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## State of North Carolina Portfolio Review

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August 15, 2012

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# Galliard Capital Management

## Fixed Income and Stable Value Specialists



**GALLIARD** at a glance (as of 6/30/12)

### Fixed Income and Stable Value Specialists

- | Currently managing in excess of \$81.2 Billion
- | 92 professionals on staff
- | Asset growth has been strong (+\$3.6 B) YTD 2012
- | Welcomed 15 new clients YTD 2012
- | Ranked 26<sup>th</sup> in overall institutional assets by *Pensions & Investments*\*
- | Ranked 13<sup>th</sup> largest active domestic fixed income manager by *Pensions & Investments*\*\*
- | Ranked 2<sup>nd</sup> in stable value assets managed by *Pensions & Investments*\*
- | Ranked 73<sup>rd</sup> total worldwide institutional assets under management by *Pensions & Investments*\*\*\*
- | Ranked 92<sup>nd</sup> total worldwide assets by *Pension & Investments*\*\*\*

\* *Pensions & Investments*, Largest Money Managers Report, May 28, 2012. The ranking is based on U.S. Institutional, tax-exempt assets in millions, as of December 31, 2010.

\*\* *Pensions & Investments*, Largest Money Managers Report, May 28, 2012. The ranking is based on U.S. Institutional, tax-exempt assets managed internally in millions, as of December 31, 2010.

\*\*\* *Pensions & Investments*, Largest Money Managers Report, June 11, 2012. The ranking is based on U.S. Institutional, tax-exempt assets managed internally in millions, as of December 31, 2011.

Our client focus and organizational stability have been the key to our long term success

# Galliard Capital Management

## Composition of Business\*

Galliard Firm Assets  
Under Management | **\$81.2**  
billion

### Assets Under Management (By Strategy):

- | Short Duration: \$33.7 Billion
- | Intermediate Core: \$17.9 Billion
- | Broad Market Core & Core Plus: \$3.7 Billion
- | Custom: \$25.8 Billion

### Assets Under Management (By Plan Type):

- | Corporate Retirement/Benefit Plans: \$64.7 Billion
- | Operating Funds: \$2.7 Billion
- | Partnerships: \$1.8 Billion
- | Foundation/Endowments: \$387.2 Million
- | Taft Hartley: \$389.9 Million
- | Public Entities: \$11.1 Billion

Stable Value  
Assets | **\$73.7**  
billion

### 2011 Stable Value Summary

- | \$4.7 Billion new assets
- | 18 new clients

### 2010 Stable Value Summary

- | \$11.1 Billion new assets
- | 30 new clients

### Representative Stable Value Clients:\*\*

- | Archer Daniels Midland
- | AkzoNobel Inc.
- | BAE Systems
- | National Oilwell Varco
- | Halliburton

We have  
successfully  
managed  
portfolios for a  
broad array of  
applications  
and clients

\*As of 6/30/12

\*\*Excludes those requesting confidentiality. Inclusion is not performance based nor does it represent any endorsement of Galliard's services by the client.

# Galliard Capital Management

## Organization Chart

### Managing Partners

**John Caswell, CFA**  
Chair, Fixed Income Committee

**Richard Merriam, CFA**  
Chief Strategist

**Karl Tourville**  
Chair, Management Committee

### Client Portfolio Management

John Caswell, CFA Managing Partner	Nick Gage, CFA Director
Karl Tourville Managing Partner	Andrea Johnson, CFA Director
Carrie Callahan Partner	Laura Sell, CFA Associate Director
Mike Norman Senior Principal	William Weber Associate Director
Leela Scattum Senior Principal	Robert Crandall Senior Associate
Erol Sonderegger, CFA Principal	Will Moeller, CFA Senior Associate
Andrew Apostol Senior Director	Doug Rangel, CFA Senior Associate
David Ferry Senior Director	Todd Copenhaver Associate
Tami Pearce-Byczek Senior Director	
Taylor Benson Director	

### Fixed Income Sector Teams

<i>Credit</i>	<i>Structured Product</i>
Richard Merriam, CFA Managing Partner Sector Head	Ajay Mirza, CFA Partner Sector Head
Matt Bentley Senior Director	Matt Robertson, CFA Senior Director
Rene Hoogmoed, CFA Senior Director	Marco Perzichilli Director
Chad Callahan Senior Director	Mike Meerovich Associate Director
Brandon Kanz, CFA Director	John Hammar Senior Associate
John Kenley Associate Director	Gauri Jadhav Senior Associate
Robert Barrett, CFA Senior Associate	Elizabeth Motz Associate
	Tyler Wadsworth Associate

### Portfolio Analysis & Support

Kristin Daniels, CPA Director	Angie Dardis Associate
Brian Brooks Senior Associate	Heather Goserud Associate
Rasaan Ellison Senior Associate	Phil Kos Associate
Carmen Rangel, CPA Senior Associate	Suthisa Krupinski Associate
Jesse Ahlbrecht Associate	Terry Larsen Associate
Scott Baber Associate	Christina Mosher Associate
Jordan Bewley Associate	Jason Skull Associate
Anna Cesar Associate	Steve Swanson Associate

### Operations & Technology

Chad Foote Principal	Christopher Smith Senior Associate
Peter Anderson Associate Director	Troy Visnovac Associate
George Jones Associate Director	Mike Bouska Associate
Elena Ketter Associate Director	Charles Head Associate
Marylynn Shapiro Associate Director	Brian Heruth Associate
Jennifer deFiebre Senior Associate	Lee Jacobsen Associate
Kersten Dusterhoft Senior Associate	Jessica Miller Associate
Shawn Erwin Senior Associate	Whitney O'Neil Associate
William Ingle Senior Associate	Stephanie Ripley Associate
Deanna Moriarty Senior Associate	Corey Weber Associate

### Marketing & Client Support

Jane Marie Petty Senior Director	Linh Buoen Senior Associate	Michelle Boss Associate	Jeff Hay Associate
Sue Stachel Director	Jennifer Wedan Senior Associate	Fiona Donahoe Associate	Seth Mork Associate
Jennifer Diadoo Associate Director	Andrea Bartz Associate	Jennie Ford Associate	Barb Thomas Associate
Jennifer Miller Associate Director	Tashana Bennett Associate	Sarah Gifford Associate	

### Compliance & Risk Management

David Lui, J.D. Chief Compliance Officer Principal	Nicole Berger Associate
Paula Novick, J.D. Associate Director	Jason Mitchell Associate
Mark Otto Associate Director	Maya Pillai Associate
Brad Hahn Senior Associate	Brian Renelt Associate

### Wells Fargo Resources

Human Resources	Compliance/Risk Mgmt
Legal Department	Economic Research
Trust Operations	Credit Research
Investment Mgmt	Finance
Technology	

New in 2010

New in 2011

New in 2012

# Stable Value Market Update

## Wrap Capacity

### Wrap Market Update

- | Supply and demand picture is slowly improving
  - Existing providers are increasing capacity
    - AIG (American General Life)
    - ING
    - MetLife
    - Royal Bank of Canada
    - Prudential
  - Providers that recently entered
    - AVIVA
    - Bank of Tokyo
    - Mass Mutual
    - Mutual of Omaha
    - New York Life
    - RGA
    - TIAA-CREF
- | Shift in market providers from banking to predominantly insurance providers
- | Wrap providers are being selective about managers they will wrap
- | Fees settling in 20-25 bps range
- | Beginning to see more flexibility in investment guidelines

### Galliard continues to successfully transition Stable Value Portfolios in this environment:

- | In 2011, \$4.7 billion transitioned for 18 clients
- | Generated over \$22 billion in new wrap capacity since 2008
- | Galliard has available capacity with new and existing providers and is actively on-boarding new providers for additional capacity

Galliard's conservative approach, proven track record and strong relationships within the wrap market have allowed us to deliver client solutions in a challenging market

# Stable Value Market Update

## Wrap Issuer Summary

As of June 2012:

Name	Accepting Deposits from New Clients*	Accepting Deposits from Existing Clients*	Contract Type**	Asset Management***	S&P Credit Rating	Moody's Credit Rating
AIG Financial Products Corp.	Yes	Yes	SBIC	Galliard	A-	Baa1
Aviva Life and Annuity Co.	Yes	Yes	SBIC	Aviva	A+	A1
ING Life Ins. and Annuity Co.	Yes	Yes	SBIC	Galliard, ING, PIMCO, Dodge & Cox	A-	A3
MassMutual Life Ins. Co.	Yes	Yes	SAGIC	Babson	AA+	Aa2
Metropolitan Life Ins. Co.	Yes	Yes	SAGIC	Galliard, PIMCO	AA-	Aa3
Monumental Life Ins. Co.	Yes	Yes	SBIC	Galliard, PIMCO, Pyramis, Dodge & Cox	AA-	A1
New York Life	Yes	Yes	SBIC & SAGIC	New York Life	AA+	Aaa
Prudential Life Ins. Co	Yes	Yes	SBIC	Galliard, Prudential, Jennison	AA-	A2
Royal Bank of Canada	Yes	Yes	SBIC	Galliard	AA-	Aa3
TIAA-CREF	Yes	Yes	SAGIC	TIAA-CREF	AA+	Aaa
United of Omaha	No	Yes	SBIC	Galliard	A+	A1
Pacific Life Ins. Co.	No	Yes	SBIC	Galliard, PIMCO	A+	A1
State Street Bank and Trust Co.	No	No	SBIC	Galliard, PIMCO	AA-	Aa2
Natixis Financial Products, Inc.	No	No	SBIC	Galliard, PIMCO	A+	A2
Bank of America, N.A. - <i>exiting</i>	No	No	SBIC	Galliard	A	A3
J.P. Morgan Chase Bank - <i>exiting</i>	No	No	SBIC	Galliard	A+	Aa3
Rabobank Nederland - <i>exiting</i>	No	No	SBIC	Galliard	AA	Aa2

\*Providers accepting deposits on a case by case basis

\*\* Security Backed Investment Contract (SBIC) or Separate Account GIC (SAGIC)

\*\*\*Within Galliard Strategies

# State of North Carolina

## Transition Update

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### **Transition to Galliard oversight went smoothly on December 1, 2010 with full cooperation and support from Prudential and Great West Life**

- | Assumed responsibility for portfolio's daily valuation
- | Improved wrap issuer diversification with the addition of the United of Omaha and Met Life contracts
- | Enhanced manager style diversification with funding of the Galliard-managed short duration strategy
- | Increased yield on liquidity component by over 200 basis points. The current yield on the Wells Fargo is 2.09%.
- | Lowered management cost with Prudential and PIMCO collective funds
- | Reduced custodial costs with transition to Wells Fargo (60% of portfolio assets)
- | Terminated State Street's securities lending program
- | Shortened portfolio duration from 3.10 years to improve responsiveness to changes in interest rates
- | Switched to all Government money market STIF

# State of North Carolina Stable Value Funds

## Transition Update

- December 2010**
- Galliard assumes oversight, daily valuations, and administration of stable value funds
  - Transitioned custody of the 457 Plan Payden & Rygel portfolio to Wells Fargo
- 

- January 2011**
- Changed 401(k) Plan's Prudential benchmark from Broad Market to Intermediate Aggregate
  - Transitioned PIMCO to intermediate duration strategy wrapped by MetLife and increase allocation to 15% of assets
- 

- February 2011**
- Began termination of State Street securities lending program in the 401(k) Plan
  - Funded Galliard-managed short duration strategy wrapped by United of Omaha
  - Transitioned 457 Plan's Prudential intermediate duration strategy to Galliard collective trust
  - Liquidation of GWL trading account and funding of the Wells Fargo STIF and Wells Fargo SRF liquidity buffer
  - Transitioned custody of the 401(k) Payden & Rygel portfolio to Wells Fargo
  - New guidelines established for Payden short duration strategy
  - State Street securities lending program terminated
- 

- March 2011**
- Transition 401(k) Plan's Prudential investment to intermediate duration collective trust
- 

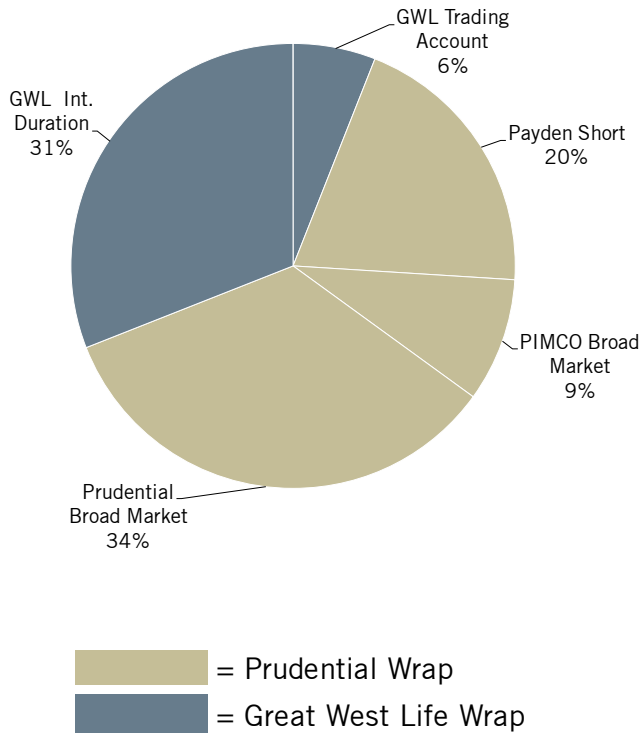
- July 2011**
- Moved from declared rate to actual portfolio returns
- 

- 2012**
- Changed STIF to Wells Fargo Government Money Market
  - Preparing portfolio strategy recommendations for staff and investment subcommittee

# State of North Carolina 401(k) Plan

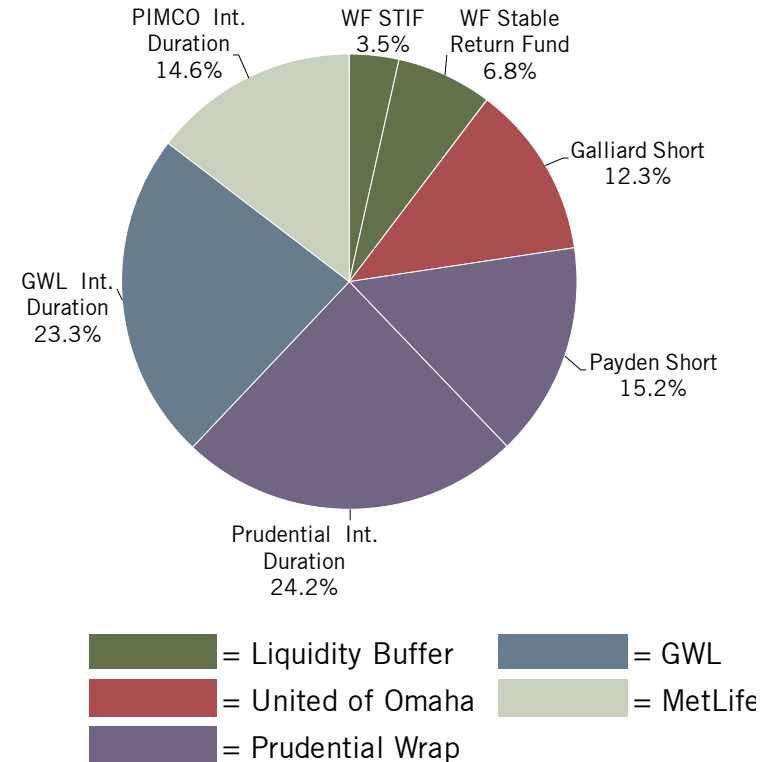
## Transition Update

### Initial Portfolio Allocation



Duration	3.1 years
Avg. Quality	AA
# of Managers	4
# of Wrappers	2

### Portfolio Allocation 401(k) 6/30/12



Duration	2.64 years
Avg. Quality	AA
# of Managers	5
# of Wrappers	4

# State of North Carolina Stable Value Funds

## Fee Summary

### 401(k) Plan Stable Value Fund

#### Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential (Weighted Avg.)	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	<b>0.16%</b>

#### Investment Management Fees

Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	<b>0.08%</b>

Galliard Oversight & Management	<b>0.07%</b>
Total Management & Wrap	<b>0.31%</b>
Admin Fee	<b>0.13%</b>
Total Fees	<b>0.44%</b>

### 457 Plan Stable Value Fund

#### Benefit Responsive Wrap Fees

Great West Life	0.15%
Prudential (Weighted Avg.)	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	<b>0.16%</b>

#### Investment Management Fees

Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	<b>0.08%</b>

Galliard Oversight & Management	<b>0.07%</b>
Total Management & Wrap	<b>0.32%</b>
Admin Fee	<b>0.13%</b>
Total Fees	<b>0.45%</b>

\*Excludes wrap, admin and subadvisory fees on the Wells Fargo Stable Return Fund that are netted from the yield.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
Portfolio (net of all fees)	0.23	0.69	1.38	2.91	3.55	---	---	3.15
3 Year Constant Maturity Treasury Yield	0.03	0.10	0.20	0.43	0.93	1.51	2.46	0.65
91 Day T-bill + 150 bps	0.13	0.40	0.79	1.57	1.64	2.51	3.40	1.61

## Calendar Year Performance

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Portfolio (net of all fees)	3.27	3.90	---	---	---
3 Year Constant Maturity Treasury Yield	0.75	1.10	1.43	2.19	4.26
91 Day T-bill + 150 bps	1.61	1.64	1.72	3.60	6.61

### Market Indices

Merrill Lynch 3 Month T-Bill	0.10	0.13	0.21	2.06	5.03
Consumer Price Index	3.07	1.50	2.72	0.09	4.08

\*Returns for periods of less than one year are not annualized.

\*\*Galliard's management of this portfolio began December 1, 2010. Periods that exceed Galliard's tenure with the portfolio include Galliard performance linked with historical portfolio returns.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Second Quarter 2012

## Portfolio Characteristics

Total Assets	\$1,745,104,958	Blended Yield (Before fees)*	3.05%
Average Holdings Quality**	A1/AA-	Effective Duration	2.64 years
Number of Contract Issuers	4	Market/Book Value Ratio	104.77%

\*Blended yield is before investment management fees and after wrap fees.

\*\*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 contracts and cash held by the portfolio as rated by S&P and Moody's.

## Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>06/30/2012</u>	<u>% of Portfolio</u> <u>03/31/2012</u>
Money Market*	61,102,568	3.5	4.5
Stable Value Funds	119,145,002	6.8	6.8
Insurance Separate Accounts	661,800,597	37.9	37.9
Intermediate Portfolio	661,800,597	37.9	37.9
Security Backed Contracts	903,056,791	51.7	50.8
Short Portfolio	479,902,504	27.5	26.6
Intermediate Portfolio	423,154,287	24.2	24.2
<b>Total</b>	<b>\$1,745,104,958</b>	<b>100.0%**</b>	<b>100.0%**</b>

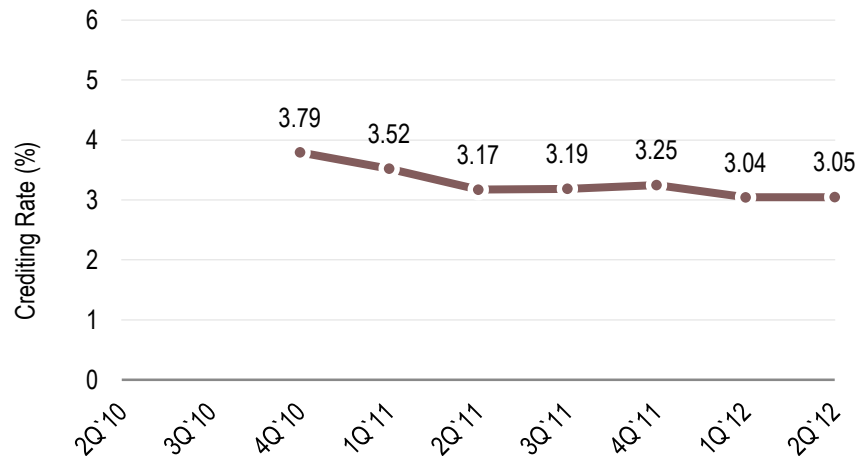
\*Includes Receivables and Payables

\*\*Total % of portfolio may not add to 100% due to rounding

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

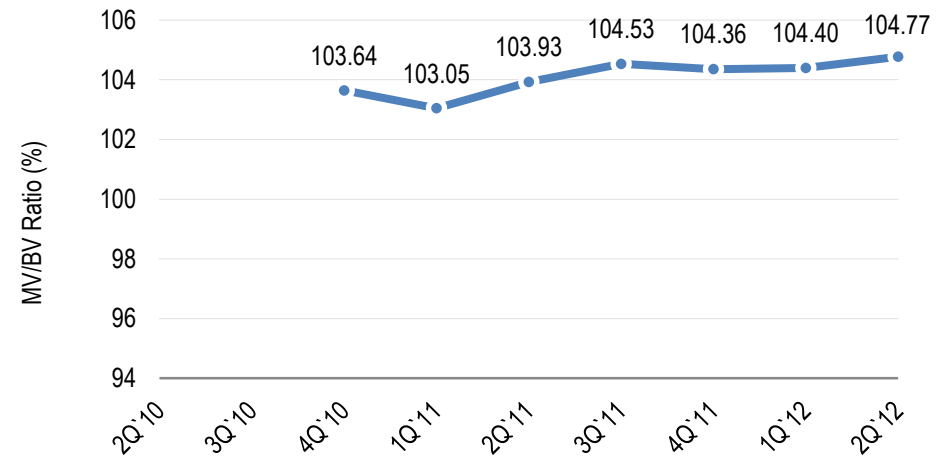
Second Quarter 2012

## Historical Crediting Rates\*

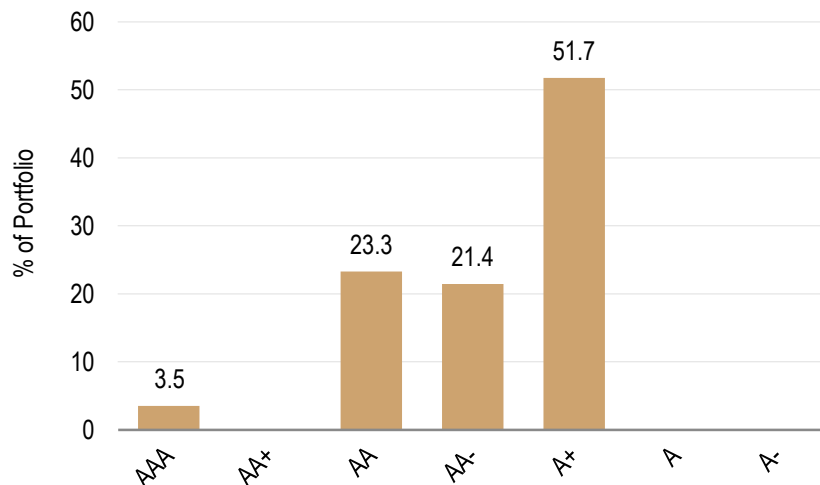


\*As of quarter end. Before fees.

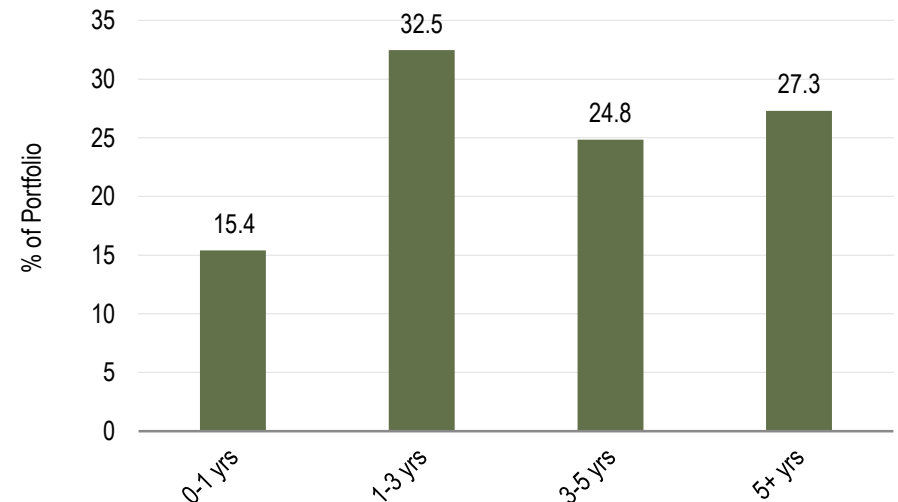
## Market Value to Book Value Ratio\*



## Contract Quality Distribution\*



## Underlying Duration Distribution\*\*



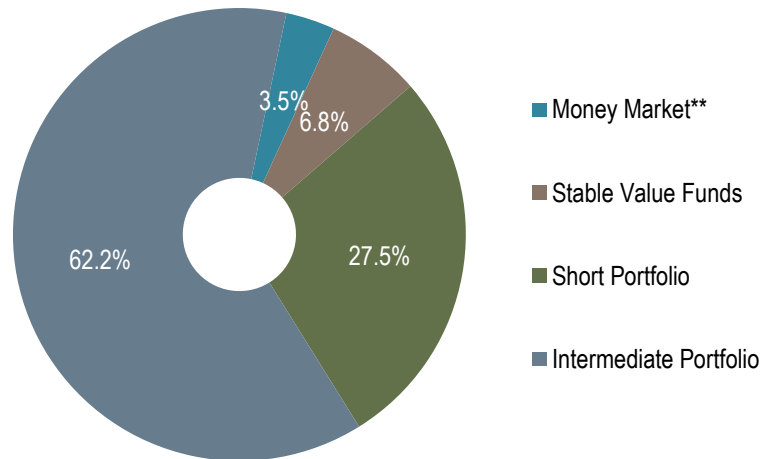
\*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

\*\*Total % of portfolio may not add to 100% due to rounding. Duration distribution of the external manager portfolios is provided by the external manager.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Second Quarter 2012

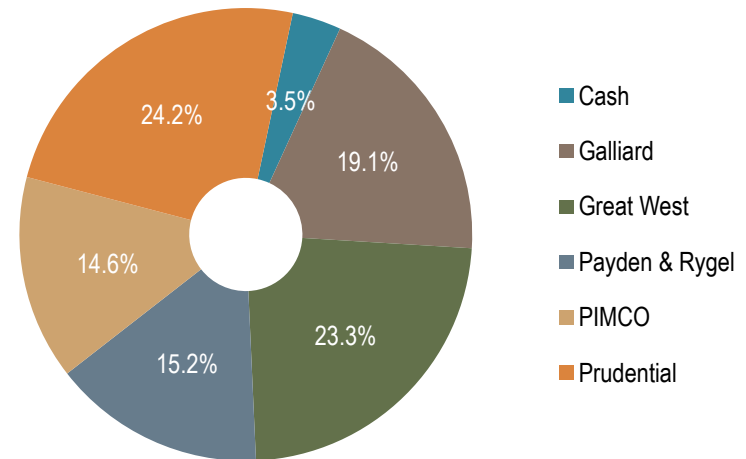
Portfolio Distribution\*



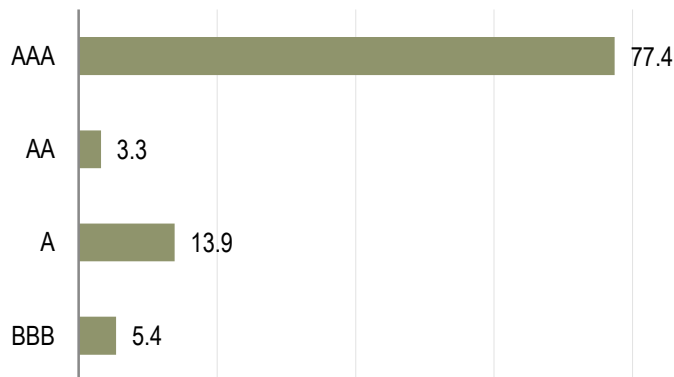
\*Book value

\*\*Includes Receivables and Payables

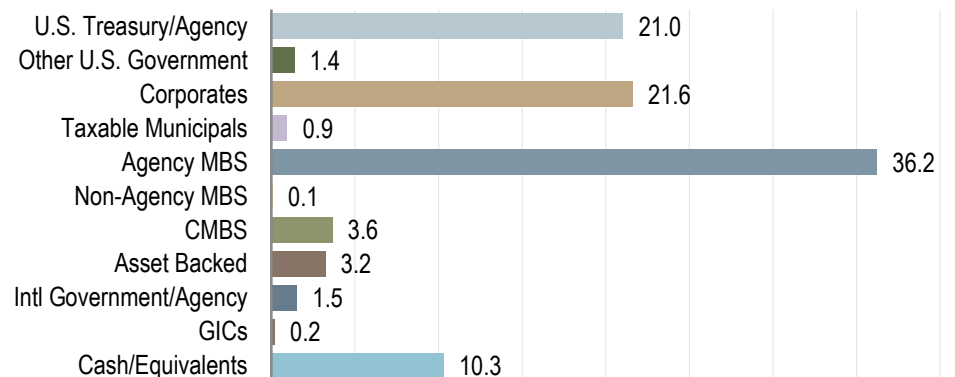
Manager Distribution\*



Underlying Fixed Income Credit Quality\*



Underlying Fixed Income Asset Allocation\*\*



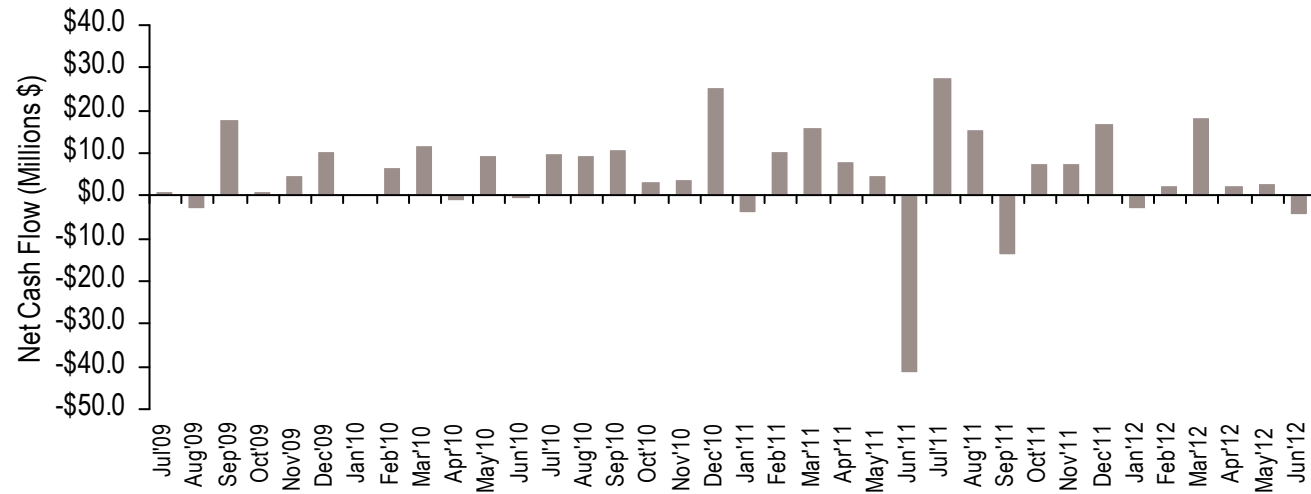
\*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external manager provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

\*\*Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Second Quarter 2012

## Historical Cashflows



	YTD	2011	2010	2009***
<b>Beginning Assets</b>	\$1,702.4	\$1,594.4	\$1,446.1	\$1,384.6
<b>Net Cash Flow (\$)*</b>	\$19.0	\$55.5	\$90.1	\$32.7
<b>Net Cash Flow (%)</b>	1.12%	3.48%	6.23%	2.36%
<b>Estimated Investment Earnings</b>	\$23.7	\$52.5	\$58.1	\$28.9
<b>Ending Assets**</b>	\$1,745.1	\$1,702.4	\$1,594.4	\$1,446.1

\* Contributions, Withdrawals and Investment Transfers

\*\*Cashflows may not net to final assets due to rounding

\*\*\*Beginning July 1, 2009

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Second Quarter 2012

## Issuer Rating Summary

	<u>S &amp; P Rating</u>		<u>Moody's Rating</u>	
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>6/30/2012</u>	<u>3/31/2012</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A2	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

### GreatWest Life Insurance Co.

- Large dividend payments in 2008 & 2010 have kept capital levels well below average
- Strong positions in niche markets
- Weak investment results and higher than average risk are a significant drag on earnings

### Metropolitan Life Ins. Co.

- Acquisition of ALICO (foreign insurer operating in Asia, Latin America, and Europe) will likely limit support from parent over the near term
- Capital levels remain below industry average, partially offset by above average diversity and strength across products
- Largest U.S. life insurer by invested assets

### Prudential Ins. Co. of America

- Recent large dividend to parent put some pressure on capital levels
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds
- A leading diversified U.S. life insurer

### United of Omaha Life Ins. Co.

- Capitalization weakened significantly as large operating losses from poorly underwritten Medicare business ate into surplus
- Stable life product lines focusing on individual/group life & annuities
- Above average exposure to commercial and residential mortgage sectors

## State of North Carolina Stable Value Funds

### Market Value 401(k) Plan Performance Summary

#### *Short Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Payden &amp; Rygel</b>	<b>0.49%</b>	<b>2.19%</b>	<b>3.24%</b>		<b>3.24%</b>	<b>7/1/2009</b>
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.22%</u>	<u>1.12%</u>	<u>2.26%</u>		<u>2.26%</u>	
	0.27%	1.07%	0.98%		0.98%	
<b>Galliard</b>	<b>0.58%</b>	<b>2.78%</b>			<b>3.31%</b>	<b>1/1/2010</b>
Barclays Capital 1-3 Yr. Government *	<u>0.20%</u>	<u>0.86%</u>			<u>1.65%</u>	
	0.38%	1.92%			1.66%	

#### *Intermediate Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Prudential Investment Management</b>	<b>1.31%</b>	<b>5.50%</b>			<b>4.45%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>4.28%</u>	
	-0.01%	0.22%			0.17%	
<b>PIMCO</b>	<b>2.30%</b>	<b>7.16%</b>			<b>6.54%</b>	<b>2/1/2011</b>
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>5.41%</u>	
	0.98%	1.88%			1.13%	
<b>Great West Life</b>	<b>1.23%</b>	<b>5.11%</b>	<b>6.21%</b>		<b>6.21%</b>	<b>7/1/2009</b>
Barclays Capital Intermediate Aggregate (Ex BBB)	1.30%	5.11%	5.64%		5.64%	
Barclays Capital Int. Govt/Credit	<u>1.48%</u>	<u>5.42%</u>	<u>5.81%</u>		<u>5.81%</u>	
	-0.07%	0.00%	0.57%		0.57%	

\* Index being shown for comparison purposes only, the fund is managed to a targeted duration.

# North Carolina 401(k) Stable Value Fund Portfolio Review

## Transaction Report

04/01/2012 - 06/30/2012

CUSIP	Issuer	Par Amount	Maturity*	Trade Date	Settle Date	S&P Rating	Moody's Rating
<b><u>Purchases</u></b>							
<b>Security Backed Contracts</b>							
<b>Short Portfolio</b>							
744999CK7	Prudential Ins. Co. of America	17,000,000	N.S.M.	05/01/2012	05/01/2012	AA-	A2
<b>Total Short Portfolio</b>		<b>17,000,000</b>					
<b>Total Security Backed Contracts</b>		<b>17,000,000</b>					
<b>Total Purchases</b>		<b>17,000,000</b>					

# North Carolina 401(k) Stable Value Fund Portfolio Review

## Portfolio Holdings

June 30, 2012

CUSIP	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
<b>Money Market</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-987,819	-987,819	100.0	-0.1	0.01		0.10	AAA	Aaa	
9980004\$P	Wells Fargo Short Term Investment Fund		2,233	2,233	100.0	0.0	0.27		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		62,088,154	62,088,154	100.0	3.6	0.01		0.10	AAA	Aaa	
<b>Total Money Market</b>			<b>61,102,568</b>	<b>61,102,568</b>	<b>100.0</b>	<b>3.5</b>	<b>0.01</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>Stable Value Funds</b>												
949907109	Wells Fargo Stable Return Fund G		119,145,002	119,145,002	100.0	6.8	2.09		2.00	AA-	Aa3	
<b>Total Stable Value Funds</b>			<b>119,145,002</b>	<b>119,145,002</b>	<b>100.0</b>	<b>6.8</b>	<b>2.09</b>		<b>2.00</b>	<b>AA-</b>	<b>Aa3</b>	
<b>Insurance Separate Accounts</b>												
<b>Intermediate Portfolio</b>												
391997NH2	GreatWest Life Insurance Co.	Great West	406,810,760	431,245,775	106.0	23.3	4.03	N.S.M.	3.14	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	PIMCO	254,989,837	272,295,608	106.8	14.6	3.06	N.S.M.	3.49	AA-	Aa3	20.0
<b>Total Intermediate Portfolio</b>			<b>661,800,597</b>	<b>703,541,384</b>	<b>106.3</b>	<b>37.9</b>	<b>3.66</b>		<b>3.27</b>	<b>AA</b>	<b>Aa3</b>	
<b>Total Insurance Separate Accounts</b>			<b>661,800,597</b>	<b>703,541,384</b>	<b>106.3</b>	<b>37.9</b>	<b>3.66</b>		<b>3.27</b>	<b>AA</b>	<b>Aa3</b>	
<b>Security Backed Contracts</b>												
<b>Short Portfolio</b>												
744999CK7	Prudential Ins. Co. of America	Payden & Rygel	265,105,979	269,663,626	101.7	15.2	2.14	N.S.M.	1.88	AA-	A2	21.0
907999UZ7	United of Omaha Life Ins. Co.	Galliard	214,796,524	220,639,036	102.7	12.3	2.52	N.S.M.	1.78	A+	A1	25.0
<b>Total Short Portfolio</b>			<b>479,902,504</b>	<b>490,302,662</b>	<b>102.2</b>	<b>27.5</b>	<b>2.31</b>		<b>1.84</b>	<b>AA-</b>	<b>A2</b>	
<b>Intermediate Portfolio</b>												
744999CV3	Prudential Ins. Co. of America	Prudential	423,154,287	454,319,150	107.4	24.2	3.64	N.S.M.	3.13	AA-	A2	15.0
<b>Total Intermediate Portfolio</b>			<b>423,154,287</b>	<b>454,319,150</b>	<b>107.4</b>	<b>24.2</b>	<b>3.64</b>		<b>3.13</b>	<b>AA-</b>	<b>A2</b>	
<b>Total Security Backed Contracts</b>			<b>903,056,791</b>	<b>944,621,812</b>	<b>104.6</b>	<b>51.7</b>	<b>2.93</b>		<b>2.44</b>	<b>AA-</b>	<b>A2</b>	
<b>Total Fund</b>			<b>1,745,104,958</b>	<b>1,828,410,766</b>	<b>104.8</b>	<b>100.0</b>	<b>3.05</b>		<b>2.64</b>	<b>AA-</b>	<b>A1</b>	

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Second Quarter 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	0.49	1.59	2.19	3.24	--	3.24
<b>Benchmark***</b>	0.22	0.58	1.12	2.26	3.67	2.26

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: July 01, 2009

\*\*\*Barclays Capital 1-3 Year Government/Credit Index

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$269.7 million
<b>Weighted Average Maturity</b>	2.25 years	1.97 years	<b>Number of Issues</b>	172
<b>Yield to Maturity</b>	1.19%	0.63%	<b>Weighted Coupon</b>	0.02%
<b>Effective Duration</b>	1.88 years	1.90 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*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.

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	28.8%	<b>28.7%</b>	76.2%
Other U.S. Government	2.4%	<b>2.2%</b>	0.0%
Taxable Municipal	2.0%	<b>1.9%</b>	0.7%
Corporates	37.5%	<b>40.9%</b>	17.1%
Asset Backed Securities (ABS)	5.1%	<b>4.4%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.7%	<b>0.7%</b>	0.0%
Mortgage Backed Securities (MBS)	17.2%	<b>14.9%</b>	0.0%
Sovereign / Supranationals	5.2%	<b>5.4%</b>	6.0%
Cash / Equivalents	1.1%	<b>1.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	59.0%	<b>56.4%</b>	77.0%
AA	4.2%	<b>3.6%</b>	7.1%
A	23.4%	<b>24.2%</b>	10.3%
BBB	13.4%	<b>15.8%</b>	5.6%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*Column percentage may not add exactly due to rounding

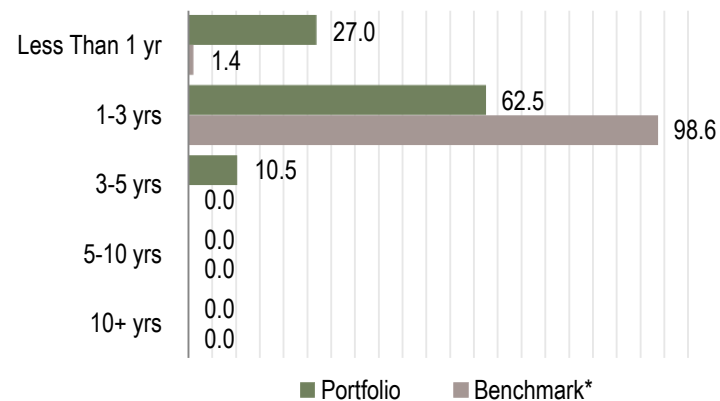
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Second Quarter 2012

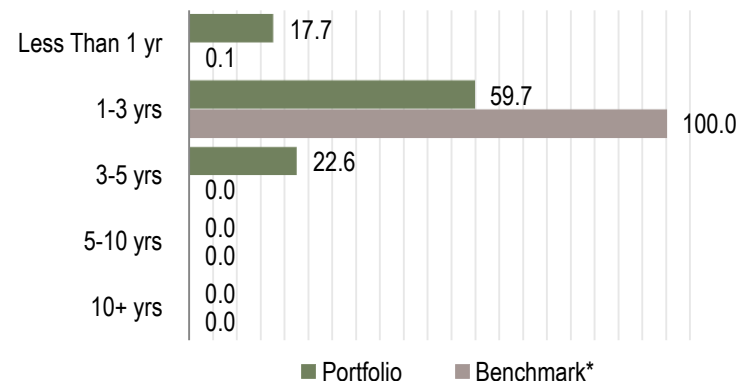
## Duration Distribution

	% of Portfolio 03/31/2012	% of Portfolio 06/30/2012	% of Benchmark* 06/30/2012
0-1 yrs	29.6%	27.0%	1.4%
1-3 yrs	55.0%	62.5%	98.6%
3-5 yrs	15.4%	10.5%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	% of Portfolio 03/31/2012	% of Portfolio 06/30/2012	% of Benchmark* 06/30/2012
0-1 yrs	18.2%	17.7%	0.1%
1-3 yrs	58.8%	59.7%	100.0%
3-5 yrs	21.2%	22.6%	0.0%
5-10 yrs	1.8%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<i>1 Mo</i>	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	0.19	0.58	1.45	2.78	--	--	3.31
<b>Benchmark***</b>	-0.03	0.20	0.18	0.86	1.69	3.40	1.65

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: January 01, 2010

\*\*\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AA+	AAA	<b>Total Assets</b>	\$2,543.5 million
<b>Weighted Average Maturity</b>	2.60 years	1.95 years	<b>Number of Issues</b>	591
<b>Yield to Maturity</b>	1.22%	0.36%	<b>Weighted Coupon</b>	2.72%
<b>Effective Duration</b>	1.78 years	1.87 years	<b>Estimated Annual Income</b>	\$68.4 million

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*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.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

## Sector Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
U.S. Government/Agency Debentures	13.3%	<b>13.1%</b>	100.0%
Other U.S. Government	5.3%	<b>5.2%</b>	0.0%
Taxable Municipal	2.1%	<b>1.9%</b>	0.0%
Corporates	15.9%	<b>15.8%</b>	0.0%
Asset Backed Securities (ABS)	14.0%	<b>16.1%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.9%	<b>6.6%</b>	0.0%
Mortgage Backed Securities (MBS)	37.8%	<b>39.3%</b>	0.0%
Sovereign / Supranationals	1.8%	<b>1.5%</b>	0.0%
Cash / Equivalents	3.0%	<b>0.7%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Top 5 Credit Exposure

	<i>% of Portfolio 06/30/2012</i>
General Electric Co	0.5%
Bank of Nova Scotia	0.4%
MidAmerican Energy Co	0.4%
ConocoPhillips	0.4%
HSBC Holdings PLC	0.4%
<b>Total</b>	<b>2.1%**</b>

Total entity exposure – includes all related entities

## Quality Distribution\*\*\*

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
AAA	80.7%	<b>84.5%</b>	94.9%
AA	10.1%	<b>5.7%</b>	5.1%
A	9.1%	<b>9.8%</b>	0.0%
BBB	0.0%	<b>0.0%</b>	0.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

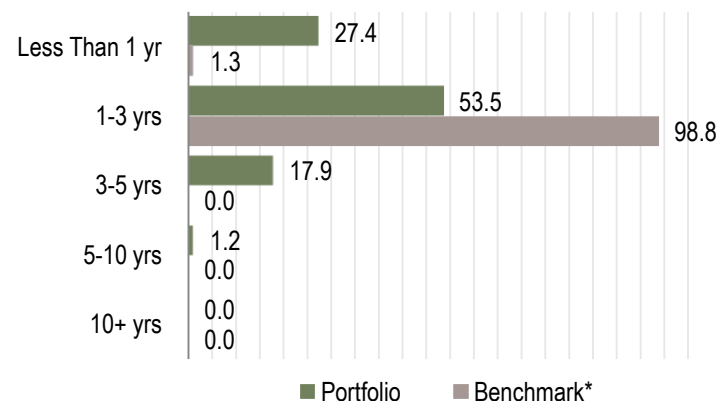
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

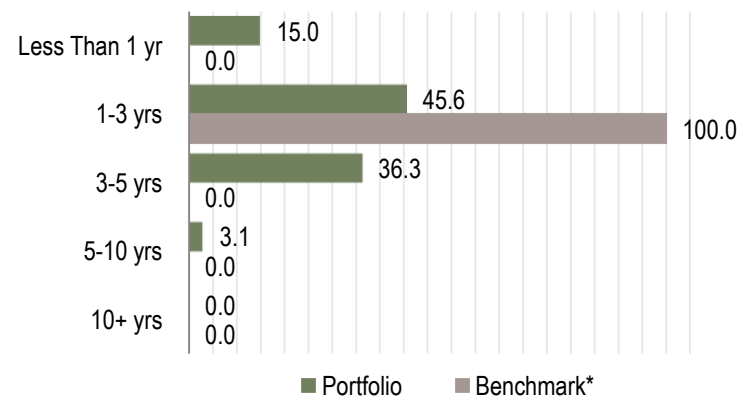
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	21.2%	<b>27.4%</b>	1.3%
1-3 yrs	55.8%	<b>53.5%</b>	98.8%
3-5 yrs	23.0%	<b>17.9%</b>	0.0%
5-10 yrs	0.1%	<b>1.2%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	15.7%	<b>15.0%</b>	0.0%
1-3 yrs	38.4%	<b>45.6%</b>	100.0%
3-5 yrs	43.4%	<b>36.3%</b>	0.0%
5-10 yrs	2.5%	<b>3.1%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	3 Mos	YTD	1 Yr	3 Yr	5 Yr	Since Inception**
<b>Portfolio</b>	1.31	2.11	5.50	--	--	4.45
<b>Benchmark***</b>	1.32	1.99	5.28	5.98	6.25	4.28

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: August 01, 2010

\*\*\*Barclays Capital Intermediate Aggregate

## Portfolio Characteristics

	Portfolio	Benchmark*		Portfolio
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$1,689.3 million
<b>Weighted Average Maturity</b>	3.78 years	4.49 years	<b>Number of Issues</b>	928
<b>Yield to Maturity</b>	1.39%	1.72%	<b>Weighted Coupon</b>	3.73%
<b>Effective Duration</b>	3.13 years	3.65 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*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.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	41.3%	<b>39.6%</b>	40.7%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	0.3%	<b>0.3%</b>	0.6%
Corporates	20.2%	<b>20.5%</b>	17.0%
Asset Backed Securities (ABS)	0.2%	<b>0.2%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	4.1%	<b>4.4%</b>	2.2%
Mortgage Backed Securities (MBS)	32.9%	<b>34.2%</b>	35.3%
Sovereign / Supranationals	0.6%	<b>0.6%</b>	3.9%
Cash / Equivalents	0.4%	<b>0.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.3%	<b>77.3%</b>	78.6%
AA	3.8%	<b>2.9%</b>	4.3%
A	10.7%	<b>12.6%</b>	9.6%
BBB	7.1%	<b>7.3%</b>	7.5%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

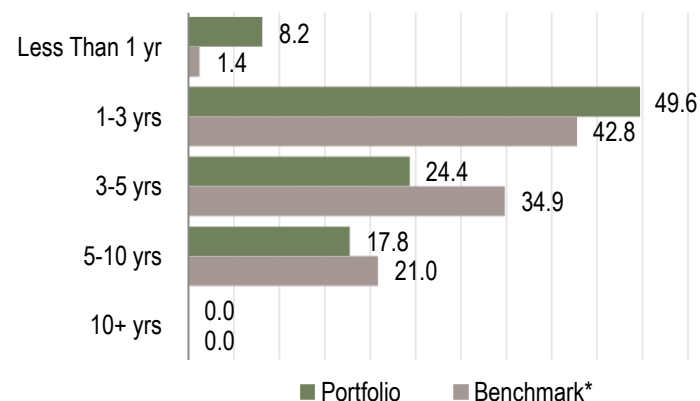
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

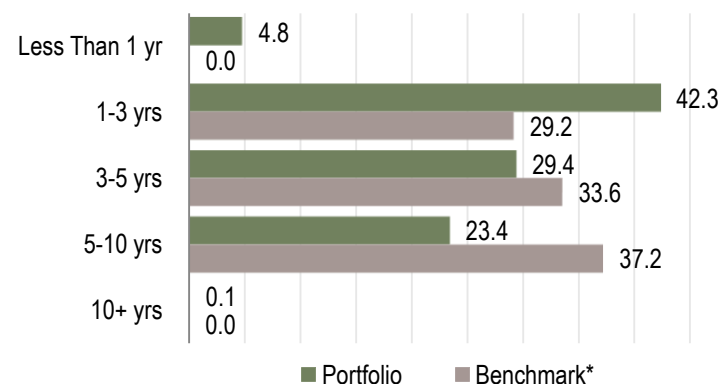
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	7.6%	<b>8.2%</b>	1.4%
1-3 yrs	48.6%	<b>49.6%</b>	42.8%
3-5 yrs	24.7%	<b>24.4%</b>	34.9%
5-10 yrs	19.0%	<b>17.8%</b>	21.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	4.8%	<b>4.8%</b>	0.0%
1-3 yrs	46.3%	<b>42.3%</b>	29.2%
3-5 yrs	23.6%	<b>29.4%</b>	33.6%
5-10 yrs	25.2%	<b>23.4%</b>	37.2%
10+ yrs	0.1%	<b>0.1%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	3 Mos	YTD	1 Yr	3 Yr	5 Yr	Since Inception**
<b>Portfolio</b>	2.30	3.16	7.16	--	--	6.54
<b>Benchmark***</b>	1.32	1.99	5.28	5.98	6.25	5.41

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: February 01, 2011

\*\*\*Barclays Capital Intermediate Aggregate

## Portfolio Characteristics

	Portfolio	Benchmark*		Portfolio
<b>Weighted Average Quality**</b>	AA	AA+	<b>Total Assets</b>	\$979.9 million
<b>Weighted Average Maturity</b>	4.26 years	4.49 years	<b>Number of Issues</b>	123
<b>Yield to Maturity</b>	1.46%	1.72%	<b>Weighted Coupon</b>	2.34%
<b>Effective Duration</b>	3.49 years	3.65 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*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.

# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	50.3%	<b>24.4%</b>	40.7%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	1.4%	<b>1.5%</b>	0.6%
Corporates	22.7%	<b>22.6%</b>	17.0%
Asset Backed Securities (ABS)	0.0%	<b>0.0%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	2.2%
Mortgage Backed Securities (MBS)	17.3%	<b>13.5%</b>	35.3%
Sovereign / Supranationals	2.0%	<b>2.0%</b>	3.9%
Cash / Equivalents	6.1%	<b>36.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.0%	<b>78.2%</b>	78.6%
AA	2.1%	<b>1.5%</b>	4.3%
A	14.8%	<b>15.2%</b>	9.6%
BBB	5.1%	<b>5.1%</b>	7.5%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

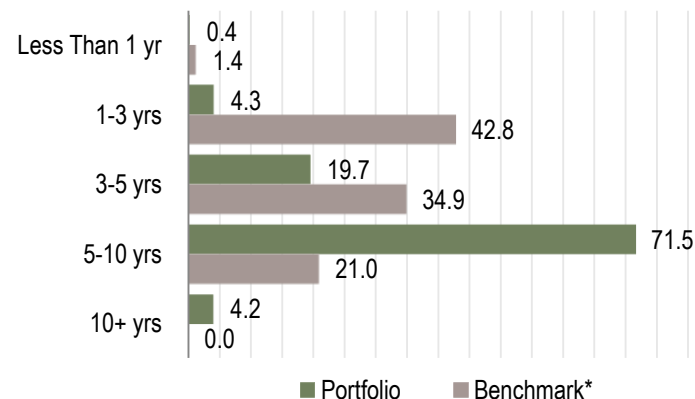
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

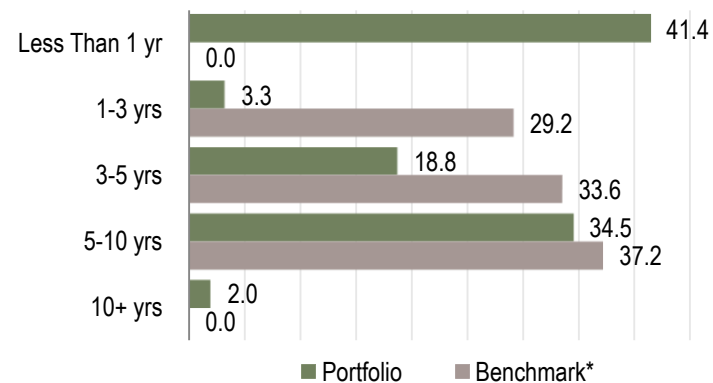
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	2.7%	0.4%	1.4%
1-3 yrs	8.0%	4.3%	42.8%
3-5 yrs	19.3%	19.7%	34.9%
5-10 yrs	68.3%	71.5%	21.0%
10+ yrs	1.7%	4.2%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	39.2%	41.4%	0.0%
1-3 yrs	2.7%	3.3%	29.2%
3-5 yrs	17.7%	18.8%	33.6%
5-10 yrs	39.7%	34.5%	37.2%
10+ yrs	0.8%	2.0%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	3 Mos	YTD	1 Yr	3 Yr	5 Yr	Since Inception**
<b>Portfolio</b>	1.23	2.35	5.11	6.21	--	6.21
<b>Benchmark***</b>	1.30	1.78	5.11	5.64	6.10	5.64
<b>Benchmark****</b>	1.48	2.10	5.42	5.81	6.01	5.81

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: July 01, 2009

\*\*\*BarCap Intern Agg Ex Baa

\*\*\*\*Barclays Capital Int Govt/Credit

## Portfolio Characteristics

	Portfolio	Benchmark*		Portfolio
<b>Weighted Average Quality**</b>	AAA	AA+	<b>Total Assets</b>	\$431.2 million
<b>Weighted Average Maturity</b>	4.48 years	4.36 years	<b>Number of Issues</b>	520
<b>Yield to Maturity</b>	1.94%	1.59%	<b>Weighted Coupon</b>	4.50%
<b>Effective Duration</b>	3.14 years	3.46 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*BarCap Intern Agg Ex Baa

\*\*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.

# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	1.6%	<b>3.6%</b>	44.0%
Other U.S. Government	0.5%	<b>0.5%</b>	0.0%
Taxable Municipal	0.0%	<b>0.0%</b>	0.6%
Corporates	17.3%	<b>17.3%</b>	11.3%
Asset Backed Securities (ABS)	1.0%	<b>1.0%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	6.1%	<b>5.8%</b>	2.1%
Mortgage Backed Securities (MBS)	72.4%	<b>73.4%</b>	38.2%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	3.5%
Cash / Equivalents	1.1%	<b>-1.6%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	83.4%	<b>82.5%</b>	85.0%
AA	3.7%	<b>3.2%</b>	4.6%
A	10.8%	<b>13.1%</b>	10.4%
BBB	2.0%	<b>1.1%</b>	0.0%
< BBB	0.0%	<b>0.1%</b>	0.0%
NR/NA	0.2%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*BarCap Interm Agg Ex Baa

\*\*Column percentage may not add exactly due to rounding

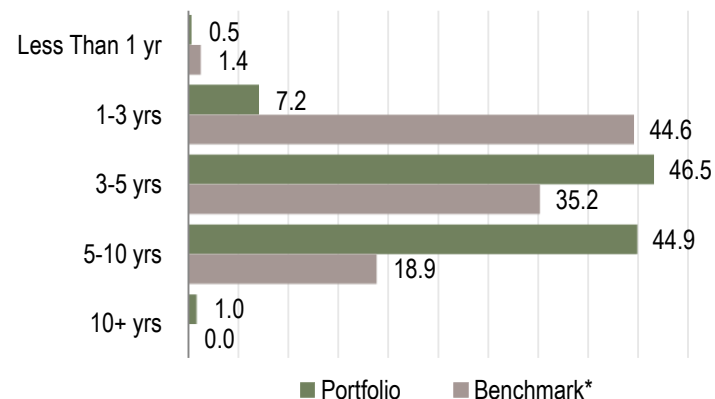
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Second Quarter 2012

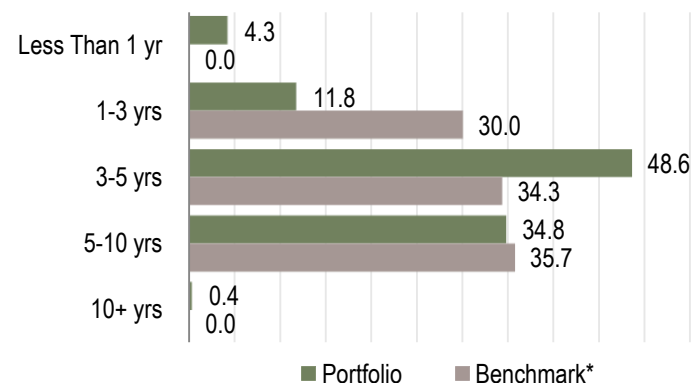
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	0.3%	<b>0.5%</b>	1.4%
1-3 yrs	6.2%	<b>7.2%</b>	44.6%
3-5 yrs	37.3%	<b>46.5%</b>	35.2%
5-10 yrs	55.3%	<b>44.9%</b>	18.9%
10+ yrs	1.0%	<b>1.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	4.4%	<b>4.3%</b>	0.0%
1-3 yrs	10.2%	<b>11.8%</b>	30.0%
3-5 yrs	39.5%	<b>48.6%</b>	34.3%
5-10 yrs	45.4%	<b>34.8%</b>	35.7%
10+ yrs	0.4%	<b>0.4%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*BarCap Intern Agg Ex Baa

\*\*Column percentage may not add exactly due to rounding

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# Stable Value Portfolio Review – North Carolina 457 Stable Value Fund

Second Quarter 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
Portfolio (net of all fees)	0.24	0.71	1.41	2.98	3.56	---	---	3.19
3 Year Constant Maturity Treasury Yield	0.03	0.10	0.20	0.43	0.93	1.51	2.46	0.65
91 Day T-bill + 150 bps	0.13	0.40	0.79	1.57	1.64	2.51	3.40	1.61

## Calendar Year Performance

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Portfolio (net of all fees)	3.30	3.87	---	---	---
3 Year Constant Maturity Treasury Yield	0.75	1.10	1.43	2.19	4.26
91 Day T-bill + 150 bps	1.61	1.64	1.72	3.60	6.61

### *Market Indices*

Merrill Lynch 3 Month T-Bill	0.10	0.13	0.21	2.06	5.03
Consumer Price Index	3.07	1.50	2.72	0.09	4.08

\*Returns for periods of less than one year are not annualized.

\*\*Galliard's management of this portfolio began December 1, 2010. Periods that exceed Galliard's tenure with the portfolio include Galliard performance linked with historical portfolio returns.

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

## Portfolio Characteristics

Total Assets	\$373,448,557	Blended Yield (Before fees)*	3.11%
Average Holdings Quality**	A1/AA-	Effective Duration	2.61 years
Number of Contract Issuers	4	Market/Book Value Ratio	104.60%

\*Blended yield is before investment management fees and after wrap fees.

\*\*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 contracts and cash held by the portfolio as rated by S&P and Moody's.

## Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>06/30/2012</u>	<u>% of Portfolio</u> <u>03/31/2012</u>
Money Market*	11,071,708	3.0	3.2
Stable Value Funds	24,690,830	6.6	6.6
Insurance Separate Accounts	142,362,275	38.1	38.0
Intermediate Portfolio	142,362,275	38.1	38.0
Security Backed Contracts	195,323,743	52.3	52.2
Short Portfolio	103,175,854	27.6	27.6
Intermediate Portfolio	92,147,890	24.7	24.6
<b>Total</b>	<b>\$373,448,557</b>	<b>100.0%**</b>	<b>100.0%**</b>

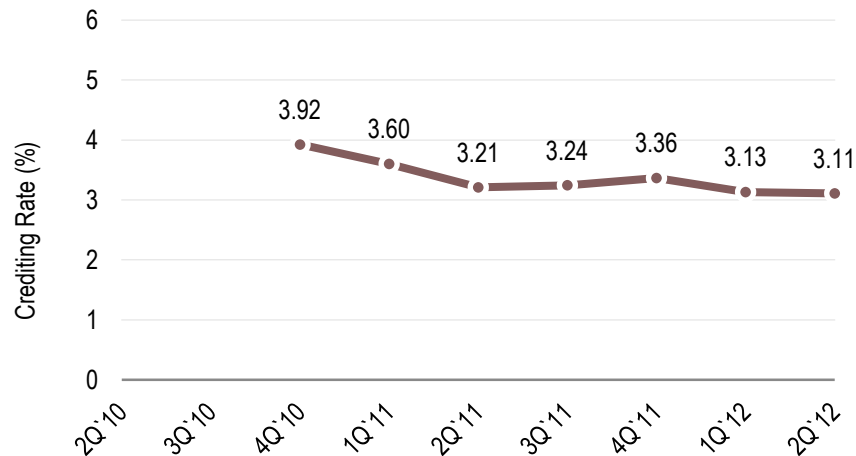
\*Includes Receivables and Payables

\*\*Total % of portfolio may not add to 100% due to rounding

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

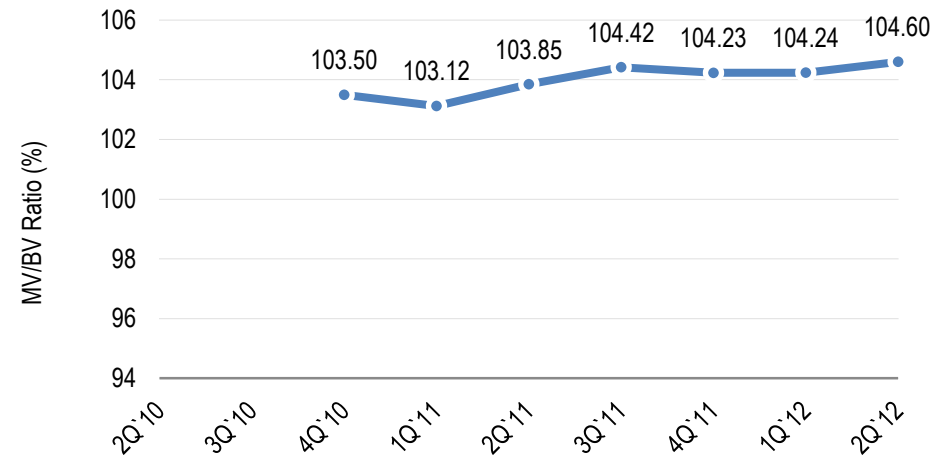
Second Quarter 2012

## Historical Crediting Rates\*

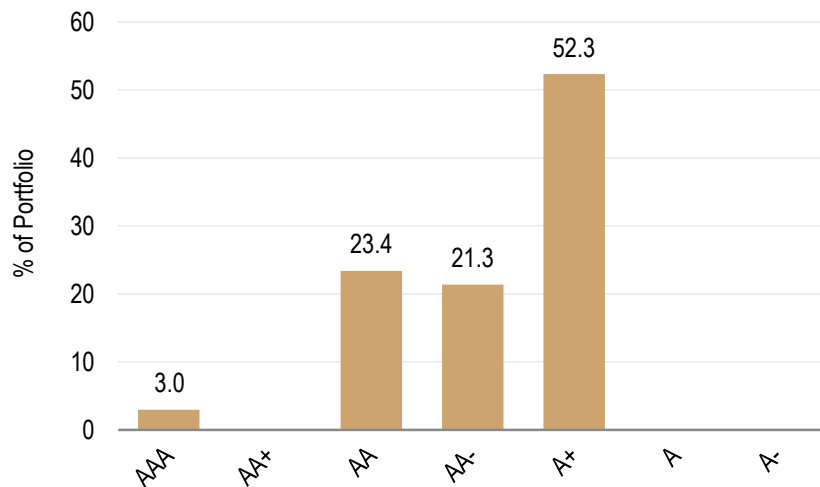


\*As of quarter end. Before fees.

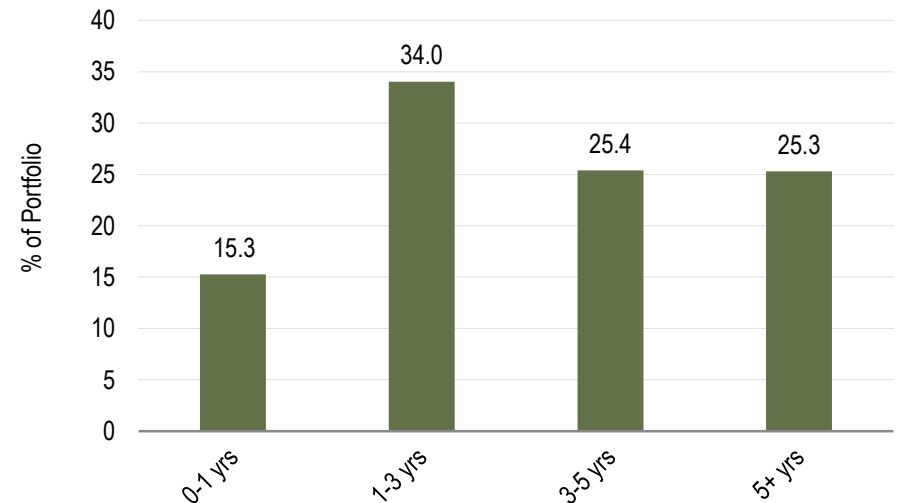
## Market Value to Book Value Ratio\*



## Contract Quality Distribution\*



## Underlying Duration Distribution\*\*



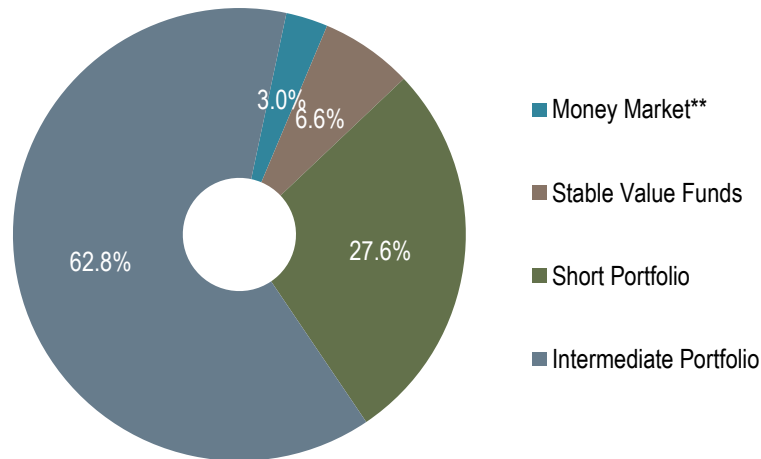
\*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

\*\*Total % of portfolio may not add to 100% due to rounding. Duration distribution of the external manager portfolios is provided by the external manager.

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

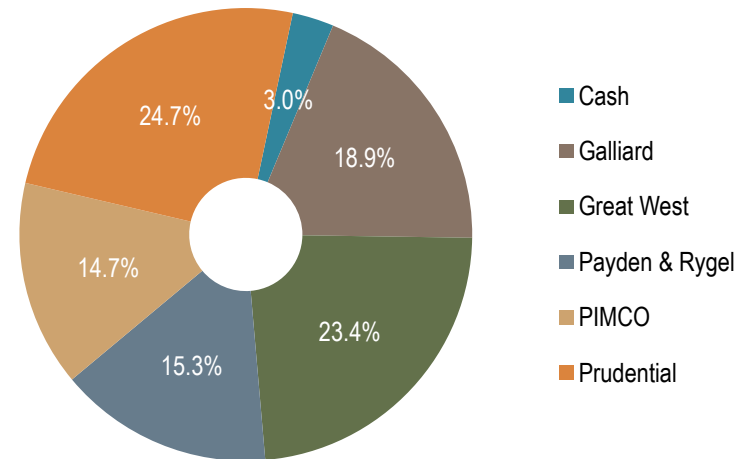
Portfolio Distribution\*



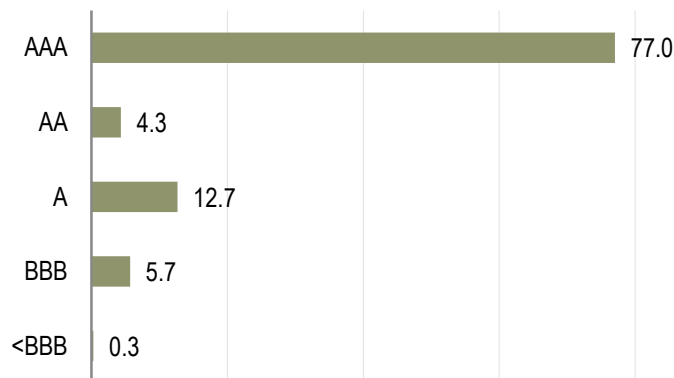
\*Book value

\*\*Includes Receivables and Payables

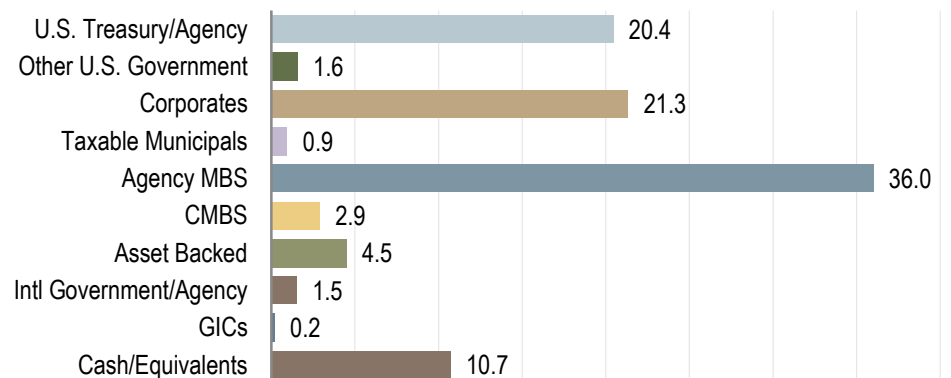
Manager Distribution\*



Underlying Fixed Income Credit Quality\*



Underlying Fixed Income Asset Allocation\*\*



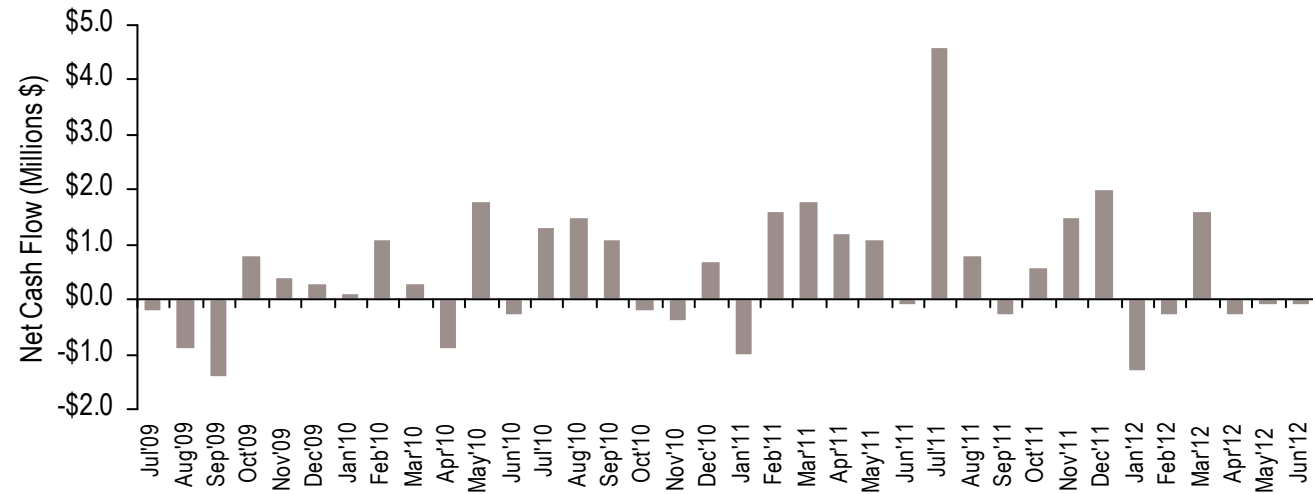
\*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external manager provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

\*\*Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

## Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

### Historical Cashflows



	YTD	2011	2010	2009***
<b>Beginning Assets</b>	\$368.8	\$343.5	\$324.7	\$319.1
<b>Net Cash Flow (\$)*</b>	-\$0.5	\$13.8	\$6.0	-\$1.0
<b>Net Cash Flow (%)</b>	-0.14%	4.02%	1.85%	-0.31%
<b>Estimated Investment Earnings</b>	\$5.2	\$11.4	\$12.8	\$6.6
<b>Ending Assets**</b>	\$373.4	\$368.8	\$343.5	\$324.7

\* Contributions, Withdrawals and Investment Transfers

\*\*Cashflows may not net to final assets due to rounding

\*\*\*Beginning July 1, 2009

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

## Issuer Rating Summary

	<u>S &amp; P Rating</u>		<u>Moody's Rating</u>	
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>6/30/2012</u>	<u>3/31/2012</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A2	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

### GreatWest Life Insurance Co.

- Large dividend payments in 2008 & 2010 have kept capital levels well below average
- Strong positions in niche markets
- Weak investment results and higher than average risk are a significant drag on earnings

### Metropolitan Life Ins. Co.

- Acquisition of ALICO (foreign insurer operating in Asia, Latin America, and Europe) will likely limit support from parent over the near term
- Capital levels remain below industry average, partially offset by above average diversity and strength across products
- Largest U.S. life insurer by invested assets

### Prudential Ins. Co. of America

- Recent large dividend to parent put some pressure on capital levels
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds
- A leading diversified U.S. life insurer

### United of Omaha Life Ins. Co.

- Capitalization weakened significantly as large operating losses from poorly underwritten Medicare business ate into surplus
- Stable life product lines focusing on individual/group life & annuities
- Above average exposure to commercial and residential mortgage sectors

## State of North Carolina Stable Value Funds

### Market Value 457 Plan Performance Summary

#### *Short Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Payden &amp; Rygel</b>	<b>0.49%</b>	<b>2.17%</b>			<b>2.47%</b>	<b>8/1/2009</b>
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.22%</u>	<u>1.12%</u>			<u>2.16%</u>	
	0.27%	1.05%			0.58%	
<b>Galliard</b>	<b>0.58%</b>	<b>2.78%</b>			<b>3.31%</b>	<b>1/1/2010</b>
Barclays Capital 1-3 Yr. Government *	<u>0.20%</u>	<u>0.86%</u>			<u>1.65%</u>	
	0.38%	1.92%			1.66%	

#### *Intermediate Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Prudential Investment Management</b>	<b>1.31%</b>	<b>5.50%</b>			<b>4.45%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>4.28%</u>	
	-0.01%	0.22%			0.17%	
<b>PIMCO</b>	<b>2.30%</b>	<b>7.16%</b>			<b>6.54%</b>	<b>1/25/2011</b>
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>5.41%</u>	
	0.98%	1.88%			1.13%	
Manager	3 Months	1 Year	3 Years	5 Years	10 Years	Inception
<b>Great West Life</b>	<b>1.16%</b>	<b>4.48%</b>	<b>6.09%</b>	<b>6.06%</b>	<b>4.98%</b>	<b>3/1/1999</b>
Barclays Capital Intermediate Aggregate (Ex BBB)	1.30%	5.11%	5.64%	6.10%	5.05%	
Barclays Capital Int. Govt/Credit	<u>1.48%</u>	<u>5.42%</u>	<u>5.81%</u>	<u>6.01%</u>	<u>5.08%</u>	
	-0.14%	-0.63%	0.45%	-0.04%	-0.07%	

\* Index being shown for comparison purposes only, the fund is managed to a targeted duration.  
Returns shown are before investment management fees

# North Carolina 457 Stable Value Fund Portfolio Review

## Portfolio Holdings

June 30, 2012

CUSIP	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
<b>Money Market</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-222,912	-222,912	100.0	-0.1	0.01		0.10	AAA	Aaa	
9980004\$P	Wells Fargo Short Term Investment Fund		404	404	100.0	0.0	0.27		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		11,294,216	11,294,216	100.0	3.0	0.01		0.10	AAA	Aaa	
<b>Total Money Market</b>			<b>11,071,708</b>	<b>11,071,708</b>	<b>100.0</b>	<b>3.0</b>	<b>0.01</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>Stable Value Funds</b>												
949907109	Wells Fargo Stable Return Fund G		24,690,830	24,690,830	100.0	6.6	2.09		2.00	AA-	Aa3	
<b>Total Stable Value Funds</b>			<b>24,690,830</b>	<b>24,690,830</b>	<b>100.0</b>	<b>6.6</b>	<b>2.09</b>		<b>2.00</b>	<b>AA-</b>	<b>Aa3</b>	
<b>Insurance Separate Accounts</b>												
<b>Intermediate Portfolio</b>												
391997NC3	GreatWest Life Insurance Co.	Great West	87,370,320	91,394,687	104.6	23.4	4.12	N.S.M.	2.96	AA	Aa3	15.0
590994BY4	Metropolitan Life Ins. Co.	PIMCO	54,991,955	58,813,784	106.9	14.7	3.11	N.S.M.	3.49	AA-	Aa3	20.0
<b>Total Intermediate Portfolio</b>			<b>142,362,275</b>	<b>150,208,471</b>	<b>105.5</b>	<b>38.1</b>	<b>3.73</b>		<b>3.17</b>	<b>AA</b>	<b>Aa3</b>	
<b>Total Insurance Separate Accounts</b>			<b>142,362,275</b>	<b>150,208,471</b>	<b>105.5</b>	<b>38.1</b>	<b>3.73</b>		<b>3.17</b>	<b>AA</b>	<b>Aa3</b>	
<b>Security Backed Contracts</b>												
<b>Short Portfolio</b>												
744999CD3	Prudential Ins. Co. of America	Payden & Rygel	57,162,212	58,183,601	101.8	15.3	2.05	N.S.M.	1.81	AA-	A2	21.0
907999UT1	United of Omaha Life Ins. Co.	Galliard	46,013,642	47,242,608	102.7	12.3	2.49	N.S.M.	1.78	A+	A1	25.0
<b>Total Short Portfolio</b>			<b>103,175,854</b>	<b>105,426,209</b>	<b>102.2</b>	<b>27.6</b>	<b>2.25</b>		<b>1.80</b>	<b>AA-</b>	<b>A2</b>	
<b>Intermediate Portfolio</b>												
744999CF8	Prudential Ins. Co. of America	Prudential	92,147,890	99,244,358	107.7	24.7	3.76	N.S.M.	3.13	AA-	A2	15.0
<b>Total Intermediate Portfolio</b>			<b>92,147,890</b>	<b>99,244,358</b>	<b>107.7</b>	<b>24.7</b>	<b>3.76</b>		<b>3.13</b>	<b>AA-</b>	<b>A2</b>	
<b>Total Security Backed Contracts</b>			<b>195,323,743</b>	<b>204,670,567</b>	<b>104.8</b>	<b>52.3</b>	<b>2.96</b>		<b>2.43</b>	<b>AA-</b>	<b>A2</b>	
<b>Total Fund</b>			<b>373,448,557</b>	<b>390,641,577</b>	<b>104.6</b>	<b>100.0</b>	<b>3.11</b>		<b>2.61</b>	<b>AA-</b>	<b>A1</b>	

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Second Quarter 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	0.49	1.55	2.17	--	--	2.74
<b>Benchmark***</b>	0.22	0.58	1.12	2.26	3.67	2.16

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: August 01, 2009

\*\*\*Barclays Capital 1-3 Year Government/Credit Index

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$58.2 million
<b>Weighted Average Maturity</b>	2.20 years	1.97 years	<b>Number of Issues</b>	156
<b>Yield to Maturity</b>	1.16%	0.63%	<b>Weighted Coupon</b>	0.02%
<b>Effective Duration</b>	1.81 years	1.90 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*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.

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	28.5%	<b>27.8%</b>	76.2%
Other U.S. Government	2.6%	<b>2.6%</b>	0.0%
Taxable Municipal	1.9%	<b>1.9%</b>	0.7%
Corporates	37.5%	<b>40.5%</b>	17.1%
Asset Backed Securities (ABS)	7.9%	<b>6.1%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.6%	<b>0.6%</b>	0.0%
Mortgage Backed Securities (MBS)	15.4%	<b>14.1%</b>	0.0%
Sovereign / Supranationals	4.8%	<b>5.2%</b>	6.0%
Cash / Equivalents	0.7%	<b>1.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	59.1%	<b>56.7%</b>	77.0%
AA	3.9%	<b>3.3%</b>	7.1%
A	22.5%	<b>22.8%</b>	10.3%
BBB	14.5%	<b>17.2%</b>	5.6%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*Column percentage may not add exactly due to rounding

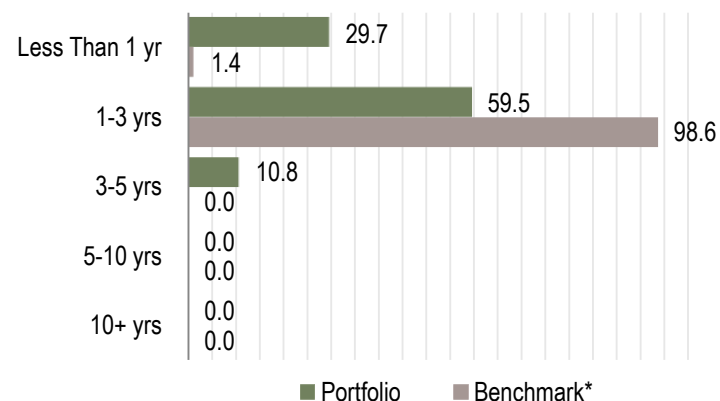
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Second Quarter 2012

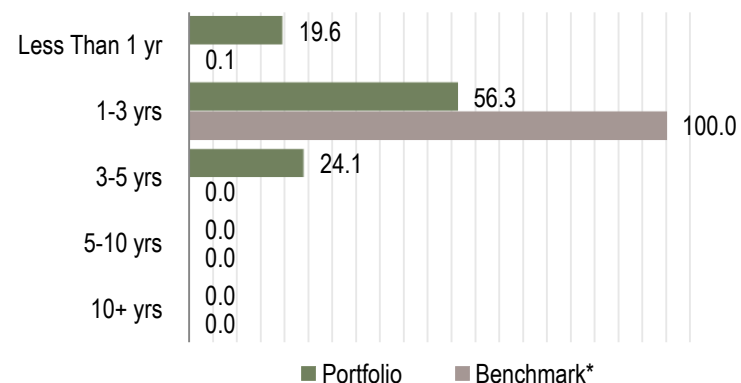
## Duration Distribution

	% of Portfolio 03/31/2012	% of Portfolio 06/30/2012	% of Benchmark* 06/30/2012
0-1 yrs	30.8%	29.7%	1.4%
1-3 yrs	54.2%	59.5%	98.6%
3-5 yrs	15.0%	10.8%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	% of Portfolio 03/31/2012	% of Portfolio 06/30/2012	% of Benchmark* 06/30/2012
0-1 yrs	19.6%	19.6%	0.1%
1-3 yrs	58.1%	56.3%	100.0%
3-5 yrs	20.7%	24.1%	0.0%
5-10 yrs	1.7%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital 1-3 Yr Govt/Credit

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<i>1 Mo</i>	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	0.19	0.58	1.45	2.78	--	--	3.31
<b>Benchmark***</b>	-0.03	0.20	0.18	0.86	1.69	3.40	1.65

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: January 01, 2010

\*\*\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AA+	AAA	<b>Total Assets</b>	\$2,543.5 million
<b>Weighted Average Maturity</b>	2.60 years	1.95 years	<b>Number of Issues</b>	591
<b>Yield to Maturity</b>	1.22%	0.36%	<b>Weighted Coupon</b>	2.72%
<b>Effective Duration</b>	1.78 years	1.87 years	<b>Estimated Annual Income</b>	\$68.4 million

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*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.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

## Sector Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
U.S. Government/Agency Debentures	13.3%	<b>13.1%</b>	100.0%
Other U.S. Government	5.3%	<b>5.2%</b>	0.0%
Taxable Municipal	2.1%	<b>1.9%</b>	0.0%
Corporates	15.9%	<b>15.8%</b>	0.0%
Asset Backed Securities (ABS)	14.0%	<b>16.1%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.9%	<b>6.6%</b>	0.0%
Mortgage Backed Securities (MBS)	37.8%	<b>39.3%</b>	0.0%
Sovereign / Supranationals	1.8%	<b>1.5%</b>	0.0%
Cash / Equivalents	3.0%	<b>0.7%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Top 5 Credit Exposure

	<i>% of Portfolio 06/30/2012</i>
General Electric Co	0.5%
Bank of Nova Scotia	0.4%
MidAmerican Energy Co	0.4%
ConocoPhillips	0.4%
HSBC Holdings PLC	0.4%
<b>Total</b>	<b>2.1%**</b>

Total entity exposure – includes all related entities

## Quality Distribution\*\*\*

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
AAA	80.7%	<b>84.5%</b>	94.9%
AA	10.1%	<b>5.7%</b>	5.1%
A	9.1%	<b>9.8%</b>	0.0%
BBB	0.0%	<b>0.0%</b>	0.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

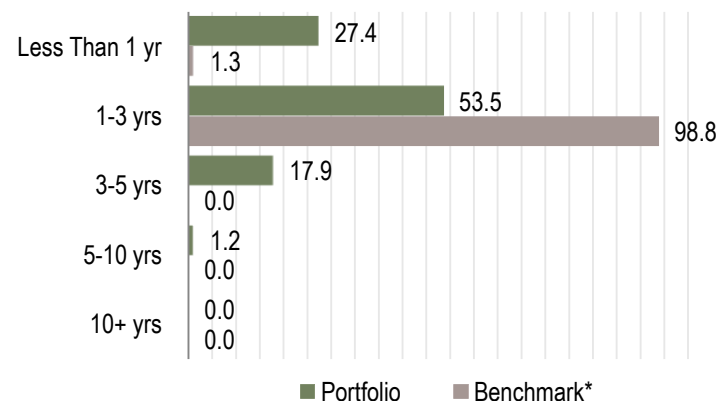
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

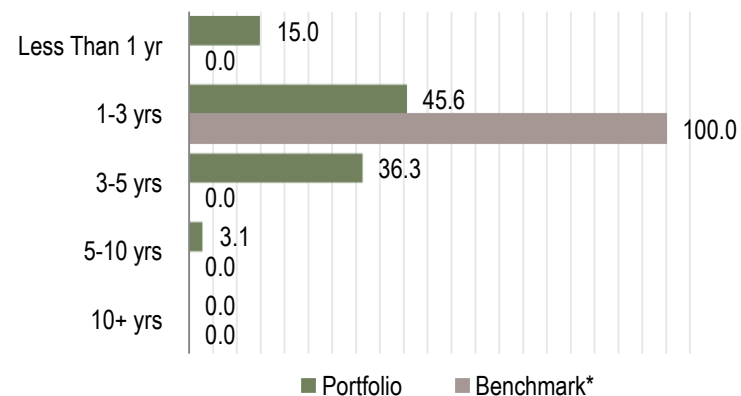
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	21.2%	<b>27.4%</b>	1.3%
1-3 yrs	55.8%	<b>53.5%</b>	98.8%
3-5 yrs	23.0%	<b>17.9%</b>	0.0%
5-10 yrs	0.1%	<b>1.2%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	15.7%	<b>15.0%</b>	0.0%
1-3 yrs	38.4%	<b>45.6%</b>	100.0%
3-5 yrs	43.4%	<b>36.3%</b>	0.0%
5-10 yrs	2.5%	<b>3.1%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	3 Mos	YTD	1 Yr	3 Yr	5 Yr	Since Inception**
<b>Portfolio</b>	1.31	2.11	5.50	--	--	4.45
<b>Benchmark***</b>	1.32	1.99	5.28	5.98	6.25	4.28

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: August 01, 2010

\*\*\*Barclays Capital Intermediate Aggregate

## Portfolio Characteristics

	Portfolio	Benchmark*		Portfolio
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$1,689.3 million
<b>Weighted Average Maturity</b>	3.78 years	4.49 years	<b>Number of Issues</b>	928
<b>Yield to Maturity</b>	1.39%	1.72%	<b>Weighted Coupon</b>	3.73%
<b>Effective Duration</b>	3.13 years	3.65 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*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.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	41.3%	<b>39.6%</b>	40.7%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	0.3%	<b>0.3%</b>	0.6%
Corporates	20.2%	<b>20.5%</b>	17.0%
Asset Backed Securities (ABS)	0.2%	<b>0.2%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	4.1%	<b>4.4%</b>	2.2%
Mortgage Backed Securities (MBS)	32.9%	<b>34.2%</b>	35.3%
Sovereign / Supranationals	0.6%	<b>0.6%</b>	3.9%
Cash / Equivalents	0.4%	<b>0.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.3%	<b>77.3%</b>	78.6%
AA	3.8%	<b>2.9%</b>	4.3%
A	10.7%	<b>12.6%</b>	9.6%
BBB	7.1%	<b>7.3%</b>	7.5%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

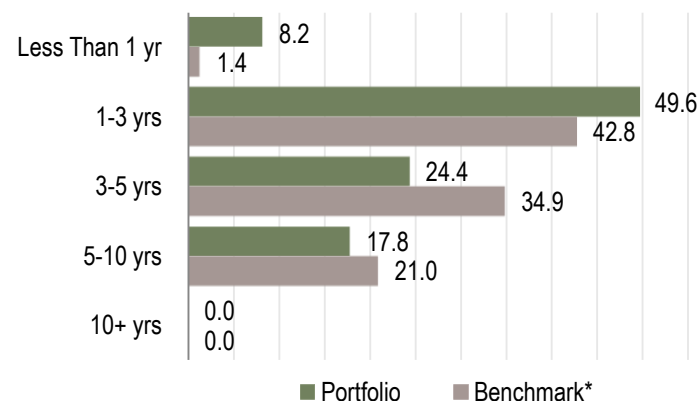
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Second Quarter 2012

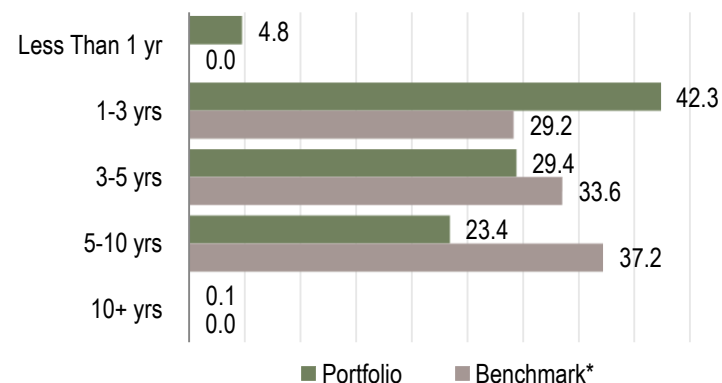
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	7.6%	<b>8.2%</b>	1.4%
1-3 yrs	48.6%	<b>49.6%</b>	42.8%
3-5 yrs	24.7%	<b>24.4%</b>	34.9%
5-10 yrs	19.0%	<b>17.8%</b>	21.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	4.8%	<b>4.8%</b>	0.0%
1-3 yrs	46.3%	<b>42.3%</b>	29.2%
3-5 yrs	23.6%	<b>29.4%</b>	33.6%
5-10 yrs	25.2%	<b>23.4%</b>	37.2%
10+ yrs	0.1%	<b>0.1%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

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# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

## Annualized Investment Performance\*

*Periods Ending June 30, 2012*

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	2.30	3.16	7.16	--	--	6.54
<b>Benchmark***</b>	1.32	1.99	5.28	5.98	6.25	5.41

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: February 01, 2011

\*\*\*Barclays Capital Intermediate Aggregate

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AA	AA+	<b>Total Assets</b>	\$979.9 million
<b>Weighted Average Maturity</b>	4.26 years	4.49 years	<b>Number of Issues</b>	123
<b>Yield to Maturity</b>	1.46%	1.72%	<b>Weighted Coupon</b>	2.34%
<b>Effective Duration</b>	3.49 years	3.65 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*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.

# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	50.3%	<b>24.4%</b>	40.7%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	1.4%	<b>1.5%</b>	0.6%
Corporates	22.7%	<b>22.6%</b>	17.0%
Asset Backed Securities (ABS)	0.0%	<b>0.0%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	2.2%
Mortgage Backed Securities (MBS)	17.3%	<b>13.5%</b>	35.3%
Sovereign / Supranationals	2.0%	<b>2.0%</b>	3.9%
Cash / Equivalents	6.1%	<b>36.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.0%	<b>78.2%</b>	78.6%
AA	2.1%	<b>1.5%</b>	4.3%
A	14.8%	<b>15.2%</b>	9.6%
BBB	5.1%	<b>5.1%</b>	7.5%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

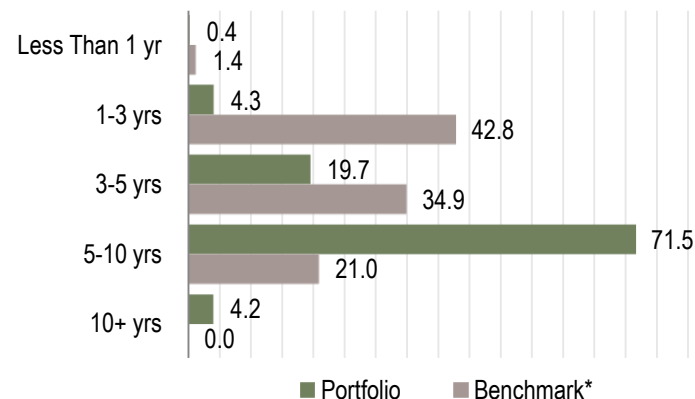
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

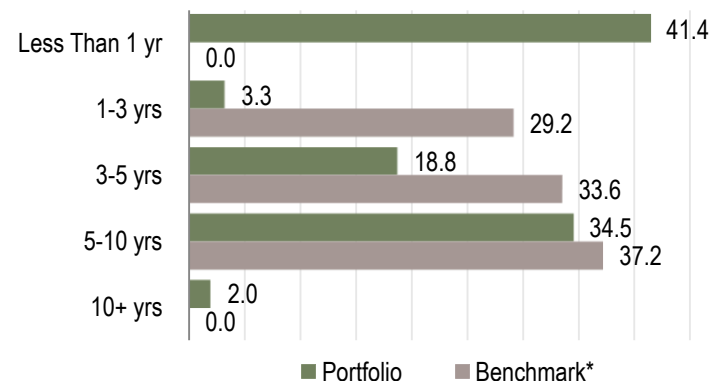
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	2.7%	<b>0.4%</b>	1.4%
1-3 yrs	8.0%	<b>4.3%</b>	42.8%
3-5 yrs	19.3%	<b>19.7%</b>	34.9%
5-10 yrs	68.3%	<b>71.5%</b>	21.0%
10+ yrs	1.7%	<b>4.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	39.2%	<b>41.4%</b>	0.0%
1-3 yrs	2.7%	<b>3.3%</b>	29.2%
3-5 yrs	17.7%	<b>18.8%</b>	33.6%
5-10 yrs	39.7%	<b>34.5%</b>	37.2%
10+ yrs	0.8%	<b>2.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays Capital Intermediate Aggregate

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Second Quarter 2012

## Annualized Investment Performance\*

Periods Ending June 30, 2012

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>10 Yr</i>	<i>Since Inception**</i>
<b>Portfolio</b>	1.16	2.04	4.48	6.09	6.06	4.98	5.39
<b>Benchmark***</b>	1.30	1.78	5.11	5.64	6.10	5.05	--
<b>Benchmark****</b>	1.48	2.10	5.42	5.81	6.01	5.08	5.57

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: March 01, 1999

\*\*\*BarCap Intern Agg Ex Baa

\*\*\*\*Barclays Capital Int Govt/Credit

## Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
<b>Weighted Average Quality**</b>	AAA	AA+	<b>Total Assets</b>	\$91.4 million
<b>Weighted Average Maturity</b>	4.07 years	4.36 years	<b>Number of Issues</b>	181
<b>Yield to Maturity</b>	1.97%	1.59%	<b>Weighted Coupon</b>	4.43%
<b>Effective Duration</b>	2.96 years	3.46 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*BarCap Intern Agg Ex Baa

\*\*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.

# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Second Quarter 2012

## Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	0.5%	<b>0.5%</b>	44.0%
Other U.S. Government	1.2%	<b>1.2%</b>	0.0%
Taxable Municipal	0.0%	<b>0.0%</b>	0.6%
Corporates	14.7%	<b>15.8%</b>	11.3%
Asset Backed Securities (ABS)	6.1%	<b>5.4%</b>	0.3%
Commercial Mortgage Backed Securities (CMBS)	2.7%	<b>2.6%</b>	2.1%
Mortgage Backed Securities (MBS)	74.7%	<b>72.4%</b>	38.2%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	3.5%
Cash / Equivalents	0.1%	<b>2.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	82.9%	<b>81.3%</b>	85.0%
AA	4.2%	<b>8.0%</b>	4.6%
A	10.5%	<b>8.4%</b>	10.4%
BBB	0.3%	<b>1.1%</b>	0.0%
< BBB	2.1%	<b>1.2%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*BarCap Interm Agg Ex Baa

\*\*Column percentage may not add exactly due to rounding

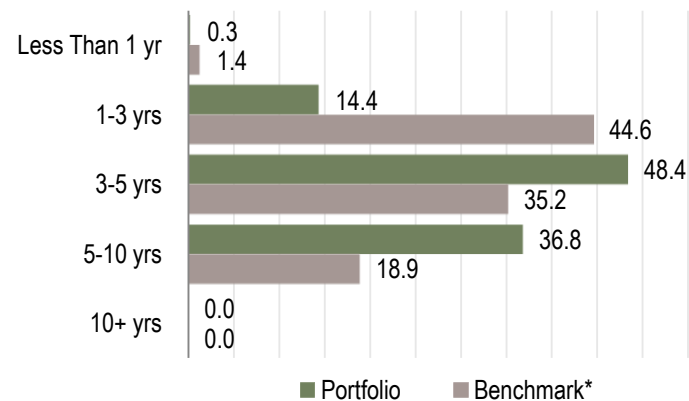
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Second Quarter 2012

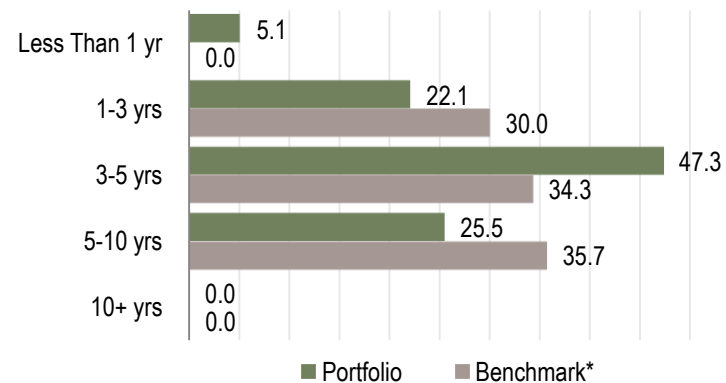
## Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	0.5%	<b>0.3%</b>	1.4%
1-3 yrs	12.7%	<b>14.4%</b>	44.6%
3-5 yrs	44.3%	<b>48.4%</b>	35.2%
5-10 yrs	42.6%	<b>36.8%</b>	18.9%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	5.0%	<b>5.1%</b>	0.0%
1-3 yrs	18.5%	<b>22.1%</b>	30.0%
3-5 yrs	44.8%	<b>47.3%</b>	34.3%
5-10 yrs	31.7%	<b>25.5%</b>	35.7%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

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# Portfolio Strategy and Positioning

## Economic and Market Outlook

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### Economic Outlook

- | Uneven “low growth” recovery to continue; we expect GDP growth for the 2012 full year to average 2% to 3%.
- | Consumer confidence & job growth have remained positive, but current and future government spending cutbacks will continue to drag on growth
- | The housing market is showing signs of life and we believe broadly housing prices are bottoming
- | A still-muted economic forecast has led the Fed to telegraph that its policy rate will stay very low until late-2014; Treasury curve will remain steep and rates should remain relatively range-bound
- | Risks from the European debt crisis remain elevated; the US economy and markets are vulnerable to knock-on effects should the crisis re-flare

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### Anticipated Portfolio Strategy

- | Maintain neutral to short duration positioning versus benchmark
- | Corporate and municipal bond spreads remain relatively attractive; emphasize stable names with spread tightening potential
- | Short AAA-rated consumer ABS are attractive versus treasuries, agencies or cash
- | We remain cautious on higher dollar prices in the agency mortgage sector; newly originated “MHA Refi” pools are attractive and should benefit from lower refinance risk going forward
- | TIPS have underperformed nominal treasuries more recently, but remain attractive as a portfolio diversifier

The information contained herein reflects the views of Galliard Capital Management, Inc. and sources believed to be reliable by Galliard as of the date of presentation. No representation or warranty is made concerning the accuracy of any data and there is no guarantee that any projection, opinion, or forecast herein will be realized. The views expressed may change at any time. This presentation is for information purposes only; it is not investment advice or a recommendation for a particular security strategy or investment product.

## Senior Professionals



**John R. Caswell, CFA**  
*Managing Partner*  
*Portfolio Management*

John is a Founding Partner and Chairman of Galliard's Fixed Income Committee. He is responsible for overseeing investment policy and strategy formulation. Prior to co-founding Galliard, John was Chief Investment Officer of Norwest Investment Management. John began his investment career in 1975 and holds a BBA degree in Finance and an MBA degree in Finance from the University of Iowa. He has authored and collaborated on many articles and chapters on fixed income and stable value investment management.



**Richard J. Merriam, CFA**  
*Managing Partner*  
*Portfolio Management*

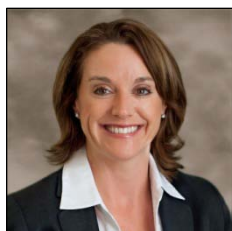
Richard is a Founding Partner and Galliard's Chief Investment Strategist. In this role, he is responsible for asset selection and strategy formulation for the firm's portfolios. He also serves as Corporate Sector Head. Prior to co-founding Galliard, Richard was Chief Investment Officer of Insight Investment Management. He began his investment career in 1985 and holds BA degrees in Economics and English from the University of Michigan and an MBA degree in Finance from the University of Minnesota.



**Karl P. Tourville**  
*Managing Partner*  
*Portfolio Management*

Karl is a Founding Partner and Chairman of Galliard's Management Committee. He is involved in client portfolio management, developing investment strategy and designing new products. Karl also directs marketing and client service for the firm. Karl is a past member of the Board of Directors of the Stable Value Investment Association and has authored and collaborated on many articles and chapters on fixed income and stable value investment management. Prior to co-founding Galliard, Karl was Director of Taxable Fixed Income for Norwest Investment Management. He holds a BA in Economics and an MBA in Finance from the University of St. Thomas.

## Senior Professionals



**Carrie A. Callahan**  
*Partner*  
*Client Service &*  
*Consultant Relations*

Carrie is responsible for client relationship management and consultant relations. Prior to joining Galliard, Carrie was a Group Vice President in consultant relations at Trusco Capital. Prior to Trusco, Carrie was a Senior Vice President for SunTrust Banks where she was responsible for bundled 401K sales and high net worth relationship management. She began her career in investment management, institutional sales and consultant relations in 1991. Carrie holds a BA in economics from the University of Central Florida. She sits on the Investment Committee for the University of Central Florida Foundation.



**Ajay Mirza, CFA**  
*Partner*  
*Portfolio Management*

Ajay is a Partner and serves as Structured Securities Sector Head. Prior to joining Galliard, Ajay was a mortgage backed securities analyst with Insight Investment Management. He also served as a research analyst at Lehman Brothers, where he worked on the mortgage backed securities trading desk. Ajay holds a BE in Instrumentation from the Birla Institute of Technology (India), an MA in Economics from Tulane University, and a MBA from the University of Minnesota. Ajay began his investment career in 1994 and has been with Galliard since the firm's inception.



**Michael D. Norman**  
*Senior Principal*  
*Client Services*

As a Principal, Mike is responsible for client and consultant relationship management. In this capacity, Mike works with current and prospective clients, as well as the consultants who serve them to develop strategy and to assure execution of client mandates. Prior to joining Galliard, Mike served as a Securities Lending Trader and Trust Officer with Norwest Bank. Mike began his investment career in 1993 and has been involved in the stable value industry since 1996. Mike also served on the Stable Value Investment Association's (SVIA) Board of Directors from 2003 – 2006 along with a number of other boards and associations. Mike holds a BA from the University of Notre Dame and an MBA from the University of Minnesota.



**Leela J. Scattum**  
*Senior Principal*  
*Portfolio Management*

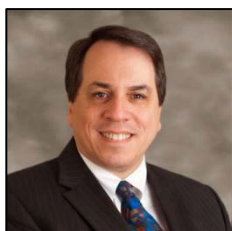
As a Client Portfolio Manager, Leela is involved in the management of Galliard's stable value portfolios. Leela began her investment career in 1992 and has been with Galliard since the firm's inception. She holds B.Sc. (Statistics) and B.Ed. (Education) degrees from the University of Bombay. She also completed her course work for Master of Science degree in Applied Mathematics from the University of Bombay, and holds an MBA degree from the University of St. Thomas.

## Senior Professionals



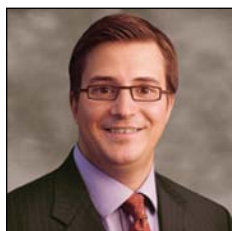
**Chad M. Foote, CPA**  
*Principal*  
*Investment Operations*  
*and Accounting*

Chad is responsible for accounting operations and implementation of new technology and business initiatives. Chad is a CPA and a Certified Investments and Derivatives Auditor. Before joining Galliard, Chad was the head of risk management at Alliance Financial Services. He also served as a Director at PricewaterhouseCoopers (PwC) consulting on financial operations and risk management practices.



**David H. Lui**  
*Principal*  
*Chief Compliance Officer*

David is the Chief Compliance Officer at Galliard. Prior to joining Galliard, David was the Chief Compliance Officer of FAF Advisors and First American Funds. Previously, David was Chief Compliance Officer of Franklin Advisors and Chief Compliance Counsel for Charles Schwab in San Francisco. David earned his B.A. in history from Brown University in Providence, Rhode Island, and a J.D. from the University of California, Hastings college of Law, in San Francisco. He has been admitted to practice law in both California and Minnesota. He is a past Chairman of the Board of Directors of the National Society of Compliance Professionals and is a nationally recognized speaker in compliance issues. David has more than 20 years of experience in compliance and investment law.



**Erol D. Sonderegger, CFA**  
*Principal*  
*Portfolio Management*

Erol is responsible for client portfolio management. Prior to joining Galliard, Erol was a Portfolio Manager with RiverSource Investments and was a member of their Fixed Income Strategy Committee. Erol's portfolio management experience includes co-managing a number of fixed income and balanced investment products. He also has extensive experience in fixed income performance attribution. Prior to working at RiverSource, Erol was an investment analyst for the Minnesota State Board of Investments. Erol earned his BA in International Business, with a concentration in Finance, from George Washington University in Washington D.C.

## Senior Relationship Contacts



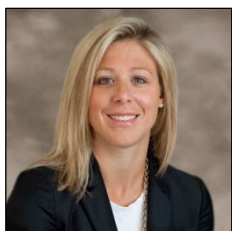
**Andy C. Apostol**  
*Senior Director  
Client Services*

Andy is responsible for stable value client relationships and client portfolio management. Prior to joining Galliard, Andy was a Senior Vice President at Dwight Asset Management, overseeing fixed income and stable value portfolios. Prior to joining Dwight Andy was a Senior Account Manager for INVESCO's fixed income and stable value business. Andy earned his B.S. in Business Administration from the University of Oregon.



**David B. Ferry**  
*Senior Director  
Client Services*

David is responsible for client and consultant relationship management. In this capacity, David works with current and prospective clients, as well as the consultants who serve them to develop strategy and to assure execution of client mandates. Prior to joining Galliard, David was a Senior Vice President with SunGard Wealth Management, managing sales and relationships for the SunGard platform. He earned his BS in Business and his MBA in Finance from the University of Minnesota.



**Taylor Benson**  
*Director  
Client Service &  
Consultant Relations*

Taylor is responsible for client service and consultant relationship management. Prior to joining Galliard, Taylor was an Investment Consultant at Segal Advisors for defined benefit and defined contribution plans. Prior to Segal, Taylor was a client service associate for Legg Mason & Co., where she was responsible for servicing the Western Asset Management's Institutional Mutual Fund clients. She began her career in 2003 as a business analyst for Hewitt Associates. Taylor holds a BS in Finance from Providence College.



**William Weber**  
*Associate Director  
Client Service &  
Consultant Relations*

William is responsible for client and consultant relationship management and client portfolio management. Prior to joining Galliard, William was a manager at PricewaterhouseCoopers, LLP in their Advisory Practice, with an emphasis on capital markets. William received a B.S. in Business, Finance and Accounting from the University of Minnesota's Carlson School of Management.