

**NOTE:** These minutes were approved and executed at the May 18, 2018 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
April 20, 2018**

**Public Minutes**

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

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

*NHRS Trustees:* Germano Martins.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *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. Jensen, seconded by Mr. Lesko, the Committee unanimously approved the public minutes of the March 23, 2018 Investment Committee meeting, as presented.

Ms. Kelliher updated the Committee on the status of the letter sent to the Senate ED&A Committee in opposition to HB 1603, noting the Board's Legislative Committee's 4 to 1 vote to support the opposition of the bill and that at the April Board of Trustees meeting, the Trustees decided to table the proposal to support the IIC's opposition to the bill. Given the Board's decision to table the matter, she explained that the most prudent course of action for the Committee is to withdraw the letter of opposition and send a follow up letter to the one sent earlier.

On a motion by Ms. Clinton, seconded by Mr. Jensen, the Committee voted unanimously to withdraw their letter of opposition to HB 1603. Ms. Kelliher directed Staff to send the letter soon after the conclusion of the IIC meeting.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Total Fund performance flash report for periods

ending March 31, 2018. He discussed the returns of various managers and asset classes over multiple time periods.

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 2019 has been added for the Committee's consideration and approval, adding that the Work Plan remains flexible and subject to change as the Committee deems appropriate. On a motion by Mr. Lesko, seconded by Mr. Jensen, the Committee unanimously approved the Work Plan for the first quarter of Fiscal Year 2019, as presented.

The Committee discussed the presentations by LSV Asset Management ("LSV") for the large-cap U.S. equity mandate and the core non-U.S. equity mandate managed on behalf of the System, as well as the presentation made by emerging markets equity manager Neuberger Berman at the March Committee Meeting.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee voted unanimously to renew the Investment Management Agreement for the large-cap U.S. equity mandate managed by LSV through June 30, 2020.

On a motion by Mr. Quinton, seconded by Mr. Jensen, the Committee voted unanimously to extend the relationship as it pertains to the non-U.S. equity mandate managed by LSV Asset Management through September 2020.

On a motion by Mr. Jensen, seconded by Mr. Lesko, the Committee voted unanimously to extend the investment relationship with Neuberger Berman through April 2020.

Mr. James Doyle, Fundamental Portfolio Manager; and Mr. Taylor Alan-Lee, Relationship Manager; of Causeway Capital Management ("Causeway") provided a brief introduction of themselves, their firm, and an overview of their firm's investment relationship with the NHRS. They referred to the "New Hampshire Retirement System" presentation dated April 20, 2018. A lengthy discussion with the Committee followed.

Mr. Alan-Lee opened with an update on the firm's philosophy and process, explaining that the firm's integration of both fundamental and quantitative analysis has resulted in consistently superior risk-adjusted returns. Mr. Doyle provided a detailed overview of Causeway's investment process and the integration of sector-specific team clusters into the composition of the International Value portfolio managed on behalf of the System, noting that each cluster focuses on analyzing stocks on a fundamental basis. He reviewed the firm's various risk screening

processes, referencing case studies of existing holdings within the portfolio as an example, noting that the composition of the portfolio can vary significantly from that of the benchmark due to the firm's rigorous selection process. Responding to questions from the Committee, Mr. Doyle discussed the various factors the firm evaluates on a fundamental and quantitative basis, optimization of the portfolio as it relates to the screening process, and portfolio turnover.

Mr. Doyle reviewed characteristics of the value-tilt portfolio and discussed their impact on attribution and performance and provided a thorough overview of the firm's selection process as it relates to the NHRS portfolio. He reviewed performance over various periods and discussed particular holdings which added to and detracted from performance, noting that the current market environment has not been conducive to returns over the first quarter of 2018. He noted the impact of rising interest rates on holdings has proven to be a temporary headwind to performance of the portfolio's high quality holdings resulting in expensive value holdings, a trend he does not expect to continue, and explained that the team remains convicted in their holdings. He discussed sectors the firm views as attractive and provided his outlook for performance and positioning as it relates to the composition of the portfolio, noting that the portfolio has been positioned to perform favorably in the current rising rate environment.

Mr. Aaron Anderson, Senior Vice President of Research; and Mr. Roman Knysh, Vice President and Portfolio Specialist; of Fisher Investments ("Fisher") provided a brief introduction of themselves and their firm. They referred to the "All Foreign Equity" presentation. A lengthy discussion with the Committee followed.

Mr. Knysh provided an overview of the firm, assets under management, and the firm's investment policy and process. Mr. Anderson offered a detailed review of Fisher's investment process, noting the firm's focus on macroeconomic trends and integration of differentiated thinking leads to favorable portfolio composition which sets the firm apart from its competition. He discussed the composition of the investment team and the role the Investment Policy Committee plays in making investment decisions. He discussed portfolio characteristics and the firm's sell discipline, noting the low turnover of names within the portfolio is representative of the firm's long-term investment horizon and conviction in their decisions.

In his response to questions from the Committee, Mr. Knysh reviewed portfolio attribution, noting the impact of country, sector, and stock selection on performance while discussing specific holdings which both added to and detracted from performance over recent periods. Mr. Anderson reviewed portfolio characteristics as compared to the

benchmark, explaining that positioning is consistently adjusted to adapt to the current market environment and added that the slight growth tilt of the portfolio is expected to favorably position the portfolio for the current environment. He discussed the firm's macroeconomic views and provided a detailed overview of the portfolio's strategic positioning to various sectors and countries, reviewing those which are expected to result in favorable performance. Mr. Anderson concluded the presentation by noting that he anticipates favorable performance in the near-term, adding that while he expects continued volatility, he doesn't expect inflation and trade to have a significant impact on market performance.

Mr. Michael Egan, Executive Vice President, Chief Credit Officer and Chief Operating Officer; and Mr. Jon Olstein, Managing Director, Marketing & Investor Relations; of Monroe presented a brief introduction of themselves and an overview of their firm and its direct lending fund, Monroe Capital Private Credit Fund III ("Fund III"). They referred to the "Monroe Capital Private Credit Fund III" presentation dated April 2018. A lengthy discussion with the Committee followed.

Mr. Olstein explained that Fund III is a re-up to existing Monroe funds in which NHRS invests, noting that the Committee made a \$50 million commitment to Monroe Capital Senior Secured Direct Loan Fund ("Fund I") in July 2013 and a \$50 million commitment to Monroe Capital Private Credit Fund II ("Fund II") in August 2015. Mr. Egan provided an overview of Monroe's strategy and the factors which differentiate the firm from other direct lending firms and the advantage of their due diligence process when sourcing deals. He provided a detailed overview of the firm's prescreening and rigorous due diligence process which results in sourcing highly selective, favorable and reliable investment opportunities. Mr. Egan discussed the roles of various individuals on the investment team, adding that segmenting roles into teams allows the firm to consistently monitor and execute deals effectively. He explained that Monroe is typically the sole lender on a majority of deals, noting loan terms generally do not last longer than five years.

Responding to questions from the Committee, Mr. Egan discussed competition in the lower middle-market and the methods by which the firm sources potential deals. Mr. Egan discussed the expected impact of pricing pressures on the market and deal origination. Mr. Olstein reviewed terms for Fund III and provided an overview of performance for Funds I and II, noting Fund III is expected to exhibit performance similar to previous Funds in which NHRS has invested. He noted Fund III's smaller target fund size of \$800 million is similar to Fund II which will allow the team to deploy capital and focus on deal origination.

NHRS Independent Investment Committee  
April 20, 2018

The Committee discussed the Monroe presentation and the opportunity to invest in Monroe Capital Private Credit Fund III.

On a motion by Mr. Quinton, seconded by Mr. Lesko, the Committee unanimously agreed to commit \$50 million to Monroe Capital Private Credit Fund III Unlevered Vehicle, subject to contract and legal review. Mr. Johansen confirmed that NHRS has been offered a seat on the Advisory Board.

On a motion by Mr. Quinton, seconded by Mr. Jensen, the meeting adjourned at 11:45 a.m.