

**State of North Carolina**

AUGUST 25, 2022

# STATE OF NORTH CAROLINA

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## SECTION I

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# GALLIARD CAPITAL MANAGEMENT

## A NEW CHAPTER BEGINS



### INTRODUCING ALLSPRING GLOBAL INVESTMENTS

- **Nov. 1, 2021** – Sale by Wells Fargo & Co. of Wells Fargo Asset Management (WFAM) and all related legal entities (Including Galliard) culminates on schedule. New name for parent company is Allspring Global Investments.
  - Private equity firms GTCR LLC and Reverence Capital Partners L.P. now own 70% of Allspring. Wells Fargo owns a passive non-voting equity interest of less than 8.3%.
  - Select senior investment personnel and senior leadership at Allspring and Galliard were given the opportunity to participate in an equity purchase plan for the new Allspring company. Approximately 20% of Allspring equity is now owned by Allspring employees.
  - Joe Sullivan officially starts as new Executive Chairman and CEO of Allspring.
  - Transition Services Agreement (“TSA”) signed with Wells Fargo for certain technology and systems,
- **Apr. 1, 2022** – SEI Trust Company becomes successor trustee for the Wells Fargo collective investment trust (CIT) funds. Galliard advised stable value and fixed income CITs are renamed Galliard funds.



### GALLIARD CAPITAL MANAGEMENT CONTINUES AS A SEPARATE LEGAL ENTITY

- Galliard brand, investment team and philosophy and process, executive management, and client servicing continues as before.
- Existing compensation and incentive plans also remain in place at Galliard.
- Galliard emails remain the same, but phone numbers have changed.
- Galliard operations teams receive a direct line reporting relationship to their counterparts at Allspring in order to augment resources.
- The Minneapolis office reopened on May 31<sup>st</sup>, 2022.

# GALLIARD CAPITAL MANAGEMENT

## WHO WE ARE

# \$93.9 B

TOTAL AUM

# \$77.0 B

TOTAL STABLE VALUE AUM

# 75+

STABLE VALUE SEPARATE ACCOUNTS

# 100

EMPLOYEES ON STAFF<sup>1</sup>

<sup>1</sup>22 of which are Galliard-dedicated deferred professionals

Offer **separate account** and **collective fund** solutions for clients

# 205+

INSTITUTIONAL CLIENTS

CLIENT RELATIONSHIP TENURE



**~89%** of our clients have worked with Galliard for greater than **5 years**

**64** of those relationships exceed **15 years** with Galliard

CLIENT TYPES

- Corporate
- Public Entities
- Taft-Hartley
- Operating Funds
- Healthcare
- Insurance Reserves
- Foundations / Endowments

FORTUNE 100 / 500

**18** Fortune 100 clients; **44** Fortune 500 clients<sup>2</sup>

<sup>2</sup>2022 Fortune 500 edition, data as of June 30, 2022

# 26 YEARS

OF EXCLUSIVE FOCUS ON

**FIXED INCOME & STABLE VALUE**

**Senior Professionals**  
**Average Years of Experience:**

Stable value strategy and contract – **22**  
Stable value and contract – **23**  
Fixed income portfolio management – **21**

Galliard is one of the **largest** managers of stable value assets<sup>3</sup>

<sup>3</sup>Pensions & Investments May 31, 2022 edition, data as of December 31, 2021; Total assets 'ranked' are managed by Galliard and reported under Allspring Global Investments

## SECTION II

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# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

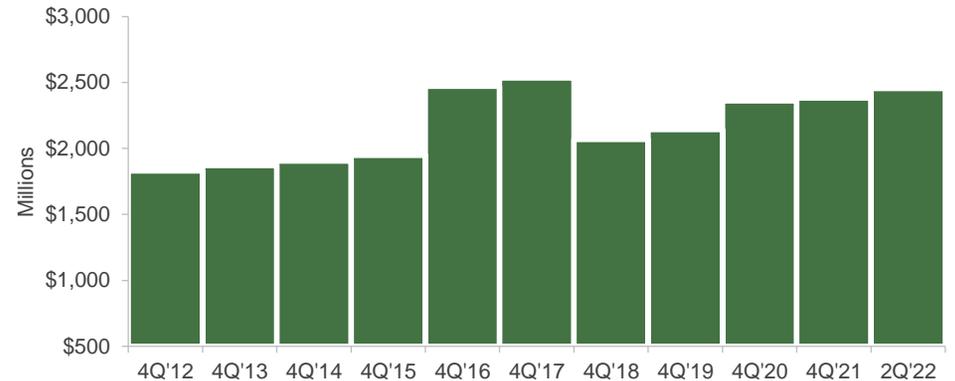
## PORTFOLIO CHARACTERISTICS

### STATE OF NORTH CAROLINA STABLE VALUE FUND

#### ACCOUNT SUMMARY

<b>Benchmark</b>	ICE BofA US 3-Month Tsy Bill Index+150 bps, 3 Year Constant Maturity Treasury
<b>Galliard Inception Date</b>	December 1, 2010
<b>Net Asset Value</b>	\$2,455,787,176

#### HISTORICAL FUND ASSETS



#### PORTFOLIO CHARACTERISTICS

	Portfolio 3/31/22	Portfolio 6/30/22
<b>Average Quality - Book Value<sup>1</sup></b>	A+	A+
<b>Average Quality - Market Value<sup>2</sup></b>	AA	AA
<b>Number of Contract Issuers</b>	5	5
<b>Blended Yield (after all fees)<sup>3</sup></b>	1.65%	1.75%
<b>Yield to Maturity</b>	2.76%	3.68%
<b>Effective Duration</b>	3.36 years	3.30 years
<b>Market/Book Value Ratio</b>	97.56%	95.10%

#### PORTFOLIO DISTRIBUTION

	% Portfolio 3/31/22	% Portfolio 6/30/22
<b>Liquidity Buffer: Cash &amp; Equivalents<sup>4</sup></b>	2.4	3.8
<b>Short Portfolio</b>	33.3	33.3
<b>Intermediate Portfolio</b>	64.3	63.0
<b>Total</b>	<b>100.0%<sup>5</sup></b>	<b>100.0%<sup>5</sup></b>

1: Average holdings quality of the contracts and other book value assets in the portfolio. The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

2: Average holdings quality of the underlying assets of the portfolio. The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

3: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, collective fund administrative fees, and plan administrative reimbursement.

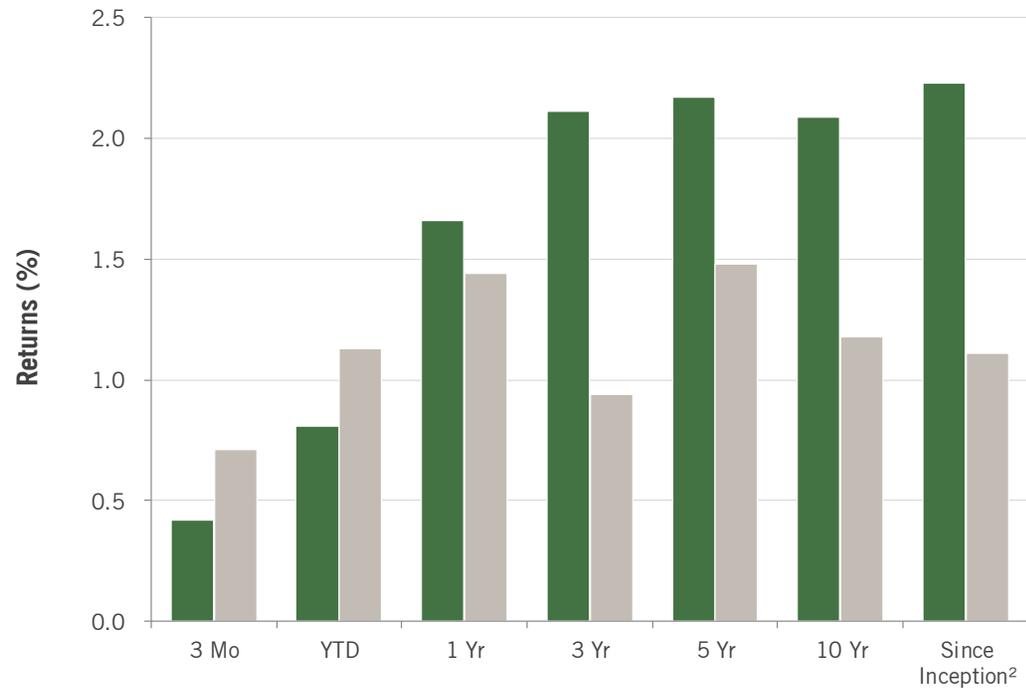
4: Includes Receivables and Payables.

5: Total % of portfolio may not add to 100% due to rounding.

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

### ANNUALIZED INVESTMENT PERFORMANCE

#### ANNUALIZED INVESTMENT PERFORMANCE AS OF 6/30/22<sup>1</sup>



	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception <sup>2</sup>
■ State of North Carolina Stable Value Fund (net of all fees - NAV level) <sup>3</sup>	0.42	0.81	1.66	2.11	2.17	2.09	2.23
■ 3 Year Constant Maturity Treasury Yield	0.71	1.13	1.44	0.94	1.48	1.18	1.11
ICE BofA U.S. 3-Month Treasury Bill Index + 150 bps	0.48	0.90	1.68	2.15	2.64	2.16	2.08
<b>Value Added (net of all fees - NAV level)<sup>4</sup></b>	<b>(0.29)</b>	<b>(0.31)</b>	<b>0.21</b>	<b>1.17</b>	<b>0.68</b>	<b>0.91</b>	<b>1.13</b>

1: Returns for periods of less than one year are not annualized.

2: Galliard assumed management of this portfolio on December 1, 2010. Performance for periods referenced prior to this date include historical performance of another investment advisor.

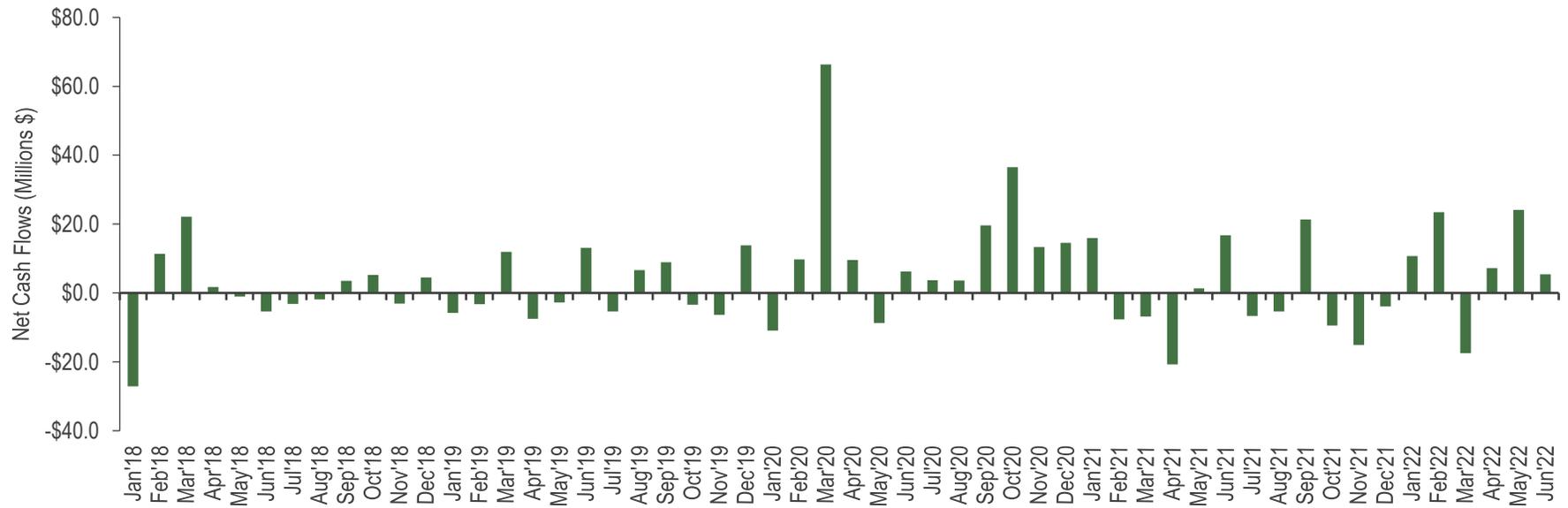
3: Returns are net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external managers fees, Wells Fargo collective fund administrative fees, and plan administrative reimbursement

4: May not add due to rounding.

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## HISTORICAL CASHFLOWS

### HISTORICAL CASHFLOWS



	2018	2019	2020	2021	1Q'22	2Q'22	2022 YTD
Beginning Assets	\$2,535.1	\$2,069.8	\$2,143.4	\$2,360.5	\$2,382.4	\$2,408.7	\$2,382.4
Net Cash Flow (\$) <sup>1</sup>	\$6.9 <sup>3</sup>	\$19.8	\$163.5	-\$20.3	\$16.7	\$36.8	\$53.5
Net Cash Flow (%)	0.27%	0.95%	7.63%	-0.86%	0.70%	1.53%	2.25%
Estimated Investment Earnings	\$51.6	\$53.9	\$53.5	\$42.2	\$9.5	\$10.3	\$19.9
Ending Assets <sup>2</sup>	\$2,069.8	\$2,143.4	\$2,360.5	\$2,382.4	\$2,408.7	\$2,455.8	\$2,455.8

1: Contributions, Withdrawals and Investment Transfers

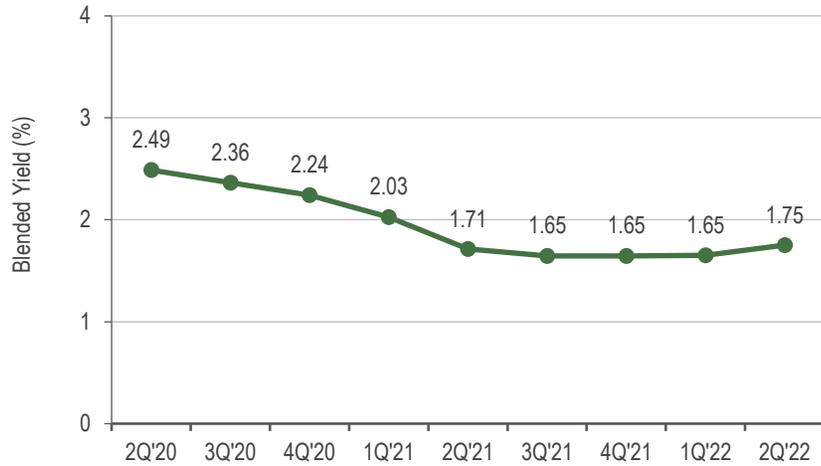
2: Cashflows may not net to final assets due to rounding.

3: Excludes Prudential GoalMaker withdrawal of approximately \$523.8 M on 6/8/18 for illustrative purposes.

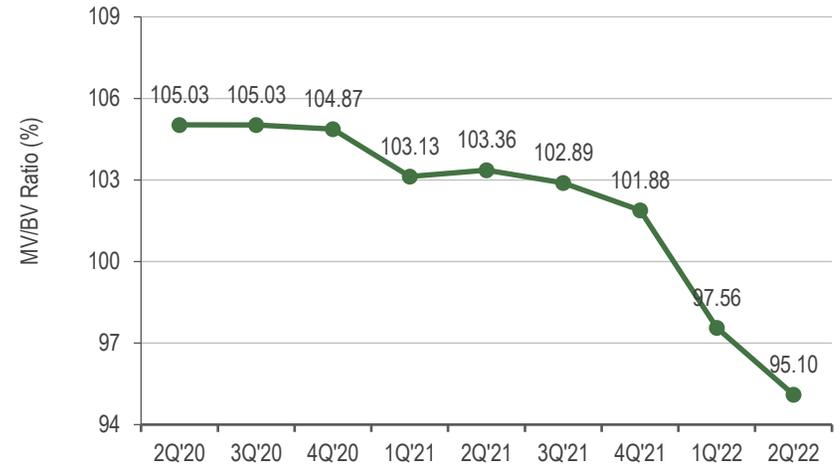
# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## HISTORICAL STATS

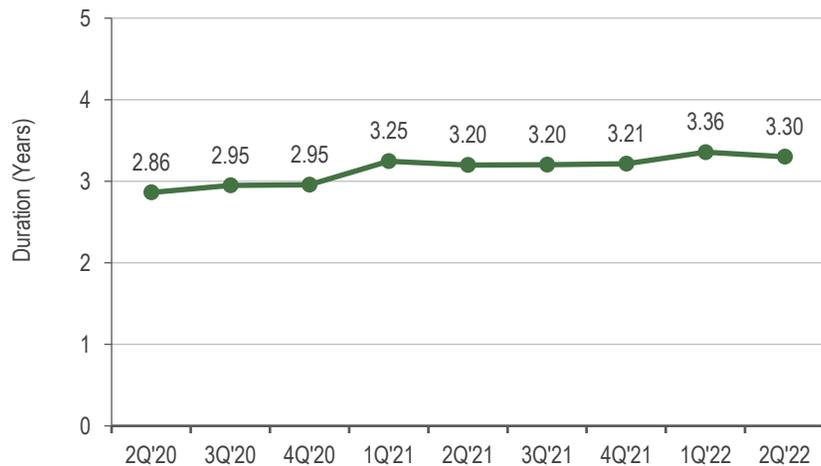
**HISTORICAL BLENDED YIELD<sup>1</sup>**



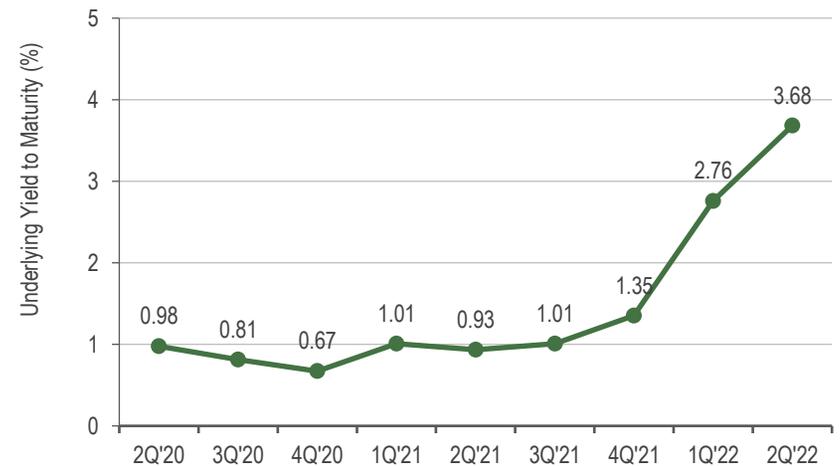
**HISTORICAL MARKET VALUE TO BOOK VALUE RATIO**



**HISTORICAL DURATION**



**HISTORICAL UNDERLYING YIELD TO MATURITY**



1: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, collective fund administrative fees, and plan administrative reimbursement.

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## CONTRACT ISSUERS

### CONTRACT ISSUER DISTRIBUTION & RATING SUMMARY<sup>1</sup>

	Contract Type <sup>2</sup>	% Portfolio 3/31/22	% Portfolio 6/30/22	Rating 3/31/22	Rating 6/30/22	Wrap Fees (bps) 3/31/22	Wrap Fees (bps) 6/30/22
American General Life Ins. Co.	SBIC	19.5	19.2	A+	A+	15	15
Metropolitan Life Ins. Co.	SAGIC	10.4	10.2	AA-	AA-	17	17
Nationwide Life Ins. Co.	SBIC	20.3	20.0	A+	A+	15	15
Prudential Ins. Co. of America	SBIC	24.5	24.2	AA-	AA-	15	15
Transamerica Life Ins. Co.	SBIC	23.0	22.6	A+	A+	15	15

1: The quality rating shown represents the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

2: SBIC = Security Backed Investment Contract. SAGIC = Separate Account GIC

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## CONTRACT ISSUER CREDIT REVIEW PROCESS

### OVERSIGHT

#### Galliard Credit Working Group

- **MEMBERSHIP**: includes all analysts and traders from both the Credit Sector Team and Structured Sector Team
- Reports contract issuer credit oversight to Galliard's Stable Value Strategy Committee

### CREDIT REVIEW PROCESS

#### Approved Issuer List

- The Credit Working Group maintains an approved list of contract issuers on an ongoing basis
- All contracts used in stable value accounts must be written by an approved issuer

#### Credit Working Group Review, Approval & Monitoring

- Meets monthly to review issuer credit quality and firm-wide exposure to approved contract issuers
- Oversees analysts' due diligence and formal credit reviews for each issuer
- Fundamental analysis of issuers includes:
  - Financial statements and ratios
  - Business model and product mix
  - Industry, economic, and regulatory environment
  - Regulatory ratios
  - Ratings agency analysis
  - Other third party research services (e.g. ALIRT, SNL)
  - Periodic due diligence calls and/or on-site visits

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

### HOLDINGS AS OF 6/30/22

Asset ID	Security Description	Contract <sup>1</sup> Type	Manager	Book Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate (%) <sup>2</sup>	UCA Yield (%)	Effective Duration (yrs)	Galliard Composite Rating	Wrap Fees (bps)
<b>LIQUIDITY BUFFER</b>												
	Cash Receivable / (Payable)			-1,647,250	-1,647,250	100.0	-0.1	1.53	1.53	0.10	AAA	
9983008\$P	Short-Term Investment Fund A S			93,867,394	93,867,394	100.0	3.8	1.53	1.53	0.10	AAA	
<b>TOTAL LIQUIDITY BUFFER</b>				92,220,144	92,220,144	100.0	3.8	1.53	1.53	0.10	AAA	
<b>SHORT PORTFOLIO</b>												
946996EE1	American General Life Ins. Co.	SBIC	Galliard	182,286,934	172,832,461	94.8	7.4	1.85	3.66	1.88	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Galliard	189,573,498	179,382,349	94.6	7.7	1.63	3.66	1.88	A+	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Galliard	230,065,293	220,240,247	95.7	9.4	2.05	3.66	1.88	AA-	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Galliard	214,868,317	204,342,603	95.1	8.7	1.92	3.66	1.88	A+	15.0
<b>TOTAL SHORT PORTFOLIO</b>				816,794,042	776,797,660	95.1	33.3	1.87	3.66	1.88	A+	

1: SAGIC = Separate Account GIC. SBIC = Security Backed Investment Contract.

2: Crediting rates are net of wrap fees and any other fees being netted out of the rates.

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

### HOLDINGS AS OF 6/30/22

Asset ID	Security Description	Contract <sup>1</sup> Type	Manager	Book Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate (%) <sup>2</sup>	UCA Yield (%)	Effective Duration (yrs)	Galliard Composite Rating	Wrap Fees (bps)
<b>INTERMEDIATE PORTFOLIO</b>												
590994VM8	Metropolitan Life Ins. Co.	SAGIC	Dodge & Cox	250,486,150	233,704,421	93.3	10.2	1.92	3.89	4.15	AA-	17.0
946996EE1	American General Life Ins. Co.	SBIC	Payden & Rygel	51,203,835	48,548,103	94.8	2.1	1.85	3.84	4.43	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	PGIM	105,925,276	100,431,368	94.8	4.3	1.85	3.93	4.44	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	TCW	52,870,838	50,128,645	94.8	2.2	1.85	3.78	4.08	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	Jennison Assoc.	53,386,976	50,618,013	94.8	2.2	1.85	3.55	3.97	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	Galliard	26,293,673	24,929,929	94.8	1.1	1.85	3.93	4.41	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Galliard	138,885,699	131,419,440	94.6	5.7	1.63	3.93	4.41	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Payden & Rygel	54,411,863	51,486,774	94.6	2.2	1.63	3.84	4.43	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	TCW	54,697,479	51,757,036	94.6	2.2	1.63	3.78	4.08	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Jennison Assoc.	54,396,254	51,472,004	94.6	2.2	1.63	3.55	3.97	A+	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Galliard	89,709,304	85,878,226	95.7	3.7	2.05	3.93	4.41	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Payden & Rygel	66,562,191	63,719,621	95.7	2.7	2.05	3.84	4.43	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	PGIM	74,918,648	71,719,212	95.7	3.1	2.05	3.93	4.44	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Jennison Assoc.	65,312,683	62,523,474	95.7	2.7	2.05	3.55	3.97	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	TCW	66,910,508	64,053,063	95.7	2.7	2.05	3.78	4.08	AA-	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	PGIM	57,311,939	54,504,410	95.1	2.3	1.92	3.93	4.44	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Galliard	99,121,055	94,265,430	95.1	4.0	1.92	3.93	4.41	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Jennison Assoc.	61,592,362	58,575,148	95.1	2.5	1.92	3.55	3.97	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Payden & Rygel	61,876,189	58,845,072	95.1	2.5	1.92	3.84	4.43	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	TCW	60,900,068	57,916,767	95.1	2.5	1.92	3.78	4.08	A+	15.0
<b>TOTAL INTERMEDIATE PORTFOLIO</b>				1,546,772,990	1,466,496,157	94.8	63.0	1.88	3.83	4.26	A+	
<b>TOTAL PORTFOLIO</b>				<b>2,455,787,176</b>	<b>2,335,513,961</b>	<b>95.1</b>	<b>100.0</b>	<b>1.87</b>	<b>3.68</b>	<b>3.30</b>	<b>A+</b>	

1: SAGIC = Separate Account GIC. SBIC = Security Backed Investment Contract.

2: Crediting rates are net of wrap fees and any other fees being netted out of the rates.

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW EXPENSES

### TOTAL ANNUAL FUND OPERATING EXPENSES

Total Annual Operating Expenses are deducted directly from the Fund's net asset value and reduce the investment option's rate of return.

Expense	Expense Ratio 6/30/22	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.053%	\$0.53	\$1,309,526
Investment Management fees paid to Non-Affiliated Investment Advisors	0.056%	\$0.56	\$1,365,528
Investment Contract Fees <sup>1</sup>	0.146%	\$1.46	\$3,595,448
Acquired Fund Fees <sup>2</sup>	0.003%	\$0.03	\$84,481
- Investment Contract Fees	None	None	None
- Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.003%	\$0.03	\$84,481
12b-1 Distribution Fee	None	None	None
Other Expenses <sup>4</sup>	0.014%	\$0.14	\$351,178
<b>Total Annual Fund Operating Expenses<sup>5</sup></b>	<b>0.273%</b>	<b>\$2.73</b>	<b>\$6,706,160</b>

1: These are fees paid to create and maintain the investments used by a stable value fund.

2: These are fees borne indirectly by the Fund when it acquires an interest in another fund which pays its own separate fees.

3: Includes audit fees for the cost of producing a report by a qualified auditor.

4: NC's Administrative fee of 0.0125% is included in Other Expenses.

5: Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV).

Excluding STIF or money market allocations, non-affiliated investment advisors include Dodge & Cox , Jennison Assoc., Payden & Rygel, PGIM, TCW.

## SECTION III

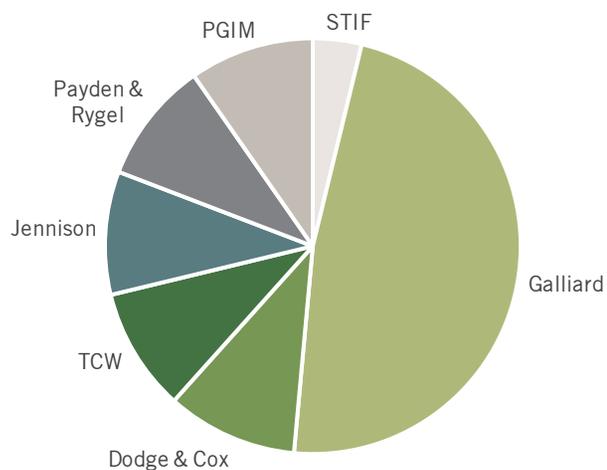
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## STATE OF NORTH CAROLINA STABLE VALUE FUND MANAGER STYLES

	Investment Approach	Sector Rotation	Active Duration/ Yield Curve Mgmt.	Issue Selection	SECTOR EMPHASIS
<b>GALLIARD</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Diversified high quality spread sector emphasis, multi-sector relative value
<b>DODGE &amp; COX</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Corporate credit, Agency MBS
<b>TCW</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Duration, multi-sector relative value
<b>JENNISON</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Credit, yield-curve positioning
<b>PAYDEN &amp; RYGEL</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Corporate credit, structured credit, multi-sector relative value
<b>PGIM</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Multi-sector relative value, Agency MBS, global focus

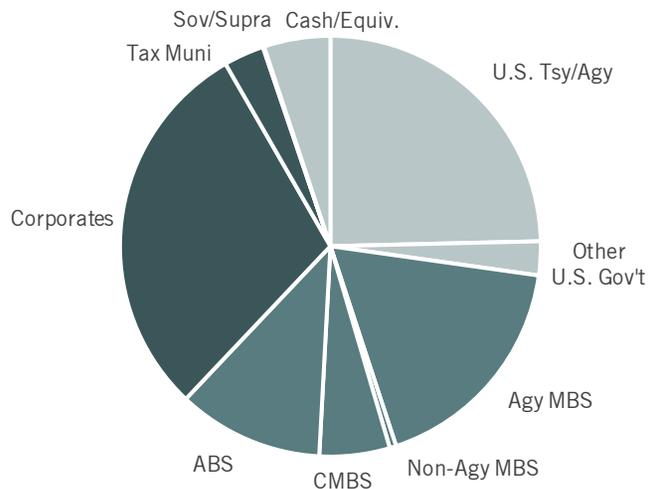
## STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO AS OF 6/30/22

### MANAGER ALLOCATION



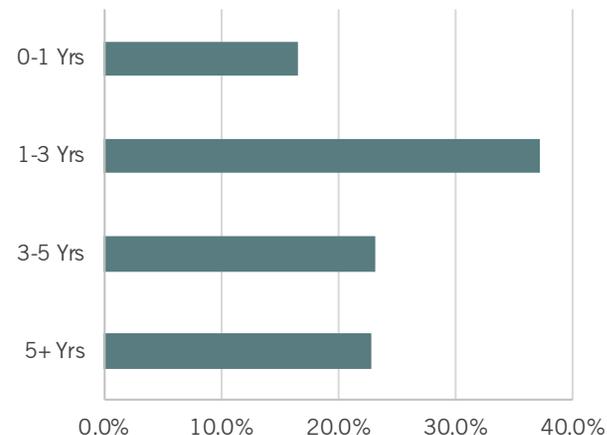
STIF	3.8%
Galliard	47.7%
Dodge & Cox	10.2%
TCW	9.6%
Jennison	9.6%
Payden & Rygel	9.5%
PGIM	9.7%
<b>TOTAL EXT. MANAGER</b>	<b>48.6%</b>
<b>TOTAL PORTFOLIO</b>	<b>100%</b>

### UNDERLYING FIXED INCOME SECTOR ALLOCATION



U.S. Tsy/Agy	24.6%
Other U.S. Gov't	2.6%
Agy MBS	17.7%
Non-Agy MBS	0.5%
CMBS	5.4%
ABS	11.2%
Corporates	29.6%
Tax Muni	3.1%
Sov/Supra	0.1%
Cash/Equiv.	5.1%

### UNDERLYING DURATION DISTRIBUTION



0-1 Yrs	16.5%
1-3 Yrs	37.3%
3-5 Yrs	23.2%
5+ Yrs	22.9%

## STATE OF NORTH CAROLINA STABLE VALUE FUND

### MARKET VALUE PERFORMANCE SUMMARY AS OF 6/30/22<sup>1</sup>

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception	Inception Date
<b>SHORT DURATION</b>								
Galliard (before fees)	(0.84)	(3.31)	(3.72)	0.60	-	-	1.61	6/1/2018
Bloomberg U.S. 1-3 Yr. Government/Credit	(0.63)	(3.11)	(3.56)	0.31	-	-	1.26	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.20)</b>	<b>(0.20)</b>	<b>(0.15)</b>	<b>0.29</b>	<b>-</b>	<b>-</b>	<b>0.35</b>	
<b>INTERMEDIATE DURATION</b>								
Dodge & Cox (before fees)	(3.10)	(7.79)	(8.20)	(0.04)	1.35	-	1.57	3/1/2015
Dodge & Cox (after fees)	(3.12)	(7.84)	(8.30)	(0.15)	1.25	-	1.46	
Bloomberg U.S. Intermediate Aggregate	(2.93)	(7.48)	(7.91)	(0.60)	0.88	-	1.14	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.17)</b>	<b>(0.31)</b>	<b>(0.29)</b>	<b>0.55</b>	<b>0.47</b>	<b>-</b>	<b>0.43</b>	
Galliard (before fees)	(2.87)	(7.41)	(7.86)	(0.13)	-	-	1.62	6/1/2018
Bloomberg U.S. Intermediate Aggregate	(2.93)	(7.48)	(7.91)	(0.60)	-	-	1.16	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.06</b>	<b>0.08</b>	<b>0.05</b>	<b>0.47</b>	<b>-</b>	<b>-</b>	<b>0.46</b>	
Jennison (before fees)	(2.37)	(6.72)	(7.30)	0.36	1.55	-	1.98	10/1/2013 <sup>3</sup>
Jennison (after fees)	(2.39)	(6.77)	(7.39)	0.26	1.44	-	1.87	
Bloomberg U.S. Intermediate Govt/Credit	(2.37)	(6.77)	(7.28)	(0.16)	1.13	-	1.63	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.00</b>	<b>0.05</b>	<b>(0.02)</b>	<b>0.52</b>	<b>0.42</b>	<b>-</b>	<b>0.35</b>	
Payden & Rygel (before fees)	(2.95)	(7.29)	(7.73)	(0.11)	1.35	1.31	1.75	7/1/2009 <sup>4</sup>
Payden & Rygel (after fees)	(2.98)	(7.35)	(7.85)	(0.24)	1.21	1.17	1.61	
Bloomberg U.S. Intermediate Aggregate <sup>5</sup>	(2.93)	(7.48)	(7.91)	(0.60)	0.98	0.97	1.26	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.01)</b>	<b>0.20</b>	<b>0.18</b>	<b>0.49</b>	<b>0.37</b>	<b>0.35</b>	<b>0.49</b>	
PGIM (before fees)	(3.26)	(7.93)	(8.42)	(0.45)	1.14	-	1.46	2/1/2016
PGIM (after fees)	(3.30)	(7.99)	(8.55)	(0.59)	1.00	-	1.33	
Bloomberg U.S. Intermediate Aggregate	(2.93)	(7.48)	(7.91)	(0.60)	0.88	-	1.05	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.33)</b>	<b>(0.45)</b>	<b>(0.52)</b>	<b>0.14</b>	<b>0.26</b>	<b>-</b>	<b>0.41</b>	
TCW (before fees)	(2.55)	(6.66)	(7.18)	0.31	-	-	2.00	6/1/2018
TCW (after fees)	(2.57)	(6.71)	(7.27)	0.22	-	-	1.91	
Bloomberg U.S. Intermediate Govt/Credit	(2.37)	(6.77)	(7.28)	(0.16)	-	-	1.52	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.18)</b>	<b>0.11</b>	<b>0.10</b>	<b>0.47</b>	<b>-</b>	<b>-</b>	<b>0.49</b>	

1: Returns for periods of less than one year are not annualized. Galliard managed portfolios do not have net returns as fees are charged within the stable value account.

2: May not add due to rounding.

3: Performance inception for the separate account was May 1, 2018. Prior to this date returns are linked to Galliard SA Intermediate Core Fund N.

4: Galliard performance inception was December 1, 2010. Returns prior to this date are linked to the previous manager.

5: Linked Benchmark: Bloomberg U.S. Intermediate Aggregate Bond Index. Prior to Jun 1, 2018 benchmark was Bloomberg U.S. 1-3 Year Government/Credit Bond Index.

## STATE OF NORTH CAROLINA STABLE VALUE FUND PERFORMANCE COMMENTARY – EXCESS RETURN

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### **GALLIARD SHORT** -20 Q2 2022

- An overweight to the spread sectors drove underperformance, as credit spreads continued to widen over the quarter
- Curve positioning, with a general overweight to 3-5 year maturities, added to returns as the curve continued to flatten

### **DODGE & COX** -17 Q2 2022

- The overweight to Corporates hurt relative performance, and the impact of security selection in the sector was also slightly negative
- Within structured products, the impact of security selection in ABS detracted while security selection in Agency RMBS benefited relative performance
- Shorter benchmark relative duration positioning contributed positively to performance

### **GALLIARD INTERMEDIATE** +6 Q2 2022

- Security selection in Agency RMBS and corporates drove outperformance
- An underweight to Agency RMBS was also beneficial
- Detracting from returns was a general overweight to the spread sectors, as credit spreads continued to widen

### **JENNISON** +0 Q2 2022

- The high quality bias within Corporate security selection added to relative performance
- Yield curve positioning, favoring relative value trades, detracted from the portfolio

### **PAYDEN & RYGEL** -1 Q2 2022

- Short benchmark relative duration positioning contributed positively to performance
- The overweight to Corporates and ABS detracted from performance while the underweight to Agency RMBS slightly added
- The impact of security selection within Corporates detracted while security selection within Agency RMBS was beneficial

### **PGIM** -33 Q2 2022

- The overweight to Corporates detracted from relative performance
- The underweight to Agency Mortgages contributed positively to performance, and security selection in the space also slightly added
- The overweight to CMBS and security selection in the sector hurt relative performance

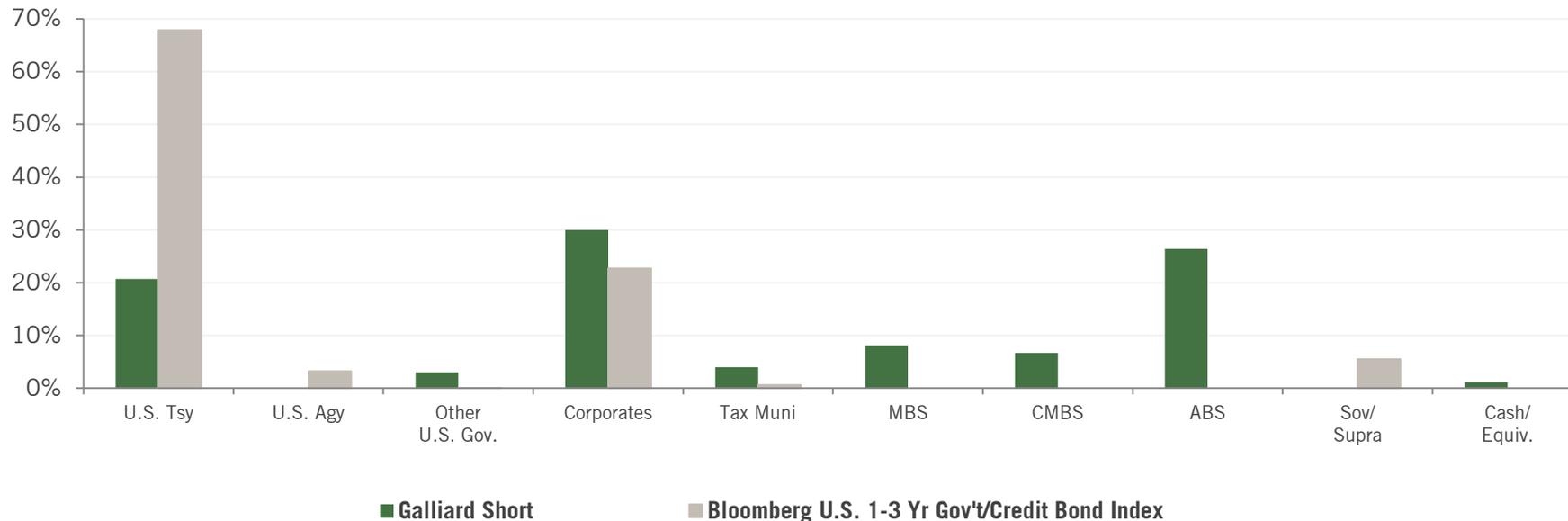
### **TCW** -18 Q2 2022

- The out-of-benchmark allocation to Agency RMBS, ABS, and CMBS, was the primary detractor from relative performance
- The allocation to Corporates detracted from performance as the team added in the space over the quarter, and security selection within Municipals also hurt relative performance
- Yield curve positioning benefited relative performance

Before fees.

## STATE OF NORTH CAROLINA STABLE VALUE FUND SHORT DURATION PORTFOLIO AS OF 6/30/22

### BLOOMBERG U.S. 1-3 YEAR GOVERNMENT/CREDIT BOND INDEX

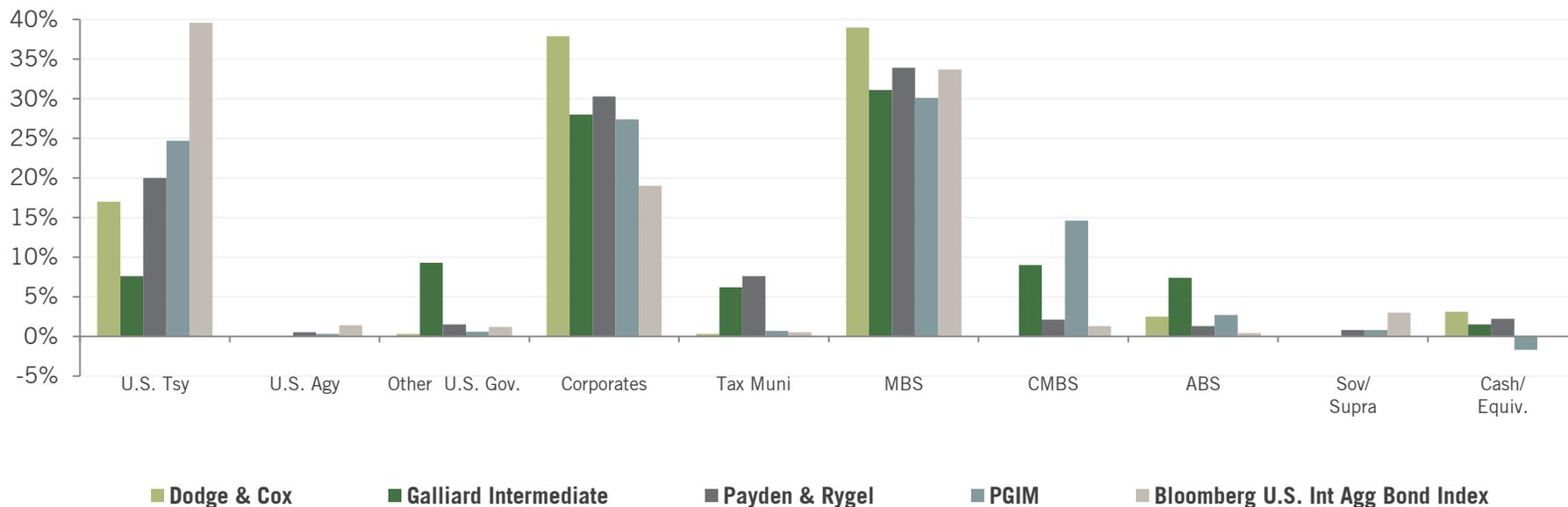


Characteristic	Galliard Short	Bloomberg U.S. 1-3 Yr Gov't/ Credit Bond Index
Weighted Average Quality <sup>1</sup>	AA	AA+
Effective Duration	1.88 Yrs	1.84 Yrs
Yield to Maturity	3.66%	3.24%

1: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

## STATE OF NORTH CAROLINA STABLE VALUE FUND INTERMEDIATE DURATION PORTFOLIOS AS OF 6/30/22

### BLOOMBERG U.S. INTERMEDIATE AGGREGATE BOND INDEX



Characteristic	Dodge & Cox	Galliard Intermediate	Payden & Rygel	PGIM	Bloomberg U.S. Int Agg Bond Index
Weighted Average Quality <sup>1</sup>	AA-	AA	AA	AA-	AA+
Effective Duration	4.15 Yrs	4.41 Yrs	4.43 Yrs	4.44 Yrs	4.59 Yrs
Yield to Maturity	3.89%	3.93%	3.84%	3.93%	3.60%

1: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

## STATE OF NORTH CAROLINA STABLE VALUE FUND INTERMEDIATE DURATION PORTFOLIOS AS OF 6/30/22

### BLOOMBERG U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX



Characteristic	Jennison	TCW	Bloomberg U.S. Int Gov't/Credit Bond Index
Weighted Average Quality <sup>1</sup>	AA+	AA	AA
Effective Duration	3.97 Yrs	4.08 Yrs	3.92 Yrs
Yield to Maturity	3.55%	3.78%	3.49%

1: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.