



State Investment Commission
Monthly Meeting Minutes
Wednesday, December 16, 2015
9:00 a.m.
Room 205, State House

The Monthly Meeting of the State Investment Commission (SIC) was called to order at 9:07 a.m., Wednesday, December 16, 2015 in Room 205, State House.

I. Roll Call of Members

The following members were present: Mr. Robert Benson, Mr. J. Michael Costello, Mr. Thomas Fay, Ms. Faith LaSalle, Ms. Paula McNamara, Mr. Thomas Mullaney, Ms. Marcia Reback and Treasurer Seth Magaziner.

Also in attendance: Mr. Thomas Lynch of Cliffwater, alternative investment consultant; Mr. Bernie Buonanno and Mr. Chris Crosby of Nautic Partners; Mr. John Burns, and Mr. Allan Emkin of Pension Consulting Alliance (PCA), general consultant; Ms. Sally Dowling of Adler Pollock & Sheehan P.C., legal counsel; Ms. Anne-Marie Fink, Chief Investment Officer and members of the Treasurer's office staff. Mr. Frank Karpinski and Ms. Marie Langlois were absent.

Treasurer Magaziner called the meeting to order at 9:07 a.m.

II. Approval of Minutes

On a motion by Ms. Reback and seconded by Mr. Mullaney, it was unanimously

VOTED: to approve the draft of the minutes of the November 18, 2015 meeting of the State Investment Commission.

III. Nautic Partners Recommendation

Mr. Buonanno gave a brief background of the firm. For seventeen years they have generated net IRR of 17.6%. He went on to review the investment team and their fundamental approach. He also reviewed the returns of the previous funds.

He talked about the current fund and said they have an exciting deal already in the pipeline for the new fund. Mr. Crosby gave an overview of their investment strategy in the healthcare industry, one of Nautic's main areas of focus. He described their internal knowledge in the healthcare sector and the team they have built to mitigate risk. They have had success in recruiting executives to their companies. He gave an example of an investment in which they did an add-on acquisition, grew the company and improved the value. They were able to exit at four times their initial investment.

Mr. Benson asked if they made any changes to their healthcare investing after the federal healthcare reform passed.

Mr. Crosby said they were concerned about the impact and made no healthcare investments in 2008 and 2009. They have been very active since 2010. He added that they are not likely to invest in hospitals.

Mr. Buonanno reviewed their investment strategy in their other areas of focus, industrial products and outsource service industries. Neither of these industries is regulated as healthcare is. Nautic has been investing in these industries for over 20 years and have relationships and relevant experience in them. Nautic sees these sectors as big components of the economy where they can create opportunities. They look for companies and sub-sectors with secular growth in excess of GDP that can perform independent of market cycles. He gave an example of an investment in the aerospace industry.

He went on talk about Nautic's management and operating strategies. He gave a brief overview of the terms of the fund.

The committee asked questions and Nautic Partners left the room.

Mr. Lynch said this investment would help maintain the 7% target allocation to the private equity portfolio.

Cliffwater recommends a \$20 million commitment.

The committee asked questions.

On a motion by Mr. Fay and seconded by Mr. Mullaney, it was unanimously

VOTED: to approve a \$20m investment in Nautic Partners Fund VIII.

IV. Investment Policy Statement

Ms. Fink reminded the committee of the continued effort to build the investment policy statement. She asked for a vote to adopt the Equity Policy statement that had been distributed at a previous meeting.

The committee discussed.

On a motion by Ms. McNamara and seconded by Ms. Reback, it was unanimously

VOTED: to approve the equity portion of the investment policy statement.

Ms. Fink also introduced the first draft of the Private Equity and Hedge Fund Policy Statement for the committee to review and vote on at a later date.

The board asked questions.

V. Legal Counsel Report

There was no legal counsel report.

VI. Chief Investment Officer Report

Ms. Fink reviewed the performance of the portfolio for November. The portfolio was down about 0.5% for the month. This compared to -0.6% for the 60/40 allocation and the bottom-up benchmark. Fiscal year to date the portfolio is down 1.7% compared to -1.6% for the bottom-up benchmark and -1.4% for the 60/40.

On a calendar year basis, the portfolio is up 0.9% ahead of both the bottom up benchmark and the 60/40 plan. The portfolio's volatility is also less than both the benchmarks, she gave a brief overview of the market environment, and reviewed the performance of each asset class. She noted that the factor tilt portfolio outperformed the index for the month and two months in is off to a good start.

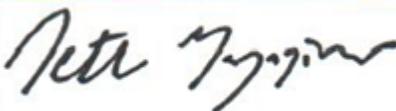
She reviewed some of the projects she and staff are working on. She noted that responses to the proxy advisor RFP are in and the goal is to have a recommendation for the February meeting. She gave an update on the implementation of the transition of the 529 plan.

VII. Treasurer's General Comments

Treasurer Magaziner thanked the committee for a great year..

There being no other business to come before the Board, on a motion by Ms. Reback and seconded by Ms. LaSalle the meeting adjourned at 10:33 a.m.

Respectfully submitted,



**Seth Magaziner,
General Treasurer**