

State of North Carolina

MAY 19, 2016

STATE OF NORTH CAROLINA

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SECTION I

GALLIARD CAPITAL MANAGEMENT

BUSINESS PROFILE AS OF 3/31/16

\$87.9 B
TOTAL AUM

\$77.7 B
STABLE VALUE AUM

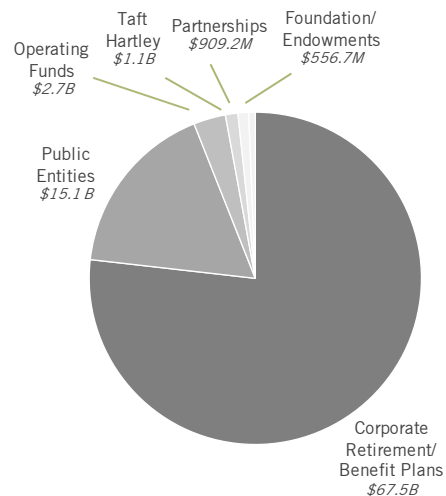
- **18** fortune 100 clients; **51** fortune 500 clients
- **115** stable value separate accounts

FIRM INITIATIVES & MARKET PERSPECTIVE

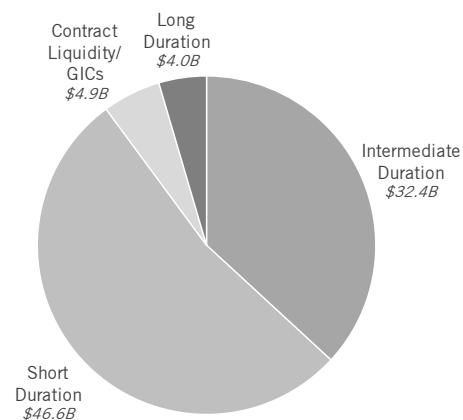
- Potential **stable value** opportunities with plan sponsors that have typically utilized money market funds as their **capital preservation** option
- Stable value interest from new plan sponsor types such as **529** and **403(b)** plans
- Stable value participant cashflows have been positive with the recent market conditions
- Brand expansion of **long duration** fixed income product
- Development of **high-quality short duration fund** product

ASSETS UNDER MANAGEMENT

BY PLAN TYPE



BY DURATION*



*As of 3/31/16 assets included in Galliard's External Manager Program: Broad Market Core & Core Plus - \$907M, Intermediate Duration - \$14.3B, Short Duration - \$6.1B

SECTION II

STABLE VALUE MARKET UPDATE

STABLE VALUE MARKET VIEW

	MARKET VIEW	GALLIARD POSITIONING
CONTRACT ISSUERS	<ul style="list-style-type: none"> • 17 providers in the market currently issuing contracts (4 banks, 13 insurance companies) • Supply of contract capacity remains greater than market demand • Issuers showing some flexibility with respect to the strategies they are willing to wrap • Issuers more willing to accommodate changes to investment guidelines at the margins • More favorable/balanced approach to contract provisions • Contract fees appear to have peaked 	<ul style="list-style-type: none"> • Maintaining strong relationships with all major market participants • Utilizing market leverage to negotiate more favorable terms • Continue to be a preferred manager • Have obtained broader investment latitude across issuers • Negotiating to standardize more advantageous contract provisions • Have obtained fee concessions from higher cost issuers
PORTFOLIO	<ul style="list-style-type: none"> • Participant cash flows have been flat to slightly positive due to market volatility • Fed began “liftoff” but expectations for future rate hikes tempered by mixed economic picture • Reinvestment rates remain low, but spread volatility continues to create investment opportunities 	<ul style="list-style-type: none"> • Reinvesting cash to maintain portfolio targets • Managing portfolio durations between 2.5 to 3 years to balance earnings potential and rate responsiveness • Opportunistically seeking yield in high quality spread assets
REGULATORY/DC MARKET ENVIRONMENT	<ul style="list-style-type: none"> • Dodd-Frank stable value study yet to be completed • SEC changes to money market mutual fund regulations to be implemented in 2016 • DC plan design evolving to improve participant outcomes 	<ul style="list-style-type: none"> • Existing contracts exempt; no detrimental impact expected • Seeing renewed interest in stable value as an alternative to money market funds • Leading industry efforts to ensure stable value meets plan sponsor needs

STABLE VALUE MARKET UPDATE

CONTRACT ISSUER SUMMARY

AS OF MARCH 31, 2016

NAME	MOODY'S CREDIT RATING	S&P CREDIT RATING	ASSET MANAGEMENT*	CONTRACT TYPE**
AMERICAN GENERAL LIFE	A2	A+	Galliard, Dodge & Cox, TCW, Payden & Rygel	SBIC
MASSMUTUAL LIFE INS. CO.	Aa2	AA+	Galliard, Babson	SAGIC
METROPOLITAN LIFE INS. CO.	Aa3	AA-	Galliard, Dodge & Cox, Loomis Sayles	SAGIC
NATIONWIDE LIFE INS. CO.	A1	A+	Galliard, Dodge & Cox	SBIC
NEW YORK LIFE INS. CO.	Aaa	AA+	NYL Investors	SBIC & SAGIC
PACIFIC LIFE INS. CO.	A1	A+	Galliard, Loomis Sayles, TCW	SBIC
PRUDENTIAL LIFE INS. CO.	A1	AA-	Galliard, Jennison, Prudential	SBIC
RGA REINSURANCE CO.	A1	AA-	Galliard, Dodge & Cox	SBIC
ROYAL BANK OF CANADA	Aa3	AA-	Galliard	SBIC
STATE STREET BANK AND TRUST CO.	A1	AA-	Galliard	SBIC
TIAA-CREF LIFE	Aa1	AA+	TIAA-CREF	SAGIC
TRANSAMERICA PREMIER LIFE INS. CO.	A1	AA-	Galliard, Dodge & Cox, TCW, AUIM	SBIC
VOYA RETIREMENT AND ANNUITY COMPANY	A2	A	Galliard, Dodge & Cox, Voya, TCW, IR+M	SBIC

*Managers typically utilized within Galliard Stable Value Solutions

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

SECTION III

STATE OF NORTH CAROLINA STABLE VALUE FUNDS

RELATIONSHIP MILESTONES

2013

- Secured wrap coverage for Payden & Rygel with American General Life
- Reduced exposure to PIMCO/Met Life to 13% target
- Allocated 15% to Jennison under Prudential wrap

2014

- Finalized Nationwide wrap contract to replace United of Omaha
- Reduced Great West Life allocation to target (20%)

2015

- Added Dodge & Cox as sub-advisor to both the 401(k) and 457 Plan's stable value funds, replacing PIMCO
- Facilitated closure of Great West Life open receivable
- Negotiated lower contract fees with American General Life

2016

- Merged the 457 plan's Stable Value Fund into the plan's 401(k) Stable Value Fund
- Amended the Galliard IMA to reflect relationship with the group trust. Amendment included Galliard investment management fee reduction.
- Transitioned prudential enhanced index strategy collective trust to an active management strategy separate account. No change to benchmark (intermediate aggregate).

STATE OF NORTH CAROLINA EXPENSE DISCLOSURE

TOTAL ANNUAL OPERATING EXPENSES

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

Expense	Expense Ratio (as of 3/31/16)	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.069%	\$0.69	\$1,625,398
Investment Management Fees paid to Non-Affiliated Investment Advisors	0.063%	\$0.63	\$1,486,016
Investment Contract Fees ¹	0.166%	\$1.66	\$3,919,997
Acquired Fund Fees ²	0.037%	\$0.37	\$883,190
-Investment Contract Fees	0.015%	\$0.15	\$345,984
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non- Affiliated Investment Advisors ³	0.023%	\$0.23	\$537,206
12b-1 Distribution Fee	None	None	None
Other Expenses	None	None	None
Total Annual Fund Operating Expense⁴	0.336%	\$3.36	\$7,914,601

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

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

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

⁴Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV)

SECTION IV

STABLE VALUE PORTFOLIO REVIEW – STATE OF NORTH CAROLINA STABLE VALUE FUND

FIRST QUARTER 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	<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>
Book Value Performance								
Portfolio (net of all fees - NAV Level)***	0.16	0.46	0.46	1.89	1.89	2.27	---	2.36
Merrill Lynch 3 Month T-Bill + 100 bps	0.13	0.32	0.32	1.13	1.08	1.08	---	1.09
Merrill Lynch 3 Month T-Bill + 150 bps	0.17	0.45	0.45	1.63	1.58	1.59	2.67	1.60
3 Year Constant Maturity Treasury Yield	0.09	0.26	0.26	1.04	0.87	0.71	1.63	0.74
Market Value Benchmark								
Blended Benchmark****	0.46	1.68	1.68	1.65	1.58	2.21	3.67	2.02

CALENDAR YEAR PERFORMANCE

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Book Value Performance						
Portfolio (net of all fees - NAV Level)***	1.87	1.80	2.15	2.75	3.27	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.06	1.04	1.08	1.12	1.11	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.56	1.55	1.58	1.62	1.61	1.64
3 Year Constant Maturity Treasury Yield	1.03	0.90	0.54	0.38	0.75	1.10

Market Value Benchmark

Blended Benchmark****	0.93	2.69	-0.41	2.52	4.05	4.53
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Market Indices

Merrill Lynch 3 Month T-Bill	0.03	0.03	0.07	0.11	0.10	0.13
Consumer Price Index	0.76	0.76	1.62	2.26	2.96	1.50

*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.

***Returns are net of all fees, including plan administrative reimbursement.

****10% BofAML 3 Month U.S. T-Bills, 30% Barclays 1-3 Yr U.S. Govt/Credit, 60% Barclays Intermediate U.S. Aggregate. This blended market value benchmark approximates the asset allocation target for the State of North Carolina Stable Value Fund. It is important to note that fundamental differences arise when comparing book value performance to a market index, especially when comparing performance for periods shorter than 10 years. Market value indices immediately reflect the gains/(losses) resulting from changing market interest rates while book value performance amortizes these gains/(losses).

Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

First Quarter 2016

PORTFOLIO CHARACTERISTICS

Total Assets	\$2,358,384,345	Blended Yield (After fees)*	1.92%
Average Holdings Quality**	AA	Effective Duration	2.83 years
Number of Contract Issuers	5	Market/Book Value Ratio	101.94%

*Blended yield is after investment management fees and 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 03/31/2016</u>	<u>% OF PORTFOLIO 12/31/2015</u>
Cash & Equivalents*	58,998,545	2.5	2.7
Stable Value Funds	173,634,610	7.4	7.5
Separate Account GICs	785,324,855	33.3	33.1
Intermediate Portfolio	785,324,855	33.3	33.1
Security Backed Investment Contracts	1,340,426,336	56.8	56.8
Short Portfolio	691,139,062	29.3	29.0
Intermediate Portfolio	649,287,274	27.5	27.7
Total	\$2,358,384,345	100.0%**	100.0%**

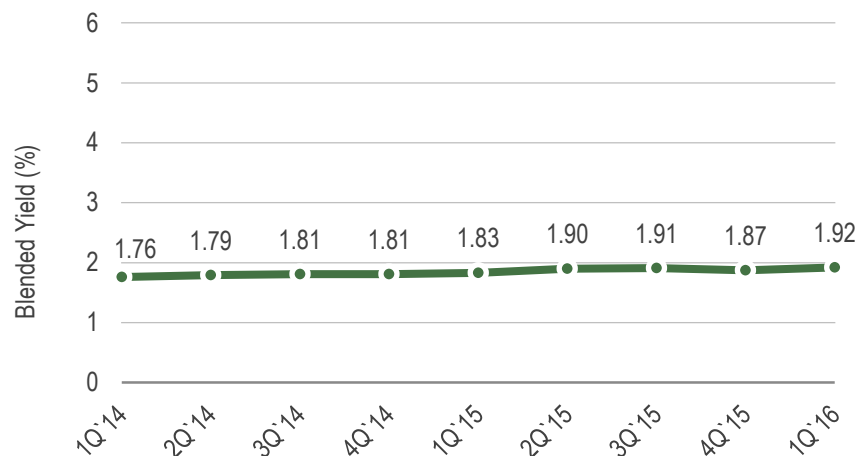
*Includes Receivables and Payables

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

Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

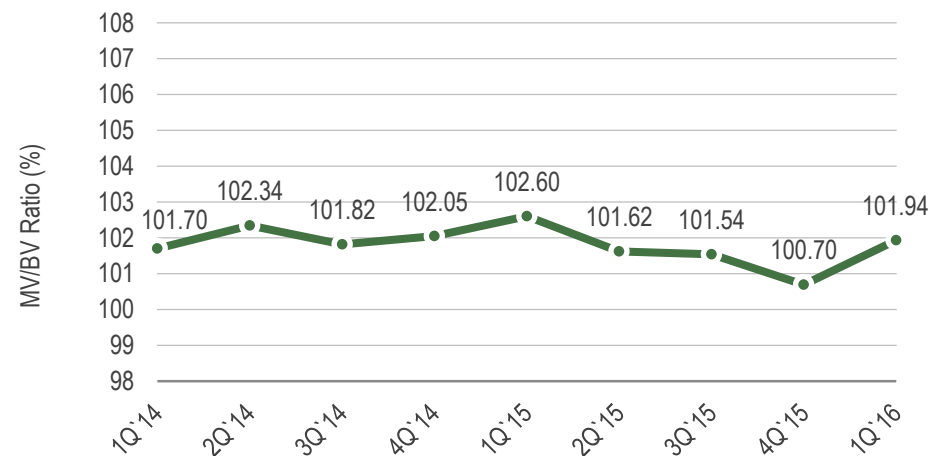
First Quarter 2016

HISTORICAL BLENDED YIELD*

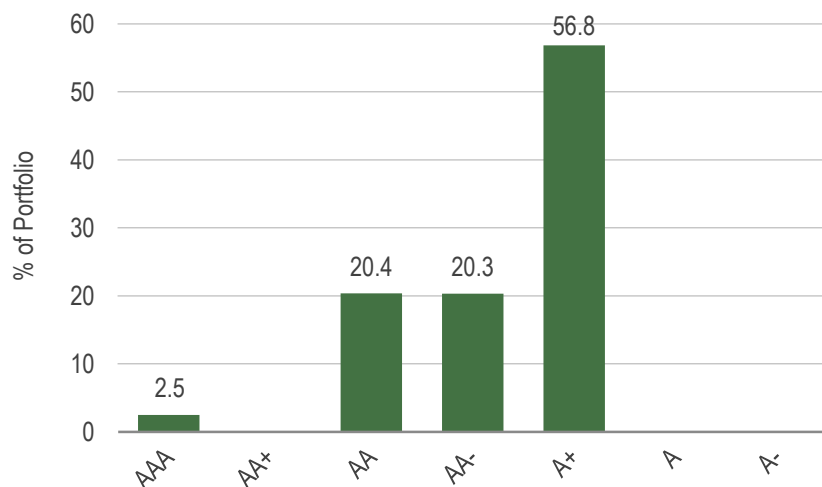


*As of quarter end. Blended yield is after investment management fees and wrap fees.

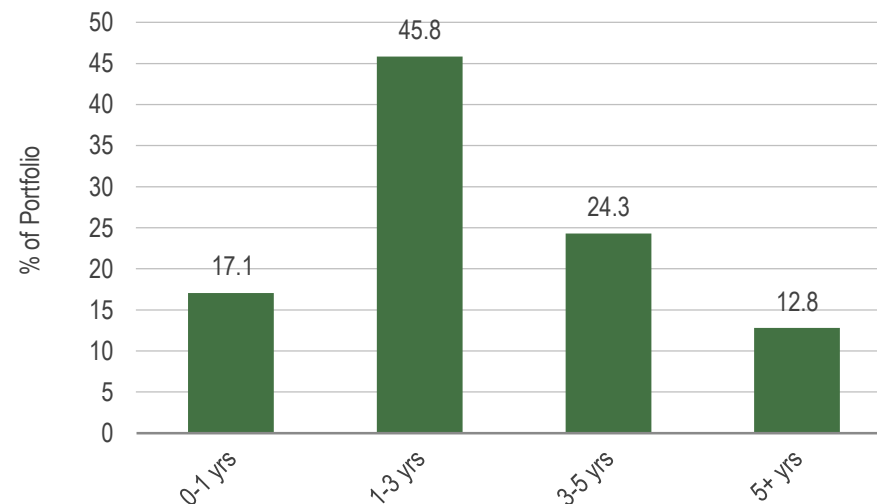
MARKET VALUE TO BOOK VALUE RATIO*



CONTRACT QUALITY DISTRIBUTION*



UNDERLYING DURATION DISTRIBUTION**



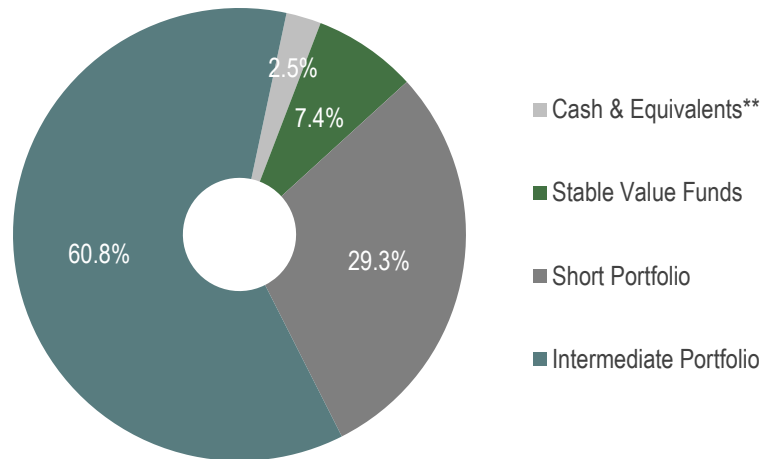
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

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

Stable Value Portfolio Review - STATE OF NORTH CAROLINA STABLE VALUE FUND

First Quarter 2016

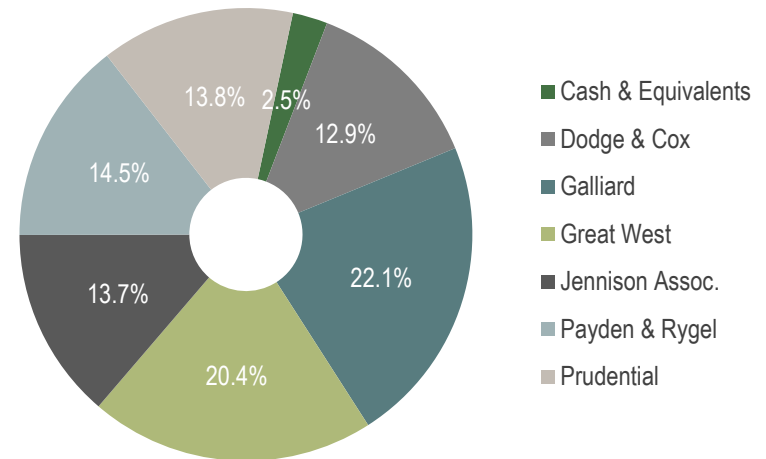
PORTFOLIO DISTRIBUTION*



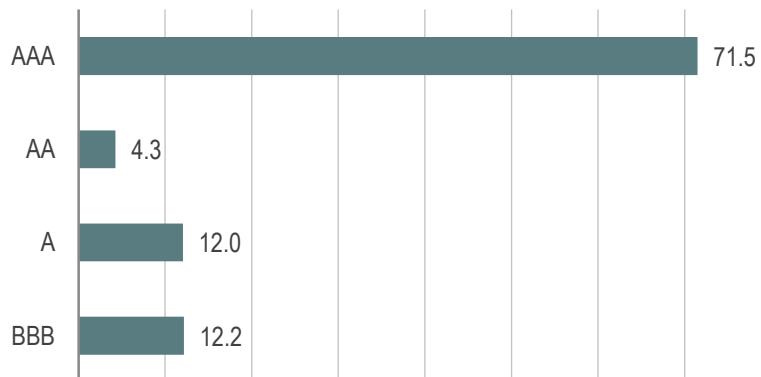
*Book value

**Includes Receivables and Payables

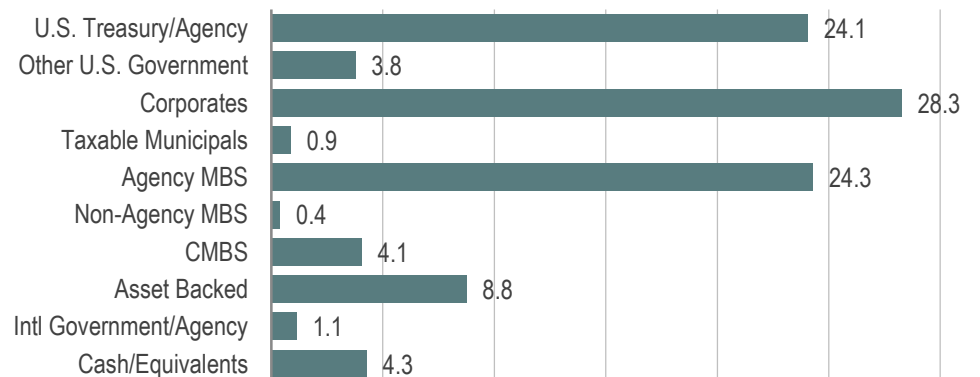
MANAGER DISTRIBUTION*



UNDERLYING FIXED INCOME CREDIT QUALITY*



UNDERLYING FIXED INCOME ASSET ALLOCATION**



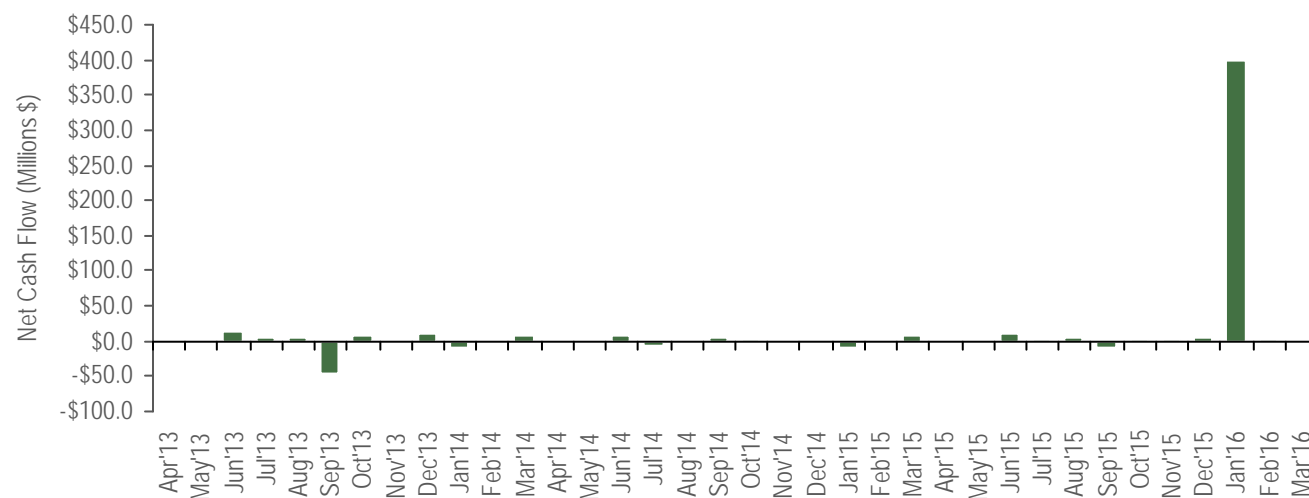
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers 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 for maximum comparability across managers.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

First Quarter 2016

HISTORICAL CASHFLOWS



	YTD	2015	2014	2013	2012
Beginning Assets	\$1,948.6	\$1,904.2	\$1,870.9	\$1,829.1	\$1,702.4
Net Cash Flow (\$)*	\$399.0	\$8.8	-\$0.3	\$2.4	\$79.1
Net Cash Flow (%)	20.47%	0.46%	-0.02%	0.13%	4.65%
Estimated Investment Earnings	\$10.8	\$35.7	\$33.6	\$39.4	\$47.6
Ending Assets**	\$2,358.4	\$1,948.6	\$1,904.2	\$1,870.9	\$1,829.1

* Contributions, Withdrawals and Investment Transfers

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

STATE OF NORTH CAROLINA STABLE VALUE FUND

MARKET VALUE PERFORMANCE SUMMARY

Short Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Payden & Rygel	0.83%	0.92%	1.05%	1.55%	2.14%	7/1/2009
Barclays U.S. 1-3 Yr. Govt/Credit	<u>0.98%</u>	<u>1.04%</u>	<u>0.95%</u>	<u>1.14%</u>	<u>1.55%</u>	
	-0.14%	-0.13%	0.10%	0.41%	0.58%	
Galliard**	1.26%	1.45%	1.20%	1.74%	2.12%	1/1/2010
Barclays U.S. 1-3 Yr. Government *	0.89%	0.93%	0.79%	0.90%	1.11%	
Barclays U.S. 1-3 Yr. Gov't/Credit	<u>0.98%</u>	<u>1.04%</u>	<u>0.95%</u>	<u>1.14%</u>	<u>1.39%</u>	
	0.37%	0.52%	0.42%	0.84%	1.01%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Dodge & Cox	2.47%	1.80%	-	-	2.02%	5/1/2015
Barclays U.S. Intermediate Aggregate	<u>2.31%</u>	<u>2.20%</u>	-	-	<u>2.45%</u>	
	0.16%	-0.40%	-	-	-0.43%	
Great-West Life***	1.80%	2.23%	2.14%	3.14%	2.58%	10/1/2011
Barclays U.S. Intermediate Aggregate (Ex BBB)	<u>2.23%</u>	<u>2.35%</u>	<u>2.12%</u>	<u>2.99%</u>	<u>2.30%</u>	
	-0.43%	-0.12%	0.02%	0.15%	0.29%	
Jennison	2.54%	1.87%	2.05%	3.35%	3.06%	8/1/2010
Barclays U.S. Intermediate Govt/Credit	<u>2.45%</u>	<u>2.06%</u>	<u>1.83%</u>	<u>3.01%</u>	<u>2.74%</u>	
	0.10%	-0.20%	0.22%	0.34%	0.32%	
Prudential	-	-	-	-	1.43%	2/1/2016
Barclays U.S. Intermediate Aggregate	-	-	-	-	<u>1.04%</u>	
	-	-	-	-	0.39%	

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

**Returns shown are after investment management fees

***August 2015 return was revised from -0.885% to 0.238% to remove impact of writing off a receivable. Performance shown was provided by Great-West.

STATE OF NORTH CAROLINA STABLE VALUE FUND

MANAGER-LEVEL CHARACTERISTICS

Segment	Manager	Period	Book Value	Market Value	MV/BV Ratio	Market Value Yield	Duration (Years)	Book Value Crediting Rate*
Short Duration	Payden & Rygel	12/31/2015	\$ 280,767,915	\$ 280,381,269	99.9%	1.47%	1.39	1.21%
		3/31/2016	\$ 342,444,643	\$ 343,668,337	100.4%	1.21%	1.38	1.15%
			\$ 61,676,728	\$ 63,287,068	0.5%	-0.26%	(0.01)	-0.06%
	Galliard	12/31/2015	\$ 284,851,850	\$ 285,968,339	100.4%	1.73%	1.92	1.76%
		3/31/2016	\$ 348,694,418	\$ 352,814,091	101.2%	1.39%	1.97	1.76%
			\$ 63,842,568	\$ 66,845,752	0.8%	-0.34%	0.05	0.00%
	Prudential	12/31/2015	\$ 271,748,967	\$ 277,313,382	102.0%	2.28%	3.99	2.48%
		3/31/2016	\$ 326,617,123	\$ 339,930,254	104.1%	2.07%	3.69	2.44%
			\$ 54,868,156	\$ 62,616,872	2.0%	-0.21%	(0.30)	-0.04%
Intermediate Duration	Dodge & Cox	12/31/2015	\$ 249,716,944	\$ 251,101,156	100.6%	2.53%	3.64	2.35%
		3/31/2016	\$ 305,169,089	\$ 312,299,639	102.3%	2.08%	3.55	2.38%
			\$ 55,452,145	\$ 61,198,483	1.8%	-0.45%	(0.09)	0.03%
	Great West Life	12/31/2015	\$ 394,556,288	\$ 394,926,574	100.1%	2.51%	3.57	2.39%
		3/31/2016	\$ 480,155,766	\$ 486,859,927	101.4%	1.96%	2.95	2.40%
			\$ 85,599,478	\$ 91,933,353	1.3%	-0.55%	(0.62)	0.01%
	Jennison	12/31/2015	\$ 268,655,638	\$ 274,156,713	102.0%	1.84%	4.15	2.48%
		3/31/2016	\$ 322,670,151	\$ 335,822,401	104.1%	1.57%	4.25	2.44%
			\$ 54,014,513	\$ 61,665,688	2.0%	-0.27%	0.10	-0.04%
	Total Fund	12/31/2015	\$ 1,948,623,056	\$ 1,962,172,887	100.7%	2.00%	2.99	2.04%
		3/31/2016	\$ 2,358,384,345	\$ 2,404,027,803	101.9%	1.69%	2.83	2.03%
			\$ 409,761,289	\$ 441,854,916	1.2%	-0.31%	(0.16)	-0.01%

*Gross of Galliard, Payden & Rygel, and Prudential investment management fees.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

First Quarter 2016

ISSUER RATING SUMMARY

	<u>S&P RATING</u>		<u>MOODY'S RATING</u>	
	<u>3/31/2016</u>	<u>12/31/2015</u>	<u>3/31/2016</u>	<u>12/31/2015</u>
American General Life Ins. Co.	A+	A+	A2	A2
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1

AMERICAN GENERAL LIFE INS. CO.

- Solid capital levels
- Leading positions in most Life and Annuity products
- Situation continues to develop at the parent regarding activist investors pushing for a separation of the Life and P&C operations. We do not think a separation is likely, but it would be a significant credit concern if it happened.

GREATWEST LIFE INSURANCE CO.

- Aggressive dividend taking by the parent, combined with General Account growth, results in low capital levels and ratios
- Reliant on support from the parent company; the leading insurer in Canada which had strong 2014 results

METROPOLITAN LIFE INS. CO.

- Largest U.S. life insurer by invested assets
- Federal judge recently ruled Met not to be a Systematically Important Financial Institution (SIFI); the U.S. government is expected to continue to defend the Financial Stability Oversight Council's (FSOC) designation of Met as a SIFI as lawful.
- Capital ratios remain below average, but have improved slightly despite dividends to the holding company

NATIONWIDE LIFE INS. CO.

- Part of a leading mutual group that includes a leading P&C company
- Strong history of earnings

PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Capital ratios are now average following a large captive reinsurance transaction, however the quality of the ratios was lowered by the transaction

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only. For institutional investors only.

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO TRANSACTIONS

01/01/2016 - 03/31/2016

Asset ID	Issuer	Par Amount	Maturity*	Trade Date	Settle Date	S&P Rating	Moody's Rating
PURCHASES							
Security Backed Investment Contracts							
896994GW4	Nationwide Life Ins. Co.	62,210,826	N.S.M.	01/04/2016	01/04/2016	A+	A1
946996EE1	American General Life Ins. Co.	60,558,208	N.S.M.	01/04/2016	01/04/2016	A+	A2
744999CV3	Prudential Ins. Co. of America	104,872,823	N.S.M.	01/04/2016	01/04/2016	AA-	A1
Total Security Backed Investment Contracts		227,641,856					
Separate Account GICs							
391997NH2	GreatWest Life Insurance Co.	82,869,260	N.S.M.	01/04/2016	01/04/2016	AA	Aa3
590994VM8	Metropolitan Life Ins. Co.	53,731,173	N.S.M.	01/04/2016	01/04/2016	AA-	Aa3
Total Separate Account GICs		136,600,433					
TOTAL PURCHASES		364,242,289					

*N.S.M. = No Stated Maturity

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO HOLDINGS

March 31, 2016

Asset ID	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)
CASH & EQUIVALENTS												
FUNDAVAIL	Cash Receivable / (Payable)		-1,128,162	-1,128,162	100.0	0.0	0.17		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		60,126,707	60,126,707	100.0	2.5	0.16		0.10	AAA	Aaa	
TOTAL CASH & EQUIVALENTS			58,998,545	58,998,545	100.0	2.5	0.16		0.10	AAA	Aaa	
STABLE VALUE FUNDS												
949907109	Wells Fargo Stable Return Fund G		173,634,610	173,634,610	100.0	7.4	1.80		2.45	AA-	Aa3	
TOTAL STABLE VALUE FUNDS			173,634,610	173,634,610	100.0	7.4	1.80		2.45	AA-	Aa3	
SEPARATE ACCOUNT GICS												
Intermediate Portfolio												
391997NH2	GreatWest Life Insurance Co.	Great West	480,155,766	486,859,927	101.4	20.4	2.40	N.S.M.	2.95	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	Dodge & Cox	305,169,089	312,299,639	102.3	12.9	2.38	N.S.M.	3.55	AA-	Aa3	20.0
Total Intermediate Portfolio			785,324,855	799,159,565	101.8	33.3	2.39		3.18	AA	Aa3	
TOTAL SEPARATE ACCOUNT GICS			785,324,855	799,159,565	101.8	33.3	2.39		3.18	AA	Aa3	
SECURITY BACKED INVESTMENT CONTRACTS												
Short Portfolio												
946996EE1	American General Life Ins. Co.	Payden & Rygel	342,444,643	343,668,337	100.4	14.5	1.15	N.S.M.	1.38	A+	A2	22.0
896994GW4	Nationwide Life Ins. Co.	Galliard	348,694,418	352,814,091	101.2	14.8	1.76	N.S.M.	1.97	A+	A1	21.0
Total Short Portfolio			691,139,062	696,482,428	100.8	29.3	1.46		1.68	A+	A1	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Jennison Assoc.	322,670,151	335,822,401	104.1	13.7	2.44	N.S.M.	4.25	AA-	A1	17.0
744999CV3	Prudential Ins. Co. of America	Prudential	326,617,123	339,930,254	104.1	13.8	2.44	N.S.M.	3.69	AA-	A1	17.0
Total Intermediate Portfolio			649,287,274	675,752,655	104.1	27.5	2.44		3.97	AA-	A1	
TOTAL SECURITY BACKED INVESTMENT CONTRACTS			1,340,426,336	1,372,235,083	102.4	56.8	1.93		2.79	A+	A1	
TOTAL PORTFOLIO			2,358,384,345	2,404,027,803	101.9	100.0	2.03		2.83	AA-	A1	

*N.S.M. = No Stated Maturity

FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

First Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	3 Mos	1 Yr	3 Yr	5 Yr	Since Inception**
Portfolio	0.83	0.92	1.05	1.55	2.14
Benchmark***	0.98	1.04	0.95	1.14	1.55

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

**Performance Inception: July 01, 2009

***Barclays U.S. 1-3 Year Government/Credit Bond Index

Portfolio Characteristics

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA	AA	Total Assets	\$343.7 million
Weighted Average Maturity	1.70 years	1.87 years	Number of Issues	241
Yield to Maturity	1.21%	1.06%	Weighted Coupon	1.34%
Effective Duration	1.38 years	1.80 years		

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

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**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 - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

First Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	29.4%	36.3%	67.7%
Other U.S. Government	1.8%	1.5%	0.0%
Taxable Municipal	1.9%	1.1%	0.6%
Corporates	42.7%	40.0%	25.2%
Asset Backed Securities (ABS)	13.0%	12.0%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	2.0%	1.9%	0.0%
Sovereign / Supranationals	8.2%	7.1%	6.4%
Cash / Equivalents	1.0%	0.2%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	55.9%	60.3%	70.7%
AA	5.9%	6.0%	7.0%
A	19.6%	17.0%	11.9%
BBB	18.6%	16.6%	10.4%
< BBB	0.0%	0.2%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

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

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

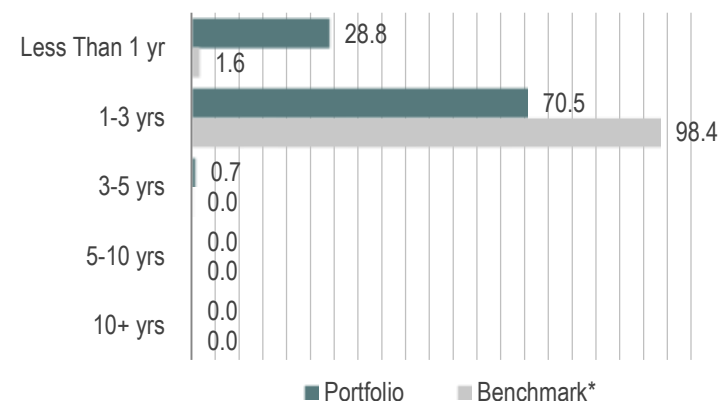
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FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - PAYDEN & RYGEL

First Quarter 2016

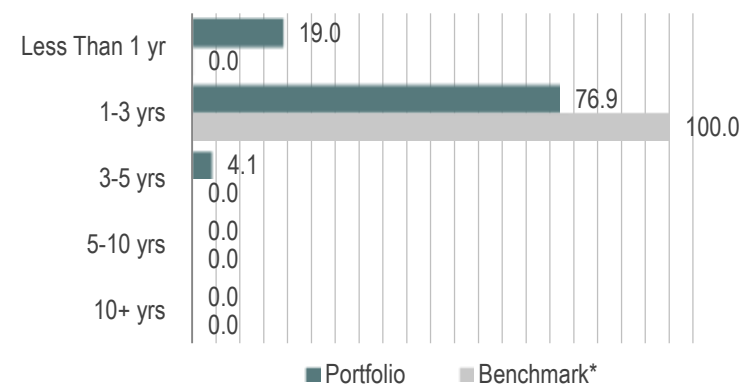
DURATION DISTRIBUTUION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK*
0-1 yrs	29.4%	28.8%	1.6%
1-3 yrs	70.2%	70.5%	98.4%
3-5 yrs	0.4%	0.7%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK*
0-1 yrs	19.8%	19.0%	0.0%
1-3 yrs	76.0%	76.9%	100.0%
3-5 yrs	4.2%	4.1%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



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

*Barclays U.S. 1-3 Year Government/Credit Bond Index

**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 - F

FIRST QUARTER 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Galliard Fixed Income Fund F	0.39	1.26	1.26	1.45	1.20	---	2.12
Barclay's 1-3 Year Govt/Credit	0.36	0.98	0.98	1.04	0.95	1.14	1.39

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

**Galliard Performance Inception: January 01, 2010

FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

First Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	1 Mo	3 Mos	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception**
Portfolio	0.39	1.26	1.45	1.22	1.74	3.01	2.92
Benchmark***	0.17	0.89	0.93	0.79	0.90	2.56	2.46

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

**Galliard Performance Inception: January 01, 2005

***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

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA+	AAA	Total Assets	\$13,904.1 million
Weighted Average Maturity	2.38 years	1.85 years	Number of Issues	1369
Yield to Maturity	1.39%	0.75%	Weighted Coupon	2.03%
Effective Duration	1.97 years	1.79 years	Estimated Annual Income	\$276.6 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 - F

First Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	15.1%	15.6%	100.0%
Other U.S. Government	4.1%	4.1%	0.0%
Taxable Municipal	2.5%	2.3%	0.0%
Corporates	24.9%	27.2%	0.0%
Asset Backed Securities (ABS)	23.6%	23.7%	0.0%
Commercial Mortgage Backed Securities (CMBS)	5.8%	5.7%	0.0%
Mortgage Backed Securities (MBS)	21.8%	20.2%	0.0%
Sovereign / Supranationals	0.0%	0.0%	0.0%
Cash / Equivalents	2.2%	1.2%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

TOP 5 CREDIT EXPOSURE

	% OF PORTFOLIO 03/31/2016
Citigroup Inc	0.8%
Royal Bank of Canada	0.8%
Bank of America Corp	0.7%
Toronto-Dominion Bank/The	0.7%
PNC Financial Services Group Inc	0.6%
TOTAL	3.6%**

Total entity exposure – includes all related entities

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	75.3%	73.7%	96.2%
AA	8.4%	7.9%	3.8%
A	13.5%	15.6%	0.0%
BBB	2.8%	2.8%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

*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

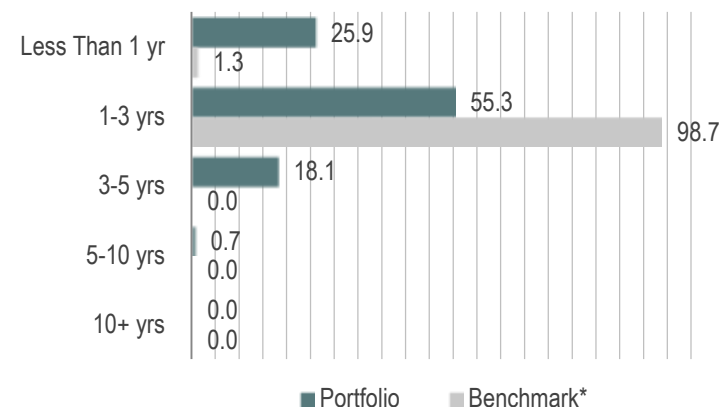
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FIXED INCOME PORTFOLIO REVIEW - GALLIARD SHORT HIGH QUALITY CORE FIXED INCOME FUND - F

First Quarter 2016

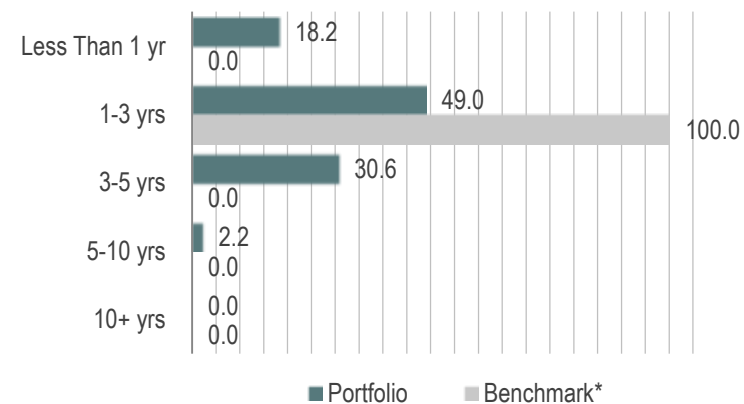
DURATION DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK*
0-1 yrs	26.8%	25.9%	1.3%
1-3 yrs	51.7%	55.3%	98.7%
3-5 yrs	20.9%	18.1%	0.0%
5-10 yrs	0.6%	0.7%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK*
0-1 yrs	17.2%	18.2%	0.0%
1-3 yrs	48.7%	49.0%	100.0%
3-5 yrs	32.6%	30.6%	0.0%
5-10 yrs	1.4%	2.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



*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 - STATE OF NC GROUP TRUST - PRUDENTIAL

March 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	1 Mo	3 Mos	1 Yr	3 Yr	5 Yr	Since Inception**
Portfolio	0.85	--	--	--	--	1.43
Benchmark***	0.58	2.31	2.20	2.14	3.11	1.04

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

**Performance Inception: February 01, 2016

***Barclays U.S. Intermediate Aggregate Bond Index

Portfolio Characteristics

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA	AA+	Total Assets	\$339.9 million
Weighted Average Maturity	4.80 years	4.74 years	Number of Issues	789
Yield to Maturity	2.07%	1.87%	Weighted Coupon	3.18%
Effective Duration	3.69 years	3.64 years	Estimated Annual Income	

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

*Barclays U.S. Intermediate Aggregate Bond Index

**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 - STATE OF NC GROUP TRUST - PRUDENTIAL

March 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	-	21.5%	39.4%
Other U.S. Government	-	4.5%	0.8%
Taxable Municipal	-	0.2%	0.4%
Corporates	-	30.4%	20.0%
Asset Backed Securities (ABS)	-	1.5%	0.6%
Commercial Mortgage Backed Securities (CMBS)	-	6.7%	1.4%
Mortgage Backed Securities (MBS)	-	32.9%	33.4%
Sovereign / Supranationals	-	0.9%	4.1%
Cash / Equivalents	-	1.5%	0.0%
TOTAL	-	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	-	69.1%	77.0%
AA	-	2.3%	3.8%
A	-	10.7%	8.9%
BBB	-	17.9%	10.2%
< BBB	-	0.0%	0.0%
NR/NA	-	0.0%	0.0%
TOTAL	-	100.0%**	100.0%**

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

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

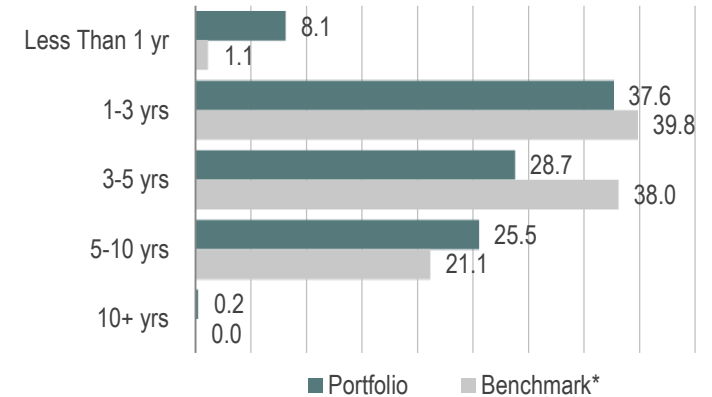
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - STATE OF NC GROUP TRUST - PRUDENTIAL

March 2016

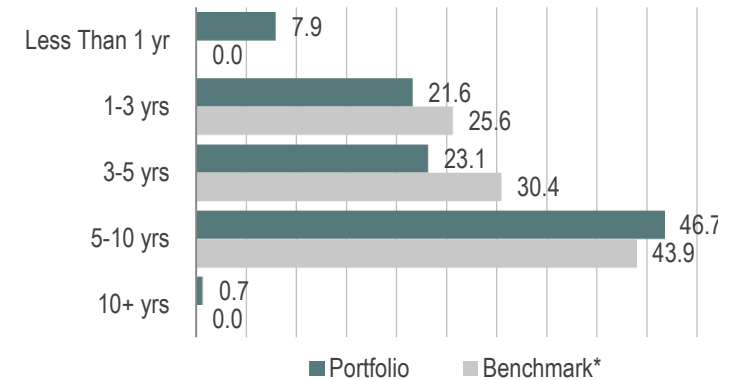
DURATION DISTRIBUTUION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	-	8.1%	1.1%
1-3 yrs	-	37.6%	39.8%
3-5 yrs	-	28.7%	38.0%
5-10 yrs	-	25.5%	21.1%
10+ yrs	-	0.2%	0.0%
TOTAL	-	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	-	7.9%	0.0%
1-3 yrs	-	21.6%	25.6%
3-5 yrs	-	23.1%	30.4%
5-10 yrs	-	46.7%	43.9%
10+ yrs	-	0.7%	0.0%
TOTAL	-	100.0%**	100.0%**



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

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

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FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

First Quarter 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	3 Mos	1 Yr	3 Yr	5 Yr	Since Inception**
Portfolio	1.80	2.23	2.14	3.14	2.58
Benchmark***	2.23	2.35	2.12	2.99	2.30

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

**Performance Inception: October 01, 2011

***Barclays U.S. Intermediate Aggregate Bond Index A or Better

Portfolio Characteristics

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA+	AA+	Total Assets	\$486.9 million
Weighted Average Maturity	3.90 years	4.69 years	Number of Issues	583
Yield to Maturity	1.96%	1.72%	Weighted Coupon	3.33%
Effective Duration	2.95 years	3.54 years		

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

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

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FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

First Quarter 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	1.1%	1.1%	43.8%
Other U.S. Government	7.8%	9.0%	0.8%
Taxable Municipal	0.0%	0.0%	0.4%
Corporates	14.1%	14.8%	11.8%
Asset Backed Securities (ABS)	8.8%	8.2%	0.7%
Commercial Mortgage Backed Securities (CMBS)	10.5%	9.2%	1.5%
Mortgage Backed Securities (MBS)	56.5%	56.1%	37.2%
Sovereign / Supranationals	0.0%	0.0%	3.7%
Cash / Equivalents	1.2%	1.6%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	85.6%	84.4%	85.8%
AA	3.1%	4.4%	4.3%
A	8.3%	8.8%	10.0%
BBB	2.9%	2.4%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

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

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

**Column percentage may not add exactly due to rounding

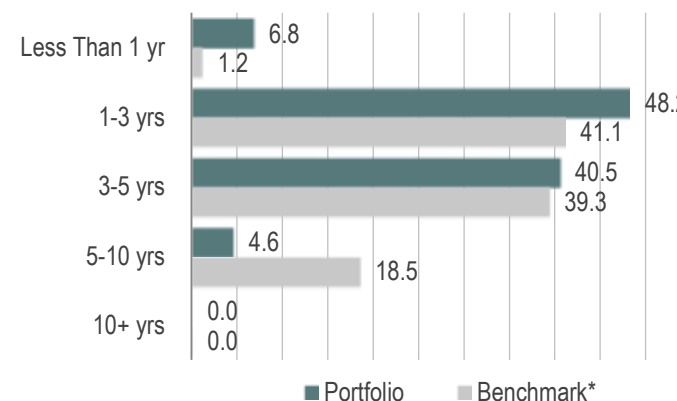
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FIXED INCOME PORTFOLIO REVIEW - STATE OF NORTH CAROLINA GROUP TRUST - GREAT WEST ISA

First Quarter 2016

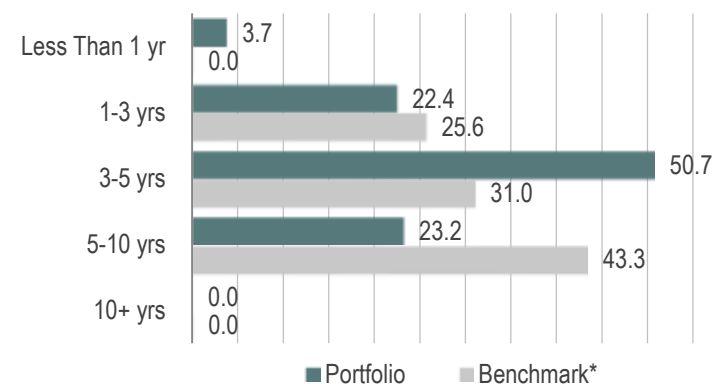
DURATION DISTRIBUTUION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	5.3%	6.8%	1.2%
1-3 yrs	33.5%	48.2%	41.1%
3-5 yrs	41.0%	40.5%	39.3%
5-10 yrs	20.2%	4.6%	18.5%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	3.9%	3.7%	0.0%
1-3 yrs	21.7%	22.4%	25.6%
3-5 yrs	30.1%	50.7%	31.0%
5-10 yrs	43.4%	23.2%	43.3%
10+ yrs	0.9%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



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

*Barclays U.S. Intermediate Aggregate Bond Index A or Better

**Column percentage may not add exactly due to rounding

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FIXED INCOME PORTFOLIO REVIEW - WELLS FARGO FIXED INCOME FUND N (JENNISON)

March 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	1 Mo	3 Mos	1 Yr	3 Yr	5 Yr	Since Inception**
Portfolio	1.03	2.54	1.87	2.05	3.35	3.06
Benchmark***	0.72	2.45	2.06	1.83	3.01	2.74

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

**Performance Inception: August 01, 2010

***Barclays U.S. Intermediate Government/Credit Bond Index

Portfolio Characteristics

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA+	AA	Total Assets	\$3,245.9 million
Weighted Average Maturity	6.86 years	4.28 years	Number of Issues	218
Yield to Maturity	1.57%	1.61%	Weighted Coupon	2.66%
Effective Duration	4.25 years	3.94 years		

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

*Barclays U.S. Intermediate Government/Credit Bond Index

**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 N (JENNISON)

March 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	64.5%	65.6%	61.6%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.0%	0.0%	0.7%
Corporates	32.9%	32.1%	31.3%
Asset Backed Securities (ABS)	2.1%	2.0%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	0.0%	0.0%	0.0%
Sovereign / Supranationals	0.0%	0.0%	6.4%
Cash / Equivalents	0.5%	0.3%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	67.6%	68.4%	64.6%
AA	2.5%	2.2%	5.7%
A	15.3%	14.8%	13.8%
BBB	14.6%	14.6%	15.9%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

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

*Barclays U.S. Intermediate Government/Credit Bond Index

**Column percentage may not add exactly due to rounding

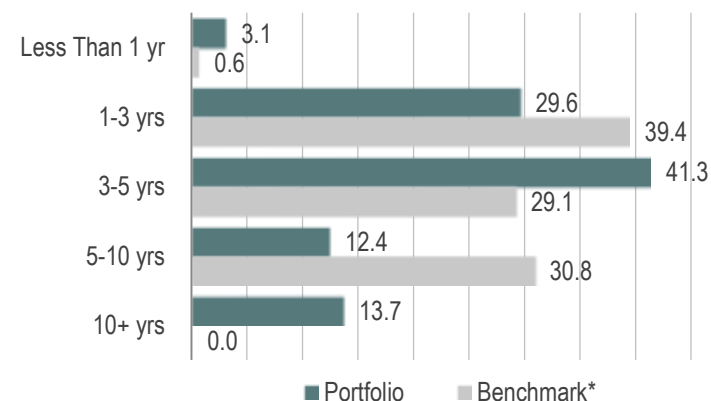
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

FIXED INCOME PORTFOLIO REVIEW - WELLS FARGO FIXED INCOME FUND N (JENNISON)

March 2016

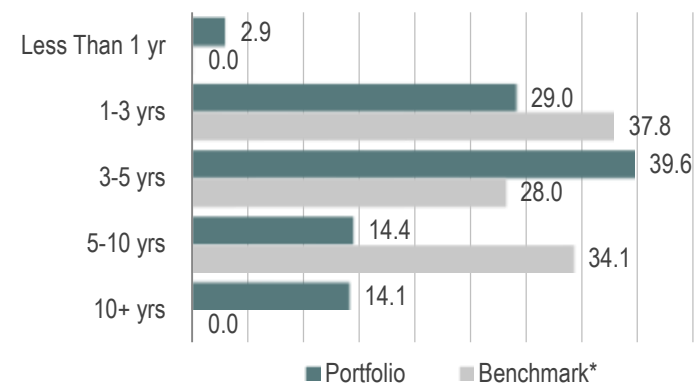
DURATION DISTRIBUTUION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	6.0%	3.1%	0.6%
1-3 yrs	16.2%	29.6%	39.4%
3-5 yrs	49.5%	41.3%	29.1%
5-10 yrs	14.0%	12.4%	30.8%
10+ yrs	14.4%	13.7%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	5.3%	2.9%	0.0%
1-3 yrs	15.9%	29.0%	37.8%
3-5 yrs	49.7%	39.6%	28.0%
5-10 yrs	14.7%	14.4%	34.1%
10+ yrs	14.5%	14.1%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



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

*Barclays U.S. Intermediate Government/Credit Bond Index

**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 ACCOUNT 769/770/771 - DODGE & COX

March 2016

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending March 31, 2016

	1 Mo	3 Mos	1 Yr	3 Yr	5 Yr	Since Inception**
Portfolio	1.17	2.47	1.80	--	--	2.02
Benchmark***	0.58	2.31	2.20	2.14	3.11	2.45

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

**Performance Inception: March 01, 2015

***Barclays U.S. Intermediate Aggregate Bond Index

Portfolio Characteristics

	PORTFOLIO	BENCHMARK*		PORTFOLIO
Weighted Average Quality**	AA-	AA+	Total Assets	\$692.7 million
Weighted Average Maturity	4.54 years	4.74 years	Number of Issues	152
Yield to Maturity	2.08%	1.87%	Weighted Coupon	3.12%
Effective Duration	3.55 years	3.64 years		

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

*Barclays U.S. Intermediate Aggregate Bond Index

**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 ACCOUNT 769/770/771 - DODGE & COX

March 2016

SECTOR DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
U.S. Government/Agency Debentures	17.2%	22.8%	39.4%
Other U.S. Government	0.6%	0.5%	0.8%
Taxable Municipal	1.4%	1.1%	0.4%
Corporates	38.4%	37.4%	20.0%
Asset Backed Securities (ABS)	7.9%	3.2%	0.6%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	1.4%
Mortgage Backed Securities (MBS)	33.1%	33.0%	33.4%
Sovereign / Supranationals	0.0%	0.0%	4.1%
Cash / Equivalents	1.5%	1.9%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

QUALITY DISTRIBUTION***

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
AAA	60.3%	61.5%	77.0%
AA	1.4%	2.0%	3.8%
A	7.7%	7.4%	8.9%
BBB	30.6%	29.1%	10.2%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**

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

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

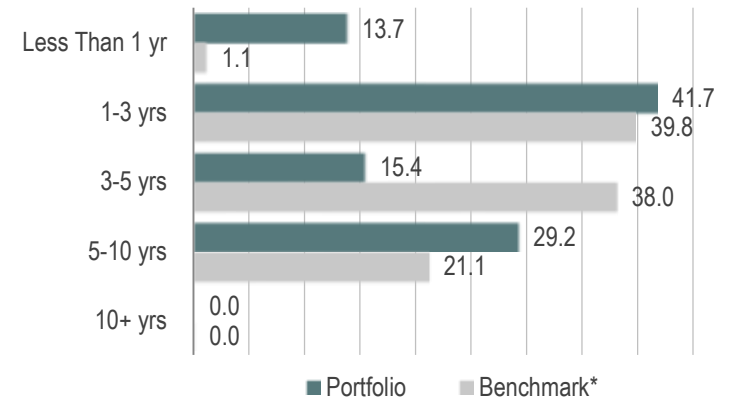
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FIXED INCOME PORTFOLIO REVIEW - METLIFE SEPARATE ACCOUNT 769/770/771 - DODGE & COX

March 2016

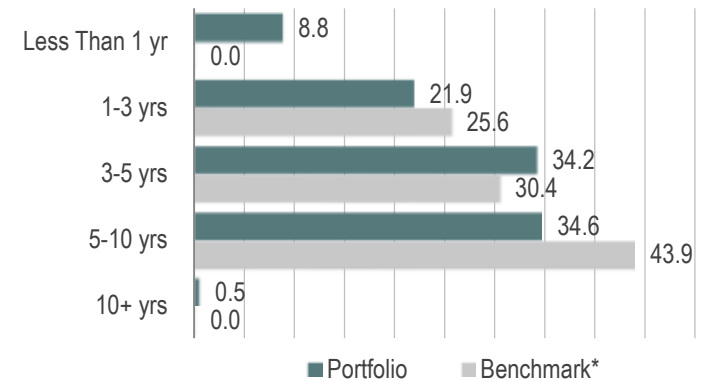
DURATION DISTRIBUTUION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	17.7%	13.7%	1.1%
1-3 yrs	30.5%	41.7%	39.8%
3-5 yrs	19.6%	15.4%	38.0%
5-10 yrs	32.2%	29.2%	21.1%
10+ yrs	0.0%	0.0%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



MATURITY DISTRIBUTION

	% OF PORTFOLIO 12/31/2015	% OF PORTFOLIO 03/31/2016	% OF BENCHMARK* 03/31/2016
0-1 yrs	14.6%	8.8%	0.0%
1-3 yrs	11.0%	21.9%	25.6%
3-5 yrs	29.0%	34.2%	30.4%
5-10 yrs	44.9%	34.6%	43.9%
10+ yrs	0.5%	0.5%	0.0%
TOTAL	100.0%**	100.0%**	100.0%**



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

*Barclays U.S. Intermediate Aggregate Bond Index

**Column percentage may not add exactly due to rounding

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APPENDIX

MARKET REVIEW

FIRST QUARTER 2016

FED KEEPS INTEREST RATES UNCHANGED AS US ECONOMIC GROWTH SOFTENS

- U.S. economic growth slowed to 1.4% in Q4, hurt by decreased consumer demand for goods, lower non-residential investment and softer exports relative to the third quarter.
- The Fed kept interest rates unchanged during the quarter, and signaled lowered expectations for growth, inflation and the path of policy rate hikes in 2016 and 2017.
- Readings from the Institute of Supply Management's (ISM) monthly activity survey ended the quarter on a firmer note, after a lackluster start to the year. The ISM Manufacturing survey climbed to 51.8, the highest reading in seven months. The Non-Manufacturing survey also came in higher than expected at 54.5, rebounding from February's nearly two-year low reading.

ISM Manufacturing vs Services Sector



Source: Bloomberg

GLOBAL CENTRAL BANKS REMAIN ACCOMMODATIVE

- Global central bank policies remained accommodative during Q1. Japan's central bank (BOJ) bolstered markets in late-January by cutting its policy rate into negative territory to spur inflation. The European Central Bank lowered its policy rate and expanded its asset purchase program.
- The Federal Reserve used its March policy meeting to significantly walk-back its own forecasts for growth, inflation and the path of policy rate hikes.
- The U.S. dollar reversed course and fell sharply versus most currencies during the quarter as investors lowered U.S. growth and Fed rate hike expectations.
- Oil prices rose off February's lows and West Texas Intermediate (WTI) crude stabilized in the \$35-40/barrel range.

U.S. Dollar Strength



Source: Bloomberg

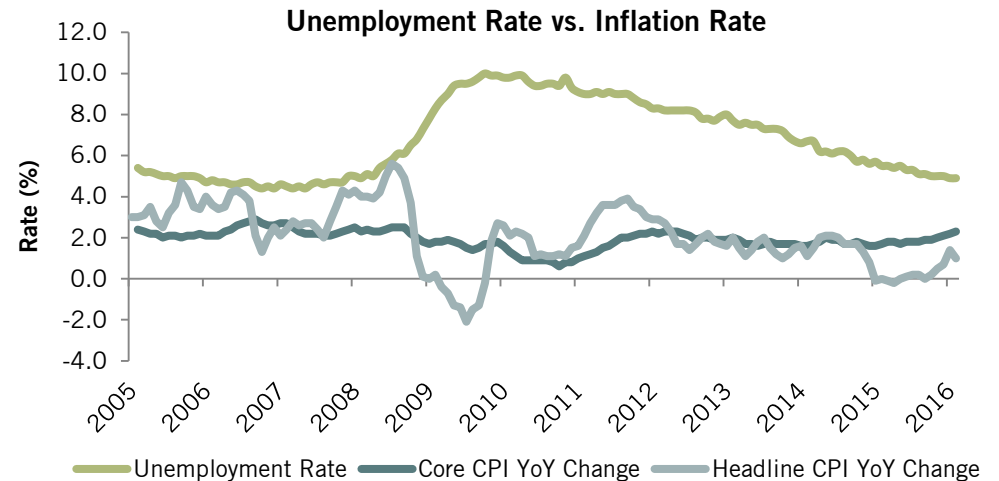
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MARKET REVIEW

FIRST QUARTER 2016

STRONG EMPLOYMENT NUMBERS, WITH A TWIST

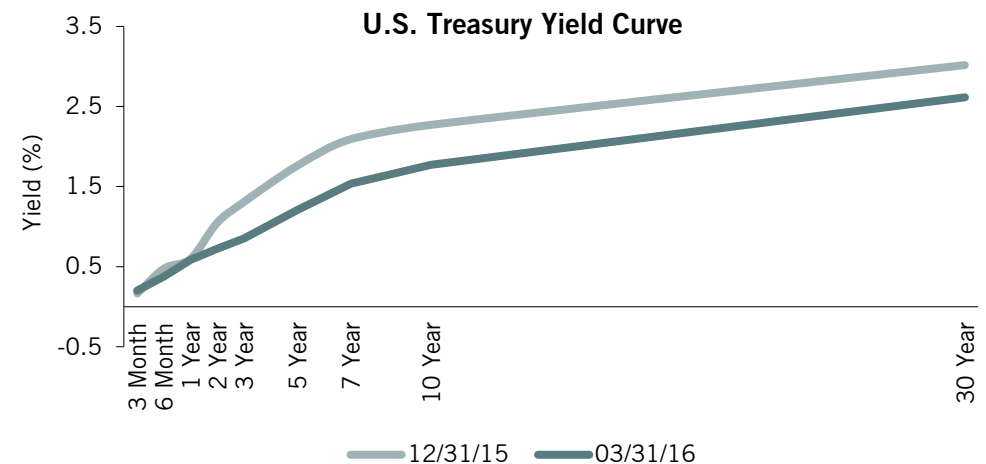
- Employers added +632k new jobs during the first quarter, while average hourly earnings also grew by 2.3% year-over-year (March reading).
- The unemployment rate ticked up to 5.0% from 4.9% as more job seekers re-entered the workforce as employment prospects have improved.
- Headline inflation measures remained low during the quarter, aided by continued declines in energy prices. At the core level, however, CPI rose 2.3% for the 12 months ending in February. Over the last three months ending in February, Core CPI rose at a 3.0% annualized ate.



Source: Bloomberg

YIELD CURVE FLATTENS AS RATES MOVE LOWER

- Growth concerns and central bank policy actions combined to drive US interest rates lower across the yield curve during the quarter.
- Yields on maturities between 5 and 10 years fell the most. The yield on the 5-year Treasury Note fell by 55bps, while the yield on the 2-year Treasury Note and 30-year Treasury Bond fell 33bps and 40bps, respectively.



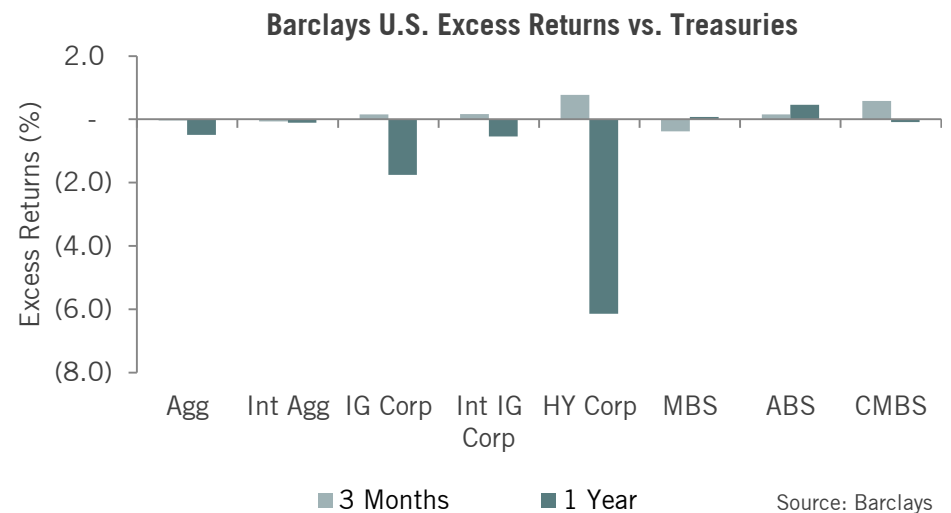
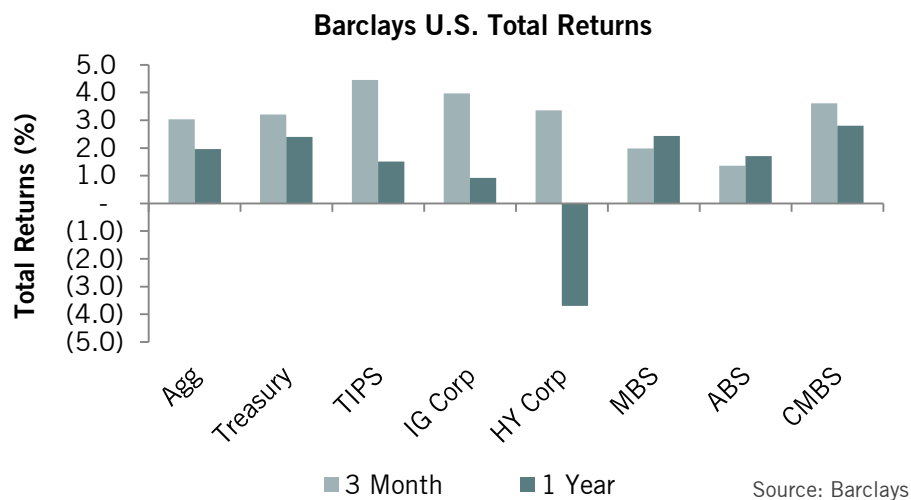
Source: Bloomberg

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MARKET REVIEW

FIRST QUARTER 2016

TREASURY YIELDS FALL, SPREAD SECTOR REBOUND IN MARCH LEADS TO POSITIVE FIRST QUARTER



- U.S. Treasury yields fell across the curve to begin the year as global economic concerns lingered. For the trailing 1-year period, U.S. Treasury total returns reached positive return territory across all maturities. TIPS had a strong quarter and total returns ended March in positive territory over the trailing 1-year period.
- Despite a volatile beginning to the year, corporate spread levels were slightly tighter during Q1, with the exception of Financials, which leaked wider. High yield corporates also staged a strong rally and outperformed investment grade corporates from an excess return perspective, with lower quality issuers outperforming higher quality names.
- Investment grade corporates outperformed similar duration Treasuries by 16bps during the quarter. Outperformance during the quarter was led by a rebound in the Metals & Mining and Communications industries.

- Agency MBS struggled during the quarter as the sharp decline in interest rates caused investors to consider the prospect of faster prepayments. As spread sectors recovered in March, Agency MBS lacked sponsorship due to continued interest rate volatility and supply concerns.
- ABS generated excess returns of +16 bps for the quarter as lower new issuance and strong collateral credit performance kept spreads well contained. For the trailing 1-year, ABS generated positive excess returns of +46 bps. The sector's high quality, shorter maturity profile and relatively attractive spread levels all boosted investor demand for the sector.
- CMBS spreads tightened during the quarter leading to +58 bps of excess return as lower new issue supply and higher year-over-year commercial real estate property values supported performance. For the trailing 1-year, the sector produced excess return of -8bps.

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MARKET REVIEW

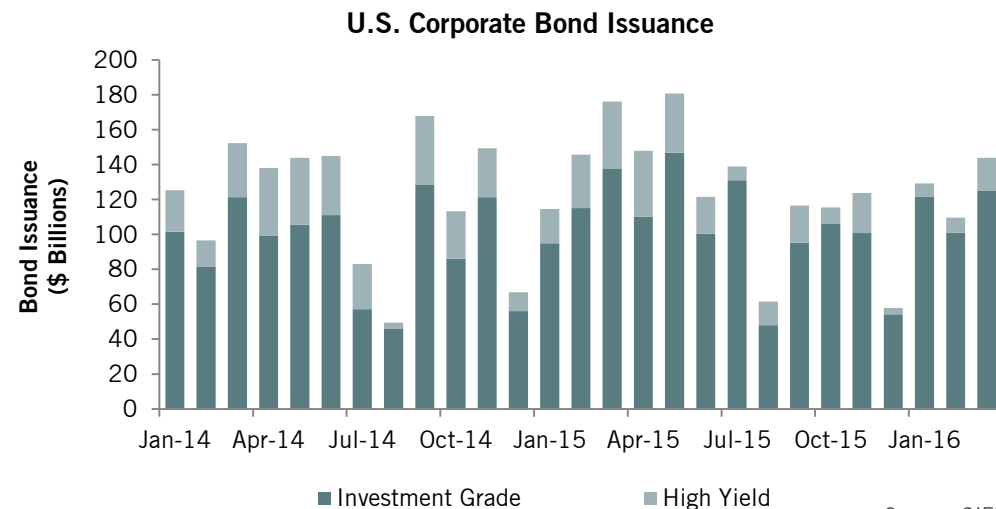
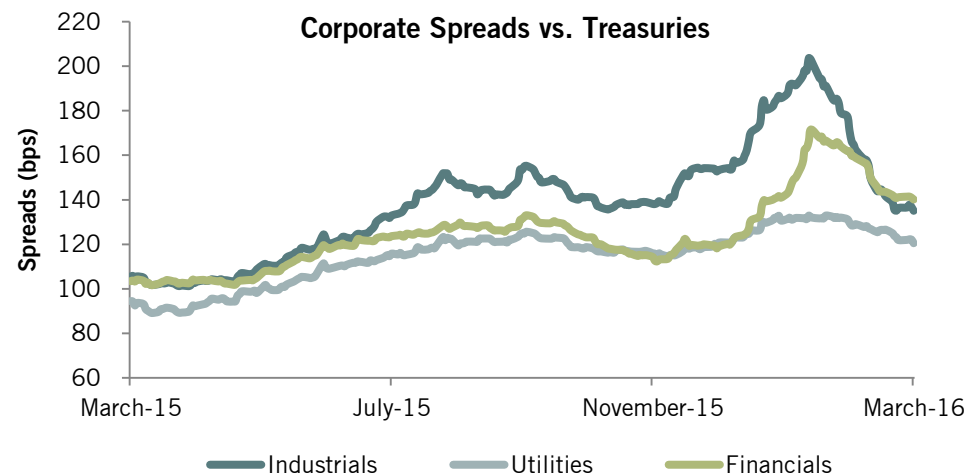
FIRST QUARTER 2016

CORPORATE SPREADS REBOUND IN MARCH TO OVERCOME FIRST HALF SELLOFF

- Corporate spreads widened during the first two months of the year, only to rebound sharply in March and end the quarter close to where they started. Dovish comments from the Fed and higher commodity prices sparked March's spread sector rally.
- The West Texas Intermediate (WTI) benchmark for crude oil reached an intraday low of \$26.05/barrel on February 11, then rebounded sharply to reach almost \$42/barrel in late-March. Despite the rally, significant headwinds to oil prices remain, including U.S. oil stockpiles at an 80-year high, sluggish global demand and OPEC members' refusal to curtail supply.
- Moody's took sweeping ratings action in the Energy sector during the first quarter. Of the 152 ratings actions, 113 were downgrades, and 57 of those were downgraded at least three notches. A total of 18 energy companies were downgraded from Investment Grade to High Yield.

NEW ISSUANCE SUPPLY

- The new issue calendar got off to a strong start with approximately \$359 billion of investment grade corporate issuance during the quarter. Forecasts for the year call for new issuance to match 2015's record-setting level of \$1.2 trillion.
- The Healthcare sector will likely be a key driver of new issuance this year. Over \$100 billion of issuance is projected to finance healthcare-related acquisitions already in progress. In addition, the sector faces \$29 billion in debt maturities requiring refinancing.



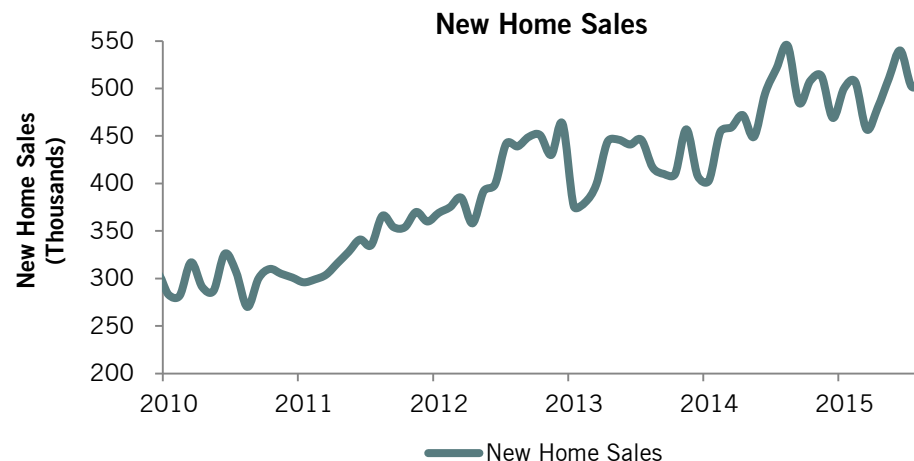
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MARKET REVIEW

FIRST QUARTER 2016

HOUSING CONTINUES POSITIVE TREND UPWARD

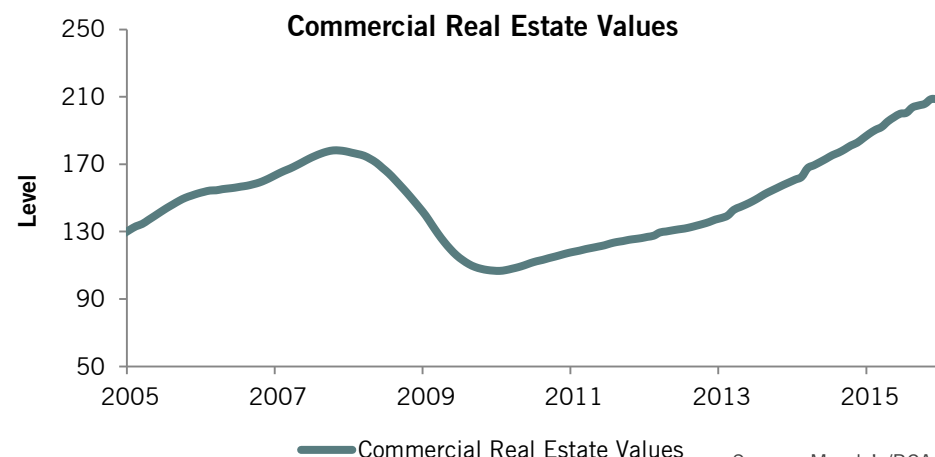
- The S&P Case-Shiller Home Price Index rose 5.75% over the 12 months ending in January. New home sales rose to 512k annual units in February, while the inventory of unsold homes remained below the long-run average.
- Despite all the concern surrounding the potential for rising interest rates, mortgage rates actually dropped to an average of 3.75% on a 30-year mortgage during the quarter, as measured by the Freddie Mac Weekly Survey Rate.
- The combination of low mortgage rates and the looming seasonal increase in housing activity could lead to an increase in supply of Agency MBS. This concern weighted on the MBS sector during the quarter.



Source: S&P/Dow Jones Indices

RECORD AUTO SALES DRIVE ISSUANCE

- ABS collateral credit performance remains strong, supported by continued labor market gains. Some collateral types are seeing slightly higher year-over-year delinquencies and defaults, but these observations are within expected ranges.
- New issue volumes across all major ABS sub-sectors fell short during the quarter as compared to 1Q15. Auto ABS issuance for the quarter totaled \$35 billion, substantially lower than compared to the prior year.
- Wider spread levels and weaker investor demand led to a 43% drop in CMBS new issue supply during Q1 vs. the same period last year. CMBS supply was \$17 billion in Q1.



Source: Moody's/RCA CPPI

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STATE OF NORTH CAROLINA STABLE VALUE FUNDS

RELATIONSHIP MILESTONES CONTINUED

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
-

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
 - Funded Galliard short duration strategy with United of Omaha Wrap
 - Began termination of State Street securities lending program in the 401(k) Plan
 - 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
 - Transition 401(k) Plan's Prudential investment to intermediate duration collective trust
 - Moved from declared rate to actual portfolio returns
-

2012

- Changed STIF to Wells Fargo Government Money Market
- Finalize portfolio strategy recommendations

GALLIARD CAPITAL MANAGEMENT PROFESSIONALS



William Weber
Senior Director
612.667.6401
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Responsibilities

As a member of the Client Service and Stable Value Portfolio Management teams, William serves primarily as an Institutional Relationship Manager. He works with clients and their consultants to develop strategy and ensure expectations and objectives are met. In addition, William is a member of the Consultant Relations team, serving as a liaison between Galliard's investment professionals and clients to articulate portfolio and relationship goals. He also supports Galliard's Fund Direct business, working with advisors and trading partners to serve investors in the Wells Fargo Stable Return Fund and the Galliard Managed Income Fund.

Experience

- Joined Galliard in 2009
- Previously a manager at PricewaterhouseCoopers, LLP

Education

B.S., Business, Finance, Accounting, Carlson School of Management at the University of Minnesota