

**NOTE:** These minutes were approved and executed at the July 20, 2018 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
June 22, 2018**

**Public Minutes**

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

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

*NHRS Trustees:* Dr. Richard Gustafson.

*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. Lesko, seconded by Mr. Jensen, the Committee unanimously approved the public minutes of the May 18, 2018 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent time periods, referring to the NEPC Marketable Investments performance flash report for periods ending May 31, 2018. 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. The Committee tentatively agreed to postpone the August Committee meeting unless it is determined at the macroeconomic-focused July meeting that a meeting is necessary.

Mr. Johansen notified the Committee that NEPC downgraded the Emerging Markets Equity Small Cap product in which the System invests, managed by Aberdeen Asset Management, due to performance. Mr. Leonard provided further detail and explained that he does not recommend an exit of the investment at this time; NEPC and NHRS Investment Staff will closely monitor the manager and will promptly notify the Committee of any changes to their recommendation.

Mr. Johansen provided the Committee with an update on the status of the rebalance of the domestic equity portfolio, noting Staff has implemented the agreed-upon plan, which is progressing on schedule. He confirmed that he would keep the Committee apprised as to the status of the rebalance.

The Committee discussed the presentation made by core non-U.S. equity manager Artisan Partners (“Artisan”) at the May Committee meeting. On a motion by Mr. Jensen, seconded by Mr. Quinton, the Committee unanimously agreed to renew the Investment Management Agreement with Artisan through September 30, 2020.

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 2018 Investment Plan, and presented the Fiscal Year 2019 Investment Plan for the Committee’s consideration. They referred to the “New Hampshire Retirement System” presentation dated June 2018. A lengthy discussion with the Committee followed.

Mr. Frammartino opened the discussion with a thorough overview of the firm, a history of their 20+-year relationship with NHRS, and the services the firm provides. He offered an organizational update, noting Aon’s acquisition of Townsend closed as expected in early 2018. He confirmed that the acquisition has provided Townsend with the autonomy they need to continue to service clients and make investment decisions as they have done historically, adding that there will be no disruption to the NHRS relationship.

Mr. Pietro provided an update of the discretionary Real Estate portfolio the firm manages on behalf of the System, noting performance has been favorable and that the portfolio remains in compliance with its guidelines. He discussed the transformation of the program since its inception in 2009 and commented upon the variety of funds the portfolio contains, noting the program is now highly diversified. He reviewed progress of the three goals set forth for the Fiscal Year 2018 Investment Plan, confirming the firm has achieved or exceeded each goal over the course of the year. Mr. Davenport provided a detailed overview of a selection of recently initiated investments and discussed the investment thesis and performance expectations for each.

Responding to questions from the Committee, Mr. Pietro reviewed the portfolio’s current investment profile and upcoming goals for FY 2019, noting that he expects increased investment realizations as the program matures. Mr. Frammartino provided an overview of the markets in which Townsend expects to find 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. Quinton, seconded by Mr. Jensen, the Committee unanimously agreed to approve The Townsend Group's Fiscal Year 2019 Investment Plan.

Mr. Sean Gill, Partner; of NEPC referred to the "Private Equity & Private Debt Mid-Year Portfolio Review" presentation dated June 2018 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, 2017. He discussed NEPC's private market thoughts and recommendations for each of the private market strategies, supported by recent themes observed in fundraising, deal and exit volume, and relative returns at December 31, 2017 over various periods.

In response to questions from the Committee, Mr. Gill reviewed returns over various periods, highlighting favorable performance experienced since the private equity & private debt program's restart in 2009. He provided a detailed review of a handful of outlier funds that are off to a slower start than anticipated, noting the reasons for underperformance and his conviction and long-term expectations for each of the funds. He reviewed valuations and fund rankings by vintage year, noting that a majority of funds are meeting or exceeding expectations. He discussed the expected pacing schedule of the private debt and private equity portfolio and its allocation relative to the entire NHRS portfolio.

Mr. Gill discussed target allocations for the portfolio's private debt and private equity assets and discussed the relationship and 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 performance. Mr. Gill closed by discussing market conditions and the impact of tax reform on private equity and the expected impact to the System's portfolio. He reviewed NEPC's strategy and outlook for the near future, adding that he does not expect significant changes to the portfolio at this time.

Mr. Johansen and Ms. Kelliher congratulated Mr. Jensen on his retirement from the Independent Investment Committee and thanked him for his lengthy period of service on the Committee and the impact he had on the New Hampshire Retirement System. Mr. Jensen discussed his tenure on the Committee and offered his gratitude and appreciation to the Committee members and staff.

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On a motion by Mr. Jensen, seconded by Mr. Lesko, the meeting adjourned at 11:03 a.m.