

NCSRP Small/Mid Cap Equity Fund

Structure Comparison

- In late 2020, the Board approved a new structure and underlying allocations for the actively managed Small/Mid Cap Equity Fund.
- These changes were adopted to neutralize style bias and emphasize active management, recognizing a purely passive option is also available

	Current Structure	Prior Structure
Wedge Small/Mid Cap Value	30.0%	23.75%
Earnest Small/Mid Cap Value	-----	23.75%
Earnest Small/Mid Cap Core	30.0%	-----
Russell 2500 Index	10.0%	28.75%
Brown Advisory Small/Mid Cap Growth	30.0%	23.75%
Approximate Fee	0.43%	0.35%
Annualized Excess Return as of 3/31/23 (net of fees)	+3.00%	+2.49%

- The implementation of the new structure has been beneficial for participants from both a return and risk-adjusted return perspective.

Small/Mid Cap Equity Structure Comparisons

Cumulative Excess Return Relative To Russell:2500 Index
from March 1, 2021 to March 31, 2023



The portfolios above compare the prior NC Small/Mid Fund structure to the current structure. The prior structure was 23.75% each to Brown SMID Growth, EARNEST SMID Value, Wedge SMID Value and 28.75% to a passive Russell 2500 index fund. The current structure is 30% each to Brown SMID Growth, EARNEST SMID Value, Wedge SMID Value and 10% to a passive Russell 2500 index fund.

Small/Mid Cap Equity Structure Comparison

Risk and Return

Statistics for 25 Months (Beginning March 1, 2021 and Ending March 31, 2023)

	Excess Return	Tracking Error	Information Ratio	Standard Deviation	Sharpe Ratio	Up Market Capture	Down Market Capture
NC SMID Cap Equity (current)	3.00	3.66	0.77	18.33	(0.13)	95.73	90.03
NC SMID Cap Equity (prior)	2.49	3.20	0.72	19.05	(0.16)	99.91	93.53
Russell:2500 Index	0.00	0.00	0.00	19.95	(0.27)	100.00	100.00

For the two+ year period that the new structure has been in place, risk and risk-adjusted measures have benefitted:

- Tracking error (active risk) has increased on the margin, but remains low relative to the broad peer group.
- Information ratio is a risk-adjusted measure that shows if the fund has been compensated for taking active risk. This measure has improved over the 25 month time frame.
- Standard deviation (absolute risk) has decreased relative to the prior structure and remains below that of the index.
- Up/down capture percentages are mixed; the current structure caught less of downside market movement, while the prior structure captured greater upside over the 25 month period.