



NORTH CAROLINA INVESTMENT AUTHORITY

MEMORANDUM

TO: North Carolina Supplemental Retirement Board of Trustees

FROM: Kris Byrd, Portfolio Manager

DATE: February 26, 2026

RE: Discussion / Action: 401k and 457b Plans: TCW Watch List Removal Recommendation

Recommendation

When assessing managers for potential removal from the Watchlist, the process focuses on whether the issues that led to heightened oversight have been resolved. Key indicators include sustained improvement in performance relative to benchmarks and peers, reaffirmation of a stable investment philosophy, and evidence of organizational stability. These factors help determine if heightened scrutiny is no longer necessary and whether the manager's strategy presents reduced risk to long-term success.

TCW Core Plus Fixed Income was added to the Watchlist in February 2024 due to significant leadership transitions and multi-year relative underperformance. Since that time, the organization has stabilized, and the investment process and philosophy remain intact and disciplined. Key developments include:

- Orderly and transparent execution of succession plans
- Expanded leadership structure, enhancing decision-making depth
- Consistent investment approach, reaffirming stability and discipline
- Improved performance, now more aligned with expectations

While continued monitoring of long-term peer rankings remains appropriate, NCIA and Callan believe the concerns that initially warranted Watchlist designation have been sufficiently addressed.

For these reasons, NCIA and Callan recommend that TCW be removed from the Watchlist.

Portfolio Positioning

TCW manages 50% of the NCSRP Active Fixed Income Fund, approximately \$1.3 billion as of December 2025. The TCW Core Plus Fixed Income strategy takes a relative return-oriented approach that seeks to outperform the broad market primarily through security selection and sector rotation. The team embraces a fundamental, value-oriented research process to build portfolios. Duration is generally maintained within +/- one year, relative to the benchmark. The Fund can invest up to 20% in below investment grade securities and non-dollar securities have



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not historically been a part of the opportunity set, but more recently the Fund has included modest amounts in US dollar-denominated emerging markets debt.

People

TCW has successfully executed a multi-year leadership transition anchored by a structured and transparent succession plan designed to ensure continuity and strengthen depth. The process began with the retirement of the Chief Investment Officer in 2021, followed by the appointment of new Co-Chief Investment Officers and a new President and Chief Executive Officer in 2022. Subsequent planned retirements included another Co-Chief Investment Officer in 2023 and a senior leader in 2024, all completed as scheduled.

Importantly, the original investment framework remains intact, and the fixed income team is now deep, experienced, and stable. These changes have broadened leadership depth and reaffirmed organizational stability, addressing prior concerns and supporting long-term strategic continuity.

Performance

Recent performance reflects meaningful stabilization and improvement following prior periods of relative weakness. As of December 2025, performance has exceeded the benchmark for all time periods one year and greater. While the strategy previously experienced bottom-quartile rankings due to duration overweight and credit underweight positioning, year-to-date results through December 2025 have improved to above median relative to peers, supported by disciplined execution and consistent philosophy.

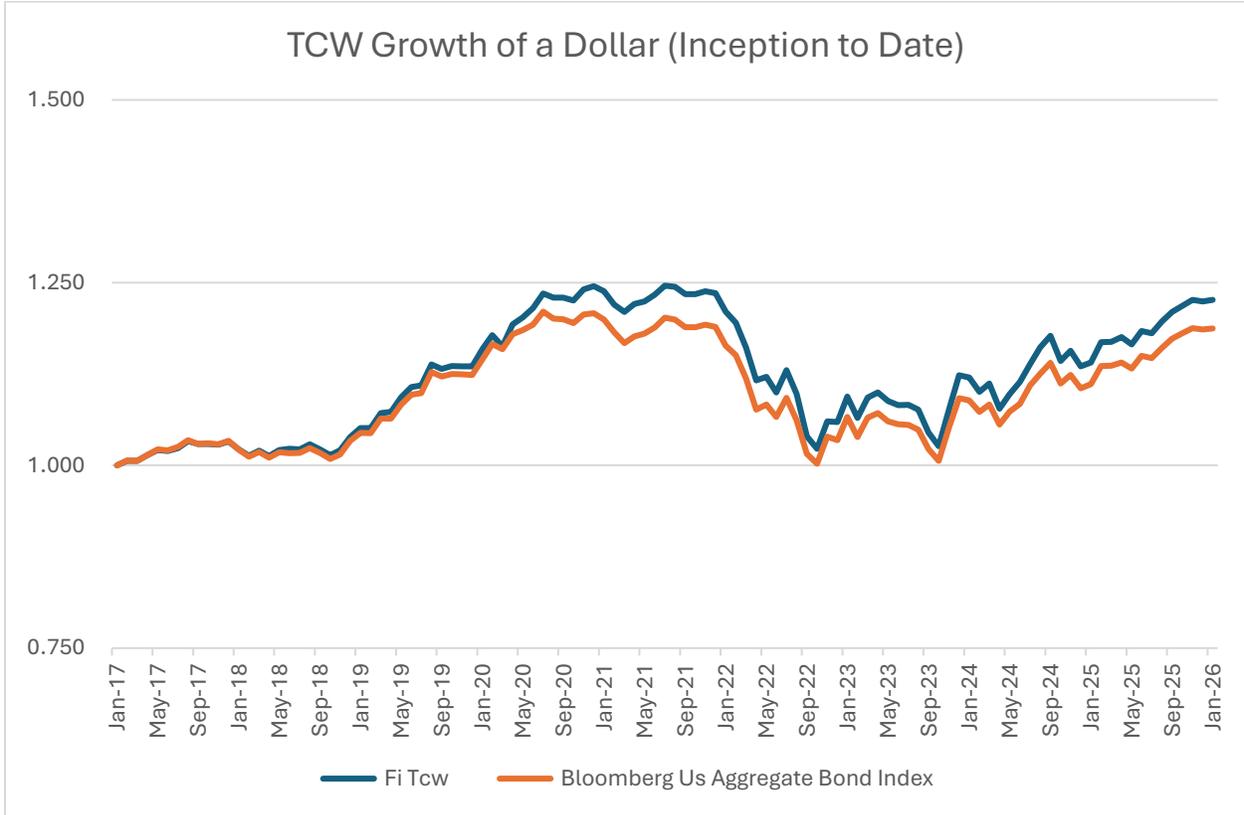
Peer Rankings & Structural Characteristics

- Longer-term peer rankings (3-, 5-, 7-year) remain below median, largely due to:
 - Conservative posture relative to Core Plus peers.
 - Adverse duration positioning during a challenging rate environment.
- Strategy maintains defensive characteristics, historically outperforming risk-off environments while lagging during strong credit rallies.
- Performance pattern remains consistent with the portfolio's structural bias and philosophy



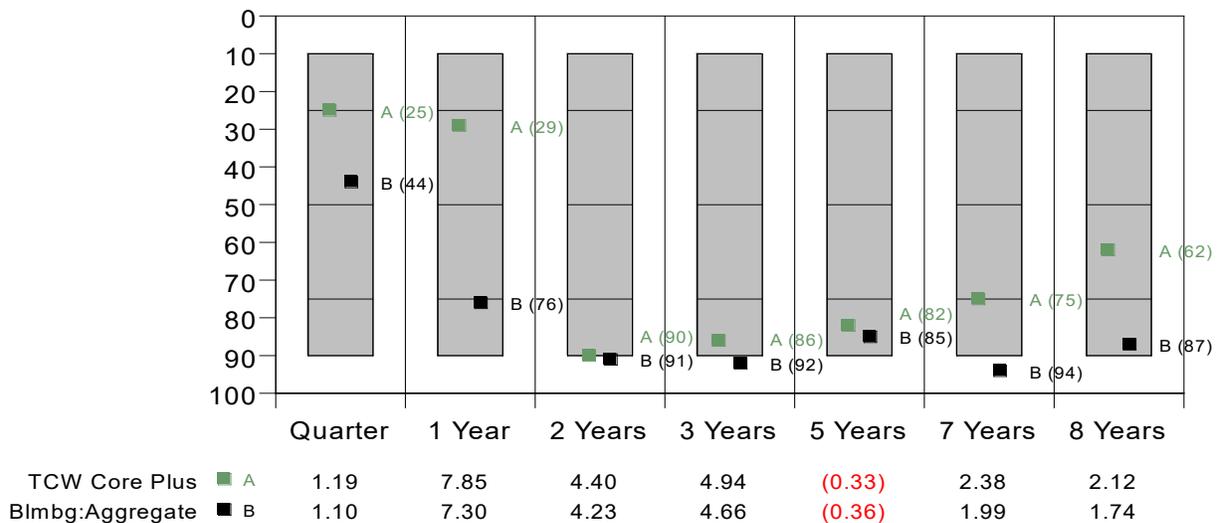
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Performance as of 12/31/25



Instl Net Returns for Periods Ended December 31, 2025

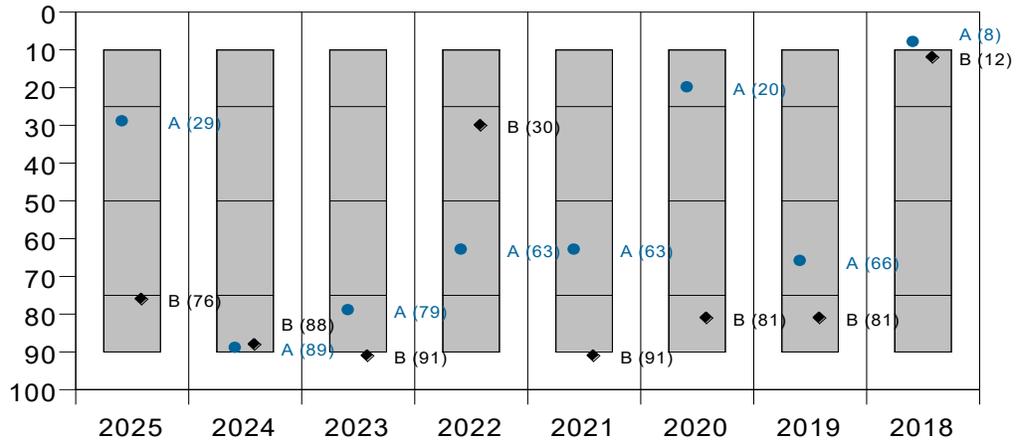
Group: Callan Core Plus Mutual Funds





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Instl Net Returns for Periods Ended December 31, 2025
Group: Callan Core Plus Mutual Funds



TCW Core Plus	● A	7.85	1.06	6.03	(14.25)	(0.77)	9.64	9.31	0.36
Blmbg:Aggregate	◆ B	7.30	1.25	5.53	(13.01)	(1.54)	7.51	8.72	0.01

Callan Core Plus MFs

Annualized Risk vs. Instl Net Return for 7 Years Ended December 31, 2025

