



NHRS

New Hampshire Retirement System

**Independent Investment Committee's
3rd Quarter Report to the Board
April 9, 2024**



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 close to the permissible Policy ranges at quarter-end. The Fund's allocation to defensive positions, including fixed income and cash, represented 20.6% of total assets. The fixed income allocation was slightly below the policy range by 0.2%, partially balanced by a 0.8% allocation to cash equivalent instruments. The Fund had an overweight to domestic equity, real estate and alternatives relative to target, and underweight positions to international equity and fixed income

Investment Performance

- The Fund had a gross return of -2.34% over the first quarter of Fiscal Year 2024, underperforming the market benchmark return of -1.70% and ranking in the 66th percentile of its peers. On a net-of-fees basis, the Fund returned -2.45%
 - The Real Estate and Fixed Income portfolios had positive impacts on relative performance
 - By contrast, the Alternative Assets, Non-U.S. Equity, and U.S. Equity portfolios detracted from performance. This is a reflection of more modest valuations within alternatives as well as the outperformance of large cap stocks versus their mid and small cap counterparts over the quarter
- Overall, performance is competitive relative to both benchmarks over longer periods measured, including the most recent fiscal year. The Fund outperformed the peer group median over the long term, ranking in the top 19% of peers for the trailing 10-year period, and in the top 31% of peers over the last 25 years
- 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 within the top 29% of peers

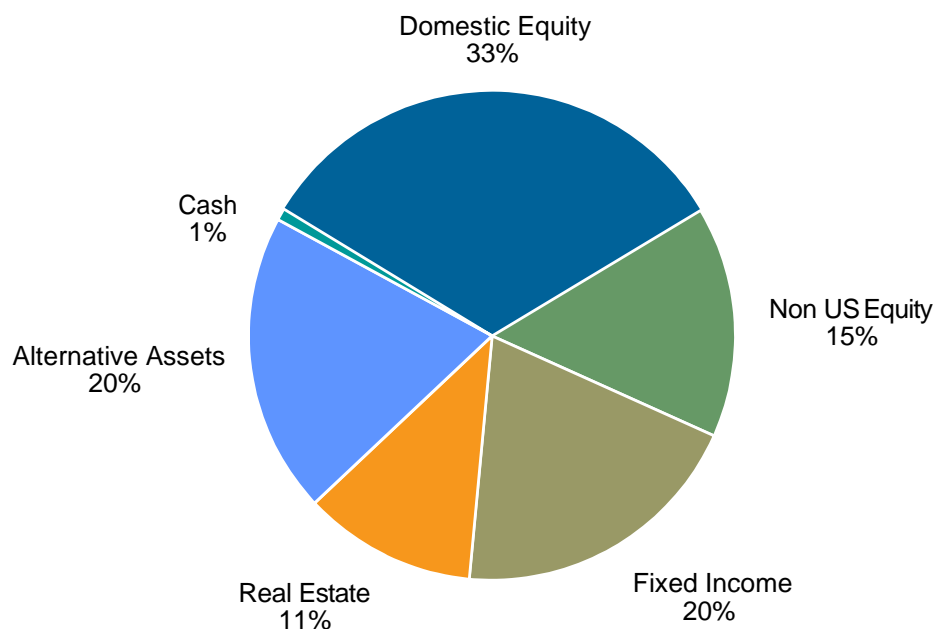
Other Developments

- Murali Srikantiah, Partner and PM of Wellington Emerging Markets Local Equity ("EMLE"), will be withdrawing from the Wellington partnership on June 30, 2024. Bo Meunier, a partner of the firm and current PM of Emerging Markets Equity ("EME") and dedicated China equity strategies, will assume Co-PM responsibilities of EMLE on January 1, 2024. David Reed will be named Meunier's backup portfolio manager. Meunier will be supported by the dedicated EME team, whose existing research will effectively translate to both EME and EMLE portfolios. Meunier is relocating from Hong Kong to London to manage the broader Emerging Markets team better. There are no plans for resource expansion.

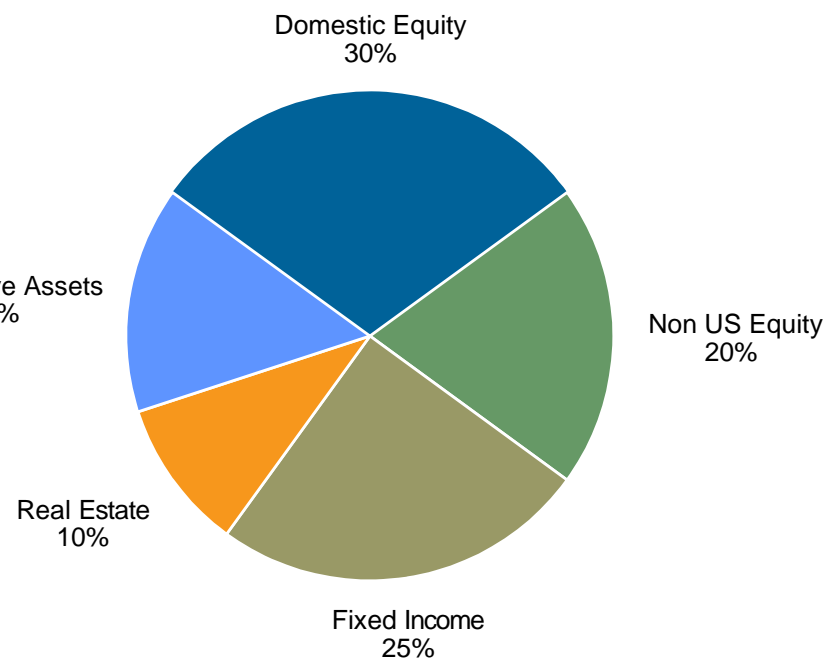
Total Fund

Actual Asset Allocation vs. Target, as of September 30, 2023

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	3,628,884	32.8%	30.0%	2.8%	307,457
Non US Equity	1,690,595	15.3%	20.0%	(4.7%)	(523,689)
Fixed Income	2,188,383	19.8%	25.0%	(5.2%)	(579,472)
Real Estate	1,269,768	11.5%	10.0%	1.5%	162,625
Alternative Assets	2,205,681	19.9%	15.0%	4.9%	544,968
Cash	88,111	0.8%	0.0%	0.8%	88,111
Total	11,071,423	100.0%	100.0%		

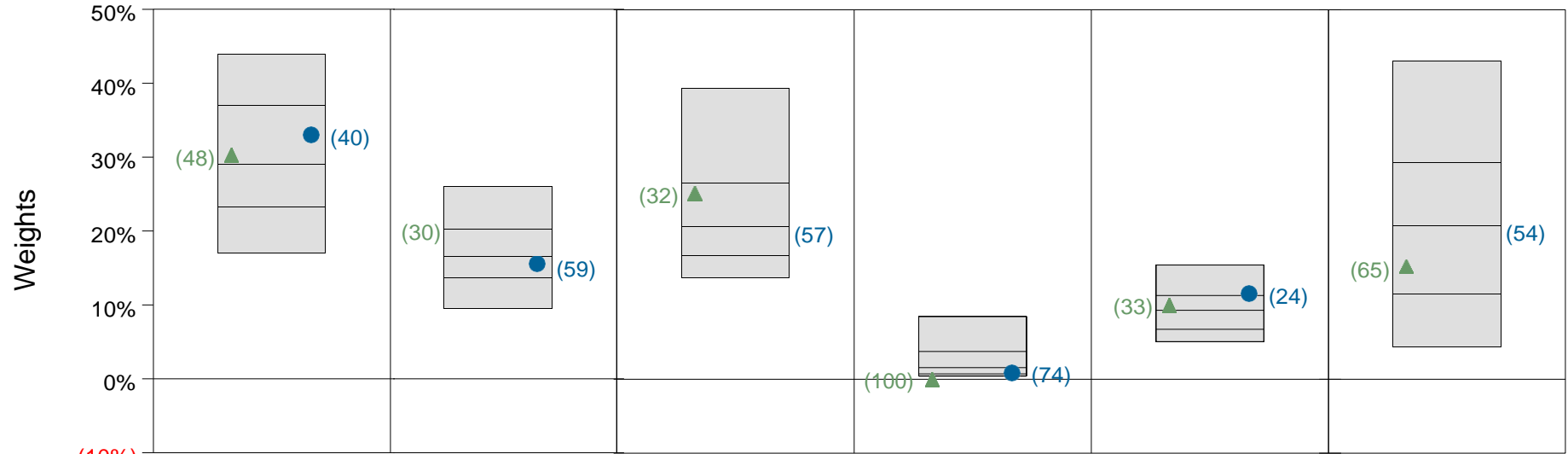
*Current Quarter Target = 30% Russell 3000 Index, 25% Bloomberg Universal, 20% MSCI ACWI ex US, 10% NCREIF NFI-ODCE Val Wt Net lagged 3 months, 10% Russell 3000 Index lagged 3 months+2.0%, 2.5% Bloomberg HY Corp lagged 3 months+1.0%, and 2.5% S&P/LSTA Lev Loan 100 lagged 3 months+1.0%.

**The United States equity portion of the Walter Scott Global Equity fund is allocated to the Domestic Equity composite.

Total Fund

Actual Asset Allocation vs. Large Public DB Plan (>\$1B) Peer Group, as of September 30, 2023

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



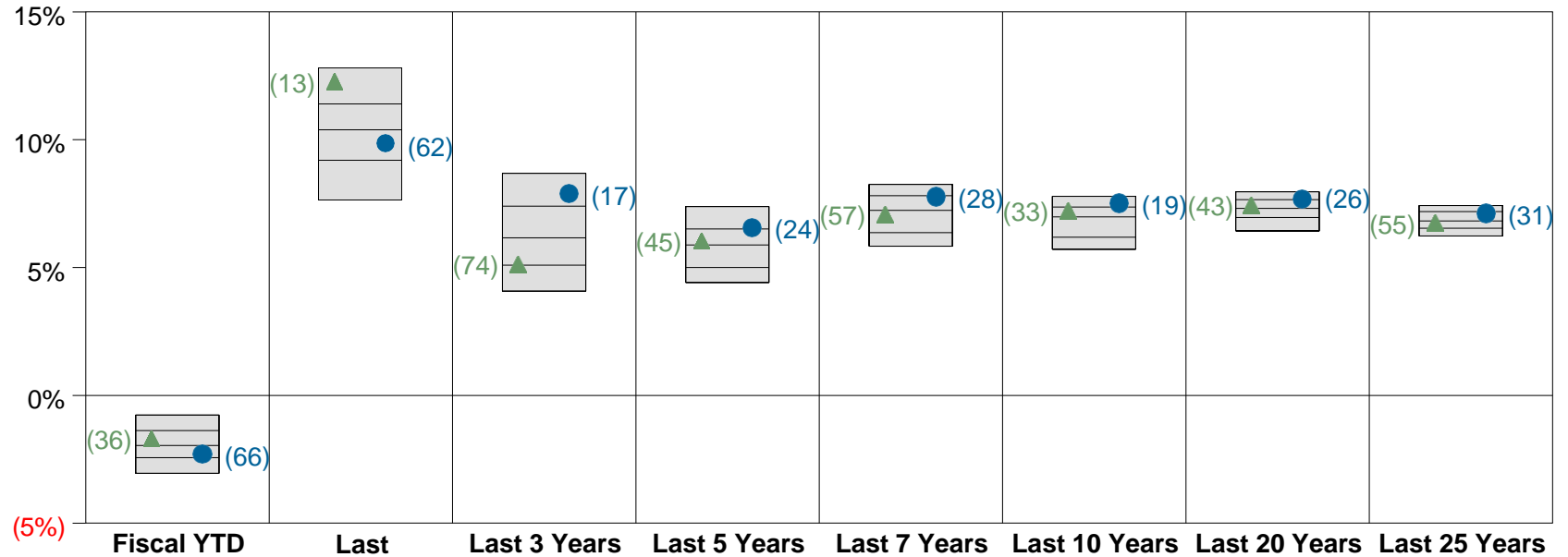
	Domestic Equity	Non US Equity	Fixed Income	Cash	Real Estate	Alternative Assets
10th Percentile	43.98	26.08	39.42	8.51	15.48	43.06
25th Percentile	37.00	20.32	26.57	3.77	11.36	29.33
Median	29.50	16.54	20.67	1.57	9.35	20.80
75th Percentile	23.26	13.74	16.81	0.74	6.77	11.55
90th Percentile	17.02	9.47	13.73	0.44	5.09	4.41
Fund ●	32.78	15.27	19.77	0.80	11.47	19.92
Target ▲	30.00	20.00	25.00	0.00	10.00	15.00
% Group Invested	95.16%	93.55%	96.77%	87.10%	75.81%	72.15%

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Total Fund Performance – Gross of Investment Management Fees

Performance vs. Large Public DB Plan (>\$1B) Peers, as of September 30, 2023

Performance vs Callan Public Fund Large DB (Gross)



	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 20 Years	Last 25 Years
10th Percentile	(0.77)	12.83	8.68	7.38	8.25	7.79	7.96	7.42
25th Percentile	(1.38)	11.42	7.40	6.51	7.81	7.37	7.65	7.19
Median	(1.96)	10.38	6.17	5.89	7.24	6.98	7.31	6.83
75th Percentile	(2.44)	9.20	5.09	5.00	6.36	6.19	6.95	6.54
90th Percentile	(3.05)	7.63	4.08	4.41	5.84	5.71	6.43	6.23
Total Fund Composite ●	(2.34)	9.77	7.85	6.52	7.74	7.48	7.64	7.08
Total Fund Benchmark ▲	(1.70)	12.24	5.13	6.03	7.07	7.22	7.41	6.75

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

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INVESTMENT EXPENSES BY ASSET CLASS

Investment activity fees and other related expenses:

For the Quarter and Fiscal Year to Date through 9/30/23 (in thousands)

	Assets Under Management	Fees (Quarter)	Fees (FYTD)
Equity Investments			
Domestic (U.S.)	3,628,866	2,577	2,577
Non-U.S.	1,690,613	2,346	2,346
Fixed Income Investments	2,188,383	1,463	1,463
Alternative Investments	2,205,681	5,972	5,972
Real Estate Investments	1,269,768	3,097	3,097
Cash	88,111		
Subtotal Gross Investment Mgt Fees		15,456	15,456
Custodial Fees		186	186
Brokerage Fees		437	437
Investment Advisor Fees		163	163
Investment Professional Fees		218	218
Investment Staff Administrative Expense		227	227
Subtotal Investment Servicing Fees		1,230	1,230
TOTAL GROSS INVESTMENT EXPENSES	11,071,423	16,685	16,685

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.