



*Dale R. Folwell, CPA*

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## INVESTMENT MANAGEMENT

To: North Carolina Supplemental Retirement Board of Trustees

From: Christopher Morris, Co-Chief Investment Officer

Date: December 1, 2022

Subject: Discussion / Action: NC 401k and 457b Plans - Watch List Removal Recommendation

### **Background**

In June 2019, Galliard was placed on the watch list due to personnel turnover of several senior level staff, as well as other organizational changes. Specifically, the firm had several retirements in 2019 and 2020, including Founding Partners Richard Merriam and Karl Tourville. These changes raised concerns surrounding firm succession and the potential for additional turnover. Subsequently, in 2021, Wells Fargo Asset Management was acquired by two private equity firms, GTCR and Reverence Capital Partners, rebranding the entity Allspring Global Investments. This raised additional concerns surrounding more organizational changes that could potentially impact investment performance.

### **Firm Update**

Galliard has experienced low turnover of investment professionals throughout these organizational changes. They have stabilized the firm's succession plans, recently naming Mike Norman the sole President of Galliard. Galliard continues to have a deep bench of seasoned investment professionals, with Ajay Mirza and Brandon Kanz serving as Chair and Vice-Chair of the Investment Committee. Their investment process, along with their oversight of external subadvisors, has remained consistent.

The Stable Value Fund performance has lagged its benchmark for the short term, due mainly to the sharp increase in interest rates. Overall, the fund has continued to perform in line with expectations, and performance versus peers remains in the top quartile.

### **Recommendation**

Given Galliard's stability of leadership and consistency in investment process, staff and Callan recommend removing Galliard from the North Carolina Supplemental Retirement Board watch list.

Stable Value Fund: Total assets in NC 401(k)/457 Plans: \$2,458,926,540, representing 18.87% of total Plan assets (as of 9/30/22)



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### Trailing Performance (net of fees, ending 9/30/22):

	QTR	1-YEAR	3-YEAR	5-YEAR	SINCE INC*
Galliard	0.49	1.73	2.05	2.18	2.42
3-yr Constant Maturity Yield	0.87	2.27	1.08	1.56	1.15
US 3-month T-Bill Index + 150 bps	0.83	2.12	2.09	2.65	2.05

\*Galliard inception: December 1, 2010

### Calendar Year Performance

	2014	2015	2016	2017	2018	2019	2020	2021	YTD 22*
Galliard	1.79	1.86	1.95	2.00	2.28	2.60	2.41	1.76	1.30
3-yr Constant Maturity Yield	0.88	0.99	0.98	1.59	2.62	1.88	0.34	0.47	2.05
US 3-month T-Bill Index + 150 bps	1.53	1.55	1.83	2.36	3.37	3.78	2.17	1.55	1.73

\*Through September 30, 2022

### Performance Versus Peers (net of fees, ending 9/30/22)

#### Performance vs Callan Stable Value CT (Institutional Net)

