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State of North Carolina Portfolio Review

August 15, 2012

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Galliard Capital Management

Fixed Income and Stable Value Specialists



GALLIARD at a glance (as of 6/30/12)

Fixed Income and Stable Value Specialists

- | Currently managing in excess of \$81.2 Billion
- | 92 professionals on staff
- | Asset growth has been strong (+\$3.6 B) YTD 2012
- | Welcomed 15 new clients YTD 2012
- | Ranked 26th in overall institutional assets by *Pensions & Investments**
- | Ranked 13th largest active domestic fixed income manager by *Pensions & Investments***
- | Ranked 2nd in stable value assets managed by *Pensions & Investments**
- | Ranked 73rd total worldwide institutional assets under management by *Pensions & Investments****
- | Ranked 92nd total worldwide assets by *Pension & Investments****

* *Pensions & Investments*, Largest Money Managers Report, May 28, 2012. The ranking is based on U.S. Institutional, tax-exempt assets in millions, as of December 31, 2010.

** *Pensions & Investments*, Largest Money Managers Report, May 28, 2012. The ranking is based on U.S. Institutional, tax-exempt assets managed internally in millions, as of December 31, 2010.

*** *Pensions & Investments*, Largest Money Managers Report, June 11, 2012. The ranking is based on U.S. Institutional, tax-exempt assets managed internally in millions, as of December 31, 2011.

Our client focus and organizational stability have been the key to our long term success

Galliard Capital Management

Composition of Business*

Galliard Firm Assets Under Management | **\$81.2**
billion

Assets Under Management (By Strategy):

- | Short Duration: \$33.7 Billion
- | Intermediate Core: \$17.9 Billion
- | Broad Market Core & Core Plus: \$3.7 Billion
- | Custom: \$25.8 Billion

Assets Under Management (By Plan Type):

- | Corporate Retirement/Benefit Plans: \$64.7 Billion
- | Operating Funds: \$2.7 Billion
- | Partnerships: \$1.8 Billion
- | Foundation/Endowments: \$387.2 Million
- | Taft Hartley: \$389.9 Million
- | Public Entities: \$11.1 Billion

Stable Value Assets | **\$73.7**
billion

2011 Stable Value Summary

- | \$4.7 Billion new assets
- | 18 new clients

2010 Stable Value Summary

- | \$11.1 Billion new assets
- | 30 new clients

Representative Stable Value Clients:**

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

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

*As of 6/30/12

**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

Managing Partners

John Caswell, CFA
Chair, Fixed Income Committee

Richard Merriam, CFA
Chief Strategist

Karl Tourville
Chair, Management Committee

Client Portfolio Management

John Caswell, CFA Managing Partner	Nick Gage, CFA Director
Karl Tourville Managing Partner	Andrea Johnson, CFA Director
Carrie Callahan Partner	Laura Sell, CFA Associate Director
Mike Norman Senior Principal	William Weber Associate Director
Leela Scattum Senior Principal	Robert Crandall Senior Principal
Erol Sonderegger, CFA Principal	Will Moeller, CFA Senior Associate
Andrew Apostol Senior Director	Doug Rangel, CFA Senior Associate
David Ferry Senior Director	Todd Copenhaver Associate
Tami Pearse-Byczek Senior Director	
Taylor Benson Director	

Fixed Income Sector Teams

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

Portfolio Analysis & Support

Kristin Daniels, CPA Director	Angie Dardis Associate
Brian Brooks Senior Associate	Heather Goserud Associate
Rasaan Ellison Senior Associate	Phil Kos Associate
Carmen Rangel, CPA Senior Associate	Suthisa Krupinski Associate
Jesse Ahlbrecht Associate	Terry Larsen Associate
Scott Baber Associate	Christina Mosher Associate
Jordan Bewley Associate	Jason Skull Associate
Anna Cesar Associate	Steve Swanson Associate

Operations & Technology

Chad Foote Principal	Christopher Smith Senior Associate
Peter Anderson Associate Director	Troy Visnovec Associate
George Jones Associate Director	Mike Bouska Associate
Elena Ketter Associate Director	Charles Head Associate
Marylynn Shapiro Associate Director	Brian Heruth Associate
Jennifer deFiebre Senior Associate	Lee Jacobsen Associate
Kersten Dusterhoft Senior Associate	Jessica Miller Associate
Shawn Erwin Senior Associate	Whitney O'Neil Associate
William Ingle Senior Associate	Stephanie Ripley Associate
Deanna Moriarty Senior Associate	Corey Weber Associate

Marketing & Client Support

Jane Marie Petty Senior Director	Linh Buoen Senior Associate	Michelle Boss Associate	Jeff Hay Associate
Sue Stachel Director	Jennifer Wedan Senior Associate	Fiona Donahoe Associate	Seth Mork Associate
Jennifer Diadoo Associate Director	Andrea Bartz Associate	Jennie Ford Associate	Barb Thomas Associate
Jennifer Miller Associate Director	Tashana Bennett Associate	Sarah Gifford Associate	

Compliance & Risk Management

David Lui, J.D. Chief Compliance Officer Principal	Nicole Berger Associate
Paula Novick, J.D. Associate Director	Jason Mitchell Associate
Mark Otto Associate Director	Maya Pillai Associate
Brad Hahn Senior Associate	Brian Renelt Associate

Wells Fargo Resources

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

New in 2010

New in 2011

New in 2012

Stable Value Market Update

Wrap Capacity

Wrap Market Update

- | Supply and demand picture is slowly improving
 - Existing providers are increasing capacity
 - AIG (American General Life)
 - ING
 - MetLife
 - Royal Bank of Canada
 - Prudential
 - Providers that recently entered
 - AVIVA
 - Bank of Tokyo
 - Mass Mutual
 - Mutual of Omaha
 - New York Life
 - RGA
 - TIAA-CREF
- | Shift in market providers from banking to predominantly insurance providers
- | Wrap providers are being selective about managers they will wrap
- | Fees settling in 20-25 bps range
- | Beginning to see more flexibility in investment guidelines

Galliard continues to successfully transition Stable Value Portfolios in this environment:

- | In 2011, \$4.7 billion transitioned for 18 clients
- | Generated over \$22 billion in new wrap capacity since 2008
- | Galliard has available capacity with new and existing providers and is actively on-boarding new providers for additional capacity

Galliard's conservative approach, proven track record and strong relationships within the wrap market have allowed us to deliver client solutions in a challenging market

Stable Value Market Update

Wrap Issuer Summary

As of June 2012:

Name	Accepting Deposits from New Clients*	Accepting Deposits from Existing Clients*	Contract Type**	Asset Management***	S&P Credit Rating	Moody's Credit Rating
AIG Financial Products Corp.	Yes	Yes	SBIC	Galliard	A-	Baa1
Aviva Life and Annuity Co.	Yes	Yes	SBIC	Aviva	A+	A1
ING Life Ins. and Annuity Co.	Yes	Yes	SBIC	Galliard, ING, PIMCO, Dodge & Cox	A-	A3
MassMutual Life Ins. Co.	Yes	Yes	SAGIC	Babson	AA+	Aa2
Metropolitan Life Ins. Co.	Yes	Yes	SAGIC	Galliard, PIMCO	AA-	Aa3
Monumental Life Ins. Co.	Yes	Yes	SBIC	Galliard, PIMCO, Pyramis, Dodge & Cox	AA-	A1
New York Life	Yes	Yes	SBIC & SAGIC	New York Life	AA+	Aaa
Prudential Life Ins. Co	Yes	Yes	SBIC	Galliard, Prudential, Jennison	AA-	A2
Royal Bank of Canada	Yes	Yes	SBIC	Galliard	AA-	Aa3
TIAA-CREF	Yes	Yes	SAGIC	TIAA-CREF	AA+	Aaa
United of Omaha	No	Yes	SBIC	Galliard	A+	A1
Pacific Life Ins. Co.	No	Yes	SBIC	Galliard, PIMCO	A+	A1
State Street Bank and Trust Co.	No	No	SBIC	Galliard, PIMCO	AA-	Aa2
Natixis Financial Products, Inc.	No	No	SBIC	Galliard, PIMCO	A+	A2
Bank of America, N.A. - <i>exiting</i>	No	No	SBIC	Galliard	A	A3
J.P. Morgan Chase Bank - <i>exiting</i>	No	No	SBIC	Galliard	A+	Aa3
Rabobank Nederland - <i>exiting</i>	No	No	SBIC	Galliard	AA	Aa2

*Providers accepting deposits on a case by case basis

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

***Within Galliard Strategies

State of North Carolina

Transition Update

Transition to Galliard oversight went smoothly on December 1, 2010 with full cooperation and support from Prudential and Great West Life

- | Assumed responsibility for portfolio's daily valuation
- | Improved wrap issuer diversification with the addition of the United of Omaha and Met Life contracts
- | Enhanced manager style diversification with funding of the Galliard-managed short duration strategy
- | Increased yield on liquidity component by over 200 basis points. The current yield on the Wells Fargo is 2.09%.
- | Lowered management cost with Prudential and PIMCO collective funds
- | Reduced custodial costs with transition to Wells Fargo (60% of portfolio assets)
- | Terminated State Street's securities lending program
- | Shortened portfolio duration from 3.10 years to improve responsiveness to changes in interest rates
- | Switched to all Government money market STIF

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
-

- February 2011**
- Began termination of State Street securities lending program in the 401(k) Plan
 - Funded Galliard-managed short duration strategy wrapped by United of Omaha
 - 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
 - State Street securities lending program terminated
-

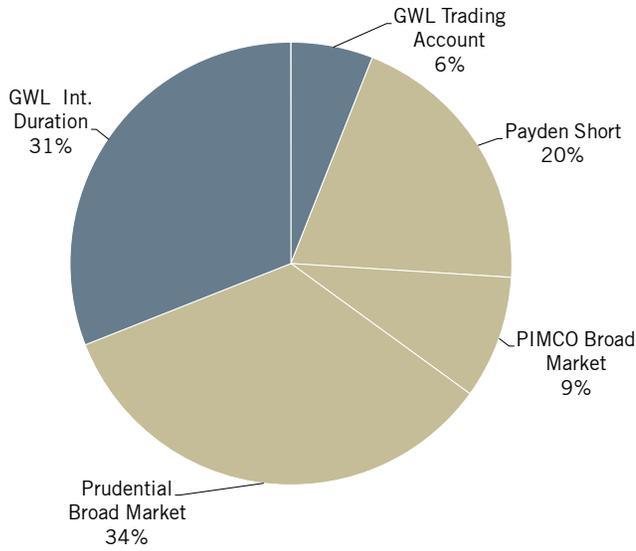
- March 2011**
- Transition 401(k) Plan's Prudential investment to intermediate duration collective trust
-

- July 2011**
- Moved from declared rate to actual portfolio returns
-

- 2012**
- Changed STIF to Wells Fargo Government Money Market
 - Preparing portfolio strategy recommendations for staff and investment subcommittee

State of North Carolina 401(k) Plan Transition Update

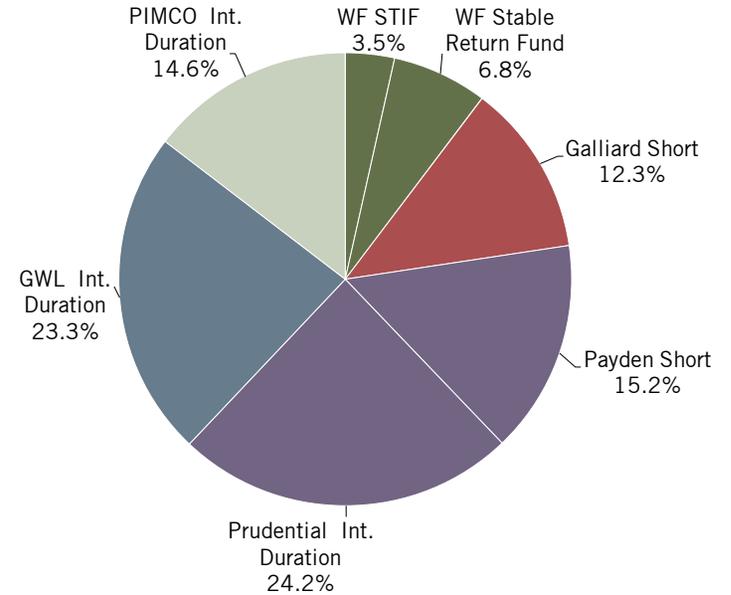
Initial Portfolio Allocation



= Prudential Wrap
 = Great West Life Wrap

Duration	3.1 years
Avg. Quality	AA
# of Managers	4
# of Wrappers	2

Portfolio Allocation 401(k) 6/30/12



= Liquidity Buffer
 = MetLife
 = United of Omaha
 = GWL
 = Prudential Wrap

Duration	2.64 years
Avg. Quality	AA
# of Managers	5
# of Wrappers	4

State of North Carolina Stable Value Funds

Fee Summary

401(k) Plan Stable Value Fund	457 Plan Stable Value Fund
Benefit Responsive Wrap Fees	
Great West Life	0.15%
Prudential (Weighted Avg.)	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	0.16%
Investment Management Fees	
Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	0.08%
Galliard Oversight & Management	0.07%
Total Management & Wrap	0.31%
Admin Fee	0.13%
Total Fees	0.44%
Benefit Responsive Wrap Fees	
Great West Life	0.15%
Prudential (Weighted Avg.)	0.17%
MetLife	0.20%
United of Omaha	<u>0.25%</u>
Weighted Average Wrap Fee	0.16%
Investment Management Fees	
Payden & Rygel	0.14%
Prudential	0.06%
Great West Life	0.05%
PIMCO	<u>0.23%</u>
Weighted Average Management Fee	0.08%
Galliard Oversight & Management	0.07%
Total Management & Wrap	0.32%
Admin Fee	0.13%
Total Fees	0.45%

*Excludes wrap, admin and subadvisory fees on the Wells Fargo Stable Return Fund that are netted from the yield.

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

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<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>
Portfolio (net of all fees)	0.23	0.69	1.38	2.91	3.55	---	---	3.15
3 Year Constant Maturity Treasury Yield	0.03	0.10	0.20	0.43	0.93	1.51	2.46	0.65
91 Day T-bill + 150 bps	0.13	0.40	0.79	1.57	1.64	2.51	3.40	1.61

Calendar Year Performance

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Portfolio (net of all fees)	3.27	3.90	---	---	---
3 Year Constant Maturity Treasury Yield	0.75	1.10	1.43	2.19	4.26
91 Day T-bill + 150 bps	1.61	1.64	1.72	3.60	6.61

Market Indices

Merrill Lynch 3 Month T-Bill	0.10	0.13	0.21	2.06	5.03
Consumer Price Index	3.07	1.50	2.72	0.09	4.08

*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.

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

Second Quarter 2012

Portfolio Characteristics

Total Assets	\$1,745,104,958	Blended Yield (Before fees)*	3.05%
Average Holdings Quality**	A1/AA-	Effective Duration	2.64 years
Number of Contract Issuers	4	Market/Book Value Ratio	104.77%

*Blended yield is before investment management fees and after wrap fees.

**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 contracts and cash held by the portfolio as rated by S&P and Moody's.

Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>06/30/2012</u>	<u>% of Portfolio</u> <u>03/31/2012</u>
Money Market*	61,102,568	3.5	4.5
Stable Value Funds	119,145,002	6.8	6.8
Insurance Separate Accounts	661,800,597	37.9	37.9
Intermediate Portfolio	661,800,597	37.9	37.9
Security Backed Contracts	903,056,791	51.7	50.8
Short Portfolio	479,902,504	27.5	26.6
Intermediate Portfolio	423,154,287	24.2	24.2
Total	\$1,745,104,958	100.0%**	100.0%**

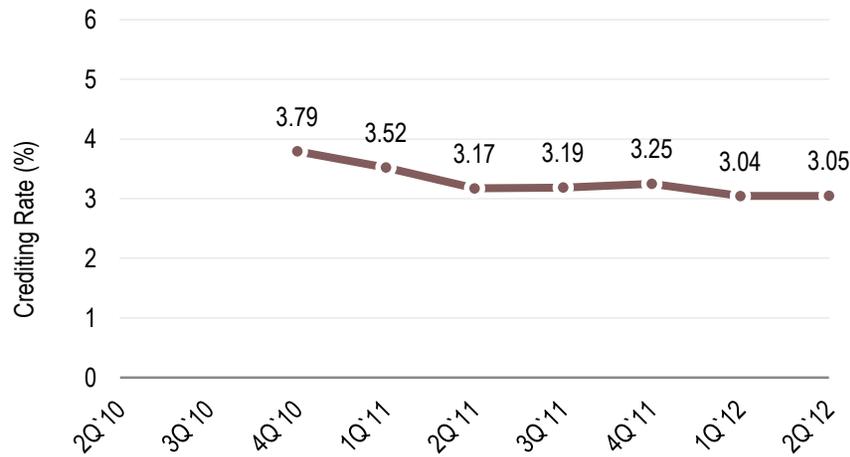
*Includes Receivables and Payables

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

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

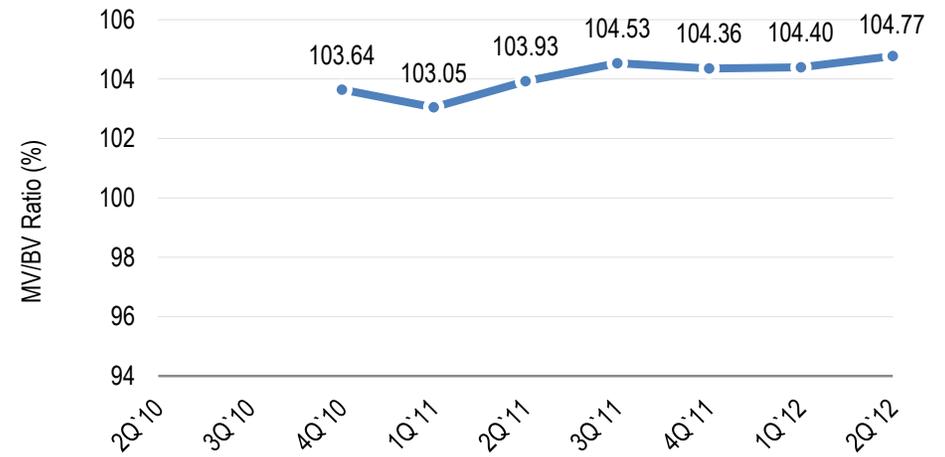
Second Quarter 2012

Historical Crediting Rates*

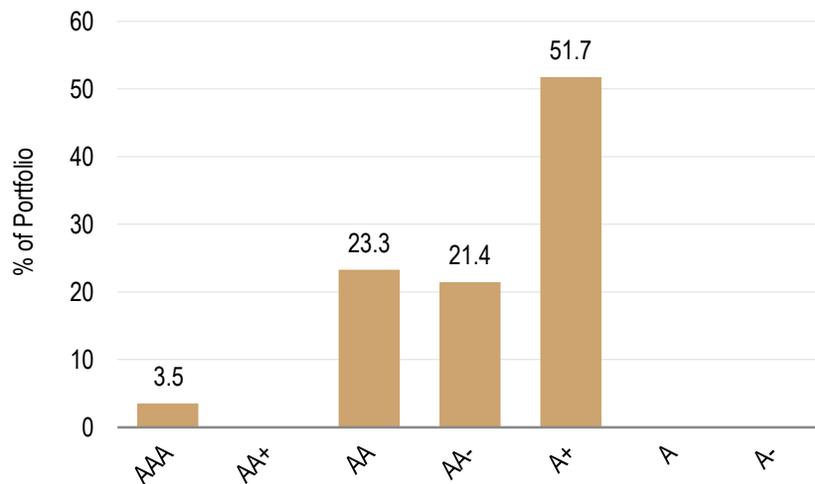


*As of quarter end. Before fees.

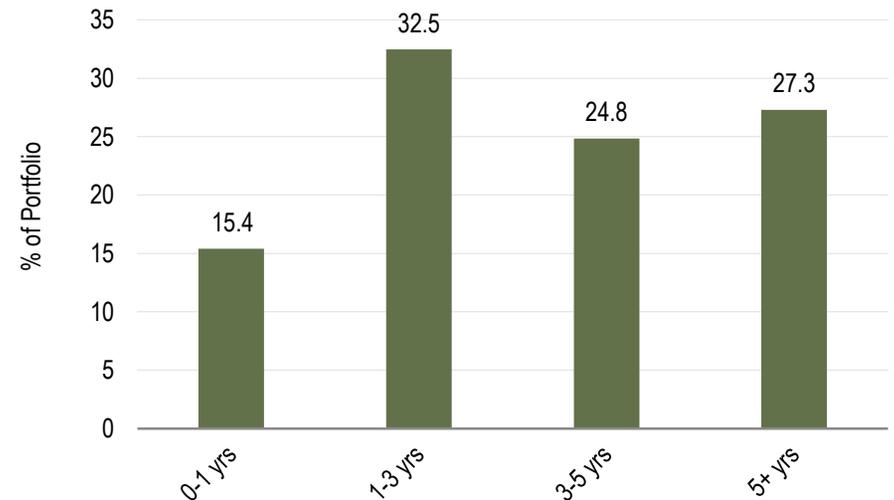
Market Value to Book Value Ratio*



Contract Quality Distribution*



Underlying Duration Distribution**



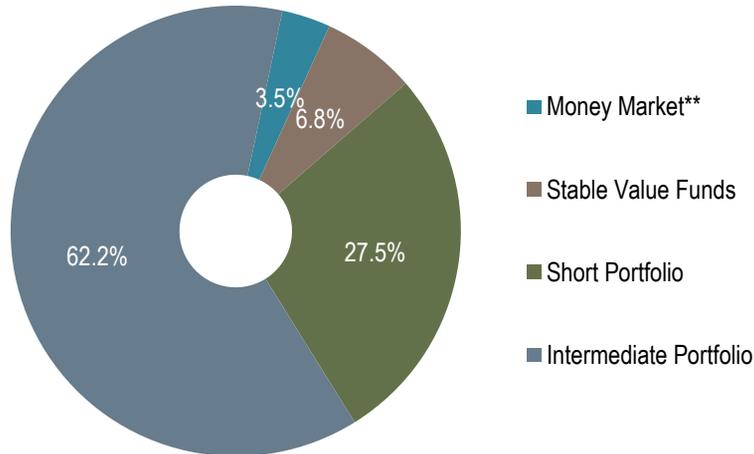
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

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

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

Second Quarter 2012

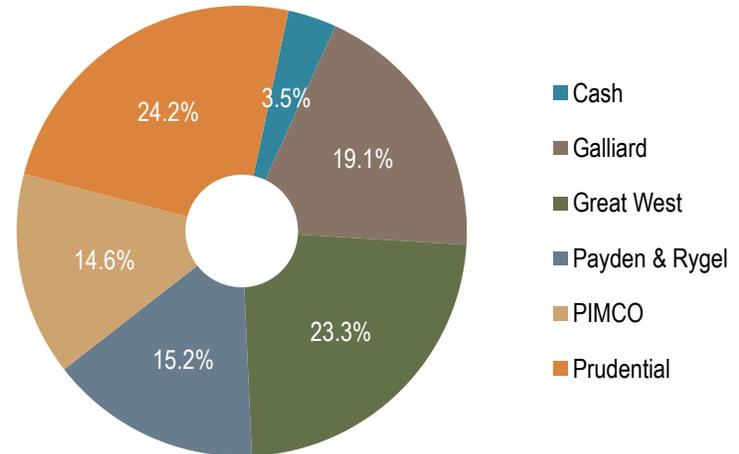
Portfolio Distribution*



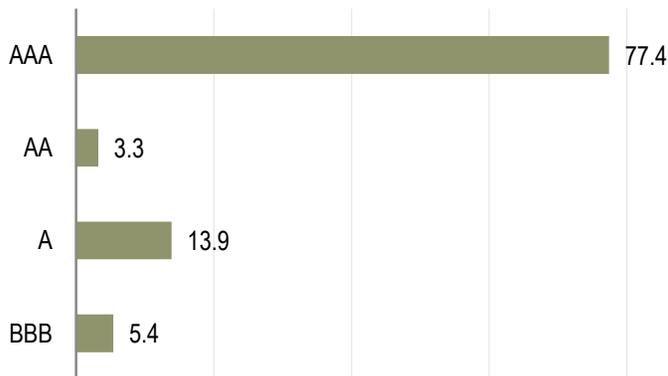
*Book value

**Includes Receivables and Payables

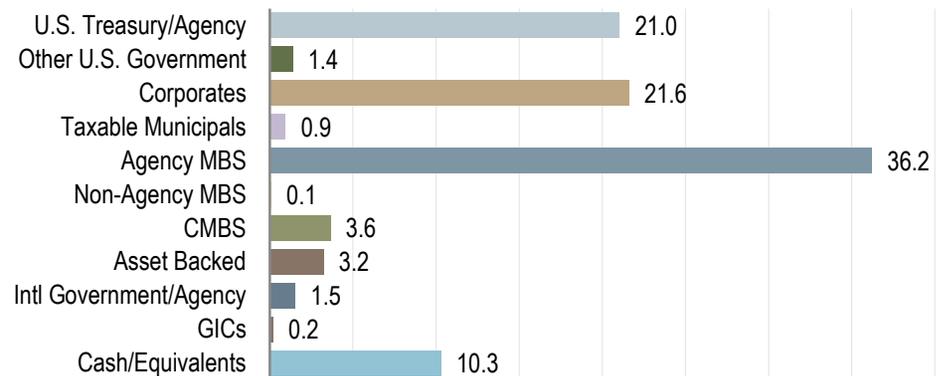
Manager Distribution*



Underlying Fixed Income Credit Quality*



Underlying Fixed Income Asset Allocation**



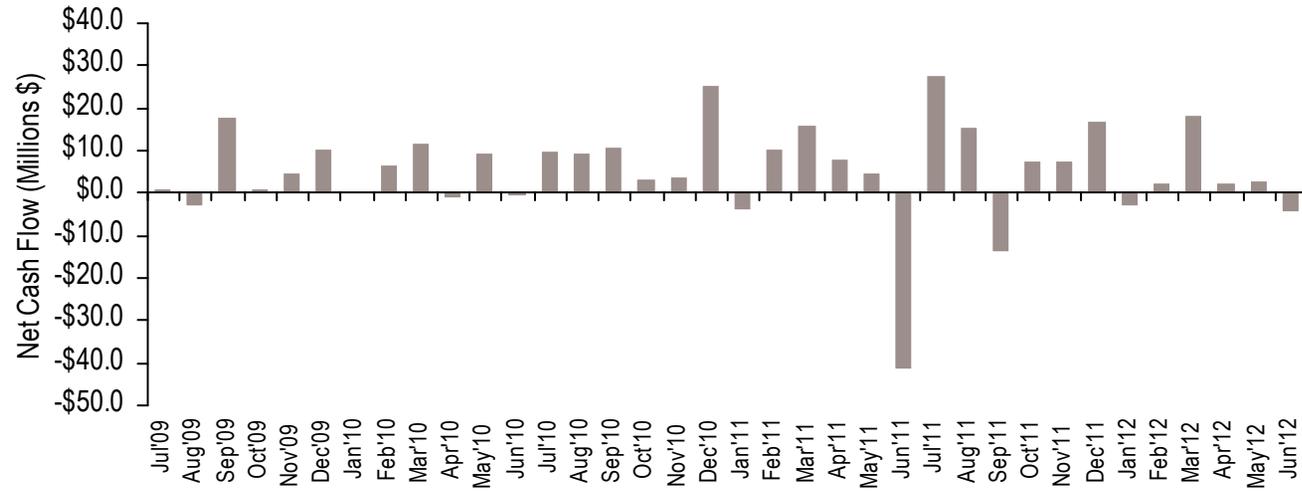
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external manager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

Second Quarter 2012

Historical Cashflows



	YTD	2011	2010	2009***
Beginning Assets	\$1,702.4	\$1,594.4	\$1,446.1	\$1,384.6
Net Cash Flow (\$)*	\$19.0	\$55.5	\$90.1	\$32.7
Net Cash Flow (%)	1.12%	3.48%	6.23%	2.36%
Estimated Investment Earnings	\$23.7	\$52.5	\$58.1	\$28.9
Ending Assets**	\$1,745.1	\$1,702.4	\$1,594.4	\$1,446.1

* Contributions, Withdrawals and Investment Transfers
 **Cashflows may not net to final assets due to rounding
 ***Beginning July 1, 2009

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

Second Quarter 2012

Issuer Rating Summary

	<u>S & P Rating</u>		<u>Moody's Rating</u>	
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>6/30/2012</u>	<u>3/31/2012</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A2	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

GreatWest Life Insurance Co.

- Large dividend payments in 2008 & 2010 have kept capital levels well below average
- Strong positions in niche markets
- Weak investment results and higher than average risk are a significant drag on earnings

Metropolitan Life Ins. Co.

- Acquisition of ALICO (foreign insurer operating in Asia, Latin America, and Europe) will likely limit support from parent over the near term
- Capital levels remain below industry average, partially offset by above average diversity and strength across products
- Largest U.S. life insurer by invested assets

Prudential Ins. Co. of America

- Recent large dividend to parent put some pressure on capital levels
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds
- A leading diversified U.S. life insurer

United of Omaha Life Ins. Co.

- Capitalization weakened significantly as large operating losses from poorly underwritten Medicare business ate into surplus
- Stable life product lines focusing on individual/group life & annuities
- Above average exposure to commercial and residential mortgage sectors

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
Payden & Rygel	0.49%	2.19%	3.24%		3.24%	7/1/2009
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.22%</u>	<u>1.12%</u>	<u>2.26%</u>		<u>2.26%</u>	
	0.27%	1.07%	0.98%		0.98%	
Galliard	0.58%	2.78%			3.31%	1/1/2010
Barclays Capital 1-3 Yr. Government *	<u>0.20%</u>	<u>0.86%</u>			<u>1.65%</u>	
	0.38%	1.92%			1.66%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Prudential Investment Management	1.31%	5.50%			4.45%	8/1/2010
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>4.28%</u>	
	-0.01%	0.22%			0.17%	
PIMCO	2.30%	7.16%			6.54%	2/1/2011
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>5.41%</u>	
	0.98%	1.88%			1.13%	
Great West Life	1.23%	5.11%	6.21%		6.21%	7/1/2009
Barclays Capital Intermediate Aggregate (Ex BBB)	1.30%	5.11%	5.64%		5.64%	
Barclays Capital Int. Govt/Credit	<u>1.48%</u>	<u>5.42%</u>	<u>5.81%</u>		<u>5.81%</u>	
	-0.07%	0.00%	0.57%		0.57%	

* Index being shown for comparison purposes only, the fund is managed to a targeted duration.

North Carolina 401(k) Stable Value Fund Portfolio Review

Transaction Report

04/01/2012 - 06/30/2012

CUSIP	Issuer	Par Amount	Maturity*	Trade Date	Settle Date	S&P Rating	Moody's Rating
Purchases							
Security Backed Contracts							
Short Portfolio							
744999CK7	Prudential Ins. Co. of America	17,000,000	N.S.M.	05/01/2012	05/01/2012	AA-	A2
Total Short Portfolio		17,000,000					
Total Security Backed Contracts		17,000,000					
Total Purchases		17,000,000					

*N.S.M. = No Stated Maturity

North Carolina 401(k) Stable Value Fund Portfolio Review

Portfolio Holdings

June 30, 2012

CUSIP	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)
Money Market												
FUNDAVAIL	Cash Receivable / (Payable)		-987,819	-987,819	100.0	-0.1	0.01		0.10	AAA	Aaa	
9980004\$P	Wells Fargo Short Term Investment Fund		2,233	2,233	100.0	0.0	0.27		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		62,088,154	62,088,154	100.0	3.6	0.01		0.10	AAA	Aaa	
Total Money Market			61,102,568	61,102,568	100.0	3.5	0.01		0.10	AAA	Aaa	
Stable Value Funds												
949907109	Wells Fargo Stable Return Fund G		119,145,002	119,145,002	100.0	6.8	2.09		2.00	AA-	Aa3	
Total Stable Value Funds			119,145,002	119,145,002	100.0	6.8	2.09		2.00	AA-	Aa3	
Insurance Separate Accounts												
Intermediate Portfolio												
391997NH2	GreatWest Life Insurance Co.	Great West	406,810,760	431,245,775	106.0	23.3	4.03	N.S.M.	3.14	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	PIMCO	254,989,837	272,295,608	106.8	14.6	3.06	N.S.M.	3.49	AA-	Aa3	20.0
Total Intermediate Portfolio			661,800,597	703,541,384	106.3	37.9	3.66		3.27	AA	Aa3	
Total Insurance Separate Accounts			661,800,597	703,541,384	106.3	37.9	3.66		3.27	AA	Aa3	
Security Backed Contracts												
Short Portfolio												
744999CK7	Prudential Ins. Co. of America	Payden & Rygel	265,105,979	269,663,626	101.7	15.2	2.14	N.S.M.	1.88	AA-	A2	21.0
907999UZ7	United of Omaha Life Ins. Co.	Galliard	214,796,524	220,639,036	102.7	12.3	2.52	N.S.M.	1.78	A+	A1	25.0
Total Short Portfolio			479,902,504	490,302,662	102.2	27.5	2.31		1.84	AA-	A2	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Prudential	423,154,287	454,319,150	107.4	24.2	3.64	N.S.M.	3.13	AA-	A2	15.0
Total Intermediate Portfolio			423,154,287	454,319,150	107.4	24.2	3.64		3.13	AA-	A2	
Total Security Backed Contracts			903,056,791	944,621,812	104.6	51.7	2.93		2.44	AA-	A2	
Total Fund			1,745,104,958	1,828,410,766	104.8	100.0	3.05		2.64	AA-	A1	

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

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.49	1.59	2.19	3.24	--	3.24
Benchmark***	0.22	0.58	1.12	2.26	3.67	2.26

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

**Galliard Performance Inception: July 01, 2009

***Barclays Capital 1-3 Year Government/Credit Index

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA-	AA+	Total Assets	\$269.7 million
Weighted Average Maturity	2.25 years	1.97 years	Number of Issues	172
Yield to Maturity	1.19%	0.63%	Weighted Coupon	0.02%
Effective Duration	1.88 years	1.90 years		

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

*Barclays Capital 1-3 Yr Govt/Credit

**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

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	28.8%	28.7%	76.2%
Other U.S. Government	2.4%	2.2%	0.0%
Taxable Municipal	2.0%	1.9%	0.7%
Corporates	37.5%	40.9%	17.1%
Asset Backed Securities (ABS)	5.1%	4.4%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.7%	0.7%	0.0%
Mortgage Backed Securities (MBS)	17.2%	14.9%	0.0%
Sovereign / Supranationals	5.2%	5.4%	6.0%
Cash / Equivalents	1.1%	1.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	59.0%	56.4%	77.0%
AA	4.2%	3.6%	7.1%
A	23.4%	24.2%	10.3%
BBB	13.4%	15.8%	5.6%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital 1-3 Yr Govt/Credit

**Column percentage may not add exactly due to rounding

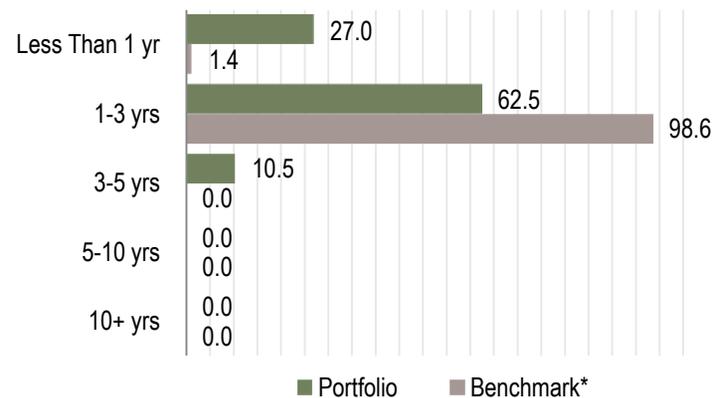
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

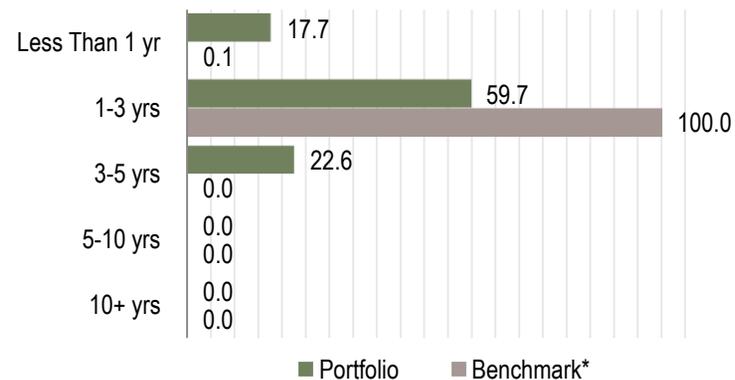
Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	29.6%	27.0%	1.4%
1-3 yrs	55.0%	62.5%	98.6%
3-5 yrs	15.4%	10.5%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	18.2%	17.7%	0.1%
1-3 yrs	58.8%	59.7%	100.0%
3-5 yrs	21.2%	22.6%	0.0%
5-10 yrs	1.8%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital 1-3 Yr Govt/Credit

**Column percentage may not add exactly due to rounding

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Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<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>
Portfolio	0.19	0.58	1.45	2.78	--	--	3.31
Benchmark***	-0.03	0.20	0.18	0.86	1.69	3.40	1.65

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

**Galliard Performance Inception: January 01, 2010

***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>
Weighted Average Quality**	AA+	AAA	Total Assets	\$2,543.5 million
Weighted Average Maturity	2.60 years	1.95 years	Number of Issues	591
Yield to Maturity	1.22%	0.36%	Weighted Coupon	2.72%
Effective Duration	1.78 years	1.87 years	Estimated Annual Income	\$68.4 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 - B

June 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	13.3%	13.1%	100.0%
Other U.S. Government	5.3%	5.2%	0.0%
Taxable Municipal	2.1%	1.9%	0.0%
Corporates	15.9%	15.8%	0.0%
Asset Backed Securities (ABS)	14.0%	16.1%	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.9%	6.6%	0.0%
Mortgage Backed Securities (MBS)	37.8%	39.3%	0.0%
Sovereign / Supranationals	1.8%	1.5%	0.0%
Cash / Equivalents	3.0%	0.7%	0.0%
Total	100.0%**	100.0%**	100.0%**

Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>06/30/2012</i>
General Electric Co	0.5%
Bank of Nova Scotia	0.4%
MidAmerican Energy Co	0.4%
ConocoPhillips	0.4%
HSBC Holdings PLC	0.4%
Total	2.1%**

Total entity exposure – includes all related entities

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	80.7%	84.5%	94.9%
AA	10.1%	5.7%	5.1%
A	9.1%	9.8%	0.0%
BBB	0.0%	0.0%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

*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

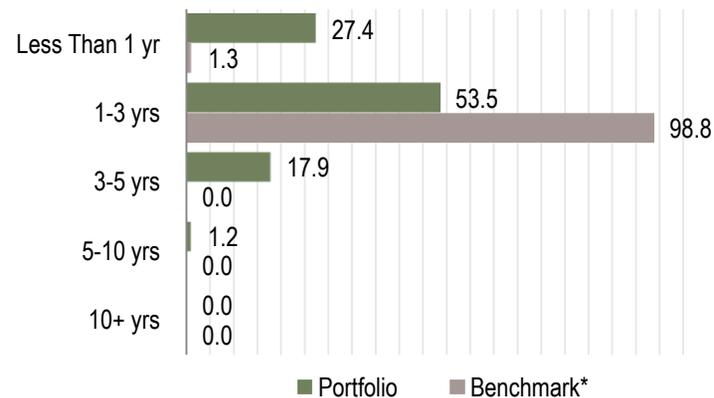
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

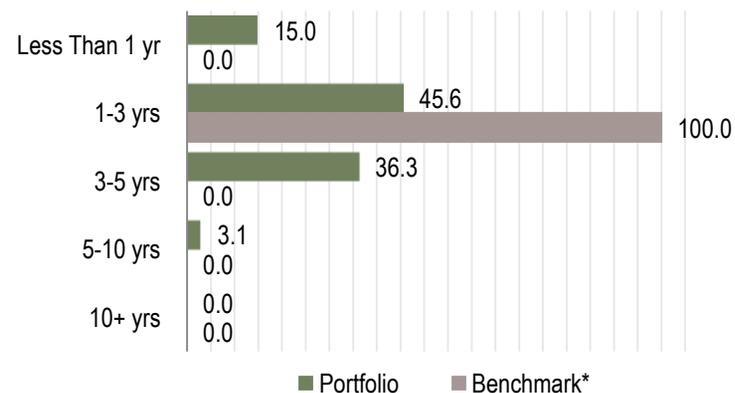
Duration Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	21.2%	27.4%	1.3%
1-3 yrs	55.8%	53.5%	98.8%
3-5 yrs	23.0%	17.9%	0.0%
5-10 yrs	0.1%	1.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	15.7%	15.0%	0.0%
1-3 yrs	38.4%	45.6%	100.0%
3-5 yrs	43.4%	36.3%	0.0%
5-10 yrs	2.5%	3.1%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



*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)

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	1.31	2.11	5.50	--	--	4.45
Benchmark***	1.32	1.99	5.28	5.98	6.25	4.28

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

**Galliard Performance Inception: August 01, 2010

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA+	AA+	Total Assets	\$1,689.3 million
Weighted Average Maturity	3.78 years	4.49 years	Number of Issues	928
Yield to Maturity	1.39%	1.72%	Weighted Coupon	3.73%
Effective Duration	3.13 years	3.65 years		

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

*Barclays Capital Intermediate Aggregate

**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)

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	41.3%	39.6%	40.7%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.3%	0.3%	0.6%
Corporates	20.2%	20.5%	17.0%
Asset Backed Securities (ABS)	0.2%	0.2%	0.3%
Commercial Mortgage Backed Securities (CMBS)	4.1%	4.4%	2.2%
Mortgage Backed Securities (MBS)	32.9%	34.2%	35.3%
Sovereign / Supranationals	0.6%	0.6%	3.9%
Cash / Equivalents	0.4%	0.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.3%	77.3%	78.6%
AA	3.8%	2.9%	4.3%
A	10.7%	12.6%	9.6%
BBB	7.1%	7.3%	7.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

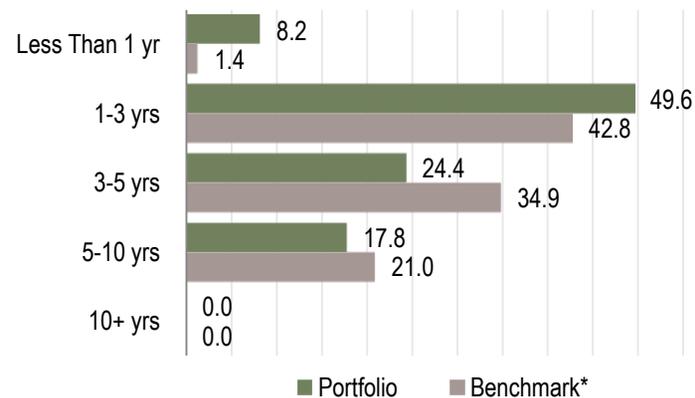
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

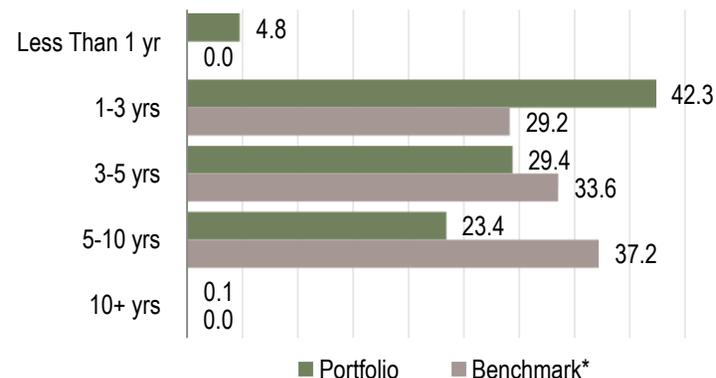
Duration Distribution

	<i>% of Portfolio</i> 03/31/2012	<i>% of Portfolio</i> 06/30/2012	<i>% of Benchmark*</i> 06/30/2012
0-1 yrs	7.6%	8.2%	1.4%
1-3 yrs	48.6%	49.6%	42.8%
3-5 yrs	24.7%	24.4%	34.9%
5-10 yrs	19.0%	17.8%	21.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> 03/31/2012	<i>% of Portfolio</i> 06/30/2012	<i>% of Benchmark*</i> 06/30/2012
0-1 yrs	4.8%	4.8%	0.0%
1-3 yrs	46.3%	42.3%	29.2%
3-5 yrs	23.6%	29.4%	33.6%
5-10 yrs	25.2%	23.4%	37.2%
10+ yrs	0.1%	0.1%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

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Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	2.30	3.16	7.16	--	--	6.54
Benchmark***	1.32	1.99	5.28	5.98	6.25	5.41

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

**Galliard Performance Inception: February 01, 2011

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA	AA+	Total Assets	\$979.9 million
Weighted Average Maturity	4.26 years	4.49 years	Number of Issues	123
Yield to Maturity	1.46%	1.72%	Weighted Coupon	2.34%
Effective Duration	3.49 years	3.65 years		

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

*Barclays Capital Intermediate Aggregate

**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 Acct 654 - Commingled (PIMCO)

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	50.3%	24.4%	40.7%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	1.4%	1.5%	0.6%
Corporates	22.7%	22.6%	17.0%
Asset Backed Securities (ABS)	0.0%	0.0%	0.3%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	2.2%
Mortgage Backed Securities (MBS)	17.3%	13.5%	35.3%
Sovereign / Supranationals	2.0%	2.0%	3.9%
Cash / Equivalents	6.1%	36.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.0%	78.2%	78.6%
AA	2.1%	1.5%	4.3%
A	14.8%	15.2%	9.6%
BBB	5.1%	5.1%	7.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

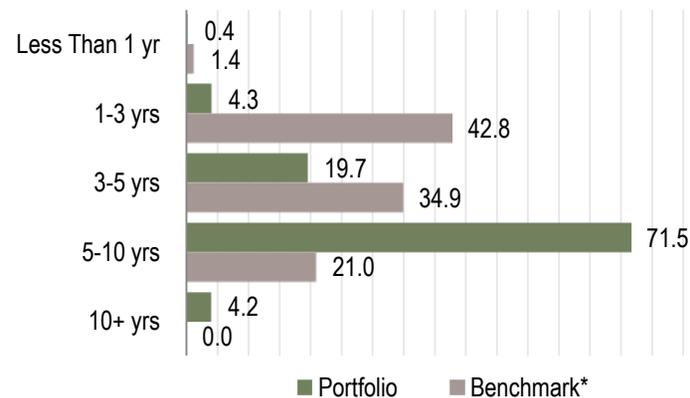
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

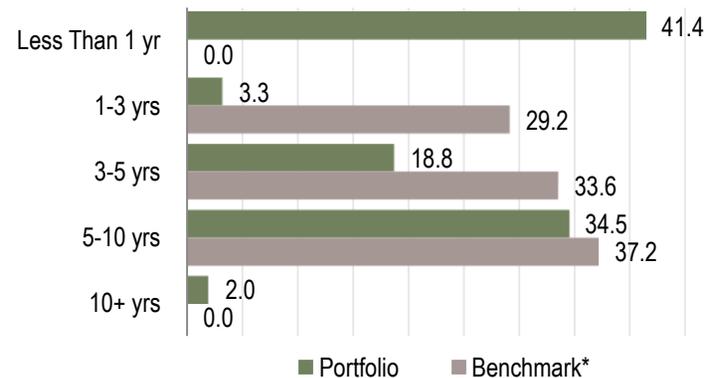
Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	2.7%	0.4%	1.4%
1-3 yrs	8.0%	4.3%	42.8%
3-5 yrs	19.3%	19.7%	34.9%
5-10 yrs	68.3%	71.5%	21.0%
10+ yrs	1.7%	4.2%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	39.2%	41.4%	0.0%
1-3 yrs	2.7%	3.3%	29.2%
3-5 yrs	17.7%	18.8%	33.6%
5-10 yrs	39.7%	34.5%	37.2%
10+ yrs	0.8%	2.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

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

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	1.23	2.35	5.11	6.21	--	6.21
Benchmark***	1.30	1.78	5.11	5.64	6.10	5.64
Benchmark****	1.48	2.10	5.42	5.81	6.01	5.81

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

**Galliard Performance Inception: July 01, 2009

***BarCap Intern Agg Ex Baa

****Barclays Capital Int Govt/Credit

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AAA	AA+	Total Assets	\$431.2 million
Weighted Average Maturity	4.48 years	4.36 years	Number of Issues	520
Yield to Maturity	1.94%	1.59%	Weighted Coupon	4.50%
Effective Duration	3.14 years	3.46 years		

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

*BarCap Intern Agg Ex Baa

**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

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	1.6%	3.6%	44.0%
Other U.S. Government	0.5%	0.5%	0.0%
Taxable Municipal	0.0%	0.0%	0.6%
Corporates	17.3%	17.3%	11.3%
Asset Backed Securities (ABS)	1.0%	1.0%	0.3%
Commercial Mortgage Backed Securities (CMBS)	6.1%	5.8%	2.1%
Mortgage Backed Securities (MBS)	72.4%	73.4%	38.2%
Sovereign / Supranationals	0.0%	0.0%	3.5%
Cash / Equivalents	1.1%	-1.6%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	83.4%	82.5%	85.0%
AA	3.7%	3.2%	4.6%
A	10.8%	13.1%	10.4%
BBB	2.0%	1.1%	0.0%
< BBB	0.0%	0.1%	0.0%
NR/NA	0.2%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*BarCap Interm Agg Ex Baa

**Column percentage may not add exactly due to rounding

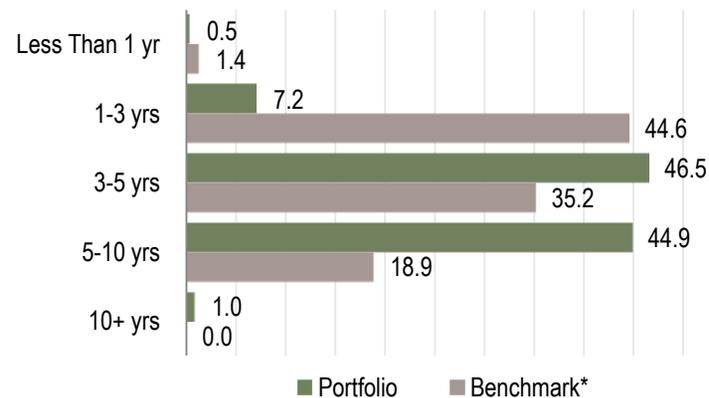
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

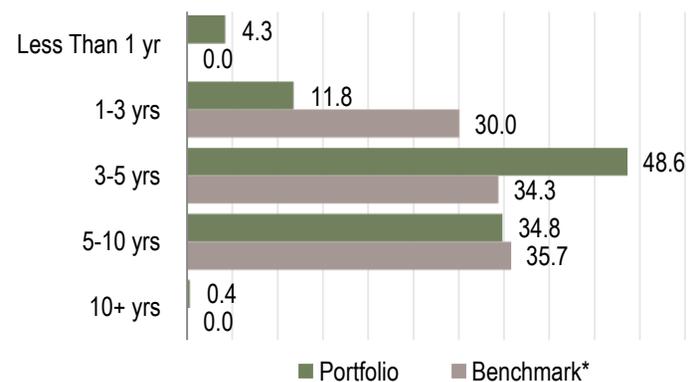
Duration Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	0.3%	0.5%	1.4%
1-3 yrs	6.2%	7.2%	44.6%
3-5 yrs	37.3%	46.5%	35.2%
5-10 yrs	55.3%	44.9%	18.9%
10+ yrs	1.0%	1.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	4.4%	4.3%	0.0%
1-3 yrs	10.2%	11.8%	30.0%
3-5 yrs	39.5%	48.6%	34.3%
5-10 yrs	45.4%	34.8%	35.7%
10+ yrs	0.4%	0.4%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*BarCap Intern Agg Ex Baa

**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.

Stable Value Portfolio Review – North Carolina 457 Stable Value Fund

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<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>
Portfolio (net of all fees)	0.24	0.71	1.41	2.98	3.56	---	---	3.19
3 Year Constant Maturity Treasury Yield	0.03	0.10	0.20	0.43	0.93	1.51	2.46	0.65
91 Day T-bill + 150 bps	0.13	0.40	0.79	1.57	1.64	2.51	3.40	1.61

Calendar Year Performance

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Portfolio (net of all fees)	3.30	3.87	---	---	---
3 Year Constant Maturity Treasury Yield	0.75	1.10	1.43	2.19	4.26
91 Day T-bill + 150 bps	1.61	1.64	1.72	3.60	6.61

Market Indices

Merrill Lynch 3 Month T-Bill	0.10	0.13	0.21	2.06	5.03
Consumer Price Index	3.07	1.50	2.72	0.09	4.08

*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.

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

Portfolio Characteristics

Total Assets	\$373,448,557	Blended Yield (Before fees)*	3.11%
Average Holdings Quality**	A1/AA-	Effective Duration	2.61 years
Number of Contract Issuers	4	Market/Book Value Ratio	104.60%

*Blended yield is before investment management fees and after wrap fees.

**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 contracts and cash held by the portfolio as rated by S&P and Moody's.

Sector Distribution

<u>Portfolio Distribution</u>	<u>Contract Value (\$)</u>	<u>% of Portfolio</u> <u>06/30/2012</u>	<u>% of Portfolio</u> <u>03/31/2012</u>
Money Market*	11,071,708	3.0	3.2
Stable Value Funds	24,690,830	6.6	6.6
Insurance Separate Accounts	142,362,275	38.1	38.0
Intermediate Portfolio	142,362,275	38.1	38.0
Security Backed Contracts	195,323,743	52.3	52.2
Short Portfolio	103,175,854	27.6	27.6
Intermediate Portfolio	92,147,890	24.7	24.6
Total	\$373,448,557	100.0%**	100.0%**

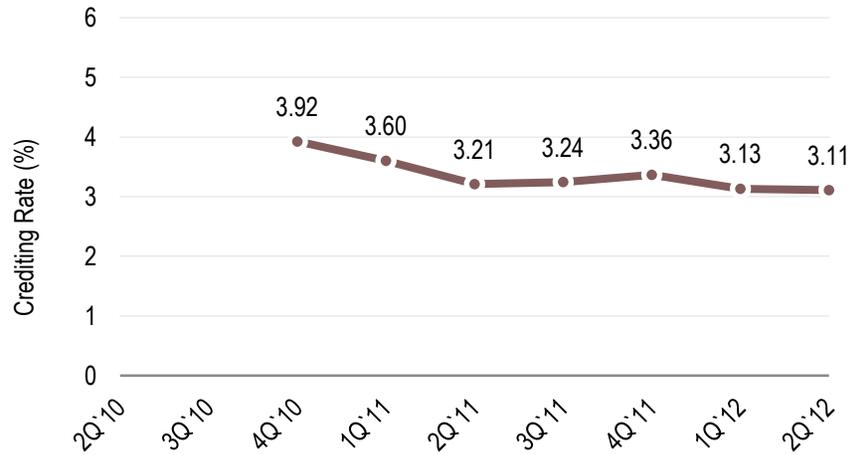
*Includes Receivables and Payables

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

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

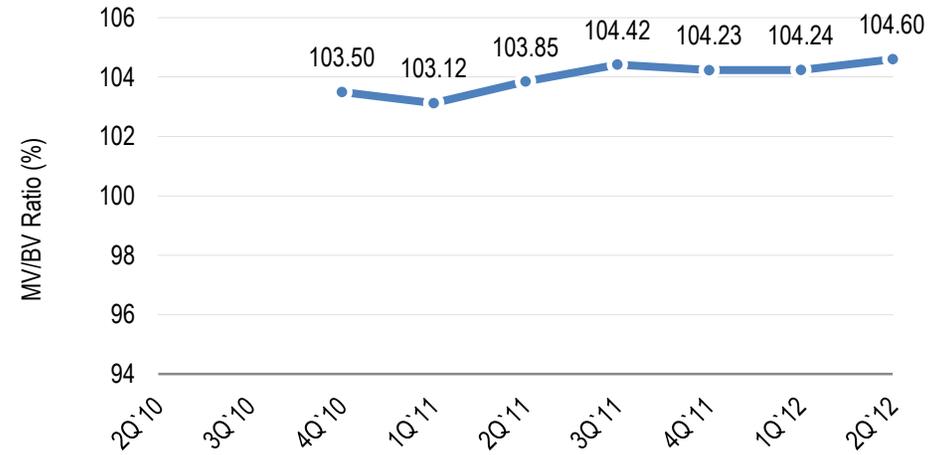
Second Quarter 2012

Historical Crediting Rates*

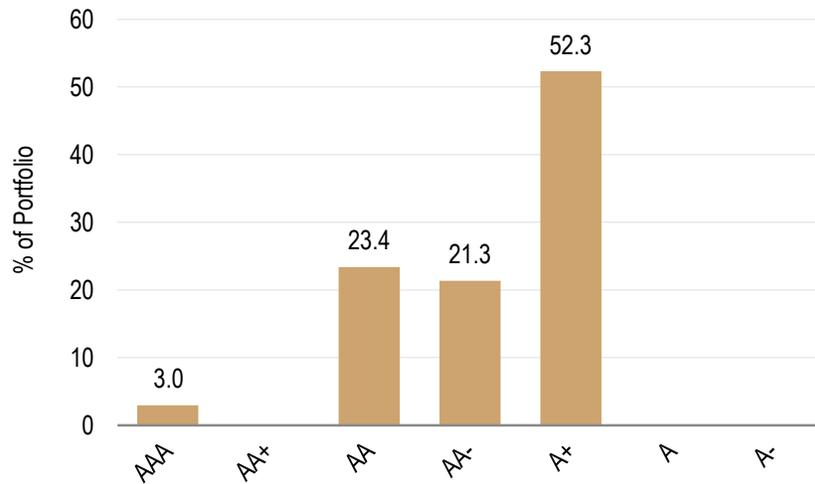


*As of quarter end. Before fees.

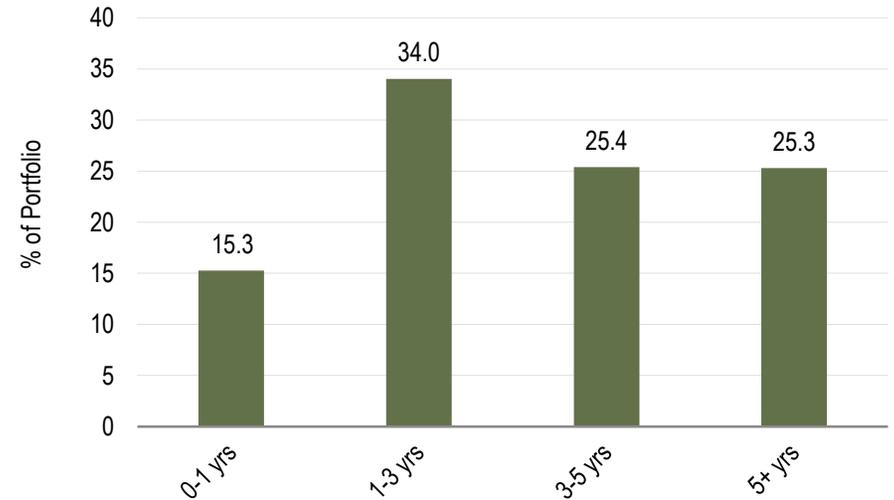
Market Value to Book Value Ratio*



Contract Quality Distribution*



Underlying Duration Distribution**



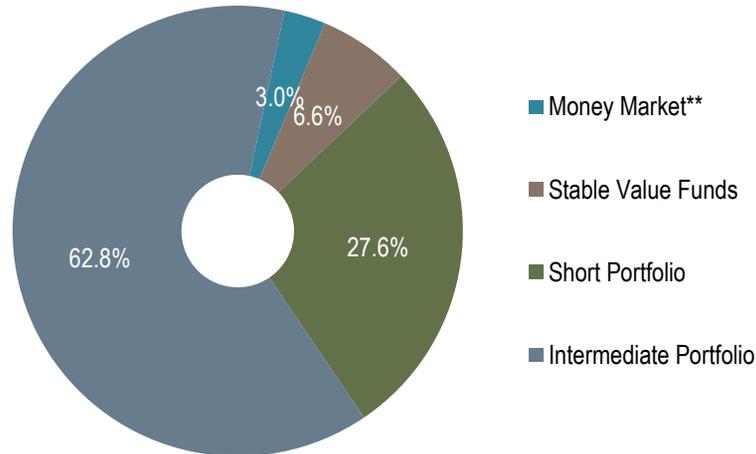
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

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

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

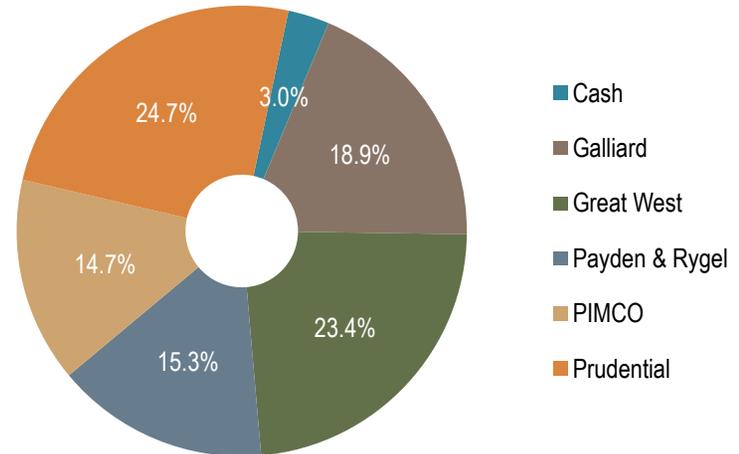
Portfolio Distribution*



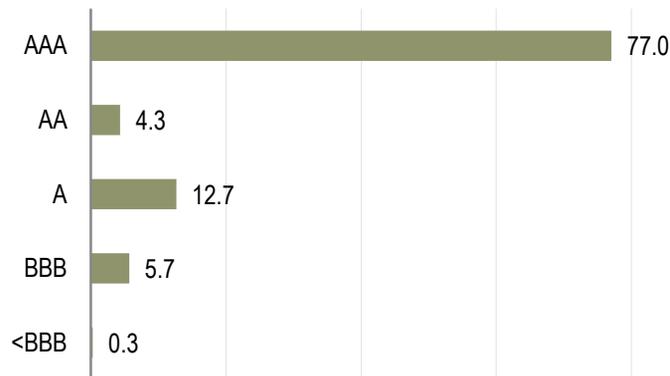
*Book value

**Includes Receivables and Payables

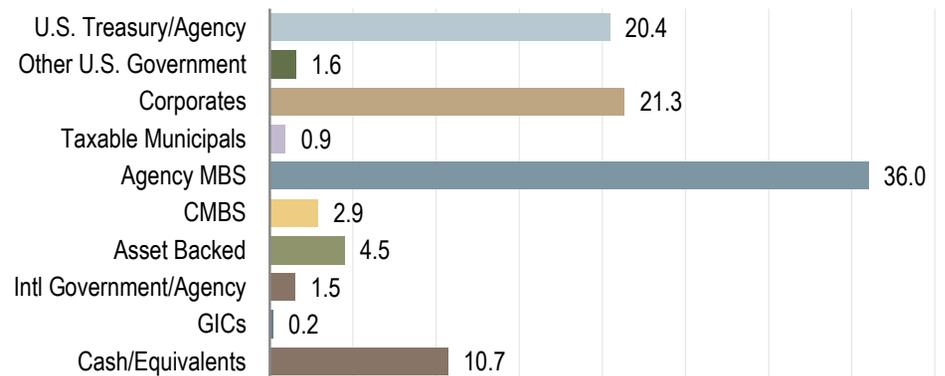
Manager Distribution*



Underlying Fixed Income Credit Quality*



Underlying Fixed Income Asset Allocation**



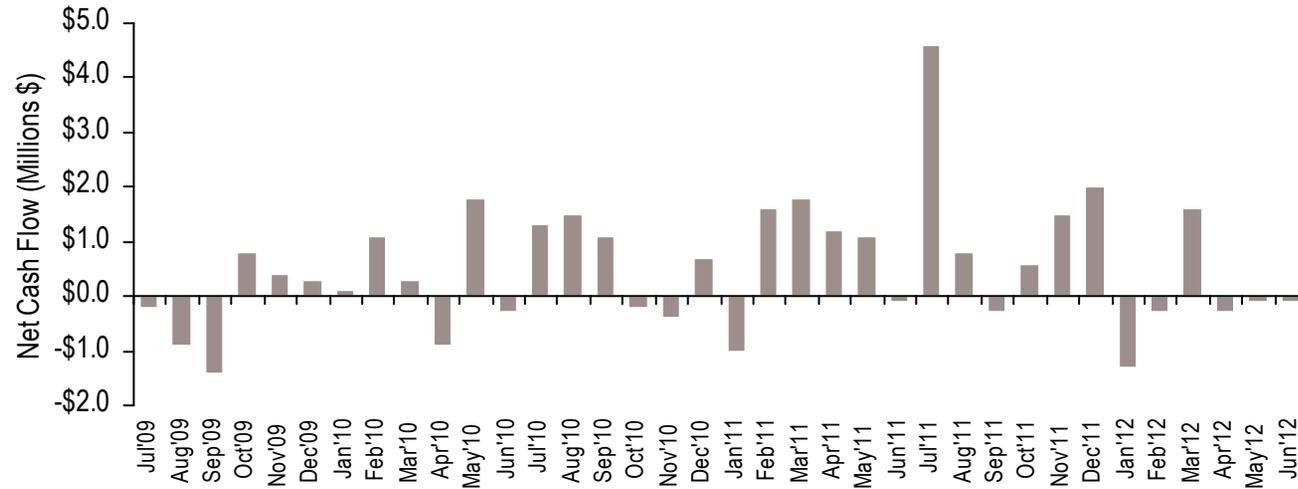
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external manager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

Second Quarter 2012

Historical Cashflows



	YTD	2011	2010	2009***
Beginning Assets	\$368.8	\$343.5	\$324.7	\$319.1
Net Cash Flow (\$)*	-\$0.5	\$13.8	\$6.0	-\$1.0
Net Cash Flow (%)	-0.14%	4.02%	1.85%	-0.31%
Estimated Investment Earnings	\$5.2	\$11.4	\$12.8	\$6.6
Ending Assets**	\$373.4	\$368.8	\$343.5	\$324.7

* Contributions, Withdrawals and Investment Transfers

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

***Beginning July 1, 2009

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Second Quarter 2012

Issuer Rating Summary

	<u>S & P Rating</u>		<u>Moody's Rating</u>	
	<u>6/30/2012</u>	<u>3/31/2012</u>	<u>6/30/2012</u>	<u>3/31/2012</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A2	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

GreatWest Life Insurance Co.

- Large dividend payments in 2008 & 2010 have kept capital levels well below average
- Strong positions in niche markets
- Weak investment results and higher than average risk are a significant drag on earnings

Metropolitan Life Ins. Co.

- Acquisition of ALICO (foreign insurer operating in Asia, Latin America, and Europe) will likely limit support from parent over the near term
- Capital levels remain below industry average, partially offset by above average diversity and strength across products
- Largest U.S. life insurer by invested assets

Prudential Ins. Co. of America

- Recent large dividend to parent put some pressure on capital levels
- Higher than industry average investment risk with exposure to commercial real estate, non-Agency CMOs, equities and high yield bonds
- A leading diversified U.S. life insurer

United of Omaha Life Ins. Co.

- Capitalization weakened significantly as large operating losses from poorly underwritten Medicare business ate into surplus
- Stable life product lines focusing on individual/group life & annuities
- Above average exposure to commercial and residential mortgage sectors

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
Payden & Rygel	0.49%	2.17%			2.47%	8/1/2009
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.22%</u>	<u>1.12%</u>			<u>2.16%</u>	
	0.27%	1.05%			0.58%	
Galliard	0.58%	2.78%			3.31%	1/1/2010
Barclays Capital 1-3 Yr. Government *	<u>0.20%</u>	<u>0.86%</u>			<u>1.65%</u>	
	0.38%	1.92%			1.66%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Prudential Investment Management	1.31%	5.50%			4.45%	8/1/2010
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>4.28%</u>	
	-0.01%	0.22%			0.17%	
PIMCO	2.30%	7.16%			6.54%	1/25/2011
Barclays Capital Intermediate Aggregate	<u>1.32%</u>	<u>5.28%</u>			<u>5.41%</u>	
	0.98%	1.88%			1.13%	
Manager	3 Months	1 Year	3 Years	5 Years	10 Years	Inception
Great West Life	1.16%	4.48%	6.09%	6.06%	4.98%	3/1/1999
Barclays Capital Intermediate Aggregate (Ex BBB)	1.30%	5.11%	5.64%	6.10%	5.05%	
Barclays Capital Int. Govt/Credit	<u>1.48%</u>	<u>5.42%</u>	<u>5.81%</u>	<u>6.01%</u>	<u>5.08%</u>	
	-0.14%	-0.63%	0.45%	-0.04%	-0.07%	

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

North Carolina 457 Stable Value Fund Portfolio Review

Portfolio Holdings

June 30, 2012

CUSIP	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)
Money Market												
FUNDAVAIL	Cash Receivable / (Payable)		-222,912	-222,912	100.0	-0.1	0.01		0.10	AAA	Aaa	
9980004\$P	Wells Fargo Short Term Investment Fund		404	404	100.0	0.0	0.27		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		11,294,216	11,294,216	100.0	3.0	0.01		0.10	AAA	Aaa	
Total Money Market			11,071,708	11,071,708	100.0	3.0	0.01		0.10	AAA	Aaa	
Stable Value Funds												
949907109	Wells Fargo Stable Return Fund G		24,690,830	24,690,830	100.0	6.6	2.09		2.00	AA-	Aa3	
Total Stable Value Funds			24,690,830	24,690,830	100.0	6.6	2.09		2.00	AA-	Aa3	
Insurance Separate Accounts												
Intermediate Portfolio												
391997NC3	GreatWest Life Insurance Co.	Great West	87,370,320	91,394,687	104.6	23.4	4.12	N.S.M.	2.96	AA	Aa3	15.0
590994BY4	Metropolitan Life Ins. Co.	PIMCO	54,991,955	58,813,784	106.9	14.7	3.11	N.S.M.	3.49	AA-	Aa3	20.0
Total Intermediate Portfolio			142,362,275	150,208,471	105.5	38.1	3.73		3.17	AA	Aa3	
Total Insurance Separate Accounts			142,362,275	150,208,471	105.5	38.1	3.73		3.17	AA	Aa3	
Security Backed Contracts												
Short Portfolio												
744999CD3	Prudential Ins. Co. of America	Payden & Rygel	57,162,212	58,183,601	101.8	15.3	2.05	N.S.M.	1.81	AA-	A2	21.0
907999UT1	United of Omaha Life Ins. Co.	Galliard	46,013,642	47,242,608	102.7	12.3	2.49	N.S.M.	1.78	A+	A1	25.0
Total Short Portfolio			103,175,854	105,426,209	102.2	27.6	2.25		1.80	AA-	A2	
Intermediate Portfolio												
744999CF8	Prudential Ins. Co. of America	Prudential	92,147,890	99,244,358	107.7	24.7	3.76	N.S.M.	3.13	AA-	A2	15.0
Total Intermediate Portfolio			92,147,890	99,244,358	107.7	24.7	3.76		3.13	AA-	A2	
Total Security Backed Contracts			195,323,743	204,670,567	104.8	52.3	2.96		2.43	AA-	A2	
Total Fund			373,448,557	390,641,577	104.6	100.0	3.11		2.61	AA-	A1	

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

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	0.49	1.55	2.17	--	--	2.74
Benchmark***	0.22	0.58	1.12	2.26	3.67	2.16

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

**Galliard Performance Inception: August 01, 2009

***Barclays Capital 1-3 Year Government/Credit Index

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA-	AA+	Total Assets	\$58.2 million
Weighted Average Maturity	2.20 years	1.97 years	Number of Issues	156
Yield to Maturity	1.16%	0.63%	Weighted Coupon	0.02%
Effective Duration	1.81 years	1.90 years		

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

*Barclays Capital 1-3 Yr Govt/Credit

**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

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	28.5%	27.8%	76.2%
Other U.S. Government	2.6%	2.6%	0.0%
Taxable Municipal	1.9%	1.9%	0.7%
Corporates	37.5%	40.5%	17.1%
Asset Backed Securities (ABS)	7.9%	6.1%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.6%	0.6%	0.0%
Mortgage Backed Securities (MBS)	15.4%	14.1%	0.0%
Sovereign / Supranationals	4.8%	5.2%	6.0%
Cash / Equivalents	0.7%	1.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	59.1%	56.7%	77.0%
AA	3.9%	3.3%	7.1%
A	22.5%	22.8%	10.3%
BBB	14.5%	17.2%	5.6%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital 1-3 Yr Govt/Credit

**Column percentage may not add exactly due to rounding

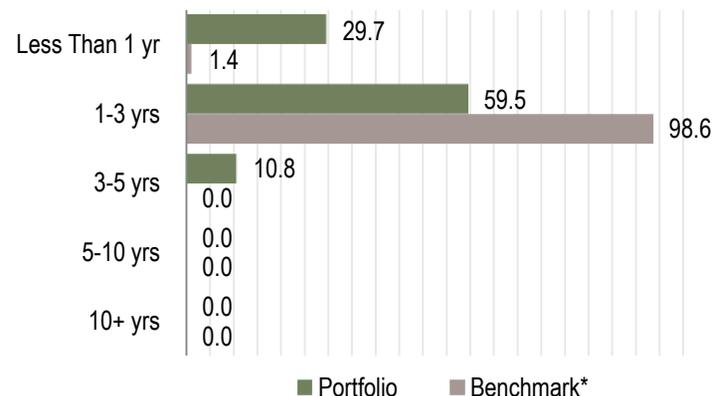
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

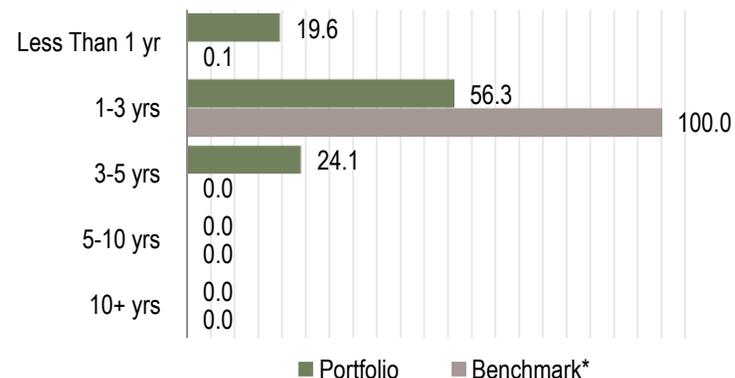
Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	30.8%	29.7%	1.4%
1-3 yrs	54.2%	59.5%	98.6%
3-5 yrs	15.0%	10.8%	0.0%
5-10 yrs	0.0%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	19.6%	19.6%	0.1%
1-3 yrs	58.1%	56.3%	100.0%
3-5 yrs	20.7%	24.1%	0.0%
5-10 yrs	1.7%	0.0%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital 1-3 Yr Govt/Credit

**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 - B

June 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<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>
Portfolio	0.19	0.58	1.45	2.78	--	--	3.31
Benchmark***	-0.03	0.20	0.18	0.86	1.69	3.40	1.65

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

**Galliard Performance Inception: January 01, 2010

***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>
Weighted Average Quality**	AA+	AAA	Total Assets	\$2,543.5 million
Weighted Average Maturity	2.60 years	1.95 years	Number of Issues	591
Yield to Maturity	1.22%	0.36%	Weighted Coupon	2.72%
Effective Duration	1.78 years	1.87 years	Estimated Annual Income	\$68.4 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 - B

June 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	13.3%	13.1%	100.0%
Other U.S. Government	5.3%	5.2%	0.0%
Taxable Municipal	2.1%	1.9%	0.0%
Corporates	15.9%	15.8%	0.0%
Asset Backed Securities (ABS)	14.0%	16.1%	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.9%	6.6%	0.0%
Mortgage Backed Securities (MBS)	37.8%	39.3%	0.0%
Sovereign / Supranationals	1.8%	1.5%	0.0%
Cash / Equivalents	3.0%	0.7%	0.0%
Total	100.0%**	100.0%**	100.0%**

Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>06/30/2012</i>
General Electric Co	0.5%
Bank of Nova Scotia	0.4%
MidAmerican Energy Co	0.4%
ConocoPhillips	0.4%
HSBC Holdings PLC	0.4%
Total	2.1%**

Total entity exposure – includes all related entities

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	80.7%	84.5%	94.9%
AA	10.1%	5.7%	5.1%
A	9.1%	9.8%	0.0%
BBB	0.0%	0.0%	0.0%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

*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

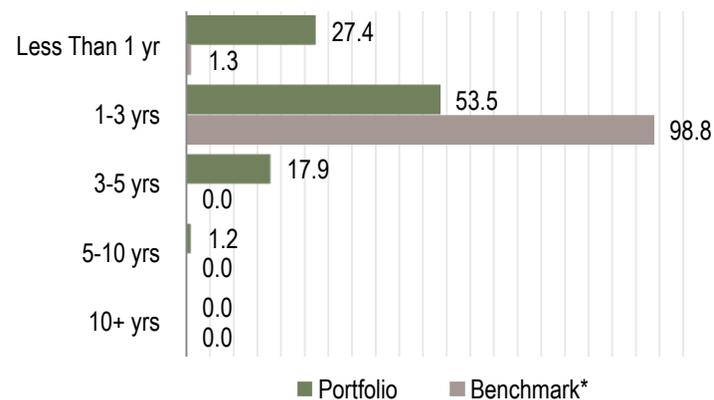
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

Fixed Income Portfolio Review - Galliard Short High Quality Core Fixed Income Fund - B

June 2012

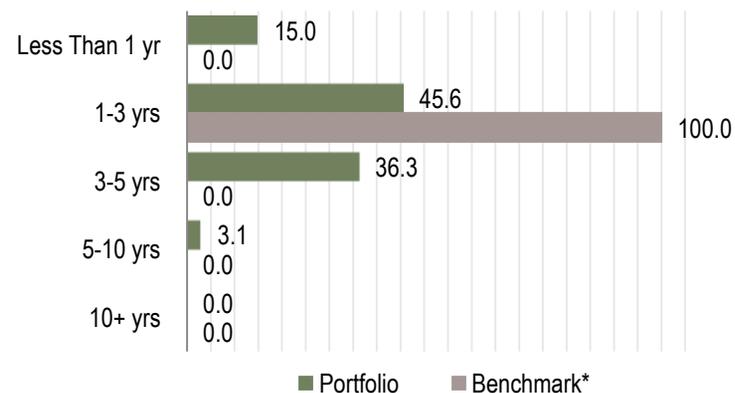
Duration Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	21.2%	27.4%	1.3%
1-3 yrs	55.8%	53.5%	98.8%
3-5 yrs	23.0%	17.9%	0.0%
5-10 yrs	0.1%	1.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	15.7%	15.0%	0.0%
1-3 yrs	38.4%	45.6%	100.0%
3-5 yrs	43.4%	36.3%	0.0%
5-10 yrs	2.5%	3.1%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



*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)

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	1.31	2.11	5.50	--	--	4.45
Benchmark***	1.32	1.99	5.28	5.98	6.25	4.28

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

**Galliard Performance Inception: August 01, 2010

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA+	AA+	Total Assets	\$1,689.3 million
Weighted Average Maturity	3.78 years	4.49 years	Number of Issues	928
Yield to Maturity	1.39%	1.72%	Weighted Coupon	3.73%
Effective Duration	3.13 years	3.65 years		

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

*Barclays Capital Intermediate Aggregate

**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)

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	41.3%	39.6%	40.7%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.3%	0.3%	0.6%
Corporates	20.2%	20.5%	17.0%
Asset Backed Securities (ABS)	0.2%	0.2%	0.3%
Commercial Mortgage Backed Securities (CMBS)	4.1%	4.4%	2.2%
Mortgage Backed Securities (MBS)	32.9%	34.2%	35.3%
Sovereign / Supranationals	0.6%	0.6%	3.9%
Cash / Equivalents	0.4%	0.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.3%	77.3%	78.6%
AA	3.8%	2.9%	4.3%
A	10.7%	12.6%	9.6%
BBB	7.1%	7.3%	7.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

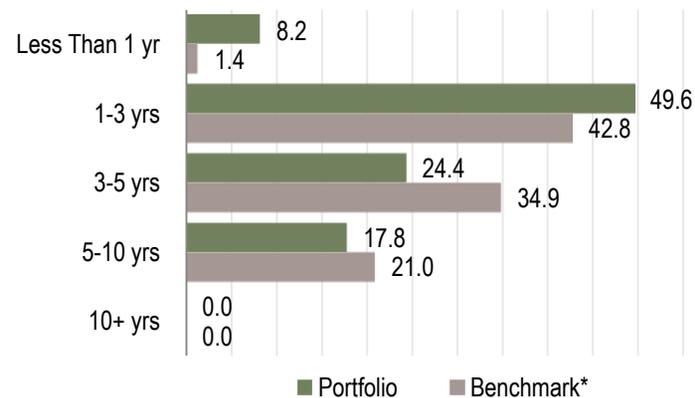
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

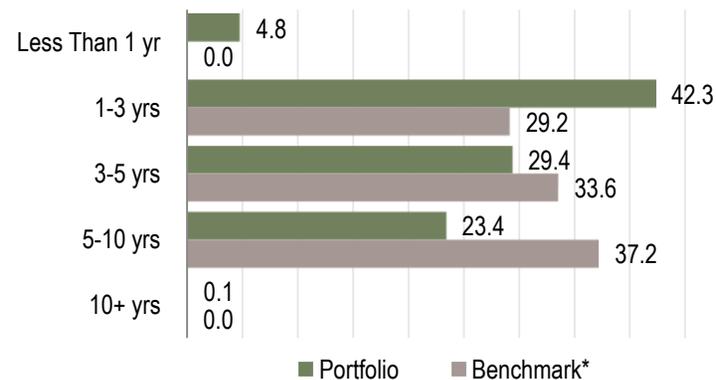
Duration Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	7.6%	8.2%	1.4%
1-3 yrs	48.6%	49.6%	42.8%
3-5 yrs	24.7%	24.4%	34.9%
5-10 yrs	19.0%	17.8%	21.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	4.8%	4.8%	0.0%
1-3 yrs	46.3%	42.3%	29.2%
3-5 yrs	23.6%	29.4%	33.6%
5-10 yrs	25.2%	23.4%	37.2%
10+ yrs	0.1%	0.1%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital Intermediate Aggregate

**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 - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<u>3 Mos</u>	<u>YTD</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>	<u>Since Inception**</u>
Portfolio	2.30	3.16	7.16	--	--	6.54
Benchmark***	1.32	1.99	5.28	5.98	6.25	5.41

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

**Galliard Performance Inception: February 01, 2011

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AA	AA+	Total Assets	\$979.9 million
Weighted Average Maturity	4.26 years	4.49 years	Number of Issues	123
Yield to Maturity	1.46%	1.72%	Weighted Coupon	2.34%
Effective Duration	3.49 years	3.65 years		

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

*Barclays Capital Intermediate Aggregate

**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 Acct 654 - Commingled (PIMCO)

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	50.3%	24.4%	40.7%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	1.4%	1.5%	0.6%
Corporates	22.7%	22.6%	17.0%
Asset Backed Securities (ABS)	0.0%	0.0%	0.3%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	2.2%
Mortgage Backed Securities (MBS)	17.3%	13.5%	35.3%
Sovereign / Supranationals	2.0%	2.0%	3.9%
Cash / Equivalents	6.1%	36.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	78.0%	78.2%	78.6%
AA	2.1%	1.5%	4.3%
A	14.8%	15.2%	9.6%
BBB	5.1%	5.1%	7.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

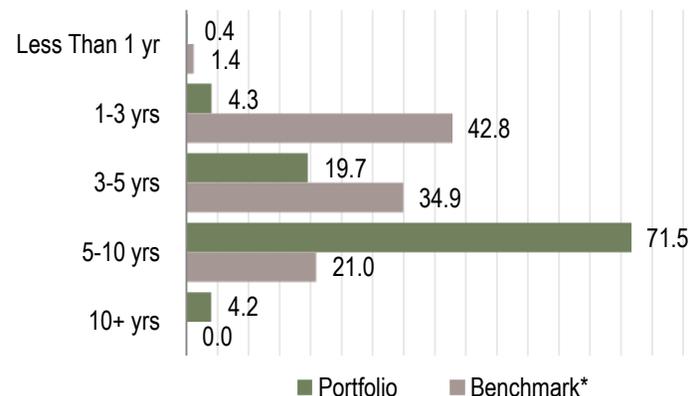
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

Fixed Income Portfolio Review - Metlife Separate Acct 654 - Commingled (PIMCO)

Second Quarter 2012

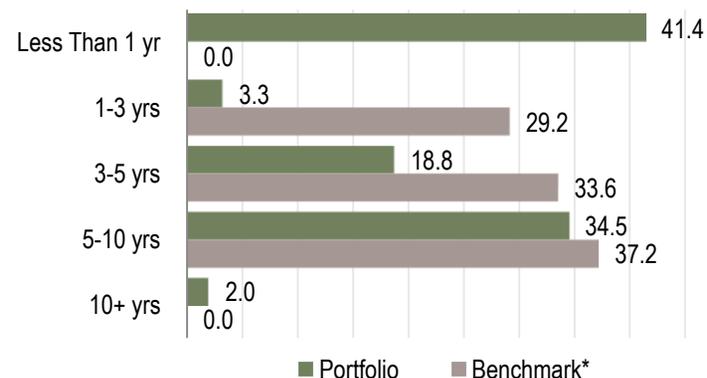
Duration Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	2.7%	0.4%	1.4%
1-3 yrs	8.0%	4.3%	42.8%
3-5 yrs	19.3%	19.7%	34.9%
5-10 yrs	68.3%	71.5%	21.0%
10+ yrs	1.7%	4.2%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 03/31/2012</i>	<i>% of Portfolio 06/30/2012</i>	<i>% of Benchmark* 06/30/2012</i>
0-1 yrs	39.2%	41.4%	0.0%
1-3 yrs	2.7%	3.3%	29.2%
3-5 yrs	17.7%	18.8%	33.6%
5-10 yrs	39.7%	34.5%	37.2%
10+ yrs	0.8%	2.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*Barclays Capital Intermediate Aggregate

**Column percentage may not add exactly due to rounding

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

Second Quarter 2012

Annualized Investment Performance*

Periods Ending June 30, 2012

	<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>
Portfolio	1.16	2.04	4.48	6.09	6.06	4.98	5.39
Benchmark***	1.30	1.78	5.11	5.64	6.10	5.05	--
Benchmark****	1.48	2.10	5.42	5.81	6.01	5.08	5.57

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

**Galliard Performance Inception: March 01, 1999

***BarCap Intern Agg Ex Baa

****Barclays Capital Int Govt/Credit

Portfolio Characteristics

	<u>Portfolio</u>	<u>Benchmark*</u>		<u>Portfolio</u>
Weighted Average Quality**	AAA	AA+	Total Assets	\$91.4 million
Weighted Average Maturity	4.07 years	4.36 years	Number of Issues	181
Yield to Maturity	1.97%	1.59%	Weighted Coupon	4.43%
Effective Duration	2.96 years	3.46 years		

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

*BarCap Intern Agg Ex Baa

**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

Second Quarter 2012

Sector Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
U.S. Government/Agency Debentures	0.5%	0.5%	44.0%
Other U.S. Government	1.2%	1.2%	0.0%
Taxable Municipal	0.0%	0.0%	0.6%
Corporates	14.7%	15.8%	11.3%
Asset Backed Securities (ABS)	6.1%	5.4%	0.3%
Commercial Mortgage Backed Securities (CMBS)	2.7%	2.6%	2.1%
Mortgage Backed Securities (MBS)	74.7%	72.4%	38.2%
Sovereign / Supranationals	0.0%	0.0%	3.5%
Cash / Equivalents	0.1%	2.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
AAA	82.9%	81.3%	85.0%
AA	4.2%	8.0%	4.6%
A	10.5%	8.4%	10.4%
BBB	0.3%	1.1%	0.0%
< BBB	2.1%	1.2%	0.0%
NR/NA	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

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

*BarCap Interm Agg Ex Baa

**Column percentage may not add exactly due to rounding

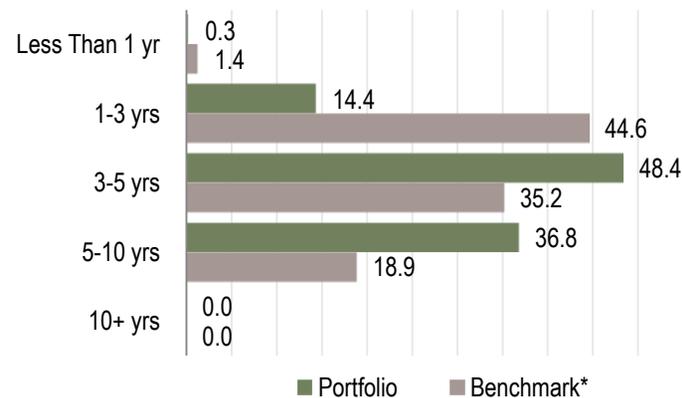
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Second Quarter 2012

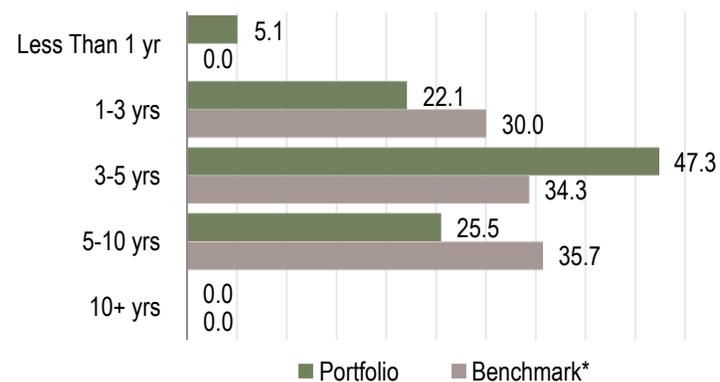
Duration Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	0.5%	0.3%	1.4%
1-3 yrs	12.7%	14.4%	44.6%
3-5 yrs	44.3%	48.4%	35.2%
5-10 yrs	42.6%	36.8%	18.9%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>03/31/2012</i>	<i>% of Portfolio</i> <i>06/30/2012</i>	<i>% of Benchmark*</i> <i>06/30/2012</i>
0-1 yrs	5.0%	5.1%	0.0%
1-3 yrs	18.5%	22.1%	30.0%
3-5 yrs	44.8%	47.3%	34.3%
5-10 yrs	31.7%	25.5%	35.7%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



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

*BarCap Intern Agg Ex Baa

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Portfolio Strategy and Positioning

Economic and Market Outlook

Economic Outlook

- | Uneven “low growth” recovery to continue; we expect GDP growth for the 2012 full year to average 2% to 3%.
- | Consumer confidence & job growth have remained positive, but current and future government spending cutbacks will continue to drag on growth
- | The housing market is showing signs of life and we believe broadly housing prices are bottoming
- | A still-muted economic forecast has led the Fed to telegraph that its policy rate will stay very low until late-2014; Treasury curve will remain steep and rates should remain relatively range-bound
- | Risks from the European debt crisis remain elevated; the US economy and markets are vulnerable to knock-on effects should the crisis re-flare

Anticipated Portfolio Strategy

- | Maintain neutral to short duration positioning versus benchmark
- | Corporate and municipal bond spreads remain relatively attractive; emphasize stable names with spread tightening potential
- | Short AAA-rated consumer ABS are attractive versus treasuries, agencies or cash
- | We remain cautious on higher dollar prices in the agency mortgage sector; newly originated “MHA Refi” pools are attractive and should benefit from lower refinance risk going forward
- | TIPS have underperformed nominal treasuries more recently, but remain attractive as a portfolio diversifier

The information contained herein reflects the views of Galliard Capital Management, Inc. and sources believed to be reliable by Galliard as of the date of presentation. No representation or warranty is made concerning the accuracy of any data and there is no guarantee that any projection, opinion, or forecast herein will be realized. The views expressed may change at any time. This presentation is for information purposes only; it is not investment advice or a recommendation for a particular security strategy or investment product.

Senior Professionals



John R. Caswell, CFA
Managing Partner
Portfolio Management

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
Managing Partner
Portfolio Management

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
Managing Partner
Portfolio Management

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. Karl also directs marketing and client service for the firm. 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. Prior to co-founding Galliard, Karl was Director of Taxable Fixed Income for Norwest Investment Management. He holds a BA in Economics and an MBA in Finance from the University of St. Thomas.

Senior Professionals



Carrie A. Callahan
Partner
Client Service &
Consultant Relations

Carrie is responsible for client relationship management and consultant relations. 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
Partner
Portfolio Management

Ajay is a 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
Senior Principal
Client Services

As a Principal, Mike is responsible for client and consultant relationship management. In this capacity, Mike 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, 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 from 2003 – 2006 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.



Leela J. Scattum
Senior Principal
Portfolio Management

As a Client Portfolio Manager, Leela is involved in the management of Galliard's stable value portfolios. Leela began her investment career in 1992 and has been with Galliard since the firm's inception. She holds B.Sc. (Statistics) and B.Ed. (Education) degrees from the University of Bombay. She also completed her course work for Master of Science degree in Applied Mathematics from the University of Bombay, and holds an MBA degree from the University of St. Thomas.

Senior Professionals



Chad M. Foote, CPA
Principal
Investment Operations
and Accounting

Chad is responsible for accounting operations and implementation of new technology and business initiatives. Chad is a CPA and a Certified Investments and Derivatives Auditor. Before joining Galliard, Chad was the head of risk management at Alliance Financial Services. He also served as a Director at PricewaterhouseCoopers (PwC) consulting on financial operations and risk management practices.



David H. Lui
Principal
Chief Compliance Officer

David is the Chief Compliance Officer 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
Portfolio Management

Erol is responsible for client portfolio management. 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 includes co-managing a number of fixed income and balanced investment products. He also has extensive experience in fixed income performance attribution. 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.

Senior Relationship Contacts



Andy C. Apostol
*Senior Director
Client Services*

Andy is responsible for stable value client relationships and client portfolio management. Prior to joining Galliard, Andy was a Senior Vice President at Dwight Asset Management, overseeing fixed income and stable value portfolios. Prior to joining Dwight Andy was a Senior Account Manager for INVESCO's fixed income and stable value business. Andy earned his B.S. in Business Administration from the University of Oregon.



David B. Ferry
*Senior Director
Client Services*

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.



Taylor Benson
*Director
Client Service &
Consultant Relations*

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 in 2003 as a business analyst for Hewitt Associates. Taylor holds a BS in Finance from Providence College.



William Weber
*Associate Director
Client Service &
Consultant Relations*

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.