

EXECUTIVE SUMMARY

Mercer Manager Research and News Items

- During the 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 1/31/18, 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 Monday 19 February 2018

	Cumulative Returns						Cumulative Returns				
	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year		1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
US Equity Market						Bond Market					
S&P 500	2.9%	-3.1%	2.5%	2.5%	18.5%	Bloomberg Barclays T-Bill 1-3 months	0.0%	0.0%	0.2%	0.2%	0.9%
Russell 1000	3.0%	-3.0%	2.3%	2.3%	18.1%	Bloomberg Barclays Aggregate	-0.1%	-1.0%	-2.1%	-2.1%	0.9%
Russell 1000 Growth	3.2%	-2.6%	4.3%	4.3%	26.7%	Bloomberg Barclays Treasury	-0.2%	-0.8%	-2.2%	-2.2%	-0.3%
Russell 1000 Value	2.7%	-3.4%	0.3%	0.3%	9.9%	Bloomberg Barclays Credit	-0.1%	-1.5%	-2.4%	-2.4%	2.9%
Russell Midcap	3.0%	-2.8%	0.9%	0.9%	13.6%	Bloomberg Barclays Long Credit	0.1%	-3.2%	-4.4%	-4.4%	6.3%
Russell Mid Cap Growth	3.1%	-2.6%	2.9%	2.9%	21.2%	Bloomberg Barclays AGG Long Credit AA	0.0%	-2.8%	-4.5%	-4.5%	5.0%
Russell Mid Cap Value	3.0%	-3.0%	-0.7%	-0.7%	7.9%	Bloomberg Barclays High Yield	0.5%	-1.1%	-0.5%	-0.5%	4.7%
Russell 2000	3.6%	-1.9%	0.6%	0.6%	11.7%	Citi WGBI	0.8%	-0.2%	1.4%	1.4%	8.4%
Russell 2000 Growth	3.9%	-1.8%	2.1%	2.1%	18.8%	JPM GBI-EM GLOBAL DIVERS Composite - TR	1.9%	-0.1%	4.4%	4.4%	16.2%
Russell 2000 Value	3.2%	-2.1%	-0.9%	-0.9%	5.0%						
Russell 2500	3.4%	-2.4%	0.6%	0.6%	12.6%	Others					
Russell 2500 Growth	3.7%	-2.2%	2.6%	2.6%	20.7%	Pound vs. USD	1.2%	-1.3%	3.6%	3.6%	12.8%
Russell 2500 Value	3.2%	-2.6%	-1.4%	-1.4%	5.8%	Euro vs. USD	0.9%	-0.1%	3.4%	3.4%	16.9%
Russell 3000	3.0%	-2.9%	2.2%	2.2%	17.6%	Yen vs. USD	1.9%	2.4%	5.7%	5.7%	5.9%
Russell 1000 Consumer Discretionary	2.8%	-2.6%	5.8%	5.8%	23.5%	CAD vs. USD	0.1%	-2.0%	0.1%	0.1%	4.3%
Russell 1000 Consumer Staples	1.9%	-4.5%	-3.5%	-3.5%	0.7%	60% MSCI ACWI / 40% Bbg Barclays Aggregate	1.8%	-2.5%	0.4%	0.4%	12.6%
Russell 1000 Energy	0.7%	-8.8%	-5.9%	-5.9%	-2.2%	S&P GSCI Commodity	2.9%	-3.3%	0.0%	0.0%	6.8%
Russell 1000 Financial Services	3.2%	-2.5%	2.5%	2.5%	18.5%	FTSE NAREIT All Equity REITs Index	1.8%	-5.0%	-7.8%	-7.8%	-1.8%
Russell 1000 Health Care	3.1%	-2.9%	3.6%	3.6%	18.0%	FTSE EPRA/NAREIT Developed Index	2.3%	-5.0%	-5.0%	-5.0%	3.3%
Russell 1000 Materials & Processing	2.0%	-3.7%	-0.4%	-0.4%	16.5%						
Russell 1000 Producer Durables	3.2%	-3.1%	2.0%	2.0%	19.1%						
Russell 1000 Technology	4.0%	-1.7%	5.5%	5.5%	32.7%						
Russell 1000 Utilities	2.1%	-2.6%	-4.1%	-4.1%	2.0%	Bond Yields					
Russell 1000 Defensive - TR Index	2.8%	-3.5%	1.0%	1.0%	16.6%		2/19/2018	Beg of Mth	Beg of Qtr	Beg of Yr	1 Year
Russell 1000 Dynamic - TR Index	3.2%	-2.5%	3.6%	3.6%	19.7%	3-Month T-Bill	1.33	1.38	1.03	1.03	0.45
Russell Fundamental US TR USD	2.7%	-3.6%	0.6%	0.6%	13.6%	10-Year Treasury	2.88	2.72	2.41	2.41	2.43
MSCI USA Minimum Volatility Index	2.8%	-3.0%	0.4%	0.4%	14.7%	30-Year Treasury	3.14	2.94	2.74	2.74	3.03
Foreign Equity Markets						10-Year TIPS	0.78	0.60	0.43	0.43	0.41
MSCI ACWI	3.1%	-3.5%	2.0%	2.0%	20.5%	30-Year TIPS	1.01	0.79	0.73	0.73	0.91
MSCI ACWI Small Cap	2.6%	-3.3%	-1.6%	-1.6%	10.1%	Bloomberg Barclays US CORP High Yield	6.17	5.78	5.72	5.72	5.75
MSCI AC World ex US	3.3%	-3.9%	1.4%	1.4%	22.8%	3-Month LIBOR	1.89	1.78	1.69	1.69	1.05
MSCI EAFE	3.1%	-3.7%	1.1%	1.1%	21.7%	Bloomberg Barclays Aggregate	3.13	2.97	2.71	2.71	2.61
MSCI EAFE Local Index	1.8%	-3.6%	-2.4%	-2.4%	10.2%	Bloomberg Barclays Long Treasury	3.10	2.90	2.69	2.69	2.97
MSCI EAFE Small Cap	3.7%	-3.1%	1.9%	1.9%	28.7%	Bloomberg Barclays Long Corporate	4.39	4.13	4.02	4.02	4.52
MSCI EM	4.2%	-4.2%	3.8%	3.8%	31.2%	Bloomberg Barclays Long Govt/Credit	3.88	3.65	3.49	3.49	3.93
MSCI ACWI ESG	2.9%	-3.7%	1.4%	1.4%	16.8%						
MSCI ACWI ex Fossil Fuels	3.1%	-3.4%	2.1%	2.1%	18.2%						
MSCI ACWI Low Carbon Leaders	3.1%	-3.5%	2.0%	2.0%	17.7%						

1/31/2018 FUND PERFORMANCE



North Carolina

Total Fund excluding GM Funds Asset Allocation & Performance

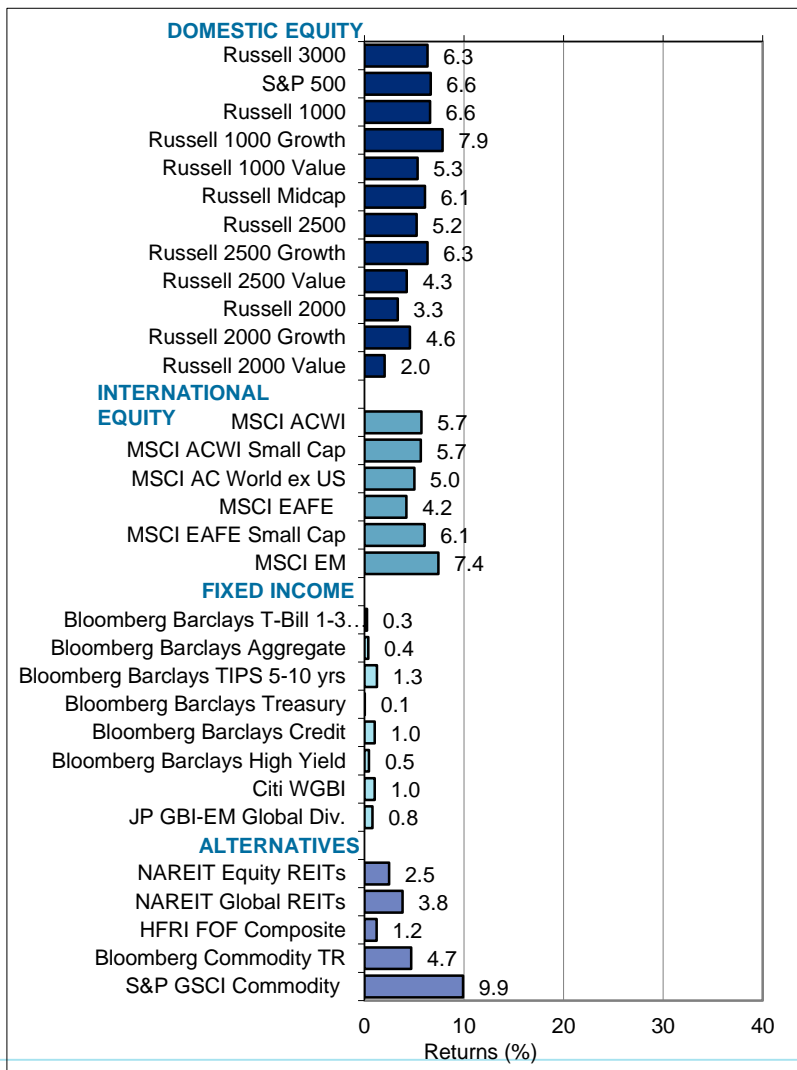
As of January 31, 2018

	Allocation		Performance(%)						
	Market Value (\$)	%	Since Inception	5 Years	3 Years	1 Year	YTD	1 Month	Inception Date
Total Fund excluding GM Funds	11,645,316,879	100.0							
Large Cap Passive	1,736,061,962	14.9	17.72	15.77	14.58	26.37	5.72	5.72	Apr-09
S&P 500			17.84	15.91	14.66	26.41	5.73	5.73	
Large Cap Core Fund	2,306,236,042	19.8	13.58	-	-	-	7.30	7.30	Oct-17
Russell 1000 Index			12.44	15.72	14.28	25.84	5.49	5.49	
Mid/Small Cap Passive	300,951,367	2.6	18.35	13.47	11.94	18.55	3.04	3.04	Apr-09
Russell 2500 Index			18.41	13.51	11.95	18.73	3.05	3.05	
SMID Cap Core Fund	1,076,264,402	9.2	8.59	-	-	-	3.83	3.83	Oct-17
Russell 2500 Index			8.45	13.51	11.95	18.73	3.05	3.05	
International Passive	81,568,174	0.7	11.45	7.20	10.03	29.98	5.58	5.58	Apr-09
MSCI AC World ex USA			11.95	7.59	10.36	30.27	5.58	5.58	
International Equity	778,311,711	6.7	12.38	8.61	11.09	31.66	5.69	5.69	Apr-09
MSCI AC World ex USA			11.95	7.59	10.36	30.27	5.58	5.58	
Global Equity	1,132,423,721	9.7	15.12	13.38	12.80	28.81	6.64	6.64	Apr-09
MSCI AC World Index			14.78	11.61	12.51	28.15	5.66	5.66	
Inflation Responsive Fund	491,482,769	4.2	2.40	-	2.87	6.82	0.34	0.34	Oct-13
PIMCO Inflation Response Index			0.34	-1.22	0.75	4.23	0.28	0.28	
Fixed Income Passive Fund	507,376,690	4.4	2.60	1.89	1.09	2.15	-1.16	-1.16	Oct-10
Blmbg. Barc. U.S. Aggregate			2.71	2.01	1.14	2.15	-1.15	-1.15	
Fixed Income Fund	728,364,747	6.3	4.72	2.59	2.17	3.67	-0.93	-0.93	Apr-09
Blmbg. Barc. U.S. Aggregate			3.79	2.01	1.14	2.15	-1.15	-1.15	
Stable Value Fund	2,506,275,294	21.5	2.55	1.94	1.94	2.03	0.17	0.17	Jul-09
3-Year Constant Maturity Yield			0.95	1.02	1.23	1.65	0.19	0.19	
T-BILLS + 1.5%			1.70	1.77	1.92	2.44	0.24	0.24	

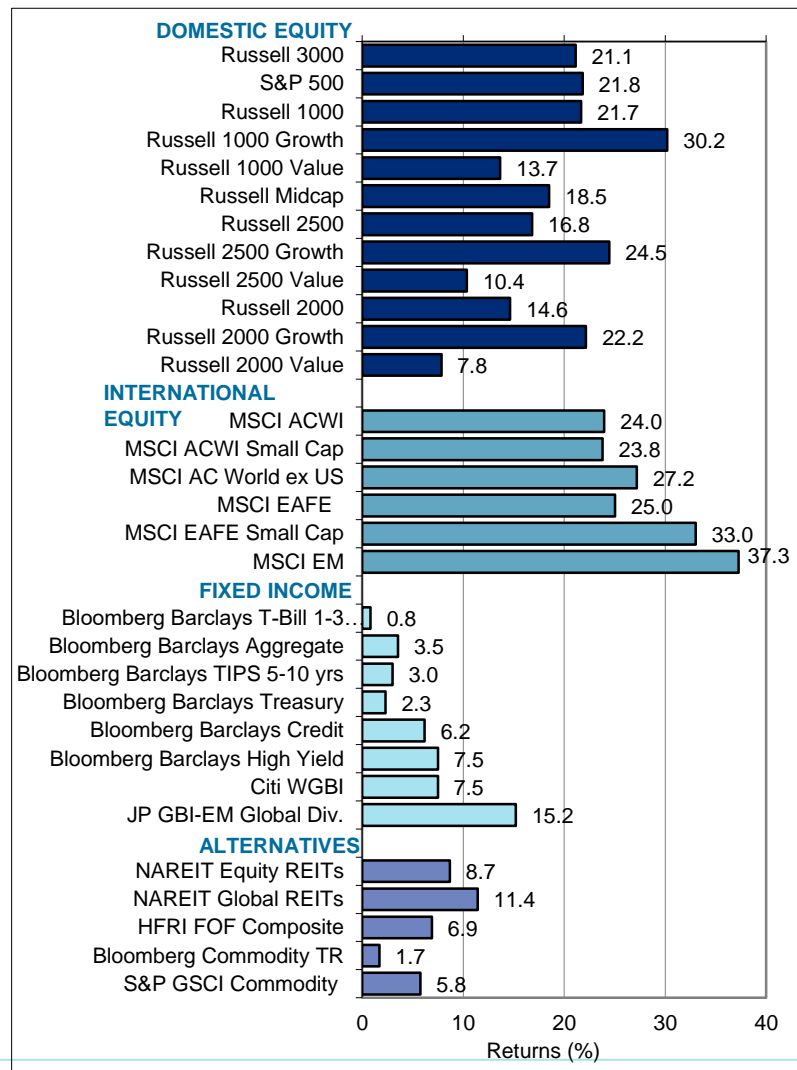
PERFORMANCE SUMMARY

QUARTER IN REVIEW

Market Performance
Fourth Quarter 2017



Market Performance
2017



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

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12/31/17 COMPOSITE PERFORMANCE



North Carolina

Total Fund excluding GM Funds Asset Allocation & Performance

As of December 31, 2017

	Allocation		Performance(%)						Inception Date
	Market Value (\$)	%	Since Inception	5 Years	3 Years	1 Year	YTD	1 Month	
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	