



NHRS

New Hampshire Retirement System

Independent Investment Committee's Quarterly Report to the Board February 10, 2026



NHRS

New Hampshire Retirement System

Discussion Topics

- Asset Allocation and Portfolio Structure
- Investment Performance
- Universe Comparisons
- Investment Expenses by Asset Class

Key Observations

NHRS Pension Plan

Asset Allocation and Portfolio Structure

- Overall, the Fund's asset allocation was within the permissible Policy ranges at quarter-end. The Fund's allocation to defensive positions, including fixed income and cash, represented 24.1% of total assets. The fixed income allocation was 22.8%, below the policy's 25% target but within the policy's 20%-30% range. The Fund had an overweight to global equity and alternatives relative to target and an underweight position to real estate.

Investment Performance

- The Fund had a gross return of 3.59% over the first quarter of Fiscal Year 2026, underperforming the market benchmark return of 5.73% and ranking in the 86th percentile of its peers. On a net-of-fees basis, the Fund returned 3.45%.
 - The Alternative Assets and Global Equity portfolios detracted most from relative performance over the quarter. By definition, the Alternative Assets portfolio will not keep up with the benchmark during high momentum markets given the public market benchmark proxies that are used to measure the performance of this component of the portfolio.
 - By contrast, the Fixed Income and Real Estate portfolios contributed to performance.
- Overall, performance is competitive relative to both benchmarks over longer periods measured. The Fund outperformed the peer group median over the long term, ranking in the top 28% of peers for the trailing 10-year period. Over the last 25 years, the Fund's performance slightly trailed the benchmark and ranked in the 50th percentile of peers.
- The Fund exhibits attractive risk-adjusted performance, as measured by the Sharpe Ratio over the last five years. In addition, relative risk-adjusted scores, as measured by the Excess Return Ratio, are also strong. Both of these ratios ranked in the top 34% of peers.

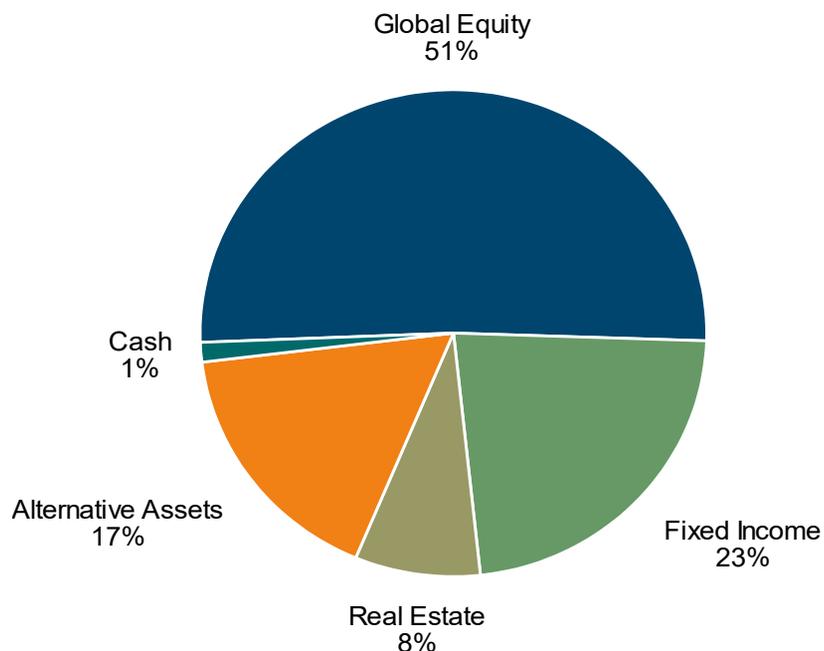
Other Developments

- Callan and the NHRS Investment Team are working closely to implement the recently approved asset allocation strategy and reevaluate the global equity manager structure.

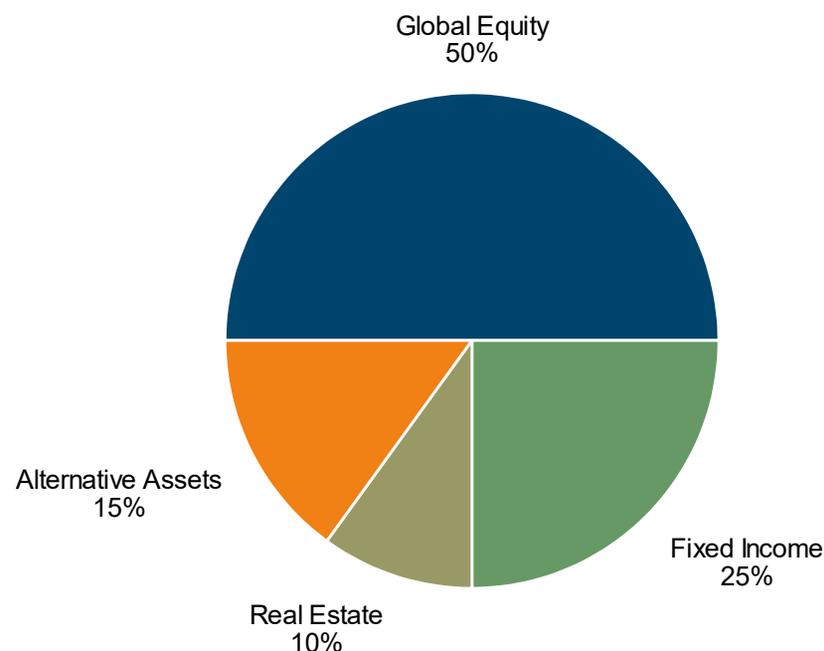
Total Fund

Actual Asset Allocation vs. Target as of September 30, 2025

Actual Asset Allocation



Target Asset Allocation



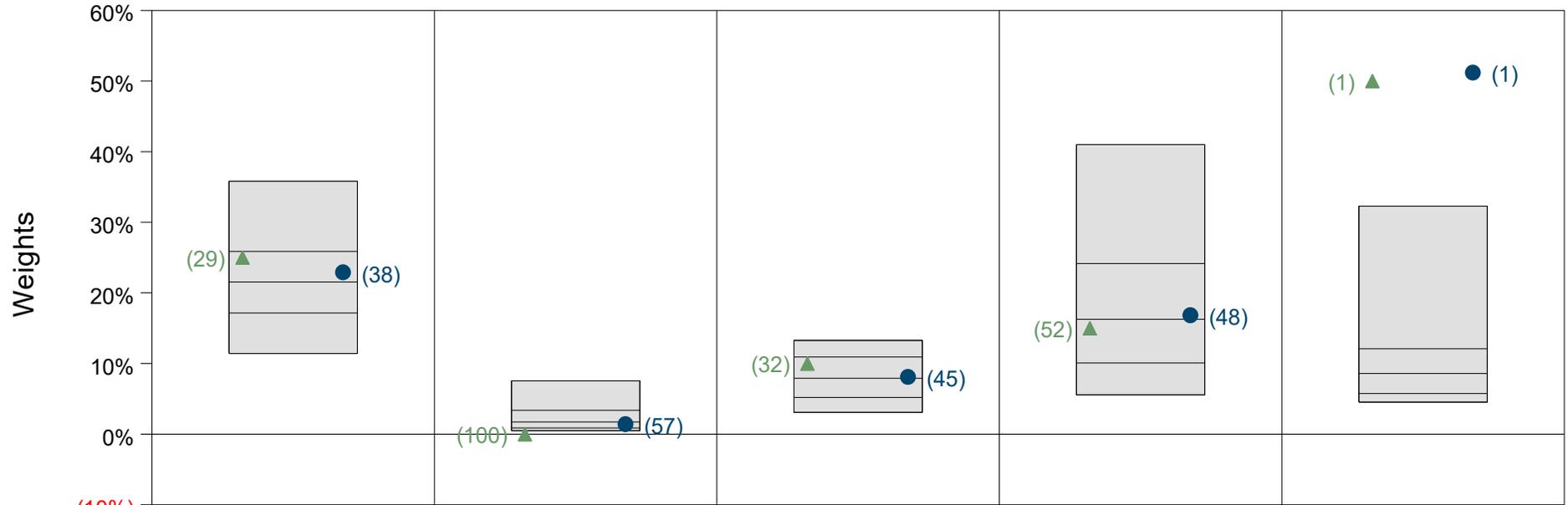
Asset Class	\$Millions Actual	Weight Actual	Target	Percent Difference	\$Millions Difference
Global Equity	7,028	51.1%	50.0%	1.1%	150
Fixed Income	3,138	22.8%	25.0%	(2.2%)	(301)
Real Estate	1,103	8.0%	10.0%	(2.0%)	(273)
Alternative Assets	2,305	16.8%	15.0%	1.8%	242
Cash	182	1.3%	0.0%	1.3%	182
Total	13,756	100.0%	100.0%		

*Current Quarter Target = 50.0% MSCI ACWI IMI, 25.0% Bloomberg Universal, 10.0% NCREIF NFI-ODCE Value Weight Net lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Bloomberg High Yield Corp lagged 3 months+1.0% and 2.5% MStar LSTA Lev Loan 100 lagged 3 months +1.0%.

Total Fund

Actual Asset Allocation vs. Large Public DB Plan (>\$1B) Peer Group, as of September 30, 2025

Asset Class Weights vs Callan Public Fund Spons - Large (>1B)



(10%)

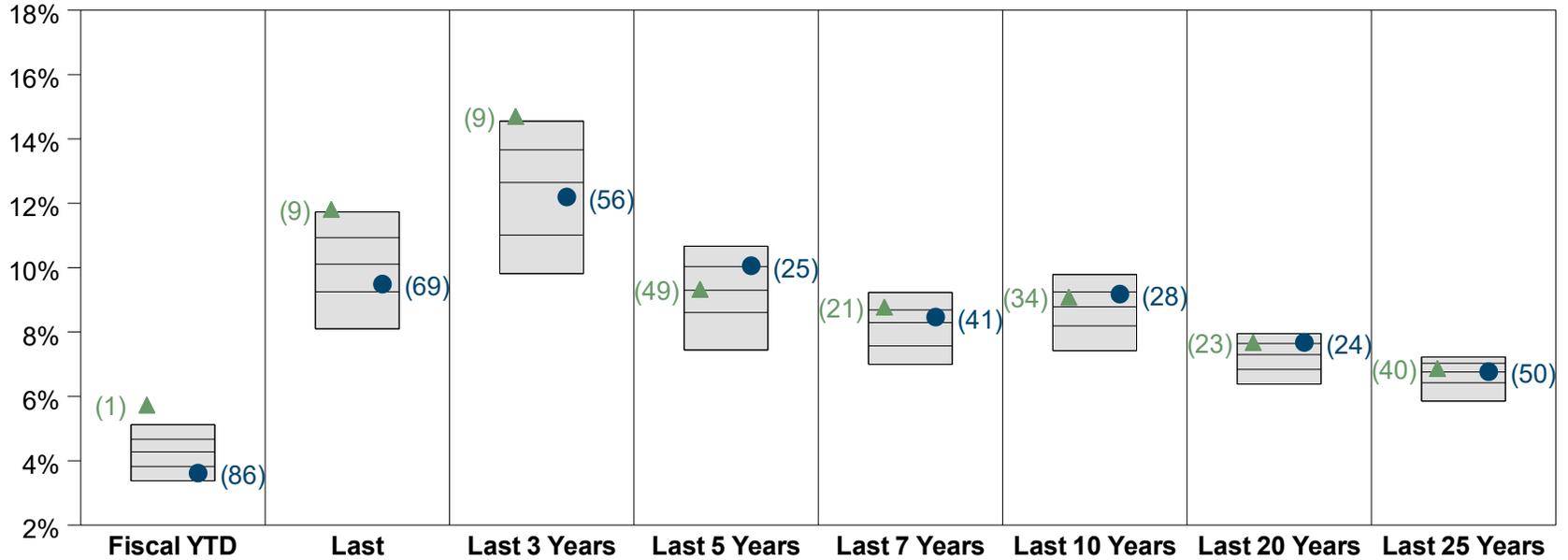
	Fixed Income	Cash	Real Estate	Alternative Assets	Global Equity
10th Percentile	35.80	7.54	13.28	41.00	32.27
25th Percentile	25.88	3.39	10.94	24.15	12.10
Median	21.55	1.72	7.92	16.27	8.60
75th Percentile	17.17	0.89	5.21	10.08	5.76
90th Percentile	11.41	0.50	3.08	5.55	4.54
Fund ●	22.81	1.32	8.02	16.76	51.09
Target ▲	25.00	0.00	10.00	15.00	50.00
% Group Invested	97.83%	89.13%	80.43%	82.93%	28.26%

*Current Quarter Target = 50.0% MSCI ACWI IMI, 25.0% Bloomberg Universal, 10.0% NCREIF NFI-ODCE Value Weight Net lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Bloomberg High Yield Corp lagged 3 months+1.0% and 2.5% MStar LSTA Lev Loan 100 lagged 3 months +1.0%.

Total Fund Performance – Gross of Investment Management Fees

Performance vs. Large Public DB Plan (>\$1B) Peers, as of September 30, 2025

Performance vs Callan Public Fund Large DB (Gross)



10th Percentile	5.12	11.73	14.55	10.67	9.23	9.79	7.95	7.22
25th Percentile	4.67	10.93	13.66	10.03	8.68	9.24	7.64	7.03
Median	4.27	10.11	12.65	9.30	8.29	8.78	7.30	6.76
75th Percentile	3.82	9.25	11.01	8.60	7.57	8.19	6.84	6.42
90th Percentile	3.38	8.10	9.82	7.44	6.99	7.42	6.38	5.85
Total Fund Composite	● 3.59	9.46	12.17	10.03	8.44	9.15	7.65	6.74
Total Fund Benchmark	▲ 5.73	11.81	14.70	9.33	8.77	9.08	7.67	6.87

Note: Investment results are shown gross of investment management fees versus corresponding peer group.

*Current Quarter Target = 50.0% MSCI ACWI IMI, 25.0% Bloomberg Universal, 10.0% NCREIF NFI-ODCE Value Weight Net lagged 3 months, 10.0% Russell 3000 Index lagged 3 months+2.0%, 2.5% Bloomberg High Yield Corp lagged 3 months+1.0% and 2.5% MStar LSTA Lev Loan 100 lagged 3 months +1.0%.

INVESTMENT EXPENSES BY ASSET CLASS

Investment activity fees and other related expenses:
For the Quarter and Fiscal Year to Date through 9/30/2025 (in thousands)

	Assets Under Management	Fees (Quarter)	Fees (FYTD)
Equity Investments			
Domestic (U.S.)	4,606,460	3,079	3,079
Non-U.S.	2,423,308	2,593	2,593
Fixed Income Investments	3,136,072	1,574	1,574
Alternative Investments	2,305,253	6,232	6,232
Real Estate Investments	1,102,775	2,806	2,806
Cash	182,104		
Subtotal Gross Investment Mgt Fees		16,284	16,284
Custodial Fees		373	373
Brokerage Fees		904	904
Investment Advisor Fees		163	163
Investment Professional Fees		124	124
Investment Staff Administrative Expense		356	356
Subtotal Investment Servicing Fees		1,918	1,918
TOTAL GROSS INVESTMENT EXPENSES	13,755,972	18,203	18,203

Notes:

1. Fees for both the Quarter and the Fiscal Year to Date shown here are reported on a cash basis. For most fees, there is a lag between the service provided and payment of the fee.
2. Gross fees are those paid in the quarter for partnership operating costs.
3. Annual audited GAAP accrual fee amounts are included in the Annual Comprehensive Financial Report (ACFR), audited by the external auditor Plante Moran, as well as in the Comprehensive Annual Investment Report (CAIR). Both reports are available at <https://www.nhrs.org/funding-and-investments/reports-valuations>.
4. NHRS requires a "most favored nation" clause in investment contracts that states that if another comparable public plan invests in a fund at a lower fee structure, NHRS' fees will also be adjusted downward.

DEFINITION OF ASSET CLASSES

Domestic Equity: The allocation to domestic equity serves to expose the fund to the largest economy of the world. An allocation to domestic equity should allow for return enhancement and principal appreciation.

Non-U.S. Equity: The allocation to non-U.S. equity, both developed and emerging markets, will serve as potential for return enhancement and principal appreciation. A secondary consideration is the diversification it provides from the U.S. market. While the U.S. and non-U.S. markets are considerably correlated, they are not perfectly correlated. Assets that are not perfectly correlated serve to reduce volatility over the long term.

Fixed Income: The investment in fixed income will serve to reduce volatility experienced in the equity markets, as well as offer an opportunity for return enhancement by investment in selected securities (for example, investment grade corporates and high yield). A portion of the fixed income allocation is expected to be invested in Treasury or other government-related issues, which will serve to reduce risk within the portfolio.

Alternative Investments: Alternative investments are nontraditional investments, not covered by another investment class. In general, alternative investments are incorporated into the NHRS asset allocation to enhance the portfolio's risk-adjusted return (private equity/private debt) or to diversify volatility (opportunistic strategies). While the risk associated with these types of investments is higher than that of other asset classes, the expected return is also higher.

Real Estate: The investment in real estate will serve as an inflation hedge, return enhancement opportunity, income generator, and diversification source and will include investments within core, value-added, and opportunistic opportunities.