exceeds all of the Policy consideration criteria for an investment manager, and their performance ranks competitively in the international small capitalization core equity universe.
- d. The TSC recommends that the Board appoint Global Alpha as an international small capitalization core equity manager for OPPD’s Retirement Plan.
- e. Attached is a letter from Segal Marco Advisors outlining the manager search process and concurring with the TSC’s recommendation in the selection of Global Alpha as an OPPD Retirement Plan investment manager.

### ACTION

Board’s consideration of a resolution appointing Global Alpha as an investment manager for OPPD’s Retirement Plan.

RECOMMENDED:

/s/ L. Javier Fernandez  
L. Javier Fernandez  
Vice President and Chief Financial Officer

APPROVED FOR REPORTING TO BOARD:

/s/ Timothy J. Burke  
Timothy J. Burke  
President and CEO

LJF:jap

Attachments: Segal Marco Advisors Letter  
Resolution

April 22, 2020

Omaha Public Power District Board of Directors  
Omaha Public Power District  
444 South 16<sup>th</sup> Street  
Omaha, Nebraska 68102

**Subject: Research Process for OPPD's Actively Managed International Small-Cap Equity Manager Search.**

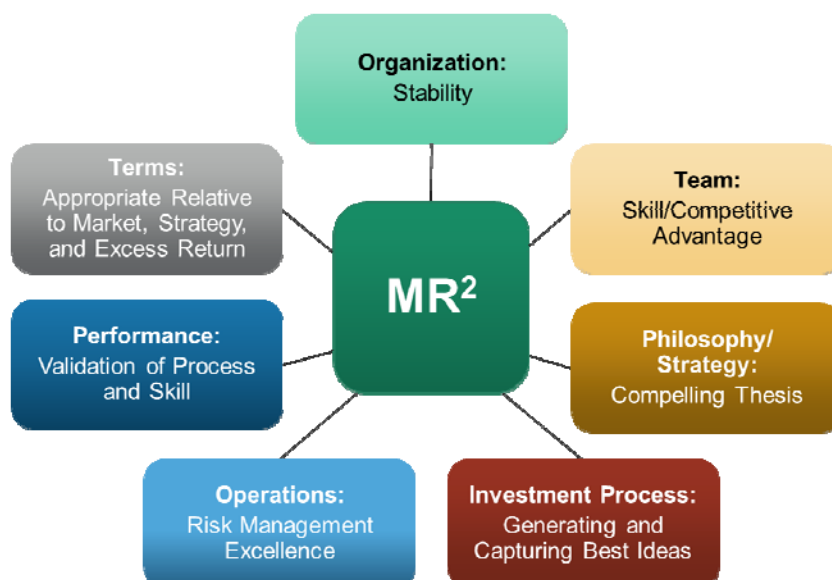
Dear Board of Directors:

We have detailed a description of the research process utilized by Segal Marco Advisors in the recommendation of Global Alpha Capital Management.

The process used was as follows:

1. Our research specialists employed a highly formalized process – Manager Research and Ranking Process (MR<sup>2</sup>) – to evaluate and select managers that were the “best in class”. Our process, consisting of three primary steps:
  - Identify managers from referrals, database screens, and publications
  - Meet with current and prospective managers
  - Perform in-depth due diligence on firms and their products
2. We reviewed the investment process of various managers’ products as well as the organization of the firms to determine the long-term viability of their products and to detect the possibility of underperformance. MR<sup>2</sup> defines 34 success and risk factors within 7 categories.

Each manager was evaluated and scored based on these broad categories:



3. During each step, we applied a ranking system to measure and monitor a manager's history of adding value and the potential to add value in the future. We also looked at performance over time to determine whether objectives of risk and return had been met relative to peers/investment managers. Critical to our process was our evaluation of the three fundamental steps of investment management.
  - Collecting, processing, and refining information
  - Constructing portfolios
  - Analyzing trading costs
4. Using MR<sup>2</sup>, we focused on the qualitative and quantitative evaluation of managers. Critical components of our qualitative assessment were: the quality of the investment professionals, the potential of the philosophy to deliver value-added results, the integrity and rigor of the investment management process, long-term performance record, and the potential fit of the products being recommended for OPPD's Retirement Plan. We used quantitative tools to identify a manager's risk profile, value, and returns attribution. Our rigorous quantitative assessment of managers also included performance relative to appropriate benchmarks and peers, risk-adjusted performance, and risk relative to benchmarks.
5. In the ranking process, we assessed the firms and products' long-term viability, to determine the sources of value-added and to detect factors that could result in consistent future out-performance or under-performance. Each manager was evaluated and scored based on these categories to ensure consistency across firms and products.

The following ratings were officially assigned to each manager:

- Recommended,
- Under Consideration,
- Not Recommended and
- Sell.

Segal Marco Advisors considers the manager rankings to be an evolving and dynamic process. Additionally, we are constantly evaluating new managers and reevaluating established ones with changes in rankings by our research staff made when appropriate.

6. Before selecting the three candidates for each OPPD manager search, Segal Marco Advisors proposed the following criteria for the manager search. All candidates needed to exhibit the following characteristics:

#### **Organization**

- Firms that have been managing assets for at least five years.
- Firms with a minimum of \$500 million under management.
- Firms with a relatively low level of personnel turnover.
- Firms with a relatively low level of client turnover and evidence of controlled business growth.
- Firms with competitive fees.

#### **Management Styles**

- An investment process that derives the majority of its value-added from security selection and portfolio construction.
- An investment style that exhibits a high correlation with the appropriate index and an investment focus consistent with each mandate.

**Performance**

- Verifiable track record that demonstrates adherence to the stated investment approach.
  - Historical risk and return data consistent with each investment mandate.
  - Firms with a performance history that is competitive over time when compared to appropriate peer groups and asset class benchmarks.
7. Based on the criteria, Segal Marco Advisors proposed three candidates for this mandate all of which were rated “Recommended”. Segal Marco Advisors reviewed the candidates with the Trust Selection Committee on February 18<sup>th</sup> and the following firms were selected to provide in-person presentations on March 4<sup>th</sup>.

**International Small-Cap Equity**

Barings, LLC  
Global Alpha Capital Management

8. Following the interviews, the Trust Selection Committee selected Global Alpha Capital Management to replace Lord Abbott as the manager of the actively managed international small cap mandate for the OPPD Retirement Plan.
9. Based on the research process, Segal Marco Advisors supports the decision of the Trust Selection Committee in their recommendation to hire Global Alpha Capital Management.

If you have any questions about the research process for the selection of these managers, please feel free to call me at 770-541-4825.

Sincerely,



Jeffrey C. Boucek, CFA

cc: John Thurber