



Advice in Active Alpha Management procurement Call for competition

Contract Reference: 2018/71



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1 Introduction

The objective with this call for competition is to give a description of the assignment of Advice in Active Alpha Management procurement, ref. 2018/71, (the Procurement). Tenders regarding the Procurement for the Seventh Swedish National Pension Fund (AP7), which was advertised in ted.europa.eu on 07/08/2018 shall be made in accordance with the procedure set out in this document.

2 Brief information on AP7

AP7 is the governmental option in the Swedish premium pension system. AP7 manages the default fund, S afa, within this system. The pension assets come from pension savers who have not actively selected a pension fund manager or who want the government managed long-term pension saving plan. Currently, approximately three million pension savers have taken up this option.

AP7 S afa is a portfolio of funds, consisting of an equity fund and a fixed income fund, managed according to a life cycle approach. AP7 also provides three other fund portfolios with varying risk/return profiles. The AUM of the equity fund and the fixed income fund per end of December 2017 amounted to approximately SEK 430 billion. Since inception, AP7's investments have outperformed the capital weighted returns of other active funds in the premium pension system.

The core exposure of the equity fund is a listed market-cap weighted equity portfolio. Furthermore, the portfolio contains a diversification away from market-cap weights in the form of e.g. emerging market and equity based risk premias. In addition, the fund has appointed a limited number of Private Equity and Active Alpha Managers. The benchmark of the equity fund is the MSCI All Country World Index (ACWI).

The fixed income portfolio is invested mainly in Swedish government and mortgage bonds.

With 35 employees, AP7 is a small and efficient organization that only manages assets internally in markets where it has the ability to be among the best. Given the size of the organization, the vast majority of the assets are being managed externally and AP7 aims to use the best fund managers, independent suppliers and consultants.

Further information about AP7, including organization and structure can be found at www.ap7.se/en.



3 Scope of the Procurement and specification of Assignment

3.1 Scope of the Active Alpha Management Procurement

AP7 is in the process of procuring the services from Active Alpha managers, ("Active Alpha Management Procurement") thus the need of Active Alpha Advice as described in this call for competition.

In the Active Alpha Management Procurement AP7 is looking for 6-10 managers that manage strategies in the category Long/Short Equity.

The managers appointed shall be able to meet potential needs of flexibility in terms of customization, geography and strategy.

The duration of the investment management agreements to be awarded in the Active Alpha Management Procurement (the "IMA") will be for a term of three (3) years with the option of two further extensions of two (2) years each. The quantity of scope in the IMA's is at the end of 2018 approximately 20 billion SEK in total, conditional upon the development of AP7's assets under management and assumptions of growth as well as stress testing and the regulatory framework.

3.2 Timetable for the Active Alpha Management Procurement

The advisor assignment under the Active Alpha Management Procurement (the "Assignment") shall start shortly after the contract has been signed and the timetable of the Active Alpha Management Procurement shall follow the steps indicated below in a negotiated procedure. It is important that the tenderer has the resources indicated in the tender available from the date below.

- 1) The procurement should be published by AP7 on ted.europa.eu -October 2018
- 2) Interested managers shall submit letters of interest at the latest on - November2018
- 3) A detailed RFP should be sent out to selected managers on, date – TBD
- 4) The short list for interviews shall be presented to AP7 on, date - TBD
- 5) Managers shall have been selected before, date - TBD
- 6) Contract negotiations shall be concluded before, date – TBD



3.3 Specification of the Assignment in this Procurement

In order for AP7 to carry out the Active Alpha Management Procurement, the Assignment includes;

- Advice on selection of Active Alpha managers (Long/Short Equity)
- Assistance in the negotiated procedure in line with EU-regulations and Swedish law
- Responsibility for the administration and necessary documentation in the procurement process
- Review and preparation of RFP
- Prepare electronic RFP and other required documents of use in the procurement process
- Identify long list of managers
- Present report on RFP result and identification of short list of managers
- Organize selection interviews
- Discussion of short list candidates and recommendations of finalists
- Assist in Operational Due Diligence sessions with finalists
- Assist with market intelligence on fee levels
- Assist in the finalisation of investment management agreements (the “IMA”). It being understood that AP7 together with its external legal counsel shall have the main responsibility for the negotiating and drafting of the IMA's
- Other services closely related to the services described above

4 Administrative regulations

4.1 Procurement procedure

The procedure for this Procurement will be an Open Procedure. The procurement process will be carried out in accordance with the Swedish Public Procurement Act (2016:1145) (LOU). LOU is based on the Directive 2014/24/EU of the European Parliament and of the Council.

4.2 Timetable for the Procurement

- 07/08/2018 – Publication on ted.europa.eu
- 03/09/2018 – Deadline for queries regarding this Procurement
- 13/09/2018 – Deadline for submitting tenders to AP7
- September 2018 – Final selection of tenderer, award decision and contract signing with selected tenderer



4.3 Mandatory requirements

All mandatory requirements in this Procurement document, which the tenderer must reply to in order to qualify for the Procurement, are marked shall in **bold** (“**shall**”).

Tenderers must fulfil all the mandatory requirements. Failure to meet all mandatory requirements will automatically lead to the tenderer being exempted from the procurement procedure.

4.4 How to submit your application

Tenders are to be submitted electronically to: advicealphatender@ap7.se

The tender must be received **no later than 23:59 PM CET 13/09/2018**.

Tenders **shall** be submitted in English. Official documents **shall** be submitted in English or Swedish. Official documents in other languages than English or Swedish **shall** be submitted with a translation to English or Swedish attached.

Note that the application **shall** be signed by an authorized signatory within the tenderers organization.

Tenderers **shall**, at the request of AP7, provide necessary documentation showing such person's/persons' right to sign for the tenderer.

4.5 Costs for participating in the Procurement

Tenderers will not be compensated for costs owing to the preparation of the tender.

4.6 Validity of the tenders

Tenders **shall** be binding until 2019-01-31.

4.7 Queries regarding the Procurement

Please contact advicealphatender@ap7.se for any queries regarding the Assignment or process issues. Where relevant, answers to individual queries will be anonymized and communicated to all tenderers. The final date for submitting queries is ten (10) calendar days before the last day for submitting the tenders. AP7 cannot guarantee that answers to queries received later than that date will be provided.



4.8 Contact at AP7

Contact person at AP7 regarding this assignment is;

Pontus von Essen
Senior Portfolio Manager
Phone: +46 8 412 26 82
Mobile: +46 722 44 15 29
Email: pontus.von.essen@ap7.se

4.9 Public access to information and secrecy

AP7 is a central government authority and its operations are therefore covered by the Swedish open government principle set out in the Swedish Public Access to Information and Secrecy Act (2009:400) (*Sw. offentlighets- och sekretesslagen*). Pursuant to said Act all documents that are being submitted to AP7 are normally accessible to any individuals who wish to see them.

During the procurement process, all documents and relevant information is subject to absolute procurement confidentiality according to chapter 19 section 3 paragraph 2 in the Swedish Public Access to Information and Secrecy Act. This means that no disclosure of such information can take place until a contract has been awarded or the procurement has been terminated for another reason.

After the procurement has been finalized (i.e after a contract has been signed or the procurement has been terminated) certain information, e.g. prices and trade secrets, *may* be kept in confidentiality however confidentiality cannot be guaranteed. Any party that wishes to take part in this Procurement must accept this condition in its co-operation with AP7.

A tenderer that wishes that certain parts of the tender should be confidential should specifically identify such information in the tender and the harm that such tenderer would incur should the information be disclosed.

4.10 Award decision

The award decision in the Procurement is taken by AP7 and will be announced to all tenderers before the procurement contract is signed.

4.11 Contract signing

The procurement contract will be signed at the earliest after the stand-still period according to Chapter 20 section 1 LOU has concluded, i.e. eleven (11) days after the award decision has been sent to all tenderers.



4.12 Termination of the Procurement

AP7 reserves the right to terminate the Procurement if there are objective reasons for doing so.

5 Exclusion grounds

Tenderers *will be* excluded from further participation in the procurement procedure if the tenderer is subject to one or more of the exclusion grounds in Chapter 13 section 1 and section 2 paragraph 1 in LOU.

Tenderers *may be* excluded from further participation in the procurement procedure if the tenderer is subject to one or more of the exclusion grounds in Chapter 13 section 2 paragraph 2 or section 3 in LOU.

Tenderers **shall** in their tenders confirm that no exclusion ground exists.

The confirmation may preferably be given by using the designated box below in the tender.

<p>It is hereby confirmed that the tenderer, as well as representatives for the company, are not subject to any of the circumstances listed in Exclusion grounds in the Procurement.</p>	<input type="checkbox"/> Yes
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Tenderers **shall**, at the request of AP7, provide proof that none of the circumstances specified in Chapter 13, sections 1-3 in LOU exists.

6 Qualification criteria

Tenderers will be evaluated in two stages. In the first stage, an evaluation will be made of whether the tenderer fulfils the conditions required below.

6.1 Conflicts of interest

It is important to AP7 that the work conducted under the Advice in Active Alpha Management contract is not affected by any potential conflict of interest. If any potential conflicts of interest exists within a tenderer, AP7 will incorporate contract provisions in the procurement contract to minimize the risk of such conflicts occurring. Such provisions may include, but are not limited to, secrecy, requirements for objective execution and so-called Chinese walls.

In order for AP7 to prepare the Advice in Active Alpha Management contract, tenderers **shall** in their tenders provide the following information:

- Ownership structure of the company



- A description of the company's asset management activities, if any
- A description of relations with potential competitors to AP7 within the premium pension system
- Any other information of relevance to an assessment of potential conflicts of interest

For clarification, the potential presence of a conflict of interest within a tenderer will not lead to the tenderer being disqualified from this Procurement. The requested information will rather constitute a basis for the future drafting of the contract. The tenderer shall accept reasonable provisions in the contract to address such above mentioned conflicts of interest situations, as determined by AP7.

6.2 Registration obligations

The tenderer **shall** fulfil requirements as set out under the laws in its home country and, if applicable, in Sweden with regard to registration.

The tenderer **shall** hold such registration and permissions which is required, and be authorized to supply services that are subject to this procurement.

Please note that AP7 may verify the information by requesting copies of registration certificates concerning the company in question from relevant Swedish or foreign authorities.

Tenderer **shall**, at the request of AP7, provide current documents if AP7 does not have the possibility of obtaining these itself.

Tenderers **shall** in their tenders confirm that these requirements are met.

The confirmation may preferably be given by using the designated box below in the tender.

It is hereby confirmed that the tenderer fulfils the requirements set out above regarding registration, permissions and authorization.

Yes

6.3 Financial capacity

The tenderer **shall** have a financial capacity that is sufficient for carrying out the services following this Procurement.

Tenderers **shall**, at the request of AP7, be able to prove that this requirement is met. If AP7 requires proof of this, such evidence **shall** be submitted by providing annual reports for the last preceding three (3) years or an explanation, for example through reference to an attestation from an auditor or suchlike, from which it may be deemed established that the tenderer possesses economic stability.



7. Evaluation stage

In a second stage, those tenderers that satisfy the mandatory requirements above will be evaluated on the following grounds.

AP7 will accept the most economically advantageous tender based on the best relation between price and quality according to the evaluation model described below.

7.1 Weighting

When evaluating the tenders, AP7 will take into account the following four evaluation criteria. Each of the criteria will be scored on a 0-5 basis as per the evaluation methodology outlined in the respective scoring methodology below. The final score of each tenderer is a weighted average according to the weights set out below. Following this stage of the Procurement, tenderers will be ranked and the tenderer with the highest overall score will proceed to the award stage.

	Criteria	Criteria Weighting (%)
a	Competence in the organisation in all relevant positions	30 %
b	Quality of relevant previous work	20 %
c	Ability to provide suitable resources for the Assignment	30 %
d	Price	20 %

7.2 Competence and Ability to carry out the assignment

Three of the criteria presented above, (a) Competence in the organisation in all relevant positions, (b) Quality of relevant previous work and (c) Ability to provide suitable resources for the Assignment, aim at evaluating the tenderers' general competence and ability to carry out the Assignment. "Competence" refers here to the collective relevant competence of those individuals who are primarily expected to work on the assignment for AP7.

In order for AP7 to evaluate the tenderers competence and ability to perform the assignment the tenderers shall, in their tender, provide the following information:

- The tenderer's number of years of experience in manager searches with special attention to mandates of similar features



- CVs of team members appointed to the project and a specification of what task, duties and involvement each of those members will have
- Detailed description of how the process will be organised
- Overview of the the analysis provided including investment due diligence and operational due diligence
- A description of any relevant similar assignments where the team members have been involved
- A description of how the tenderer works with assignments based on EU's procurements directives
- Examples of selection and review documents produced for previous assignments
- A list of three clients that the team members have worked with in the relevant area, including a list of references. Please note that AP7 may contact these references in order to confirm the information, hence, it is important that the references are aware of this.
- Other information that the tenderer wishes to include in its tender to be relevant information for AP7 in its selection of an Advisor

7.2.1 Evaluation of Competence and Ability to perform the assignment

AP7 will base the evaluation of the tenderers based on their Competence and Ability to perform the assignment on the following grounds:

Competence in the organisation in all relevant positions

- The aim of this criterion is to assess the tenderers' knowledge about Active Alpha Investments and ability to analyse managers' track record.

Quality of relevant previous work

- The aim of this criterion is to assess the tenderers' track record in similar assignments with the proposed team members.

Ability to provide suitable resources for the Assignment

- The aim of this criterion is to assess how the tenderers' will be able to structure the analysis and documentation throughout the process.



7.2.2 Scoring Methodology table for Competence and Ability to perform the assignment

As regards Competence and Ability to perform the Assignment tenderers will be evaluated using the scoring methodology described below.

Score	Description
0	Tender lacks sufficient information to assess Competence/Ability to perform the Assignment
1	Tender shows poor evidence of Competence/Ability to perform the Assignment
2	Tender shows limited evidence of Competence/Ability to perform the Assignment
3	Tender shows some evidence of Competence/Ability to perform the Assignment
4	Tender shows clear evidence of Competence/Ability to perform the Assignment
5	Tender shows convincing evidence Competence/Ability to perform the Assignment

7.3 Price

The fourth evaluation criterion aims at evaluating the tenderers' price for the Assignment. In order for AP7 to evaluate the tenderers' price, the tenderers shall, in their tender, provide the following information:

- Price for the Assignment, including all remuneration, fees and expenses

7.3.1 Evaluation of Price

AP7 will evaluate all tenderers' offered prices using the same methodology, regardless of payment model used by the tenderer. A tenderer's price (Price) that will be used in the scoring methodology described below will consist of the price for the Assignment.



7.3.2 Scoring Methodology table for Price

As regards Price, the tenders will be evaluated using the scoring methodology described below.

Score	Description
0	Tender lacks sufficient information to assess Price
1	The highest Price offered by a tenderer
5	The lowest Price offered by a tenderer

All offered prices in between the lowest and the highest Price offered by a tenderer will be scored based on a mathematical formula where the scores given are rounded to two decimal places according to the examples below.

Mathematical examples:

Example 1.

Tenderer A offers a Price in its tender of 4.1 units. Tenderer B offers the highest price in the Procurement, 10 units (1 point). Tenderer C offers the lowest price in the Procurement, 1 units (5 points). The point awarded to tenderer A will be 3.62.

Example 2.

Tenderer X offers a Price in its tender of 3.4 units. Tenderer Y offers the highest price in the Procurement, 4 units (1 point). Tenderer Z offers the lowest price in the Procurement, 2 units (5 points). The point awarded to tenderer X will be 2.2.