

NOTE: These minutes were approved and executed at the July 21, 2017 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
June 16, 2017**

Public Minutes

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

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

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: Doug Moseley, *Partner*; 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. O'Donnell, the Committee unanimously approved the public minutes of the May 19, 2017 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending May 31, 2017. He discussed the returns of various managers and asset classes over multiple time periods, reviewed the Work Plan, and updated the Committee on several initiatives. Mr. Johansen provided an overview of the upcoming July macroeconomic-focused Committee meeting. The Committee tentatively agreed that there will be no Committee meeting held in August unless they agree at the July meeting that a meeting is needed.

On a motion by Mr. Quinton, seconded by Mr. O'Donnell, the Committee unanimously agreed to commit \$50 million to Crescent Direct Lending Levered Fund II, pending NEPC approval and subject to contract and legal review. Mr. Johansen confirmed that NHRS expects to be offered a seat on the Advisory Board.

The Committee discussed the presentation made by Brandywine. On a motion by Mr. Quinton, seconded by Mr. O'Donnell, the Committee voted unanimously to renew the Investment Management Agreement with Brandywine through August 31, 2019.

On a motion by Mr. Quinton, seconded by Mr. O'Donnell, the Committee voted unanimously to renew the Investment Management Agreement with Loomis Sayles through August 31, 2019.

Mr. Anthony Frammartino, Principal; Mr. Tony Pietro, Principal and Portfolio Manager; and Mr. Joe Davenport, Vice President; of The Townsend Group ("Townsend") provided a brief introduction of themselves and their firm, an update on the Fiscal Year 2017 Investment Plan, and presented the Fiscal Year 2018 Investment Plan for the Committee's consideration. They referred to the "New Hampshire Retirement System" presentation dated June 16, 2017. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Frammartino provided an organizational update, noting the merger between NorthStar Asset Management Group, Inc., NorthStar Realty Finance, and Colony Capital to create Colony NorthStar had closed in the first quarter of 2017, adding that Townsend negotiated an operating agreement with Colony NorthStar to protect the proprietary information of its clients and investment partners and retain independence in its daily operations, investment decisions, and client interactions. He explained that Morgan Stanley is retained as an advisor to assist in evaluating strategic options for the company which will allow Townsend the autonomy to invest according to their strategy, noting that the evaluation process is expected to be finalized in late 2017. Mr. Frammartino stated that he will continue to update NHRS on any changes as they become available. He provided an update on the firm's global real asset platform, adding that Townsend has experienced increased investor interest in Japanese markets.

Responding to questions from the Committee, Mr. Pietro provided an overview of Townsend's discretionary Real Estate relationship as it pertains to NHRS, the guidelines under which the manager invests, long term drivers of performance, and portfolio positioning. He discussed the goals associated with the Fiscal Year 2017 Investment Plan, confirming that the firm achieved each of the three projected goals over the course of the year. Mr. Davenport provided a thorough overview of an investment the team initiated in Fiscal Year 2017, discussing Townsend's role in establishing the deal as well as the ways in which the fund's low risk level is projected to contribute to performance. Mr. Pietro reviewed the portfolio's current profile and upcoming goals for FY 2018, including commitments to new investments, revised strategic style sector guidelines, and the goal of continuing to evaluate and add to the portfolio's strategic investment holdings. Responding to questions from the Committee, Mr. Frammartino provided an overview of the markets in which Townsend sees the most investment opportunity and their relation to each of the strategies within the portfolio. He closed by discussing

ways in which returns and risk are measured in the System's tactical and strategic portfolios and the benefits associated with investing with Townsend.

The Committee discussed the presentation made by Townsend. On a motion by Mr. O'Donnell, seconded by Mr. Quinton, the Committee unanimously agreed to approve The Townsend Group's Fiscal Year 2018 Investment Plan.

Mr. Sean Gill, Partner; of NEPC referred to the "Private Equity & Private Debt Mid-Year Portfolio Review" presentation dated June 16, 2017 and provided a detailed overview of the System's asset allocation of the private debt and private equity assets of the NHRS portfolio as of December 31, 2016. He discussed NEPC's private equity market thoughts and recommendations for each of the private equity strategies, supported by recent themes observed in fundraising, deal and exit volume, and relative returns at December 31, 2016 over various time periods.

In response to questions from the Committee, Mr. Gill reviewed returns over various time periods, highlighting the extremely favorable performance experienced since the private equity & private debt program's restart in 2009. He discussed target allocations for the portfolio's private debt and private equity assets and discussed the relationship and impressive returns of the portfolio's assets relative to its peers, noting that the portfolio continues to exceed expectations and add value to the total Fund. He presented a comprehensive analysis of commitments within the portfolio, highlighting performance metrics and factors affecting underperformance or outperformance as needed, commenting on a small minority of funds experiencing challenged performance and the reasons for their lagging returns. Mr. Gill closed by discussing market conditions and NEPC's strategy and outlook for the near future, adding that he does not expect significant changes to the portfolio at this time.

On a motion by Mr. O'Donnell, seconded by Mr. Quinton, the meeting adjourned at 10:53 a.m.