

**NOTE:** These minutes were approved and executed at the April 21, 2017 Independent Investment Committee meeting.

**Independent Investment Committee Meeting  
March 24, 2017**

**Public Minutes**

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

*Committee Members:* Maureen Kelliher, *Chair*; Harold Janeway; David Jensen; Patrick O'Donnell; and Hersh Sosnoff.

*NHRS Trustees:* Dr. Richard Gustafson.

*Staff:* George Lagos, *Executive Director*; Larry Johansen, *Director of Investments*; Jack Dianis, *Director of Finance*; Greg Richard, *Senior Investment Officer*; Shari Crawford, *Junior Investment Officer*; and Ashley Lloyd, *Junior Investment Officer*.

*NEPC:* Kevin Leonard, *Partner and Senior Consultant*.

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

On a motion by Sen. Janeway, seconded by Mr. Jensen, the Committee unanimously approved the public minutes of the February 24, 2017 Investment Committee meeting, as presented.

Mr. Johansen reviewed investment returns through recent periods, referring to the NEPC Marketable Investments performance flash report for periods ending February 28, 2017. He discussed the returns of various managers and asset classes over multiple time periods.

Mr. Johansen reviewed the Work Plan, updated the Committee on several initiatives, and spoke of the proposed merger announced earlier this month between Aberdeen Asset Management and Standard Life Investments, firms with which the NHRS currently has emerging markets equity and opportunistic investment relationships, respectively. Mr. Leonard offered NEPC's current views on the proposed merger based on public information available at the present time and advised that any changes in NEPC's views would be promptly communicated.

Mr. Kieran McGlynn, Head of Institutional Relationship Management; and Mr. Mark Gordon-James, Senior Investment Manager; of Aberdeen Asset Management ("Aberdeen") provided a brief introduction of

themselves and their firm. They referred to the “Aberdeen Emerging Markets Smaller Companies Fund” presentation dated March 24, 2017. A lengthy discussion with the Committee followed.

Mr. McGlynn addressed the firm’s proposed merger with Standard Life Investments (“Standard Life”), which was announced on March 6, 2017. He advised that the combined firm would result in one that managed approximately \$750 billion in total client assets under management across various strategies, many of which would be complementary, noting the diversity between each firm’s client base, product offerings, and regional target markets, indicating that Standard Life has a significant investment focus in the U.K. while Aberdeen has a strong focus in Asia. He described the merger as a “natural marriage” that would produce considerable scale given the current market environment and lengthy, amicable history between the management teams of the two firms.

Responding to questions from the Committee, Mr. Gordon-James facilitated a detailed discussion regarding the potential for a Scottish referendum that would assess the status of the country’s membership in the U.K. He and Mr. McGlynn offered their perspectives as to the possible outcomes for Aberdeen, which is headquartered in the town of the same name in Scotland and has significant business operations in Edinburgh.

Mr. Gordon-James provided an overview of emerging markets performance during calendar year 2016, noting that while the broader index returned 8.2%, the small-cap portion of the asset class struggled to keep the pace, returning just 2.4%. He noted that domestically-oriented sectors have continued to struggle into 2017 as a result of reflation in the U.S., but smaller current account deficits and relatively high real interest rates should allow many emerging economies to better withstand the effects of rising U.S. interest rates and a strengthening U.S. dollar. In response to questions from the Committee, Mr. Gordon-James discussed fund activity that took place during 2016, noting historically heavier transaction activity and added that the same is expected for 2017 given access to the China A-shares market via the StockConnect platform, waning geopolitical risks in several emerging countries, and the expected stabilization of currencies in several markets.

Mr. Jason Law, Vice President and Relationship Manager; and Mr. Graham Proud, Equity Portfolio Specialist; of Wellington Management Company (“Wellington”) presented a brief introduction of themselves and their firm. They referred to the “Emerging Markets Local Equity” presentation dated March 24, 2017. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Proud provided brief overviews of the investment philosophy and distinguishing features of the Emerging Markets Local Equity strategy in which the System invests, reminding the Committee that the investment team, led by Murali Srikantaiah, searches for mispriced stocks of companies that primarily generate revenue in their country of domicile. He affirmed that many others at Wellington in addition to Mr. Srikantaiah contribute to the success of the strategy, and that while he is the sole decision-maker, collaboration is frequent with several internal teams including Wellington's macroanalysts and the emerging markets debt team.

Mr. Proud offered a review of the team's highly research-driven investment process, adding that the fund's sector exposures are a side-effect of the bottom-up stock selection process. He discussed fund performance relative to the benchmark for the year ended December 31, 2016, citing the meaningful lack of exposure to the Energy and Materials sectors as the biggest detractors and reminded the Committee of the export-driven nature of these sectors and that allocating largely in either of these areas would represent an inconsistency in the fund's investment objective. He also described the effect that geopolitical concerns had on emerging market sentiment during the year and that index returns were heavily driven by such concerns.

Responding to the Committee's inquiries, Mr. Proud provided his views on the effect of cash flows into the asset class, particularly within the Exchange-Traded Fund ("ETF") space. He concluded his remarks reviewing those events likely to influence emerging markets performance for the year, including positive political and economic reform in several emerging countries.

Mr. Timothy Crutchfield, Esq., *Chief Legal Counsel*; Mr. Mark Cavanaugh, Esq., *Associate Counsel and Compliance Officer*; and Mr. Marty Karlon, *Public Information Officer*, joined the meeting at 10:56 a.m. Mr. Sean Gill, *Partner*, of NEPC joined the meeting telephonically at 11:00 a.m.

Ms. Kelliher entertained a motion to temporarily adjourn the meeting under RSA 91-A:2, I(b) to consult with legal counsel. A motion was made by Mr. Sosnoff and seconded by Mr. Jensen to temporarily adjourn the meeting in accordance with the aforementioned provision. The Committee unanimously approved the motion.

A motion was made by Mr. Jensen and seconded by Senator Janeway to resume the meeting. The Committee unanimously approved the motion.

Messrs. Dianis, Crutchfield, Cavanaugh, Karlon, Gill, and O'Donnell departed the meeting at 11:46 a.m.

Mr. Daniel Janis, Head of Global Multi-Sector Fixed Income; Mr. David Zielinski, Managing Director and Portfolio Specialist; and Ms. Nancy Irving, Managing Director; of Manulife Asset Management (“Manulife”) presented a brief introduction of themselves and their firm. They referred to the “Strategic Fixed Income Strategy” presentation dated March 24, 2017. A lengthy discussion with the Committee followed.

In response to questions from the Committee, Mr. Janis provided a thorough overview of the Global Multi-Sector Fixed Income Team, discussing the roles of the senior portfolio managers, senior investment analysts, and the portfolio implementation team. He stated that the group is comprised of a diverse pool of talent with specialties in macro, credit, and liquidity strategies, allowing for deep expertise and broad coverage within the fixed income investment space. Mr. Zielinski addressed several themes present in the global fixed income environment over the past year, including the movement of yields on major developed market government bonds, the compression of credit spreads, and the changes in the strength of the dollar. Further, Mr. Zielinski highlighted the team’s ability to effectively manage risk, maintaining a healthy risk to reward profile as reflected in the fund’s Sharpe ratio relative to that of the benchmark while simultaneously generating alpha and demonstrating the ability to outperform.

Responding to questions from the Committee, Mr. Janis provided a review of the current positioning of the fund, connecting the investment themes previously identified by Mr. Zielinski to recent changes implemented in the fund, including reduced duration in favor of reasonable credit risk, the influence of currency hedges, and augmenting liquidity by adding exposure to instruments with short to medium-term maturities. Mr. Janis concluded the presentation with a brief explanation of Manulife’s expectations as to how these investment themes will prevail in other markets across the globe and what changes may be made to the fund in response to any global macroeconomic events that may materialize.

On a motion by Mr. Jensen, seconded by Mr. Sosnoff, the meeting adjourned at 12:27 p.m.