

NOTE: These minutes were approved and executed at the September 20, 2019 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
July 19, 2019**

Public Minutes

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

Committee Members: Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; Tim Lesko; and Keith Quinton.

NHRS Trustees: Dr. Richard Gustafson and Scott Myers.

Staff: George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Gerard Murphy, *Director of Finance*; Greg Richard, *Senior Investment Officer*; Shana Bilech, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

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

Ms. Kelliher called the meeting to order at 9:00 a.m.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the June 21, 2019 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the preliminary NEPC Total Fund performance flash report for periods ending June 30, 2019. He emphasized that this report is preliminary and that the final version will be available once all private market investment performance is available in late September or early October. He discussed the returns of various managers and asset classes over multiple time periods and updated the Committee on several initiatives, including the status of the rebalance of the fixed income portfolio as agreed upon by the Committee at its June meeting. He provided an update on the liquidation status of the GAM Fund and added that GAM will return over 100 cents on the dollar for liquidated assets, with a final distribution expected in late July 2019.

Mr. Johansen reviewed the Work Plan with the Committee, noting that the Plan has been updated to include the second quarter of Fiscal Year 2020. He reminded the Committee that the Plan remains flexible and subject to

change as the Committee deems appropriate. On a motion by Mr. Lesko, seconded by Mr. Quinton, the Committee unanimously approved the Work Plan for the second quarter of Fiscal Year 2020, as presented.

Ms. Elizabeth Smith, Senior Managing Director of Public Funds; and Mr. Eric Winograd, Senior Economist of Fixed Income of AB provided a brief introduction of themselves and their firm. They referred to the “US Economic Outlook” presentation dated July 19, 2019. A lengthy discussion with the Committee followed.

Mr. Winograd opened with an overview of the key macroeconomic issues in the current environment and the ways in which they have changed over the past six months. He noted that AB is not forecasting a global recession in the near-term, as inexpensive credit remains available throughout most of the global economy despite trade uncertainty. He further discussed trade uncertainty between China and the U.S. and the global economies most likely to be negatively impacted by a trade war, noting that a trade war is one of the primary risks to the global economy at this time. He closed by providing his views on inflation, interest rates, and global growth over the near-term.

Mr. Erik Knutzen, Managing Director; and Ms. Carter Reynolds, Managing Director of Neuberger Berman provided a brief introduction of themselves and their firm. They referred to the “Neuberger Berman Market Outlook – China and Trade” presentation dated July 19, 2019. A lengthy discussion with the Committee followed.

Mr. Knutzen opened with a discussion of his contrarian views on China. He highlighted the outsized Chinese on-shore bond market and the investment grade rating and high quality, attractive bond yield associated with those bonds. Mr. Knutzen discussed his outlook on the U.S./China trade conflict, noting that global trade conflict is expected to be a large part of the global economic landscape for the coming years and will persist beyond the U.S. election. He provided his expectations of slowing global growth and noted the significant impact growth within China and the U.S. will have on the global economy. He closed with a discussion on the growth of the China A-shares market and the opportunity to invest in China.

Mr. LaPlante and Ms. Clinton departed at 10:50 a.m.

Ms. Melissa Boissy, Senior Account Executive; and Ms. Lisa Emsbo-Mattingly, Director of Research of Fidelity Investments provided a brief introduction of themselves and their firm. They referred to the “Quarterly Market Update” presentation dated July 19, 2019. A lengthy discussion with the Committee followed.

Ms. Emsbo-Mattingly opened with a market outlook for the upcoming 12 – 18 month period. She discussed the positioning of China, U.S. and Europe in the current market cycle and their risks and expected impact on global growth. In her response to questions from the Committee, Ms. Emsbo-Mattingly discussed the expected impact of U.S. quantitative easing on the global economy during the upcoming round of rate cuts and the impact of decreased liquidity on central bank balance sheets. She highlighted trade tensions between the U.S. and China and noted that the countries are central players in a deeply intertwined global trade market. She emphasized demographic differences within developed and emerging markets and the likelihood of developed markets, with the exception of the U.S., to reduce productivity and grow at a much slower pace than emerging market economies over the next twenty years. She closed by providing her outlook on U.S. inflation.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the meeting adjourned at 11:53 a.m.