



NHRS

New Hampshire Retirement System

**Independent Investment Committee's
Quarterly Report to the Board
April 12, 2022**



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 permissible Policy ranges at quarter-end. The Fund's allocation to defensive positions, including fixed income and cash, represented 20.7% of total assets. The fixed income allocation was slightly below the policy range by 0.8%, balanced by a 1.5% allocation to cash equivalent instruments. The Fund had an overweight to domestic equity and alternatives, and underweight positions within non-U.S. equity, real estate, and fixed income. Staff and Callan will continue to work together to find opportunities to rebalance the Fund back within permissible IPS parameters given current market conditions and cash flow activity

Investment Performance

- After a volatile quarter, the Fund had a return of +5.06% over the period (+4.99% net of fees), outperforming the market benchmark by 1.06% and ranking in the 10th percentile of its peers
 - Lagged performance for Alternative Assets and Real Estate contributed most to relative performance over the quarter on a time-weighted basis
 - Strong relative performance from the Non-US Equity portfolio and an overweight to Domestic Equity contributed to results
 - An underweight to Fixed Income relative to target also contributed to relative performance
- The Fund had exceptional performance over the trailing 12-month period, outperforming the Total Fund Benchmark by 4.7% and ranking within the top 14% of its peers
- Performance is competitive relative to both benchmarks over the long-term

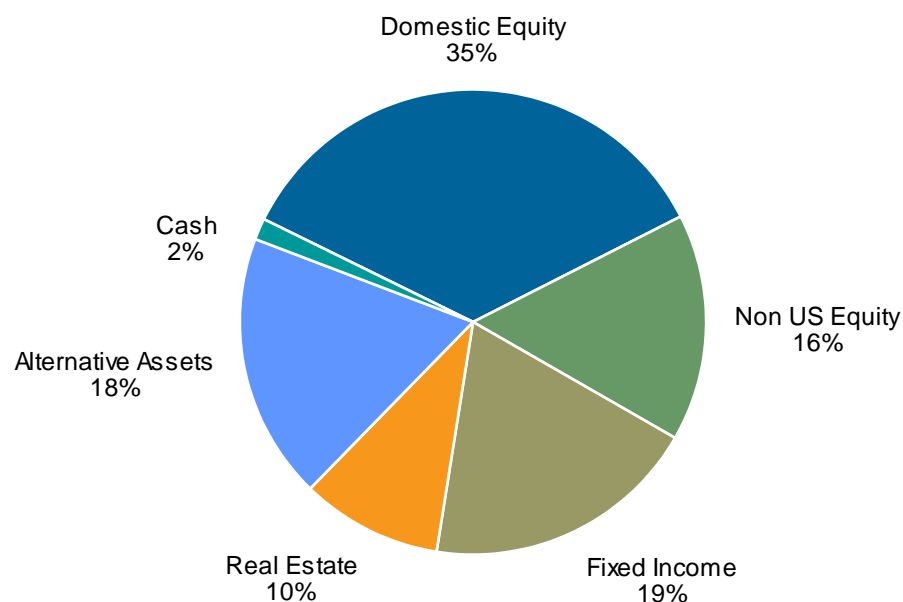
Notable Developments

- Nothing significant to report this quarter: All the managers in the Fund were relatively stable. We will continue to monitor all of the products in the Fund closely and will report back to the Committee with guidance if any changes are warranted
- Consider conducting a benchmark suitability study for the Alternative Assets portfolio

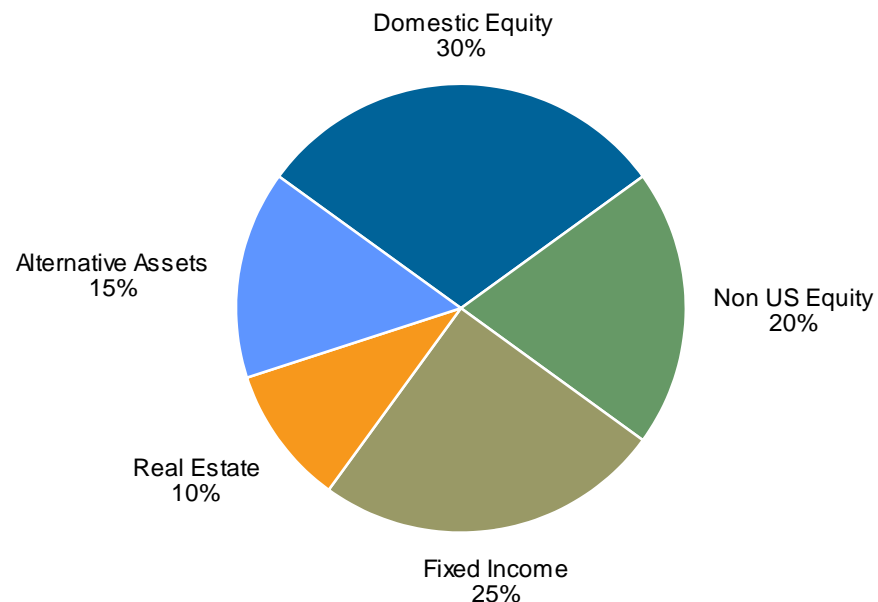
Total Fund

Actual Asset Allocation vs. Target, as of December 31, 2021

Actual Asset Allocation



Target Asset Allocation



Asset Class	\$Millions Actual	Weight Actual	Target	Percent Difference	\$Millions Difference
Domestic Equity	4,206	35.2%	30.0%	5.2%	625
Non US Equity	1,892	15.8%	20.0%	(4.2%)	(496)
Fixed Income	2,287	19.2%	25.0%	(5.8%)	(698)
Real Estate	1,167	9.8%	10.0%	(0.2%)	(27)
Alternative Assets	2,203	18.5%	15.0%	3.5%	412
Cash	183	1.5%	0.0%	1.5%	183
Total	11,939	100.0%	100.0%		

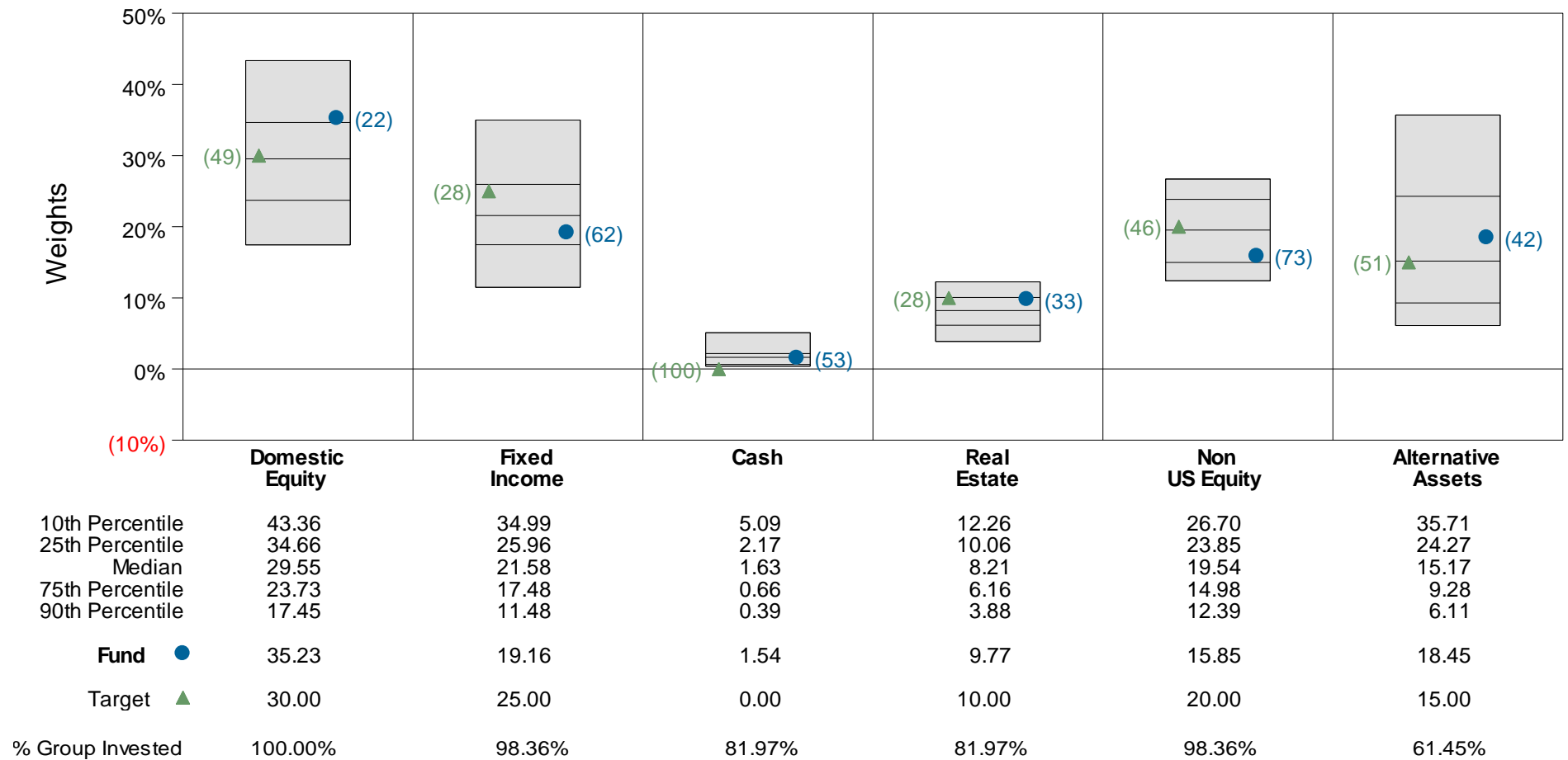
Current Quarter Target = 30% Russell 3000 Index, 25% Bloomberg Universal, 20% MSCI ACWI ex US, 10% NCREIF NFI-ODCE Val Wt Net, 10% S&P 500 + 3% (1 qtr lag), and 5% S&P LSTA Leveraged Loan 100 (1 qtr lag).

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 December 31, 2021

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

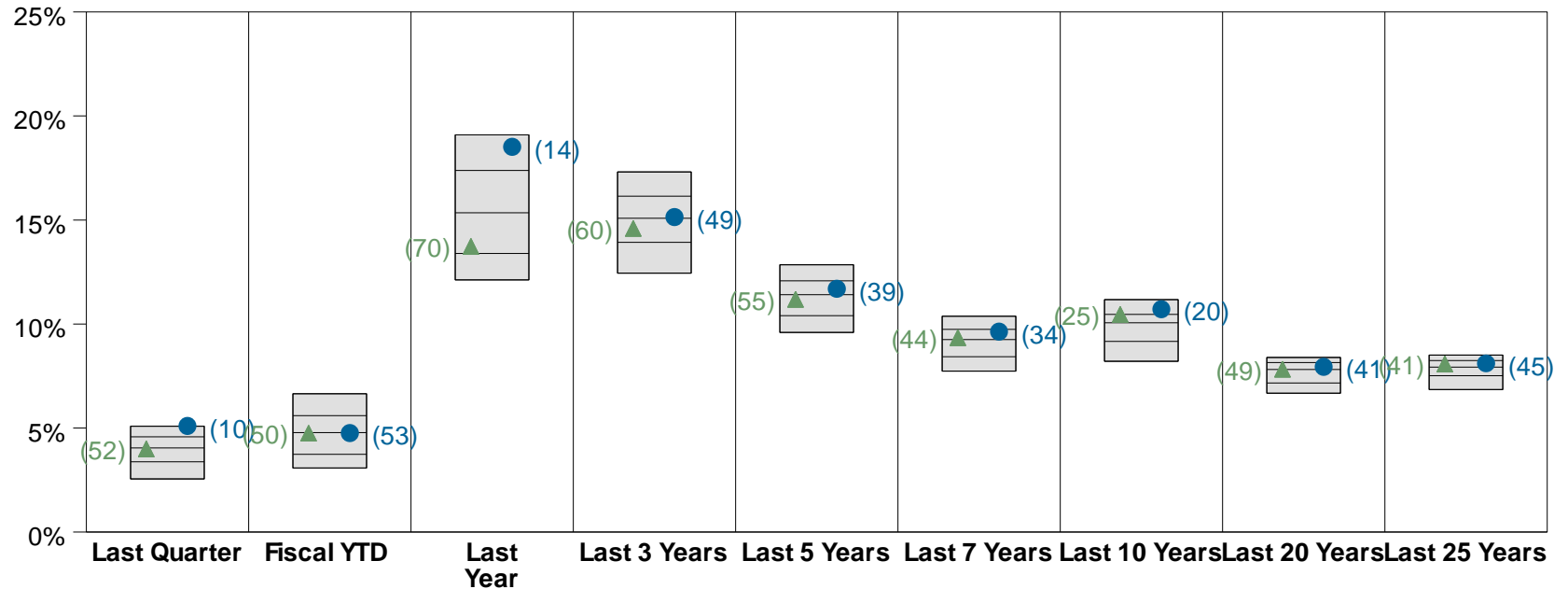


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Total Fund

Gross of Fee Performance vs. Large Public DB Plan (>\$1B) Peers, as of December 31, 2021

Performance vs Callan Public Fund Large DB (Gross)



10th Percentile	5.09	6.65	19.09	17.31	12.85	10.37	11.17	8.39	8.51
25th Percentile	4.58	5.59	17.38	16.15	12.08	9.75	10.46	8.15	8.24
Median	4.05	4.78	15.35	15.08	11.41	9.25	10.06	7.81	7.93
75th Percentile	3.38	3.74	13.39	13.93	10.40	8.43	9.16	7.16	7.51
90th Percentile	2.55	3.09	12.12	12.45	9.59	7.73	8.21	6.67	6.85
Total Fund Composite	● 5.06	4.71	18.47	15.09	11.65	9.58	10.66	7.89	8.06
Total Fund Benchmark	▲ 4.00	4.76	13.73	14.59	11.19	9.35	10.47	7.83	8.08

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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 12/31/21 (in thousands)

	Assets Under Management	Fees (Quarter)	Fees (FYTD)
Equity Investments			
Domestic (U.S.)	\$ 4,206,475	\$ 2,830	\$ 5,636
Non-U.S.	\$ 1,892,346	\$ 2,751	\$ 5,521
Fixed Income Investments	\$ 2,287,297	\$ 1,568	\$ 3,117
Alternative Investments	\$ 2,203,220	-	-
Gross	-	\$ 1,735	\$ 3,194
Net	-	\$ 631	\$ (12,590)
Real Estate Investments	\$ 1,166,827	-	-
Gross	-	\$ 1,511	\$ 4,458
Net	-	\$ (10,796)	\$ (61,614)
Cash	\$ 183,331	-	-
Subtotal Gross Investment Mgt Fees	-	\$ 10,395	\$ 21,926
Subtotal Net Investment Mgt Fees	-	\$ (3,016)	\$ (59,930)
Custodial Fees	-	\$ 149	\$ 288
Brokerage Fees	-	\$ 298	\$ 696
Investment Advisor Fees	-	\$ 163	\$ 163
Investment Professional Fees	-	\$ 107	\$ 152
Investment Staff Administrative Expense	-	\$ 180	\$ 379
Subtotal Investment Servicing Fees	-	\$ 897	\$ 1,678
TOTAL GROSS INVESTMENT EXPENSES	-	\$ 11,292	\$ 23,604
TOTAL NET INVESTMENT EXPENSES	\$ 11,939,496	\$ (2,119)	\$ (58,252)

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. Net fees reflect the repayment in the quarter of those costs paid in prior quarters.
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.