

December 31, 2025



**The North Carolina Supplemental  
Retirement Plans  
Executive Summary**

**Investment Measurement Service  
Quarterly Review**

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**The North Carolina Supplemental Retirement Plans**  
**December 31, 2025**

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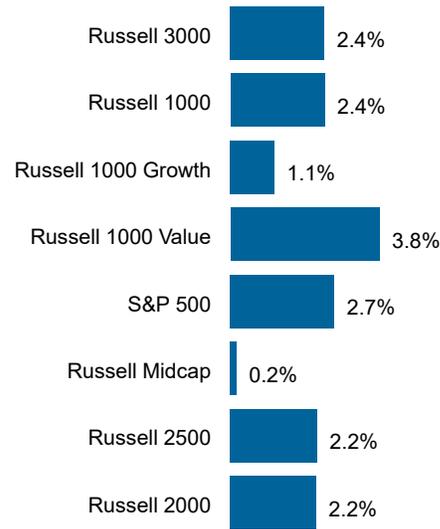
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**U.S. EQUITIES**

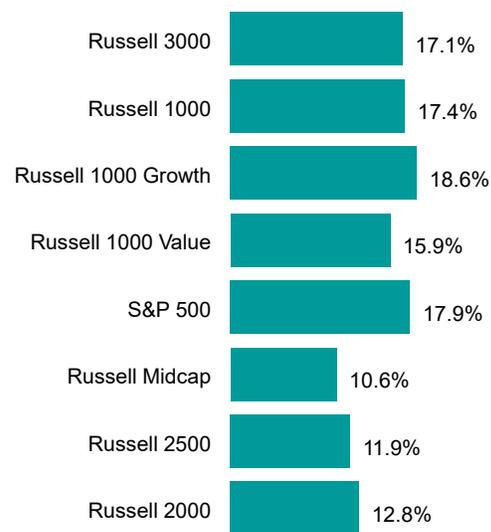
**S&P 500 hits all-time highs as investors turn cautious**

- The S&P 500 Index rose 2.7% in 4Q25, supported by a strong earnings season and continued enthusiasm around artificial intelligence.
- All S&P sectors posted gains except Real Estate and Utilities. Health Care (+11.7%) and Communication Services (+7.3%) were the top-performing sectors. Notably, the Technology sector underperformed the broad market amid rising concerns about the durability/trajectory of growth from some of the mega-cap stocks.
- Large cap indices outperformed small cap indices slightly. Value outperformed growth across the market-cap spectrum for the quarter.
- Concentration risk remains elevated, with the top 10 companies in the S&P 500 Index representing over 40% of the index's total market capitalization.
- Market leadership has begun to broaden beyond the hyper-scalers; for example, only two of the Magnificent Seven stocks outperformed the S&P 500 Index in 2025.
- Earnings growth outside the Magnificent Seven has increased as a share of total S&P 500 Index EPS growth, which may position active managers that employ a more diversified approach in both holdings and alpha generation more favorably.
- Lower-quality stocks, including unprofitable companies, those with low return on equity, high short interest, and negative free cash flow, outperformed in 2025.
- Most small-cap active managers were underweight non-earners, resulting in significant relative underperformance.
- Small-cap earnings appear to be at an inflection point, based on analyst consensus estimates.
- The prospect of additional Fed rate cuts in 2026, combined with attractive relative valuations, suggests a possibly compelling entry point for small caps.

**U.S. Equity: Quarterly Returns**

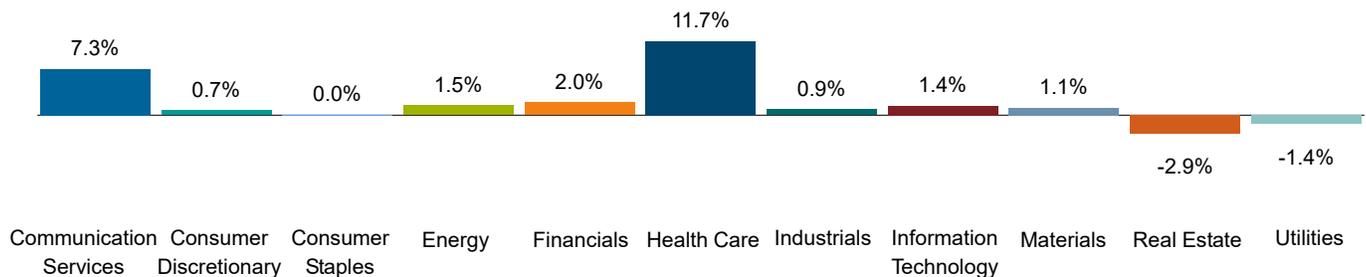


**U.S. Equity: One-Year Returns**



Sources: FTSE Russell, S&P Dow Jones Indices

**S&P Sector Returns, Quarter Ended 12/31/25**



Source: S&P Dow Jones Indices

**GLOBAL EQUITIES**

**Outpaced the U.S. over the full year**

**Broad market**

- Global ex-U.S. equities outpaced the U.S. in 4Q25 and for the full calendar year as well.
- MSCI EAFE index delivered its best annual return since 2009.
- The U.K. was the strongest region for the quarter, assisted by a second rate cut in December and a heavy weighting in mining and resource companies that benefit from a continued metals rally.
- In 4Q25, global ex-U.S. small caps trailed large caps, but were assisted by Canadian small caps and their large weight in mining companies.
- China reversed course following a strong 3Q. Investors were disappointed by below-expectation government stimulus, property-sector issues, and deflation fears.

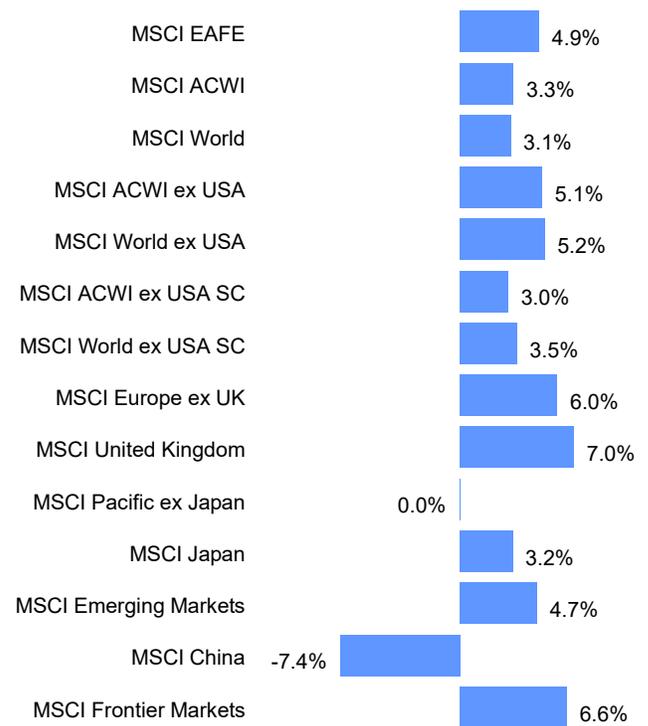
**Growth vs. value**

- EAFE Value’s 2025 returns were its highest since 2003 and beat EAFE Growth by the most since the index’s inception.

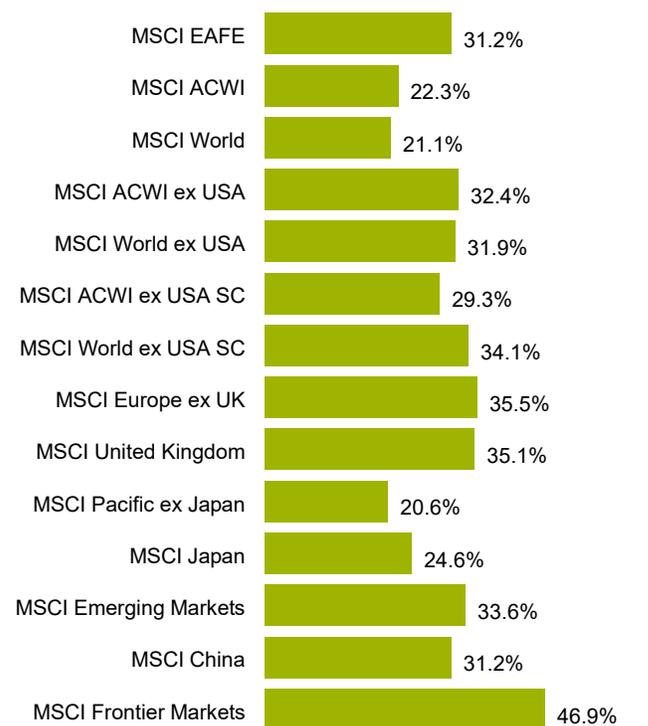
**U.S. dollar**

- The U.S. dollar stabilized in 4Q following a sharp decline in the first half of the year (-10%). For the full year, the dollar provided a substantial boost, accounting for around 11.5% of the EAFE Index’s 31.2% gains, though its impact in the second half was negligible.
- Value dominated outside the U.S. in 4Q25 and for the full calendar year. But growth managers had better success versus their respective benchmark given the concentration in the value index.
- 96% of growth managers underperformed the core benchmark, while 57% underperformed the growth benchmark.
- 15% of value managers underperformed the core benchmark, while 67% underperformed the value benchmark.
- The top three names within emerging markets—Taiwan Semiconductor Manufacturing Co., Samsung Electronics Co., and SK Hynix Inc.—contributed 4% in 4Q and more than 11% for the full calendar year.
- The MSCI Emerging Markets Index is at a 40-year performance low vs. the MSCI USA Index.
- EM equity net flows, according to EPRF Global & J.P. Morgan, turned positive in May 2025 and moderately accelerated through year end 2025.

**Global Equity: Quarterly Returns**



**Global Equity: One-Year Returns**



Source: MSCI

**U.S. FIXED INCOME**

**Macro environment: Hawkish policy expected**

- The Fed cut rates at the December meeting, with long-end rates moving higher for the quarter.
- Sentiment around monetary policy changed toward the end of the year, with markets anticipating more hawkish policy early in 2026.
- The yield curve steepened modestly, with the 2s/10s spread ending at 70 bps, up from 56 bps at the end of 3Q.

**Performance and drivers: Falling Treasury yields**

- The Bloomberg US Aggregate Bond Index gained over 1%, supported by declining short-term Treasury yields.
- IG corporate returns matched Treasuries due to rate cuts and steady spreads in corporate markets.

**Valuations: Yields will drive returns**

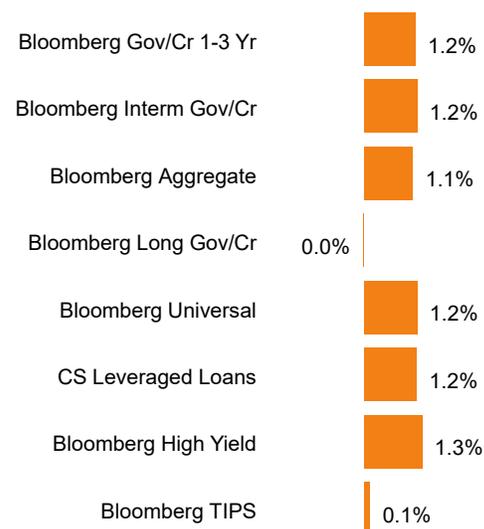
- Corporate credit spreads stayed relatively consistent versus 3Q but remain at tight levels, with value being in question.
- Overall, yield itself should be the primary driver of fixed income returns moving forward as yield curves have steepened, and the bulk of spread tightening appears to be behind us.
- After the Fed delivered 75 bps of rate cuts in 2025, the markets have repriced the path of monetary policy in 2026.
- The base case for many market participants now anticipates a more measured approach to policy easing as the Fed weighs its dual mandate of inflation and employment. But a new Fed chair combined with midterm elections may present different expectations in the second half the year.
- With AI infrastructure spending set to continue, its impact on the investment-grade credit market is increasingly important. Recent AI-related deals are massive, with issuers like Meta representing a significant share of 2025 IG supply. While leading AI firms generally have strong balance sheets, markets must absorb this large-scale issuance, and leverage should be closely monitored, especially for non-hyperscalers with weaker credit profiles.
- AI's impact also extends to utilities, which must expand capacity to meet rising power demand. This is expected to drive higher issuance in a sector that already makes up a meaningful portion of the IG universe.

**MUNICIPAL BONDS**

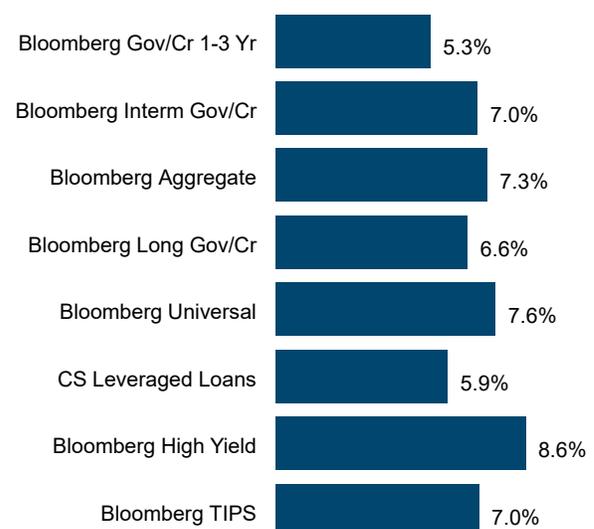
**AAA municipal bond yield curve flattened in 4Q25**

- Demand for intermediate maturity bonds drove the AAA muni yield curve flatter in 4Q, with yields rising 0-12 bps for shorter maturities and falling up 7-23 bps for 10- to 20-year maturities.

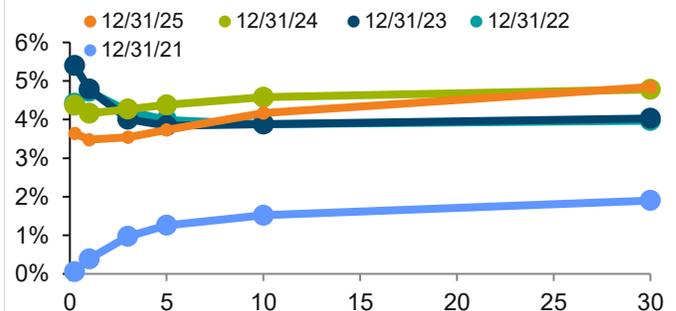
**U.S. Fixed Income: Quarterly Returns**



**U.S. Fixed Income: One-Year Returns**



**U.S. Treasury Yield Curves**



Sources: Bloomberg, Credit Suisse

## Investment Fund Balances

The table below compares the fund's investment fund balances as of December 31, 2025 with that of September 30, 2025. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

### Asset Distribution Across Investment Funds

	December 31, 2025		Net New Invest.	Invest. Return	September 30, 2025	
	Market Value	Weight			Market Value	Weight
<b>North Carolina SRP 401k &amp; 457</b>						
<b>Tier II Passive</b>	<b>\$7,447,708,732</b>	<b>37.26%</b>	<b>\$(50,335,320)</b>	<b>\$169,752,447</b>	<b>\$7,328,291,605</b>	<b>37.26%</b>
Fixed Income Passive	107,365,117	0.54%	1,440,098	1,050,836	104,874,183	0.53%
Treasury Inflation Protected	341,096,834	1.71%	7,685,262	979,244	332,432,328	1.69%
Large Cap Passive	5,527,261,225	27.65%	(79,268,477)	143,984,429	5,462,545,273	27.78%
International Passive	173,093,503	0.87%	6,092,751	7,170,761	159,829,990	0.81%
SMID Cap Passive	472,807,132	2.37%	(7,137,723)	10,308,402	469,636,453	2.39%
Inflation Responsive Fund	826,084,922	4.13%	20,852,770	6,258,774	798,973,378	4.06%
<b>Tier II Active</b>	<b>\$12,540,891,424</b>	<b>62.74%</b>	<b>\$(11,071,294)</b>	<b>\$213,849,077</b>	<b>\$12,338,113,642</b>	<b>62.74%</b>
Stable Value Fund	2,177,129,006	10.89%	(37,979,758)	18,058,629	2,197,050,135	11.17%
Fixed Income Fund	2,648,526,257	13.25%	33,734,422	32,003,188	2,582,788,647	13.13%
Large Cap Core Equity Fund	2,660,639,179	13.31%	(89,155,745)	23,544,196	2,726,250,728	13.86%
International Equity Fund	3,579,020,916	17.91%	58,089,020	119,177,041	3,401,754,855	17.30%
Small/Mid Cap Equity Fund	1,475,576,067	7.38%	24,240,767	21,066,022	1,430,269,277	7.27%
<b>Total Fund</b>	<b>\$19,988,600,156</b>	<b>100.0%</b>	<b>\$(61,406,613)</b>	<b>\$383,601,523</b>	<b>\$19,666,405,247</b>	<b>100.0%</b>

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
<b>Tier 2: Passive (Net of Fee)</b>										
Fixed Income Passive	1.01%	61	7.19%	77	4.69%	87	(0.39%)	78	1.96%	91
Blmbg Aggregate	1.10%	34	7.30%	68	4.66%	89	(0.36%)	76	1.99%	89
Callan Core Bond MFs	1.05%		7.40%		5.01%		(0.20%)		2.34%	
Treasury Inflation Protected Securities	0.30%	1	7.36%	19	4.98%	14	2.50%	5	3.95%	11
Blmbg US TIPS 1-10 Yr	0.31%	1	7.47%	17	4.96%	14	2.52%	5	3.95%	11
Callan TIPS MFs	0.07%		7.02%		4.22%		1.03%		3.44%	
Large Cap Passive	2.66%	62	17.76%	41	22.95%	39	14.38%	45	17.27%	30
S&P 500 Index	2.66%	63	17.88%	40	23.01%	38	14.42%	45	17.29%	30
Callan Large Cap Core MFs	3.15%		16.91%		21.73%		13.97%		16.58%	
International Passive	4.41%	47	32.54%	44	17.08%	51	7.70%	56	10.07%	69
International Benchmark (1)	4.76%	42	31.96%	45	17.10%	51	7.59%	57	9.92%	73
Callan Non US Equity MFs	4.16%		29.98%		17.24%		8.40%		10.58%	
SMID Cap Passive	2.22%	37	11.97%	23	13.75%	30	7.24%	57	11.70%	24
Russell 2500 Index	2.22%	37	11.91%	23	13.75%	30	7.26%	57	11.75%	23
Callan SMID Core MFs	1.39%		6.21%		11.32%		7.57%		10.71%	
Inflation Responsive Fund	0.78%	88	10.06%	88	5.67%	88	4.24%	86	5.22%	91
Inflation Responsive Benchmark	0.84%	88	9.89%	88	5.38%	88	4.02%	87	5.00%	92
Callan Real Assets MFs	2.45%		16.72%		8.59%		6.89%		7.60%	
<b>Tier 2: Active (Net of Fee)</b>										
<b>Stable Value Fund</b>	<b>0.83%</b>	<b>9</b>	<b>3.21%</b>	<b>8</b>	<b>3.00%</b>	<b>9</b>	<b>2.52%</b>	<b>8</b>	<b>2.51%</b>	<b>6</b>
3 Yr US Treas Rolling	0.87%	8	3.74%	1	4.10%	1	3.17%	1	2.57%	4
T-Bill + 1.5%	1.34%	1	5.68%	1	6.31%	1	4.67%	1	4.18%	1
Callan Stable Value CT	0.67%		2.57%		2.44%		2.02%		1.99%	
<b>Fixed Income Fund</b>	<b>1.24%</b>	<b>16</b>	<b>8.02%</b>	<b>25</b>	<b>5.75%</b>	<b>39</b>	<b>0.07%</b>	<b>55</b>	<b>2.80%</b>	<b>40</b>
Blmbg Aggregate	1.10%	44	7.30%	76	4.66%	92	(0.36%)	85	1.99%	94
Callan Core Plus MFs	1.06%		7.58%		5.56%		0.18%		2.66%	
<b>Large Cap Core Equity Fund</b>	<b>0.91%</b>	<b>75</b>	<b>15.76%</b>	<b>47</b>	<b>21.89%</b>	<b>48</b>	<b>11.48%</b>	<b>63</b>	<b>15.83%</b>	<b>56</b>
Russell 1000 Index	2.41%	47	17.37%	31	22.74%	46	13.59%	33	17.03%	40
Callan Lg Cap Broad MF	2.25%		15.59%		21.70%		12.42%		16.28%	
<b>International Equity Fund</b>	<b>3.46%</b>	<b>64</b>	<b>28.15%</b>	<b>60</b>	<b>17.74%</b>	<b>44</b>	<b>5.87%</b>	<b>73</b>	<b>9.75%</b>	<b>75</b>
International Benchmark (1)	4.76%	42	31.96%	45	17.10%	51	7.59%	57	9.92%	73
Callan Non US Equity MFs	4.16%		29.98%		17.24%		8.40%		10.58%	
<b>Small/Mid Cap Equity Fund</b>	<b>1.44%</b>	<b>51</b>	<b>5.25%</b>	<b>45</b>	<b>8.85%</b>	<b>82</b>	<b>5.42%</b>	<b>47</b>	<b>10.16%</b>	<b>70</b>
Russell 2500 Index	2.22%	36	11.91%	7	13.75%	28	7.26%	37	11.75%	30
Callan SMID Broad MFs	1.52%		4.69%		11.07%		5.08%		10.93%	

(1) As of 9/30/21, International Benchmark consists of MSCI ACWI ex-US IMI, previously consisted of MSCI ACWI ex-US.

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last 10 Years		Last 15 Years		Since Inception
<b>Tier 2: Passive (Net of Fee)</b>					
Fixed Income Passive	1.98%	91	2.35%	97	2.22% (10/10)
Blmbg Aggregate	2.01%	83	2.42%	92	2.29% (10/10)
Callan Core Bond MFs	2.31%		2.67%		-
Treasury Inflation Protected Securities	-		-		3.61% (7/18)
Blmbg US TIPS 1-10 Yr	3.32%	11	2.76%	50	3.62% (7/18)
Callan TIPS MFs	3.04%		2.75%		-
Large Cap Passive	14.80%	23	13.99%	14	15.79% (4/09)
S&P 500 Index	14.82%	23	14.06%	13	15.86% (4/09)
Callan Large Cap Core MFs	13.96%		13.19%		-
International Passive	8.50%	38	5.91%	82	8.88% (4/09)
International Benchmark (1)	8.26%	51	5.80%	85	8.79% (4/09)
Callan Non US Equity MFs	8.31%		6.71%		-
SMID Cap Passive	10.36%	19	10.33%	19	13.54% (4/09)
Russell 2500 Index	10.40%	19	10.38%	15	13.59% (4/09)
Callan SMID Core MFs	9.33%		9.37%		-
Inflation Responsive Fund	5.04%	79	-		2.83% (9/11)
Inflation Responsive Benchmark	4.11%	89	2.28%	87	1.75% (9/11)
Callan Real Assets MFs	6.64%		3.88%		-
<b>Tier 2: Active (Net of Fee)</b>					
<b>Stable Value Fund</b>	<b>2.38%</b>	<b>3</b>	<b>2.38%</b>	<b>2</b>	<b>2.52%</b> (7/09)
3 Yr US Treas Rolling	2.32%	5	1.77%	53	1.72% (7/09)
T-Bill + 1.5%	3.68%	1	2.97%	1	2.85% (7/09)
Callan Stable Value CT	1.89%		1.78%		-
<b>Fixed Income Fund</b>	<b>2.85%</b>	<b>42</b>	<b>3.06%</b>	<b>55</b>	<b>3.71%</b> (4/09)
Blmbg Aggregate	2.01%	96	2.42%	97	2.90% (4/09)
Callan Core Plus MFs	2.72%		3.15%		-
<b>Large Cap Core Equity Fund</b>	<b>-</b>		<b>-</b>		<b>13.60%</b> (10/17)
Russell 1000 Index	14.59%	37	13.87%	38	14.48% (10/17)
Callan Lg Cap Broad MF	13.99%		13.32%		-
<b>International Equity Fund</b>	<b>8.33%</b>	<b>49</b>	<b>6.52%</b>	<b>62</b>	<b>9.16%</b> (4/09)
International Benchmark (1)	8.26%	51	5.80%	85	8.79% (4/09)
Callan Non US Equity MFs	8.31%		6.71%		-
<b>Small/Mid Cap Equity Fund</b>	<b>-</b>		<b>-</b>		<b>7.57%</b> (10/17)
Russell 2500 Index	10.40%	31	10.38%	34	9.17% (10/17)
Callan SMID Broad MFs	9.91%		9.90%		-

(1) As of 9/30/21, International Benchmark consists of MSCI ACWI ex-US IMI, previously consisted of MSCI ACWI ex-US.

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
<b>Tier 2: Active (Net of Fee)</b>										
<b>Stable Value Fund</b>	<b>0.83%</b>	<b>9</b>	<b>3.21%</b>	<b>8</b>	<b>3.00%</b>	<b>9</b>	<b>2.52%</b>	<b>8</b>	<b>2.51%</b>	<b>6</b>
3 Yr US Treas Rolling	0.87%	8	3.74%	1	4.10%	1	3.17%	1	2.57%	4
T-Bill + 1.5%	1.34%	1	5.68%	1	6.31%	1	4.67%	1	4.18%	1
Callan Stable Value CT	0.67%		2.57%		2.44%		2.02%		1.99%	
<b>Fixed Income Fund</b>	<b>1.24%</b>	<b>16</b>	<b>8.02%</b>	<b>25</b>	<b>5.75%</b>	<b>39</b>	<b>0.07%</b>	<b>55</b>	<b>2.80%</b>	<b>40</b>
Blmbg Aggregate	1.10%	44	7.30%	76	4.66%	92	(0.36%)	85	1.99%	94
Callan Core Plus MFs	1.06%		7.58%		5.56%		0.18%		2.66%	
TCW Core Plus	1.19%	25	7.85%	29	4.94%	86	(0.33%)	82	2.38%	75
Blmbg Aggregate	1.10%	44	7.30%	76	4.66%	92	(0.36%)	85	1.99%	94
Callan Core Plus MFs	1.06%		7.58%		5.56%		0.18%		2.66%	
Prudential Core Plus	1.28%	14	8.21%	20	6.58%	7	0.49%	25	3.25%	15
Blmbg Aggregate	1.10%	44	7.30%	76	4.66%	92	(0.36%)	85	1.99%	94
Callan Core Plus MFs	1.06%		7.58%		5.56%		0.18%		2.66%	
<b>Large Cap Core Equity Fund</b>	<b>0.91%</b>	<b>75</b>	<b>15.76%</b>	<b>47</b>	<b>21.89%</b>	<b>48</b>	<b>11.48%</b>	<b>63</b>	<b>15.83%</b>	<b>56</b>
Russell 1000 Index	2.41%	47	17.37%	31	22.74%	46	13.59%	33	17.03%	40
Callan Lg Cap Broad MF	2.25%		15.59%		21.70%		12.42%		16.28%	
Boston Partners LCV	2.70%	63	-		-		-		-	
Russell 1000 Value Index	3.81%	49	15.91%	44	13.90%	45	11.33%	63	12.10%	58
Callan Lg Cap Value MF	3.64%		15.43%		13.67%		12.23%		12.56%	
Hotchkis & Wiley Large Cap Value	4.50%	23	18.14%	23	15.99%	23	13.89%	23	14.53%	21
Russell 1000 Value Index	3.81%	49	15.91%	44	13.90%	45	11.33%	63	12.10%	58
Callan Lg Cap Value MF	3.64%		15.43%		13.67%		12.23%		12.56%	
Sands Capital Large Cap Growth	(5.76%)	100	14.85%	58	29.59%	36	3.26%	100	15.33%	92
Russell 1000 Growth Index	1.12%	47	18.56%	14	31.15%	18	15.32%	7	21.25%	10
Callan Large Cap Grwth MF	1.00%		15.34%		28.37%		11.91%		18.06%	
Loomis Sayles Large Cap Growth	0.29%	64	15.60%	42	33.29%	10	15.43%	6	20.12%	12
Russell 1000 Growth Index	1.12%	47	18.56%	14	31.15%	18	15.32%	7	21.25%	10
Callan Large Cap Grwth MF	1.00%		15.34%		28.37%		11.91%		18.06%	
BlackRock Russell 1000 Index	2.39%	72	17.29%	45	22.72%	40	13.60%	58	17.02%	34
Russell 1000 Index	2.41%	71	17.37%	44	22.74%	40	13.59%	58	17.03%	34
Callan Large Cap Core MFs	3.15%		16.91%		21.73%		13.97%		16.58%	

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last 10 Years		Last 15 Years		Since Inception
<b>Tier 2: Active (Net of Fee)</b>					
<b>Stable Value Fund</b>	<b>2.38%</b>	<b>3</b>	<b>2.38%</b>	<b>2</b>	<b>2.52%</b> <sup>(7/09)</sup>
3 Yr US Treas Rolling	2.32%	5	1.77%	53	1.72% <sup>(7/09)</sup>
T-Bill + 1.5%	3.68%	1	2.97%	1	2.85% <sup>(7/09)</sup>
Callan Stable Value CT	1.89%		1.78%		-
<b>Fixed Income Fund</b>	<b>2.85%</b>	<b>42</b>	<b>3.06%</b>	<b>55</b>	<b>3.71%</b> <sup>(4/09)</sup>
Blmbg Aggregate	2.01%	96	2.42%	97	2.90% <sup>(4/09)</sup>
Callan Core Plus MFs	2.72%		3.15%		-
TCW Core Plus	-		-		2.26% <sup>(1/17)</sup>
Blmbg Aggregate	2.01%	96	2.42%	97	1.94% <sup>(1/17)</sup>
Callan Core Plus MFs	2.72%		3.15%		-
Prudential Core Plus	3.45%	11	-		3.16% <sup>(1/15)</sup>
Blmbg Aggregate	2.01%	96	2.42%	97	1.87% <sup>(1/15)</sup>
Callan Core Plus MFs	2.72%		3.15%		-
<b>Large Cap Core Equity Fund</b>	<b>-</b>		<b>-</b>		<b>13.60%</b> <sup>(10/17)</sup>
Russell 1000 Index	14.59%	37	13.87%	38	14.48% <sup>(10/17)</sup>
Callan Lg Cap Broad MF	13.99%		13.32%		-
Hotchkis & Wiley Large Cap Value	12.38%	17	12.03%	19	14.89% <sup>(4/09)</sup>
Russell 1000 Value Index	10.53%	54	10.78%	46	12.97% <sup>(4/09)</sup>
Callan Lg Cap Value MF	10.66%		10.73%		-
Sands Capital Large Cap Growth	13.78%	87	14.27%	63	17.71% <sup>(4/09)</sup>
Russell 1000 Growth Index	18.13%	8	16.58%	7	18.29% <sup>(4/09)</sup>
Callan Large Cap Grwth MF	15.61%		14.74%		-
Loomis Sayles Large Cap Growth	17.53%	10	-		17.15% <sup>(8/14)</sup>
Russell 1000 Growth Index	18.13%	8	16.58%	7	17.06% <sup>(8/14)</sup>
Callan Large Cap Grwth MF	15.61%		14.74%		-
BlackRock Russell 1000 Index	-		-		14.30% <sup>(11/17)</sup>
Russell 1000 Index	14.59%	25	13.87%	17	14.32% <sup>(11/17)</sup>
Callan Large Cap Core MFs	13.96%		13.19%		-

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Last 7 Years	
<b>Tier 2: Active (Net of Fee)</b>										
<b>International Equity Fund</b>	<b>3.46%</b>	<b>64</b>	<b>28.15%</b>	<b>60</b>	<b>17.74%</b>	<b>44</b>	<b>5.87%</b>	<b>73</b>	<b>9.75%</b>	<b>75</b>
International Benchmark (1)	4.76%	42	31.96%	45	17.10%	51	7.59%	57	9.92%	73
Callan Non US Equity MFs	4.16%		29.98%		17.24%		8.40%		10.58%	
Mondrian ACWI ex-US Value	6.82%	15	37.55%	24	20.74%	18	10.91%	20	10.78%	45
MSCI ACWI ex US	5.05%	32	32.39%	44	17.33%	47	7.91%	55	10.15%	65
MSCI ACWI ex US Value	7.61%	13	39.50%	14	20.17%	21	11.87%	13	10.50%	53
Callan Non US Equity MFs	4.16%		29.98%		17.24%		8.40%		10.58%	
Baillie Gifford ACWI ex-US Growth	1.71%	83	19.94%	87	14.90%	72	1.72%	94	9.12%	82
MSCI ACWI ex US	5.05%	32	32.39%	44	17.33%	47	7.91%	55	10.15%	65
MSCI ACWI ex US Growth	2.56%	70	25.65%	75	14.61%	79	4.01%	85	9.56%	77
Callan Non US Equity MFs	4.16%		29.98%		17.24%		8.40%		10.58%	
Acadian	2.95%	36	31.24%	36	19.71%	17	-		-	
MSCI ACWI ex US Small Cap	2.96%	36	29.26%	48	15.61%	40	6.91%	44	10.03%	44
Callan Intl Small Cap MFs	1.90%		28.48%		14.26%		5.34%		9.66%	
WCM	(5.81%)	95	18.98%	71	14.79%	43	-		-	
MSCI ACWI ex US Small Cap	2.96%	36	29.26%	48	15.61%	40	6.91%	44	10.03%	44
Callan Intl Small Cap MFs	1.90%		28.48%		14.26%		5.34%		9.66%	
<b>Small/Mid Cap Equity Fund</b>	<b>1.44%</b>	<b>51</b>	<b>5.25%</b>	<b>45</b>	<b>8.85%</b>	<b>82</b>	<b>5.42%</b>	<b>47</b>	<b>10.16%</b>	<b>70</b>
Russell 2500 Index	2.22%	36	11.91%	7	13.75%	28	7.26%	37	11.75%	30
Callan SMID Broad MFs	1.52%		4.69%		11.07%		5.08%		10.93%	
AB SMID Value	0.90%	69	3.14%	81	-		-		-	
Russell 2500 Value Index	3.15%	27	12.73%	15	13.21%	21	10.02%	23	11.09%	54
Callan SMID Value MFs	2.15%		7.39%		9.95%		9.06%		11.19%	
Earnest Partners Small/Mid Cap	1.41%	48	7.08%	45	8.71%	82	-		-	
Russell 2500 Index	2.22%	37	11.91%	23	13.75%	30	7.26%	57	11.75%	23
Callan SMID Core MFs	1.39%		6.21%		11.32%		7.57%		10.71%	
Brown Advisory Small/Mid Cap Growth	1.71%	49	3.10%	63	7.21%	90	1.33%	61	9.81%	71
Russell 2500 Growth Index	0.33%	75	10.31%	11	14.32%	31	2.98%	36	11.62%	27
Callan SMID Growth MFs	1.59%		4.99%		12.89%		2.33%		10.83%	
BlackRock Russell 2500 Index	2.24%	37	12.07%	22	13.99%	29	7.29%	57	11.91%	20
Russell 2500 Index	2.22%	37	11.91%	23	13.75%	30	7.26%	57	11.75%	23
Callan SMID Core MFs	1.39%		6.21%		11.32%		7.57%		10.71%	

(1) As of 9/30/21, International Benchmark consists of MSCI ACWI ex-US IMI, previously consisted of MSCI ACWI ex-US.

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last 10 Years		Last 15 Years		Since Inception
<b>Tier 2: Active (Net of Fee)</b>					
<b>International Equity Fund</b>	<b>8.33%</b>	<b>49</b>	<b>6.52%</b>	<b>62</b>	<b>9.16%</b> <sup>(4/09)</sup>
International Benchmark	8.26%	51	5.80%	85	8.79% <sup>(4/09)</sup>
Callan Non US Equity MFs	8.31%		6.71%		-
Mondrian ACWI ex-US Value	8.76%	29	6.73%	49	8.77% <sup>(4/09)</sup>
MSCI ACWI ex US	8.41%	46	5.91%	82	8.89% <sup>(4/09)</sup>
MSCI ACWI ex US Value	8.74%	29	5.73%	87	8.76% <sup>(4/09)</sup>
Callan Non US Equity MFs	8.31%		6.71%		-
Baillie Gifford ACWI ex-US Growth	8.30%	50	6.76%	48	10.05% <sup>(4/09)</sup>
MSCI ACWI ex US	8.41%	46	5.91%	82	8.89% <sup>(4/09)</sup>
MSCI ACWI ex US Growth	7.92%	59	5.95%	79	8.90% <sup>(4/09)</sup>
Callan Non US Equity MFs	8.31%		6.71%		-
Acadian	-		-		9.57% <sup>(10/21)</sup>
MSCI ACWI ex US Small Cap	8.13%	43	6.27%	64	5.28% <sup>(10/21)</sup>
Callan Intl Small Cap MFs	7.80%		6.69%		-
WCM	-		-		(2.90%) <sup>(10/21)</sup>
MSCI ACWI ex US Small Cap	8.13%	43	6.27%	64	5.28% <sup>(10/21)</sup>
Callan Intl Small Cap MFs	7.80%		6.69%		-
<b>Small/Mid Cap Equity Fund</b>	-		-		<b>7.57%</b> <sup>(10/17)</sup>
Russell 2500 Index	10.40%	31	10.38%	34	9.17% <sup>(10/17)</sup>
Callan SMID Broad MFs	9.91%		9.90%		-
Earnest Partners Small/Mid Cap	-		-		4.70% <sup>(4/21)</sup>
Russell 2500 Index	10.40%	19	10.38%	15	5.33% <sup>(4/21)</sup>
Callan SMID Core MFs	9.33%		9.37%		-
Brown Advisory Small/Mid Cap Growth	9.32%	77	10.08%	70	13.30% <sup>(4/09)</sup>
Russell 2500 Growth Index	10.55%	36	10.84%	29	14.09% <sup>(4/09)</sup>
Callan SMID Growth MFs	10.04%		10.47%		-
BlackRock Russell 2500 Index	-		-		9.19% <sup>(11/17)</sup>
Russell 2500 Index	10.40%	19	10.38%	15	9.06% <sup>(11/17)</sup>
Callan SMID Core MFs	9.33%		9.37%		-

# The North Carolina Supplemental Retirement Plans

Fee Matrix as of 9/30/25

Funds and Sub-Advisors	9/30 Assets*	Inv. Mgmt. Fee	Custodial Expenses <sup>1</sup>	NC Budget <sup>2</sup>	Total Estimated Expense (%)	Total Estimated Annual Expenses (\$) <sup>3</sup>	Callan Median Expense <sup>4</sup>	Difference
<b>North Carolina Stable Value Fund</b>	<b>\$2,197,050,135</b>	<b>0.2507%</b>	<b>0.0073%</b>	<b>0.0000%</b>	<b>0.26%</b>	<b>\$5,668,389</b>	<b>0.39%</b>	<b>-0.13%</b>
Galliard	\$2,197,050,135	0.2501%	0.0000%			\$5,494,822	0.27%	-0.02%
<b>North Carolina Fixed Income Passive Fund</b>	<b>\$104,874,183</b>	<b>0.0200%</b>	<b>0.0142%</b>	<b>0.0000%</b>	<b>0.03%</b>	<b>\$35,867</b>	<b>0.06%</b>	<b>-0.03%</b>
Blackrock	\$104,874,183	0.0200%	0.0100%			\$20,975	0.04%	-0.02%
<b>North Carolina Fixed Income Fund</b>	<b>\$2,582,788,647</b>	<b>0.1205%</b>	<b>0.0064%</b>	<b>0.0000%</b>	<b>0.13%</b>	<b>\$3,277,559</b>	<b>0.40%</b>	<b>-0.27%</b>
50% TCW	\$1,290,168,083	0.1310%	0.0000%			\$1,690,120	0.21%	-0.08%
50% Prudential	\$1,292,620,591	0.1100%	0.0070%			\$1,421,883	0.21%	-0.10%
<b>North Carolina Inflation Sensitive Fund</b>	<b>\$798,973,393</b>	<b>0.0900%</b>	<b>0.0110%</b>	<b>0.0000%</b>	<b>0.10%</b>	<b>\$806,963</b>	<b>0.40%</b>	<b>-0.30%</b>
Blackrock	\$798,973,378	0.0900%	0.0100%			\$719,076	0.11%	-0.02%
<b>North Carolina Large Cap Passive Fund</b>	<b>\$5,462,545,273</b>	<b>0.0050%</b>	<b>0.0008%</b>	<b>0.0000%</b>	<b>0.01%</b>	<b>\$316,828</b>	<b>0.15%</b>	<b>-0.14%</b>
Blackrock	\$5,462,545,273	0.0050%	0.0100%			\$273,127	0.02%	-0.02%
<b>North Carolina Large Cap Core Fund</b>	<b>\$2,726,250,728</b>	<b>0.2854%</b>	<b>0.0086%</b>	<b>0.0000%</b>	<b>0.29%</b>	<b>\$8,015,177</b>	<b>0.59%</b>	<b>-0.30%</b>
18.75% Hotchkis & Wiley	\$527,793,284	0.4000%	0.0000%			\$2,111,173	0.37%	0.03%
18.75% Macquarie/Boston Partners LCV	\$507,889,913	0.3750%	0.0000%			\$1,904,587	0.38%	-0.01%
18.75% Sands Capital Management	\$518,113,424	0.4500%	0.0000%			\$2,331,510	0.42%	0.03%
18.75% Loomis Sayles	\$521,697,460	0.3556%	0.0000%			\$1,855,156	0.42%	-0.06%
25% BlackRock Advisors Inc., Large Cap Index*	\$650,756,646	0.0050%	0.0100%			\$32,538	0.02%	-0.02%
<b>North Carolina SMID Cap Passive Fund</b>	<b>\$469,636,453</b>	<b>0.0050%</b>	<b>0.0113%</b>	<b>0.0000%</b>	<b>0.02%</b>	<b>\$76,551</b>	<b>0.17%</b>	<b>-0.15%</b>
Blackrock	\$469,636,453	0.0050%	0.0100%			\$23,482	0.03%	-0.03%
<b>North Carolina SMID Cap Core Fund</b>	<b>\$1,430,269,277</b>	<b>0.3789%</b>	<b>0.0063%</b>	<b>0.0000%</b>	<b>0.39%</b>	<b>\$5,509,397</b>	<b>0.81%</b>	<b>-0.42%</b>
30% Earnest Partners	\$438,120,526	0.4700%	0.0000%			\$2,059,166	0.66%	-0.19%
30% AB	\$431,714,986	0.4200%	0.0000%			\$1,813,203	0.62%	-0.20%
30% Brown Advisory	\$420,353,853	0.3662%	0.0000%			\$1,539,336	0.68%	-0.31%
10% BlackRock Advisors Inc., SMID Index*	\$140,079,438	0.0050%	0.0100%			\$7,004	0.04%	-0.04%
<b>North Carolina International Passive Fund</b>	<b>\$159,829,990</b>	<b>0.0210%</b>	<b>0.0234%</b>	<b>0.0000%</b>	<b>0.04%</b>	<b>\$70,965</b>	<b>0.06%</b>	<b>-0.02%</b>
Blackrock	\$159,829,990	0.0210%	0.0200%			\$33,564	0.06%	-0.04%
<b>North Carolina International Equity</b>	<b>\$3,401,754,855</b>	<b>0.3723%</b>	<b>0.0335%</b>	<b>0.0000%</b>	<b>0.41%</b>	<b>\$13,804,321</b>	<b>0.79%</b>	<b>-0.38%</b>
43% Baillie Gifford Growth	\$1,416,517,259	0.2648%	0.0000%			\$3,750,938	0.51%	-0.25%
43% Mondrian Investment Partners Value	\$1,502,044,585	0.3830%	0.0000%			\$5,752,831	0.47%	-0.09%
7% Acadian	\$246,311,252	0.6109%	0.0000%			\$1,504,715	0.80%	-0.19%
7% WCM	\$236,720,320	0.7000%	0.0000%			\$1,657,042	0.79%	-0.09%
<b>North Carolina TIPS Fund</b>	<b>\$332,432,328</b>	<b>0.0250%</b>	<b>0.0042%</b>	<b>0.0000%</b>	<b>0.03%</b>	<b>\$97,070</b>	<b>0.37%</b>	<b>-0.34%</b>
Blackrock	\$332,432,328	0.0250%	0.0000%			\$83,108	0.12%	-0.10%
<b>Total</b>	<b>\$19,666,405,247</b>	<b>0.1674%</b>	<b>0.0115%</b>	<b>0.0000%</b>	<b>0.19%</b>	<b>\$37,679,087</b>	<b>0.22%</b>	

\*Individual Manager Assets do not sum to Fund asset class totals due to residual/closing accounts.

<sup>1</sup> Based on annualized monthly fee accruals as of 9/30/2025.

<sup>2</sup> The cost of the budget associated with the management of the Supplemental Retirement Plans, borne by each investment option in proportion to the pro-rate share of the applicable assets in that fund.

<sup>3</sup> Manager fee estimates reflect investment management fee only, does not include \$31 per participant record-keeping fee.

<sup>4</sup> The median expenses for White Label composites are compared against their respective Callan Mutual Fund Institutional Universe, while the individual managers are compared to peers with the same vehicle and strategy assets. The total fund median represents asset-weighted investment management fees for plans greater than \$1 billion in the Callan DC index.

# The North Carolina Supplemental Retirement Plans Quarterly Manager Review

Vehicle	Manager Overall	Product People	Philosophy/Process	Product Dynamics	Short Term Performance	Long Term Performance	Status	Product Overall	Notes
<b>LARGE CAP VALUE EQUITY</b>									
Hotchkis & Wiley Large Cap Value	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Trailing 1/3/5/7/10 year returns outpace Russell 1000 Value Index and rank in (or near) top quartile of large value peers.</li> <li>Portfolio demonstrates heightened volatility relative to index and median large value peer manager.</li> </ul>
Boston Partners Large Cap Value	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>In July 2025, Boston Partners announced that PM Mark Donovan will retire on April 30, 2026. Co-PMs David Cohen and Josh White will manage the strategy going forward.</li> <li>Proactive succession planning with addition of Cohen and White; announcement of Donovan's retirement is notable but not cause for concern.</li> <li>Trailing returns rank in the top third of peers across multiple periods.</li> </ul>
<b>LARGE CAP CORE EQUITY</b>									
BlackRock Russell 1000 Index	●	●	●	●	●	●	Within Expectations	●	
<b>LARGE CAP GROWTH EQUITY</b>									
Loomis Sayles Large Cap Growth	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>In January 2025 it was announced that the holding company for Loomis' parent company, Natixis, entered into an agreement to combine with Generali. The transaction is not expected to close until early 2026, and Callan will be monitoring any potential effects on Loomis in the interim.</li> <li>Strategy had nearly \$5B in outflows during 2022 and over \$1B in outflows in both 2023 and 2024; however, most outflow activity has been attributed to rebalancing and is a small percentage of total strategy AUM. Strategy remains capacity constrained.</li> <li>In 2Q24, a guideline update was issued to allow the fund to invest in any one issuer up to the greater of 8% of the portfolio or 5% above the weighting in the Russell 1000 Growth or the S&amp;P 500 index, as determined at the time of purchase. This update was initiated to allow for greater flexibility around top benchmark holdings that would otherwise be sold in the face of continued price appreciation. The fund also now allows for investments of up to 5% in the Loomis Growth ETF as a way to minimize cash drag.</li> <li>Strategy is ahead of the benchmark across all short- and long-term trailing periods as of 3Q25, aided by strong returns in CY 2023 and outperformance in most subsequent periods. While 5/7 trailing year periods are now ahead of benchmark, relative outperformance is narrow for those periods with the continued overhang of CY 2019-2021 periods.</li> </ul>
Sands Capital Large Cap Growth	●	●	●	●	●	●	Under Review (added to NC Watch List 4Q 2024)	●	<ul style="list-style-type: none"> <li>Perry Williams, CFA has been named Co-Chief Investment Officer alongside Frank Sands, effective August 1. This move represents a formal promotion for Williams, who will step down from his role as co-portfolio manager of Global Growth to take on broader oversight of all strategies, including Sands Capital's growing private markets platform.</li> <li>Launched Sands Capital Horizons, an in-house investment solution for managing the wealth of partners and other qualified partners at the firm.</li> <li>The PM team has experienced some changes in recent years including: 1) In 2022, co-PM Mike Sramek elected to not return from a medical leave that was initiated in July 2022 and officially retired from the firm in December 2022; Effective January 2026, Frank Sands Jr. transitioned from his co-PM role to further focus on his co-CIO duties and remains a senior advisor to the strategy. Ben Betcher, the strategy's associate portfolio manager, was appointed as co-PM and joins Wes Johnston and Tom Trentman in overseeing the portfolio.</li> <li>5/7/10 year trailing performance remain meaningfully behind the benchmark as of 4Q25. 1- and 3- year trailing results, which were ahead of benchmark for the first half of 2025, have fallen behind the benchmark after challenged 3Q and 4Q25 results.</li> <li>Stability of asset base continues to be monitored as the strategy has experienced outflows in recent years and there remains a challenging performance overhang over longer-term results. Outflows in 2023 totaled nearly \$1 billion, particularly within the strategy's endowment and foundation client base, and 2024 outflows totaled over \$1 billion.</li> </ul>

# The North Carolina Supplemental Retirement Plans Quarterly Manager Review

Vehicle	Manager Overall	Product People	Philosophy/Process	Implementation	Short Term Performance	Long Term Performance	Status	Product Overall	Notes
<b>SMALL CAP GROWTH EQUITY</b>									
Brown Advisory Small/Mid Cap Growth	●	●	●	●	●	●	Cautionary	●	<ul style="list-style-type: none"> <li>Trailing one-year results in-line with expectations given quality bias but meaningfully lagged index, ranking below median peers.</li> <li>Underperformance impacting three-year results, which lag index and rank in bottom decile of peers.</li> <li>Trailing 5/7/10 year returns lag index and rank in bottom quartile of peers.</li> </ul>
<b>SMALL/MID CAP CORE EQUITY</b>									
BlackRock Russell 2500 Index	●	●	●	●	●	●	Within Expectations	●	
Earnest Partners Small/Mid Cap	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Firm founder Paul Viera owns a majority of the firm.</li> <li>Strategy market capitalization consistently larger than benchmark and peers.</li> <li>Notable style tilt to value as MSCI Z-Score is (-0.46) as of 4Q25 compared to (-0.14) for Russell 2500 Index and (-0.53) for Russell 2500 Value Index.</li> <li>Trailing one-year returns lagged Russell 2500 Index but ranked near median-peers; trailing three-year returns lag index and rank in bottom quartile of peers.</li> <li>Trailing five-year returns outpaced index but rank slightly below median peer; seven- and ten-year returns outpace index and rank above median peers.</li> </ul>
<b>SMALL/MID CAP VALUE EQUITY</b>									
AB SMID Value	●	●	●	●	●	●	Cautionary	●	<ul style="list-style-type: none"> <li>AB has experienced several leadership transitions in recent years: 1) In 2022, CFO Ali Dibadj departed AB to become CEO of Janus Henderson; 2) In 2023, COO/CFO Kate Burke left to take on the role of President at Allspring. AB then appointed Karl Sprules as Chief Operating Officer; 3) In 2024, Jackie Marks was named CFO, succeeding interim CFO William Siemers. In March 2025, Marks departed, and AB promoted Controller and Chief Accounting Officer Tom Simeone to CFO, with Simeone also joining the Executive Team and Operating Committee; and 4) In 2025, AB announced the departure of Chris Hogbin, Global Head of Investments, who left to become CEO of Lazard Asset Management.</li> <li>More recently, in January 2026, Onur Erzan has been appointed the President of AB. Onur, who joined AB in 2021, is also Global Head—Private Wealth Management, Global Private Alternatives and Global Asset Management Distribution.</li> <li>Callan will continue to monitor executive team stability.</li> <li>Lead portfolio manager has been James McGregor since 2009. He is supported by co-PM Erik Turenchalk, five dedicated analysts, and a pooled analyst team at AB. Turenchalk also became the PM for SMID Style Blend in 2025, though his focus remains on the value strategies.</li> <li>Strategy assets are over \$6 billion and the product may be capacity constrained.</li> <li>Senior Research Analyst Gayle Baldwin resigned from AllianceBernstein in July 2024. Joyce Zhang joined the team in fourth quarter 2024 to replace Baldwin.</li> <li>The strategy meaningfully underperformed the Russell 2500 Value Index and SMID Value peers in 2025. AB SMID Value ranks in the bottom quartile of peers over the trailing one-, three-, and seven- year periods.</li> </ul>
<b>ACWI XUS CORE</b>									
BlackRock International Passive	●	●	●	●	●	●	Within Expectations	●	

# The North Carolina Supplemental Retirement Plans Quarterly Manager Review

## Callan Manager Assessment

<u>Vehicle</u>	<u>Manager Overall</u>	<u>Product People</u>	<u>Philosophy/Process</u>	<u>Implementation</u>	<u>Short Term Performance</u>	<u>Long Term Performance</u>	<u>Status</u>	<u>Product Overall</u>	<u>Notes</u>
<b>ACWI XUS VALUE</b>									
Mondrian ACWI ex-US Value	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Effective July 1, 2025, CIO International Equities Elizabeth Desmond assumed the position of Executive Chairman and relinquished her role as CIO International Equities. As Executive Chairman, Desmond will work closely with CEO Clive Gillmore managing the business's strategic direction. Desmond remains a member of the International Equity Strategy Committee, which is the decision-making group for the international equity strategies. At the same time, CIO Global Equities Aileen Gan took on the role of CIO International Equities while also remaining CIO Global Equities.</li> <li>Performance continues to be consistent with the defensive value approach.</li> </ul>
<b>ACWI XUS GROWTH</b>									
Baillie Gifford ACWI ex-US Growth	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>The retirement of Portfolio Manager Angus Franklin in Jun 2022, and the portfolio manager rotation of Toby Ross with Steve Vaughan in September 2022 is consistent with other Baillie Gifford PM rotations and was executed well.</li> <li>Effective July 1, 2025, Baillie Gifford returned to benchmark-relative investment guidelines, tightening country and sector exposure limits and reducing the allowable name count to 60–90 holdings, with a maximum active weight of +5%. The change reflects lessons from past underperformance and aims to improve portfolio discipline and alignment with client expectations, while maintaining the team's long-term, bottom-up approach.</li> <li>Performance has been a bit challenged recently but not outside of expectations for the strategy's growth profile.</li> </ul>
<b>ACWI XUS SMALL CORE</b>									
Acadian	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>The rebranding of BrightSphere to Acadian Asset Management and the appointment of Kelly Young as the new overall firm CEO greatly lowers our concern of the firm being sold in the near future.</li> <li>The appointment of Fanesca Young as lead portfolio manager of Equities in 2023 has had little overall impact given the systematic nature of the process and depth of the investment team.</li> <li>Capacity is limited.</li> </ul>
<b>ACWI XUS SMALL GROWTH</b>									
WCM	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Co-CEO Kurt Winrich retired effective Dec. 31, 2021 and Mike Trigg was promoted to co-CEO effective Jan. 2025. Winrich continues to serve as chairman of the Board.</li> <li>In June 2023, WCM acquired Martin Capital; team will continue to operate independently from other teams under the WCM umbrella.</li> <li>The strategy has limited capacity.</li> <li>Performance struggled in 2022 and 2025 as growth fell out of favor and value was very strong.</li> </ul>

*Product Dynamics:* reflects noteworthy highlights of the portfolio and strategy including assets and portfolio characteristics.

*Short-Term Performance:* reflects periods of three years and under with a focus on whether or not the manager is performing within expectations.

*Long-Term Performance:* reflects periods of five years and longer with a focus on whether or not the manager is performing within expectations.

# The North Carolina Supplemental Retirement Plans Quarterly Manager Review

## Callan Manager Assessment

Vehicle	Manager Overall	Product People	Philosophy/Process	Implementation	Short Term Performance	Long Term Performance	Status	Product Overall	Notes
<b>CORE BOND</b>									
BlackRock Fixed Income Passive	●	●	●	●	●	●	Within Expectations	●	
<b>CORE PLUS BOND</b>									
Prudential Core Plus	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>PGIM provided ample notice of Mike Lillard's retirement and was transparent about John Vibert's transition to CEO.</li> <li>PGIM announced a slew of retirements in April 2024, most of which took effect in early 2025. These included the retirement of Head of Credit Richard Greenwood.</li> <li>In June 2025, PGIM announced the integration of the fixed income and private credit businesses. PGIM Fixed Income CEO John Vibert will lead the combined entity. This integration is expected to take place in early 2026.</li> </ul>
TCW Core Plus	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Continuing to monitor potential impacts to investment strategy consistency due to changes in senior leadership (departures of Generalists Tad Rivelle '21, Laird Landmann '23, Steve Kane '24, and securitized PM Harrison Choi '23), but the team remains deep and experienced and we support the recent announcements as a part of a transition to a new generation of leadership.</li> <li>The three, five, seven, and 10-year periods continue to rank in the bottom quartile versus peers as a result of a continuous conservative posture and adverse duration management positions in recent years. Year-to-date performance through December 2025 has improved, ranking above median.</li> </ul>
<b>US TIPS</b>									
Treasury Inflation Protected	●	●	●	●	●	●	Within Expectations	●	
<b>STABLE VALUE</b>									
Galliard Stable Value	●	●	●	●	●	●	Within Expectations	●	<ul style="list-style-type: none"> <li>Subsidiary of Allspring, which is majority owned by funds managed by PE firms GTCR and Reverence Capital. The funds hold approximately 71% ownership of Allspring; the remainder consists of employees (20%) and Wells Fargo (9%). Galliard maintains investment autonomy under Allspring.</li> <li>In April 2025, Allspring named President Kate Burke as its next CEO, effective July 1; former CEO Joe Sullivan remains Executive Chair following the transition. Sullivan, the former head of Legg Mason, was previously named CEO and chair of Allspring, replacing Nico Marais in 2021. Marais remains a senior adviser.</li> <li>Assets have stabilized since late 2020. The Galliard Stable Return Fund's put queue peaked in 2020 and has since decreased to 2017 levels.</li> </ul>

Product Dynamics: reflects noteworthy highlights of the portfolio and strategy including assets and portfolio characteristics.

Short-Term Performance: reflects periods of three years and under with a focus on whether or not the manager is performing within expectations.

Long-Term Performance: reflects periods of five years and longer with a focus on whether or not the manager is performing within expectations.

**The North Carolina Supplemental Retirement Plans  
Investment Manager Performance Monitoring Summary Report  
December 31, 2025**

Investment Manager	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	3 Year Return Consistency	5 Year Sharpe Ratio	5 Year Excess Rtn Ratio	5 Year Tracking Error	5 Year Risk
<b>Tier 2: Passive vs. Net of Fee Groups</b>									
<b>Fixed Income Passive (i)</b> Callan Core Bond MFs Blmbg Aggregate	1.0 61	7.2 77	4.7 87	-0.4 78		-0.5 90	-0.2 86	0.1 100	6.7 60
<b>Treasury Inflation Protected (i)</b> Callan TIPS MFs Blmbg US TIPS 1-10 Yr	0.3 1	7.4 19	5.0 14	2.5 5		-0.1 6	-0.1 6	0.3 96	4.5 95
<b>Large Cap Passive (i)</b> Callan Large Cap Core MFs S&P 500 Index	2.7 62	17.8 41	23.0 39	14.4 45		0.8 33	-1.2 99	0.0 99	14.4 58
<b>International Passive (i)</b> Callan Non US Equity MFs International Benchmark	4.4 47	32.5 44	17.1 51	7.7 56		0.3 56	0.1 54	1.0 99	15.1 87
<b>SMID Cap Passive (i)</b> Callan SMID Core MFs Russell 2500 Index	2.2 37	12.0 23	13.8 30	7.2 57		0.3 56	-0.2 76	0.1 100	15.0 37
<b>Inflation Responsive Fund (i)</b> Callan Real Assets MFs Inflation Responsive Benchmark	0.8 88	10.1 88	5.7 88	4.2 86		0.1 87	1.3 21	0.2 99	9.9 63
<b>Tier 2: Active vs. Net of Fee Groups</b>									
<b>Stable Value Fund</b> Callan Stable Value CT T-Bill + 1.5%	0.8 9	3.2 8	3.0 9	2.5 8		-2.1 10	-2.7 9	0.8 68	0.3 33
<b>Fixed Income Fund</b> Callan Core Plus MFs Blmbg Aggregate	1.2 16	8.0 25	5.7 39	0.1 55		-0.4 49	0.6 50	0.8 70	7.3 21
<b>TCW Core Plus</b> Callan Core Plus MFs Blmbg Aggregate	1.2 25	7.9 29	4.9 86	-0.3 82		-0.5 81	0.0 82	0.7 85	7.3 21

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Return Consistency:  
■ above median  
■ third quartile  
■ fourth quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

(i) - Indexed scoring method used. Green: manager & index ranking differ by <= +/- 10%tile. Gold: manager & index ranking differ by <= +/- 20%tile. Blue: manager & index ranking differ by > +/- 20%tile.

**The North Carolina Supplemental Retirement Plans  
Investment Manager Performance Monitoring Summary Report  
December 31, 2025**

Investment Manager	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	3 Year Return Consistency	5 Year Sharpe Ratio	5 Year Excess Rtn Ratio	5 Year Tracking Error	5 Year Risk
<b>Prudential Core Plus</b> Callan Core Plus MFs Blmbg Aggregate	1.3 14	8.2 20	6.6 7	0.5 25		-0.4 19	0.6 38	1.4 21	7.4 16
<b>Large Cap Core Equity Fund</b> Callan Lg Cap Broad MF Russell 1000 Index	0.9 75	15.8 47	21.9 48	11.5 63		0.5 64	-0.6 88	3.5 84	15.9 40
<b>Boston Partners LCV</b> Callan Lg Cap Value MF Russell 1000 Value Index	2.7 63								
	3.8 49	15.9 44	13.9 45	11.3 63		0.7 65			12.5 62
<b>Hotchkis &amp; Wiley Large Cap Value</b> Callan Lg Cap Value MF Russell 1000 Value Index	4.5 23	18.1 23	16.0 23	13.9 23		0.7 47	0.5 30	5.1 17	15.0 13
	3.8 49	15.9 44	13.9 45	11.3 63		0.7 65			12.5 62
<b>Sands Capital Large Cap Growth</b> Callan Large Cap Grwth MF Russell 1000 Growth Index	-5.8 100	14.9 58	29.6 36	3.3 100		0.0 100	-0.9 60	14.1 1	29.2 1
	1.1 47	18.6 14	31.2 18	15.3 7		0.6 9			19.7 56
<b>Loomis Sayles Large Cap Growth</b> Callan Large Cap Grwth MF Russell 1000 Growth Index	0.3 64	15.6 42	33.3 10	15.4 6		0.6 11	0.0 6	5.7 37	20.9 32
	1.1 47	18.6 14	31.2 18	15.3 7		0.6 9			19.7 56
<b>BlackRock Russell 1000 Index (i)</b> Callan Large Cap Core MFs Russell 1000 Index	2.4 72	17.3 45	22.7 40	13.6 58		0.7 59	0.1 54	0.1 99	14.6 53
	2.4 71	17.4 44	22.7 40	13.6 58		0.7 56			14.5 57
<b>International Equity Fund</b> Callan Non US Equity MFs International Benchmark	3.5 64	28.2 60	17.7 44	5.9 73		0.2 73	-0.5 77	3.6 90	16.7 39
	4.8 42	32.0 45	17.1 51	7.6 57		0.3 56			14.9 90
<b>Mondrian ACWI ex-US Value</b> Callan Non US Equity MFs MSCI ACWI ex US	6.8 15	37.6 24	20.7 18	10.9 20		0.5 13	0.7 19	4.4 69	15.1 87
	5.1 32	32.4 44	17.3 47	7.9 55		0.3 53			14.7 90
<b>Baillie Gifford ACWI ex-US Growth</b> Callan Non US Equity MFs MSCI ACWI ex US	1.7 83	19.9 87	14.9 72	1.7 94		-0.1 92	-0.8 88	7.4 11	19.3 4
	5.1 32	32.4 44	17.3 47	7.9 55		0.3 53			14.7 90

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Return Consistency:  
■ above median  
■ third quartile  
■ fourth quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

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**The North Carolina Supplemental Retirement Plans  
Investment Manager Performance Monitoring Summary Report  
December 31, 2025**

Investment Manager	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	3 Year Return Consistency	5 Year Sharpe Ratio	5 Year Excess Rtn Ratio	5 Year Tracking Error	5 Year Risk
<b>Acadian</b> Callan Intl Small Cap MFs MSCI ACWI ex US Small Cap	2.9 <sup>36</sup>	31.2 <sup>36</sup>	19.7 <sup>17</sup>	12.0 <sup>13</sup>		0.6 <sup>16</sup>	1.2 <sup>9</sup>	4.2 <sup>90</sup>	15.6 <sup>85</sup>
	3.0 <sup>36</sup>	29.3 <sup>48</sup>	15.6 <sup>40</sup>	6.9 <sup>44</sup>		0.2 <sup>42</sup>			15.9 <sup>79</sup>
<b>WCM</b> Callan Intl Small Cap MFs MSCI ACWI ex US Small Cap	-5.8 <sup>95</sup>	19.0 <sup>71</sup>	14.8 <sup>43</sup>	0.4 <sup>84</sup>		-0.1 <sup>79</sup>	-0.5 <sup>59</sup>	12.3 <sup>2</sup>	23.9 <sup>1</sup>
	3.0 <sup>36</sup>	29.3 <sup>48</sup>	15.6 <sup>40</sup>	6.9 <sup>44</sup>		0.2 <sup>42</sup>			15.9 <sup>79</sup>
<b>Small/Mid Cap Equity Fund</b> Callan SMID Broad MFs Russell 2500 Index	1.4 <sup>51</sup>	5.3 <sup>45</sup>	8.8 <sup>82</sup>	5.4 <sup>47</sup>		0.2 <sup>45</sup>	-0.5 <sup>66</sup>	3.4 <sup>99</sup>	13.1 <sup>94</sup>
	2.2 <sup>36</sup>	11.9 <sup>7</sup>	13.7 <sup>28</sup>	7.3 <sup>37</sup>		0.3 <sup>38</sup>			15.0 <sup>65</sup>
<b>AB SMID Value</b> Callan SMID Value MFs Russell 2500 Value Index	0.9 <sup>69</sup>	3.1 <sup>81</sup>							
	3.1 <sup>27</sup>	12.7 <sup>15</sup>	13.2 <sup>21</sup>	10.0 <sup>23</sup>		0.5 <sup>36</sup>			15.1 <sup>55</sup>
<b>Earnest Partners Small/Mid Cap</b> Callan SMID Core MFs Russell 2500 Index	1.4 <sup>48</sup>	7.1 <sup>45</sup>	8.7 <sup>82</sup>	6.4 <sup>75</sup>		0.2 <sup>69</sup>	-0.2 <sup>72</sup>	5.6 <sup>25</sup>	13.6 <sup>86</sup>
	2.2 <sup>37</sup>	11.9 <sup>23</sup>	13.7 <sup>30</sup>	7.3 <sup>57</sup>		0.3 <sup>56</sup>			15.0 <sup>38</sup>
<b>Brown Advisory Small/Mid Cap Growth</b> Callan SMID Growth MFs Russell 2500 Growth Index	1.7 <sup>49</sup>	3.1 <sup>63</sup>	7.2 <sup>90</sup>	1.3 <sup>61</sup>		-0.1 <sup>72</sup>	-0.3 <sup>60</sup>	6.3 <sup>48</sup>	12.8 <sup>96</sup>
	0.3 <sup>75</sup>	10.3 <sup>11</sup>	14.3 <sup>31</sup>	3.0 <sup>36</sup>		-0.0 <sup>36</sup>			17.1 <sup>52</sup>
<b>BlackRock Russell 2500 Index (i)</b> Callan SMID Core MFs Russell 2500 Index	2.2 <sup>37</sup>	12.1 <sup>22</sup>	14.0 <sup>29</sup>	7.3 <sup>57</sup>		0.3 <sup>56</sup>	0.1 <sup>42</sup>	0.2 <sup>100</sup>	15.1 <sup>35</sup>
	2.2 <sup>37</sup>	11.9 <sup>23</sup>	13.7 <sup>30</sup>	7.3 <sup>57</sup>		0.3 <sup>56</sup>			15.0 <sup>38</sup>

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Return Consistency:  
■ above median  
■ third quartile  
■ fourth quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

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**The North Carolina Supplemental Retirement Plans  
Investment Manager Performance Monitoring Summary Report  
December 31, 2025**

Investment Manager	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	3 Year Return Consistency	5 Year Sharpe Ratio	5 Year Excess Rtn Ratio	5 Year Tracking Error	5 Year Risk
<b>Tier 2: Active vs. Gross of Fee Groups</b>									
<b>Stable Value Fund</b>									
<b>Galliard Stable Value</b> Callan Stable Value SA T-Bill + 1.5%	0.8 36	3.3 39	3.1 41	2.6 36		-1.7 40	-2.5 46	0.8 54	0.3 52
	1.3 3	5.7 2	6.3 1	4.7 2		1.4 4			1.1 1
<b>Fixed Income Fund</b>									
<b>TCW Core Plus</b> Callan Core Bond FI Blmbg Aggregate	1.2 20	8.0 13	5.1 76	-0.2 89		-0.5 67	0.2 92	0.7 16	7.3 5
	1.1 68	7.3 93	4.7 93	-0.4 97		-0.5 97			6.7 55
<b>Prudential Core Plus</b> Callan Core Bond FI Blmbg Aggregate	1.3 6	8.2 8	6.6 1	0.5 8		-0.4 3	0.6 72	1.4 3	7.4 4
	1.1 68	7.3 93	4.7 93	-0.4 97		-0.5 97			6.7 55
<b>Large Cap Core Equity Fund</b>									
<b>Boston Partners LCV</b> Callan Large Cap Value Russell 1000 Value Index	2.8 76								12.5 73
	3.8 61	15.9 56	13.9 60	11.3 82		0.7 81			
<b>Hotchkis &amp; Wiley Large Cap Value</b> Callan Large Cap Value Russell 1000 Value Index	4.6 39	18.6 28	16.4 26	14.3 30		0.7 53	0.6 41	5.1 19	15.0 2
	3.8 61	15.9 56	13.9 60	11.3 82		0.7 81			12.5 73
<b>Sands Capital Large Cap Growth</b> Callan Large Cap Growth Russell 1000 Growth Index	-5.6 99	15.3 57	30.2 37	3.7 97		0.0 98	-0.8 76	14.1 1	29.3 1
	1.1 42	18.6 19	31.2 26	15.3 15		0.6 23			19.7 55
<b>Loomis Sayles Large Cap Growth</b> Callan Large Cap Growth Russell 1000 Growth Index	0.4 62	16.0 47	33.8 6	15.9 10		0.6 23	0.1 12	5.7 38	20.9 25
	1.1 42	18.6 19	31.2 26	15.3 15		0.6 23			19.7 55
<b>BlackRock Russell 1000 Index (i)</b> Callan Large Cap Core Russell 1000 Index	2.4 69	17.3 43	22.7 55	13.6 62		0.7 67	0.1 57	0.1 100	14.6 52
	2.4 69	17.4 42	22.7 54	13.6 62		0.7 67			14.5 54

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Return Consistency:  
■ above median  
■ third quartile  
■ fourth quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

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**The North Carolina Supplemental Retirement Plans  
Investment Manager Performance Monitoring Summary Report  
December 31, 2025**

Investment Manager	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	3 Year Return Consistency	5 Year Sharpe Ratio	5 Year Excess Rtn Ratio	5 Year Tracking Error	5 Year Risk
<b>International Fund</b>									
<b>Mondrian ACWI ex-US Value</b> Callan NonUS Eq	6.9 15	38.0 25	21.2 22	11.3 26		0.5 26	0.8 29	4.4 59	15.1 81
MSCI ACWI ex US	5.1 38	32.4 51	17.3 58	7.9 60		0.3 55			14.7 93
<b>Baillie Gifford ACWI ex-US Growth</b> Callan NonUS Eq	1.8 87	20.2 85	15.2 74	2.0 95		-0.1 95	-0.8 91	7.4 14	19.3 6
MSCI ACWI ex US	5.1 38	32.4 51	17.3 58	7.9 60		0.3 55			14.7 93
<b>Acadian</b> Callan Intl Small Cap	3.1 31	32.0 39	20.4 27	12.9 13		0.6 13	1.4 13	4.2 71	15.6 97
MSCI ACWI ex US Small Cap	3.0 33	29.3 64	15.6 50	6.9 45		0.2 42			15.9 95
<b>WCM</b> Callan Intl Small Cap	-5.6 99	19.8 85	15.6 52	1.4 82		-0.1 77	-0.4 57	12.3 1	23.9 1
MSCI ACWI ex US Small Cap	3.0 33	29.3 64	15.6 50	6.9 45		0.2 42			15.9 95
<b>Small/Mid Cap Equity Fund</b>									
<b>AB SMID Value</b> Callan Small/MidCap Value	1.0 89	3.6 95	10.7 85	9.5 70		0.4 75	-0.1 75	4.0 75	16.1 30
Russell 2500 Value Index	3.1 20	12.7 7	13.2 39	10.0 54		0.5 64			15.1 59
<b>Earnest Partners Small/Mid Cap</b> Callan Small/MidCap Core	1.5 63	7.6 55	9.2 76	7.4 57		0.3 49	0.0 57	5.6 34	13.7 83
Russell 2500 Index	2.2 47	11.9 20	13.7 33	7.3 61		0.3 56			15.0 45
<b>Brown Advisory Small/Mid Cap Growth</b> Callan Sm/MidCap Growth	1.8 57	3.5 64	7.6 90	1.7 76		-0.1 83	-0.2 76	6.3 57	12.8 99
Russell 2500 Growth Index	0.3 74	10.3 37	14.3 41	3.0 57		-0.0 57			17.1 49
<b>BlackRock Russell 2500 Index (i)</b> Callan Small/MidCap Core	2.2 46	12.1 17	14.0 32	7.3 60		0.3 56	0.2 38	0.2 100	15.1 44
Russell 2500 Index	2.2 47	11.9 20	13.7 33	7.3 61		0.3 56			15.0 45

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Return Consistency:  
■ above median  
■ third quartile  
■ fourth quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

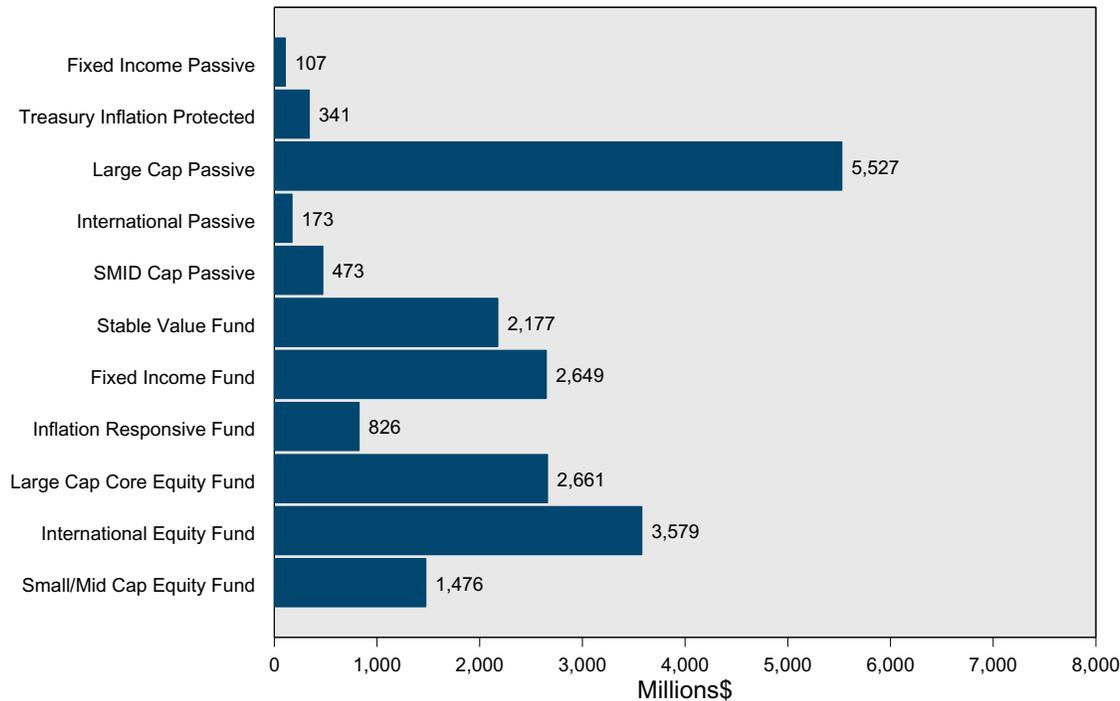
(i) - Indexed scoring method used. Green: manager & index ranking differ by <= +/- 10%tile. Gold: manager & index ranking differ by <= +/- 20%tile. Blue: manager & index ranking differ by > +/- 20%tile.



## Changes in Investment Fund Balances Period Ended December 31, 2025

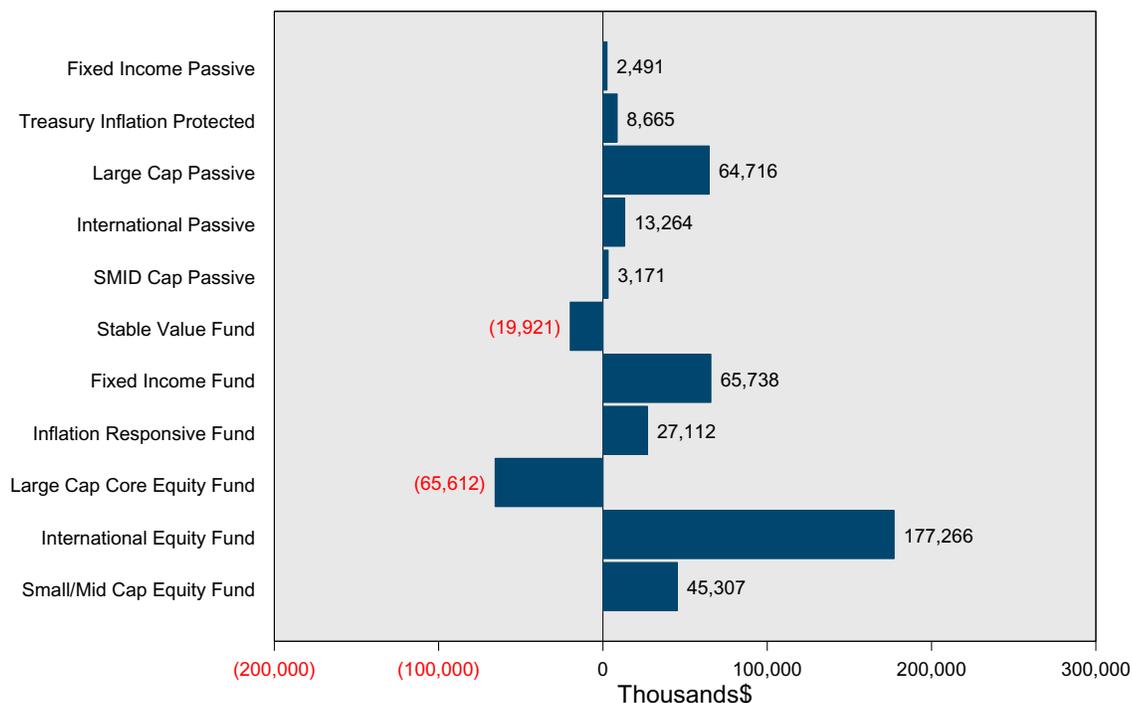
### Allocation Across Investment Options

The chart below illustrates the allocation of the aggregate fund assets across the various investment options for the quarter ended December 31, 2025.



### Changes in Fund Values

The chart below shows the net change in fund values across the various investment options for the quarter ended December 31, 2025. The change in value for each fund is the result of a combination of 3 factors: 1) market movements; 2) contributions or disbursements into or out of the funds by the participants (and any matching done by the company); and 3) transfers between funds by the participants.



## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

	2025		2024		2023		2022		2021	
<b>Tier 2: Passive (Net of Fee)</b>										
Fixed Income Passive	7.19%	77	1.34%	82	5.62%	83	(13.09%)	30	(1.66%)	81
Blmbg Aggregate	7.30%	68	1.25%	85	5.53%	86	(13.01%)	28	(1.54%)	78
Callan Core Bond MFs	7.40%		1.79%		5.96%		(13.48%)		(1.17%)	
Large Cap Passive	17.76%	41	25.01%	34	26.27%	40	(18.15%)	56	28.67%	33
S&P 500 Index	17.88%	40	25.02%	33	26.29%	40	(18.11%)	56	28.71%	33
Callan Large Cap Core MFs	16.91%		23.41%		24.67%		(17.10%)		27.20%	
International Passive	32.54%	44	5.01%	40	15.30%	77	(16.14%)	55	7.68%	69
International Benchmark (1)	31.96%	45	5.23%	39	15.62%	75	(16.58%)	56	7.64%	69
Callan Non US Equity MFs	29.98%		4.41%		17.70%		(15.77%)		9.47%	
SMID Cap Passive	11.97%	23	11.96%	46	17.41%	39	(18.48%)	62	18.22%	84
Russell 2500 Index	11.91%	23	12.00%	42	17.42%	39	(18.37%)	61	18.18%	84
Callan SMID Core MFs	6.21%		11.44%		16.33%		(17.22%)		23.76%	
Inflation Responsive Fund	10.06%	88	3.03%	79	4.06%	54	(12.05%)	84	18.58%	41
Inflation Responsive Benchmark	9.89%	88	2.65%	81	3.75%	58	(12.18%)	84	18.51%	41
Callan Real Assets MFs	16.72%		5.17%		4.49%		(6.13%)		16.83%	

(1) As of 9/30/21, International Benchmark consists of MSCI ACWI ex-US IMI, previously consisted of MSCI ACWI ex-US.

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

	2025		2024		2023		2022		2021	
<b>Tier 2: Active (Net of Fee)</b>										
<b>Stable Value Fund</b>	<b>3.21%</b>	<b>8</b>	<b>3.06%</b>	<b>11</b>	<b>2.72%</b>	<b>9</b>	<b>1.85%</b>	<b>14</b>	<b>1.76%</b>	<b>7</b>
3 Yr US Treas Rolling	3.74%	1	4.23%	1	4.31%	1	3.12%	1	0.47%	98
T-Bill + 1.5%	5.68%	1	6.75%	1	6.51%	1	2.96%	1	1.55%	24
Callan Stable Value CT	2.57%		2.44%		2.35%		1.47%		1.28%	
<b>Fixed Income Fund</b>	<b>8.02%</b>	<b>25</b>	<b>2.17%</b>	<b>62</b>	<b>7.14%</b>	<b>30</b>	<b>(14.40%)</b>	<b>68</b>	<b>(0.87%)</b>	<b>65</b>
Blmbg Aggregate	7.30%	76	1.25%	88	5.53%	91	(13.01%)	30	(1.54%)	91
Callan Core Plus MFs	7.58%		2.30%		6.56%		(13.91%)		(0.42%)	
TCW Core Plus	7.85%	18	1.06%	93	6.03%	44	(14.25%)	87	(0.77%)	23
Blmbg Aggregate	7.30%	68	1.25%	85	5.53%	86	(13.01%)	28	(1.54%)	78
Callan Core Bond MFs	7.40%		1.79%		5.96%		(13.48%)		(1.17%)	
Prudential Core Plus	8.21%	20	3.30%	13	8.30%	1	(14.61%)	75	(0.87%)	65
Blmbg Aggregate	7.30%	76	1.25%	88	5.53%	91	(13.01%)	30	(1.54%)	91
Callan Core Plus MFs	7.58%		2.30%		6.56%		(13.91%)		(0.42%)	
<b>Large Cap Core Equity Fund</b>	<b>15.76%</b>	<b>47</b>	<b>21.00%</b>	<b>55</b>	<b>29.29%</b>	<b>43</b>	<b>(21.50%)</b>	<b>61</b>	<b>21.13%</b>	<b>78</b>
Russell 1000 Index	17.37%	31	24.51%	45	26.53%	48	(19.13%)	54	26.45%	39
Callan Lg Cap Broad MF	15.59%		23.41%		25.85%		(18.55%)		25.50%	
Hotchkis & Wiley Large Cap Value	18.14%	23	12.60%	68	17.30%	19	(4.81%)	44	28.97%	23
Russell 1000 Value Index	15.91%	44	14.37%	49	11.46%	51	(7.54%)	74	25.16%	61
Callan Lg Cap Value MF	15.43%		14.18%		11.77%		(5.35%)		26.02%	
Sands Capital Large Cap Growth	14.85%	58	24.59%	81	52.09%	9	(48.65%)	99	5.03%	99
Russell 1000 Growth Index	18.56%	14	33.36%	25	42.68%	41	(29.14%)	29	27.60%	19
Callan Large Cap Grwth MF	15.34%		30.25%		40.65%		(31.70%)		22.39%	
Loomis Sayles Large Cap Growth	15.60%	42	34.75%	22	52.01%	10	(27.31%)	19	19.06%	70
Russell 1000 Growth Index	18.56%	14	33.36%	25	42.68%	41	(29.14%)	29	27.60%	19
Callan Large Cap Grwth MF	15.34%		30.25%		40.65%		(31.70%)		22.39%	
<b>International Equity Fund</b>	<b>28.15%</b>	<b>60</b>	<b>6.14%</b>	<b>34</b>	<b>19.99%</b>	<b>17</b>	<b>(21.19%)</b>	<b>73</b>	<b>3.39%</b>	<b>89</b>
International Benchmark (1)	31.96%	45	5.23%	39	15.62%	75	(16.58%)	56	7.64%	69
Callan Non US Equity MFs	29.98%		4.41%		17.70%		(15.77%)		9.47%	
Mondrian ACWI ex-US Value	37.55%	24	6.23%	33	20.46%	14	(11.52%)	22	7.78%	69
MSCI ACWI ex US	32.39%	44	5.53%	37	15.62%	75	(16.00%)	55	7.82%	69
MSCI ACWI ex US Value	39.50%	14	6.04%	34	17.30%	52	(8.59%)	11	10.46%	43
Callan Non US Equity MFs	29.98%		4.41%		17.70%		(15.77%)		9.47%	
Baillie Gifford ACWI ex-US Growth	19.94%	87	5.50%	37	19.88%	18	(28.01%)	89	(0.30%)	98
MSCI ACWI ex US	32.39%	44	5.53%	37	15.62%	75	(16.00%)	55	7.82%	69
MSCI ACWI ex US Growth	25.65%	75	5.07%	40	14.03%	87	(23.05%)	79	5.09%	84
Callan Non US Equity MFs	29.98%		4.41%		17.70%		(15.77%)		9.47%	
<b>Small/Mid Cap Equity Fund</b>	<b>5.25%</b>	<b>45</b>	<b>6.78%</b>	<b>89</b>	<b>14.75%</b>	<b>63</b>	<b>(15.69%)</b>	<b>38</b>	<b>19.76%</b>	<b>48</b>
Russell 2500 Index	11.91%	7	12.00%	48	17.42%	45	(18.37%)	47	18.18%	54
Callan SMID Broad MFs	4.69%		11.71%		16.85%		(20.87%)		19.19%	
Brown Advisory Small/Mid Cap Growth	3.10%	63	5.50%	96	13.28%	85	(19.99%)	8	8.38%	67
Russell 2500 Growth Index	10.31%	11	13.90%	45	18.93%	47	(26.21%)	39	5.04%	85
Callan SMID Growth MFs	4.99%		13.06%		18.77%		(28.43%)		10.23%	

(1) As of 9/30/21, International Benchmark consists of MSCI ACWI ex-US IMI, previously consisted of MSCI ACWI ex-US.

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods ended December 31, 2025. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

### Returns and Rankings for Periods Ended December 31, 2025

	Last Quarter		Last Year		Last 3 Years		Last 5 Years		Since Inception	
<b>Tier 2: Active (Gross of Fee)</b>										
<b>Stable Value Fund</b>										
Galliard Stable Value	0.83%	36	3.30%	39	3.10%	41	2.64%	36	2.56%	(1/11)
3 Yr US Treas Rolling	0.87%	12	3.74%	10	4.10%	5	3.17%	9	1.77%	(1/11)
T-Bill + 1.5%	1.34%	3	5.68%	2	6.31%	1	4.67%	2	2.97%	(1/11)
Callan Stable Value SA	0.80%		3.13%		2.91%		2.57%		-	
<b>Fixed Income Fund</b>										
TCW Core Plus	1.23%	20	8.01%	13	5.07%	76	(0.21%)	89	2.40%	(1/17)
Blmbg Aggregate	1.10%	68	7.30%	93	4.66%	93	(0.36%)	97	1.94%	(1/17)
Callan Core Bond FI	1.14%		7.66%		5.21%		0.09%		-	
Prudential Core Plus	1.28%	6	8.21%	8	6.58%	1	0.49%	8	3.25%	(1/15)
Blmbg Aggregate	1.10%	68	7.30%	93	4.66%	93	(0.36%)	97	1.87%	(1/15)
Callan Core Bond FI	1.14%		7.66%		5.21%		0.09%		-	
<b>Large Cap Core Equity Fund</b>										
Hotchkis & Wiley Large Cap Value	4.60%	39	18.59%	28	16.43%	26	14.34%	30	15.40%	(4/09)
Russell 1000 Value Index	3.81%	61	15.91%	56	13.90%	60	11.33%	82	12.97%	(4/09)
Callan Large Cap Value	4.46%		16.42%		14.93%		13.09%		-	
Sands Capital Large Cap Growth	(5.64%)	99	15.34%	57	30.15%	37	3.72%	97	18.27%	(4/09)
Russell 1000 Growth Index	1.12%	42	18.56%	19	31.15%	26	15.32%	15	18.29%	(4/09)
Callan Large Cap Growth	0.97%		15.79%		29.01%		12.80%		-	
Loomis Sayles Large Cap Growth	0.39%	62	16.01%	47	33.75%	6	15.85%	10	17.59%	(8/14)
Russell 1000 Growth Index	1.12%	42	18.56%	19	31.15%	26	15.32%	15	17.06%	(8/14)
Callan Large Cap Growth	0.97%		15.79%		29.01%		12.80%		-	
BlackRock Russell 1000 Index	2.39%	69	17.30%	43	22.73%	55	13.60%	62	14.30%	(11/17)
Russell 1000 Index	2.41%	69	17.37%	42	22.74%	54	13.59%	62	14.32%	(11/17)
Callan Large Cap Core	3.16%		16.97%		22.82%		14.23%		-	
<b>International Equity Fund</b>										
Mondrian ACWI ex-US Value	6.92%	15	38.04%	25	21.18%	22	11.33%	26	9.24%	(4/09)
MSCI ACWI ex US	5.05%	38	32.39%	51	17.33%	58	7.91%	60	8.89%	(4/09)
MSCI ACWI ex US Value	7.61%	8	39.50%	17	20.17%	31	11.87%	22	8.76%	(4/09)
Callan NonUS Eq	4.60%		32.59%		17.98%		8.75%		-	
Baillie Gifford ACWI ex-US Growth	1.78%	87	20.24%	85	15.19%	74	1.98%	95	10.46%	(4/09)
MSCI ACWI ex US	5.05%	38	32.39%	51	17.33%	58	7.91%	60	8.89%	(4/09)
MSCI ACWI ex US Growth	2.56%	78	25.65%	70	14.61%	79	4.01%	89	8.90%	(4/09)
Callan NonUS Eq	4.60%		32.59%		17.98%		8.75%		-	
<b>Small/Mid Cap Equity Fund</b>										
AB SMID Value	1.01%	89	3.56%	95	-	-	-	-	3.96%	(4/24)
Russell 2500 Value Index	3.15%	20	12.73%	7	13.21%	39	10.02%	54	9.90%	(4/24)
Callan Small/MidCap Value	2.07%		9.23%		12.85%		11.30%		-	
Earnest Partners Small/Mid Cap	1.53%	63	7.57%	55	9.20%	76	-	-	5.19%	(4/21)
Russell 2500 Index	2.22%	47	11.91%	20	13.75%	33	7.26%	61	5.33%	(4/21)
Callan Small/MidCap Core	2.20%		7.96%		12.49%		7.62%		-	
Brown Advisory Small/Mid Cap Growth	1.82%	57	3.51%	64	7.61%	90	1.71%	76	13.84%	(4/09)
Russell 2500 Growth Index	0.33%	74	10.31%	37	14.32%	41	2.98%	57	14.09%	(4/09)
Callan Sm/MidCap Growth	2.20%		6.88%		13.18%		3.43%		-	
BlackRock Russell 2500 Index	2.24%	46	12.07%	17	13.99%	32	7.30%	60	9.20%	(11/17)
Russell 2500 Index	2.22%	47	11.91%	20	13.75%	33	7.26%	61	9.06%	(11/17)
Callan Small/MidCap Core	2.20%		7.96%		12.49%		7.62%		-	

## Investment Fund Returns and Peer Group Rankings

The table below details the rates of return and peer group rankings for the Fund's investment funds over various time periods. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized.

	2025		2024		2023		2022		2021	
<b>Tier 2: Active (Gross of Fee)</b>										
<b>Stable Value Fund</b>										
Galliard Stable Value	3.30%	39	3.18%	32	2.83%	28	1.98%	47	1.91%	42
3 Yr US Treas Rolling	3.74%	10	4.23%	4	4.31%	3	3.12%	4	0.47%	97
T-Bill + 1.5%	5.68%	2	6.75%	1	6.51%	1	2.96%	4	1.55%	81
Callan Stable Value SA	3.13%		2.92%		2.71%		1.96%		1.84%	
<b>Fixed Income Fund</b>										
TCW Core Plus	8.01%	13	1.12%	97	6.19%	49	(14.12%)	96	(0.65%)	22
Blmbg Aggregate	7.30%	93	1.25%	93	5.53%	86	(13.01%)	58	(1.54%)	88
Callan Core Bond FI	7.66%		1.93%		6.17%		(12.91%)		(1.03%)	
Prudential Core Plus	8.21%	8	3.30%	4	8.30%	1	(14.61%)	98	(0.87%)	40
Blmbg Aggregate	7.30%	93	1.25%	93	5.53%	86	(13.01%)	58	(1.54%)	88
Callan Core Bond FI	7.66%		1.93%		6.17%		(12.91%)		(1.03%)	
<b>Large Cap Core Equity Fund</b>										
Hotchkis & Wiley Large Cap Value	18.59%	28	13.04%	68	17.75%	18	(4.39%)	49	29.47%	39
Russell 1000 Value Index	15.91%	56	14.37%	57	11.46%	63	(7.54%)	80	25.16%	79
Callan Large Cap Value	16.42%		15.56%		12.85%		(4.93%)		28.35%	
Sands Capital Large Cap Growth	15.34%	57	25.15%	70	52.73%	3	(48.40%)	97	5.50%	96
Russell 1000 Growth Index	18.56%	19	33.36%	25	42.68%	37	(29.14%)	43	27.60%	25
Callan Large Cap Growth	15.79%		30.20%		40.56%		(30.21%)		24.35%	
Loomis Sayles Large Cap Growth	16.01%	47	35.22%	21	52.54%	5	(27.00%)	31	19.48%	78
Russell 1000 Growth Index	18.56%	19	33.36%	25	42.68%	37	(29.14%)	43	27.60%	25
Callan Large Cap Growth	15.79%		30.20%		40.56%		(30.21%)		24.35%	
<b>International Equity Fund</b>										
Mondrian ACWI ex-US Value	38.04%	25	6.63%	40	20.91%	19	(11.16%)	21	8.20%	73
MSCI ACWI ex US	32.39%	51	5.53%	53	15.62%	80	(16.00%)	53	7.82%	77
MSCI ACWI ex US Value	39.50%	17	6.04%	48	17.30%	59	(8.59%)	13	10.46%	59
Callan NonUS Eq	32.59%		5.96%		18.13%		(15.29%)		11.54%	
Baillie Gifford ACWI ex-US Growth	20.24%	85	5.77%	52	20.17%	27	(27.82%)	92	(0.04%)	98
MSCI ACWI ex US	32.39%	51	5.53%	53	15.62%	80	(16.00%)	53	7.82%	77
MSCI ACWI ex US Growth	25.65%	70	5.07%	57	14.03%	91	(23.05%)	83	5.09%	91
Callan NonUS Eq	32.59%		5.96%		18.13%		(15.29%)		11.54%	
<b>Small/Mid Cap Equity Fund</b>										
Brown Advisory Small/Mid Cap Growth	3.51%	64	5.84%	91	13.73%	81	(19.67%)	6	8.77%	75
Russell 2500 Growth Index	10.31%	37	13.90%	48	18.93%	39	(26.21%)	34	5.04%	86
Callan Sm/MidCap Growth	6.88%		13.69%		18.53%		(28.40%)		12.52%	

# Galliard Stable Value Period Ended December 31, 2025

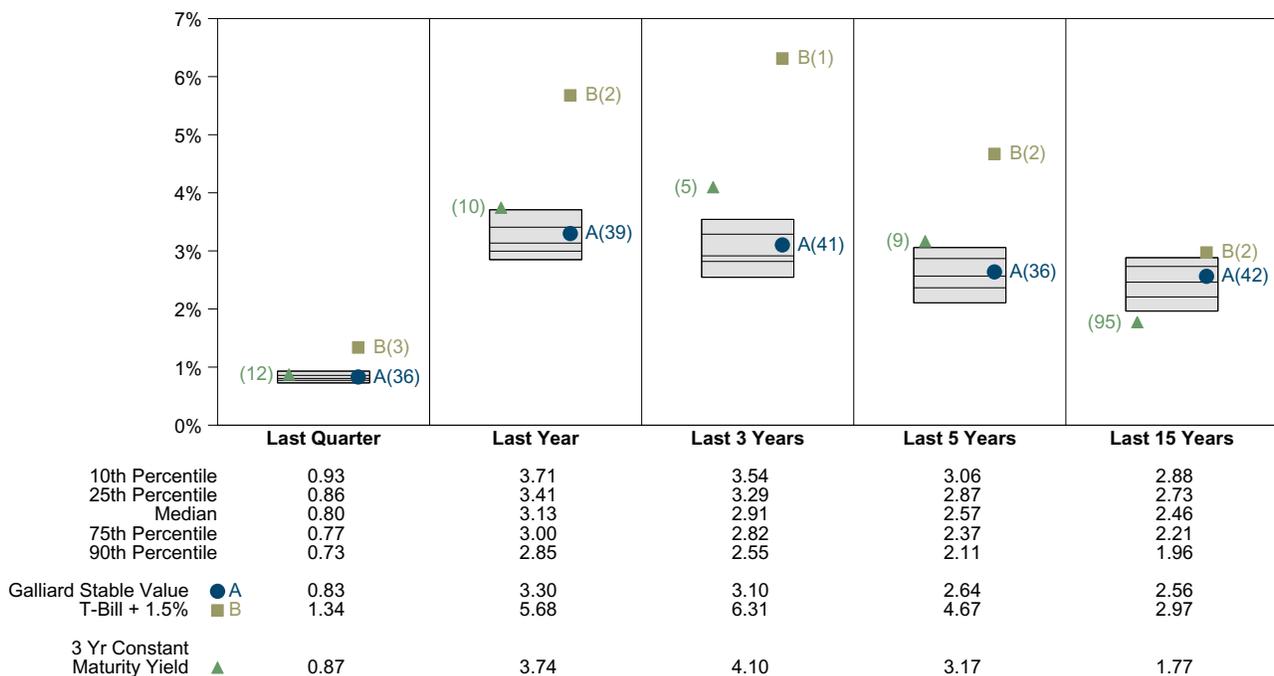
## Investment Philosophy

Galliard manages stable value portfolios with a focus on principal preservation, liquidity, and income generation. These goals are balanced with a conservative approach to underlying fixed income portfolios and active wrap contract management. Galliard's fixed income team seeks to generate diversified sources of income over treasuries by emphasizing higher quality sectors, while external managers are systematically reviewed and approved as subadvisers to complement the overall structure.

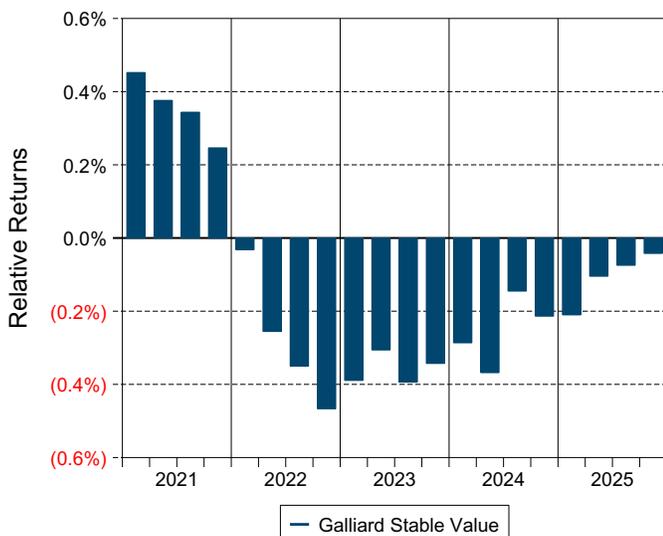
## Quarterly Summary and Highlights

- Galliard Stable Value's portfolio posted a 0.83% return for the quarter placing it in the 36 percentile of the Callan Stable Value SA group for the quarter and in the 39 percentile for the last year.
- Galliard Stable Value's portfolio underperformed the 3 Yr Constant Maturity Yield by 0.04% for the quarter and underperformed the 3 Yr Constant Maturity Yield for the year by 0.45%.

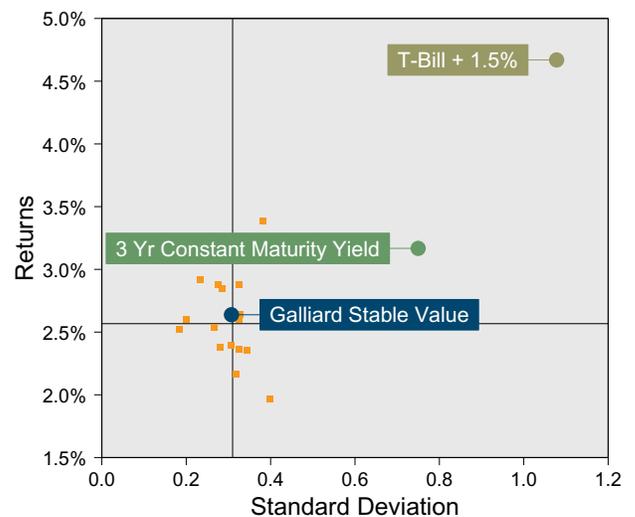
## Performance vs Callan Stable Value SA (Gross)



## Relative Returns vs 3 Yr Constant Maturity Yield



## Callan Stable Value SA (Gross) Annualized Five Year Risk vs Return



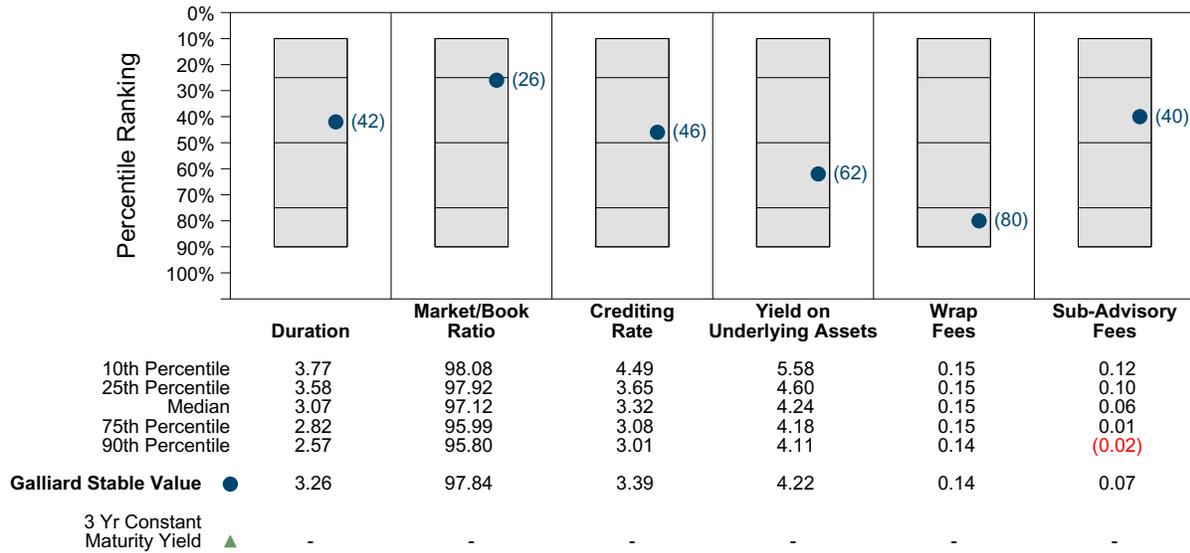
# Galliard Stable Value

## Stable Value Characteristics Analysis Summary

### Portfolio Characteristics

This graph compares the stable value fund's portfolio characteristics with the range of characteristics for the portfolios which make up the fund's style group. This analysis illustrates whether the fund's current structure is consistent with other funds employing the same style.

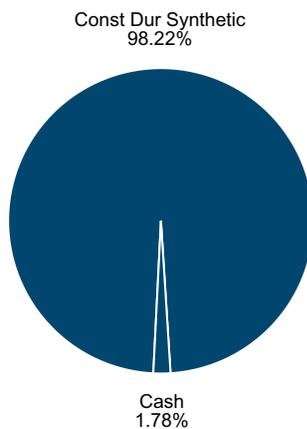
### Portfolio Characteristics Percentile Rankings Rankings Against Callan Stable Value SA as of December 31, 2025



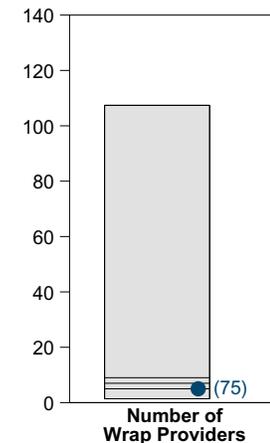
### Wrap Structure and Diversification

The graph below represents the stable value fund's wrap contract structure as of the most recent reporting period. The fund's overall wrap structure may include exposure to constant duration or maturing synthetic GIC contracts, traditional GIC contracts, cash, or other exposures. These contracts allow stable value portfolios to maintain book value accounting practices and a stable net asset value.

#### Portfolio Wrap Exposure December 31, 2025



#### Wrap Contract Diversification December 31, 2025



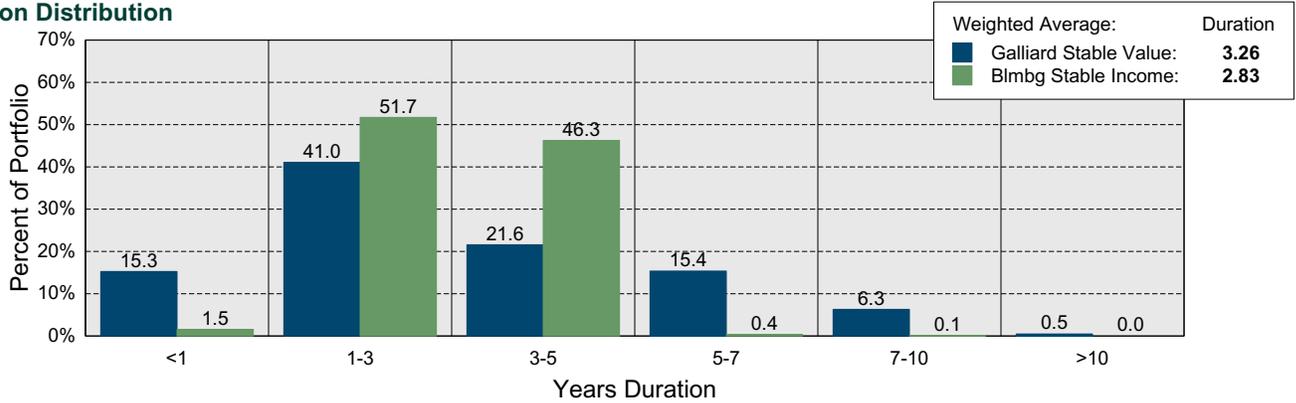
10th Percentile	107.4
25th Percentile	9.0
Median	7.0
75th Percentile	5.0
90th Percentile	1.4
<b>Galliard Stable Value</b>	● 5.0

# Galliard Stable Value Stable Value Portfolio Characteristics Summary As of December 31, 2025

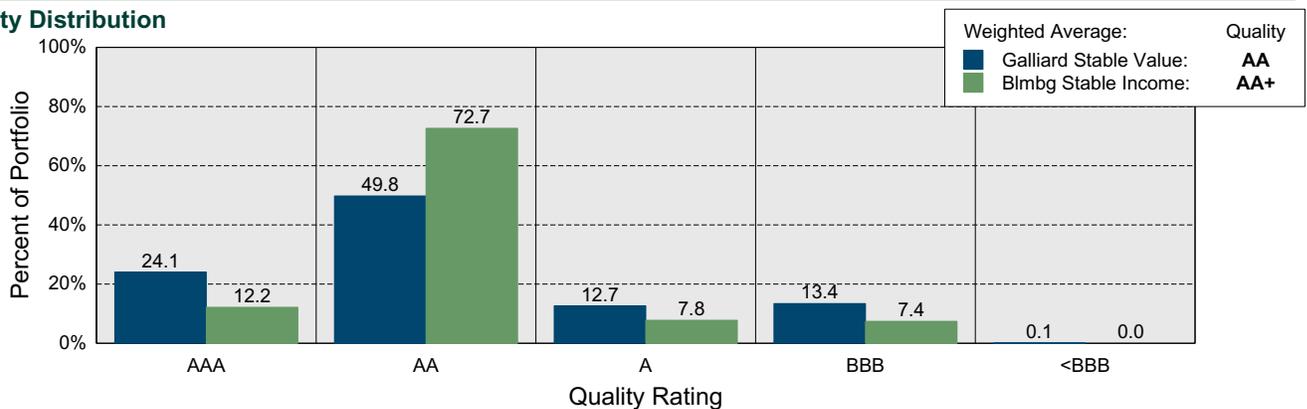
## Portfolio Structure Comparison

The charts below compare the structure of the portfolio to that of the index from two perspectives that have the greatest influence on return. The first chart compares the portfolio's duration distribution versus the benchmark, and the second chart compares the distributions across quality ratings.

### Duration Distribution



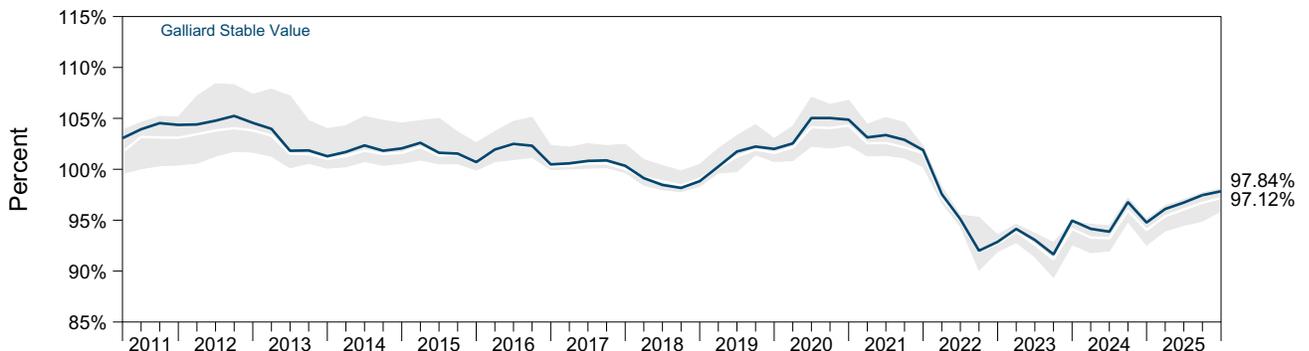
### Quality Distribution



### Market-to-Book Ratio Over Time

The chart below depicts the historical movement of the stable value portfolio's market-to-book ratio over time. This statistic measures the overall "health" of the underlying portfolio. Portfolios with market-to-book ratios closer to 100% will be better positioned to absorb flows and should offer greater return stability over time. As a backdrop the range (from 10th to 90th percentile) is shown along with a white median line for the Callan Stable Value SA Universe.

### Market-to-Book Ratio





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## Equity Market Indicators

The market indicators included in this report are regarded as measures of equity or fixed income performance results. The returns shown reflect both income and capital appreciation.

**Russell 1000 Growth Index** Measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell 1000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

**Russell 1000 Value Index** Measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics

**Russell 2000 Value Index** Measures the performance of the small-cap value segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics

**Russell 2500 Growth Index** Measures the performance of the small to mid-cap growth segment of the US equity universe. It includes those Russell 2500 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell 2500 Growth Index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect growth characteristics.

**Russell MidCap Growth Idx** Measures the performance of the mid-cap growth segment of the US equity universe. It includes those Russell Midcap Index companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell Midcap Growth Index is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market.

**S&P 500 Index** Measures performance of top 500 companies in leading industries of U.S. economy. The index covers approximately 80% of available market capitalization.

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## Fixed Income Market Indicators

**3-month Treasury Bill** Provides a measure of riskless return. The rate of return is the average interest rate available on the beginning of each month for a Treasury Bill maturing in ninety days.

**Bloomberg Aggregate** Represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

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## International Equity Market Indicators

**MSCI EAFE (Net)** is composed of approximately 1000 equity securities representing the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is capitalization-weighted and is expressed in terms of U.S. dollars.

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## Callan Databases

In order to provide comparative investment results for use in evaluating a fund's performance, Callan gathers rate of return data from investment managers. These data are then grouped by type of assets managed and by the type of investment manager. Except for mutual funds, the results are for tax-exempt fund assets. The databases, excluding mutual funds, represent investment managers who handle over 80% of all tax-exempt fund assets.

### Equity Funds

Equity funds concentrate their investments in common stocks and convertible securities. The funds included maintain well-diversified portfolios.

**Core Equity** - Mutual funds whose portfolio holdings and characteristics are similar to that of the broader market as represented by the Standard & Poor's 500 Index, with the objective of adding value over and above the index, typically from sector or issue selection. The core portfolio exhibits similar risk characteristics to the broad market as measured by low residual risk with Beta and R-Squared close to 1.00.

**Large Cap Growth** - Mutual Funds that invest mainly in large companies that are expected to have above average prospects for long-term growth in earnings and profitability. Future growth prospects take precedence over valuation levels in the stock selection process. Invests in companies with P/E ratios, Price-to-Book values, Return-on-Assets values, Growth-in-Earnings values above the broader market. The companies typically have zero dividends or dividend yields below the broader market. Invests in securities which exhibit greater volatility than the broader market as measured by the securities' Beta and Standard Deviation.

**Large Cap Value** - Mutual funds that invest in predominantly large capitalization companies believed to be currently undervalued in the general market. The companies are expected to have a near-term earnings rebound and eventual realization of expected value. Valuation issues take precedence over near-term earnings prospects in the stock selection process. Invests in companies with P/E ratios and Price-to-Book values below the broader market. Usually exhibits lower risk than the broader market as measured by the Beta and Standard Deviation.

**Non-U.S. Equity Style Mutual Funds** - Mutual funds that invest their assets only in non-U.S. equity securities but exclude regional and index funds.

**Small Capitalization (Value)** - Mutual funds that invest in small capitalization companies that are believed to be currently undervalued in the general market. Valuation issues take precedence over near-term earnings prospects in the stock selection process. The companies are expected to have a near-term earnings rebound and eventual realization of expected value. Invests in companies with P/E ratios, Return-on-Equity values, and Price-to-Book values below the broader market as well as the small capitalization market segment. The companies typically have dividend yields in the high range for the small capitalization market. Invests in securities with risk/reward profiles in the lower risk range of the small capitalization market.

**Small/Middle Capitalization** - Managers who invest primarily in small to middle capitalization range companies with market capitalization below core equity companies. The market capitalization is about the upper quartile of the Small Cap group and the lower decile of the Mid Cap group. The Small/Mid Cap Broad style invests in securities with greater volatility than the broader market as measured by the risk statistics Beta and Standard Deviation. This style consists of the Small/Mid Cap Growth and the Small/Mid Cap Value Style Groups and other funds classified strictly as Small/Mid Cap Broad.

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## Callan Databases

In order to provide comparative investment results for use in evaluating a fund's performance, Callan gathers rate of return data from investment managers. These data are then grouped by type of assets managed and by the type of investment manager. Except for mutual funds, the results are for tax-exempt fund assets. The databases, excluding mutual funds, represent investment managers who handle over 80% of all tax-exempt fund assets.

### Fixed Income Funds

Fixed Income funds concentrate their investments in bonds, preferred stocks, and money market securities. The funds included maintain well-diversified portfolios.

**Core Bond** - Mutual Funds that construct portfolios to approximate the investment results of the Bloomberg Barclays Capital Government/Credit Bond Index or the Bloomberg Barclays Capital Aggregate Bond Index with a modest amount of variability in duration around the index. The objective is to achieve value added from sector and/or issue selection.

**Stable Value** - The Stable Value database group is comprised of funds that invest primarily in Guaranteed Investment Contracts (GICs) and Synthetic Investment Contracts (SICs) to provide principal protection, stable book value and a guaranteed rate of return over a contractually specified time period. Common benchmarks for the universe include but not limited to, are the Ryan Labs GIC Master indices and the Hueler Stable Value Index.

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## Risk/Reward Statistics

The risk statistics used in this report examine performance characteristics of a manager or a portfolio relative to a benchmark (market indicator) which assumes to represent overall movements in the asset class being considered. The main unit of analysis is the excess return, which is the portfolio return minus the return on a risk free asset (3 month T-Bill).

**Alpha** measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

**Beta** measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

**Downside Risk** stems from the desire to differentiate between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation punishes both upside and downside volatility, downside risk measures only the standard deviation of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

**Excess Return Ratio** is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

**Information Ratio** measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

**R-Squared** indicates the extent to which the variability of the portfolio returns are explained by market action. It can also be thought of as measuring the diversification relative to the appropriate benchmark. An r-squared value of .75 indicates that 75% of the fluctuation in a portfolio return is explained by market action. An r-squared of 1.0 indicates that a portfolio's returns are entirely related to the market and it is not influenced by other factors. An r-squared of zero indicates that no relationship exists between the portfolio's return and the market.

**Relative Standard Deviation** is a simple measure of a manager's risk (volatility) relative to a benchmark. It is calculated by dividing the manager's standard deviation of returns by the benchmark's standard deviation of returns. A relative standard deviation of 1.20, for example, means the manager has exhibited 20% more risk than the benchmark over that time period. A ratio of .80 would imply 20% less risk. This ratio is especially useful when analyzing the risk of investment grade fixed-income products where actual historical durations are not available. By using this relative risk measure over rolling time periods one can illustrate the "implied" historical duration patterns of the portfolio versus the benchmark.

**Residual Portfolio Risk** is the unsystematic risk of a fund, the portion of the total risk unique to the fund (manager) itself and not related to the overall market. This reflects the "bets" which the manager places in that particular asset market. These bets may reflect emphasis in particular sectors, maturities (for bonds), or other issue specific factors which the manager considers a good investment opportunity. Diversification of the portfolio will reduce or eliminate the residual risk of that portfolio.

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## Risk/Reward Statistics

**Rising Declining Periods** refer to the sub-asset class cycles vis-a-vis the broader asset class. This is determined by evaluating the cumulative relative sub-asset class index performance to that of the broader asset class index. For example, to determine the Growth Style cycle, the S&P 500 Growth Index (sub-asset class) performance is compared to that of the S&P 500 Index (broader asset class).

**Sharpe Ratio** is a commonly used measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

**Sortino Ratio** is a downside risk-adjusted measure of value-added. It measures excess return over a benchmark divided by downside risk. The natural appeal is that it identifies value-added per unit of truly bad risk. The danger of interpretation, however, lies in these two areas: (1) the statistical significance of the denominator, and (2) its reliance on the persistence of skewness in return distributions.

**Standard Deviation** is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (ie. has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

**Total Portfolio Risk** is a measure of the volatility of the quarterly excess returns of an asset. Total risk is composed of two measures of risk: market (non-diversifiable or systematic) risk and residual (diversifiable or unsystematic) risk. The purpose of portfolio diversification is to reduce the residual risk of the portfolio.

**Tracking Error** is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

**Treynor Ratio** represents the portfolio's average excess return over a specified period divided by the beta relative to its benchmark over that same period. This measure reflects the reward over the risk-free rate relative to the systematic risk assumed.

Note: Alpha, Total Risk, and Residual Risk are annualized.



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