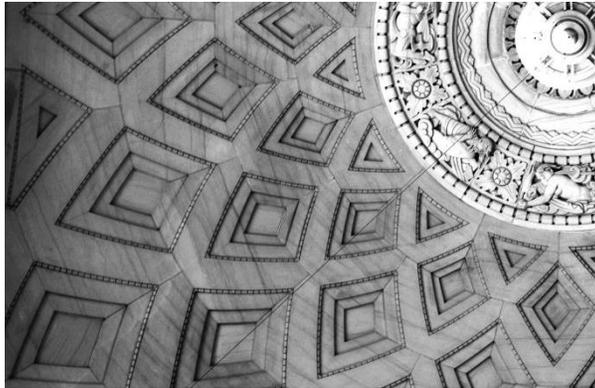




ARCHITECTS OF INVESTMENT SOLUTIONS



State of North Carolina

NOVEMBER 15, 2017

STATE OF NORTH CAROLINA

TABLE OF CONTENTS

SECTION I:	Galliard Capital Management Firm Update
SECTION II:	State of North Carolina Stable Value Fund Portfolio Review
SECTION III:	Relationship Milestones & Expense Disclosure

SECTION I

GALLIARD CAPITAL MANAGEMENT

WHO WE ARE

CLIENT ALIGNED STABLE VALUE & FIXED INCOME INVESTMENT SOLUTIONS FOR OVER 20 YEARS

\$93.9 B
TOTAL AUM

\$81.8 B
TOTAL STABLE VALUE AUM
120+ stable value separate accounts

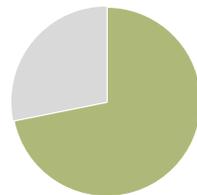
111
EMPLOYEES
ON STAFF

SENIOR PROFESSIONALS AVERAGE YEARS OF EXPERIENCE:
Stable value portfolio management team – **24**
Fixed income team – **20**
Contract management & negotiation team – **23**

STABLE VALUE & FIXED INCOME PRODUCTS • SEPARATE ACCOUNTS • COLLECTIVE FUNDS

240+
INSTITUTIONAL
CLIENTS

CLIENT RELATIONSHIP TENURE



~75% of our clients have worked with Galliard for greater than **5 years**
28 of those relationships exceeded **15 years** with Galliard

2017 NEW BUSINESS

10 new clients YTD

\$5.0 B new assets YTD

25 Fortune 100 clients

57 Fortune 500 clients

CLIENT TYPES CORPORATE • FOUNDATIONS/ ENDOWMENTS • HEALTHCARE • INSURANCE RESERVES • OPERATING FUNDS • PUBLIC ENTITIES • TAFT-HARTLEY

HIGHLIGHTS

Galliard is now a signatory to the United Nations-supported **Principles for Responsible Investment**

Galliard ranked in the **top 10** in Pensions & Investments report of largest managers of assets held by **100 largest corporate DC** plans
(The Corporate DC 100: The Largest Money Managers, published March 7, 2016)

Galliard **ranked #2** by total AUM in the Pensions & Investments rankings of stable value managers
(Largest Money Managers Report, published May 29, 2017, data as of December 31, 2016)

Data as of 9/30/17

SECTION II

STABLE VALUE PORTFOLIO REVIEW – STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

ANNUALIZED INVESTMENT PERFORMANCE*

Periods Ending September 30, 2017

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 - NAV Level)***	0.17	0.51	1.47	1.98	1.92	1.99	---	2.28
Merrill Lynch 3 Month T-Bill + 150 bps	0.21	0.64	1.71	2.18	1.83	1.73	1.99	1.70
3 Year Constant Maturity Treasury Yield	0.13	0.38	1.12	1.43	1.13	0.94	1.13	0.85

CALENDAR YEAR PERFORMANCE

Book Value Performance	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Portfolio (net of all fees - NAV Level)***	1.95	1.87	1.80	2.15	2.75	3.27
Merrill Lynch 3 Month T-Bill + 150 bps	1.84	1.56	1.55	1.58	1.62	1.61
3 Year Constant Maturity Treasury Yield	1.01	1.03	0.90	0.54	0.38	0.75

Market Indices

Merrill Lynch 3 Month T-Bill	0.33	0.05	0.03	0.07	0.11	0.10
Consumer Price Index	2.07	0.73	0.76	1.51	1.74	2.96

*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.

***Returns are net of all fees, including plan administrative reimbursement.

STATE OF NORTH CAROLINA STABLE VALUE FUND – MARKET VALUE COMPOSITE RETURNS

Third Quarter 2017

MARKET VALUE RETURNS

Period Ending September 30, 2017

	<u>1 Mos*</u>	<u>3 Mos*</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 Yr</u>
Portfolio Market Value (Gross Return)	(0.20)	0.65	0.89	2.07	1.59
Portfolio Market Value (Net Return)	(0.20)	0.63	0.81	1.99	1.51
Benchmark Market Value (Total Return)**	(0.29)	0.53	0.28	1.65	1.28

CALENDAR YEAR PERFORMANCE

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Portfolio Market Value (Gross Return)	2.10	1.19	2.98	-0.62	3.60
Portfolio Market Value (Net Return)	2.02	1.11	2.90	-0.72	3.53
Benchmark Market Value (Total Return)	1.49	0.95	2.66	-0.51	2.39

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

**The Blended Benchmark is a composite of each fund component's respective benchmark. The allocation to each benchmark is rebalanced monthly to reflect the relative weighting of each fund component at the beginning of the month.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

PORTFOLIO CHARACTERISTICS

Total Assets	\$2,518,727,516	Blended Yield (After fees)*	2.07%
Average Holdings Quality**	AA	Effective Duration	3.19 years
Number of Contract Issuers	5	Market/Book Value Ratio	100.87%

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

**The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the contracts and cash held by the portfolio as rated by S&P and Moody's.

SECTOR DISTRIBUTION

<u>PORTFOLIO DISTRIBUTION</u>	<u>CONTRACT VALUE (\$)</u>	<u>% OF PORTFOLIO 09/30/2017</u>	<u>% OF PORTFOLIO 06/30/2017</u>
Cash & Equivalents*	15,428,521	0.6	0.9
WF Stable Return Fund	169,286,585	6.7	7.0
Separate Account GICs	833,270,796	33.1	32.9
Intermediate Portfolio	833,270,796	33.1	32.9
Security Backed Investment Contracts	1,500,741,613	59.6	59.2
Short Portfolio	799,622,421	31.7	31.6
Intermediate Portfolio	701,119,192	27.8	27.6
Total	\$2,518,727,516	100.0%**	100.0%**

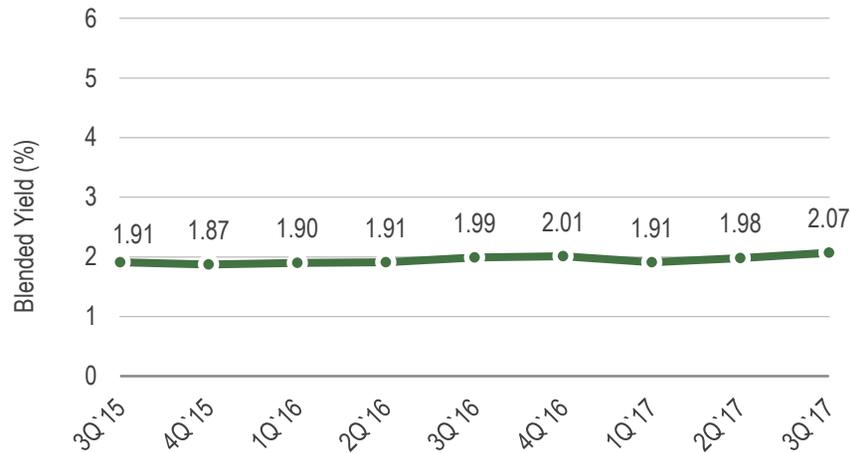
*Includes Receivables and Payables

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

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

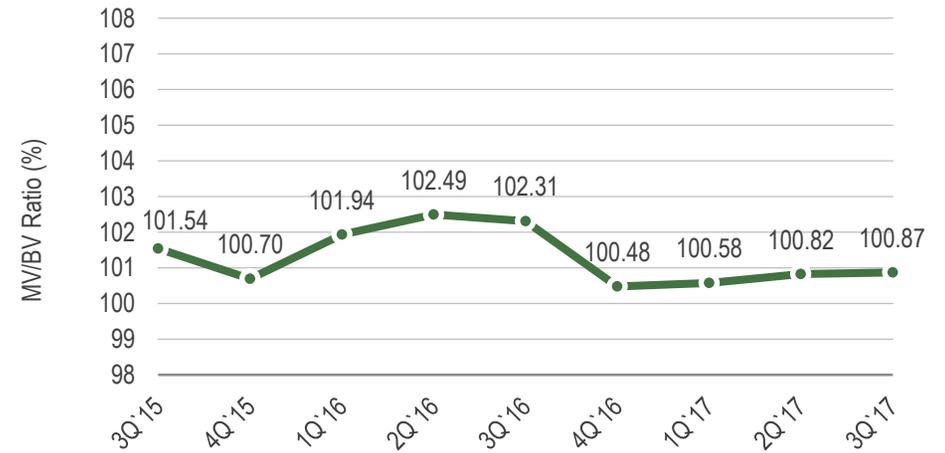
Third Quarter 2017

HISTORICAL BLENDED YIELD*

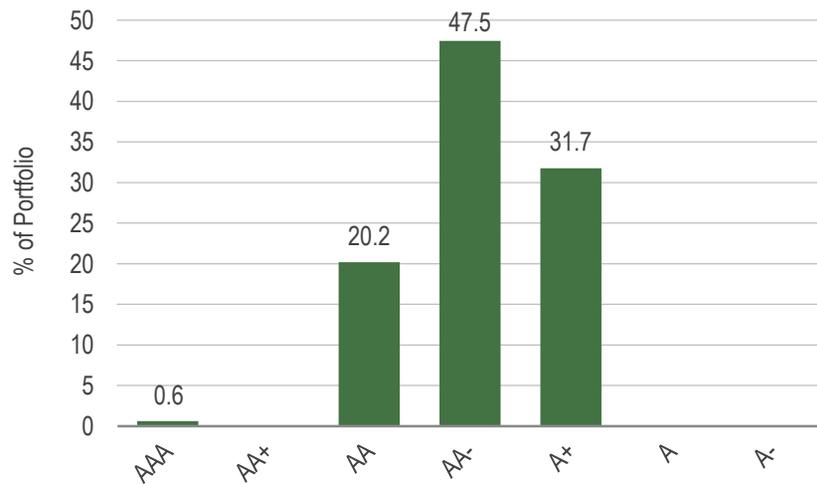


*As of quarter end. Blended yield is after investment management fees and wrap fees.

MARKET VALUE TO BOOK VALUE RATIO

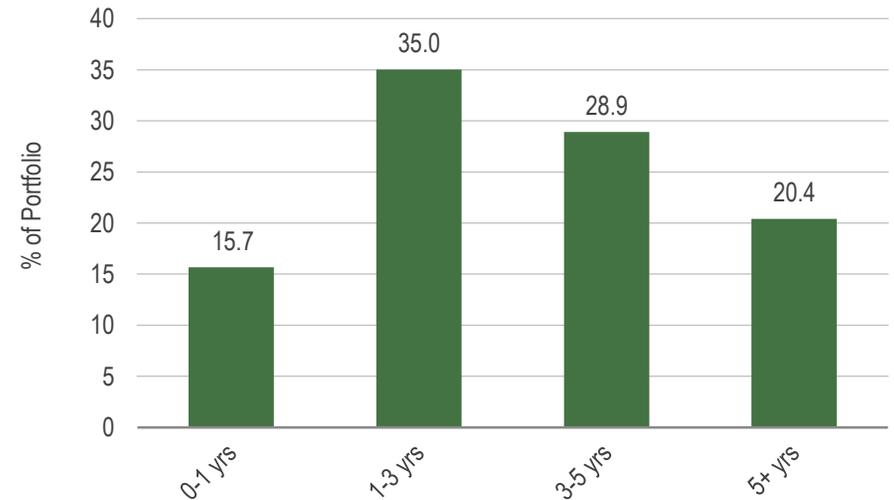


CONTRACT QUALITY DISTRIBUTION*



*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.

UNDERLYING DURATION DISTRIBUTION**

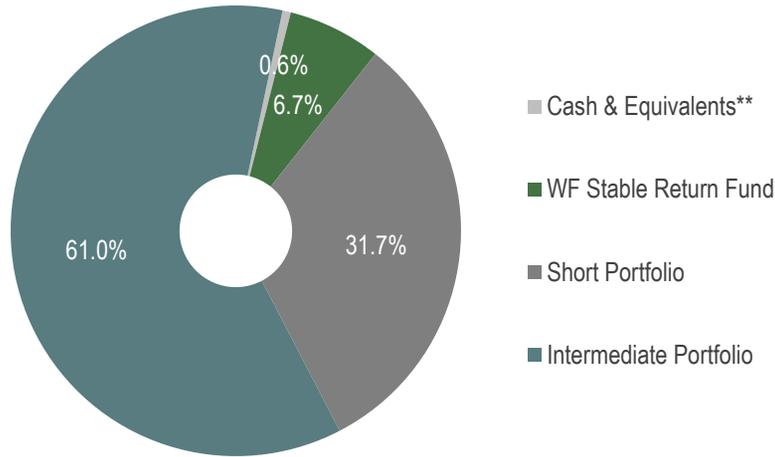


**Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

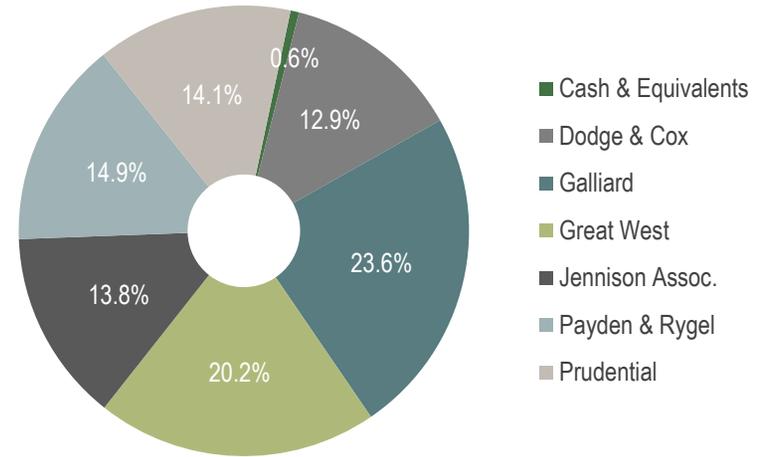
PORTFOLIO DISTRIBUTION*



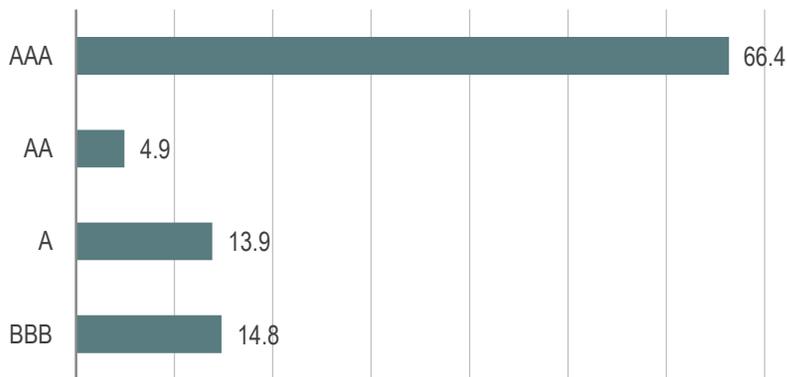
*Book value

**Includes Receivables and Payables

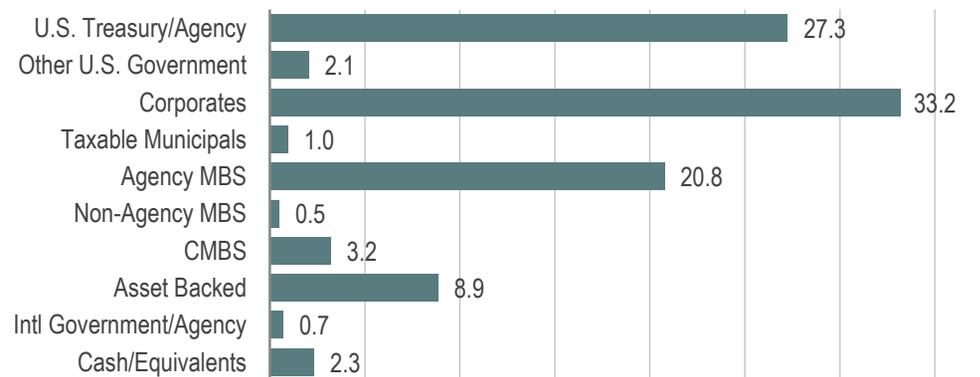
MANAGER DISTRIBUTION*



UNDERLYING FIXED INCOME CREDIT QUALITY*



UNDERLYING FIXED INCOME ASSET ALLOCATION**



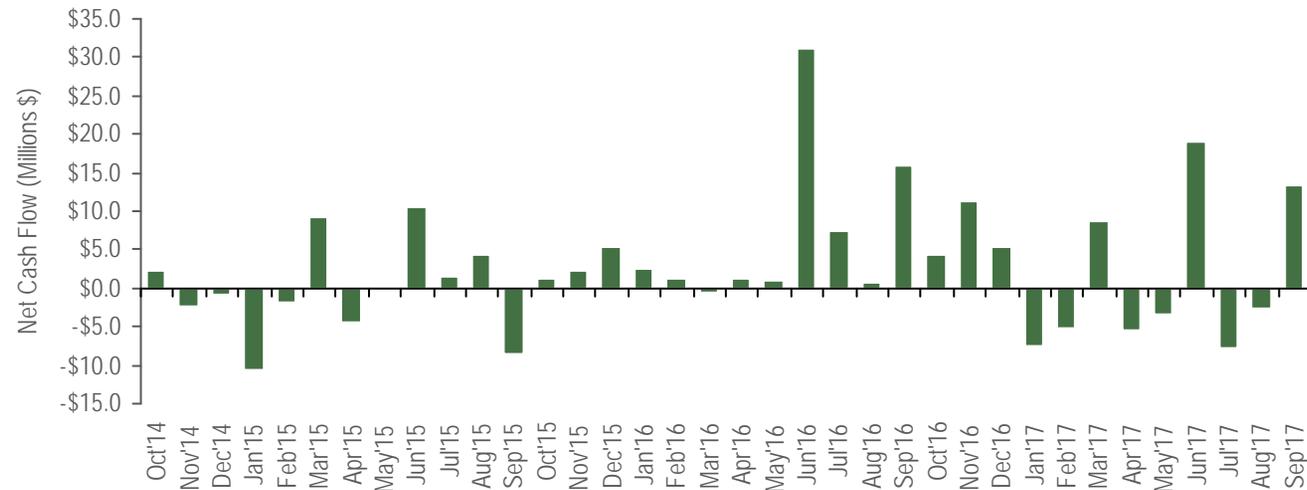
*Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers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

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

HISTORICAL CASHFLOWS



	YTD	2016***	2015	2014	2013
Beginning Assets	\$2,472.8	\$1,948.6	\$1,904.2	\$1,870.9	\$1,829.1
Net Cash Flow (\$)*	\$9.1	\$81.5	\$8.8	-\$0.3	\$2.4
Net Cash Flow (%)	0.37%	4.18%	0.46%	-0.02%	0.13%
Estimated Investment Earnings	\$36.8	\$46.9	\$35.7	\$33.6	\$39.4
Ending Assets**	\$2,518.7	\$2,472.8	\$1,948.6	\$1,904.2	\$1,870.9

*Contributions, Withdrawals and Investment Transfers

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

***Approximately \$395.8m of net inflow and transfer activity related to the 1/4/2016 merger of North Carolina 457 plan assets have been removed for illustrative purposes.

STATE OF NORTH CAROLINA STABLE VALUE FUND

MARKET VALUE PERFORMANCE SUMMARY

Short Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Payden & Rygel	0.44%	1.24%	1.25%	1.17%	2.00%	7/1/2009
Bloomberg Barclays U.S. 1-3 Yr. Govt/Credit	<u>0.34%</u>	<u>0.66%</u>	<u>1.05%</u>	<u>0.91%</u>	<u>1.43%</u>	
	0.10%	0.58%	0.20%	0.26%	0.57%	
Galliard*	0.46%	0.89%	1.54%	1.19%	1.96%	1/1/2010
Bloomberg Barclays U.S. 1-3 Yr. Government **	0.24%	0.27%	0.78%	0.65%	0.98%	
Bloomberg Barclays U.S. 1-3 Yr. Gov't/Credit	<u>0.34%</u>	<u>0.66%</u>	<u>1.05%</u>	<u>0.91%</u>	<u>1.30%</u>	
	0.22%	0.62%	0.76%	0.54%	0.98%	

Intermediate Duration

Manager	3 Months	1 Year	3 Years	5 Years	Since Inception	Inception
Dodge & Cox	0.96%	1.22%	-	-	2.21%	3/1/2015
Bloomberg Barclays U.S. Intermediate Aggregate	<u>0.72%</u>	<u>0.25%</u>	-	-	<u>1.80%</u>	
	0.24%	0.97%	-	-	0.41%	
Great-West Life***	0.68%	0.40%	2.21%	1.73%	2.28%	10/1/2011
Bloomberg Barclays U.S. Intermediate Aggregate****	<u>0.72%</u>	<u>0.03%</u>	<u>2.13%</u>	<u>1.60%</u>	<u>1.97%</u>	
	-0.04%	0.37%	0.08%	0.13%	0.31%	
Jennison	0.64%	0.43%	2.44%	1.75%	2.75%	8/1/2010
Bloomberg Barclays U.S. Intermediate Govt/Credit	<u>0.60%</u>	<u>0.23%</u>	<u>2.13%</u>	<u>1.61%</u>	<u>2.44%</u>	
	0.04%	0.20%	0.31%	0.14%	0.31%	
Prudential	0.87%	0.89%	-	-	2.75%	2/1/2016
Bloomberg Barclays U.S. Intermediate Aggregate	<u>0.72%</u>	<u>0.25%</u>	-	-	<u>1.83%</u>	
	0.15%	0.64%	-	-	0.92%	

*Returns shown are after investment management fees.

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

***Performance shown was provided by Great West.

****Linked Benchmark: Prior to 7/1/17 was Bloomberg Barclays U.S. Intermediate Aggregate A or Better.

STATE OF NORTH CAROLINA
SUPPLEMENTARY PERFORMANCE INFORMATION

THIRD QUARTER 2017

Fund Component	Benchmark Component	3Q'17 Weight	Portfolio Contribution to Gross Return	Portfolio Contribution to Net Return	Benchmark Contribution to Total Return
WF Adv Government Money Market	BofA Merrill Lynch U.S. 3 Month T-Bill	0.50%	0.001	0.001	0.002
Wells Fargo Stable Return Fund	50% BofA Merrill Lynch 1-3 Year U.S. Treasury Index, 50% Citigroup 3 Month T-Bill	6.27%	0.033	0.033	0.017
Dodge & Cox – ISA	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index	13.05%	0.124	0.121	0.093
Jennison – WF CTF 'N'	Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index	14.07%	0.089	0.085	0.084
Prudential – FI SA	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index	14.35%	0.123	0.119	0.103
Payden & Rygel – FI SA	Bloomberg Barclays U.S. 1-3 Year Government/Credit Bond Index	14.79%	0.064	0.059	0.049
Galliard – WF CTF 'F'	Bloomberg Barclays U.S. 1-3 Year Government Bond Index	16.84%	0.080	0.078	0.056
Great West – ISA	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index*	20.13%	0.135	0.133	0.132
Total Fund Market Value Return			0.650	0.629	0.537

*Linked Benchmark: Prior to 7/1/17 was Bloomberg Barclays U.S. Intermediate Aggregate A or Better.

STATE OF NORTH CAROLINA STABLE VALUE FUND MANAGER-LEVEL CHARACTERISTICS

Segment	Manager	Period	Book Value	Market Value	MV/BV Ratio	Market Value Yield	Duration (Years)	Book Value Crediting Rate*	
Short Duration	Payden & Rygel	6/30/2017	\$ 369,952,507	\$ 370,359,047	100.1%	1.73%	1.63	1.38%	
		9/30/2017	\$ 374,165,464	\$ 374,552,345	100.1%	1.79%	1.71	1.58%	
			\$ 4,212,957	\$ 4,193,298	0.0%	0.06%	0.08	0.20%	
	Galliard	6/30/2017	\$ 420,420,920	\$ 421,015,606	100.1%	1.93%	1.88	1.68%	
		9/30/2017	\$ 425,456,957	\$ 425,903,028	100.1%	1.94%	1.85	1.81%	
			\$ 5,036,038	\$ 4,887,422	0.0%	0.01%	(0.03)	0.13%	
	Intermediate Duration	Prudential	6/30/2017	\$ 348,847,133	\$ 356,966,194	102.3%	2.58%	4.14	2.61%
			9/30/2017	\$ 354,224,416	\$ 362,521,737	102.3%	2.60%	4.16	2.71%
				\$ 5,377,283	\$ 5,555,542	0.0%	0.02%	0.02	0.10%
Dodge & Cox		6/30/2017	\$ 320,488,489	\$ 325,004,196	101.4%	2.22%	3.38	2.53%	
		9/30/2017	\$ 324,772,952	\$ 330,025,585	101.6%	2.51%	3.74	2.59%	
			\$ 4,284,463	\$ 5,021,389	0.2%	0.29%	0.36	0.06%	
Great West Life		6/30/2017	\$ 502,367,711	\$ 501,328,441	99.8%	2.33%	3.40	2.15%	
		9/30/2017	\$ 508,497,844	\$ 508,005,593	99.9%	2.34%	4.00	2.11%	
			\$ 6,130,133	\$ 6,677,152	0.1%	0.01%	0.60	-0.04%	
Jennison		6/30/2017	\$ 342,525,560	\$ 350,497,494	102.3%	2.10%	4.16	2.61%	
		9/30/2017	\$ 346,894,777	\$ 355,020,409	102.3%	2.06%	4.20	2.71%	
			\$ 4,369,216	\$ 4,522,915	0.0%	-0.04%	0.04	0.10%	
Total Fund			6/30/2017	\$ 2,503,007,765	\$ 2,523,576,423	100.8%	2.13%	3.00	2.11%
			9/30/2017	\$ 2,518,727,516	\$ 2,540,743,804	100.9%	2.18%	3.19	2.20%
				\$ 15,719,751	\$ 17,167,381	0.1%	0.05%	0.19	0.09%

*Gross of Galliard, Payden & Rygel, and Prudential investment management fees.

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

ISSUER RATING SUMMARY

	<u>S&P RATING</u>		<u>MOODY'S RATING</u>	
	<u>9/30/2017</u>	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>6/30/2017</u>
American General Life Ins. Co.	A+	A+	A2	A2
Great-West Life & Annuity Ins. Co.	AA	AA	Aa3	Aa3
Metropolitan Life Ins. Co.	AA-	AA-	Aa3	Aa3
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1

STABLE VALUE PORTFOLIO REVIEW - STATE OF NORTH CAROLINA STABLE VALUE FUND

Third Quarter 2017

ISSUER RATING SUMMARY

AMERICAN GENERAL LIFE INS. CO.

- Solid capital levels
- Leading positions in most Life and Annuity products
- Brian Duperreault was appointed the new CEO of AIG (AGL's parent). Formerly CEO of Hamilton Insurance Group, Bermuda, he's also held senior leadership positions at Marsh & McLennan, ACE, and AIG and its affiliates. AIG is committed to its' turnaround strategy and not splitting the company.
- AIG's designation as a systemically important financial institution (SIFI) was removed by U.S. regulators, relieving it of additional oversight and capital rules that were still being finalized

GREAT-WEST LIFE & ANNUITY INS. CO.

- Aggressive dividend taking by the parent, combined with General Account growth, results in low capital levels and ratios
- Reliant on support from parent company, Great West Life Assurance, Co., the leading insurer in Canada

METROPOLITAN LIFE INS. CO.

- MetLife, Inc. completed its spin-off of Brighthouse Financial retail life insurance businesses on August 4, 2017. Metropolitan Life Insurance Company will remain with MetLife, Inc. MetLife's capital ratios fell as a result of the Brighthouse-related restructuring.
- The Financial Stability Oversight Council's appeal of the removal of MetLife's systemically important financial institution (SIFI) designation is slated to be reviewed by the Circuit Court by year end.
- On September 15, 2017, Met Life completed its purchase of Logan Circle Partners, a fixed income manager with \$37 billion in assets under management

NATIONWIDE LIFE INS. CO.

- Part of a leading mutual group that includes a leading Property & Casualty company
- Strong history of earnings

PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Continue to maintain above average capital ratios versus lower ratios following 2015 captive reinsurance transaction
- Prudential, as the last non-bank institution designated as a systemically important financial institution (SIFI), is expected to pursue relief from the U.S. Financial Stability Oversight Council following the FSOC's recent removal of AIG's SIFI-designation

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.

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO TRANSACTIONS

07/01/2017 - 09/30/2017

Asset ID	Issuer	Par Amount	Maturity*	Trade Date	Settle Date	S&P Rating	Moody's Rating
PURCHASES							
Security Backed Investment Contracts							
896994GW4	Nationwide Life Ins. Co.	2,920,000	N.S.M.	07/03/2017	07/03/2017	A+	A1
946996EE1	American General Life Ins. Co.	2,570,000	N.S.M.	07/03/2017	07/03/2017	A+	A2
744999CV3	Prudential Ins. Co. of America	4,800,000	N.S.M.	07/03/2017	07/03/2017	AA-	A1
Total Security Backed Investment Contracts		10,290,000					
Separate Account GICs							
391997NH2	Great-West Life & Annuity Ins. Co.	3,490,000	N.S.M.	07/03/2017	07/03/2017	AA	Aa3
590994VM8	Metropolitan Life Ins. Co.	2,220,000	N.S.M.	07/03/2017	07/03/2017	AA-	Aa3
Total Separate Account GICs		5,710,000					
TOTAL PURCHASES		16,000,000					

*N.S.M. = No Stated Maturity

STATE OF NORTH CAROLINA STABLE VALUE FUND PORTFOLIO HOLDINGS

September 30, 2017

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate/ Yield (%)	Maturity*	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fee (bps)
CASH & EQUIVALENTS												
FUNDAVAIL	Cash Receivable / (Payable)		-1,277,106	-1,277,106	100.0	-0.1	0.87		0.10	AAA	Aaa	
VP45600\$1	WF Adv Government Money Market		16,705,627	16,705,627	100.0	0.7	0.87		0.10	AAA	Aaa	
TOTAL CASH & EQUIVALENTS			15,428,521	15,428,521	100.0	0.6	0.87		0.10	AAA	Aaa	
STABLE VALUE FUNDS												
949907109	Wells Fargo Stable Return Fund G		169,286,585	169,286,585	100.0	6.7	2.05		2.50	AA-	Aa3	
TOTAL STABLE VALUE FUNDS			169,286,585	169,286,585	100.0	6.7	2.05		2.50	AA-	Aa3	
SEPARATE ACCOUNT GICS												
Intermediate Portfolio												
391997NH2	Great-West Life & Annuity Ins. Co.	Great West	508,497,844	508,005,593	99.9	20.2	2.11	N.S.M.	4.00	AA	Aa3	15.0
590994VM8	Metropolitan Life Ins. Co.	Dodge & Cox	324,772,952	330,025,585	101.6	12.9	2.59	N.S.M.	3.74	AA-	Aa3	20.0
Total Intermediate Portfolio			833,270,796	838,031,178	100.6	33.1	2.30		3.90	AA	Aa3	
TOTAL SEPARATE ACCOUNT GICS			833,270,796	838,031,178	100.6	33.1	2.30		3.90	AA	Aa3	
SECURITY BACKED INVESTMENT CONTRACTS												
Short Portfolio												
946996EE1	American General Life Ins. Co.	Payden & Rygel	374,165,464	374,552,345	100.1	14.9	1.58	N.S.M.	1.71	A+	A2	20.0
896994GW4	Nationwide Life Ins. Co.	Galliard	425,456,957	425,903,028	100.1	16.9	1.81	N.S.M.	1.85	A+	A1	21.0
Total Short Portfolio			799,622,421	800,455,373	100.1	31.7	1.70		1.78	A+	A1	
Intermediate Portfolio												
744999CV3	Prudential Ins. Co. of America	Jennison Assoc.	346,894,777	355,020,409	102.3	13.8	2.71	N.S.M.	4.20	AA-	A1	17.0
744999CV3	Prudential Ins. Co. of America	Prudential	354,224,416	362,521,737	102.3	14.1	2.71	N.S.M.	4.16	AA-	A1	17.0
Total Intermediate Portfolio			701,119,192	717,542,146	102.3	27.8	2.71		4.18	AA-	A1	
TOTAL SECURITY BACKED INVESTMENT CONTRACTS			1,500,741,613	1,517,997,518	101.1	59.6	2.17		2.90	A+	A1	
TOTAL PORTFOLIO			2,518,727,516	2,540,743,804	100.9	100.0	2.20		3.19	AA-	A1	

*N.S.M. = No Stated Maturity

SECTION III

STATE OF NORTH CAROLINA STABLE VALUE FUNDS RELATIONSHIP MILESTONES

2017

- Hosted SRP staff at Galliard offices for due diligence review
 - Negotiated lower contract fees with American General Life
-

2016

- Merged the 457 plan's Stable Value Fund into the plan's 401(k) Stable Value Fund
 - Amended the Galliard IMA to reflect relationship with the group trust. Amendment included Galliard investment management fee reduction
 - Transitioned Prudential enhanced index strategy collective trust to an active management strategy separate account. No change to benchmark (intermediate aggregate).
-

2015

- Added Dodge & Cox as sub-advisor to both the 401(k) and 457 Plan's stable value funds, replacing PIMCO
 - Facilitated closure of Great West Life open receivable
 - Negotiated lower contract fees with American General Life
-

2014

- Finalized Nationwide wrap contract to replace United of Omaha
 - Reduced Great West Life allocation to target (20%)
-

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

STATE OF NORTH CAROLINA STABLE VALUE FUNDS

RELATIONSHIP MILESTONES CONTINUED

2012

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

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
 - 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
 - Transition 401(k) Plan's Prudential investment to intermediate duration collective trust
 - Moved from declared rate to actual portfolio returns
-

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

STATE OF NORTH CAROLINA EXPENSE DISCLOSURE

TOTAL ANNUAL OPERATING EXPENSES

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

Expense	Expense Ratio (as of 9/30/17)	Per \$1000	Est. Annual Revenue
Investment Management Fees paid to Galliard	0.067%	\$0.67	\$1,681,502
Investment Management Fees paid to Non-Affiliated Investment Advisors	0.062%	\$0.62	\$1,565,355
Investment Contract Fees ¹	0.169%	\$1.69	\$4,245,986
Acquired Fund Fees ²	0.032%	\$0.32	\$795,232
-Investment Contract Fees	0.012%	\$0.12	\$309,634
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non- Affiliated Investment Advisors ³	0.019%	\$0.19	\$485,598
12b-1 Distribution Fee	None	None	None
Other Expenses	0.027%	\$0.27	\$671,866
Total Annual Fund Operating Expense⁴	0.356%	\$3.56	\$8,959,941

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

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

³Includes audit fees for the cost of producing a report by a qualified auditor

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