

NC Small/Mid Cap Core Fund



North Carolina

Total Retirement Plans

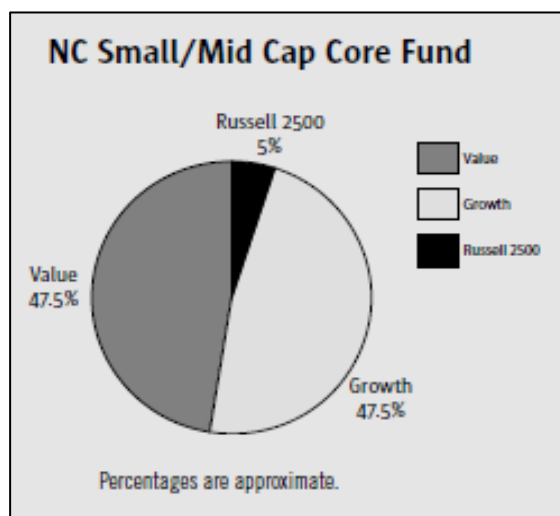
401k | 457 | 403b

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

The NC Small/Mid Cap Core Fund is new, as of September 29, 2017. The fund was created by consolidating the active managers in the NC Small/Mid Cap Value Fund and the NC Small/Mid Cap Growth Fund, and incorporating a 5% allocation to the Russell 2500 Index Fund. Participants received detailed information about this consolidation in August 2017.

Third Quarter 2017 Fund Fact Sheets will be available for review, along with all others in the investment lineup, as regularly scheduled. Fund performance information (from fund inception on October 1st through December 31st, 2017) will be reflected on the Fourth Quarter Fund Fact Sheets, available in early 2018.

Fund Characteristics



Objective: Outperform the Russell 2500 Index over a full market cycle utilizing a diversified portfolio invested in stocks with above-average earnings growth potential, along with undervalued securities.

Total Expense Ratio: 0.55% (This does not include the flat, recordkeeping, annual participant cost of \$31 per account)

Russell 2500[®] Index: Measures the performance of the small to mid-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index and includes approximately 2500 of the smallest capitalized securities within the index.

Underlying Funds

The North Carolina Small/Mid Cap Core Fund (the "Fund") is offered exclusively for public employees of the state of North Carolina. Effective 1/1/2016, the Fund is held in a group trust and you own units of the group trust. The Fund invests in six complementary, but independently managed underlying funds ("Underlying Funds"). By employing six Underlying Funds, this Fund offers improved diversification compared to having a single investment manager. Allocation decisions and the selection of the Underlying Funds are made by North Carolina Supplemental Retirement Board of Trustees. The Underlying Funds are:

- The **EARNEST Partners Small Cap Value Fund** (15.83% of the Fund assets) is advised by EARNEST Partners, LLC. The Small Cap Value strategy relies on fundamental, bottom up stock selection to provide above average returns with controlled volatility and risk. The portfolio is an outgrowth of the process, which utilizes a proprietary model. Using this model, EARNEST Partners analyzes six performance drivers which they believe signal the outperformance of individual stocks.
- The **Hotchkis and Wiley Mid Cap Value Fund** (15.83% of the Fund assets) is advised by Hotchkis and Wiley Capital Management, LLC. Hotchkis and Wiley Mid Cap Value strategy seeks to exploit mid cap equity market inefficiencies created by irrational investor behavior through a bottom up investment process with a focus on mispriced, undiscovered or out of favor companies.
- The **WEDGE Small/Mid Cap Value Fund** (15.83% of the Fund assets) is advised by WEDGE Capital Management L.L.P. Focusing on companies that meet WEDGE's value and financial quality parameters, the strategy employs comprehensive qualitative and quantitative analysis, seeking stocks with unrecognized value.
- The **TimesSquare Capital Management Small/Mid Cap Growth Fund** (23.75% of the Fund assets) is advised by TimesSquare Capital Management, LLC. TimesSquare's proprietary fundamental equity research is the focus of their process. The foundation of this in-house research is frequent meetings with a company's senior management to assess: 1) the quality of management 2) their business model and 3) the potential growth of the company.
- The **Brown Advisory Small Cap Growth Equity Fund** (23.75% of the Fund assets) is advised by Brown Advisory. Brown's small cap growth strategy seeks to find the best growth companies early in their life cycle and hold them for long periods of time. The portfolio is comprised of companies in large and/or growing markets, with a sustainable competitive advantage, the potential for above average future growth and returns, a shareholder-friendly, capable management, and an easily understood business strategy.
- The **Russell 2500[™] Index Non-Lendable Fund F** (5.00% of the Fund assets) is managed by BlackRock Institutional Trust Company, N.A. ("BTC"). The Fund shall be invested and reinvested in a portfolio of equity securities with the objective of approximating as closely as practicable the capitalization weighted total return of that segment of the U.S. market for publicly traded equity securities represented by the Russell 2500[™] Index (the "Underlying Index").

There is no assurance the objective will be met. It is possible to lose money by investing in securities.