

**State of North Carolina**

DECEMBER 1, 2022

# STATE OF NORTH CAROLINA

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**SECTION I**

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# GALLIARD CAPITAL MANAGEMENT

## FIRM NEWS

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- **April 1, 2022**
  - SEI Trust Company becomes successor trustee for the Wells Fargo collective investment trust (CIT) funds.
  - Galliard advised stable value and fixed income CITs are renamed Galliard funds.
- **May 31, 2022**
  - Galliard Minneapolis office officially re-opens for hybrid work model.
- **On-Going**
  - Experiencing increased activity in both fixed income and stable value mandates.

# GALLIARD CAPITAL MANAGEMENT

## WHO WE ARE

# \$93.2 B

TOTAL AUM

# \$76.9 B

TOTAL STABLE VALUE AUM

# 75+

STABLE VALUE SEPARATE ACCOUNTS

# 103

EMPLOYEES ON STAFF<sup>1</sup>

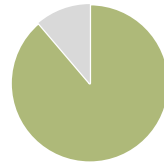
<sup>1</sup>20 of which are Galliard-dedicated deferred professionals

Offer **separate account** and **collective fund** solutions for clients

# 200+

INSTITUTIONAL CLIENTS

CLIENT RELATIONSHIP TENURE



**~89%** of our clients have worked with Galliard for greater than **5 years**

**64** of those relationships exceed **15 years** with Galliard

CLIENT TYPES

- Corporate
- Public Entities
- Taft-Hartley
- Operating Funds
- Healthcare
- Insurance Reserves
- Foundations / Endowments

FORTUNE 100 / 500

**18** Fortune 100 clients; **44** Fortune 500 clients<sup>2</sup>

<sup>2</sup>2022 Fortune 500 edition, data as of June 30, 2022

# 26 YEARS

OF EXCLUSIVE FOCUS ON

**FIXED INCOME & STABLE VALUE**

**Senior Professionals**  
**Average Years of Experience:**

Stable value strategy and contract – **24**  
Fixed income portfolio management – **21**

Galliard is one of the **largest** managers of stable value assets<sup>3</sup>

<sup>3</sup>Pensions & Investments May 31, 2022 edition, data as of December 31, 2021; Total assets 'ranked' are managed by Galliard and reported under Allspring Global Investments



Galliard is a subsidiary of Allspring Global Investments

# GALLIARD CAPITAL MANAGEMENT

## ORGANIZATION CHART AS OF 9/30/22

REPORT TO GALLIARD

REPORT TO ALLSPRING

**EXECUTIVE MANAGEMENT TEAM :**

<b>Ajay Mirza, CFA</b> Senior Managing Principal	<b>Mike Norman</b> Senior Managing Principal	<b>Andrew Owen, CFA</b> Senior Managing Principal
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<b>FIXED INCOME INVESTMENT</b>	<b>PORTFOLIO &amp; RELATIONSHIP MANAGEMENT</b>	<b>CLIENT SUPPORT</b>
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<p><b>Credit</b> Brandon Kanz, CFA Senior Principal <i>Sector Head</i></p> <p>Rene Hoogmoed, CFA Senior Principal</p> <p>Matt Bentley Principal</p> <p>Chad Callahan Principal</p> <p>Robert Barrett, CFA Senior Director</p> <p>John Kenley, CFA Senior Director</p> <p>Will Moeller, CFA Director</p>	<p><b>Structured Product</b> Ajay Mirza, CFA Senior Managing Principal <i>Sector Head</i></p> <p>Matt Robertson, CFA Senior Principal</p> <p>Mike Meerovich Director</p> <p>Tyler Wadsworth, CFA Associate Director</p> <p>Jimmie Wu, CFA Associate Director</p> <p>David Que, CFA Senior Associate</p> <p>Sanhakorn Rattanacheeworn Senior Associate</p>	<p><b>Portfolio</b> Andrea Johnson, CFA Senior Principal</p> <p>Robert Crandall, CFA Senior Director</p> <p>Michael Amundsen Director</p> <p>Elizabeth Smithley Associate Director</p>	<p><b>Relationship</b> Tami Pearce Principal</p> <p>Paul Langanki, CFA Senior Director</p> <p>Steve Moen Senior Director</p> <p>Jaime Morgan Senior Director</p> <p>Conor Murphy, CFA Senior Director</p>	<p>Pete Schmit, CFA Senior Director</p> <p>Jordan Bewley Director</p> <p>Ryan Olsen Director</p> <p>Linh Buen Associate Director</p>	<p>Jennifer Lammers Senior Principal</p> <p>Nicole Berger Director</p> <p>Jennifer Hopper, CFA Associate Director</p> <p>Shanna Ellefson Associate Director</p>	<p><b>Stable Value</b> Timothy Noel Associate Director <i>Lead</i></p> <p>David Ring, CFA Associate</p> <p>Derek Schmidt Associate</p>	<p><b>Fixed Income</b> Steve Patterson Associate <i>Lead</i></p> <p>Luke Olson Senior Associate</p>
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<b>STABLE VALUE STRATEGY/CONTRACT</b>	<b>MARKETING &amp; RFP</b>	<b>INVESTMENT COMPLIANCE</b>
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<p>Nick Gage, CFA Senior Principal</p> <p>Christina Burton Director</p>	<p>Kathryn Taguinod Associate</p> <p>Kendra Marquez Associate</p>	<p><b>RFP</b> Kelly Lassi Associate Director</p> <p>Desiree Wright Associate</p>	<p><b>Marketing</b> Jacqueline Becker Senior Associate</p>	<p>Andrew McKessock Director</p> <p>Matt Brown Associate Director</p>	<p>Leah Schermann Senior Associate</p>
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<b>TECHNOLOGY</b>	<b>OPERATIONS</b>	<b>PROJECT MANAGEMENT</b>	
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<p>George Jones* Senior Director</p> <p>Charlie Head* Associate Director</p> <p>Will Ingle* Associate Director</p> <p>Ben Modica* Associate Director</p> <p>Mark Perzichilli* Senior Associate</p> <p>Ahmed Taher* Senior Associate</p> <p>Scott Lackey* Associate</p> <p>Suresh Sankaranarayanan* Associate</p>	<p>Christopher Smith* Senior Director</p> <p>Heather Goserud, CFA Associate Director</p> <p>Christian Asilo* Senior Associate</p> <p>Baber Khan Senior Associate</p> <p>Joe Ostrowski* Associate</p>	<p>Chad Foote Chief Operating Officer</p> <p>Jennifer Miller Senior Director</p> <p>Carmen Rangel, CPA Senior Director</p> <p>Pete Anderson Director</p> <p>Brian Brooks Director</p> <p>Rasaan Ellison* Director</p> <p>Michelle Boss* Associate Director</p> <p>Michael Bouska Associate Director</p>	<p>Stephanie Ripley Associate Director</p> <p>Jason Skull* Associate Director</p> <p>Trevor Fletcher Senior Associate</p> <p>Brian Heruth Senior Associate</p> <p>Phil Kos* Senior Associate</p> <p>Christopher LaMere Senior Associate</p> <p>Matt Remington Senior Associate</p> <p>Brent Thornton* Senior Associate</p>	<p>Atu Akaa* Associate</p> <p>Omat Akway Associate</p> <p>Dana Blomgren* Associate</p> <p>Rath Chak Associate</p> <p>Olana Gameda Associate</p> <p>Pam Helmueller* Associate</p> <p>Jin Heo Associate</p> <p>Natalia Kolakowska Associate</p>	<p>Pashia Lor Associate</p> <p>Margo Monson Associate</p> <p>Mike Myers Associate</p> <p>Phil Nguyen Associate</p> <p>Alex Ostrovksy Associate</p> <p>Jesse Perzichilli Associate</p> <p>Christina Peters Associate</p> <p>Bre Richie Associate</p>	<p>Brad Sillanpa Associate</p> <p>Melaina Sachdeva Associate</p>	<p>Lisa Anderson Director</p> <p>Emily Myers Senior Associate</p>
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**LEGAL/COMPLIANCE**

<p><b>Firm Compliance</b> Brian Renelt Chief Compliance Officer</p> <p>Laurie Kern Associate Director</p>	<p>Chris Benedict Associate</p> <p>Ellen Rivard Associate</p>	<p><b>Legal</b> David Lui Principal</p> <p>Paula Novick Principal</p>
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**OTHER SERVICES PROVIDED BY ALLSPRING INCLUDE :** Human Resources    Finances    Technology Infrastructure    Risk Management

FOR INSTITUTIONAL INVESTOR USE ONLY.

\*Deferred professional at Allspring close (11/1/21). Temporarily reporting to Wells Fargo under TSA.

## SECTION II

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# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

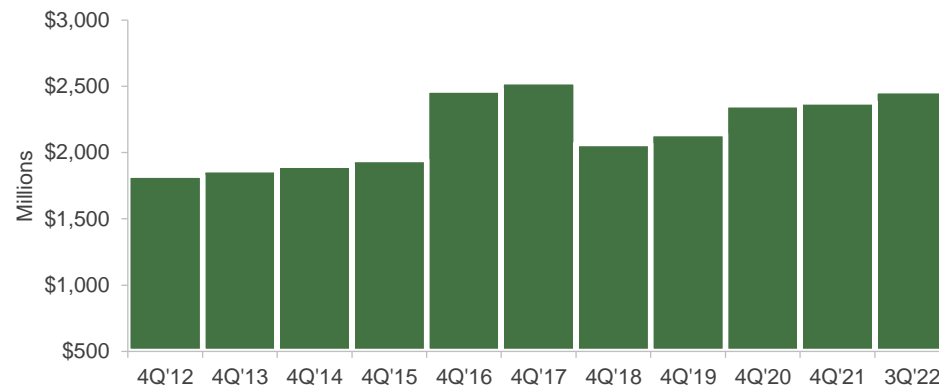
## PORTFOLIO CHARACTERISTICS

### STATE OF NORTH CAROLINA STABLE VALUE FUND

#### ACCOUNT SUMMARY

<b>Benchmark</b>	ICE BofA US 3-Month Tsy Bill Index+150 bps, 3 Year Constant Maturity Treasury
<b>Galliard Inception Date</b>	December 1, 2010
<b>Net Asset Value</b>	\$2,465,934,531

#### HISTORICAL FUND ASSETS



#### PORTFOLIO CHARACTERISTICS

	Portfolio 6/30/22	Portfolio 9/30/22
<b>Average Quality - Book Value<sup>1</sup></b>	A+	A+
<b>Average Quality - Market Value<sup>2</sup></b>	AA	AA
<b>Number of Contract Issuers</b>	5	5
<b>Blended Yield (after all fees)<sup>3</sup></b>	1.75%	1.94%
<b>Yield to Maturity</b>	3.68%	4.92%
<b>Effective Duration</b>	3.30 years	3.39 years
<b>Market/Book Value Ratio</b>	95.10%	92.00%

#### PORTFOLIO DISTRIBUTION

	% Portfolio 6/30/22	% Portfolio 9/30/22
<b>Liquidity Buffer: Cash &amp; Equivalents<sup>4</sup></b>	3.8	1.8
<b>Short Portfolio</b>	33.3	34.7
<b>Intermediate Portfolio</b>	63.0	63.5
<b>Total</b>	<b>100.0%<sup>5</sup></b>	<b>100.0%<sup>5</sup></b>

1: Average holdings quality of the contracts and other book value assets in the portfolio. 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.

2: Average holdings quality of the underlying assets of the portfolio. 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.

3: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, collective fund administrative fees, and plan administrative reimbursement.

4: Includes Receivables and Payables.

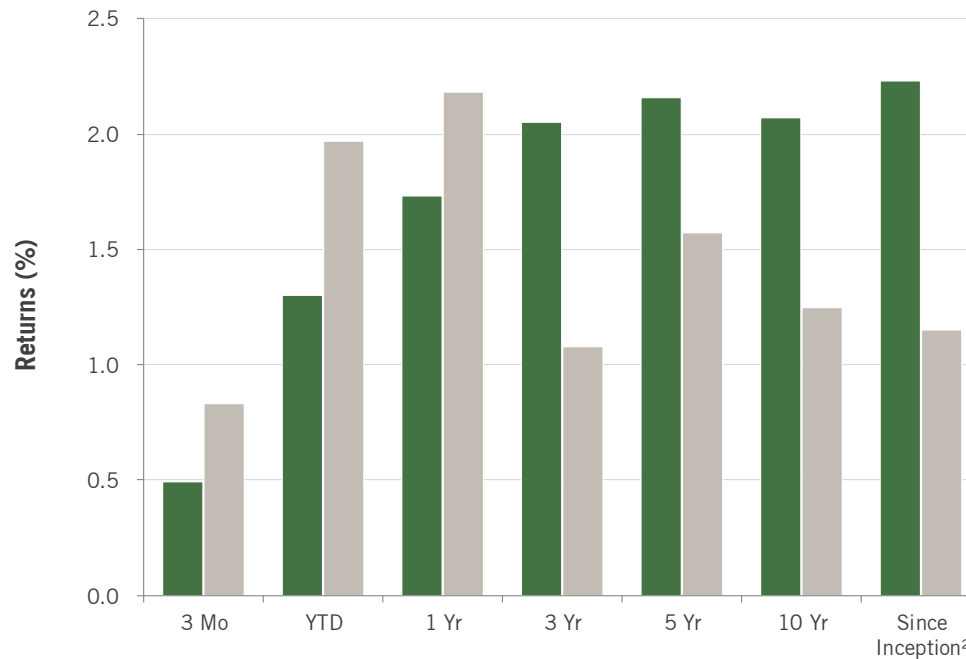
5: Total % of portfolio may not add to 100% due to rounding.



# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## ANNUALIZED INVESTMENT PERFORMANCE

### ANNUALIZED INVESTMENT PERFORMANCE AS OF 9/30/22<sup>1</sup>



	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception <sup>2</sup>
State of North Carolina Stable Value Fund (net of all fees - NAV level) <sup>3</sup>	0.49	1.30	1.73	2.05	2.16	2.07	2.23
3 Year Constant Maturity Treasury Yield	0.83	1.97	2.18	1.08	1.57	1.25	1.15
ICE BofA U.S. 3-Month Treasury Bill Index + 150 bps	0.84	1.74	2.14	2.11	2.68	2.20	2.11
<b>Value Added (net of all fees - NAV level)<sup>4</sup></b>	<b>(0.35)</b>	<b>(0.67)</b>	<b>(0.45)</b>	<b>0.97</b>	<b>0.59</b>	<b>0.82</b>	<b>1.07</b>

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

2: Galliard assumed management of this portfolio on December 1, 2010. Performance for periods referenced prior to this date include historical performance of another investment advisor.

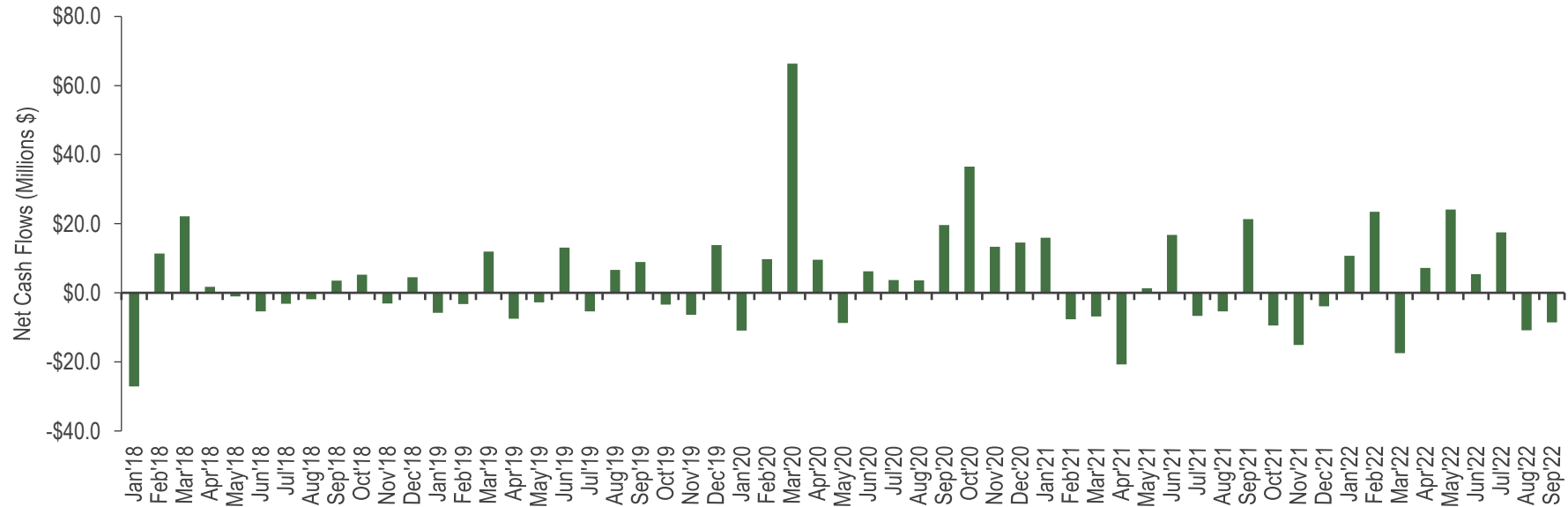
3: Returns are net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external managers fees, Wells Fargo collective fund administrative fees, and plan administrative reimbursement

4: May not add due to rounding.

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## HISTORICAL CASHFLOWS

### HISTORICAL CASHFLOWS



	2018	2019	2020	2021	1Q'22	2Q'22	3Q'22	2022 YTD
Beginning Assets	\$2,535.1	\$2,069.8	\$2,143.4	\$2,360.5	\$2,382.4	\$2,408.7	\$2,455.8	\$2,382.4
Net Cash Flow (\$)¹	\$6.9³	\$19.8	\$163.5	-\$20.3	\$16.7	\$36.8	-\$1.9	\$51.6
Net Cash Flow (%)	0.27%	0.95%	7.63%	-0.86%	0.70%	1.53%	-0.08%	2.16%
Estimated Investment Earnings	\$51.6	\$53.9	\$53.5	\$42.2	\$9.5	\$10.3	\$12.1	\$31.9
Ending Assets²	\$2,069.8	\$2,143.4	\$2,360.5	\$2,382.4	\$2,408.7	\$2,455.8	\$2,465.9	\$2,465.9

1: Contributions, Withdrawals and Investment Transfers

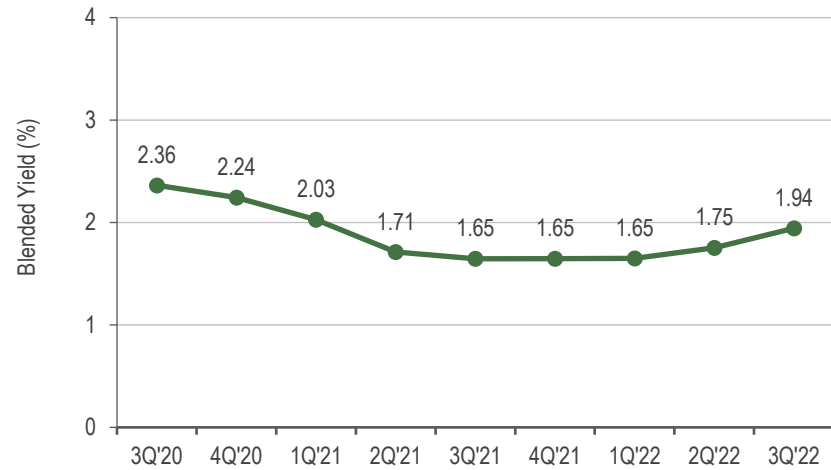
2: Cashflows may not net to final assets due to rounding.

3: Excludes Prudential GoalMaker withdrawal of approximately \$523.8 M on 6/8/18 for illustrative purposes.

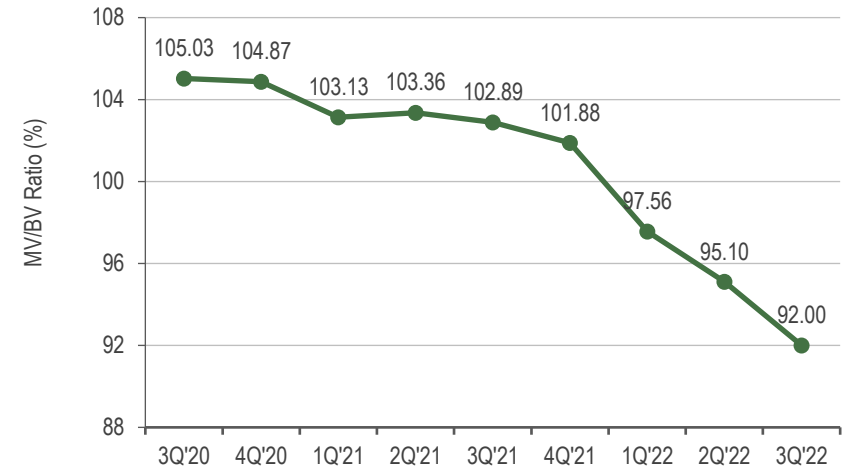
# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## HISTORICAL STATS

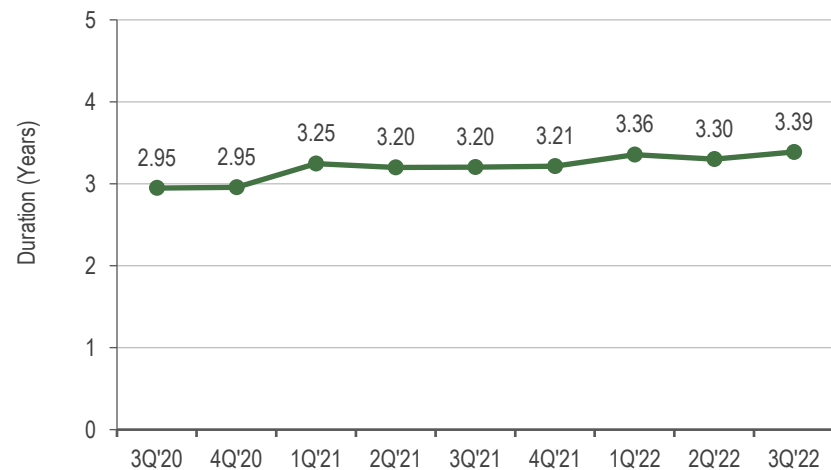
**HISTORICAL BLENDED YIELD<sup>1</sup>**



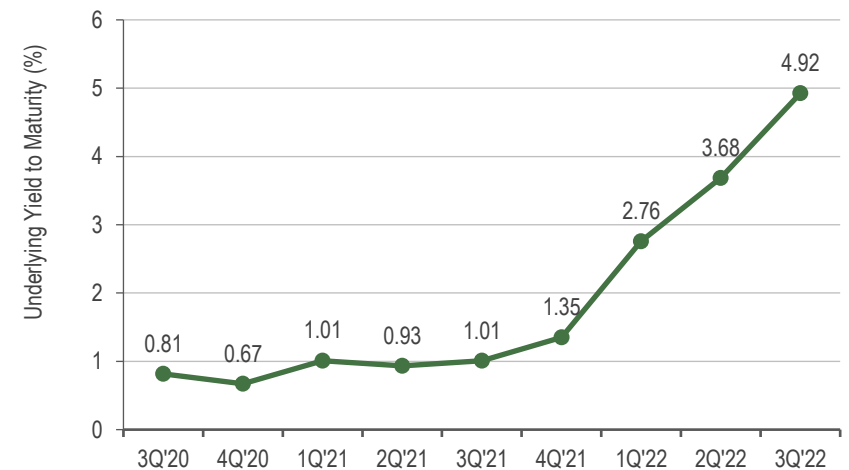
**HISTORICAL MARKET VALUE TO BOOK VALUE RATIO**



**HISTORICAL DURATION**



**HISTORICAL UNDERLYING YIELD TO MATURITY**



1: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, collective fund administrative fees, and plan administrative reimbursement.

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## CONTRACT ISSUERS

### CONTRACT ISSUER DISTRIBUTION & RATING SUMMARY<sup>1</sup>

	Contract Type <sup>2</sup>	% Portfolio 6/30/22	% Portfolio 9/30/22	Rating 6/30/22	Rating 9/30/22	Wrap fees (bps) 6/30/22	Wrap Fees (bps) 9/30/22
American General Life Ins. Co.	SBIC	19.2	19.6	A+	A+	15	15
Metropolitan Life Ins. Co.	SAGIC	10.2	10.4	AA-	AA-	17	17
Nationwide Life Ins. Co.	SBIC	20.0	20.4	A+	A+	15	15
Prudential Ins. Co. of America	SBIC	24.2	24.7	AA-	AA-	15	15
Transamerica Life Ins. Co.	SBIC	22.6	23.1	A+	A+	15	15

1: The quality rating shown represents 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.

2: SBIC = Security Backed Investment Contract. SAGIC = Separate Account GIC

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## CONTRACT ISSUER CREDIT REVIEW PROCESS

### OVERSIGHT

#### Galliard Credit Working Group

- **MEMBERSHIP**: includes all analysts and traders from both the Credit Sector Team and Structured Sector Team
- Reports contract issuer credit oversight to Galliard's Stable Value Strategy Committee

### CREDIT REVIEW PROCESS

#### Approved Issuer List

- The Credit Working Group maintains an approved list of contract issuers on an ongoing basis
- All contracts used in stable value accounts must be written by an approved issuer

#### Credit Working Group Review, Approval & Monitoring

- Meets monthly to review issuer credit quality and firm-wide exposure to approved contract issuers
- Oversees analysts' due diligence and formal credit reviews for each issuer
- Fundamental analysis of issuers includes:
  - Financial statements and ratios
  - Business model and product mix
  - Industry, economic, and regulatory environment
  - Regulatory ratios
  - Ratings agency analysis
  - Other third party research services (e.g. ALIRT, SNL)
  - Periodic due diligence calls and/or on-site visits

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

### HOLDINGS AS OF 9/30/2022

Asset ID	Security Description	Contract <sup>1</sup> Type	Manager	Book Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate (%) <sup>2</sup>	UCA Yield (%)	Effective Duration (yrs)	Galliard Composite Rating	Wrap Fees (bps)
<b>LIQUIDITY BUFFER</b>												
	Cash Receivable / (Payable)			-1,438,183	-1,438,183	100.0	-0.1	3.06	3.06	0.10	AAA	
9983008\$P	Short-Term Investment Fund A S			45,686,508	45,686,508	100.0	1.9	3.06	3.06	0.10	AAA	
<b>TOTAL LIQUIDITY BUFFER</b>				44,248,325	44,248,325	100.0	1.8	3.06	3.06	0.10	AAA	
<b>SHORT PORTFOLIO</b>												
946996EE1	American General Life Ins. Co.	SBIC	Galliard	189,848,445	174,469,613	91.9	7.7	1.99	4.87	1.87	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Galliard	199,772,655	183,174,140	91.7	8.1	1.84	4.87	1.87	A+	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Galliard	241,027,081	223,400,138	92.7	9.8	2.22	4.87	1.87	AA-	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Galliard	225,307,583	207,563,357	92.1	9.1	2.10	4.87	1.87	A+	15.0
<b>TOTAL SHORT PORTFOLIO</b>				855,955,765	788,607,248	92.1	34.7	2.05	4.87	1.87	A+	

1: SAGIC = Separate Account GIC. SBIC = Security Backed Investment Contract.

2: Crediting rates are net of wrap fees and any other fees being netted out of the rates.

# STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW

## HOLDINGS AS OF 9/30/2022

Asset ID	Security Description	Contract <sup>1</sup> Type	Manager	Book Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate (%) <sup>2</sup>	UCA Yield (%)	Effective Duration (yrs)	Galliard Composite Rating	Wrap Fees (bps)
<b>INTERMEDIATE PORTFOLIO</b>												
590994VM8	Metropolitan Life Ins. Co.	SAGIC	Dodge & Cox	256,423,536	229,607,529	89.5	10.4	1.95	5.12	4.28	AA-	17.0
946996EE1	American General Life Ins. Co.	SBIC	TCW	53,758,607	49,403,846	91.9	2.2	1.99	5.20	4.29	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	Galliard	26,089,416	23,976,021	91.9	1.1	1.99	5.05	4.47	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	Jennison Assoc.	54,404,623	49,997,531	91.9	2.2	1.99	4.72	3.89	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	Payden & Rygel	51,880,010	47,677,426	91.9	2.1	1.99	4.93	4.48	A+	15.0
946996EE1	American General Life Ins. Co.	SBIC	PGIM	107,515,380	98,806,006	91.9	4.4	1.99	5.02	4.47	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	TCW	55,630,061	51,007,925	91.7	2.3	1.84	5.20	4.29	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Payden & Rygel	55,144,919	50,563,092	91.7	2.2	1.84	4.93	4.48	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Galliard	137,843,904	126,390,864	91.7	5.6	1.84	5.05	4.47	A+	15.0
896994GW4	Nationwide Life Ins. Co.	SBIC	Jennison Assoc.	55,447,887	50,840,887	91.7	2.2	1.84	4.72	3.89	A+	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Payden & Rygel	67,514,097	62,576,613	92.7	2.7	2.22	4.93	4.48	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	PGIM	76,125,871	70,558,586	92.7	3.1	2.22	5.02	4.47	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	TCW	68,107,275	63,126,411	92.7	2.8	2.22	5.20	4.29	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Galliard	89,108,994	82,592,219	92.7	3.6	2.22	5.05	4.47	AA-	15.0
744999CV3	Prudential Ins. Co. of America	SBIC	Jennison Assoc.	66,629,423	61,756,638	92.7	2.7	2.22	4.72	3.89	AA-	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Jennison Assoc.	62,803,200	57,857,099	92.1	2.5	2.10	4.72	3.89	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Payden & Rygel	62,729,191	57,788,918	92.1	2.5	2.10	4.93	4.48	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	PGIM	58,206,251	53,622,185	92.1	2.4	2.10	5.02	4.47	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	Galliard	98,408,735	90,658,499	92.1	4.0	2.10	5.05	4.47	A+	15.0
600996QF2	Transamerica Life Ins. Co.	SBIC	TCW	61,959,063	57,079,442	92.1	2.5	2.10	5.20	4.29	A+	15.0
<b>TOTAL INTERMEDIATE PORTFOLIO</b>				1,565,730,441	1,435,887,737	91.7	63.5	2.03	5.01	4.33	A+	
<b>TOTAL PORTFOLIO</b>				<b>2,465,934,531</b>	<b>2,268,743,309</b>	<b>92.0</b>	<b>100.0</b>	<b>2.06</b>	<b>4.92</b>	<b>3.39</b>	<b>A+</b>	

1: SAGIC = Separate Account GIC. SBIC = Security Backed Investment Contract.  
2: Crediting rates are net of wrap fees and any other fees being netted out of the rates.

## STATE OF NORTH CAROLINA STABLE VALUE PORTFOLIO REVIEW EXPENSES

### TOTAL ANNUAL FUND 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 9/30/22	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.053%	\$0.53	\$1,313,077
Investment Management fees paid to Non-Affiliated Investment Advisors	0.057%	\$0.57	\$1,399,965
Investment Contract Fees <sup>1</sup>	0.149%	\$1.49	\$3,683,814
Acquired Fund Fees <sup>2</sup>	0.002%	\$0.02	\$41,118
-Investment Contract Fees	None	None	None
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.002%	\$0.02	\$41,118
12b-1 Distribution Fee	None	None	None
Other Expenses <sup>4</sup>	0.014%	\$0.14	\$352,629
<b>Total Annual Fund Operating Expenses<sup>5</sup></b>	<b>0.275%</b>	<b>\$2.75</b>	<b>\$6,790,603</b>

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

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

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

4: NC's Administrative fee of 0.0125% is included in Other Expenses.

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

Excluding STIF or money market allocations, non-affiliated investment advisors include Dodge & Cox , Jennison Assoc., Payden & Rygel, PGIM, TCW.



## SECTION III

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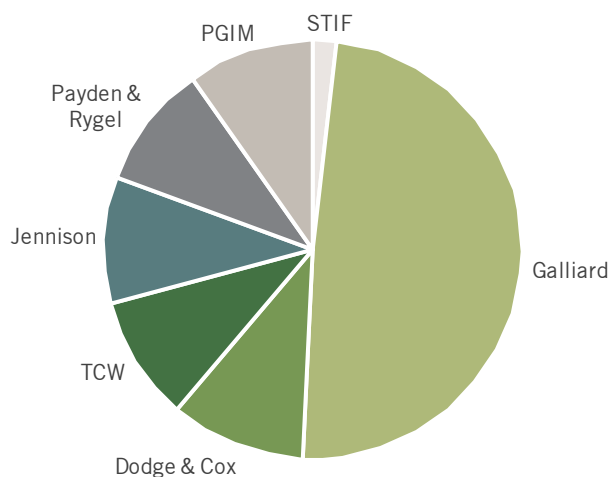
## STATE OF NORTH CAROLINA STABLE VALUE FUND MANAGER STYLES

	Investment Approach	Sector Rotation	Active Duration/ Yield Curve Mgmt.	Issue Selection	SECTOR EMPHASIS
<b>GALLIARD</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Diversified high quality spread sector emphasis, multi-sector relative value
<b>DODGE &amp; COX</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Corporate credit, Agency MBS
<b>TCW</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Duration, multi-sector relative value
<b>JENNISON</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Credit, yield-curve positioning
<b>PAYDEN &amp; RYGEL</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Corporate credit, structured credit, multi-sector relative value
<b>PGIM</b>	 Bottom Up    Top Down	 Low    High	 Low    High	 Less    More Important	Multi-sector relative value, Agency MBS, global focus

# STATE OF NORTH CAROLINA STABLE VALUE FUND

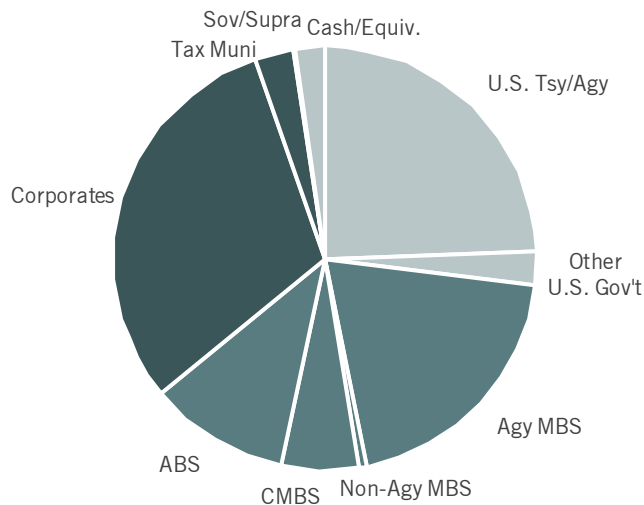
## PORTFOLIO AS OF 9/30/22

### MANAGER ALLOCATION



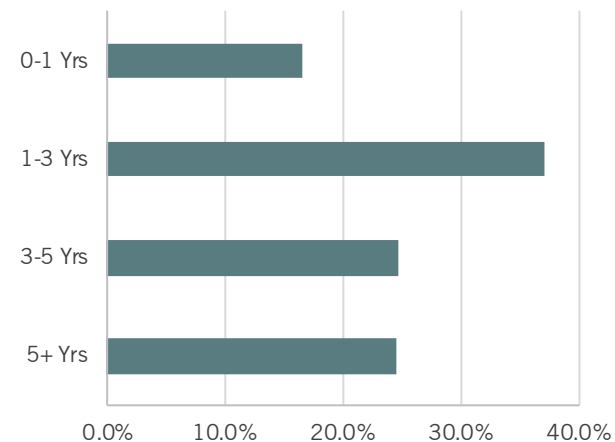
STIF	1.8%
Galliard	49.0%
Dodge & Cox	10.4%
TCW	9.7%
Jennison	9.7%
Payden & Rygel	9.6%
PGIM	9.8%
<b>TOTAL EXT. MANAGER</b>	<b>49.2%</b>
<b>TOTAL PORTFOLIO</b>	<b>100%</b>

### UNDERLYING FIXED INCOME SECTOR ALLOCATION



U.S. Tsy/Agy	24.5%
Other U.S. Gov't	2.5%
Agy MBS	19.8%
Non-Agy MBS	0.6%
CMBS	5.9%
ABS	10.7%
Corporates	30.5%
Tax Muni	3.0%
Sov/Supra	0.1%
Cash/Equiv.	2.3%

### UNDERLYING DURATION DISTRIBUTION



0-1 Yrs	16.5%
1-3 Yrs	37.1%
3-5 Yrs	24.7%
5+ Yrs	24.5%

## STATE OF NORTH CAROLINA STABLE VALUE FUND

### MARKET VALUE PERFORMANCE SUMMARY AS OF 9/30/22<sup>1</sup>

	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception	Inception Date
<b>SHORT DURATION</b>								
Galliard (before fees)	(1.30)	(4.57)	(5.05)	(0.11)	-	-	1.21	6/1/2018
Bloomberg U.S. 1-3 Yr. Government/Credit	(1.48)	(4.54)	(5.07)	(0.41)	-	-	0.84	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.18</b>	<b>(0.03)</b>	<b>0.03</b>	<b>0.30</b>	<b>-</b>	<b>-</b>	<b>0.37</b>	
<b>INTERMEDIATE DURATION</b>								
Dodge & Cox (before fees)	(3.61)	(11.12)	(11.59)	(1.77)	0.42		1.03	3/1/2015
Dodge & Cox (after fees)	(3.63)	(11.19)	(11.68)	(1.87)	0.31		0.92	
Bloomberg U.S. Intermediate Aggregate	(3.84)	(11.04)	(11.49)	(2.33)	(0.05)		0.58	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.24</b>	<b>(0.08)</b>	<b>(0.10)</b>	<b>0.57</b>	<b>0.47</b>		<b>0.45</b>	
Galliard (before fees)	(3.83)	(10.95)	(11.37)	(1.91)	-	-	0.62	6/1/2018
Bloomberg U.S. Intermediate Aggregate	(3.84)	(11.04)	(11.49)	(2.33)	-	-	0.18	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.02</b>	<b>0.09</b>	<b>0.11</b>	<b>0.43</b>	<b>-</b>	<b>-</b>	<b>0.44</b>	
Jennison (before fees)	(3.16)	(9.67)	(10.23)	(1.16)	0.77	-	1.17	10/1/2013 <sup>3</sup>
Jennison (after fees)	(3.18)	(9.73)	(10.32)	(1.26)	0.67	-	1.07	
Bloomberg U.S. Intermediate Govt/Credit	(3.06)	(9.62)	(10.14)	(1.64)	0.38	-	0.82	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.09)</b>	<b>(0.04)</b>	<b>(0.09)</b>	<b>0.48</b>	<b>0.39</b>	<b>-</b>	<b>0.34</b>	
Payden & Rygel (before fees)	(3.72)	(10.74)	(11.17)	(1.82)	0.50	0.83	1.43	7/1/2009 <sup>4</sup>
Payden & Rygel (after fees)	(3.76)	(10.83)	(11.30)	(1.95)	0.36	0.69	1.29	
Bloomberg U.S. Intermediate Aggregate <sup>5</sup>	(3.84)	(11.04)	(11.49)	(2.33)	0.13	0.52	0.94	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.12</b>	<b>0.30</b>	<b>0.31</b>	<b>0.51</b>	<b>0.37</b>	<b>0.31</b>	<b>0.49</b>	
PGIM (before fees)	(3.54)	(11.19)	(11.68)	(2.13)	0.24	-	0.86	2/1/2016
PGIM (after fees)	(3.58)	(11.29)	(11.80)	(2.26)	(0.10)	-	0.73	
Bloomberg U.S. Intermediate Aggregate	(3.84)	(11.04)	(11.49)	(2.33)	(0.05)	-	0.42	
<b>Value Added (before fees)<sup>2</sup></b>	<b>0.30</b>	<b>(0.16)</b>	<b>(0.19)</b>	<b>0.21</b>	<b>0.29</b>	<b>-</b>	<b>0.44</b>	
TCW (before fees)	(3.38)	(9.82)	(10.36)	(1.26)	-	-	1.08	6/1/2018
TCW (after fees)	(3.40)	(9.88)	(10.45)	(1.35)			0.99	
Bloomberg U.S. Intermediate Govt/Credit	(3.06)	(9.62)	(10.14)	(1.64)	-	-	0.70	
<b>Value Added (before fees)<sup>2</sup></b>	<b>(0.32)</b>	<b>(0.19)</b>	<b>(0.22)</b>	<b>0.38</b>	<b>-</b>		<b>0.38</b>	

1: Returns for periods of less than one year are not annualized. Galliard managed portfolios do not have net returns as fees are charged within the stable value account.

2: May not add due to rounding.

3: Performance inception for the separate account was May 1, 2018. Prior to this date returns are linked to Galliard SA Intermediate Core Fund N.

4: Galliard performance inception was December 1, 2010. Returns prior to this date are linked to the previous stable value manager's sub-advised Payden & Rygel portfolio.

5: Linked Benchmark: Bloomberg U.S. Intermediate Aggregate Bond Index. Prior to Jun 1, 2018 benchmark was Bloomberg U.S. 1-3 Year Government/Credit Bond Index.

## STATE OF NORTH CAROLINA STABLE VALUE FUND PERFORMANCE COMMENTARY – EXCESS RETURN

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### **GALLIARD SHORT** +18 Q3 2022

- An overweight to corporates along with allocations to ABS and CMBS drove outperformance
- Curve positioning, with an overweight to 3-5 year maturities, added modestly to returns as the treasury curve continued to flatten
- An allocation to Agency RMBS detracted

### **DODGE & COX** +23 Q3 2022

- Shorter benchmark relative duration positioning contributed positively to performance
- The overweight to Corporates added to relative performance while the impact of security selection in the sector was negative
- Within structured products, the impact of security selection in Agency RMBS benefited relative performance

### **GALLIARD INTERMEDIATE** +1 Q3 2022

- Overweight allocations to corporates and ABS, along with an underweight to Agency MBS, drove outperformance
- Security selection in Agency RMBS also proved additive.
- An overweight to SBA securitizations detracted, as did a higher quality bias in corporate security selection

### **JENNISON** -10 Q3 2022

- Yield curve positioning detracted from relative performance
- Security selection within Corporates, focused on stable businesses with strong cash flows, slightly added to relative performance

### **PAYDEN & RYGEL** +12 Q3 2022

- Short benchmark relative duration positioning contributed positively to performance
- The overweight to Corporates slightly added to performance while security selection in Corporates hurt relative performance
- Although the portfolio's overweight to Agency RMBS slightly detracted from relative performance, security selection within Agency RMBS benefited relative performance

### **PGIM** +30 Q3 2022

- Short benchmark relative duration positioning contributed positively to performance
- The overweight to Corporates slightly benefited relative performance while security selection within Corporates slightly detracted
- Within the allocation to structured products, security selection within CMBS added to relative performance while the portfolio's holdings in Agency RMBS hurt relative performance

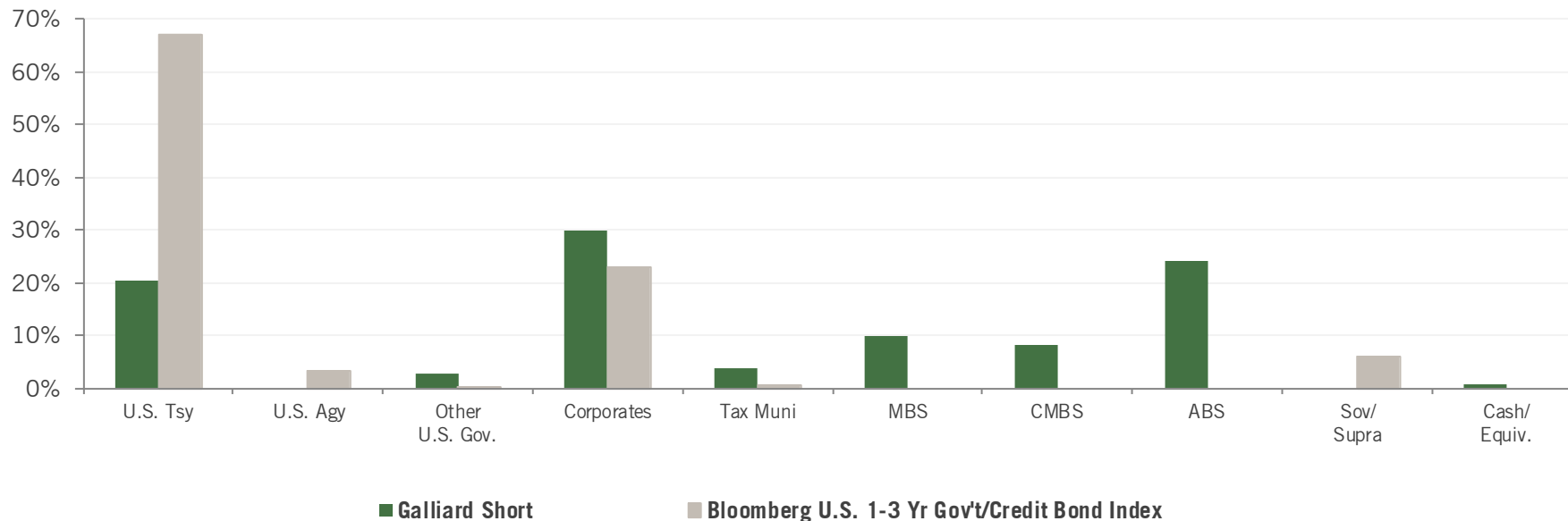
### **TCW** -32 Q3 2022

- Long benchmark relative duration positioning detracted from relative performance
- The out-of-benchmark allocation to Agency RMBS also hurt relative positioning

Before fees.

## STATE OF NORTH CAROLINA STABLE VALUE FUND SHORT DURATION PORTFOLIO AS OF 9/30/22

### BLOOMBERG U.S. 1-3 YEAR GOVERNMENT/CREDIT BOND INDEX



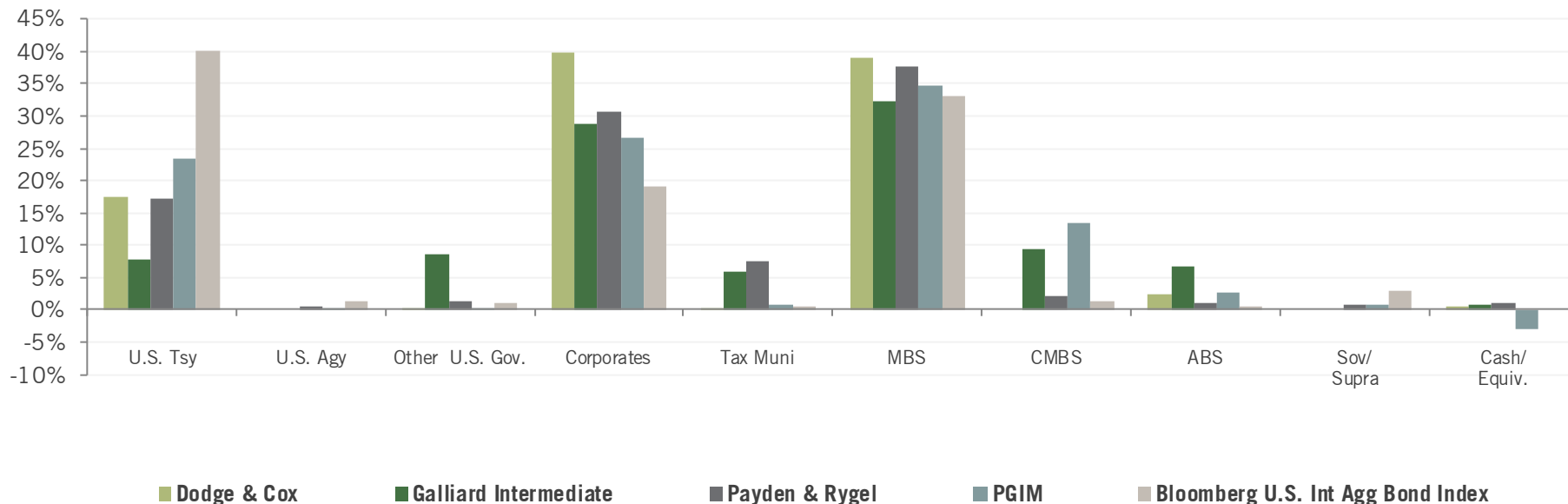
Characteristic	Galliard Short	Bloomberg U.S. 1-3 Yr Gov't/ Credit Bond Index
Weighted Average Quality <sup>1</sup>	AA	AA+
Effective Duration	1.87 Yrs	1.82 Yrs
Yield to Maturity	4.87%	4.54%

1: 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.

## STATE OF NORTH CAROLINA STABLE VALUE FUND

### INTERMEDIATE DURATION PORTFOLIOS AS OF 9/30/22

#### BLOOMBERG U.S. INTERMEDIATE AGGREGATE BOND INDEX



Characteristic	Dodge & Cox	Galliard Intermediate	Payden & Rygel	PGIM	Bloomberg U.S. Int Agg Bond Index
Weighted Average Quality <sup>1</sup>	AA-	AA	AA	AA-	AA+
Effective Duration	4.28 Yrs	4.47 Yrs	4.48 Yrs	4.47 Yrs	4.53 Yrs
Yield to Maturity	5.12%	5.05%	4.93%	5.02%	4.69%

1: 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.

## STATE OF NORTH CAROLINA STABLE VALUE FUND INTERMEDIATE DURATION PORTFOLIOS AS OF 9/30/22

### BLOOMBERG U.S. INTERMEDIATE GOVERNMENT/CREDIT BOND INDEX



Characteristic	Jennison	TCW	Bloomberg U.S. Int Gov't/Credit Bond Index
Weighted Average Quality <sup>1</sup>	AA+	AA	AA
Effective Duration	3.89 Yrs	4.29 Yrs	3.81 Yrs
Yield to Maturity	4.72%	5.20%	4.61%

1: 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.