

NOTE: These minutes were approved and executed at the November 20, 2020 Independent Investment Committee meeting.

**Independent Investment Committee Meeting
October 23, 2020**

Public Minutes

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

Committee Members (by video conference): Maureen Kelliher, *Chair*; Christine Clinton; Daniel LaPlante; Tim Lesko; and Mike McMahon. Keith Quinton; *absent*.

Staff (by video conference): George Lagos, *Executive Director*; Tim Crutchfield, *Deputy Director and Chief Legal Counsel*; Larry Johansen, *Director of Investments*; Greg Richard, *Senior Investment Officer*; Shana Bilech, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

NEPC (by video conference): Kevin Leonard, *Partner and Head of Public Fund Practice Group*; Sean Gill, *Partner and Director of Private Markets Research*; and John Lutz, *Senior Research Analyst*.

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

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee approved the public and the non-public minutes of the September 18, 2020 Investment Committee meeting, as presented, by roll call vote.

Mr. Johansen reviewed the Work Plan and updated the Committee on several initiatives. Mr. Johansen reminded the Committee that the Work Plan remains flexible and subject to change as the Committee deems appropriate. On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously approved the Work Plan for the third quarter of Fiscal Year 2021, as presented, by roll call vote.

Mr. Johansen discussed the recently issued Institutional Proxy Voting Vendor Survey, noting that responses have been received from the two prospective candidates. He referenced the "Institutional Proxy Voting Vendor Recommendation" memo dated October 23, 2020, and a discussion with the Committee followed. On a motion by Ms. Clinton, seconded by Mr. Lesko, the Committee unanimously voted to recommend that the Board of Trustees retain ISS Proxy Voting to serve as NHRS' Institutional Proxy Voting Vendor for a term of five years, with the ability

to extend the contract for three one-year periods, beginning December 1, 2020, subject to contract and legal review, by roll call vote.

Mr. Johansen reviewed investment returns through recent time periods, referring to the final NEPC Total Fund performance flash report for the period ending June 30, 2020. He discussed the returns of various managers and asset classes over multiple periods, noting that the Fund's net-of-fees return of 1.1% for the Fiscal Year-ended June 30, 2020 ranked in the bottom quartile relative to peers. Fiscal Year 2020 underperformance was largely a result of the domestic equity portfolio's value bias and overweight allocation to small and mid-cap holdings, as well as an underweight allocation to U.S. Treasuries within the fixed income portfolio. Over the longer-term, the 10-year net-of-fees return of 8.7% outperformed the NHRS assumed rate of return of 6.75% and ranked in the top quartile relative to peers. The portfolio has been structured to outperform its assumed rate of return over longer-term periods. Mr. Johansen also provided an update on asset allocation and liquidity, with particular focus on funding requirements for pension and benefit payments over the next 30 to 90 days.

Mr. Johansen referenced the "Proposed 2021 Investment Committee Meeting Schedule" memo dated October 23, 2020. The Committee discussed the schedule, which is to be presented for approval at the November Committee meeting.

Mr. Kevin Leonard, Partner and Head of Public Fund Practice Group; and Mr. John Lutz, Senior Research Analyst; of NEPC referred to NEPC's "International Equity Manager Search" presentation dated October 2020 and discussed the structure of the NHRS non-U.S. equity portfolio. They provided an overview of Aristotle and Lazard and commented upon the ways each manager could potentially complement the NHRS portfolio.

Mr. Geoffrey Stewart, Principal and Portfolio Manager; Mr. Aylon Ben-Schlomo, Principal and Client Portfolio Manager; and Ms. Keri Hepburn, Senior Vice President; of Aristotle Capital Management provided an overview of themselves and their firm. They referred to the "International Equity" presentation dated October 23, 2020. A discussion with the Committee followed.

Ms. Hepburn opened with an overview of the firm's investment strategy and its private equity approach to public markets. Mr. Ben-Schlomo highlighted the firm's only investment team, noting the dedicated structure results in depth and diversity in talent. He explained the firm's investment philosophy, noting the role quality, valuation and catalysts play when buying a business. Mr. Stewart provided a case study of a company held within the portfolio and discussed the team-based approach used to analyze holdings. He reviewed the portfolio guidelines and added

that the team takes a maximum position in each holding, an example of the team's conviction in the companies held within the portfolio. Mr. Stewart discussed the process by which holdings are sold from the portfolio. Ms. Hepburn closed with a review of performance, noting the portfolio's history of outperforming in up markets and protecting capital in down markets.

Mr. Mark Little, Managing Director and Portfolio Manager; Mr. Michael Bennett, Managing Director and Portfolio Manager; and Ms. Megan Costa, Director, Institutional Business Development and Relationship Management; of Lazard Asset Management provided an overview of themselves and their firm. They referred to the "Lazard International Strategic Equity" presentation dated October 23, 2020. A discussion with the Committee followed.

Ms. Costa opened with an overview of the firm's culture, noting the strength displayed by the long tenure and track record of investment professionals at the organization. She provided an overview of the core international portfolio and the ways in which it would complement the NHRS portfolio. Mr. Bennett discussed the consistency of the portfolio's team, philosophy and process. He reviewed the strategy's investment objectives, noting that the strategy outperforms in both challenging and fundamentally driven markets. Mr. Little offered examples of companies held within the portfolio and reviewed the selection process used by the team to identify market inefficiencies, noting the role compounders, mispricing, and restructuring play in the decision to invest in a company. Mr. Bennett closed with a discussion on the strategy's performance and attribution over longer periods. Mr. Little discussed the use of ESG and explained that the team integrates ESG analysis into portfolio construction.

On a motion by Mr. LaPlante, seconded by Mr. Lesko, the Committee unanimously voted to convene into non-public session under RSA 91-A:3, II(c) for the purpose of discussing a matter which, if discussed in public, would likely affect adversely the reputation of a person other than a member of the public body, by roll call vote.

The Committee discussed the non-U.S. equity presentations made by Lazard and Aristotle. Mr. Johansen updated the Committee on Apollo.

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee unanimously voted to conclude the non-public session, by roll call vote.

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee unanimously voted to terminate the System's investment in the LSV International Large Cap Value fund and hire Lazard and Aristotle, equally

dividing assets between the two managers, subject to contract and legal review, by roll call vote.

Mr. Sean Gill, Partner; of NEPC introduced CarVal and provided an overview of NHRS's investments in previous CarVal funds. He discussed NEPC's conviction in CarVal and CarVal Investors Credit Value Fund V ("Fund V").

Mr. Lucas Detor, Managing Principal; and Ms. Kerry Fauver, Managing Director; of CarVal provided a brief introduction of themselves and their firm. They referred to the "CVI Credit Value Fund V" presentation dated October 23, 2020. A discussion with the Committee followed.

Ms. Fauver opened with an overview of Fund V and the previous funds in which NHRS currently is invested, CarVal Investors Credit Value Funds III and IV. Mr. Detor provided an overview of the CarVal investment philosophy, noting the team's integrated approach to fund construction, with a focus on corporate securities, loan portfolios, structured credit, and hard assets. He reviewed performance and metrics for previous funds and discussed the ways the team manages and sources new ideas. He closed by highlighting the firm's conviction in the current market, providing examples of the places in which the team is finding new opportunities.

Mr. Sean Gill, Partner; of NEPC introduced Industry Ventures and provided an overview of NHRS's investments in previous Industry Ventures funds. He discussed NEPC's conviction in Industry Ventures and Industry Ventures Secondaries Fund IX ("Fund IX").

Mr. Hans Swildens, Founder and CEO; and Mr. Justin Burden, Senior Managing Director; and Ms. Alex Adam, Vice President, Head of Investor Relations; of Industry Ventures provided a brief introduction of themselves and their firm. They referred to the "Industry Ventures Secondary IX, L.P." presentation dated October 23, 2020. A discussion with the Committee followed.

Mr. Swildens opened with an overview of Fund IX and the previous secondaries funds in which NHRS is currently invested, Industry Ventures Secondaries Funds VI and VII. Mr. Burden noted the advantage gained by the firm's flexibility in investing, allowing them to pivot to gain exposure to deals in non-conventional marketplaces. He reviewed investment sourcing, noting that approximately half of investments within the fund are a sourced as a result of the fund's proprietary research process. Mr. Swildens discussed the dislocation to the market and portfolio investments created as a result of Covid-19, adding that the unique opportunity provides the opportunity to purchase businesses at a discount. Ms. Adam closed with an overview of the fund terms.

The Committee discussed the presentation made by CarVal and the opportunity to invest in Fund V. On a motion by Ms. Clinton, seconded by Mr. LaPlante, the Committee unanimously voted to commit \$50 million to Fund V, subject to contract and legal review, by roll call vote.

The Committee discussed the presentation made by Industry Ventures and the opportunity to invest in Fund IX. On a motion by Mr. Lesko, seconded by Mr. LaPlante, the Committee unanimously voted to commit \$50 million to Fund IX, subject to contract and legal review, by roll call vote.

On a motion by Mr. LaPlante, seconded by Ms. Clinton, the Committee unanimously voted to adjourn the meeting, by roll call vote.

The meeting adjourned at 12:23 p.m.