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State of North Carolina Portfolio Review

November 14, 2013

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Galliard Capital Management

Fixed Income and Stable Value Specialists



Fixed Income and Stable Value Specialists

- | Currently managing \$85.5 Billion
- | 101 professionals on staff[^]
- | Second largest stable value manager*
- | Ranked 26th in overall institutional assets **
- | Ranked 13th largest active domestic fixed income manager *
- | Ranked 12th largest defined contribution manager **
- | Ranked 71st total worldwide institutional assets under management **

[^] Number of employees as of October 21, 2013

* *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, 2011.

** *Pensions & Investments*, Largest Money Managers Report, May 27, 2013. The ranking is based on U.S. Institutional, tax-exempt assets managed internally in millions, as of December 31, 2012.

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 | **\$85.5**
billion

Assets Under Management (By Strategy):

- | Short Duration: \$36.5 Billion
- | Intermediate Core: \$14.0 Billion
- | Broad Market Core & Core Plus: \$2.7 Billion
- | Custom: \$32.2 Billion

Assets Under Management (By Plan Type):

- | Corporate Retirement/Benefit Plans: \$69.6 Billion
- | Public Entities: \$11.1 Billion
- | Operating Funds: \$2.5 Billion
- | Partnerships: \$1.5 Billion
- | Foundation/Endowments: \$461.3 Million
- | Taft Hartley: \$396.5 Million

Stable Value
Assets | **\$76.5**
billion

2012 Stable Value Summary

- | \$3.3 Billion new assets
- | 17 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 9/30/13

**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	Laura Sell, CFA Director
Leela Scattum Partner	William Weber Director
Erol Sonderegger, CFA Principal	Robert Crandall, CFA Associate Director
Andrew Apostol Senior Director	Jennifer Hopper, CFA Senior Associate
David Ferry Senior Director	Will Moeller, CFA Senior Associate
Nick Gage, CFA Senior Director	Doug Rangel, CFA Senior Associate
Tami Pearse-Byczek Senior Director	Jordan Bewley Associate
Taylor Benson Director	Todd Copenhaver Associate
Andrea Johnson, CFA 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	John Hammar Senior Associate
John Kenley, CFA Associate Director	Gauri Jadhav Senior Associate
Robert Barrett, CFA Senior Associate	Elizabeth Smithley Associate
	Tyler Wadsworth Associate

Portfolio Analysis & Support

Kristin Daniels, CPA Director	Jeff Hay Associate
Mark Otto Associate Director	Matt Heutinck Associate
Brian Brooks Senior Associate	Phil Kos Associate
Rasaan Ellison Senior Associate	Suthisa Krupinski Associate
Christina Mosher Senior Associate	Leslie Laubach Associate
Carmen Rangel, CPA Senior Associate	Adam Maatz Associate
Jason Skull Senior Associate	Andrew McKessock Associate
Jesse Ahlbrecht Associate	Ben Modica Associate
Scott Baber Associate	Lily Sihavong Associate
Heather Goserud Associate	Steve Swanson Associate

Operations & Technology

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

Marketing & Client Support

Jane Marie Petty Principal	Jennie Soucheray Senior Associate	Fiona Donahoe Associate	Stacie Sandager Associate
Sue Stachel Director	Barb Thomas Senior Associate	Geneva Hanvik Associate	Erick Tralle Associate
Jennifer Miller Associate Director	Jennifer Wedan Senior Associate	Alison Johnson Associate	Jenny Wagner Associate
Linh Buoen Senior Associate	Michelle Boss Associate	Mark Perzichilli Associate	
Seth Mork Senior Associate	Justin Chafe Associate	Khonsavanh Phonesavanh Associate	

Compliance & Risk Management

David Lui Principal	Jason Mitchell Senior Associate
Paula Novick Associate Director	Maya Pillai Senior Associate
Eric Vercauteren Associate Director	Brian Renelt Senior Associate
	Nicole Berger Associate

Wells Fargo Resources

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

New in 2012

New in 2013

Stable Value Market Update

Wrap Capacity

Wrap Market Update

- | Much improvement in wrap capacity with 18 providers currently in the market
- | Currently, predominantly insurance companies providing new capacity, some of which require affiliate investment management
- | Wrap capacity from Bank of America and Natixis (who are exiting) is actively being replaced by new entrants and providers increasing their capacity
- | Galliard has available capacity with new and existing providers and is actively on-boarding new entrants*
 - Established providers increasing capacity
 - American General Life
 - ING
 - MetLife
 - New York Life
 - Prudential
 - Royal Bank of Canada
 - Recent entrants increasing capacity
 - Bank of Tokyo**
 - Mass Mutual
 - Reinsurance Group of America
 - TIAA-CREF
 - Providers expected to enter in the coming year
 - Lincoln Financial**
 - Nationwide Life

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

- | Generated over \$32 billion in new wrap capacity since 2008
- | Galliard has available capacity with new and existing providers and is continually active in on-boarding new providers for additional capacity
- | Galliard continues to generate capacity through customized solutions

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

*As of 6/30/13

** Pending Galliard approval

Stable Value Market Update

Galliard Wrap Issuer Summary

As of August 2013:

Name	Accepting Deposits from New Clients*	Accepting Deposits from Existing Clients*	Contract Type**	Asset Management***	S&P Credit Rating	Moody's Credit Rating
American General Life	Yes	Yes	SBIC	Galliard	A+	A2
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, 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
RGA Reinsurance Company	Yes	Yes	SBIC	Galliard	AA-	A1
Royal Bank of Canada	Yes	Yes	SBIC	Galliard	AA-	Aa3
TIAA-CREF	Yes	Yes	SAGIC	TIAA-CREF	AA+	Aaa
State Street Bank and Trust Co.	No	No	SBIC	Galliard, PIMCO	AA-	Aa2
Pacific Life Ins. Co.	No	No	SBIC	Galliard, PIMCO	A+	A1
United of Omaha	No	No	SBIC	Galliard	A+	A1
Bank of America, N.A. - <i>exiting</i>	No	No	SBIC	Galliard	A	A3
Natixis Financial Products, Inc. - <i>exiting</i>	No	No	SBIC	Galliard, PIMCO	A	A2

*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 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
-

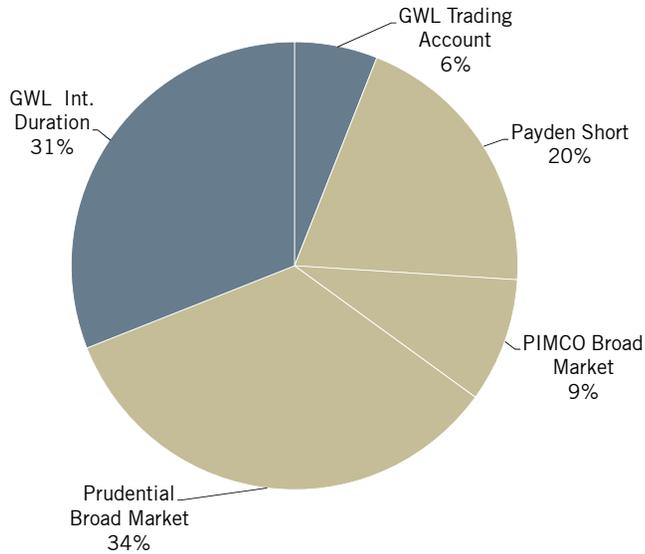
2013

- 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
- Reducing Great West Life to 20% target (date to be determined)

State of North Carolina 401(k) Plan

Transition Update

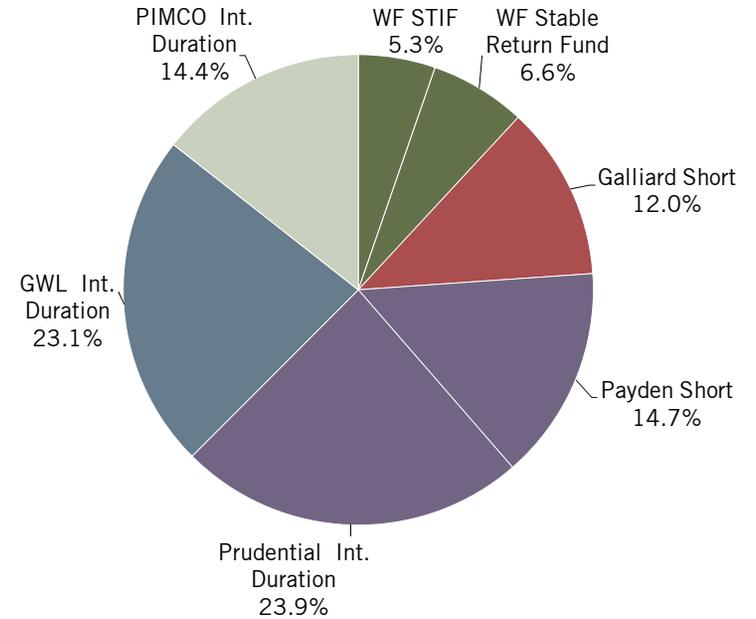
Initial Portfolio Allocation



= Prudential Wrap
 = Great West Life Wrap

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

Portfolio Allocation 401(k) 9/30/12



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

Duration	3.24 years
Avg. Quality	AA-
# of Managers	5
# of Wrappers	4

State of North Carolina Stable Value Funds

Proposed Reallocation

September 30, 2013 Allocation

Buffer

STIF - Wells Fargo Govt 5.3%

Reduce to 3%

Wells Fargo Stable Return Fund 6.6%

Short Duration

Prudential - Payden & Rygel 14.7%

New AGL Wrap

United of Omaha - Galliard 12.0%

Int. Duration

Prudential - Prudential 23.9%

Reduce to 15%

Great West - Great West 23.1%

Reduce to 20%

MetLife - PIMCO 14.4%

Reduce to 13%

New Manager

September 30, 2013 Allocation Statistics

of Wrap Issuers: 4

of Managers: 5

Maximum Wrap Exposure: 38.6%

Maximum Manager Exposure: 23.9%

Weighted Avg. Wrap Fee: 16 bp

Weighted Avg. SubAdvisory Fee: 9 bp

Proposed Reallocation

Buffer

STIF - Wells Fargo Govt 3.0%

Wells Fargo Stable Return Fund 7.0%

Short Duration

American General - Payden & Rygel 15.0%

United of Omaha - Galliard 12.0%

Int. Duration

Prudential - Prudential 15.0%

Great West - Great West 20.0%

MetLife - PIMCO 13.0%

Prudential - Jennison 15.0%

Proposed Reallocation Statistics

of Wrap Issuers: 5

of Managers: 6

Maximum Wrap Exposure: 30%

Maximum Manager Exposure: 20%

Weighted Avg. Wrap Fee: 18 bp

Weighted Avg. SubAdvisory Fee: 8 bp

State of North Carolina Stable Value Funds

Fee Summary

401(k) 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	0.09%

Galliard Oversight & Management	0.09%
Wrap & Sub Advisory	0.25%
Admin Fee	0.12%
Total Fees	0.46%

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	0.09%

Galliard Oversight & Management	0.09%
Wrap & Sub Advisory	0.25%
Admin Fee	0.12%
Total Fees	0.46%

*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

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

Book Value Performance	<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)	0.15	0.50	1.67	2.38	2.88	---	---	2.83
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.27	0.81	1.10	1.11	---	---	1.11
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.19	1.61	1.62	1.68	3.23	1.61
3 Year Constant Maturity Treasury Yield	0.06	0.18	0.38	0.47	0.57	0.88	2.25	0.56
Market Value Benchmark								
Blended Benchmark***	0.69	0.58	-0.38	-0.23	1.88	3.74	3.66	1.95

Calendar Year Performance

Book Value Performance	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Portfolio (net of all fees)	2.75	3.27	3.90	---	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.12	1.11	1.13	---	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.62	1.61	1.64	1.72	3.60
3 Year Constant Maturity Treasury Yield	0.38	0.75	1.10	1.43	2.19
Market Value Benchmark					
Blended Benchmark***	2.52	4.05	4.53	5.03	4.63
Market Indices					
Merrill Lynch 3 Month T-Bill	0.11	0.10	0.13	0.21	2.06
Consumer Price Index	2.26	2.96	1.50	2.72	0.09

*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 2013

Portfolio Characteristics

Total Assets	\$1,844,378,548	Blended Yield (After fees)*	2.02%
Average Holdings Quality**	AA+	Effective Duration	3.24 years
Number of Contract Issuers	4	Market/Book Value Ratio	101.85%

*Blended yield is after investment management fees, net of 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>09/30/2013</u>	<u>% of Portfolio</u> <u>06/30/2013</u>
Money Market*	98,588,430	5.3	7.3
Stable Value Funds	121,971,606	6.6	6.5
Insurance Separate Accounts	690,092,592	37.4	36.6
Intermediate Portfolio	690,092,592	37.4	36.6
Security Backed Contracts	933,725,921	50.6	49.6
Short Portfolio	492,579,323	26.7	26.2
Intermediate Portfolio	441,146,598	23.9	23.4
Total	\$1,844,378,548	100.0%**	100.0%**

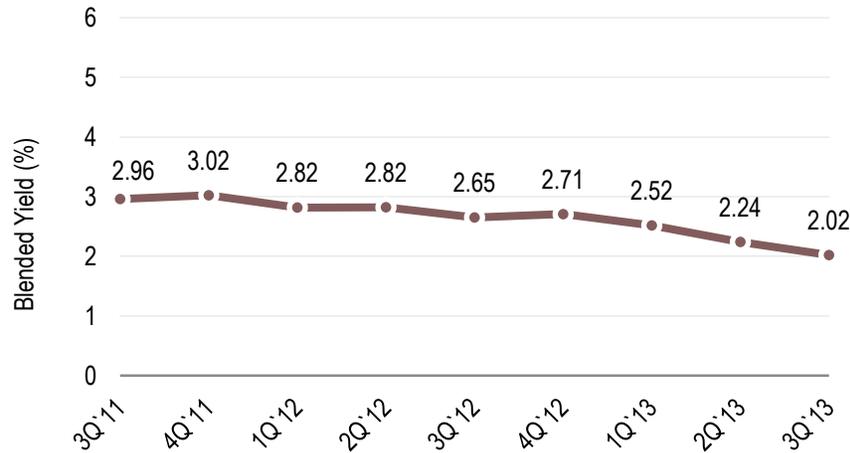
*Includes Receivables and Payables

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

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

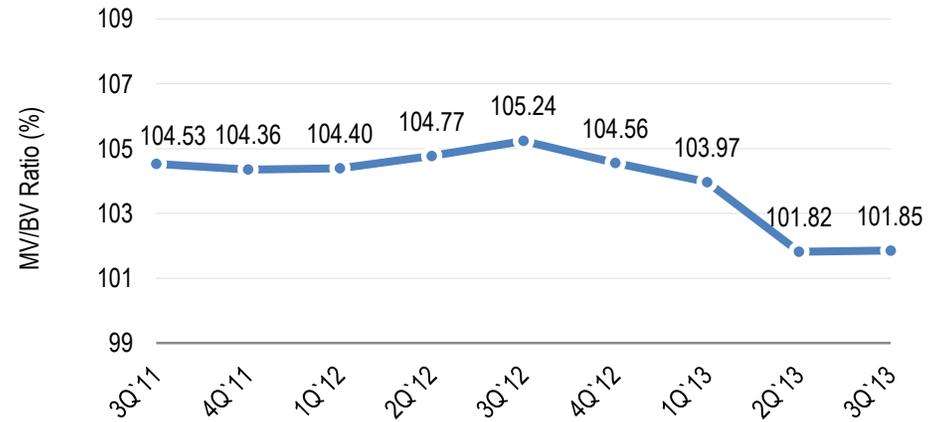
Third Quarter 2013

Historical Book Value Crediting Rate*

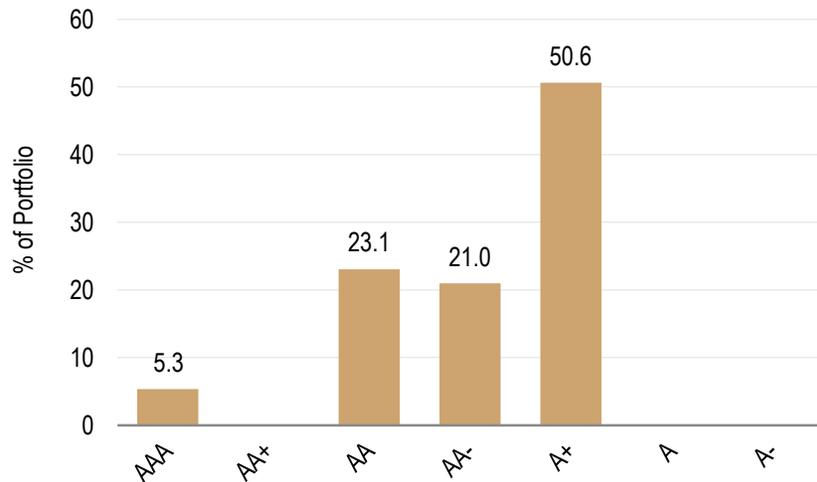


*As of quarter end. Blended yield is after investment management fees, net of wrap fees and administration fees.

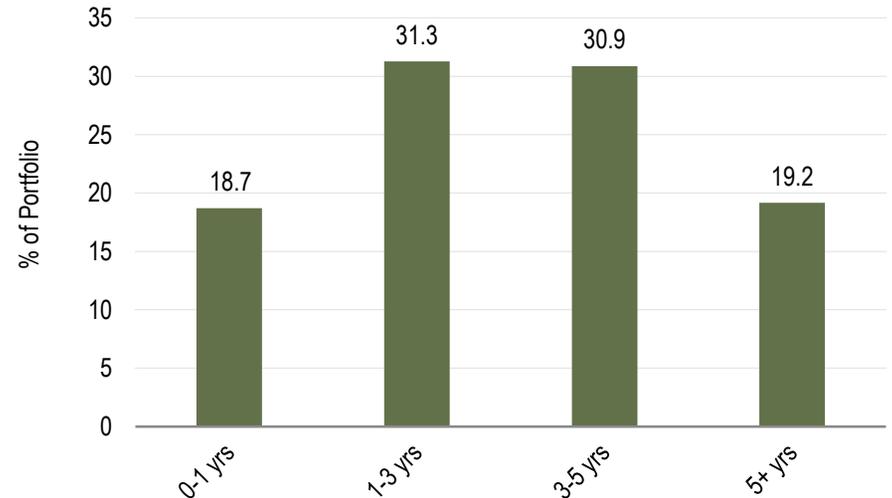
Market Value to Book Value Ratio*



Contract Quality Distribution*



Underlying Duration Distribution**



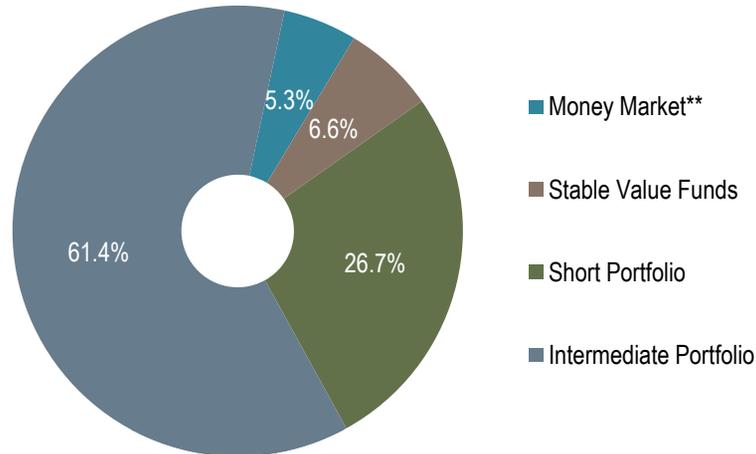
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

**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 2013

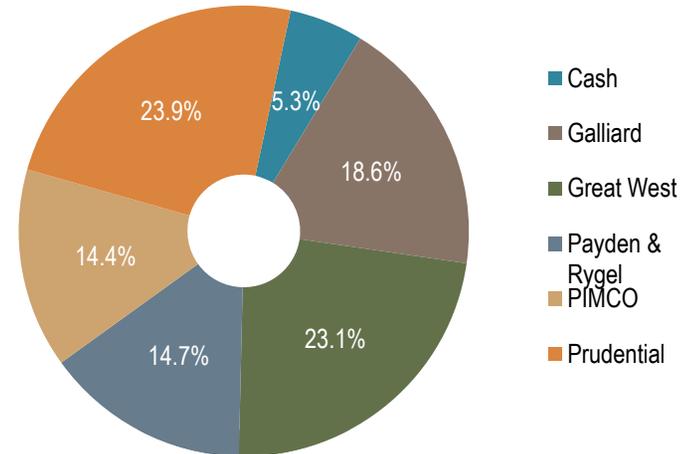
Portfolio Distribution*



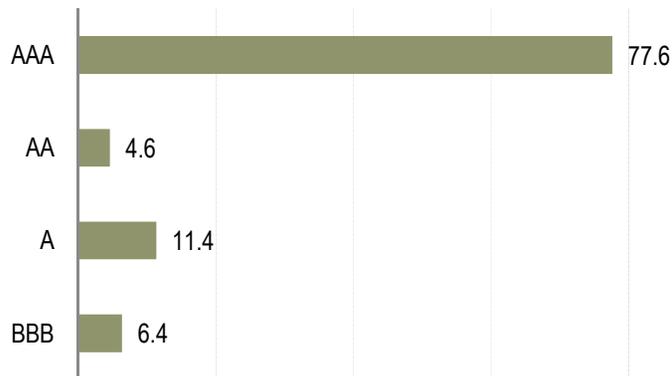
*Book value

**Includes Receivables and Payables

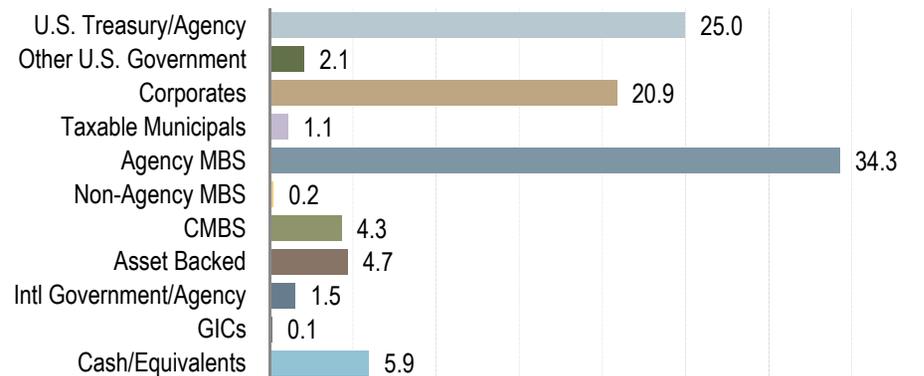
Manager Distribution*



Underlying Fixed Income Credit Quality*



Underlying Fixed Income Asset Allocation**



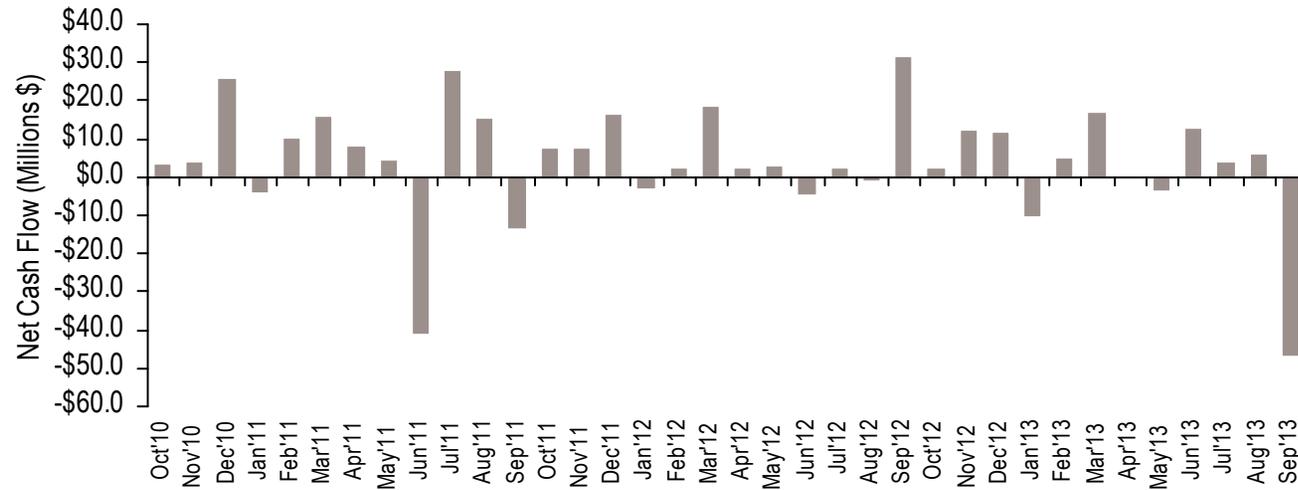
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers 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 2013

Historical Cashflows



	YTD	2012	2011	2010	2009***
Beginning Assets	\$1,829.1	\$1,702.4	\$1,594.4	\$1,446.1	\$1,384.6
Net Cash Flow (\$)*	-\$15.5	\$79.1	\$55.5	\$90.1	\$32.7
Net Cash Flow (%)	-0.85%	4.65%	3.48%	6.23%	2.36%
Estimated Investment Earnings	\$30.8	\$47.6	\$52.5	\$58.1	\$28.9
Ending Assets**	\$1,844.4	\$1,829.1	\$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

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	0.53%	0.83%	1.73%		2.71%	7/1/2009
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.40%</u>	<u>0.62%</u>	<u>1.08%</u>		<u>1.86%</u>	
	0.13%	0.21%	0.65%		0.85%	
Galliard	0.47%	0.01%	1.72%		2.46%	1/1/2010
Barclays Capital 1-3 Yr. Government *	0.29%	0.37%	0.75%		1.28%	
Barclays Capital 1-3 Yr. Gov't/Credit	<u>0.40%</u>	<u>0.62%</u>	<u>1.08%</u>		<u>3.90%</u>	
	0.18%	-0.36%	0.97%		1.18%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Prudential Investment Management	0.82%	-0.77%	2.72%		2.92%	8/1/2010
Barclays Capital Intermediate Aggregate	<u>0.76%</u>	<u>-0.71%</u>	<u>2.58%</u>		<u>2.77%</u>	
	0.06%	-0.06%	0.14%		0.15%	
PIMCO	0.51%	-1.96%			3.31%	2/1/2011
Barclays Capital Intermediate Aggregate	<u>0.76%</u>	<u>-0.71%</u>			<u>3.08%</u>	
	-0.25%	-1.25%			0.23%	
Great West Life	0.80%	-0.88%			2.06%	10/1/2011
Barclays Capital Intermediate Aggregate (Ex BBB)	<u>0.73%</u>	<u>-0.81%</u>			<u>1.48%</u>	
	0.07%	-0.07%			0.58%	

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

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	6/30/2013	\$ 270,329,526	\$ 273,106,238	101.0%	0.92%	1.74	1.61%	
		9/30/2013	<u>\$ 271,440,198</u>	<u>\$ 274,544,455</u>	<u>101.1%</u>	<u>0.85%</u>	<u>1.59</u>	<u>1.43%</u>	
			\$ 1,110,672	\$ 1,438,217	0.1%	-0.07%	(0.15)	-0.18%	
	Galliard	6/30/2013	\$ 220,135,396	\$ 221,786,507	100.8%	1.33%	2.11	1.83%	
		9/30/2013	<u>\$ 221,139,125</u>	<u>\$ 222,825,103</u>	<u>100.8%</u>	<u>1.27%</u>	<u>2.03</u>	<u>1.44%</u>	
			\$ 1,003,729	\$ 1,038,596	0.0%	-0.06%	(0.08)	-0.39%	
Intermediate Duration	Prudential	6/30/2013	\$ 437,990,023	\$ 453,498,747	103.5%	1.93%	4.06	3.01%	
		9/30/2013	<u>\$ 441,146,598</u>	<u>\$ 457,069,175</u>	<u>103.6%</u>	<u>1.85%</u>	<u>4.02</u>	<u>2.74%</u>	
			\$ 3,156,575	\$ 3,570,428	0.1%	-0.08%	(0.04)	-0.27%	
	PIMCO	6/30/2013	\$ 263,167,576	\$ 268,856,059	102.2%	1.95%	4.29	2.98%	
		9/30/2013	<u>\$ 264,849,672</u>	<u>\$ 269,944,401</u>	<u>101.9%</u>	<u>2.43%</u>	<u>4.54</u>	<u>2.56%</u>	
			\$ 1,682,096	\$ 1,088,342	-0.3%	0.48%	0.25	-0.42%	
	Great West Life	6/30/2013	\$ 421,952,275	\$ 430,425,073	102.0%	2.74%	4.47	3.38%	
		9/30/2013	<u>\$ 425,242,920</u>	<u>\$ 433,631,427</u>	<u>102.0%</u>	<u>2.55%</u>	<u>4.33</u>	<u>3.13%</u>	
			\$ 3,290,645	\$ 3,206,354	0.0%	-0.19%	(0.14)	-0.25%	
	Total Fund		6/30/2013	\$ 1,871,800,865	\$ 1,905,898,694	101.8%	1.76%	3.21	2.26%
			9/30/2013	<u>\$ 1,844,378,548</u>	<u>\$ 1,878,574,597</u>	<u>101.9%</u>	<u>1.77%</u>	<u>3.24</u>	<u>2.24%</u>
				\$ (27,422,317)	\$ (27,324,097)	0.1%	0.01%	0.03	-0.02%

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

Third Quarter 2013

Issuer Rating Summary

	<u>S & P Rating</u>		<u>Moody's Rating</u>	
	<u>9/30/2013</u>	<u>6/30/2013</u>	<u>9/30/2013</u>	<u>6/30/2013</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A1	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

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 2012 results

Metropolitan Life Ins. Co.

- Largest U.S. life insurer by invested assets
- Capital levels at this subsidiary remain below average
- Exited Fed oversight by shedding banking operations, though likely to be declared a non-bank SIFI

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

United of Omaha Life Ins. Co.

- Stable life product lines focusing on individual/group life & annuities
- Medicare Part N business continues to generate shrinking losses, which have been offset by a capital infusion, and reinsurance transactions
- Above average exposure to commercial and residential mortgage sectors

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, 2013

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)
Money Market												
FUNDAVAIL	Cash Receivable / (Payable)		-1,028,483	-1,028,483	100.0	-0.1	0.01		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		99,616,913	99,616,913	100.0	5.4	0.01		0.10	AAA	Aaa	
Total Money Market			98,588,430	98,588,430	100.0	5.3	0.01		0.10	AAA	Aaa	
Stable Value Funds												
949907109	Wells Fargo Stable Return Fund G		121,971,606	121,971,606	100.0	6.6	1.62		2.23	AA	Aa3	
Total Stable Value Funds			121,971,606	121,971,606	100.0	6.6	1.62		2.23	AA	Aa3	
Insurance Separate Accounts												
Intermediate Portfolio												
391997NH2	GreatWest Life Insurance Co.	Great West	425,242,920	433,631,427	102.0	23.1	3.13	N.S.M.	4.33	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	PIMCO	264,849,672	269,944,401	101.9	14.4	2.56	N.S.M.	4.54	AA-	Aa3	20.0
Total Intermediate Portfolio			690,092,592	703,575,828	102.0	37.4	2.91		4.41	AA	Aa3	
Total Insurance Separate Accounts			690,092,592	703,575,828	102.0	37.4	2.91		4.41	AA	Aa3	
Security Backed Contracts												
Short Portfolio												
744999CK7	Prudential Ins. Co. of America	Payden & Rygel	271,440,198	274,544,455	101.1	14.7	1.43	N.S.M.	1.59	AA-	A1	21.0
907999UZ7	United of Omaha Life Ins. Co.	Galliard	221,139,125	222,825,103	100.8	12.0	1.44	N.S.M.	2.03	A+	A1	25.0
Total Short Portfolio			492,579,323	497,369,558	101.0	26.7	1.43		1.79	AA-	A1	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Prudential	441,146,598	457,069,175	103.6	23.9	2.74	N.S.M.	4.02	AA-	A1	15.0
Total Intermediate Portfolio			441,146,598	457,069,175	103.6	23.9	2.74		4.02	AA-	A1	
Total Security Backed Contracts			933,725,921	954,438,733	102.2	50.6	2.05		2.84	AA-	A1	
Total Fund			1,844,378,548	1,878,574,597	101.9	100.0	2.24		3.24	AA-	Aa3	

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

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.53	0.53	0.83	1.73	--	2.71
Benchmark***	0.40	0.47	0.62	1.08	2.52	1.86

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

**Performance Inception: July 01, 2009

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

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA-	AA+	Total Assets	\$274.5 million
Weighted Average Maturity	2.40 years	1.88 years	Number of Issues	202
Yield to Maturity	0.85%	0.51%	Weighted Coupon	1.36%
Effective Duration	1.59 years	1.83 years	Estimated Annual Income	\$28.4 million

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

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
U.S. Government/Agency Debentures	36.6%	31.3%	74.6%
Other U.S. Government	3.0%	2.9%	0.0%
Taxable Municipal	2.2%	2.6%	0.9%
Corporates	39.7%	41.0%	18.6%
Asset Backed Securities (ABS)	6.2%	9.6%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	5.8%	5.2%	0.0%
Sovereign / Supranationals	6.4%	6.9%	5.9%
Cash / Equivalents	0.2%	0.5%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
AAA	57.9%	56.1%	76.4%
AA	5.6%	7.8%	6.9%
A	18.1%	17.9%	9.9%
BBB	18.4%	18.2%	6.8%
< 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

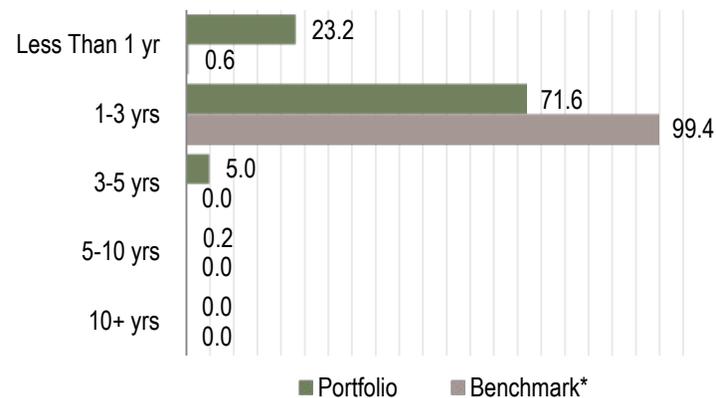
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

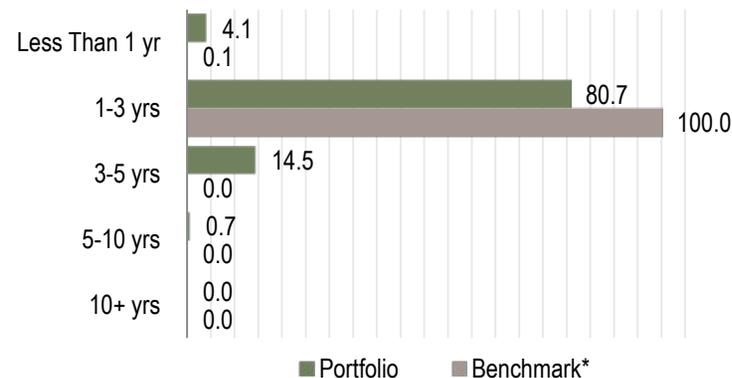
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	18.3%	23.2%	0.6%
1-3 yrs	73.3%	71.6%	99.4%
3-5 yrs	8.2%	5.0%	0.0%
5-10 yrs	0.2%	0.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	6.9%	4.1%	0.1%
1-3 yrs	74.4%	80.7%	100.0%
3-5 yrs	18.1%	14.5%	0.0%
5-10 yrs	0.7%	0.7%	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

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<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	0.46	0.47	-0.22	0.01	1.72	---	2.46
Barclay's 1-3 Year Govt/Credit	0.27	0.40	0.47	0.62	1.08	2.52	1.63

*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 - B

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>1 Mo</i>	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.46	0.47	-0.22	0.01	1.72	--	2.46
Benchmark***	0.23	0.29	0.30	0.37	0.75	1.84	1.27

*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

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AAA	Total Assets	\$2,528.2 million
Weighted Average Maturity	2.56 years	1.86 years	Number of Issues	570
Yield to Maturity	1.27%	0.33%	Weighted Coupon	2.27%
Effective Duration	2.03 years	1.81 years	Estimated Annual Income	\$55.6 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

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	13.8%	14.3%	100.0%
Other U.S. Government	7.1%	6.8%	0.0%
Taxable Municipal	2.9%	2.8%	0.0%
Corporates	12.6%	14.8%	0.0%
Asset Backed Securities (ABS)	15.3%	15.2%	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.6%	8.8%	0.0%
Mortgage Backed Securities (MBS)	34.0%	31.4%	0.0%
Sovereign / Supranationals	0.8%	0.8%	0.0%
Cash / Equivalents	6.9%	5.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>09/30/2013</i>
Royal Bank of Canada	0.6%
HSBC Holdings PLC	0.5%
General Electric Co	0.5%
Total SA	0.5%
JPMorgan Chase & Co	0.4%
Total	2.5%**

Total entity exposure – includes all related entities

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	86.6%	84.5%	96.6%
AA	5.9%	6.7%	3.4%
A	7.5%	8.8%	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

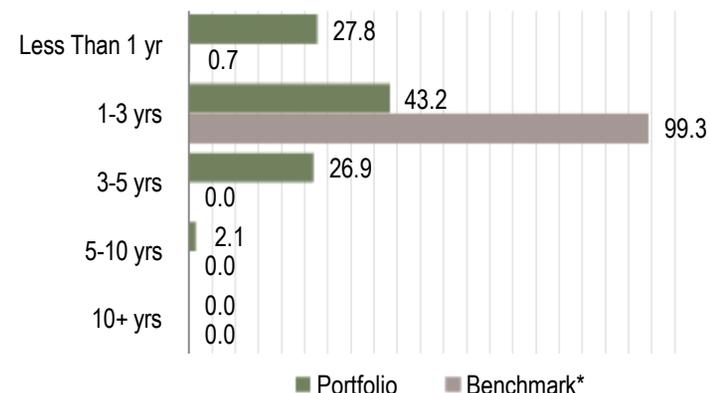
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

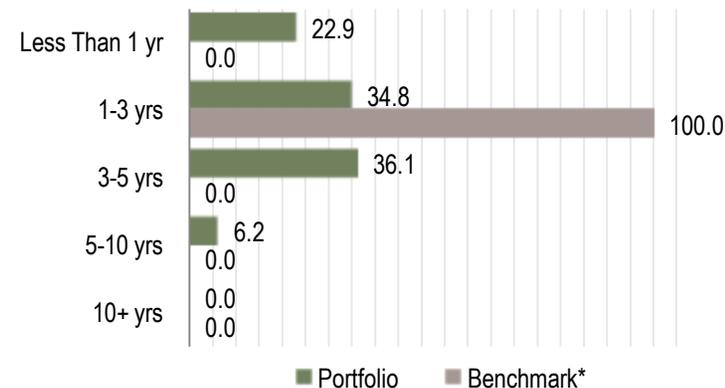
Duration Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
0-1 yrs	29.4%	27.8%	0.7%
1-3 yrs	39.8%	43.2%	99.3%
3-5 yrs	28.8%	26.9%	0.0%
5-10 yrs	2.1%	2.1%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
0-1 yrs	24.6%	22.9%	0.0%
1-3 yrs	31.3%	34.8%	100.0%
3-5 yrs	39.1%	36.1%	0.0%
5-10 yrs	5.0%	6.2%	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)

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.82	-0.92	-0.77	2.72	--	2.92
Benchmark***	0.76	-0.88	-0.71	2.58	4.95	2.77

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

**Performance Inception: August 01, 2010

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AA+	Total Assets	\$2,235.4 million
Weighted Average Maturity	4.43 years	5.13 years	Number of Issues	1090
Yield to Maturity	1.85%	2.01%	Weighted Coupon	3.17%
Effective Duration	4.02 years	4.26 years	Estimated Annual Income	\$63.7 million

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)

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
U.S. Government/Agency Debentures	41.5%	39.7%	41.4%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.3%	0.3%	0.6%
Corporates	21.9%	21.8%	17.9%
Asset Backed Securities (ABS)	0.3%	0.3%	0.5%
Commercial Mortgage Backed Securities (CMBS)	3.8%	4.1%	2.0%
Mortgage Backed Securities (MBS)	31.6%	32.7%	33.5%
Sovereign / Supranationals	0.6%	0.6%	4.1%
Cash / Equivalents	0.1%	0.5%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
AAA	76.4%	76.4%	77.7%
AA	3.2%	3.3%	4.7%
A	11.8%	11.6%	9.2%
BBB	8.5%	8.8%	8.5%
< 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

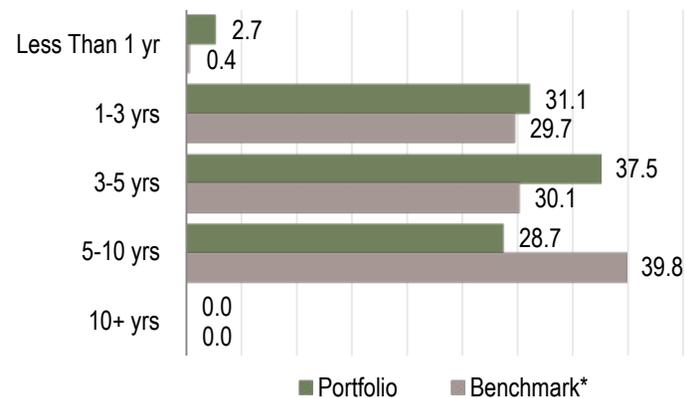
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

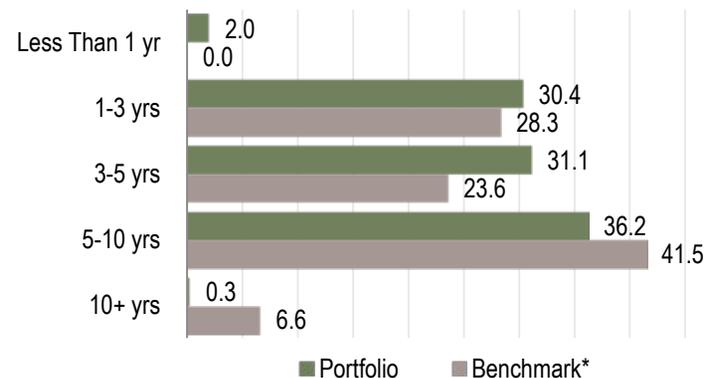
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	1.6%	2.7%	0.4%
1-3 yrs	33.4%	31.1%	29.7%
3-5 yrs	32.8%	37.5%	30.1%
5-10 yrs	32.2%	28.7%	39.8%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	1.5%	2.0%	0.0%
1-3 yrs	29.5%	30.4%	28.3%
3-5 yrs	30.2%	31.1%	23.6%
5-10 yrs	38.7%	36.2%	41.5%
10+ yrs	0.1%	0.3%	6.6%
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)

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.51	-2.24	-1.96	--	--	3.31
Benchmark***	0.76	-0.88	-0.71	2.58	4.95	3.08

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

**Performance Inception: February 01, 2011

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA	AA+	Total Assets	\$1,183.0 million
Weighted Average Maturity	4.17 years	5.13 years	Number of Issues	300
Yield to Maturity	2.43%	2.01%	Weighted Coupon	2.53%
Effective Duration	4.54 years	4.26 years	Estimated Annual Income	\$28.5 million

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)

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	52.4%	0.0%	41.4%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	1.2%	0.0%	0.6%
Corporates	13.9%	0.0%	17.9%
Asset Backed Securities (ABS)	0.0%	0.0%	0.5%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	2.0%
Mortgage Backed Securities (MBS)	42.1%	0.0%	33.5%
Sovereign / Supranationals	1.9%	0.0%	4.1%
Cash / Equivalents	-11.5%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	83.0%	80.5%	77.7%
AA	2.5%	3.0%	4.7%
A	12.3%	11.2%	9.2%
BBB	2.3%	5.2%	8.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	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

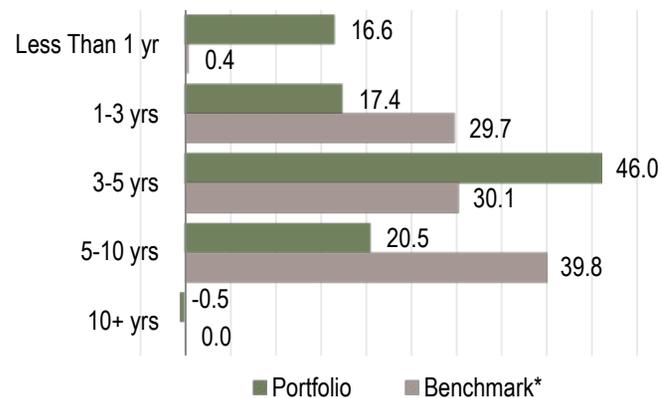
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

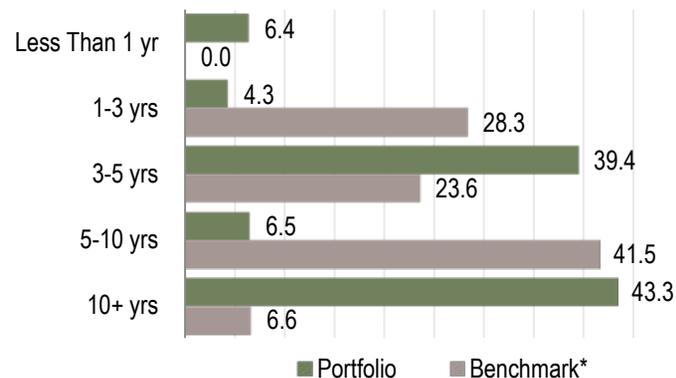
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	28.6%	16.6%	0.4%
1-3 yrs	29.9%	17.4%	29.7%
3-5 yrs	-17.9%	46.0%	30.1%
5-10 yrs	58.7%	20.5%	39.8%
10+ yrs	0.8%	-0.5%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	-11.8%	6.4%	0.0%
1-3 yrs	5.2%	4.3%	28.3%
3-5 yrs	3.7%	39.4%	23.6%
5-10 yrs	43.9%	6.5%	41.5%
10+ yrs	59.1%	43.3%	6.6%
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 - North Carolina 401k - Great West ISA

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.80	-0.96	-0.88	--	--	2.06
Benchmark***	0.73	-0.88	-0.81	2.39	4.65	1.48

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

**Performance Inception: October 01, 2011

***BarCap Interm Agg Ex Baa

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AAA	Total Assets	\$433.6 million
Weighted Average Maturity	5.62 years	5.12 years	Number of Issues	523
Yield to Maturity	2.55%	1.91%	Weighted Coupon	3.89%
Effective Duration	4.33 years	4.23 years	Estimated Annual Income	\$12.3 million
			Net of Amortization/Accretion	

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

*BarCap Interm 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

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	3.3%	2.6%	45.2%
Other U.S. Government	0.5%	2.5%	0.0%
Taxable Municipal	0.0%	0.0%	0.6%
Corporates	17.6%	18.4%	11.6%
Asset Backed Securities (ABS)	2.9%	4.1%	0.5%
Commercial Mortgage Backed Securities (CMBS)	4.6%	8.3%	1.9%
Mortgage Backed Securities (MBS)	69.7%	63.4%	36.6%
Sovereign / Supranationals	0.0%	0.0%	3.4%
Cash / Equivalents	1.5%	0.8%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	81.9%	81.4%	84.9%
AA	4.1%	4.9%	5.1%
A	11.9%	11.5%	10.0%
BBB	2.2%	2.3%	0.0%
< 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.

*BarCap Intern Agg Ex Baa

**Column percentage may not add exactly due to rounding

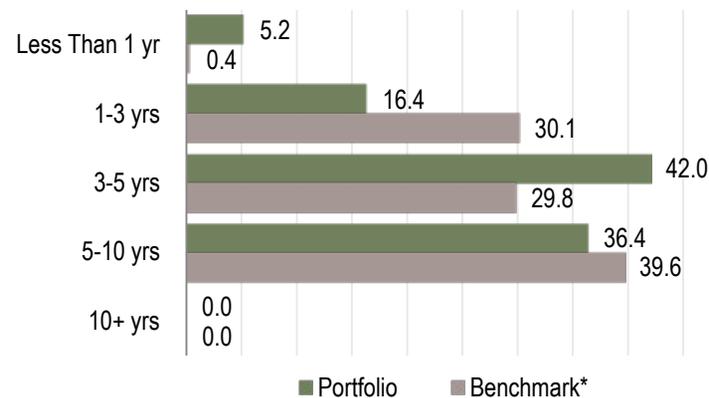
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

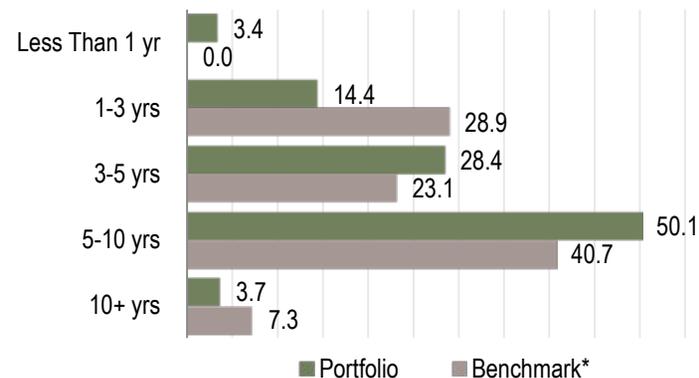
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	5.3%	5.2%	0.4%
1-3 yrs	14.1%	16.4%	30.1%
3-5 yrs	44.3%	42.0%	29.8%
5-10 yrs	36.3%	36.4%	39.6%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	5.0%	3.4%	0.0%
1-3 yrs	10.7%	14.4%	28.9%
3-5 yrs	21.7%	28.4%	23.1%
5-10 yrs	58.7%	50.1%	40.7%
10+ yrs	3.9%	3.7%	7.3%
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

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Stable Value Portfolio Review – North Carolina 457 Stable Value Fund

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

Book Value Performance	<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)	0.15	0.50	1.69	2.39	2.91	---	---	2.86
Merrill Lynch 3 Month T-Bill + 100 bps	0.09	0.27	0.81	1.10	1.11	---	---	1.11
Merrill Lynch 3 Month T-Bill + 150 bps	0.13	0.39	1.19	1.61	1.62	1.68	3.23	1.61
3 Year Constant Maturity Treasury Yield	0.06	0.18	0.38	0.47	0.57	0.88	2.25	0.56
Market Value Benchmark								
Blended Benchmark***	0.69	0.58	-0.38	-0.23	1.88	3.74	3.66	1.95

Calendar Year Performance

Book Value Performance	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Portfolio (net of all fees)	2.77	3.30	3.87	---	---
Merrill Lynch 3 Month T-Bill + 100 bps	1.12	1.11	1.13	---	---
Merrill Lynch 3 Month T-Bill + 150 bps	1.62	1.61	1.64	1.72	3.60
3 Year Constant Maturity Treasury Yield	0.38	0.75	1.10	1.43	2.19
Market Value Benchmark					
Blended Benchmark***	2.52	4.05	4.53	5.03	4.63
Market Indices					
Merrill Lynch 3 Month T-Bill	0.11	0.10	0.13	0.21	2.06
Consumer Price Index	2.26	2.96	1.50	2.72	0.09

*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 2013

Portfolio Characteristics

Total Assets	\$388,956,364	Blended Yield (After fees)*	2.03%
Average Holdings Quality**	AA+	Effective Duration	3.28 years
Number of Contract Issuers	4	Market/Book Value Ratio	101.76%

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

**The Average Holding Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Average Holding Quality shown represents an average quality of the underlying individuals 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>09/30/2013</u>	<u>% of Portfolio</u> <u>06/30/2013</u>
Money Market*	13,493,739	3.5	4.3
Stable Value Funds	25,276,597	6.5	6.5
Insurance Separate Accounts	148,113,786	38.1	37.7
Intermediate Portfolio	148,113,786	38.1	37.7
Security Backed Contracts	202,072,242	52.0	51.5
Short Portfolio	105,906,645	27.2	27.0
Intermediate Portfolio	96,165,597	24.7	24.5
Total	\$388,956,364	100.0%**	100.0%**

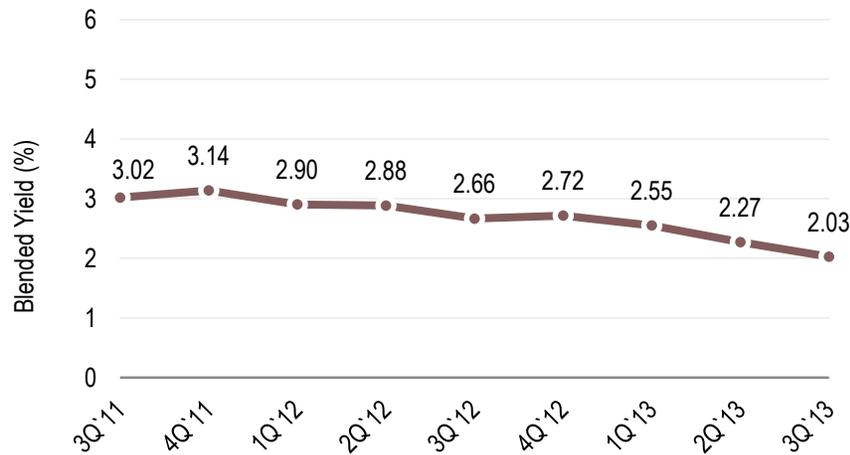
*Includes Receivables and Payables

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

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

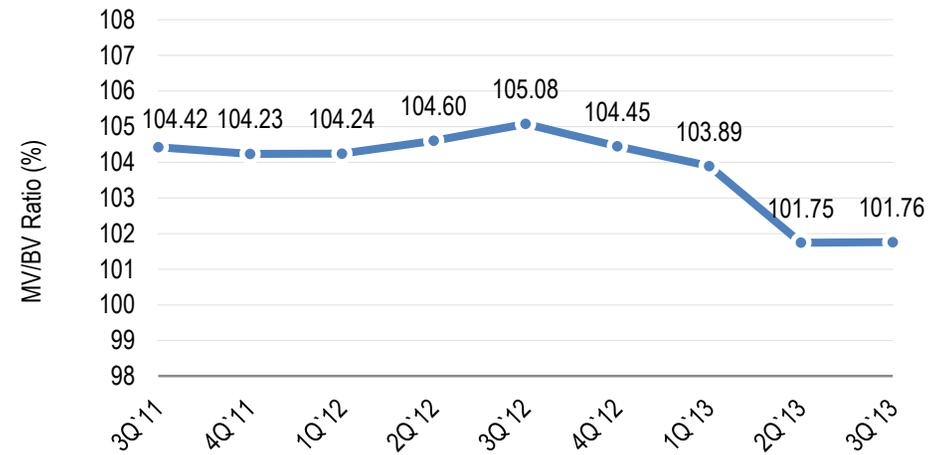
Third Quarter 2013

Historical Book Value Crediting Rate*

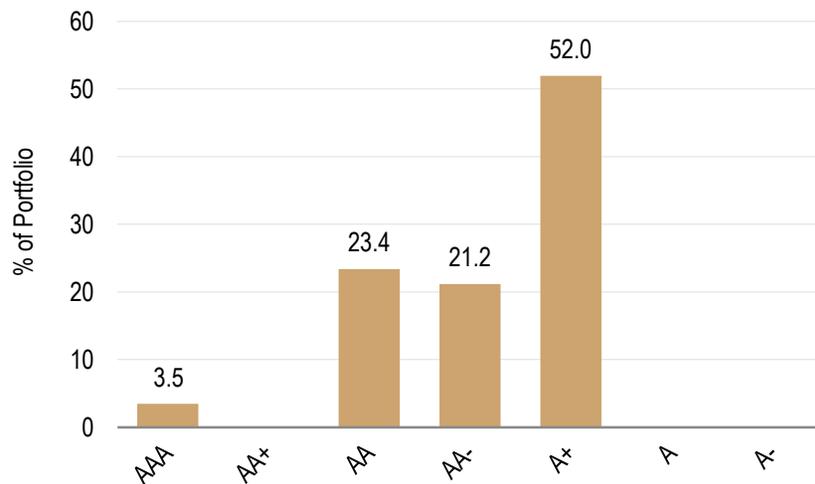


*As of quarter end. *Blended yield is after investment management fees, net of wrap fees and administration fees.

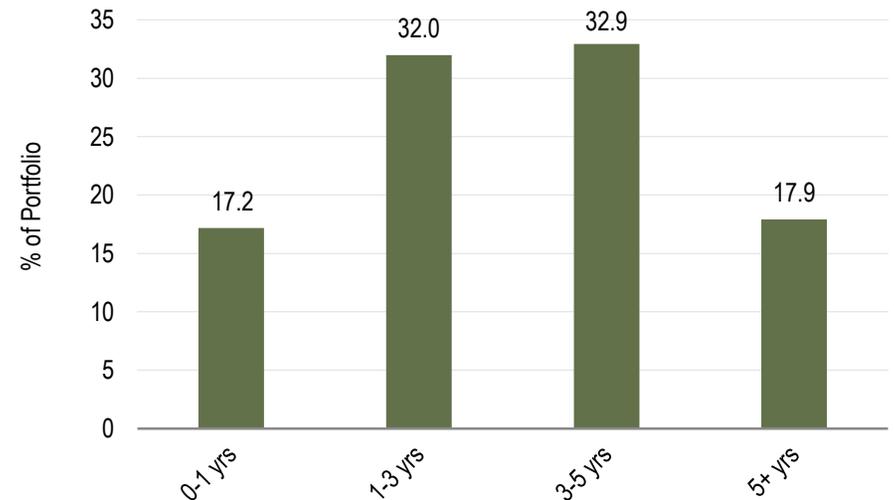
Market Value to Book Value Ratio*



Contract Quality Distribution*



Underlying Duration Distribution**



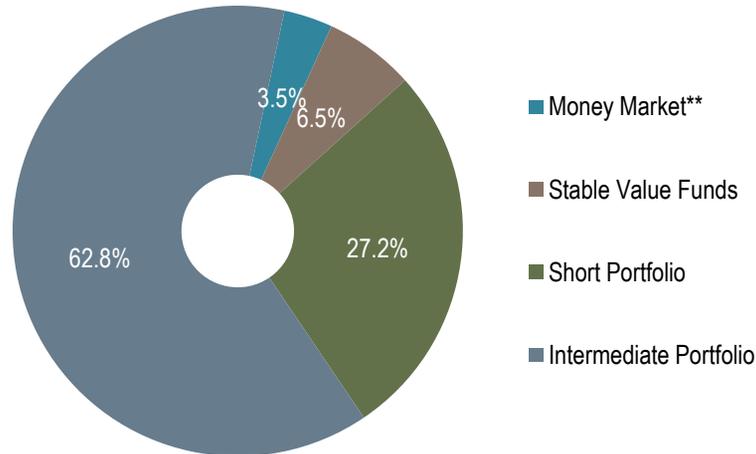
*Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

**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 2013

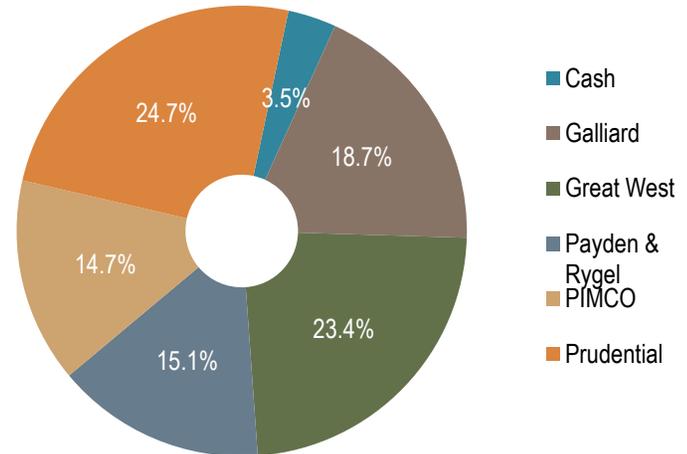
Portfolio Distribution*



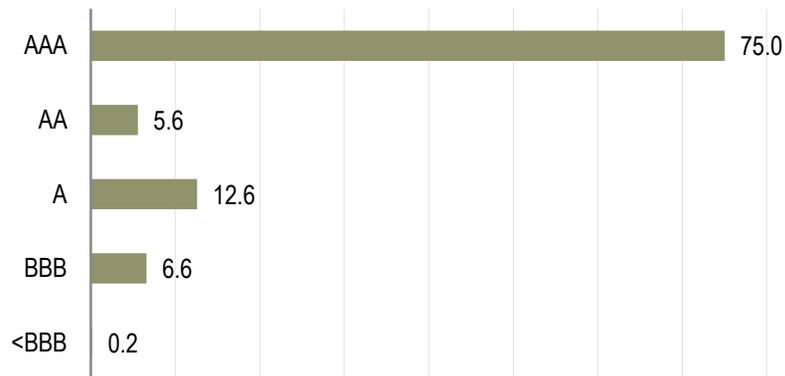
*Book value

**Includes Receivables and Payables

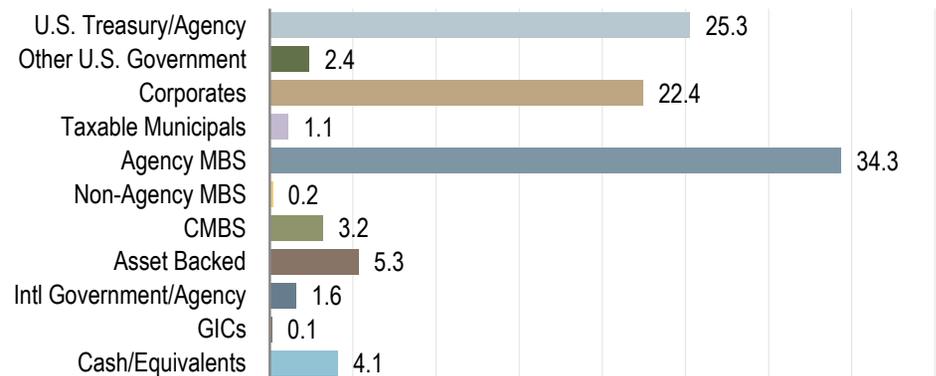
Manager Distribution*



Underlying Fixed Income Credit Quality*



Underlying Fixed Income Asset Allocation**



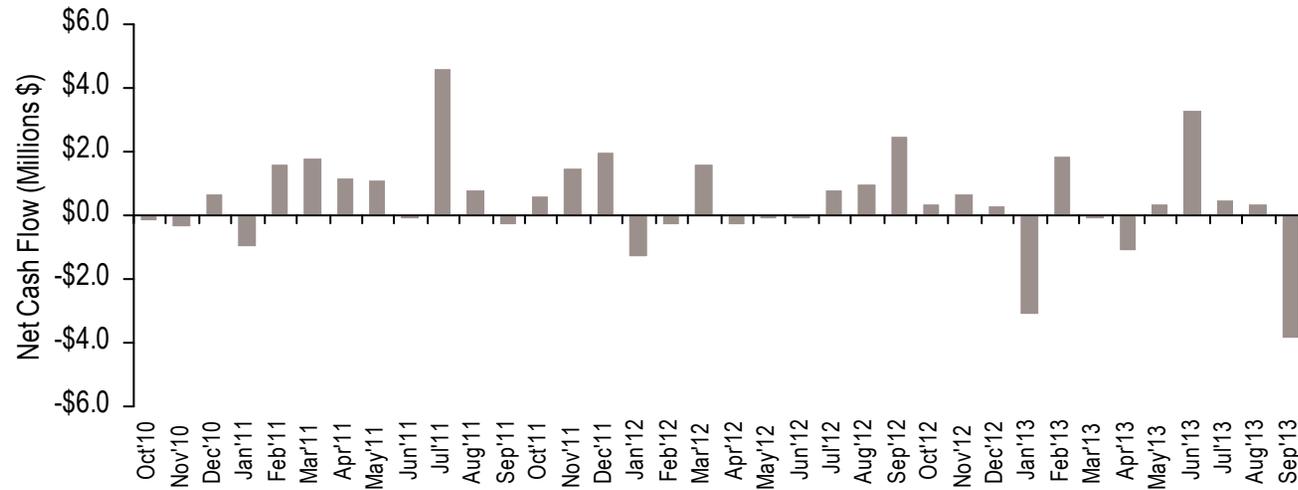
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers 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 2013

Historical Cashflows



	YTD	2012	2011	2010	2009***
Beginning Assets	\$384.1	\$368.8	\$343.5	\$324.7	\$319.1
Net Cash Flow (\$)*	-\$1.7	\$5.1	\$13.8	\$6.0	-\$1.0
Net Cash Flow (%)	-0.44%	1.38%	4.02%	1.85%	-0.31%
Estimated Investment Earnings	\$6.5	\$10.3	\$11.4	\$12.8	\$6.6
Ending Assets**	\$389.0	\$384.1	\$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

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	0.53%	0.80%	1.71%		2.34%	8/1/2009
Barclays Capital 1-3 Yr. Govt/Credit	<u>0.40%</u>	<u>0.62%</u>	<u>1.08%</u>		<u>1.78%</u>	
	0.13%	0.18%	0.63%		0.56%	
Galliard	0.47%	0.01%	1.72%		2.46%	1/1/2010
Barclays Capital 1-3 Yr. Government *	0.29%	0.37%	0.75%		1.28%	
Barclays Capital 1-3 Yr. Gov't/Credit	<u>0.40%</u>	<u>0.62%</u>	<u>1.08%</u>		<u>3.90%</u>	
	0.18%	-0.36%	0.97%		1.18%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Prudential Investment Management	0.82%	-0.77%	2.72%		2.92%	8/1/2010
Barclays Capital Intermediate Aggregate	<u>0.76%</u>	<u>-0.71%</u>	<u>2.58%</u>		<u>2.77%</u>	
	0.06%	-0.06%			0.15%	
PIMCO	0.51%	-1.96%			3.31%	2/1/2011
Barclays Capital Intermediate Aggregate	<u>0.76%</u>	<u>-0.71%</u>			<u>3.08%</u>	
	-0.25%	-1.25%			0.23%	
Great West Life	0.76%	-0.65%			1.87%	10/1/2011
Barclays Capital Intermediate Aggregate (Ex BBB)	<u>0.73%</u>	<u>-0.81%</u>			<u>1.48%</u>	
	0.03%	0.16%			0.39%	

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

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	6/30/2013	\$ 58,308,481	\$ 58,905,461	101.0%	0.93%	1.80	1.64%
		9/30/2013	<u>\$ 58,546,594</u>	<u>\$ 59,219,671</u>	<u>101.1%</u>	<u>0.86%</u>	<u>1.61</u>	<u>1.42%</u>
			\$ 238,113	\$ 314,210	0.1%	-0.07%	(0.19)	-0.22%
	Galliard	6/30/2013	\$ 47,146,255	\$ 47,488,301	100.7%	1.33%	2.11	1.82%
		9/30/2013	<u>\$ 47,360,051</u>	<u>\$ 47,710,683</u>	<u>100.7%</u>	<u>1.27%</u>	<u>2.03</u>	<u>1.43%</u>
			\$ 213,796	\$ 222,382	0.0%	-0.06%	(0.08)	-0.39%
Intermediate Duration	Prudential	6/30/2013	\$ 95,463,466	\$ 99,065,144	103.8%	1.93%	4.06	3.09%
		9/30/2013	<u>\$ 96,165,597</u>	<u>\$ 99,845,091</u>	<u>103.8%</u>	<u>1.85%</u>	<u>4.02</u>	<u>2.80%</u>
			\$ 702,131	\$ 779,947	0.0%	-0.08%	(0.04)	-0.29%
	PIMCO	6/30/2013	\$ 56,780,245	\$ 58,071,177	102.3%	1.95%	4.29	3.02%
		9/30/2013	<u>\$ 57,147,381</u>	<u>\$ 58,306,318</u>	<u>102.0%</u>	<u>2.43%</u>	<u>4.54</u>	<u>2.59%</u>
			\$ 367,136	\$ 235,141	-0.3%	0.48%	0.25	-0.43%
	Great West Life	6/30/2013	\$ 90,315,505	\$ 91,289,556	101.1%	2.71%	4.19	3.06%
		9/30/2013	<u>\$ 90,966,404</u>	<u>\$ 91,936,820</u>	<u>101.1%</u>	<u>2.53%</u>	<u>4.18</u>	<u>2.89%</u>
			\$ 650,899	\$ 647,264	0.0%	-0.18%	(0.01)	-0.17%
Total Fund		6/30/2013	\$ 390,005,949	\$ 396,811,637	101.7%	1.81%	3.26	2.29%
		9/30/2013	<u>\$ 388,956,364</u>	<u>\$ 395,788,918</u>	<u>101.8%</u>	<u>1.80%</u>	<u>3.28</u>	<u>2.24%</u>
			\$ (1,049,585)	\$ (1,022,719)	0.1%	-0.01%	0.02	-0.05%

Stable Value Portfolio Review - North Carolina 457 Stable Value Fund

Third Quarter 2013

Issuer Rating Summary

	<u>S & P Rating</u>		<u>Moody's Rating</u>	
	<u>9/30/2013</u>	<u>6/30/2013</u>	<u>9/30/2013</u>	<u>6/30/2013</u>
GreatWest Life Insurance Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Prudential Ins. Co. of America	AA-	AA-	A1	A2
United of Omaha Life Ins. Co.	A+	A+	A1	A1

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 2012 results

Metropolitan Life Ins. Co.

- Largest U.S. life insurer by invested assets
- Capital levels at this subsidiary remain below average
- Exited Fed oversight by shedding banking operations, though likely to be declared a non-bank SIFI

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

United of Omaha Life Ins. Co.

- Stable life product lines focusing on individual/group life & annuities
- Medicare Part N business continues to generate shrinking losses, which have been offset by a capital infusion, and reinsurance transactions
- Above average exposure to commercial and residential mortgage sectors

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, 2013

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)
Money Market												
FUNDAVAIL	Cash Receivable / (Payable)		-234,758	-234,758	100.0	-0.1	0.01		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		13,728,497	13,728,497	100.0	3.5	0.01		0.10	AAA	Aaa	
Total Money Market			13,493,739	13,493,739	100.0	3.5	0.01		0.10	AAA	Aaa	
Stable Value Funds												
949907109	Wells Fargo Stable Return Fund G		25,276,597	25,276,597	100.0	6.5	1.62		2.23	AA	Aa3	
Total Stable Value Funds			25,276,597	25,276,597	100.0	6.5	1.62		2.23	AA	Aa3	
Insurance Separate Accounts												
Intermediate Portfolio												
391997NC3	GreatWest Life Insurance Co.	Great West	90,966,404	91,936,820	101.1	23.4	2.89	N.S.M.	4.18	AA	Aa3	15.0
590994BY4	Metropolitan Life Ins. Co.	PIMCO	57,147,381	58,306,318	102.0	14.7	2.59	N.S.M.	4.54	AA-	Aa3	20.0
Total Intermediate Portfolio			148,113,786	150,243,138	101.4	38.1	2.77		4.32	AA	Aa3	
Total Insurance Separate Accounts			148,113,786	150,243,138	101.4	38.1	2.77		4.32	AA	Aa3	
Security Backed Contracts												
Short Portfolio												
744999CD3	Prudential Ins. Co. of America	Payden & Rygel	58,546,594	59,219,671	101.1	15.1	1.42	N.S.M.	1.61	AA-	A1	21.0
907999UT1	United of Omaha Life Ins. Co.	Galliard	47,360,051	47,710,683	100.7	12.2	1.43	N.S.M.	2.03	A+	A1	25.0
Total Short Portfolio			105,906,645	106,930,354	101.0	27.2	1.42		1.80	AA-	A1	
Intermediate Portfolio												
744999CF8	Prudential Ins. Co. of America	Prudential	96,165,597	99,845,091	103.8	24.7	2.80	N.S.M.	4.02	AA-	A1	15.0
Total Intermediate Portfolio			96,165,597	99,845,091	103.8	24.7	2.80		4.02	AA-	A1	
Total Security Backed Contracts			202,072,242	206,775,445	102.3	52.0	2.08		2.85	AA-	A1	
Total Fund			388,956,364	395,788,918	101.8	100.0	2.24		3.28	AA-	Aa3	

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

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.53	0.51	0.80	1.71	--	2.34
Benchmark***	0.40	0.47	0.62	1.08	2.52	1.78

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

**Performance Inception: August 01, 2009

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

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA	AA+	Total Assets	\$59.2 million
Weighted Average Maturity	2.44 years	1.88 years	Number of Issues	181
Yield to Maturity	0.86%	0.51%	Weighted Coupon	1.38%
Effective Duration	1.61 years	1.83 years	Estimated Annual Income	\$6.1 million

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

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	36.5%	31.3%	74.6%
Other U.S. Government	2.9%	2.8%	0.0%
Taxable Municipal	2.2%	2.6%	0.9%
Corporates	37.9%	39.6%	18.6%
Asset Backed Securities (ABS)	7.1%	10.5%	0.0%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	0.0%
Mortgage Backed Securities (MBS)	6.2%	5.5%	0.0%
Sovereign / Supranationals	6.6%	7.1%	5.9%
Cash / Equivalents	0.7%	0.7%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	59.3%	57.1%	76.4%
AA	5.4%	7.9%	6.9%
A	17.7%	17.5%	9.9%
BBB	17.6%	17.5%	6.8%
< 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

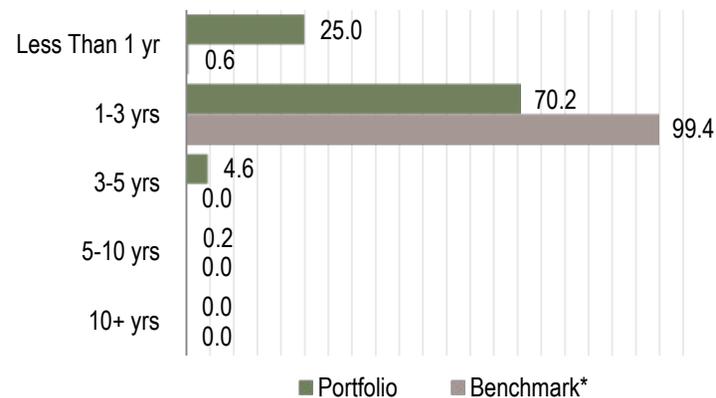
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

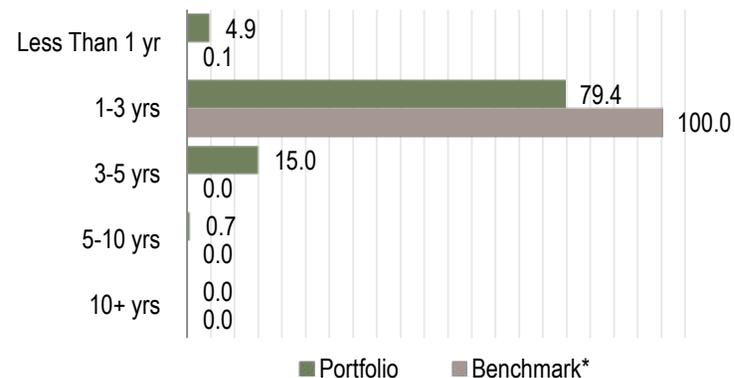
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	19.3%	25.0%	0.6%
1-3 yrs	72.6%	70.2%	99.4%
3-5 yrs	7.9%	4.6%	0.0%
5-10 yrs	0.2%	0.2%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	7.4%	4.9%	0.1%
1-3 yrs	73.7%	79.4%	100.0%
3-5 yrs	18.3%	15.0%	0.0%
5-10 yrs	0.7%	0.7%	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

Third Quarter 2013

Annualized Investment Performance*
 Periods Ending September 30, 2013

	<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	0.46	0.47	-0.22	0.01	1.72	---	2.46
Barclay's 1-3 Year Govt/Credit	0.27	0.40	0.47	0.62	1.08	2.52	1.63

*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 - B

September 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>1 Mo</i>	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.46	0.47	-0.22	0.01	1.72	--	2.46
Benchmark***	0.23	0.29	0.30	0.37	0.75	1.84	1.27

*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

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AAA	Total Assets	\$2,528.2 million
Weighted Average Maturity	2.56 years	1.86 years	Number of Issues	570
Yield to Maturity	1.27%	0.33%	Weighted Coupon	2.27%
Effective Duration	2.03 years	1.81 years	Estimated Annual Income	\$55.6 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

September 2013

Sector Distribution

	<i>% of Portfolio</i> <i>08/31/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	14.1%	14.3%	100.0%
Other U.S. Government	7.0%	6.8%	0.0%
Taxable Municipal	2.9%	2.8%	0.0%
Corporates	13.8%	14.8%	0.0%
Asset Backed Securities (ABS)	15.0%	15.2%	0.0%
Commercial Mortgage Backed Securities (CMBS)	6.7%	8.8%	0.0%
Mortgage Backed Securities (MBS)	33.1%	31.4%	0.0%
Sovereign / Supranationals	0.8%	0.8%	0.0%
Cash / Equivalents	6.7%	5.2%	0.0%
Total	100.0%**	100.0%**	100.0%**

Top 5 Credit Exposure

	<i>% of Portfolio</i> <i>09/30/2013</i>
Royal Bank of Canada	0.6%
HSBC Holdings PLC	0.5%
General Electric Co	0.5%
Total SA	0.5%
JPMorgan Chase & Co	0.4%
Total	2.5%**

Total entity exposure – includes all related entities

Quality Distribution***

	<i>% of Portfolio</i> <i>08/31/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	85.2%	84.5%	96.6%
AA	6.8%	6.7%	3.4%
A	8.0%	8.8%	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

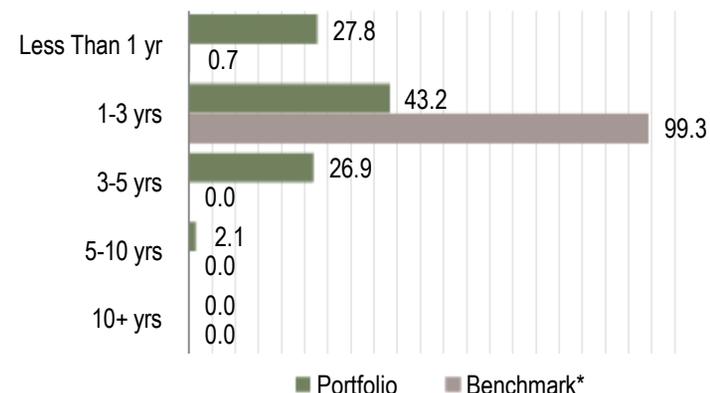
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

September 2013

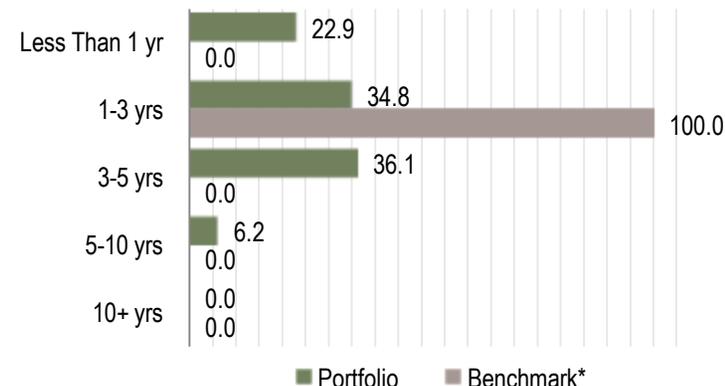
Duration Distribution

	<i>% of Portfolio</i> 08/31/2013	<i>% of Portfolio</i> 09/30/2013	<i>% of Benchmark*</i> 09/30/2013
0-1 yrs	30.0%	27.8%	0.7%
1-3 yrs	35.6%	43.2%	99.3%
3-5 yrs	31.9%	26.9%	0.0%
5-10 yrs	2.5%	2.1%	0.0%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio</i> 08/31/2013	<i>% of Portfolio</i> 09/30/2013	<i>% of Benchmark*</i> 09/30/2013
0-1 yrs	25.7%	22.9%	0.0%
1-3 yrs	28.7%	34.8%	100.0%
3-5 yrs	38.0%	36.1%	0.0%
5-10 yrs	7.6%	6.2%	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)

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.82	-0.92	-0.77	2.72	--	2.92
Benchmark***	0.76	-0.88	-0.71	2.58	4.95	2.77

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

**Performance Inception: August 01, 2010

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AA+	Total Assets	\$2,235.4 million
Weighted Average Maturity	4.43 years	5.13 years	Number of Issues	1090
Yield to Maturity	1.85%	2.01%	Weighted Coupon	3.17%
Effective Duration	4.02 years	4.26 years	Estimated Annual Income	\$63.7 million

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)

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	41.5%	39.7%	41.4%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	0.3%	0.3%	0.6%
Corporates	21.9%	21.8%	17.9%
Asset Backed Securities (ABS)	0.3%	0.3%	0.5%
Commercial Mortgage Backed Securities (CMBS)	3.8%	4.1%	2.0%
Mortgage Backed Securities (MBS)	31.6%	32.7%	33.5%
Sovereign / Supranationals	0.6%	0.6%	4.1%
Cash / Equivalents	0.1%	0.5%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	76.4%	76.4%	77.7%
AA	3.2%	3.3%	4.7%
A	11.8%	11.6%	9.2%
BBB	8.5%	8.8%	8.5%
< 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

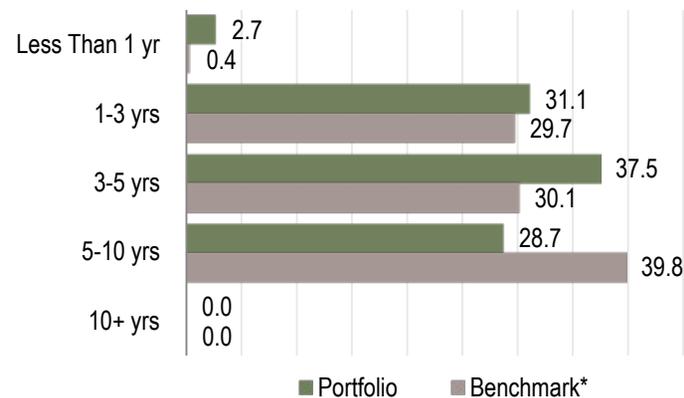
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

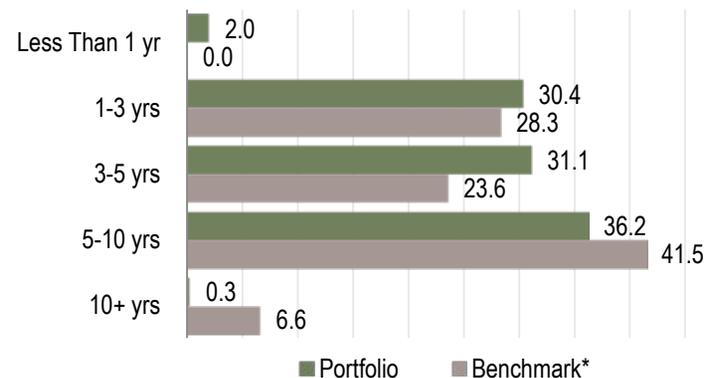
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	1.6%	2.7%	0.4%
1-3 yrs	33.4%	31.1%	29.7%
3-5 yrs	32.8%	37.5%	30.1%
5-10 yrs	32.2%	28.7%	39.8%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	1.5%	2.0%	0.0%
1-3 yrs	29.5%	30.4%	28.3%
3-5 yrs	30.2%	31.1%	23.6%
5-10 yrs	38.7%	36.2%	41.5%
10+ yrs	0.1%	0.3%	6.6%
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)

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.51	-2.24	-1.96	--	--	3.31
Benchmark***	0.76	-0.88	-0.71	2.58	4.95	3.08

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

**Performance Inception: February 01, 2011

***Barclays Capital Intermediate Aggregate

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA	AA+	Total Assets	\$1,183.0 million
Weighted Average Maturity	4.17 years	5.13 years	Number of Issues	300
Yield to Maturity	2.43%	2.01%	Weighted Coupon	2.53%
Effective Duration	4.54 years	4.26 years	Estimated Annual Income	\$28.5 million

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)

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	52.4%	0.0%	41.4%
Other U.S. Government	0.0%	0.0%	0.0%
Taxable Municipal	1.2%	0.0%	0.6%
Corporates	13.9%	0.0%	17.9%
Asset Backed Securities (ABS)	0.0%	0.0%	0.5%
Commercial Mortgage Backed Securities (CMBS)	0.0%	0.0%	2.0%
Mortgage Backed Securities (MBS)	42.1%	0.0%	33.5%
Sovereign / Supranationals	1.9%	0.0%	4.1%
Cash / Equivalents	-11.5%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	83.0%	80.5%	77.7%
AA	2.5%	3.0%	4.7%
A	12.3%	11.2%	9.2%
BBB	2.3%	5.2%	8.5%
< BBB	0.0%	0.0%	0.0%
NR/NA	0.0%	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

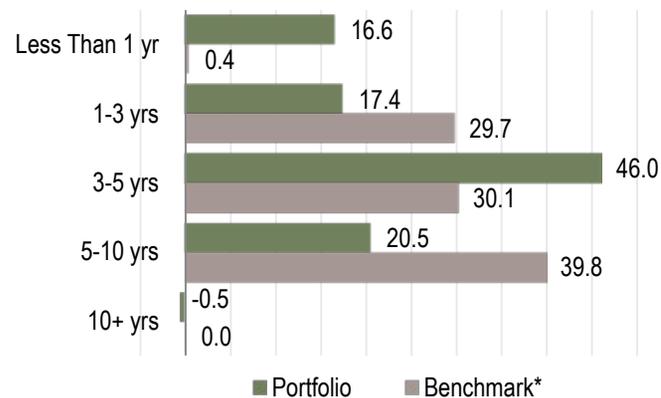
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

Third Quarter 2013

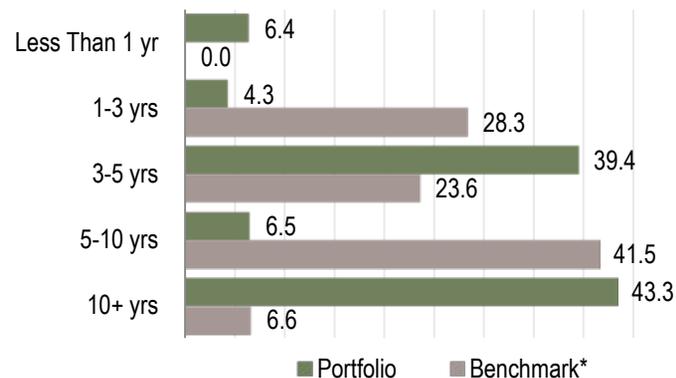
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	28.6%	16.6%	0.4%
1-3 yrs	29.9%	17.4%	29.7%
3-5 yrs	-17.9%	46.0%	30.1%
5-10 yrs	58.7%	20.5%	39.8%
10+ yrs	0.8%	-0.5%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	-11.8%	6.4%	0.0%
1-3 yrs	5.2%	4.3%	28.3%
3-5 yrs	3.7%	39.4%	23.6%
5-10 yrs	43.9%	6.5%	41.5%
10+ yrs	59.1%	43.3%	6.6%
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

Third Quarter 2013

Annualized Investment Performance*

Periods Ending September 30, 2013

	<i>3 Mos</i>	<i>YTD</i>	<i>1 Yr</i>	<i>3 Yr</i>	<i>5 Yr</i>	<i>Since Inception**</i>
Portfolio	0.76	-0.71	-0.65	--	--	1.87
Benchmark***	0.73	-0.88	-0.81	2.39	4.65	1.48

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

**Performance Inception: October 01, 2011

***BarCap Interm Agg Ex Baa

Portfolio Characteristics

	<i>Portfolio</i>	<i>Benchmark*</i>		<i>Portfolio</i>
Weighted Average Quality**	AA+	AAA	Total Assets	\$91.9 million
Weighted Average Maturity	5.32 years	5.12 years	Number of Issues	202
Yield to Maturity	2.53%	1.91%	Weighted Coupon	3.96%
Effective Duration	4.18 years	4.23 years	Estimated Annual Income Net of Amortization/Accretion	\$2.6 million

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

*BarCap Interm 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

Third Quarter 2013

Sector Distribution

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
U.S. Government/Agency Debentures	1.0%	1.0%	45.2%
Other U.S. Government	1.1%	3.8%	0.0%
Taxable Municipal	0.0%	0.0%	0.6%
Corporates	20.3%	24.2%	11.6%
Asset Backed Securities (ABS)	5.4%	6.1%	0.5%
Commercial Mortgage Backed Securities (CMBS)	1.7%	3.2%	1.9%
Mortgage Backed Securities (MBS)	66.5%	60.8%	36.6%
Sovereign / Supranationals	0.0%	0.0%	3.4%
Cash / Equivalents	4.0%	0.9%	0.0%
Total	100.0%**	100.0%**	100.0%**

Quality Distribution***

	<i>% of Portfolio</i> <i>06/30/2013</i>	<i>% of Portfolio</i> <i>09/30/2013</i>	<i>% of Benchmark*</i> <i>09/30/2013</i>
AAA	75.3%	71.7%	84.9%
AA	6.9%	8.6%	5.1%
A	14.5%	16.1%	10.0%
BBB	2.5%	2.9%	0.0%
< BBB	0.8%	0.8%	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 Intern Agg Ex Baa

**Column percentage may not add exactly due to rounding

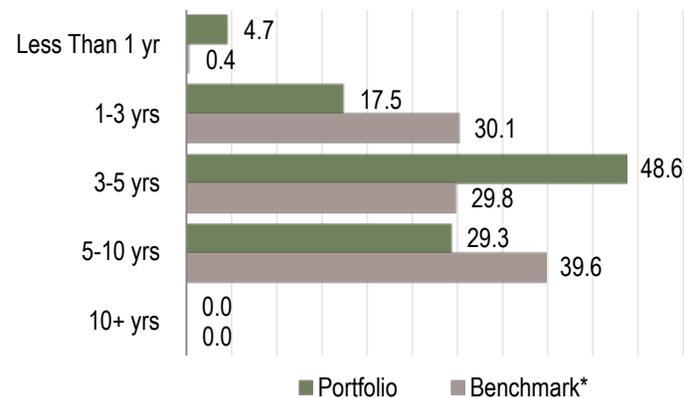
***The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings.

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

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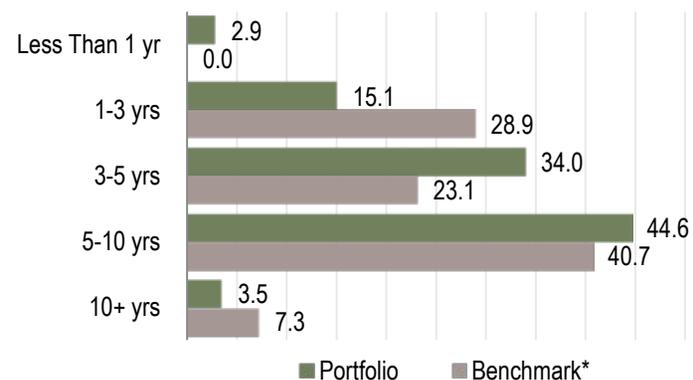
Duration Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	8.4%	4.7%	0.4%
1-3 yrs	14.9%	17.5%	30.1%
3-5 yrs	45.9%	48.6%	29.8%
5-10 yrs	30.8%	29.3%	39.6%
10+ yrs	0.0%	0.0%	0.0%
Total	100.0%**	100.0%**	100.0%**



Maturity Distribution

	<i>% of Portfolio 06/30/2013</i>	<i>% of Portfolio 09/30/2013</i>	<i>% of Benchmark* 09/30/2013</i>
0-1 yrs	8.0%	2.9%	0.0%
1-3 yrs	11.5%	15.1%	28.9%
3-5 yrs	28.0%	34.0%	23.1%
5-10 yrs	48.9%	44.6%	40.7%
10+ yrs	3.6%	3.5%	7.3%
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.

Portfolio Strategy and Positioning

Economic and Market Outlook

Economic Outlook

- | Economic growth appears to be holding steady in a 2 to 2-1/2% range. Fiscal drag from the continuing Budget Sequester has been more than offset by new job creation and improved consumer sentiment. Absent a negative shock, we expect modest growth to continue into 2014.
- | Recent improvement in labor market indicators has been amplified by a decades-low labor participation rate. The number of discouraged job seekers leaving the workforce is a signal that the recovery has not yet broadened to all areas of the economy.
- | Bernanke's "taper talk" in the 2nd Quarter pushed interest rates higher and put significant pressure on the capital-flow sensitive emerging markets. Meanwhile, Europe and Japan continue to show signs of improvement.
- | The Fed's decision to delay any taper of its asset purchase program is a boon to the "carry trade", but may signal the Fed's true belief that the nascent recovery is tenuous and still reliant on exceptionally low interest rates. Absent a significant drop-off in the economic data, we still expect the Fed to begin to taper its purchase program by year-end.

Anticipated Portfolio Strategy

- | Maintain neutral duration positioning. Hold modest flattening bias to take advantage of yield curve rolldown.
- | Following the recent rally in spreads, corporate bonds now look fair to slightly rich. We continue to favor high quality taxable municipals and bellwether financials.
- | Short AAA consumer ABS and structured U.S. government bonds, such as Export-Import Bank and SBA, remain attractive investments. In MBS, we continue to favor extension-protected trades such as 10-year pass-throughs and 15-year specified pass-through pools.
- | Short CMBS are attractive as recent increases in secondary market supply have provided opportunities to add seasoned deals.
- | We continue to reduce our TIPS position, given our expectation that inflation risks are more balanced and realized inflation has been muted.

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. 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
Portfolio Management

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
Partner
Portfolio Management

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.

Professional Biographies



Chad M. Foote, CPA (inactive)
*Senior Principal
Investment Operations
and Accounting*

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.



David H. Lui
*Principal
Contract Management*

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 Advisors 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 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 and is a named portfolio manager for the Wells Fargo Stable Return Fund and the Wells Fargo Managed Income Fund. 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. He also has extensive experience in fixed income analytics and 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. and is a CFA Charterholder.

Professional Biographies



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 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.



Nick Gage, CFA
*Senior Director
Client Services
Portfolio Management*

Nick is responsible for analysis of Galliard's stable value and fixed income portfolios and is a member of the portfolio management team responsible for Galliard's stable value products. 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.



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

Professional Biographies



Andrea Johnson, CFA, CIPM
Director
Portfolio Management

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
Senior Associate
Portfolio Management

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.

Appendix - North Carolina 401(k) Stable Value Fund

Third Quarter 2013

Total Annual Fund Operating Expenses

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

Expense	Expense Ratio 9/30/13	Per \$1000
Galliard Investment Management Fees	0.073%	\$0.73
Subadvisor Management Fees	0.065%	\$0.65
Investment Contract Fees	0.160%	\$1.60
Acquired Fund Fees and Other Subadvisor Investment Management Expenses	0.040%	\$0.40
-Investment Contract Fees	0.011%	\$0.11
-Other Acquired Fund Fees and Subadvisor Investment Management Expenses	0.029%	\$0.29
12b-1 Distribution Fee	None	None
Other Expenses	0.121%	\$1.21
Total Annual Fund Operating Expense*	0.460%	\$4.60

*Total Annual Fund Operating Expense will be reflected in the Fund's net asset value.

Appendix - North Carolina 457 Stable Value Fund

Third Quarter 2013

Total Annual Fund Operating Expenses

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

Expense	Expense Ratio 9/30/13	Per \$1000
Galliard Investment Management Fees	0.073%	\$0.73
Subadvisor Management Fees	0.067%	\$0.67
Investment Contract Fees	0.164%	\$1.64
Acquired Fund Fees and Other Subadvisor Investment Management Expenses	0.036%	\$0.36
-Investment Contract Fees	0.011%	\$0.11
-Other Acquired Fund Fees and Subadvisor Investment Management Expenses	0.025%	\$0.25
12b-1 Distribution Fee	None	None
Other Expenses	0.121%	\$1.21
Total Annual Fund Operating Expense*	0.461%	\$4.61

*Total Annual Fund Operating Expense will be reflected in the Fund's net asset value.