

EXECUTIVE SUMMARY

Mercer Manager Research and News Items

- Since the beginning of the fourth quarter, Mercer held seven on-site visits with NC managers (Baillie Gifford, Brown, Hotchkis & Wiley, Loomis, PIMCO, TimesSquare and Wellington)
 - Outside of **TimesSquare**, there were no rating changes or material concerns that resulted from our meetings
 - Large Cap Growth Manager **Sands** announced the promotion of their technology analyst to Co-PM
 - **Brown** (SMID Growth) announced that two analysts (financials and health care) tendered their resignations in January 2018. We feel the 20 member research team is adequately staffed to take over their coverage while the team searches for replacement candidates

Performance Updates

- As of 2/28/18, all seven NC active Fund's outperformed their respective indices net of fees since inception
- Watch List: **Sands LCG**, **Hotchkis MCV**, and **TimesSquare SMID Growth** continued to flag the North Carolina Watch List due to underperformance against the set criteria

MARKET UPDATE

Market Snapshot as of Friday 16 March 2018

US Equity Market	Cumulative Returns				
	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
S&P 500	-1.2%	1.5%	3.4%	3.4%	17.9%
Russell 1000	-1.1%	1.7%	3.4%	3.4%	17.8%
Russell 1000 Growth	-1.0%	2.1%	6.4%	6.4%	27.0%
Russell 1000 Value	-1.2%	1.3%	0.2%	0.2%	8.9%
Russell Midcap	-0.6%	3.1%	2.5%	2.5%	15.3%
Russell Mid Cap Growth	-0.7%	3.5%	5.9%	5.9%	23.8%
Russell Mid Cap Value	-0.6%	2.7%	-0.1%	-0.1%	9.0%
Russell 2000	-0.7%	5.0%	3.5%	3.5%	15.9%
Russell 2000 Growth	-0.9%	5.3%	6.3%	6.3%	23.5%
Russell 2000 Value	-0.4%	4.6%	0.6%	0.6%	8.5%
Russell 2500	-0.7%	4.2%	2.9%	2.9%	15.7%
Russell 2500 Growth	-0.8%	4.6%	6.3%	6.3%	24.2%
Russell 2500 Value	-0.5%	3.7%	-0.1%	-0.1%	8.3%
Russell 3000	-1.1%	2.0%	3.4%	3.4%	17.6%
Russell 1000 Consumer Discretionary	-0.7%	1.2%	5.6%	5.6%	21.9%
Russell 1000 Consumer Staples	-2.2%	0.4%	-6.1%	-6.1%	-3.9%
Russell 1000 Energy	-0.8%	1.9%	-6.0%	-6.0%	0.0%
Russell 1000 Financial Services	-1.3%	1.7%	3.6%	3.6%	18.6%
Russell 1000 Health Care	-0.8%	2.2%	4.2%	4.2%	15.3%
Russell 1000 Materials & Processing	-2.7%	0.3%	-1.7%	-1.7%	14.8%
Russell 1000 Producer Durables	-1.8%	0.6%	1.7%	1.7%	18.9%
Russell 1000 Technology	-1.1%	2.8%	10.7%	10.7%	35.9%
Russell 1000 Utilities	1.3%	2.8%	-4.0%	-4.0%	-0.4%
Russell 1000 Defensive - TR Index	-1.0%	1.6%	1.8%	1.8%	15.0%
Russell 1000 Dynamic - TR Index	-1.2%	1.9%	5.0%	5.0%	20.6%
Russell Fundamental US TR USD	-1.1%	1.3%	0.6%	0.6%	12.9%
MSCI USA Minimum Volatility Index	-0.6%	1.9%	1.0%	1.0%	13.0%

Foreign Equity Markets

MSCI ACWI	-0.5%	1.0%	2.3%	2.3%	18.6%
MSCI ACWI Small Cap	-0.2%	1.2%	-1.4%	-1.4%	10.2%
MSCI AC World ex US	0.2%	0.3%	0.9%	0.9%	19.4%
MSCI EAFE	0.2%	-0.2%	0.1%	0.1%	17.3%
MSCI EAFE Local Index	0.2%	-0.7%	-2.7%	-2.7%	7.3%
MSCI EAFE Small Cap	0.2%	0.5%	1.9%	1.9%	26.2%
MSCI EM	0.5%	1.6%	5.0%	5.0%	29.2%
MSCI ACWI ESG	-0.5%	1.1%	1.7%	1.7%	15.4%
MSCI ACWI ex Fossil Fuels	-0.6%	0.9%	2.2%	2.2%	16.2%
MSCI ACWI Low Carbon Leaders	-0.6%	0.8%	1.9%	1.9%	15.7%

Bond Market	Cumulative Returns				
	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
Bloomberg Barclays T-Bill 1-3 months	0.0%	0.1%	0.3%	0.3%	1.0%
Bloomberg Barclays Aggregate	0.2%	0.1%	-2.0%	-2.0%	1.4%
Bloomberg Barclays Treasury	0.3%	0.3%	-1.8%	-1.8%	0.5%
Bloomberg Barclays Credit	0.2%	-0.2%	-2.6%	-2.6%	3.0%
Bloomberg Barclays Long Credit	0.6%	-0.2%	-4.8%	-4.8%	6.9%
Bloomberg Barclays AGG Long Credit AA	0.8%	0.3%	-4.1%	-4.1%	6.3%
Bloomberg Barclays High Yield	-0.2%	-0.3%	-0.6%	-0.6%	4.8%
Citi WGBI	0.4%	0.8%	1.8%	1.8%	8.7%
JPM GBI-EM GLOBAL DIVERS Composite - TR	-0.6%	-0.2%	3.2%	3.2%	12.4%

Others

Pound vs. USD	0.7%	1.3%	3.2%	3.2%	12.8%
Euro vs. USD	-0.1%	0.8%	2.4%	2.4%	14.1%
Yen vs. USD	0.8%	0.7%	6.3%	6.3%	6.9%
CAD vs. USD	-2.2%	-2.0%	-4.0%	-4.0%	1.7%
60% MSCI ACWI / 40% Bbg Barclays Aggregate	-0.2%	0.6%	0.6%	0.6%	11.7%
S&P GSCI Commodity	0.0%	0.3%	0.2%	0.2%	13.5%
FTSE NAREIT All Equity REITs Index	1.3%	4.2%	-6.2%	-6.2%	1.2%
FTSE EPRA/NAREIT Developed Index	0.8%	2.7%	-4.1%	-4.1%	5.4%

Bond Yields	3/16/2018	Beg of Mth	Beg of Qtr	Beg of Yr	1 Year
3-Month T-Bill	1.62	1.56	1.03	1.03	0.69
10-Year Treasury	2.85	2.87	2.41	2.41	2.52
30-Year Treasury	3.08	3.13	2.74	2.74	3.14
10-Year TIPS	0.76	0.75	0.43	0.43	0.51
30-Year TIPS	1.00	0.99	0.73	0.73	1.03
Bloomberg Barclays US CORP High Yield	6.19	6.14	5.72	5.72	5.94
3-Month LIBOR	2.20	2.02	1.69	1.69	1.15
Bloomberg Barclays Aggregate	3.18	3.15	2.71	2.71	2.71
Bloomberg Barclays Long Treasury	3.05	3.09	2.69	2.69	3.07
Bloomberg Barclays Long Corporate	4.45	4.41	4.02	4.02	4.62
Bloomberg Barclays Long Govt/Credit	3.88	3.89	3.49	3.49	4.00

FUND PERFORMANCE AS OF 2/28/18

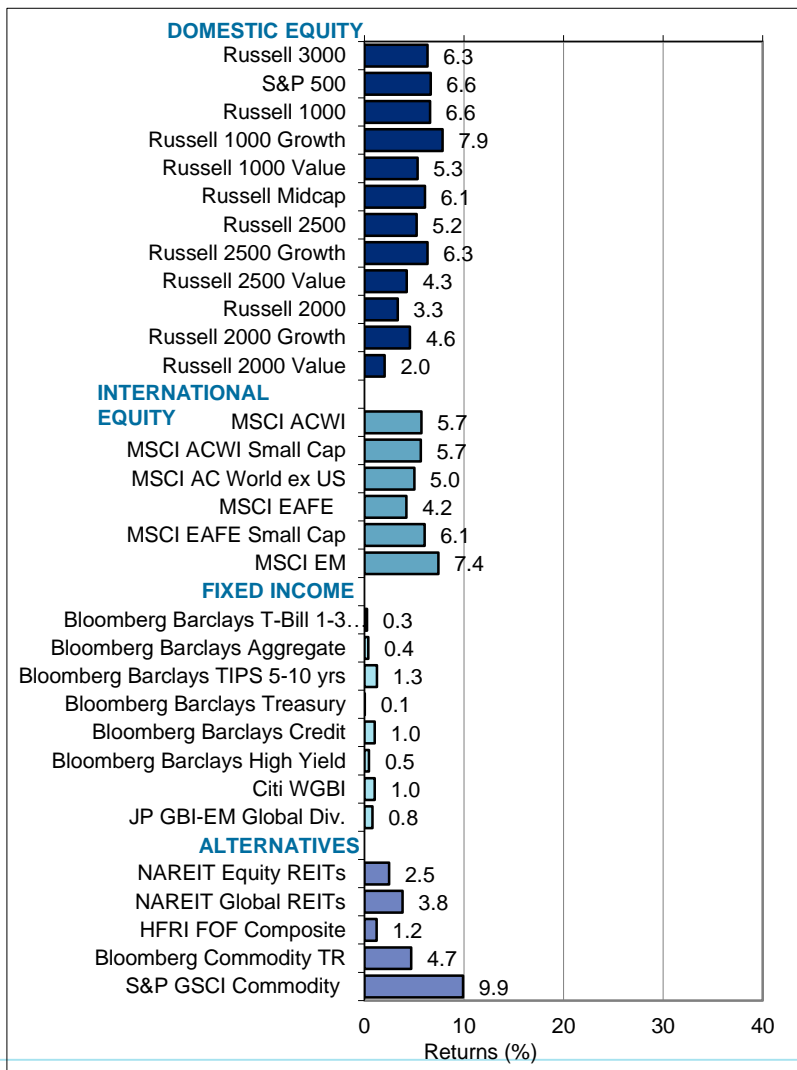
As of February 28, 2018

	Allocation		Performance(%)						
	Market Value (\$)	%	Since Inception	5 Years	3 Years	1 Year	YTD	1 Month	Inception Date
Total Fund excluding GM Funds	11,352,182,802	100.0							
Large Cap Passive	1,666,595,486	14.7	17.05	14.60	11.07	17.07	1.83	-3.69	Apr-09
S&P 500			17.16	14.73	11.14	17.10	1.83	-3.69	
Large Cap Core Fund	2,209,028,084	19.5	9.40	-	-	-	3.36	-3.67	Oct-17
Russell 1000 Index			8.31	14.56	10.77	16.70	1.62	-3.67	
Mid/Small Cap Passive	287,745,501	2.5	17.61	12.26	8.28	11.02	-1.19	-4.11	Apr-09
Russell 2500 Index			17.66	12.30	8.29	11.17	-1.19	-4.11	
SMID Cap Core Fund	1,032,324,980	9.1	4.33	-	-	-	-0.24	-3.92	Oct-17
Russell 2500 Index			3.99	12.30	8.29	11.17	-1.19	-4.11	
International Passive	77,081,200	0.7	10.67	6.27	6.21	21.19	0.01	-5.27	Apr-09
MSCI AC World ex USA			11.23	6.78	6.73	22.18	0.62	-4.70	
International Equity	742,914,584	6.5	11.65	7.84	7.53	23.38	0.71	-4.71	Apr-09
MSCI AC World ex USA			11.23	6.78	6.73	22.18	0.62	-4.70	
Global Equity	1,104,409,194	9.7	14.61	12.74	9.63	22.60	3.72	-2.74	Apr-09
MSCI AC World Index			14.09	10.66	8.93	19.41	1.27	-4.16	
Inflation Responsive Fund	483,891,724	4.3	1.90	-	2.57	3.68	-1.60	-1.94	Oct-13
PIMCO Inflation Response Index			-0.09	-1.33	0.38	1.10	-1.56	-1.83	
Fixed Income Passive Fund	504,492,323	4.4	2.44	1.60	1.08	0.49	-2.11	-0.96	Oct-10
Blmbg. Barc. U.S. Aggregate			2.55	1.71	1.14	0.51	-2.09	-0.95	
Fixed Income Fund	722,179,882	6.4	4.55	2.26	2.02	1.70	-1.97	-1.06	Apr-09
Blmbg. Barc. U.S. Aggregate			3.65	1.71	1.14	0.51	-2.09	-0.95	
Stable Value Fund	2,521,519,842	22.2	2.54	1.94	1.95	2.04	0.34	0.16	Jul-09
3-Year Constant Maturity Yield			0.96	1.06	1.27	1.71	0.37	0.18	
T-BILLS + 1.5%			1.71	1.79	1.95	2.50	0.46	0.22	

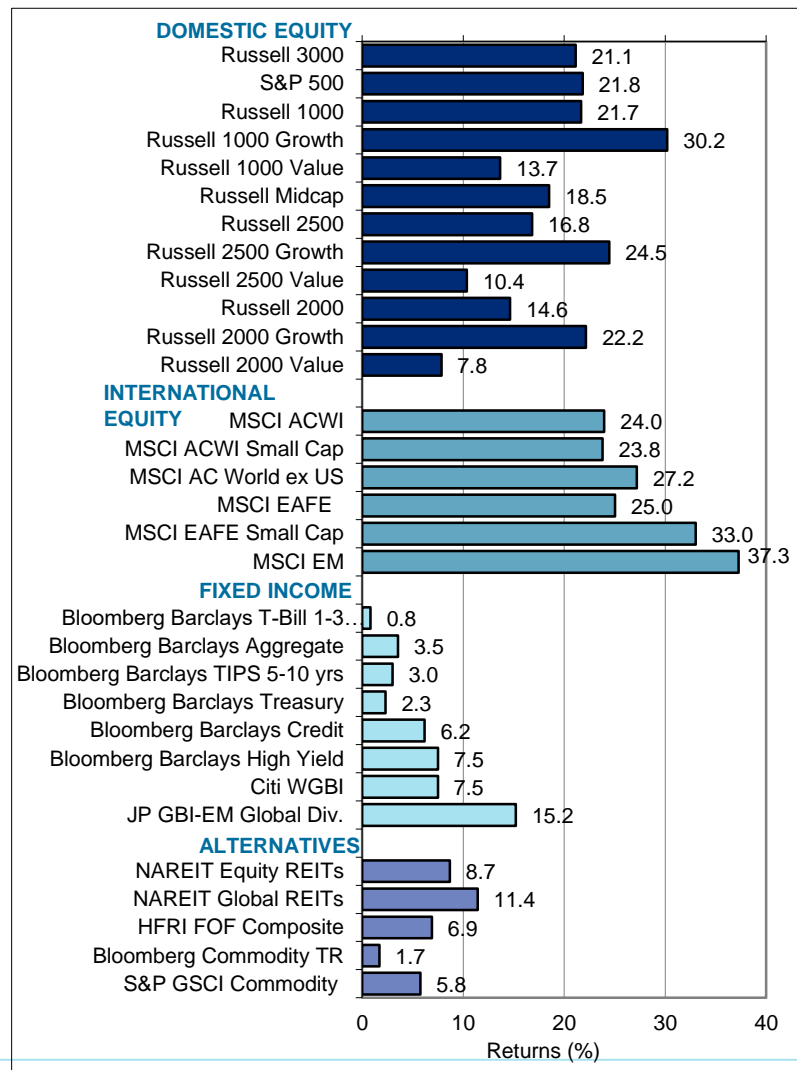
PERFORMANCE SUMMARY

QUARTER IN REVIEW

Market Performance
Fourth Quarter 2017



Market Performance
2017



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

12/31/17 COMPOSITE PERFORMANCE

As of December 31, 2017

	Allocation		Performance(%)						
	Market Value (\$)	%	Since Inception	5 Years	3 Years	1 Year	YTD	1 Month	Inception Date
Total Fund excluding GM Funds	11,262,304,311	100.0							
Large Cap Passive	1,640,874,994	14.6	17.16	15.65	11.33	21.79	21.79	1.11	Apr-09
S&P 500			17.27	15.79	11.41	21.83	21.83	1.11	
Large Cap Core Fund	2,166,468,770	19.2	5.85	-	-	-	-	1.29	Oct-17
Russell 1000 Index			6.59	15.71	11.23	21.69	21.69	1.11	
Mid/Small Cap Passive	291,813,251	2.6	18.13	14.28	10.07	16.63	16.63	0.28	Apr-09
Russell 2500 Index			18.19	14.33	10.07	16.81	16.81	0.34	
SMID Cap Core Fund	1,038,148,262	9.2	4.58	-	-	-	-	0.63	Oct-17
Russell 2500 Index			5.24	14.33	10.07	16.81	16.81	0.34	
International Passive	72,748,431	0.6	10.88	6.73	8.23	27.62	27.62	2.24	Apr-09
MSCI AC World ex USA			11.37	7.28	8.33	27.77	27.77	2.27	
International Equity	733,323,063	6.5	11.79	8.06	9.44	28.87	28.87	1.98	Apr-09
MSCI AC World ex USA			11.37	7.28	8.33	27.77	27.77	2.27	
Global Equity	1,054,777,893	9.4	14.43	13.07	9.96	25.45	25.45	0.98	Apr-09
MSCI AC World Index			14.21	11.40	9.89	24.62	24.62	1.65	
Inflation Responsive Fund	487,337,039	4.3	2.37	-	3.85	8.56	8.56	1.57	Oct-13
PIMCO Inflation Response Index			0.28	-1.17	1.25	5.08	5.08	1.42	
Fixed Income Passive Fund	512,171,704	4.5	2.80	2.02	2.18	3.55	3.55	0.45	Oct-10
Blmbg. Barc. U.S. Aggregate			2.91	2.10	2.24	3.54	3.54	0.46	
Fixed Income Fund	736,100,858	6.5	4.87	2.71	3.23	4.98	4.98	0.60	Apr-09
Blmbg. Barc. U.S. Aggregate			3.97	2.10	2.24	3.54	3.54	0.46	
Stable Value Fund	2,528,540,046	22.5	2.55	1.95	1.94	2.00	2.00	0.18	Jul-09
3-Year Constant Maturity Yield			0.93	0.99	1.19	1.58	1.58	0.16	
T-BILLS + 1.5%			1.69	1.75	1.88	2.37	2.37	0.24	