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## **State of North Carolina**

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November 13, 2014



GALLIARD  
CAPITAL MANAGEMENT, INC.

*Section I*

# Galliard Capital Management

## At a Glance



### Client Aligned Investment Solutions

- | Customized investment mandates for institutions
- | The cornerstone of our business...  
A consultative approach to produce innovative investment solutions
- | Total return/traditional market driven benchmarks for short, intermediate and long duration strategies
- | Specialized fixed income strategies
  - Stable value
  - Liability driven investing (LDI)
  - Operating funds management
  - Custom blended benchmarks
  - Insurance reserves

### Disciplined Lender's Approach to Investing

- | Value investors seeking a realizable yield advantage

### Sustainable Performance

- | In our 20th year of successfully achieving risk-controlled alpha generation for our clients

### Exceptional Stability

- | No changes in ownership, management or investment philosophy since the firm's inception

**\$86.2**

Billion in AUM

**\$77.5**

Billion in Stable  
Value assets

**20**

Years in business  
Est. 1995

**244**

Institutional Investors  
Nationwide

**108**

Employees

**16**

CFA Charterholders

**36**

Investment  
Professionals

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as of 9/30/14

# Galliard Capital Management

## Composition of Business\*

Galliard Firm Assets Under Management | **\$86.2**  
Billion

### Assets Under Management (By Strategy):

- | Short Duration: \$37.9 Billion
- | Intermediate Duration: \$15.6 Billion
- | Broad Market Core & Core Plus: \$2.5 Billion
- | Custom: \$30.1 Billion

### Assets Under Management (By Plan Type):

- | Corporate Retirement/Benefit Plans: \$66.8 Billion
- | Public Entities: \$14.2 Billion
- | Operating Funds: \$2.6 Billion
- | Partnerships: \$1.3 Billion
- | Foundation/Endowments: \$501.4 Million
- | Taft Hartley: \$909.8 Million

Stable Value Assets | **\$77.5**  
Billion

### 2014 New Business Summary:

- | \$4.6 Billion new assets
- | 15 new clients

### Representative Stable Value Clients:\*\*

- | Archer Daniels Midland
- | AkzoNobel Inc.
- | National Oilwell Varco
- | Halliburton

We have successfully managed portfolios for a broad array of applications and clients

\*As of 9/30/14

\*\*Excludes those requesting confidentiality. Inclusion is not performance based nor does it represent any endorsement of Galliard's services by the client.

# Galliard Capital Management

## Organization Chart

### Executive Management Team

**Carrie Callahan**  
Managing Partner

**John Caswell, CFA**  
Founding Managing Partner

**Richard Merriam, CFA**  
Founding Managing Partner

**Ajay Mirza, CFA**  
Managing Partner

**Karl Tourville**  
Founding Managing Partner

### Client Portfolio Management & Service

Mike Norman Partner	Linh Buoen Associate Director
Leela Scattum Partner	Robert Crandall, CFA Associate Director
Erol Sonderegger, CFA Principal	Doug Rangel, CFA Associate Director
Taylor Benson Senior Director	Jordan Bewley Senior Associate
David Ferry Senior Director	Michelle Boss Senior Associate
Nick Gage, CFA Senior Director	Jennifer Hopper, CFA Senior Associate
Andrea Johnson, CFA Director	Kaleigh Causey Associate
Matt Kline Director	Evan Hewitt Associate
Laura Sell, CFA Director	
William Weber Director	

### Fixed Income Sector Teams

<i>Credit</i>	<i>Structured Product</i>
Richard Merriam, CFA Founding Managing Partner Sector Head	Ajay Mirza, CFA Managing Partner Sector Head
Matt Bentley Principal	Matt Robertson, CFA Senior Director
Chad Callahan Principal	Mike Meerovich Director
Rene Hoogmoed, CFA Principal	Marco Perzichilli Director
Brandon Kanz, CFA Senior Director	Gauri Jadhav Associate Director
John Kenley, CFA Director	John Hammar Senior Associate
Robert Barrett, CFA Associate Director	Elizabeth Smithley Senior Associate
Will Moeller, CFA Senior Associate	Tyler Wadsworth Senior Associate
	Jimmie Wu Associate

### Portfolio Analysis & Support

Rasaan Ellison Associate Director	Jeff Hay Associate
Mark Otto Associate Director	Matt Heutinck Associate
Carmen Rangel, CPA Associate Director	Adam Maatz Associate
Brian Brooks Senior Associate	Andrew McKessock Associate
Phil Kos Senior Associate	Ben Modica Associate
Suthisa Krupinski Senior Associate	Tim Noel Associate
Jason Skull Senior Associate	Lily Sihavong Associate
Jesse Ahlbrecht Associate	Brent Thornton Associate
Heather Goserud Associate	

### Operations & Technology

Chad Foote Chief Operating Officer Senior Principal	Fiona Donahoe Senior Associate
Peter Anderson Director	Brian Heruth Senior Associate
George Jones Director	Deanna Moriarty Senior Associate
Marylynn Shapiro Director	Stephanie Ripley Senior Associate
Sue Stachel Director	Corey Weber Senior Associate
Lisa Anderson Associate Director	Michael Amundsen Associate
Joe Atkinson Associate Director	Preston Ghizoni Associate
William Ingle Associate Director	Geneva Hanvik Associate
Elena Ketter Associate Director	Charles Head Associate
Gary Poon Associate Director	Lee Jacobsen Associate
Christopher Smith Associate Director	Tiffany Peterson Associate
Troy Visnovac Associate Director	Stacie Sandager Associate
Mike Bouska Senior Associate	Ahmed Taher Associate
Jennifer deFiebre Senior Associate	Angela Walton Associate

### Marketing & Client Support

Jane Marie Petty Principal	Seth Mork Senior Associate	Khonsavanh Phonesavanh Associate
Jennifer Miller Associate Director	Alison Johnson Associate	Erick Tralle Associate
Jennifer Wedan Associate Director	Mark Perzichilli Associate	Jenny Wagner Associate
Scott Baber Senior Associate		

### Contract Management & Administration

David Lui Principal	Christina Mosher Senior Associate
Kristin Daniels, CPA Senior Director	Nicole Berger Associate
Tami Pearse-Byczek Senior Director	Lisa Bernard Associate
Paula Novick Director	Erica Bloudek Associate
Eric Vercauteren Associate Director	Christopher Hoffman Associate

### Compliance

Jennifer Lammers Chief Compliance Officer
Brian Renelt Senior Associate
Laurie Kern Associate
Madonna Mochinski Associate

New in 2014

### Wells Fargo Resources

Human Resources, Legal Department, Trust Operations, Investment Mgmt Technology, Compliance/Risk Mgmt, Economic Research, Credit Research, Finance



GALLIARD  
CAPITAL MANAGEMENT, INC.

*Section II*

# Stable Value Market Update

## Stable Value Market View

### Market View

### Galliard Positioning

#### Regulatory/DC Market Environment

- Dodd Frank stable value study yet to be completed
- SEC approved changes to money market mutual fund regulations
- DC plan design evolving to improve participant outcomes

- Existing contracts exempt; no detrimental impact expected
- Monitoring impact on liquidity vehicles used
- Leading industry efforts to ensure stable value meets plan sponsor needs

#### Contract Issuers

- Capacity continues to improve; current supply is greater than the demand
- 17 providers in the market currently issuing capacity (4 banks & 13 insurance companies)
- Issuers continue to be selective about the managers and portfolio strategies they are willing to wrap
- Wrap providers beginning to be more flexible with respect to the investment guidelines
- More favorable/balanced approach to contract provisions

- Have negotiated ample capacity for existing and new clients
- Galliard has strong relationships with all major market participants
- Galliard continues to be a preferred manager
- Working with providers to increase investment latitude
- Negotiating to standardize more advantageous contract provisions

#### Portfolio

- Evidence of participant reallocation to riskier assets
- Economic data suggests increased likelihood of rising rates
- Reinvestment rates remain historically low

- Liquidity buffers well positioned to accommodate participant redemptions
- Maintaining portfolio durations between 2.5 to 3 years to be more responsive to rising rates
- Opportunistically seeking yield in high quality spread assets

# Stable Value Market Update

## Galliard Wrap Issuer Summary

As of September 2014:

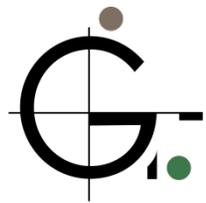
Name	Accepting Deposits from New Clients*	Accepting Deposits from Existing Clients*	Contract Type**	Asset Management***	S&P Credit Rating	Moody's Credit Rating
<b>American General Life</b>	<b>Yes</b>	<b>Yes</b>	<b>SBIC</b>	<b>Galliard, Payden &amp; Rygel</b>	<b>A+</b>	<b>A2</b>
MassMutual Life Ins. Co.	Yes	Yes	SAGIC	Galliard, Babson	AA+	Aa2
<b>Metropolitan Life Ins. Co.</b>	<b>Yes</b>	<b>Yes</b>	<b>SAGIC</b>	<b>Galliard, PIMCO, Dodge &amp; Cox</b>	<b>AA-</b>	<b>Aa3</b>
<b>Nationwide Life Ins. Co.</b>	<b>Yes</b>	<b>Yes</b>	<b>SBIC</b>	<b>Galliard</b>	<b>A+</b>	<b>A1</b>
New York Life Ins. Co.**	Yes	Yes	SBIC & SAGIC	New York Life	AA+	Aaa
Pacific Life Ins. Co.	Yes	Yes	SBIC	Galliard, PIMCO, Pacific Asset Mgmt.	A+	A1
<b>Prudential Life Ins. Co</b>	<b>Yes</b>	<b>Yes</b>	<b>SBIC</b>	<b>Galliard, Prudential, Jennison</b>	<b>AA-</b>	<b>A1</b>
RGA Reinsurance Co.	Yes	Yes	SBIC	Galliard	AA-	A1
Royal Bank of Canada	Yes	Yes	SBIC	Galliard	AA-	Aa3
State Street Bank and Trust Co.	Yes	Yes	SBIC	Galliard	AA-	Aa3
TIAA-CREF Life	Yes	Yes	SAGIC	TIAA-CREF	AA+	Aaa
Transamerica Premier Life Ins. Co.****	Yes	Yes	SBIC	Galliard, PIMCO, Dodge & Cox	AA-	A1
Voya Life Ins. and Annuity Co.****	Yes	Yes	SBIC	Galliard, Voya, PIMCO, Dodge & Cox, IR&M	A-	A3
Bank of Tokyo-Mitsubishi UFJ	Pending	Pending	SBIC	Pending	A+	Aa3
JP Morgan Chase Bank, N.A.	Pending	Pending	SBIC	Pending	A+	Aa3

\*Providers accepting deposits on a case by case basis

\*\* Security Backed Investment Contract (SBIC) or Separate Account GIC (SAGIC)

\*\*\*Managers typically utilized within Galliard Stable Value solutions

\*\*\*\*Previously known as ING Life and Monumental Life, respectively



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*Section III*

# State of North Carolina Stable Value Funds

## Transition Update

### December 2010

- Galliard assumes oversight, daily valuations, and administration of stable value funds
- Transitioned custody of the 457 Plan Payden & Rygel portfolio to Wells Fargo

### January 2011

- Changed 401(k) Plan's Prudential benchmark from Broad Market to Intermediate Aggregate
- Transitioned PIMCO to intermediate duration strategy wrapped by MetLife and increase allocation to 15% of assets
- Funded Galliard short duration strategy with United of Omaha Wrap

### February 2011

- Began termination of State Street securities lending program in the 401(k) Plan
- Transitioned 457 Plan's Prudential intermediate duration strategy to Galliard collective trust
- Liquidation of GWL trading account and funding of the Wells Fargo STIF and Wells Fargo SRF liquidity buffer
- Transitioned custody of the 401(k) Payden & Rygel portfolio to Wells Fargo
- New guidelines established for Payden short duration strategy

### March 2011

- Transition 401(k) Plan's Prudential investment to intermediate duration collective trust

### July 2011

- Moved from declared rate to actual portfolio returns

### 2012

- Changed STIF to Wells Fargo Government Money Market
- Finalize portfolio strategy recommendations

### 2013

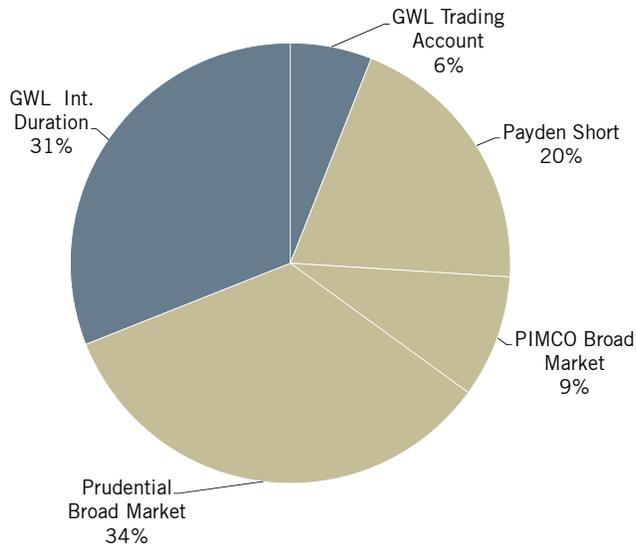
- Secured wrap coverage for Payden & Rygel with American General Life
- Reduced exposure to PIMCO/Met Life to 13% target
- Allocated 15% to Jennison under Prudential wrap

### 2014

- Finalized Nationwide wrap contract to replace United of Omaha
- Reducing Great West Life to 20% target

# State of North Carolina 401(k) Plan Transition Update

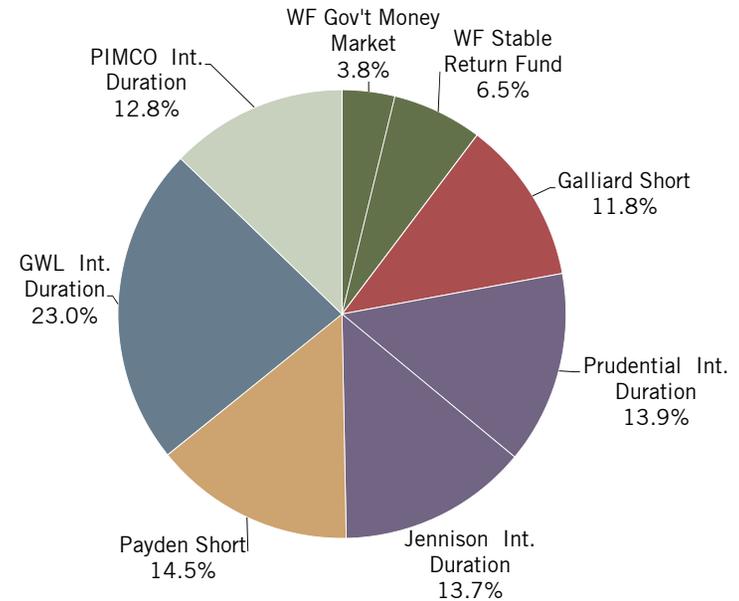
## Initial Portfolio Allocation



= Prudential Wrap  
 = Great West Life Wrap

<b>Duration</b>	3.1 years
<b>Avg. Quality</b>	AA
<b># of Managers</b>	4
<b># of Providers</b>	2

## Portfolio Allocation 401(k) 9/30/14



= Liquidity Buffer  
 = Prudential Wrap  
 = AGL  
 = GWL  
 = MetLife  
 = Nationwide

<b>Duration</b>	3.03 years
<b>Avg. Quality</b>	AA+
<b># of Managers</b>	6
<b># of Providers</b>	5

# State of North Carolina

## Expense Disclosure

### Total Annual Fund Operating Expenses

Total Annual Operating Expenses are deducted directly from the Fund's net asset value and reduce the investment option's rate of return.

Expense	401(k) Plan	401(k) Plan	457 Plan	457 Plan
	Expense Ratio (as of 9/30/14)	Est. Annual Revenue	Expense Ratio (as of 9/30/14)	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.073%	\$1,386,193	0.073%	\$287,517
Investment Management Fees paid to Non-Affiliated Investment Advisors	0.057%	\$1,077,337	0.059%	\$231,614
Investment Contract Fees <sup>1</sup>	0.170%	\$3,232,105	0.173%	\$681,810
Acquired Fund Fees <sup>2</sup>	0.047%	\$886,422	0.044%	\$171,098
-Investment Contract Fees	0.012%		0.012%	
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.034%		0.031%	
12b-1 Distribution Fee	None		None	
Other Expenses	0.104%	\$1,972,148	0.104%	\$409,053
<b>Total Annual Fund Operating Expense<sup>4</sup></b>	<b>0.451%</b>	<b>\$8,554,205</b>	<b>0.453%</b>	<b>\$1,781,092</b>

<sup>1</sup>These are fees paid to create and maintain the investments used by a stable value fund

<sup>2</sup>These are fees borne indirectly by the Fund when it acquires an interest in another fund which pays its own separate fees

<sup>3</sup>Includes audit fees for the cost of producing a report by a qualified auditor

<sup>4</sup>Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV)



GALLIARD  
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*Section IV*

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
<b>Book Value Performance</b>								
Portfolio (net of all fees)	0.14	0.45	1.33	1.81	2.33	---	---	2.56
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.26	0.78	1.05	1.08	---	---	1.09
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.16	1.56	1.58	1.61	3.13	1.60
3 Year Constant Maturity Treasury Yield	0.09	0.24	0.65	0.81	0.56	0.76	2.07	0.63
<b>Market Value Benchmark</b>								
Blended Benchmark***	-0.26	0.03	1.91	1.88	1.54	2.59	3.59	1.93

## Calendar Year Performance

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Book Value Performance</b>					
Portfolio (net of all fees)	2.15	2.75	3.27	---	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.08	1.12	1.11	---	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.58	1.62	1.61	1.64	1.72
3 Year Constant Maturity Treasury Yield	0.54	0.38	0.75	1.10	1.43
<b>Market Value Benchmark</b>					
Blended Benchmark***	-0.41	2.52	4.05	4.53	5.03
<b>Market Indices</b>					
Merrill Lynch 3 Month T-Bill	0.07	0.11	0.10	0.13	0.21
Consumer Price Index	1.62	2.26	2.96	1.50	2.72

\*Returns for periods of less than one year are not annualized.

\*\*Galliard's management of this portfolio began December 1, 2010. Periods that exceed Galliard's tenure with the portfolio include Galliard performance linked with historical portfolio returns.

\*\*\*10% BofAML 3 Month U.S. T-Bills, 30% Barclays Capital 1-3 Yr U.S. Govt/Credit, 60% Barclays Capital Intermediate U.S. Aggregate. This blended market value benchmark approximates the asset allocation target for the State of North Carolina Stable Value Fund. It is important to note that fundamental differences arise when comparing book value performance to a market index, especially when comparing performance for periods shorter than 10 years. Market value indices immediately reflect the gains/(losses) resulting from changing market interest rates while book value performance amortizes these gains/(losses).

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Third Quarter 2014

## Portfolio Characteristics

<b>Total Assets</b>	\$1,896,296,392	<b>Blended Yield (After fees)*</b>	1.81%
<b>Average Holdings Quality**</b>	AA+	<b>Effective Duration</b>	3.03 years
<b>Number of Contract Issuers</b>	5	<b>Market/Book Value Ratio</b>	101.82%

\*Blended yield is after investment management fees, wrap fees and administration fees.

\*\*The Average Holdings Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Average Holdings Quality shown represents an average quality of the underlying individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

## Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>09/30/2014</u>	<u>% of Portfolio</u> <u>06/30/2014</u>
<b>Cash &amp; Equivalents*</b>	<b>71,155,454</b>	<b>3.8</b>	<b>4.1</b>
<b>Stable Value Funds</b>	<b>123,843,461</b>	<b>6.5</b>	<b>6.5</b>
<b>Insurance Separate Accounts</b>	<b>679,779,713</b>	<b>35.8</b>	<b>35.7</b>
Intermediate Portfolio	679,779,713	35.8	35.7
<b>Security Backed Contracts</b>	<b>1,021,517,763</b>	<b>53.9</b>	<b>53.7</b>
Short Portfolio	498,647,212	26.3	26.2
Intermediate Portfolio	522,870,551	27.6	27.5
<b>Total</b>	<b>\$1,896,296,392</b>	<b>100.0%**</b>	<b>100.0%**</b>

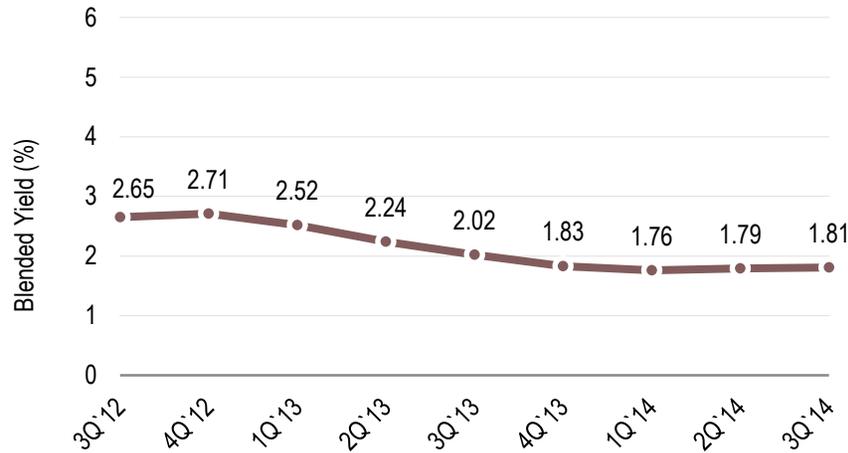
\*Includes Receivables and Payables

\*\*Total % of portfolio may not add to 100% due to rounding

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

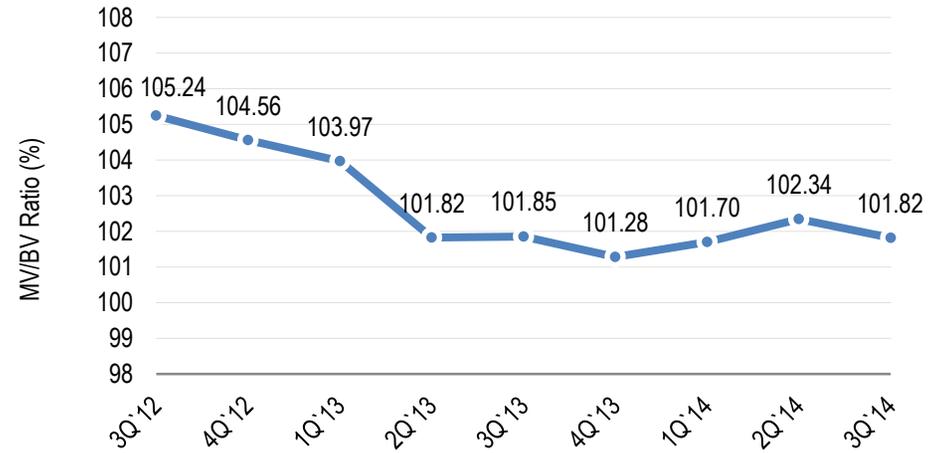
Third Quarter 2014

## Historical Book Value Crediting Rate\*

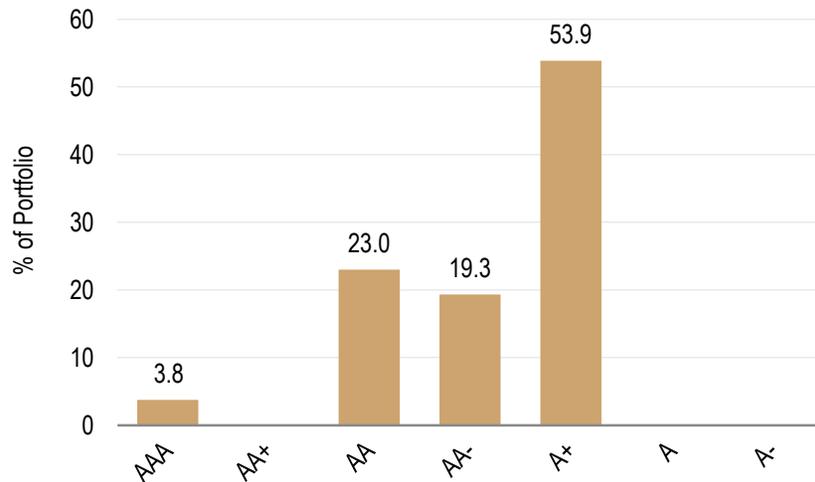


\*Blended yield is after investment management fees, wrap fees and administration fees.

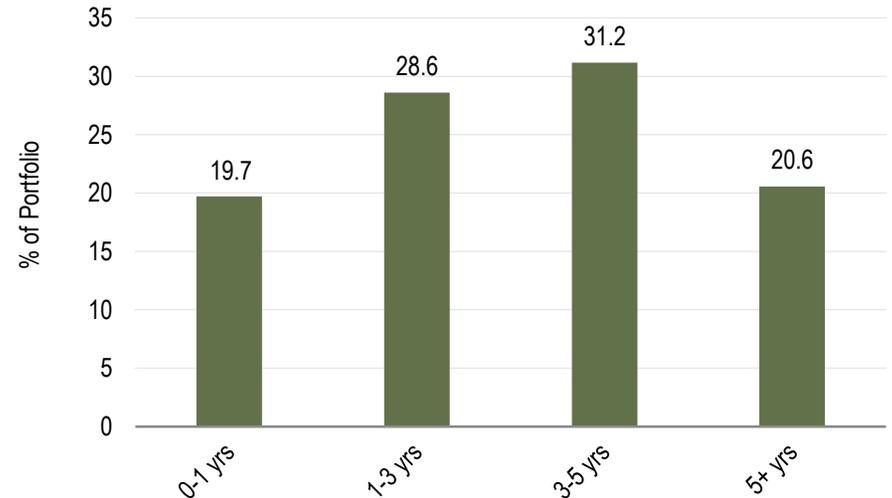
## Market Value to Book Value Ratio\*



## Contract Quality Distribution\*



## Underlying Duration Distribution\*\*



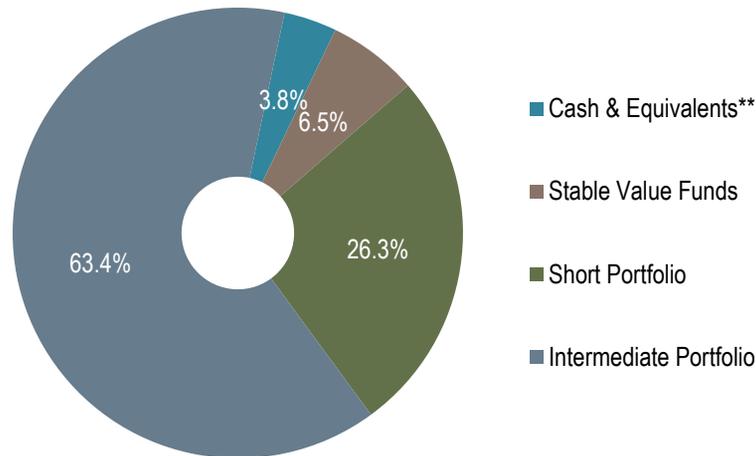
\*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

\*\*Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Third Quarter 2014

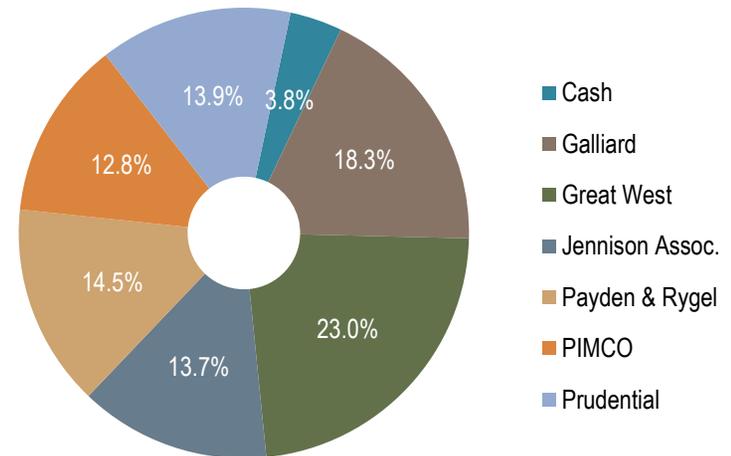
## Portfolio Distribution\*



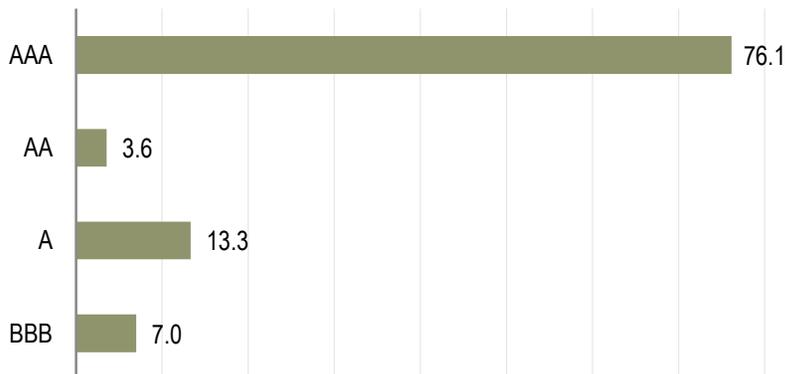
\*Book value

\*\*Includes Receivables and Payables

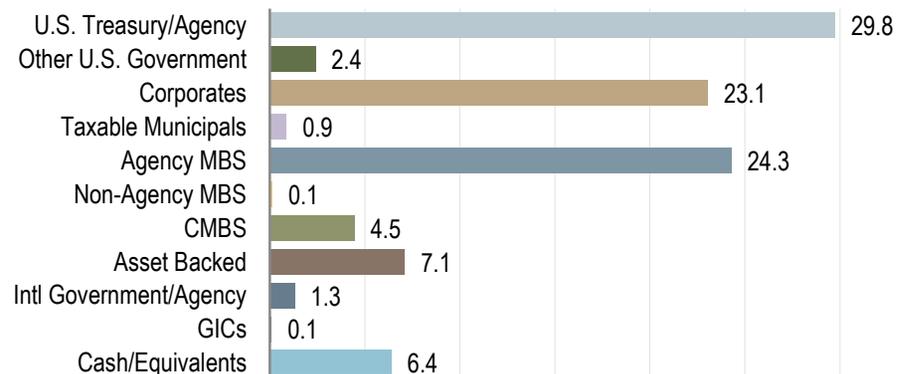
## Manager Distribution\*



## Underlying Fixed Income Credit Quality\*



## Underlying Fixed Income Asset Allocation\*\*



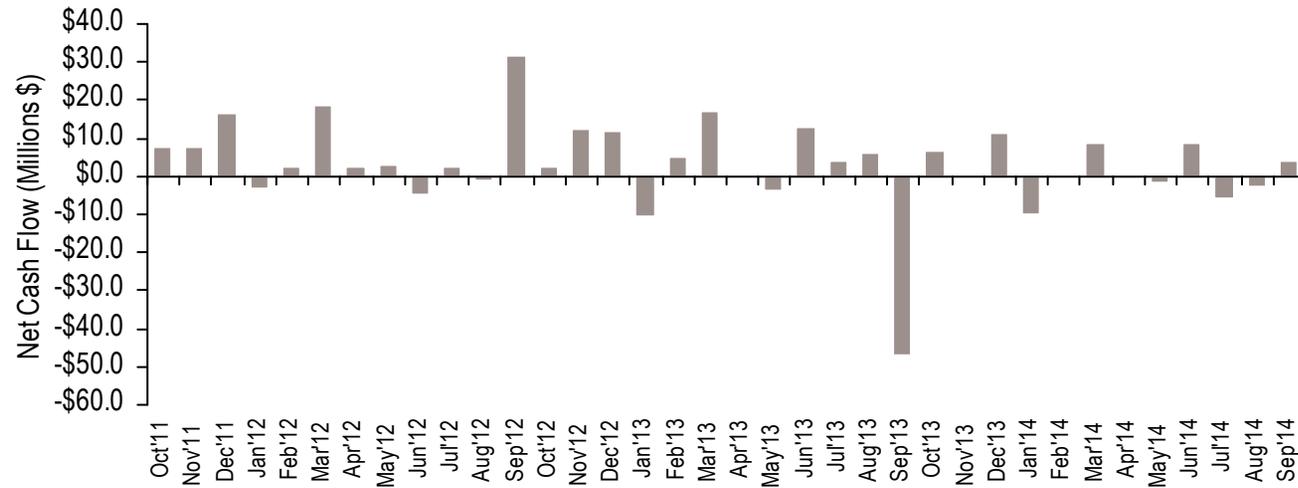
\*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology

\*\*Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Third Quarter 2014

## Historical Cashflows



	YTD	2013	2012	2011
Beginning Assets	\$1,870.9	\$1,829.1	\$1,702.4	\$1,594.4
Net Cash Flow (\$)*	\$0.5	\$2.4	\$79.1	\$61.7
Net Cash Flow (%)	0.03%	0.13%	4.65%	3.87%
Estimated Investment Earnings	\$24.9	\$39.4	\$47.6	\$46.3
Ending Assets**	\$1,896.3	\$1,870.9	\$1,829.1	\$1,702.4

\* Contributions, Withdrawals and Investment Transfers

\*\*Cashflows may not net to final assets due to rounding

## State of North Carolina Stable Value Funds

### Market Value 401(k) Plan Performance Summary

#### *Short Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Payden &amp; Rygel</b>	<b>0.08%</b>	<b>1.26%</b>	<b>1.74%</b>		<b>2.43%</b>	<b>7/1/2009</b>
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.04%</u>	<u>0.77%</u>	<u>0.92%</u>		<u>1.65%</u>	
	0.05%	0.49%	0.83%		0.78%	
<b>Galliard**</b>	<b>-0.05%</b>	<b>1.35%</b>	<b>1.42%</b>		<b>2.23%</b>	<b>1/1/2010</b>
Barclays Capital 1-3 Yr. Government *	0.03%	0.52%	0.51%		1.11%	
Barclays Capital 1-3 Yr. Gov't/Credit	<u>0.04%</u>	<u>0.77%</u>	<u>0.92%</u>		<u>1.45%</u>	
	-0.09%	0.83%	0.91%		1.12%	

#### *Intermediate Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Prudential Investment Management</b>	<b>0.03%</b>	<b>2.85%</b>	<b>2.26%</b>		<b>2.90%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Aggregate	<u>0.03%</u>	<u>2.74%</u>	<u>2.09%</u>		<u>2.77%</u>	
	-0.01%	0.11%	0.17%		0.13%	
<b>PIMCO</b>	<b>-0.25%</b>	<b>2.23%</b>	<b>1.96%</b>		<b>3.01%</b>	<b>2/1/2011</b>
Barclays Capital Intermediate Aggregate	<u>0.03%</u>	<u>2.74%</u>	<u>2.09%</u>		<u>2.99%</u>	
	<b>-0.28%</b>	<b>-0.50%</b>	0.12%		0.03%	
<b>Great West Life</b>	<b>0.10%</b>	<b>2.92%</b>	<b>2.35%</b>		<b>2.35%</b>	<b>10/1/2011</b>
Barclays Capital Intermediate Aggregate (Ex BBB)	<u>0.06%</u>	<u>2.46%</u>	<u>1.81%</u>		<u>1.81%</u>	
	0.04%	0.46%	0.54%		0.54%	
<b>Jennison</b>	<b>0.12%</b>	<b>2.91%</b>	<b>2.19%</b>		<b>2.98%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Govt/Credit	<u>-0.03%</u>	<u>2.20%</u>	<u>2.01%</u>		<u>2.67%</u>	
	0.15%	0.72%	0.17%		0.31%	

\*Index being shown for comparison purposes only, the fund is managed to a targeted duration. Returns shown are after investment management fees.

\*\*Reflects performance of Galliard Short Duration Fund B through 2/28/14 at which time Fund B was consolidated.

## State of North Carolina Stable Value Funds

### Impact of Rising Market Rates – 401(k) Plan

Segment	Manager	Period	Book Value	Market Value	MV/BV Ratio	Market Value Yield	Duration (Years)	Book Value Crediting Rate
Short Duration	Payden & Rygel	6/30/2014	\$ 274,620,410	\$ 277,842,918	101.2%	0.75%	1.53	1.29%
		9/30/2014	\$ 275,671,228	\$ 278,067,321	100.9%	0.90%	1.63	1.27%
			\$ 1,050,818	\$ 224,403	-0.3%	0.15%	0.10	-0.02%
	Galliard	6/30/2014	\$ 221,838,402	\$ 225,946,160	101.9%	1.08%	1.99	1.71%
		9/30/2014	\$ 222,975,984	\$ 225,827,011	101.3%	1.26%	2.03	1.82%
			\$ 1,137,582	\$ (119,149)	-0.6%	0.18%	0.04	0.11%
Intermediate Duration	Prudential	6/30/2014	\$ 261,114,179	\$ 270,654,465	103.7%	1.72%	3.94	2.30%
		9/30/2014	\$ 262,661,951	\$ 270,724,407	103.1%	2.07%	4.03	2.33%
			\$ 1,547,772	\$ 69,942	-0.6%	0.35%	0.09	0.03%
	PIMCO	6/30/2014	\$ 241,866,483	\$ 248,399,521	102.7%	1.78%	3.95	2.30%
		9/30/2014	\$ 243,064,727	\$ 247,500,575	101.8%	1.88%	3.52	1.98%
			\$ 1,198,244	\$ (898,946)	-0.9%	0.10%	(0.43)	-0.32%
	Great West Life	6/30/2014	\$ 433,856,074	\$ 445,302,829	102.6%	2.09%	3.62	2.62%
		9/30/2014	\$ 436,714,987	\$ 445,480,149	102.0%	2.25%	3.65	2.64%
			\$ 2,858,913	\$ 177,320	-0.6%	0.16%	0.03	0.02%
	Jennison	6/30/2014	\$ 258,512,188	\$ 267,957,405	103.7%	1.41%	3.98	2.30%
		9/30/2014	\$ 260,208,599	\$ 268,195,748	103.1%	1.56%	3.98	2.33%
			\$ 1,696,411	\$ 238,343	-0.6%	0.15%	-	0.03%
Total Fund		6/30/2014	\$ 1,892,172,998	\$ 1,936,468,561	102.3%	1.47%	3.04	2.01%
		9/30/2014	\$ 1,896,296,392	\$ 1,930,794,126	101.8%	1.64%	3.03	2.01%
			\$ 4,123,394	\$ (5,674,435)	-0.5%	0.17%	(0.01)	0.00%

# Stable Value Portfolio Review - North Carolina 401(k) Stable Value Fund

Third Quarter 2014

## Issuer Rating Summary

	<u>S &amp; P Rating</u>		<u>Moody's Rating</u>	
	<u>9/30/2014</u>	<u>6/30/2014</u>	<u>9/30/2014</u>	<u>6/30/2014</u>
American General Life Ins. Co.	A+	A+	A2	A2
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1

### American General Life Ins. Co.

- Strong capital levels
- All life businesses except New York were consolidated into this subsidiary at year end 2012
- Leading positions in a diverse set of products

### GreatWest Life Insurance Co.

- Aggressive dividend taking by the parent, combined with General Account growth, results in low capital levels and ratios
- Strong positions in niche markets
- Reliant on support from parent company; the leading insurer in Canada which had solid 2013 results

### Prudential Ins. Co. of America

- A leading diversified U.S. life insurer
- Surplus continues to show solid growth
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds

### Metropolitan Life Ins. Co.

- Largest U.S. life insurer by invested assets
- Exited Fed oversight by shedding banking operations, though likely to be declared a non-bank SIFI
- Capital ratios have rebounded since year end but remain below 2011 and 2012 levels

### Nationwide Life Ins. Co.

- Part of a leading mutual group that includes a leading P&C company
- Strong history of earnings
- Significant variable annuity exposure has resulted in volatile earnings

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only. For institutional investors only.

# North Carolina 401(k) Stable Value Fund Portfolio Review

## Portfolio Holdings

September 30, 2014

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
<b>Cash &amp; Equivalents</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-1,087,313	-1,087,313	100.0	-0.1	0.01		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		72,242,767	72,242,767	100.0	3.8	0.01		0.10	AAA	Aaa	
<b>Total Cash &amp; Equivalents</b>			<b>71,155,454</b>	<b>71,155,454</b>	<b>100.0</b>	<b>3.8</b>	<b>0.01</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>Stable Value Funds</b>												
949907109	Wells Fargo Stable Return Fund G		123,843,461	123,843,461	100.0	6.5	1.60		2.42	AA-	Aa3	
<b>Total Stable Value Funds</b>			<b>123,843,461</b>	<b>123,843,461</b>	<b>100.0</b>	<b>6.5</b>	<b>1.60</b>		<b>2.42</b>	<b>AA-</b>	<b>Aa3</b>	
<b>Insurance Separate Accounts</b>												
<b>Intermediate Portfolio</b>												
391997NH2	GreatWest Life Insurance Co.	Great West	436,714,987	445,480,149	102.0	23.0	2.64	N.S.M.	3.65	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	PIMCO	243,064,727	247,500,575	101.8	12.8	1.98	N.S.M.	3.52	AA-	Aa3	20.0
<b>Total Intermediate Portfolio</b>			<b>679,779,713</b>	<b>692,980,723</b>	<b>101.9</b>	<b>35.8</b>	<b>2.40</b>		<b>3.61</b>	<b>AA</b>	<b>Aa3</b>	
<b>Total Insurance Separate Accounts</b>			<b>679,779,713</b>	<b>692,980,723</b>	<b>101.9</b>	<b>35.8</b>	<b>2.40</b>		<b>3.61</b>	<b>AA</b>	<b>Aa3</b>	
<b>Security Backed Contracts</b>												
<b>Short Portfolio</b>												
946996EE1	American General Life Ins. Co.	Payden & Rygel	275,671,228	278,067,321	100.9	14.5	1.27	N.S.M.	1.63	A+	A2	25.0
896994GW4	Nationwide Life Ins. Co.	Galliard	222,975,984	225,827,011	101.3	11.8	1.82	N.S.M.	2.03	A+	A1	23.0
<b>Total Short Portfolio</b>			<b>498,647,212</b>	<b>503,894,332</b>	<b>101.1</b>	<b>26.3</b>	<b>1.52</b>		<b>1.81</b>	<b>A+</b>	<b>A2</b>	
<b>Intermediate Portfolio</b>												
744999CV3	Prudential Ins. Co. of America	Jennison Assoc.	260,208,599	268,195,748	103.1	13.7	2.33	N.S.M.	3.98	AA-	A1	17.0
744999CV3	Prudential Ins. Co. of America	Prudential	262,661,951	270,724,407	103.1	13.9	2.33	N.S.M.	4.03	AA-	A1	17.0
<b>Total Intermediate Portfolio</b>			<b>522,870,551</b>	<b>538,920,155</b>	<b>103.1</b>	<b>27.6</b>	<b>2.33</b>		<b>4.01</b>	<b>AA-</b>	<b>A1</b>	
<b>Total Security Backed Contracts</b>			<b>1,021,517,763</b>	<b>1,042,814,487</b>	<b>102.1</b>	<b>53.9</b>	<b>1.93</b>		<b>2.93</b>	<b>AA-</b>	<b>A1</b>	
<b>Total Fund</b>			<b>1,896,296,392</b>	<b>1,930,794,126</b>	<b>101.8</b>	<b>100.0</b>	<b>2.01</b>		<b>3.03</b>	<b>AA-</b>	<b>A1</b>	

\*N.S.M. = No Stated Maturity

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.08	0.85	1.26	1.74	2.08	2.43
<b>Benchmark***</b>	0.04	0.60	0.77	0.92	1.45	1.65

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: July 01, 2009

\*\*\*Barclays U.S. 1-3 Year Government/Credit Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$278.1 million
<b>Weighted Average Maturity</b>	2.16 years	1.91 years	<b>Number of Issues</b>	216
<b>Yield to Maturity</b>	0.90%	0.73%	<b>Weighted Coupon</b>	1.30%
<b>Effective Duration</b>	1.63 years	1.86 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	32.7%	<b>31.4%</b>	72.4%
Other U.S. Government	2.5%	<b>2.4%</b>	0.0%
Taxable Municipal	2.8%	<b>2.0%</b>	0.7%
Corporates	42.4%	<b>44.8%</b>	19.3%
Asset Backed Securities (ABS)	9.3%	<b>9.0%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	0.0%
Mortgage Backed Securities (MBS)	4.2%	<b>3.8%</b>	0.0%
Sovereign / Supranationals	5.9%	<b>6.3%</b>	7.6%
Cash / Equivalents	0.2%	<b>0.4%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	55.5%	<b>53.4%</b>	75.9%
AA	2.9%	<b>3.5%</b>	6.7%
A	21.9%	<b>24.2%</b>	9.5%
BBB	19.7%	<b>18.9%</b>	8.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

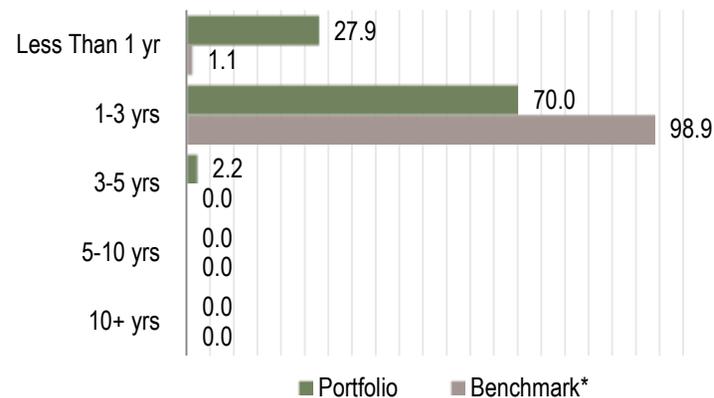
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 401k - Payden & Rygel

Third Quarter 2014

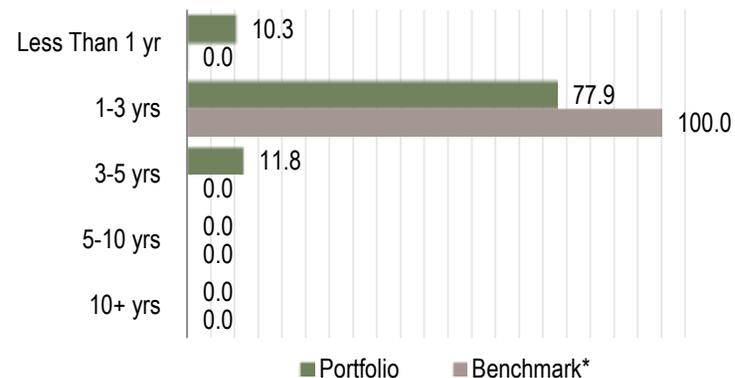
## Duration Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	28.7%	<b>27.9%</b>	1.1%
1-3 yrs	67.9%	<b>70.0%</b>	98.9%
3-5 yrs	3.4%	<b>2.2%</b>	0.0%
5-10 yrs	0.0%	<b>0.0%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	10.8%	<b>10.3%</b>	0.0%
1-3 yrs	75.8%	<b>77.9%</b>	100.0%
3-5 yrs	13.4%	<b>11.8%</b>	0.0%
5-10 yrs	0.0%	<b>0.0%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review – Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Annualized Investment Performance\*

*Periods Ending September 30, 2014*

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
<b>Book Value Performance</b>								
Portfolio (net of all fees)	0.14	0.45	1.33	1.81	2.33	---	---	2.56
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.26	0.78	1.05	1.08	---	---	1.09
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.16	1.56	1.58	1.61	3.13	1.60
3 Year Constant Maturity Treasury Yield	0.09	0.24	0.65	0.81	0.56	0.76	2.07	0.63
<b>Market Value Benchmark</b>								
Blended Benchmark***	-0.26	0.03	1.91	1.88	1.54	2.59	3.59	1.93

\*Returns for periods of less than one year are not annualized.

\*\*Galliard Performance Inception: January 01, 2010

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.18	-0.05	1.17	1.34	1.40	2.58	3.09
<b>Benchmark***</b>	-0.06	0.03	0.45	0.52	0.51	1.07	2.67

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: January 01, 2005

\*\*\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AAA	<b>Total Assets</b>	\$13,404.0 million
<b>Weighted Average Maturity</b>	2.39 years	1.91 years	<b>Number of Issues</b>	1418
<b>Yield to Maturity</b>	1.26%	0.58%	<b>Weighted Coupon</b>	1.99%
<b>Effective Duration</b>	2.03 years	1.86 years	<b>Estimated Annual Income</b>	\$264.3 million

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	12.2%	<b>10.8%</b>	100.0%
Other U.S. Government	4.2%	<b>4.2%</b>	0.0%
Taxable Municipal	2.2%	<b>2.0%</b>	0.0%
Corporates	18.2%	<b>18.4%</b>	0.0%
Asset Backed Securities (ABS)	19.8%	<b>19.9%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	7.8%	<b>7.9%</b>	0.0%
Mortgage Backed Securities (MBS)	26.1%	<b>25.2%</b>	0.0%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	0.0%
Cash / Equivalents	9.5%	<b>11.5%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>09/30/2014</i>
Bank of America Corp	0.6%
Royal Bank of Canada	0.6%
Bank of Nova Scotia/The	0.5%
Goldman Sachs Group Inc/The	0.5%
JPMorgan Chase & Co	0.5%
<b>Total</b>	<b>2.7%**</b>

Total entity exposure – includes all related entities

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	82.7%	<b>82.9%</b>	96.9%
AA	5.9%	<b>5.9%</b>	3.1%
A	11.0%	<b>10.9%</b>	0.0%
BBB	0.3%	<b>0.3%</b>	0.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

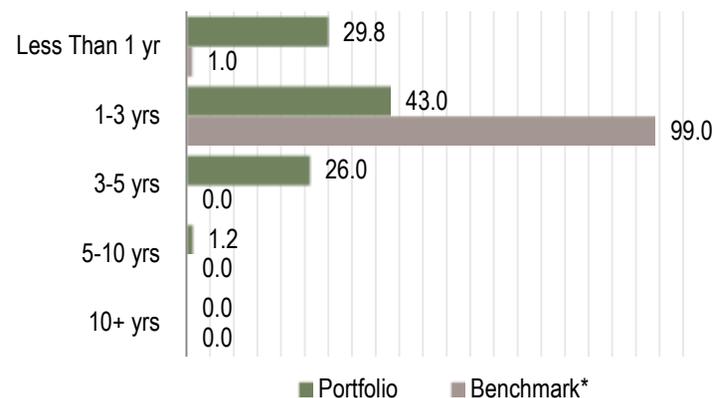
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

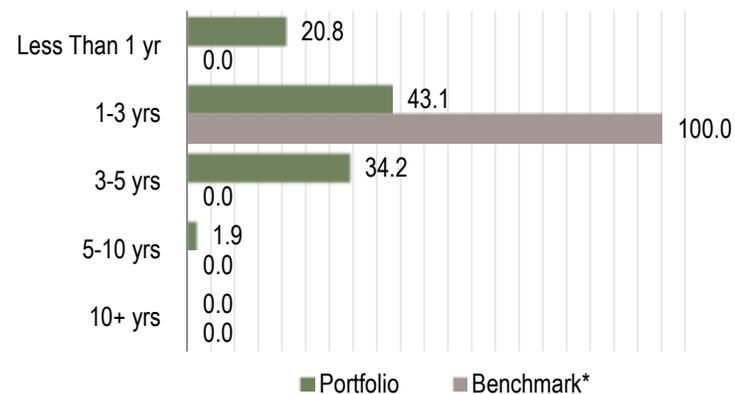
## Duration Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	28.4%	<b>29.8%</b>	1.0%
1-3 yrs	46.8%	<b>43.0%</b>	99.0%
3-5 yrs	24.3%	<b>26.0%</b>	0.0%
5-10 yrs	0.5%	<b>1.2%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	20.1%	<b>20.8%</b>	0.0%
1-3 yrs	44.8%	<b>43.1%</b>	100.0%
3-5 yrs	34.0%	<b>34.2%</b>	0.0%
5-10 yrs	1.1%	<b>1.9%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.03	2.98	2.85	2.26	--	2.90
<b>Benchmark***</b>	0.03	2.88	2.74	2.09	3.58	2.77

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: August 01, 2010

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$2,007.0 million
<b>Weighted Average Maturity</b>	4.87 years	5.08 years	<b>Number of Issues</b>	1177
<b>Yield to Maturity</b>	2.07%	2.08%	<b>Weighted Coupon</b>	3.12%
<b>Effective Duration</b>	4.03 years	4.17 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	39.8%	<b>38.7%</b>	39.6%
Other U.S. Government	0.0%	<b>0.6%</b>	0.0%
Taxable Municipal	0.3%	<b>0.2%</b>	0.5%
Corporates	22.4%	<b>22.2%</b>	19.0%
Asset Backed Securities (ABS)	0.5%	<b>0.5%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	4.2%	<b>4.4%</b>	2.4%
Mortgage Backed Securities (MBS)	31.9%	<b>32.3%</b>	33.5%
Sovereign / Supranationals	0.6%	<b>0.6%</b>	4.5%
Cash / Equivalents	0.4%	<b>0.4%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.6%	<b>76.0%</b>	77.0%
AA	3.3%	<b>2.7%</b>	4.5%
A	11.5%	<b>11.4%</b>	9.2%
BBB	9.6%	<b>9.9%</b>	9.2%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

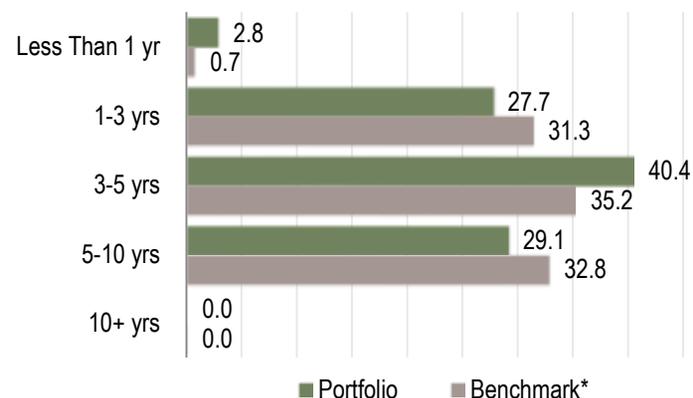
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

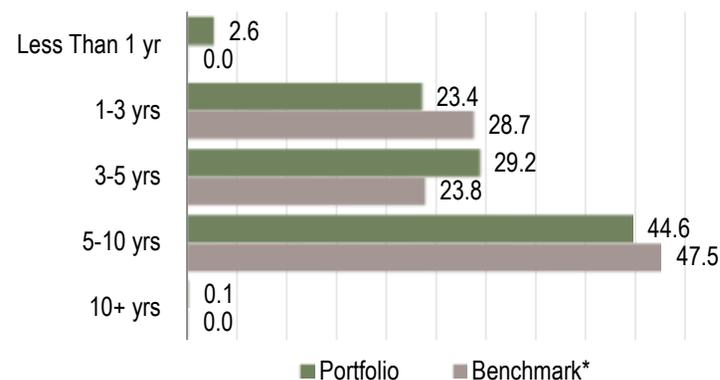
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	2.5%	<b>2.8%</b>	0.7%
1-3 yrs	33.0%	<b>27.7%</b>	31.3%
3-5 yrs	36.6%	<b>40.4%</b>	35.2%
5-10 yrs	27.9%	<b>29.1%</b>	32.8%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	2.3%	<b>2.6%</b>	0.0%
1-3 yrs	30.9%	<b>23.4%</b>	28.7%
3-5 yrs	29.6%	<b>29.2%</b>	23.8%
5-10 yrs	37.2%	<b>44.6%</b>	47.5%
10+ yrs	0.1%	<b>0.1%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

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# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.25	2.57	2.23	1.96	--	3.01
<b>Benchmark***</b>	0.03	2.88	2.74	2.09	3.58	2.99

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: February 01, 2011

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$1,316.2 million
<b>Weighted Average Maturity</b>	4.06 years	5.08 years	<b>Number of Issues</b>	174
<b>Yield to Maturity</b>	1.88%	2.08%	<b>Weighted Coupon</b>	2.18%
<b>Effective Duration</b>	3.52 years	4.17 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	61.0%	<b>60.3%</b>	39.6%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	1.2%	<b>1.3%</b>	0.5%
Corporates	22.7%	<b>22.6%</b>	19.0%
Asset Backed Securities (ABS)	0.0%	<b>0.0%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	2.4%
Mortgage Backed Securities (MBS)	17.8%	<b>17.3%</b>	33.5%
Sovereign / Supranationals	1.1%	<b>1.1%</b>	4.5%
Cash / Equivalents	-3.8%	<b>-2.6%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.5%	<b>75.6%</b>	77.0%
AA	3.0%	<b>2.8%</b>	4.5%
A	14.9%	<b>14.8%</b>	9.2%
BBB	6.6%	<b>6.7%</b>	9.2%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

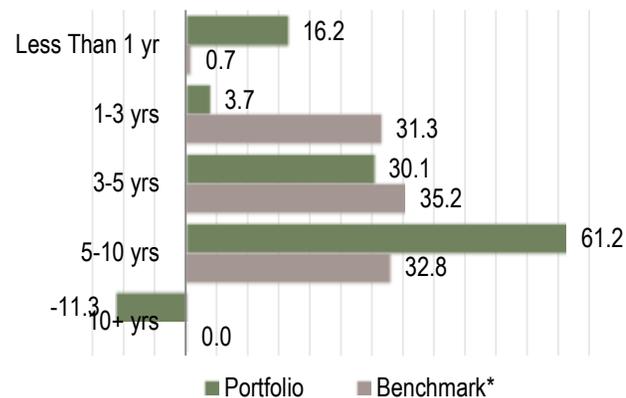
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

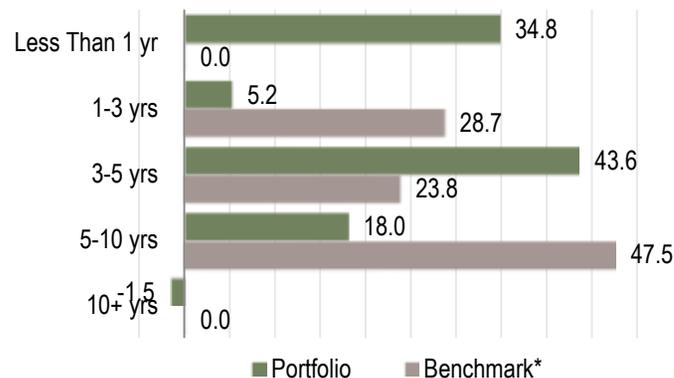
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	1.4%	<b>16.2%</b>	0.7%
1-3 yrs	3.5%	<b>3.7%</b>	31.3%
3-5 yrs	40.5%	<b>30.1%</b>	35.2%
5-10 yrs	64.5%	<b>61.2%</b>	32.8%
10+ yrs	-9.9%	<b>-11.3%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	22.3%	<b>34.8%</b>	0.0%
1-3 yrs	5.5%	<b>5.2%</b>	28.7%
3-5 yrs	39.5%	<b>43.6%</b>	23.8%
5-10 yrs	35.4%	<b>18.0%</b>	47.5%
10+ yrs	-2.7%	<b>-1.5%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

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# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.10	2.94	2.92	2.35	--	2.35
<b>Benchmark***</b>	0.06	2.72	2.46	1.81	3.33	1.81

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: October 01, 2011

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$445.5 million
<b>Weighted Average Maturity</b>	4.79 years	5.06 years	<b>Number of Issues</b>	513
<b>Yield to Maturity</b>	2.25%	2.00%	<b>Weighted Coupon</b>	3.58%
<b>Effective Duration</b>	3.65 years	4.13 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	4.0%	<b>3.2%</b>	43.6%
Other U.S. Government	2.2%	<b>5.2%</b>	0.0%
Taxable Municipal	0.0%	<b>0.0%</b>	0.6%
Corporates	17.3%	<b>15.7%</b>	12.1%
Asset Backed Securities (ABS)	7.7%	<b>8.3%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	8.5%	<b>10.9%</b>	2.4%
Mortgage Backed Securities (MBS)	59.8%	<b>56.5%</b>	36.9%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	3.8%
Cash / Equivalents	0.5%	<b>0.2%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	82.6%	<b>83.7%</b>	84.9%
AA	4.6%	<b>4.5%</b>	5.0%
A	11.5%	<b>10.6%</b>	10.2%
BBB	1.4%	<b>1.1%</b>	0.0%
< BBB	0.1%	<b>0.1%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*Column percentage may not add exactly due to rounding

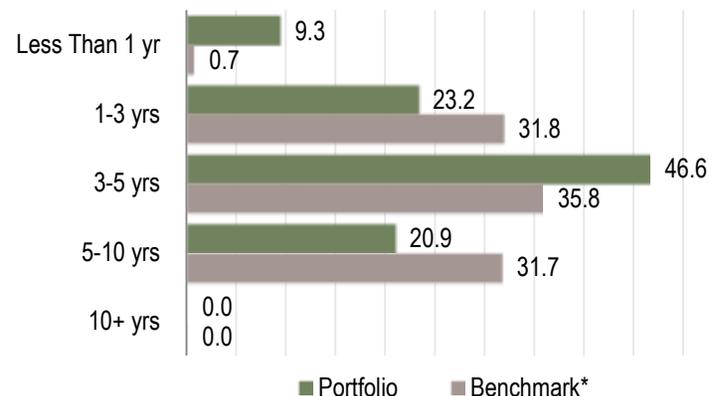
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 401k - Great West ISA

Third Quarter 2014

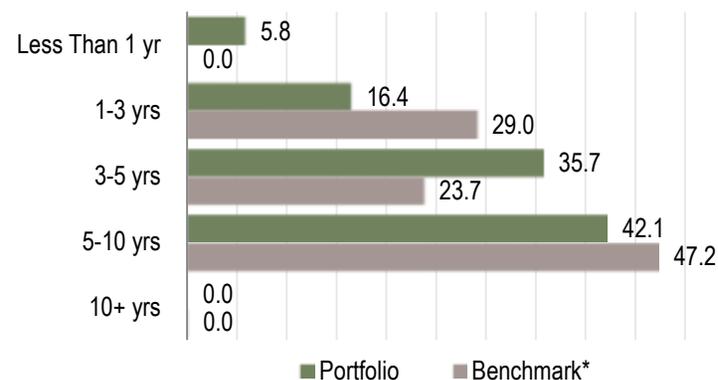
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	10.3%	<b>9.3%</b>	0.7%
1-3 yrs	25.5%	<b>23.2%</b>	31.8%
3-5 yrs	41.5%	<b>46.6%</b>	35.8%
5-10 yrs	22.8%	<b>20.9%</b>	31.7%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	6.3%	<b>5.8%</b>	0.0%
1-3 yrs	18.4%	<b>16.4%</b>	29.0%
3-5 yrs	32.0%	<b>35.7%</b>	23.7%
5-10 yrs	43.1%	<b>42.1%</b>	47.2%
10+ yrs	0.2%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*Column percentage may not add exactly due to rounding

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# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.59	0.12	3.07	2.91	2.19	--	2.98
<b>Benchmark***</b>	-0.51	-0.03	2.22	2.20	2.01	3.42	2.67

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: August 01, 2010

\*\*\*Barclays U.S. Intermediate Government/Credit Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA	<b>Total Assets</b>	\$2,806.2 million
<b>Weighted Average Maturity</b>	6.98 years	4.10 years	<b>Number of Issues</b>	205
<b>Yield to Maturity</b>	1.56%	1.65%	<b>Weighted Coupon</b>	2.33%
<b>Effective Duration</b>	3.98 years	3.79 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	65.0%	<b>65.0%</b>	62.2%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	0.1%	<b>0.0%</b>	0.8%
Corporates	25.2%	<b>25.2%</b>	29.9%
Asset Backed Securities (ABS)	5.4%	<b>5.8%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	0.0%
Mortgage Backed Securities (MBS)	0.0%	<b>0.0%</b>	0.0%
Sovereign / Supranationals	1.2%	<b>1.3%</b>	7.1%
Cash / Equivalents	3.0%	<b>2.7%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.3%	<b>75.3%</b>	64.9%
AA	2.0%	<b>1.4%</b>	6.6%
A	13.2%	<b>13.6%</b>	14.2%
BBB	9.4%	<b>9.6%</b>	14.3%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

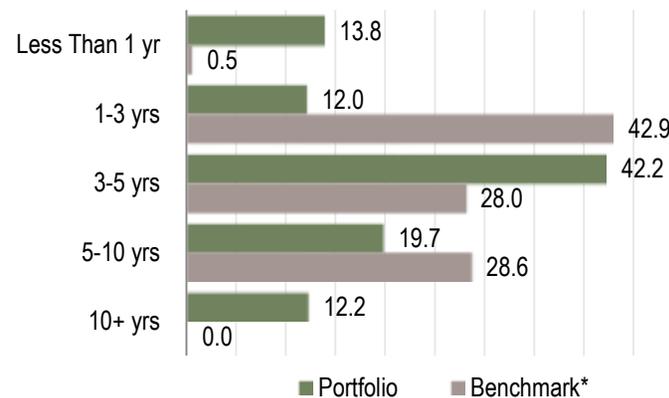
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

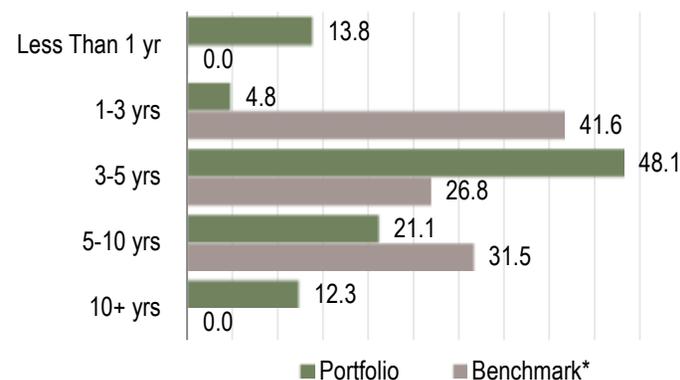
## Duration Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	26.3%	13.8%	0.5%
1-3 yrs	5.0%	12.0%	42.9%
3-5 yrs	32.1%	42.2%	28.0%
5-10 yrs	23.9%	19.7%	28.6%
10+ yrs	12.7%	12.2%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	26.2%	13.8%	0.0%
1-3 yrs	4.3%	4.8%	41.6%
3-5 yrs	29.9%	48.1%	26.8%
5-10 yrs	26.8%	21.1%	31.5%
10+ yrs	12.8%	12.3%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

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GALLIARD  
CAPITAL MANAGEMENT, INC.

*Section V*

# Stable Value Portfolio Review – North Carolina 457 Stable Value Fund

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
<b>Book Value Performance</b>								
Portfolio (net of all fees)	0.14	0.46	1.33	1.79	2.35	---	---	2.58
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.26	0.78	1.05	1.08	---	---	1.09
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.16	1.56	1.58	1.61	3.13	1.60
3 Year Constant Maturity Treasury Yield	0.09	0.24	0.65	0.81	0.56	0.76	2.07	0.63
<b>Market Value Benchmark</b>								
Blended Benchmark***	-0.26	0.03	1.91	1.88	1.54	2.59	3.59	1.93

## Calendar Year Performance

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Book Value Performance</b>					
Portfolio (net of all fees)	2.15	2.77	3.30	---	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.08	1.12	1.11	---	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.58	1.62	1.61	1.64	1.72
3 Year Constant Maturity Treasury Yield	0.54	0.38	0.75	1.10	1.43
<b>Market Value Benchmark</b>					
Blended Benchmark***	-0.41	2.52	4.05	4.53	5.03
<b>Market Indices</b>					
Merrill Lynch 3 Month T-Bill	0.07	0.11	0.10	0.13	0.21
Consumer Price Index	1.62	2.26	2.96	1.50	2.72

\*Returns for periods of less than one year are not annualized.

\*\*Galliard's management of this portfolio began December 1, 2010. Periods that exceed Galliard's tenure with the portfolio include Galliard performance linked with historical portfolio returns.

\*\*\*10% BofAML 3 Month U.S. T-Bills, 30% Barclays Capital 1-3 Yr U.S. Govt/Credit, 60% Barclays Capital Intermediate U.S. Aggregate. This blended market value benchmark approximates the asset allocation target for the State of North Carolina Stable Value Fund. It is important to note that fundamental differences arise when comparing book value performance to a market index, especially when comparing performance for periods shorter than 10 years. Market value indices immediately reflect the gains/(losses) resulting from changing market interest rates while book value performance amortizes these gains/(losses).

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Third Quarter 2014

## Portfolio Characteristics

<b>Total Assets</b>	\$393,320,064	<b>Blended Yield (After fees)*</b>	1.83%
<b>Average Holdings Quality**</b>	AA+	<b>Effective Duration</b>	3.08 years
<b>Number of Contract Issuers</b>	5	<b>Market/Book Value Ratio</b>	101.80%

\*Blended yield is after investment management fees, wrap fees and administration fees.

\*\*The Average Holdings Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Average Holdings Quality shown represents an average quality of the underlying individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

## Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>09/30/2014</u>	<u>% of Portfolio</u> <u>06/30/2014</u>
<b>Cash &amp; Equivalents*</b>	<b>9,678,784</b>	<b>2.5</b>	<b>3.6</b>
<b>Stable Value Funds</b>	<b>25,664,508</b>	<b>6.5</b>	<b>6.5</b>
<b>Insurance Separate Accounts</b>	<b>145,487,406</b>	<b>37.0</b>	<b>36.6</b>
Intermediate Portfolio	145,487,406	37.0	36.6
<b>Security Backed Contracts</b>	<b>212,489,366</b>	<b>54.0</b>	<b>53.4</b>
Short Portfolio	107,187,015	27.3	27.0
Intermediate Portfolio	105,302,351	26.8	26.4
<b>Total</b>	<b>\$393,320,064</b>	<b>100.0%**</b>	<b>100.0%**</b>

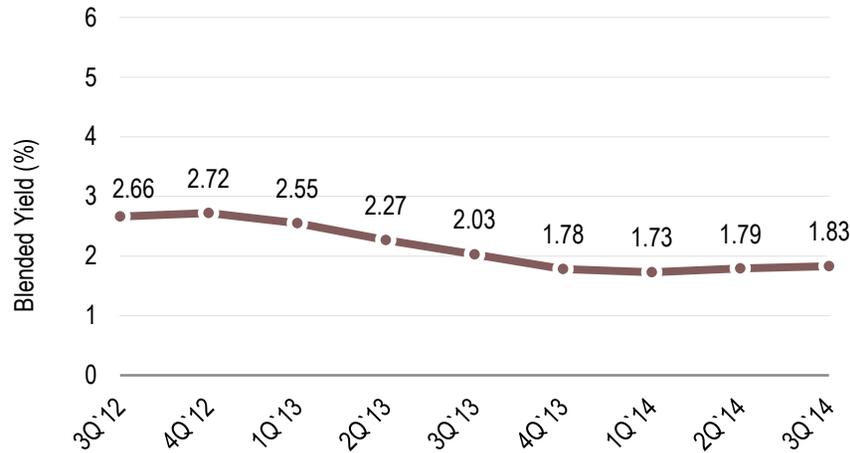
\*Includes Receivables and Payables

\*\*Total % of portfolio may not add to 100% due to rounding

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

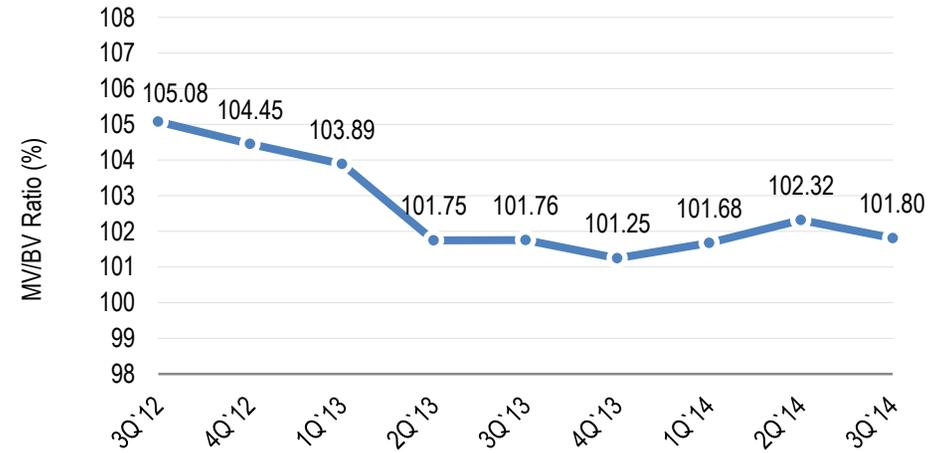
Third Quarter 2014

## Historical Book Value Crediting Rate\*

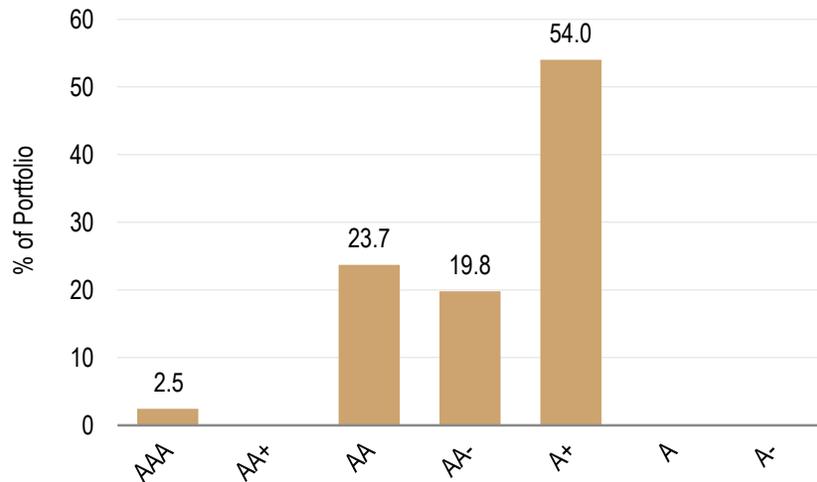


\*Blended yield is after investment management fees, wrap fees and administration fees.

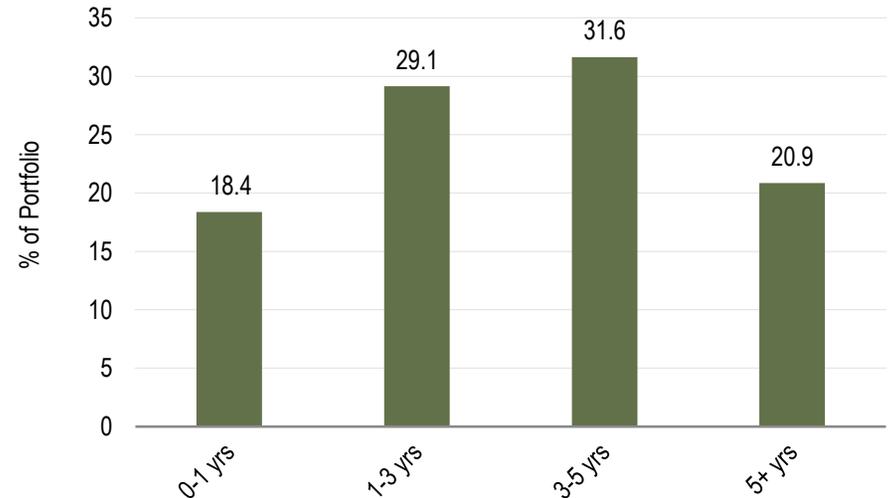
## Market Value to Book Value Ratio\*



## Contract Quality Distribution\*



## Underlying Duration Distribution\*\*



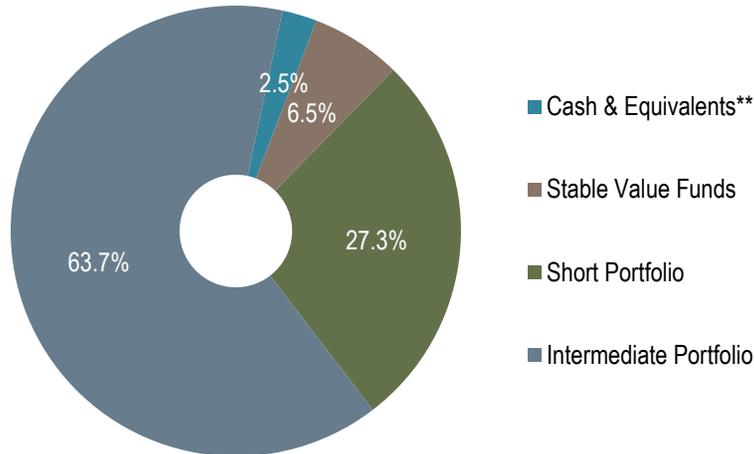
\*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

\*\*Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Third Quarter 2014

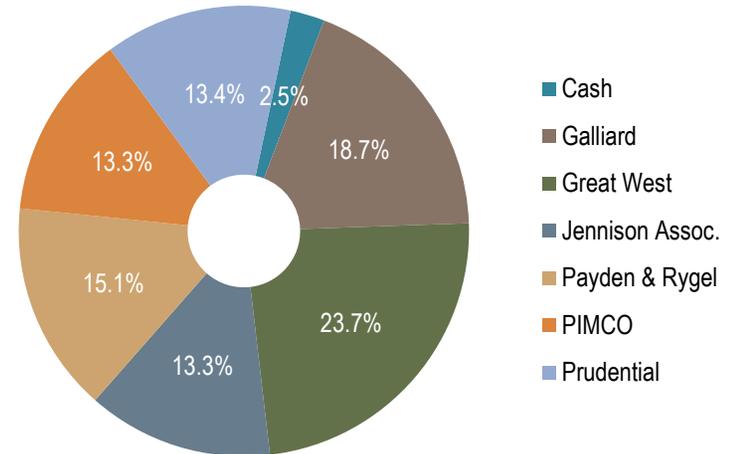
## Portfolio Distribution\*



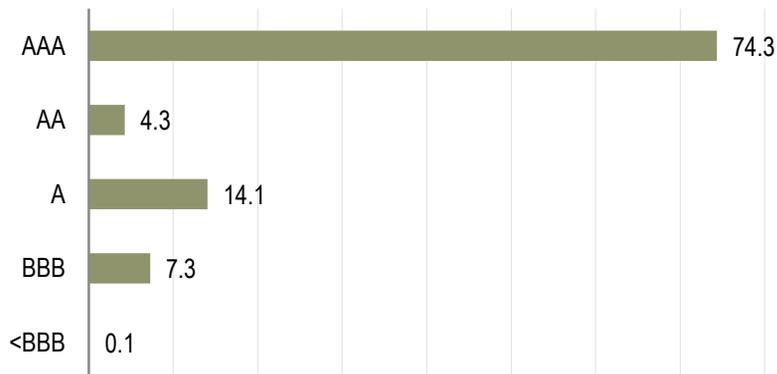
\*Book value

\*\*Includes Receivables and Payables

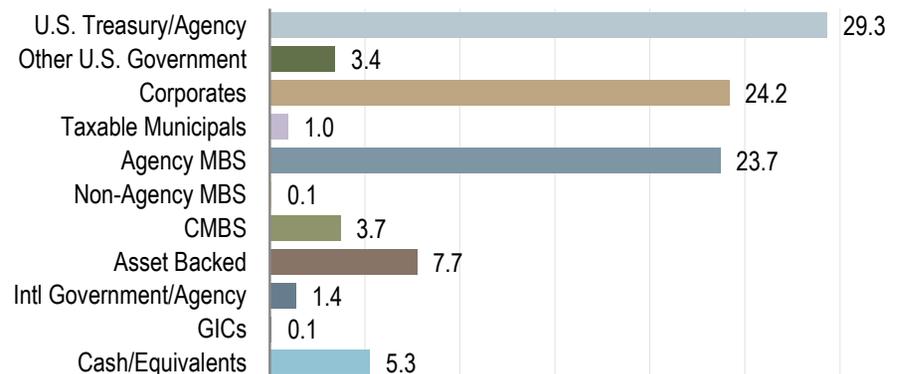
## Manager Distribution\*



## Underlying Fixed Income Credit Quality\*



## Underlying Fixed Income Asset Allocation\*\*



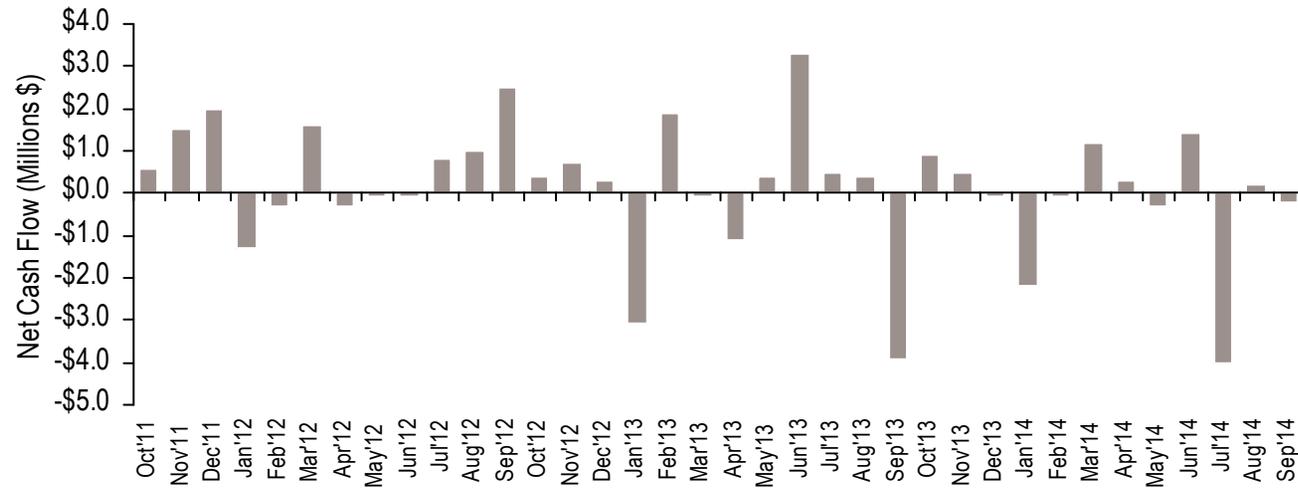
\*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology

\*\*Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Third Quarter 2014

## Historical Cashflows



	YTD	2013	2012	2011
Beginning Assets	\$392.0	\$384.1	\$368.8	\$343.5
Net Cash Flow (\$)*	-\$3.9	-\$0.4	\$5.1	\$9.2
Net Cash Flow (%)	-0.99%	-0.10%	1.38%	2.68%
Estimated Investment Earnings	\$5.2	\$8.3	\$10.3	\$16.0
Ending Assets**	\$393.3	\$392.0	\$384.1	\$368.8

\* Contributions, Withdrawals and Investment Transfers

\*\*Cashflows may not net to final assets due to rounding

## State of North Carolina Stable Value Funds

### Market Value 457 Plan Performance Summary

#### *Short Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Payden &amp; Rygel</b>	<b>0.09%</b>	<b>1.27%</b>	<b>1.72%</b>		<b>2.14%</b>	<b>8/1/2009</b>
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.04%</u>	<u>0.77%</u>	<u>0.92%</u>		<u>1.59%</u>	
	0.05%	0.50%	0.81%		0.55%	
<b>Galliard**</b>	<b>-0.05%</b>	<b>1.35%</b>	<b>1.42%</b>		<b>2.23%</b>	<b>1/1/2010</b>
Barclays Capital 1-3 Yr. Government *	0.03%	0.52%	0.51%		1.11%	
Barclays Capital 1-3 Yr. Gov't/Credit	<u>0.04%</u>	<u>0.77%</u>	<u>0.92%</u>		<u>1.45%</u>	
	-0.09%	0.83%	0.91%		1.12%	

#### *Intermediate Duration*

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
<b>Prudential Investment Management</b>	<b>0.03%</b>	<b>2.85%</b>	<b>2.26%</b>		<b>2.90%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Aggregate	<u>0.03%</u>	<u>2.74%</u>	<u>2.09%</u>		<u>2.77%</u>	
	-0.01%	0.11%	0.17%		0.13%	
<b>PIMCO</b>	<b>-0.25%</b>	<b>2.23%</b>	<b>1.96%</b>		<b>3.01%</b>	<b>2/1/2011</b>
Barclays Capital Intermediate Aggregate	<u>0.03%</u>	<u>2.74%</u>	<u>2.09%</u>		<u>2.99%</u>	
	-0.28%	-0.50%	-0.13%		0.03%	
<b>Great West Life</b>	<b>0.08%</b>	<b>3.10%</b>	<b>2.28%</b>		<b>2.28%</b>	<b>10/1/2011</b>
Barclays Capital Intermediate Aggregate (Ex BBB)	<u>0.06%</u>	<u>2.46%</u>	<u>1.81%</u>		<u>1.81%</u>	
	0.02%	0.64%	0.47%		0.47%	
<b>Jennison</b>	<b>0.12%</b>	<b>2.91%</b>	<b>2.19%</b>		<b>2.98%</b>	<b>8/1/2010</b>
Barclays Capital Intermediate Govt/Credit	<u>-0.03%</u>	<u>2.20%</u>	<u>2.01%</u>		<u>2.67%</u>	
	0.15%	0.72%	0.17%		0.31%	

\*Index being shown for comparison purposes only, the fund is managed to a targeted duration. Returns shown are after investment management fees.

\*\*Reflects performance of Galliard Short Duration Fund B through 2/28/14 at which time Fund B was consolidated.

## State of North Carolina Stable Value Funds

### Impact of Rising Market Rates – 457 Plan

Segment	Manager	Period	Book Value	Market Value	MV/BV Ratio	Market Value Yield	Duration (Years)	Book Value Crediting Rate
Short Duration	Payden & Rygel	6/30/2014	\$ 59,237,867	\$ 59,921,101	101.2%	0.75%	1.49	1.28%
		9/30/2014	\$ 59,466,511	\$ 59,974,401	100.9%	0.91%	1.64	1.28%
			\$ 228,644	\$ 53,300	-0.3%	0.16%	0.15	0.00%
	Galliard	6/30/2014	\$ 47,473,526	\$ 48,378,955	101.9%	1.08%	1.99	1.74%
		9/30/2014	\$ 47,720,505	\$ 48,353,443	101.3%	1.26%	2.03	1.85%
			\$ 246,979	\$ (25,512)	-0.6%	0.18%	0.04	0.11%
Intermediate Duration	Prudential	6/30/2014	\$ 52,539,373	\$ 54,628,470	104.0%	1.72%	3.94	2.38%
		9/30/2014	\$ 52,860,777	\$ 54,642,587	103.4%	2.07%	4.03	2.41%
			\$ 321,404	\$ 14,117	-0.6%	0.35%	0.09	0.03%
	PIMCO	6/30/2014	\$ 52,021,291	\$ 53,480,720	102.8%	1.78%	3.95	2.33%
		9/30/2014	\$ 52,282,888	\$ 53,287,202	101.9%	1.88%	3.52	2.01%
			\$ 261,597	\$ (193,518)	-0.9%	0.10%	(0.43)	-0.32%
	Great West Life	6/30/2014	\$ 92,621,670	\$ 94,573,294	102.1%	2.14%	3.63	2.44%
		9/30/2014	\$ 93,204,518	\$ 94,605,522	101.5%	2.33%	3.74	2.52%
			\$ 582,848	\$ 32,228	-0.6%	0.19%	0.11	0.08%
	Jennison	6/30/2014	\$ 52,089,856	\$ 54,161,079	104.0%	1.41%	3.98	2.38%
		9/30/2014	\$ 52,441,574	\$ 54,209,254	103.4%	1.56%	3.98	2.41%
			\$ 351,718	\$ 48,175	-0.6%	0.15%	-	0.03%
Total Fund		6/30/2014	\$ 395,601,433	\$ 404,761,468	102.3%	1.49%	3.04	2.01%
		9/30/2014	\$ 393,320,064	\$ 400,415,701	101.8%	1.68%	308.00	2.03%
			\$ (2,281,369)	\$ (4,345,767)	-0.5%	0.19%	304.96	0.02%

# Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Third Quarter 2014

## Issuer Rating Summary

	S & P Rating		Moody's Rating	
	9/30/2014	6/30/2014	9/30/2014	6/30/2014
American General Life Ins. Co.	A+	A+	A2	A2
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1

### American General Life Ins. Co.

- Strong capital levels
- All life businesses except New York were consolidated into this subsidiary at year end 2012
- Leading positions in a diverse set of products

### GreatWest Life Insurance Co.

- Aggressive dividend taking by the parent, combined with General Account growth, results in low capital levels and ratios
- Strong positions in niche markets
- Reliant on support from parent company; the leading insurer in Canada which had solid 2013 results

### Prudential Ins. Co. of America

- A leading diversified U.S. life insurer
- Surplus continues to show solid growth
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds

### Metropolitan Life Ins. Co.

- Largest U.S. life insurer by invested assets
- Exited Fed oversight by shedding banking operations, though likely to be declared a non-bank SIFI
- Capital ratios have rebounded since year end but remain below 2011 and 2012 levels

### Nationwide Life Ins. Co.

- Part of a leading mutual group that includes a leading P&C company
- Strong history of earnings
- Significant variable annuity exposure has resulted in volatile earnings

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only.  
For institutional investors only.

# North Carolina 457 Stable Value Fund Portfolio Review

## Portfolio Holdings

September 30, 2014

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
<b>Cash &amp; Equivalents</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-243,866	-243,866	100.0	-0.1	0.01		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		9,922,650	9,922,650	100.0	2.5	0.01		0.10	AAA	Aaa	
<b>Total Cash &amp; Equivalents</b>			<b>9,678,784</b>	<b>9,678,784</b>	<b>100.0</b>	<b>2.5</b>	<b>0.01</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>Stable Value Funds</b>												
949907109	Wells Fargo Stable Return Fund G		25,664,508	25,664,508	100.0	6.5	1.60		2.42	AA-	Aa3	
<b>Total Stable Value Funds</b>			<b>25,664,508</b>	<b>25,664,508</b>	<b>100.0</b>	<b>6.5</b>	<b>1.60</b>		<b>2.42</b>	<b>AA-</b>	<b>Aa3</b>	
<b>Insurance Separate Accounts</b>												
<b>Intermediate Portfolio</b>												
391997NC3	GreatWest Life Insurance Co.	Great West	93,204,518	94,605,522	101.5	23.7	2.52	N.S.M.	3.74	AA	Aa3	15.0
590994BY4	Metropolitan Life Ins. Co.	PIMCO	52,282,888	53,287,202	101.9	13.3	2.01	N.S.M.	3.52	AA-	Aa3	20.0
<b>Total Intermediate Portfolio</b>			<b>145,487,406</b>	<b>147,892,725</b>	<b>101.7</b>	<b>37.0</b>	<b>2.34</b>		<b>3.66</b>	<b>AA</b>	<b>Aa3</b>	
<b>Total Insurance Separate Accounts</b>			<b>145,487,406</b>	<b>147,892,725</b>	<b>101.7</b>	<b>37.0</b>	<b>2.34</b>		<b>3.66</b>	<b>AA</b>	<b>Aa3</b>	
<b>Security Backed Contracts</b>												
<b>Short Portfolio</b>												
946996DV4	American General Life Ins. Co.	Payden & Rygel	59,466,511	59,974,401	100.9	15.1	1.28	N.S.M.	1.64	A+	A2	25.0
896994MP2	Nationwide Life Ins. Co.	Galliard	47,720,505	48,353,443	101.3	12.1	1.85	N.S.M.	2.03	A+	A1	23.0
<b>Total Short Portfolio</b>			<b>107,187,015</b>	<b>108,327,843</b>	<b>101.1</b>	<b>27.3</b>	<b>1.53</b>		<b>1.81</b>	<b>A+</b>	<b>A2</b>	
<b>Intermediate Portfolio</b>												
744999CF8	Prudential Ins. Co. of America	Jennison Assoc.	52,441,574	54,209,254	103.4	13.3	2.41	N.S.M.	3.98	AA-	A1	17.0
744999CF8	Prudential Ins. Co. of America	Prudential	52,860,777	54,642,587	103.4	13.4	2.41	N.S.M.	4.03	AA-	A1	17.0
<b>Total Intermediate Portfolio</b>			<b>105,302,351</b>	<b>108,851,841</b>	<b>103.4</b>	<b>26.8</b>	<b>2.41</b>		<b>4.00</b>	<b>AA-</b>	<b>A1</b>	
<b>Total Security Backed Contracts</b>			<b>212,489,366</b>	<b>217,179,685</b>	<b>102.2</b>	<b>54.0</b>	<b>1.97</b>		<b>2.90</b>	<b>A+</b>	<b>A1</b>	
<b>Total Fund</b>			<b>393,320,064</b>	<b>400,415,701</b>	<b>101.8</b>	<b>100.0</b>	<b>2.03</b>		<b>3.08</b>	<b>AA-</b>	<b>A1</b>	

\*N.S.M. = No Stated Maturity

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.09	0.86	1.27	1.72	2.04	2.14
<b>Benchmark***</b>	0.04	0.60	0.77	0.92	1.45	1.59

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: August 01, 2009

\*\*\*Barclays U.S. 1-3 Year Government/Credit Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$60.0 million
<b>Weighted Average Maturity</b>	2.24 years	1.91 years	<b>Number of Issues</b>	193
<b>Yield to Maturity</b>	0.91%	0.73%	<b>Weighted Coupon</b>	1.31%
<b>Effective Duration</b>	1.64 years	1.86 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	31.1%	<b>30.9%</b>	72.4%
Other U.S. Government	2.4%	<b>2.3%</b>	0.0%
Taxable Municipal	2.9%	<b>2.4%</b>	0.7%
Corporates	41.6%	<b>43.2%</b>	19.3%
Asset Backed Securities (ABS)	10.8%	<b>10.5%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	0.0%
Mortgage Backed Securities (MBS)	4.4%	<b>4.0%</b>	0.0%
Sovereign / Supranationals	6.1%	<b>6.4%</b>	7.6%
Cash / Equivalents	0.7%	<b>0.3%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	55.8%	<b>54.2%</b>	75.9%
AA	3.5%	<b>3.9%</b>	6.7%
A	21.5%	<b>22.9%</b>	9.5%
BBB	19.2%	<b>19.0%</b>	8.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

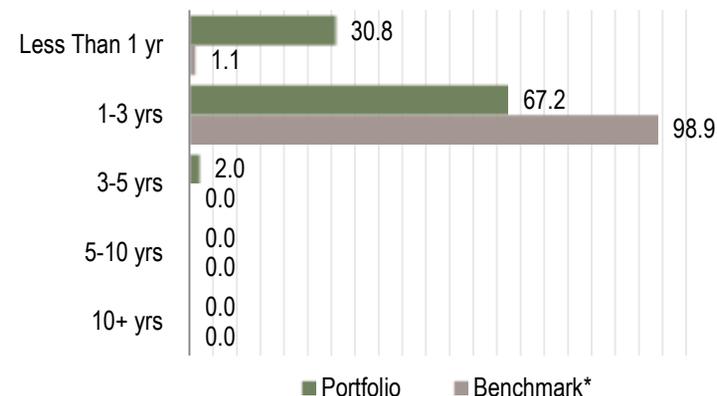
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 457 - Payden & Rygel

Third Quarter 2014

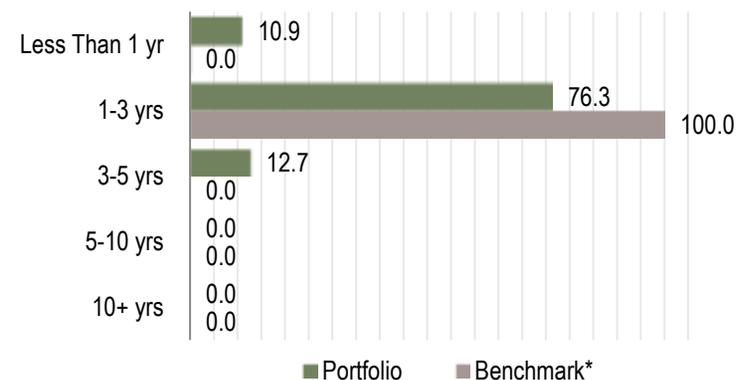
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	32.5%	<b>30.8%</b>	1.1%
1-3 yrs	63.9%	<b>67.2%</b>	98.9%
3-5 yrs	3.6%	<b>2.0%</b>	0.0%
5-10 yrs	0.0%	<b>0.0%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	12.2%	<b>10.9%</b>	0.0%
1-3 yrs	71.2%	<b>76.3%</b>	100.0%
3-5 yrs	16.6%	<b>12.7%</b>	0.0%
5-10 yrs	0.0%	<b>0.0%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. 1-3 Year Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review – Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Annualized Investment Performance\*

*Periods Ending September 30, 2014*

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>10 Yr</u>	<u>Since Inception**</u>
<b>Book Value Performance</b>								
Portfolio (net of all fees)	0.14	0.46	1.33	1.79	2.35	---	---	2.58
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.26	0.78	1.05	1.08	---	---	1.09
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.16	1.56	1.58	1.61	3.13	1.60
3 Year Constant Maturity Treasury Yield	0.09	0.24	0.65	0.81	0.56	0.76	2.07	0.63
<b>Market Value Benchmark</b>								
Blended Benchmark***	-0.26	0.03	1.91	1.88	1.54	2.59	3.59	1.93

\*Returns for periods of less than one year are not annualized.

\*\*Galliard Performance Inception: January 01, 2010

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.18	-0.05	1.17	1.34	1.40	2.58	3.09
<b>Benchmark***</b>	-0.06	0.03	0.45	0.52	0.51	1.07	2.67

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Galliard Performance Inception: January 01, 2005

\*\*\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AAA	<b>Total Assets</b>	\$13,404.0 million
<b>Weighted Average Maturity</b>	2.39 years	1.91 years	<b>Number of Issues</b>	1418
<b>Yield to Maturity</b>	1.26%	0.58%	<b>Weighted Coupon</b>	1.99%
<b>Effective Duration</b>	2.03 years	1.86 years	<b>Estimated Annual Income</b>	\$264.3 million

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	12.2%	<b>10.8%</b>	100.0%
Other U.S. Government	4.2%	<b>4.2%</b>	0.0%
Taxable Municipal	2.2%	<b>2.0%</b>	0.0%
Corporates	18.2%	<b>18.4%</b>	0.0%
Asset Backed Securities (ABS)	19.8%	<b>19.9%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	7.8%	<b>7.9%</b>	0.0%
Mortgage Backed Securities (MBS)	26.1%	<b>25.2%</b>	0.0%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	0.0%
Cash / Equivalents	9.5%	<b>11.5%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>09/30/2014</i>
Bank of America Corp	0.6%
Royal Bank of Canada	0.6%
Bank of Nova Scotia/The	0.5%
Goldman Sachs Group Inc/The	0.5%
JPMorgan Chase & Co	0.5%
<b>Total</b>	<b>2.7%**</b>

Total entity exposure – includes all related entities

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	82.7%	<b>82.9%</b>	96.9%
AA	5.9%	<b>5.9%</b>	3.1%
A	11.0%	<b>10.9%</b>	0.0%
BBB	0.3%	<b>0.3%</b>	0.0%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

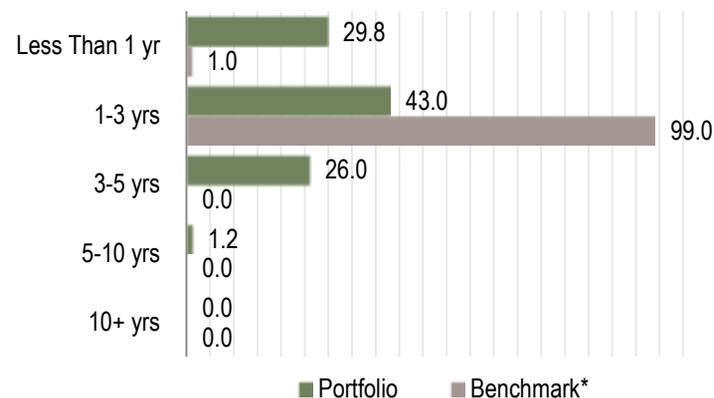
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - F

Third Quarter 2014

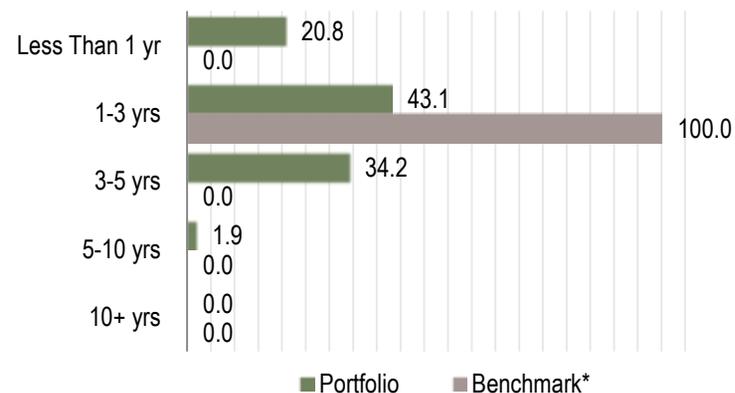
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	28.4%	<b>29.8%</b>	1.0%
1-3 yrs	46.8%	<b>43.0%</b>	99.0%
3-5 yrs	24.3%	<b>26.0%</b>	0.0%
5-10 yrs	0.5%	<b>1.2%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	20.1%	<b>20.8%</b>	0.0%
1-3 yrs	44.8%	<b>43.1%</b>	100.0%
3-5 yrs	34.0%	<b>34.2%</b>	0.0%
5-10 yrs	1.1%	<b>1.9%</b>	0.0%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



\*Barclays Capital 1-3 Yr Government. Benchmark information shown is used for comparative purposes only. The fund is managed to a targeted duration of 2.0 years.

\*\*Column percentage may not add exactly due to rounding

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.03	2.98	2.85	2.26	--	2.90
<b>Benchmark***</b>	0.03	2.88	2.74	2.09	3.58	2.77

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: August 01, 2010

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$2,007.0 million
<b>Weighted Average Maturity</b>	4.87 years	5.08 years	<b>Number of Issues</b>	1177
<b>Yield to Maturity</b>	2.07%	2.08%	<b>Weighted Coupon</b>	3.12%
<b>Effective Duration</b>	4.03 years	4.17 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	39.8%	<b>38.7%</b>	39.6%
Other U.S. Government	0.0%	<b>0.6%</b>	0.0%
Taxable Municipal	0.3%	<b>0.2%</b>	0.5%
Corporates	22.4%	<b>22.2%</b>	19.0%
Asset Backed Securities (ABS)	0.5%	<b>0.5%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	4.2%	<b>4.4%</b>	2.4%
Mortgage Backed Securities (MBS)	31.9%	<b>32.3%</b>	33.5%
Sovereign / Supranationals	0.6%	<b>0.6%</b>	4.5%
Cash / Equivalents	0.4%	<b>0.4%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.6%	<b>76.0%</b>	77.0%
AA	3.3%	<b>2.7%</b>	4.5%
A	11.5%	<b>11.4%</b>	9.2%
BBB	9.6%	<b>9.9%</b>	9.2%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

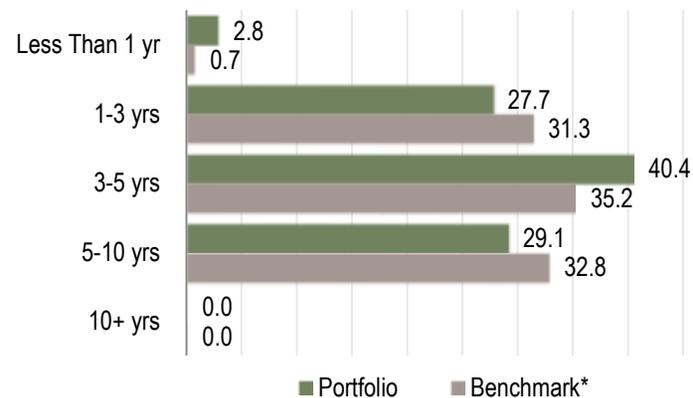
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# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund M (Prudential)

Third Quarter 2014

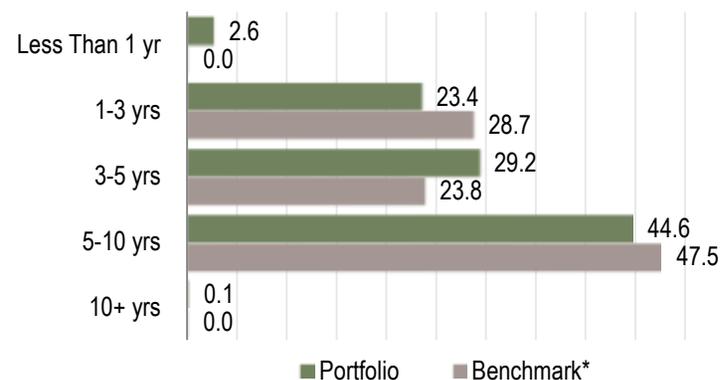
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	2.5%	<b>2.8%</b>	0.7%
1-3 yrs	33.0%	<b>27.7%</b>	31.3%
3-5 yrs	36.6%	<b>40.4%</b>	35.2%
5-10 yrs	27.9%	<b>29.1%</b>	32.8%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	2.3%	<b>2.6%</b>	0.0%
1-3 yrs	30.9%	<b>23.4%</b>	28.7%
3-5 yrs	29.6%	<b>29.2%</b>	23.8%
5-10 yrs	37.2%	<b>44.6%</b>	47.5%
10+ yrs	0.1%	<b>0.1%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



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\*Barclays U.S. Intermediate Aggregate Bond Index

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# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.25	2.57	2.23	1.96	--	3.01
<b>Benchmark***</b>	0.03	2.88	2.74	2.09	3.58	2.99

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: February 01, 2011

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA-	AA+	<b>Total Assets</b>	\$1,316.2 million
<b>Weighted Average Maturity</b>	4.06 years	5.08 years	<b>Number of Issues</b>	174
<b>Yield to Maturity</b>	1.88%	2.08%	<b>Weighted Coupon</b>	2.18%
<b>Effective Duration</b>	3.52 years	4.17 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	61.0%	<b>60.3%</b>	39.6%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	1.2%	<b>1.3%</b>	0.5%
Corporates	22.7%	<b>22.6%</b>	19.0%
Asset Backed Securities (ABS)	0.0%	<b>0.0%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	2.4%
Mortgage Backed Securities (MBS)	17.8%	<b>17.3%</b>	33.5%
Sovereign / Supranationals	1.1%	<b>1.1%</b>	4.5%
Cash / Equivalents	-3.8%	<b>-2.6%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.5%	<b>75.6%</b>	77.0%
AA	3.0%	<b>2.8%</b>	4.5%
A	14.9%	<b>14.8%</b>	9.2%
BBB	6.6%	<b>6.7%</b>	9.2%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

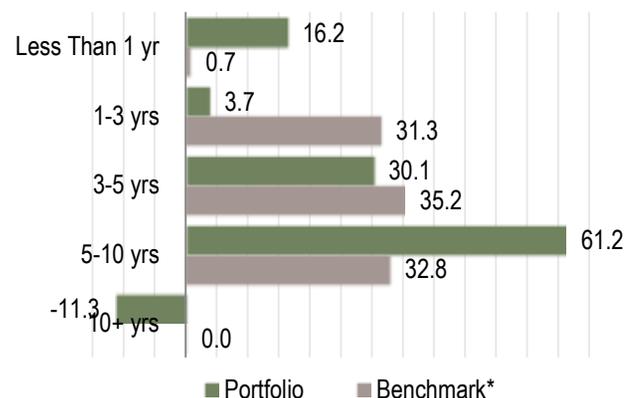
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# Fixed Income Portfolio Review - MetLife Separate Account 654/695/737 - Commingled PIMCO

Third Quarter 2014

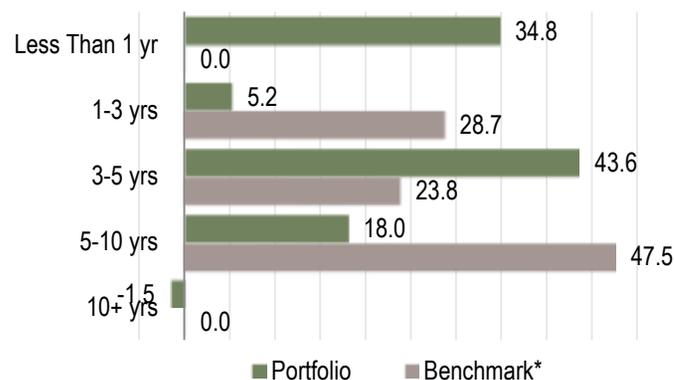
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	1.4%	<b>16.2%</b>	0.7%
1-3 yrs	3.5%	<b>3.7%</b>	31.3%
3-5 yrs	40.5%	<b>30.1%</b>	35.2%
5-10 yrs	64.5%	<b>61.2%</b>	32.8%
10+ yrs	-9.9%	<b>-11.3%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	22.3%	<b>34.8%</b>	0.0%
1-3 yrs	5.5%	<b>5.2%</b>	28.7%
3-5 yrs	39.5%	<b>43.6%</b>	23.8%
5-10 yrs	35.4%	<b>18.0%</b>	47.5%
10+ yrs	-2.7%	<b>-1.5%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index

\*\*Column percentage may not add exactly due to rounding

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# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Third Quarter 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	0.08	2.96	3.10	2.28	--	2.28
<b>Benchmark***</b>	0.06	2.72	2.46	1.81	3.33	1.81

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: October 01, 2011

\*\*\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA+	<b>Total Assets</b>	\$94.6 million
<b>Weighted Average Maturity</b>	4.76 years	5.06 years	<b>Number of Issues</b>	205
<b>Yield to Maturity</b>	2.33%	2.00%	<b>Weighted Coupon</b>	3.56%
<b>Effective Duration</b>	3.74 years	4.13 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Third Quarter 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	1.2%	<b>1.2%</b>	43.6%
Other U.S. Government	3.6%	<b>9.4%</b>	0.0%
Taxable Municipal	0.0%	<b>0.0%</b>	0.6%
Corporates	23.2%	<b>19.9%</b>	12.1%
Asset Backed Securities (ABS)	9.1%	<b>9.4%</b>	0.6%
Commercial Mortgage Backed Securities (CMBS)	3.5%	<b>7.4%</b>	2.4%
Mortgage Backed Securities (MBS)	56.8%	<b>52.1%</b>	36.9%
Sovereign / Supranationals	0.0%	<b>0.0%</b>	3.8%
Cash / Equivalents	2.6%	<b>0.7%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	73.7%	<b>77.2%</b>	84.9%
AA	7.9%	<b>7.0%</b>	5.0%
A	16.1%	<b>13.6%</b>	10.2%
BBB	1.9%	<b>1.9%</b>	0.0%
< BBB	0.4%	<b>0.3%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*Column percentage may not add exactly due to rounding

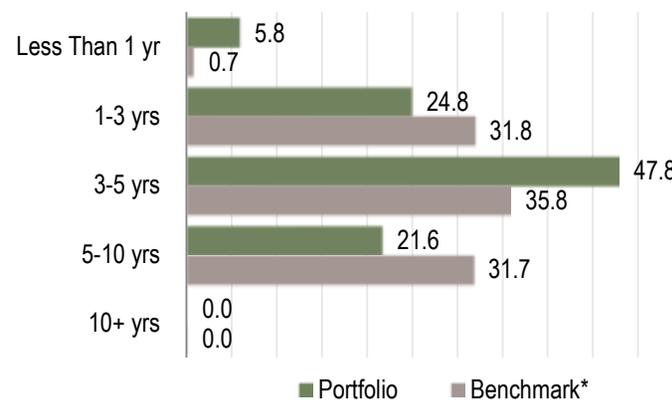
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - North Carolina 457 - Great West ISA

Third Quarter 2014

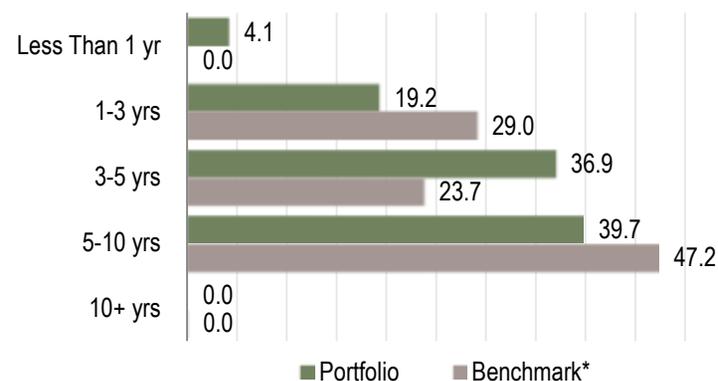
## Duration Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	8.7%	<b>5.8%</b>	0.7%
1-3 yrs	26.2%	<b>24.8%</b>	31.8%
3-5 yrs	41.8%	<b>47.8%</b>	35.8%
5-10 yrs	23.2%	<b>21.6%</b>	31.7%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio 06/30/2014</i>	<i>% of Portfolio 09/30/2014</i>	<i>% of Benchmark* 09/30/2014</i>
0-1 yrs	7.3%	<b>4.1%</b>	0.0%
1-3 yrs	18.5%	<b>19.2%</b>	29.0%
3-5 yrs	35.4%	<b>36.9%</b>	23.7%
5-10 yrs	38.8%	<b>39.7%</b>	47.2%
10+ yrs	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Aggregate Bond Index A or Better

\*\*Column percentage may not add exactly due to rounding

Disclosure: Galliard Capital Management has exercised reasonable professional care in the preparation of this material. We cannot, however, guarantee the accuracy of all information contained herein.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

## Annualized Investment Performance\*

Periods Ending September 30, 2014

	<u>1 Mo</u>	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
<b>Portfolio</b>	-0.59	0.12	3.07	2.91	2.19	--	2.98
<b>Benchmark***</b>	-0.51	-0.03	2.22	2.20	2.01	3.42	2.67

\*Returns for periods of less than one year are not annualized. Returns shown are before fees.

\*\*Performance Inception: August 01, 2010

\*\*\*Barclays U.S. Intermediate Government/Credit Bond Index

## Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
<b>Weighted Average Quality**</b>	AA+	AA	<b>Total Assets</b>	\$2,806.2 million
<b>Weighted Average Maturity</b>	6.98 years	4.10 years	<b>Number of Issues</b>	205
<b>Yield to Maturity</b>	1.56%	1.65%	<b>Weighted Coupon</b>	2.33%
<b>Effective Duration</b>	3.98 years	3.79 years		

Portfolio characteristics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

## Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
U.S. Government/Agency Debentures	65.0%	<b>65.0%</b>	62.2%
Other U.S. Government	0.0%	<b>0.0%</b>	0.0%
Taxable Municipal	0.1%	<b>0.0%</b>	0.8%
Corporates	25.2%	<b>25.2%</b>	29.9%
Asset Backed Securities (ABS)	5.4%	<b>5.8%</b>	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	<b>0.0%</b>	0.0%
Mortgage Backed Securities (MBS)	0.0%	<b>0.0%</b>	0.0%
Sovereign / Supranationals	1.2%	<b>1.3%</b>	7.1%
Cash / Equivalents	3.0%	<b>2.7%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

## Quality Distribution\*\*\*

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
AAA	75.3%	<b>75.3%</b>	64.9%
AA	2.0%	<b>1.4%</b>	6.6%
A	13.2%	<b>13.6%</b>	14.2%
BBB	9.4%	<b>9.6%</b>	14.3%
< BBB	0.0%	<b>0.0%</b>	0.0%
NR/NA	0.0%	<b>0.0%</b>	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>

Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

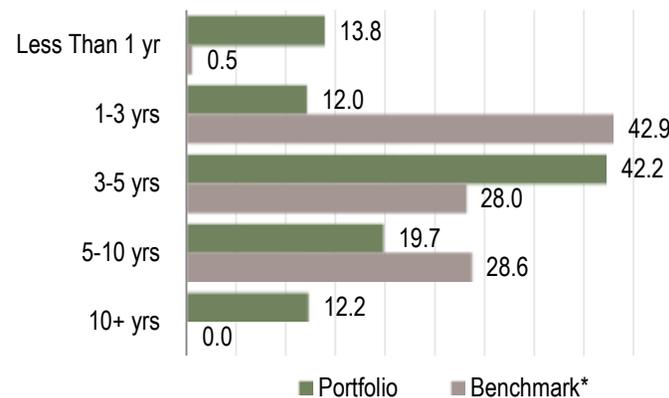
\*\*\*The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

# Fixed Income Portfolio Review - Wells Fargo Fixed Income Fund N (Jennison)

September 2014

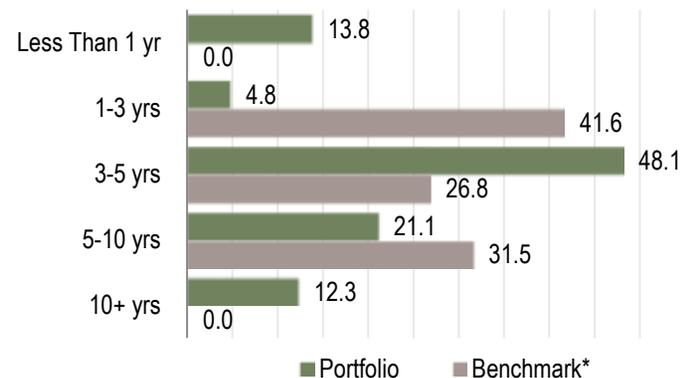
## Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	26.3%	13.8%	0.5%
1-3 yrs	5.0%	12.0%	42.9%
3-5 yrs	32.1%	42.2%	28.0%
5-10 yrs	23.9%	19.7%	28.6%
10+ yrs	12.7%	12.2%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



## Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2014</i>	<i>% of Portfolio</i> <i>09/30/2014</i>	<i>% of Benchmark*</i> <i>09/30/2014</i>
0-1 yrs	26.2%	13.8%	0.0%
1-3 yrs	4.3%	4.8%	41.6%
3-5 yrs	29.9%	48.1%	26.8%
5-10 yrs	26.8%	21.1%	31.5%
10+ yrs	12.8%	12.3%	0.0%
<b>Total</b>	<b>100.0%**</b>	<b>100.0%**</b>	<b>100.0%**</b>



Portfolio statistics are calculated by Galliard based on external manager supplied holdings.

\*Barclays U.S. Intermediate Government/Credit Bond Index

\*\*Column percentage may not add exactly due to rounding

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GALLIARD  
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# *Appendix*

# Portfolio Strategy and Positioning

## Investment Outlook – September 2014

	Galliard View	Galliard Positioning
<b>Duration</b>	<ul style="list-style-type: none"> <li>U.S. economic growth continues to rebound, but not sure if growth will expand above +2.5% level for full year</li> <li>Fed taper complete by October and may begin raising its policy rate as soon as March 2015</li> <li>Inflation picture remains muted, but job gains are fueling speculation that wage pressure is coming</li> <li>Global developed economy is mixed, with Europe stalling and Japan in transition; EM growth looks somewhat better but still highly sensitive to continued central bank policy accommodation</li> </ul>	<ul style="list-style-type: none"> <li>Maintain neutral duration positioning</li> <li>TIPS have cheapened and may represent a better entry point</li> <li>Still favor spread assets instead of U.S. Treasuries</li> </ul>
<b>Yield Curve</b>	<ul style="list-style-type: none"> <li>Yield curve remains steep, despite a recent dampening of rate hike expectations</li> <li>3-7 year part of the curve looks attractive relative to 10-year</li> </ul>	<ul style="list-style-type: none"> <li>Swap spreads on the short-end have widened materially, presenting attractive value relative to 5-7 years</li> <li>Maintain 10-year TIPS position</li> </ul>
<b>Sector</b>	<ul style="list-style-type: none"> <li>Spreads remain very tight for high quality issuers</li> <li>Fall new issue calendar is poised to break issuance records again this year; demand remains strong – for now</li> </ul>	<ul style="list-style-type: none"> <li>Maintain MV% overweight, neutral spread duration</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>Corporate credit metrics peaking, and M&amp;A activity is also becoming more prevalent</li> </ul>	<ul style="list-style-type: none"> <li>Maintain underwriting discipline to avoid LBO and management risks</li> <li>Opportunistic trading at the margins</li> </ul>
<b>MBS</b>	<ul style="list-style-type: none"> <li>MBS spreads have cheapened somewhat recently as shift in Fed policy seen coming in early 2015</li> <li>Fed reinvestment of its MBS portfolio cashflows still expected to absorb a large portion of MBS issuance into 2015</li> <li>Housing market improving, should filter down to increased supply</li> </ul>	<ul style="list-style-type: none"> <li>Adding 15- and 30-year collateral as well as Hybrid ARMS</li> <li>Maintain focus on specified pools with more stable cashflows</li> </ul>
<b>CMBS/ABS</b>	<ul style="list-style-type: none"> <li>Consumer credit expanding, should result in continued strong supply of consumer ABS</li> <li>CMBS new issuance also growing as economy improves; underwriting standards have deteriorated and are approaching pre-crisis levels</li> </ul>	<ul style="list-style-type: none"> <li>Continue to add short high-quality consumer ABS</li> <li>CMBS remains attractive versus high-quality corporates, but stay highly selective</li> </ul>
<b>US Gov't</b>	<ul style="list-style-type: none"> <li>While spreads on structured government bonds have tightened, they remain fair, especially on a risk-adjusted basis relative to sectors with more downside risk</li> </ul>	<ul style="list-style-type: none"> <li>Maintain overweight to sub-sectors with fair-to-cheap yield advantage to Treasuries</li> <li>Add opportunistically as cheap deals come to the market</li> </ul>

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only. For institutional investor use only.

## Professional Biographies



**John R. Caswell, CFA**  
*Founding Managing Partner*

John is a Founding Partner and Chairman of Galliard's Fixed Income Committee. He is responsible for overseeing investment policy and strategy formulation. Prior to co-founding Galliard, John was Chief Investment Officer of Norwest Investment Management. John began his investment career in 1975 and holds a BBA degree in Finance and an MBA degree in Finance from the University of Iowa. He has authored and collaborated on many articles and chapters on fixed income and stable value investment management.



**Richard J. Merriam, CFA**  
*Founding Managing Partner*

Richard is a Founding Partner and Galliard's Chief Investment Strategist. In this role, he is responsible for asset selection and strategy formulation for the firm's portfolios. He also serves as Corporate Sector Head. Prior to co-founding Galliard, Richard was Chief Investment Officer of Insight Investment Management. He began his investment career in 1985 and holds BA degrees in Economics and English from the University of Michigan and an MBA degree in Finance from the University of Minnesota.



**Karl P. Tourville**  
*Founding Managing Partner*

Karl is a Founding Partner and Chairman of Galliard's Management Committee. He is involved in client portfolio management, developing investment strategy and designing new products. Prior to co-founding Galliard, Karl was Director of Fixed Income for Norwest Investment Management. Karl is a past member of the Board of Directors of the Stable Value Investment Association and has authored and collaborated on many articles and chapters on fixed income and stable value investment management. He holds a BA in Economics and an MBA in Finance from the University of St. Thomas.

## Professional Biographies



**Carrie A. Callahan**  
*Managing Partner*

Carrie is a Managing Partner at Galliard Capital Management and directs client service and consultant relations for the firm. Prior to joining Galliard, Carrie was a Group Vice President in consultant relations at Trusco Capital. Prior to Trusco, Carrie was a Senior Vice President for SunTrust Banks where she was responsible for bundled 401K sales and high net worth relationship management. She began her career in investment management, institutional sales and consultant relations in 1991. Carrie holds a BA in economics from the University of Central Florida. She sits on the Investment Committee for the University of Central Florida Foundation.



**Ajay Mirza, CFA**  
*Managing Partner*

Ajay is a Managing Partner and serves as Structured Securities Sector Head. Prior to joining Galliard, Ajay was a mortgage backed securities analyst with Insight Investment Management. He also served as a research analyst at Lehman Brothers, where he worked on the mortgage backed securities trading desk. Ajay holds a BE in Instrumentation from the Birla Institute of Technology (India), an MA in Economics from Tulane University, and a MBA from the University of Minnesota. Ajay began his investment career in 1994 and has been with Galliard since the firm's inception.



**Michael D. Norman**  
*Partner*

Mike is responsible for client administration. Prior to joining Galliard, Mike served as a Securities Lending Trader and Trust Officer with Norwest Bank. Mike began his investment career in 1993 and has been involved in the stable value industry since 1996. Mike also served on the Stable Value Investment Association's (SVIA) Board of Directors along with a number of other boards and associations. Mike holds a BA from the University of Notre Dame and an MBA from the University of Minnesota.

## Professional Biographies



**Leela J. Scattum**  
*Partner*

In her role as Head of Contract Strategy and Placements, Leela develops strategies that address and align the portfolios, investment guidelines and Plan risk profile with the demands of the current stable value environment, and works with the client portfolio analysts to implement those strategies. She began her investment career in 1992 and has been with Galliard since the firm's inception in mid 1995. Leela holds B.Sc. (Statistics) and B.Ed. (Education) degrees from the University of Bombay. She also completed her course work for the Master of Science degree in Applied Mathematics from the University of Bombay, and holds an MBA degree from the University of St. Thomas.



**Chad M. Foote, CPA** (inactive)  
*Chief Operating Officer*  
*Senior Principal*

As Chief Operating Officer of Galliard, Chad is responsible for accounting operations and the implementation of new technology and business initiatives. Chad holds a CPA (inactive) and a CISA (inactive). Before joining Galliard, Chad was the head of risk management at Alliance Financial Services. He also served as a Director at PricewaterhouseCoopers consulting on financial operations and risk management practices, and was a Compliance Officer for First American Funds. Chad holds a BS in Management from the University of Minnesota's Carlson School of Management.



**Jennifer Lammers**  
*Chief Compliance Officer*

Jennifer is the Chief Compliance Officer at Galliard and is responsible for the firm's compliance program and regulatory matters. Prior to joining Galliard, Jennifer was Chief Financial Officer and Chief Compliance Officer for Fiduciary Counselling, Inc. and Chief Compliance Officer for both Clearwater Management Company and Clearwater Investment Trust. Before her duties at Fiduciary Counselling, Inc. and Clearwater, Jennifer was the Chief Compliance Officer at RiverSource Investments and RiverSource Funds (now Columbia Management and Columbia Funds.) Prior to working for RiverSource, Jennifer was Director of Finance and President of Tamarack Mutual Funds for Voyageur Asset Management. Jennifer has also managed an internal audit department for a Fortune 500 company and been the controller of a start-up company. She holds a B.S. from Brigham Young University and an M.B.A. from the University of Houston. She is also a certified public accountant.

## Professional Biographies



**David H. Lui**  
*Principal*

David is responsible for leading the contract negotiation team at Galliard. Prior to joining Galliard, David was the Chief Compliance Officer of FAF Advisors and First American Funds. Previously, David was Chief Compliance Officer of Franklin Advisers and Chief Compliance Counsel for Charles Schwab in San Francisco. David earned his B.A. in history from Brown University in Providence, Rhode Island, and a J.D. from the University of California, Hastings College of Law, in San Francisco. He has been admitted to practice law in both California and Minnesota. He is a past Chairman of the Board of Directors of the National Society of Compliance Professionals and is a nationally recognized speaker in compliance issues. David has more than 20 years of experience in compliance and investment law.



**Erol D. Sonderegger, CFA**  
*Principal*

Erol leads Fixed Income Client Portfolio Management. Erol is a member of the Fixed Income Committee and provides input on investment strategy for both Fixed Income and Stable Value. Erol is also responsible for the external manager oversight program. Prior to joining Galliard, Erol was a Portfolio Manager with RiverSource Investments and was a member of their Fixed Income Strategy Committee. Erol's portfolio management experience at RiverSource included co-managing a number of fixed income and balanced investment products. Prior to working at RiverSource, Erol was an investment analyst for the Minnesota State Board of Investments. Erol earned his BA in International Business, with a concentration in Finance, from George Washington University in Washington D.C. and is a CFA Charterholder.



**William Weber**  
*Director*

William is responsible for client and consultant relationship management and client portfolio management. Prior to joining Galliard, William was a manager at PricewaterhouseCoopers, LLP in their Advisory Practice, with an emphasis on capital markets. William received a B.S. in Business, Finance and Accounting from the University of Minnesota's Carlson School of Management.

## Professional Biographies



**Taylor Benson**  
*Senior Director*

Taylor is responsible for client service and consultant relationship management. Prior to joining Galliard, Taylor was an Investment Consultant at Segal Advisors for defined benefit and defined contribution plans. Prior to Segal, Taylor was a client service associate for Legg Mason & Co., where she was responsible for servicing the Western Asset Management's Institutional Mutual Fund clients. She began her career as a business analyst for Hewitt Associates. Taylor holds a BS in Finance from Providence College.



**David B. Ferry**  
*Senior Director*

David is responsible for client and consultant relationship management. In this capacity, David works with current and prospective clients, as well as the consultants who serve them to develop strategy and to assure execution of client mandates. Prior to joining Galliard, David was a Senior Vice President with SunGard Wealth Management, managing sales and relationships for the SunGard platform. He earned his BS in Business and his MBA in Finance from the University of Minnesota.



**Nick Gage, CFA**  
*Senior Director*

Nick is head of stable value separate account management. Prior to joining Galliard, Nick served as a Senior Investment Analyst for Wells Fargo Institutional Asset Advisors, where he provided investment manager due diligence and asset allocation analysis for defined contribution and defined benefit plans. Nick is currently serving as a member of the Stable Value Investment Association's Board of Directors. Nick holds a BS in Economics from Vanderbilt University.

## Professional Biographies



**Andrea Johnson, CFA, CIPM**  
*Director*

As a part of the Client Portfolio Management team, Andrea assists in the management of Galliard's fixed income and stable value portfolios. Andrea also contributes to firm investment communication pieces and works closely with the client services team. Prior to joining Galliard in 2005, Andrea served as an Investment Sales Associate and Brokerage Settlement Specialist with Marshall & Ilsley Corporation, where she prepared portfolio reviews, provided support in creating financial and asset allocation plans and ensured proper execution of trades. Andrea holds a BA in Economics and Spanish from Ripon College.



**Doug Rangel, CFA**  
*Associate Director*

As a part of the Client Portfolio Management team, Doug assists in the management of Galliard's fixed income and stable value portfolios. Doug is responsible for performance analysis on our trading desk and also works closely with the client services team. He has extensive experience in fixed income analytics and performance attribution. Prior to joining Galliard, Doug was a senior investment analyst for the ELCA Board of Pensions where he was responsible for a range of investment analysis including the Board's socially-oriented investment initiatives. Prior to working at the Board of Pensions, Doug was a senior business analyst for RiverSource Investments on the structured assets investment team. Doug earned his BS in Business Management with an emphasis in Economics, from Greenville College, received his MBA from the University of St. Thomas and is a CFA Charterholder.