

**NOTE:** These minutes were approved and executed at the March 24, 2017 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
February 24, 2017**

**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:* Dr. Richard Gustafson.

*Staff:* Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; 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*.

Mr. Janeway called the meeting to order at 9:00 a.m.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously approved the public minutes of the January 20, 2017 Investment Committee meeting, as presented.

On a motion by Senator Janeway, seconded by Mr. Sosnoff, the Committee unanimously voted to appoint Ms. Maureen Kelliher as Chair of the Independent Investment Committee, effective March 24, 2017.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending January 31, 2017. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. He noted that the transition of assets from the large-cap U.S. equity portfolio formerly managed by Institutional Capital to the S&P 500 index account managed by BlackRock had been completed; explaining that the transition went very smoothly and total trading costs were lower than projected. He added that the transition of the System's assets from the GMO Foreign Small Companies Fund to Segall, Bryant

and Hamill's International Small Cap Collective Investment Trust was finalized in early February.

Ms. Jessica Archibald, Managing Director; and Mr. Garth Timoll, Sr., Managing Director; of Top Tier Capital Partners ("Top Tier") presented a brief introduction of themselves and an overview of their firm and its secondaries fund, Venture Velocity Fund 2 ("VVF 2"). They referred to the "Venture Velocity Fund 2" presentation. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Ms. Archibald provided a detailed overview of Venture Velocity Fund ("VVF"), the firm's co-investment and secondaries fund in which NHRS currently invests. She explained that VVF comprises approximately 250 companies with approximately 50 companies driving fund value, noting the fund avoided the J-curve and began distributing capital shortly after it was established. Ms. Archibald noted VVF continues to perform well and the team continues to find liquidity options, adding that the fund's re-up, VVF 2, is expected to provide lower risk venture exposure with the same focus and targeted approach as VVF. Ms. Archibald noted Top Tier's niche focus and ability to form and maintain business relationships provides the firm with a competitive advantage within the secondaries and co-investments markets.

Responding to questions from the Committee, Ms. Archibald reviewed terms for VVF 2, indicating that approximately \$225 million has been committed to the fund at this time, adding that the fund experiences continued investor interest. Mr. Timoll noted that the fund's secondaries component, comprising approximately 70% of the fund, expects a return of cost within two to three years. He highlighted the advantages of the firm's proprietary database when sourcing and pricing investment opportunities. He added that the firm continues to see increased deal flows within the market, allowing the firm the ability to adhere to their investment thesis and the opportunity to be selective when making investment decisions. Ms. Archibald reviewed the fund's seven year term structure with up to three one-year extensions, noting the first close is expected to take place by the end of the first quarter of 2017.

The Committee discussed the presentation made by Top Tier and the opportunity to invest in VVF 2. On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously voted to commit \$25 million to VVF 2, subject to contract and legal review. Mr. Johansen confirmed that NHRS is in discussions regarding a seat on the Advisory Board.

Mr. James Gordon, Managing Partner; Mr. Gregory Jones, Partner; and Mr. Stephen Natali, Partner; of Edgewater Growth Capital Partners ("Edgewater") presented a brief introduction of themselves and an

overview of their firm and its buyout fund, Edgewater Growth Capital Partners Fund IV, L.P., (“EGCP IV”). They referred to the “Edgewater Growth Capital Partners” and “The Edgewater Funds” presentations dated January and February 2017, respectively. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Gordon provided an overview of Edgewater Growth Capital Partners Fund III, L.P., (“EGCP III”), the fund in which NHRS currently invests. He noted that the firm’s long-term strategy for fund EGCP IV is similar to EGCP III, allowing the firm the opportunity to build investment value over time to maximize valuations and exit opportunities. Mr. Gordon reviewed the firm’s acquisition strategy, noting the importance of completing acquisitions with low leverage to generate cash returns with the goal of returning investment platforms to market at high multiples.

Responding to questions from the Committee, Mr. Natali and Mr. Jones offered case studies of investment platforms within the fund, noting the ability of the firm to organically grow these companies over time. Mr. Natali explained the investment thesis and acquisition process associated with building out these companies, commenting on the firm’s “buy and build” mentality and the ability of the firm to source various deals to expand its business. He discussed the firm’s strategy of avoiding barriers to growth to improve performance and drive business acquisition activity. Mr. Jones discussed the role customer loyalty plays in the strength and stability of these businesses, reviewing various metrics proving the firm’s conviction and growth in their initial investment company platforms. Mr. Gordon closed by providing an overview of the investment pipeline for EGCP IV.

The Committee discussed the presentation by Edgewater and the opportunity to invest in EGCP IV. In response to questions from the Committee, Mr. Gill discussed Edgewater’s previous performance and why NEPC recommends investing in EGCP IV.

On a motion by Mr. Jensen, seconded by Ms. Kelliher, the Committee unanimously voted to commit \$50 million to EGCP IV, subject to contract and legal review. Mr. Johansen confirmed that NHRS is in discussions regarding a seat on the Advisory Board.

Mr. Ian Leverich, Senior Vice President of Sales and Client Services of Abel/Noser Corporation (“Abel/Noser”) provided a brief introduction of himself, his firm, and an overview of the services Abel/Noser provides to the System. He referred to the “New Hampshire Retirement System Transaction Cost Analysis” presentation for the calendar year 2016. A lengthy discussion with the Committee followed.

In his response to questions from the Committee, Mr. Leverich updated the Committee on Abel/Noser's recent acquisition by Estancia Capital Partners in October 2016, noting the transition was seamless and that both teams are highly satisfied with the move. He provided a brief overview of Abel/Noser's analysis methodology, noting that the firm segments the universe to identify the manager's trading style to obtain the most accurate trading cost comparisons. He noted the importance of monitoring trading cost and execution, adding that NHRS's monitoring directly factors into each manager's favorable performance.

Responding to questions from the Committee, Mr. Leverich provided details on Abel/Noser's calculation of trading costs, adding that NHRS's active U.S. equity managers, passive U.S. equity manager, and active non-U.S. equity managers all outperformed their respective universe benchmarks for the year ending December 31, 2016. He noted that NHRS active U.S. equity manager total trading costs outperformed for the year, both adding value and reducing costs relative to the benchmark, while passive U.S. equity manager BlackRock maintained low commission and strong execution costs, remaining consistent with previous exemplary performance. Mr. Leverich noted the System's non-U.S. equity managers had slightly higher costs than average but were offset by very strong execution costs, an impressive accomplishment due to the esoteric market in which those managers trade, reflecting a total trading cost lower than that of the benchmark.

The Committee discussed the macroeconomic presentations made by AB, Manulife, Neuberger Berman, and NEPC at its January Committee meeting.

On a motion by Mr. Sosnoff, seconded by Ms. Kelliher, the meeting adjourned at 11:55 a.m.