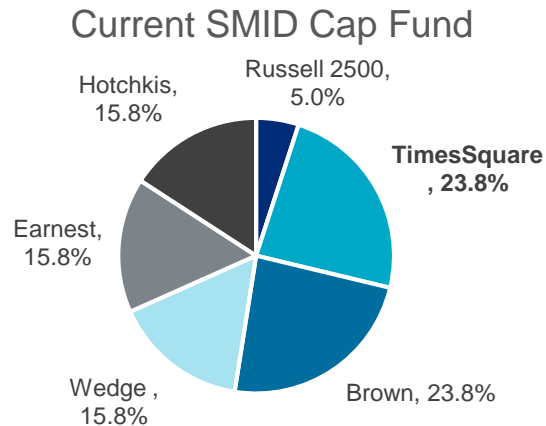


CURRENT SMID CAP FUND



- Currently the SMID Cap Fund totals \$1.038B and has an investment expense ratio of 0.524%
- TimesSquare manages roughly \$250M and has an IM fee of 0.65%
- TimesSquare plays the role of the downside protector within the SMID Fund, focusing on higher quality companies with strong management and typically have biases towards companies with lower debt and higher return on equity
- The NC SMID Fund benefits from the differentiation in the investment processes of TimesSquare and Brown (-0.47 excess return correlation over the last 10 years)

INVESTMENT MANAGERS

EARNEST (Relative Value)

- Believe stock prices follow identifiable patterns
- Value bias as a by-product of return pattern recognition and fundamental analysis
- Seeks companies with relatively strong profitability measures and higher quality characteristics

Hotchkis (Deep Value, High Beta, Momentum)

- Identify attractively valued companies with short term mispricing's
- Long-term, low turnover approach leads to deeper value bias
- More concentrated 50-100 holdings; higher volatility and tracking error

WEDGE (Higher Quality Value)

- Combination of quantitative and fundamental research
- 50/50 blend of mid and small cap strategies
- Both small and mid cap teams adhere to consistent approach to identify stocks that meet their fundamental and quality parameters

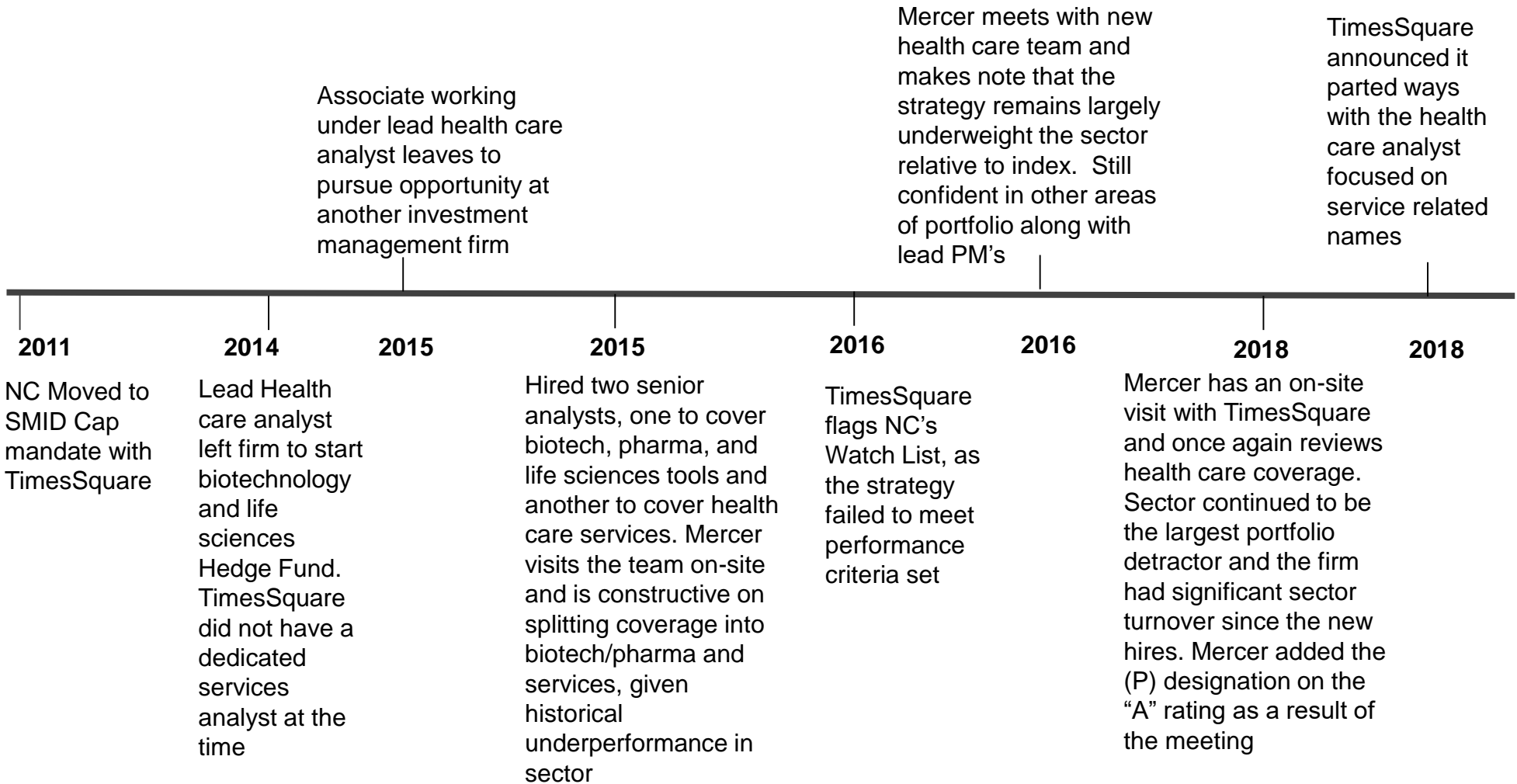
Brown (Growth at a Reasonable Price)

- Seek companies that can compound earnings for an extended period of time
- Growth engine of the SMID Cap Growth Portfolio
- Typically will hold 75 securities with modest turnover

TimesSquare (Traditional Growth, Profitability)

- Diversified portfolio of high quality growth companies
- Higher quality approach has protected well in down markets
- Will typically hold 90-120 securities

TIMESQUARE HISTORY



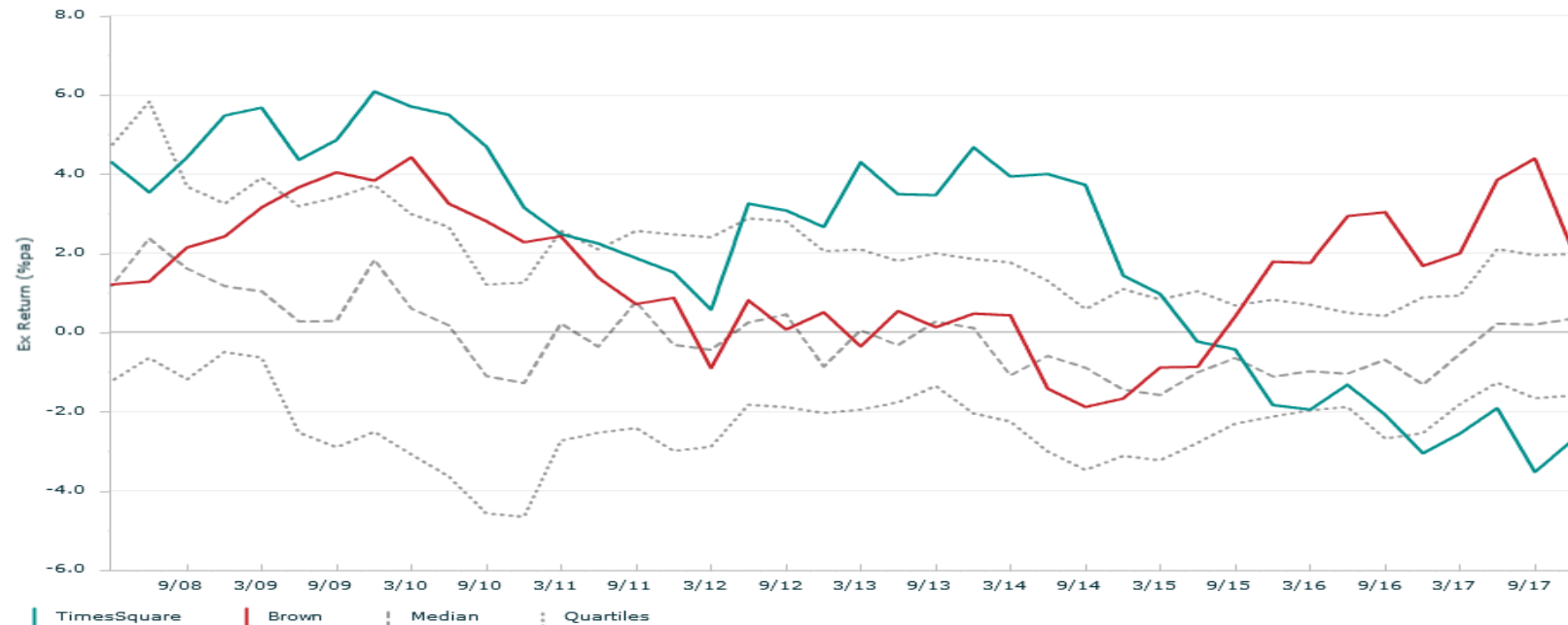
TIMESQUARE EVALUATION

- The historical rolling excess returns (below) of Brown and TimesSquare show the benefit of process diversification and how it can reduce portfolio volatility for participants

NC SMID Growth

Rolling 3 yr Excess Return vs. Russell 2500 Growth in \$US (before fees) over 10 yrs ending December-17

Comparison with the US Equity SMID Growth universe



Created on 15 Feb 2018 at 11:10 AM



NEXT STEPS

- 1) Review the structure of the SMID Cap Fund
- 2) Provide recommendation to the Investment Sub-Committee and Board