

NOTE: These minutes were approved and executed at the May 20, 2016 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
April 22, 2016**

Public Minutes

**New Hampshire Retirement System
54 Regional Drive
Concord, NH 03301**

Committee Members: Harold Janeway, *Chair*; David Jensen; Maureen Kelliher; and Hersh Sosnoff. Patrick O'Donnell, *absent*.

NHRS Trustees: Germano Martins.

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *Junior Investment Officer*; Ashley Lloyd, *Junior Investment Officer*.

NEPC: Kevin Leonard, *Partner and Senior Consultant*; and Sean Gill, *Partner*

Mr. Janeway called the meeting to order at 9:01 a.m.

On a motion by Mr. Sosnoff, seconded by Ms. Kelliher, the Committee unanimously approved the public minutes and the non-public minutes of the March 18, 2016 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Total Fund performance flash report for periods ending March 31, 2016. He discussed the returns of various managers and asset classes over multiple time periods. Mr. Leonard discussed manager performance over the past quarter, highlighting outperformance exhibited in March.

Mr. Johansen provided an overview of the Work Plan and updated the Committee on several initiatives. Mr. Johansen noted that the Work Plan for the first quarter of Fiscal Year 2017 has been added for the Committee's consideration. He commented that the Work Plan remains flexible and subject to change as the Committee deems appropriate.

On a motion by Mr. Jensen, seconded by Mr. Sosnoff, the Committee unanimously approved the Work Plan for the first quarter of Fiscal Year 2017, as presented.

The Committee discussed the presentation made by emerging markets equity manager Neuberger Berman at the March Committee meeting. Mr. Leonard reviewed Neuberger Berman's historical performance returns and ranking in the peer universe, noting their consistently strong performance relative to risk. On a motion by Mr. Jensen, seconded by Mr. Sosnoff, the Committee voted unanimously to extend the Investment Management Agreement with Neuberger Berman through April 2018.

Mr. Thomas Cole, Senior Executive Vice President, Co-Chief Investment Officer, and Portfolio Manager; Mr. Scott Weisenberger, Chief Executive Officer; and Mr. Matthew Swanson, Executive Vice President and Portfolio Manager, of Institutional Capital ("ICAP") provided a brief introduction of themselves and their firm. They referred to the "New Hampshire Retirement System" presentation dated April 22, 2016. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Weisenberger provided an overview of ICAP's team-based organizational structure, commented upon the firm's strategy of adding and retaining talent and discussed the previously announced upcoming retirement of Co-CIO and Portfolio Manager Jerrold Senser, confirming that the firm is well-positioned to handle his departure. Mr. Weisenberger reviewed the firm's investment strategy and verified that there were no significant changes to the firm. He discussed upcoming opportunities associated with the current market environment and ICAP's strategy for exploiting market inefficiencies.

Responding to questions from the Committee, Mr. Cole explained the unusual characteristics associated with the current market, noting recent disproportionate valuations between value and growth stocks. He discussed the portfolio's current value position and the opportunities generated within the value market as investors seek higher yields in a low interest rate environment. Mr. Cole detailed the anomalies created as a result of investor risk aversion and noted that flows into passive investments are developing attractive investment opportunities for active managers.

In response to questions from the Committee, Mr. Swanson provided an overview of the large cap value portfolio's holdings, detailing the firm's valuation process and commenting on the factors which make an investment attractive. He detailed sectors in which he sees attractive fundamental valuations and commented on portfolio positioning for the near future.

Dr. Bhaskaran Swaminathan, Partner and Director of Research; and Mr. Peter Young, Partner and Director of Client Portfolio Services, of LSV Asset Management (“LSV”) provided a brief introduction of themselves and their firm. They referred to the “New Hampshire Retirement System” presentation dated April 22, 2016. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Young provided an overview of portfolio performance for periods ending March 31, 2016, highlighting favorable performance in March. He reviewed LSV’s investment strategy and selection process, explaining that the firm’s quantitative approach and systematic execution allows for disciplined investing within the large cap value portfolio. Mr. Young discussed the firm’s assets under management and organizational structure, confirming there were no significant changes to comment upon.

Responding to questions from the Committee, Dr. Swaminathan discussed the current investment environment and market performance over previous time periods. He commented on the large spreads between the growth and value stocks and forthcoming opportunities to take advantage of those spreads. He discussed portfolio attribution and stock selection and the firm’s intention to add value to the portfolio during periods of underperformance. Dr. Swaminathan provided his opinion that value stocks are currently trading at attractive prices and shared an optimistic outlook on their potential performance in the future.

In his response to questions from the Committee, Mr. Young discussed LSV’s analysis and earnings projection strategy. He detailed factors which would cause the firm to change holdings within the portfolio, explaining how LSV is equipped to implement those changes. He noted that the firm’s long-term contrarian view allows for attractive returns based on its systematic investment strategy and that there are opportunities within the current market to execute that strategy. Mr. Young discussed the current macroeconomic environment and associated potential headwinds, explaining that the portfolio is strategically diversified to withstand such environments.

The Committee discussed the current structure of the System’s domestic equity portfolio. Mr. Leonard referred to NEPC’s “U.S. Equity Review” presentation, dated April 2016. He reviewed the current structure of the System’s domestic equity portfolio and discussed manager performance and strategy. A lengthy discussion with the Committee followed.

Responding to questions from the Committee, Mr. Leonard reviewed the dispersion between value and growth stock performance and shared his

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belief that there are upcoming favorable value-investing opportunities. He noted that recent portfolio underperformance can be attributed to the portfolio's small cap overweight and value bias and confirmed that NEPC is comfortable with the current portfolio structure. The Committee discussed the current economic environment and its potential impact on the domestic equity market.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the meeting adjourned at 11:48 a.m.